The impact of mergers and acquisitions on corporate identities and brand portfolios in the automotive industry

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The impact of mergers & acquisitions on corporate identities and brand portfolios in the automotive industry

A case study of Renault & Dacia

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Abstract

The today’s business world deals with an increasing phenomenon of Mergers and Acquisitions (M&A’s), a process through which companies gain access to some tangible and intangible resources. Within the automotive industry this phenomenon requires even more attention, since it faced many difficulties during time. This can be seen through the numerous mergers/acquisitions failures, among which it can be mentioned the one of Daimler & Chrysler, Volvo & Renault, BMW & Rover, which were also treated in the thesis. However, although fewer, there are also M&A’s that became successful, such as the acquisition of Skoda or Seat by Volkswagen, or the acquisition of Dacia by Renault. The last example captured the attention of the study in particular.

However, although they are mostly defined by similar characteristics, the mergers and acquisitions mean slightly different things. An acquisition occurs when an organization takes over another one and establishes itself clearly as the new owner, while a merger occurs when two companies, of a similar size, create a single new company owned and operated by both of the parties.

The very purpose of the thesis was to reveal the possible impact of mergers and acquisitions regarding the brand perspective in the automotive industry, through the eyes of the case studies mentioned above and the case of Dacia & Renault in particular.

The study chose to use an inductive approach, meaning that the researcher had first collected data from Dacia and afterwards, according to the information owned, he developed the theoretical framework. The study is furthermore exploratory, since the researcher sought to explore Dacia’s approach to branding under Renault ownership.

The interesting part consists in the paper’s findings. First it was discovered that the companies that merge, sometimes face difficulties in establishing the corporate identity of their new formed company. In the case of acquisitions however the process of adopting a new corporate identity applies mostly to the acquired company and overall it is a bit more clear what strategy should the acquired company adopt. On the other hand the paper also identified the M&A’s impact on the new portfolio. When both are eager to keep their own corporate and product brands, the new portfolio becomes too complex and does not allow cost savings synergies in terms of components equalization, production rationalization or marketing. However, due to the investments that the acquiring company usually makes, the new portfolio can also become more competitive.

Regarding the case study on which the paper chose to focus, it was revealed the Dacia’s corporate brand strategy that boosted its sales and revived its identity. Afterwards it emerged Dacia’s portfolio consisting of brands that complement themselves and therefore address a wide spectrum of customer needs, and the brands’ dynamics in time.

Keywords: brand strategy, brand structure, corporate identity, portfolio, global brand, Dacia, Renault
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1. Introduction

1.1 Background

In today’s knowledge-based economies, in order to gain access to one of the most important intangible asset of one business – the brand –, the companies merge or acquire the targeted brand (Kumar & Blomqvist, 2004). Still the success is by no means assured. Previous empirical research revealed that from 50 to 75 percent of mergers and acquisitions (M&A) fail to achieve the anticipated purpose (Papadakis, 2005).

Managing the brand impact within M&A situation represents the capability with which the players from automotive industry can differentiate themselves. Time proved that adopting a successful corporate brand strategy and building a competitive portfolio of brands after the M&A process turned out to be very difficult or even impossible for some companies (Hudson, 1997). This is sustained by Daimler & Chrysler, BMW & Rover or Renault & Volvo merger failures.

But, although they are often used as being synonymous, the mergers and acquisitions mean slightly different things. When an organization takes over another one and establishes itself clearly as the new owner, the process is called an acquisition. On the other hand, a merger occurs when two companies, often of the approximately same size, agree to form a single new company owned and operated by both of the parties. However, in practice the equal mergers don't happen very often. Sometimes, the acquirer allows the targeted company to proclaim that the process consists in a merger of equals, as part of the deal term, even if technically is an acquisition. This happens due to the fact that being bought out is often associated with negative connotations (Weston & Weaver, 2004).

Daimler and Chrysler is an example of a merger, which was not very successful. Among other reasons, the failure stayed on the basis of a poor corporate brand strategy. The companies choose to create a new identity (Basu, 2006) “DaimlerChrysler”, based on the association of their individual corporate brands Daimler and Chrysler. But this lead to brand discrepancy since Chrysler valued cost-control and its brand image expressed risk-taking and assertiveness, while Mercedes was focused on uncompromising quality coupled with disciplined German engineering. The main consequence of this situation was that the Mercedes brand started to damage (Edmondson et al., 2006).

In the case of BMW and Rover, in less than five years after the merger, the company faced many difficulties, so that that in 1999 was losing approximately 2 million pounds every day and the market share fell below 6 percent (Donnelly, Mellahi, & Morris, 2002). Again one of the most important reasons for the failure was the branding strategy. BMW chose to position Rover as a pricier alternative to the mass market volume producers in UK but it underestimated the weakness of the Rover brand. BMW stood for highly qualitative sporty cars “ultimate driving machine” (Oliver, Holweg, & Carver, 2008, p.566) and had a history of stability. Rover on the other hand, had a history characterized more by instability “Rover has had a varied history and represents the amalgamation of the majority of the British motor industry following mergers between Austin, Morris and Leyland, intended to cut costs and retain market share” (Pilkington, 1999 p.463).
On what concerns the merger between Volvo and Renault, it remained on the level of a proposal. The companies first experienced an alliance agreement in 1990 which was based on using a complicated scheme of joint production and R&D agreements, cross shareholdings, and supervisory boards (Bruner, 1999). Although the merger plans were almost complete, the companies started to question the success of the merger. Once more, the brand issues had a huge impact. The two companies were very protective of their brand identities (Kumar & Blomqvist, 2004): on the one side Renault’s truck operation was concerned of being swallowed by Volvo, and on the other Volvo feared diluting or even losing its consumer franchise and brand identity, since it was more qualitative orientated than Renault. The Volvo dealers from North America expressed their worries in this respect because they were skeptical that the two brands would remain separate in the consumers’ minds (Bruner & Spekman, 1998).

But, even if fewer, there are also some examples of successful M&A’s in automotive industry and some are represented by the Volkswagen acquisitions of Skoda, Seat or Audi. The Group chose to offer each of its acquired brands a differentiated identity (Aaker & Joachimsthaler, 2000), but however it also sharpened each brand profile, strag that may have represented a key aspect of Volkswagen successes. VW decided to buy Skoda to penetrate into another car segment - “Volkswagen technology and quality at an affordable price” (Janovskaia, 2008, p.11). Both Seat and Skoda took the original VW car function of reliable quality, affordable price and medium technology. Initially Skoda targeted the ‘Eastern bloc’ but however in time it turned out that the success was larger (Janovskaia, 2008).

However, all the cases mentioned above will be further detailed in the thesis, in order to reveal the M&A’s impact within the industry fro the brand perspective.

But, another successful acquisition, which did not enjoy so much attention from the literature perspective, was the one between Dacia and Renault. Overall, this merger may seem similar to the one of Volkswagen and Skoda but it has also some particularities that made it become successful. The acquirer initially wanted Dacia to sell cars of Renault quality under a low price on emerging markets. Like Skoda, Dacia became more successful that its acquirer expected, so that in present time it sells cars on both emerging and rich countries (Wood, 2000). However, the two mergers resulted into different brand strategies.

This case study will capture more the attention of the paper and therefore the Dacia’s brand strategy secrets that led to its unexpected success, will be deeply analyzed.

1.2 Problem discussion

M&A’s have been, for at least two decades, the center of management research. They are increasingly seen by companies as an efficient and fast way to expand onto new markets to gain new competences including brand. But, as stated before, the success is by no means assured. From 50 to 75 percent of M&A fail to achieve the anticipated purpose (Papadakis , 2005). Among the main reasons that contribute to this issue it can be mentioned some failures in: anticipating the impact of the merging brands (both from corporate and product level), evaluating the candidate's brand profile correlated with the acquirers needs and creating a successful brand strategy (Papadakis , 2005).
Very few papers focus on analyzing the impact on an acquired company from both corporate and product level. Moreover, most of the researches treat mergers and acquisitions as being one and the same thing. Therefore this thesis separately analyzes the impact of mergers and acquisitions on the companies. Moreover, it also clearly identifies the impact on both the corporate identity and on the brand portfolio. This is realized through analyzing the cases studies shortly described above with the focus on Dacia & Renault. Dacia represents an important pillar for Renault Group and Renault is a strong player on automotive industry. Moreover, Dacia helped Renault both enter to new markets and expand into the existing ones “Dacia has become a major player in the automotive industry and a key pillar of the Renault group’s strategy.” (Renault Group, 2009b), which makes it interesting to discuss. Moreover, the acquisition proved to be a successful one, although very different corporate brands merged, and totally new and strong portfolio was created, fact that makes it even more attractive to examine. Through this case this thesis will try to enrich the literature on what concerns the possible impact that a merger/acquisition can have on the new company’s corporate and product brands.

1.3 Purpose

The main purpose is to reveal the possible impact of M&A’s on a company’s corporate brand and portfolio of brands. The paper aims to differentiate the impact on mergers, from the one on acquisitions. Moreover, it seeks to clearly establish the consequences on the brand strategy and on the portfolio of brands, and if possible to discuss some linkages between the two concepts. Overall the thesis will offer a general view of the mergers impact on brands (from corporate and product level) but will focus more on the impact of the acquisitions over the acquired company. This will be achieved through the case studies mentioned above and especially through the Renault & Dacia case, by analyzing the impact over the Romanian Car Manufacturer from the brand perspective. In other words the thesis will reveal the impact on the corporate brand and the product brands within the portfolio. First the corporate brand strategy that Dacia adopted after being acquired by Renault will be developed, through analyzing Dacia’s new corporate identity and afterwards, its brand structure (which poses the question of whether Dacia invests more in marketing its corporate brand, or car brands?). Secondly, the thesis will establish Dacia’s portfolio of brands, what does each brand suggest and how they evolved within the portfolio. In order to reveal the portfolio brand evolution, the overlapping risk between Dacia’s and Renault’s brands will also be investigated.

1.4 Research questions

What is the possible impact of mergers and acquisitions regarding the brand perspective in the automotive industry?

What was the acquisition impact of Renault over Dacia’s corporate brand and portfolio of brands?
2. Methodology

This thesis tried to follow a logical structure in order to achieve its purpose of revealing the possible impact of M&A’s over the targeted companies from the brand perspective. After clearly defining the differences between mergers and acquisitions in the introduction, the paper built up a theoretical pattern regarding M&A’s impact on both the corporate brand and portfolio of brands of a company. Afterwards it introduced the reader to the context of automotive industry and shortly analyzed some failed and successful mergers/acquisitions through the theoretical model previously developed. Then the paper focused its attention on the case study of Renault & Dacia and offered an elaborated discussion regarding Dacia’s new brand strategy and portfolio. Last but not least, the conclusions were drawn and future research suggestions were offered. Here, again each of the two concepts was separately analyzed in the way that the impact on both the corporate brand strategy and the portfolio of brands was separately discussed for mergers and for acquisitions.

2.1 Motivation of the research approach – Qualitative versus Quantitative -

When conducting a research process, there can be brought into discussion two types of approaches: qualitative and quantitative.

A quantitative research aims to gather and analyze statistical data, based on researches on large scale (Riley, 2000). The quantitative process can be based on frequency of occurrence on the one side, or on counts of certain points of interest. This approach helps drawing conclusions based on the data obtained which can be generalized to the whole population studied (Saunders, Lewis, & Thornhill, 2009).

On the other side there is the qualitative approach, which refers to studies that focus on gathering and analyzing detailed data based on attitudes, ideas and feelings. Since a qualitative research requires in-depth data analysis, one of the advantages of using this research approach is that it offers descriptions and explanations posted in a particular context (Sedmak & Longhurst, 2010).

The thesis sought to explore the impact that the Renault acquisition had on the Dacia brand. The qualitative approach contributed in describing and explaining the brand strategy that Dacia adopted since 1999 until the present time. Also, it permitted an in-depth analysis of Dacia’s portfolio of brands along with their interactions with Renault’s brands. This revealed some overlapping within the portfolio of both companies. Moreover, since the approach offered the opportunity of a deeper understanding and removed the inconvenient of being restricted to a rigid definition, I was able to mold, explore and develop new perspectives of brand dynamics within Dacia’s portfolio (Silverman, 2000).

Besides answering the initial research question, the qualitative research provided me with answers to some research questions that I did not originally proposed, such as the intention of Dacia to totally renew its portfolio of brands from 2012 (Sedmak & Longhurst, 2010).
2.2 Difficulties when conducting the interviews - ethical issues

The ways of collecting data in qualitative studies are various, one of which is the method that this research used - performing interviews. However, in this respect there were some ethical implications that appeared.

The information obtained sometimes implied some uncomfortable questions like “Do you think that Dacia brand can negatively affect Renault brand?” (Orb, Eisenhauer, & Wynaden, 2001). Of course the answer was subjective and evasive. However, I tried to encourage the respondent to be open, by making comparisons with other important players from the automotive industry that faced this kind of difficulties. Moreover, to make the discussion attractive again, I brought into discussion Dacia’s positive impact on Renault financial results. Also some ethical dilemmas occurred when interpreting the data obtained. Since Dacia represents a national symbol of my country, I may have been subjective in certain situations when transposing the data. However, I tried to remain as objective as possible. Moreover, although I mostly retained my personal opinions, I still did not remain impersonal or absent in the discussion so that the participants felt comfortable to discuss different issues with me (Ramos, 1989).

Overall I have tried to achieve a balance in the discussion. On the one side, I avoided the sensible questions as much as possible, and on the other I gathered as much information as possible by convincing Dacia’s representatives regarding the importance of every detail on what concerns the company’s brand approach (Orb et al., 2001).

2.3 Motivation of research design – Inductive versus Deductive -

There are two basic approaches for the design of any kind of research: inductive and deductive.

The inductive research approach frames a theory development process which starts with observations of some specific instances with the aim of establishing generalizations about the investigated phenomenon (Spens & Kovacs, 2006). However, it is important to mention that, an inductive reasoning generalizes hypothesis to new knowledge, (Dubois & Gadde, 2002).

The deductive research approach frames a theory testing process that starts from established theory or generalization, and aims to discover if the theory can be applied to specific instances (Spens & Kovacs, 2006).

In this thesis I used an inductive approach. I started from collecting the empirical data from Dacia to better understand its brand approach. This allowed me to build a theoretical pattern afterwards. I found out that Dacia uses two different brand strategies, that it has a portfolio composed of complementary brands and that its portfolio is more and more dynamic. Thus, I started to look for a theoretical model of M&A’s brand strategies that could be applied in Dacia and Renault case. Moreover, I understood that in the future, Renault intends to rely even more on Dacia’s cars and thus I started to search for a theoretical point of view that treats the association of two corporate identities that have different power and more importantly the consequences that the strongest brand may bear when relying more on the new brand range.
2.4 Data collection

2.4.1 Primary data

According to Riley et al (2000) the primary data is “new” and original. It is necessary to collect primary data when all the data needed cannot be found in secondary sources. Three basic ways of obtaining primary data are surveys, observation, and experiments. The researcher has decided to perform a face-to-face interview.
The face-to-face contact offers the possibility to monitor responses, notice misunderstandings or inconsistencies easier and act accordingly so that the risk of missing some important data is minimized (Riley et al, 2000).
Since, as an interviewer, I tried to influence the answers as less as possible, the qualitative research showed a set of distinctive opinions, which reflected the respondents’ knowledge (Bryman & Bell, 2007).

2.4.2 Secondary data

The secondary data represents all the available information, such as statistical reports from government and other agencies, books, articles and many others (Riley et al, 2000). The secondary data can be in turn classified into internal and external.

Internal data

The internal records are represented by cost information, sales/patronage outcomes, marketing activities, distributor reports and customer feedback and have two significant advantages: the access to data is very easy and the acquisition is inexpensive. It can be considered the least costly research data with an increasing importance for some companies, since the popularity of database marketing is rising. (Malhotra, 2007).

External data

This type of data is generated by sources outside of the organization. The external data can exist under the form of published data which includes newspapers, books, articles, annual reports, private studies, or under the form of standardized sources such as store audits, or different types of panels. The internet can be mentioned as a third form of external data (Malhotra, 2007).

I have used articles and books mostly from both the Halmstad University database and the academic databases from the internet, such as Google Scholar, Emerald, Oxford Journals and others. Moreover, I accessed relevant information from various websites (especially the annual reports of Renault group).

2.5 Motivation for Sample Selection

The question of sampling in a qualitative research actually refers to the selection of cases for study (Curtis et al., 2000).

In order to select the right sample for this research, I have followed some principles of sampling suggested by Miles and Huberman (1994):

a) The sampling strategy must be relevant to both the chosen conceptual framework and research question.
The research question of this thesis reveals the key concepts of the framework followed in the research (the brand strategy and brand portfolio formed by companies that suffered an M&A process). Dacia and Renault are among the companies that passed through an M&A process. Having a similar story with Volkswagen’s acquisition of Skoda, it was challenging to find out whether Dacia and Renault followed the same brand strategy as Volkswagen and Skoda.

b) It is important that the sample can generate rich information for the type of studied phenomena.

Group Renault is on the one side, one of the most important players on automotive market in the whole world, and on the other it gained a lot of experience on what concerns brand aspects in the case of M&A’s, through learning from both mistakes and successes. Renault has managed the coexistence of multiple powerful brands in its portfolio (Renault – Dacia; Renault – Nissan; Renault – Samsung Motors). Moreover, Renault states in its recent annual report that: “Dacia has become a major player in the automotive industry and a key pillar of the Renault group’s strategy.” (Renault Group, 2009b, p.6). Therefore the study case of Renault and Dacia represents a major interest both for researchers and the business world.

c) Is the sample strategy ethical?

The argumentation of this criterion was developed and motivated in the subchapter “Ethical issues”. Therefore the chosen study case also meets this criterion.

d) Is the sampling plan feasible? Miles and Huberman (1994) refer mostly to the practical issues of accessibility, resource costs of money and time.

When I chose this case study I already had some connections that made the interviews more accessible.

2.6 Creating the interview questions

The interview questions were formulated in a manner that the person that is questioned can answer in an open way. This offered me the possibility to explore some other fields that were not initially planned. However the questions follow a fluent order. The questionnaire was formed in a manner that led to all the needed information. However, while performing the in-depth interviews I did not ask only the pre-formulated questions, but rather I allowed the interviewee to set the direction and pace of the conversation. However, having some preset guidance questions in broad topics helped me on the analysis part, since it made it easier for me to structure and categorize all the information. Through having those questions in mind during the interviews, I reduced the risk of leaving out some important aspects as much as possible (Cruceru, 2008).
3. Literature review – M&A’s impact on brand

3.1 M&A’s brand strategy

Brands are able to create superior value that makes a company achieve sustained competitive advantage over its rivals, therefore, when a company establishes different sources of competitiveness, it is of high importance for it to decide its brand strategy, especially on long term (Chailan, 2008).

3.1.1 The new corporate identity

When two companies merge their corporate identities either through the process of merger or acquisition, they create a new entity which offers them a unique opportunity in developing an attractive and distinctive positioning strategy (Balmer & Dinnie, 1999). Basu (2006) formulated four situations in which a company can place itself after the M&A process. Besides the merger of the corporate names along with their attributes, the companies also merge on a larger scale, meaning their whole visual identities (which include the names and many other components). However, whether they choose to go with one of the two visual identities, combine them or create a totally new one, it is up to the companies that participated to the merger or acquisition to decide. So, the strategy will combine both Basu’s (2006) model, which refers to the merger of the corporate names, with Ettenson and Knowles (2006); and Olins (1990), which discuss the merger of the visual identities.

Figure 1. Rebranding the company after the process of M&A.
Source: adapted by Basu (2006); (Ettenson & Knowles, 2006); Olins (1990)
Before discussing each possibility listed above, it is important to define and understand one’s company corporate visual identity. The concept includes several components which according to Dowling, (1994); Olins (1990); are: the logotype and/or symbol, name, typography, color and slogan. Abratt (1989); considers that the visual identity of a company represents the outer sign of the environment, commitment, communications and namely product. Visual identities are revealed by the products appearance, printed materials, equipment, packaging, advertising, exhibition design, interiors and exteriors of premises, trucks, cars, signage and helps stakeholders to identify the company (Melewar, 2001).

**A or B**

In the first case one brand is chosen after the process of acquisition, usually that of the buyer (Company A). Most of the acquisitions result in the removal of the acquired company’s corporate brand in favor of the buyer’s brand, choosing a strategy called “backing the stronger horse” favorable to the dominant brand (Basu, 2006).

Choosing one of the two corporate brands’ name and its visual identity

According to Ettenson and Knowles (2006); Rosson and Brooks (2004), many M&A’s adopt both the corporate brand name and visual identity of the leading company. This happens mostly in the case of acquisitions, which involve firms with diverse power/dimension, and when the leading company aims to create a strong corporate brand by pursuing a monolithically politic. This strategy explicitly communicates the company that will be in charge after the acquisition. Olins (1990) considers that using one name and visual identity leads to a clear visibility of the brand, and Keller (1999) states that this strategy enables the synergy of marketing activities. Consequently, customers may deal with a larger and more prestigious organization.

On the other side this brand strategy does not capitalize the disappearing brand’s equity, and therefore it may create dissatisfaction among the acquired company’s clients (Ettenson & Knowles, 2006). In some situations, the new firm adopts a temporarily hybrid solution, which consists in covering the identity of the acquired brand with the leading brand name and visual identity. This solution helps the clients to gradually adjust to the new corporate brand while keeping their relationship with the disappearing brand. Furthermore, this temporarily strategy allows the leading brand to gradually absorb the equity of the acquired brand.

Of course there is also the possibility that the new company adopts the brand name and visual identity of the acquired one, when the acquired one is a leading brand on its market and is characterized by a high level of awareness doubled by favorable, strong and unique associations.

Choosing one of the two corporate brands’ name but a new visual identity

This strategy enables the new corporate brand to inherit the original brand’s history and attributes. Moreover, a new visual identity can permit a brand repositioning or even a fresh beginning.
A - B

In the second case it can be talked more of a joint brand, where the buyer and the acquired company brand are combined according to different circumstances. So the names of both: acquirer and target are attached together. A joint brand is most likely to result in the case equals mergers, each enjoying a powerful franchise among its particular customers (Basu, 2006). This strategy is more likely to occur if each of the two individual brands have been developed into a national icon whose removal would have both externally and internally repercussions. Joint brands are also probable in joint ventures cases where, for example, a big international company signs a partnership with a local one to enter the market. However it is quite common that this strategy is used for a short period of time as a temporary measure, in order to manage the transition gradually.

Choosing to combine the two corporate brands’ name and their visual identities

Combining the two brand identities is mostly adequate when one of the two corporate brands owns a distinctive name while the other owns a rich symbol in meaning. So, if the symbol communicates the acquired brand’s name visually, then it is no need to mention the acquired brand name. On the other hand, using a highly symbolic logo mostly compensates an abstract name. Moreover, the identity signs inclusion of the two brands may be interpreted as a continuity evidence and respect for the brands’ heritage (Spaeth, 1999; Ettenson & Knowles, 2006).

Choosing to combine the two corporate brands’ name but a new visual identity: Dual - branding

Combining the two corporate names can enable customers to feel more connected and familiar with the company, while creating a new visual identity can stay on the basis of a fresh start (Keller, 1999; Ettenson & Knowles, 2006). However, the simple combination of the two corporate names may not be sufficient to express an attractive promise until the company communicates that the result of merging the two organizations is greater than the parts (Rao & Rukert, 1994). Moreover, the company may face difficulties for the customers to pronounce and to memorize the long name.

A & B

In the third case the brand is very flexible and both of the brands are kept and used selectively. Also called a mixed branding strategy, A&B is an option where an acquired company owns a strong franchise in one or even more market segments (Lambkin & Muzellec, 2008).

Choosing to go with both corporate brands independently

Adopting a differentiated identity structure empowers the company to clearly position its brands according to both firms’ specific benefits and, therefore, enables optimum market coverage (Aaker & Joachimsthaler, 2000). Furthermore, the multiple brand strategy allows value retention associated with the acquired brand’s name and avoids the risk that the companies’ new offers acquire incompatible associations.

However, this brand strategy does not allow the companies to enjoy scale economies synergies and it may be extremely costly, since leveraging brands’ equity requires continuous support (Olins, 1990). Aaker (1991) uses several components of brand equity among which we have:
awareness, association, perceived quality and loyalty. No matter its origin, this equity can manifest in one of the following two ways: the frequency of one brand being chosen, or one customer willingness of paying more for one brand than another.

One corporate brand covers the other with both its name and visual identity – Endorser-branding

Through covering the acquired corporate brand with both its name and identity, the company wants to benefit from both corporate brands values. Endorsing the brand provides trust and credibility to consumers through assuring that the endorsed brand offers approximately the same quality and performance as the endorsing brand. This strategy can increase consumers’ perceptions and preferences of the endorsed brand (Saunders & Guoqun, 1997; Aaker & Joachimstaler, 2000). Another motive for endorsing the acquired brand can be the aim of providing it with useful associations, even if the acquired brand is leading on a certain market segment, because it will help it to enhance its corporate image (Kumar & Blomqvist, 2004). But, when the acquired firm’s products are of lower quality than its parent company products, and the parent company decides to sell them on markets where it owns a good reputation, it may be favorable for the parent company not to use its own identity to avoid damaging its reputation (Saunders & Guoqun, 1997).

This strategy may also have negative effects for the endorsing brand which can create confusion about its corporate brand meaning, especially if it endorses many individual brands without no explicit coherence between them.

C

In the last situation the companies decide to drop both previous brands in the favor of an entirely new one. This strategy is usually the last resort, although it can be justified for many reasons like being easier to rationalize all the brands under one name (Lambkin & Muzellec, 2008).

New corporate brand name and visual identity

Creating an entirely new identity usually signals a new beginning, and makes it more clear to communicate the changes within the corporate structure. Although this is the most risky brand strategy, since it is associated with the loss of the two corporate brands’ equity (Jaju, Joiner, & Reddy, 2006). Moreover, this drastic change can generate resistance and uncertainty among the different publics (Ettenso & Knowles, 2006).

3.1.2 The new brand structure

First is important to define the company’s brand structure, which shows the way in which a brand defines a product and more important if it does so independently of another brand. Uggla (2006) discusses three models of brand structure:

Corporate-dominant, which is based on creating image that the organization and the corporation is the global driver of brand value;

Product-dominant, a structure that focuses on developing individual brands for every product;

Mixed structure considers the corporate brand as much as the product brand.

Each strategy has its own benefits and gaps both for customers and suppliers; however in each case the main concern is the link both the product and corporate brand Chailan (2008).
While the model based on corporate branding allows marketing to use the company’s vision and culture explicitly as a part of its unique selling proposition on long term, the product dominant branding strategy focuses on a strategic interest on a shorter time horizon equivalent with the life of the branded product (Hatch & Schultz, 2003). In increasingly competitive markets, the approach based on corporate branding helps increase stability, trust, reputation, recognition and differentiation not only for customers but also for various stakeholder groups, both externally and internally, including employees, investors, suppliers, partners, special interests, local communities, regulators and of course customers (Rindell & Strandvik, 2010). On the other side the product dominant approach of branding attracts mostly the attention of customers (Hatch & Schultz, 2003). Since product branding focuses the attention on the product itself, it is managed by the middle manager who uses marketing communication, while the corporate branding concerns the image of the whole company and thus is managed by the CEO using total corporate communication (Hatch & Schultz, 2003).

By using two names for a product, the company hopes to benefit twice from brand equity (Saunders & Guoqun, 1997). Researchers like Spry, Pappu and Cornwell (2011) explains that brand equity represents “the incremental value added by a brand name to a product”. To a greater extent, brand equity is linked with the number of people who regularly purchase it and thus the concept of brand loyalty is considered a main component of brand equity (Motameni & Shahrokhi, 1998). Higher brand loyalty, perceived quality and awareness are necessary for developing and maintaining brand equity (ibid).

3.2. M&A’s portfolio of brands

3.2.1 The new brand portfolio

The creation of a portfolio requires chronological and experience-building process. In order to build a brand portfolio, three stages must be followed, starting from the simple juxtaposition of brands to fulfill diverse consumer requirements, until the company formalizes the brand portfolio as its strategic tool (Chailan, 2008).

Pierce and Moukanas (2002) suggest that it is important to settle means of inventorying, classifying, and grouping the existing brands in a portfolio. However this requires defining: the brand credibility and relevance to address different customer needs; the limitations that may inhibit the business growth and brand; the overlapping brands which can be consolidated or divested; the brand portfolio gaps and the approximate size of potential opportunities.

Petromilli, Morrison and Michael Million (2002) brings into discussion two innovative branding techniques: "Pooling" and ""trading". Brand pooling requires multiple and distinct brands in the portfolio which address a wide spectrum of consumer needs. Each brand from the portfolio holds unique equities and offers the customer its own set of values. Through this approach the company benefits from the collective brands and the portfolio gains strength: achieves higher relevance to a broader market, and makes the most of loyalty-building and cross-selling opportunities across the brands within the portfolio.

The "trading" approach uses two or more brands to trade off each other's values. This strategy aims filling gaps in the portfolio and may create a combined offer of a value that a single brand cannot match.
Building the new brand portfolio

According to Chailan (2008) a brand portfolio is not just an accumulation of brands but a cumulative process, in strong connection with time and experience factors. Moreover Chailan (2008) identified three important phases that a company follows after the M&A process in order to recreate its portfolio of brands:

A. Brand accumulation
This phase addresses the requirements created by market segmentation, when a company either launches or buys new brands to respond in the best possible way to customer expectations, to cultural differences or to develop fresh opportunities in new product ranges.

B. Brand portfolio reformation
In this phase companies are passing through a transition period where they are trying to limit the number of their brands by reorganizing the brand group developed in the previous phase. This phase is a consequence of the pressures made by different stakeholders. Therefore the company aims to avoid scattering resources and to concentrate their means (such as brand extensions, capital, or media) on a more limited number of brands. The brands are no longer perceived as individual responses to consumer requirements, but rather as part of a whole.

C. Developing a model based on a structured brand grouping
In the last phase, the purpose is to create groups of brands that will become a permanent source of sustainable competitive advantage. The company already built up its key skills that allow it to create as more organized ensemble of brands as possible and created its growth model based on each brand’s role. However, companies can be situated in any of these three phases.

The advantages of having a brand portfolio

First, a brand portfolio allows a firm to cope with the current brands limitations, such as economic (costs of breaking into new markets plus costs of obtaining a higher percentage of the existing market), or conceptual (credibility from certain consumer segments) (Chailan, 2008, p.257). With a brand portfolio, a firm can reach more rapidly and easily the critical mass (especially when facing with the distribution centralization issue), and can be present within different distribution circuits (Chailan, 2008, p.258). Last but not least, brand portfolios offer the possibility of sharing the research costs and optimizing the market placement in terms of technological innovations, which can be revealed on the market through different brands (ibid).

Building a competitive advantage from a brand portfolio

As it was revealed above, the third phase requires the development of specific skills inside one company in order to transform its brand portfolio into sustainable competitive advantage. In this respect Chailan (2008) identified four key factors: identifying the brand selection criteria; defining the arbitration-equilibrium processes; analyzing the company’s ability to adapt its structure; and creating general strategic brands management framework.

A. Brand selection criteria
Since the brand selection criteria implies choosing brands, the companies take into account four elements when deciding whether to add or remove one brand in their portfolio:

• The complementarity of brands within a group;
• International or possible international brands;
• Profitable brands or critical limits (turnover, market share);
• A brand’s capacity of becoming available in different product categories.

The criteria mentioned above leads to brand positioning, in which the company re-centers each of its brands according to their attributes and added value, and thus forcing the company to make clear and maintain these characteristics. This process allows each brand to appear with its own “DNA”, and thus through raising their capacity to complement each other any overlapping is avoided.

B. Balancing criteria

Balancing illustrates the added value given to each brand by the portfolio. A balanced portfolio is designed as a brand network consisting of mature and in developing brands, highly profitable brands and those situated in the investment phase, and potentially or already global brands; Another criteria that a company must follow is having strong emblematic brands because they generate important financial resources which lately can be invested in developing other less powerful brands; Last but not least, the equilibrium is a dynamic one, since the introduction of new brands or rejection of other brands from the network can occur anytime is needed. Since the economic aspect also plays an important role, each brand must be situated at a self-sufficient level of profitability in the relatively near future.

C. Adapting the company’s internal structure

A company has a strong centralized brand management that ensures overall consistency for all brands (distribution, communication and extensions), and positions the brands within the portfolio. The entrepreneurial spirit, strong individual responsibility, high flexibility and operational autonomy for each brand should be part of company’s internal structure.

D. Creation of an expansion matrix

Brand portfolios create competitive advantage only when people inside the company really understand and share this role.

3.2.2 Creating global brands within the portfolio

The brand structure of a company is considered the structural configuration of brand portfolio where the position of each brand within the structure is based on geographic scope. Actually brand structure harmonizes brand portfolio management both in the company and across different geographic locations (Townsend, Yeniyurt, & Talay, 2009). Townsend et al. (2009) positions the brand within the global market through discussing four levels of brand structure:

a) Domestic brand

The domestic brand serves only one national market, the home market, and, with local management, it is operationalized as such.

b) Regional brand

In the case of regional brand, the company offers brands in multiple countries, but only in one geographic region. It is operationalized as a brand sold in few country markets, all belonging to one continent.
c) Multi-regional brand
A multi-regional brand can be present in several markets, in multiple regions across several continents, but however it is not present in all three major regions such as North America, Europe and Asia. Moreover, the multi-regional brand does not have a standardized or centralized marketing program across geographic markets.

d) Global brand
Last but not least the global brand is brought into discussion which is sold across multiple country markets across the three major industrialized continents (North America, Europe, and Asia). However the brand identity’s core essence remains unchanged, even in the case when the execution is adapted to the models of local marketing (De Chernatony, Halliburton, & Bernath, 1995). This does not mean there are no product adaptations for specific markets or regions. A global brand transmits a stable image globally using distinguishing characteristics, including associations, attributes, and specific identifiers such as logos. The essence of a truly global brand should be represented by its core values and the ability of transmitting them across the world (Wright & Nancarrow, 1999) The branding strategy applied on a local market is more likely to succeed if it is supported by a consistent and clear global brand vision. From a global perspective, the branding strategy implies local markets convergence towards a common global brand platform which reflects the brand values and vision (Tarnovskaya, Elg & Burt, 2008) The global brands can be produced in more than one location so that the company can access easier foreign markets with lower costs (Pecotich & Ward, 2007).

3.2.3 Overlapping and complementary brands within the portfolio
Vu, Shi and Hanby (2009) discuss four brand-market paradigms that can occur after the process of M&A, possibilities illustrated in Figure 2.

![Figure 2. Brand overlapping and complementing in the M&A’s situation](sourceadaptedbyVu,Shi,Hanby2009)
Brand and market overlap occurs when the merged brands resemble and cover similar geographic markets and customer segments.

Brand overlap but market complement is a situation when through merging the brands, similar customer segments in different geographic markets are covered.

Brand complement and market overlap happens when the merged brands are sold in the same geographic area although they serve similar customer segments.

Brand and market complement is the last possible situation when, after the merging occurs, the brands serve different customer segments and are sold in different geographic markets.

However, the literature offers a way of dealing with this complements and overlaps, because each company aims to achieve synergy (cost savings), growth (revenue), and moreover - “acquisitions provide means of reconfiguring the structure of resources within firms and that asset divestiture is a logical consequence of this reconfiguration process” (Capron et al., 2001, p. 817). Since “resource” and “asset” are general terms, they can definitely include the merging of brands in the context of M&A’s. (Vu, Shi, & Hanby, 2009).

Since the two companies can possess overlapping products the main concern is to rationalize them. Thus cutting the number of brands/models, especially the overlapping ones leads to efficiency boosting and productivity rising as well as reducing the complexity. Moreover, one merger/acquisition can offer the perspective of important synergy benefits on what concerns the cost savings by components equalization and a rationalization of production. Also, through M&A’s rises the possibility of combining the products of both companies to create new ones in the integration stage and thus managing the complementarity of brands and products (Vu, Shi, & Hanby, 2009).
4. The context of the automotive industry

4.1 Major phases of the industry evolution

According to IfA (2010), the automotive industry has passed four major phases during its existence.

![Figure 3. The consolidation of European Automotive Industry.](source)

Source IfA/KPMG

**The Big Shake-Out phase**

The invention of automobile was made by Carl Benz and Gottlieb Daimler in 1886 and attracted countless pioneers, who afterwards developed the new transport area by raising and enhancing the performance for daily use. There were mechanically-operated factories that produced cars for well-to-do elite. Since the entry barriers on the market were very low, the automobile companies rose dramatically. In the 30’s, in Germany, there were more than 100 car manufacturers which mostly produced very few car units. Henry Ford ended this foundation phase, based more on experimentation, by introducing assembly line production in 1910 and thus reducing automobile prices. In time, scale economies became critical for the success of automotive industry. In Europe, Andre Citroen, who implemented American production methods in his own manufacturing automobile plant, has become a major driving force of the introduction of new production methods in Europe.

However, the bloom demand for middle class cars collapsed and thus small companies which were mostly under-capitalized were wiped out from automotive market.

**The Mini Shake-Out phase**

The mini shake-out phase, characterized as the post war consolidation, started from a rapid reconstruction of the European Economy after Second World War which increased the car demand. Even the production of private cars during the war years had practically stopped, raise of demand lead to a high number of market entries especially through offering small
reasonably priced vehicles. But, most of the new automakers were not able to attain a minimum production volume that would have ensured a financially successfully operation. Moreover, once with the increasing of customers incomes, the requirements also rose quickly and “cheap cars” made for first experience in driving were no longer presenting the same high interest.

The mature market phase
The mature markets started to consolidate in the mid of 60’s, once with increasing the market differentiation, that could be because of the raising in individualization of customer requirements or because of second car ownership trend. In addition to the sharply growth of middle-range and top-of-the-range cars ownership, the latter also lead to a constantly growing market for cost-efficient small vehicles for everybody use. Nevertheless, the oil crisis from 1973/1974 led to a dramatic market collapse. Thus the consolidation process headed to the expansion of model ranges and adjustments to customer requirements. Of course, there were many automakers that had to suffer because of this. Beside the increasing market saturation, the rising competition because of imports consolidated the auto industry even more.

The automakers from North America, had their models no longer compatible with European market and thus did not benefit too much from this development. On the other side, the Japanese profited the most in this period, offering reasonably priced and small cars and thus increasingly occupying the “entry-level segment”. Therefore most of them are still operating today on the global market.

The Going Global phase
The fourth phase focuses on the tendency of automakers for globalization. A critical role played two political developments. On one side was the creation in 1993 of a Single European Market, which removed on large scale the remaining trade restrictions within EU, and on the other side it was the fall of Iron Curtain, which eventually brought into the global economy many Central and Eastern European countries. The process of globalization led to an intensification of European automotive market competition. Opening up for Eastern Europe focused on installation of production plants in low cost locations and therefore the competition in terms of low price rose. Moreover, the entry of Korean automakers has intensified the competition even more.

Most of car manufacturers that focused more on Eastern European markets, such as Wartburg and Trabant became unable to compete and thus were forced to leave the market. Therefore a lot of automakers lost the independency through being acquired by bigger car manufacturers, but continued as brands, like Dacia acquired by Renault, Skoda and Seat by Volkswagen and many others. Leaving aside the size and sales around the globe, in 2008 there were more than 100 financially independent and legally companies producing cars. However, by excluding micro-scale manufacturers with volumes of production of less than 1000 units and producers of heavy vehicles, we can talk about approximately 30 to 40 car manufacturers’ worth of being taken into consideration for driving the competition. According to a ranking based on 2008 sales, among the most known brands we can mention some: Toyota (7,768,633 cars), General Motors (6,015,257 cars), Volkswagen (6,110,115 cars), Honda (3,878,940 cars), Ford (3,346,561 cars), Nissan (2,788,632 cars), Hyundai (2,435,471 cars), Suzuki (2,306,435 cars), Renault (2,048,422 cars), Fiat (1,849,200 cars), Daimler (1,380,091 cars), Chrysler (529,458 cars), BMW (1,439,918 cars), Kia (1,310,821 cars), Mazda (1,241,218 cars), Mitsubishi (1,175,431 cars), and others (OICA, 2009).
The next predicted phase
With around 9 million direct jobs among both automakers and their suppliers, the auto industry accounts 15% of world’s gross domestic product. The industry will continue to represent one of the most significant economic sectors over the following 11 years, creating value mostly through light vehicle production and engineering (excluding sales, services and replacement parts). It is estimated to grow annually with a rate of 2.6%, reaching €903 billion in 2015. However it is estimated that until 2015 the automotive industry as a whole will register investments of €2 trillion in capital spending to increase the production of light vehicles from the level of 57 million units in 2007 to 76 million units in 2015. Moreover, new technology for safety, comfort and communication will be introduced, based mainly on electrical systems and electronics (Dannenberg & Kleinhas, 2007).

4.2 M&A’s impact within the industry

4.2.1 Lessons from unsuccessful M&A’s

Daimler & Chrysler
DaimlerChrysler creation was made through one of the largest merger in automotive industry on 7 May 1998. Once with the merger Daimler aimed to offer Chrysler a wider range of products, in order to enter new markets and achieve cost savings. However, during time DaimlerChrysler’s market capitalization has fallen from around $100 billion in 1998 to approximately $40 billion in 2007, which left no alternative than to put Chrysler for sale (Edmondson et al., 2006).

However, important issues stood on the basis of the merger failure. According to the theoretical framework previously built Daimler and Chrysler chose to combine the two corporate brands, resulting “DaimlerChrysler” (Basu, 2006). A joint brand is most suitable in the case of equal mergers, each enjoying a powerful franchise among its particular customers (Basu, 2006). But DaimlerChrysler was not the case and thus corporate culture clashes appeared, leading to brand discrepancy. The Mercedes brand suffered from brand reputation damaging: while Chrysler valued cost-control and its brand image expressed risk-taking and assertiveness, in contrast, Mercedes was focused on uncompromising quality coupled with disciplined German engineering. But, considering that both brands strongly developed into their national icon (Basu, 2006): Daimler – typically German; and Chrysler – typically American, this strategy looked the most appropriate. According to Basu (2006) this strategy should mostly be used as a temporary measure, in order to manage the transition gradually, but DaimlerChrysler used it as a permanent one (9 years). The Mercedes brand – the company’s core business, ran into huge troubles because of the quality issues (Edmondson et al., 2006). Moreover, in the last few years, the American partner started to suffer from US market share declining, inefficient production and falling stock price. DaimlerChrysler suffered important financial losses.

But, while it is clear that the companies chose to combine their corporate name to enable customers to feel more connected and familiar with the new company (Keller, 1999; Ettenson & Knowles, 2006) it remained confusing what visual identity was the new brand supposed to suggest. The simple combination of Daimler and Chrysler names was not sufficient to express an attractive promise, considering that the company did not succeed to communicate that the
result of merging the two organizations is greater than the parts (Rao & Rukert, 1994). The cost savings were not achieved meaning the potential savings from the equalization of both platforms and components, and production rationalization were not realized not even for the generations of new product. Actually DaimlerChrysler did not achieve the synergy by building different vehicles under similar platforms since it seemed to run two product lines independent from each other, with few signs of integration (Edmondson et al., 2005).

Moreover, through the eyes of the theoretical framework described earlier, it seem that DaimlerChrysler did not succeed to settle means of inventorizing, classifying, and grouping its brands within the portfolio (Pierce & Moukanas, 2002). The complexity of its brand portfolio led to poor productivity and efficiency: manufacturing rationalization and cutting the number of models and brands within the portfolio should have been realized to boost productivity and efficiency (Edmondson et al., 2005).

**BMW & Rover**

BMW acquired Rover in 1994. This included the brands of Land Rover, MG and Mini (Simms & Trott, 2006).

According to the theoretical pattern described earlier the BMW perspective of taking over Rover seemed a very good strategy, since the two ranges were complementary (Vu, Shi, & Hanby, 2009) and the English automaker offered BMW direct entry to the booming market of sporty SUV’s like Range Rover and Land Rover. In addition, through Mini, BMW gained access to the small car technology that would have otherwise taken BMW many years and investments, to develop. Moreover, BMW gained an immediate 13 percent of UK market and access to the know-how of Rover Honda.

BMW chose to position Rover as a pricier alternative to the mass market volume producers in the lower mid-range segment (in UK), attempt that turned out to be not so good strategy because BMW underestimated the weakness of the Rover brand. According to the theory, companies with a history of turbulent change can damage the reputation of the ones that had developed into an environment characterized by stability (Blomback & Brunninge, 2009).

All opposite to BMW, Rover followed a turbulent history and represented symbol for UK’s industrial decline. Rover had taken part of British Leyland Motor Corporation (a forged brand conglomerate composed of: Austin, Morris, MG, Rover, Triumph and Jaguar) object of the several state attempts in finding a survival strategy. After the failure from the 1980s with the Austin model line, Rover had lost its entrepreneurial capacity (Donnelly, Mellahi, & Morris, 2002). Considering that BMW is one of the most concerned companies in protecting its brand, it has never succeeded to restore Rover’s brand. Actually BMW initially wanted just to buy the Mini and Land Rover brands (Simms & Trott, 2006). Also another element that contributed to the cultural clashes was the British public opinion campaigns formed against the Germans whose intentions were to kill the last British carmaker (Donnelly, Mellahi, & Morris, 2002).

Overall the company faced so many difficulties that in 1999 was losing approximately 2 million pounds every day and the market share fell below 6 percent. Also since Rover could have started to severely damage the BMW brand, the Bavarian decided in 2000 to sell Rover to Phoenix consortium (Donnelly, Mellahi, & Morris, 2002).
Renault & Volvo

Volvo and Renault agreed in 1990 to realize a strategic alliance by using a complicated scheme of joint production and R&D agreements, cross shareholdings, and supervisory boards (Bruner, 1999). However similar to the situation of Dacia, Renault had interacted with Volvo many years before the alliance occurred. In 1971 the two auto players initiated a cross-supply agreement that involved swapping the gasoline engines for gearboxes. Moreover, in 1980 Renault bought Volvo shares but eventually sold them in 1985, during the French automaker close-call with bankruptcy (Bruner & Spekman, 1998). On what concerns the timing of the discussions (the end of 1989), both parts were financially healthy.

Founded in 1990, the strategic alliance was motivated by the following important considerations.

First was the aim of exploiting potential synergies in manufacturing, quality, joint product development and purchasing, and second was the possibility of combining complementary companies to “create a firm of sufficient size, breadth and depth as to be able to compete effectively in the global industry” (Bruner & Spekman, 1998, p.137). Finally, sharing the key competencies of each company might lead to some other, less tangible, benefits. The two firms owned complementary competencies in geographic regions, market positions, and core competencies.

Overall, the planned merger between Volvo and Renault has collapsed because of many reasons like political, cultural (including brand collisions), economic and organisational difficulties in “bringing cross-border mergers between erstwhile national champions to a successful conclusion” (Hudson, 1997, p.485). However these reasons deserve a more detailed explanation, according to the theoretical framework previously developed. Since the merger did not take place, the thesis cannot not analyze the brand strategy adopted after the merger, but it will focus more on cultural clashes and other potential for the failure.

The two companies were protective of their brand identities (Kumar & Blomqvist, 2004) and thus on the area of developing new models some compromises on product development would have been inevitable. These compromises would have eroded savings. On the one side Renault’s truck operation was concerned of being swallowed by Volvo, and on the other hand Volvo was afraid of diluting or even losing its consumer franchise and brand identity. Volvo dealers from North America were very concerned that the merger could dilute Volvo’s powerful brand franchise on the respective market, where Renault was viewed poorly compared to the Volvo brand. Moreover they were skeptical that the two brands would remain separate in the consumers’ minds (Bruner & Spekman, 1998).

Gyllenhammar, the chief executive of Volvo in that time considered the merger proposal a failure because of Swedish cultural chauvinism, irrationality, or “an envious vendetta against him” (Bruner, 1999, p.152).

In 1993 The Swedish Small Shareholders Association made Gyllenhammar reveal that he was the highest-paid CEO in Scandinavia (with a compensation of SEK 9.5 million) in a time when Volvo was reporting losses and closing plants and therefore he created the impression of being the victim of Wallenberg interests, the other Swedish industrial group with a significance and size comparable to Volvo, who sought to cut Volvo down in size. Thus one of the possible reasons that led to the fail of merger proposal could have been politics political and psychological reasons (Bruner, 1999).
Moreover, in 1993 the merger proposal presented badly: the synergies of the project were not justified (Vu, Shi, & Hanby, 2009) and the control provisions were confusing. It was discovered that the synergies were not estimated by Volvo’s staff, but by Booz Allen and Hamilton and Credit Suisse First Boston, who were advising Gyllenhammar. However rather than lending the objective outside advisers credibility, this raised the suspicions even more, that the CEO was manipulating his employees and investors. Eventually, the investors concluded that the control rights were an expropriation of the equity value of Volvo by the French state. So, from this perspective, economics stood on the basis of the failed deal (Bruner & Spekman, 1998).

Another issue that emerged from the failed merger was Gyllenhammar’s weak alignment with shareholders. He owned 0.10% of the total shares (approximately 10,000 shares) which at the date of the merger announcement, the value equaled approximately SEK 4.85 million meaning around half of his annual compensation. Moreover, the CEO had stacked the board with his supporters and friends. Thus, missing significant ownership stakes, the manager could have been considered to develop wealth-destroying strategies in order to pursue his own goals. This idea is sustained by Gyllenhammar’s program of unrelated diversification, some spectacularly poor deals, and mostly his long-term managerial financial underperformance. However, it is interesting that Gyllenhammar’s departure was not associated with significant returns, as it was expected if he were strongly associated with shareholder wealth destruction. Thus on the other side, the destruction and recovery of value could be associated also with policies, rather than individual. Both policy of alliance and merger were costly to shareholders (Bruner, 1999).

In its attempt to achieve a worldwide presence, Renault continued to target potential mergers and thus it merged with Nissan, Dacia and Samsung Motors. The tie up with Nissan was about to boost Renault on both South and North American markets and also Far East. Dacia was expected to have a similar performance in Eastern Europe and Samsung to South Asian market (Donnelly, Mellahi, & Morris, 2002).

4.2.3 Lessons from successful M&A’s

**Volkswagen successful acquisitions, particularly with Skoda**

Currently VW Group is made up of nine brands coming from seven European countries: Audi, Volkswagen, Bentley, Lamborghini, Bugatti, Skoda, SEAT, Volkswagen Commercial Vehicles and Scania (Volkswagen, n.d.).

Through the theoretical framework, the paper will try identify the main strategic decisions that stood on the basis of Volkswagen success.

Volkswagen chose to keep all its acquired brands individually and offered each a differentiated identity (Aaker & Joachimsthaler, 2000), so that today SEAT brand stands for sporty cars for young people, VW for reliable vehicles for middle class families, Audi for technological pioneering, having a more expensive product range and Skoda brand suggests “Volkswagen technology and quality at an affordable price”. By responding to various needs of customers, this brand strategy enabled The Group to obtain huge market coverage. Volkswagen clearly positioned its brands according to both The Group and firms’ specific benefits and, therefore, enabled optimum market coverage (Aaker & Joachimsthaler, 2000). To avoid direct
competition for the class segment and price, VW adopted a strategy of sharpening each brand profile (Chailan, 2008). Moreover, the multiple brand strategy allowed Skoda, Seat or Audi to minimize the risk for their new car offers to acquire incompatible associations (Olins, 1990).

In time, VW Group highly broadened its portfolio. Both Seat and Skoda took the original VW car function of reliable quality, affordable price and good technology. Initially Skoda targeted the ‘Eastern bloc’ but however in time it turned out that the success was larger (Janovskaia, 2008).

Volkswagen first bought 31.5% of Skoda’s shares in 1991, increased its control share during time and in 2000 it came to completely own the company. A first obvious consequence of the acquisition was that the number of vehicles manufactured in Skoda has risen from 170 000 in 1991, to approximately 600 000 in 2006. The strategy that led to the success of this acquisition was well thought and consisted in the following decisions. As explained before, Skoda brand was kept although the original Skoda vehicles were of limited technology base and low quality. Skoda has suffered a strong industrial upgrading consisting in the modernization of its product and diversification of its models. This production strategy had its basis on Skoda’s integration on VW’s platform strategy (Janovskaia, 2008).

In this context, Skoda achieved its first decisive innovation in 1996 by putting Octavia on VW Golf-platform. The second important step in upgrading was Fabia compact car introduction in 1999. Concerning the sourcing decisions VW Group is the platform responsible (seats, engines, axe, cockpit, gearboxes), while Škoda decides independently for the rest. Škoda has also done important R&D investments (Škoda Presentation, 2006) and in time it has become an almost fully integrated manufacturing plant (Volkswagen, n.d.).
5. The case study of Renault & Dacia

5.1 Empirical data regarding Dacia’s evolution from the brand perspective

5.1.1 Dacia under Renault license

In 1966 the construction of Automobile Pitesti plant began in Arges, Romania. After the visit of Charles de Gaulle in Romania, it was decided to produce cars under Renault license. Thus, in 1968 it was signed a license agreement between the French automaker and Romanian state company. This was a step when Romania first headed to a separation, at least in terms of technology from the Eastern bloc, fact that was about to enforce the brand (The investor, 2008). However, in order to choose under what license to produce, Romania had to decide between: Renault, Fiat, Peugeot, Alfa Romeo and Austin. After tests on: Renault 10, Peugeot 204, Fiat 1100D and Austin Mini Morris models the Romanian leader, Ceausescu, has decided to choose Renault. Alfa Romeo had, for instance, a five-speed gearbox, which was considered too complicated for that period, while Ceausescu was planning to build a simpler car (Dacia Sport Club, 2010).

In 1968 came the first model to market - Dacia 1100, made under the license of Renault 8. At the same time, Dacia produced the model 1100S in limited numbers, used only in motor racing and by the police, a car similar to 1100, but having a more powerful engine and twin headlamps.

A year later, the production of the most prolific car from this part of Europe began- Dacia 1300 licensed under Renault 12. Dacia 1300 participated at the exhibitions in Paris and Bucharest. In Romania it was considered a modern and reliable car, and the waiting lists were long. In 1970, the company was producing several models such as the standard 1300, 1300L and 1301 Lux Super, differentiated through a heated rear screen, windscreen mirrors on both sides and radio, and through a more luxurious trim. In 1973, there were produced models like Dacia 1300 Break, 1300F and 1300S, and in 1975 was developed Dacia 1302 pick-up. In the beginning of the 80’s, the Renault 20 was assembled as the Dacia 2000 (Dacia Club Europa, n.d.).

The year 1978 marks the expiry date of the license agreement with Renault when Automobile Dacia continued independently to produce cars derived from the Renault Range 12 (Curtean, 2009). Between 1978 and 1980, Dacia researchers managed to create a range of models derived from Dacia 1300 however mostly with small changes from the basic model. In 1979 occurred a more important restyling once with Dacia 1310 (an updated version of the Dacia 1300) a brand sold until 2001. Over six years there have been a lot of small restyling operations, most referring to the lights, grille, steering wheel and dashboard and thus the 1310 model was declined in many versions, most of which: Dacia Break, Dacia 1320, Dacia1325 Liberta (name inspired by the Revolution of 1989) and Dacia 1410 Sport. Dacia 1300 together with its derivatives was made until July 2004, a total of nearly two million copies (The Investor, 2008).

In the socialist period Dacia owned two assembly lines, one for Romanian cars and the other for the vehicles destined to international market. The assembly line for exported cars had better endowments and finishes. However both were compromising the quality of the vehicles. The Pitesti factory car was then forced to "produce all" from spare parts, until the finished car, no matter the raw materials quality. If aluminum import stopped, the researchers had to find a
replacement no matter the quality. Therefore, the car reached a very low level of quality, guided by the mentality “Let it go, it works anyway!”

For over 21 years, during the socialist period Dacia cars were characterized by a very low accessibility, because of the bureaucracy. Thus, people registered on waiting lists that could last years. However even after the socialist period, Dacia headed to the same direction, especially from the quality perspective and therefore it was totally left behind in terms of technology, design innovation, productivity and other domains.

On what concerns the models derived from Renault 12 there are considered as an inspired creation of professionals, evidenced by the production volume and longevity. It was sold in several countries around the world: France, Spain, Turkey, Argentina, Colombia, Chile, Uruguay, Canada, China and some others (The Investor, 2008).

In 1995, the first 100% Romanian car model appeared, under the brand of Dacia Nova. Once with the launch of Dacia Nova, the first Romanian integrated concept car, Dacia entered into the second phase of its history. The production was launched with the following characteristics: 5 doors, 5 seats, displacement of 1557 cc and 72 horsepower. The top speed was 160 km/h. The first restyling takes place in 1997 which aims in particular design of the grille and headlights, and board (The Investor, 2008). During this period, Dacia has limited its exports to adjacent markets like Turkey, Bulgaria, Hungary or Serbia.

5.1.2 Dacia under Renault ownership

In 1999, Group Renault returned to Dacia and bought 51% of the shares. But that was just the beginning of the privatization process, so that in present time Group Renault holds 99.43% stake in Dacia. (Constantinescu, Dragoi, & Goldbach, 2010).

According to the Project Responsible of Renault (personal communication, April 4, 2011) “form 1999, Dacia’s industrial plant has experienced a totally modernization process”, with a five years investment of 489 million Euros. Moreover he claimed that “The upgrades were made in terms of production facilities, IT equipment, quality improvement, personnel training, working conditions improvement, premises renovation, and installation of assembly lines for gearboxes and Renault engines” (personal communication, April 4, 2011).

Since it has being acquired until today, Dacia has developed five main models which will be further detailed.

Dacia SuperNova and Solenza

The first model signed with Renault was Dacia SuperNova (in 2000) followed by Dacia Solenza (in 2003). SupeRNova was a midrange vehicle equipped with a Renault transmission and a 1.4 liter engine. The launch of this model in late 2000 was very successful and restored the sales growth of Dacia. On the local market were sold more than 22,000 SupeRNovas and during that period it represented the market leader in Romania, by accounting 31% of all sales in terms of new passenger cars (Curtean, 2009).

In 2001, the sales under Dacia brand led to a 3.8% rise in sales of light commercial vehicles and passenger cars in Romania, compared to the former year. Supernova was the first model with air-conditioning, aluminum rims, corresponding to Euro2 norms. However Supernova had a short life being replaced after only three years by Solenza. The Project Responsible of Renault (personal communication, April 4, 2011) considered that with a more pleasant aspect this brand announced the characteristics of new Dacia brand identity. From its launching, in
April 2003, until the stop of production, in March 2005, there were 80 000 Solenza vehicles commercialized, from which 20,000 exported. From November 2003 the resistance structure was improved, the superior models being equipped with airbag for the driver, Solenza being the first Dacia model heading to modern automotive industry (Renault Group, 2001).

**Dacia Logan**

After a significant media interest, in 2004 the Dacia Logan vehicle was introduced, considered a truly modern car, presented at the Paris and Bucharest Shows, designed by French engineers. Dacia developed this model on the Renault-Nissan Alliance’s B platform, which was also used for Nissan Micra and Renault Modus (Renault Group, 2009a). The Project Responsible of Renault (personal communication, April 4, 2011) explained that Renault had a considerable influence on this vehicle in terms of design and quality improvement. On the back of the car there is even written “Dacia by Renault”. As it can be seen in Appendix 1, the car was both sold under the Renault and Dacia brand: In Eurasia, Asia-Africa and America including countries like Colombia, Venezuela, Russia, Ecuador, Argentina, Brazil or Iran, Logan was branded as Renault, while in few areas from this continents and most of European countries the vehicle was sold as Dacia Logan (Renault Group, 2009a).

The leader of Logan project implementation in Mioveni, Louis Schweitzer, started from the idea of realizing a “5.000 $ car”, a cheap car that would be affordable for the majority of people. Logan Sedan, the first car in Dacia’s history that has undergone security tests, was awarded with 3 stars on the NCAP awards. Logan definitely represented the best-selling car in Romania, available also in many international markets. However, the Logan range expanded during years with the launching of Dacia Logan MCV, Dacia Logan Van (commercial vehicle), Dacia Logan Pick-up, New Logan MCV. Dacia vehicles had a wide range of Renault powertrains, both diesel and gasoline (Dacia Club Europa, n.d.).

**Dacia Sandero**

The first hatchback, entered into the company’s brand portfolio in 2007, being sold first on Brazilian and Argentinian markets, in 2008 on European market (including Romania), and as it can be seen in Appendix 1 on the rest of the markets. A five-door hatchback, placed at the intersection of Logan and Clio it was considered the most attractive Dacia model, with a cuter face and young rear (Project Responsible of Renault, personal communication, April 4 2011). The interior is similar to Logan, but has some modifications to improve comfort and security. With a trunk of only 320 liters 25 inches shorter hatch than the sedan, Sandero was the smallest Dacia vehicle, and therefore the easiest to park in urban congestion.

Dacia Sandero was, in fact, the fifth version built on the Logan platform.

Once with the launch of Dacia eco2 label, the company applied the same environmental standards as Renault. In 2008 Italy, Dacia launched the LPG version of Sandero, in 2009 the ecological offensive continued and in France, the LPG engine was launched and in Europe the D4F engine (75hp, 139g CO2) on Logan and Sandero. At the end of 2009 France and Sweden began selling E85-compatible vehicles. To be more specific Dacia Logan MCV K4M was sold in both countries and Sandero K7M only in Sweden (Press Release, 2008).
Dacia Duster

Launched in April 2010, Dacia Duster terrain vehicle (the sixth model in the Dacia range) entered for the first time on this vehicle class. The first SUV from Dacia history, Duster registered a booming start enjoying success on all its markets. It has found a large number of customers shortly. Available in 4x4 and 4x2 version, Dacia Duster proposed a very low price (starting from 10500 euros), having unsurpassed interior space, providing real carrying capacity and displaying low CO2 emissions in diesel variant (Renault Group, 2009b).

Dacia Duster success was reflected in the numerous granted awards (Smart Motorist, 2011):

• “Argus Trophy” ”(on family vehicles category) in France, who rewarded the Dacia Duster based on the following criteria: purchase price for a new vehicle, residual value, fuel consumption and operating costs;
• “Autobest 2011 Award" for the best offer on automotive market during 2010;
• The title of "Champion of 2011 residual value” (SUV category) in Germany;
• “Car of the Year” in Romania, awarded to the vehicle that has the greatest impact on the Romanian auto market, taking into consideration all the segments.

Duster thus had success in the motor sport. On Andros Trophy in the 2010-2011 seasons, Alain Prost won the title of vice-champion with Dacia Duster "Glace". Moreover Dacia Duster 4x4 vehicle sport career continued with the participation on the Gazelles Raly in the deserts of Morocco, where in 2010 edition was the winner in crossover category.

Under Dacia brand, Duster was sold in Europe, Turkey and Maghreb and under Renault brand Duster was sold in Ukraine, the Middle East and Africa, Brazil, Argentina, Mexico and Chile (Renault Group, 2009a).

The car was available with three equipment versions (Duster, Ambiance and Laureate). The standard basic version offered ABS with EBV, emergency brake assistance, front airbag for the driver and right passenger and hydraulic steering. Dacia Duster Ambiance added front side airbags, visual and audible alert passenger grip strap, central locking with remote control, front electric windows, radio CD 4x15 W with satellite steering wheel controls. Laureate added also leather steering wheel, front seatbelts with pyrotechnic pretensions, 6-board computer functions (general mileage, part mileage, fuel consumption, average fuel consumption, predictable range, average speed), doors open control, electrically adjustable exterior mirrors and defrosters, air conditioning with pollen filter, etc.

Dacia Duster offered three engines types, one petrol - 1.6 16V 105 hp engine and two diesel - 1.5 dCi engine with a power of 85 with a fuel consumption of 5.3 litres and 110 hp. The 4x4 wheel drive versions of these engines comply with Euro 5 emission standards. Transmission was ensured by manual gearbox (automatic soon) with five and six steps. Duster’s suspension was an atuu. Duster had only the essential bare of electronics. ESP could have been ordered as an option. However Duster could have offered a better soundproofing body in the curves area, a board a bit more refined and a more precise five-speed box for petrol version (Dacia Sport Club, 2010).

Dacia’s corporate brand from the present time perspective

Dacia estimates that the Romanian automotive market will progressively rise during 2011, because of REMAT program and the new pollution tax witch is formulated in the way that is more favorable to buy new vehicles than second hand ones. Thus this will help re-launching
Dacia sales. However the officials of Dacia consider that it is yet too early to estimate the level of raise, but it will be compared to the level of 2007.

According to development manager of Dacia from Renault group, Rafael Treguer, in 2011, the company will develop new distribution networks in all countries where the brand is present in order to create specific sales points (Gubandru, 2011).

In 2012 Dacia will launch a new passenger car, projected on a new platform, comparing to the existing models that are based on the Logan platform. Moreover, Duster will be projected with right-hand drive and will be commercialized starting with 2012 in Great Britain and India (Project Responsible of Renault, personal communication, April 4, 2011). Dacia considers that since the Western European market is "saturated", the company has chosen a somewhat revolutionary, such as "defy the habits, dare" backed by "without compromising quality”.

According to the annual publication Que Choisir, the French automobilists engineers have placed Dacia on the third place in terms of most reliable cars, with a reliability index of 92.61%, after Daihatsu (96.02%) and Lexus (94.13%): “Dacia topped the reliability rankings published by trade magazine Auto Plus on January 12, 2010 and was voted third most reliable automobile in the annual survey by UFC-Que Choisir, a consumer magazine, with a reliability score of 92.61%;” (Renault Group, 2009b, p.24). Honda and Toyota continue the rankings. And Mercedes was situated on 11th place, Citroen – 21th place and Peugeot – 24th place. On break-s section, Dacia Logan MCV Diesel with 5 or 7 seats, was situated on the second place after Honda Acord. There were processed data of 144 models belonging to 34 brands, the total sample counting 26.277 vehicles owners.

Que Choisir has also calculated the average repair cost of maintenance per year categorized on brands. Dacia ranked first place with 130 euros, followed long distance by Mazda (229 Euro), Ford (230 Euro), Citroen on the 6th place (250 Euro) and Mercedes on 22th place with 434 Euro (Renault Group, 2009b).

In current days more than ever Dacia continues responding to the changing needs of consumers who look for the essential. The LPG vehicles success in Italy and France and the bonuses for scrappaging an old car for buying a new one, introduced in some European countries like Germany, have given an impulse to the development of Dacia, which eventually doubled its market share in Europe (Project Responsible, personal communication, April 4).

On what concerns its sales, Dacia registered a raise on external markets, but a decrease on the internal one. In 2009, Dacia’s demand was sustained by the export, since domestic sales have dropped to less than half from the previous year. Throughout Europe Dacia registered with 53.6% more vehicles than in 2008, and if we refer only to Western Europe, the growth is +95%. Overall, the balance was positive: an increase of 20.5% of total sales in 2009 compared to 2008. Germany was situated on the top of the exports with 84 708 units (+231,3% comparing to 2008), then France with 65 956 units (+51,4%), and Italy with 21 739 vehicles (+151,9%).

In 2010 Dacia sales on international markets overcome 311 000 units, a raise with 15% comparing to 2009. In Western Europe there were 228 865 vehicles matriculated having as the top destinations the following ten country markets:

1. France - 110,076 units
2. Germany - 40,500 units
In total, Dacia sold 348,723 vehicles in 2010, recording a raise of 12% comparing to 2009.

So, the Dacia brand is in continuous growing on the foreign markets and therefore receives more and more recognition on the international level. On the other hand the company’s brand is in decline on the local market and becomes every day less appreciated. However, if the home market will be eventually lost, this may start influence in a negative way the exports. The foreign customers can associate the lack of interest from the local customers with a weakness of the company’s corporate identity or a weakness of its portfolio of cars, since the people that are the most familiar with Dacia, do not find the company and its products attractive anymore. Consequently, Dacia will face difficulties in convincing the foreign customers of its brand equity.

The brand of Dacia has created a new customer base by opening new markets. It is supposed to be a brand for everyone, reflected through its vehicles. Over time Dacia initiated 23 model launching and produced 7 models ((Dacia 1100, Dacia 1300, Dacia Nova, Dacia SupeRNova, Dacia Solenza, Dacia Logan, Dacia Sandero) with more than 3 million vehicles. Dacia does not have an official signature like Renault (“Drive the change”) but however, during time the company tried to feature the slogan “Count on Dacia” (Unknown, 2009g) or "Think Big, Pay Little" (Press release, 2004, p.4).
In its Registration Document (2010), Renault places Dacia cars into three main segments of passenger car:

- A and B segments along with passenger-carrying vans constitute the small-car segment and includes: Sandero and Logan
- C segment defined by lower mid-range segment include: Duster;

Table 1. An overview of Dacia’s main brands in present time

<table>
<thead>
<tr>
<th>Brand</th>
<th>Brand/model characteristics</th>
<th>Customer segment characteristics</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Small passenger car segment</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Logan</strong></td>
<td>Affordable sedan, Reliable, Average quality and comfort, Family car, Spacious, Low consume, Nifty engine</td>
<td>Middle-income families, Pragmatic first-time car buyers</td>
</tr>
<tr>
<td><strong>Sandero</strong></td>
<td>Affordable hatchback, Reliable, Average quality, More comfortable, Refined design, More sporty, Less spacious, Low consume</td>
<td>Young people with average bargaining power</td>
</tr>
<tr>
<td><strong>Lower mid-range passenger car segment</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Duster</strong></td>
<td>Affordable SUV, Robust, Reliable, Low consume</td>
<td>Persons concerned by safety</td>
</tr>
</tbody>
</table>

Source: adapted from Project Responsible (personal communication, April 4)
5.2 Empirical data revealing Renault evolution from the brand perspective

A business started in France 1899 by 3 brothers has turned later into one of the most profitable business, considering that Renault, in the present time, is the 4th largest producer in the world on auto market thanks to the partnership with Nissan (Autoevolution, n.d.).

Louis Renault, which created the company in association with his two brothers, understood from the very beginning that only through racing he would make the Renault name worldwide known and that’s why he entered with his cars into the cities races with his brothers as being the drivers. The victories earned them notoriety. Because of the war and the economic crash in the 30’s, Renault decided to improve the production and lower the costs and moreover built a lot of vehicles that had a motor attached to it, like busses, lorries, tractors, electric railcars and even airplane engines (Autoevolution, n.d.; Renault Group, 2010).

Because of worker strikes affecting the country, in 1945 the government decided to nationalize Renault, in order to save it from going bankrupt like it happened with Citroen some years before. During the 70s, Renault opened up plants in Eastern Europe, Australia and Africa, in 1979 it started a partnership with American AMC and in the beginning of the 80s, Renault faced once more financial trouble and the companies’ chairman from that period took the decision of pulling the company out of racing, sell all non-essential assets and cut the costs. It was only in 1987 when the company turned the balance in favor of profit again, so that in the beginning of the 90s, Renault released on the market a whole new line-up of models which turned out to be very successful: the new Espace, the new Clio, Twingo and Laguna. In 1995 Renault Megane was rated with four stars at the Euro NCAP safety tests and was the first car who achieved this performance. Moreover during the 90s, the company returned to Formula 1 racing and won the Championship in 1992, 1993, 1995, 1996 and 1997. In 1996 Renault was privatized again. The company made further investments in Argentina, Brazil, and Turkey (Autoevolution, n.d.; Renault Group, 2009a; Renault Group, 2009b).

After 2000, Renault launched a series of models such as Avantime and Vel Satis which were not as successful as the previous ones, but it still continued successfully with older series where we include Laguna, Megane and Clio (Autoevolution, n.d.).

From 2009 Renault’s brand signature become “Drive the change”, reflecting the group” ambition for innovation and at the Frankfurt Motor Show, the group unveils four vehicles previewing its future electric range (Renault Group, 2010).

Further the most important brands of Renault will be detailed.

**Clio**

Clio is being advertised as a distinct brand from Renault’s portfolio, but this is not extended to its individual models. (Macrae & Uncles, 1997)

Launched at a premium price in UK in 1992, on a mostly hostile market to french cars, it wanted to suggest a "Small car practicality with big car luxury." (Heath, Brandt and Nairn, 2006, p.411)

**Thalia/Symbol**

Renault Symbol is a bigger sedan version of Clio sold mostly in emerging markets like Eastern and Central Europe, Turkey, Russia, and even South America, where it will be a replacer for Clio II.
Renault Thalia, a model which also sold only in most of emerging markets needed to be replaced by the new Symbol, built in Turkey and based on a remodeled version of X65 platform, upon which both Twingo II and Clio II are also built. Symbol/Thalia has been manufactured only in small volumes; Starting with 2009, this car production was ramped up, with an excess of 60,000 annual productions, forecasted from 2009 until 2012. Since Symbol is a low-cost car sold in emerging markets, Renault’s strategy was questioned, mostly because it will cannibalize the Logan sales. However, Renault claims that the Symbol brand will be positioned above Logan and that the two cars are supposed to complement each other. It specifies that while Logan targets pragmatic first-time new-car buyers mostly interested in price and reliability, Symbol targets more status-conscious buyers, who want a brand-name car that has options which are not available on a low-cost vehicle (Renault Group, 2010).

**Twingo**

Launched in mid-2007, the second-generation Twingo A-segment vehicle replaced Twingo I which had been sold for over 14 years. Based on the Clio II platform, Twingo II is considered to be a big step up from the model that has been replaced, representing a very good entry-level car sold at a competitive price. However, despite its obvious enhancements, Twingo II cannot be sold as much as its predecessor, because of A-segment vastly increased competition which will intensify even more. Twingo II is sold very well in Europe and helped by the new CO2 regulations - across Europe since consumer’s trend is to downsize into more fuel efficient and smaller cars. Twingo’s core market segment is young drivers who may feel the need of taking the car on track and have average comfort for a favorable price. With a 33.9% share, the model kept the number-one spot in France in its segment, but overall it registered a decline in sales of almost 13%. (Renault Group, 2010).

**Modus**

Launched in 2005, Modus subcompact MPV (MPV-B) shares a platform with Clio III. Despite its promising start, Modus had suffered from disappointing sales – thus the daily production reached to 500 units/per day comparing to 1,350 initially. The Grand Modus, a long-wheelbase Modus version, went on sale in the beginning of 2008 and corrected the standard major flaw of Modus – its lack of boot space. In the meantime the standard Modus was face-lifted. Most customers are interested in Modus static qualities, nice design and low running costs than its modest on-road charms (Renault Group, 2010).

**Megane**

The C1-segment Mégane represents Renault’s core model and was totally renewed once with the 3-door coupé and 5-door hatchback’s public debut at the Paris Motor Show, 2008. Mégane III range was a great success which compensated Laguna III failed expectation. Mégane II had a huge success during two years from its launching until the sales started to decline in 2005. Mégane II was sold in many versions like three-door, five-door, GT, Renault Sport, coupe cabriolet, sedan and Grand Tourer. Similarly, Mégane III will follow the same strategy. A step out of Clio, Megane offers higher comfort and definitely higher safety futures and overall quality (Brogan, 2008).

**Laguna**

Renault Laguna II was launched at the end of 2007 and was expected to revive Renault’s financial numbers. It represents a symbol of new high-quality levels. Laguna II on the other
side suffered from important quality issues. Its successor had the aim of improving quality which succeeded but the reputation of its predecessor brand and the conservative design also were some of the reasons that damaged the sales. Moreover the economic slowdown, partly due to the pressure of CO2 emissions legislation which affects large D-segment vehicles such as Laguna had also a negative influence on the sales. Laguna keeps the French tradition of softness going. The cabin is very refined at speed, which makes the whole package more executive. The car is very spacious offering powerful engines (Renault Group, 2010).

Koleos

Koleos represents the Renault-badged version of Samsung QM5 compact SUV. The car is built in South Korea by Samsung. Like its largely successful brother vehicle Nissan Qashqai (along with all three models – Qashqai/Koleos/QM5 which are based on Nissan X-Trail platform), Koleos is a SUV crossover, first launched in 2008. Comparing to Qashqai, Koleos has better off-road capabilities but however Qashqai has lower CO2 emissions. Renault positioned Koleos in the upper mid-range class vehicles. Offering a good quality for a significant sum of money, comparing to most of Renault models, the SUV does not compete that much on low cost segment. Present in many countries but mostly in Mexico, Colombia and China, the car was sold in approximately 18 000 units in 2008, 20 000 units in 2009 and 40 000 units in 2010 (Renault Group, 2009; Renault Group, 2010).

Table 2. An overview of Renault’s main brands in present time

<table>
<thead>
<tr>
<th>Brand</th>
<th>Brand/model characteristics</th>
<th>Customer segment characteristics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Clio</td>
<td>• Affordable • Reliable • Average quality and comfort • Quite refined design • Less Spacious • Low consume</td>
<td>• Middle-income families • Status-conscious buyers</td>
</tr>
<tr>
<td>Twingo</td>
<td>• Affordable hatchback • Reliable • Good quality and comfort • Low CO2 emissions • Big engine power • Spacious • Sporty car</td>
<td>• Upper –mid income buyers • Young people</td>
</tr>
</tbody>
</table>
The impact of mergers and acquisitions on corporate identities and brand portfolios in the automotive industry

<table>
<thead>
<tr>
<th>Car</th>
<th>Features</th>
<th>Target Buyers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Modus</td>
<td>Affordable mini-MPV, Small car, Reliable, Pretty good comfort, Pretty good quality, Practical, Versatile, High safety (max stars at NCAP)</td>
<td>Young status-conscious buyers, Middle-income buyers</td>
</tr>
<tr>
<td>Megane</td>
<td>Comfortable hatch, Good engine power, Refined design, Quality above average in its class, High safety features, Practical</td>
<td>Status-conscious buyers, Above average income buyers</td>
</tr>
<tr>
<td>Koleos</td>
<td>Affordable SUV, Robust, Reliable, Good quality</td>
<td>Status-conscious buyers, Above average income buyers, Persons concerned by safety</td>
</tr>
<tr>
<td>Laguna</td>
<td>High comfort, High engine power, High quality, Cute design, Spacious, High consume, High CO2 emissions, More expensive</td>
<td>Above average income families - seeking for high quality</td>
</tr>
</tbody>
</table>

Source: Project Responsible (personal communication, April 4)
In its Registration Document (2010), Renault classifies its cars into five main segments of passenger car:

- C segment defined by lower mid-range segment include: Kangoo II, Megane I, II and III, Fluence and Duster;
- D segment or upper-mid range segment: Laguna I, II and III, Latitude, Koleos, and Trafic I and II;
- And E segment so called “large segment” with: Vel Satis, Espace I and IV, and Master I, II and III.

5.3 Analysis of Renault’s impact over Dacia from the brand perspective

Short overview of Dacia brand before being acquired by Renault

The evolution of the Dacia began with Romania’s president from that time, attempting to get closer to the West, but afterwards it was transformed into a more exclusively native production. By the end of 80’s the old models of car passed the limits of obsolescence and became every day less qualitative. However Dacia still remained a flagship product of Romania in the twentieth century, just like the Trabant for East Germany.

However, even if in the communist period Dacia brand was suggesting poor quality, the company had both sold on domestic market and exported more than 670 000 vehicles in: Hungary, Greece, Algeria, Poland, Czechoslovakia, Canada, Argentina, Colombia, Venezuela, Uruguay and even China, success that can be explained because of the assembly line for exports which was not of a poor quality like the one for the domestic market.

Since the Dacia brand was present across multiple country markets across the three major industrialized continents (North America, Europe, and Asia) on a first side it could be said that it was a global brand (Townsend, Yeniyurt, & Talay, 2009).

The brand transmitted a global image based on the distinguishing characteristic - very low price, even if the customers were aware of the poor quality (De Chernatony, Halliburton, & Bernath, 1995). Moreover the competition on that period was not so tough, unlike today.

The period after the socialist period was a blurred one on the beginning, since the company was put in front of the situation of formulating its own strategies and the first 100% Romanian car model appeared after five years, in 1995. However since the exports were no longer so broad, limited mostly to neighbor countries, Dacia brand become a regional brand, sold in multiple countries, but only in one geographic region, all belonging to Europe (Townsend, Yeniyurt, & Talay, 2009). However one of the reasons for which Dacia lost a big part of its markets was because the company did not keep up with the automotive trends from that period.

Dacia under Renault ownership

Further the thesis will analyze the impact that Renault had on both Dacia’s corporate brand strategy and portfolio of brands. However in the brand strategy section it will be discussed the new corporate identity approach and the company’s new brand structure. On what concerns the section of brand portfolio, it will debate the creation of Dacia’s new portfolio, the possibility of being global brands, and the risk of overlapping with Renault’s brands.
5.3.1 Dacia’s corporate brand strategy

Dacia’s new corporate identity

When acquiring Dacia, the main objective of Renault was to develop a strategy of producing a new vehicle for emerging markets, raising Dacia’s productivity and overall producing cars of Renault quality under a low price. On long term, the main purpose was to strengthen the brand's design and the way it was given expression. In addition, Renault wanted to find a way of helping the Dacia brand to become mature and more tied to sustainable development (Wood, 2000). Overall, Renault achieved its purposes and determined Dacia not only to sell its cars in emerging countries but unexpectedly also in European rich countries. One important factor that stays on the basis of Dacia’s success is its corporate brand strategy adopted after the process of acquisition until the present time, presented in the following scheme.

Automobile Dacia became Dacia Groupe Renault. However, Dacia adopts two different brand strategies in parallel, depending on the markets. In Europe and Euromed (Algeria, Bulgaria, Romania and Turkey) Dacia market its cars under its own brand (sustained by Renault’s image – “Dacia by Renault”). In Eurasia (Russia and Ukraine), Asia-Africa (South Korea) and America (Argentina, Brazil, Colombia and Mexico) Dacia sells its cars under Renault brand and visual identity.

![Figure 5. Dacia’s corporate brand strategy.](image-url)
• Renault endorsing Dacia brand

As stated before, Dacia is endorsed by Renault brand. Renault knew that Dacia owned a strong franchise on Romanian and emerging markets in general and thus decided to keep the corporate name of its acquired company (Basu, 2006). But Dacia, as many other car manufacturers who focused more on Eastern European markets, faced difficulties in adapting to automotive industry changings towards a better quality (IfA, 2010). Thus its brand needed a revival and reinforcement. Consequently, The Group decided to sustain its acquired brand with its own corporate brand name in order to satisfy its increase customers’ perceptions (Saunders & Guoqun, 1997). But since Dacia’s brand was in an advanced stage of atrophy, the process was just about to begin. Dacia started to enforce its image slowly. In 2000 it launched SuperNova and three years later Solenza, models that announced the orientation towards a new design. Moreover, the cars added some more qualitative futures. But it was only five years after the acquisition, when Dacia gave up preparing customers for its new orientation and launched Logan – a model designed by Renault French engineers, which became the most successful from the company’s portfolio, followed by Sandero and Duster. Beside the technology upgrading and French engineers design, Dacia’s cars enjoyed a better recognition because of the company’s affiliation to Renault Group and thus benefited from Renault’s brand equity (Saunders & Guoqun, 1997). Even on Romanian market, where Dacia was the leading brand, the association with Renault helped it enhance its corporate image (Kumar & Blomqvist, 2004) towards a safer and modern car. Moreover the idea that Romanians will buy a car designed by French engineers also had a positive influence on Dacia’s brand.

But although for few years Dacia’s sales on its home market recorded large increases, from 2005 the company’s sales entered into a decline and the brand started loosing of its recognition. Thus, on its local market, the company’s branding strategy had a positive influence for a limited period of time. One reason could be that Romanians often relate to the bad history of Dacia. During the socialist period the Romanian car manufacturer offered cars of poor quality especially for its own market. It even had a separate assembly line that was making cars of worse quality for the home market, comparing to the exported ones. However, if Dacia will lose its home market, the company may face difficulties in convincing the foreign customers of its brand equity. The foreign customers can associate the lack of interest from the local customers with a weakness of the company’s corporate identity, since the people that are the most familiar with Dacia, do not find the company and its products attractive anymore.

But, what Dacia did not expect was its success on the developed countries from Europe. In France more than anywhere else Dacia enjoyed Renault’s brand equity. Associating its image with Renault’s (“Dacia by Renault” - written on the cars backside), transformed Dacia into a brand that offers little less quality features than Renault, on a low price. Yet customers from both French and European and Euromed markets are aware of the differences, but due to the trust and credibility in Renault brand they minimize their significance (Aaker & Joachimstaler, 2000).

But with its branding strategy Dacia did not fully followed the theoretical pattern of endorser branding. Although Renault endorsed Dacia brand with its corporate brand name, The Group did not do the same thing with its visual identity. A comparison between the two brand identities can be followed Table 3.
Table 3. Dacia versus Renault visual identity

<table>
<thead>
<tr>
<th>Visual identity elements</th>
<th>Dacia</th>
<th>Renault</th>
</tr>
</thead>
<tbody>
<tr>
<td>Logo</td>
<td><img src="image" alt="Dacia Logo" /></td>
<td><img src="image" alt="Renault Logo" /></td>
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<tr>
<td>Color</td>
<td>Silver</td>
<td>Silver</td>
</tr>
<tr>
<td>Slogan</td>
<td>Think Big pay Little</td>
<td>Drive the Change</td>
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</table>

Renault kept its own identity composed of a silver diamond logo and the “Drive the Change” which suggests The Group’s ambition for innovation and mobility pioneering. Renault Group’s cars meet the challenge of future engine generation based on more efficiency and "Zero Emission" technology (Group Renault, 2009a). On the other hand Dacia adopted a slogan that fits more on its low cost strategy “Think Big pay Little” and a trapezoidal logo with its brand name written on it. While The Group first adopted the diamond shape of its logo in 1925 (Neatorama, 2008), Dacia defined its trapezoidal shape just in 2008 (Ghidul Afaceristului, 2010). The shape keeps almost the same contour, however less sharpen and more feminine. Designed by Renault, Dacia’s new logo represents the outer sign of its cars (Abratt, 1989) suggesting modernity, simplicity and robustness. Comparing to the former blue logo with Dacia written in white, Renault designed for Dacia a silver one (the same color as its own logo). The blue emblematic color was kept on the writing of Dacia, but with a deeper and nobler calling.

- Adopting Renault Corporate brand and visual identity

If on some markets, Renault endorsed Dacia brand, on others belonging to Eurasia, Asia-Africa and America, The Group chose to market Dacia’s cars under its own name and visual identity (Basu, 2006). For instance, Logan was sold under Renault brand and identity in approximately 30 countries, including Colombia, Venezuela, Russia, Ecuador, Argentina, Brazil (as Logan Renault), Iran (as Tondar Renault) (Renault Group, 2009a).

The Group chose this brand strategy for Dacia’s cars because on those markets it owns a better reputation than its acquired company. Dacia’s cars were pulled off from those markets some decades ago because of quality issues and thus the effort of convincing people that the cars evolved into more safe and qualitative ones would have been huge, as much as the risk of failure. Using just Renault’s image offered customers a clearer visibility of what Logan and its subsequent models wanted to suggest – a car of Renault quality but with minimum comfort features on a very low price (Olins, 1990).

Thus, since Dacia did not own a good equity in Eurasia, Asia-Africa and America, selling the cars under a more prestigious organization identity like Renault’s (Ettenson & Knowles, 2006) opened the gates to a great success. According to the numbers registered in 2009 this brand strategy had almost the same success as the endorsing brand strategy adopted for European
markets: there were approximately 600,000 cars sold under Dacia (by Renault) brand comparing to around 500,000 cars sold under Renault brand.

**Dacia’s new brand structure**

Dacia’s cars benefit from both the corporate brand and product equity through using a mixed brand structure (Uggla, 2006). While its product brands suggest a good price-quality ratio, the corporate brand name assures once more the cars values. But, in present time Dacia corporate brand adds more equity to products comparing to the past. Few years after the acquisition Dacia was struggling to demonstrate its affiliation with Renault and thus its tendency to average quality cars on a very good price. Therefore on that period its corporate brand was not offering too much equity. However with Logan model, the company finally demonstrated a considerable change and closeness to Renault’s approach in automotive industry. Dacia aimed to make Logan a world vehicle “No place without its Logan ” (High Beam Research, 2006). The product brand approach aimed to attract customer’s attention on a new car available for everyone (Hatch & Schultz, 2003). After consolidating its image on the low market segment of cars with Logan, Dacia launched other vehicles like Sandero or Duster for the same segment. The two models were also promoted with both the corporate and product name.

On the other hand, the cars branded under Renault image did not aim to consolidate Renault’s image in a certain segment but to add another range of products into The Group’s portfolio. While adding an incremental value to Logan, Sandero and Duster through its identity (Spry, Pappu & Cornwell, 2011), Renault marketed the cars as offering a common sense of comfort features on a very good price. However, comparing to Dacia, Renault adds more equity to the products.

**5.3.2 Dacia’s portfolio of brands**

**The creation of Dacia’s new portfolio of brands**

In the present time Dacia’s portfolio is formed of three main product brands: Logan, Sandero and Duster. Logan is a small passenger car that addresses to middle income families and pragmatic first time car buyers. Its brand equity enjoys reliability, low consumer and low price. On the other hand, although competing also on the low cost segment, Sandero addresses more to young customers. The model owns some unique values comparing to Logan (Petromilli, Morrison, & Million, 2002), offering a cutter design and more quality features. Last, but not least, Duster addresses customers that seek for a more robust car with excellent abilities on rough terrain. So, the brands try to complement themselves in order to address a wider spectrum of customer needs and thus a broader market (Petromilli et al., 2002; Pierce & Moukanas, 2002).

But the creation of a portfolio requires chronological and experience-building process (Chailan, 2008). After being acquired by Renault, Dacia first created SuperNova, the first model equipped with air-conditioning, aluminum rims, corresponding to Euro2 norms. The car was announcing Dacia’s cars new orientation. Then it followed Solenza. With a more pleasant aspect this brand announced the characteristics of Dacia’s new brand identity towards a modern design, doubled by an increased concern for quality. So it was only after preparing the terrain, when Dacia launched the Logan model – the most successful brand of its portfolio until
present time. During time, Dacia accumulated and remained only with – Logan, Sandero and Duster – a group of brands that consists in a permanent source of sustainable competitive advantage (Chailan, 2008). They offer the best price – quality report.

But Dacia’s brand portfolio strategy allowed the company to cope with brand limitations such as breaking into new markets (Chailan, 2008). Logan prepared field for Sandero, which followed approximately the same markets. Also Logan spread Dacia’s mission of creating cars on Renault’s standards, with fewer qualitative futures but lower price, and was sustained afterwards by Sandero and Duster. The efforts of marketing Sandero were lower comparing to Logan. Both Sandero and Duster enjoyed the corporate brand equity built with the help of Logan. However the last two brands aim to continuously consolidate Dacia’s brand.

Moreover the concentration of the brands on some markets allows the achievement of critical mass for reaching scale economies (Chailan, 2008). Dacia benefits from manufacturing cost savings because all there models are built on the Logan platform. Moreover the company also takes advantage of marketing and distribution synergies because all three models are sold in approximately the same countries. Last but not least, allows optimizing the market placement in terms of technological innovations.

**Becoming global brands under Renault ownership**

The brands from Dacia’s portfolio can be considered global mainly because they are sold across Europe, America and Asia (Townsend et al., 2009). Even if branded either of Renault or Dacia’s brand, the product brands transmit the same characteristic all around the world.

The brands’ core values – reliability, robustness and low price – were transmitted to customers belonging to all the three continents (Wright & Nancarrow, 1999). Last but not least, both models were not only produced in Dacia’s plant from Romania. As it can be seen in Appendix 2, in 2010 Logan was produced in Renault’s subsidiary from Avtoframos, Russia; in Somaca plant from Casablanca, Morocco; in Renault’s subsidiary from Curitiba, Brazil; in the subsidiary from Envigado, Colombia; in the subsidiary from Teheran, Iran; and in the subsidiary from Nashik, India. Sandero was also produced beyond Romanian borders in Pretoria, South Africa. Thus the two global brands had easier access to foreign markets, and registered cost savings (Pecotich & Ward, 2007).

Duster has also high potential of becoming a global brand. The car already reached important markets in Europe, Middle East (Syria, Jordan, Lebanon, Egypt) and Africa, and is prepared to penetrate many more markets.

**Overlapping and complementing with Renault’s brands**

Based on Vu’s, Shi and Hanby (2009) model the thesis will further analyze the possible overlapping and complementing brands from Dacia’s portfolio with the brands from Renault’s portfolio. A developed discussion will start from the representation of Dacia’s branding strategy presented in Figure 6.

The vehicles belonging to the same passenger car segment have a higher probability of overlapping compared to those positioned on different car segments. However the thesis seeks to establish the position of all three brands (consisting in Logan, Sandero and Duster) from Dacia’s portfolio comparing to those of Renault’s. The possibility of finding some overlapping brands exist since the Logan car becomes increasingly better equipped.
Figure 6 Dacia’s brands overlapping with Renault’s

**Clio & Logan**

Even if “Renault group has decided to initiate the Logan project to dispose of a product offer complementary to that of the current Renault range” (Constantinescu, Dragoi, and Goldbach, 2010, p.235) there are brands from Renault’s portfolio that may overlap with the brands of its acquired company, Dacia.

First Logan will be analyzed in relation with Clio. Renault positions Clio above Logan. While Logan targets pragmatic first-time car buyers, mostly interested in price and reliability, Clio targets more status-conscious buyers, who want a brand-name car that has options not available on low-cost vehicles. Both models target the low cost segment but Clio is slightly more expensive, money for which it adds few more quality features compared to Logan. The Dacia car is more spacious and may have more success on middle income families while the Renault car puts more effort on its design and aerodynamics especially on the new models and thus may have more success on young customers. But the Dacia corporate brand is continuously evolving. According to the sales growth that Dacia registered in the last few years it can be said that: while Renault is making progresses, Dacia “explodes”. In time Dacia gained customers recognition and appreciation for its ability of creating cars that offer a satisfying quality for a very good price. Therefore from this point of view the risk of cannibalizing Clio’s market raised in the last few years.

But on the other hand, while the Dacia model is very competitive because of its price, the Renault model still dominates in a few aspects like for instance safety issues. Although Logan is way safer than Dacia’s previous models, Clio still gained more stars on NCAP (five, comparing to three) and is generally seen as a safer car.

Therefore another difference between Logan and Clio’s customers may be the Renault car targets customers more concerned about safety futures.
Overall the two brands seem to mostly complement themselves by enjoying different equities and serving different customer segments, but having a closer look to evolution of the top car models from both Dacia and Renault the previous supposition may be questioned. In 2010 when Logan was first launched, Clio had the highest number of cars on sales. But, in time, when Logan started to gain market share and raised in sales, Clio started to lose terrain. Although the chart groups Logan and Sandero sales, it was only in 2008 when Sandero was launched on the European market (the most important for both Clio and Logan) and thus it does not influence too much the correlation between Logan and Clio sales. Therefore it can be assumed that Renault ate from Clio’s market. Consequently the brands may overlap.

Figure 7. Renault passenger cars top models sales.
Source: Billancourt (2010)

So, since it is ambiguous of weather the two brands overlap or complement each other, they will be situated somewhere in between the two possibilities.

In terms of geographic area Logan has success in both Europe and Euromed (sold under the brand of its Romanian manufacturer), along with Eurasia, Asia-Africa and America (sold under the French owner brand). Geographically, Clio’s markets overlaps with most of Logan markets, especially in Europe and South America.

**Sandero & Clio**

Sandero, the fifth model developed on Logan platform is a more nearly-fashionable and modern-looking five-door hatchback sedan which retains the low-cost. The car was initially launched to complement the Latin American line-up of Renault (Supplier business Ltd, 2009) but however the brand quickly became a worldwide sold. With standard safety features like ABS or ISOFIX system (Supplier business Ltd, 2009), and a cutter design Sandero’s image gets closer to Clio’s and consequently the targeted customers resemble. So, these brands overlap.

On what concerns the geographically coverage, Sandero is sold in most of Logan markets and since Logan overlaps with Clio in this respect, consequently Sandero and Clio have markets that overlap.
Koleos & Duster

Although The Group placed Koleos and Duster on different car segments, both SUV’s may fight for a common customer one. Renault’s first cross-over – Koleos - is placed in the highly attractive SUV/cross-over segment, combining the modular design of a compact minivan with the comfort of a sedan, and the on-road capacities of a 4WD. Duster on the other hand offers a spacious, robust and affordable SUV for the lower mid-range segment of passenger cars. The model focused on middle-class buyers that normally don’t afford to buy a SUV.

So at a first look it seems that the two models complement themselves. But comparing to Koleos, Duster registered double the production (see Appendix 3). When it was launched Renault-Samsung car registered 18 000 unit sales, comparing to Duster which had three times more sales. Since Renault has a better image for average to low-cost segment, it is very hard position a SUV for upper-mid class, while The Group has one that fits better into its portfolio. But, this does not necessarily mean that three two cars customer segments overlap, but more that for Koleos is harder to make place on the market. Therefore the two brands were positioned as being complementary.

In terms of market coverage, while Koleos biggest markets are Mexico, Colombia and China, Duster is mostly sold in Ukraine, Middle East (Syria, Jordan, Egypt, Lebanon) and Africa (under Renault brand) and Europe and Euromed (under Dacia brand). However from 2011 the Romanian SUV will be distributed in Mexico, Brazil, Argentina, Colombia, Chile and in the Gulf states. Thus it cannot be established for sure if the markets totally overlap or complement themselves.

Twingo & Sandero

Since Sandero’s equity and customer segment was already discussed, the paper will try to settle weather Twingo offers the same characteristics or not. A modern and comfortable hatchback like the Romanian car, Twingo also targets mostly young people concerned for a “cute” and comfortable car, but however it focuses more on upper-mid income families and status-conscious buyers. Twingo offers a quality and comfort more close to Laguna (the most qualitative orientated model of Renault), while Sandero remains more on the principle of offering a common sense of qualitative features for a very good price. Since both Twingo and Sandero sales raised considerably in the last few years the probability of eating each other markets is low. Overall the two brands are more complementary that overlapping.

Respecting the market coverage, both brands own important markets in Europe (such as France or Germany) and Latin America (such as Argentina or Colombia). Since they are mostly overlapping in this area, they were placed accordingly in the matrix.

So, overall Dacia has brands that may eat from Renault’s markets, such as Sandero and maybe even Logan. But overall, the Romanian brands complement Renault’s portfolio of brands through offering some important elements of Renault quality on a better price.
6. Conclusions and future research

6.1 The outcomes of the paper

In this paper, the researcher sought to discover the possible impact of mergers and acquisitions regarding the brand perspective in the automotive industry, through analyzing some former M&A’s. Moreover the thesis focused on the takeover of Dacia by Renault and aimed to understand the consequences of the acquisition process on the targeted company.

Overall, the M&A’s seem to have an important impact on both the corporate brand strategy and the portfolio on the companies engaged.

6.1.1 The impact of mergers on corporate identities & brand portfolios in the automotive industry

In the merger cases, sometimes the firms involved face difficulties in establishing the corporate identity of their new formed company. This issue stays mostly on the basis of the high differences between each of the merging brand equity. Since the brands that suffered an M&A process have different associations, there is a low probability that the two corporate names offer the same value. This can be even more problematic when the merged companies are very protective with their own brand and persuasive in keeping its brand equity. Consequently this creates confusion among the customer perceptions and, in many cases, leads to a failure. For instance in the case of Daimler & Chrysler it remained confusing what visual identity was the new formed company supposed to express, since the brand of the American car manufacturer suggested risk-taking and assertiveness, while the Mercedes brand suggested uncompromising quality and disciplined German engineering, and moreover, none of the companies were willing to leave its brand equity. Furthermore the same problem appeared in the merger proposal between Renault and Volvo.

However, this issue has consequences also on the portfolio of the organization created after the merger process. When both companies are too concerned on keeping their own corporate and product brands, the portfolio of the new company becomes too complex and does not allow cost savings synergies in terms of components equalization, production rationalization or marketing. For example DaimlerChrysler did not succeed to settle means of inventorying, classifying, and grouping its brands within the portfolio and the complexity of its brand portfolio led to poor productivity and efficiency. However, a complex portfolio has the advantage of covering a wider range of customer segments.

6.1.2 The impact of acquisitions on corporate identities & brand portfolios in the automotive industry

In the case of acquisitions, the process of adopting a new corporate identity applies mostly to the acquired company, which is usually the smallest and less powerful one. In these cases, the targeted firm benefits more than the acquirer, from brand perspective, since the association with a more powerful brand adds more equity to the weakest one. This happened with Skoda or Sear after being acquired by Volkswagen. Both companies took the original VW car function of reliable quality, affordable price and good technology. Moreover the case of Dacia & Renault sustains this conclusion. Since it was acquired by Renault till now, Dacia adopted a new corporate brand strategy that boosted the company’s sales and revived its identity. The
strategy does not follow a straight pattern all over the world and consists in two totally
different brand strategies in parallel, depending on the markets. In Europe and Turkey, Dacia
was endorsed by Renault’s corporate image and marketed its cars as “Dacia by Renault”, and
on the rest of the markets, consisting in Eurasia (Russia and Ukraine), Asia-Africa (South
Korea) and America (Argentina, Brazil, Colombia and Mexico), the company sold its cars
under Renault brand and corporate image. The second brand strategy was chosen to avoid huge
efforts of recalling a brand that was pull out of the market for a long period of time. In
addition, Dacia chose a brand mixed structure that allowed its cars to benefit from almost
equally from both the model and corporate brand equity.

However, it is also important to mention that in some cases, while the less powerful brand
enjoys more equity from the strongest one, the dominant brand can also be influenced through
its association with the weakest one but in a negative way. For instance after being bought by
BMW, Rover started to damage its acquirer brand, so that after only six years BMW had to sell
the English car manufacturer.

On what concerns the portfolio of the acquired company, it can become more competitive due
to the investments that the acquiring company makes. However getting closer to the quality
that the acquirer offers, raises the risk of overlapping with the brand from the buyer portfolio.
For instance in the case of Dacia & Renault the Romanian brand Logan or Sandero tends to
overlap with the French brand Clio. But, the reformation of the portfolio after the acquisition
process requires chronological experience. For instance Dacia and Renault initially prepared
the audience for a robust and reliable car that offers a common sense of qualitative features on
a very good price and it was only after few years when the company launched the most
successful brand from its portfolio - Logan. In the present time this values are consolidated by
the three models from Dacia’s portfolio - Logan, Sandero and Duster and doubled by each
model’s specific equity. Logan is a spacious sedan designed mostly for middle income
families, Sandero a hatchback with a modern design that targets mostly young people, and
Duster a SUV with excellent abilities for rough terrain that targets customers with a slightly
higher purchasing power that normally don’t afford to buy a SUV. So, the brands complement
themselves in order to address a wider spectrum of customer needs and thus a broader market
(Petromilli et al., 2002; Pierce & Moukanas, 2002).

Moreover, it was discovered that since it was acquired by Renault, Dacia’s portfolio evolved
more and more into a dynamic one. Before the acquisition, for 33 years Dacia’s portfolio was
only composed of three main models – 1300, 1310 and Nova, while after 1999 the brands
within the portfolio proved to be way more dynamic. Dacia Groupe Renault used SuperNova
and Solenza for a few years, to announce Dacia’s new orientation in automotive industry, and
in 2004 it has totally renewed the portfolio with the Logan range. Moreover, in 2010 Dacia will
enrich once more its portfolio with a new model. If Logan, Sandero and Duster were built on
Logan platform, the new model will be built on a new platform.

6.2 Future research suggestions

This thesis identified the impact that Group Renault had on Dacia’s brand through applying the
theoretical framework on both the opinions of Dacia’s representatives and on the company’s
tangible evidences (such as the sales evolution, the technical equipment evolution on the cars,
the results on safety tests). Thus the paper focused on understanding the impact on Dacia from the perspective of the company itself. However, the most natural purpose for a future research would be to discover how this impact is perceived through the customers’ eyes. A quantitative research made on international level is therefore suggested. Moreover, a comparison between the equity that Dacia brand aims to suggest and the values that the customers (especially from the developed countries) would attribute to the Dacia brand would be advised.

On the other hand another quantitative research based on the opinions of Renault’s customers regarding their perception of The Group’s brand evolution would be advised. This will reveal if Renault started to loose equity because of its low cost strategy. Beside theoretical implications, the study will also offer important managerial implications. Renault would be able to understand the real impact that Dacia has on its own image.

Another beneficial aspect for further research would be the management of the acquisition as an ongoing process.

Also, an interesting approach for a future inquiry would be the management of the merging brands. Moreover, the challenges that brand management face, influenced by the environmental factors, could be revealed throughout another paper.
References


INTERNET SOURCES


Appendices

Appendix 1 - Dacia’s cars sold under different brands

<table>
<thead>
<tr>
<th>LOGAN</th>
<th>2008*</th>
<th>2008 LAUNCH</th>
<th>TOTAL SINCE LAUNCH</th>
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<td>Eurasia</td>
<td>55,949</td>
<td>74,300</td>
<td>254,473</td>
</tr>
<tr>
<td>Asia-Africa</td>
<td>52,184</td>
<td>74,952</td>
<td>155,568</td>
</tr>
<tr>
<td>Americas</td>
<td>115,712</td>
<td>109,331</td>
<td>276,457</td>
</tr>
<tr>
<td>TOTAL RENAULT</td>
<td>223,845</td>
<td>262,583</td>
<td>686,468</td>
</tr>
<tr>
<td>TOTAL ENTRY</td>
<td>533,302</td>
<td>510,391</td>
<td>1,826,529</td>
</tr>
</tbody>
</table>

Source: Renault Group (2009a, p.50)
### Appendix 2 – Main manufacturing sites by brand – 2010 production (units)

<table>
<thead>
<tr>
<th>Country</th>
<th>Site</th>
<th>Production (in units)</th>
<th>VEHICLES OR COMPONENTS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Renault Brand</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>France</td>
<td>Flins</td>
<td>168,537</td>
<td>Clio II phase 4, Clio III, Megane II, Scenic III 6- and 7-seater</td>
</tr>
<tr>
<td></td>
<td>Douai</td>
<td>194,207</td>
<td>Megane III (coupe-cabriolet), Scenic III 6- and 7-seater</td>
</tr>
<tr>
<td></td>
<td>Sandouville</td>
<td>69,160</td>
<td>Laguna III (hatch, Estate, coupé), Espace IV</td>
</tr>
<tr>
<td></td>
<td>Marbourg</td>
<td>139,261</td>
<td>Kangoo III</td>
</tr>
<tr>
<td></td>
<td>Bastly</td>
<td>80,811</td>
<td>Master II, Master III</td>
</tr>
<tr>
<td></td>
<td>Dieppe</td>
<td>4,881</td>
<td>Clio III Renault Sport, Clio II, Clio III Renault</td>
</tr>
<tr>
<td></td>
<td>Diez</td>
<td>1,160,319</td>
<td>Engines, transmissions</td>
</tr>
<tr>
<td></td>
<td>Le Mans/Villeneuve</td>
<td>2,547,313</td>
<td>Front/rear axles</td>
</tr>
<tr>
<td></td>
<td>Choisy-le-Roi</td>
<td>101,801</td>
<td>European center for remanufactured powertrain sub-systems (engines, transmissions, injection pumps, nozzles, injection systems, cylinder heads, sub-assemblies), new engines and powertrain components, Clio II rear axles, and cabling machinery</td>
</tr>
<tr>
<td></td>
<td>Grand-Goury</td>
<td>N/A</td>
<td>Shipment of CKD kits</td>
</tr>
<tr>
<td>Spain</td>
<td>Palencia</td>
<td>262,076</td>
<td>Megane III, Megane Renault Sport</td>
</tr>
<tr>
<td></td>
<td>Valladolid</td>
<td>95,104</td>
<td>Clio II, Modus</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1,022,036</td>
<td>Engines</td>
</tr>
<tr>
<td>Portugal</td>
<td>Coimbra</td>
<td>962,654</td>
<td>Transmissions</td>
</tr>
<tr>
<td>Slovenia</td>
<td>Novo Mesto</td>
<td>484,594</td>
<td>Transmissions, mechanical components</td>
</tr>
<tr>
<td>Russia</td>
<td>Avtoframos</td>
<td>241,560</td>
<td>Clio II phase 4, Twingo II, Wind</td>
</tr>
<tr>
<td>Turkey</td>
<td>Bursa</td>
<td>87,340</td>
<td>Megane, Fluence, Logan (Renault)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>595,982</td>
<td>Engines, transmissions</td>
</tr>
<tr>
<td>Morocco</td>
<td>Casablanca</td>
<td>39,979</td>
<td>Logan (Renault), Kangoo Ginevres 2006</td>
</tr>
<tr>
<td>Argentina</td>
<td>Cordoba</td>
<td>93,851</td>
<td>Thalia, Clio II, Clio III sedan, Kangoo, Kangoo Express</td>
</tr>
<tr>
<td>Brazil</td>
<td>Curitiba</td>
<td>151,756</td>
<td>Scenic I, Megane II (hatch, sedan), Logan (Renault)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>290,931</td>
<td>Engines</td>
</tr>
<tr>
<td>Colombia</td>
<td>Envigado</td>
<td>46,180</td>
<td>Twingo, Clio II (hatch and sedan), Logan (Renault)</td>
</tr>
<tr>
<td>Chile</td>
<td>Los Andes</td>
<td>337,360</td>
<td>Transmissions, mechanical components</td>
</tr>
<tr>
<td>Iran</td>
<td>Teheran</td>
<td>52,828</td>
<td>Megane II, Logan (Renault)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>84,845</td>
<td>Front/rear axles</td>
</tr>
<tr>
<td>India</td>
<td>Nashik</td>
<td>10,611</td>
<td>Logan (Renault)</td>
</tr>
<tr>
<td><strong>Nissan sites</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Spain</td>
<td>Barcelona</td>
<td>41,437</td>
<td>Trafic II</td>
</tr>
<tr>
<td>South Africa</td>
<td>Pretoria</td>
<td>14,877</td>
<td>Sandero</td>
</tr>
<tr>
<td><strong>General Motors Europe site</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>UK</td>
<td>Luton</td>
<td>72,263</td>
<td>Trafic II</td>
</tr>
<tr>
<td><strong>Dacia Brand</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Romania</td>
<td>Pitesti</td>
<td>339,653</td>
<td>HP4, Logan, Logan van, Logan station wagon, Sandero</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1,688,369</td>
<td>Engines, transmissions</td>
</tr>
<tr>
<td><strong>Renault Samsung Brand</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>South Korea</td>
<td>Busan</td>
<td>274,502</td>
<td>SM7, SM5, SM3, Fluence, QM5 (Korea)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>181,859</td>
<td>Engines</td>
</tr>
</tbody>
</table>

Source: Renault Group (2010, p.15)
### Appendix 3 - Worldwide production by model

<table>
<thead>
<tr>
<th>PASSENGER CARS + LIGHT COMMERCIAL VEHICLES</th>
<th>2010*</th>
<th>2009</th>
<th>CHANGE (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Twingo</td>
<td>163,405</td>
<td>187,470</td>
<td>-12.8</td>
</tr>
<tr>
<td>Wind</td>
<td>6,555</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Clio</td>
<td>444,603</td>
<td>411,291</td>
<td>8.1</td>
</tr>
<tr>
<td>Thalia</td>
<td>93,247</td>
<td>82,163</td>
<td>13.5</td>
</tr>
<tr>
<td>Modus</td>
<td>47,685</td>
<td>69,359</td>
<td>-31.2</td>
</tr>
<tr>
<td>Logan-Sandero</td>
<td>551,748</td>
<td>489,750</td>
<td>12.7</td>
</tr>
<tr>
<td>Kangoo</td>
<td>187,882</td>
<td>151,196</td>
<td>24.3</td>
</tr>
<tr>
<td>Mégane</td>
<td>490,005</td>
<td>459,862</td>
<td>6.6</td>
</tr>
<tr>
<td>Fluence</td>
<td>66,539</td>
<td>10,449</td>
<td>++</td>
</tr>
<tr>
<td>Duster</td>
<td>86,258</td>
<td>115</td>
<td>++</td>
</tr>
<tr>
<td>SM3</td>
<td>124,872</td>
<td>80,488</td>
<td>55.1</td>
</tr>
<tr>
<td>Laguna</td>
<td>54,137</td>
<td>46,919</td>
<td>15.4</td>
</tr>
<tr>
<td>SM5+-Latitude</td>
<td>68,704</td>
<td>64,473</td>
<td>37.6</td>
</tr>
<tr>
<td>Koleos</td>
<td>48,424</td>
<td>28,025</td>
<td>70.9</td>
</tr>
<tr>
<td>Espace</td>
<td>17,251</td>
<td>15,212</td>
<td>13.5</td>
</tr>
<tr>
<td>Master</td>
<td>99,897</td>
<td>59,047</td>
<td>69.2</td>
</tr>
<tr>
<td>SM7</td>
<td>13,747</td>
<td>18,143</td>
<td>-24.2</td>
</tr>
<tr>
<td>Vel Satis</td>
<td>-</td>
<td>1,179</td>
<td>-</td>
</tr>
<tr>
<td>Messec</td>
<td>-</td>
<td>5,706</td>
<td>-</td>
</tr>
<tr>
<td>Autres</td>
<td>10,617</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>
Appendix 4 - Questionnaire

1. Which were the values that Dacia brand suggested before being acquired by Renault Group?

2. What does Dacia brand represent now?

3. How would you define your relationship with Renault?

4. What was the expected impact of merging the two corporate brands?

5. What branding strategy does Dacia follow in present time?

6. What is Dacia’s portfolio composed of?

7. How would you position Dacia’s product brands, comparing to Renault’s?

8. Did you face any difficulties during your relationship with The Group?

9. Do you think that Dacia brand can negatively affect Renault brand?

10. Where do you see Dacia brand in the future?