

## Light Commercial Vehicles

### Making Light Commercial Profitable



**ANDY PALMER**  
Vice President

“The auto industry has traditionally viewed light commercial vehicles—what we call LCVs—as factory-fillers; vehicles that were fine to turn out as long as they were marginally profitable. The difference today is that we think Nissan can profitably market LCVs in every segment and territory. Over the last two and a half years, for example, we’ve turned things around from a loss to an operating profit margin of 4 percent. That figure already exceeds the industry average. Now we’re committed to bringing LCVs into line with the other areas of Nissan’s business. By fiscal 2007, we plan to have an operating margin of eight percent and a 40 percent increase in volume to 434,000 units. That will bring us into the top rank of LCV producers and to the top in profitability.

One big consideration is that the average model in our lineup today is nearly ten years old. Creating a breakthrough with a lineup this old is difficult, and we examined the worth of continuing in this line of business. In the end, we decided to stay in and aggressively pursue profit. We came up with six strategies to make that happen:

- **Renew the portfolio.** During NISSAN Value-Up, we will start and finish nearly nine new vehicle actions.
- **Reduce cost and increase value.** We will accomplish these goals with the same customer-centered techniques used for passenger vehicles since the Nissan Revival Plan.
- **Enter new territories.** The market in Japan is flat or trending down, and there are many competitors in Europe. But China is an emerging market, and we have a strong relationship with Dongfeng, our partner there.
- **Pursue OEM deals.** We’re open to cross-badging our vehicles under somebody else’s name.



- **Enhance the value chain.** The typical LCV owner keeps a vehicle for seven to ten years, and puts on five times the mileage of a passenger vehicle owner. If you treat LCV owners well, additional opportunities for income such as inspections, aftermarket service, and repeat sales will inevitably follow.
- **Build the learning organization.** Prior to Nissan's turnaround, we did not focus on the LCV market. We need to take the knowledge we now have about design, sales and conversions, codify it all, and pass the know-how on to the next generation.

In addition to the above initiatives, we plan to reduce the number of Nissan LCV platforms from eleven to two. Since we can't produce all our LCVs on two platforms, the others will be car-derived vehicles. Two models will be introduced in 2006, both embodying the new direction of the brand. The big breakthroughs, however, will come in 2007 and 2008. LCVs are functional by nature, but we believe they should also be inspiring. Design chief Shiro Nakamura is a guy who knows how to put out exciting products, and we're going to release some that shift the image of an LCV into a higher class.

Nissan does face some risks, of course. We have a slew of competitors, and the market is relatively small. That places pressure on margins. However, the biggest potential threat we see in fiscal 2005 is a rise in material costs. To mitigate these various risks, we have to clearly differentiate ourselves from the competition.

The Alliance is integral to our LCV strategy because we share a common goal with Renault, and that is to be the top LCV group in the world. The benefits of the Alliance include cross badging and sharing parts. We also have a CCT, or cross-company team, with Renault's LCV group, and share information and ideas every month."

