
General Motors and Fiat Chrysler Automotive

To Merge or Not To Merge: Fiat Chrysler Automotive and General Motors

Throughout the age of automobiles, there hasn't been a tremendous change or upheaval in the hierarchy of the automotive industry. There has been a steady and reliable collection of companies from a number of countries that have stuck around since their inception. Only a handful of small manufacturers have come and gone in over a century of the automobile industry. On the other hand, in just the last two decades, one American manufacturer has merged twice with foreign companies, one of which proved unsuccessful. This company is Chrysler, which encompasses the Chrysler, Dodge, Ram, SRT (a performance division for the other brands), and Jeep brands. The first partnership, with Daimler-Benz of Germany, lasted roughly a decade and proved unsuccessful in the long run, as with all unsuccessful business ventures the problem was a lack of profit. The second merger, with Fiat Automotive of Italy, which was set in motion in 2008 and finalized in 2014, has proved largely beneficial for both sides. Although the FCA (Fiat Chrysler Automobiles) merger has been successful for both sides, all of their vehicles are last in sales compared to their counterparts from other companies. Unfortunately, FCA is again looking to merge, this time with another American manufacturer, General Motors. This idea has been discussed for the past six months, as FCA tries time and time again to merge with GM. This merger would leave Ford as the only American manufacturer left standing from 'the Big 3' which is Ford, GM, and Chrysler. This in turn means that Ford would also eventually merge with the FCA-GM company, leaving one giant American super-manufacturer. If Ford chose not to merge with FCA and GM this could lead to the disappearance of the Ford name for the first time since Ford began making cars in 1908 (History). For that reason, it is inevitable that Ford would merge with FCA and GM, assuming the merger between FCA and GM occurs.

To preface this argument, my father has been in the auto finance business for his entire career. For this reason, I have been immersed in the automotive culture for my entire life, my brother, my father, and I frequently converse about cars for hours on end. In addition, my father has worked for two of the three major auto companies in America, Ford first and Chrysler more recently. As a result, I have a deeper insight into the workings of Chrysler and Ford than the average automotive fan of my age. There have been many times in the past decade where my father, my brother, and I have discussed the plans and actions of Chrysler regarding their vehicles and their ownership or partnerships. Although I believe useful information could have been gained from speaking with my father regarding this topic, I did not discuss this idea with him throughout the process of this paper. Even though the information from my father would have been useful, I also believe his information would be biased towards Chrysler because of his experience with the company. Currently, my father works for Wells Fargo Dealer Services which deals with the entirety of brands marketed in America and has more accurate information about the breadth of the American automotive industry.

The partnership between FCA and GM could potentially be a very successful one. FCA is already the combination of five brands, formerly six with Ferrari breaking off for stock purposes. Fiat Chrysler Automotive could be made even more powerful by adding four more brands. If this merger occurred, the brands included would be: Fiat, Chrysler, Jeep, Dodge, Ram, Buick,

Cadillac, Chevrolet, and GMC. Two of the three American manufacturers would join forces and discover technological advances unimaginable by current automotive standards. By merging two massive entities, the ideas and technologies from each could be combined to further the technology currently available in the automotive market. These advances are not possible without a merger between two large companies because the sheer amount of money, manpower, and research & development is not feasible with one sole company. Lastly, a merger would be mutually beneficial for all sides involved because sales would not be taken from one brand or another, the revenue would be shared so any sales benefit all parties.

Creating an even larger, more powerful American automaker would be beneficial not only for the American automotive industry, but also for the American economy as a whole. Although a partnership between GM and FCA would leave Ford alone as the sole American major auto brand (Tesla is not a major brand yet) it is possible that Ford would team up with the FCA/GM group in the future. The potential FCA and GM group would rival the massive auto conglomerates of Europe and Asia. There are two major groups that control a majority of the brands of their continent, Volkswagen in Europe and Toyota in Asia. The brands Volkswagen Auto Group owns includes: Volkswagen, Audi, Bentley, Lamborghini, Porsche, Seat, Skoda, and a couple more small commercial vehicle companies. Conversely, Toyota is in sole ownership of: Toyota, Hino, Lexus, Ranz, and Scion (although Scion was dissolved into the Toyota brand roughly a month ago). Essentially, there are 14 companies that control the entirety of vehicle sales across the globe (Murrell). In other words, the FCA and GM group would be one of the most powerful auto companies in the world, if not the most powerful outright. After the merger, the FCA and GM group would own a total of 15 brands that are sold in the United States, 24 adding the brands that are not marketed in the United States. With this partnership, FCA/GM would own more brands than Volkswagen Auto Group, creating the potential for a greater economic impact than that of any other company. Having a great American auto manufacturer again would benefit the American economy, bringing more money into the country as opposed to that money going to a foreign automaker. There has not been an American manufacturer with this much potential power since the early years of Ford in the 20th century, before foreign cars began to be imported. This partnership would put FCA/GM on that same level as early Ford, once again making America a force to be reckoned with in the automotive industry. The automotive industry is one of America's major exports, American-made vehicles are on roads all across the globe. Creating more revenue for one of America's major exports would therefore create more wealth for the country as a whole, benefitting all aspects of life. Although it may not appear that the automotive industry has a major everyday impact, without American-made cars, the country would not be where it is today. In addition, a modern country without an effective, individual mode of transportation cannot possibly progress on pace with other countries in today's modern, fast-pace world.

Across the globe, there are groups of people that exclusively remain loyal to one brand or a conglomerate of brands such as GM or Volkswagen. These brand loyalists could prove a problem for a merger between FCA and GM because these people might not like the idea of a rival company working on their coveted vehicles. For example in America, the traditional "middle-age crisis car" is the Chevrolet Corvette; generally, when a man or woman reaches the age demographic of 40-60 they get the urge to purchase a sports car. The Chevrolet Corvette is the iconic American sports car, the name Corvette is synonymous with America. According to autoblog.com, the Toyota Corolla is the highest selling car in history, the rest of the list includes in ascending order: the Ford F-Series, Volkswagen Golf, Volkswagen Beetle, Ford Escort, Honda Civic, Honda Accord, Ford Model-T, Volkswagen Passat, and Chevrolet Impala

(autoblog.com). To extrapolate, the Toyota Corolla is the one number one selling car in the history of automobiles and it could be said the Corolla is synonymous with the country of Japan. Although the Corolla and Corvette are two very different categories of cars, subcompact or compact and sports car respectively, the two are still associated with their respective countries comparably. In that top 10 list from autoblog.com, there were four cars from American manufacturers, two from Ford and two from GM. On the other hand, there are four cars from the FCA and GM group's potential rivals, Toyota and Volkswagen, one from Toyota and three from Volkswagen. Although there are no vehicles from FCA, having two from GM would make up for the new group's lacking of all-time sales. With this partnership, there is the potential for FCA to enter the list of top-10 vehicle sales, or for GM to add another vehicle or more to this list. Even though all-time sales are not the most important for the present, all-time sales allow for bragging rights and a greater reputation as a company. To evaluate overall success of an auto manufacturer all-time sales could be used, but current success is almost as important success over time. Consumers have a short memory and prefer to go with the status quo when purchasing a new car, as opposed to going out on a limb to purchase a car without a high esteem (such as early Tesla adopters). This reluctance to go out on a limb would be beneficial for FCA/GM because they would gain the brand loyalists from all brands instead of their separate, respective brands. This addition of brand loyalists would create an even larger revenue stream and provide the opportunity for many advances and changes in the automotive landscape.

A merger between two previously successful companies makes business sense. The success of the two companies can be combined and refined in order to manufacture even more success for this new company. This partnership would differ from the Daimler-Benz and Chrysler merger in that it is the merging of two already successful companies, compared to the merging of one successful company and one not-so-successful company. Because this merger is already in discussion, there is a wealth of information and sources about this topic. In one article from Motor Trend, the author discusses the possibility of FCA and GM merging, and his outlook was not as positive as mine. In fact, the author Angus MacKenzie has a very negative tone and outlook on this idea, positing "This is swashbuckling, freewheeling American capitalism at its best, and there's a lot of money to be made by the bankers and lawyers and shareholders who are in on the deal. There's just one small problem: The merger would be a disaster for GM (MacKenzie 1). MacKenzie uses words such as swashbuckling, disaster, and freewheeling, but does not back up his claims with evidence. It is clear that this author has a bias towards GM and would not like this merger to happen. MacKenzie goes on to say that GM does not need FCA because the FCA products do not sell as well as their counterparts in the U.S. and GM already has an extremely diverse product line. It is the opinion of this author that GM should not merge with FCA because it would not be beneficial for GM, but this would not be the case if a merger did occur. The partnership between FCA and GM will be successful because the two company's product lines can compliment one another. Although there is overlap between the two product lines, the FCA vehicles can fill in where GM does not already have a vehicle and vice versa. The new and improved product line is an advantage for both companies because this plan would create a perfect product lineup consisting of every type of vehicle. A complete lineup would attract more potential buyers and create a more well-rounded lineup in terms of fuel economy and fun, track-focused versus serious, business-oriented vehicles. Although the author of this article does not believe a GM/FCA partnership would benefit GM, the opportunity for success is there for the taking.

As stated previously, the talks of a merger between Fiat Chrysler Automotive and General

Motors have been in the words for several months. In an article in USA Today, Nathan Bomey outlines that General Motors is not currently interested in a merger with Fiat Chrysler Automotive

Overall, a partnership between General Motors and Fiat Chrysler Automotive would be beneficial not only for those two companies, but for America as a whole. This partnership would create the most successful automotive company in America, potentially across the globe, in the history of automobiles. It is essential that America have an automaker that rivals those of Europe and Asia in order to keep up in sales and stay in business. The FCA and GM company would rival Volkswagen Auto Group in Europe and Toyota and Honda in Asia, creating a more competitive automotive environment. Because competition breeds excellence, the future of the automotive industry would be ripe with technological advances and improvements made to all cars, improving the way of life in America and across the globe. Therefore, it is recommended that Fiat Chrysler Automotive and General Motors merge in the next few years, giving the two time to work out the details of the merger. Because a merger resulting in one company having control of 15 brands in America would be difficult to manage, a lengthy negotiation process will be necessary, but the result would be the most powerful automotive company in America.