

## STRATEGIES OF DACIA RENAULT ON INTERNATIONAL MARKETS

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**Abstract:** *Sustainable development is one of the main axes of action of the Renault Group. This means that a company should not only be concerned by its profitability and growth, but also by the impact of its actions on the environment and society. The company must be attentive to the concerns of civil society, where NGOs are the true spokespersons. This is the philosophy of the Dacia Renault company.*

**Key words:** *global strategy, international markets, emerging markets, sustainable development, recyclable product.*

### 1. Dacia Renault

The Renault Group is present in 118 countries and is organized into five major regions: Europe, Euromed, Russia, Asia, Africa and the Americas. Dacia is part of the Euromed region development, outside the United States, which also includes: Bulgaria, Moldova, Ukraine, Belarus, Turkey and North Africa (Maghreb).

The Renault Group now has 39 industrial sites and over 129,000 employees.

All Renault industrial sites have received ISO 14001 certification for environmental protection. Owner of three brands, Renault, Samsung and Dacia, the Group designs, develops and markets personal vehicles and commercial vehicles.

Together with the Japanese manufacturer Nissan, Renault created in 1999 the Renault-Nissan Alliance, a common platform in terms of technology development, product strategy and sales.

In 2008, Renault signed a strategic partnership with Russian manufacturer Avtovaz, acquiring 25% of its capital.

In 2008, the Renault Group sold 2,382,230 vehicles and registered a turnover of 37.791 million euros.

Renault-Nissan Alliance ranks the fifth place in the world between carmakers, with 5.962 million personal vehicles and commercial vehicles produced in 2008. A percentage of 37% of total sales for 2008 were made outside Europe.

Dacia is the second brand of the Renault Group. It is the pole of development of the Renault Group in Central and Eastern Europe. Its mission is to produce modern, robust, economic designs and adapted for new markets and expectations, needs and resources of new customers.

Dacia fully benefits from its membership to the Renault Group, relying on the expertise and organization of the parent company at the industrial and commercial level.

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The distribution network of vehicles and spare parts of Dacia Renault is extended in most countries.

The Renault-Nissan Alliance is a strategic partnership established between the two leading international companies, Renault and Nissan, which hold the cross-shareholdings capital.

The trademarks of Alliance are Nissan and Infiniti for Nissan, and Renault, Dacia and Samsung for the Renault Group.

Dacia is one of the key brands of the Renault Group and the Renault-Nissan Alliance. ILN Centre (International Logistic Network) from Mioveni delivers assembly parts for Logan plants in Morocco, Colombia, Russia, Iran, India, Brazil and South Africa.

In May 2008, a gearbox for Renault-Nissan (Renault Mécanique Roumanie) was inaugurated on the platform of Dacia Pitesti plant.

From the beginning, there have been strong links between Dacia and Renault. Since 1999, Dacia has been part of the Renault Group and it is increasingly affirming as an international brand.

The construction of the automobile factory from Pitesti began in 1966.

After a license agreement was signed between Renault and the Romanian state in 1968, the manufacturing of Dacia 1100 began under license R8.

Between 1970-1980, Dacia developed a range of models that included various types of passenger and commercial vehicles.

Year 1995 marked the launch of the first car designed 100% by Romanian engineers, Dacia Nova.

The company obtained the Certificate of Quality System Implementation ISO 9001 and ISO 14001, the environmental certificate. On 2 July 1999, it signed the privatization contract and became the

brand Dacia Renault Group, with the main mission of supporting the development of the Group on emerging markets.

In 2000, Dacia launched the first model, SuperNova, which is the first materialization of the French-Romanian cooperation, a car equipped with a Renault engine and gearbox.

In 2003, Renault owned 99% of Dacia Pitesti.

## **2. International Markets of Dacia Renault**

### **2.1. European Market of Dacia Renault**

Western Europe is the first destination for Dacia exports. In addition, Dacia was the fastest growing brand on market in Western Europe in the first half of 2009 (+99.8%).

The European market is a free one, cars can be sold without any restrictions.

Romania faces the situation of having many cars in stock, and Germany demand was so great, so Dacia cars went to that direction.

Two thirds of Dacia sales are made for export, while a third is in Romania. So, all depends on the evolution of these markets.

Dacia has 51 export destinations, but 60% of these deliveries are to Western Europe.

All forecasts for Western Europe indicate a 15-20% drop in sales, considering the overall market.

Dacia main markets are France and Germany. Here, governments have already implemented recovery plans and the results of these plans will have an impact on sales.

In Europe, in 2009, Dacia recorded increasing sales to 91% (214,292 units, corresponding to a market share of 1.3%).

In 2009, the main markets were Germany, France and Italy. Germany became the first export market, with 84,875 units sold. The second place was

France, with 66,531 units, followed by Italy with 21,754 vehicles.

In 2009, Dacia had a share of 2.13% on the German market, 2.5% on the French market and 0.93% on the Italian market. In France, Dacia entered the top 10 brands.

Dacia continues to strengthen its success in Western Europe, three quarters of cars exported by Dacia have been registered since the beginning of the year.

Dacia has recorded the strongest rise in sales of all brands of Western Europe market (+ 29.2%).

Dacia podium exports are dominated by the three countries which have not only the largest car markets in Europe, but the most powerful industries on the continent. France became the main market for Dacia (64 287 units sold).

In late June, it was ranked sixth in the standings Hexagon sales with a market share of 4.5%.

In the first half of 2010, Dacia was situated on the fourth position on the French market, taking into account only sales to individuals.

Germany is on the second place on international sales of Dacia cars (17,107 vehicles were sold), followed by Italy with 13,755 units.

Duster, the sixth Dacia model, has made a notable entry in all markets where it is marketed. Since its launch in March, more than 35,500 units of Dacia Duster have been ordered in Europe.

Dacia cars are exported in Ukraine, Turkey, Spain, Serbia, Czech Republic and Bulgaria.

Along with increasing sales and diversifying, Dacia began the development of its own showrooms on Western Europe market, separate from those of Renault (but still relying on the Renault network).

## **2.2. Other markets of Dacia Renault**

In the Maghreb countries (Morocco and Algeria), Dacia has become a major player in the local auto market. Sales in Morocco have reached 18,100 units (up 21% compared to 2009, while the local car market in the same period has decreased by 9.4%). In Algeria, Dacia sold 17,300 units in 2009 (increasing by 42% in a market down 2.7%).

Dacia currently sells cars in Morocco, Togo and Nigeria under its own brand and in South Africa under the Renault brand. Also in South Africa, they sold Dacia Logan Pick-up under the Nissan brand, renamed NP200.

Reunion, Kenya and Senegal are countries with potential, where Renault has offices, but it has been reluctant until now to bring Logan and Sandero models.

Dacia made its first steps into the new strategy of "conquering" Africa. After Logan, Logan MCV, Logan Van and Logan Pick-Up, Sandero has made its debut in June on the Morocco market, where it already owns the second ranking position in sales after Renault. For example, Logan has sold 48,000 copies in Morocco from 2006 to present.

To boost sales, Dacia-Renault decided to assemble Sandero at the Renault factory in Casablanca. Dacia will benefit, because 60% of the parts will be made at Pitesti. Dacia and Renault, which are based on the Logan platform, are also produced in Romania, Russia, Colombia, Iran, India, Brazil and South Africa.

A market with great potential can be found in the Persian Gulf, where dedicated models have already been built, which include features such as automatic gearbox with five reports.

### 3. Dacia Renault Strategies

Since the re-launch of the Dacia brand in Western Europe in 2004, with the appearance of Logan, Dacia has never denied the low positioning of the brand, in terms of price. While Logan and Logan break (a unique concept with seven seats) are probably described as low cost because of the design and the target audience, in 2008, Sandero revolutionized Dacia again.

Dacia proposes a low-cost, a spacious hatchback and an attractive design for Sandero.

In fact, due to the introduction of Sandero, Dacia has succeeded in two very important points: first, the idea of brand "Dacia" has surpassed the Logan in Western Europe - Dacia brand has become an active known name, then, low-cost idea has become something great, like Ikea and H&M.

The Pricing strategy aimed to maintain the price level of Dacia models as low as possible and with as small a margin as possible.

All advances in productivity that have passed the products were made and transferred to the benefit of the customer.

For example, ABS has become the series equipment, as well as the dual air bag, redesigned versions of the Logan sedan and Beak were introduced, the warranty period was extended to 36 months.

All these things have been done for clients without modifying the prices for 2 years and a half. The price could not be lowered more. Dacia is involved in the program REMAT and announced a financial package to help customers who want to buy a Dacia car.

Dacia brand "Made in Romania" is the one which had the most important role and, of course, the economic downturn forced or, rather, encouraged consumers to think better and to give up their rather absurd

prejudices in terms of the semi-premium models.

Dacia is a separate brand within the Renault Group's brands and therefore it competes with Renault. Dacia is perceived as a low-cost product. The image of Dacia is placed under Renault.

The image of brand Dacia has become the most aggressive in Romania (local market), North Africa (emerging market) and Germany (saturated market). Since March 2010, after the Geneva Motor Show, the company has wanted to impose their brand image "in each and all".

The Dacia brand development occurs at a very fast pace. The market shares are increasing in all Western Europe, reaching a value of 3.5% in Germany in May. Unquestionably, Dacia is currently the most dynamic car brand in Europe. This performance is explained by pertinent models, which benefits from an unbeatable report of interior space/benefits/price.

In Romania, Dacia has consolidated its leading position; even in the current difficult context, the only player on the automotive market has managed to consume the full quota in the first stage of the program REMAT. Dacia promised to come through this program with a complementary offer, which doubles the value of the disposal amount.

Dacia innovates and looks to the future. As proof of its creativity in design, the company presented at the Geneva Motor Show its first concept car, called Duster. The model range, the youngest in Europe, was already enriched in June with the Stepway Sandero version, Logan MCV Prestige version and a new engine, 1.2 16V, more economical and environmentally friendly.

All this set of developments will help Dacia conquer new market segments progressively, address the young and

female audience and respond to new needs of the Romanian and European clients.

As part of the business strategy, the company decided to use the Duster model to launch the Romanian brand on one of the most demanding, but important markets of Europe: the United Kingdom.

The launch of Dacia in the UK and the rest of the Western European markets that are currently not covered is the second pillar of the firm's strategy of building a structure with dedicated sales.

Over the last two years, Dacia has been the car brand with the fastest growth in Western Europe, even if, initially, the cars that produced at Pitesti were rather dedicated to emerging markets around the world, not to the developed ones.

When they decided to build a car like Logan, the company was based on extensive market studies that said there was an important segment of customers who needed a simple, not very expensive, but reliable vehicle to meet their basic need for mobility.

The environmental strategy of Dacia meets the principles of sustainable development strategy of Renault. It aims to maintain ecological balance, reduce the impact of company activities on the environment and enhance compliance with the environmental imperatives regarding the lifetime of the vehicle from the design phase until the end stage of use.

The car production is done in compliance with the ISO 9001 quality management and ISO 14001 for environmental protection.

Eco<sup>2</sup> signature is a certification of the fact that Dacia cars fall in the long-term environmental strategy launched by Renault in 2006. The target which the group set was to reach the top three global car manufacturers in terms of the low level of CO<sub>2</sub> emissions.

Vehicles bearing the eco<sup>2</sup> signature already exist in Dacia range and in Romania.

All Dacia cars are recovered in a ratio of 95% and contain 5% recycled plastic; in addition, the industrial plants of Mioveni platform have ISO 14001 certification.

Regarding CO<sub>2</sub> emissions, these cars meet the conditions of eco<sup>2</sup>: Sandero dCi 70, Sandero dCi 85, Logan dCi 70, Logan dCi 85, Logan MVC dCi 70, Logan MVC dCi 85, Logan Pick-up dCi 70, Logan Pick up dCi 85, dCi 70 Logan Van, Logan Van dCi 85 (with emissions of pollutants ranging from 120 g CO<sub>2</sub> / km to 140 g CO<sub>2</sub> / km).

#### **4. Conclusions**

The market strategy of the Dacia Renault company is considering expansion into new markets and for new segments of consumers. In order to achieve this objective, it has proposed using a strategy of continuous renewal and diversification of its products. Also, in order to extend its market and increase market share, the company has established a strategy of low prices, which should reflect, at the same time, an appropriate price-quality ratio.

On the Romanian market which is still in sharp decline because of the economic crisis, Dacia has sold in the first half of this year 19,294 vehicles, which corresponds to a market share of 33.5%, up to 3.5 points from the same period in 2009.

The result recorded by Dacia is based on the continuous search of best deals in terms of price, product range and financing, plus the quality and reliability of products, confirmed by recent surveys of customer satisfaction.

Dacia offers accessible cars. In each market segment where it is present (hatchback, sedan TRICORP, station wagon, van, pick-up, and now 4x4), Dacia

proposes reliable and robust vehicles at an unbeatable cost-benefit ratio. With a range of six models launched in just six years, Dacia is an expanding brand worldwide.

Dacia produces a wide range of vehicles Dacia (Logan, Logan MCV, Logan Van, Logan Pick-Up and Sandero), engines, gearboxes and transmissions, aluminum pieces for Dacia and Renault vehicles produced worldwide.

TL gearbox manufactured at the Dacia factory equips different Renault models (Clio, Modus, New Kangoo, Mégane, Scénic, the new Laguna) and Nissan models (Tiida, Sentra, Versa, Latio, Livia, Note, Qashqai).

At the same time, Dacia assumes social responsibility towards consumers and the environment, implements a sustainable development strategy by designing and producing environmentally cars using

recycled materials; it is also involved in the Remat program of renewal of the auto fleet.

This year Dacia has been involved in the program of auto fleet renewal initiated by the Romanian Government, offering customers an offer entitled "Dacia Advantage". During this campaign, Dacia has sold 14,000 vehicles this year.

It can be said that Dacia is a growing company which is positioning to a medium level in terms of quality of their products and prices offered, but offering a good quality-price ratio.

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