DACIA LOGAN – A SUCCESSFULL CAR IDEA

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ABSTRACT. In the present paper we present how a car brand, apparently without great perspectives has become a global brand, full of success. After the integral takeover of Dacia by Renault-Group in 2004, the French car maker developed a modern, sturdy, reliable and economical car.

Designed to be priced at Euro 5000 for the basis model, Logan is one of the first models from Renault-Group developed using a pilot program with digital technology. At the beginning the carmaker wanted to reach in the markets in Central and Eastern Europe and similar markets in South America, Africa and Asia.

We will analyze the strategies used by Dacia Renault Group that makes the car to become a model appreciated all over the world, a proof of this affirmation being the sales on 4 continents.

Key words: car brand, design to cost, Euro 5000 price, brand strategy, plants

Introduction
In 1899, Louis Renault founded Renault Freres, one of the first car manufacturers from the world. In time the French state took the control of the company and at the beginning of '90 it was in a very bad situation.

After losing the takeover of Swedish carmaker Volvo, Renault had a very bad financial situation. The president of Renault, Louis Schweitzer, engaged Carlos Ghosn, ex CEO of Michelin North America as Executive Vice President and together they conceive the new strategy. As a result of this, on 27 March 1999, it was signed the agreement where through Renault took an equity interests in Nissan. In 1999 Carlos Ghosn moved to Nissan Motor as Chief Operating Officer and in the same year Renault took a majority 51% equity share in Dacia the Romanian automaker where which Renault worked closely since 1968. In 2000, Renault acquired the Samsung group’s automotive branch of activity.

In 2004 Renault increased its participation to Dacia until 99.3%. This way, Dacia has become Renault’s home base in Central and Eastern Europe.

The Renault – Nissan Alliance, the fourth carmaker world wide, is divided into Renault group and Nissan Group. The Renault-Nissan Alliance is the first of

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its kind involving a Japanese and a French company, each with its own distinct corporate culture and brand identity. Both companies share a single joint strategy of profitable growth and a community of interests.

**Material and Methods**

To realize this paper we used the official sites of Renault, the Franch carmaker and Dacia, the romanian brand from the Renault Group. We analized the findings from a market research made for the officials from Renault Group.

The 2005 Annual Report from Renault helped us with a lot of information, about the markets, the sales on every market, etc. We can say the same thing about the press release from the officials of Renault.

**Results and Discussion**

*Project Logan*

In 1998 Renault started looking into possibility of creating a modern, robust and reliable car at an entry-level price of 5000 Euro. This was the beginning of the X90 project.

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.

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. It was developed as a part of the project X90 in which digital simulation technology was used to design and engineer the vehicle and manufacturing tools in order to decide the production process.

The Logan car, completely of Renault origin (technology, development, rolling chassis, engine, gearbox, etc.), was conceived in the Renault Technocenter near Paris and meets the Renault manufacturing standards. Its modern conception corresponds to international standards, notably to the standards of the European Union, concerning safety, gas and noise emissions and recycling of materials.

Calculating vibrations and testing acoustics on digital models helped designers to predict noise levels in the vehicle without using a physical model. The advantage of the digital method, especially in defining and developing the body structure, is that costly prototypes of vehicles and tooling do not have to be built so many physical stages in the design process are eliminated. The total cost saving is estimated at about EURO 20 million.³

Renault had put all its know-how to the service of the Logan project to conceive a modern, robust, reliable and very competitive product. Its price/service ratio is of a high advantage to the customers.

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³ Official site, www.renault.com
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In order to obtain a good product at a very good price, the French car maker, used five essential axes:

1. Logan was the result of X90 project, a program in which financial consideration were a key.

2. Another peculiarity of the conception process was that Logan was a decisive step of the "design to cost" program, introduced by Renault in 1992.

3. The use of the same elements for several vehicles of the same car manufacturer is a guarantee of reliability and savings for the customers. This logic was present all the way in the development of Logan. So, Logan resume takes over the engines, the front axle, the steering, and rear brakes from the Clio model. The central unit of the interior space, which groups together the electronic functions, is derived from the one, which equips the Clio model.

4. The Suppliers’ Industrial Area has been created within the plant. This presence has ensured an important technical competence contribution and a significant productivity gain. This was made in order to cut the production and logistic costs.

5. The Dacia Plants are going to use manufacturing methods resembling to the Renault Manufacturing System. Initiated in 1998 this program allows industrial units of the Group to reach the best performance level in the world. It gathers all actors of the industrial system – buyers/providers, logisticians, engineers and manufacturers – around common objectives and action rules.

*International Suppliers’ Network*

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. The Suppliers’ Industrial Area has been created within the plant. This presence has ensured an important technical competence contribution and a significant productivity gain.

At the beginning the officials from Renault decided to use for Logan, its three engines, 1.4 liter petrol engine, 1.5 liter diesel engine and 1.6 liter petrol engine from the exiting models like Clio, Renault Modus and Nissan Micra. With some specifics incorporated, Logan is adapting to local conditions in different countries such as dust, low and very high temperature, strong rains, bad roads, etc. Its modern conception corresponds to international standards, notably to the standards of the European Union, concerning safety, gas and noise emissions and recycling of materials.

Another key factor in reaching the cost targets set for Logan was the choice of a front suspension similar to that used by Clio, with no anti-roll bar, and rear suspension taken from the Renault-Nissan Alliance's B platform.

*Production*

Excepting Romania, Logan is already been assembled in Russia, Morocco and Columbia. Renault is investing 230 million to make Logan in Russia and sell
the car there from April 2005. The production unit is the Moscow plant of Avtoframos, a subsidiary jointly owned by Renault and Moscow City Authorities, with the objective of 60,000 vehicles produced per year.

Renault plans to invest 22 million to make Logan at the SOMACA plant in Morocco from the second half of 2005 to the end of 2006. Production of 30,000 vehicles a year is estimated, with some going for export.

Logan is assembled at the Sofasa plant in Colombia from the end of 2005. It is marketed under the Renault brand in Colombia, and from 2006 in some neighboring countries. The Sofasa plant with annual capacity of 44,000 vehicles aims to begin exports to Venezuela and Ecuador during 2006.

For the year 2006 the plans are to produce 30,000 cars annually in Iran. Renault plans to produce Logan in Brazil and India in 2007.

### Table 1.

<table>
<thead>
<tr>
<th>Markets</th>
<th>Sales of cars</th>
<th>Change</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>2002</td>
<td>2003</td>
</tr>
<tr>
<td>EURORE</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Western Europe</td>
<td>19,116,000</td>
<td>19,271,000</td>
</tr>
<tr>
<td>Central and Eastern Europe (including Russia and Turkey)</td>
<td>2,890,000</td>
<td>3,285,000</td>
</tr>
<tr>
<td>AMERICAS</td>
<td></td>
<td></td>
</tr>
<tr>
<td>NAFTA</td>
<td>21,731,000</td>
<td>21,265,000</td>
</tr>
<tr>
<td>United States</td>
<td>19,526,000</td>
<td>19,132,000</td>
</tr>
<tr>
<td>South America (excluding Mexico)</td>
<td>16,845,000</td>
<td>16,579,000</td>
</tr>
<tr>
<td>ASIA-OCEANIA</td>
<td></td>
<td></td>
</tr>
<tr>
<td>South Korea</td>
<td>2,205,000</td>
<td>2,133,000</td>
</tr>
<tr>
<td>Japan</td>
<td>1,618,000</td>
<td>1,318,000</td>
</tr>
<tr>
<td>AFRICA / MIDDLE EAST</td>
<td>5,705,000</td>
<td>5,696,000</td>
</tr>
<tr>
<td>Total</td>
<td>1,937,000</td>
<td>2,049,000</td>
</tr>
<tr>
<td></td>
<td>56,309,000</td>
<td>57,323,000</td>
</tr>
</tbody>
</table>

Source: www.renault.com

The world car markets – the Logan’s market (Table No.1)

The specialists from Renault made a market research in 2003 with interesting results. They discover that about 57 million cars were sold worldwide in 2003. The most developed markets, the United States, Western Europe, Japan and South Korea, absorbed roughly 80% of the total, although they are home to only 20% of the world's population. The three biggest markets, the United States, Western Europe and Japan, had become replacement markets offering only limited growth potential.

According to the conclusion it is a reserve of markets to be conquered in other regions, where sustained economic growth is causing the automobile sector to expand.
You can see from the results that Central and Eastern Europe (including Russia and Turkey) offer great perspectives with a growth of +13.7% in only one year. Renault found out from the research that the rate of ownership was about 70 vehicles per thousand inhabitants in Turkey, 160 per thousand in Ukraine and 350 per thousand in the Czech Republic.

Correlating these results with the per capita income which is about US $1,000 in Ukraine, $2,300 in Russia and Turkey, and $11,000 in Slovenia it seems these markets offer high growth potential for the automobile sector. The opportunities are significant because cars sold in Logan’s price range make up the biggest market segment. For example, in Russia 90% of new cars were sold under Euro 10,000. According to officials from Renault, the Russian car’s market had a 6% growth in 2005 meaning more than 1.4 millions cars sold every year.

By way of comparison, given an average base price of 100 for a new car purchased in France in 2002, the equivalent cost was 92 in Spain, 69 in Hungary, and 68 in the Czech Republic and 54 in Poland. These results helped the specialists from Renault to understand the importance of price as a criterion for buyers in the countries where Logan will be sold.

Since the late 1990s the automobile markets in those countries have seen surges of strong growth interspersed with less stable periods. In Hungary new car sales rose from 80,000 units in 1997 to over 200,000 in 2003, with the rate of growth remaining fairly steady.

Logan’s potential customers have been clearly identified. In the passenger car market, families are expected to account for more than three out of four buyers in the Czech Republic, Romania and Morocco. They are relatively young, aged between 35 and 49, according to surveys carried out in all the countries where Logan will be sold. Another feature is that one customer out of four in Romania, Algeria and Turkey will be buying a new vehicle for the first time. About the same proportion will own a second car. Logan is also aimed at the business market, especially taxis.

The results from the surveys left no doubt as to what guided customers in choosing a car. Price was the main criterion in Romania, Central Europe and Turkey, followed by low maintenance costs.

Distribution

Logan was on sale for the first time in September 2004 in Romania. Then in the same year, the car was launched in Croatia, Slovakia, Hungary, the Czech Republic, Turkey, Serbia and Macedonia. At the beginning of 2005, Logan was launched to market in other countries like Poland, Slovenia, Bulgaria, Moldova and Algeria.

In the summer of 2005 the car entered on the Western Europe market. The car was received with great enthusiasm in France, Spain and Germany. The demand in France is so high, that customers wait for about three months delivery of car.

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4 Official site of Renault, www.renault.com
5 Official site of Renault, www.renault.com
6 Official market research, press release, www.renault.com
The various versions in the Logan range can be recognized at first glance, sending a clear signal to customers. The *Ambiance* version stands out from the entry-level version with the lower part of the bumpers body-colored, chrome-look trim on the grille, protective side moldings and distinctive hubcaps. The top version, *Lauréat*, has fully body-colored bumpers, 15” wheels, a short strip of chrome beading around the grille and integral fog lamps. In addition to these three versions, specific versions may be introduced for some countries. The interiors of the different versions are differentiated by lighter or darker shades of material and by specific treatment of the central console. Two color schemes are available: medium charcoal and nutmeg. Different upholstery fabrics are used, and in some versions the fabric also features on the door panels. The design of the hubcaps and aluminum wheels reinforces the concept of steps up through the versions. Logan is painted with bright, new, contemporary colors such as Aegean Blue and Fern Green, with a metallic finish.\(^7\)

### Table 2.

<table>
<thead>
<tr>
<th>MODEL</th>
<th>VERSION</th>
<th>PRICE (Euro)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ambiance</td>
<td>1.4 MPI</td>
<td>6280</td>
</tr>
<tr>
<td></td>
<td>1.5 DCI</td>
<td>7440</td>
</tr>
<tr>
<td>Preference</td>
<td>1.4 MPI</td>
<td>6980</td>
</tr>
<tr>
<td></td>
<td>1.6 MPI</td>
<td>7380</td>
</tr>
<tr>
<td></td>
<td>1.5 DCI</td>
<td>8140</td>
</tr>
<tr>
<td>Laureate</td>
<td>1.4 MPI</td>
<td>7680</td>
</tr>
<tr>
<td></td>
<td>1.6 MPI</td>
<td>8080</td>
</tr>
<tr>
<td></td>
<td>1.5 DCI</td>
<td>8900</td>
</tr>
<tr>
<td>Laureate Plus</td>
<td>1.4 MPI</td>
<td>8250</td>
</tr>
<tr>
<td></td>
<td>1.5 DCI</td>
<td>9620</td>
</tr>
<tr>
<td>Ambition</td>
<td>1.6 MPI</td>
<td>8800</td>
</tr>
<tr>
<td></td>
<td>1.5 DCI</td>
<td>9620</td>
</tr>
</tbody>
</table>

Note: All the prices from this table are given in Euro includes all the taxes and were valid at 09.05.2006. Dacia reserves its rights to modify weekly the prices.

Source: Official web site, www.dacia.com

Thought Logan was announced to be a Euro 5.000 car, its starting price in Romania including all taxes is Euro 6.280 for the Ambiance model, and the biggest price is Euro 9.620 for the Ambition diesel variant. In Central and East Europe is available for similar price as in Romania. In West Europe, Logan prices starts from Euro 7.500 because the car has higher standard equipment.

For selling the Logan, the Renault specialists have two brand strategies. The choice of Dacia or Renault brand on the characteristics of each market and on how long and in what circumstances Renault has been established there.

The entire commercial network is formed from 112.000 dealers located in 118 countries.

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\(^7\) Press release, www.media.renault.com

\(^92\)
According to the Renault officials, the Dacia brand will help to conquer new customer target groups. Dacia, with its new brand identity as a modern, ambitious company and new badge, is selling a range of modern, robust, reliable and affordable vehicles. In the countries of Central Europe, as well as in Turkey, northern Africa, the Middle East, and sub-Saharan Africa, Logan is marketed under the Dacia brand to round out Renault's range.

In West Europe, 45% from Renault dealers are selling Logan models under Dacia brand.

It is positioned in the entry-level segment, which in a country like Poland accounts for 30% of the total market and is hardly covered by the current Renault range. Logan carried the Renault brand in Russia, India, and Iran.

After a period of Logan’s sales in France, a market research showed interesting results:

- 76% of buyers were men
- Average age was 51 years
- 53% are workers and 28% are retired
- For 47% of responders, Logan was the second or third car
- Logan was the first new car in their life for three quarters of customers

The results from the surveys left no doubt as to what guided customers in choosing a car. Like in other countries, in France the buyers followed by price and low maintenance costs.

The Renault group, which has over 350 industrial and commercial sites in over 40 countries and 131,879 employers worldwide, is divided into: Automobile division and Sales Financial division. Automobile division consists of Renault, Dacia (Romania), Renault Samsung Motors (South Korea). The group sold 2,533,000 vehicles worldwide in 2005.

<table>
<thead>
<tr>
<th>Table 3. Total sales of Logan worldwide</th>
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</thead>
<tbody>
<tr>
<td><strong>Logan under Dacia brand</strong></td>
</tr>
<tr>
<td>Romania</td>
</tr>
<tr>
<td>Turkey</td>
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<tr>
<td>Central Europe</td>
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<tr>
<td>East Europe</td>
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<tr>
<td>West Europe</td>
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<tr>
<td>Africa, sub-Saharan Africa, Middle East</td>
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<tr>
<td>Asia and Pacific</td>
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<tr>
<td>Guadalupe, Guyana and Martinique</td>
</tr>
<tr>
<td><strong>Total sales</strong></td>
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<tr>
<td><strong>Logan under Renault brand</strong></td>
</tr>
<tr>
<td>Russia</td>
</tr>
<tr>
<td>Columbia, Venezuela and Ecuador</td>
</tr>
<tr>
<td><strong>Total sales</strong></td>
</tr>
<tr>
<td><strong>TOTAL SALES WORLDWIDE</strong></td>
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</tbody>
</table>


8 “Dacia Logan a sedus o clientelă variată în Franța”, www.evenimentul.ro
To this numbers it can be added the activity of “Renault Industrie Roumanie”, the CKD Logan export center, which sold products valued at 131 millions Euro.

A sales manager was appointed specifically for the brand in each country. The Renault network’s partners are handle distribution. Depending on the market, Logan is sold by a Renault dealer with a Dacia area featuring special signage or in a Dacia showroom. A two-year warranty is applying in most countries. Distribution by the Renault network is reassuring for customers, offering them the best possible level of services.

Repairs and maintenance

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. The Logan buyers can be sure that they will benefit of an optimum level services in accordance with the Renault quality rules.

A central parts warehouse in Pitești – Romania and connected warehouses located in the Paris region, as well as in Hungary, Poland and later on in Slovenia will be the connecting points of the distribution logistics. This organization guarantees the customers best services, regardless of the country where they are. From 2005 the future Renault-Nissan spare parts center in Győr, Hungary, became a regional hub for supplying Dacia spare parts to the countries of Central Europe.

Perspectives for the next period

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.

For the year 2006 the plans are to produce 30,000 cars annually in Iran. Renault plans to produce Logan in Brazil and India in 2007.

Until end of 2006, Logan will be exported in around 50 countries and four continents.

For satisfying the increasing demand, the production rate from the Romanian plants will increase from 680 units per day to 800 units per day until the end of 2006.

Renault intend to develop Logan models by introducing:

- A new engine (1.6 16V/107 Hp) in spring 2006;
- New body versions like;
  - Break with 5 or 7 sites in autumn 2006;
  - Pick-up and Van (F90) in 2007;

Through X44 project, witch is already tested, specialists from Renault Group are trying to respect Louis Schweitzer’s wish to create a Euro 5000 car.
Conclusions
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. The Logan car, completely of Renault origin was conceived in the Renault Technocenter near Paris and meets the Renault manufacturing standards.

Some of the Logan’s strengths are:
• Its modernity;
• Its moderate price of acquisition;
• Its load capacities (the best of its category);
• The interior space, with five generous seats;
• Its moderate cost of maintenance.

The officials from Dacia-Renault Group sustain that Logan is a successfully car idea worldwide. After the model was launched, the customer’s reactions were immediate and very favorable:
• In Serbia and Montenegro Logan was elected “car of the year 2005”
• In Romania is the best sold car;
• In French the demand is so high that the customers wait about three months for delivery of the car.
• A Scottish newspaper considered that “basic models of cars are the future in this business”

There are some auto experts which consider that it is possible a migration of customer from Western Europe to less sophisticated models of cars. This change is visible in flight industry where low cost companies gain an increasing number of customers.

REFERENCES

3. www.dacia-logan.com