The comparative competitiveness of PSA, Renault and VW, 1990-2015
Origins of differences and strategic choices to do

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Scientific symposium
The competitiveness of automobile industry in France and Germany. Economical, political and cultural context
According to managerial mainstream, the conditions for firms competitiveness at globalization era are

outsourcing
labour costs reduction
offshoring

We now have a sufficient basis for judging the relevance of these recommendations
synopsis

• Volkswagen is the most competitive European generalist carmaker since twelve years (2003-2015) in terms of profits, sales volume and market shares
• Volkswagen is nevertheless the less outsourced, the higher labour costs carmaker and the less offshored, comparatively to PSA and Renault
• the explanation of these counterintuitive facts is to find in the difference of relevancy and consistency of the profit strategies of the three carmakers
Average margin rate above break even point, since 2009

Groups: PSA -2.5% Renault +13.1% VW +49.4%

Margin compared to break even point of Fiat Auto, PSA, Renault and Volkswagen Groups, 1947-2015

Sources: Annual reports of companies.
Elaboration: Jetin B. 1998, Freyssenet M. 2012 and updating
Average margin rate above the break even point of Renault and VW parent companies, since 2009
Renault – 20.6, VW + 41.2

Margin compared to break even point of Renault and VW parent companies, 1947-2015

Sources: Annual reports of companies.
Elaboration: Jetin B. 1998, Freyssenet M. 2012 and updating
Worldwide production comparison 2007-2015
Groups: PSA - 0,5 M  Renault + 0,1 M  VW + 3,7 M

Worldwide production of current European carmakers, 1945-2015
all vehicles

Sources: annual reports, CCFA, OICA.
Elaboration: Freyssenet M., 2009 and uptodate. ISSN 1776-0941

Groups: PSA: +0.54M    Renault: 0    VW: +2.67M

Production of Chinese joint ventures of main carmakers, 1984-2014

Sources: CCFA, OICA. Elaboration: Freyssenet M., 2009 and uptodate.
Western Europe Market shares comparison: 2007-2015
Groups: PSA – 2,3 pts  Renault + 1,2 pts  VW + 4,3 pts

Market share of automobiles Groups in Western Europe (17 countries), personal vehicles, 1990-2015

Sources: ACEA, AAA. Elaboration: Freyssenet M. 2012 and updatings
World market shares comparison: 2007-2014

Groups: PSA – 1,5 pt  Renault – 0,5 pt  VW + 2,4 pts

Word market share of main automobile groups, 1970-2014

Sources: annual reports of companies, CCFA, OICA.
Élaboration: B. Jetin, 2006; M. Freyssenet, 2009 and updatings
Volkswagen, the more competitive European generalist carmaker, was, up to present…

• less outsourced
• with the highest labour costs
• the less relocated
Average outsourcing rate, since 2009
Groups: PSA et Renault 77% VW 65%

Externalization rate n°1 (cost of materials and services / revenue)
of Fiat auto, PSA, Renault and VW Groups, 1967-2015

Sources: annual reports of companies
Average outsourcing rate
Parent companies: Renault sas 93%  VW AG 77%

Externalization rate n°1 (cost of materials and services / revenue)
of PSA, Renault, VW parent companies, 1947-2015

Sources: annual reports of companies
% of purchases from home country, in 2004
Renault sas and its Spanish subsidiary: 44%  
VW AG German plants: 70%

Sources: annual reports of companies
Elaboration: Freyssenet M., 2013 and updatings
Average total labour expenses per employee since 2009

Groups: PSA, Renault 44.000€  VW 54.000€

Parent companies: Renault sas: 69.000€  VW AG: 89.000€

Total labour costs per employee in current €, of Fiat Auto, PSA, Renault, VW Groups and Renault, VW parent companies, 1947-2015

Sources: annual reports of companies
Elaboration: jetin B. 1998, Freyssenet M. 2012 and updatings
World employees number comparison 2007-2015
Groups: PSA -26,000 Renault -14,000 VW +281,000

Sources: annual reports of Groups
Elaboration: Freyssenet M. 2012 and updatings
Europe employees number comparison 2007-2015
Groups: PSA -45,000 Renault -19,000 VW +198,000

Number of employees of Fiat Auto, PSA, Renault, VW Groups in Europe, 1995-2015

Sources: annual reports of Groups
Elaboration: Freyssenet M. 2012 and updatings
Offshoring rate to European lower costs countries
PSA: 51%    Renault: 67%    VW: 47%

Percentage of vehicles produced in Europe outside the origin country of carmaker, 1945-2014

Sources: annual report of VW Group
Elaboration: Freyssenet M. 2013 and updatings
The A segment car models, relocated in Central Europe, were less competitive than their previous models produced in home countries of the generalist European carmakers.
A segment Fiat models average sales
Panda I (Mirafiori): 280.000  Panda II (Tichy): 220.000
Panda III (Pomigliano d’Arco): 160.000
Cinquecento (Tichy): 210.000  Fiat 500 (Tichy): 143.000

Sales of A segment Fiat models, in Western Europe, 1990-2015

Sources: Automitive News, annual reports Fiat
Élaboration: Freyssenet M., 2013 and updatings
A Segment market share of Fiat models

A Segment market share of Fiat models in Western Europe, 1990-2015
according to production location

Sources: Automitive News, annual reports Fiat
Élaboration: Freyssenet M., 2013 and updatings
Average sales
PSA 106/Saxo (Mulhouse, Aulnay): 200.000 each
PSA 107/C1 (Kolin): 98.000 each

Sales of PSA segment A models in Western Europe
by generation and plant, 1990-2015

Sources: Automotive News, annual reports PSA
Elaboration: Freyssenet M., 2013 and updatings
A segment market share of PSA models

Segment A market share of PSA models in Western Europe by generation and plant, 1997-2011

Sources: Automitive News, annual reports PSA
Élaboration: Freyssenet M., 2013 ans updatings
Average sales

Renault Twingo I (Flins): 163,000  Twingo II (Novo Mesto): 127,000

Sales of Renault segment A models in Western Europe by generation and plant, 1993-2012

Sources: Automotive News, rapport annuel Renault
Élaboration: Freyssenet M., 2013 et mises à jour
Market share of Twingo Renault in A segment of Western Europe according to generation and plant, 1998-2015.
Market share of VW A segment models

Market share of A segment VW models in Western Europe according to their generation and production location, 1997-2015

Sources: Automitive News, rapports annuels des constructeurs
Élaboration: Freysenet M., 2013 et mises à jour
Sales of A segment VW models in Europe

Sales of A segment VW models in Europe according to their generation and plant, 1997-2015

VW Up!, Skoda Citygo, Seat Mii (Bratislava)

Sources: Automotive News, rapports annuels des constructeurs
Élaboration: Freyssenet M., 2013 et mises à jour
Segment A market share of carmakers in Western Europe, 1990-2011

Sources: Automotive News, annual reports of companies
Elaboration: Freyssenet M., 2013 and updatings
What was the real cause of competitiveness difference?

- **VW**: the relevancy of its “volume and diversity” strategy and the consistency of its productive model … up to the present
- **PSA**: the breaking of balance between volume and diversity
- **Renault**: investments choices ignore the fact the profit of company is mainly due to its conceptually innovative cars
‘Volume and diversity’ profit strategy, 1

Characteristics

Combination

- of economies of scale for non-visible parts
- And variety of supply for visible parts
### Conditions of possibility

- Constantly increasing demand and moderately hierarchized
- Polyvalent and unionised workers

### Requirements to implement

- Same platform for several car models. Copy the successful innovative cars from others
- Control the management of product diversity, avoid simultaneous under and overcapacities
- Polyvalence of workers and wages moderately hierarchized.
Average volume: VW higher than PSA in 2015
platform: 2,2 times
model: 2,7 times

PSA and VW Group average volume by platform and model, 1980-2015

Source: annual reports of companies
Elaboration: Freyssenet M., 2012 and updatings
‘Innovation and flexibility’ profit strategy, 1

Characteristics

• Profit margins based on innovative models that are a response to new expectations
• Innovation rent exploited as long is possible
• Rapid reconversion to other models, in case of failure
‘Innovation and flexibility’ profit strategy, 2

Conditions of possibility

• Markets partially changed by the periodical emergence of practical and symbolic expectations within new social groups

• Individualist and opportunist employees

Requirements to implement

• Deliver at the right time the conceptual innovative cars expected by new consumers

• Develop highly responsive organisation in all areas

• Encourage creativity, expertise and reactivity of employees
The conceptually innovative car models of Renault many very profitable and some failures

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<tr>
<th>Successes</th>
<th>Failures</th>
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<tr>
<td>• Espace</td>
<td>• Avantime</td>
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<td>• Twingo I</td>
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<td>• Scenic</td>
<td>• Lodgy, Dokker</td>
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<td>• Kangoo VP-VUL</td>
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<td>• Logan, Sandero, Duster</td>
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Electric vehicles ?
Zoé, Tweezy, Kangoo ZE, Fluence ZE
The worldwide production of Renault Group increases since 20 years only thanks to its conceptually innovative models.

**Worldwide production of Renault group by innovation level of models, 1945-2015**

(light vehicles)

- **innovative models of classic range:** R4, R16, R5
- **conceptually innovative models:** Espace, Twingo I, Scenic, Kangoo, Avantime, Modus, Logan, Duster, Captur, Kwid
- **models of classic range**

Source: annual reports and Atlas Renault
Main results of analysis

- outsourcing, labour costs reduction and offshoring did not restore the competitiveness of manufacturers that were before insufficiently competitive
- the competitiveness of enterprises depends primarily on the relevance and coherence of their profit strategy…
... and not on lean manufacturing, or on best practices, or on "disruption", or on benchmark, or on service, or on financial activities, or on "new economy", or on new mobility, nor on factory 3, 4, 5, 6.0 ... nor on any miraculous solutions that are announced periodically, to make more competitive the companies
now…

• VW: the crisis of company governance compromise and the crazy run to be the first in everything and in any place
• PSA: the will to find the right balance between volume and diversity… but…
• Renault: the Carlos Ghosn fantasy of global firm freed of the national constraints
... and in the future
the second automobile revolution

- VW: the announced strategic change to electric and connected vehicles, a way to be forgiven or an actual conversion?
- PSA: ditto, with much less means
- Renault: the first can become the last
http://freyssenet.com

All papers, books and inquiry documents
PSA: too many models and platforms for an insufficient volume since 2003

Number of models and platform of PSA and VW Groups 1945-2015

Source: annual report of PSA and VW.
Elaboration: Freyssenet M., 2012 and updatings