

FEATURE OF THE MONTH

Move Over Toyota, G.M.'s Back



For most of the second half of the 20th century, one automobile company dominated the global industry: General Motors. With its traditional brands -- Chevrolet, Pontiac, Oldsmobile, Buick and Cadillac - G.M. had always consistently warded off stiff challenges from, mostly, Ford Motors. But while fending off Ford, another automaker was looming ever-closer in its rear-view mirror: Toyota.

For years now, G.M., along with Ford and Chrysler, have been buffeted by issues such as fuel economy, labor unrest and the emergence of Japanese auto companies, which also includes Honda and Nissan. But it was Toyota, which ultimately kicked down the door and broke G.M.'s stranglehold on the top spot.

In the first half of 2007, the Japanese auto giant sold more cars than G.M. around the world to take the number one position. It did not last long. Toyota lost its slender margin during the third quarter.

G.M. regained its position as the world's largest car maker in what has become a close race between the two rivals. They sold 7.06 million vehicles through September, taking a lead of 10,000 units over Toyota's 7.05 million. At the end of the first half, Toyota had led by 39,000 vehicles.

Sales by Toyota in the United States, its biggest overseas market, fell each month of the third quarter, the longest run of declines in more than a decade. They were hit in the last quarter by a near 5% drop in sales in the U.S. They also recently suffered the defection of three key executives to competitors.

G.M., again, suffered from sliding U.S. sales in the latest quarter, but is selling record numbers of vehicles in several emerging markets. The U.S. car maker said late last month that it was heading for its second-best annual global sales performance. The company

recorded peak sales of 9.55 million vehicles in 1978 and sold 9.1 million last year.

The largest boost came from its Latin America, Africa and Middle East region. Sales there advanced 22%, to 329,398 units. That includes a 29% increase in Brazil. G.M. plans to spend \$500 million through the next three years in South America.

Sales in G.M.'s Asia-Pacific region, which includes Australia, gained 16%, to 327,522. G.M. said it expected to reach sales of one million in China by the end of the year. Sales by G.M. in North America, its largest market, did decline 6.1% during the quarter, to 1.21 million vehicles.

Executives at Toyota have sought to downplay the neck-and-neck nature of its battle with G.M. by referring to this past quarter as a "slight lapse." They are still aiming to achieve annual group sales of 9.42 million units, a target that would probably allow it to steal the title of the world's top car maker back from GM by the end of the year.

They attributed the "lapse" to sluggish sales of its Corolla compact, which is at the end of its model lifespan, and of Scion, its U.S. youth brand, which is also ready for a makeover. The Corolla, one of Toyota's best-selling vehicles, suffered a 29% drop in sales this year.

GM spokesman John McDonald released a statement indicating that the company wasn't particularly concerned with whether it was in first or second place in the sales count.

"We're not focused on being No. 1," he said. "We like being No. 1. We've been No. 1 for 76 years. But while it's a real interesting story to the media, I don't know a single customer who uses that criteria when making the decision on where to buy a vehicle."

Tom Libby, senior director of industry analysis for J.D. Power, said that the fact that G.M. moved back ahead in the race does not mean its competitive challenge from Toyota is over.

"This may very well go back and forth from quarter to quarter," he said.

"It's obviously a very competitive situation. To draw any major conclusion after a quarter or even three quarters is premature."

