

DACIA - A STORY OF SUCCESS ON INTERNATIONAL MARKETS

COMPARATIVE ANALYSIS BETWEEN ROMANIA AND UNITED KINGDOM

MODULE TITLE: INTERNATIONAL MARKETING LCMB7006

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1. INTRODUCTION

Yet just a machine, the purchase of a car had become more an emotional purchase, than a rational one. The automotive industry is known for its complex business relationships, industry rivalry and dynamic environment. This report examines how a very “rational” brand, with the main scope of providing nothing, but the “bare necessities”, managed to succeed in the competitive UK market. The first part of this report discusses the company’s macro and microenvironment by comparing the domestic and the UK market. Chapter 7 and 8 focus on Dacia’s marketing strategy and its implementation on local and international markets. The second part of this report discusses future opportunities for Dacia and recommendations for strategic improvement.

2. COMPANY BACKGROUND AND HIGHLIGHTS

Automobile Dacia is a Romanian car manufacturer, founded in 1966.

Assembly of the Dacia 1300 (known as “Romanian Renault 12”) began in 1969 and continued five decades, making Dacia not only a brand for Romanian people but a symbol. In 1999, Renault Group took a 51% stake in state-owned Dacia, which rose to 99.3% in 2003. The new brand intended to focus on an entirely new category, addressing emerging markets.

Its mission is to produce modern and robust cars, which are affordable.

Nearly €500m were spent modernising the Pitesti factory to meet the highest international standards. In a year's time, the first key model, Dacia Logan, broke all production records and became one of the top-selling cars in Europe and Russia. Dacia cars are sold in Europe, Russia, Asia, South America and North Africa, but in many emerging markets, they are commercialized under Renault or other local brands. After the undeniable success of Logan, Dacia soon turned its attention to new segments of the market. Following the global trend towards SUV vehicles, Dacia Duster was launched. The model, marketed under both Dacia and Renault brands, became a huge success on the European and Russian market. In the UK alone, Duster has received prestigious awards from Parkers, Auto Trader, The Sun and Whatcar? as well as 5-star reviews from its customers. Despite being a huge global success, the Dacia brand had not been commercialised in the UK until 2012. Dacia achieved the highest first-year market share of any brand in UK history, selling more than 100 000 cars in 4 years. **Dacia UK** is the first country to introduce its eCommerce solution, "Dacia Buy Online" - a platform that allows every stage of the purchase to be made online; including finance, part-exchange and service and warranty packages, plus home delivery. In **2020, the company announced that it would be launching its first electric car, Dacia Spring.**

3. MACROENVIRONMENTAL ANALYSIS OF DACIA IN ROMANIA AND THE UK

The macroenvironment consists of all external forces which might influence the company and create opportunities and threats.



Source: <https://www.business-to-you.com>

- **POLITICAL FACTORS**
IN ROMANIA - **FAVOURABLE**

Dacia is a local brand, **contributing 3% to the Romanian GDP**. At a national level, the automobile sector's contribution to the economy constitutes about 14% of GDP in 2018 and 27% of exports. The automotive industry is not only a driver of growth and exports but also a good and stable source of earnings for

almost a quarter of a million Romanians working in the industry. “We are not just talking about the two brands that are produced in Romania, Dacia and Ford, but about 600 companies involved in the horizontal industry, ”said the Economy Minister at the Auto Industry Forum 2019 in Craiova. The government stressed that the **electrification of the Romanian car park is a priority**, as well connectivity, autonomous technology and the digitization production chain will certainly bring fundamental changes to the way the entire automotive ecosystem works, but uncertainties arise in the medium term and are about what will happen in the next 10-15 years, especially as regards the current level of employment in the automotive industry. The Government has launched a funding programme to encourage the shift to electric vehicles. The car scrappage program, also known as “**Rabla**”, will be launched at the Ford factor as well. For 2020, the Government has earmarked the largest budget so far for both the classic car scrappage program and for the program aimed at stimulating the sales of electric vehicles (“Rabla Plus”). Dacia already announced launching its first electric car, Dacia Spring. Although regulations on carbon emissions are limiting the car manufacturer, it may be seen as an opportunity for Dacia to enter a new market segment. The government already announced that it will prohibit high and strict environment taxes that would limit the acquisition of used cars and the introduction of dedicated lanes for public transport vehicles and electric cars. **Romania’s National Plan for Energy and Climate Change (PNIESC)** covers the option of a ban on the registration of cars with a pollution standard below Euro 5. Dacia has partnered in the past with the government on state projects for car fleets destined to public institutions.

- POLITICAL FACTORS IN UK - **RATHER FAVOURABLE, THAN UNFAVOURABLE**

On 18th Nov 2020, the UK government has announced plans for what it says is a **“green industrial revolution”** - to deliver the UK’s target of net-zero carbon emissions by 2050. Dacia is adequately responding to industry changes, but apart from the environmental revolution which is ahead, there is BREXIT, a crucial factor for the future of numerous European businesses. EU car producers and suppliers remained the preferred trading partner for the UK’s consumers, manufacturers and importers according to SMMT (Society of Motor Manufacturers and Traders). A free trade agreement would be essential not only for the European players but for the UK as well. The EU remained the dominant export destination for UK-built vehicles. Renault’s new CEO, Luca de Mío has announced the possibility of reducing the range of models it offers to UK buyers as it aims to boost profitability however this doesn't include Dacia. **BREXIT negotiations** have created a trend among UK consumers to be more careful with their spending. The trend was predicted by former Dacia UK brand director, Louise O’Sullivan, who described **Dacia as a “Brexit brand”** - a new car, able to compete on the market of used cars. Although the all-electric Dacia Spring has not yet been confirmed for the UK, the brand will stay in the UK. However, to cope with the government’s emission standards, prices would have to rise slightly to cover the costs.

- ECONOMIC FACTORS IN ROMANIA - **UNFAVOURABLE**

Since 2015, Romania follows a growing trend of GDP per capita, exchange rates and inflation are without major fluctuations. **The World Bank classified Romania as a high-income country for the first time, based on the 2019 data.** Increase in national wealth could shift consumers’ attention to more luxury brands. Pandemic restrictions though had significantly affected the economy in 2020, resulting in decline of production, retail sales and employment rates. The weakening of external demand from Europe caused the industry to contract by 14.1 per cent in the first half of the year. As of August 2020, the **registration of new cars dropped by 52,6%** compared to last year. Although no plans for a second lockdown have been announced, the levels of COVID-19 spread in Romania are still high. Adding that to the fact that on the Romanian car market second-hand cars are the leader, Dacia sales are to experience further drop.

- ECONOMIC FACTORS IN UK - **RATHER FAVOURABLE, THAN UNFAVOURABLE**

In 2019 exports of UK motor vehicles, parts and components accounted for £42.4 billion, **making the car industry in the UK the largest exporter of industrial goods.** Romania comes 7th as a country of origin for newly registered vehicles in 2019. Similarly to Romania, in the first quarter of 2020, the overall UK new car market was down -43.0%. **Meanwhile, car production fell to its lowest level since the Second World War.** While the long-term effects of Covid-19 on the industry are difficult to predict, the latest indicators and forecasts

do provide some insight into the scale of the challenge ahead. **Despite the challenging economic environment, this could be an opportunity for Dacia.** In the UK the brand is the cheapest solution for a new car and can compete even in the second-hand car market. Unlike the Romanian customer, who perceives any new car as a “luxury”, the UK customer has more buying power, perceiving brands like Dacia as an economic and reliable solution for their needs.

- SOCIAL FACTORS IN ROMANIA - FAVOURABLE

For the majority of Romanians, cars are the preferred method of transportation and often a symbol of social status. Luxurious sports cars, often German brands like BMW and Audi are the most wanted among Romanian consumers. There are other factors of great importance though, like price, maintenance and functionality which make brands like Volkswagen, Dacia, Renault, Skoda & Hyundai the most common brands on Romanian motorways. Second-hand cars are still more popular, although in recent years more and more Romanians prefer to benefit from a bank car loan and acquire a new vehicle. Renault Credit International provides financing solutions to Dacia, Renault and Nissan customers in Romania. In 2017, RCI financed 23.6% of the group’s sales in the country. Dacia is not just an affordable car brand for Romanians, it is a source of national pride and memories. **Despite it doesn’t have the reputation of a high-quality vehicle, the Dacia car has proved its reliability to generations of Romanians.** The car manufacturer has created more than 18 000 direct workplaces and works with more than 1500 suppliers. Dacia operations are beneficial to regional development, too. Since the renovation of the Mioveni factory, a few other foreign investors have established their automobile parts & electronics factories nearby, creating more working opportunities. Despite the current economic stagnation, Dacia has a very stable brand reputation and continuously manages to maintain its leading position in Romania.

- SOCIAL FACTORS IN UK - FAVOURABLE

Since its launch on the UK market in 2012, Dacia has maintained annual sales growth. From an unknown brand for the UK consumer, Dacia has evolved to a synonym of “a cheap new car”. As a part of their marketing strategy, Dacia is positioned to compete on the market of second-hand cars, too. Undoubtedly, the very low price raises questions about the quality of Dacia, but the numerous industry prizes are evidence that the brand complies with global standards and invests in innovation. What is more, **Dacia enjoys positive word-of-mouth with many positive reviews online and emerging fan communities across the country.** In the unstable times of COVID-19 and Brexit, Dacia is seen as a safe and economic solution for the UK customer, surpassing brands like Volvo, Lexus and Toyota.

- TECHNOLOGICAL FACTORS IN ROMANIA - FAVOURABLE

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Romania has more IT engineers per capita than the US, India or China and over the past few years, the IT sector has grown impressively. Cluj-Napoca, the second-largest city, is often called “The new Silicon Valley”. However, the industry success is due to foreign investment, as companies see in Romania a place, where they can find highly-trained, but cheap human resources. Romania is struggling to transition from outsourcing to innovating. This creates a favourable environment for Dacia though, as the company invests in R&D to maintain competitiveness in the industry and reduce costs. Renault’s foreign investment in Romania not only has transformed the previously state-owned car manufacturer but has contributed to the modernization of the entire region’s infrastructure. It could be stated that in Romania, Dacia is one step ahead technologically.

- TECHNOLOGICAL FACTORS IN UK - UNFAVOURABLE

The fast-paced technological development makes huge impacts on the product life cycle of cars. While in Romania, electric vehicles are in their growth stage, in the UK sales of pure, battery-powered electric vehicles were up 158.1% YoY in 2019. Dacia announced launching their first electric model in 2021, which will retail for £19,800, becoming the cheapest new electric car to buy in Europe. Spring’s top features are its spacious design and top speed and manoeuvrability in urban driving.



Dacia Spring, Source: <https://www.autoexpress.co.uk/>

Without a doubt, the biggest technological shift impacting the automotive industry is the advance of self-driving technology. With some automotive brands such as Tesla already offering nearly completely autonomous motor vehicles, it is a matter of years before we change completely the way we commute. This could be an opportunity or a threat for car manufacturers, depending on how technologically advanced they are. Self-driving cars imply very advanced AI technology and the market attracts not only big car manufacturers, but also big Internet companies like Google and innovative start-ups. The launch of Dacia Spring

would make the technological factors in the UK more favourable, but it is to be seen if Dacia would be able to remain competitive and keep up with the fast-paced technological world.

- ENVIRONMENTAL FACTORS IN ROMANIA - FAVOURABLE
- ENVIRONMENTAL FACTORS IN UK - UNFAVOURABLE

The car industry and road transport are considered to be one of the largest sources of air pollution. Dacia has managed to comply with regulations and remain competitive until now, but **climate change and environmental sustainability are on top of the agendas of worldwide leaders and what is more, has become a social trend.** With governments imposing stricter rules and tax-norms, the global car industry is making a shift towards electric and hybrid vehicles. **In Romania, the carpark still consists of older car models,** there are not any ultra-low emissions zones and not so many EV charging stations. The country has already made its first steps in making its cities more eco-friendly, with the government's funding scheme for EV. With Dacia, launching its first electric vehicle in 2021, this creates a favourable environment for Dacia and creates opportunities for government and corporate partnerships.

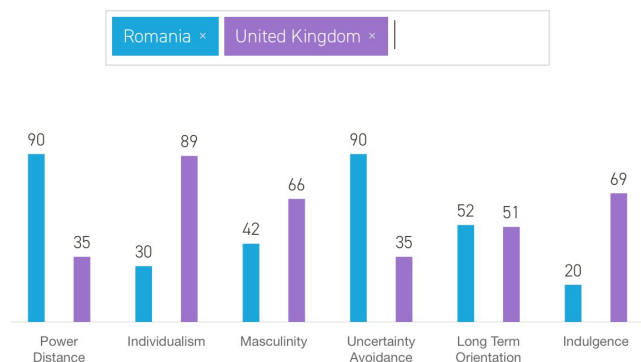
On the other side, in the UK, environmental sustainability is already a well-known issue and there are various government and social initiatives to support the cause. Recently the government announced their plans for what it says is a “green industrial revolution” To deliver the UK target of net-zero carbon emissions by 2050 from 2030 the sale of new diesel-only and petrol-only cars will be banned, a decade earlier than originally planned. For a company like Dacia, which is about to enter the EV market this could be a threat. Dacia would either invest in continuous product development which with the more advanced technology used could increase prices or the brand would have to withdraw the non-complying models, which would result in loss of revenue and market share.

- LEGAL FACTORS IN ROMANIA - UNFAVOURABLE
- LEGAL FACTORS IN UK - UNFAVOURABLE

A proportion of Romanian and UK legislation originates from **EU law**, which is directly applicable or implemented through national legislation. Both countries have to comply with EU standards on production, health & safety and employment law. With the current environmental law trends, BREXIT and the upcoming elections in Romania, the legal environment could be described as uncertain and risky. **What is more, car manufacturers are often targets of competition & anti-dumping laws violations.** Renault, along with a few other big car manufacturers are currently being investigated by the European Commission for possible antitrust violations on car parts.

- CULTURAL IMPLICATIONS IN CONSUMER BEHAVIOR. COMPARISON BETWEEN ROMANIA AND UNITED KINGDOM

In literature culture is defined as ‘a shared set of values that influence societal perceptions, attitudes, preferences and responses’ (Zhou, Dai and Zhang, 2007: 46). Consumers from different cultures would perceive a product or a service differently because of their values and preferences, some of them deriving from culture. In order to better understand how the Dacia brand is perceived in the UK and Romania, **Hofstede’s model of cultural dimensions** would be applied.



Source: <https://www.hofstede-insights.com/country-comparison/>

It is clear from the graph on the left, that the differences between the UK and Romania are more than the similarities. **Long Term Orientation** is the only dimension where the countries have similar scores, but because of the intermediate score, it cannot be determined whether the pragmatic or the normative approach prevails when making decisions for the future. It is typical for cultures with very low scores in **Indulgence vs Restraint** to be more **strict with their purchases** and not to consider their gratification important. In contrast, **cultures like the British** are more likely to spend money on their desires and impulses. **A big difference between the two countries is observed in the Uncertainty Avoidance dimension, too.** Countries which score low feel comfortable in ambiguous situations, they are open to new and innovative products and would rather let the future happen than try to control it. On the other side, countries exhibiting high Uncertainty Avoidance, like Romania maintain rigid codes of belief and behaviour, they are intolerant to innovation and new ideas, hard work and punctuality are highly valued and security is an important element in individual motivation. **Although the difference in scores in the Masculinity vs Femininity dimension is not significant,** Romania could be considered a more Feminine country, while UK - more masculine. Masculine societies are considered more materialistic and usually more “status” products are sold in those countries, while in feminine countries the focus is on the well-being and status is usually not shown that is why more products for the home and the family are sold. **Individualism vs Collectivism** dimension measures the degree of interdependence a society maintains among its members. In individualistic societies, people care exclusively for themselves and their families, while in collectivist societies individuals are perceived and perceive themselves as members of a lifelong and cohesive group or organization. That is why, in more collectivistic countries like Romania, social media trends

would have a greater influence in the decision-making process, as well as recommendations from friends and family. Although being a collectivistic country, **Romania scores very high in the Power Distance Index**, which suggests hierarchical order is common and accepted, while in countries with low scores like the UK, society believes that inequalities should be minimized. This could explain the trend in Romania to demonstrate the power and social status through luxury purchases.

3.1 ENVIRONMENTAL SCANNING OF DACIA - INSIGHTS

The macro-environment analysis of Dacia proves how countless opportunities or threats could emerge from the dynamic external forces. The comparison between two, at first glance not so different countries (both in Europe and the EU), shows **how different circumstances from the external environment could influence the company's strategy differently**. To maintain its competitive advantage, Dacia has to pay attention to market trends and accommodate its strategy to those. What is more, to build a strong brand image and reputation, Dacia has to focus on more than providing the best price on the market. While in Romania, Dacia's market position is relatively safe, in the UK the company has to change its strategy to adequately respond to the fast-changing social and technological environment.

4. PORTER'S FIVE FORCES INDUSTRY ANALYSIS

Porter's Five Forces Framework is a model measuring the attractiveness of an industry. The five forces, universal for every industry, analyze competition and help to shape future strategy. To understand the competitiveness in the car industry, Porter's model would be applied to Dacia in the UK and Romania.

- **THREAT OF NEW ENTRANTS**
IN ROMANIA - **LOW**
IN UK - **MEDIUM**

The threat of entry in an industry is determined by the level of entry barriers that are present and on the reaction, entrants can expect from current industry players. **Economies of scale and capital requirement are a significant barrier for new entrants in the automobile industry**, as an enormous amount of capital is required. Besides that, a new firm that is interested in entering the market needs to conduct in-depth research beforehand. An entering firm would need a tremendous amount of implicit and explicit knowledge to design and manufacture a product that has never been presented or offered before. **In Romania, this force is low**, because of Dacia's experience and penetration on the Romanian market, their access to distribution channels and their brand reputation. What is more, Romania is not a very attractive market for car manufacturers for numerous factors such as low buying power,

the dominance of the second-car market, EU employment and production regulations. Although the barriers for new entrants remain high, **in the UK the force is medium for Dacia**. The Romanian brand has built its brand identity around the idea of a customer-driven, budget brand, able to compete on the used cars market. Unlike Romania, the UK is an attractive market, especially for new entrants from Asian countries like India and China, which could set even more competitive pricing and become a direct competitor to Dacia. The UK and India have a long trade history, dating back to when cars were not even invented. Several Indian companies have based their research centres in the UK, and there are many UK manufacturers with facilities in India. Presently, UK-India automotive trade is worth approx. £270 million. Adding the uncertain political environment to the picture, Dacia's market position could be threatened by Asian manufacturers.

- **BARGAINING POWER OF BUYERS**

IN ROMANIA - MEDIUM

IN UK - HIGH

In today's competitive environment the bargaining power of the buyers or customers is significant and influences every decision that the manufacturers make. The bargaining power of buyers can be assessed based on the number of buyers in the industry, the availability of substitutes, switching costs involved and the contribution of buyers in the cost and quality. **In Romania**, road transport is the most developed and the most preferred one, so there is a big demand for vehicles. On the other side, in bigger cities like Bucharest, because of the very dense traffic, there has been an increase in the usage of alternatives like bicycles, motorcycles or underground. The changing consumer preferences, the increasing number of alternatives and low switching costs make this force medium in Romania. **In the UK this force is high because there are even more alternatives and substitutes for the customer to choose from**, the railway and underground network are more developed and there are numerous easy ways to rent a bike or a car. What is more, environmental standards are stricter and UK consumers are more environmentally involved.

- **BARGAINING POWER OF SUPPLIER**

IN ROMANIA - LOW

IN UK - LOW

The suppliers play a vital role in the value chain of the automobile industry and affect the crucial aspects including the lead times and the overall quality of the products. Since 1989 countries in Central and Eastern Europe have formed a key centre for automotive production in Europe. Despite the big car manufacturers which opened facilities in the region, a lot of European and local car parts companies have thrived thanks to them. **The bargaining power of suppliers is low in both countries, as there are plenty of suppliers in Romania and the neighbouring countries, while in the UK the brand doesn't depend on suppliers.**

- **THREAT OF SUBSTITUTES**

IN ROMANIA - MEDIUM

IN UK - HIGH

No.	Brand	New	Used	Ratio used / new
1	VOLKSWAGEN	9530	59916	6
2	OPEL	6139	48697	8
3	FORD	7175	22435	3
4	BMW	1278	14398	11
5	AUDI	1470	14127	10
6	MERCEDES	1504	6756	4

Data source: <http://www.drpciv.ro>

When analyzing the threat from substitutes, parameters like availability of close substitutes, switching cost and substitute's price should be considered. The used car market remains a leader in the sector and while in the UK, Dacia can compete even with

second-hand cars, in Romania there are much more options to choose from. The car dealing market is very saturated, including a lot of small companies and individuals. However, the disadvantages of choosing a second-hand car are very important in the decision-making process of when choosing a car - safety, reliability and cost of maintenance. Traffic and parking spaces are one of the major issues in Bucharest, so there has been an increased popularity in the usage of bicycles and electronic scooters in recent years. Rental services, similar to Santander in the UK have also emerged. All the mentioned factors above are valid for the UK, too. **What makes the force high in the UK** and is not present in Romania, is the **threat of Asian manufacturers**, which would be a direct competitor to Dacia and the threat of self-driving cars, which are about to drastically change the industry.

- **INDUSTRY RIVALRY**

IN ROMANIA - **MEDIUM**

IN UK - **HIGH**

The auto industry could be considered to be an oligopoly around the globe, as almost all global car manufacturers are involved in conglomerates, acquisitions and partnerships with other brands. This helps to minimize the effects of price-based competition but lowers product differentiation. In Romania, the force is medium because despite being a market leader, Dacia has lots of competitors in the market. These could be divided into two types, direct and indirect competitors. Direct competitors are all the other manufacturers, who market new vehicles. In 2019 Dacia held 29% of the market, followed by Volkswagen, Opel, Ford, Renault and Skoda. Volkswagen is probably the biggest competitor of Dacia as it offers similar features on similar prices, there is a huge supply on both the new and used car market, maintenance is cheap and the brand is perceived as high quality as it originates from Germany. Despite the alternative ways of transportation, the biggest indirect competitor for Dacia is the second-hand car market. In 2019, the percentage of registered cars aged 0-2 years was around 5%, while the percentage of cars aged 11-15 years was 30%. The table below is a graphical representation of the fact that German cars and especially luxurious brands are highly desired by Romanians, because of brand reputation and social status. Because of income levels though, used models are seen as a good alternative of getting the desired brand, without paying the full price. **Unlike in Romania, in the UK** there is not a distinct market leader. Ford is the only brand holding more than 10% market share, followed by German brands Mercedes, BMW, Audi and Volkswagen. Dacia's market share accounts for 1,3% but the brand is among the top performing brands for 2019 in terms of YoY sales growth. **The force still remains high**, because of the demand shift to EV, the overall decline for the industry and the potential threat of new entrants from China and India.

5. DACIA - SWOT ANALYSIS ON A NATIONAL LEVEL

Overall, the two markets are very different in terms of dynamics, purchasing power, maturity and technological development. **Dacia's strengths are similar in both countries and derive from Dacia's core values to provide new affordable cars.** With its more than 50 years experience in the market, it could be stated that Dacia in Romania is in its maturity stage as a company. It has built a strong brand reputation and extensive distribution and supplier network over the years. While in Romania, Dacia is the absolute market leader, in the UK the brand is still growing. **Due to its competitive pricing,** Dacia has become a preferred brand in the budget segment and has built a strong brand identity around this. **Despite the low price is what made Dacia successful, it is also its biggest weakness.** In both countries, when quality is considered, German brands are the first association. **The uncertainty deriving from the low price prevents the brand from entering other target markets.** What is more, because the UK's car market is more advanced and dynamic, so Dacia is a step behind technologically. In Romania, Dacia could benefit from its competitive advantage and leader position and undertake backward integration opportunities. **Consumer spending habits are constantly changing, which can create opportunities, but threats, too.** Compared to Western European countries, Romania is still developing, so **a rise in disposable income would inevitably shift preferences towards luxury brands,** which are currently highly desired, but not affordable for the mass. On the other side, despite that BREXIT would likely cause a rise in prices, it is seen as an opportunity for Dacia in the UK. Dacia is about to enter a new segment and launch its first electric vehicle which opens great opportunities for the brand in Romania. The launch is a logical response to changes in environmental law and social trends. As a local brand, Dacia has a competitive advantage in government and corporate auctions. In the UK, where electric vehicles are not a novelty, Dacia's new EV would help the company to enter a new market segment and become more technologically adequate. On the other side, the UK is a very technologically advanced market, so it is uncertain if Dacia would manage to keep up with the global competition and remain price competitive, without becoming technologically outdated.

ROMANIA	UNITED KINGDOM
STRENGTHS	
• Competitive pricing • Market leader • Strong brand reputation • Extensive distribution network • Major player for the national economy	• Competitive pricing • Leader in the budget car segment • Continuous growth • Strong brand identity • Ecommerce platform

WEAKNESSES	
• Low price indicates lower quality • Romanians' preference towards German brands • Minimal technology inside the cars • National road infrastructure	• The low price prevents the brand to penetrate more target markets • Not technologically competitive to other brands • Older models don't meet environmental standards
OPPORTUNITIES	
• Consumer spending habits are changing • The penetration of electric vehicles • Constant product development • Vertical integration opportunities	• Lower purchasing power due to BREXIT and COVID-19 could shift preferences towards budget brands • The shift to online shopping • Dacia Spring - the cheapest EV in Europe
THREATS	
• Rise of disposable income would shift preferences towards luxury brands • Lower purchasing power due to BREXIT and COVID-19 would give advantage to second-hand market • Environmental laws and regulations	• Overseas competitors from India and China • Self-driving technology • Environmental laws and regulations • BREXIT

6. ADVANTAGES AND DISADVANTAGES OF PORTER'S FIVE FORCES MODEL

As mentioned in the previous chapter, Porter's Five Forces measures the attractiveness of an industry and gives a better understanding of a company's market position compared to its rivals. One of the advantages of the model is that it's **the only model focusing on the industry competition factor** and it emphasizes the importance of negotiating power and business relations in determining relative market attractiveness. The framework became the main feature of texts on business strategy and essential part of MBA courses, but in the corporate world, **simpler structures (SWOT analysis) are more widely used**. The criteria for assessing each of the five forces is based **more on theories, rather than on practicalities**. It also neglects the interdependence between the forces (for example buyer's wants could lower entry barriers). What is more, the model doesn't take into consideration that competition is very dynamic and changes over time.

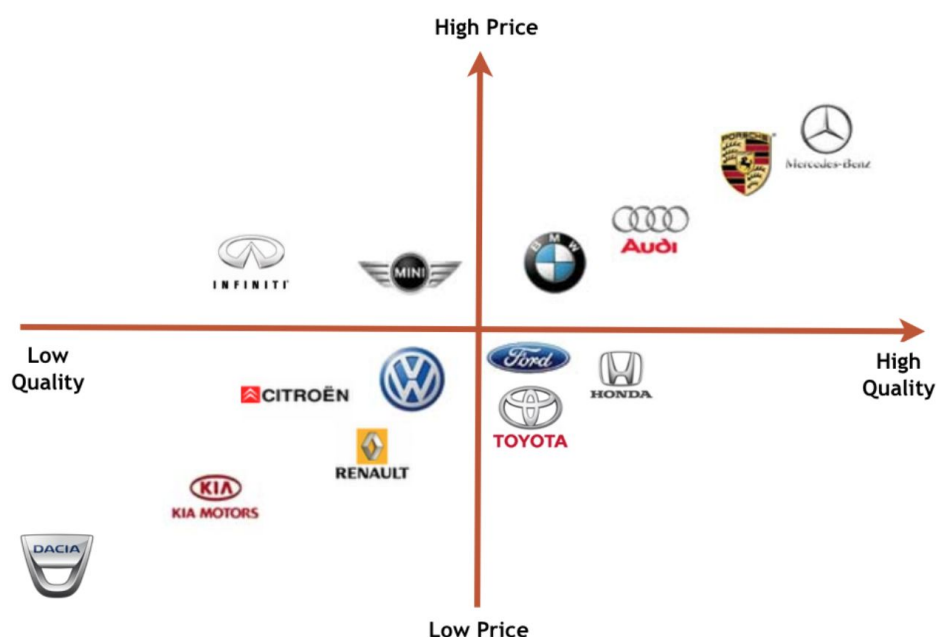
7. DACIA - SEGMENTATION, TARGETING AND POSITIONING STRATEGY IN ROMANIA AND THE UK. BRAND PERCEPTION IN ROMANIA AND THE UK

Being a part of a multinational corporation like Renault Group, Dacia undoubtedly **segments its market geographically**. The marketing strategy is standardized globally but adapted to local needs. Dacia is Renault's low-cost segment brand. Renault Group sells Dacia cars in Europe, Asia, Africa and South America, but in some markets outside Europe, Dacia cars are commercialized under the Renault or a local brand name. What is more, by dividing the market into metropolitan, suburban or rural areas, geographical segmentation allows adapting the marketing mix so it efficiently serves the different consumers needs, provoked by location. **London drivers don't have the same needs as drivers from Transylvania (a predominantly rural, mountainous region in central Romania), which partly explains the differences between countries in the marketing mix.** Demographics refer to a study population of age, gender, income, marital status to understand customer needs and wants. **Demographic segmentation** is likely for automobile companies, as to a big extent these indicators shape our needs and determine important factors when choosing a car. For example, Beetle from Volkswagen is what is considered a "girl car", mainly because of its compact design. Dacia segments its users by demographics such as age, marital status, occupation. Dacia's first model, the Logan, is generally considered a "family car". Segmentation by factors like interests, activities, opinions and lifestyle, or **psychographic segmentation could be more accurate in predicting consumer's behaviour than demographics**. On a national level, Dacia segments its markets by psychographics, which differ from country to country. For example, in the UK, Dacia is present with only three models: Duster (compact SUV, suitable for both families and off-road driving), Sandero (small city hatchback) and Sandero Stepway (a spacious hatchback with the features of an SUV, suitable for both city and long-distance driving). On the other side, in Romania, the brand commercializes four more models: the classic Logan (a family sedan), Lodgy (7-seats minivan, suitable for big families or people transportation), Dokker & Dokker Van and the new Duster pick-up (the last three being very suitable for day-to-day operations of small businesses, engaged in sectors like agriculture, construction and logistics). **Dacia uses differentiated targeting and adapts its offer to the needs and wants of different groups of consumers.** As mentioned before, the brand commercializes different models in different markets. Dacia's differentiated marketing is reflected mainly by its promotional tools and techniques. Dacia's target groups primarily include working men, aged 30-55, single and married. The promotional message for the home market is slightly different compared to advertising in countries from the rest of Europe and the UK, the company uses different marketing communication channels in the different countries (the differences in the advertising strategy will be discussed in detail in the next chapter). **On the UK market, Dacia is positioned as a budget brand, providing simple and reliable solutions.** Dacia

cars are the cheapest new cars in the UK market, competitive even on the second-hand car market. In Romania, Dacia brand is positioned as an affordable new car, not of the greatest quality, but still reliable, with cheap and easy maintenance. In both countries, Dacia uses the **Benefit Positioning strategy**, focusing on different benefits - price in the UK and value in Romania. In its home market, Dacia also uses its history and heritage as the only local car manufacturer for its brand positioning strategy.

In the automobile industry, **consumer brand perception** is an important aspect of the marketing mix. How a brand is perceived in terms of price, quality, history, etc. and how this brand is compared to other brands, has a strong influence on marketing mix elements like promotional strategy and even price. A perceptual map is a graphical representation of where a brand is positioned in the consumers' mind. The below perceptual map depicts how French individuals (aged 15-25, with different occupation and gender) perceive car brands in terms of price and quality.

Perceptual map of car brands, Source: <https://rockstarsbm.wordpress.com>



Dacia is perceived as a low price, low-quality car. Dacia is Renault's brand focused exclusively in the **entry-level segment**. In the car industry, low price is often perceived as

an indicator of low quality. Gabor (2016) researches the perception of young Romanian consumers towards car brands, using a personal construct approach with 50 important factors, looked at when choosing a car. **The results from this study show that Romanians perceive the Dacia brand as medium-priced, with low fuel consumption and cheap maintenance.** The study defines Dacia as a brand, suitable for "when the necessity of owning a reliable car brand becomes an impediment and economical aspects receive a major importance" (Gabor, M., 2016). If the results of the study are to be represented graphically, the brands' positions wouldn't be very much different from the figure above. German brands like Mercedes, Audi, BMW are perceived as luxury, high-quality brands, while brands like Dacia, Renault, Asian

brands are perceived as more affordable, but with not such great quality and performance. Brands like Volkswagen and Opel are very popular in Romania, as they provide the same high quality associated with German brands, but are more affordable and considered more suitable for Romanian roads than more luxurious brands.

8. DACIA - MARKETING MIX IN ROMANIA AND IN THE UK

8.1 PRODUCT

Dacia produces different types of car vehicles, from sedans and SUVs to minivans and pick-ups. As mentioned in the previous chapter, Dacia adjusts its product mix and has a different offer in different countries. In the UK, the brand is present with only three models: Duster (SUV), Sandero (hatchback) and Sandero Stepway (spacious hatchback with the features of an SUV). On the other side, in Romania, the brand commercializes four more models: the classic Logan (sedan), Lodgy (minivan), Dokker & Dokker Van and Duster pick-up.



SANDERO
de la 7.870 EUR
DESCOPERĂ →



SANDERO STEPWAY
de la 9.760 EUR
DESCOPERĂ →



LOGAN
de la 7.630 EUR
DESCOPERĂ →



DUSTER
de la 13.900 EUR
DESCOPERĂ →



NOUA DUSTER PICK-UP
de la
DESCOPERĂ →



DOKKER
de la 14.650 EUR
DESCOPERĂ →



DOKKER VAN
de la 12.035 EUR
DESCOPERĂ →

LODGY
de la 16.400 EUR
DESCOPERĂ →

Source: [dacia.ro](https://www.dacia.ro)

FILTER BY PRICE ▾



DUSTER
Starting from **£11,745 ***
*Manufacturers Recommended Retail Price.
[DISCOVER →](#)



SANDERO
Starting from **£7,995 ***
*Manufacturers Recommended Retail Price.
[DISCOVER →](#)



SANDERO STEPWAY
Starting from **£10,145 ***
*Manufacturers Recommended Retail Price.
[DISCOVER →](#)

Source: dacia.co.uk

Extending the product research further, it is interesting to mention that even the order of the products online is different. On the Romanian website, the Logan takes the place of the Duster on the first product line. On the UK website, Dacia Duster, being the best-selling Dacia model in the UK, is in the first position. Across models, there are also differences in the offer. On the Romanian market, Dacia offers 3 variations of its Sandero model, while in the UK only 2, the more luxury ones are present. In Romania, Dacia sells some of its models with LPG fuel systems, a preferred fuel to Romanians, as it is cheaper than petrol and diesel. The brand also gives the possibility of personalization by choosing the vehicle's colour, rim size and design.

8.2 PRICE

In the car industry, the Dacia brand is known for its very affordable price. Dacia calls its development process "**design to cost.**" A price target for a certain part is set, and designers, engineers and suppliers work together to meet that price (Sigal, 2018). Dacia's prices are the main source of competitive advantage. It could be stated that the primary pricing method the brand uses is cost-plus pricing. Comparing Dacia prices across European countries, there are price differences between neighbouring European countries like The Netherlands, Germany, France. Below screenshots of Dacia Sandero Stepway in three EU member countries (Germany, The Netherlands, France).



NEUER SANDERO STEPWAY
UPE zzgl. Überführung ab **11.390,00 €**



NIEUWE SANDERO STEPWAY
Vanaf **€ 16.290**
Nieuwe Sandero Stepway TCE 100 Bi-Fuel CDE Stepway Essential

NOUVELLE DACIA SANDERO STEPWAY

Prix à partir de 12 590 € 

Nouvelle SANDERO Stepway Stepway Essentiel ECO-G 100

This could be led of different operational costs or demand and supply factors, but it could be possible that the company uses also the **price discrimination method**. On the other side, as of 05.01.2021, the Duster's model appears to be even slightly cheaper on the UK's website than on the Romanian's website (as of 05.01.2021, 1€ = 0.90 £):



DUSTER

Starting from £11,745 *

*Manufacturer Recommended Retail Price



DUSTER

de la 13.900 EUR

8.3 PLACE

Dacia's primary method of distribution is via authorized dealerships. In the UK, the brand relies on Renault's already established distribution network and most of the dealerships offer all Renault Group's brands. With more than 20 dealerships only in the capital, the distribution network is quite dense in Romania. Apart from its dealer scheme, Dacia has a lot of partnerships with public institutions (police cars in Romania are Dacia Logan) and corporations. Following consumer behaviour trends, in 2018 Dacia made a strategic decision to open "150 million* dealerships in the UK" (Dacia UK website, 2018) by launching Dacia Buy Online - the platform allows you to fulfil all purchase stages (including finance and delivery) online. A direct method of distribution as online buying eliminates intermediaries and thus allows the company to have better control over sales operations (a Dacia employee is supposed to be more dedicated to the brand than a car dealer, offering various car brands) and gain better customer insights on product quality, customer satisfaction, etc.

- **MARKET-ENTRY METHODS OF DACIA-RENAULT**

In the very dynamic automobile market, it is essential for companies to achieve economies of scale in order to remain price competitive.

International mergers are by no means unique in the automotive industry. Therefore, the relationship between Renault and Nissan needs to be contextualised within the expansion of international markets, regional market integration, the intensification of competition and the reduction in tariff barriers to the extent that mergers and acquisitions have become the most widely used method of achieving growth particularly in oligopolistically structured industries

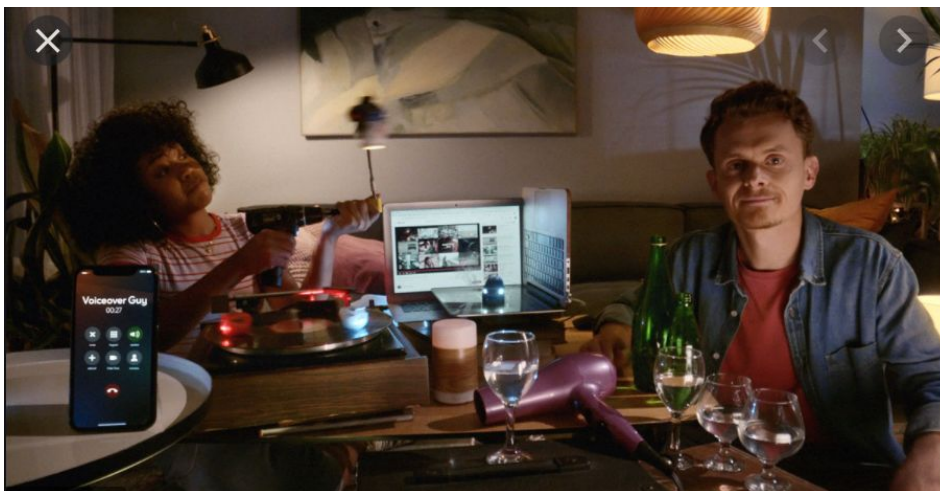
(Capron, 1999)

Renault's strategic alliance with Nissan in 1999 was a way for the company to expand beyond its local, very competitive North European market. Conquering emerging markets by establishing strategic alliances had become a key strategy for the company. Nissan's alliance was followed by the acquisition of Dacia and a part of the Russian Avtovaz. Dacia brand has entered European markets using the exporting method - a low resource (investment) and safe (low level of risk) method. On account of Renault's established brand name and distribution network, Dacia has penetrated African and South American markets, too. Due to a joint venture between Renault and the Indian car manufacturer Mahindra & Mahindra, Dacia has landed on Asian markets, too and its model, Duster, earned 23 % market share within the 1st year.

8.4 PROMOTION

Dacia's success in international markets is a result of Renault's customer-centric approach and an efficient marketing strategy. The company uses a mixture of tools and techniques for its promotion. Following its price positioning, Dacia entered the UK market with a strong brand message of a "shockingly affordable" car manufacturer, and an "enemy of the unnecessary". Dacia focuses its communication around its core principles of reliability, simplicity and affordability. The company's slogan "YOU DO THE MATHS" is in a way "call-to-action" for the consumer to check for themselves that Dacia is the most logical option from a functional and cost perspective. The official brand launch in the UK was in 2013, but Dacia started a major communication campaign from the second half of 2012. The pre-launch campaign was focusing on Duster and announcing the opening of online pre-orders at the Dacia UK website. The company's digital strategy proved successful, with 2000 placed orders. Dacia's distribution is built on dealerships, so **personal selling** is an important promotional tool. For its launch in the UK, the brand ensured the training of 450 people across the 134 outlets. Following the online shopping trend, in 2018 the company launched its online sales platform, covering all purchasing steps, including home delivery. An e-commerce platform is a strategic way to reduce costs and to gain more control in the selling stage; personal selling is very effective in evoking action in the customer, but this tool is

highly dependable on the skills of the individual. In 2018, **Dacia** also became the principal partner of the Rugby **League**. Dacia provided a fleet of Dusters for England players to drive as the team travelled between Hull, Liverpool and Leeds. **Sponsorship** could be effective for creating awareness among new potential target groups. The most distinctive part of Dacia's **advertising strategy** are their TV ad campaigns, known for its humorous, quirky communication to demonstrate that Dacia cars provide exactly what is needed from a car and to provoke the consumers to choose more rationally, than emotionally. Its Duster TV ads, "Another One Drives a Duster" and "Go Duster" use catchy tunes from famous songs and movies to create brand associations in consumers mind and create a brand image of the Duster being a desirable family car with off-road capabilities as well as city driving. **Its latest Duster ad**, shot in a flat, demonstrates once again the brand's creativity when it comes to functionality.



Behind the scenes of the Duster ad, source: shots.net

The company actively uses **social media** as part of its advertising strategy. With 4M likes, Facebook is a key social media channel. Apart from advertising, Dacia uses social media platforms to raise engagement among potential customers, spread positive word-of-mouth, connect Dacia owners. Dacia aims to create a community by various fan campaigns and competitions. **Positive word-of-mouth** is what made the company's advertising so effective - Youtube reviews, interviews with owners, blog articles; all share the same message that Dacia cars are reliable and satisfactory, especially for their price. In response to COVID-19, Dacia established a **virtual showroom** with a live online product demonstration.

On the domestic market, the promotion strategy is similar, with less brand awareness messages and more focus on new features and technical functionalities in the cars. **In Romania**, printed advertising and outdoor are more common, the brand puts focus on its partnership with the RABLA programme (government-funded scheme of renewing the country's carpark and reducing CO emissions). In Romania, **sales promotion** is more used,

which in this case gives Dacia the possibility to convert customers, whose interest is usually oriented to the second-hand market. The brand also partners up with several banks to offer finance, some options starting from 1€/ day.

8.5 PEOPLE

Despite not being a service business, the staff's experience, **training and enthusiasm are vital in the automotive industry**. Cars are first of all machines, so all the employees must have basic technical knowledge. In the UK, Dacia is represented by its dealers, some having multiple brands in their portfolio. Their enthusiasm is very much dependable on the profit margin they gain by selling a Dacia car. An experienced salesperson could be very influential over a customer's decision, so additional benefits for dealers like volume incentives or training events could increase dealers' enthusiasm and broaden their product and brand knowledge. Such activities are already common for the Romanian market. On the local market, the dealership network is much more complicated, with multiple big and small dealers and authorized Dacia car services. The competition between the dealers is intense (especially in the capital) and **similarly to the UK**, their enthusiasm is crucial.

8.6 PROCESSES

The internal systems and processes a company uses directly impacts not only the customers but their partners, suppliers and the overall internal corporate culture. Due to Renault's investments, Dacia's **factory and logistics processes** were transformed to match global manufacturing standards, but yet little is known for other, "secondary" operations like marketing, accounting, procurement. In Romania, the entity Dacia doesn't deal with end-customers, but it does communicate with B2B customers and suppliers. In 2018, one of their primary tire suppliers, Goodyear, had to temporarily stop deliveries, due to unpaid past due to invoices. It was later established that the late payments were a result of **incoordination of accounting processes** between Dacia and the supplier - Goodyear would process its invoices electronically and physically, while Dacia kept only physical records. Processes in the UK are aligned and carried out by Dacia's parent company, Renault.

8.7 PHYSICAL EVIDENCE

For high-involvement products like cars, the tangible aspect of the product has a major impact on the product's attractiveness in consumers' eyes, along with the surroundings in which it is marketed. (Hooley, G., et.al., 2020). **Both in the UK and Romania**, Dacia's physical evidence is the car showrooms nationwide. The only difference between the countries is that usually, Dacia's showrooms in the UK are all together with other brands from the Group, Renault & Nissan.



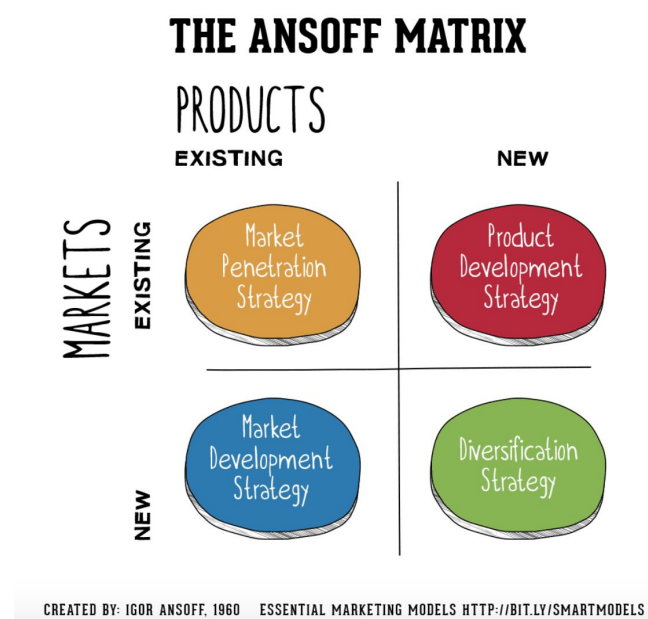
**Dacia's showroom in Bucharest*

9. CONCLUSION

After its privatization, Dacia's primary mission had become **to support Renault Groupe in entering new market segments and geographical markets**. Due to its smart production decisions and continuous product innovation Dacia shows **remarkable results on international markets** and managed to attract consumer attention. **Chapter 7** depicts the alignment between the company's segmentation, targeting and positioning strategies, while chapter 8 analysis shows how the company adapts its marketing mix to the different markets and target groups. Aside from its price advantage on the market, a big portion of Dacia's success is due to **an effective marketing strategy on international markets**. In the UK the company quickly managed to create awareness via its strategic pre-launch campaign and multi-channel marketing presence - quirky, but clever TV ads, magazine and newspaper review articles, sponsorship activities, social media presence, and, its "shockingly affordable prices". After only one year after its launch in the UK, **Dacia achieved 1.9% retail share**. The environmental analysis in **chapter 3** revealed the dynamicity of the car industry, it's competitive, and constantly -changing environment. In the highlights of 2020's events and the discussions in chapter 3, Dacia needs to focus on overcoming its internal weaknesses and secure its position on the market. Its price advantage is only temporary and could turn into a weakness. **The perceptual map** in chapter 7 depicts the importance of customer brand perception for decision-making. To be more than "the cheapest car brand in Europe", Dacia needs to focus on altering its positioning strategy and adapt the marketing mix accordingly.

10. RECOMMENDATIONS

This chapter discusses future directional strategies for Dacia. So far, the company enjoys a **stable position on international and domestic markets**. Although the macroenvironment is not very favourable for the industry in general, Dacia could use its **price advantage** to increase its market share and improve its positioning on the market. As discussed earlier, price gives only a temporary competitive advantage, so the company needs to focus on other product benefits, which can **differentiate it on the market**. For this chapter, the **Ansoff Matrix** will be applied to Dacia.



- MARKET PENETRATION

This could be an appropriate strategy for the company to increase its presence in existing markets. A good point of focus for Dacia would be the improvement of consumers' **emotional connection** with the brand. Sports sponsorships, celebrity endorsement and social media campaigns could be effective tools. What is more, Dacia should reconsider its brand positioning. Value-based positioning could eliminate the existing perception that Dacia cars are not of great quality, because of their very low price and allow the company to attract new target groups.

- PRODUCT DEVELOPMENT

Constant upgrades and innovation are what has made Dacia cars competitive and attractive to consumers. With constant technological innovations, product development is essential for success in the automotive industry. Environmental issues are changing social perceptions and worldwide governments are introducing laws and policies on CO emissions. Following global trends, Dacia already announced its first electric model. To remain competitive in terms of quality and innovation, **product development growth strategies** need to be part of the corporate agenda.

- MARKET DEVELOPMENT STRATEGY

In the last decade, Dacia had undertaken an intensive expansion strategy. Taking into consideration the prognosis of global economic crisis due to COVID-19 pandemic, market development strategy is **too risky** for Dacia.

- DIVERSIFICATION

In the near future, such a strategy might be a risky decision for Dacia. In the long run, though, a **concentrated diversification to commercial vehicles' manufacturing** could be a profitable strategy. Dacia's parent company, Renault is already a producer. What is more, countries from Central and Eastern Europe are the main source of road haulage services, with loads of transport companies, some of them holding large fleets, with the majority of the vehicles second-hand. Dacia potentially can fill a gap in the low-cost commercial vehicles market and thus increase profits and improve the brand image.

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