

Nissan exec: turnaround plan working, US factories to grow

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Nissan North Americas Chairperson Jérémie Papin speaks in Canton, Miss., on Feb. 17, 2022. In May, Nissan reported its first fiscal year profit in three years, and Papin says North America was a big contributor. U.S. sales, however, have struggled as a global shortage of computer chips has hampered automakers' production. Credit: AP Photo/Rogelio V. Solis, File

Two years ago, struggling Nissan Motor Co. announced a restructuring plan to cut costs and revamp its aging model lineup in an effort to rebuild sales as the coronavirus pandemic eased.

Jérémie Papin, the company's chairman for the Americas, says the turnaround is happening. In May, Nissan reported its first fiscal-year profit in three years, and Papin says North America is a big contributor.

U.S. sales, however, have struggled as a global shortage of computer chips has hampered automakers' production. Plus, Papin says Nissan is getting out of the business of selling a large number of vehicles to rental car companies at low profit.

He talked about Nissan's future, the chip shortage, and the need for U.S. electric vehicle factory capacity. The interview has been edited for length and clarity.

Q: First-quarter U.S. sales were down almost 30%. Is that because of the chip shortage and supply chain issues?

A: Any performance on a quarterly basis is going to be a function of the chips that are available. The performance is in no way reflective of the interest and the level of customer demand that we are having. The company is delivering its outperformance because of all the work that's been done on efficiency, getting the customer to buy value.

Q: Leadership in Japan has said you're going to need a new U.S. factory to meet electric vehicle demand. What's the status of that?

A: We see customer demand for Nissan products to be 40% EV in 2030. I would expect other investments in Canton (Mississippi assembly plant). I would expect other investments in Smyrna (Tennessee assembly plant). I would expect other investments in Decherd (Tennessee powertrain

plant). As we are successful, that's the condition where there may be a need for a third assembly plant by 2030.

Q: What about battery plants?

A: The batteries that are for the products that are built in the U.S. will be built in the U.S.. The announcement for who would be the supplier in Canton, we will be doing in the next few weeks, months. We want a U.S. battery supplier. We're working on finalizing that.

Q: It used to be that there were a lot of Nissan vehicles on rental car company lots. Those sales aren't as profitable as retail sales to individuals. Are you cutting rental business?

A: I would say today we're a third of what we used to be. We increased the profitability per unit. We are a smaller company, but we are a much healthier and more profitable business that can invest in its future.

Q: Have you seen any change in consumer buying habits with the recent inflation, interest rates, or gas price increases?

A: There will be an impact from increasing monthly payments because most of the cars are financed. Clearly there will be an impact on customers' ability to pay. It's going to be a balance between the affordability of the monthly payment and then the pent-up demand.

Q: Because there's limited new-vehicle inventory, people are paying sticker price for cars. Do you see this as a permanent change rather than haggling over price?

A: It's not what people want. People are used to transparency of their pricing, getting things on time and fast. I can't elaborate on what will happen to incentives. The strategy we want is one where we don't need

the incentives of the past to sell the cars. It's fully digitalized, and when you do that, there's pricing transparency because there's been no discussion of price. You either are interested and we help you with the financing, or you're not interested. I think there has never been a reset the way it's been reset today. And I think the whole industry, including the customers, are fine.

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