

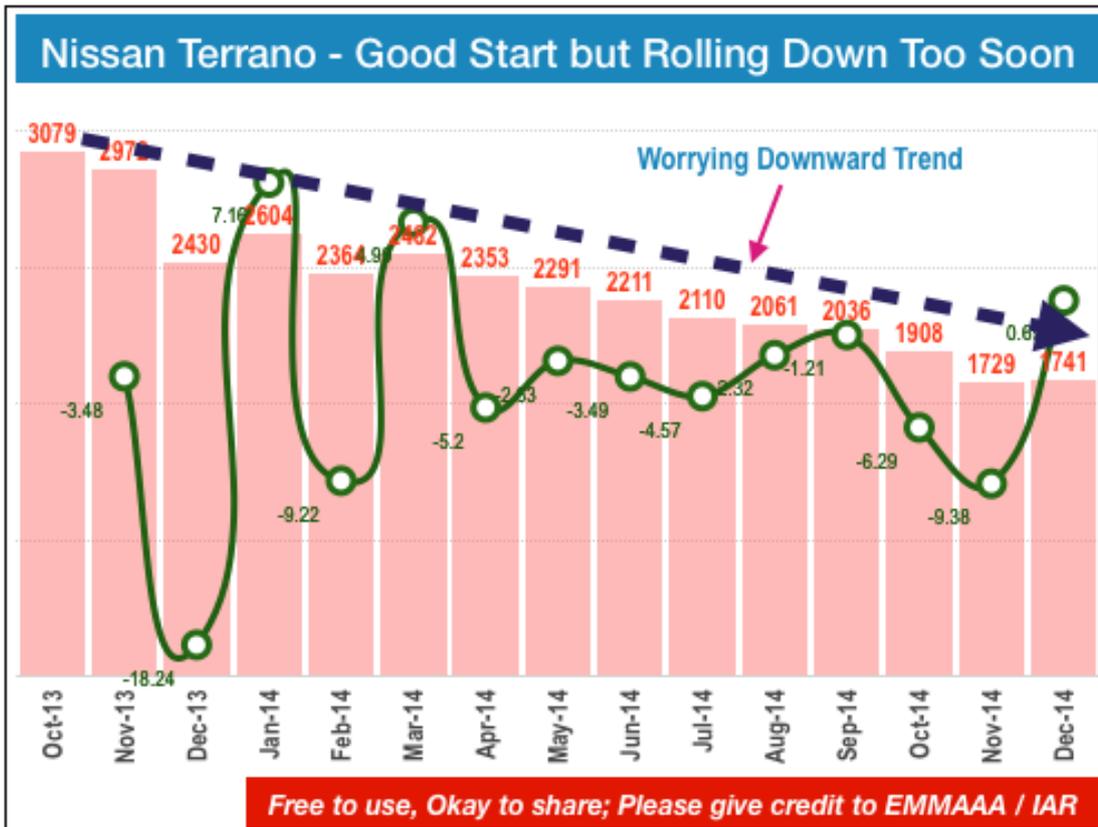
# Future – Renault-Nissan-Datsun? Part 2

On [Tuesday](#) we looked at most of the current Renault-Nissan-Datsun range and tried to identify the issues hampering the growth of the carmaker in the Indian market. The three brands together accounted for 3.66% of the Passenger Vehicle market in 2014. Not great numbers when you have 12 active nameplates in the market and play in multiple segments. To add to the woes, the much anticipated Go hatchback has been a disaster. In short, not much is working for the three brands, except the Renault Duster crossover and its badge-mate Nissan Terrano.

We resume today's analysis with a look at the remainder of the Renault-Nissan-Datsun range.

## **NISSAN TERRANO – PROMISING START AT THE RISK OF FIZZLING OUT**

The Terrano is the rebadged twin of the Duster in the glorious rebadging tradition of R-N-D. In a way, it was a clever ploy by the group to make up for sales losses of the Duster with the Terrano. Whatever volumes were lost by the Duster due to model razing, the Terrano has been able to make up for more than that.



The SUV started well in the market, dispatching more than 3000 units in the first month. However, it has been a downhill drive since then. The rolling average dispatch volumes for the Terrano in December 2014 are down by 43% from Oct 2013. This lifecycle trend is worrying and often leads to a sharper fall over the next few quarters unless the overall market recovers considerably.

## NISSAN EVALIA – THE ONE THAT TOOK ON THE WRONG ONE

On paper, the Nissan Evalia looks very promising. It is a seven seater van with a lot of interior flexibility and is decent on features. However, look closer and you realise that it is a LCV Panel Van masquerading as an MPV. Though the construction is monocoque, as compared to nearest rival

Innova's body-on-frame design, the Evalia is let down by its leaf-spring rear suspension and an engine that is significantly lower in power and smaller in size than the Innova's. Nissan should have pushed the Van to commercial buyers / taxi operators rather than the individual owner market.

Never was a Contender...

**2647 evalias**

dispatched in 28 months

THERE SHOULD BE AN 'ONLY' SOMEWHERE IN THE TEXT ABOVE

However, that is easier said than done. The MPV cab market is owned by Toyota Innova with the crumbs shared by Chevrolet, Maruti-Suzuki and Tata Motors. Evalia's closest competitor as a full size seven seater Van is the Toyota Innova, a vehicle known for its longevity, ruggedness, ease of operation and dependability. The Innova has hardly taken a wrong step in its life and taking away even 10% market away from the Toyota MPV is a gargantuan challenge.

One that the Evalia is even hesitating to mount.

Evalia's problems are also compounded by badge-mate Ashok Leyland Stile. At the time of releasing RFQs, the Ashok Leyland-Nissan joint venture had put an estimate of 30,000 units each per annum for the two products. The Stile would take on the commercial segment while the Evalia would be targeting the personal segment. Both haven't quite worked out the way it was planned.

## **SO HOW DID R-N-D FIND ITSELF IN THE MESS THAT IT IS IN?**

One of the critical problems is the brand identity, or a complete lack of it. Nissan perhaps is the best brand the group has. For some Indians, now in their 60s and 70s, Nissan

has been the direct rival to Toyota and makes equally good cars. However, if Toyota has a positioning as the manufacturer of high quality, mass market cars and Suzuki as a manufacturer of dependable, mass market cars, it is difficult to pin point what Nissan stands for.

With the Terrano, Nissan has an opportunity of making interesting crossovers. The brand is looking to cement that with another crossover below the Terrano and maybe one above that.

But where does that leave the Sunny, perhaps the anti-thesis of whatever the Terrano stands for. The dorky looking sedan is a few miles away from exciting and there is little that can be done to its styling till the next generation arrives. However, that is still a few years away.

**We never got serious...**  
**773**  
**TEANAS**  
**dispatched in six years**

Then there is Renault. Sure, some of us know that it is a French brand. But Indians have never been enamoured with French cars. Sure we love Japanese cars for their quality, Germans for their solid build and technology and Americans for their muscle, but what does a French car stand for? In Europe, French carmakers – PSA and Renault – are known for interesting styling and a different opinion about car design than the Germans and Japanese.

Heck, you may not agree with them but you cannot ignore the French in the European market.

Sadly that character is missing when it comes to the Indian

market. The Pulse and Scala are just rebadged Micra and Sunny respectively, and that limits their styling potential. The Evalia is interesting, but there are enough issues with it to cripple its potential.

The brand situation is even worse in the case of Datsun. The brand – the result of both Renault and Nissan believing that they are semi-premium – has a rich and long history. The problem is that the history ended before any of today's drivers had attained puberty. Practically no one knows about it. To add to the woes, the brand is aimed at the bottom of the pyramid, right next to the Nano, a very different positioning to its sporting history. The group then compounded the issue by not making a serious effort on brand communication, letting the product speak for itself.

It didn't and we have a disaster on the hands called the Go.

The Datsun Go draws many parallels with the Tata Nano. Both are excellent value for money, well packaged automobiles. Fundamentally, there is nothing wrong with either. However, both fail due to their inability to reach the right audience. Nissan needs another 50 dealerships, focussing on smaller towns, pushing Datsun aggressively to make the Go and Go+ mean anything.

## **BRAND BUILDERS NEVER TOOK OFF**

The Nissan Teana & X-Trail and the Renault Fluence & Koleos were brand builders for the respective brands. They were supposed to establish the brand in the eyes of the customers. However, even brand builders need an effort to be sold. The excellent Teana is a curious case – here was a car that could beat the Accord and Camry black and blue. However, Nissan did very little to push it and it did very little to push Nissan. Launched with a large engine and high-end trims, the Teana

ended up rivalling Mercs and BMWs on price, not a good thing to do when your badge doesn't say Infiniti. Nissan never made any efforts to localise the car, something which would have slashed the price significantly.

The Teana had a competitor  
**1059**  
**KOLEOS**  
dispatched in 40 months

The same was the fate of the X-Trail, an excellent SUV and something that would have worked better than the Honda CR-V in the Indian market, considering the X-Trail came with a diesel option. Again, Nissan never thought of it as something more than a showroom decoration and the result is obvious. Nissan sold 1046 X-Trails between 2009 and 2013 before officially pulling the plug on the vehicle in Feb 2014.

One of the arguments that may be put forward for the ~~failure~~ limited success of the Teana and X-Trail is that Nissan didn't have the dealership network to support them when the products were in their prime. That was true till mid-2010 when Nissan entered the mass market with the Micra.

The miss with the Fluence and Koleos was different. The Fluence entered a segment where the Corolla, Civic, Cruze, Jetta, Laura/Octavia and Elantra played. All of these models had certain polarising USPs and didn't believe in playing safe. So the Civic and Elantra came with aggressive styling, the Laura / Octavia and Jetta with solid build quality, the Cruze with a stonker of a diesel engine and the Corolla with the Toyota name affixed to it. The Fluence had nothing. It has a safe styling, sleep inducing engines and is in the middle of the pack whatever way you look at it.

An Opportunity Missed...

**3839fluence**

dispatched in 42 months

EXACTLY THE VOLUME WHERE YOU THINK IF IT IS EVEN WORTH REPLACING

Not a healthy recipe for a segment where buyers often start displaying some personality and are demanding.

The Koleos had a very similar story as the Fluence. The SUV wore a dated look the day it was launched in a segment where the Fortuner outsells everyone else together. Not many even considered it when entering the SUV market. Again, the brand tried to play safe in a segment that demanded aggression.

## **RENAULT-NISSAN'S BIGGEST FRENEMY – THE MANUFACTURING OPERATIONS**

When the R-N-D group initiated their mass-market entry in mid 2010, they had a unique advantage. Unlike a typical global carmaker starting out in India with a production run of 2000-3000 units a month, Renault-Nissan were already committed to manufacturing many times more. The company's Oragadam plant had been picked as a global manufacturing hub for the Micra and Sunny and suppliers had negotiated at 100,000+ units each.

However, there was a problem. Like many some other companies (FIAT?), the strong, high-volume manufacturing operations ensured profitability for the group in India.

It also made them lazy. Somehow the effort was only 90% when the sheer dominance of Maruti-Suzuki should have demanded 110%.

The Micra was launched with trims that had most critics scratching their heads. The customers looked at the specs, then the prices, nodded their collective heads in disbelief and then went and bought a Swift. The trim levels and product

packaging may have worked well in Europe but did not find many takers in the Indian market.

Since 80% – 90% of the plant's output was being shipped to Europe and other international markets, products are more tuned to global tastes than to Indian requirements.

## **THEN THERE WAS HOVER**

Nissan also complicated matters by bringing in Hover Automotive as a partner on the retail side. The entire dealer network was Hover's responsibility. This effectively put another set of multiple layers of management between the brand and the dealer. We are still figuring out the strategy though thankfully Nissan has now called off the arrangement.

## **EYE ON THE FUTURE**

Datsun has put up a brave face and launched the Go+. It's an interesting product, a one of its kind 5+2 seater MPV and also one that has been launched at a very aggressive price. Will it work, will it not is a distant question. The critical question for the brand to ask is how much incremental volumes they can get from the Go+. The MPV would face the same problems that the Go is facing though there is a greater probability that the MPV would do better than the hatchback as it offers a better package for the urban buyers.

For their part, Renault-Nissan-Datsun have not changed their future product strategy. All three brands are working on multiple new models including hatchbacks that would be slotted even below the Go. Also in the works are Compact SUVs and seven-seater MPVs that would allow the brands to enter new

segments. In a nutshell, the shock of not meeting sales targets has not affected the optimism of the company.

It's not a bad strategy – if anything can pull out Renault-Nissan-Datsun from this mess, its aggressiveness in new products. That and a 30% increase in number of dealerships should improve matters significantly.