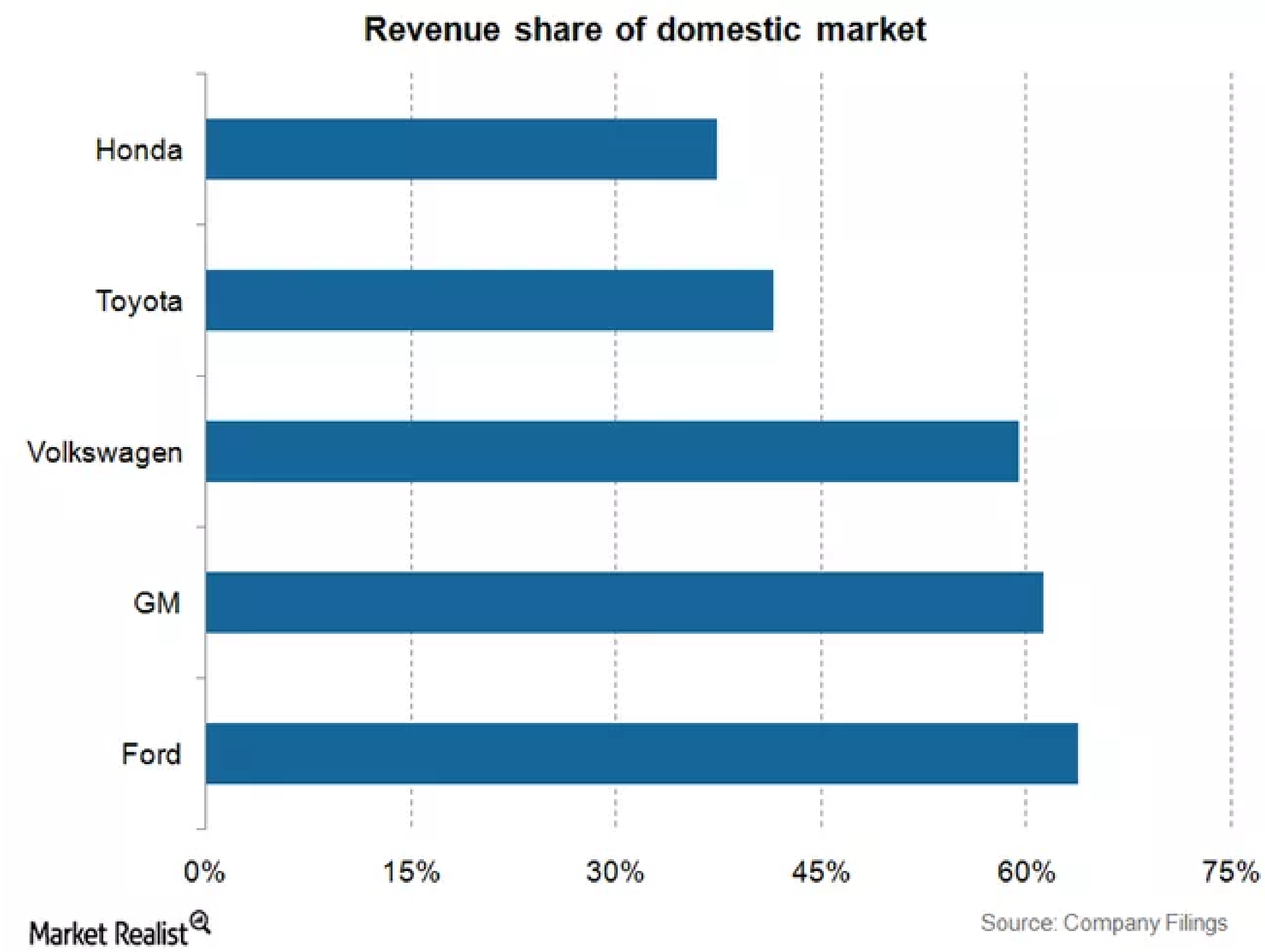
Global automakers dominate in their own country

By Henry Kallstrom | Feb 5, 2015 2:39 pm EDT

Home sweet home

The world’s top auto manufacturers generate most of their revenue from their home markets. Volkswagen is the biggest company in terms of revenue. It realized 59.4% of its top line from Europe.

General Motors (GM) and Ford (F) continue to be North America-focused manufacturers. GM generated 61.2% of its revenue from its GMNA (General Motors North America) operations in 2013. This was up from 57.7% in 2011. For Ford, 63.8% of its sales came from North America in 2013.



Japanese manufacturers seem to be bolder when it comes to venturing beyond their home region. Toyota (TM) generates 41.5% of its revenue from Japan and the rest of Asia. However, the company also has a significant presence in North America. The North American region contributed 30.8% to Toyota’s sales in 2013.

North America is the most important market for Honda (HMC). The region contributed to 47% of Honda's revenue. Only 37.4% of Honda's revenue came from Japan and other Asian countries.

The Fidelity Select Automotive Portfolio (FSAVX) invests in General Motors and other global automakers around the world.

Why automakers resist going all out?

In the 1980s, the US, Europe, and Japan together manufactured 90% of the world's vehicles. Since these were the biggest markets, the global automakers spawned from these regions. Today, these three regions' shares decreased to 54%. This was mainly due to the emergence of high-growth BRICS (Brazil, Russia, India, China and South Africa) countries.

Vehicle manufacturing requires significant investments. It requires a lot of trust in the government machinery. Emerging markets have been known to have unstable governments and a lack of clarity in policies. This deters automakers from going full throttle. Companies took the safe road. They grew slow on investments.

Another major hurdle is the volatility of emerging market currencies. Since automakers operate on thin margins, foreign currency depreciation hurts earnings significantly. Global automakers' dependence on domestic markets is gradually reducing. Global automakers are asserting their presence in new high-growth markets.

The next two parts of this series, we'll discuss the companies that are holding their own in the second largest automotive market in the world.