

Ford ka: breaking new ground in the small car market essay sample

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Central Issue

With the small car market in France undergoing rapid change, the strategies of yore are making way for newer methodologies. No longer can a car manufacturer simply make a big car for the wealthy and a small car for the less fortunate. For Ford, it is critical that they determine their target market for a new addition to their lineup, the Ka. But first, Ford needs to determine who that target market is by segmenting it in such a way as to determine the best fit, which will be their typical Ka buyer. Let us examine some of the facts and obstacles surrounding this opportunity for Ford.

Relevant Facts

In response to a very successful offering from rival manufacturer Renault, Ford executives decided to build a car to compete with the “ Twingo” by giving customers a small car that was unique, stylish, and suited for urban driving. Ford then designed and developed the Ka based on an existing chassis of their other small car, the Fiesta. As Brand Manager of the Ka, Gilles Moynier put it, “ The Ka is already developed and therefore, we need to find an appropriate target market for the product, rather than the other way around.”

Finding this target market is especially difficult given the changing French demographic and other environmental factors. Road congestion, high fuel prices, problems parking, decreased emphasis on price, smaller families, and an increase in the number of working women have all contributed to increased fragmentation and overall demand for small cars in France. For

instance, 1995 saw small cars account for 43.7% of all the new cars sold there. This increased fragmentation has contributed to the difficulty in finding an ideal non-traditional segment in which to target and market the Ka.

Given their backward situation, Ford commissioned a market research study to determine customer perceptions regarding the Ka. Unfortunately, the study was not able to find a clear target since opinions diverged significantly. That is, those studied seemed to either love or hate the Ka with few respondents in between. Perceptions also varied greatly depending on which focus group or demographic an individual represented. While the results of the study were disconcerting, the research firm collected a large amount of data that Ford could now analyze. Now it was time to dive into the data and determine which possible course of action Ford should take.

Alternative Courses of Action

Ford must decide on the best method to segment the French small car market. It wants to mimic the success of the Renault Twingo and ensure the success of the new Ford Ka release. While there are multiple avenues for Ford to pursue, the most salient are the following three.

1) Demographic Segmentation:

Demographic segmentation was a less risky proposition that had proven results in the past and seemed enticing, especially to Ford management. Demographic segmentation would cost less, and the data for the market was

readily available. Furthermore, Ford also had years of experience and data to support initiatives using this segmentation.

However, this type of segmentation suffers from the same shortcomings as the gender segmentation, in that it can alienate certain non-targeted segments. Additionally, the success of the Twingo did point to a French small car market that did not follow the traditional rules of market segmentation, and some of the data indicated that the market was, in fact, different than what Ford had previously seen, (e. g. the Ka tested well in the 40-44 age group, as opposed to the 20-29 age group which would be the target market as predicted by demographic segmentation.) The data indicates that the French market is more fragmented now than in the past and traditional segmentation might mis-target those potential customers.

2) Attitudinal and Needs Segmentation

If Ford believed that the French small car market was indeed more fragmented than before, then this form of segmentation would lead to a better result from marketing efforts. The data and sales of the Twingo suggested that the market had evolved into one that could not be delineated along demographic lines. Segmenting based on life-styles and behavior would be more expensive and more difficult due to the subjective nature of the data acquisition process and the type of marketing needed to target these “elusive” segments. However, choosing the wrong marketing method could prove to be more expensive, in the form of lost sales or scrapping the

project, than going with the attitudinal segmentation even though it is more expensive than the other two.

Ford may choose to segment the market based on what need the car fulfills and segment the market based on these tranches. For example, a customer may decide that he or she desires safety more than fuel economy in a small car, or price of the car may be more important to a financially constrained buyer, as opposed to horsepower. These needs cut across demographic data in the fact that customers in a certain age group may have a diverse set of needs that they need a car to fulfill; and these needs show no clustering effect around their age group or other demographic data. This type of segmentation would help explain the apparent fragmentation of the customer data across demographic groups and could be the technique for segmenting the French marketplace.

A drawback to this is that Ford would have to present the car in its marketing campaign as fulfilling different needs to multiple segments. It could do this with targeted marketing, such as presenting the Ka as a vehicle that is environmentally friendly to those who read ecological publications, for example. Inevitably, however, credibility becomes an issue when ads targeting two different segments are exposed to the same segment, and Ford must be very careful with its marketing plan if it chooses to segment in this way.

Decision and Rationale

Ford reacted to the threat of the new Renault “ Twingo” by aggressively developing a new small car to directly compete with. In rushing to market, Ford France needed to identify the appropriate market segment that it could target most effectively and profitably to sell its car, as opposed to designing a car to meet a designated market segment’s needs.

The results of its market research indicated no clear target segment to pursue. The fragmentation of the small car market and changing consumer attitudes had drastically changed the traditional demographic landscape and its boundaries. A demographic-based segmentation would not be practical as results were polarized. Reactions by focus groups of working singles, first-time buyers, and multi-car households had been decidedly mixed. In addition, younger, older, male and female segments all had different negative perceptions of the car. Ka did not seem to fit as a life-stage car, either, many older people responded favorably to the Ka, which was not unusual for a small car.

An attitudinal/needs-based segmentation directly analyzed the needs of consumers that Ka best served. The most interesting finding of respondents’ perceptions is that those that chose Ka among their top three small car choices also tended to choose the Renault Twingo and Opel Tigra, as evidenced in the correspondence map (Exhibit 11a). The Ka’s unique and futuristic styling connected with design-conscious consumers, and it was well suited for urban driving, traits also attributed to the Twingo. Ford France’s advertising agency argued targeting the Freedom Lovers (described as outgoing, social and active) and Attention Seekers (innovators, opinion

leaders and flashy). These two groups they felt would serve as ambassadors to attract a third group, Sensible Classics (responsible, risk-averse, traditionalists). The fourth group, No-nonsense Neutrals (brand wary, TV watchers, unenthusiastic consumers), would not be directly targeted. Exhibit 13 bears this rationale.

Implementation Plan

To the proposed target segment of style and economy seeking people with strong sense of individuality, Ka should aim to position itself as a modern, sophisticated car that is fun to drive especially in a congested traffic conditions of a big city.

Its communication should focus on the fact that Ka provides an affordable and economical inner city 'run around' car for individuals or small families. Ka buyers appreciate design and have a strong sense of personal style. Ka should promote its product as the driver's personal space which he / she would like to share either with no one else or only the one who is very close. At the same time Ka should maintain its low price point, chevaux fiscaux and good fuel efficiency to make it a practical choice for the style conscious small car buyer. However the low price point need not be overtly stated in its communication.

The Ka's modern styling divides the market into those who like and do not like the Ka. Those who do like the Ka perceive it as sophisticated and fun to drive, as well as being more exciting than its competition. Both groups perceive the Ka as futuristic. However the limited legroom and the absence

of a 5 door model rules Ka out of the market as a family car making it best suited for the individuals and small family needs used for a daily commuting and other routine tasks. Here Ka's exceptional fuel efficiency in city based driving will be a key differentiator.

The Ka's styling rules it out of the conservative end of the market as well, and at the same time the positioning of the Fiesta suggests that Ford would be better off positioning the Ka to the young (at heart) end of the market. Considering all this and the absence of luxury features in Ka, the competition for Ka then becomes Fiat Punto, the Nissan Micra, the Fiat Uno, the Peugeot 106 Kid, the Opel Corsa and the VW Polo. The Ka can realistically claim to be sportier than all these cars. (The Peugeot 106 Griffé however is a different matter).

Between them, these cars constitute just over 28% of the market, with the Peugeot 106 having 13%. However all of them are available in 5 door models. Allowing for the 50% of the market who simply don't like the Ka, there will be a need to try and take some sales from the Twingo, Clio and Citroen AX. As a result Ford will need to increase its sales staff and sales promotion efforts in the geographical markets currently being catered by these brands. With the 106 and Citroen AX both aging badly there is plenty of scope for picking up drivers looking to replace their three door models.

Future versions of the Ka should look to expand the range targeted by the Ka. A move into the luxury space may prove profitable; sports coupe model might also be a profitable option.