Official name: Volvo Car Corporation / *Volvo Personvagnar.*

Owned by: Zhejiang Geely Holding Group Company Ltd.

Formerly owned by: Ford Motor Co.

Current situation: Once regarded as the builder of the world's safest but most boring vehicles, Volvo now makes poorly-built mid-range yuppie cars to compete with the likes of BMW and Audi. Much of Volvo's current range is still based on Ford vehicles. Volvo is not profitable and was off-loaded to Chinese Geely Motors for US$1.8 billion in late 2010, as part of the struggling Ford Motor Co's survival strategy. Geely wants to establish Volvo as a major Chinese brand, but Chinese sales are still desperately weak. For now, Geely is keeping the Volvo Swedish car plants open. For now.

Chances of survival: Poor. Correctly handled, Volvo could become a major player in China. Poorly handled, it could be dead in five years •

VOLVO

a brief history

Volvo was started in the 1920s by two former employees of the Swedish SKF ball-bearing company. The new car makers enjoyed considerable support from their former employers. Among the things sitting in an SKF office drawer were the registration papers for a dormant company called *Volvo*. This company was made available to the fledgling car makers and Volvo was born.

The first Volvo car, the P4, rolled off the lines in 1927.

The P4 was a relatively conventional vehicle, but Volvo quickly began innovating.

Whereas most car companies were developing cars that were either fast, stylish or cheap, Volvo wanted to build cars that worked properly as well. In a uniquely Swedish way, Volvo cars were developed with safety in mind.

It's hard to believe, but most cars of the era had brakes that weren't much more effective than those on a bicycle.

Volvo gained considerable attention with the groundbreaking PV60, launched in 1939. Among the advances during the PV60's life were modern-style hydraulic brakes. Models fitted with these new brakes had a warning triangle on the back, because drivers of cars with conventional brakes kept running into the back of them.

As production gradually resumed after the war, Volvo's small new model, the PV444, took off internationally and Volvo entered the boom years.

The larger-engined P544 was the first car ever to come out with seatbelts standard.

As Europe's other carmakers gradually resumed normal operations during the 1950s, Volvo faced stiffer competition. Volvo's bosses decided that innovation was the key. Safety was one area of importance for the cautious Swedes. Volvo's advanced safety features helped build Volvo's reputation internationally as a leader in this field.

With its image as a maker of safe cars, however, Volvo gradually eroded much of its image as an innovator.

This was sad, because Volvo also produced some rather stylish sports models.

In the early 1970s, the automotive world became vastly more complex and vastly more competitive. The European car market, which took twenty years to rebuild and reorganise after World War II, had returned to full capacity.

There were now sometimes more cars than customers. To survive, car companies began joining forces or buying each other.

Thus, Volvo bought the passenger car division of the Dutch company *DAF*. DAF's existing models were then successfully recycled as Volvos. During the early 1980s, the DAF-based Volvo 340 was a big hit in the UK.

However, unlike most of the other European manufacturers, Volvo was unable to successfully move upmarket. BMWs and Audis were the prized status symbols of the international affluent classes.

Selling cars at high prices to yuppies made BMW and Audi very rich.

Volvos stayed frumpy and frustratingly down-market. They gained a reputation as reliable and safe, but with boorish, boxy designs, sold to accountants and school teachers.

With time, Volvo's customers began to drift to other makes. As the safety of the average car increased, Volvo's unique feature – safety – began to have less appeal.

In the 1990s, Volvo's owners sold the car division to Ford, which set about reorganising the entire company. All new Volvos were then based on Ford vehicles. These new Volvos looked far more modern and desirable, but they were dogs.

Ford lost a spectacular amount of money on Volvo and eventually sold Volvo to Chinese-based Geely Holding Group.

Volvo quality has not improved since the Ford days: despite being offered as a luxury brand, Volvo was second-to-last in the 2012 American J.D. Power and Associates customer service index, and last for customer satisfaction.

And the losses continue. In early 2011, Volvo Cars announced ambitious plans to grab a large hunk of China's booming luxury market, predicting 422,000 sales in 2012.

Volvo was then forced to announce that its 2011 sales in China were just 47,140. To make matters worse, it transpired that 7000 of Volvo's stated retail sales were fake, reported by dealers eager to win Volvo's promised bonuses. Discounting the fake sales, all of Volvo's Chinese dealers collectively sold only 39,871 cars in 2011.

Volvo's 2012 total Chinese sales were 45,896 cars, or just over 10% of Volvo's bold prediction.

World-wide sales fell 6.1% in 2012 to about 422,000 vehicles. Volvo is currently losing money as well as market share. In recession-plagued Europe – which accounts for half of Volvo's global sales – Volvo is still selling cars, but the competition is fierce and margins are paper-thin.

Volvo's sales in the critical American market are just as dire. In 2014, Volvo sold just 56,366 vehicles in the US, down from a peak of 139,067 in 2004. The situation in America is so bad that Volvo may soon have to withdraw from the US market entirely.

Therefore, the Chinese market is critical to Volvo's success. Volvo's owner – Geely – is well connected within China and enjoys widespread support from both the government and bankers.

For now, Geely is putting on a brave face and is showing off its new Chinese Volvo plant, which is intending to eventually employ 2,500 workers building 120,000 cars a year.

There are reasons for optimism, but they're outweighed by reasons for pessimism.

On the positive side, China is now the world's largest market for luxury cars, and is keeping many European car makers afloat.

However, no market can keep growing forever. Every economy must always reach a point where growth turns to recession. In the case of China, there are many signs that the spectacular period of growth is coming to an end.

Much of the wealth that has driven China's luxury car market is paper wealth; that is, figures on a sheet of paper rather than actual assets.

For example, many of China's millionaires have grown rich from property. China is now littered with sparkling property developments that sit largely empty. In Beijing alone, there are said to be nearly four million vacant homes.

Luxury car ownership is a boomtime activity.

History has shown that property booms tend to end in property busts, which often take down whole economies in the economic tsunami that follows.

All luxury car sales suffer during economic recession. Volvo has failed to make money during China's boom. What chance does it have during a Chinese bust? •