

Volvo witnesses a reversal of fortunes under Geely ownership: Emphasis on safety and made in Sweden brand boosts growth

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Abstracts

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SUMMARY

In 2010 Volvo was acquired by Geely from the Ford Motor Company. Volvo, which struggled financially in the latter years of Ford's ownership, has seen a strong reversal in its fortunes under the ownership of Geely in recent years. This case study analyzes the reasons for this turnaround.

KEY HIGHLIGHTS

Geely purchased Volvo from Ford for \$1.8bn in 2010, \$4.7bn less than in paid 11 years earlier

Sales of cars also have increased, rising from 373,525 units sold in 2010 to 571,577 in 2017, meaning the number of cars being sold by the company per annum has increased by more than 50% in the past seven years under the guidance of the company's new Geely appointed leadership

Geely has been key to emphasize the "Swedishness" of Volvo. Volvo regularly produces advertising campaigns in which Swedish celebrities participate and the "Made in Sweden" logo is emphasized.

The company's focus on safe and reliable cars also works in perfect conjunction

with the general positive opinion that most foreigners have regarding Sweden. This has boosted Volvo's reputation and sales of its cars.

SCOPE

Assesses Volvo's performance under the ownership of Ford

Looks at the reasons for Ford's decision to sell Volvo

Analyzes Geely's reasons for buying Volvo

Explores how employing a European management team has played a key role in Volvo's turnaround

Looks at how Geely has marketed the Volvo brand

Analyzes Volvo's performance under the ownership of Geely

REASONS TO BUY

Why did Ford sell Volvo?

Why did Geely buy Volvo?

How has Geely overseen a reversal of fortunes for Volvo?

What role has the new leadership team played in Volvo's recent success?

How has Volvo looked to position its brand post acquisition?

What are Volvo's sales volumes?

What are Volvo's revenues and net income?

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Catalyst

Summary

Geely purchased Volvo from Ford for \$1.8bn in 2010

Volvo was troubled under Ford and last managed to make a profit in 2005

Ford sold Volvo for \$4.7bn less than it paid

Volvo's financial performance has improved under Geely

Geely introduced an experienced team to take over Volvo after acquisition from Ford

Volvo's revenue and net income continues to increase under Geely ownership

Resurgence down to focus on safety, Sweden brand and improving industry conditions

Geely has adopted a decentralized approach encouraging the Volvo brand's ties to Sweden

Improving situation in the car manufacturing industry has boosted growth

Despite initial differences with Geely leadership, Volvo future looks stable and also electric

Differences emerged initially between Volvo leadership and Geely over the direction of the company

Electrification and increased partnerships with Geely owned companies is the future for Volvo

Conclusions

Impressive growth made possible by high level of autonomy, focus on Swedish identity, and improving market conditions

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About

Volvo's financial performance under Geely has witnessed a strong reversal. Despite some difficult years initially, the company's growth in revenue and net income in recent years has been very impressive. Volvo has been able to achieve this growth due to a number of reasons. A major factor is Geely being able to attract experienced European leaders to take over control of Volvo following the acquisition from Ford.

Despite initial “honeymoon frictions” these European leaders were then able to convince the Chinese owners to grant Volvo a large amount of autonomy and deemphasize Volvo's Chinese links, which was very important since the largest sales market for Volvo was Europe, and European buyers are traditionally suspicious of Chinese manufactured vehicles.

Volvo's growth in the coming years will also be boosted by the company being heavily involved in the development of other Geely brands. Some of these like the Lynk & Co cars will be electric and experience of being involved in the development of these brands will ultimately benefit Volvo as well, as it will successfully be able to integrate the technologies used in these brands without having to put its own cars out in the market as the guinea pigs for this new technology.

At the end of the day Volvo's immediate future is of an electric nature, and the company is looking to establish an early position in the electric vehicle manufacturing industry. State level incentives and support from Geely will allow Volvo to do just that in the near future.

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