

Your role:

- *Present your recommendations for the M-Car Case in about ten minutes. Do this as if you were actually presenting to top management at National Motors. Your job is to persuade management to follow your suggestions.*
- *Assume that it is now one year before the launch and that National Motors has called you in as an outside consultant because they heard that you were experts on formal planning and that you had some useful techniques that you have applied to this problem. While they believe that the M-Car will be a big success, they want some reassurance.*

Sales and Marketing Planning of the M-Car

Henry Baker, the head of the Planning and Programming Department of National Motors, was re-reading his report on the sales and marketing planning of the M-Car. As he was in charge of forecasting and planning for National Motors, he has been involved from the very beginning with the conception, design, and marketing of the M-Car. Finally, it was nice to see the final product being ready for mass production and distribution. He could not but feel proud of himself as he was putting the final touches on his report.

Studies by our company on the M-Car automobile have covered a period of 10 years. These studies concerned owner likes, dislikes, and product "imagery" (the pictures in people's minds of the kind of car they would like). As professional marketers are aware, we are using "imagery" in the automobile industry. We found that cars have personalities and that people buy cars which they believe best exemplify their own personalities. This made it easier for us to plan our product. If we could first establish a share of mind with the car-buying public, then we could more readily establish a share of market for the M-Car line.

For years there has been a growing trend toward cars in the small and medium-price class. Where once the traditional makes in this field were about one-fifth of industry sales, they now account for three-fifths of all sales. Even "low-price" makes have entered this market with models that, in price, overlap the bottom level of the medium-price class.

One reason for the growth of this market has been the tremendous rise in consumer income since World War II. Not only has disposable personal income increased, but the percent of this income spent for automobiles has increased from around 3.5 percent to more than 7.0 percent today. Forecasts for the years ahead show that disposable income will go even higher, even though its growth will be lower than in the 1960's and early 1970's.

Clearly, the economic climate favors a continued trend to medium and low-priced cars. Federated Motors has three makes in the medium-price class and four in the low-price class. Consolidated Corporation has two major entries in the medium-price field and one in the low range. National Motor Company has only one low-priced car. Then, of course, there are foreign makes, but we expect that, once we adjust to new consumer attitudes, foreign competitors will not be as serious a threat as they are at present.

In search of the kind of car to develop, research studies took us to the consumer's mind, where we sought to find the optimum imagery point on several scales: one, a young to old; another, a masculine to feminine; and third, working man to well-to-do. We asked consumers which cars do you think a younger person might buy, an older person, and so on. On the basis of these interviews, we planned our car to follow the personalities of those makes more centrally located between the extremes of these three scales.

We also research such images about workmanship, speed, trade-in value, and appearance. And, again, we explored social imagery by asking large numbers of consumers what car they thought of as being owned by a doctor, lawyer, dance-band leader, community leader, etc. Our stylists tried to design a car with a personality that fits a wide segment of the market.

As a result of our research, we will advertise the M-Car as “the smart car for the young executive or professional family on its way up.” It will say to the young man, “M-Car has faith in you, son.” To attract families, it “will not be exclusively masculine” but “will seek a wholesome ‘good’ role.” We will offer “successful status to National Motors owners who are trading up.” M-Car will attempt to exploit two dependable tendencies of auto buyers: to trade up, and to stick to the same family of cars.

M-Car Styling

M-Car styling began in 1969. Studying existing cars, the stylists found it difficult to distinguish makes at a distance of a city block. They even scanned car tops from the roof of a ten-story building overlooking a parking lot to see what distinguishing features might help make the M-Car stand out from the pack. M-Car stylists were asked to be both distinctive and discreet, which were, in a sense, paradoxical objectives. It’s easy to be distinctive *or* discreet, but not both.

Since M-Car’s research could give only a general idea of the styling car buyers prefer, the actual features and form of the car had to be developed in a stylist’s ivory tower. Stylists attacked various “themes” and boiled down hundreds of sketches to two dozen “comprehensives” to show top management. Then, they boiled the “comprehensives” down again to ten sketches, and finally started on clay or plaster mock-ups. The final concept as it looked in plaster was satisfying to every designer in the company, and when you get 800 stylists under one roof to agree that they like a creation, you have unusually high agreement.

M-Car styling was “locked up” in August 1970, except for minor alterations. By January 1971, M-Car was committed on its special tooling orders for the 1973’s, was ordering engines, transmissions, and other major items from other company divisions, and was arranging facilities to accommodate production. Last winter, orders for trim cloth, interior hardware, and other miscellany were placed. Although the first 1973 M-Car won’t roll off the production line until Fall 1971, our management is already working on the 1974 and 1975 models.

The new M-Car line will feature 18 models in four series, a complete line of automobiles. The lowest priced series will be priced competitively with the lowest-priced car you can buy. Our other two series will cover the medium-priced car segment.

National Motors Company has invested \$850 million in the M-Car before a single car has rolled off the production lines—a major venture in a relatively unpredictable market. However, the men in the company tried to reduce the margin of error. We have studied and rehashed 4,000 separate decisions, from the pros and cons of hubcap styling to the basic question, why build an M-Car at all?

Prototype cars have been under test since October 1, 1970, and more than 1,250,000 miles of testing have been completed. Road tests have been made including mountain, city traffic, and desert driving to get the “bugs” out. Pilot-production cars were built during April to prove out production parts, and the results were good.

We have to plan far more than three years in advance, but it is difficult to know what people will want in a car in the future. Mistakes in the auto industry are all big and must be lived with a long time.

Sales and Marketing Objectives

M-Cars will be produced in six existing National Motors Company plants across the U.S. Our company Board Chairman put our 1973 goals at 3.3 percent to 3.5 percent of the auto market. In a six-million

car year, this would amount to roughly 300,000 cars. Actually, all of us in the Marketing Office expect to do much better than this.

Since announcing that we would sell our cars through a separate dealer organization, 4,600 inquiries for deal franchised in every part of the United States had been submitted by May 31, 1972. To select our dealers, we made a study of all U.S. marketing areas, from major cities to rural counties, carried down to such questions as the proper side of the street for an auto agency in a given town. We plan to have between 1,200 and 1,500 dealers in business when M-Car goes on the market, the bulk of them handling only M-Car (dual dealerships will be restricted to small towns). By 1975, we hope to expand the sales organization to 3,000 dealers, adding 25 percent to the overall National Motors Company dealer network.

While we have little chance of recovering our three-year backlog of development costs in 1973, we count on having the project profitable after the third year of production.

We have reasons to believe that the mood for consumer buying will be good at the time of our introduction. Buyers will have had three years to pay off the installment debt they used to finance their 1970 automobile buying spree. More important, with consumer income at record highs, the general economic outlook is more optimistic than it has been in months.

Selection of Foote, Cone and Belding as Advertising Agency

One of our first problems was advertising. The car would have to have its personality created overnight. Ordinarily, an account of this size would go to one of the largest agencies; it would go, furthermore, to one that did not have a competitive account. Among the top ten agencies in billings, only two were without automobile clients. Of these two, only Foote, Cone and Belding had a network of branch offices, a system nearly all of the other agencies which handle automobile accounts have found necessary to manage the regional dealer advertising.

But we did not jump at the obvious. We have, from the beginning of the division, been determined to be objective about everything, and instead of simply appointing Foote, Cone and Belding, we embarked on the most exhaustive examination of advertising agencies ever made by an advertiser. We began the search in July 1970, by polling National Motors' present advertising agencies, J. Walter Thompson, Young and Rubicam, and Kenyon and Eckhardt, for their recommendations. We also asked National Motors Company advertising people to talk to their friends in the agencies. From the various recommendations, a list of eleven agencies was drawn up. Presentations were made by these eleven, and also by twelve other agencies which asked to be heard.

We were looking for a "mature" agency. This did not mean an "old" agency, but one with a healthy working climate, a good second echelon of management, widespread stock ownership, and stable clientele.

On February 1, 1971, Foote, Cone and Belding was selected as our advertising agency.

Advertising Plans

Consumers will get their first taste of M-Car advertising this July. Initial "pre-announcement" ads will run in magazines. In black and white spreads, they will tell about the M-Car—but only photographs of covered cars will appear. It will be late August before pictures will be released. The magazine campaign will initiate a four media drive—magazines, newspaper, broadcast, and outdoor. Tentative percentage breakdowns for dick-off expenditures in various media are as follows:

<i>Newspapers</i> 40 percent	We are not breaking with the traditional emphasis on newspaper advertising in the auto industry.
<i>Magazines</i> 20 percent	We started our trade advertising in April 1972 with a dealer recruitment campaign in <i>Automotive News</i> and other automotive trade publications. Plans call for a “teaser” campaign in <i>Consumer Magazine</i> starting in July, to be followed by ads illustrating the car after its unveiling late in August.
<i>Broadcast</i> 20 percent	While M-Car has not signed to sponsor any network TV or radio shows, serious negotiations are under way.
<i>Outdoor</i> 10 percent	Outdoor advertising will play an important part during the launching, for the reason that we have no car population to portray a mental picture of the product.
<i>Miscellaneous</i> 10 percent	

We expect the task of “launching” our new car to be a two-year venture, and know that its per-car advertising costs will be competitive with other cars in our price ranges.

The M-Car offers a unique opportunity to do a real dealer education job. For the first time in 20 years, dealers will be offered something new—a new car instead of just a new model. We at M-Car plan to take advantage of this opportunity by stressing to our dealers that they have this added increment of “newness” to sell.

There is no such thing as consumer sampling, with prototypes at about \$100,000 apiece. In addition, security makes it impossible, or not logical, for us to expose our product. Also, it is not possible for us to make copy tests without exposing our hand, nor to do test marketing. When we introduce, we are going to have to introduce at one time all over the country.

Helping the Dealer to Deal

The M-Car is a “profit center.” The dealer makes the decisions and supplies the capital and leadership by which each income-producing department will function. The M-Car Division has created a special department to give the dealer every benefit of company management know-how—a consulting service that is a “first” in the automobile industry. This department has an experienced management consultant in every district office, available to dealers at no cost.

Selling cars in volume is one thing, knowing one’s cost of doing business is another. M-Car Division’s new financial statement helps the dealer accomplish both objectives. It provides an easy-to-read summary of business results by month and year-to-date, so that dealers can analyze their present operating positions and plan ahead with confidence. Dealers get a coordinated set of progress signals. The division supplies skilled assistance to dealers because M-Car recognizes the fact that dealers’ profits and M-Car’s success are built precisely on the same foundation.

Dealer Appointments

One of the most intensive market research programs in history was undertaken by M-Car to learn where to place each M-Car dealer in the nation’s 60 major metropolitan areas. It consists of a series of maps and overlays, locating the major population centers, the various income groups, competitive deal-

ers, and a vast assortment of other information. These data enable us to take advantage of the latest population shifts and trends and to have the best-located dealer network in the industry.

We are not seeking to run anybody else out of business and we are not out to “shrink the economic pie” in any town, city, or state. Instead of taking business away from somebody, we are out to make more business in our industry and in all the communities where we will have good businessmen for dealers.

Generally, the policy will call for exclusive M-Car dealerships, with only 10–15 percent of the dealerships in the “first wave” being dualled (that is, serving the dual function of being a dealer for an old line plus the M-Car). The first wave of dealerships are the 1,200–1,500 dealers in the major cities and counties who must be signed by introduction day. Over a period of several years, a “second wave” of dealerships consisting of 1,200–1,500 outlets in the smaller volume markets will be recruited.

In evaluating dealer applications for franchises, we look at the applicant’s proposed plan, organization, and thinking about how he is going to sell and service M-Cars. Contrary to the things you hear and read, the factories do not want to tell a dealer how to run his business. We want the dealer to tell us how he is going to do it. We do have guides to help him: his reputation as a man of character; adequate finances; adequate facilities; demonstrated management ability; the ability to attract and direct good people; sales ability; proven management ability; a proper attitude toward ethical and competitive things; whether the applicant thinks in terms of being a good citizen; and whether he is the type of man who will give proper consideration to his customers.

Financial guides have been developed to determine the amount of capital needed, but we are more concerned with the prospect’s ideas of how much money he will require to do the job. If he has been successful before, he should know the requirements. Some men can operate with less capital than others. We are not interested in superfluous spending on bricks and mortar—but a dealer should give us adequate representation in his building, equipment, and parts. A big, expensive showroom is not a requirement.

We have estimated that the typical dealer will invest between \$95,000 and \$185,000 in a franchise, and that he should do a mean annual volume of between \$2,200,000 and \$2,800,000. The automotive retail business brings a return that is higher than most retail businesses.

We are looking for quality dealers—men of good reputation in their communities—men of integrity. A good slogan might be, “Quality Dealers for Customer Confidence.”

We want to remember “The Forgotten Man”—the customer—and start giving him the attention he deserves, because no business is better than the customer it serves.

Sales and Marketing Job Ahead Is Big

A richer and more brilliant tomorrow for the American economy seems inevitable. If this were not so, National Motors Company would scarcely have spent \$850 million for the new M-Car, nor would it have received 4,600 inquiries for M-Car franchises at a time when some people say there isn’t any money to be made in the automobile business.

National Motors Company is near the completion of a 10-year capital investment program which involved \$4.7 billion for new plants and equipment and plant modernization. Most of us agree that we have had a tremendous decade behind us, and there’s every sign that another, even more tremendous decade lies ahead. The magnitude of the job to be done in changing consumer habits as well as the great opportunity for expanding sales suggests the need for raising our sights in the sales and marketing area.

When we see our population doubling and, perhaps, redoubling in a single century, when we see the standard of living rising all over the world, when we contemplate the enormous drain on our natural resources in the coming century, when we witness man’s first faltering steps in an atomic age, when we

watch him seeking to penetrate outer space, when we see him trying to harness the rays of the sun, when we observe his determination to unlock the ultimate secrets of the universe, and when we comprehend the vastness of his expectations, we know one thing: that the future is not for little men with little minds. It is not for men without vision who fear progress. The future is for men who dare to have great expectations, and who, with the guidance and encouragement of all the people for whom they strive, will also have the courage, the persistence, the wisdom, and the patience to transform these expectations into realities.

We at M-Car hope to become an important segment of this new sales and marketing expansion that promises a higher material standard of living to all of our people. We also hope that we learn to use this greater material wealth in a wholesome way.