THE "STRATEGY CLOCK" IN THE CAR MANUFACTURING SECTOR IN SPAIN

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The car manufacturing sector has experienced massive change since the beginning of the last century when Henry Ford set out to conquer the US market with his model T Ford. Today, the economies in all the developed nations have dozens of makes competing in the car industry, with differing strategies and positionings, which means we can use this sector as a framework of reference for the application of the "strategy clock" model.

In order to compare the different companies, we shall take as our example those cars of "medium" size. In reality there are different categories and names used to classify cars, such as the ones used by the Spanish Association of Car and Lorry Manufacturers (ANFAC) or the numerous car magazines. Basically, and without going into too much technical detail and/or terminology, we can say that "medium" cars, also referred to as compact or small family cars, are those whose length ranges between 4 and 4.30 metres. These cars are larger than their supermini or subcompact counterparts (Corsa, Clio, Fiesta, Yaris, C2), but in turn smaller than executive or large family cars (Accord, Laguna, Passat, Mondeo, 407). Along these lines, it should be stressed that it is not always easy to choose perfectly comparable models, as in many cases it is difficult to choose the most appropriate one for each category. The issue is further muddied when a company has several models of a "medium" size, as in the case of Seat with its marketing of the Ibiza, Altea and León models.

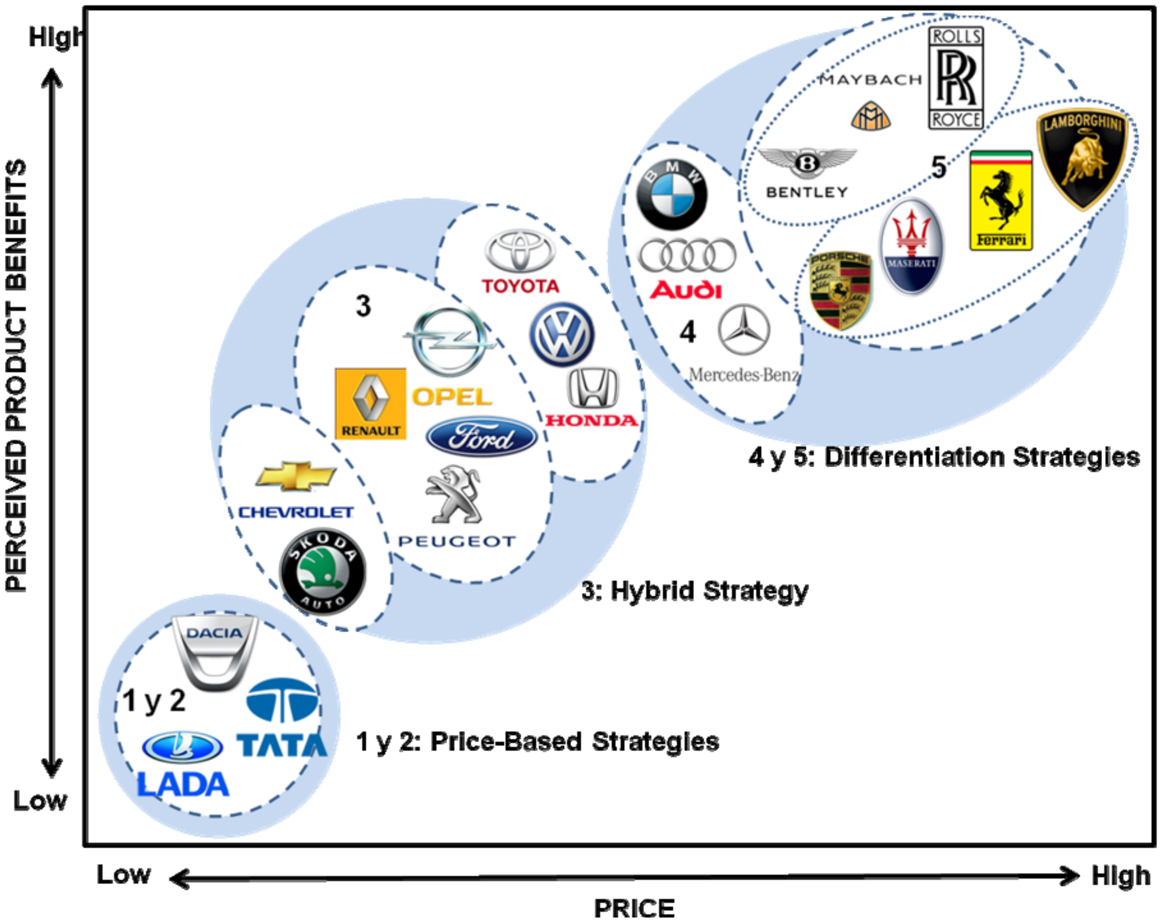
With a view to comparing relatively "similar" products, we have selected "medium" cars that are to a certain extent alike. Nevertheless, and this is where their greater or lesser degree of differentiation is to be found, these cars will have different technical specifications, fittings, features, design and other intangible attributes that will condition the value perceived by the consumer. Table 1 shows different makes and models, together with their average price, which will be used to illustrate the price-based strategies (routes 1 and 2), the hybrid strategy (route 3) and differentiation strategies (routes 4 and 5) contained in figure 1 (see figure 8.8 in Guerras & Navas (2007:295). Regarding the focused differentiation strategy (position 5 in the figure) and given the different nature of the vehicles we encounter in this group, use has been made of another type of car that in no way could be referred to as "medium".

Considering the Spanish market, we might begin by situating those makes that develop **price-based strategies** ; in other words, positions 1 and 2 on the clock. The maker Dacia, with its Logan and Sandero models, is clearly situated in this region on the figure. Testifying to this is the well-known advert it used to launch itself in Spain a few years ago, and in which it was very forthright about its positioning: "*It does the same as any other car, but for only 7,500 euros*" (approximate price of the cheapest version of the basic Dacia Logan 1.4). Other makes we could mention that compete with price-based strategies are Tata and Lada, whose Indigo and Kalina models are also designed for a target audience similar to that of Dacia. These three companies, therefore, market cars that we could describe as medium-sized, simple and economical, with average prices of 10,000 euros. Although it is true that the more basic versions can be found for as little as 7,000 or 8,000 euros.

Table 1: Average price by make and model

Make	Model	Average Price in euros	Make	Model	Average Price in euros
Tata	Indigo	9,801	Opel	Astra	20,492
Dacia	Logan	9,929	Mazda	3	21,502
Lada	Kalina	10,030	Seat	León	21,763
Skoda	Fabia Combi	14,450	Alfa Romeo	147	21,808
Chevrolet	Lacetti	15,341	Honda	Civic	23,621
Citröen	C4	16,787	Volkswagen	Golf	23,854
Kia	Cee´d	18,176	Toyota	Corolla Verso	24,240
Fiat	Stilo	18,615	Lancia	Delta	25,245
Peugot	308	19,559	Volvo	C30	26,125
Renault	Mégane	19,702	Mercedes-Benz	B	27,358
Ford	Focus	19,921	Audi	A3	29,638
Hyundai	i30	20,037	BMW	Serie 1	32,724

Figure 1: Strategy clock in the car sector



Within those companies undertaking **a broad differentiation strategy** we could find, in a position close to number 4, makes such as Audi, BMW and Mercedes, whose A3, Series 1 and Class B models range on average between 28,000 and 32,000 euros. Nevertheless, the models fitted with 3 litre and 250 hp engines, approximately, such as the A3 Sportback 3.2 V6 from Audi or BMW's 130i BMW, are priced at around 40,000 euros. These makes provide products with enhanced design, features and prestige, without generally scaling such exclusive heights as those situated around number 5 with a marked **focused differentiation strategy**. Within this latter category, we no longer encounter compact cars that could in some way be compared to the previous ones. For example, if we focus on the segment of sports cars we would find, on a first level, models such as the Porsche 911 or the Maserati GranSport, with price tags of around 125,000 euros and, one or two echelons higher, the Ferrari 612 Scaglietti or the Lamborghini Murciélago LP640 with powerful engines of more than 5,500 cc, over 500 hp and a price approaching 300,000 euros. In the luxury executive car segment we come across models such as the Bentley Arnage, whose price is in the 300,000-350,000 euro range, or the even more exclusive Rolls Royce Phantom or Maybach 57S, at a cost of around 500,000 euros.

Hybrid strategies or those focusing on the quality-price ratio. As can be seen in the figure, in the centre of region 3 we encounter companies such as Peugeot, Renault, Ford, Hyundai and Opel, who pursue hybrid strategies and provide models such as the 308, Megane, Focus, i30 or Astra, with average prices ranging between 19,500 and 20,500 euros. It should be stressed that this is an average price calculated according to the different versions of each model, and which logically differs from the one normally quoted in advertising, which frequently refers to basic models or special offers. This group encompasses those companies that market cars for the average consumer, and represent the category of vehicles with the highest number of registrations. It is precisely models such as the Megane, Focus or Astra that are amongst the 10 best sellers in the first quarter of 2010, according to ANFAC.

Within the wide range of strategies focusing on the quality-price ratio, we could in turn identify a subgroup consisting of strategies that might also be defined as hybrid, albeit located in the lower part of region 3, and which would be placed with one foot in a strategy focusing on low prices and the other in a hybrid strategy. Here we could include companies such as Skoda, Chevrolet and even Citroën, whose Fabia, Lacetti and C4 models are midway between the 10,000 euros for a Logan or Kalina and the 20,000 euros for a Megane or Focus. Similarly, we could also single out another subgroup, in an intermediate position between regions 3 and 4, and in which we would place companies such as Honda, Volkswagen and Toyota, whose Civic, Golf and Corolla models have an average price of close to 24,000 euros.

NB: The makes, models and average prices have been quoted and calculated according to the data posted on www.automercado.es in April 2010. The average price has been calculated by considering the different versions, so it slightly exceeds the price commonly quoted in advertising and special offers (which usually plug the more basic versions).

Questions:

1. Where would you place the following companies? Seat, Lancia, Volvo, Lexus, Saab, Aston Martin.

2. Use the average prices of the larger vehicles (executive cars) such as the Laguna, Passat, Mondeo, Accord, or Peugeot 407 or, if you prefer, smaller cars such as the Fiesta, Corsa or Ibiza to position the companies within the strategy clock. Do the companies maintain a similar positioning for their various models?