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# **Five Tips for Starting a Car Company**

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By [Jim Motavalli](#) | July 21st, 2009 @ 1:57 pm

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Having immersed myself in covering electric vehicle (EV) and plug-in hybrid startup companies for **BNET Autos**, I think I'm in as good a position as any to offer five things companies need to do right to make it in the shark-infested waters of the current highly stressed auto market.

**Don't over-promise.** Start-ups that talk about producing 20,000 cars annually (or even 10,000) in their first full year of production are probably not being remotely realistic. Not only will they still be getting their dealer networks together, but they're selling a vanguard technology that Americans don't fully understand yet. It will start slower than that.

**Do get people excited.** This is the **Tesla Motors** model. Sure, it was probably more practical for Tesla to start off with a four-door sedan instead of a two-seat \$109,000 screamer that can blow the doors off Corvettes. But if it had done that, Tesla would not be a household name today. The media went nuts over this company, currently the only one selling EVs in any quantity in the U.S. (OK, 600 is not a huge number). Tesla's been selling sizzle all along (ditto **Fisker Automotive**) and that translates to sales, even at \$109,000 a pop.

**Don't depend solely on government handouts.** Yes, there is \$25 billion in low-cost loans for advanced technology vehicles from the **Department of Energy**, and an additional \$2 billion for advanced battery development. But companies that are hoping for a \$200 million loan to finance a \$225 million factory will be left trying to find Plan B if someone else gets the money. Also, it helps your case if others have invested in your big dreams.

**Be resilient.** I just watched *The Entrepreneur*, a documentary film about serial start-up artist **Malcolm Bricklin** (he helped start **Subaru of America**, imported **Yugos**, sold rebadged **Fiats**, developed his own gull-winged sports car before **John DeLorean** and, most recently, claims to have gotten burned in a deal to import Chinese-made **Chery** automobiles. The film is narrated and directed by his son, and **Jonathan Bricklin** explains that the key to Malcolm's longevity in the business is not letting lost fortunes (he lost several in a highly colorful career) stop him from starting over. Some of the current companies will fail, but their CEOs should dust themselves off and attack the business again from a different

angle. Here's an ABC Nightline spot about *The Entrepreneur*:



**Consider niche markets.** This is actually the opposite to #2—selling sexy—but it's another approach that works. What I like about **Bright Automotive** is that its vehicle is, well, a panel van, albeit the world's first plug-in hybrid one. But long before the vehicle rolls off assembly lines in 2012, Bright is talking to large companies about providing fleet vehicles that could be recharged at a central hub—an ideal use for plug-in hybrids (which should also thrive in start-and-stop delivery mode). An outgrowth of the **Rocky Mountain Institute**, this Indiana-based startup was launched with partners that include **Alcoa**, **Duke Energy**, **Google.org**, **Johnson Controls** and the **Turner Foundation**.

This is Part One: Stay tuned for a second set of **Jim's Rules**.

**Tags:** *Plug-in Hybrid Electric Vehicle, Car, Vehicle, Plug-in, Tesla Motors..., Entrepreneurship, Management, Jim Motavalli*

**Jim Motavalli** is the author of *Forward Drive: The Race to Build Clean Cars for the Future*, among other books. He has been covering the environmental side of the auto industry for more than a decade, and writes regularly on those topics for the New York Times.

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