

Building and developing brands in the automotive aftermarket

By Hanns Günther Bollig ©

With the fall of the Block Exemption, a new world of opportunities opens up to OE suppliers. They will now have the right to market and sell their own parts under their own name as original spares in the automotive aftermarket. This enables them to enter a new highly profitable business area, which has so far been limited and regulated by the near-monopoly of the OEMs. However, utilizing this opportunity to the full extent may require new thinking and new attitudes. Whilst the manufacturers of competitive parts have already developed their own brand many manufacturers of captive parts may have to start brand building from near zero. Some of the larger quoted companies of the latter supplier group have already started creating awareness amongst the public; however, much of that effort was rather targeted at getting more people buying their shares than buying their products. This may now change.

Building a brand that is widely recognized by the private customer is complex, expensive and takes time. It includes issues like:

- Matching brand image with consumer expectations
- Developing a future “brand oriented” product strategy
- Developing “Piggybag”-products which can create revenue, building on the image of the core product range
- Selecting and managing the right distribution channels
- Selecting marketing media and advertising
- Continuously “understanding the customer” and managing feedback

A supplier also needs to understand the factors that influence his customer’s choice of product. Is he (the supplier)...

- Operating in an OEM influenced market (the customer prefers an original part of the original supplier of the vehicle manufacturer)
- Operating in a dealer-influenced market (the customer’s choice is influenced by dealer recommendations; price may play a major role)
- Operating in a prime brand market (customer chooses a well known brand based on advertised or experienced qualities of the product; strong end-customer pull forces dealers to stock and sell the brand independent of his own preferences)

A side effect of the fall of the block exemption will be an increase in acquisition activities among companies, which are already present in the aftermarket with their own distinctive brands. Whilst some newcomers to the aftermarket will be faced with the issue of building their own brand, some of the more established players may have to switch from a single brand to a multi brand strategy.

Benchmarking successful brand management:

It is always helpful to look out for lessons that can be learnt from other brands inside and outside of the automotive industry. Such benchmarks, however, should be well selected and meaningful. Benchmarked companies could have....

- Implemented a successful strategy for their brand
- Implemented a successful internal resource sharing or modularisation programme between multiple brands.
- Successfully run multiple brands in the same market
- Failed in building successful multi brand strategies after an acquisition

Typical benchmarking candidates for branded products can be:

The vehicle manufacturers:

Volkswagen, Ford, GM, DaimlerChrysler, Fiat, PSA and BMW are groups that have developed multi brand marketing strategies in order to serve different customers in different markets. All of them are now working on new distribution channel strategies as part of their market differentiation after the fall of the block exemption.

The DIY tool manufacturers:

Bosch, Black & Decker, DeWalt and Metabo produce tools with clearly defined brand strategies. Customer group, functionality, pricing structure, distribution channels, regions and product image differentiate their brands. There is a strong combination of market pull through advertisement and good channel management as dealer recommendations have a strong influence on the purchasing decision of the customers.

The IT industry:

IBM, Siemens, Toshiba, Dell, Apple follow various multi channel strategies. Similar to the DIY market, there is a strong combination of market pull through advertisement and good channel management. Dealer recommendations have a strong influence on the purchasing decision of the customers.

The consumer electronics/brown goods industry:

Thompson, Philips and Sony operate in a similar environment. They have previously acquired competing brands in the brown goods industry. Some of their strategies have failed. Brands disappeared or are in financial problems. Lessons could be learned.

Typically, merged or acquired companies supply complementary products, serve different groups of customers or sell their products in different regions. If there are larger overlapping areas, these are often rationalized or eliminated in the post-acquisition process. However, in cases of continued multi brand policies, these are usually differentiated by

- Region
- Function
- Technology
- Distribution channel
- Price
- Image and customer perception
- Demographics

Other multi brand strategies do not try to differentiate brands by any of the above criteria but let their brands compete head-on in the same markets. In these cases, a common strategy does not exist. Reasons for this can be

- Exploiting existing customer brand preferences
- Safeguarding against any sudden image problem which one brand could experience by substituting lost sales of the one brand by gaining sales with the other
- Gaining flexibility in reacting to newly emerging market trends by gradually redirecting the market positioning of one brand whilst maintaining traditional customers with the other.
- Letting the brands play it out in the market place. This creates a strong natural competitive challenge within the same corporation, which can enhance the performance of both brands. In these cases, the parent is often a holding.

Benchmark categories could be, for example:

Market performance:

- Positioning of the brands in the European markets (country specific)
- Differentiation of the brands against consumer expectations (country specific)
- Channel selection and channel management
- Use of marketing media and advertising
- Choice of marketing mix
- Degree of brand overlap and sales competition
- Expansion of brands; "piggybacking" of other products
- Marketing effectiveness
- Marketing expenses

- Growth rate
- Profit development

Internal effectiveness:

- Production synergies/modularization/product overlaps
- Management structure/distribution of responsibilities
- Organizational overlap/backroom efficiency
- Cost savings
- Profit gains

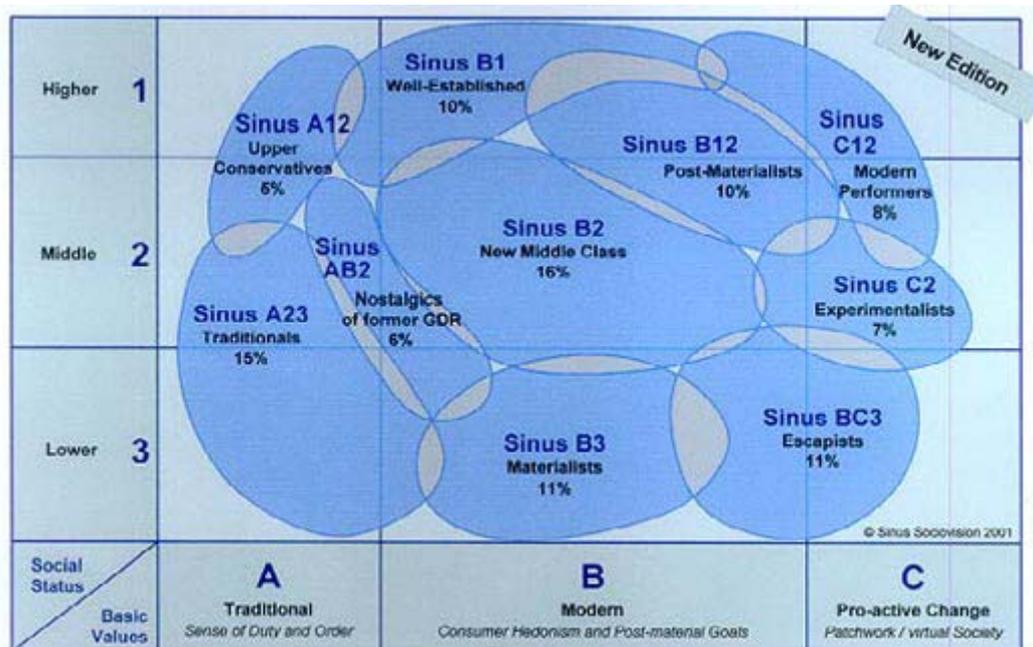
Process effectiveness:

- Time and action sequence for improved brand positioning
- Improvement of product image and differentiation over time
- Investment flow and capital returns over time
- Internal changes

Measuring brand success and improving brand position:

The simplest method of measuring brand success is of course revenue, profit growth and market share. However, to what extent does this give clues for someone who starts building his brand or tries to position several acquired brands correctly in the market place? It is a particularity of the automotive aftermarket that the vehicle manufacturer does not only influence the OE market with his purchasing decisions but influences also the aftermarket success of his suppliers. OEMs are aware of this effect and use this very effectively in their price negotiations with the suppliers. In order to exploit this follow-on effect to his benefit, a supplier could consider mirroring the market position of “his” OEMs and targeting the same differentiated customer groups.

In order to achieve this, Automotive Advisors & Associates co-operate in their projects with Sinus Sociovision, an international market research group. Sinus Sociovision carries out regular market research, based on consumer clusters, called “Sinus-Milieus”. These clusters were developed for each European country.



“Sinus Milieus” Sinus Sociovision, Heidelberg

They describe lifestyle patterns, consumer behavior, buying preferences, personal motivation, spending patterns, use of media and other relevant information about these groups. Data on issues

like the vehicle population amongst these clusters, the relative positioning of the various automotive brands, the preference for distribution channels and the age distribution of vehicles in these clusters provide valuable information for determining the best position of one's own brand. Whilst Sinus Sociovision provide information about cluster characteristics and use of marketing media, Automotive Advisors & Associates deal with the specific issues of the automotive aftermarket and the respective channel management. By combining the skills of a general market research group with the capabilities and specific automotive knowledge of a focused management consultancy, practically all issues of successful brand management can be covered in one project.

This article was provided by courtesy of Mr. Hanns Günther Bollig,
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