

Smart car

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The Smart Car In 1991, Nicolas Hayek, chairman of Swatch, announced an agreement with Volkswagen to develop a battery-powered "Swatch car." At the time, Hayek said his goal was to build "an ecologically inoffensive, highquality city car for two people" that would sell for about \$6,400. The Swatchmobile concept was based on Hayek's conviction that consumers become emotionally attached to cars just as they do to watches. Like the Swatch, the Swatchmobile (officially named "Smart") was designed to be affordable, durable, and stylish. Early on,

Hayek noted that safety would be another key selling point, declaring, "This car will have the crash security of a Mercedes." Composite exterior panels mounted on a cage like body frame would allow owners to change colors by switching panels. Further, Hayek envisioned a car that emitted almost no pollutants, thanks to its electric engine. The car would also be capable of gasolinepowered operation, using a highly efficient, miniaturized engine capable of achieving speeds of 80 miles per hour. Hayek predicted that worldwide sales would reach one million units, with the United States counting for about half the market. Some observers attributed the hoopla surrounding the Swatchmobile concept to Hayek's charismatic personality. His automotive vision was dismissed as being overly optimistic; less ambitious attempts at extending the Swatch brand name to new categories, including a brightly colored unisex clothing line, had flopped.

Other products such as Swatch telephones, pagers, and sunglasses also met with lukewarm consumer acceptance. The Swatchmobile represented Hayek's attempt to pioneer a completely new market segment. Industry observers warned, moreover, that the Swatch name could be hurt if the Smart

car were plagued by recall or safety problems. In 1993, the alliance with Volkswagen was dissolved; Hayek claimed it was because of disagreement on the concept of the car (Volkswagen officials said low profit projections were the problem). In the spring of 1994, Hayek announced that he had lined up a new joint venture partner. The Mercedes-Benz unit of Daimler-Benz A G would invest 7 5 0 million Deutsche marks in a new factory in Hambach-Saargemuend, France.

In November 1998, after several months of production delays and repeated cost overruns, Hayek sold Swatch's remaining 19 percent stake in the venture, officially known as Micro Compact Car GmbH (MCC), to Mercedes. A spokesman indicated that Mercedes' refusal to pursue the hybrid gasoline/battery engine was the reason Swatch withdrew from the project. The decision by Mercedes executives to take full control of the venture was consistent with its strategy for leveraging its engineering skills and broadening the company's appeal beyond the luxury segment of the automobile market. As Mercedes chairman Helmut Werner said, " With the new car,

Mercedes wants to combine ecology, emotion, and intellect. " Approximately 8 0 percent of the Smart's parts are components and modules engineered by and sourced from outside suppliers and subcontractors known as " system partners. " The decision to locate the assembly plant in France disappointed German labor unions, but Mercedes executives expected to save 500 marks per car. The reason: French workers are on the job 2 75 days per year, while German workers average only 242 days; also, overall labor costs are 40 percent lower in France than in Germany.

MCC claims that at Smart Ville, as the factory is known, only 7.5 hours are required to complete a vehicle. This is 25 percent less time than required by the world's best automakers. The first 3 hours of the process are performed by systems partners. A Canadian company, Magna International, starts by welding the structural components, which are then painted by Eisenmann, a German company. Both operations are performed outside the central assembly hall; the body is then passed by conveyor into the main hall. There VDO, another German company, installs the instrument panel.

At this point, modules and parts manufactured by Krupp-Hoesch, Bosch, Dynamit Nobel, and Ymos are delivered for assembly by MCC employees. To encourage integration of MCC employees and system partners and to underscore the need for quality, both groups share a common dining room overlooking the main assembly hall. The Smart City Coupe officially went on sale in Europe in October 1998. Sales got off to a slow start amid concerns about the vehicle's stability. That problem was solved with a sophisticated electronic package that monitors wheel slippage. Late-night TV comedians gave the odd-looking car respect and referred to it as "a motorized ski boot" and "a backpack on wheels." During the first quarter of 1999, the 150 Smart dealers in 19 countries in continental Europe sold a total of 8,400 cars, an average of 56 cars each. The sales picture was brightest in the United Kingdom, where a London dealer sold 160 vehicles between the Smart launch in October 1998 and May 1999. The brisk sales pace in Britain was especially noteworthy because MCC was only building left-hand drive models (the United Kingdom is the only country in Europe in which right-hand drive cars are the norm).

Industry observers noted that Brits' affection for the Austin Mini, a tiny vehicle that first appeared in the 1960s, appeared to have been extended to the Smart. Mercedes reduced its annual sales target from 130,000 to 100,000. Robert Easton, joint chairman of DaimlerChrysler, went on record as being skeptical of the vehicle's future. In an interview with Automotive News, he said, "It's possible we'll conclude that it's a good idea but one whose time simply hasn't come." In 2000, the Smart exceeded its revised sales target, and interest in the vehicle was growing. Wolf-Garten

GmbH & Company, a German gardening equipment company, announced plans to convert the Smart to a lawn mower suitable for use on golf courses. A convertible and diesel-engine edition have been added to the product line. In 2001, executives at DaimlerChrysler announced plans to research the U.S. market to determine prospects for the Smart. The announcement came as Americans face steep increases in gasoline prices.