Continental + Siemens VDO: A Match Made in Heaven?

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Earlier this year the fairytale came true for Continental AG when its takeover bid was accepted by Siemens VDO â€“ or did it? Continental bested TRW Automotive in the duel to acquire Siemens VDO in late July 2007. This acquisition is the largest in automotive history, and it remains to be seen if it really is a match made in heaven.

According to analyst Helena Perslow of IMS Research, â€œContinental has every reason to celebrate â€“ it has managed to clinch the deal â€“ but for Siemens VDO it might be a different story.â€• Perslow continues, â€œFor Siemens VDO there will be some changes â€“ some of which may come as an unwanted surprise.â€•

One of those surprising changes happened just a few weeks ago when it was announced that Siemens VDO head Wolfgang Dehen will be leaving, along with three out of four members of the management board.

If the top men are not sitting safe, what of the rank and file? Union voices have expressed fears of job losses within Siemens VDO; meanwhile, Marcus Wennemer, Continentalâ€™s Executive Board Chairman, has not given any job guarantees, as had been hoped. Continental has previously moved manufacturing to more profitable locations and is likely to do so again. Moreover, R & D and administrative staff are likely to be among the first to go if headcount is reduced. To be sure, Continental will have to expect several bumps and bruises along the way to integration.

But the rewards may be great. Together Continental and Siemens VDO will be a true force to contend with â€“ the fifth largest automotive OEM company. Continental plans to have three â€œcompleteâ€• business areas: Powertrain, Infotainment & Telematics, and Brake, Chassis & Safety Systems. These areas add up to a $37.6 billion industry in the light vehicle market, according to a recent research from IMSâ€™s Perslow.

There will be some conflicts: for example, what will happen to the award-winning electric wedge brake from Siemens that Continental has openly criticized? But on the whole it looks like the two companiesâ€™ products will compliment one another well in the long run.

If you would like an interview with an expert in this area, please contact Alison Bogle, Marketing Manager, at http://www.marketresearchworld.net/mambots/editors/tinymce/alison.bogle@imsresearch-usa.com or +1 412-441-1888.