

## **HOW TO LAUNCH A NEW PRODUCT IN A WELL ESTABLISHED MARKET? – A case study of Toyota’s Aurion V6, Hyundai’s Nemesis and Tata Motor’s Nano**

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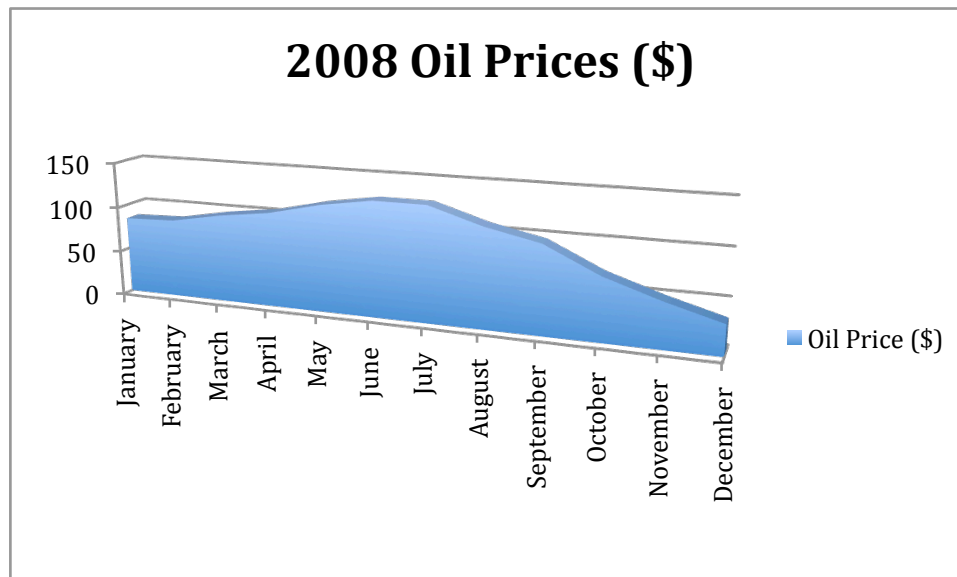
Most businesses change their [product portfolio](#) periodically. One reason that drives this change is the strong internal force of domestic demand. The Nano car, launched by India’s Tata Motors in April 2009, is the result of the demand for an affordable compact car by India’s growing middle class.

Alternatively, the desire to manufacture new products is also driven by the changes in consumer preferences and tastes. Toyota’s Aurion V6 and Hyundai’s Nemesis were manufactured in response to these.

### **TOYOTA’S AURION V6:**

[Market research](#) noted a growing group of Australian drivers who were interested in an alternative car marque. For decades, the big V6 segment was dominated by Holden and Ford. Research also found drivers more interested in premium offerings and looking for options in buying sub-luxury European sedans. These drivers not only wanted power and room in their family sedans, but also were keenly interested in European styling and fuel efficiency, more so due to the fluctuating nature of oil prices that impacted gasoline prices.

**Figure 1: Oil prices in 2008.**



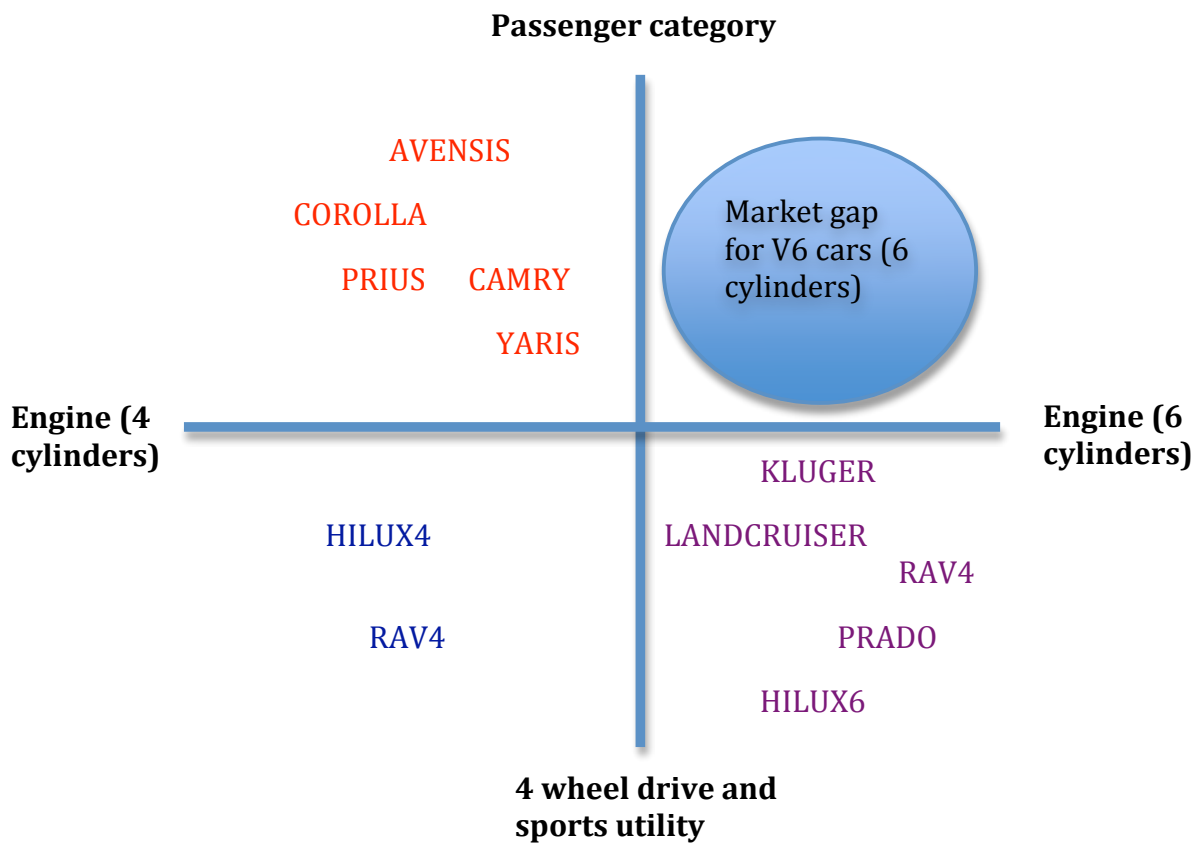
(Source: [www.inflationdata.com](http://www.inflationdata.com))

Toyota analysed this opportunity and came up with a new brand in a seemingly [entrenched market](#). This reflects [Ansoff’s Product Development strategy](#).

In the past 50 years, Toyota has been successful in marketing a number of brands in Australia such as Camry, Land Cruiser etc, but had no significant offerings in the big V6 passenger category, which apparently is the largest segment in the Australian car industry. Besides, Holden and Ford’s “duopoly” dominated the big V6 car market segment. The tag line “*Real Aussies are born into either a Holden or a Ford family*” proved their domination. Holden and Ford customers had considerable **brand loyalty** and were emotionally attached to their family sedans, which meant power and more room, to them, compared with other brands.

Using **Position Maps**, one can notice how Toyota identified a **gap** in the market for big V6 cars and subsequently introduced its Aurion V6 car in 2008.

**FIGURE 2: PRODUCT POSITION MAP FOR TOYOTA (IN AUSTRALIA)**



## **MARKETING MIX (PROMOTIONAL MIX) THAT TOYOTA EMPLOYED**

As Andrew Griffiths (2008, p. 7) writes in his book “101 secrets to building a winning business,” a *tag line* has considerable merit and should answer the customer’s question: “Why should I buy your product?” A tag line is a string of short and sharp words that sum up the merit in buying the product.

So, Toyota’s brand idea found a creative expression: “MAKE YOUR MOVE,” which helped it to nail Aurion in the face of established rivals.

Besides its tag line, Toyota also used “**Above-the-line**” promotion by launching an annual advertising campaign, which ironically became one of the most “detailed” and “involving” ad campaigns in the history of car advertising in Australia.

Other forms of Above-the-line promotional tools used by Toyota for its Aurion brand were massive television, cinema, outdoor, print, press and online campaigns coupled with promotions at the Sydney and Melbourne International Motor Shows and digital invitations for dealerships ([e-commerce](#)).

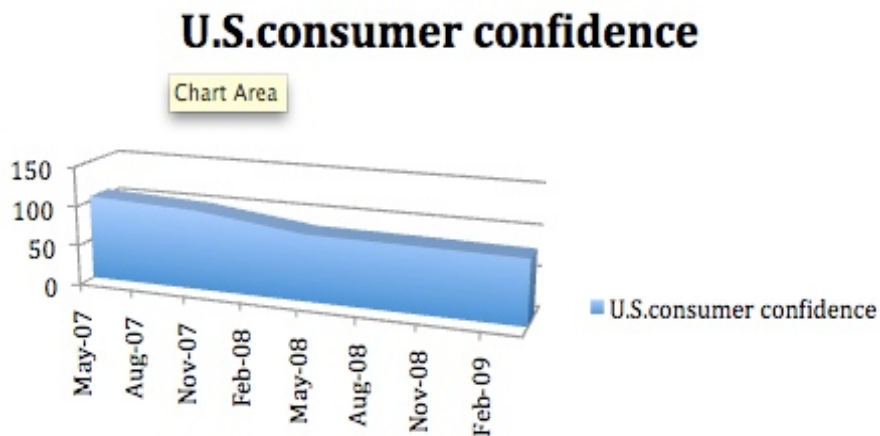
As a result, Toyota’s cars sales rocketed in the first month after launch and within six months sold more Aurion V6 sedans to private customers than Falcons sold by Ford. Not surprisingly, Aurion was declared “Australia’s Best Large Car” in both, the Drive Car of the Year Awards and Australia’s Best Car Awards, for 2008.

### **HYUNDAI'S NEMESIS:**

Hyundai resorted to Product Development strategy with “Genesis,” its first luxury car in both South Korea and the United States, last year. It identified a market gap in a crowded field of luxury cars in the U.S. such as Audi A4, Jaguar XF, Cadillac CTS-V, Mercedes-Benz, Lexus and BMW. This “market gap” primarily stemmed from consumers’ desires to “trade down” in hard times.

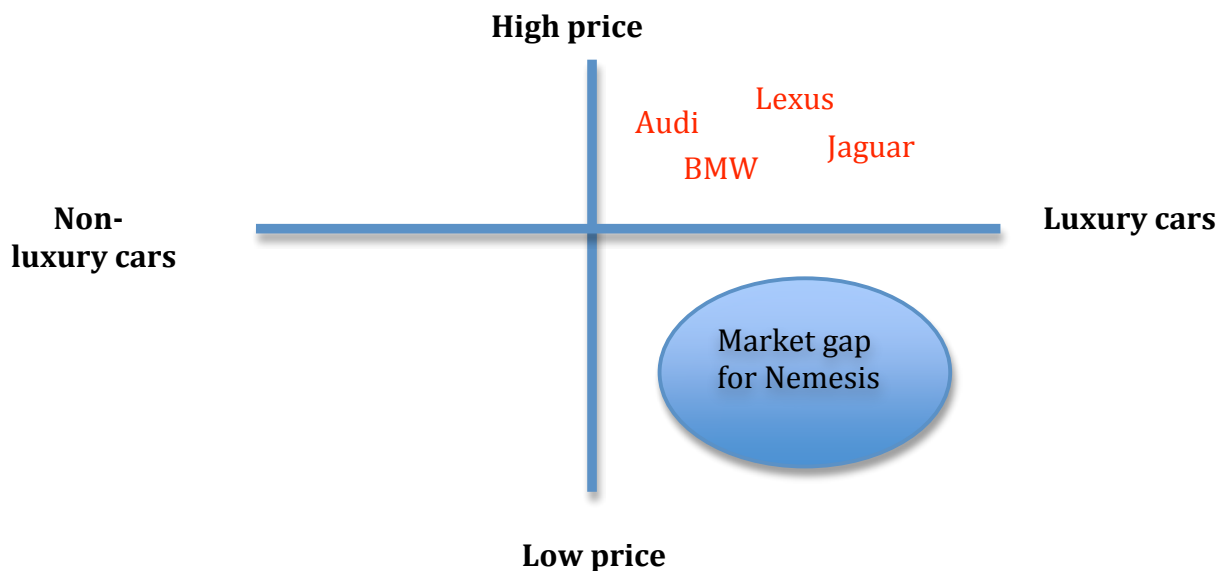
The chart below depicts a fall in U.S. [consumer confidence levels](#) in recent times.

**FIGURE 3: Consumer confidence levels in the U.S.**



By plotting the two variables, “luxury cars” and “prices,” one can see the market gap that led Hyundai to launch a luxury car. It also emphasized on a lower price tag. The price of Genesis was 25% less than a comparable BMW.

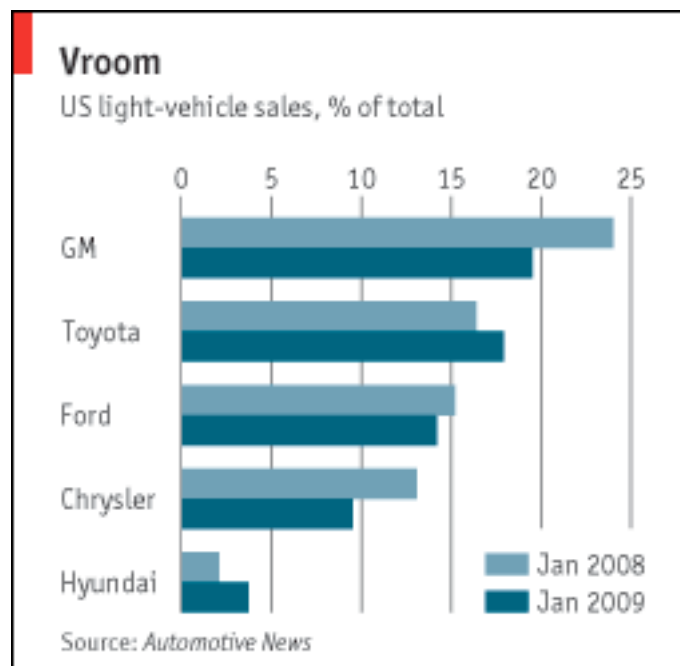
**FIGURE 4: MARKET GAP FOR NEMESIS**



Apart from its opportunistic and positive launch, Hyundai also benefitted from a novel scheme to buy back cars from customers who lost their jobs within a year of their purchase. Such [Sales promotional tools](#) offered buyers a very attractive proposition in the face of an economic downturn.

The above has proved so successful in stimulating sales that Hyundai achieved a remarkable 14% increase in its car sales in America, when other U.S. car companies such as Ford, Chrysler and GM reported declining revenues (see chart below).

**FIGURE 5: U.S LIGHT VEHICLES SALES**



(Source: *The Economist*, 2009)

Industry experts believe it won't be too far off before Hyundai spins off a separate "Genesis" [brand](#) similar to what Toyota did with Lexus.

### TATA'S NANO:

By unveiling the world's cheapest car, Nano, in early 2009 priced at about A\$3000, India's Tata motors resorted to the [Market Penetration strategy](#), which involves setting lower prices in order to achieve a large, if not dominant [market share](#). The next cheapest car on the Indian market, Maruti 800, costs twice as much.

This works well where demand for a product is believed to be [highly elastic](#), i.e., demand is price-sensitive. By the end of 2010, analysts estimate as many as 300,000 Nanos to hit Indian roads.

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**Product Portfolio** refers to the range of products a company has in development or available for consumers at any one time. Toyota has a product portfolio ranging from cars to financial services. Managing product portfolio is important for cash flow. Product portfolio is also referred to as 'Strategic Business Units'. The purpose of identifying the company's strategic business units is to develop separate strategies and assign appropriate funding. When a business conducts a product portfolio analysis, it identifies "yesterdays-has-beens" as well as "tomorrow's breadwinners". In doing so, a business is able to spread risks, because, a decline in sales for one product may be offset by an increase in sales of another product in its portfolio. Two of the best business portfolio evaluation models are the Boston Consulting Group model and the General Electric model.

**Market Research** is used to find out what consumers need and want. Through market research, the following questions are answered for a business:

- what feature of products do consumers like or dislike?
- would consumers be willing to buy our products?
- what price would they be prepared to pay?
- what type of customer would buy our products?
- What type of promotion would be effective with these types of customers?
- what is the competition like?

Market research can find out both quantitative information and qualitative information. Market research involves collecting both primary and secondary data.

**Entrenched Market** - an entrenched market refers to a well established market.

**Ansoff's Matrix** - Ansoff's Matrix allows the firm to consider the alternatives open to it for their product and market growth. Ansoff has proposed a useful framework for detecting new intensive growth opportunities called a 'product/market expansion grid'. There are FOUR growth strategies in the Ansoff Matrix.

	Existing products	New products
Existing market	Market penetration	Product development
New markets	Market development	Diversification

**Market penetration strategy** – a company considers gaining more market share by offering existing products in their existing markets. For example, Tropicana introducing orange juice as an evening drink. Market penetration strategy is the least riskiest of the four strategies outlined by Ansoff. There are three approaches to increasing current products' market share in the current market:

- encouraging current customers to buy more frequently
- attracting competitors' customers
- convincing non-users to start using

**Market development strategy** – a company considers whether it can find or develop new markets for its current products. For example, U.K.'s Cobra Beer entering the Indian market. There are three approaches to identifying a new market for an existing product:

- identifying potential user groups in the current sales areas whose interest in the product the company might stimulate
- seeking additional distribution channels in the company's present locations
- selling in new location in home country or abroad

**Product development strategy** – a company considers whether it can develop new products of potential interest to its current markets. Toyota introducing the Aurion V6 model is an example of product development strategy.

**Diversification strategy** – a company considers developing new products for new markets. For example, The Virgin Group's Virgin Galactic. Diversification growth is best used when good opportunities can be found outside the present businesses. However, diversification strategy is the most riskiest of all the four strategies.

**Duopoly** – refers to a situation when only two firms have a dominant control over the market.

**Brand loyalty** – refers to consumers buying repeatedly a particular product or service and staying committed to it. This type of loyalty is a great asset to a company.

**Positioning Map** – a business prepares a position map to ascertain any gaps that are left in its product portfolio. In order to draw the position map, the marketer would have to decide upon a label for each axis. The individual products are then mapped/plotted next to each other. Any gaps could be regarded as prospective areas for new product development.

**Market gap** – refers to a business identifying a market segment whose needs are not being met. Businesses need to identify this gap before a competitor can find it.

**Marketing Mix** – Marketing mix is one of the key concepts in modern marketing theory. It refers to the set of marketing tools that a business uses to pursue its

marketing objectives in the target market. The marketing mix elements include the four Ps – product, price, place and promotion.

**Promotional Mix** - refers to all the activities the company undertakes to communicate and promote its products to the target market. It consists of advertising, sales promotion, public relations, direct and online marketing.

**Above-the-line promotion** – refers to the use of mass media, such as television, radio and cinema to promote the product. There is no attempt to contact individual customers.

**e-commerce** – refers to the trade and exchange goods and services over the internet.

**Consumer confidence levels** – refers to the degree to which consumers feel optimistic or pessimistic – about their future economic prospects. During recessions, when the fear of unemployment is high, consumer confidence tends to be low. During booms, when job and income prospects are good, confidence tends to increase considerably.

**Sales promotion tools** – refers to companies using tools such as coupons, contests, premiums and the like – to create a stronger and quicker response. Sales promotion can be used to dramatize product offers and to boost sagging sales. Sales promotion effects are usually short run however.

**Brand** – refers to a name, sign, symbol or design, or a combination of them, intended to identify the goods or services of one seller or group of sellers and to differentiate them from those of competitors.

**Market share** – refers to an organization’s share of the total value of sales of all products within a specific market.

$$\text{Market share} = \frac{\text{Sales revenue of a firm}}{\text{Total sales revenue in the market}} \times 100$$

**Elastic demand** – when price changes cause buyers to make large changes in the amount they purchase, the demand for the product or service is said to be “elastic”. Another way to describe this situation is to say that buyers are *price-sensitive*. Example, as the price rises, consumers reduce their purchases of chicken considerably.