

Time for a new model?

The ignored importance of brands in the American auto industry

The U.S. automotive industry has had more than its share of bad news these last several months. This article makes the case that two significant contributors to the decline of American automotive companies are an under-appreciation of the role of branding coupled with a squandering of brand equity through badge engineering. The media (and particularly the automotive media) is rightly focused on the business and the economics of the auto industry, while most automotive consumer marketing research focuses on products, features and (of course) marketing.

When it comes to the automotive brands themselves - what they stand for, what health they're in - it seems like everyone is looking the other way. This is generally not the case with German, Japanese or Korean manufacturers, where there is more of an understanding and respect for the brands these manufacturers control and a much more judicious use of platform engineering.

We will explore here how the extravagant use of platform engineering at American auto manufacturers has weakened their brands and put domestic car makers at a deep-rooted competitive disadvantage. We make here a call for there to be a renaissance in the appreciation of branding in the American automotive industry and for a renewal of interest in automotive branding as a source of long-term prosperity for domestic car manufacturers.

Immense failure

No doubt books are being written now on the immense failure of the American auto industry. While the downward trajectory of the American share of the U.S. auto market has been evident for years it was not inevitable that this should lead to bankruptcy. It could have led to smaller but stronger brands. It may yet.

From a strategic perspective the American industry has failed on three essential points:

- Never truly coming to grips with quality small cars, but instead being reactive to consumer demand for smaller vehicles spurred by oil crises. This equating of small = cheap and cheap = poor-quality allowed manufacturers of smaller and cheaper cars to turn around and make high-quality small cars. Look at Honda as a great exam-

snapshot

With domestic automakers attempting to rise from the ashes, the author argues that a renewed focus on branding could play an important role in restoring a sense of vision and viability to the industry.



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of this; what American auto brand is known for quality small cars?

- Virtually abandoning the luxury sedan market to first the German brands and then to Japanese brands as well. This still has not been recovered, and has left the American industry with hardly any flagship product in which to invest pride and credibility.
- The huge overreliance on short-term price-support marketing to shift product out of dealers (remember employee pricing, “You pay what we pay”?). This distorted the used-car market and severely stressed what was left of brand equity, particularly for General Motors (GM) and Chrysler brands. How can we invest integrity into brands whose products were effectively being given away on TV three years ago?

Excitedly speculating

Among all the media coverage of the decline of the domestic auto industry, plant closings, job losses and the human cost of this failure, the automotive media has been excitedly speculating if GM will “rescue” one of its soon-to-disappear Pontiac cars and re-badge it a Chevrolet, and if Fiat, which now has a strategic voice at Chrysler, will have Chrysler build the Fiat 500 in the U.S. and badge it as a Dodge.

Indulging in speculation about slotting products under badges like this in some giant kind of chess game is really no more than corporate fantasizing that it has some sort of control over consumer tastes. We know from years of work for many manufacturers that consumers are generally not impressed by this; people do understand platform engineering but when this is taken too far - when it becomes badge engineering - then a note of cynicism creeps into consumer opinion and many consumers start to question the benefits to them of such a move.

Do this for too long, as GM and Chrysler clearly have, and Ford nearly has, and the badges themselves (the brands) have the meaning drained right out of them.

Dark art

What’s the difference between platform engineering and badge engineering? Most auto manufacturers around the world practice the dark art of platform engineering, where they go to great lengths to create an engineering base flexible enough to support different vehicle models. The theory is brilliant: design different body styles and interiors to sit on a common foundation. The advantages are obvious, and when it’s executed well it’s very successful, but when it’s evolved into badge engineering, we now know it can lead to near disaster.

While platform engineering uses a common foundation to create vehicles with different body styles and different usage intentions such as the common platform for the Ford Fusion (sedan) and Ford Edge (SUV), badge engineering uses a common platform to create a range of vehicles that are all the same body style, but are presented under different brands (a current example would be these four SUVs from GM: the Buick Enclave, the Chevy Traverse, the GMC Acadia and the Saturn Outlook).

GM has been the past master at this for many years, taking a common platform and spinning three or sometimes four versions of similar vehicles under different brands.

Automotive blogs are great places to study consumer reactions to this type of activity. Consumers often know part of this story but often don’t realize how widespread the practice has been or how long it’s been going on.

Now, the tactical benefits of badge engineering are seductive - gain more short-term share for little extra cost by having more apparent choice out in the market. Still, no one seems to have considered what long-term damage this might do to the brands that have carried this type of cloned product for years. But now we know: Do you remember Oldsmobile?

What we’ve seen in the U.S. auto market over the past few years has effectively been the erosion of

confidence in the product lineup of domestic manufacturers, particularly of GM and Chrysler, because their product ranges have been broad but shallow, offering too many similar models. They have been outmaneuvered by the likes of Toyota and Honda that have product ranges that are both broad and deep.

Question the belief

It’s quite fashionable at present to doubt the value of branding per se. Several books and blogs recently have questioned that great slippery enterprise, which purports to generate added value to products and services. Indeed it may be a good thing to question the belief that identifying with a particular brand of handbag or toothpaste will make you a better person. But when it comes to automobiles it’s actually easy to show the value of branding, and it’s easy to believe in the power of branding when one takes a comparative look at the automotive landscape.

Here’s a simple but quite effective test to explore automotive brand depth: Ask yourself about the “-ness” of it. For example, what, exactly, is BMW-ness to you? Write your answers on a piece of paper. Now, what is Cadillac-ness? Or Dodge-ness? When we do this in qualitative research the richness of data might surprise you. Of course owners of particular brands usually have a larger array of meaning associated with their brand than non-owners. Luxury automotive brands tend to have a richer brand imagery than mainstream brands, simply because they tend to have invested more in their brands over the years and have appreciated that their brand image is as important as their products.

If you own a BMW or a Mercedes-Benz or a Jaguar, it’s not uncommon to find people like you writing down up to 10 attributes of “-ness” for your brand. If you’re an owner of a Dodge, a Buick or a Mercury vehicle, you’re doing really well to find five. You may think this proves nothing whatsoever but I think it’s symptomatic of the fact that auto brands are like house

plants: They need to be cared for, fed, trimmed and put in the right spot.

If brands are used simply as envelopes for carrying product, and if there is no consideration of the health and direction and stature of the brands themselves, then they stagnate, grow quiet and eventually die. American automotive brands are in a perilous state simply because they've ceased to mean much. When they have little meaning within them, they can't contribute enough to the products under their umbrella. They reach a point where they lack differentiation (the "-ness"!) and they lose sight of their unique properties. Once they've lost that, they're done for. After all, why would anyone want to buy a vehicle under a brand that doesn't stand for much?

Great gifts

One of the great gifts that qualitative marketing research has given the automotive industry is the realization that the buying of an automobile is not a strictly rational decision. People who sell cars have always understood this, but people who make cars can still have a hard time believing that something so complex, so expensive, so central to people's lives can be decided apparently on a whim.

My belief as an automotive researcher is that cars, like homes, are actually too important to be left only to an entirely rational decision-making process, that for each of these huge purchases we have to feel good about them. We have to live for years with the results of these transactions so they need to do a lot more than just satisfy a narrow list of functional needs.

There are no really poor-quality cars sold in the U.S. anymore, now that the days of Yugo jokes are over! But even though virtually all cars meet a fundamental baseline of reliability and of minimum comfort, it's clear that this is not enough for most people. Consider: any automotive research project we run will tend to have two interesting consumer insights hovering in the data background:

- One is a phenomenon we call specification drift - simply the consumer assumption that the baseline specification on vehicles gets higher almost every year. For example, years ago one could hear in focus groups the assumption that electric windows would be an optional extra on low-spec vehicles. This feature is now completely embedded in fundamental expectations of vehicles, and it's the same with a host of features that start out as extras and over time become regarded as standard features (think power steering, radios, CD players, automatic door locks ... it's a long list), so the baseline of acceptability drifts ever upwards.
- The second is more subtle. It's the simple desire of people in regular automotive brands (not only the luxury or sporting brands) to want their cars to have meaning. They want their cars to stand for something, to have some personality.

Dynamic and needy

So if we take each of these phenomena we can see that the market is both dynamic and needy: the whole benchmark of quality is rising, vehicles are getting better and most people want their vehicle to stand for something. They want meaning, not just transportation. This is the role that branding plays in the automotive world.

If this isn't proof enough of the effects of branding in this market, consider a more practical test of the power of comparative branding: comparing the residual values of vehicles made under what the industry sometimes calls "twinning" agreements. This is where manufacturers come together and produce vehicles on a shared production line. Each manufacturer brands its own version of the vehicle and while there are small cosmetic and specification differences, the vehicles are basically the same. This doesn't happen very often across competing manufacturers, but when it does there's an interesting real-world case to be studied. Two examples of this would be Nissan and Ford twinning a minivan, where they

produced the Mercury Villager and the Nissan Quest for a number of years, and Toyota and GM twinning a small family hatchback, where they produced the Toyota Matrix and Pontiac Vibe. In both cases the residual values of the Japanese-branded vehicles seem to be higher than the American-branded vehicles. In other words, the Nissan and Toyota versions of these vehicles hold their prices better. Coincidence? Much more likely to be brand effect.

Serious attention

No doubt that the domestic auto industry needs to stabilize but as this is happening serious attention also needs to be given to planning for brand health. Not simply corporate health, but how Dodge, Jeep, Chrysler, Buick, Cadillac, Chevrolet, GMC, Ford, Mercury and Lincoln are going to grow. Most of these brands have wonderful histories, have achieved fantastic things in their time and could do so again, if they are tended, fed, encouraged and cared for.

Brands can be tough things. Consider Land Rover as an upscale survivor brand. The manufacturer of 4x4 vehicles came out of British ownership with the defunct Rover Group where it toyed with engineering input from Honda for some years, was bought and nurtured by BMW, was bought in turn by Ford, and now belongs to Tata Motors of India. Yet it's still Land Rover, still making vehicles full of personality. One wonders if many domestic American brands could withstand the same sort of multiple changes in ownership across three continents over a 20-year span.

Be more proactive

As a research community we often hear from research buyers and users, as well as from practitioners, strong calls for the research industry to be more proactive and to take more of a lead in helping our client companies use the data we provide for them. Well I believe that now is a vital time for the American auto industry to be helped in this way. But how to do this? It leads to some

really interesting ethical questions about the ultimate ownership of brands, the moral authority some owners have over brands and the ability of the research community to really do anything about this.

Consider: there are many shampoo brands, clothing brands and soda brands out there that have very well-mapped brand dynamics, fully attuned sets of brand values, a clear sense of where they are now and what their priorities are for the future. But there is no real evidence that many of the remaining American domestic automotive brands really have this level of brand management thinking behind them.

Research provides many of the tools for good brand management, but we provide these services not for the overall good of the industry we serve, but as vendors to

paying clients in that industry. So as a research community we find ourselves in a problematic situation (as do researchers who serve the financial market): When we see our industry collapsing in front of our eyes, what use is our vendor-based business model now? We have the tools to really help, but how do we do that?

Who really has the rights to the moral ownership of brands that have been managed to near-extinction? (Some automotive brands that are, in theory, dead are in fact very much alive in the world of enthusiasts. There are plenty of people around who still drive and enjoy Oldsmobiles, to take one of many examples. One can still buy Oldsmobile products, there are enthusiast clubs, specialist part suppliers and so on. The only thing is,

there's no one actually making new Oldsmobiles and no one planning future ones. So is the brand really dead?)

Is there a new paradigm for commercial marketing research about to be born from this kind of frustration? One that can somehow serve an industry rather than only specific players within it?

This crisis in the automotive industry, evidence perhaps of the creative destruction proposed by some economists, may indeed lead us to a new way of working, to a new kind of relationship with the companies we have served in the past. Now that it's clear that the old ways of doing things no longer work for the domestic automakers, perhaps we can all work together to find a more successful, more sustainable approach. | Q