

Automotive Opinion Piece

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Some Unintended Consequences of Automotive Brand Alliances – how consumers react to this, and why a Chrysler/Fiat alliance might be a good thing

With the uncertainty surrounding the future of the Big 3 auto makers, the media is full of the economic second guessing surrounding these companies, and of the competing views of pundits who are forming into two camps: either taking a stand for economic Darwinism (let the market deal with them) or taking a stand for a broader social responsibility that includes accounting for jobs and for the engineering skills pool which these companies carry within them.

If the worst comes, and bankruptcy does visit at least one or two of the Big 3, it's pretty clear that the automotive brands which these companies own would be valuable properties, and could be sold, and could have futures outside of their present owners. There's a precedent for this: the collapse of the British auto industry in the early 1990's. The similarities are striking: complacent management presiding over poor quality products do not see the increasing competitive rise of Japanese brands until it's almost too late, then there's a scramble to change, the management consultants are brought in, Government help is sought, and then it all comes crashing down. (I know this because I was there, I helped conduct the consumer research on what became the last generation of Rover cars, this range was the strongest the Rover Group had produced in 15 years, eerily similar to GM today.)

Yet out of this mess in Britain some of the strongest brands not only survived under new ownership, but have thrived and become more international, MINI being a great example.

Now we're not at that stage here just yet, but we're close, and this opinion piece is a plea of sorts for the American auto industry to at least not make one mistake that the British industry made when it was in decline, and that's to actively include consumer thinking over the next few weeks and months in what is developing here.

There are two strong reasons to include consumer thinking as the Big 3 stumble forward: among regular Americans, both current owners of these vehicles and beyond,

there is a huge amount of latent goodwill and loyalty to the automotive brands (Chevy, Cadillac, Dodge, Jeep, Ford and so on) that the Big 3 own, and to many of the nameplates that live under these brands (Corvette, Grand Cherokee, Sebring, Mustang, F-150 and more) even if the goodwill shown to the corporations themselves is fraying around the edges. But there's another reason to bring consumer thinking with us – it's consumers who will ultimately pay for whatever bail outs occur, it's consumers who will buy the future vehicles these companies or their successors produce, it's consumers who need to be convinced that American branded automobiles of the future are well designed, well build and reliable, and it's consumers who will vote with their feet and choose a Japanese or Korean or German brand if future American products don't cut it.

This tragic state of affairs is being cast by many as a business problem or a recession issue but at root, this whole mess is a consumer issue: failure to engage consumers has led to this. ONLY by engaging consumers and appealing to their imaginations and their pocket books will the automotive sector get healthy again.

Which brings us to the potential alliance between Chrysler and Fiat. Alliances like the one proposed here have not had a good run these past few years. As automotive researchers we have noticed some interesting effects on consumer thinking influenced by alliances (think Daimler and Chrysler) or changes in ownership of automotive brands (think Ford's ownership until recently of Jaguar).

Alliances and ownership changes seem to have formed a distinct pattern of behavior when one of the Big 3 is involved:

- Initial enthusiasm on the part of both parties and of consumers that one company has been saved, the other cast as savior
- Growing dismay among loyal owners of the more upscale brand in the relationship, that their brand will somehow be 'diluted' by the new relationship (and we know from consumer research that this can take a product generation to convince loyal owners that things are still OK or have even improved)
- Real behind-the-scenes work to improve the engineering and manufacturing base of the weaker brand
- A misreading of the turn around time it takes to reap the full rewards from such a move on the part of the stronger company, shareholder pressure to do something
- And a messy parting of the brands once more

From a consumer perspective, and especially from an owner's perspective, the initial enthusiasm gives way to suspicion or apathy if visible and tangible changes don't manifest themselves fairly quickly.

The irony here is that it's pretty clear that both Jaguar (courtesy of Ford) and Chrysler (courtesy of Daimler) benefited in major ways in terms of their engineering and manufacturing capabilities. Better made vehicles with more engineering depth have been the practical result in each of these relationships, yet both these relationships ultimately failed. Why? There's the obvious response that both the active partners in these relationships simply got fed up waiting for a big pay off, and had to sell units to conserve cash for themselves. This clearly IS a major reason but it's not the whole story.

In each case there were not enough attempts made to bring consumers into the center of the unfolding story, not enough explanation for potential buyers of any of the products concerned about how these alliances could benefit them.

Consumer research provides some deeper clues as to why these particular relationships failed, and also points to how the Chrysler/Fiat alliance could succeed. We know from image and satisfaction tracking data that the very real improvements made in manufacturing these vehicles takes years to filter up through the owner base, where it's measured as customer satisfaction. For example Jaguar products are now at the top of the customer satisfaction tables, due largely to Ford's hard work, but Ford has already sold Jaguar. If this is an improvement cycle that takes years to prove itself, there's strong evidence that consumers need proof faster than new product cycles alone can provide.

Chrysler and Fiat take note: while you're working out the business of an alliance, consumers who like your brands and want your products will be waiting impatiently for tangible evidence that something has changed for the better. What's that evidence to be? PR won't be enough.

In conducting research with owners of Jaguar and Ford products over recent years it became clear to us that there was a kind of reverse 'assumption of influence' going on. To explain: conducting research into potential future Jaguar products we would often hear Jaguar owners respond to future designs by saying, in effect, "I can see some Ford influence in this design...". This was said in generally disparaging tones, was usually critical, driven by a concern among Jaguar owners and others who have feelings for the brand that the brand was being diluted in some way. So here's an example of an unintended consequence of Ford's purchase of Jaguar: a real concern that Jaguar products would be diluted by Ford, at the design and styling level. We know from further research that this perception had its roots in the perceived market sector disparity between the Ford and Jaguar brands – Ford, the maker of great pick ups and family cars controls Jaguar, the maker of sports cars and luxury sedans. This created a tension which was never fully resolved during the time Ford owned Jaguar.

Chrysler and Fiat take note: we know there's little natural overlap between your product lines (a good thing) but what about the relative stature of each of the brands in consumers' minds? Basic imagery would indicate that Chrysler and Fiat are each at heart popular mainstream brands and this bodes well for a good fit between them. One will likely not be seen to be outclassed by the other and this is important.

Interestingly, the concerns voiced by Jaguar owners about dilution by Ford (and by Mercedes-Benz owners about dilution from Chrysler) simply stopped when the brands parted company.

So it's likely that in the US at least, in new product research conducted by Chrysler in the future, the researchers will hear this sort of comment from loyal Chrysler or Dodge or Jeep fans: "Well, I think I can see some Fiat influence in what you're showing me..." The trick here will be to have such influence seen as a positive contribution and not as a dilution of brand equity.

One further aspect: this will be the third time Chrysler has entered into an Alliance with another auto manufacturer, so their culture should have some experience and memory of how to best achieve synergy quickly, it shouldn't be such a cultural shock as it might be to some companies.

There are several valuable lessons to be learned about how to succeed with automotive alliances, no matter how pressing the economic or business case might be. It's just possible that the Chrysler/Fiat alliance could work where others have failed if the parties keep consumer needs right at the center of the process. To simply wait the 2 years plus until some Fiat designs start rolling off Chrysler production lines in the US is simply too long to expect consumers to hold their breath. Once the alliance becomes reality, there needs to be action within a few weeks to at least get some Fiat or Alfa Romeo models into Chrysler and Dodge showrooms, even if the cars are for display only. Consumers need tangible proof that they could benefit from such an alliance, asking them to wait for years will simply result in failure.

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