

# Globalization of Renault Development Strategy

By Said Cherkaoui

**Executive Briefing:** This article presents the drive of Renault from the edge of bankruptcy to the rise of its model Logan to international preeminence, fame and success. At the same time, Renault concentrated its production in countries that have been considered by the major car manufacturers as solely a marketplace and not the location of their production.

 For Renault, the first half of the 1980s were “the crossing of the desert” when the French automaker reached the edges of bankruptcy, while Volkswagen continued to expand in terms of production and market reach. Volkswagen developed its international base through the acquisitions in 1991 of Skoda, the automobile manufacturer in the Czech Republic and SEAT, the **Sociedad Española de Automóviles de Turismo**. After the withdrawal of Fiat in 1981, the Volkswagen Group subsidiary Audi AG signed a cooperation agreement with SEAT, becoming the major shareholder in 1986, and 100% owner of the company. In 1990, SEAT expanded its operations in China and Latin America.

In comparison, Renault put the brakes on its international drive and concentrated its efforts on solving internal dissensions in the aftermath of the terrorist slaying of its CEO. Renault also focused on renewing its relationship with the new French Government, smoothing the resistance of left-wing Unions, finding acceptable solutions to its large and aging North-African immigrant workers in France, developing creative models, and raising quality. While seeking these goals, Renault also sought to increase its market share in the Northern European countries where it faced hard competition and realized only low profit margins. Renault had to change direction and in 1998, Renault acquired the plant of Curitiba in Brazil and the following year, it became the major shareholder in Nissan of Japan, Dacia of Romania and Samsung of Korea.

## The Logan Global Phenomena

Renault acquired the Romanian factory Dacia with the aim to become specialized in the production of the super budget Renault / Dacia Logan Car to be sold for 5000 Euro (USD 6105), which competed with the best of the world's cheapest cars. Targets for the Renault Logan car included Rover's CityRover, Kia Picanto, Seat Arosa, Daihatsu Cuore, Daewoo Matiz and the Volkswagen Fox. In June 2005, Renault made the Logan available in France, Germany, and Spain at a base price of \$9300, half of the average price of competitive offerings. Renault's initial target markets were countries like Romania, Poland and Russia, where most people cannot

afford a car with Western European pricing. This is the first step in a global rollout of the Logan. In mid-July 2005, Renault announced that it had manufactured 100,000 Logan vehicles at its Romanian factory, exceeding its own most optimistic estimates. Shortly after the launch in Eastern Europe, Renault was shocked to learn that Western Europeans liked the Logan as well. Over the next several years, Renault factories in Russia, Morocco, and Colombia will begin producing the Logan. The Logan sells for about \$6000 in these countries, while cars like the Ford Focus or the Volkswagen Golf cost around \$18,000. Deutsche Bank estimated that Renault can produce the Logan for \$1089 per car; equivalent autos produced in Western Europe run about \$2500. In fact, this fast produced car is not recognized only for its low cost of operation but also production and usage.

"The Logan is the McDonald's of cars ... The concept was simple: Reliable engineering without a lot of electronics, cheap to build and easy to maintain and repair," said Kenneth Melville, the Scot who headed the Logan design team (Edmondson, 2008).

In February 2008, Renault celebrated 80 years in Morocco. Renault has had a long lasting, unbroken relationship and active presence in Morocco. But it has only been since 1966 that Renault has been assembling vehicles at SOMACA (Moroccan Society of Automobile Construction), located in Casablanca, and owned 80% by the Renault Group and 20% by the PSA Group. SOMACA started the assembly of Dacia Logan in 2005. In total, Renault currently employs 1,800 people in Morocco, and represents 1.4 percent of the Group total and the production in 2007: 28,764 vehicles, or 1 percent of the Group total.

In this way, Renault strengthened its presence in a significant market, where it was a sales leader at the end of August 2000. Before 2000, Nissan was a brand unheard of in Morocco. Then Renault took a majority stake in the carmaker. The next step was made by Renault Morocco in taking over SIAB, the Nissan's exclusive importer in Morocco, which was until then wholly-owned by the ONA Group. Renault Morocco stepped up distribution of Nissan automobiles through the same Group, and in 2006 1,100 Nissans were sold.

Launched in July 2005, the Logan became the best selling vehicle in Morocco within its first six-months. In 2006, 12,700 Logans were sold in Morocco, making it the success of the year there. The true moment of the explosion in sales was the release of the 1.5 diesel engine. Around 75% of the cars sold in Morocco by Dacia Logan were diesel versions. Early in 2008, the Renault-Nissan Alliance started work on the “Renault Tanger Méditerranée” industrial complex. It will comprise an assembly plant for low-cost vehicles based on the Logan platform. The Moroccan Hub is one link in the chain of regional and global integrative cost-efficient manufacturing units implemented in other emerging marketplaces to produce low cost vehicles. This global integrative efficient production while facilitating access to labor, knowledge and skills at the lowest rates. This kind of system is the prelude to the manufacturing of new electric cars; a \$3,000 car for the Indian market and a joint venture with Russian carmaker Avtovaz to build a car for the Russian market. In fact, the Logan produced in Morocco is already exported to Europe.

## Conclusion

Renault is now ready to implement more global centric regionalized business units that are connected by synergistic output and productivity performances with terms of quality, technology and profitability that equal if not surpass the major global car manufacturers. Renault applied an integrated productive strategy based on the Just-in-Time approach that imposed the implementation of total quality management and the enhancement of competitiveness to the level of international standards, particularly in the cases of Samsung and Dacia. With Nissan, Renault considered its partnership a synergistic one in the longer term, despite the difficulties faced in the early stage of their alliances and the recent challenging times that resulted in Carlos Ghosn stepping down in favor of a veteran deputy, Patrick Pélata.

With this move, Renault escaped from its European Fortress and established itself as the fifth largest car manufacture in the world. This world ranking enabled Renault’s innovative and creative departments to develop, in concert with Nissan cutting-edge technologists, engineers and designers, more efficient and alternative fuel driven vehicles that will differentiate and localize productions and models in accordance to local demands and regional market needs. ♦ [gBR Article 04-03, Copyright © 2010.](#)

## Sources

Gail Edmondson in Pitesti, Romania, with Constance Faivre d'Arcier in Paris, “Got 5,000 Euros? Need A New Car? Drivers across Europe are clamoring for Renault’s ultracheap, no-frills Logan” July 4, 2008, Business Week, European Edition, [http://www.businessweek.com/magazine/content/05\\_27/b3941072\\_mz054.htm](http://www.businessweek.com/magazine/content/05_27/b3941072_mz054.htm).

## About the Author

Dr. Said Cherkaoui’s career combines business management, applied research, and academic responsibilities. From 1982 to present, Dr. Cherkaoui has held executive positions as Vice President with both SVT Africa – and Logistics Systems, and Director of Business Development at Mercanteo/Amient, as well as Senior Manager at Spring and Corporate Accounts Manager at Everex. He has also served as the co-chairman of the International Business Development Committees on Africa and the Middle East at the San Francisco Chamber of Commerce. Dr. Cherkaoui holds a doctorate in Economics from the Université de Sorbonne, Paris.