



BY ANDREW PIERCE

WHY OUR AUTOMAKERS ARE EATING COMPETITORS' DUST

THE U.S. AUTOMOTIVE industry presents yet another cautionary tale of how myopic thinking can decimate, if not destroy, brand equity and financial performance, leaving an iconic sector of American business choking in competitors' dust.

In the space of 20 years, brands such as Oldsmobile have disappeared from the American landscape altogether. Brands such as Buick, Lincoln and Mercury have more recently fallen from the consideration set of the vast majority of consumers, while Pontiac, Dodge and Chrysler may not be far behind.

Today, U.S. auto companies are paying the price for their inability to direct their focus away from cost-cutting to the longer-view issue of customers, and the strategies that will build demand for new products or brands. Combine that with an unremitting focus on the pricing lever. You can only disguise a pricing move so many times through loyalty programs, employee discounts or special one-time offers. Further, the industry has yet to fully grasp that no matter how much I love a car, my decision to buy can still be largely influenced by where I can have the most desirable customer experience. Without better control of this critical touchpoint, brand equity can be neither built nor maintained, and can just as easily be destroyed.

Finally, U.S. automakers are plagued by Wall Street pressures to deliver short-term results, so short-term sales efforts take precedence over long-term brand building. Brands are neither built nor destroyed overnight, yet most automotive companies lack the patience for brand-building. If General Motors, for instance, took a long-term view, management might have realized that feeding fewer brands would have staved off the loss of 30 points of market share.

Combine these factors with relentless competition that's innovating better and advancing faster than U.S. auto companies, and the perfect storm has been created.

Surviving it has marketers searching for solutions. The burning issue comes down to this question: "Are we better

off launching new brands (a la Scion) or re-positioning our tarnished ones?" The Big Three's favored route has historically been rebranding. Ford, for example, pursued it with the resurrection of the Taurus brand for the 2008 model year, essentially rebranding the existing, poorly selling Ford 500 as the Taurus—just months after the last "real" Taurus rolled off the assembly line. At about the same time, Ford revived the Sable brand, slapping it on the Mercury Montego; it also rebranded the Freestyle Crossover the Taurus X.

Time-honored? Yes. But is that the best way to go? Consider:

From a marketing ROI perspective, the costs to launch new brands in the United States to achieve a positive net present value are becoming dramatically closer to the costs of repositioning one in a bid to change consumer perceptions.

New brands can play a powerful role in a portfolio. Toyota's 2002 launch of the Scion created a brand (and vehicles) that consumers continue to find compelling, differentiated and reliable. Demand has pushed its unit volume to more than 200,000 from initial production levels of 50,000.

Fragmented consumer demand today is the rule, not the exception, creating pressure to offer more choices. This can't be achieved by merely positioning single brands across targeted segments. Can Chevrolet really be both a compelling car and truck brand? Can it support the likes of the Corvette and the Impala? How far can one brand stretch?

A brand can only be repositioned so many times without losing consumer confidence and trust. Buick has been everything from affordable luxury to a Tiger Woods-endorsed car to a Buick SUV called the Rendezvous. The brand has not had a singular or compelling focus or consistent product lineup for decades.

From a brand perspective, different thinking is essential to help the U.S. auto industry emerge from the current

roiling waters. It starts with attitudes and commitment toward new products.

First, new products must be introduced at a cadence that will generate excitement about the brand. What does this look like? Well, for Saturn, two new products in 10 years were insufficient. But looking at other sectors, 3M was an overachiever, introducing hundreds of products annually with few home runs scored. Secondly, new products should be introduced to growing segments within the portfolio, feeding growth brands and segments versus laboriously shoving products into shrinking segments or brands with diminishing equity. Finally, avoid the "me, too" syndrome, which results in the launch of new products or brands that are not sufficiently differentiated.

Philosophical changes are also necessary. One involves the customer experience, and the need to engage customers at every touchpoint and at all levels of the business. Products and services are not bought or consumed in isolation; it all happens within a context or a broader experience. Further, consensus is needed on the end goal of marketing, which should be geared to both building brand equity *and* driving sales—not one or the other. And perhaps the most critical need is that of strong leadership. Whether the challenge is to turn around or reposition a brand or to launch a new one, achieving success requires a high level of commitment.

A more forward-thinking view of accepted brand strategies is not the ultimate solution to all that ails our automakers. But it can't help but point them in a direction to help them dig out of their deepening hole. **m**



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