

NC² set to 'Reinvent the World of Trucks'

The partnership between two American giants, Navistar International and Caterpillar – better known for its expertise in construction equipment – to build and sell on-highway, long haul trucks globally, under the NC² banner, has been welcomed by the market eager for good news following the dark days of the 2008/9 economic downturn.

"I believe Caterpillar has always had a desire to build a long-haul truck, to take advantage of demand in its client base," says Paul Henning, MD of the South African operation of NC². "The joint venture with Navistar International has given Caterpillar this opportunity, plus the opportunity to partner with another arguably equally strong American brand."

According to Henning, the sense behind the merger centres on the similar cultures of the two organisations. "Both are very strong brands and there are complementary skills, experiences and technologies that will be positively exchanged," he says. "Another strong synergy is the two companies' complementary dealer and support infrastructures."

NC² has been launched in South Africa, as it has in Brazil, Australia and Turkey. Very shortly South Africans will see NC² – as the holding company – and its two customer-facing brands, Caterpillar and International, actively interacting with the market.

Says Henning: "From a marketing perspective our challenge is to accurately position three brands – the

holding company brand and our two customer facing brands. The International brand is traditionally known as a proven, reliable long-haul brand. As the strategy rolls out, International will be joined on South African roads by Caterpillar trucks which will bring the aspiration aspects of this brand – ruggedness, longevity and strength – to the transport market. It's an exciting prospect which will be

launched under our new marketing slogan – 'Reinventing the World of Trucks'."

These products will be traded through independent dealer networks

Dealer development is high on the NC² schedule. The company is working to launch two new dealerships in KwaZulu-Natal in 2011. Emphasis will be placed on adding dealerships – initially parts and service points but



Paul Henning, MD of the South African operation of NC²

building to full dealerships – on the main transport corridors in South Africa. Areas of focus are on the KZN south coast, along the Namibian route via Upington, and in the Eastern Cape.

The neighbouring states will be addressed too. NC² has existing dealerships in Namibia – in Windhoek and Walvis Bay – and has recently taken steps to expand the dealer footprint into Angola. Also being addressed from an expansion perspective are Zambia, Mozambique, Malawi and Zimbabwe.

In terms of product, Henning is confident there is still a significant amount of life left in the 20-plus-year-old International design, familiar to a majority of SA's long haul transport operators and fleet owners.

"I believe we've been underselling the true values of this truck all along, so we're on a programme to enhance the value proposition associated with the International brand. At the end of the day, it's all about lifecycle costs and operating profitability for the fleet owner during the time of ownership."

Henning talks about payload advantages, fuel consumption benefits and ease of maintenance. "These are big advantages for the South African market in which cross-border

transportation of goods is on the increase," he stresses. "These trucks are rugged, well capable of handling poor road conditions in neighbouring states."

While NC² will take steps to maintain the viability of its proven trucks it is also looking forward to the launch of two new models which will broaden the International range and give prospective customers more options from which to choose to meet multi-faceted heavy transport applications from one stable.

The first launch to be scheduled is for the International WorkStar, a bonneted truck, closely followed by the International TranStar. Looking further ahead, transport operators can also look forward to the launch of interesting trucks carrying the Caterpillar badge.

They will be launched into a growing market, says Henning, one that is recovering from the depths to which it plumbed in 2009 in which 50% fewer vehicles were sold than forecast.

"The market improved by about 30% in 2010, mainly thanks to the World Cup. Now the challenge is to sustain this growth, particularly in the extra heavy sector."

There are a number of opportunities

to realise this goal, says Henning:

"Firstly vehicles are becoming more affordable. While we're not seeing this in terms of the OEMs' new vehicle price lists, there are better value propositions being offered to customers in terms of extended warranties, improved maintenance contracts and more advantageous trade-in deals.

"Secondly, interest rates are low. For the fleet owner, one or two percentage points will make a significant difference to attractiveness of a finance deal and his willingness to sign the purchase order.

"Thirdly, the government has launched a number of job-creation initiatives and these will have the ripple effect of increasing economic activity throughout the country, particularly at regional government or municipal levels, who we hope will focus on infrastructure development."

Henning points to the accumulation of funds for infrastructure development, saying these will be spent in the months ahead, with truck purchases being on the agendas.

"I'm optimistic. I look forward to another 10 to 15 percent increase in sales in the heavy commercial sector in 2011."



The new International WorkStar gives prospective customers more options from which to choose

MANUFACTURERS

His positive views are shared by Bob Jones, general manager, sales and marketing at NC². While he is confident that growth will be sustained, he cautions that we mustn't ignore the challenges ahead for transport operators - in terms of the increased number of toll roads and hiked fees at the toll plazas, for example.

"But what remains fundamental is our belief that road freight remains central to goods movement in SA. I don't see rail playing a role for at least 10 years."

Jones believes the marketplace is evolving with transport operators becoming more professional in their outlook and 'packing their product offerings' more efficiently." In this regard we'd like to partner with our customers to assist them to come up with transport solutions to improve their fleet efficiency levels and boost their profitability."

He highlights training as an important area in which NC² can assist. Not simply driver training, but

specialised training for technicians and management training to assist customers with infrastructure development.

"At NC² we have a comprehensive training programme in operation. We have a regional structure now where we have three or four technicians in the field in Durban, Cape Town and Johannesburg. We have broad-based computer-based training and instructor-led training for our dealers to ensure they are adequately equipped to deal with customer issues accordingly."

Jones says there are strict NC² criteria for dealer accreditation, including specified levels of training for technicians. "But we don't stifle our dealers with corporate dictates. They are free to go out and offer their specialised services - such as out-of-hours servicing - as they see fit."

NC² is also focussing on internal improvements. "Today we have a very sophisticated PDC [parts delivery centre], it's been open for just over a



Bob Jones, general manager, sales and marketing

year-and-a-half and it's getting better every day, particularly in terms of the supply of parts."

Turning to the International vehicle sector, Jones says there are around 11 500 International trucks on the roads, so there is significant scope for dealers to attract International customers - not counting the Caterpillar branded trucks coming over the horizon.



International WorkStar