

# Renault-dacia case study essay



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In today’s rapidly changing environment products and markets have a limited life expectancy. A company which does not update and change its products and markets is unlikely to be successful for long. This was at the core of Renault’s decision to take over Dacia, a long established car producer in Romania, the heart of Romania’s automotive industry.

Renault has been present in Romania since 1966 and forged the country’s automotive industry. Close ties have existed between Renault and Automobile Dacia for 35 years, with various Renault models being assembled by Dacia, under licence through to 1978, thereafter independently. Excluding the SuperNova, the vehicles currently produced by Dacia are based on former models of the Renault range. On September 29, 1999, Renault acquired 51% of the capital of the Romanian car maker Dacia, amounting to \$50 million. Renault has since increased its equity stake to 92. 2% and put the entire company on track for rapid, wide-reaching modernization. Built in 1966, Dacia’s Pitesti plant covers some 2. 9 million sq. meters. More than 2. 2 million vehicles have rolled off the production line since 1968. The plant has an annual production capacity of 120, 000 vehicles, plus 120, 000 engines and gearboxes, with operators working in two shifts. Fully computerized, Dacia is now hooked up to the Renault-Nissan Alliance networks. To meet demand, the company has developed a monthly programming system that adapts production to demand forecasts.

The modernization of production facilities and assembly lines is an ongoing process. The new Logan launching marked the Dacia brand revival. Once this was launched Dacia could run in its industrial commercial tool and define its new identity with vehicles like Solenza, the Diesel engine on the van, etc. 2. The Marketing Strategy 2. 1. People At Pitesti, Renault is working with local players to combat unemployment. This partnership paved the way for the founding of the Development and Solidarity Foundation of the Pitesti-Mioveni region in 2001.

The objective is to develop employment in the region by promoting business creation, capital investment and vocational training. Dacia's employees (12, 000 employees) are the company's most valuable asset. The present focus on customers implies a veritable " cultural" revolution among employees, in management styles and work organization. The number of hierarchical levels has been reduced. A system to recognize individual performance (personalization of compensation) and collective achievement (bonus for quality progress) has been successfully introduced. Cross-functional work groups and basic work teams have been formed.

The organization of the workforce into basic work teams has resulted in the development at the level of each unit of the " customer/supplier" principle. Each unit receives parts from its suppliers and delivers them to its customers with value added. Training was given to 1, 200 employees in 2000, in Romania as well as in other countries, particularly in France. To complement its proactive training policy, Renault has set up the ' Automobile Academy' based in Bucharest. The academy consolidates managerial, commercial and technical training programs for the employees of Dacia, Renault and Nissan

Romania. 2. 2. Product Romanian car market represents a great case-study for analysts. Today there are in operation several motor vehicle manufacturers, and also a network of suppliers working both for the local assembly lines and for export. The production of motor vehicles over the last years since 1995 is presented in the chart below: In 2005, the local motor vehicle production went up by a strong almost 60% as compared with 2004. This increase was due mainly to the Dacia Logan's production and also to the success the model is already having on many export markets.

The market of passenger cars is oriented firmly towards the lower-medium class of family cars (class C) which covers 58. 6% of the market, certainly due first of all to the share of the domestic Dacia in the market, but also due to fact that among the imported cars (both new and second-hand) there is also the class C to prevail. Dacia, the leading Romanian brand – with a domestic market share of 63. 7% – offers a complete line of passenger cars and light commercial vehicles at prices that put car ownership within reach of a great number of Romanians.

The Logan car, completely of Renault origin (technology, development, rolling chassis, engine, gearbox, etc. ) was conceived in the Renault Techno Centre near Paris and meets the Renault manufacturing standards. Logan was a pilot program for the use of the new numerical technologies in the conception of the product, the tools and the manufacturing process. Another peculiarity of the conception process was that. Logan was a decisive step of the “ design to cost” program, introduced by Renault in 1992. Logan meets European security standards. 4 2. 3.

Price The Romanian car market is characterized by very low prices: between \$3, 000 and \$10, 000. Price is a determining factor in the decision to make a purchase and shapes the market. Even if the purchase of a car is done almost breathlessly, Romanians are not too Western-like about the models they choose, since family-cars are dominant, with large cargos. Statistics from APIA have revealed that Romanian's favorite car is simple and conservatory. Romanian tastes are not very pretentious regarding aspect, color and price. Other considered elements are viewing consumptions, too.

Less appreciated are safety and features, which come first in Western Europe. Within C class a harsh competition takes place among top models. Thanks to its price, Logan can be considered a winner. The young car-star of Romanians is followed by imported cars, with more features and higher quality: Megane Sedan (Renault), Octavia (Skoda), Peugeot 307, VW Golf, Opel Astra and Ford Focus. Following C class, mini A segment cars have attracted many clients, especially Daewoo Matiz and Fiat Panda, Smart and Citroen C2. Around two thirds of the Dacia's production and almost all the Daewoo's production goes to the local market.

Dacia and Daewoo are covering together almost all the market for locally made vehicles. The 2005 passenger car sales of local manufacture are shown in the table below. On the local market the range of prices for Logan vary between 6280 Euro and 9620 Euro. 2. 4. Promotion Dacia's promotion campaign is relied both on direct and indirect marketing. The direct promotion is made through the sales promotions, radio broadcasting, and television commercials. The last promotion campaign was lanced at the end

of March 2005, when Dacia initiated a test campaign for the Logan model in order to give its clients the chance to experience the Logan.

More than 14, 000 Romanians took advantage of the campaign to test the Logan. 5 Dacia is, also, involved in sponsoring national sport events and cultural events. As a member of the Renault Group and an admirer of the French art and culture, Dacia co-sponsored the first substantial exhibition of French art in the last 30 years hosted at the Romanian National Gallery, between the July 15 and October 2nd, 2005, which consisted of 77 works of art (displayed in four sections) coming from the art collections of the most famous Parisian museums (the Louvre, Quai d`Orsay, etc. and the art galleries in Bordeaux, Caen, Dijon, Lille, Lyon, Orleans, Pau, Rouen, Tours, Picardia Museum in Amiens and the Granet Museum in Aix-en-Provence. 2. 5. Place The Dacia vehicles and parts distribution will be assured in most countries through the Renault network. In most countries of the world, repair and maintenance works will be carried out in the Renault – Dacia outlets. In Western Europe, the after sale service will be assured by the Renault concessionaries as of January 1, 2005. The Project Logan provides 42 first rank suppliers from different countries: Romania, Turkey, Eastern and Western Europe and a supplier assistance program with the objective of improving the development, the organization, the technical capabilities and the cost management. Production, which began in Romania in 2004, started up in Russia, Morocco and Colombia in 2005, enabling Logan to be sold in 40 countries by the end of the year. In 2005 Logan was the best-selling vehicle in Central and Eastern Europe (over 106, 000 units), ahead of the Skoda Fabia, and was available in three body styles. The other countries of West,

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Central and East Europe as well as those of Maghreb and Middle Orient will follow suite.

Logan will be marketed at the end of 2006 in almost 40 countries. 3. Goals and Objectives The Logan Project is part of the international development strategy of the Renault Group, which plans to produce annually more than 700, 000 units of this model by 2010. Here are some of the key figures: 350 million Euro budget invested for the development of Logan; sales in 35 countries in 2005; 5 Logan production sites by 2007; 42 first rank suppliers. Renault has embarked on a strategy of profitable growth to achieve its target of annual sales of 4 million vehicles by 2010, of which 50% will be outside Western Europe.

The group therefore has to be strategically present in new automotive markets, deemed the principal drivers of growth over the coming decade. Renault has assigned Dacia the task of acting as a highly integrated, low-cost production base, capable of producing entry-level cars that are modern, high quality and robust and of meeting the needs of customers in countries where car ownership is still a remote dream. The plan has engaged Dacia in a process of long-term modernization. The year 2006 represents a new stage in the Logan programme.

The Logan Steppe Concept show car, presented for the first time at the Geneva Motor Show, demonstrates Dacia's intention to broaden the Logan range. 4. Conclusion The brand's purchasing strategy involves developing a culture of quality among its suppliers at the same level as it now insists on for its own production processes. The inclusion of Dacia in the Renault group

has already attracted foreign suppliers to Romania, such as Michelin, Cablea, Continental, Johnson 6 Controls, Magnetto and Ficosa. This will help to improve the existing supplier panel, transforming the Arges Valley around Pitesti into a veritable “ Automobile Valley”. 7