

STRATEGIES CONDEMNED TO FAILURE IN THE CAR INDUSTRY

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One of the categories of competitive strategies forthcoming from the “strategy clock” model involves those condemned to failure. These strategies are defined by the fact the value added perceived by the customer is below the price to be paid for the product or service, thereby reducing its appeal and driving the customer to seek other more attractive options on the market.

We can find certain examples of such cases in the car industry referring to models of vehicles that have failed because the value perceived by the customer was less than their market price. In all these cases, the corresponding maker was forced to proceed to the untimely withdrawal of the product from the marketplace, with the ensuing impact upon the company’s image and its income statement. Let us consider certain major examples.

In 2000, Audi launched the A2 model to compete with the extremely successful Class A Mercedes. This was Audi’s first city model and came equipped with a number of highly attractive features. For example, the bodywork was made of aluminium, thereby reducing the car’s gross weight and, therefore, its fuel consumption. However, a price tag of more than 18,000 euros meant it was hardly competitive on the market if we compare it to its peer models from other makers. The car was withdrawn from the market in 2005. In this case, the overly high price was the main cause of its downfall.

The second generation of the Ford Scorpio arrived in Spain in 1994 as the successor to the previous model that had been very popular. The car was fitted with good features for the time, but it had two problems: 1) an overtly US-style design, which is not a good selling point in Europe, and 2) a very high price of around 30,000 euros at that time. The model was prematurely discontinued in 1998. In this case, a combination of the reduced value perceived by the customer because of the design and a high price led to the strategy’s failure.

The Lancia Thesis is an executive car that merges a ground-breaking design with advanced features (button-operated handbrake, voice control of certain systems or a roof with solar panels for energy storage). In spite of this, the model met with little success in terms of the number of units sold in Spain. The reasons that can be adduced in this case mainly involve its extremely high price of more than 40,000 euros for the basic model. So although objectively it was a quality car, customers could not accept that its price was on a par with other more recognised brands on the market in this segment (Audi, BMW, Mercedes) so the perceived value was not as high as its price tag. The case of the Renault Vel Satis is similar to that of the Lancia Thesis. Its innovative design and high price rendered it unattractive for the target audience in this class of executive cars, so it was withdrawn from the market in 2009 following very low sales figures.

In 2002 Mercedes launched its new Vaneo model onto the market as a compact MPV designed to compete with the success of the Renault Scenic. The model’s design was based on an industrial vehicle adapted to the role of an estate car. The result was a model that was not particularly attractive yet carried the price of a prestigious make like Mercedes: as from 20,900 euros. In this case, the low perceived value added (unappealing design) came with a high price, so the model was withdrawn in 2005.

Finally, it is worth mentioning the case of the Volkswagen Fox, the successor to the Lupo model. The latter was extremely successful as a small city car that was remarkable for its design, quality and range of engines and features that surpassed the norm in its segment. The model was retired from the market in 2005 without the company having made provisions for replacing it with another similar and more advanced model. In its place, it launched the Fox, a much simpler and more basic model, designed for the South American market, being made in Brazil and exported to Europe. Although its level of quality did not live up to its predecessor's, its price remained about the same, so the sales figures were well below both expectations and the previous model's performance. In this case, the company reduced the product's quality whilst maintaining its price, which customers viewed as being detrimental to the relationship between the value added perceived and the price paid.

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