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Roger Penske Bets Big On 'Closed Market' Japan



Nicole BMW dealership in Kawasaki near Tokyo – Penske owns half (Photo by Bertel Schmitt)



Penske Automotive, the sprawling empire of auto racing legend [Roger Penske](#), just placed a big bet on a surprising segment of the Japanese car market. Penske Automotive Group bought half of Japan's Nicole Group, "a luxury dealership group with operations in Kanagawa and Tokyo, Japan," as PAG said in a statement. The Nicole Group does a booming business trafficking products that, if you believe the words of Detroit automakers, can't be brought into the island nation: Imported cars.

With four BMW and three MINI dealerships, rounded out by a Rolls-Royce franchise, the Nicole Group is the pre-eminent BMW dealer of the Tokyo area. They also are the exclusive importer and distributor of BMW Alpina vehicles for Japan. For those who want to impress the ladies in Tokyo's trendy Harajuku, Nicole also sells Ferraris.



Roger Penske celebrates with Mike Helton, Vice Chairman of NASCAR (Photo by Robert Laberge/Getty Images)

The American Automotive Policy Council, the propaganda arm of Detroit's automakers, calls Japan [“the most protected and closed auto market in the industrialized world.”](#) a baffling statement for all who live in Japan, and who can read statistics. In more affluent parts of Japan's sprawling metropolises, nameplates of Mercedes, BMW, and Audi are as common a sight as sushi restaurants, and convenience stores. Every tenth registered vehicle in Japan is imported, statistics maintained by [Japan Automobile Dealers Association](#) say.

Japan maintains separate statistics for “registered,” i.e. regular vehicles, and mini-vehicles, or “kei” cars. Taking the 0.6 liter Japanese oddities into account, [imported cars still maintain a 6.5% market share](#), a surprising number, both in light of Detroit's pet “closed market” rhetoric, and the fact that the supposedly wide open [European Union imports only around 4 percent of its cars.](#)

A promotional graphic for a whitepaper. It features a blue-toned background with abstract shapes and a stylized building. The text "TOP 10 TRENDS FOR 2016" is at the top, followed by "BUSINESS INTELLIGENCE". At the bottom is a button labeled "GET THE WHITEPAPER".



Volkswagen Group is Japan's largest car importer, but is losing share (Photo by Bertel Schmitt)

Surprisingly, Japan turns out to be a haven for imports, due to a zero percent import duty on cars, and due to the fact that up to 5,000 units per make, model and year can be brought in with the barest of paperwork. This is reflected by stats maintained by the [Japan Automobile Importers Association](#). It lists a panoply of cars, from the best-selling Mercedes brand (65,000 brought in in 2015) all the way to homeopathic numbers of exotics by Maybach, Morgan, or Detomaso.

It's the many small import brands that illustrate how open the market is, and how big a lie the American Automotive Policy Council peddles. America has no low-volume import provision, and to bring in 2 Maybachs, a few more would have to be crash tested. At a cost of around \$100 million per type, the American requirement is one of the most effective no tariff barriers known to the auto industry. America also charges a 25% tariff on light trucks, and it is that tariff Detroit's lobbyists have defended for decades, and most likely will for many more.



Mercedes is Japan's best-selling imported car brand, it also dominates this neighborhood parking lot (Photo by Bertel Schmitt)

On the list maintained by the Japanese imports association, we see why Roger Penske does not buy into the propaganda, but instead buys a very large BMW dealer. In [an overall car market that was down hard in Japan in 2015](#), imports remained a bright spot. On the sales charts, the BMW Group is second after long-time reigning import champion Volkswagen Group. BMW's sales in Japan were up strongly in an overall down market, mostly due to big numbers of BMW's Mini brought into Japan. Japanese sales of Minis were up nearly 20% last year. Reputation is very important in Japan, and in the wake of dieselgate, market leader Volkswagen has lost both standing and market share.

Commented Roger Penske:

“As imports continue to grow market share in Japan, combined with the group's solid reputation in the marketplace, we expect to leverage the strength of the existing business while driving further expansion through organic growth and future acquisitions.”

Penske is no newcomer to selling cars abroad. Said to be the world's second largest automotive dealer group, Michigan-based PAG has interests in a large number of car dealers in Germany, Italy, Spain, and the U.K. It is very interesting to see that PAG's foray into Asia is not starting in the usual suspects of China, India, or Indonesia, but in allegedly closed market Japan. Old Asia hand Michael Dunne, who, after a short stint as the head of GM's operation in Indonesia went back to book writing (“American Wheels, Chinese Roads) and consulting for car companies expanding in Asia, thinks Penske is making the right moves:

“Asian luxury car buyers are moving from purchasing the brand name to acquiring the brand experience. That means world class service so Penske's move makes sense. Beyond Japan, China's massive luxury market will also present attractive opportunities in the coming quarters...”

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