

The usa automotive market marketing essay

[Business](#), [Marketing](#)



Located in North America, bordering both the North Atlantic Ocean and the North Pacific Ocean, between Canada and Mexico, the United States are the World's third-largest country by size (after Russia and Canada) and by population (after China and India). It is a Constitution-based Federal Republic with a strong democratic tradition. D: UsersspopescuPicturesRomania IndicatorsCapstone intro US. pngCurrency: The US Dollar. 1 US Dollar is made up of 100 cents. 1. 00 USD = 0. 773550 EUR (Dec 2012, <http://www.xe.com/ucc/convert/? Amount= 1&From= USD&To= EUR>)1. 00 EURO = 1. 29274 USD (Dec 2012, <http://www.xe.com/currency/usd-us-dollar? r= 1>)The USA has the second highest level of GDP per capita in the world, in terms of purchasing power parity (PPP) after the EU. From the OECD region and according to Doing Business indicators, USA maintained the number four place amongst top 10 countries at ease to do business in. In the same spirit FORBES ranks US as number 12 in World's Best Countries for Business. Key Indicators (lipsesc 5 YEARS forecasts)d: UsersspopescuDesktopdataEMBA WUCapstone ProjectUS Major Economic Indicators. jpg

B. 1. 1. Relations with the International Community EU/US Relations

The EU/US relationship is traditionally centred on trade and investment. The EU and the US are each other's main trading partners (taking goods and services together) and account for the largest bilateral trade relationship in the world, accounting for 33% of world trade in goods and 42% of world trade in services. The daily value of transatlantic trade (in goods and services) is approximately £1. 7 billion. The EU/US relationship is institutionally underpinned by the New Transatlantic Agenda (1995), aimed

at fostering EU/US efforts to promote peace and stability; respond to global challenges; contribute to closer world trade and economic relations; build bridges across the Atlantic and promote dialogue (through the Transatlantic Legislative, Business and Consumer Dialogues). This was enhanced by the Transatlantic Economic Partnership (1998), which stressed the need to respect and develop WTO rules and intensify efforts to eliminate EU/US barriers to trade. The Positive Economic Agenda, agreed in May 2002, further promotes transatlantic regulatory cooperation in a range of sectors.

B. 1. 2. PESTEL analysis

Political landscape

“The United States of America is the greatest force for freedom and security that the world has ever known. And in no small measure, that’s because we’ve built the best-trained, best-led, best-equipped military in history — and as Commander-in-Chief, I’m going to keep it that way” President Obama, January 5th, 2012

land of wealth, known for its large middle class. Differences in income and wealth remain important. Despite diversity, Americans are united by their shared commitment to democratic values, economic opportunity, the work ethic. There are two main political parties: the Democratic Party and the Republican Party, both organized at State and Federal level.

Economical landscape

Market-oriented economy where private individuals and business firms make most of the decisions, and the federal and state governments buy needed goods and services predominantly in the private marketplace. The US has

the largest and most technologically powerful economy in the world, with a per capita GDP of \$48, 100After a 3. 0% jump in 2010, the US economy expanded at a more modest pace of 1. 7% in 20112012 and 2013 forecast GDP

Social landscape

Age structure (2012 est.)0-14 years: 20% (male 32, 050, 686/ female 30, 719, 945)15-64 years: 66. 5% (male 104, 156, 828/ female 104, 442, 302)65 years and over: 13. 5% (male 18, 424, 785/ female 24, 052, 919)

Technological landscape

According to The World Intellectual Property Organization (WIPO), the United Nations agency dedicated to the use of intellectual property, the US is an ‘ Innovation leader’ country with high-income which have succeeded in creating innovation ecosystems supporting human capital and stable innovation infrastructuresWIPO considers countries’ innovation performance in relation to their income levels (GDP per capita in PPP\$)

Environmental landscape

The United States places 49th in the 2012 EPI (Environmental Performance Index), with strong results on some issues, such as water and air pollution management, but weak performance on others, including greenhouse gas emissions and renewable electricity generation. This ranking puts the United States significantly behind other industrialized nations, including France (6th), the United Kingdom (9th), Germany (11th), and Japan (23rd). The US places 77th in the Trend EPI rankings, suggesting that little progress has been made on environmental challenges over the last ten years.

Legal landscape

Considering the Economic Freedom of the World: 2012 Annual Report, The US are ranked number 18, long considered the standard bearer for economic freedom among large industrial nations the most prominent characteristic of US fiscal policy is that the country chosen to follow the path of massive growth in government financed by borrowing

B. 1. 3. Economic outlook

The United States is the world's most productive large economy. It is the largest market for the world's most sophisticated goods and services, which stimulates innovation and therefore attracts investments. The sub-prime mortgage crisis, falling home prices, investment bank failures, tight credit, and the global economic downturn pushed the United States in to a recession by mid-2008. GDP contracted until the third quarter of 2009, making this the deepest and longest downturn since the Great Depression. After a 3% jump in 2010, the US economy expanded at a more modest pace of 1.7% in 2011. The rebound of the US exports, following the implementation of the National Export Initiative (NEI) is expected to continue, as the world's economy stabilises. In all, the US economy is expected to grow 2.00% in 2012, and we forecast a 2.3% rise in 2013.

Long term challenges: stagnation of wages for lower-income families inadequate investment in deteriorating infrastructure rapidly rising medical and pensions costs of an aging population energy shortage sizeable current account and budget deficits - including significant budget shortages for state governments

Current strengths: In July 2010, the president signed the DODD-FRANK Wall Street Reform and Consumer Protection Act, a law

designed to promote financial stability by protecting consumers from financial abuses, ending taxpayer bailouts of financial firms, dealing with troubled banks that are "too big to fail," and improving accountability and transparency in the financial system - in particular, by requiring certain financial derivatives to be traded in markets that are subject to government regulation and oversight. Future prospects: America is preparing to introduce tax rises and spending cuts. The International Monetary Fund reckons that the rich world's economies will together grow by a paltry 1.3% this year, down from 1.6% in 2011. Policymakers, like MNCs, are also looking east. The White House's Office of Social Innovation has examined grassroots innovators from emerging markets. GM goes to Russia Future risks: Trusts reckons that nearly a third of Americans who, as teenagers in the 1970s, belonged to the middle class (the working class and above) have slipped below it as adults Jaideep Prabhu, of Cambridge University's Judge Business School, argues that companies therefore need to create separate brands for frugal products without damaging their main brands' image among the better-off. (Dacia sub Nissan? Sau separat?)

B. 2. The USA Automotive Market

In 2012, the USA Automotive Market counted for 12% from global vehicle sales of 76.5 million vehicles, being part of the mature markets cluster where mixed results were forecasted. The US economy is expected to be stronger which will lead to higher sales, while Europe is expected to be flat, while Japan is expected to see its auto market shrink. China, India and Brazil are expected to continue to expand on the 51% share of total light vehicles captured in 2011. Overall, emerging markets were expected to account for

53% of total light vehicle sales in 2011, a further sign that these are the key markets that will drive the level of growth in the coming years. The results for emerging markets in 2012 are = The United States is the largest passenger vehicle market of any country in the world and starting 2010, is on the third year in a row growing with double digit figures. YearUnits soldYearly growth200910, 400, 000negative201011, 487, 53910%201112, 775, 34611%201214, 439, 68413%<http://www.motortrader.com>.

my/news/wp-content/uploads/images/Cars/Images/FEBRUARY-2011/JD-Power-Global-Outlook/JDP-Outlook.jpgThe average price paid for a vehicle by U. S. consumers in 2011 was \$28, 341, up 11% from \$25, 505 in 2008, according to J. D. Power's data. In terms of passenger cars per 1000 people, the United States are ranked on strong third position. According to Polk, a market-research firm, Americans are holding on to their motors for longer. The average length of ownership in 2011 was 57 months, the longest on record. The average light vehicle on America's roads was 10. 8 years old, another record. Before the downturn the increasing reliability and durability of cars was already encouraging motorists to keep them longer; in the past three years a weak job market, low consumer confidence and the availability of long-term finance have given the trend an extra push. http://media.economist.com/sites/default/files/imagecache/290-width/images/2012/11/articles/body/20130110_idc002.png

http://media.economist.com/sites/default/files/imagecache/290-width/images/print-edition/20120225_INC633.gif

The United States is home to General Motors, Ford Motor Company and Chrysler also called ' the big 3' and counting on average

of 45% from total sales in the last 2 years. America's rebound will be reflected in manufacturing trends, with Ford moving production of its Fusion model from Mexico to Detroit. Southern China will also gain production muscle when Volkswagen and PSA Peugeot Citroën open large new factories there. Many majors auto manufacturers and suppliers have undertaken significant efforts in the past years to clean balance sheets, remove excess capacity, and restructure costs to make more efficient use of production capacity and make a profit at far lower volumes. This has been led to a product renaissance and there is strong confidence in the attractiveness of current vehicle offerings and product portfolio. A new normal is emerging with an emphasis on building brand equity with consumers, improving the experience, continuing to improve cost position and competing globally. Global car sales will grow by 5% in 2013, in a similar rate as year before and boosted by the sales in emerging markets. America together with China will account for more than 60% of global growth in car sales in 2013 as the industry's two largest markets register above-average increases.

B. 2. 1 The US Automotive Market Value and Volume

The highest on record, the sales of new motor vehicles in the United States totaled 17.4 million units in 1999. The previous high was 16.3 million units in 1986 followed by 16 millions in 2007. It declined after this year, later being affected by the global recession starting 2008 and reached the 27th lowest figure in 2009: 10.4 million cars and light trucks. Since 2009 it reversed the trend, reaching 12.7 million units in 2011. As the volume rebounds, driven in large by pent-up demand, easier credit, and greater consumer confidence and mixed up by stronger balance sheets, legacy

liabilities shed, debt reduction, and product/capital investment, the US automotive industry can return to consistent levels of profitability. This is soon reflected in the 2012 sales, as the best since 2007, thanks to nearly 14.5 million light vehicle sales, representing a 13.4% per cent increase over 2011. Over the next five years, US automotive industry market is expected to see steady growth - at levels consistent to annual GDP growth. Forecasts foreseen 16 million units in 2018, which means the market will stabilize around 15 millions units for few years. The battle for market share is shifted by the companies' aspiration to maintain a better balance between supply and demand, and focus on medium and long term profitability.

B. 2. 2 The US Automotive Market Segmentation

OEM (Original Equipment Manufacturer)

The 2012 growth is driven by Asia/Pacific and Europe manufacturers, with growth rates of 18.2% and 19.2%, both above the industry rate. The Big 3 American producers reach only 7.8% increase compared to 2011, where Chrysler is leading with 20.6% and slowed down by a smaller pace growth of 4.5% of Ford and 3.7% of General Motors. Still, General Motors was, once again, the number one group in the U. S. with 2,595,717 deliveries, followed by Ford (2,205,547) and Toyota (2,085,504). C:

UsersStefanDesktopCapstone ProjectCapture of Auto market 2012 vs 2011.

PNG

Type of car

Micro cars Economy cars Luxury cars Specialty cars Minivans SUVs Pick-up trucks Commercial vans There is a trend for fuel efficient cars as petrol prices

have an influence on sales, especially for light trucks. During 2001-2010, the Light truck sales dropped in favor of passenger cars. Small cars are preferred if we compare the data of December 2012 versus December 2011. d: UsersspopescuDesktop\dataEMBA WUCapstone ProjectUS Auto Market/Passanger Car Sales overpassing Light Truck Sales 2001-2010. bmpRecent refreshes in the midsize-car market also should help that segment to continue to lead the industry. Overall, more than 40 new vehicle introductions are expected in the U. S. this year, more than twice the number of introductions recorded in 2012. In the passenger car segment, the diesel share could increase to 3% by 2015; hybrid car could even attain a high single-digit market share.

B. 2. 3 Competition

The Evolution of Competition in the Automotive Industry

World passenger car production by region, 1975-2006. Source: Ward's Yearbooks

B. 3 Consumer Profiles

Consumer confidence is rising, and credit is more widely available. Rising fuel prices are making new fuel-efficient models more attractive. Pent-up demand is also spurring sales. The average US car is currently more than 10 years old and has logged more than 100, 000 miles; both numbers are far above historical averages. Many customers who put off purchasing a new car during the dark years of recession have fewer reasons to do so much longer, and rising prices are also prompting some buyers to upgrade to more fuel-efficient models. Consumers Prefer Using Own Data Plan for In-Vehicle

ConnectivityU. S. consumers are paying historically high prices for their vehicles

B. 4 Market distribution

Procente din jucatorii pietei cat vand si pe ce canale

B. 5 Legislation

OEM(original equipment manufacturer)is used to refer to the company that acquires a product or component and reuses or incorporates it into a new product with its own brand name. USA car market analysis:- value, volume, segmentation, competition, US car protectionism from Gov?- consumers & profile- distribution chain- legal/industry standards etc

ENTERING THE USA MARKET

WHY ENTER THE USA MARKETRenault's Expansion StrategyThe global market was expected to expand 4% in 2012 compared with 2011. The Group continued to grow in strong markets outside Europe, consolidating its positions on the European market, forecasted to decline by 3% to 4% overall, while keeping to the financial targets set in Renault's Drive the Change Plan. Jérôme Stoll, Executive Vice President, Sales and Marketing & Light Commercial Vehicles, Chairman of Europe Region, said: " In an uncertain economic and financial environment, the Renault group has strengths that will stand it in good stead in 2012. The year will feature a major product offensive both in Europe and on international markets, as we roll out nine new models and ten new phases." <http://media.renault.com/global/en-gb/alliance/Media/PressRelease.aspx?mediaid=28867>In 2011, Renault considered India as the third pillar of international strategy,

alongside Brazil and Russia. Major factors in deciding to expand to India were related to the market evolution and local resources of Renault - we analyzed the same level of factors with regard to the USA market to decide the expansion to the North-American Market: The context for Renault's expansion into India:- an Alliance plant with a capacity of 400, 000 vehicles/year by 2015 (Chennai)- a sales subsidiary, Renault India Private Ltd (Chennai)- a logistics and export center for Renault and Nissan parts (Pune)- 14 dealerships in 14 cities in May 2011 (100 planned by Dec-2012)Renault's advantages from expanding into Indian market:- 20% annual growth (1, 2 million vehicles in 2005, 3 million expected by end 2011)- the fourth largest global market by 2015- 60% of first-time buyers and 57% of car buyers are under the age of 35 (2009 figures)<http://media.renault.com/global/en-gb/alliance/Media/PressRelease.aspx?mediaid=28867>Regarding the USA, first and foremost, the auto-market is clearly recovering from the abrupt drop in the economic crisis. This is evident in the constant growth of vehicle unit sales, especially in the last two years, with a 13. 4% increase in 2012 vs 2011, and the US market now stands strong at 14. 5 million cars, nearing more to the high registered at 16 million in 2007, before the crisis. Moreover, in the next five years, US automotive industry market is expected to see steady growth - at levels consistent to annual GDP growth. Forecasts foreseen 16 million units in 2018, which means the market will stabilize around 15 million units for few years. The USA market would remain the second largest auto-market in the world. As previously shown, in USA there is definitely a trend for fuel efficient cars as petrol prices have an influence on sales, especially for light trucks. And Dacia-Renault models are

[com/global/en-gb/alliance/Media/PressRelease.aspx?mediaid=](http://media.renault.com/global/en-gb/alliance/Media/PressRelease.aspx?mediaid=28867)

28867Regarding the USA, first and foremost, the auto-market is clearly recovering from the abrupt drop in the economic crisis. This is evident in the constant growth of vehicle unit sales, especially in the last two years, with a 13. 4% increase in 2012 vs 2011, and the US market now stands strong at 14. 5 million cars, nearing more to the high registered at 16 million in 2007, before the crisis. Moreover, in the next five years, US automotive industry market is expected to see steady growth - at levels consistent to annual GDP growth. Forecasts foreseen 16 million units in 2018, which means the market will stabilize around 15 million units for few years. The USA market would remain the second largest auto-market in the world. As previously shown, in USA there is definitely a trend for fuel efficient cars as petrol prices have an influence on sales, especially for light trucks. And Dacia-Renault models are

recognized as premium providers of cars in this segment. Another indicator that the USA market is ready to receive new cars is the number of scrapped vehicles, as a percent of total registered vehicles, which reached new lows in the last 2 years [2009 and 2010]. Primarily we would think this situation to be the result of the success of the national program which began in 2009: "Car Allowance Rebate Systems (CARS)", also called "Cash for Clunkers" - a program which Romanians know too well, as it has been present on the local market since early 2000' under the name "Rabla" (Junk Car) and enjoyed massive success in scrapping extremely old polluting Dacias (1980's) and revitalizing the local car vendors. But in USA, the real phenomenon was first a decline by 0.3% in newly registered cars, combined with the scrapping of old cars by consumers and businesses without replacing them. And this happened repeatedly, as a direct benefit of the CARS program was to pull sales forward and raise the prices of used cars. As a conclusion, "the lack of full replacement suggests that there is pent-up demand for new vehicles, which could lead to stronger-than-expected sales in 2012 and beyond"

<http://www2.briefing.com/Marketing/includes/state-of-the-us-motor-vehicle-industry-2012.pdf> SWOT Analysis

STRENGTHS

Strong financial performance
Duster model excellent sales results & reviews
Duster's many awards, proven success
Renault-Nissan strategic alliance
Leading market position in Europe
Advanced innovation in fuel-efficient cars

WEAKNESSES

No presence on USA market since 1987
No production plants
No distribution chain / dealer network
Lack of awareness for Renault/Dacia brands
Too reliant on Europe sales

OPPORTUNITIES

USA market increasing double-digit
Demand for low-priced cars
Increasing demand for fuel-efficient cars in USA
Customers looking for "value-for-money" cars
Strategic investments with Nissan (supply chain)
Existing production & distribution facilities of Nissan

THREATS

Very intense competition from established auto-makers
Stricter emission standards regulation
Cannibalize part of Nissan's sales
Replication of Duster model by competitors
Market increase slow-down
PORTER Analysis
The Porter Five Forces is a business strategy tool used to analyze the attractiveness of an industry - it consists of identifying the five competitive forces within that specific domain:
The threat of new entrants: how difficult it is for new competitors to enter the market, are there barriers
The threat of substitutes: how easy it is for a product to be replaced, especially with cheaper products
The bargaining power of buyers: how strong is the buyers' position, can they aggregate demand for large orders and negotiate prices
The bargaining power of suppliers: how strong is the suppliers' position, are there many or is it a monopoly, can they impose prices and conditions
The rivalry among existing players: how strong is the competition between existing players, is there one dominant player that can dictate the market conditions,

or equal players in size and strength Porter, M. E. (2008) The Five Competitive Forces That Shape Strategy, Harvard business Review, January 2008 The threat of new entrants in the USA auto-market is low, as there are many factors to possibly block a new car manufacturer's entry: incumbents resistance (well established local producers - eg: The Big 3), high costs for building production plants, relocating to a new continent (Europe-America), big economies of scale needed (suppliers, production, dealers), entry barriers from Government protectionism for the auto and steel industries (considered of national strategic interest). The threat of substitutes is very high, because of the large number of producers with similar portfolio of cars (over 20 vendors, with more than 200 models), customers starting to switch between car models (they prefer smaller, cheaper and more efficient cars, rather than trucks) The bargaining power of buyers is rather high at this moment, because the demand is still low compared to the volume of cars available, the choice of models is very vast, so buyers can exercise price pressure on producers. The bargaining power of suppliers has a reversed trend than that for buyers, perceived as moderate, as the auto industry is recovering; there is a sufficient number of parts suppliers, but each manufacturer has long-standing preferred business relations with specific suppliers, due to the high technology involved in steel manipulation, chassis, electronics etc - this makes the auto-makers and their suppliers co-dependent, making it difficult for either side to change the products or the channel to which they ship The rivalry among existing players is very high, as there is a large number of auto-makers in USA (over 20) and they compete with over 200 models on every segment of the car market (from small cars

to big trucks); the customer loyalty is rather high, due to the long use cycle of cars and brand preference, although lately customers are searching for the best value for money (right features, right price); there are also big costs of leaving the market, tied with factory closing, employee compensations, inventory clearing etc

WHY ENTER THE USA MARKET WITH DUSTER MODEL
The " Duster" Global Phenomenon of Dacia-Renault
Dacia-Renault's Duster has proven to have a solid impact on the automobile market, starting with its home country Romania, moving into Western Europe and beyond. It's become Renault's star product in its international expansion strategy.

The Duster model has already become a real global phenomenon, either under the Dacia or Renault brands, with massive success in Europe, Asia & South America. Production plants are located all across the world in Pitesti (Romania), Moscow (Russia), Curitiba (Brazil) and Envigado (Colombia), but most importantly at the Renault-Nissan Alliance site in Chennai (India). This gives Renault the ability and flexibility to think large scale about international expansion. <http://www.daciagroup.com/en/press/press-releases/2012/2011-dacia-sold-over-343-000-vehicles>
Dacia, of the Renault group, sold 343. 000 cars in 2011 and Duster has become the new spear top of the Dacia range, arriving to represent 47% of the total sales of the brand, with over 161. 000 units sold. Duster enjoys a remarkable success to the export, where there were sold until now almost 230 000 units. First, due to a supplies/interior space/price ratio without equivalent in the world of 4x4 vehicles, Dacia Duster rapidly imposed on the Romanian market. With 7 252 car registrations, Duster is the second most sold model in Romania, after Logan, and an undisputable leader of the 4x4 segment. The range-top

version, Laureate, was preferred by 95% of the customers. France remains the first export market for Dacia, with over 94 000 units, that corresponds to a market share of 3.5%. Duster is present on the sixth place in the standings of the models preferred by French customers, with 53 148 registrations. Besides the commercial competition, Dacia Duster proved that it could approach without complexes the challenges in the sport world, as well, irrespective how difficult they were. Having at its wheel the well-known French pilot Jean-Philippe Dayraut, the Duster No Limit vehicle, equipped with an engine of 850 CP, coming from Nissan, obtained the third place at the latest edition of the famous Pikes Peak International Hill Climb competition in the United States. <http://www.renault.co.uk/about/category/57/newsnumber/72536d5e-147f-4ad0-8616-1e76abbfdf9e/newsitemdisplay.aspx> Another eagerly awaited event has been Dacia brand's move into the United Kingdom [and subsequent into Ireland in January 2013], of course with the top selling model Duster. There are multiple reasons why Duster has enjoyed massive success in all the countries where it is marketed and has been widely acclaimed by the media. Mostly Dacia/Renault Duster is seen as a robust, mid-sized SUV, very easy to use and perfect for drivers searching for a car with real off-road capacities. Depending on the market, it ships in 4x2 or 4x4 versions. SUVs are usually associated with bulky cars, but Renault's Duster has very compact dimensions, showing this doesn't have to be true, while the underbody is suitable for all-track, all-terrain use, with high ground clearance. Additionally, Duster features active safety, with ABS, emergency brake assist (EBA), electronic brakeforce distribution (EBV). In terms of model versatility, Duster

<http://www.renault.co.uk/about/category/57/newsnumber/72536d5e-147f-4ad0-8616-1e76abbfdf9e/newsitemdisplay.aspx>

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features specific characteristics depending on the markets (eg: the version for South American ships with exclusive cabin design and colors; for India, Duster is equipped with a separate air conditioning system for the rear compartment with independent controls). Also Duster won multiple awards and great reviews from customers across the globe, establishing a new benchmark in the vehicle manufacturing world:- " Autobest 2011" award for the 2010 west European market's best automobile package,- " Trophée de l'Argus" (family car class) in France. This prize takes into account criteria such as the new car's purchase price, running costs per kilometre, residual value, fuel consumption and driver-friendliness,- The title of " 2011 Residual Value Champion" (SUV class) in Germany,- " Car of the Year" in Romania. This prize is awarded to the vehicle which has the biggest impact on the Romanian automobile market, taking all segments into account.- Dacia Duster was voted 2011's ' 4x4 of the Year' by the respected French publication ' 4x4 Magazine' in association with the French TV program ' Automoto' (TF1). <http://media.renault.com/global/en-gb/renaultgroup/media/pressrelease.aspx?mediaid=31163>Commenting on these results, Jérôme Stoll, Executive Vice President, Sales and Marketing & Light Commercial Vehicles, Chairman of Europe Region, said: " In 2011, the Renault group beat its own record, selling 2. 7 million vehicles, and pursued its global expansion, generating 43% of its sales outside Europe. Despite mixed results in Europe, Renault remains the market's No. 2 brand..." This obviously gives a foundation for Renault to seek new markets on the rise, where to expand its international sales, as its home market Europe is declining. Dacia Duster built on its commercial success,

with a 170% (PC+LCV) increase compared with 2010, putting it in sixth place for sales to consumers. The brand's success in Brazil and Argentina is being driven largely by Renault Sandero Phase 2, which was launched and developed exclusively for these markets and also Renault Duster, which was warmly received. Local Market Trends As previously seen in the USA market analysis section, there are several trends in the local which are shifting the consumer vehicle preferences. The first and most important trend is that customers are more cautious in selecting their car in terms of price: they demand lower prices, lower costs of maintenance and low financing costs. The average price paid for a vehicle by U. S. consumers in 2011 was \$28,341, according to J. D. Power's data. (still way higher than European markets) Secondly, customers are looking for more fuel-efficiency from their cars, again in order to reduce the long term costs of ownership. Thirdly, customers are more attentive to the features in the car, looking for the right mix of " must-have" features versus " unnecessary" features, all in the scope of creating more value for their investments (getting the most out of a predefined budget, rather than trying to match the budget with a desired configuration). On the other side of the purchasing process, auto-makers are starting to be constrained by local norms and regulations, regarding minimum mileage per gallon and pollution, which involves higher costs with reshaping engines for more efficiency, innovation, taxes etc. We believe Dacia's Duster model comes in to perfectly address all of the above trends and requirements, as these are the main reasons it's become the success model that it is today for Dacia-Renault's expansion: a robust SUV with the price of a mid-sized car, extremely fuel efficient and environment friendly,

with just the right features for in and out-of-city driving (the "no-frills" approach), low costs of maintenance and very good after-sales service options. MODES OF ENTRY IN THE USA MARKET Analyzing Renault's position, we find there are several methods of entry for Renault-Dacia into the USA and introduce the Duster model: First option would be for Renault to export Duster cars from one of the existing plants in India (Chennai) or South America [Colombia, Envigado factory] to USA. Although included in the NAFTA region, with several advantages arising from it, and the close proximity to US, this option does have major drawbacks. Among them, high shipping costs, some trade barriers and foreign currency exposure risks. Major draw-backs and risks of the export variant of entering the USA market: Economic exposure, meaning the extent to which the value of Renault company would be affected by unanticipated changes in exchange rates between EUR and USD, and these could have a dramatic effect on the firm's competitive position in the world market, consequently on its cash flows and market value. Transaction exposure, meaning the sensitivity of 'realized' domestic currency (EUR) values of Renault's contractual cash flows denominated in foreign currency (USD) to unexpected exchange rate changes. This exposure mostly arises short-term, from fixed-price contracting in a context where exchange rates are changing rapidly and randomly (EUR-USD). Translation exposure, referring to the potential that Renault's consolidated financial statements can be affected by changes in exchange rates. Another negative to this might be the Americans' preference for cars "made in USA" which they believe to be more reliable, adapted to local needs or that embody the American spirit, involve local

workers (nationalism) etc. Second option would be for Renault to establish a new production facility in USA and naturally hedge any currency and financial risks, by producing and selling in USD. However, the costs associated with opening up a new plant (over 20 million \$), training personnel, develop dealerships, service support and the lack of awareness for the Renault brand, make it an unfeasible option. <http://www.dacianews.com/dacia-duster-becomes-renault-duster-in-south-america/> And of course, one major negative factor in this option would be the lack of awareness of Renault-Dacia on the USA market and big efforts - financial & marketing - needed to launch a new brand. Government intervention might also be a factor, in the interest of protecting the local car manufacturers [Detroit Big 3], considered to be of national importance. Third option and the most suitable one is that Renault make use of its strategic alliance with Nissan and gain specific and measurable competitive advantages: Nissan is already an established brand in USA, with 10 models sold Nissan enjoys a solid market share of 7.90% in USA, with annual sales of 1.14 Million cars Nissan already has a broad dealership spread across USA, with 1,100 dealers Nissan already has three production plants in USA, which produce every type of car and engines, from passenger to SUVs, being fully prepared to manufacture and service the Duster model, without much modifications or big investments" 4+1 Big Modules" concept as base for common module family: a new approach aimed at doubling the joint use of parts between Nissan & Renault (engine compartments, cockpit, front/rear underbody + electronics) - 80% of alliance's models range will share components by 2016 Nissan's Smyrna Plant has an annual production capacity of 550,000 vehicles and represents

a capital investment of \$2.5 billion. The plant produces the Nissan Altima, Nissan Maxima, Nissan Xterra, Nissan Frontier and Nissan Pathfinder, and Infiniti JX. The vehicle assembly plant in Canton, Mississippi, now produces the Nissan Altima, Nissan Armada, Nissan Titan and NV Utility and Passenger Vans. The plant has an annual production capacity of 450,000 vehicles.

Nissan's powertrain assembly plant in Decherd, Tennessee, manufactures all the engines for the complete lineup of Nissan and Infiniti vehicles produced in the U. S. The plant also forges crankshafts, and cylinder block casting.

<http://www.nissanusa.com/about/corporate-info/nissan-in-north-america.html>

<http://www.smartmotorist.com/motorist-news/suv-dacia-duster-could-be-sold-in-the-us.html>

The declarations from Gerard Detourbet, head of the Logan program, for the Wall Street Journal have brought us even more clarity to the strategy Renault might apply with regards to USA & Duster: "Renault is studying various options to see if it's time to start marketing its low-cost vehicles in North America and Southeast Asia...the way the SUV Dacia Duster will be received in Europe and other markets where the launch will matter more in making decisions related to expansion into new territories...The representative said that Renault is considering, and return to the U. S.

market, but this is very dependent on the commercial success of Duster's SUV in Europe." Renault has left North America in 1987 (USA and Canada)

and hasn't managed to reestablish a position within US, not even after

forging the Nissan alliance - not yet, anyway...And this is the premise for our plan. Besides, Renault & Dacia already have a history of launching models under the Nissan brand, in countries where Renault doesn't have a presence or awareness, this being one of the main benefits targeted in the alliance

tied-in between Renault-Nissan years ago - use each-others' strengths in new markets, for international expansion. The most relevant example for our case is the launch of the Dacia Logan model under the Nissan logo in Mexico - as Nissan Aprio. [see Annex]<http://www.automarket.ro/stiri/dacia-duster-devine-nissan-duster-30544.html><http://www.daciaduster.org/dacia-duster-becomes-nissan-duster-in-the-usa>Main arguments for adopting this joint-venture strategy Renault-Nissan:

Renault's interests:

Expansion internationally to a new market, where it has no presence
Grow its global sales making use of USA's double digit growing market
Increase revenue, without much investments (plant, dealers, building a new brand)
Increase the Duster brand awareness, to be able to extend its sales to even more markets

Nissan's interests:

Grow its market share on a very competitive USA market
Increase revenue, without much investments (in R&D, building a car brand)
Need a proven successful car model
Need a low cost model SUV, to address market demand and steal market share
Need fuel efficient model, to respond to market trends
Increase production facility use for economies of scale
Therefore, it is clear that Renault's and Nissan's strategic interests are aligned, for mutual benefit, and also they are comparable in terms of size, power and resources in their respective market strongholds (Renault in Europe, Nissan in USA)*.
Having in mind that the two companies already have in place an alliance since 1999 regarding multi-level cooperation on technology innovation and

platform sharing, the only key issues remaining to be addressed are: the "splitting of the pie" (revenue share): 50-50% for the two companies, considering the same level split on the investments in factory reshape and marketing costs length of agreement: 5 years for the Duster model: production, sales and marketing price: jointly decided based on market criteria, premium brand and competitive position control: Renault withholds control over Duster technology patents, brand, parts and production process Nissan owns and operates the plants, dealer network and marketing Duster under its brand*see Annex for Renault-Nissan alliance structure

PRODUCT MIX Choosing a new car can be difficult. So, we'll make it as easy as 1, 2, 3... Duster will be available in US in 3 different levels of equipment: Access, Ambition or Ultra, in both 4x2 and 4x4 transmission options. The launch will offer customers three engine versions: one petrol, 1.6-liter 16V with 110 hp and two 1.5-liter dCi diesel, with power 110 hp. The Nissan Duster will be built on the B0 platform, widely acclaimed for its durability, reliability, and strength. Dacia Duster is 4.31 meters long and 1.82 wide and the ground clearance will be over 20 cm. Machine weight is 1180 kilograms and 1280 kilograms. This makes Duster the perfect antidote to the big clunky trucks Americans used to want - small, but roomy: 5 people can travel in comfort, 3 rear passengers can comfortably seat in the back, and there's also enough space for children seats. Also, Nissan Duster will have up to 475dm³ luggage space, (very competitive in this vehicle category), while the bench can be split 60/40 and fully-folded, to increase space to 1,636dm³. Duster has been especially designed to be versatile and provide a reassuring ride, whether it's driven in the city, on highways, or off-

road. It also has a very spacious interior which is comfortable and provides safety. The front grill, the wheels, arches and chrome lines of the Duster impose a sense of respect and inspire toughness and a spirit of off-road adventure. We'll also be offering a line of option packs for customization, alongside a comprehensive range of accessories (wing extenders, broad side protectors for doors, lateral bars, 16 inch alloy wheels):" The Modularity Pack" for driver's comfort, contains 1/3 - 2/3 split folding rear bench seat, height adjustable driver's seat, height adjustable (tilt) steering wheel and height adjustment on front seatbelts." The Safety Pack" for passenger safety, with ABS and Emergency Brake Assist, front passenger airbag, front side airbags and unlock alarm (visual and audible) on front passenger seatbelt." Exterior Look Pack" for design and look, with satin chrome door mirrors, satin chrome longitudinal roof rails, front/ rear skid plate add-ons with satin chrome appearance paint, side skirt cover with satin chrome appearance paint, extra tinted rear windows, rear quarter glass and rear windscreen. The exterior of Duster is complemented by a modern dashboard, organized, functional and stylish, with the controls conveniently positioned and easy to read data for driving. Nissan Duster 4x4 will have a strengthened underside, suitable for all-terrain use thanks to:* High ground clearance of 205mm/210mm depending on variant* Short overhangs (822mm at the front, 820mm at the rear),* Best in class clearance angles (30 degrees for approach angle; 24 degrees ramp break over angle for the 4x2 4-speed AT version and 22 degrees for the 4x4 6-speed MT version; 36 degrees departure angle for the 4x2 4-speed AT version and 35 degrees for the 4x4 6-speed MT version). The high position of the seats will give drivers a very

good visibility of potential hazardous situations, also reassuring drivers with a precise power steering, for best in class driving pleasure standard. More control is given to drivers by the possibility to choose the trim levels and height of the seat, as well as controls on the steering wheel and ability to adjust the steering wheel based on height. PRICING - SHOCKINGLY AFFORDABLE Even though it was considered risky acquisition in the beginning and European customers considered Dacia models as low-level new cars alternative to used cars, Dacia became Renault's profit machine. Moreover, whenever Renault slaps its badge (brand) on Dacia models (2/3 of the 1 Million low-cost M0 platform), it usually charges a premium price for the same cars." Dacia is really a cash cow for the company," said Renault Chief Operating Officer Carlos Tavares in an interview with Automotive News Europe. Although Renault doesn't publish separate sales by car brand, Morgan Stanley was estimating an operating margin of 9% for Dacia (which is unusual, being more common for premium automakers)." There seems to be a common misconception that average sales price for the Dacia business are extremely low, in the range of about 8, 000 euros," said Laura Lembke, a financial analysts at Morgan Stanley in London. That is not the case. Dacia models branded as Renaults in international markets sold at least for 20 percent more than Dacia-brand models in Europe, Lembke said. In Brazil, Renault sells the Duster small SUV for 21, 000 to 27, 000 euros, compared with a price range of 12, 000 to 19, 000 euros as a Dacia in Europe, Lembke estimates. <http://europe.autonews.com/apps/pbcs.dll/article?AID=/20130102/ANE/312259994/how-renaults-low-cost-dacia-has-become-a-cash-cow#comments> Starting from this analysis and considering Renault's

strategy for entry-level positioning of Duster by features, but premium by brand, we will base our USA pricing on UK prices, but add a 20% additional mark-up, under the Nissan brand. Adding the 20% mark-up for the Nissan premium brand, we end up with a starting price for Duster in USA, per variant: CountryAccess 1.6l 16V 105CP 4x2Ambition dCi 110 4x4Ultra dCi 110 4x4Dacia Duster UK9,000 GBP13,500 GBP15,000 GBP

Nissan Duster USA

17,300 \$

25,900 \$

28,800 \$

*1 GBP = 1.6 \$. Compared to prices from other small-SUVs on the USA market (primary target-market), we can see a clear price advantage of Duster, over all other existing models. Smallest starting price for a small-SUV (primary market and direct competition of Duster) is 19,400 \$, which is 2,100 \$ above our starting price. Also, average starting price in small-SUV segment is 22,070 \$, which gives Duster the possibility to gain sales and steal market share from competition. Another important aspect is the mid-sized USA car market (secondary target-market) which presents an attractive and valid opportunity for even more growth, due to its high starting prices also, compared to our Duster. Smallest starting price is 19,900 \$, an interesting 2,600 \$ over that of Duster 4x2. This means that we are in a position of offering customers more options to choose from (on a given small budget) and more value for their money (the possibility to buy a new SUV for the price of a mid-size car). Another important part of our strategy to provide

added value to customers, aside from good quality & adequate pricing, will be the financing options of the Duster. In the last 2 years, during the recovery period of the economy, wider access to auto loans has helped the recovery in car sales in USA. This is another engine we can use to spur interest and sales of Duster, especially in the launch phase, while introducing the model in the market. The average interest rate on a 4 year new car loan has come down to 4%, (from 7% before the recession) according to Bankrate. com. <http://www2.briefing.com/Marketing/includes/state-of-the-us-motor-vehicle-industry-2012.pdf> We plan on offering Duster financing with 3% interest, over 5 years, through all 1, 100 Nissan dealers across US. And add to this a service warranty of 5 years, or 50, 000 miles. The financing will be done through Nissan Motor Acceptance Corporation (NMAC) division, which is the automotive financial services arm of Nissan North America. NMAC's main goal is to purchase retail and lease contracts for their customers from its Nissan dealers. The company offers financing for the complete line of Nissan and Infiniti vehicles sold in the United States, so Duster would be an easy addition to the offer. <http://www.nissanusa.com/about/corporate-info/nissan-in-north-america.html> <http://usnews.rankingsandreviews.com/cars-trucks/rankings/suvs/DISTRIBUTIONAs> stated before, in the modes of entry section, Duster will be introduced in US through the strategic alliance of Renault with Nissan, under the Nissan brand, due to the existing footprint of factory, brand awareness, longevity, good market position and share of Nissan, as an automaker. It's only fitting and reasonable that the best way Duster will be sold and marketed will be through the existing network of shops and dealers that Nissan already

established in USA. When Nissan launched in the United States in 1958 it began the import and production of Datsun cars under the Nissan Motor Corporation, U. S. A. (aka NMC). Nissan North America Inc. (NNA), was then created in 1990 for the mastering of relations and coordination of the Nissan various activities in USA: production, development, design & marketing. Consequently, these two entities merged in 1998 into NNA, ensuring a concrete and common strategy in the market, and also the tools needed to address total customer and employee satisfaction: vehicle styling, engineering and financing services for consumers and business customers.

<http://www.nissanusa.com/about/corporate-info/nissan-in-north-america.html>At the moment Nissan North America Inc. has a vast network of 1, 100 dealers in USA, and it's selling and marketing 11 models through its Fleet Sales operation, ranging from small cars to big trucks. Our plan is to target 25% of the existing dealers which will have the Duster model in their offers, in the first 6 months and then ramp up to 75% coverage within the next 2 quarters, and 90% after 15 months, as production also increases. Main focus in the first stage of launch will be the dealers in sub-urban areas, next to big cities, to be able to address our primary target of mid-level income families. Aside from the vast dealer network, high-quality services are essential to winning customer loyalty. We plan on offering a service offer that will include a complex "Duster Complete Care" package, comprising: technicians trained in France, at top 10% dealerships and online presence a 5-year/50, 000 miles warranty and a 1-year warranty for maintenance and repair free service coupons at 1, 500 miles, 7, 000 miles and 15, 000 miles 24/7 assistance" We understand that the customer is extremely value conscious, hence our

commitment to globally benchmarked product quality, service and after-sales quality and network quality" says Jérôme Stoll, Executive VP, Sales and Marketing Renault. <http://media.renault.com/global/en-gb/alliance/Media/PressRelease.aspx?mediaid=28867>

<http://media.renault.com/global/en-gb/alliance/Media/PressRelease.aspx?mediaid=28867>