

How Low-Cost Dacia Accidentally Conquered Europe

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FRANKFURT, Germany (AP) — The fastest-growing car brand in the European Union was never even supposed to be sold there.

Dacia, the Romanian subsidiary of French manufacturer Renault, sells low-cost cars. Really low-cost cars — in some cases, 50 percent cheaper than rival models.

In recession-hit Europe, Dacia is bucking the region's sliding sales: In the first half of this year, the company sold 141,278 passenger cars in the EU, 17.6 percent more than it sold during the same period last year. That's the biggest percentage increase in Europe, an impressive result in a market that fell 6.6 percent in that period, according to data from the European Automobile Manufacturers' Association.

Dacia's success isn't just related to the worst car market Europe has experienced in decades. Analysts say the company was thriving even before the crisis — simply because they have no competition.

"Historically, doing a low-cost car is something that nobody wants to do," said analyst Carlos Da Silva of IHS Automotive. "Intellectually, culturally, nobody was prepared to do it" because the culture of car companies is driven by engineers, and engineers want to perpetually innovate. Building a low-cost car requires a different kind of thinking."

Renault took over the Dacia brand in the 1990s with the intention of building a car for central and eastern Europe, essentially building a better Lada, the Russian clunkers that dominated the market in the Eastern Bloc.

On a whim, the Dacias were also tested in western Europe — and started selling well. Dacia is still small, representing just 2.5 percent of the European market, but Da Silva says it is buoying its parent company, Renault. Dacias rely on Renault parts and the cars sell under the Renault brand in places like Argentina, Brazil and Russia.

In the same January-to-June period that Dacia was doing well, Renault sales fell 10.4 percent. Renault's first-half earnings were just 39 million euros, and its car-making operations lost money last year.

Dacia "already saved the company, I think," said Da Silva.

At the Frankfurt Auto Show this week, Dacia unveiled a redesign of its Duster SUV — a car targeted at the growing middle class in emerging markets. The Duster starts at 10,490 euros (\$13,900). By contrast, Renault's SUV, the Koleos, starts at 28,490

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Published on Industrial Maintenance & Plant Operation (<http://www.impomag.com>)

euros.

Arnaud Deboeuf, director of Renault's low-cost program, says it's not technically difficult to build the cars; you simply need to make the tough choices to make every single part as cheaply as possible. For example, the company has made the decision not to go for the top 5-star European safety rating.

"When we increase the price of the instrument panel ... by, let's say, 5 euros or 10 euros, we must find minus 5 or minus 10 euros somewhere," he said. "I spend my days asking, 'What is the cost of this?'"

Nothing is keeping carmakers from entering this market. Volkswagen is now looking to move into the low-cost market, and Hyundai and Toyota are already there to a certain extent. Deboeuf says he is keeping an eye on those companies, but that's not the competitor he's thinking about when a Dacia is designed.

"Our main competitor today is the used-car market," he said.

Source URL (retrieved on 09/02/2014 - 10:37pm):

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