XSEED Analytics

Marketing Analytics in a Large Car Manufacturing Company

Background

In France, small cars accounted for 43.7% of the new cars sold. In contrast, they accounted for 32.2% of the new cars sold in Europe. The small car market was more developed in France than in most other European countries largely due to taxation policy: owners of small cars pay significantly less car tax than owners of bigger cars or cars with powerful engines.

Challenge

Several competitors had already introduced multiple small car models. A large car manufacturing company had to re-evaluate its strategy because of the dramatic success of the newly launched model by a competitor. Within 12 months, the competitor's model had gained a market share of 8.9% and become the third best-selling model in the small car market in France. The magnitude of the success of the competitor's model took everyone by surprise. The competitor's model changed the characteristics of the basic category, forcing other manufacturers to offer more than basic transportation to remain competitive. It gave customers a distinct, original style, flashy colors, greater functionality and more interior space than cars of similar size. It was the pioneer that confirmed the demand for an urban, stylish car. The company management felt that the current product line did not have the appeal to compete with the competitor's model. Given the challenge from the competitor's model and the importance of the small car market to the company, it needed to respond quickly. The company management decided therefore to develop a new small car using the same chassis as its other model. While this saved time and cut the development costs to $250 million (instead of the usual $1 billion or more to develop a new car), it restricted its ability to build the new model on the basis of technical innovation. Instead, the idea was to use innovative styling, features and maneuverability as a basis for marketing the new model. The company top management said, "The competitor spent more time researching the needs of small car buyers at the product development stage of its new model than we did with our new model. We did not have the luxury of time. We could not first research consumer needs. The new model is already developed and therefore we need to find an appropriate target market for the product, rather than the other way around."

Solution

Our marketing analytics team conducted 30 focus group discussions to elicit the reactions and attitudes of the potential customers towards the company's new model. Then we conducted more structured personal interviews to understand the customers' perceptions of the company's new model relative to its rivals. We found that demographic variables were unable to identify the potential target market. So we used psychographic segmentation to identify the potential target market. We developed perceptual maps using analytics to understand the customers' perceptions of the company's new model relative to its rivals.

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