

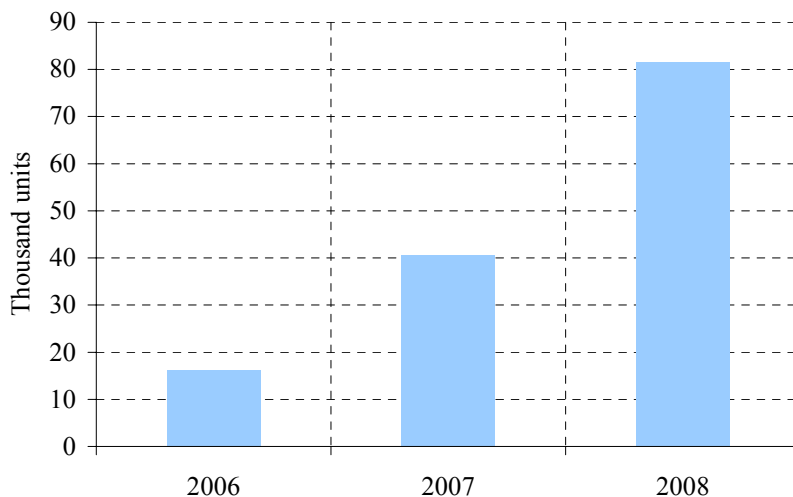
CHEVROLET CRUZE DEBUTS IN THE RUSSIAN MARKET

BY KIRILL LEBEDEV, IFS SENIOR ANALYST, 22 SEPTEMBER, 2009

The US' automaker GM is launching the new Chevrolet Cruze model in Russia. Meant to replace Chevrolet Lacetti and built at GM's plant in St. Petersburg, Chevrolet Cruze will rival popular models of Mazda, Opel and Mitsubishi. Launching Chevrolet Cruze this autumn has proven very timely.

Chevrolet Lacetti has been selling well in Russia: it was the 15th bestselling vehicle in 2006, 10th – in 2007, and it ended 2008 as the second popular car model following Ford Focus.

Figure 1. Chevrolet Lacetti sales



The Lacetti model proved a hit in the Russian market, and GM can be sure that the new model – to be built locally – will achieve the success that Lacetti has had there. GM has made it clear that it trusts in Russia's automotive industry potential. Russian-built Cruze performed well in a test drive, therefore the production of Chevrolet Cruze is likely to become the second successful vehicle projects (after Ford Focus) carried out in Russia. It will be a good argument to investors who may have doubts as to the competitive power of vehicles assembled in Russia.

The new model's technical characteristics and price are competitive enough for the car to make a serious rival to popular Mazda 3, Opel Astra and Mitsubishi Lancer X. Russia will be facing an increasing interest towards fresh models after the crisis, while the demand for old models of Japanese and German carmakers is likely to fall.

Table 1. Technical characteristics of rival cars

	Chevrolet Cruze	Mazda 3	Opel Astra	Mitsubishi Lancer X
Engine, liters	1,6	1,6	1,6	1,5
Capacity, horsepower	113	105	115	109
Maximum speed, km/h	185	185	191	191
0-100 km/h acceleration, sec	12,5	11,2	11,7	11,6
Fuel efficiency (a mix of city and highway driving), l/100 km	6,8	6,9	6,6	6,4
Price, thousand rubles (basic)	540	625	556,7	510

High competition in the ‘under 650 thousand rubles’ segment is a good reason for expanding production of auto parts in Russia. As labor, transport and logistics are more expensive abroad, the use of Russian-produced auto parts will reduce the vehicle production costs. Opel, Mazda and Mitsubishi do not have their own plants in Russia, so this policy will enable GM to put competitive prices on Cruze tags. Also, GM should be ready to step up Cruze production, the more so because before the crisis Lacetti sales exceeded 86,000 units.

Expansion of auto parts production in Russia will benefit the automotive industry because this is a good mechanism for import of foreign technology to be used at Russian-based car-making plants.