

Case Study 3: MERCEDES-BENZ

From Janis Joplin to Jay-Z, The Eagles to Outcast, Kanye West to Mariah Carey, generations of singers and songwriters have been inspired to mention Mercedes-Benz in their lyrics. Whether the brand offers a dreamed-of aspiration that they hope to access someday, or a signal of their wealth and power, Mercedes appeals to the musicians as well as their audiences. When lyricists beg for a Mercedes, or brag about how many sit in their garages, listeners around the world know exactly what they mean.

The diversity of musicians and musical styles represented in the overall list of songs about Mercedes reflects just how effective the car brand has been at establishing a strong image as a luxury vehicle. But simultaneously, Mercedes-Benz also has developed a specific and strategic segmentation, targeting, and positioning approach that allows it to access unique and diverse markets of consumers and potential buyers. With its various models and strategic marketing plan, Mercedes considers ways to segment customers by gender, location, age, and economic strata, among other factors. Then it determines appropriate methods to appeal to each of those segments with dedicated communications, designs, and car models. Let's consider some examples of its (Segmentation, Targeting and positioning) STP efforts.

Gender

As a function of its “Best Customer Experience” initiative, Mercedes-Benz has launched a multichannel campaign targeted specifically at women. The brand owners expressed their desire to make sure that all customers receive precisely the car buying and owning experience they want. In an attempt to ensure such access and experiences for women, the “She’s Mercedes” campaign features a dedicated website, a print magazine, and sponsored events. The events are mostly networking opportunities, and the magazine prominently features successful women (who also own Mercedes, of course) and their efforts to balance work, family, and other commitments. In addition to similar sorts of stories, the website hosts a platform for consumers to share their ideas and impressions. But the website also features a clever tool designed to target women buyers and position Mercedes as a brand that is friendly to female consumers. Specifically, it gives women the option to use a dedicated configurator—that is, a tool that many car companies provide to help customers build the exact car they want, using virtual tools. On the conventional Mercedes tool, a similar tool allows potential buyers to select their model, color, wheels, audio package, transmission, and so on. On the She’s Mercedes site, the configurator instead focuses more on lifestyle questions rather than soliciting preferred drive train sizes. For example, a potential buyer can list her favorite music, hobbies, and travel plans. An algorithm then proposes several models of Mercedes cars that are likely to fit her preferences. She can add options to those models, or else accept the pre-specified car that the company has targeted especially for her or at least segments of consumers like her.

Location

Mercedes already is nearly everywhere. But it also develops distinct targeting and positioning strategies in the various locations in which it appears. Thus for example, it notes upward trends in its worldwide sales, but it also acknowledges that sales grew by

14 percent in the United States, 3 percent in Canada, 27 percent in South Korea, 4 percent in Japan, and so on. It also pays particular attention to the BRIC nations (Brazil, Russia, India, and China). In all these countries, it has enjoyed strong, double-digit sales growth. Furthermore, Mercedes specifies that in these markets, the luxury car market itself is growing much faster than in other traditional markets. For example, while the U.S. market for luxury automobiles might be growing at a respectable 6 percent annually, India shows promise of increasing by a remarkable 24 percent. Noting the importance of the Indian luxury car market in particular, Mercedes has developed unique and specific methods to appeal to these consumers. For example, it pursued local production options to avoid the high import taxes and keep the cars affordable. Acknowledging the high “chauffeur share,” such that many Indians have drivers to maneuver their cars about, Mercedes made sure to devote attention to the backseats of the high-end sedans it sells there. Similarly, to broaden its appeal in China, where the growing market demands a wider variety of options, Mercedes introduced 15 models in a single year, while also expanding its sales network in that country with 50 new dealerships.

Age

When research showed Mercedes that its average customer in the United States was 52 years of age, the company also adopted a more explicit age-based segmentation approach that would help it appeal to younger buyers. Somewhat ironically, its investigation of buyers in their 30s showed that they actually had strongly nostalgic leanings. They liked the idea of Mercedes as a heritage brand. Accordingly, to position the brand as nostalgic, advertising targeting these buyers features glamour shots of the Mercedes legacy, as manifested in row upon row of beautifully designed cars, from the past to the present. In addition, Mercedes has vastly expanded its product lines to introduce some sportier models and provide a clear contrast to the “boring” sedans that young consumers might associate with the brand. For example, its A-class is smaller but still powerful, available in hatchback versions, and totally equipped with the latest in smart technology. Noting younger consumers’ interest in environmental sustainability, Mercedes also has improved the emissions rate for most of its models and touts its energy-saving innovations.

Economic Strata

For luxury carmakers, the lowest end models in their product lines often represent only a small portion of their sales. Yet these models are critically important when it comes to attracting new customers and, potentially, establishing their lifelong loyalty to the brand. Accordingly, Mercedes has developed some comparatively less option-laden options to lure first-time and unconventional buyers to their dealerships. It introduced its CLA model at a base price of less than \$40,000. When consumers realized that they could purchase or lease a Mercedes-Benz for approximately the same monthly price that they would spend for a high-end Toyota or Honda, many of them switched happily.

For the most part, the target market for such models includes young professionals. These consumers earn a steady income that enables them to take on a car payment—but they cannot pay for a new car outright, and the monthly payments must fit their

budgets. Mercedes accordingly has enjoyed sales increases due to the introductions of the lower-end models. Furthermore, these purchases are not repeat buys: Approximately 75 percent of CLA purchasers are new to the brand. Such statistics suggest an expanded market for the brands. As these buyers age, advance in their careers, and consider more expensive car purchases, they should be more likely to continue visiting the dealerships that provided them with their very first luxury automobile.

Questions:

1. What are the two main segmentation approaches used by Mercedes-Benz to identify its customers? Are there any other methods of segmentation that it might use? Justify your answer?
2. Which Targeting strategy you believe Mercedes-Benz should use for the CLA? Justify your Answer?
3. Identify the type of individual product decisions that Mercedes has to handle for its models? Justify your answer?
4. If the new CLA model has reached the growth stage (PLC), as a consultant, how can Mercedes support this model to strengthen its position at this stage?

Note:

Before answering the questions, make sure you are done with reading of Topics 5,6, and 7 and read the case study very well.

If you will use any external references, make sure you include in-text citation and references.

. Submission of your answers will be through Blackboard as done before with previous cases.

Best wishes 😊