

## Global Market Stretch—Expanding the Right Way

The market expansion drive outlined in our NISSAN GT 2012 midterm plan focuses on countries such as China and Russia—where we already have a 5 percent market share or greater—and breakthrough markets like India and Brazil, where we are nowhere now but rapidly establishing a presence. Then there is the Middle East, where our market share was 8 percent in 2007 but should be closer to 13 percent because our lineup is so strong.

**W**e sold 458,000 passenger vehicles and LCVs in China during fiscal 2007. For fiscal 2012, our target is over 800,000 units, or around 8 percent of the market. To reach that figure, we are upgrading the efficiency of our current dealers and expanding the network by 40 percent. Fortunately we are working with a powerful partner in China, Dongfeng.

In Russia, where we have been operating alone, our constraints are similar—network development and coverage. We also need to tweak the lineup. Our initial strategy was to introduce the Infiniti brand and set up in metropolitan areas first, because over 50 percent of luxury imports are sold in St. Petersburg and Moscow. We are already strong in this region as a result, but with the entry-level cars arriving soon a rapid expansion of our eastern network is essential.

India is a different proposition. You cannot produce vehicles outside the country and have a legitimate presence here because of the 130-percent duty on imports. We have no local production

facility here yet, but we are building one in Chennai that will start up in 2010. That factory—and our arrangement with Ashok Leyland for LCVs, the Alliance partnership with Bajaj Motors for the Alliance ultra-low-cost cars, and contract with Hover for sales and marketing service—will put us solidly in the market. Our partners understand the market in ways we do not, and also possess massive distribution systems. In fiscal 2012, we will be a major player in India, selling 200,000 units annually.

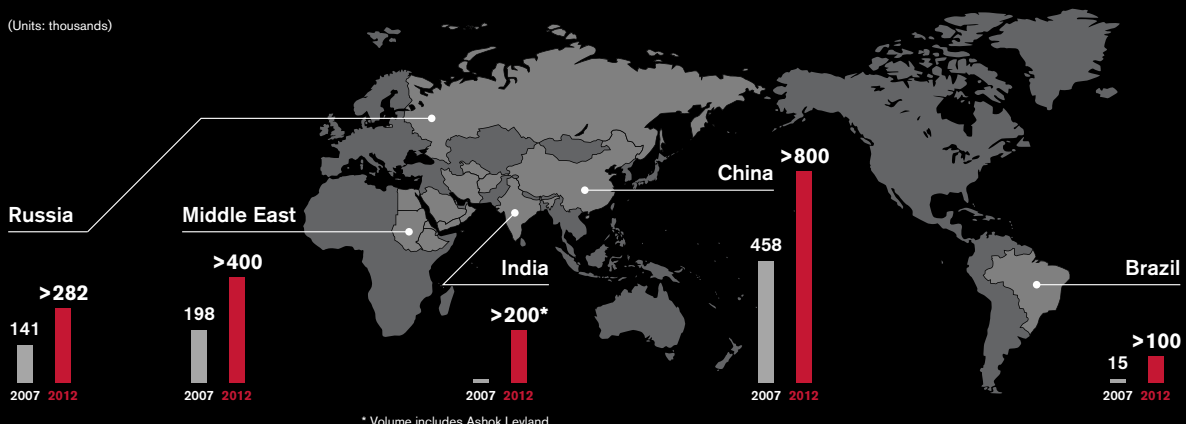
While India demands a manufacturing-based solution, Brazil requires a more market-focused lineup and wider coverage. Our 2007 sales there totaled just 15,000 units, which represents a tremendous opportunity.

We have two weaknesses here. First, we lack an entry-level offering. Second, some cities are hundreds of miles away from a Nissan outlet. Our response to the latter will be to quickly expand our network in partnership with market-savvy Brazilian entrepreneurs. Bringing in entry-level vehicles will solve the former and solidly establish the brand. In fiscal 2012, we plan to be moving over 100,000 units annually and holding 5 percent of the market.

In both Brazil and India we are essentially outsourcing segments of the Nissan business process to entities that are extremely competent at handling them. For example, Nissan has just five outlets in India. In order to reach our 200,000-unit target, we are working with Hover to recruit dealers and develop the network, with the aim of establishing 55 dealers by 2012.

### MARKET EXPANSION

(Units: thousands)





**COLIN DODGE**  
Senior Vice President

The issues we have in the Middle East revolve around our distribution system and network quality. We already have the right products, and simply need to market them more effectively. By fiscal 2012, we expect to double sales here to more than 400,000 units.

Entry-level vehicles are in huge demand everywhere, and the three A-platform vehicles will be one of our answers for all markets. We will be producing in five countries, including India and Thailand. In India, customers who cannot afford an A-platform vehicle will find the Alliance ultra-low-cost car an attractive and affordable alternative.

To find the right network partners, we use an evaluation system that measures performance against a set of sophisticated KPIs and criteria that distill the attributes of superior dealers and sales companies. We are inviting those top-rated performers to expand either geographically or within their own markets. Some of our Infiniti dealers in Europe, for example, come from the Middle East, and will become our partners in the Gulf region.

Many of these hot markets do pose risks. In India, for example, the primary hazard is the infrastructure—power utilities, the roads and rail system. There are simply not enough roads to run the cars on. In Brazil, the boom-and-bust nature of economic growth is the worry. Gas, oil and capitalism are fueling Russia, but the eastern half of the country is progressing at a much slower pace than the St. Petersburg and Moscow areas.

Fortunately I anticipate no risk in China as long as we offer high-quality products and good value. And in the Middle East, the only impediment is our ability to supply the right product at the right time.

The Alliance is vital to these expansion efforts in several respects. We will invest in our new passenger vehicle plant in Chennai on an equal basis with Renault, which immediately reduces our fixed costs and infrastructure expenditures, and keeps us from spreading our resources too thin. Renault's diesel engine is also very competitive and gives us a powerful alternative to our gas engines. We share a plant in Brazil, where Renault is bigger and better established than Nissan. Our new Alliance-led partnership with Avtovaz in Russia—a company with thirty years of local market experience—should also prove invaluable.

With the exception of Renault-Nissan, the auto industry is littered with failed alliances that have lost millions and billions of dollars in value. Only the Alliance has actually created value. We maintain a healthy sense of individuality and corporate autonomy, yet we enjoy virtually the same synergies a completely integrated company would.

We have a knack for making durable, profitable partnerships with strong companies. Nissan now has a reliable history of localizing management, staying flexible and understanding local culture and needs. We have learnt that an arrogant and dictatorial approach destroys value and relationships. This is one reason we believe our drive to expand globally will be successful.

## MARKET EXPANSION: INDIA

