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GROUPE psa: RE-ENTERING INDIA

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I wish my company was in India for [the] last 50 years. But that’s not the reality and I have to accept and make sure we have the capability to make Indian customers happy with my products. If we come to Chennai—it’s an automotive hub in India—we will [have] an opportunity of the supplier base already created by some of my competitors, which will make us much faster to align with the high localisation rate in terms of market expectations and in terms of money.

Carlos Tavares, chief executive officer, Groupe PSA[[1]](#endnote-1)

In January 2017, Groupe PSA (PSA), the France-based automobile manufacturer known for its brands Peugeot, Citroën, and DS Automobiles, announced it was partnering with the Indian conglomerate CK Birla Group to re-enter India after its exit in 2012. In two previous attempts in 1994 and 2011, PSA had failed to make a dent in the Indian market. Carlos Tavares, who was appointed chair of the PSA management board in 2014, had a mandate to orchestrate a strategic turnaround of PSA, which had experienced falling revenues, job cuts, and the closure of its manufacturing facilities in previous years. One of the tasks allocated to Tavares was to internationalize the group and reduce its reliance on vehicle sales in the European market. By 2017, it was clear that PSA had no option but to enter a key market such as India and compete head-on with automotive giants, including Toyota Motor Corporation (Toyota), Volkswagen Group (Volkswagen), Suzuki Motor Corporation, Hyundai Motor Company (Hyundai), Ford Motor Company (Ford), and Tata Motors Ltd. (Tata Motors). India had emerged as the world’s fifth-largest car market, with sales of 3.4 million units in 2016, which was likely to grow to US$6 million[[2]](#endnote-2) by 2020.[[3]](#endnote-3) Although India was a lucrative market, it was also a difficult market, with cut-throat competition.

PSA had been unsuccessful in its previous attempts in India and had failed to build its brand. The re-entry decision therefore raised many questions: Was a joint venture the right entry method, or would an Indian subsidiary have been better? Which product segments should PSA target? What should it do with the Ambassador brand it had acquired from the CK Birla Group? It remained to be seen whether PSA would be lucky the third time around!

PSA HISTORY AND GLOBAL PRESENCE

Based in France, PSA was Europe’s second-largest car manufacturer and a leader in terms of CO2 (carbon dioxide) emissions. It had more than 170,000 employees in 160 countries in 2016. The group had a 200-year history—one of the longest and most interesting in the automotive industry. The family-owned company had first operated a textile mill and then a steel foundry, which manufactured umbrella frames, coffee grinders, and finally wheeled vehicles. In 1889, it unveiled its first car, which sported the Peugeot name and used a Daimler engine.[[4]](#endnote-4) Over the years, Peugeot had entered into partnerships with car manufacturers such as Ford and BMW AG, in the process acquiring the necessary knowledge to develop its own engines. In 1974, Peugeot SA acquired Automobiles Citroën (Citroën), and the group was renamed PSA Peugeot-Citroën in 1976.[[5]](#endnote-5) Although Peugeot and Citroën maintained separate identities, they shared engineering and technical resources.[[6]](#endnote-6) From the 1990s to the early 2000s, PSA launched many new models that were produced primarily in the United Kingdom, France, and China.

By 2005, faced with decreasing demand and intense competition in its primary market of Europe, the company began to reduce production across its manufacturing units and closed down some facilities. It exited the United Kingdom in 2006 by closing its manufacturing facilities in Coventry.[[7]](#endnote-7) PSA had projected sales of over 4 million units annually in 2008, but it was not even selling 2 million, primarily because of adverse market conditions.[[8]](#endnote-8) It posted losses of $456 million in 2008.

In 2009, the company made Philippe Varin chief executive officer (CEO), replacing Christian Steiff. Varin was brought in because of his successful turnaround of the steel group Corus Group Plc.[[9]](#endnote-9) At PSA, he was expected to turn around the group’s fortunes and steer its expansion internationally, reducing dependency on sales from Europe. Under Varin, the company attempted to become a leader in hybrid car technology in an effort to sell more cars in emerging markets, particularly China.[[10]](#endnote-10) Varin’s turnaround strategy also included producing larger cars using lightweight steel and aluminum composites.[[11]](#endnote-11) Under his leadership, Citroën was extended into the premium segment with the creation of the sub-brand DS Automobiles in 2009.[[12]](#endnote-12)

In March 2012, General Motors Company (GM) acquired a 7 per cent share in PSA and became its largest shareholder after the Peugeot family. This strategic alliance was intended to save both companies around $2 billion in costs per year through platform sharing and product development.[[13]](#endnote-13) However, the venture was unsuccessful, losing almost $6.87 billion in 2012 and about $3.15 billion in 2013.[[14]](#endnote-14) As sales continued to drop, PSA was forced to shut a major plant in Aulnay-sous-Bois, France, in July 2012, which reduced its workforce in France by 10 per cent.[[15]](#endnote-15) The company suffered another blow when it was forced to withdraw from Iran after economic sanctions were imposed on that country because of its nuclear program. As a result, PSA had to write off over $597 million in assets[[16]](#endnote-16) and lost access to its second-largest market.[[17]](#endnote-17) In 2013, PSA was forced to take advantage of a debt-rescue package that included $13.14 billion in bank loans and $8.4 billion in state loan guarantees. The same year, GM sold its entire stake in PSA at a loss. PSA then received a lifeline from Chinese automobile manufacturer Dongfeng Motor Corporation (Dongfeng) and the government of France, which each invested $1.1 billion for a 14 per cent stake, reducing the Peugeot family’s stake from 25 per cent to 14 per cent. It was believed that the deal with Dongfeng would provide the company with greater access to Asian markets.[[18]](#endnote-18)

Turnaround under Carlos Tavares

In 2014, Tavares, formerly the senior executive at the Renault–Nissan Alliance, replaced Varin as CEO of PSA. Tavares had previous experience working with Dongfeng, having brokered a joint venture between the Chinese company and Renault. He, too, was given the tasks of restoring PSA’s shaky finances and expanding the company’s global footprint. Thierry Peugeot, the president of the PSA board, said of Tavares’s appointment, “By choosing Carlos Tavares . . .  the supervisory board ensures that the strategy of recovery and development to overcome the current crisis . . . will continue to be executed over the long term.”[[19]](#endnote-19) When Tavares took charge, the company had amassed $7.7 billion in losses over the preceding two years and was in dire need of an overhaul in both strategy and operations. In 2014, Tavares, a car racing enthusiast, launched his five-year Back in the Race strategy, which set goals such as considerable cost savings, clear differentiation of brands, overhauling and pruning of the company’s model line-up, and modernization of its manufacturing plants (see Exhibit 1). PSA had previously had too many models that were not clearly differentiated and hence cannibalized each other.[[20]](#endnote-20)

Tavares gave himself three years to turn PSA around but managed to do so in two. He consolidated factory space; introduced higher-priced, newer models; increased capacity utilization in plants to 98 per cent; improved capital efficiency;[[21]](#endnote-21) and reduced labour costs, benefiting from the 11,200 job cuts undertaken by his predecessor.[[22]](#endnote-22) Sales of assets and modernization of plants yielded a further $2.5 billion in savings.[[23]](#endnote-23) Tavares planned to ensure that each PSA subsidiary kept its general administrative expenses at 1 per cent of revenue,[[24]](#endnote-24) and he also planned to reduce vehicle production costs by about $770 per vehicle between 2015 and 2018. (The company had managed to save $230 per vehicle by 2015.[[25]](#endnote-25)) PSA would reduce its portfolio of models from 45 to a projected 26 by 2022, which would in turn reduce manufacturing complexity and result in cost savings. The results began to show in 2015, when the company achieved a 5 per cent operating margin, net profit of $1.32 billion (after losing $8.79 billion in 2012–2014), and an increase of 6 per cent in group revenue.[[26]](#endnote-26) By 2016, fixed costs had been reduced by $1.4 billion; the break-even point had been lowered from 2.6 million vehicles to 1.6 million; operating margins rose to 6 per cent (compared with −2.8 per cent in 2014);[[27]](#endnote-27) and the group had earned revenue of $63 billion.[[28]](#endnote-28) As the company began to generate excess capital, it began investing in higher-growth markets such as Asia and Latin America.

Having restored these financial fundamentals through the Back in the Race strategy, Tavares unveiled his digitally oriented transformation strategy, Push to Pass, in 2016. Under this six-year strategy (2016–2021), the company aimed to adapt its business model to allow for expansions through digitalization, leasing, used cars, mobility services, and the launch of plug-in hybrids and electric vehicles (see Exhibit 2).[[29]](#endnote-29)

Under Tavares, DS Automobiles, initially sold as a premium sub-brand of Citroën, became a stand-alone brand, and Citroën branding was removed from DS Automobile models. In 2016, PSA Peugeot-Citroën was rebranded as Groupe PSA.[[30]](#endnote-30) In 2017, after acquiring GM’s loss-making brands Opel and Vauxhall for $2.6 billion, PSA became Europe’s second-largest car manufacturer (behind Volkswagen), with a market share of 17 per cent. This purchase marked GM’s retreat from Europe, gave full control of the PSA–GM joint venture to PSA, and was expected to increase PSA’s economies of scale in Europe. In 2016, while Volkswagen sold 3 million vehicles in Europe, PSA sold 1.5 million, and Opel and Vauxhall sold 1 million.[[31]](#endnote-31)

However, PSA faced continuing challenges; it still lacked a presence in many key global markets, and its sales could not match those of the world’s top players such as Toyota, Volkswagen, GM, and Ford (see Exhibit 3). It continued to depend on Europe, where its sales were declining, and on China and Southeast Asia, where its sales had dropped approximately 49 per cent in the first half of 2017 (see Exhibit 4).[[32]](#endnote-32)

**THE INDIAN AUTOMOBILE INDUSTRY**

The Indian automobile industry was one of the largest in the world in terms of sales volume and production. The industry contributed 7.1 per cent of India’s gross domestic product in 2017, and this figure was expected to rise to 12 per cent by 2026. According to India’s Department of Industrial Policy and Promotion, the automobile industry had attracted foreign direct investment (FDI) worth $16.51 billion between April 2000 and December 2016.[[33]](#endnote-33) The Government of India was also working to make automobile manufacturing the main driver of the Make in India initiative it had launched in September 2014. The plan encouraged foreign companies to manufacture locally by making it easier to acquire land, reducing the number of approvals required, and offering incentives in certain situations. In its Auto Mission Plan 2016–26, the government noted that it expected the passenger vehicle market to triple to 9.4 million units by 2026.[[34]](#endnote-34)

The automobile industry in India comprised two-wheelers, passenger vehicles, commercial vehicles, and three-wheelers. In terms of production volume, passenger cars accounted for 15 per cent, whereas two-wheelers led the segment with 79 per cent for the financial year (FY) 2017[[35]](#endnote-35) (see Exhibit 5). This sector was attractive for domestic and international companies because of rising consumer demand for vehicles and numerous other factors, including the availability of low-cost skilled labour, low-cost steel production, and competitive research and development centres. The major players included Maruti Suzuki India Ltd. (Maruti Suzuki), Mahindra & Mahindra Ltd. (Mahindra), Tata Motors, Honda Cars India Ltd. (Honda), Toyota Kirloskar Motor Pvt. Ltd., Ford India Pvt. Ltd., Hyundai Motor India Ltd., Renault India Pvt. Ltd., Nissan Motor India Pvt. Ltd., Volkswagen India Pvt. Ltd., and numerous others (see Exhibit 6).

According to data released by the Society of Indian Automobile Manufacturers, sales of passenger vehicles in India were expected to grow at a compound annual growth rate of 12.87 per cent during 2016–2026, and sales of passenger vehicles were expected to rise from 2.8 million in 2016 to 9.4 million–13.4 million by 2026.[[36]](#endnote-36) The year-on-year increase in demand for passenger vehicles prompted many automobile makers to invest heavily in various segments of the industry.

Compared with the new car market, India’s pre-owned car market was stable and growing. It had grown from 1.6 million units (worth $6 billion) in 2011 to 3.3 million units (worth $15 billion) in 2016. Moreover, the pre-owned car market was expected to grow at 15 per cent per year and to reach $39 billion, or 6.6 million units, by 2021. A number of factors had fuelled the growth of the pre-owned car market. Ownership cycles had dropped from six to seven years in 2011 to four years in 2016 and were expected to fall further, to 3.5 years, by 2021. The growth of this market was also affected by improved quality, the emergence of organized players, increasing credibility and consumer confidence, and the growing social acceptance of purchasing used cars. Several automobile manufacturers, including Maruti Suzuki, Mahindra, Hyundai, and Honda, had ventured into sales of pre-owned vehicles from their own brands, and were also slowly moving into multi-brand sales. Online used-car portals had also emerged.[[37]](#endnote-37)

The Indian automobile industry had not always been so healthy. In fact, until 1930, India had no car manufacturing facility, and all cars were imported from other countries. It was only in the 1940s that Indian companies began manufacturing cars in India. From the 1950s–1970s, three major Indian-made brands dominated the car market: the Calcutta-based Ambassador, owned by Hindustan Motors Ltd. (HML); the Bombay-based Premier, owned by Premier Automobiles Limited (PAL); and the Chennai-based Standard, owned by Standard Motor Products of India Ltd. In the absence of competition, indigenously manufactured cars showed few improvements over time. Until the 1980s, the automobile sector was a closed market that emphasized indigenous production, high customs duties, limited avenues of expansion, and restricted entry for foreign players. As a result, power rested with the sellers, and the market was characterized by long waiting periods and outdated car models. Changes began in 1982 with the arrival of Maruti Udyog Ltd. (later Maruti Suzuki), a joint venture of the Indian government and Suzuki Motor Corporation, Japan, which manufactured passenger cars in India and helped to create a buyer’s market.

A new automobile policy introduced in 1995 allowed FDI of up to 51 per cent through an automatic approval route. This policy was an offshoot of the economic liberalization the Indian government had initiated in 1991 to relax controls and regulations in industrial sectors. It marked the beginning of a progressive phase in the Indian automobile industry. In early 2000, the industry entered a globalization phase, with FDI increased to 100 per cent through an automatic approval route, which meant that foreign investors no longer required prior authorization from the Government of India.[[38]](#endnote-38) The new policy substantially lowered entry barriers and paved the way for foreign automobile manufacturers to set up base in India. Seizing the opportunity, numerous foreign players entered the Indian market: between 2000 and 2010, almost every major car company in the world had established a presence in India.

Over the years, increasing pollution in the metropolitan cities had forced the government to initiate pollution-fighting measures; the government made the use of compressed natural gas engines mandatory in public transportation and introduced stricter norms for diesel vehicles. In 2017, as pollution continued to increase, the Indian government encouraged automobile manufacturers to shift to environmentally friendly fuels. The Indian automobile market was heading toward another major transition: from fossil fuel–driven cars to electric cars. In its ambitious National Electric Mobility Mission Plan, the government envisioned annual sales of electric and hybrid cars reaching 6 million–7 million by 2020. The government was in the process of preparing a road map to ensure that only electric cars would be produced and sold in India by 2030. These policy changes would have an immense impact on the future plans of all automobile manufacturers in India.[[39]](#endnote-39)

Indian car buyers had also become savvy consumers as a result of access to a wide range of information on vehicle performance, cost of ownership, financing options, and after-sales support. The preferences of first-time buyers had also changed. People were buying cars at a younger age and looking beyond just four wheels. India was a young country: half the population was under 25 years old and two-thirds was under age 35. These young people were no longer buying cheap; their desire for automatic transmissions and sport utility vehicles (SUVs) had affected the sales of entry-level cars (those priced below $7,500).[[40]](#endnote-40) Even market leader Maruti Suzuki, which had established itself by selling value-for-money cars, ventured into the premium segment with the launch of its premium dealership NEXA in 2015. According to the SIAM, the entry-level segment, which comprised 50.5 per cent of the passenger vehicle market in 2005, had declined to 27.5 per cent of the passenger vehicle market in FY 2017. The segment of cars selling for $12,500 and more had grown from 19 per cent to 26.5 per cent of the passenger vehicle market during the same period, and the bulk of the market had shifted to the mid-size segment (i.e., vehicles in the $7,500–$12,500 range)[[41]](#endnote-41) (see Exhibit 7). According to a 2017 Boston Consulting Group report, the “aspirer,” (income $7,700-$15,400) “affluent,” (income $15,400-$30,800) and “elite” (income more than $30,800) segments of the Indian middle class had jumped from 12.5 per cent of India’s total population in 2005 to 23 per cent in 2016, and were likely to reach 36 per cent by 2025. It appeared that premiumization would continue to be the way forward for some time.[[42]](#endnote-42)

**PSA IN INDIA**

First Entry

PSA’s first experience in India was in 1994 through a joint venture with Premier Automobiles Limited (PAL).[[43]](#endnote-43) The opening of the Indian economy in the early 1990s attracted automobile manufacturers from across the globe. These foreign players had the capability and marketing acumen to launch consumer-centric cars in the choice-starved Indian market. Indian companies rushed to form alliances with foreign car manufacturers: for example, DCM Toyota Ltd. with Daewoo, Hindustan Motors with GM, Mitsubishi and Mahindra with Chrysler Limited, and Honda with Shriram Motors. The Italian automobile company Fiat SPA (Fiat), which also recognized the huge potential offered by the post-liberalization Indian market, entered into a technical collaboration with PAL in 1996 to import and assemble the Fiat Uno in PAL’s Kurla plant. It also set up a wholly owned greenfield plant to produce its world car project.[[44]](#endnote-44)

PAL, established in India in 1944, was owned by the Walchand Hirachand family, which had business interests in aeronautics, construction, shipyards, and sugar.[[45]](#endnote-45) In 1959, PAL had entered into a technical agreement with Fiat to manufacturer Fiat 500 and later Fiat 1100 cars in India. Although this agreement expired in 1972, PAL continued to manufacture the Fiat 500 under the brand name Premier Padmini; it entered into another technical agreement with Fiat in 1981.[[46]](#endnote-46) In 1994, PAL entered into a joint venture with PSA to manufacture and sell vehicles in India, with each partner holding an equal stake of 32 per cent.[[47]](#endnote-47) PSA used the joint venture to bring to India its compact sedan, the Peugeot 309, which had become obsolete in other markets.[[48]](#endnote-48) Launched in 1995, the Peugeot 309 competed with GM’s Opel, Daewoo’s Cielo, and Maruti’s Esteem in the premium segment. The car received a positive response, selling 10,000 units in the first year of its launch.[[49]](#endnote-49) The joint venture was projected to break even within two years and start generating profits by 1998.

However, the success of the PSA–PAL joint venture was short-lived, and things soon began turning sour for both partners. As a result of its collaborations with Fiat and Peugeot, PAL was assembling the Premier Padmini at the Kurla plant, the Peugeot 309 at the Kalyan plant, and the Premier 118NE at both plants. The Kurla plant supplied components such as gear boxes and rear axles to the Kalyan plant, so when workers at PAL’s Kalyan plant went on strike in 1996, the work stoppage adversely affected production at the Kurla plant, where the Peugeot 309s were assembled. The delayed delivery of the Peugeot 309s resulted in the cancellation of 60,000 out of 108,000 bookings, and irate customers demanded refunds. As a result, the joint venture incurred losses of $143 million for FY 1995–96.[[50]](#endnote-50)

To make matters worse, PAL decided to upgrade its technical agreement with Fiat to a joint venture in August 1997. PSA served legal notice on PAL for violating the non-compete clause in their agreement and asked the Mumbai High Court to stay the extraordinary general meeting PAL had called to obtain shareholders’ consent for the PAL–Fiat joint venture.[[51]](#endnote-51) The court granted an interim order in favour of PSA, and the partners eventually reached an out-of-court settlement in which PAL agreed to forgo its stake in the joint venture and allowed PSA to infuse fresh capital into the venture.[[52]](#endnote-52)

Just when things appeared to be going right for PSA in India, the French parent company announced in 1997 that it would be pulling out of the joint venture and leaving India for good. Stalled production and mounting losses had taken a toll, and the parent company felt that continuing would be catastrophic.[[53]](#endnote-53) PSA asked PAL to buy out its 32 per cent stake in the venture, and by February 1998, it had withdrawn the Peugeot 309 from India.[[54]](#endnote-54) Although the company assured car owners and dealers a supply of spare parts, PSA’s unexpected decision to exit India led to a considerable loss of goodwill.

Although PSA left India in 1997, it continued to expand globally: for example, it acquired Sociedad Europea de Vehículos para Latinoamérica (SEVEL) in Argentina in 1998, started manufacturing in Brazil in 2001, entered into a joint venture with Dongfeng in China in 2002, and entered a joint venture with Toyota in the Czech Republic in 2005 (see Exhibit 8).

Second Entry

Europe had been seriously affected by the financial crisis in 2009, and PSA was heavily dependent on the European market, which contributed 46 per cent of its global sales in 2010. As a result, PSA was hit harder than other automobile manufacturers operating in Europe. Demand in its primary markets of France, Italy, and Spain had declined substantially, and, to make matters worse, PSA had neither export success nor low-cost brands in its portfolio. The company planned to internationalize aggressively outside of Europe and identified four geographic regions for future growth: India, Latin America, Russia, and China.[[55]](#endnote-55)

The Indian automobile industry had reported growth of 26.41 per cent in FY 2009–10, making it the second–fastest-growing market in the world, after China.[[56]](#endnote-56) In FY 2010–11, passenger vehicle sales in India grew by 29 per cent and then continued to grow, making it an attractive market to enter.[[57]](#endnote-57) PSA was the only large auto manufacturer without a presence in India. When it made a second attempt to enter India in 2011, it did so independently.

In 2011, PSA laid the foundation of a 600-acre (242-hectare) factory in Sanand, Gujarat, with an investment of $932.7 million. The factory was expected to produce 170,000 cars annually in 2014 and twice as many by 2018.[[58]](#endnote-58) PSA’s executive vice-president (Asia), Grégoire Olivier, stated that “India is a key market and this new implantation reflects our ambition to become a global player. As in China, we will offer Indian customers vehicles adapted to their expectations.”[[59]](#endnote-59) The company decided to emulate Volkswagen’s strategy in the Indian market by following a top-down approach—positioning itself as a premium brand before extending into the volume-generating compact segment, which, at the time, was an extremely lucrative segment in India. To do this, it planned to launch a premium sedan—the Peugeot 508, priced at approximately $39,000—to compete with the Volkswagen Passat, the Honda Accord, the Toyota Camry, the Nissan Teana, and the Škoda Superb. This launch of a premium sedan would be followed by launches in the lower segments.[[60]](#endnote-60)

PSA also planned to set up an automotive skills development institute through a public–private partnership within the Sanand automotive cluster, to train approximately 5,000 people, who would eventually be absorbed by the company. Products from the Sanand plant would cater to the domestic market and export cars to Australia and Southeast Asia. The company also planned to gradually shift research and development from Europe to India.[[61]](#endnote-61)

The company began testing its premium hatchback, the Peugeot 207, in an attempt to obtain governmental approvals. At the 2012 Auto Expo in New Delhi, PSA ambitiously showcased several cars, including the 508 Saloon, the 3008 Crossover, the 3008 Hybrid 4, the RCZ sports coupe, and the diesel racer 908 Le Mans. The Peugeot 508 was intended to be the star of the Indian launch;[[62]](#endnote-62) however, soon after the Auto Expo, rumours began to surface about the company’s plan to close its operations in India. PSA management confirmed that, in light of the effects of European debt crisis, which had hit the company hard, it had decided to slow down its expansion in India. PSA had sustained major losses because of financial crises (2007–08) and the recession that followed (2008–2012), and it eventually had to be rescued from bankruptcy. The company quit India in 2012.[[63]](#endnote-63)

Third Entry

In January 2017, PSA ventured into the Indian market once again. To be competitive globally, it was critical for the company to have a presence in India, which was expected to become the third-largest passenger vehicle market by 2020.[[64]](#endnote-64) At the Paris Motor Show in 2016, Tavares said, “India has a great potential and it is part of my ‘Push to pass’ (mid-term) plan.”[[65]](#endnote-65) Since the company’s last entry in 2011, the Indian market had changed considerably. The Indian consumers’ car-buying preferences had matured, and the previous one-car-per-family market had evolved to accommodate multiple cars per household. Moreover, another French player, Renault SAS, which began operating in India through a wholly owned subsidiary in 2011, had successfully made inroads in the Indian market to become its seventh-largest car maker in 2016 (see Exhibit 9).

In this third attempt, PSA entered into a joint venture with the CK Birla Group to manufacture and sell vehicles and components in India by the year 2020. The partnership included two joint venture agreements. Under the first, PSA and CK Birla held 80 per cent and 20 per cent stakes, respectively; the company was set up with the CK Birla–owned Hindustan Motor Finance Corporation Ltd. to assemble and distribute PSA passenger cars in India.[[66]](#endnote-66) The second agreement was a 50:50 joint venture between PSA and CK Birla’s Avtec Ltd., a manufacturer of precision-engineered products and powertrains, which converted the power of engines into movement. The joint venture would utilize the HML plant near Chennai, Tamil Nadu, which was already manufacturing vehicles for Mitsubishi Motors Corporation (Mitsubishi) of Japan. PSA proposed that it would make an initial investment of about $107 million in the production facility in Chennai. The manufacturing facility would supply powertrains to the domestic and international markets.[[67]](#endnote-67)

CK Birla, chairman of the CK Birla Group, had this to say about the joint venture:

We have embraced “Make in India for India and the World” for several decades and are among the early adopters of frugal manufacturing in the country. I am confident that the coming together of the latest state-of-the-art technology from the PSA Group and the engineering and manufacturing excellence of the CK Birla Group will benefit the automotive sector in India.[[68]](#endnote-68)

A month after signing the joint venture agreement, the CK Birla Group sold the Ambassador brand (India’s once iconic passenger car), along with trademarks, for a meagre $12 million to PSA.[[69]](#endnote-69) HML had stopped producing the obsolete Ambassador in 2014 due to lack of demand. Tavares commented on the PSA’s ownership of the Ambassador brand: “We have to eventually see if it makes sense to the Indian customer. The Ambassador is an iconic brand and warms the hearts of people in India. If there is an opportunity where it brings value to the eyes of customers, we have the brand and can use it.”[[70]](#endnote-70)

It appeared that PSA had timed its 2017 entry well; India was expected to become the third-largest car producer in the world by 2020, the same year the challenging goal of meeting Bharat Stage VI emission norms would come into effect. This goal would be quite a jump from the Bharat Stage IV emissions standards, which would come into effect in 2018, and would be accompanied by additional legislative changes governing safety. These changes would require automobile companies to invest in new technology and to upgrade features, which would increase vehicle prices. All of these changes would likely benefit PSA, which was already a leader in emission standards in Europe, and would allow it to price its vehicles competitively in the Indian market.[[71]](#endnote-71)

HINDUSTAN MOTORS LTD

Hindustan Motors Ltd. (HML) was incorporated in 1942, before India attained independence, by the CK Birla Group and GM. The CK Birla Group—a well-known, 150-year-old family-owned business based in India—was a $1.6 billion diversified conglomerate operating in industries such as cement, consumer electrical, heavy engineering, paper, automobiles, health care, and (later) information technology and enabled services. It was present in five continents.[[72]](#endnote-72)

In its initial years, HML focused on its auto component business, producing its first car in 1949[[73]](#endnote-73) and developing a network of 115 vehicle dealers, 50 service and parts dealers, and 60 exclusive parts dealers vehicle and parts dealers.[[74]](#endnote-74) HML had entered into a technical collaboration with Mitsubishi in 1998 to manufacture and market premium Mitsubishi passenger vehicles.[[75]](#endnote-75) When Nissan Motor Corporation (Nissan) later acquired a stake in Mitsubishi, giving Mitsubishi entry into the Renault–Nissan Alliance, Mitsubishi’s vehicle production was able to shift to Renault’s plant in Chennai, thereby enabling the partners to share platforms, manufacturing, and procurement.[[76]](#endnote-76)

**AMBASSADOR: THE BEGINNING AND DECLINE OF THE ICONIC BRAND**

In 1942, HML set up operations at Port Okha, Gujarat, where it began assembling the passenger car Hindustan 10,[[77]](#endnote-77) modelled on the Morris Motors Limited (Morris) Morris 10, which was manufactured in the United Kingdom. HML shifted its assembly to Uttarpara, West Bengal, in 1948 and continued to produce Hindustan and then Landmaster models, based on the Morris 10. The new model that replaced the Landmaster in 1957 was based on the upgraded Morris Oxford Series III and christened the Ambassador. This model went on to become the company’s flagship brand and the car with the longest production run in India (1958–2014).[[78]](#endnote-78) Its price increased from $220 in 1958 to $8,000 in 2014.[[79]](#endnote-79)

The four-door sedan was considered an innovation for its time: its spacious, high-roofed interior made it easy for passengers to get in; and its thick, steel body and large 15-inch (38-centimetre) wheels made it easy to navigate India’s demanding roads. The Ambassador was introduced while the country was tasting independence after a long struggle under British rule, so its *swadeshi* (indigenous) origins made it popular with consumers. During the initial decades, the brand was associated with luxury, as only very rich people could afford to buy and maintain cars. HML gifted the first Ambassador Mark II it produced to the first prime minister of India, Jawaharlal Nehru. Although no executive order obliged Indian government departments to purchase Ambassador cars, HML derived a major chunk of sales from the government, and the Ambassador became ubiquitous in India as an official staff car. During the brand’s lifetime, the Indian government purchased almost 16 per cent of the Ambassador cars manufactured,[[80]](#endnote-80) and the cars were used by Indian prime ministers, ministers, politicians, and senior government officials—which added to its sheen. Its spacious, sturdy structure also made it a favourite for taxis; by 2001, taxis accounted for 65 per cent of Ambassador sales.[[81]](#endnote-81)

The Ambassador’s Nostalgia

The Ambassador—also called “Amby,” “The King of the Roads,” “The Indian War Horse,” and “India’s National Car”—was perhaps the only car that had been loved by all generations of Indians. According to ace Indian photographer Raghubir Singh, “Ambassador is ‘the People’s Car, the Politician’s Car, India’s Rolls Royce’. . . . As I journeyed all over India, I came to understand that if one thing can be singled out to stand for the past 50 years of India . . . it has to be the Ambassador.”[[82]](#endnote-82)

The car became a living relic of the values and hopes of the Nehru era—a gentler, less aggressive, and less violent time, which was aptly reflected in the car’s rounded silhouette. The car meant many things to many people. At its very best, it represented aspiration, class, power, and status, since it was used by the prime minster and senior bureaucratic officers. On the other hand, the Ambassador was a family car that evoked feelings of warmth and affection. Unlike its competitors, the Ambassador was never known for its elegance or sleek lines but was symbolic of the India of that time, where sharing was the way of life; it was a machine that came close to being treated like a family pet. Mechanically, the car was at home in any part of India: it could be repaired by a mechanic at any *nukkad* (turning point) or village corner. No car before or after evoked the same nostalgia in generations of Indians and foreigners alike; the Ambassador triggered a host of memories and stories related to the “national car of India.”

The Decline

Until the 1980s, the Ambassador reigned supreme in the Indian car market. Its only competition was the Premier Padmini, manufactured by PAL. The Ambassador’s decline started with the 1983 launch of the Maruti 800, by Maruti Udyog Limited (MUL). The small Maruti 800, with its sleek design and fuel-efficient engine, captured the imagination of Indian consumers.[[83]](#endnote-83) By the end of the 1980s, MUL had become the market leader in the passenger car segment, leaving the Ambassador trailing far behind. Prior to the entry of MUL, HML had been the market leader for a long time, selling up to 24,000 units per year in the mid-1980s.[[84]](#endnote-84) Since HML was able to sell whatever it produced, it never focussed on product innovation, technology upgrades, or improvements to its production facilities, and this decision eventually cost the company heavily as it began losing considerable market share. The onslaught worsened after the liberalization of the 1990s, as more foreign companies set up base in India.

In an attempt to gain some lost ground, HML launched several improved versions. The last version of the Ambassador was the Encore, launched in 2013. Ambassador’s sales hit an all-time low of 2,200 units in FY 2013–14. With a bleak future in sight, HML finally stopped producing the Ambassador in 2014.[[85]](#endnote-85)

**The ROAD AHEAD**

Success of the CK Birla–PSA joint venture was critical for both partners, as the CK Birla Group had been unable to launch a successful brand after the Ambassador and PSA had been unable to gain a foothold in the Indian market in the past, in spite of its attempts. PSA faced several key issues: Was a joint venture the right method to enter India? Which products should it launch in the Indian market (e.g., hatchback, sedan, SUV, or crossover), and which segment or segments should it target? What should it do with the once iconic brand, the Ambassador? Millions of Indians were waiting to see how the company would resurrect the Ambassador.

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**Exhibit 1: groupe PSA’s Back in the Race Strategy (2014–2018)**

|  |  |
| --- | --- |
| **Four Pillars of the Strategy** | **Broad Highlights** |
| 1. Differentiate brands further and improve net pricing. | * Reduce the pricing gap with respect to selected benchmark by 2020. * Achieve half of the objective by 2016. * Further differentiate DS, Peugeot, and Citroën brands from one another: * Position DS as an autonomous premium brand. * Focus on high-quality products and service. * Ensure a core product range comprising sedans and SUVs. * Challenge the products of Audi, Mercedes, and Jaguar. * Position Peugeot as a high-end generalist brand. * Position Citroën as “people-minded” brand with a focus on comfort. * Focus on design and value with competitive pricing and total cost of ownership. * Focus on creativity and affordability: Modern design, comfort, useful technology, and optimized budget. * Reduce direct appeals to Groupe PSA’s French customer base (i.e., diesel engines, manual transmissions, and hatchback bodies) and create vehicles that have greater appeal around the world (i.e., more gasoline engines, more automatic transmissions, and fewer hatchbacks). |
| 2. Focus on reduced range of core models globally. | * Reduce the number of models from 45 in 2014 to 26 by 2022 (€300 million yearly cost savings). * Reduce product line-ups in money-losing countries such as Russia and Brazil. Reduce from 25 different vehicles to fewer than 10 in Russia. Increase localization and reduce costly imports in South America. * Upgrade technology portfolio to match the brand’s positioning: * Develop four-wheel drive powertrain. * Focus on hybrid state-of-the-art engine technologies and competitive internal combustion engines at par with best CO2 competition globally. * Provide an autonomous driving experience by early 2020s. |
| 3. Ensure profitable growth worldwide. | * Leverage growth in Asia with a strengthened partnership with Dongfeng Motor Corporation. * Produce 970,000 vehicles by 2016. |
| 4. Enhance competitiveness in core areas of business. | * Achieve 2% operating margin by 2018. * Reduce working capital by $1.2 billion by 2016. * Streamline the inventory of unsold vehicles. * Manage cash better by abandoning car segments where models are unprofitable and avoid over-saturated segments. |

Note: SUVs = sport utility vehicles; € = euro; €1.00 = US$1.19 as of January 5, 2018; CO2 = carbon dioxide.

Source: Created by case authors with information from PSA Peugeot-Citroën, *Operational Framework for a Turnaround*, April 14, 2014, accessed December 7, 2017, https://www.google.com/search?q=Operational+Framework+for+a+Turnaround%2C%E2%80%9D+PSA+Group&ie=utf-8&oe=utf-8&client=firefox-b-ab; Luca Ciferri and Bruce Gain, “How High-Revving PSA CEO Carlos Tavares Plans to Turn Around Europe’s Second-Largest Automaker,” *Automotive News Europe*, April, 7, 2014, accessed November 7, 2017, http://europe.autonews.com/article/20140407/ANE/140409951/how-high-revving-psa-ceo-carlos-tavares-plans-to-turn-around-europes.

**Exhibit 2: groupe PSA’s Push to Pass Strategy (2016–2021)**

|  |  |
| --- | --- |
| **Two Pillars** | **Broad Highlights** |
| Groupe PSA as a great car maker | * Launch 26 new passenger cars by 2021: one new car per region per brand per year. * Achieve average vehicle age of 3.5 years by 2018. * Launch seven petrol plug-in hybrid electric vehicles and four battery-electric vehicles by 2021. * Launch first fully electric car in 2019. * Focus on connected cars and autonomous driving technology; roll out “hands-off” in 2020 and “eyes-off” in 2021. * Reach an average 4% automotive recurring operating margin in 2016–2018 and 6% by 2021. * Deliver 10% revenue growth in 2018 compared with 2015, and reach additional 15% by 2021. * Maintain brand positioning from Back in Race strategy: * Peugeot positioned as a high-end generalist brand with a focus on greater connectivity and services * Citroën positioned as a “people-minded” brand that has a focus on comfort * DS positioned as the premium brand with dedicated concierge service (“DS always by my side”) |
| Groupe PSA as a mobility provider | Launch Free2Move—PSA’s umbrella mobility initiative, to cover car sharing, connected services, car rental, fleet management, financing, insurance, and reselling—to catch customers outside of traditional businesses:   * Emphasize all facets of car ownership. * Achieve annual sales of 800,000 vehicles by 2021 through Free2Move. * Convert transactional relationships with 15 million existing customers from across businesses into personal relationships. * Invest in start-ups (e.g., those dealing with used cars, car sharing, online spare parts, vehicle service and repair quoting services).   Previous investments under Free2Move included the following:   * 2017—launched its own car-sharing service in partnership with France-based transportation company Bolloré Group in Los Angles, USA. * 2016—Purchased 30% stake in online French used-car retailer Aramisauto. * 2016—Purchased majority stake in online French pre-owned car retailer Mister Auto. * 2016—Bought stake in Canadian car-sharing company Communauto. * 2016—Bought majority stake in French parking solutions company TravelerCar. * 2016—Purchased majority stake in European online car-repair marketplace Auto Butler. * 2015—Invested in France-based peer-to-peer car-sharing business Koolicar. |

Note: Push to Pass was a race car device. By pressing a button on the steering wheel, the driver could boost power for short periods in order to overtake a rival.

Source: Created by case authors with information from Richard Ingram, “PSA Peugeot Citroen Unveils Next Step in Push to Pass Plan,” Auto Express, November 14, 2017, accessed December 2, 2017, www.autoexpress.co.uk/car-news/101725/psa-peugeot-citroen-unveils-next-step-in-push-to-pass-plan; “PSA Group’s Huge Used-Car Sales Plans,” *Go Auto News*, November 4, 2016, accessed January 2, 2018, http://goautomedia.cdn.on.net/gan\_premium/GoAutoNews\_Premium\_Newsletter\_031.pdf; Rachel Burgess, “PSA Unveils Five-Year Model Blitz for Peugeot, Citroen and DS,” Auto Car, April 5, 2016, accessed December 5, 2017, https://release-perf-prod-d7-autocar-co-uk.whatcardev.haymarket.com/car-news/industry/psa-unveils-five-year-model-blitz-peugeot-citroen-and-ds; “PSA Peugeot-Citroën Unveils New Six-Year Strategy,” news release, Supplier Insight, April 5, 2016, accessed December 23, 2017, http://supplierinsight.ihsmarkit.com/news/35339/psa-peugeot-citron-unveils-new-six-year-strategy.

**Exhibit 3: Revenue of leading automotive manufacturers worldwide, 2016  
(in US$ billions)**

|  |  |
| --- | --- |
| **Company** | **Revenue** |
| Toyota | 254.69 |
| Volkswagen | 240.26 |
| Daimler | 169.48 |
| General Motors | 166.38 |
| Ford | 151.80 |
| Honda | 129.20 |
| FCA | 116.96 |
| SAIC | 113.86 |
| Nissan | 108.16 |
| BMW | 104.13 |
| Renault | 61.81 |
| Groupe PSA | 63.40 |

Notes: FCA = Fiat Chrysler Automobiles; SAIC = SAIC Motor Corporation.

Source: Created by case authors with information from “Revenue of the Leading Automotive Manufacturers Worldwide in FY 2016 (in Billion U.S Dollars),” Statista.com, December, 2017, accessed January 4, 2018, https://www.statista.com/statistics/232958/revenue-of-the-leading-car-manufacturers-worldwide/.

**Exhibit 4: GROUPE PSA’s consolidated world sales, by region, first half 2016 and first half 2017 (units sold)**

|  |  |  |  |
| --- | --- | --- | --- |
| **Region** | **H1 (First Half) 2016** | **H1 (First Half) 2017** | **% Change** |
| China & Southeast Asia | 296,507 | 152,380 | −48.61% |
| Eurasia | 5,153 | 6,511 | 26.35% |
| Europe\* | 1,055,875 | 1,036,090 | −1.87% |
| India & Pacific | 10,458 | 10,665 | 1.98% |
| Latin America | 88,791 | 96,357 | 8.52% |
| Middle East & Africa | 87,420 | 277,931 | 217.93% |
| Total | 1,544,204 | 1,579,934 | 2.31% |

Note: \*Europe = European Union + European Free Trade Association + Albania + Bosnia + Croatia + Kosovo + Macedonia + Montenegro + Serbia.

Source: Created by case authors with information from “Groupe PSA: Push to Pass Product Offensive Launched: Global Sales up 2.3% at the End of June 2017*,” Business Insider*, July 13, 2017, accessed November 5, 2017, http://markets.businessinsider.com/news/stocks/groupe-psa-push-to-pass-product-offensive-launched-global-sales-up-2-3-at-the-end-of-june-2017-1002169508.

**Exhibit 5: Total production of automobiles in India, 2006–2016**

**(in millions of units)**

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Financial Year (FY)** | **2006** | **2007** | **2008** | **2009** | **2010** | **2011** | **2012** | **2013** | **2014** | **2015** | **2016** | **2017** |
| Passenger Vehicles | 1.3 | 1.3 | 1.6 | 1.8 | 2.4 | 3.0 | 3.1 | 3.2 | 3.1 | 3.2 | 3.4 | 3.7 |
| Commercial Vehicles | 0.4 | 0.5 | 0.6 | 0.4 | 0.6 | 0.8 | 0.9 | 0.8 | 0.7 | 0.7 | 0.8 | 0.8 |
| Three-Wheelers | 0.4 | 0.6 | 0.5 | 0.5 | 0.6 | 0.8 | 0.9 | 0.8 | 0.8 | 0.9 | 0.9 | 0.8 |
| Two-Wheelers | 7.6 | 8.5 | 8.0 | 8.4 | 10.5 | 13.4 | 15.4 | 15.7 | 16.9 | 18.5 | 18.8 | 19.8 |

Source: Created by case authors with information from *Automobiles*, India Brand Equity Foundation, June 16, 2017, accessed December 5, 2017, https://www.ibef.org/download/Automobiles-June-2017.pdf.

**Exhibit 6: India’s Passenger vehicle market share FY 2016–17  
(April 1, 2016 – March 31, 2017)**

|  |  |  |  |
| --- | --- | --- | --- |
| **Company** | **Market Share** | **Commencement of India Operations** | **JV/Subsidiary** |
| Maruti Suzuki India Ltd. | 47.38% | 1981 | JV with Suzuki Motor Corporation |
| Hyundai Motor India Ltd. | 16.72% | 1996 | Subsidiary of Hyundai Motor Company |
| Mahindra & Mahindra Ltd. | 7.75% | 2007 (began manufacturing passenger vehicles) | Indian multinational company |
| Honda Cars India Ltd. | 6.88% | 1995 | Subsidiary of Honda Motor Company Ltd. |
| Tata Motors Ltd. | 5.66% | 1945 (began manufacturing passenger vehicles in 1991) | Indian multinational company |
| Toyota Kirloskar Motor Pvt. Ltd. | 4.70% | 1997 | JV with Kirloskar Group |
| Renault India Pvt. Ltd. | 4.43% | 2010 | Subsidiary of Groupe Renault |
| Ford India Pvt. Ltd. | 3.00% | 1995 | Subsidiary Ford Motor Company |
| Nissan Motor India Pvt. Ltd. | 1.88% | 2005 | Subsidiary of Nissan Motor Company |
| Volkswagen India Pvt. Ltd. | 1.64% | 2007 | Subsidiary of Volkswagen Group |

Note: JV = joint venture

Source: Created by case authors with information from Ronak Shah, “Passenger Vehicle Manufacturers’ Report Card: Market Share Analysis,” *Economic Times,* May 11, 2017, accessed December 4, 2017, https://auto.economictimes.indiatimes.com/news/passenger-vehicle/cars/passenger-vehicle-manufacturers-report-card-market-share-analysis/58610826; Hyundai Motor Company, “Hyundai Announces Lucky Winners of ‘20 Years Celebration Offer’,” news release, May 11, 2016, accessed December 6, 2017, www.hyundai.com/in/en/MediaCenter/PressReleases/DF\_IN\_LOCALNEWSVIEW\_20160511.html?selx2=; “India Operations,” Honda*,* accessed December 25, 2017, https://www.hondacarindia.com/about/india-operations; “About Mahindra,” Autoportal, accessed January 4, 2018, https://autoportal.com/newcars/mahindra/about.html; “Tata Motors,” *JapaneseCarTrade.com*, May 2018, accessed May 8, 2018, https://info.japanesecartrade.com/content-item/658-tata-motors; “Toyota Kirloskar Motor Pvt. Ltd.,” IBEF, accessed December 5, 2017, https://www.ibef.org/download/TOYOTA\_24jan.pdf; N. Madhavan, “Dusting Off the Competition, *Business Today,* October 27, 2013, accessed December 25, 2017, www.businesstoday.in/magazine/case-study/case-study-renault-duster-success-story/story/199321.html; “Ford India—Corporate Profile,” Ford Motor Company*,* accessed December 5, 2017, https://www.india.ford.com/about-ford/corporate/company-profile/; “Nissan Appoints New President Of India Operations,” News Release, Nissan, July 12, 2017, accessed October 5, 2017, https://www.nissan.in/latest-news/new\_president\_india\_operation.html; “Indian Spirit Meets German Excellence,” Volkswagen, December 2017, accessed December 5, 2017, https://www.volkswagen.co.in/en/about/volkswagen-india.html.

**Exhibit 7: India’s Passenger Vehicle Brand presence by Segment (2017)**

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Hatchback** | | | **Sedan** | | | **SUV/MUV** | | | | |
| **Car Manufacturer in India** | **Up to $7,500** | **$7,500–$15,600** | **$31,000–$47,000** | **$7,500–$15,600** | **$15,600–$31,000** | **$31,000+** | **Up to $7,500** | **$7,500–$15,600** | **$15,600–$31,000** | **$31,000–$46,000** | **$46,000+** |
| **Maruti Suzuki Ltd.** | Alto 800  Alto K10  Celerio  Celerio X  Wagon R  Swift | Ignis  Swift  Celerio X  Baleno |  | Dzire  Ciaz | Ciaz |  |  | Gypsy  Ertiga  Vitara Brezza  S-Cross  Eeco | Ertiga  Vitara |  |  |
| **Hyundai Motor India Ltd.** | Eon | Elite i20  Grand i10  i20 Active |  | Verna  Xcent | Verna  Elantra |  |  |  | Creta | Tucson | Santa Fe |
| **Mahindra & Mahindra Ltd.** |  | Verito Vibe  e20plus |  | Verito |  |  | Supro | Thar  Bolero  TUV300, NuvoSport  Xylo  Scorpio  KUV100 | XUV500  Nuvo  Scorpio  TUV300 |  |  |
| **Honda Cars India Ltd.** |  | Jazz |  | Amaze  City | City | Accord |  | WR-V | WR-V  BR-V | CR-V |  |
| **Tata Motors** | Nano  Tiago | Indica  Bolt  Tiago |  | Tigor  Zest |  |  |  | Nexon  Sumo Gold  Xenon Yodha  Xenon XT | Safari –Storme  Hexa |  |  |
| **Toyota Kirloskar Motor Pvt. Ltd.** |  | Etios Liva, Etios Cross |  | Etios Platinum | Corolla Altis | Camry |  |  | Innova Crysta | Fortuner  Tiguan |  |
| **Renault India Pvt. Ltd.** | KWID |  |  |  |  |  |  | Lodgy  Duster  Captur | Lodgy  Duster  Captur |  |  |
| **Ford India Pvt. Ltd.** |  | Figo |  |  | Figo Aspire |  |  | EcoSport | Ecosport | Endeavour |  |
| **Nissan Motor India Pvt. Ltd.** |  | Micra  Micra Active |  | Sunny |  |  |  |  | Terrano |  |  |
| **Datsun (Low-cost brand of Nissan)** | Redi-GO  GO+ |  |  |  |  |  |  |  |  |  |  |
| **Volkswagen India Pvt. Ltd.** |  | Polo  Cross Polo  Polo GT | GTI | Ameo  Vento | Vento  Jetta | Jetta |  |  |  |  | Tiguan |

Note: SUV = sport utility vehicle; MUV = multi-utility vehicle; WR-V = winsome runabout vehicle; BR-V = bold runabout vehicle; CR-V = compact recreational vehicle

Source: Created by case authors using data from ZigWheels website, accessed December 25, 2017, www.zigwheels.com; and CarDekho website, accessed December 25, 2017, www.cardekho.com.

**Exhibit 8: groupe PSA’s Major activities from 1998 onward**

|  |  |
| --- | --- |
| **Year** | **Activities** |
| 1998 | Acquired Sociedad Europea de Vehículos para Latinoamérica (SEVEL) of Argentina, a European company for making vehicles for Latin America. Changed company name to Peugeot Citröen Argentina SA in 2000. |
| 2001 | Inaugurated manufacturing site in Porto Real, Brazil. |
| 2002 | Created Dongfeng Peugeot–Citroën Automobile Co. (DPCA), a joint venture in China, for expanding collaboration to manufacture Peugeot and Citroën cars. |
| 2005 | Entered into joint venture with Toyota to produce entry-level cars in Czech Republic, and established a plant in Kolin, Czech Republic. |
| 2006 | Established production site in Slovakia to manufacture Peugeot 207 cars. |
| 2008 | Laid foundation stone in Kaluga, Russia, for joint PSA and Mitsubishi Motor Corporation plant, to manufacture mid-range cars and SUVs for Peugeot, Citröen, and Mitsubishi. |
| 2010 | Entered into joint venture with Changan Automobile Company Ltd. in China to build Citroën DS models. |
| 2011 | Set up joint venture with BMW to develop hybrid technologies with investment of €100 million: research and development in Munich, Germany, and production in Mulhouse, France. |
| 2012 | Created a strategic global alliance with General Motors, sharing vehicle platforms and creating a global purchasing joint venture for the purchase of commodities and components, but continued to sell vehicles independently. |
| 2013 | Opened new plant in Shenzhen, China, as part of Changan Automobile joint venture; closed plant in Aulnay-sous-Bois, France. |
| 2014 | Formed a new India-Pacific business zone comprising India, South Asian Association for Regional Cooperation (SAARC) countries, Japan, Korea, Australia, and New Zealand. |
| 2015 | Unveiled plans to invest $630 million in a Moroccan manufacturing plant to increase sales from emerging markets: manufacture of B- and C-segment cars to begin in 2019. |
| 2016 | Invested $440 million in a joint venture with former partner Iran Khodro, becoming one of the first companies to re-enter Iran following the lifting of nuclear sanctions. |
| 2015 | Entered partnership with Mahindra & Mahindra, which acquired 51% stake in Europe-based Peugeot Motorcycles, to speed up international expansion for both partners. |
| 2017 | Returned to USA, after leaving in 1991, to expand via a three-phase rollout: first phase to offer ride-sharing service in collaboration with Bolloré Group. |
| 2017 | Purchased General Motors’ loss-making Opel and Vauxhall for $2.6 billion, marking the exit of General Motors from Europe. |

Note: SUVs = sport utility vehicles; € = euro; €1.00 = US$1.19 as of January 5, 2018.

Source: Created by case authors with information from “Peugeot Citroen: New Plant in Brazil,” Automotive Intelligence*,* January 29, 1999, accessed December 5, 2017, www.autointell.com/european\_companies/psa/psa-manufacturing/psa-mfg-brazil.htm; “Group PSA in Brazil,” PSA Groupe, accessed December 26, 2017, https://site.groupe-psa.com/brasil/en/group/; “PSA Peugeot Citroën and Dong Feng Motors Reach Agreement Creating Joint Venture and Expand Cooperation in China,” Automotive Intelligence*,* October 30, 2002, accessed October 27, 2017, www.autointell.com/News-2002/October-2002/October-2002-5/October-30-02-p10.htm; “PSA, Toyota Launch Small-Car Factory in Czech Republic,” Industry Week*,* January 13, 2005, accessed December 5, 2017, www.industryweek.com/archive/psa-toyota-launch-small-car-factory-czech-republic; Marta Ďurianová, “Slovakia’s New Carmakers Revved up for Serial Production in 2006,” *Slovak Spectator,* October, 2, 2006, accessed November 23, 2017, https://spectator.sme.sk/c/20003460/slovakias-new-carmakers-revved-up-for-serial-production-in-2006.html; Xavier Navarro, “PSA and Mitsubishi Announce Joint Plant in Russia,” Autoblog, June 10, 2008, accessed January 3, 2018, https://www.autoblog.com/2008/06/10/psa-and-mitsubishi-announce-joint-plant-in-russia/; “Chinese Authorities Approve PSA-Changan JV,” Reuters, July 17, 2011, accessed January 5, 2017, https://www.reuters.com/article/psa-changan/chinese-authorities-approve-psa-changan-jv-idUSWEB017220110718; “BMW Group and PSA Peugeot Citroën Create Joint Venture to Enhance Cooperation on Hybrid Technologies,” news release, BMW Group, February 2, 2011, accessed December 23, 2017, https://www.press.bmwgroup.com/global/article/detail/T0096234EN/bmw-group-and-psa-peugeot-citro%C3%ABn-create-joint-venture-to-enhance-cooperation-on-hybrid-technologies?language=en; John Reed, “GM and Peugeot Confirm Alliance,” *Financial Times,* February 29, 2012, accessed December 23, 2017, https://www.ft.com/content/ac3aa4ca-62f0-11e1-9245-00144feabdc0; “PSA Peugeot Opens New Production Plant in China,” ABR, October 1, 2013, accessed December 23, 2017, http://greenvehicles.automotive-business-review.com/news/psa-peugeot-opens-new-production-plant-in-china-011013; Sumantra B. Barooah, “Peugeot Targets Partnership in India by ’18, Product Launch by ’21,” *Autocar Professional,* April 5, 2016, accessed November 23, 2017, www.autocarpro.in/news-national/push-pass-strategy-peugeot-targets-partnership-india-product-launch-21-11055; Laurence Frost and Gilles Guillaume, “Peugeot to Build Morocco Plant to Cut Costs, Lift Emerging-Market Sales,” Reuters, June 20, 2015, accessed January 4, 2018, https://www.reuters.com/article/peugeot-morocco-plant/peugeot-to-build-morocco-plant-to-cut-costs-lift-emerging-market-sales-idUSL5N0Z52YV20150619; “Peugeot-Citroen Back on the Road in Iran with Deal to Build Cars,” *Guardian,* June 22, 2016, accessed December 4, 2017, <https://www.theguardian.com/world/2016/jun/22/peugeot-citroen-back-on-the-road-in-iran-with-deal-to-build-cars>; PTI, “Mahindra Completes 51% Stake Acquisition in Peugeot Motocycles,” *Economic Times,* January 21, 2015, accessed December 23, 2017, https://economictimes.indiatimes.com/industry/auto/news/two-wheelers/motorcycles/mahindra-completes-51-stake-acquisition-in-peugeot-motocycles/articleshow/45956492.cms; Peter Campbell and Michael Stothard, “PSA Peugeot Citroën Plans a Return to the US Car Market,” *Financial Times,* April 5, 2016, accessed December 10, 2017, https://www.ft.com/content/08c8c462-fa7b-11e5-b3f6-11d5706b613b; “PSA Moves Swiftly to Stamp Authority on Opel/Vauxhall,” Reuters, July 31, 2017, accessed January 3, 2018, https://www.reuters.com/article/us-opel-m-a-psa/psa-moves-swiftly-to-stamp-authority-on-opel-vauxhall-idUSKBN1AH39W.

**Exhibit 9: Renault in India**

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| Renault entered India in 2007 through a joint venture with Indian automobile manufacturer Mahindra & Mahindra. The venture failed to deliver results, and Renault exited the joint venture in 2010, deciding to continue on its own. Initially the company focused on the premium segments, launching the premium sedan Fluence in May 2011, the premium SUV Koleos in September 2011, and the compact car Pulse, which did not receive much success, in 2012. The turnaround came when the company identified a gap in the growing SUV market and launched the SUV Duster, priced between $12,500 and $19,000. The Duster became a huge success, garnering 23 per cent market share within a year and growing the SUV market considerably. This was followed by the hatchback KWID, which was priced aggressively at $4,000 and went on to enjoy great success, becoming Renault’s top-selling model and making Renault one of the fastest-growing car makers in India. Besides its understanding of the Indian consumer’s psyche, another factor that contributed to Renault’s success was its high degree of localization: the SUV Duster had about 80 per cent localization and the hatchback KWID had 98 per cent localization. In November 2017, it entered the premium segment again with the launch of its globally successful premium SUV Captur, priced at $16,000–$22,000 with over 80 per cent localization of parts. |

Note: SUV = sport utility vehicle

Source: Created by case authors with information from N. Madhavan, “Dusting off the Competition, *Business Today,* October 27, 2013, accessed December 25, 2017, www.businesstoday.in/magazine/case-study/case-study-renault-duster-success-story/story/199321.html; Ajay Modi, “Localisation Key to Renault Kwid’s Success in Small-Car Market,” *Business Standard,* July 30, 2016, accessed January, 5, 2018, www.business-standard.com/article/companies/localisation-key-to-renault-kwid-s-success-in-small-car-market-116072901635\_1.html; Mayank Dhingra, “Renault India Launches New Captur Crossover at Rs 999,000,” *Autocar Professional*, November 6, 2017, accessed December 3, 2017, www.autocarpro.in/news-national/renault-india-launch-captur-crossover-26901.

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