Renault-nissan Alliance Posts Record €3.8 Billion In Synergies In 2014

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PARIS/YOKOHAMA (July 10, 2015) -- The Renault-Nissan Alliance posted record synergies of €3.80 billion in 2014, up from €2.87 billion the previous year. Purchasing, engineering and manufacturing were the biggest contributors. The launch of the Alliance's first Common Module Family (CMF) vehicles, as well as the recent convergence of four key units, helped drive synergies all three areas.

Synergies are generated from cost reductions, cost avoidance and revenue increases. Only new synergies (not cumulative) are taken into account each year. Accounting for synergies helps Renault and Nissan determine if they are meeting their performance objectives. More significantly, the net savings and revenue enhancements enable both automakers to offer higher-value vehicles to customers around the world.

"Our Common Module Family system continues to drive synergies in all major areas,from purchasing to vehicle engineering and powertrains," said Carlos Ghosn, Chairman and CEO of the Renault-Nissan Alliance. "At the same time, the recent convergence of four key functions at Renault and Nissan -- Engineering, Manufacturing Engineering & Supply Chain Management, Purchasing and Human Resources -- is accelerating the momentum."

Renault and Nissan converged the four functions on April 1, 2014. While Renault and Nissan remain separate companies, each function is led by a common Alliance executive vice president. Thanks to the convergence, the Alliance expects to overachieve on its goal of generating €4.3 billion in annualized synergies by 2016. That's up from €1.5 billion in 2009.

Common Module Family (CMF)

Common Module Family is the Alliance's unique system of modular vehicle architectures and an increasing source of synergies (to see our **CMF infographic** go toblog.alliance-renault-nissan.com/node/2634/)

CMF enables Renault and Nissan to build a wider range of vehicles from a smaller pool of parts, while at the same time increasing customer choice and quality. Small vehicles are based on CMF-A, while mid-sized vehicles utilize CMF-B, and the largest vehicles use CMF-C/D.

In February 2014, Nissan launched an all-new version of the popular Qashqai crossover in Europe. The Qashqai is built on CMF-C/D and is the third CMF model for Nissan. In 2013, Nissan launched the Rogue SUV in the United States and X-Trail crossover SUV in China. Earlier this year, Renault launched its first CMF vehicles: the New Espace and the Kadjar. Both vehicles are built on CMF-C/D as well.

In 2015, Renault will launch the Kwid in India. The Kwid is the first Alliance car built on the CMF-A architecture and will be produced at the Renault-Nissan plant in Chennai. Datsun will launch a vehicle on the same platform in 2016.

By 2020, the Alliance expects 70 percent of its vehicles to be built on CMF architectures.

Cross production

The cross production of vehicles is also a major driver of manufacturing synergies. Cross production is expected to accelerate across the Alliance following the rollout of the Alliance Production Way (APW) at all plants around the world by the end of 2015. The APW manufacturing system is the result of best practice sharing throughout the organization and allows plants to make better use of their capacity by enabling them to produce both Renault and Nissan vehicles.

In 2014, Nissan began production of the Rogue crossover in Renault's plant in Busan, South Korean, to meet stronger-than-expected demand in the U.S.

The AVTOVAZ plant in Togliatti, Russia, is the Alliance's biggest production base in the world with capacity of nearly one million vehicles per year. The plant produces vehicles under four brands – Lada, Renault, Nissan and Datsun. The Alliance owns a majority stake in the joint venture that controls AVTOVAZ, Russia's largest automaker.

Contribution from other business areas, including sales and marketing

The Alliance is increasingly benefitting from synergies in other areas, such as sales and marketing.

For example, thanks to the Alliance, Renault and Nissan are able to offer customers an extensive range of vehicles around the world. In 2014, the Alliance signed global contracts with several fleet customers, including multinational food-products corporation Danone.

ABOUT THE RENAULT-NISSAN ALLIANCE:

The Renault-Nissan Alliance is a strategic partnership between Paris-based Renault and Yokohama, Japan-based Nissan, which together sell one in 10 cars worldwide. The companies, which have been strategic partners since 1999, sold 8.5 million cars in nearly 200 countries in 2014. The Alliance also operates strategic collaborations with other automakers including Germany's Daimler, China's Dongfeng, Mitsubishi Motors and India's Ashok Leyland. The Alliance has majority stake in the joint venture that owns Russia's top automaker AVTOVAZ.

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