

# Skoda case study



**ASSIGN  
BUSTER**

(1) Introduction: In 1895 in Czechoslovakia, two keen cyclists, Vaclav Laurin and Vaclav Klement, designed and produced their own bicycle. Their business became Škoda in 1925. Škoda went on to manufacture cycles, cars, farm ploughs and airplanes in Eastern Europe. Today, Škoda UK sells Škoda cars through its network of independent franchised dealers.

The new Skoda Rapid for 2012

To improve its performance in the competitive car market, Škoda UK's management needed to assess its brand positioning. Brand positioning means establishing a distinctive image for the brand compared to competing brands, so that the psychology of consumers is positively influenced towards Skoda rather than some other car brand. To aid its decision-making, Škoda UK obtained market research data from internal and external strategic audits. This enabled it to take advantage of new opportunities and respond to threats. The audit provided a summary of the business's overall strategic position by using a SWOT analysis.

This case study focuses on how Škoda UK's management built on all the areas of the strategic audit. The outcome of the SWOT analysis was a strategy for effective competition in the car industry, and allowed Skoda UK to successfully change customer perceptions of Skoda cars and the Skoda brand.

(2) Strengths: To identify its strengths, Škoda UK carried out marketing research. It asked customers directly for their opinions about its cars. It also used reliable independent surveys that tested customers' recall, motivations, perceptions, and feelings. For example, the annual JD Power customer

satisfaction survey asks owners what they feel about cars they have owned for at least six months. JD Power surveys almost 20, 000 car owners using detailed questionnaires. Škoda has been in the top five manufacturers in this survey for the past 13 years. In Top Gear's 2007 customer satisfaction survey, 56, 000 viewers gave their opinions on 152 models and voted Škoda the ' number 1 car maker'. Škoda's Octavia model has also won the 2008 Auto Express Driver Power ' Best Car'.

Škoda attributes these results to the business concentrating on personal owner experience rather than on sales. It has considered ' the human touch' from design through to sale. Škoda knows that 98% of its drivers would recommend Škoda to a friend. This is a clearly identifiable and quantifiable strength. Škoda uses this to guide its future strategic development and marketing of its brand image. Škoda adopted a strategy focused on building cars that their owners would enjoy, feel at ease with, and would experience confidence and psychological safety from owning. This is different from simply maximising sales of a product. As a result, Škoda's biggest strength was the satisfaction of its customers. This means the brand is associated with a quality product and happy customers, customers who perceive Skoda's quality, feel safe and secure, and say positive things about owning a Skoda car.

(3) Weaknesses Škoda UK's analysis showed that in order to grow it needed to address key questions about the brand position. Škoda has only 1. 7% market share. This made it a very small player in the market for cars. The main issue it needed to address was: how did Škoda fit into this highly competitive, fragmented market? This weakness was partly due to out-dated

perceptions of the brand. These related to Škoda's eastern European origins. In the past the cars had an image of poor vehicle quality, design, assembly, and materials. Crucially, this poor perception also affected Škoda owners. For many people, car ownership is all about image.

If you are a Škoda driver, what do other people think? From 1999 onwards, under Volkswagen AG ownership, Škoda changed this negative image. Škoda cars were no longer seen as low-budget or low quality. However, a brand 'health check' in 2006 showed that Škoda still had a weak and neutral image in the mid-market range it occupies, compared to other players in this area, for example, Ford, Peugeot and Renault. This meant that whilst the brand no longer had a poor image, it did not have a strong appeal either. Customers and owners needed to be reassured that their Skoda car was a positive expression of their personality, identity, and consumer choice.

This understanding showed Škoda in which direction it needed to go. It needed to stop being defensive in promotional campaigns. The company had sought to correct old perceptions and demonstrate what Škoda cars were not. It realised it was now time to say what the brand does stand for. The marketing message for the change was simple. Škoda owners were known to be happy and contented with their cars. The car- buying public and the car industry as a whole needed convincing that Škoda cars were great to own & drive.

(4) Threats In analysing the external market, Škoda noted that its competitors' marketing approaches focused on the product itself. Audi emphasises the technology through its strapline, 'Vorsprung Durch Technik'

(‘ advantage through technology’). BMW promotes ‘ the ultimate driving machine’. Škoda UK discovered that its customers loved their cars more than owners of competitor brands, such as Renault or Ford. Information from the SWOT analysis helped Škoda to differentiate its product range. Having a complete understanding of the brand’s weaknesses allowed it to develop a strategy to strengthen the brand and take advantage of the opportunities in the market. It focused on its existing strengths and provided cars focused on positive customer experience. The focus on ‘ happy Škoda customers’ is an opportunity. It enables Škoda to differentiate the Škoda brand to make it stand out from the competition. This is Škoda’s unique selling proposition (USP) in the car industry.

(5 ) Threats The UK car market includes 50 different car makers selling 200 models. Within these there are over 2, 000 model derivatives. Škoda UK needed to ensure that its messages were powerful enough for customers to hear within such a crowded and competitive environment. If not, potential buyers would overlook Škoda. This posed the threat of a further loss of market share. Škoda needed a strong product range to compete in the UK and globally. In the UK the Škoda brand is represented by seven different cars. Each one is designed to appeal to different market segments. For example: • the Škoda Fabia is sold as a basic but quality ‘ city car’ • the Škoda Superb offers a more luxurious, ‘ up-market’ appeal • the Škoda Octavia Estate provides a family with a fun drive but also a great big boot.

Pricing reflects the competitive nature of Škoda’s market. Each model range is priced to appeal to different customer groups within the mainstream car

market. The combination of a clear range with competitive pricing has overcome the threat of the crowded market.