EUROPE Europe

Making Profit as a Smaller Player

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"Europe is one of the most fragmented automotive market in the world and a highly competitive one besides. Despite our relatively small size, however, we have begun to demonstrate that it is possible to make money in Europe. In fact, although Nissan does not yet deliver the levels of profitability here that the U.S. or other markets generate, we surpassed our NISSAN 180 business targets in fiscal 2004. Our profitability is now on par with the best European manufacturers. Nissan has a foundation for increasing profitability further in the coming years in Europe.

Nissan is already an established name around the region, and the brand is strongly associated with 4x4 technology, off-road vehicles and pickup trucks. However, there is also a solid heritage built around the Micra, a model designed for urban driving. Both the first and second generations of this car were very successful, and the third generation is performing well. To leverage our 4x4 heritage and SUV strength into the passenger car segment, Nissan is developing a series of crossover vehicles that blend car-like performance with 4x4 versatility. The Qashqai concept vehicle introduced at the 2004 Geneva Motor Show is the first of these—smaller, more affordable, and better adapted to European roads. The Qashqai will go into production in our plant in Sunderland in the UK in early 2007. The Murano, launched this year, is a precursor to the Qashqai in the larger executive segment. Europeans have already taken to the Murano, driving sales far past our initial forecasts in all markets. This car is helping make Nissan a brand that people aspire to own.

Nissan is still a small player in the region, selling 550,000 cars across a very large and diverse territory that stretches from the Atlantic Ocean to Russia, and from Finland to Israel. In the past we covered the area through multiple distribution channels, which we are currently in the process of simplifying. A few aspects of the European market have made profitability more difficult to achieve. For example, automakers must provide models with much diversity: diesel and gasoline powertrains; manual and automatic transmissions. The cars must also be engineered to suit the high driving speeds typical in the region and ensure superior handling, which results in higher costs.

As in many other mature markets, an incentive war is raging in Europe. Nissan's position here, as elsewhere, is to use incentives selectively and to always protect profitability. Providing products which customers recognize and appreciate for their style and attributes rather than being the best deal is the foundation of Nissan's profitable growth. We now have a wide range of products, five of which were newly launched in 2005, including the Pathfinder and the Navara pickup. We will release the Micra C+C at the Frankfurt Motor Show in September, giving customers the option of a unique standard glass roof in a fully retracting hard convertible top.

Nissan's manufacturing still defines the leading edge in Europe. According to *The Harbour Report*, our plant in Sunderland is the most productive plant in Europe. Sunderland will start production on a new B-segment car based on the Tone concept car in early 2006, followed by the Qashqai crossover vehicle in early 2007. Our Barcelona plant, which manufactures SUVs, 4x4s and light commercial vehicles, will reach full capacity in mid-2005. Finally, our truck plant in Avila, Spain, which specializes in light-duty trucks, will start producing a replacement for the popular Cabstar in late 2006. This efficient production base is a critical part of our profitable growth scenario.

NISSAN Value-Up has given us a plan for building both profit and volume. We will not, however, sacrifice profit to gain volume. How far we can go depends on how fast we deliver results. I believe that we have much more room to grow, and to demonstrate that in even a crowded European market a smaller player can produce significant returns."