

# Daring to be simple: lessons learned from the Kwid, Renault-Nissan's indian car

by

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## Overview

It is often assumed that innovation involves sophisticated products or specialised technologies, and that it emerges in developed countries before being modified and spreading to developing countries. Renault's car, the Kwid, turns this premise on its head. The Kwid had to be designed and manufactured in India by Indians in order to compete with the cheapest models in the market, and in so doing it rewrote the rules. It had to have an attractive design, but the technical choices made had to be the least expensive. The simplest solutions had to be found, even with respect to the smallest details, and often this meant lowering standards. Imposing such radical ideas on the parent companies required the skill of a charismatic project manager and a very reactive organisation. This experience may be too specific to be able to set a precedent unless it can produce a strategy for global businesses based on the requirements for emerging markets to invent cost-saving solutions which can then be spread throughout the world.

Report by Sophie Jacolin • Translation by Rachel Marlin

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**Christophe MIDLER:** Traditionally an innovation makes an impact on a market by launching high-end products or technologies before they trickle down to lower, less sophisticated levels. Usually it also emerges in advanced, developed world economies and later spreads to developing countries. The Kwid, a low-cost Renault car, has done the opposite. It was designed and manufactured in India, and is starting to win a market share on other continents. In so doing, it is raising questions about standards and manufacturers' processes, and developing new paths in order to move forward. I documented this unprecedented experience during the first three years of its development with my colleagues Bernard Jullien and Yannick Lung in our book 'Rethinking Innovation and Design for Emerging Markets: Inside the Renault Kwid Project'<sup>1</sup>.

### How the project began: from the Logan to the Kwid

**Gérard DETOURET:** The Kwid is the culmination of a car platform project which began a long time ago. When I was in charge of the Dacia programme which saw the launch of the Logan, Sandero and Duster, I was already thinking about creating in each market segment a low-cost car which had a large interior and used simple technology. For various reasons, it did not come to fruition. However, a turn-around took place at the end of 2010 when Carlos Ghosn, the president of the Renault-Nissan Alliance, asked Renault and Nissan to consider manufacturing an entry-level car in all the large continents. Arnaud Debœuf, who had just developed the Duster, was in charge of this think-tank.

Initially, Renault and Nissan chose to explore different avenues. Nissan set about re-using existing material, including a former platform developed by General Motors and AvtoVAZ in Russia, and the Nissan Micra platform in South America. In India, Nissan wanted to work with a local subcontractor, a group of experienced companies, but this lacked the necessary coordination. Needless to say, this did not work out. Renault, on the other hand, worked on a smaller version of the Logan platform, but without a great deal of success. The result was an 'amalgamated' car whose manufacturing costs were too high. Consequently, Arnaud Debœuf and I had the difficult job of persuading the president to build a new infrastructure rather than salvage former premises and materials. At the end of 2011, Carlos Ghosn decided to launch the CMF-A (Common Module Family - Alliance) platform jointly developed by Renault and Nissan.

We then had to choose a country where the costs were attractive. Having worked in India with the Logan programme, we knew that Indian industrialists, who worked essentially in family-run businesses, were extremely fastidious about their expenses and investments. Wages were moderate, and therefore enabled the development and production costs to be reasonable. Nonetheless, we were aware that this would not be easy as we would be facing strong competition from Suzuki Maruti whose sales accounted for more than half the Indian car market.

Up to this point, Renault occupied a place in the Indian market at the top end of the price scale, with its cars costing approximately 10,000 Euros. To put this in context, I should say that today more than 70 % of cars sold in India cost less than 5,000 Euros. Our initial strategy, which may appear surprising, was dictated by the models which we were manufacturing at that time. It prevented us from producing large volumes and therefore from creating a broad network.

Once we had decided that we wanted mass production, we had to target the entry-level car and therefore we put ourselves in direct competition with Maruti, and also Hyundai whose presence in the market was growing. These two manufacturers represented 75 % of the market.

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1. Christophe Midler, Bernard Jullien and Yannick Lung, 'Rethinking Innovation and Design for Emerging Markets: Inside the Renault Kwid Project', Taylor & Francis, NewYork.

I should add that for Indians it is rather unusual to own a European car. Therefore, our products had to be instantly recognisable and innovative in order to justify a purchase which was out of the ordinary.

This was the starting point in our requirement specifications.

## Our watchword: reducing costs

The project began in 2012 in Chennai. We quickly realised that our car should look like an SUV (sport utility vehicle) in order to fit in with the global aesthetic trend. Nonetheless, we still wanted to set ourselves apart from the other cars in this sector including the most symbolic, the Suzuki Alto, which was a cheap entry-level car but which had an out-dated design.

### *Pooling investments*

The most important aim was to minimise investments as much as possible. This is where the Alliance came into play. We set about creating a shared platform which included the manufacture of parts which are not visible from the outside (such as the floor, chassis, engine, gearbox, and behind the dashboard) for Renault's Kwid and its Japanese twin, Nissan-Datsun's redi-GO car. Consequently, each company was able to cut its entry costs in half. A fully-equipped mechanical factory was constructed, and 100,000 copies of each model were produced every year. The design of the platform, the construction of the two cars, the manufacture of the engine and the gearbox cost a total of 400 Million Euros, in other words, a cost which was three times less than if we had used the usual circuit in Europe.

Straightaway Renault made it known that it did not want to have this sort of platform just in India. Of course, we would have to incur similar costs to those in India, but we wanted this structure to be developed in other areas, and especially in the most restrictive region, Europe. The Logan experience taught us that differentiated models could share the same base. This desire for distribution to other countries was met with disagreement from Nissan who wanted to limit itself to the Indian market, and did not want to aim on a global scale because they feared additional costs.

The Kwid was based on four key factors. First of all, it was a break from traditional cars because of its user-cost which was greater than its sales price. In India, 90 % of car purchases are possible because of loans because the purchase amount is not as important a factor as the money spent on using the car. The Kwid was different from other cars because of its design and modern characteristics. Thirdly, it offered connectivity: we were the first car manufacturers to introduce a seven-inch touchscreen navigation system to the Indian market. Today all new vehicles are fitted with this feature. Lastly, despite being a compact, the Kwid has more space in the passenger compartment than average.

The timing was quite tight: the preliminary study finished in mid-2012, and everything should have been finalised by mid-2015. We had to extend the deadline by three months in order to achieve the desired costs.

### *Strengthened and supple organisation*

To develop this project, we organised ourselves into levels. I was the sole person in charge of four hundred colleagues, and I was given the power to make decisions across the board. I was also in charge of department heads who, generally speaking, had risen up through the ranks at Renault or Nissan. They brought the know-how and provided training about the use of car design tools. Apart from the forty expats, the three hundred and sixty Indians in the team had varying degrees of skill and years of experience, often three or four years' experience, which is very little in the car industry.

There were two chief engineering , one for the design of the Kwid, and one for the redi-Go. I managed all the technical teams on the platform. Organisation therefore was tight, very active, and interspersed with ritual and sometimes strained meetings every Friday.