



Driving Ahead in a Flat Market



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“Nissan’s performance in Japan in 2004 was solid. Profit rose 1.4 percent and our market share went up 0.4 percent to 14.6 percent. Launching six new models in the second half boosted our results dramatically: we registered a 1.1 percent increase in market share over the previous period.

And for the first time in 19 years we had four cars—the Tiida, Note, March and Cube—in the top ten.

Our steady growth has continued into 2005, powered by positive customer response to both the Murano and Tiida. These are the kinds of attractive, unique products that have an immediate impact on consumers. We’ve also strengthened our position in the important small car market, and plan to augment that with the launch of the Otti, an OEM project with Mitsubishi, and the Moco, an OEM product with Suzuki. While we do need to raise our game in the SUV market, our overall coverage has improved recently.

We’ve set an ambitious sales target of 933,000 vehicles for 2005, which represents an increase of 10 percent. I’m confident that we can achieve this because of the strength of our product lineup. The recently released Serena underwent a full model change, for example, which should give us more muscle in the minivan market. We also recently decided to offer our entire lineup through both our blue and red sales channels, so customers will be able to see every model at any outlet they visit. This is in stark contrast to the traditional dealership system in Japan, which has many different sales channels.

The aging of the population has made the automotive market in Japan much tougher, and we expect flat or even

declining sales as a result. Still, we do see potential in new areas within the market. For example, we increased the number of women employed as “carlife” advisors and technical advisors. We did this to put both women and older customers at ease when they have sales and service issues. Both types of advisors are important to our sales and service at a dealership because they make the process more transparent and understandable. Service is a very profitable part of business in Japan, so taking ours to the next level is crucial.

We have two plans to expand sales in a flat market. The first is to develop a more efficient marketing strategy that is aligned with our quality products. The second is to build a more efficient dealership network, which will boost customer satisfaction. If we succeed at these, we can raise both our sales and our customer retention rate.

Our dealers are reporting that the quality of our vehicles has improved greatly. We knew this from the upstream side, but it means a great deal to get confirmation from the market. Quality is always a risk factor in Japan; consumers here are unforgiving about quality problems. The Internet has accelerated the ability to share information, both good and bad, so the level and rate of information from dealers and consumers have gone up accordingly. Meanwhile, even prices for used Nissan vehicles are improving steadily, a major indication that the Nissan brand is recognized and valued.

Our home market is of prime importance to Nissan. Japan is a major contributor to our total profit, and we will continue to make the upgrades in quality, products and service needed to drive sales and profit higher.”



TIIDA



SERENA