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PSA PEUGEOT CITROËN: Re-entering the United States[[1]](#endnote-1)

Irina Surdu and Kamel Mellahi wrote this case solely to provide material for class discussion. The authors do not intend to illustrate either effective or ineffective handling of a managerial situation. The authors may have disguised certain names and other identifying information to protect confidentiality.

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Could we, should we, and how do we re-enter the U.S. automotive market? These were some of the questions asked by chief executive officer (CEO) Carlos Tavares after he was placed at the helm of France-based automaker PSA Peugeot Citroën (PSA) in 2014 to run the company’s revival plan and reduce its heavy reliance on vehicle sales from Europe.[[2]](#endnote-2) In 2017, 26 years after leaving the North American market, which marked the end of French vehicles being sold in the United States,[[3]](#endnote-3) Canada, and Mexico, PSA’s internationalization strategy included plans to re-enter these markets within 10 years. According to Tavares, “PSA will not become a global company if it doesn’t come back to North America.”[[4]](#endnote-4) In 2016, the company announced its U.S. re-entry strategy through a car-sharing partnership with a Paris-based electric operator that would, in time, stock its fleets with Peugeot cars.

Tavares had been appointed CEO and chair of the company in 2014 to achieve a strategic turnaround of PSA following two consecutive years of revenue falls, job cuts, and the closure of its largest manufacturing facility in France. In 2013, income from new sales had dropped significantly as the company sold less than 2.82 million vehicles worldwide, down almost 5 per cent from 2012, mainly due to a declining car market in European countries.[[5]](#endnote-5) It had proven increasingly difficult to focus on an international expansion strategy, because PSA drew most of its profits from its home market and other European markets such as Spain, Italy, and the United Kingdom.[[6]](#endnote-6) However, by early 2017, it was clear that PSA had little option but to continue growing internationally and compete head on with key global players in the automotive industry such as Toyota Motor Corporation (Toyota), Volkswagen Group (VW), Tata Motors Limited (Tata Motors), and Tesla Inc. (Tesla). It was not enough for PSA to concentrate on the European market and on emerging markets such as China and Russia, where it was also experiencing declining sales.[[7]](#endnote-7)

Given these changes in the competitive environment, should PSA re-enter the U.S. market to sustain growth and get closer to becoming a truly global company? If so, what re-entry strategies should the company undertake? Could it benefit from having previously operated in the market or had the market changed too much? In short, could re-entering the U.S. market help PSA respond to growing competitive pressures in the global automotive industry?

GLOBAL AUTOMOTIVE INDUSTRY: UNEVEN MARKETS

For the global automotive industry, the previous decade (2006–2016) had been somewhat of a “mixed bag.” Toyota, VW, and General Motors Company (GM) topped the list of best-selling automakers in 2016 (see Exhibit 1).[[8]](#endnote-8)

However, the decline in sales in European markets dampened prospects for global automakers, showing that the industry was still in transition. Although sales started to improve following a six-year slump caused by the economic recession—12.6 million new cars were registered in Europe in 2015, representing a 9 per cent growth since 2009—sales remained well under the 2007 mark of 18 million.[[9]](#endnote-9) In April 2016, industry analysts warned that,

[…] passenger car registrations in Europe marked their 31st consecutive month of growth in March, showing that car manufacturing and consumption is one of European Union’s most robust and resilient industries. But while the numbers add up, Europe’s car industry is nonetheless a hostage to the economic and political fortunes of the region.[[10]](#endnote-10)

European car sales were driven mostly by consumers in Western European countries, whereas some of the other, less advanced nations remained at the brink of recession.[[11]](#endnote-11) Globally, shifts in consumer demand drove down consumer willingness to pay higher prices for cars as quality standards increased throughout the industry and led to consumers keeping their cars longer.[[12]](#endnote-12)

Trends also included consumers shifting to smaller and more fuel-efficient vehicles,[[13]](#endnote-13) paralleled by more robust technologies and innovations in vehicle manufacturing such as new safety features, navigational connectivity, and entertainment to meet changing demand. The global automotive industry remained characterized by high capital and labour intensity. Revenues to cover the costs of labour, materials, and advertising came from vehicle sales as well as financing, leases, and warranties. Tighter fuel economy regulations were more expensive to comply with and required increased operational efficiency, agile manufacturing processes (such as Toyota’s lean management production systems), and greater sales volume to amortize the higher production costs.[[14]](#endnote-14)

Emerging markets

Perhaps what contributed most to the decline in the global automotive industry was the underperformance of emerging markets, which were considered saving graces for automakers seeking to sustain growth.[[15]](#endnote-15) Growth in China—the world’s largest automotive market—slowed to 7.3 per cent compared to 10 per cent in 2014 and 13 per cent in 2013, mainly due to vehicle restrictions in large cities.[[16]](#endnote-16) In 2016, the Indian government’s demonetization of ₹500 and ₹1,000 banknotes and the cash crunch with passenger car buyers weighed heavily on automakers operating there.[[17]](#endnote-17) Sales in Russia were 50 per cent less in 2016 compared to 2012, which was attributed to trade sanctions, price hikes in response to the weak ruble, insufficient state subsidies, and a slump in oil revenue.[[18]](#endnote-18) Brazil experienced a 30 per cent drop in sales compared to 2012, as low-income consumers found it hard to obtain loans and buy new cars.[[19]](#endnote-19) While Middle Eastern and African markets were expected to attract investor interest,[[20]](#endnote-20) given the distinctive local requirements for production, tariffs, and quotas, entry into these markets was made difficult for automakers that did not already have wide production and distribution facilities there.

As of 2017, markets that were stagnating were expected to recover. In contrast, high-growth markets were expected to slow due to market saturation.[[21]](#endnote-21)

Some companies dealt better than others with the unevenness of global markets. Toyota continued to grow its sales in emerging markets such as China (up 13 per cent) and Brazil (up 10 per cent), while it remained a market leader in Japan with over 40 per cent share in 2015.[[22]](#endnote-22) Sales of VW cars were also up, not only in the United States in 2016, but also in China, despite the emissions scandal.[[23]](#endnote-23) While the passenger vehicle segment was dominated by foreign brands, the commercial vehicle segment in China remained dominated by a small number of Chinese players such as Dongfeng Motor Corporation (Dongfeng), Chery Automobile Co., Ltd., and Geely Automobile Holdings Limited. In India, the top car manufacturers—Maruti Suzuki India Limited, Tata Motors, and Mahindra & Mahindra Limited—held around 70 per cent of market share in 2015 compared to 67 per cent in 2012. According to industry experts, these firms generally had a superior knowledge of the local market demand and infrastructure, delivered effective advertising through appropriate positioning, and established stronger networks of dealerships compared to most foreign entrants.[[24]](#endnote-24)

North America

For over a century, the North American market was the largest automotive market in the world, historically dominated by the “big three” with headquarters in the Detroit area: GM, Ford Motor Company (Ford), and Chrysler Corporation (Chrysler). After Honda Motor Co. Ltd. (Honda) opened its first U.S. plant in 1982, almost every major European and Japanese automaker produced vehicles at one or more U.S. assembly plants. Fiat S.p.A. (Fiat), Honda, Toyota, Nissan Motor Co. Ltd. (Nissan), Hyundai Motor Company (Hyundai), Kia Motors Corporation (Kia), BMW Group (BMW), Mercedes-Benz, Mazda Motor Corporation (Mazda), Mitsubishi Motors Corporation (Misubishi), Subaru Corporation, VW, and Tesla all had manufacturing facilities in the United States from 2000 onward.

In 2016, some manufacturers, such as Tesla, were more vertically integrated, and also conducted research and development (R&D), design, and testing in the U.S. market. Many considered the emergence of innovative new entrants such as Tesla (much like Honda’s success in opening its Ohio plant) as a threat to the position of more established automakers such as VW and BMW, particularly in the emerging all-electric car segment in the U.S. market.[[25]](#endnote-25)

Record sales in the North American market in 2016 gave the sector a boost. The sale of almost 17.5 million vehicles represented a 5.7 per cent growth from the year before, compared to 13 million in 2008 and 10.4 million in 2009.[[26]](#endnote-26) Meanwhile, more investment was attracted into Mexico as companies such as Chrysler, Ford, GM, Mazda, Toyota, Nissan, and VW continued to invest in their Mexican factories for North American consumption as well as for exporting. GM remained the top automaker in the United States with over 3 million cars sold in 2016 (down 1.3 per cent from 2015), followed by Ford with just over 2.6 million (less than a 1 per cent increase from 2015). Other carmakers taking a share of the U.S. pie were Toyota, Nissan, Fiat Chrysler Automobiles NV (Fiat Chrysler), Honda, and Hyundai.[[27]](#endnote-27)

Industry analysts expected that competition was likely to intensify in the U.S. market.[[28]](#endnote-28) Firms could neither pass on increases in raw material prices to the customer, nor could they avoid competing on price. Rebates, preferred financing, and long-term warranties helped to attract customers but simultaneously lowered the profit margins for vehicle sales. According to a report by McKinsey & Company, “the share of young people (16 to 24 years) who hold a driver’s license dropped from 76 per cent in 2000 to 71 per cent in 2013, while there has been over 30 per cent annual growth in car-sharing members in North America and Germany over the last five years.”[[29]](#endnote-29)

If customer loyalty to specific automotive brands was indeed eroding,[[30]](#endnote-30) companies that were positioned to produce low-cost but high-quality vehicles (such as Kia and Tata Motors) could take market share from local U.S. manufacturers. Companies such as Ford and GM had already embraced smaller cars and smaller engines in the past few years as the tastes of U.S. consumers began to align more with those of consumers in Western European markets. As well, consumer mobility behaviour was expected to change further as the importance of private car ownership continued to decline after 2012, particularly in heavily populated urban areas.[[31]](#endnote-31) While the fall in car use was associated with the recession, the trend was, in fact, observed prior to 2007.[[32]](#endnote-32)

Opportunities for growth and profitability in the U.S. market could be associated with alternative propositions such as hybrid transport options, smaller vehicles, all-electric or driverless cars, and significant capital to invest in sizeable dealership networks. New business models, including on-demand mobility services, were predicted to expand automotive revenues pools in the United States by about 30 per cent by 2030, allowing cars to become platforms for passengers to consume other services and forms of media.[[33]](#endnote-33) This change would require traditional automakers to make cars more upgradeable to take advantage of new technological innovations. In this new context, key challenges included pricing, upgrading the value proposition, and effectively managing safety and security issues.

PSA HISTORY AND INTERNATIONAL PRESENCE

PSA (known as PSA Peugeot Citroën from 1991 to 2016 and as PSA Group starting in 2017) was one of the principal European automotive manufacturers producing mainly passenger cars and light commercial vehicles under the famous Peugeot and Citroën brand names. In 2017, the company continued to be one of Europe’s largest suppliers of parts to the automotive industry, and operated its own financial and distribution subsidiaries.

In France, the Peugeot and Citroën names held a prominent position among car manufacturers in the nineteenth century. The company (then family owned) started by operating a textile mill in France, after which it turned to steel production and subsequently, wheeled vehicle production given the growing number of adopters of bicycles. The company produced the first passenger vehicle in the late 1880s using Daimler engines.

Following partnerships with other carmakers such as Ford and BMW, the company developed the necessary capabilities and technological knowledge to make its own innovative car engines. By 1896, it had made its mark and consolidated the Peugeot brand name as a symbol of forward thinking and innovation. In the late 1920s, the company introduced the first diesel-powered passenger automobile. Collaborations with other manufacturers such as Renault Group (Renault) (1966) and Volvo Group (Volvo) (1972) followed with the renewal of car manufacturing operations after World War II.[[34]](#endnote-34)

PSA (Peugeot Société Anonyme) was formed in 1975 when Peugeot took over Citroën. Although the two companies kept separate identities, they shared engineering and technical resources. New Peugeot models were introduced in the 1990s and 2000s, produced in the United Kingdom and France, as well as in China. In 2017, PSA owned other brands such as DS Automobiles (DS), which it had owned since 2009. Following the completion of its deal with GM in March 2017, PSA also owned Opel Automobile GmbH (Opel) and Vauxhall Motors.[[35]](#endnote-35)

Financial decline and notable strategic initiatives

2006–2009

In April 2006, PSA announced the closure of its manufacturing facilities in Coventry, United Kingdom, which resulted in the loss of over 2,000 local jobs and 3,000 more jobs along the supply chain.[[36]](#endnote-36) Despite the company’s ambition to sell four million units annually, in 2008, its sales were below two million, which was blamed principally on adverse market conditions and slow rates of growth. In 2009, Christian Streiff was replaced as CEO by Philippe Varin.[[37]](#endnote-37)

2010–2013

Varin, who was credited with turning around steel group Corus, was appointed to do the same for PSA through finding new international markets to increase sales and reduce the company’s dependency on Europe. The centrepiece of Varin’s strategy was the Hybrid Air System, a car prototype that would drive through town “largely on thin air” as it ran off compressed nitrogen, which “makes up most of the air we breathe.”[[38]](#endnote-38) Varin stated, “Technology will enable the group to maintain its leadership in terms of CO2 emissions. . . . This is the fruit of major investment as part of our wider strategic framework.”[[39]](#endnote-39) This strategy was part of an attempt to become a leader in hybrid car technology and sell more cars into emerging markets such as China. Varin’s turnaround plans also included the production of larger cars using new materials such as lightweight steel and aluminium composites.

In March 2012, GM purchased a 7 per cent share in PSA and became PSA’s largest shareholder after the Peugeot family. This alliance was part of a co-operation to achieve economies of scale and reduce up to US$2 billion[[40]](#endnote-40) per year in costs through platform sharing and product development. In July 2012, PSA controversially decided to close one of its major French plants at Aulnay-sous-Bois to reduce capacity in a shrinking domestic car market. This meant cutting about 10 per cent of PSA’s workforce in France.[[41]](#endnote-41) In October, PSA borrowed approximately €11 billion from creditor banks and won state guarantees on a further €7 billion through its Banque PSA Finance to refinance the company. Meanwhile, EU pressures to leave Iran meant writing down over €500 million in assets as PSA lost access to its then second largest market. On December 2013, GM sold its stake in PSA at a loss.

2014–2015

In 2014, rumours of a potential merger or acquisition that was in store for PSA started to spread rapidly among industry analysts.[[42]](#endnote-42) In the same year, the Peugeot family gave up control of the company by reducing their 25 per cent holdings to only 14 per cent.[[43]](#endnote-43) Dongfeng (China) and the French government each bought 14 per cent stakes in order to create three partners with equal voting rights.

In 2015, Mahindra & Mahindra Limited purchased a 51 per cent stake in Peugeot Motorcycles.[[44]](#endnote-44) Re-entry into Iran proved more difficult: “As far as Peugeot is concerned, Iranian leaders criticize it for leaving a few years ago in a way they dispute. So it [re-entry] could be more difficult,” Foreign Minister Laurent Fabius told France’s Info Radio.[[45]](#endnote-45) With new CEO Carlos Tavares at the helm, DS (an abbreviation for Different Spirit or Distinctive Series), which was initially marketed as a premium sub-brand of Citroën, became a standalone brand in 2015. Tavares noted that DS models used the same platforms and dealerships as other PSA models. However, unlike Citroën cars, DS’s mission was to “represent the sophistication of French luxury cars.”[[46]](#endnote-46) The company made a profit in 2015, but it was unable to continue funding the hybrid air project, which was put on hold.[[47]](#endnote-47)

2016–2017

In 2016, PSA had six plants in China with an output capacity of 1.2 million vehicles, a developed dealership network, and a regional R&D centre though the Dongfeng Peugeot-Citroën joint venture. In 2017, PSA Peugeot Citroën was rebranded as the PSA Group. In January 2017, the company announced a joint venture with New Delhi-based CK Birla Group to produce cars at their Hindustan Motors factory in Chennai.[[48]](#endnote-48) In February 2017, the iconic Ambassador brand, previously owned by India’s Hindustan Motors, was unexpectedly sold to PSA for $12 million.[[49]](#endnote-49) PSA was brought “back from the brink of collapse” after it started to implement a six-year “Push to Pass” strategy to boost international sales and respond to technological advances.[[50]](#endnote-50) As part of this six-year strategy (from 2015 to 2021), the company cut costs, reduced the number of models produced, and increased prices on the current models. The company devised plans to launch its first fully electric car in 2019 and sell self-driving cars by the end of 2021.[[51]](#endnote-51) It also launched a fund to invest in new mobility solutions such as car-sharing start-ups.[[52]](#endnote-52)

International expansion

PSA took its first steps toward international expansion in 1921 by exporting almost 3,000 vehicles through network subsidiaries in key markets such as Belgium, Holland, Italy, and Denmark. By 1928, PSA had 14 distributors in France and North Africa, 10 subsidiaries, and four factories abroad. In 1960, PSA started assembly in Yugoslavia through a joint venture with a local partner. In 1962, the company established sales companies in Montreal and Vienna. In 1963, an assembly and sales subsidiary was set up in Chile and later in Madagascar. In 1964, PSA set up a new subsidiary in Portugal, accessed a growing market, and overcame severe restrictions on imported cars. Under an agreement with Fiat in 1968, Fiat models were sold through Citroën dealerships in France, Belgium, Switzerland, and Portugal, and Citroën models were sold by Fiat in Italy. In 2010, PSA entered China, Russia, and South America.

In 2011, the company announced it would re-enter India with a bang after a 14-year absence. Initially, PSA connected with Premier Automobiles in 1994 but failed to build a brand to impress Indian customers. These plans were dropped in 2012 due to lack of cash,[[53]](#endnote-53) as the company continued to use GM’s Indian factories to assemble vehicles there until it formally re-entered the Indian market in 2017 with the CK Birla Group. In 2012, PSA finally re-entered the Philippines market,[[54]](#endnote-54) where it had briefly operated until 2005 in a distribution partnership with the Alvarez Group.

In 2017, PSA exported its vehicles to over 100 countries worldwide. China was considered the market with most potential due to PSA’s partnership with Dongfeng, which brought the company resources and local know-how, and increased its presence in the world’s largest car market. In Russia, PSA was part of a joint venture with Mitsubishi and assembled the vehicles with a partner in Kazakhstan. In Latin America, the company had one production site in Brazil and two in Argentina, as well as R&D centres in both countries. In other regions such as Asia Pacific, PSA had only one subsidiary located in Japan. As of 2017, the company had yet to develop a substantive presence in the Middle East and Africa.

At the beginning of 2017, almost all of PSA’s sales remained concentrated in Europe, especially in France, despite the company operating in over 100 countries (see Exhibit 2). While 70 per cent of its manufacturing was done outside of France in markets such as China and Brazil, more than 86 per cent of its revenues came from PSA’s operations in Europe.[[55]](#endnote-55) Furthermore, in France, PSA’s performance was flat at the end of 2016 due to weaker Citroën sales and a struggling DS brand. The company lost market share to Renault; PSA sold only 261 cars more in France compared to 2015, whereas the French car market grew by around 100,000 cars in 2016 (see Exhibit 3).[[56]](#endnote-56)

PSA’S HISTORY IN THE united states

PSA started selling cars in the United States around 1958. The company entered the U.S. market in the late 1950s, a decision that was put down to pressure from France’s newly elected political regime—the Fifth Republic under the presidency of Charles de Gaulle—to bring home hard currency and keep the home factories busy. Sales of Peugeot cars in the United States reached a peak in the 1980s due to an increase in oil prices, which turned consumers to the company’s then increasingly popular diesel engine cars. In 1986, PSA sold about 14,000 cars in America. However, by 1990, the number had dropped to 4,200 cars sold in what was then the world’s largest car market. PSA exited the U.S. market in 1991. It attributed the exit to “slow and low sales and price wars between the American and Japanese cars of the time.”[[57]](#endnote-57)

Were external environmental changes and increased market competition the only reasons why the company did not succeed in the United States? Perhaps. However, the positive history of PSA in the United States suggested otherwise. Among the many accolades documented in the media, *Motor Trend* compared the 604 Peugeot model to a Mercedes (1975), while *Car and Driver* magazine noted that the 505 Peugeot model had become “a potent new offensive weapon” in the automotive industry (1980).[[58]](#endnote-58) All else considered, Peugeot cars, targeted at middle- and upper-class consumers who appreciated European stylish design and engineering, were perceived by Americans to be “the complete cars.” In the 1970s, PSA was also the largest carmaker in Europe, possessing the necessary financial muscle to succeed and expand internationally.

Part of the failure was attributed to a lack of adaptation to the U.S. consumer as opposed to merely distributing products there. “At best, the company was betting that American sales would provide the resources and exposure needed for a strategy to emerge out of involvement with American allies and customers.” Thus, the product was attractive, but the strategy was not. Although the company fulfilled many of the expectations voiced by the U.S. consumer, such as European engineering, stylish design, and luxurious interior, it did not incorporate other features that were becoming common in luxury cars, such as a sunroof, power windows and seats, and air conditioning. This point was heavily criticized by the Peugeot Dealers Council, reunited in the mid-1970s, which argued the following:

Council wishes to point out to Automobile Peugeot that the U.S. market . . . is the most competitive in the world. Any major automotive manufacturer who is unable to successfully merchandise his product in the U.S. market today must be deemed to have an inferior product and organization. The Council has extreme concern over what it perceives to be a “not give a damn” attitude on the part of . . . those in France responsible for the success of the U.S. market. . . . Put in simple terms, the Council recommends that Peugeot either get totally involved in the U.S. market or get out altogether.[[59]](#endnote-59)

Why did PSA not address its challenges to adapt to local market conditions in in the United States? Some experts argued that the company’s under-appreciation of the U.S. market dictated its chances of (un)success.[[60]](#endnote-60) Indeed, adapting to the U.S. market was expensive, mainly because European and U.S. safety standards differed significantly. One example was that French safety standards relied on “crash avoidance” and “stress road handling,” while American regulations emphasized “crash absorption” and a “strong and heavy passenger compartment.” PSA’s focus remained on the European market.

The window of opportunity to fully commit to the U.S. market quickly closed in the 1980s when new entrants such as VW and Toyota emerged. Peugeot cars were neither cheap nor particularly exceptional, and were easily overshadowed by rejuvenated American models and newer German and Japanese models. While the 505 model was highly successful, other models such as the 405 were not positioned as premium cars and quickly lost market share to cheaper models such as the Honda Accord. Whatever propelled other carmakers such as Audi AG (Audi) and Volvo to move toward the premium segment of the U.S. automotive market did not have the same effect on PSA, which left in 1991.

For a while, PSA kept an office in Michigan to track evolving U.S. emissions and safety standards; this office was closed around 2013. Although the company started to operate in the Mexican market again in 1997, following the Chile-Mexico free trade agreement, no PSA models were bought or imported into the United States from Mexico. Former PSA CEO Varin also took the company back to Canada in 2009 by selling the scooter brand, thus remaining absent from the automotive market.

Plans to re-enter the U.S. market

According to the *Wall Street Journal,* PSA considered a U.S. re-entry as early as 2003 with the help of Havas, a Paris-based advertising agency.[[61]](#endnote-61) However, these plans never came to fruition. Discussions regarding U.S. re-entry became less quiet and more frequent after 2014 with the newest CEO Tavares at the company’s helm. Tavares had started his career at Renault in 1981. Between 2009 and 2013, he oversaw Nissan’s presence in North and South America.

In October 2014, PSA planned to return to the U.S. market as part of a global strategy to sell DS vehicles worldwide.[[62]](#endnote-62) These plans never came to fruition because PSA decided such a re-entry would be too high risk. For one, DS was not a very well-known brand, thus posing questions as to whether it commanded the high‑end price in the U.S. luxury market dominated by the likes of Audi and BMW. Also, while the DS brand sold some 500,000 vehicles mainly in Europe and China between 2010 and 2016, none of the five DS models were compliant with U.S. federal standards. Such compliance would prove expensive for the company, which needed to then tailor its vehicles to the U.S. market.

Re-entry into the U.S. market was seen as an imperative strategic objective. Tavares said in April 2016, “We will come back to North America because it is a place where we believe we can make a significant profit.” He had specifically defended the company’s decision to return to the U.S. market, highlighting PSA’s strengths in Europe and China: “We notice that others have been there for 50 years, but those who have been there for 50 years are also the ones we are beating in Europe and China.”[[63]](#endnote-63)

As part of its Push to Pass strategy, PSA’s return to North America consisted of investment in mobility and ride-sharing enterprises similar to those of ZipCar.[[64]](#endnote-64) PSA teamed up for this investment with car‑sharing service TravelCar. The investment—a partnership with French insurance firm MAIF—totalled $16 million and was considered a first step in PSA’s Push to Pass plan to progressively re-enter the U.S. market by 2026. “We announced our progressive entry to North America by launching mobility services with our partners,” said PSA Head of Mobility Services Grégoire Olivier. “We deploy these services worldwide to meet customers’ expectations. With TravelCar today, we’re writing the beginning of this new step overseas.” Since 2012, TravelCar had operated mainly in France, where it offered free parking at airports and rates significantly lower than those of rental places in European countries.

PSA was already involved in mobility services with the Bolloré Group—in car-sharing operations in Lyon and Bordeaux, France.[[65]](#endnote-65) It hoped to kick-start re-entry into a highly competitive U.S. market by re-acquainting American consumers with the Peugeot brand.[[66]](#endnote-66) Yet it remained unclear how this exercise would help these companies to significantly penetrate the U.S. market.

According to Autoblog, “TravelCar is different from other car-sharing services such as ZipCar in that it rents out other people’s cars. It’s that detail that makes MAIF an interesting partner, as it provides insurance services in case those cars get munched. . . . TravelCar says its car-rental rates are about half that of typical rental-car places.”[[67]](#endnote-67) Lisa Jerram, a principal research analyst for Navigant questioned PSA’s strategy. “The thing about car sharing is that there are so many other models for how you can provide that service that I think have broader appeal,” she said. “It’s kind of a narrow group that A.) wants to share their car and B.) wants to get access to a car through something that’s very ad hoc.”[[68]](#endnote-68)

The story remained an interesting one since other car manufacturers had already invested in car-sharing services such as DriveNow/ReachNow (BMW) and car2go(Daimler). Given that the re-introduction of Fiat and Alfa Romeo Automobiles in the United States in 2016 (and later in 2017, the Giulia sedan) was yet to significantly affect the market share of Audi and BMW, most likely, PSA would face the same challenges. Having led Nissan’s North American business, did Tavares know something about how to gain share in the U.S. market that others did not?

The road ahead: opel-Vauxhall acquisition

In 2017, Tavares’s goal to rapidly grow PSA began to materialize. Most notable perhaps was the decision to acquire the Opel-Vauxhall brand from GM. The acquisition was immediately viewed as a good opportunity for PSA to expand and re-enter the U.S. market under a more recognizable and trustworthy brand name and to “release substantial synergies and improve PSA’s market position in Europe where the company continuously lost market share since 2010.” Others cautioned that while “the acquisition would increase further PSA’s reliance on the European market to more than two thirds of group sales from 61 per cent in 2016, diversification within Europe would increase as Opel is strong in markets where PSA is not; i.e., Germany and the United Kingdom.”[[69]](#endnote-69)

Unlike French cars, which had been mostly unsuccessful in the United States—except for Renault’s success with the Dauphine model in the 1960s and later with Renault Alliance in the 1980s—German car manufacturers had had a smoother ride in the U.S. automotive market.[[70]](#endnote-70) Given these circumstances, what should a company such as PSA do next? Should it re-enter the U.S. market? With the exception of Tesla, it was hard to think of a brand introduced to the United States without the support of a nationwide distribution network. In 2017, PSA had no dealerships in the United States and neither did Opel. If re-entry was in the cards, how and when should PSA re-enter? Would it be enough to make a progressive U.S. re-entry? PSA’s plan to roll out the car-sharing service would fare better if not for the waves of start-ups trying to compete with Uber and Lyft in the United States. Could PSA find its niche in the U.S. market to achieve some moderate success?

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Exhibit 1: Selected automaker global sales 2014–2016, by manufacturer

|  |  |  |  |
| --- | --- | --- | --- |
| **Company** | **Sales in 2014 (units)** | **Sales in 2015 (units)** | **Sales in 2016 (units)** |
| Toyota Motor Corporation | 10,285,546 | 10,083,783 ↓ | 10,366,000 ↑ |
| Volkswagen Group | 10,137,400 | 9,872,424 ↓ | 10,312.400 ↑ |
| General Motors Company | 9,924,880 | 9,800,000 ↓ | 9,970,000 ↑ |
| Nissan-Renault Group | 8,470,610 | 8,528,887 ↑ | 9,961,347 ↑ |
| Hyundai Motor Company | 4,963,535 | 4,964,837 ↑ | 4,860,049 ↓ |
| Kia Motors Corporation | 2,907,757 | 2,916,118 ↑ | 3,007,976 ↑ |
| Ford Motor Company | 6,651,000 | 6,635,000 ↓ | 6,323,000 ↓ |
| Fiat Chrysler Automobiles | 4,736,200 | 4,743,800 ↑ | 7,750,000 ↑ |
| Honda Motor Co. Ltd. | 4,323,000 | 4,367,000 ↑ | 4,743,000 ↑ |
| PSA Peugeot-Citroën | 2,939,000 | 2,973,000 ↑ | 3,146,000 ↑ |
| BMW Group | 2,165,566 | 2,279,503 ↑ | 2,367,603 ↑ |
| Total sales worldwide  (approximate) | 71,180,000 | 72,610,000 ↑ | 76,860,000 ↑ |

Source: Toyota Motor Corporation, *Sustainable Management Report 2016*; Volkswagen Group, *Annual Report 2016*; General Motors Company, *General Motors Company 2016*; Nissan-Renault Group, *Groupe Renault: 2016 Financial Results*; Hyundai Motor Company, *Hyundai Motor Company 2016 Business Results*; Kia Motors Corporation, *Annual Report 2016: True Colours of Kia Motors*; Ford Motor Company, *2016 Annual Report*; Fiat Chrysler Automobiles, *2016 Annual Report*; Honda Motor Company, *Honda Motor Co., Ltd. Annual Report 2016*; PSA Peugeot Citroën, *2016 Annual Financial Report*; BMW Group, *Annual Report 2016*; EDGAR Online, accessed May 20, 2017.

Exhibit 2: Distribution of sales across geographic regions

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Consolidated World Sales  Estimates (in thousands) |  | **2015**  **YTD December** | **2016**  **YTD December** | **% Change** |
| China—South East Asia | Peugeot | 412.3 | 351.9 | –14.6 |
|  | Citroën | 302.2 | 250.3 | –17.2 |
|  | DS | 21.5 | 16.2 | –24.8 |
|  | PSA | 735.9 | 618.4 | –16.0 |
| Eurasia | Peugeot | 6.5 | 5.6 | –13.9 |
|  | Citroën | 5.4 | 4.8 | –11.5 |
|  | DS | 0.1 | 0.1 | 20.5 |
|  | PSA | 12.0 | 10.5 | –12.6 |
| Europe\* | Peugeot | 1,056.1 | 1,102.2 | 4.4 |
|  | Citroën | 731.1 | 762.6 | 4.3 |
|  | DS | 76.7 | 65.5 | –14.7 |
|  | PSA | 1,864.0 | 1,930.3 | 3.6 |
| India-Pacific | Peugeot | 18.5 | 14.0 | –24.3 |
|  | Citroën | 4.1 | 4.5 | 7.5 |
|  | DS | 1.2 | 1.5 | 22.5 |
|  | PSA | 23.8 | 19.9 | –16.4 |
| Latin America | Peugeot | 99.3 | 122.6 | 23.6 |
|  | Citroën | 56.6 | 60.2 | 6.3 |
|  | DS | 1.2 | 1.1 | –11.0 |
|  | PSA | 157.1 | 183.9 | 17.1 |
| Middle East—Africa\*\* | Peugeot | 117.1 | 323.1 | 175.9 |
|  | Citroën | 61.5 | 58.7 | –4.6 |
|  | DS | 1.6 | 1.7 | 6.2 |
|  | PSA | 180.2 | 383.5 | 112.8 |
| Consolidated world sales | Peugeot | 1,709.7 | 1,919.5 | 12.3 |
|  | Citroën | 1,160.9 | 1,140.9 | –1.7 |
|  | DS | 102.3 | 86.0 | –16.0 |
|  | PSA | 2,973.0 | 3,146.4 | 5.8 |

Note: \* Europe = European Union, European Free Trade Association, Albania, Bosnia, Croatia, Kosovo, Macedonia, Montenegro, and Serbia; \*\*of which 233,000 units were sold under Peugeot licence by Iran Khodro in 2016.

Source: PSA Peugeot Citroën, *2016 Annual Financial Report*, EDGAR Online, accessed May 15, 2017.

Exhibit 3: Automotive industry in France—Top manufacturers (Units Sold)

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Manufacturer** | **2015** | | **2016** | | **% Change** | |
| Total Market | 1,917,230 | 2,015,186 | | 5.1 | |
| PSA Group | 558,715 | 558,976 | | 0.0 | |
| – Peugeot | 327,393 | 335,884 | | 2.6 | |
| – Citroën | 201,065 | 195,011 | | –3.0 | |
| – DS | 30,257 | 28,081 | | –7.2 | |
| Renault Group | 479,945 | 518,462 | | 8.0 | |
| Volkswagen Group | 246,710 | 258,603 | | 2.8 | |
| BMW Group | 76,077 | 85,712 | | 12.7 | |
| Toyota Group | 76,212 | 82,796 | | 8.6 | |
| Fiat Group | 71,558 | 81,014 | | 13.2 | |
| Ford Group | 80,730 | 79,173 | | –1.9 | |
| Nissan Group | 75,241 | 72,367 | | –3.8 | |
| Daimler Group | 63,484 | 71,040 | | 11.9 | |
| GM Group | 64,324 | 68,453 | | 6.4 | |
| – Opel\* | 64,170 | 68,281 | | 6.4 | |
| Hyundai Group | 53,114 | 61,727 | | 16.2 | |
| Volvo Group | NA | 15,599 | | 12.4 | |

Note: \* As of March 2017, PSA also owned GM’s Opel brand.

Source: Henk Bekker, “2016 (Full Year) France: Best-Selling Car Manufacturers and Brands,” Car Sales Statistics, January 2, 2017, accessed May 1, 2017, www.best-selling-cars.com/france/2016-full-year-france-best-selling-car-manufacturers-brands.

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