Skoda?s change of public perception analysis

Business

Management Summative The change of Skoda? s public perception analysis Marking Code: Z0923727 10th of March 2011 Management Summative SkodaAuto Company was founded in 1985 in Czechoslovakia by Laurin and Klement. Initially, only bicycles were made, but gradually they began the production of motorized vehicles, debuting their first automobile in 1905. Up to 1989, Skoda kept its car business monopoly, but due to the existing political climate – the communist government had just been overthrown- the new Czech government and Skoda management began to look for a suitable partner to revitalize the brand and approximate it with what western companies were achieving in terms of design, technology and naturally, in market influence. So in 1991, Volkswagenwas chosen. Unlike Renault, Skoda's other strong contender, Volkswagen didn? want to merge Skoda into their company, but instead have it act as a subsidiary so as to take advantage of its 35% market share in Eastern Europe (Ledgard, 2005), and to be able to expand its prospective customer base. Following Skoda's total acquisition in 2001, expectations from VW were surpassed, with Skoda contributing with 25% of profits today (Neroth, 2009). The brand has slowly, yet steadily been able to increase its market share, thus allowing VW to aim towards a more up-market clientele. Through diverse management strategies and approaches it managed to change its image, design, technology and target consumers in order to transform itself into the profitable, renowned and award winning car manufacturing company. Strategic Direction It used the market penetration approach, which according to Johnson et al.

(2008), is the strategic direction “ by which the organization takes increased market share of its existing markets with its existing product range (…). It builds on existing strategic capabilities and does not require the organization to venture into uncharted territory. Skoda was already a good car manufacturer; Czechs are known for vehicle assembly capabilities; but skilled labour and new machinery were scarce, which lead to unanswered demand and below-standard output (Neroth, 2009). Mainly it needed to assess and consolidate its position in the market. Skoda Source: Johnson et al, (2008). Adapted Analysis and Change Skoda? s SWOT analysis permitted an informed insight about what weaknesses and threats, internal and external were hindering this company’s market performance.

Skoda’s main weakness was a negative public perception of the company and a small market share due to a strong competition. VW? s management soon worked around in different directions, aiming to improve every possible area. Changes in terms of design, image and technological innovation were taken through various investment activities, such as new engine plants, employment of new designers and engineers, including the first corporate university in Czech Republic providing business and technical degrees. Facing Competition According to Porter, (Competitive Advantage, 1985), he indicates three forms of competitive advantage that firms can adopt in order to succeed. The group decided to focus on two generic strategies: to focus on a few market segments, typified by being homogenous with similar customer characteristics (Napuk 1993; Holtje 1981) and within those, it pursued differentiation, offering a good-value for money car. Source: Porter, 1985 (adapted) Skoda? s competitive strategy By its association with the reputable brand of VW, Skoda was able to move its product upmarket: cars were now produced using common product platforms (Meyer&Lehnerd, 1994), design and quality enhancements were made so that the new generation of cars appealed to a younger public, with a focus n families, with the launch of the Skoda Felicia in 1994 for example.

Skoda’s subsequent launches like the 2002 Skoda Superb with its attractive design joined with elegance and comfort, a combination that catered to a higher income customer; Octavia RS has more of a sports car look and an engine faster than standard; the Skoda Praktik, a commercial vehicle with a large freight compartment is ideal for business purposes . The diversity of offerings illustrates a strategy not only targeting one particular segment within the market but various ones, reflecting the difficulties of possessing foothold in a small market share of the less profitable lower end market. Going from “ A” to “ B” Source: Johnson et al, (2008). Adapted To better illustrate Skoda’s course, Bowman? s Strategy Clock is useful; it demonstrates the combination of cost/perceived value that companies use while showing how likely each strategy is to succeed. Skoda? s position started out at position 1 with low price/low added value destined at the mass market. Skoda was a Socialist controlled enterprise for many years and as a result, the product was poor in design and performance, simply being a cheap option for everyday transportation.

Through the financial support VW made available as well as the transferred managerial know-how and new production concepts (Pavlinek, 2008), Skoda turned into a major passenger car manufacturer, thus allowing a subsequent shifting to position 4, “ Differentiation” with this point in strategy translating into an increased price faced with a higher consumer perceived value, as the firm offers higher levels of existing value dimension (Bowman, 1998). The costumer perceives this value as sufficient to bear a price premium. Offer is such that competitive advantage is achieved by offering a quality product, and while its price has suffered a slight rise, it is still very competitive in comparison with similar product offerings from other firms. SkodaAuto was in a position to demand a higher amount of money for its products because it proved itself as a reliable and modern company that thrives in offering “ only the best for its customers” (SkodaAuto, 2011) the principle its original founders abided by, that is still imperative to the day. Every year Skoda supplies hundreds of thousands of automobiles providing a safe and comfortable driving experience to thousands of satisfied customers. Transforming the brand This point in strategy implies added importance on branding; customers are willing to pay more faced with reassurance of a widely recognized brand.

Branding is very relevant at this point because it justifies the price premium the customer is willing to pay. Skoda placed itself in the market as a customer oriented company, whose main aim was to offer prospects not only a high quality product but a great driving experience. Consistency in delivering good quality cars and an innovative marketing strategy made this positioning possible. In the UK, the Skoda brand was seen as a producer of weak and cheap automobiles. After a marketing campaign that addressed people’s perceptions of the brand, the issue that was obstructing Skoda’s success was directly faced: the lack of confidence and regard people had for the brand.

The marketing campaign was all about change: “ We? ve changed the car, we? ve changed the company, can you change your mind? “(Skoda Student Pack, 2008); “ The Fabia is a car so good you won? t believe it? a Skoda” (Fernandez, 2008) – Slogans like these grabbed people’s attention and caused them to view Skoda in a different way. Humor was a key factor in this advertising campaign because it used what was affecting the company image and turned the joke around. The marketing campaign connected to prospects in an emotional level: the message spread was that Skoda’s customers were happy and satisfied. “ When a company creates a strong brand it attracts customer preference and builds a defensive wall against competition” (Doyle, 2001) – Skoda sustains competitive advantage over other firms by continually investing into its brand. Intangible assets such as brand, image or reputation (…) are difficult for a competitor to imitate or obtain.

” (Johnson et al, 2008) – An important part of this company? s process of re-building its image was the Skoda Auto Social Responsibility: Skoda sponsors international sporting events and has been a main partner of Tour de France since 2004; it also supports diverse organizations in the health area, children and disabled people, as well as being increasingly involved in providing transportation safety nearby its areas of manufacture. Another important division of Skoda s the environment: It? s own green coloured logo states a environmentally friendly company. Skoda? s engineers foster efficient technology, recycling and waste management as well as careful use of elements that are harmful to the environment. The majority of models can be bought either in the standard range or the Greenline range which is more fuel, cost and tax efficient. Due to the factors mentioned above, prospects are willing to trade a higher value of money for what they perceive to be a good deal in terms of cost/quality relationship.

ConclusionIn order for Skoda to gain its present market position, diverse management tactics were used, time and resources were allocated in the best possible way to permit the rotation around Bowman? s Strategy Clock to the Differentiation position. Adjustments and improvements were made not only in its marketing strategy, but to the product itself. VW? s German managers changed the Czech’s more informal and less detail oriented approach to production and decision making within the company; design and engine were developed, so as to respond to the demands of modern day consumer: economic, efficient, attractive and environment safeguarding. Skoda is now a thriving car business with ongoing plans for modernization and market penetration in Eastern Europe and Asia, whose actual image has no connection whatsoever to its former past. Appendix 1 Questions| Answers| 1.

What was the original brand name used by the founders Vaclav Laurin and Vaclav Klement of the bicycle company started in 1895 that eventually became Skoda? | Slavia| 2. How many people made up the Skoda Group? s workforce in 2009? | 26, 153 people made up the Skoda Group? s workforce in 2009 of which 2, 035 were external persons. | 3. What was the company? s injury rate in 2009? | 1. 6 injuries per million| 4. What were the values of total sales and profit after tax of Skoda Auto Group in 2008 and 2009? | 2008| 2009| 5.

| Total sales| Profit after tax| Total sales| Profit after tax| 6. | 200, 182 (CZK million) | 10, 818 (CZK million) | 187, 858 (CZK million) | 3, 462 (CZK million) | 7. Which, if any, of the following is/are not a part of the Volkswagen group? Audi, Bentley, Buggatti, Skoda, Seat, Scania. | All of the aforementioned are part of the Volkswagen Group. (Source: Skoda Auto, Annual report 2009) References Bowman, C.

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