

Analysis of the implementation of the global Audi brand strategy in Japan

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Téma práce: **Analýza implementace globální strategie společnosti Audi v Japonsku**

Zásady pro vypracování:

1. Analyzujte a popište sociální, politickou a ekonomickou situaci v Japonsku tak, abyste mohla definovat postavení společnosti Audi na japonském automobilovém trhu.
2. Popište historii a vývoj společnosti Audi Japan.
3. Popište implementaci marketingové strategie společnosti Audi v Japonsku.
4. Analyzujte růst značky Audi na japonském trhu během minulých let a zabývejte se otázkou, zda byla strategie zvolena správně.
5. Na základě analýzy navrhněte projekt, který povede k upevnění značky Audi na trhu.

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ABSTRAKT

Tato bakalářská práce je zaměřena na implementaci globální strategie společnosti Audi na jednom z jejich nejdůležitějších trzích, Japonsku. Hlavním záměrem práce bylo popsat rozdíly mezi globální strategií a strategií místního trhu, jakým způsobem je nutno ji implementovat tak, aby byla přijatelná pro místní trh a zákazníky a zda byla implementace provedena správně.

Klíčová slova: značka, image značky, povědomí o značce, strategie značky, implementace, značkové zboží, strategická komunikace, gerilový marketing

ABSTRACT

This work is focused on the implementation of the global brand strategy of Audi in one of their most important markets, Japan. The main focus was to describe the global brand strategy, the differences between the global brand strategy and local market strategy and how it was implemented in order to sell the products of Audi on a local market and whether this implementation was done successfully.

Keywords: brand, brand image, brand awareness, brand strategy, implementation, luxurious brands, strategic communication, guerrilla marketing

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I declare that I wrote this thesis myself and independently and used literature has been cited.

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INTRODUCTION

The reason why I have chosen to write about the brand Audi was the excitement behind the brand. I always thought it would be great to get a chance to write about such a progressive brand like Audi. I had the chance to drive different Audi products such as Audi TT, A3, A4, A8 V12, RS6, allroad and Q7. Every time I would drive my Audi and pass a Mercedes or a BMW I would try to analyze who are the drivers and why are they not driving my favorite brand, Audi.

And why should I write about implementation of global brand strategy? Each and every one of us is a customer to a brand. We all have favorite products to buy, it doesn't matter if it is a favorite washing powder, a pair of sports shoes or a car. But what we want as loyal customers is that no matter where we go in the world, we are able to recognize our products, the showrooms and similar marketing activities and be recognized as a customer owning certain goods. It is hard for me – living in different countries – to go and buy my favorite washing powder. In Germany it had different packing than Czech Republic and in Japan I get the American version with Japanese instructions. Even though it is most probably the same product, I am reluctant to buy it and I rather switch to a different brand or hope that somebody will visit us soon and bring me my favorite product.

There is a reason why global strategies are invented and why companies should use them. Implementing a brand's global strategy into a local market must be very interesting. Every market is unique, some are easier some are harder to penetrate.

The goal of this bachelor thesis is to focus on a special market, Japan and how Audi implemented their global brand strategy there. I want to find out what the obstacles while implementing the global strategy were and how Audi Japan managed to cope with them.

In order to analyze this I have referred to scientific literature for guidance and definitions and followed-up Audi's strategy by interviews and looking at local market information.

I. THEORETICAL PART

1 DEFINITIONS

In order to better understand this thesis it is important firstly to define main terms related to the topic.

1.1 Brand

What is a brand? A brand is emotional, has a personality, and captures the hearts and minds of its customers.¹ Authors Kotler and Pfoertsch define brand as:

- ❖ A brand is a promise.
- ❖ A brand is the totality of perceptions – everything you see, hear, know, feel, think, etc. – about a product, service, or business.
- ❖ A brand holds a distinctive position in customer's minds based on past experiences, associations and future expectations.
- ❖ A brand is a short-cut of attributes, benefits, beliefs and values that differentiated, reduce complexity, and simplify the decision-making process.²

1.2 Brand image

The psychological aspect, referred to as the brand image, is a symbolic construct created within the minds of people and consists of all the information and expectations associated with a product or service.³ The term brand image became popular as evidence began to grow that the feelings and images associated with a brand were powerful purchase influencers, through brand recognition, recall and brand identity. It is based on the proposition that consumers buy not only a product (commodity), but also the image associations of the

¹ KOTLER Philip, PFOERTSCH Waldemar, *B2B Brand Management*, Springer Berlin Heidelberg New York, 2006. p.3. ISBN 978-3-540-25360-0.

² KOTLER Philip, PFOERTSCH Waldemar, *B2B Brand Management*, Springer Berlin Heidelberg New York, 2006. p.5. ISBN 978-3-540-25360-0.

³ WIKIPEDIA The Free Encyclopedia: marketing [online]. [cit. 2007-4-2]. Available: <http://en.wikipedia.org/wiki/Brand>.

product, such as power, wealth, sophistication, and most importantly identification and association with other users of the brand. Brand image can be reinforced by brand communications such as packaging, advertising, promotion, customer service, word-of-mouth and other aspects of the brand experience.⁴

1.3 Brand awareness

Brand awareness reflects the presence of the brand in the mind of customers. Brand awareness reflects both, the knowledge and the salience of the brand in the customer's mind. Awareness can be measured on different levels including the following⁵:

- ❖ Recognition („Have you heard about the Audi?“).
- ❖ Recall („What premium brands of cars can you recall?“).
- ❖ Graveyard statistics (recall level of those who recognize the brand).
- ❖ Top of mind (the first-named brand in a recall task).
- ❖ Brand dominance (the only brand recalled).
- ❖ Brand familiarity (the brand is familiar).
- ❖ Brand knowledge of salience (you have an opinion about the brand).

1.4 Brand positioning

Brand positioning is the part of the brand identity and value proposition that is to be actively communicated to the target audience and that demonstrates an advantage over competing brands.⁶

⁴ Asia Market Research Dot Com: Market Research Terms and Methodologies [online]. [cit. 2007-4-2]. Available: <http://www.asiamarketresearch.com/glossary>.

⁵ AAKER David A., *Building Strong Brand*, The Free Press, 1996. p. 330. ISBN 0-02-900151-X.

⁶ AAKER David A., *Building Strong Brand*, The Free Press, 1996. p. 176. ISBN 0-02-900151-X.

1.5 Strategy

Strategy is the direction and scope of an organization over the long term. Ideally such which matches its resources to its changing environment and in particular its markets, customers or clients so as to meet stake holder's expectations.⁷

According to authors Johnson and Scholes there are three types of strategies⁸:

- ❖ the corporate level which determines the overall scope of organization, how it is to be run in structural and financial terms and how resources are to be allocated to the different operation across the world.
- ❖ second level is the competitive or business strategy which determines how to compete in a markets, which products or services should be offered in which market
- ❖ the third level of strategy is at the operating end of the organization. Here are the operational strategies which are concerned with how the different functions of the enterprise such as marketing, finance, manufacturing, etc. contribute to the other levels of strategy.

1.6 Guerrilla marketing

Guerrilla marketing could be shortly defined as unconventional marketing intended to get maximum results from minimal resources.⁹ Guerrilla marketing aims to achieve traditional marketing and advertising goals i.e. reach, exposure, frequency, awareness, etc., but by using unconventional methods.¹⁰

⁷ JOHNSON Gerry, SCHOLES Kevan, *Exploring Corporate Strategy Text and Cases*, 3rd ed. Prentice Hall International (UK) Ltd, 1993, p. 10. ISBN 0-13-297441-X.

⁸ JOHNSON Gerry, SCHOLES Kevan, *Exploring Corporate Strategy Text and Cases*, 3rd ed. Prentice Hall International (UK) Ltd, 1993, p. 10. ISBN 0-13-297441-X.

⁹ Marketing Terms.com: Dictionary [online]. [cit. 2007-4-2]. Available: http://www.marketingterms.com/dictionary/guerrilla_marketing.

¹⁰ On Point Marketing&Promotions: Marketing Glossary [online]. [cit. 2007-4-2]. Available: <http://www.onpoint-marketing.com/guerrilla-marketing.htm>.

2 JAPAN

2.1 Geography

Japan is located in Eastern Asia. It is an island chain between the North Pacific Ocean and the Sea of Japan. It comprises of over 3,000 islands, the largest of which are Honshū, Hokkaidō, Kyūshū and Shikoku. 75% of the land is mountainous, and many are volcanic and unsuitable for agricultural, industrial, or residential use. This is due to the generally steep elevations, climate and risk of landslides caused by earthquakes, soft ground and heavy rain. The lack of inhabitable space has resulted in an extremely high population density in the habitable zones that are mainly located in coastal areas. The capital and the largest city is Tokyo.¹¹

2.2 Political situation

Japan is a constitutional monarchy. The power of the Emperor however is very limited. As a ceremonial figurehead, he is defined by the constitution as „the symbol of the state and of the unity of the people“. Akihito is the current Emperor of Japan¹² and the only reigning emperor in the world. Power is held by the Prime Minister and other elected members of the Diet. The current Prime Minister Shinzo Abe of the LDP¹³ came into power in September 2006 following Koizumi (LDP) who had been in power since 2001. Koizumi had brought about a series of reforms with the target of making Japan more flexible and competitive. Mr Abe’s task is to follow up on these reforms; however, he is considered more conservative than his predecessor and his willingness for further reforms remains to be determined.¹⁴

¹¹ *The Times Concise Atlas of the World*, 9th ed. , Times Books London, 2004. p. 56. ISBN 0 00 715 729 0.

¹² WIKIPEDIA The Free Encyclopedia: bibliography [online]. [cit. 2007-4-2]. Available: <http://en.wikipedia.org/wiki/Akihito>.

¹³ Liberal Democratic Party of Japan: Profiles for key LDP officials [online]. [cit. 2007-4-2]. Available: <http://www.jimin.jp/jimin/english>.

¹⁴ THE WORLD FACTBOOK: Japan [online]. [cit. 2007-4-2]. Available: <https://www.cia.gov/cia/publications/factbook/geos/ja.html#Govt>.

2.3 Demography

Japan has the tenth largest population in the world with about 128 million people.¹⁵ The Greater Tokyo Area, which includes Tokyo and several surrounding prefectures, is one of the largest metropolitan areas in the world, with over 31 million residents.¹⁶ Japan is one of the 30 most densely populated countries¹⁷ in the world due to the fact, that 75% of the country is inhabitable.

Japan has fourth highest life expectancy in the world, at 80.70 years of age as of 2006.¹⁸ However, the Japanese population is rapidly aging, there has been a serious decrease in births since the latter part of the 20th century. In 2004, about 19.5% of the population was over the age of 65.¹⁹ The changes in the demographic structure have created a number of social issues, particularly a potential decline in the workforce population and increases in the cost of social security benefits such as the public pension plan. If its birth and death rates remain at the current levels, Japan's population has passed its peak and its population will continue to decline. It is expected to drop to 100 million by 2050, and to 64 million by 2100.²⁰

Studies has shown the following age distribution in Japan²¹

0-14 years: 14.2% (male 9,309,524/female 8,849,476)

15-64 years: 65.7% (male 42,158,122/female 41,611,754)

65 years and over: 20% (male 10,762,585/female 14,772,150)

¹⁵ GeoHive: Current world population (ranked) [online]. [cit. 2007-4-2]. Available: <http://www.xist.org/earth/population1.aspx>.

¹⁶ The Free Encyclopedia: List of metropolitan areas by population [online]. [cit. 2007-4-2]. Available: http://en.wikipedia.org/wiki/List_of_metropolitan_areas_by_population.

¹⁷ WIKIPEDIA The Free Encyclopedia: List of countries by population density [online]. [cit. 2007-4-2]. Available: http://en.wikipedia.org/wiki/List_of_countries_by_population_density.

¹⁸ People Facts: Life Expectancy [online]. [cit. 2007-4-2]. Available: <http://www.os-connect.com/pop/p1.asp?sort=lepop>

¹⁹ WIKIPEDIA The Free Encyclopedia: Japan [online]. [cit. 2007-4-2]. Available: <http://en.wikipedia.org/wiki/Japan#Demographics>.

²⁰ Statistic Bureau & Statistical Research & Training Institute: Chapter 2 Population [online]. [cit. 2007-4-2]. Available: http://www.stat.go.jp/English/data/handbook/c02cont.htm#cha2_2.

²¹ THE WORLD FACTBOOK: Japan [online]. [cit. 2007-4-2]. Available: <https://www.cia.gov/cia/publications/factbook/geos/ja.html>.

2.4 Economy

After the burst of the bubble economy in the 1990's and the following consolidation of economic activity in Japan, the Japanese economy has shown a continuous growth in the past four years. For the year 2006 GDP of 4,9 trillion USD is expected which represents a growth of 2,4% over previous year.²² Main source of growth is the continuous reduction of foul credits in the banking sector but also the high level of investment that Japanese companies have made in research and development in the past couple of years. Main Japanese manufactures and brands today have again secured leading positions in individual industries. Some examples are nano technology, robotics but also hybrid technology in the automobile sector.

The improvement of the economic environment in Japan has resulted in a stable growth of domestic demand. Nevertheless the Japanese economy remains largely dependent on export. The main trade partners of Japan are the United States of America with volume of trade reaching 160 billion EUR in 2005, closely followed by China with 152 billion EUR. The trade volume with the European Union is approximately half reaching 87 billion EUR.²³

2.5 Car market

Japan is the second largest car market in the world selling on average 5,5 million cars per year (including commercial vehicles) and has the largest domestic car market in the Far East, with major car manufacturers such as Toyota, Nissan, Honda, Mitsubishi and Mazda.

The geographical and demographical situations helped to form a very unique car market. For example due to the limited amount of space in Japan, parking is a very important issue. Consumers in Japan must provide proof of parking space for each vehicle when registering

²² THE WORLD FACTBOOK: Japan [online]. [cit. 2007-4-2]. Available: <https://www.cia.gov/cia/publications/factbook/geos/ja.html#Econ>.

²³ Federal Foreign Office: Japan [online]. [cit. 2007-4-2]. Available: <http://www.auswaertiges-amt.de/diplo/de/Laenderinformationen/Japan/Wirtschaft.html>.

new and used cars. This is mandatory and strictly regulated to the extent that in most areas police will physically measure the parking space to ensure it is appropriately sized for the intended vehicle. The strict parking regulations in Japan have brought the rise of a class of cars called the „mini” or „k-cars”. These are characterized by smaller exterior dimensions and an engine capacity of below 660ccm.

The demography situation will change the market in the future. The decreasing birth rate and aging society will result in a change of consumer behavior and consumer demand in Japan. The purchasing power is also expected to decrease in the future. Companies of any kind will need to implement new long term strategies towards the customers in order to retain the position on the market and their profits. This also applies for automobile companies.

The Japanese car market is a so called „full market” dominated by domestic brands. As major world car manufactures are coming from Japan, it makes it very hard for an import brand to establish its position on the market. The Japanese import car market totals a mere 5% whereas in comparison the largest car market in the world, the United States of America has an import share of 29%. Germany the third largest car market in the world has an import share of 34%.

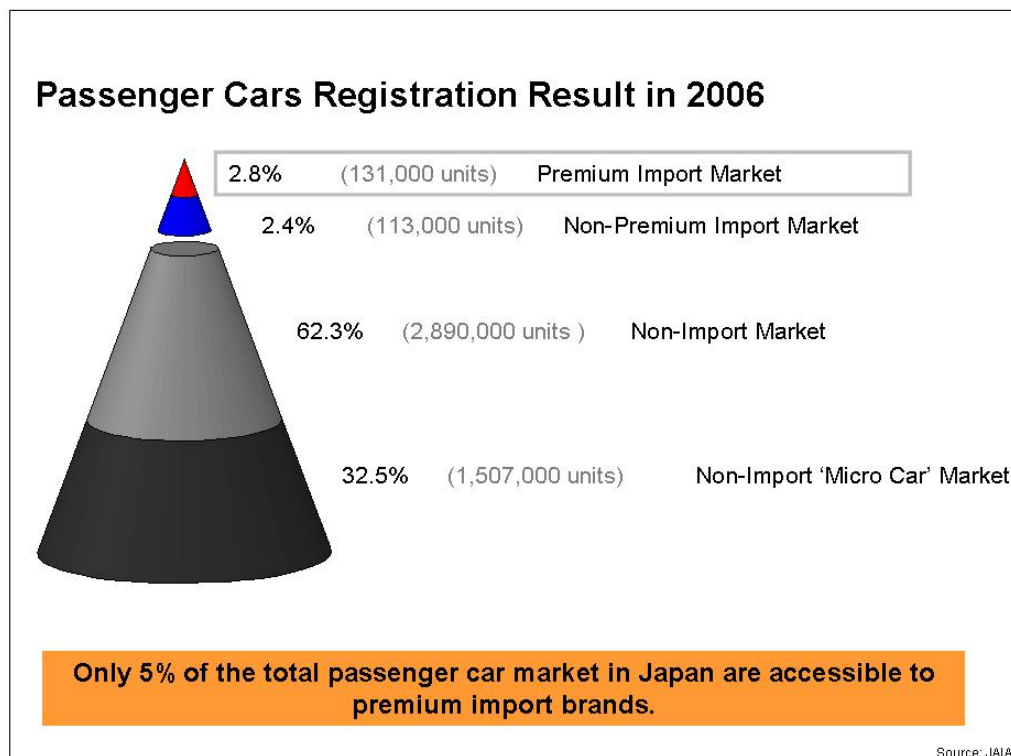


Figure no. 1/Structure of the Japanese Car Market (passenger cars)

2.6 Luxury brands in Japan

Japan as one of the many Asian countries is a dream market for any premium brand. Japanese people are obsessed with buying luxurious goods and have a high purchasing power. Their desire to own luxurious product is boundless. Almost every known luxury name is present in Japan. Sales within Japan itself account for nearly a quarter of the global luxurious market. For example Chanel's biggest boutique is a 10 floor super-luxurious US \$240million flagship store in central Tokyo.²⁴ In the 1990s after the burst of the bubbly economy most major brands canceled their licenses in Japan, started to open flagship stores and took charge of their distribution. The flagship trend has become the most successful strategy for helping to increase the image and awareness of a brand. Audi followed this strategy in Japan taking control of its import and wholesale business directly by estab-

²⁴ CHADDA Radha, HUSBAND Paul, *The Cult of the Luxury Brand*, Nicholas Brealey International, 2006. p. 74. ISBN 978-1-904838-05-0

lishing a 100% Audi AG subsidiary sales company in Japan in 2000. Also, with the importance of a flagship store in mind, Audi opened their first flagship store, the Audi Forum in Tokyo in 2006.

The reason why consumption and especially the purchase of premium brands are so important are described by Alex Kerr in his book *Dogs and Demons*. Kerr writes that Japanese from an early age are taught to be part of the system and follow its rules. By the time an average Japanese graduates from school, he will have totally internalized that conforming to the rule of their own group is of paramount importance and that extends to ways of dressing and presenting themselves. The only socially accepted way to express a certain style and identity is by the consumption of certain goods.²⁵

Furthermore a Japanese consumer is also restricted by other parameters such as housing. Japanese life is generally determined by small sizes of home. People live in small apartments, and in many cases far outside of the central area. In other countries people express their wealth status through large properties. Those options in Japan are limited. People need to prove their wealth through wearing expensive clothes, watches and handbags or driving expensive cars, for example.²⁶

²⁵ CHADDA Radha, HUSBAND Paul, *The Cult of the Luxury Brand*, Nicholas Brealey International, 2006. p. 81. ISBN 978-1-904838-05-0

²⁶ Radha CHADDA, HUSBAND Paul, *The Cult of the Luxury Brand*, Nicholas Brealey International, 2006. p. 85. ISBN 978-1-904838-05-0

II. PRACTICAL PART

3 GOAL OF THE BACHELOR THESIS

The goal of this bachelor thesis is to analyze, how Audi AG implemented their global – centrally developed – brand strategy in the second biggest car market, Japan.

In order to be able to analyze the implementation of the global brand strategy, first it needs to be explained what brand and strategy means, to introduce Japan and the Japanese car market. The second part of the thesis shall explain the Audi AG global brand strategy and Audi Japan brand strategy so that the reader is able to see differences between the two.

Based on the comparison of the global and nationally adapted strategy, reasons for deviations are investigated in regard to their effectiveness. Taking the overall findings into account I filtered out possible measures to help improve the positioning of Audi in Japan.

3.1 Working hypothesis

WH 1

Brands, especially premium brands can only be successful in a competitive market surrounding if they have a clear brand strategy and identity.

This hypothesis is supported by research in scientific literature in the field of strategic marketing as well as my own experience as a consumer of premium and mass brands.

WH 2

On an international level premium brands can only be successful when the centrally developed brand strategy is communicated consistently in different markets in order for the customer to be exposed to the same brand experience, but there must be room for local adaptations to further enhance the development of the brand position on a local market.

This hypothesis is supported by research in scientific literature in the field of strategic marketing and interviews made with Mr Brian Yamamoto, Head of Marketing Communication at Audi Japan K.K.

4 AUDI AG GLOBAL BRAND STRATEGY

Audi AG is a German premium car manufacture. It offers products in all main segments. Audi was founded in 1899 by August Horch and had since developed into a leading car manufacturer with dominant presence on the international market. Audi employs 52,000 people worldwide and sells more than 900,000 cars annually. Long term sales target by Audi is to achieve 1,5 million units sold by year 2015. In order to achieve this result Audi has embarked on a strategy to improve the positioning of the brand in markets where the recognition of the brand is not as successful as that of the competitors. Japan is one of the focus markets in this regard.

Audi global brand strategy is mainly determined by marketing communication measures as well as the product. Next to the retail organization these two are the main touch points of the customer with the brand. Marketing communication and product strategy are developed centrally by Audi AG but under certain circumstances can be adapted locally by individual importers.

4.1 Marketing communication

In the past Audi was purely centered on technology, trying to develop technical USP. Nowadays, Audi's communication has become more emotional. Audi seeks to communicate the customer's benefit in an emotional wrapper. Audi tries to make an ESP out of the superior ability of their products. Audi communicates to their customers a single clear message and develops this message within the framework of the brand identity, adapting centrally developed campaigns to individual market requirements.

Globally in positioning Audi as a premium brand, certain mechanisms and procedures need to be implemented in Audi advertising. Audi must position itself clearly from brands of the mass market and clearly communicate its brand identity to the customer, thereby creating an aura, which leads to high demand of its products. Target of a successful communication strategy is to achieve a clear picture in the customer's mind, which leads to a high brand recognition and awareness as well as an improved image and to allow Audi to generate

potential for a price premium in the market place, which is ultimately achieved at the point of sale.

4.1.1 Brand positioning

Audi today is positioned as a premium – luxury – brand. The quality, the technological and safety standard, service level as well as price are higher in comparison with so-called mass or volume brands like VW, Peugeot, Nissan, Honda and others. Due to the higher price level, premium brands do not sell as many cars as volume brands. Volume brands appeal to people who are mainly looking for a means of transport and have a less emotional motivation behind their purchasing decision.

Premium brands appeal to a smaller group of customers such as:

- ❖ car enthusiasts, who are willing to pay more for the driving experience; and/or
- ❖ people with the desire to communicate their lifestyle and success by buying high-image brands.

Premium brands, therefore, have to invest strongly into the brand image and the experience the customer has while buying and owning the product. All marketing processes must be of such a high standard that the premium price position is justified.

Positioning of Audi – „Audi: The progressive premium brand“

4.1.2 Brand values

Brand values are an integral part of any brand's unique personality. They are the brand DNA. Unlocking the genetic code of Audi means again looking at where Audi is coming from as well as where Audi wants to go. Right from the start Audi has been about a passion for cars, about leading technology, and about top-drawer quality. The company motto

is defined by the Audi brand core, the German claim „Vorsprung durch Technik“ (leadership by technology), which underlines the aspired leading position of the brand. The Audi brand core in turn is defined by the individual brand values: Sporty, Progressive and Sophisticated. These brand values characterize everything Audi does, ranging from products to services, communication and individual events.

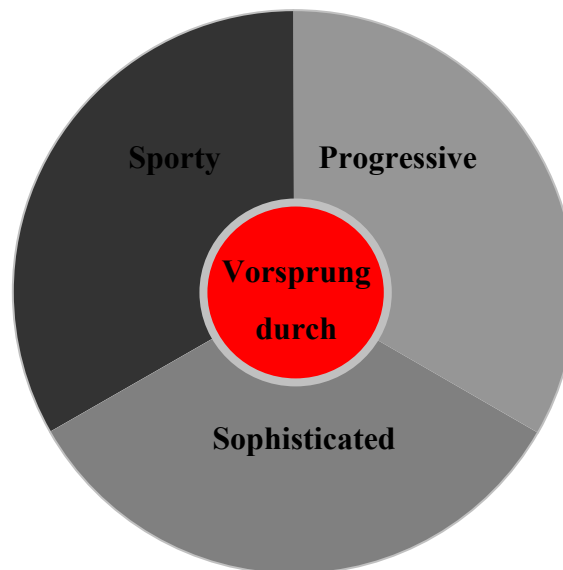


Figure no. 2/Audi Brand Values

Sporty

Sportiness means for Audi being competitively successful in business and in motor sport. It means sporty products in the sense of fun to drive, symbolized for example by the model Audi RS4. It also means sporty in the sense of attractive – sexy or desirable, represented for example by the model Audi TT. „Sporty“ has to represent an attitude and an emotional value, too. It means young, attractive and dynamic – as a way of thinking and acting for example – and it means being competitive but being fair.

Progressive

Progressiveness is the heart and soul of Audi. In Audi cars customers can see examples of leading edge design and innovations in technology. In terms of attitude it is about driving things forward, being ahead but importantly, including a human element. It is about creating a warmer brand world focused on the customer.

Sophisticated

Good quality is a basic entry condition for the premium segment. The quality element at Audi, however, goes a step beyond and means: tactile elements, visual quality, good taste, style and perfection in detail.

4.2 Products

The character of Audi products is clearly defined by the brand values and the customer is able to see and feel the brand promise fulfilled. Audi products are listed in Appendix A1.

4.3 Car market segmentation

Every company, when making a product has to find the right market: demand, target customer, geographical area, season etc. If the market itself is too big, there is a need to close down on a certain segment, which suits the company's product best, in order to be successful. This is important to consider especially when a company is trying to diversify in a large market.

In diversifying or in order to reach individual customer groups, large markets have to be divided into smaller markets (segments). These segments can be determined by customer

geographical location, age, income, hobbies, likes and dislikes, sex, education, style, etc. The company itself defines how to segment a market.²⁷

In the car industry different car-sizes and concepts have evolved. Car companies 50-100 years ago started with just one car and „diversified“ as the market grew. Nowadays there are many different types and sizes. Markets are segmented by car size and car type („concepts“), which also determines:

- ❖ the income of the potential customer (how much can he spend) → car size; and
- ❖ likes of the customer (how much does he like cars, how much is he willing to spend) → concept.

Audi segments the market with the following system:

Segment	Examples of cars
A00	Renault Twingo / Smart ForTwo / VW Lupo
A0	Škoda Fabia / VW Polo / Ford Ka / Peugeot 205
A	Audi A3 / BMW 1 Series / MB SportsCoupé / VW Golf / Škoda Octavia
B	Audi A4 / BMW 3 Series / MB C-Class / VW Passat / Ford Mondeo
C	Audi A6 / BMW 5 Series / MB E-Class
D	Audi A8 / BMW 7 Series / MB S-Class
E	Audi R8 / BMW 6 Series / MB SL Class / Lamborghini / Ferrari
MPV	VW Touran / MB B-Class
SUV	Audi Q7 / BMW X5 / MB ML-Class

Table no. 1/Audi's Market Segmentation by Car Size

²⁷ KOTLER Philip, *Marketing Management: Millenium Edition*, 10th ed., Prentice Hall, Inc., 2000. p.262. ISBN 80-247-0016-6.

Segment name	Examples of cars
Hatchback	Audi A3 / Škoda Fabia / BMW 1 Series / MB Sportscoupé
Sedan	Audi A4 / Audi A6 / Audi A8 / BMW 3, 5, 7 / MB C, E, S / Fabia
Station Wagon	Audi A3 Sportback / A4 Avant / A6 Avant / BMW 3, 5 touring /
SUV	Audi Q7 / BMW X3, X5/ MB M-Class/ Porsche Cayenne
MPV	MB A-Class/ VW Touran / Renault Espace
Coupé	TT Coupé / BMW 6 Series / MB CLK/ Lamborghini Murcielago
Cabrio	Audi Cabriolet / TT Roadster / MB SLK a CLK Cabrio/ BMW Z4

Table no. 2/Audi's Market Segmentation by Concept

In segment A00 premium brands are not represented and in segment E volume brands are not represented. Volume brands are represented mainly in the lower segments as well as MPV and SUV segments. These segments are characteristic by more demand at lower prices and the market itself is bigger. The MPV segment is currently one of the largest segments worldwide. Some segments are very hard to define. For example, in the Coupé segment the customer usually does not compare Audi TT with Lamborghini Murcielago. By segmenting markets, companies can actually search for new market potential by going into those segments which are not yet covered.

4.4 Competition

The main competitors that Audi compares itself with and positions itself against are called „strategic or core competitors“. They are BMW, Mercedes Benz (MB), Volvo, Jaguar and Porsche. Lexus as leading Japanese premium brand is also integrated into the relevant set but is not yet the main focus of attention.

The main focus worldwide is on BMW, MB and increasingly Porsche with the current launch of the Audi Q7 and the upcoming launch of the Audi R8. These main competitors

on the worldwide level are enhanced by strong up market brands on the local, market individual level.

4.5 Importance of the Japanese market for Audi AG

Being the second largest car market in the world Audi AG places great strategic focus on Japan. After a history of independent importers Audi AG established a 100% subsidiary of Audi AG and so called National Sales Company Audi Japan KK in the year 2000. Main objective of this company is to establish the clear understanding of the Audi brand and to close the gap to the strategic competitors, who are currently outperforming Audi in Japan. BMW and MB have established their own national sales companies 25 years ago and have a number of competitive advantages in regard to sales and service organization, customer base and most important of all brand awareness and image.

5 AUDI JAPAN BRAND STRATEGY

As a national sales company Audi Japan uses the centrally developed brand strategy as basis for all activities in Japan; however, due to very distinct and unique characteristics of the car market in Japan, certain local adaptations to the above mentioned strategy need to be made.

5.1 History and development of Audi Japan KK

In the year 2000 Audi AG took over the official import and wholesale function of Audi products and services. The existing sales organization, 270 multi franchise outlets (Volkswagen, Toyota, Audi) was dismantled and an exclusive Audi sales and service network was established. Until today Audi Japan has 97 fully brand exclusive retail outlets run by individual investors.

Also the marketing strategy of Audi Japan versus the previous private importer was radically changed. The strategy of the previous private importer was to offer a localized Japanese Audi product. Contradicting to the cars Audi sold in Europe, the products in Japan were adapted to meet the general taste of the average Japanese consumer: softer seats, velour seat covering, soft suspension, small dimension of wheels and low displacement engines. Although these cars were targeted at the average Japanese consumer, the fact that it was an import product resulted in a price position of approx. 10-15% above the domestic product offer. Audi products were simply not affordable for the average Japanese customer and with the improvement of Japanese cars there was no distinct product differentiation to the local market.

Audi Japan follows a completely different strategy offering cars equivalent to the German product line-up (high displacement engines, sports oriented suspensions, large diameter wheels, quattro, etc.) with a higher product specification such as air-condition, leather seats, navigation and infotainment as standard, which are optional in Europe.

The price position of the product has increased due to higher product specification to approx. 20-25% vs. local manufacturers; however, the clear product differentiation to local competitors gives Audi a clear selling proposition to Japanese customers. In line with this product strategy marketing communication has also been radically redirected.

Audi Japan's common denominator in marketing communication is progressive prestige, whereas progressive underlines the brand core of Audi „Vorsprung durch Technik” and prestige showing the premium position of the brand in the segment of its competitors BMW, MB and Porsche.

As shown in figure no. 3/Sales Development of Audi in Japan, the change of strategy has resulted in a rapid growth in Japan from 6,972 registered cars in the year 2000 to 15,018 registered cars in 2006. MB and BMW registered 49,681 and 49,014 units in 2006 respectively indicating a large potential for further growth of Audi in Japan.

After successfully implementing the first phase of its market penetration strategy, Audi Japan now needs to refine its marketing strategy achieving a greater level of pull effect in the market.

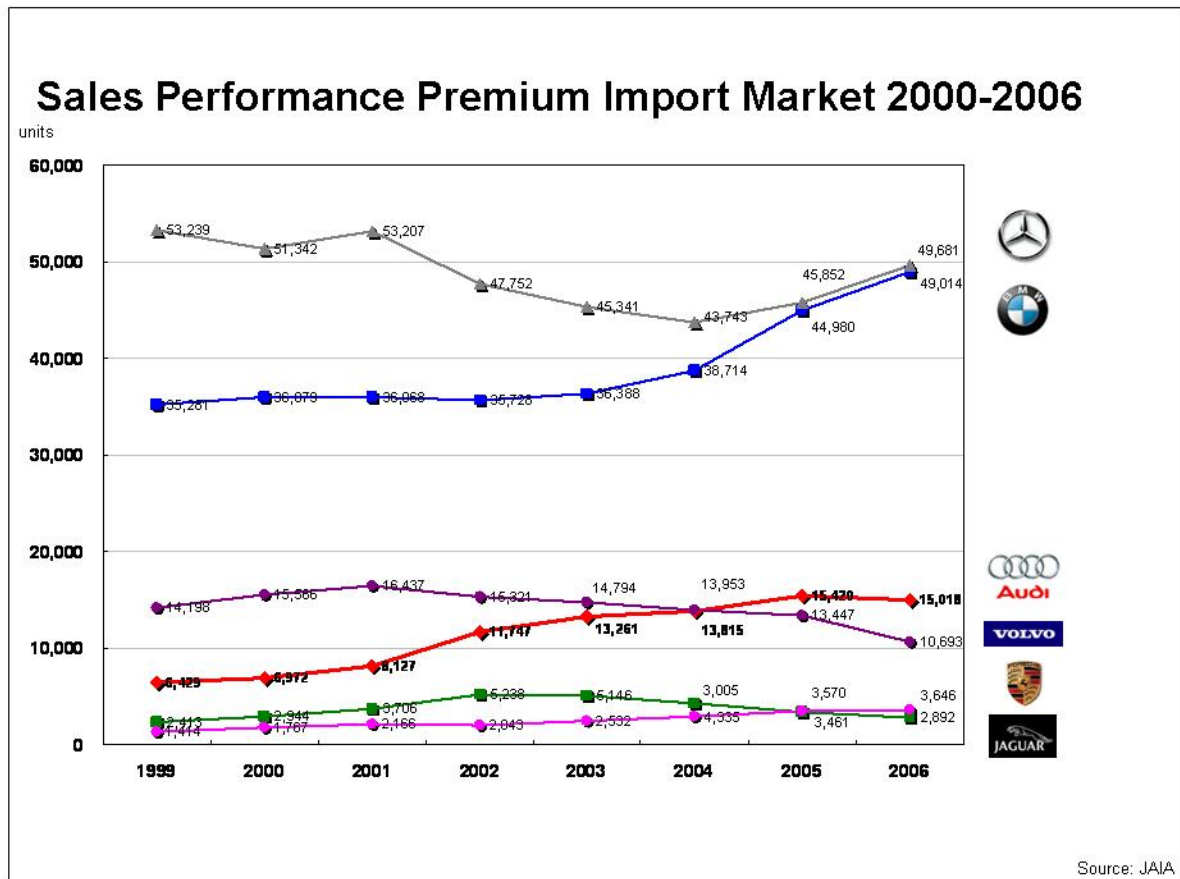


Figure no. 3/Sales Development of Audi in Japan

5.2 SWOT analysis of Audi Japan KK

Strengths

One of the strengths of Audi, which is very important in Japan, is that Audi is a brand of German origin with a long history and tradition. Also, as a progressive premium brand Audi defines itself by using an excellent design and advanced technology. The bench mark in interior and exterior design is widely accepted in Japan. Technical features such as quattro, S-tronic, ASF (Audi Space Frame) and magnetic ride are USPs in the market.

Weaknesses

On the other hand, being a young brand Audi still has a low brand and model awareness in the general market. This goes in line with the low share of voice in comparison to the strategic competitors. Overall the premium brand position of Audi is understood only by an elite group of customers whereas the average Japanese consumer does not understand the

benefits of owning an Audi. Currently the customer base in Japan for Audi is small, so is the actual car park size (definition: total amount of Audi products in the market at a given time).

Opportunities

Opportunities for the brand result from the current low share of sales in the C, D and SUV segments, where the sales volume of the competitors is much higher. The strong performance of the competitors indicates a considerable market potential. The launch of the SUV (Q7) in 2007 will give Audi a strong product proposition in the SUV segment, where Audi is currently not represented. Launch of the R8 super sports car as well as the A5 Coupé expected to be launched at the end of the year 2007 will open new segments and allow Audi to penetrate new target groups. The product offensive together with the deteriorating market position of brands such as Jaguar and Volvo will strengthen Audi's position in the market.

Threats

Long term threats however remain. For example Audi does not have an MPV, whereas the market share of this body style in the total market in Japan is 28% as shown in figure no. 6/Structure of the Japanese Car Market by Segments and Body Styles. MB has MPV like models with the A Class, B Class and the newly launch R Class. News reports state that BMW will follow the strategy offering a MPV like model in the near future.²⁸ Audi currently has no plans in this direction. Another threat results from the current CO2 discussion together with the focus on fuel consumption with rising fuel prices. Both trends in the market are contrary to Audi's sporty image.

²⁸ auto motor und sport, Motor Presse Stuttgart GmbH & Co. KG, 13 September 2006, issue no. 20. p. 18.

5.3 Market share

Taking the SWOT analysis into account the low market share of Audi in Japan can be explained. However the strengths and opportunities of Audi in Japan show that there is still potential for expanding market share. As shown in figure no. 3/Sales Development of Audi in Japan, Audi is currently in the tier two group of premium import brands together with Volvo. Target of Audi is to move into the tier one group together with BMW and MB.

5.4 Marketing communication

Generally Audi Japan follows the centrally developed campaigns. In case the centrally developed campaign proves to be unsuitable for the market, Audi Japan will develop a national campaign.

5.4.1 Brand positioning

The position of Audi in Japan is equivalent to the global positioning. With this strategy Audi Japan follows the direction of „one name one brand, everywhere”. However, Audi Japan takes local circumstances into an account. This is reflected in the price positioning of Audi products in the market. Contrary to Europe, where the brand is more established and Audi is as successful as the competitors, the weaker brand position in Japan is reflected in the price of the product. The price positioning in Japan is approx. 5% cheaper than BMW for the equivalent product substance. In Europe the price position is approx. 100%.

5.4.2 Advertising/Above the line activities

Print

Audi Japan in print advertising usually chooses high quality magazines and newspapers, which are read by Audi target customers. These high-class magazines come from different areas such as motoring magazines, business focused, lifestyle focused and up-market weekly magazines as well as influential daily publications. The usage of this media de-

depends on the lifecycle of the advertised product. Daily newspapers, for example, are used mainly in a launch phase, creating awareness with a high number of readers, as well as for tactical advertising, which has mainly a sales purpose at the end of lifecycle.

Television

Audi Japan uses TV advertising spots with every new product that is being presented. For example in the year 2006 two TV campaigns were aired focusing on the A6 in the beginning of the year as well as the TT during its launch in a second half of the year. Advertising spots are usually done in a series of flights. Audi Japan books airspace over a period of one month per flight. During that flight six spots are shown prime times 8:00pm to 11:00pm per day excluding Mondays. Media costs in Japan are very high and TV advertising is prohibitively expensive. The media effectiveness of Mondays (following the weekend) is relatively low. In order to maximize spending effectiveness under the circumstance of having a comparatively low marketing budget Audi Japan omits the weakest day of the week. In order to counter expensive TV advertising costs Audi Japan is currently investigating running TV spots on the internet.

Radio

Advertising of radio spots is done on a local/dealers level using defined standards (corporate identity) and supported by Audi Japan.

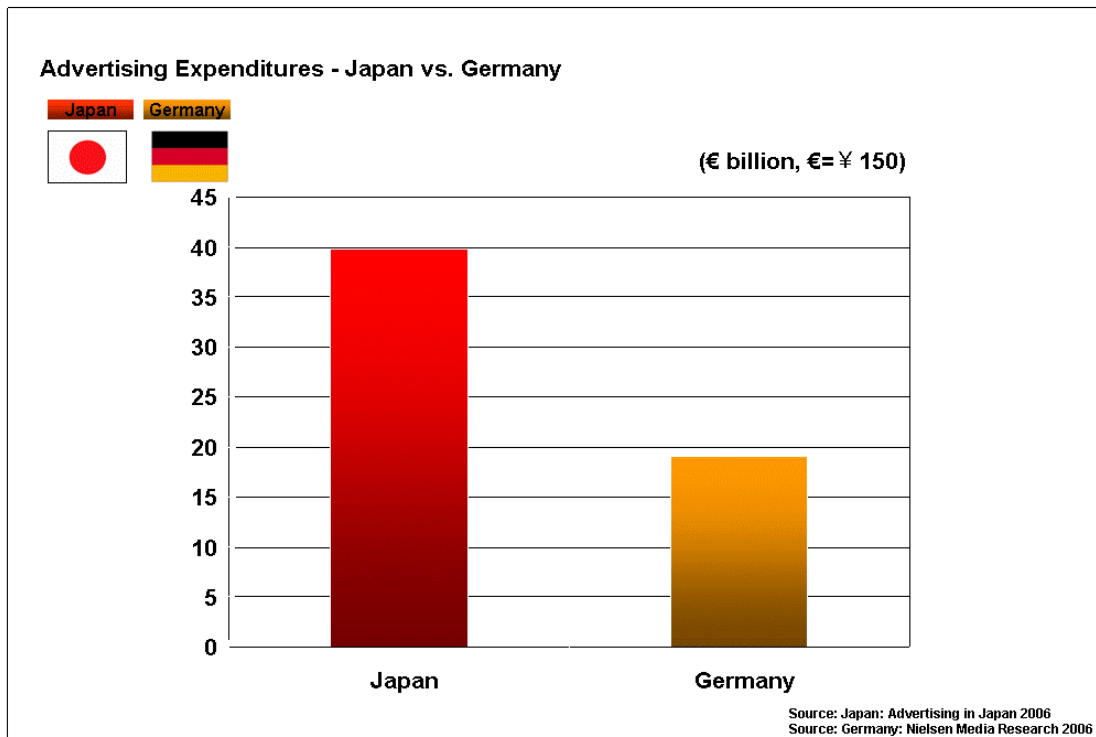


Figure no. 4/Media Spending - Comparison Japan vs. Germany

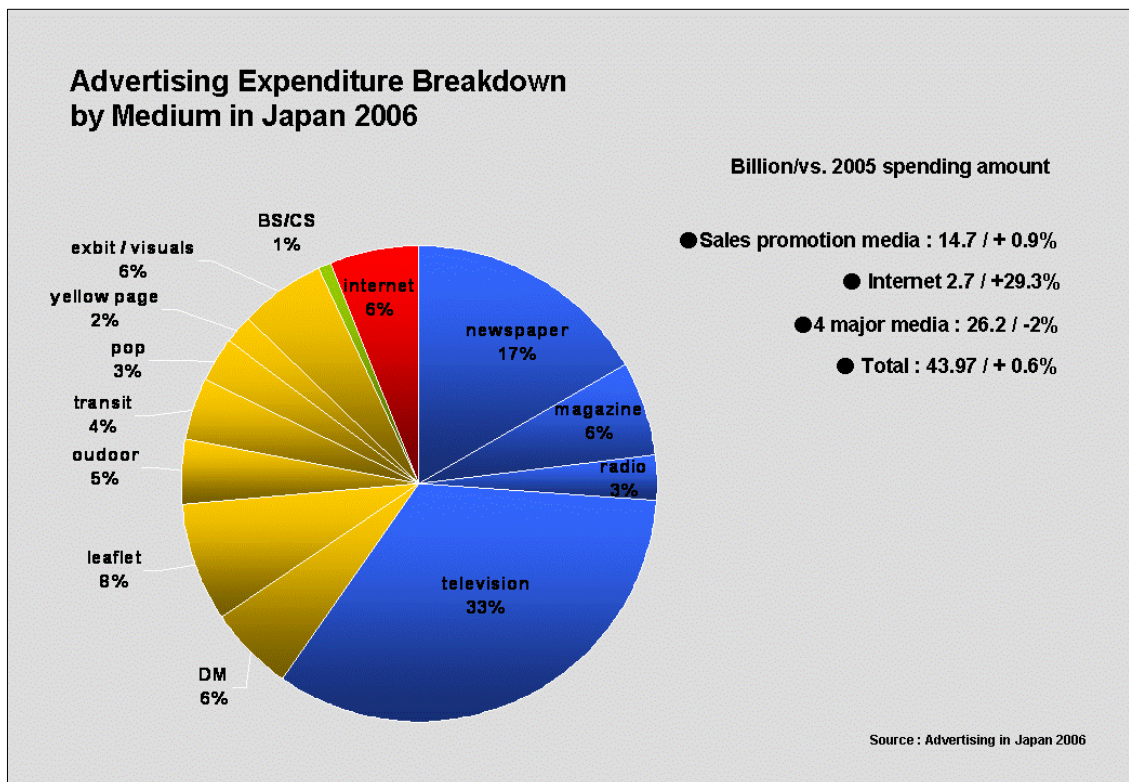


Figure no. 5/Advertising Expenditures Breakdown by Medium in Japan 2006

5.4.3 Advertising/Below the line activities

Audi website

In each country where is Audi present a customer is able to visit an individual website. Audi's websites worldwide are done in accordance to corporate identity. Audi offers a system on their website that allows a customer to configure a car that he is interested in or wishes to buy. Some countries even offer the configuration of the car with the direct link to a dealer, which facilitates the purchase. This, however is not available in Japan. The car configurator software is developed centrally by Audi AG and available only in European languages. As English is not a suitable communication language for Japan, Audi Japan is currently in the process of developing own system.

Audi magazine

Premium brands have a loyal customer base, who appreciate to be informed on brand related topics and developments regularly. In this regard, premium brands use the opportunity of publishing their own magazine, combining specific as well as brand related topics that informs customers in an interesting and specialized matter. Audi Japan publishes its own edition of the Audi Magazine. Audi headquarters in Germany makes the main editorial work and layout, ensuring standardized corporate identity, offering this instrument to each market. Each market/importer including Japan can enhance the contents through market specific topics. The Audi magazine in Japan is published in Japanese only, it is send on quaterly basis to its VIP customers and is available for free of charge at dealerships.

Product placement

As any other premium brand Audi tries to present their products in Hollywood productions to increase the awareness of its products on a broad basis. Audi products, for example have been featured in „Mission Impossible II“, „Ronin“, „I, Robot“, or „Transporter II“ among others. Such product placement should put Audi's exclusive products in their full effect when they are experienced in conjunction with appropriate model. The A8 W12 for example was featured in the film „Transporter II“ prior its market introduction. Audi Japan tied up with the distribution agent of the film who supported the launch event and the press conference as well as made individual events at major cinemas in Japan.

Sponsoring

Reaching new premium customers through event sponsoring is an increasingly important element of Audi brand management. Coinciding with the higher positioning of the brand Audi Japan focuses strongly on cultural sponsoring accenting on classical music. Audi Japan supports German orchestras and ensembles on Japan tours.

Also, Audi AG's move into football sponsoring at the highest level with selective premium club partnerships with Bayern Munich, Manchester United and Real Madrid gives Audi Japan the opportunity to tie up with these clubs when they are in Japan. Each of these clubs visit Japan regularly to play a friendly match with one of the top Japanese football clubs.

In addition to the sponsorship Audi Japan holds exclusive VIP events for customers and dealers to meet the orchestras or teams prior to the actual sponsoring event.

On a customer loyalty side Audi has established a worldwide golf tournament called the „Audi quattro“ cup in which all Audi importers from different countries can participate. Each country conducts their own preliminaries and national finals, sending finalists to the international final at an exclusive golf course around the globe. Audi Japan participates in the quattro cup having four preliminaries nationwide plus one final in the Tokyo metropolitan area.

Another customer loyalty element focuses on Audi's motor sports engagement. Audi owns a racing team „AUDI Sport“ which is currently participating in the 24-hour „Le Mans“ race. Audi Sport has won this race three times in a row (1999-2002) and again in 2006 using the revolutionary R10 diesel engine race car (the first diesel race car ever to win Le Mans). Between the years 2003 and 2005 private Audi importer teams from Japan, UK and USA racing with Audi R8 racing cars, supported by Audi AG, entered the race. Audi Japan participated in 2003 and 2004 with its team „Audi Japan Sport Team Goh“ and won the 24-hour „Le Mans' race in 2004. Audi Japan uses the 24 Hour race every year to invite 10 customers and press to France for a racing experience in Le Mans linking up with the central racing event organized by Audi AG.

Dealership networks

The dealer network is part of the BTL activities. Every dealership must function as a brand ambassador. The Audi dealer network should fulfill the high customer's expectations generated by the brand communication. At the dealership the customer has the first personal experience of the brand. At this interface the decision for initial purchase is being made and the foundation for subsequent brand loyalty established. Audi Japan supports and controls dealer marketing activities in order to ensure strict adherence to CI and linkage into the national communication strategy. Also, Audi Japan is taking more control over the retail business. In December 2006 Audi Japan opened the Audi Forum Tokyo, the largest import car market showroom in Japan with 1,500 square meters. Advantage of the exclusive dealer network is that the customer receives a standardized undiluted brand message.

5.5 Products

There is no change in the product line-up of Audi in Japan in comparison to a German or European car line-up. Generally cars have a higher equipment level and there is reduced number of options versus European/German line-up.

5.6 Car market segmentation

There is no difference to central strategy. Audi Japan follows the centrally defined segmentation patterns.

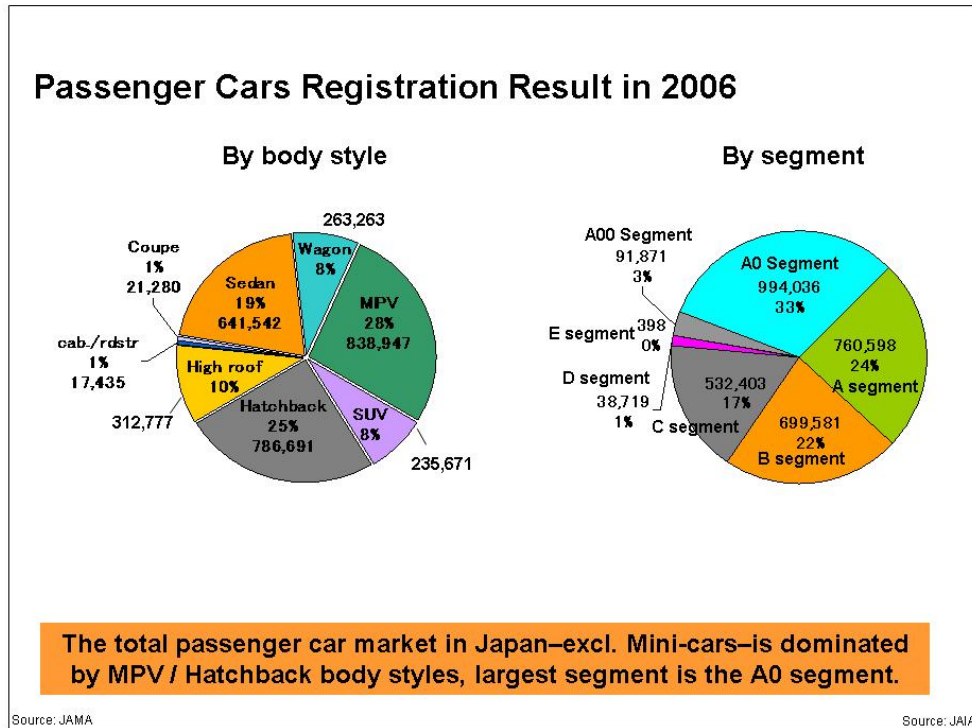


Figure no. 6/Structure of the Japanese Car Market by Segments and Body Styles

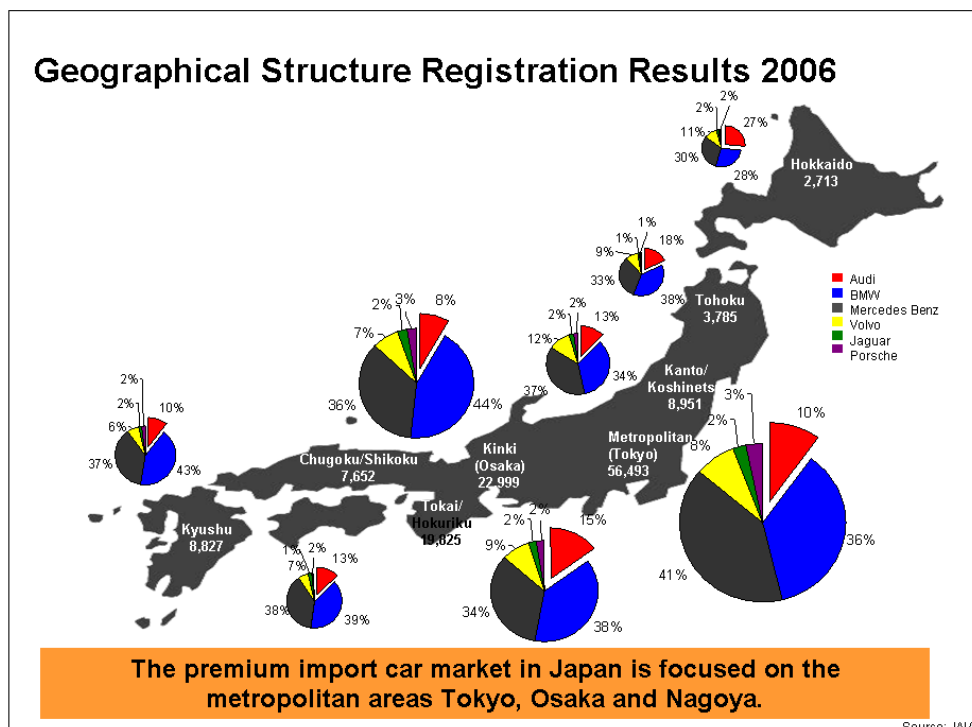


Figure no. 7/Geographical Structure of the Japanese Car Market

5.7 Competition

No difference to central strategy, see point 4.4.

5.8 Targeting

Premium brands are more „up-market”, meaning more expensive. Therefore, Audi Japan tries to target people with higher income. As the people who drive Audi cars also determine the image of the brand, Audi is not looking only for rich customers but those with high level of education and position in society (for example: lawyers, architects, athletes, movie stars, doctors). These customers belong to the social milieu of the so called “modern rich”. Next to the modern rich with their high income and social status, Audi Japan targets young customers, giving the brand a young and dynamic image as well as laying a solid foundation for repeated sales. These young customers belong mainly to the milieu of the new citizens.

5.9 Brand awareness

Audi’s brand awareness in Japan, meaning the recognition of the brand name without given context is low. In comparison to the core competitors Audi’s unaided brand recall level is approx. half.

5.10 Brand image

Audi has achieved a constant increase of sales development in the past years. Parallel to the market the last year showed as slight downward trend (-3%) due to the lifecycle effect of the volume core model Audi A4. The launch of new models such as Audi TT was not able to compensate the lifecycle driven sales deterioration of the Audi A4.

This shows that the brand image of Audi is not yet as established as that of its core competitors, who cope better with downward market development. Market research shows that

the brand image of Audi is approx. 20% lower than that BMW and MB. This makes the brand volatile to market seasonality. For this reason Audi Japan most important task is to raise the brand image of Audi in Japan establishing the brand as a recognized premium brand in the market.

Audi Forum

In fall 2006 Audi Japan opened the 10th Audi Forum in the world in Tokyo. It is situated in Aoyama Area, one of the most concentrated areas where other brands such as Prada, Dior, YSL, LV are located in the area. The Audi Forum as a lighthouse is the brand promotion tool combining marketing communication (ATL and BTL), brand promotion activities as well as CRM. It is the place to experience all facets of the Audi brand.

Objectives of the Audi Forum are to enhance Audi brand image and brand prestige in being (1) a brand experience space, not merely an exhibition and event space, (2) an information source of the Audi brand in connection with the media and (3) a linked operation with world wide Audi Forums, yet retaining Tokyo uniqueness.

The Audi Forum should also help to increase brand awareness by (1) participating in the rise of the established commercial, metropolitan area in Tokyo, (2) exploiting high level of wealthy customer traffic in the area and resulting „word of mouth” and (3) developing the Audi Forum as a center of excellence for sales staff.

III. PROJECT PART

6 FINDINGS

6.1 Brand awareness

Audi in Japan has low brand awareness and brand image in comparison to core competitors and has not significantly improved in the past years. One reason for the weak brand position in Japan results from the only recently launched brand strategy in Japan. As Audi Japan as a national sales company is only six year old and strategic brand development activities have only taken place since then, brand awareness is currently still low. Apart from the marketing activities the low car park is also a factor in this regard. The visibility of Audi products in the market is lower than that of the competitors as they have the higher car park (factor 5). The brand core and claim „Vorsprung durch Technik” as an integral part of the brand is unfortunately not understood in Japan. Low brand awareness and image results in not pricing the products in line with positioning the brand on market. Lagging behind the main competitors above all, the brand awareness needs to be tackled in order to be successful in the Japanese market. Together with the brand awareness however, prestige and premium image has to be conveyed simultaneously.

6.2 Brand image

Audi in Japan lacks a clear brand character and is (historically) viewed as a feminine brand. The frequent change of importers has resulted in different approaches in the sales of Audi products in Japan. As many of the importers had different car brands in their portfolio no clear brand strategy for Audi had ever been developed. With the establishment of Audi Japan this has changed and fundamental brand strategy is now based of all marketing and promotional activities in Japan. Public perception and image of the brand is slowly rising but the gap to the competitors is still large and needs to be closed quickly.

7 POTENTIAL OBJECTIVES OF AUDI JAPAN KK

Based on the findings I suggest Audi Japan to concentrate on the below potential objectives which has resulted from my analysis:

- increase brand awareness and brand image meaning to establish a consistent communicative approach in regard to content and media
- establish the progressive character of the brand by developing a Japanese element in advertising that makes a clear connection to the ‘Vorsprung’/’Progressive’ philosophy
- use new and progressive media such as guerilla marketing to support the progressive brand character as well to increase awareness for „younger” products like Audi TT, Audi A3 and Audi A4
- use unique venues and formats for product events and product placement for A6, A8, Q7 and R8 focusing on prestige
- consider repositioning prices to make a prestige statement
- focus ATL activities on metropolitan areas in order to establish brand positioning, increase brand awareness and obtain a high marketing spend effectiveness
- focus on minimal BTL activity in rural areas to maintain volume development

8 SUGGESTION FOR CONCRETE MEASURES

Next to continuing general marketing activities to promote the brand and products of Audi, I suggest Audi Japan to consider executing the following examples in order to fulfill some of the above mentioned objectives.

8.1 Product placement of the Audi Q7

The Q7 is a new product and the first true SUV in the Audi product line up. Among the core competitors Audi has been the only one not offering a product of this type. The Q7 has been present in the Japanese market since November 2006.

The Q7 is bigger, higher and wider than competitor's products such as BMW's X5 or MB's ML Class. Its dimensions will make this car stand out in Japanese traffic conditions and will contribute to raising the brand image of Audi in Japan. Since the car has been present in the market since December 2006 already, I suggest Audi Japan in future to focus on a unique product placement activity where it would be possible to expose the car to the customer for a longer period of time with high visit rate.

In the first half of the year 2007 there will be opening of new commercial, residential and leisure complex called Tokyo Midtown, which is located in the heart of Tokyo. This complex is considered next to Roppongi Hills or Omotesando Hills to „the” complex in town. It includes haute-couture boutiques and restaurants, high-end residential apartments and is home to one of the top leading hotel chains The Ritz Carlton. Based on my experience, when a new complex (including IKEA in Japan) like that opens in the Tokyo metropolitan area, thousands of Japanese people visit that place. Presenting the Q7 in the Tokyo Midtown premises would allow getting lots of exposure of the car in relatively short period of time.

The highlight about Tokyo Midtown is the Midtown Tower which will be the tallest building in Tokyo. As the Q7 is with its dimensions the biggest car in that segment these two,

the Q7 and the Midtown Tower have something in common for the customer to experience. The agency should build on this idea when developing a creative.

Due to benefit of large outside and inside space I suggest Audi Japan to display whole product line of Audi Japan which is Audi A3, A4, A6, A8, Audi TT Coupé and Q7. The main impact would be on Q7. Several Q7 would be on display throughout the complex in different colors and different versions. The idea behind displaying the whole product line is to remind customers what is Audi about, what Audi offers and take effect on customers thus improving the brand awareness and image. Not all customers can afford to buy Q7 due to the high retail price or limited parking capacity, but this way customers can choose any product that Audi offers that suits their needs. The promo materials for this product placement should be in line with „the tallest building, the biggest car” idea.

8.2 Launch of the Audi TT roadster

The new Audi TT Coupé was launched in Japan in October 2006. The launch of the Audi TT roadster is planned for the first half of the year 2007. Unfortunately, convertibles and roadsters are not very popular in Japan. The main reason is that Japanese people don't want to be exposed to the sun and Japan is very hot and humid in summer months so it is considered extremely inconvenient to drive with an open roof.

I suggest to Audi Japan that, due to the fact that roadster models are not in high demand in Japan, it is not necessary to spend large amounts of money advertising in that segment, but rather Audi Japan should use the premises of the Audi's flagship store, the Audi Forum as a possible launch venue. Also, I suggest organizing an event which would cover the launch of the new Audi TT roadster and revitalize the Audi TT Coupé. That way Audi Japan could maximize efficiency of marketing spending.

Tokyo will host the MTV Video Music Awards Japan on the 26th of May 2007. I suggest Audi Japan to tie up with MTV and provide the organizers with Audi TT roadsters. The megastars of the MTV Video Music Awards would be driven in Audi TT roadster to the red carpet instead of stretch limousine. The winning stars would sign an Audi TT Coupé

which would be displayed in the Audi Forum and then auctioned and revenues be given to a charity. During the launch of the Audi TT Roadster a press release should be published informing about the tie up of Audi Japan with MTV Video Music Awards Japan in order to maximize media coverage.

8.3 Launch of the Audi R8

The R8 belongs to the segment of „super sports car”. It’s a competitor to Porsche 911, the MB SL, Ferrari etc. Since there is such a small market for the car I suggest Audi Japan not go broad with the marketing activities related to promoting the new R8, but do pinpoint marketing.

I suggest Audi Japan to organize a launch event for specific target group such as Japanese VIPs who can potentially afford to buy such a car. My idea would be to rent luxurious and prestigious location such as a marina with its own yacht club. About 100 VIPs would arrive at the marina, valet parking would be arranged. VIP’s would enjoy their welcome drink on a motor yacht cruise and later have a sit down black tie dinner including cigars and champagne. Around the venue the R8s would be displayed accompanied by one sales person per car to help to introduce and show the car to the customers.

8.4 Guerrilla marketing/Audi Festival

Audi Japan has lower budgets than its cores competitors. In order for Audi Japan to reach the goals and having limited amount of money to spend, I suggest to Audi Japan to focus on guerrilla marketing for certain models. My idea for Audi Japan would be to organize an annual event called „Audi Festival”. Japanese people like to belong to a certain group. It can be a swimming or golf club, sharing the same fashion interests, etc. It would be two day event only for Audi customers. Audi would rent a race track close by the metropolitan area and have all Audi customers to drive with their Audis to the event and enjoy two days with Audi. The customers would have a chance to sit in the R8 and be driven by a professional race driver around the race track. This would be one and only chance for a regular

customer to see and experience the power of the car and to drive so fast. There would be prize award ceremony for the customers such as: most tuned Audi, the oldest Audi, customer who drove from the furthest point to get to the venue, etc. During the two days films on history of Audi and other promotional materials would be displayed, including the whole line of products which the customers could experience. Such event could be positive in the following aspects:

1. customers would feel special, something extra has been done for them, the brand cares about the customers, customers would remain loyal to the brand;
2. Audi could use new contacts for their customer database; and
3. as the event should be in the metropolitan area, the density of Audi cars on the streets would be good advertising of the brand.

9 PROVING THE WORKING HYPOTHESIS

WH 1

Brands, especially premium brands can only be successful in a competitive market surrounding if they have a clear brand strategy and identity.

My hypothesis has been confirmed. One of the reasons there is a gap between Audi and its core competitors BMW and MB is that those competitors have established their own national sales companies 25 years ago and could focus on implementing their brand strategy. Audi products on the other hand have been sold till the year 2000 in one showroom together with Volkswagen and Toyota, which does not project a clear Audi message. There has been no strategy implemented to sell Audi products. That is why BMW and MB are being far more successful at this time than Audi. This proves my hypothesis that premium brands can only be successful in a competitive market surrounding if they have a clear brand strategy and identity.

WH 2

On an international level premium brands can only be successful when the centrally developed brand strategy is communicated consistently in different markets in order for the customer to be exposed to the same brand experience but there must be room for local adaptations to further enhance the development of the brand position on a local market.

My hypothesis has been confirmed. A premium brand cannot be successful on a local market without adapting its centrally developed brand strategy to necessary market requirements.

The Japanese car market is very specific. Taking the example of Audi, Japan is a clear indication for how a centrally developed brand strategy has to be adapted locally to optimize its efficiency without diluting the central brand message. In Japan the brand positioning as well as the brand core of Audi, „Vorsprung durch Technik”, as an integral part of the brand strategy is unfortunately not yet clearly understood in Japan. Therefore local adaptations have been done, for example regarding marketing communication a Japanese translation of „Vorsprung durch Technik” has been integrated into the adver-

tising materials. Also marketing investments are made mainly in the metropolitan areas of Tokyo, Osaka and Nagoya, in comparison to other developed markets where Audi follows a more nationally orientated strategy. Other local adaptations of Audi global brand strategy in Japan can be seen on the dealer level, where Audi Japan has embarked on a flagship store strategy. Further to this product and price strategy deviates from the European strategy reflecting the current perception of Audi in the market.

CONCLUSION

The goal of this bachelor thesis was to find out how Audi implemented their global brand strategy in Japan and what the obstacles while implementing the global strategy were and how Audi Japan managed to cope with them.

I believe Audi implements their global strategy successfully which is proved by an increase in sales over the past years as the change of strategy has resulted in a rapid growth in Japan from 6,972 registered cars in the year 2000 to 15,018 registered cars in 2006. The strong performance of the competitors indicates a considerable market potential. If Audi chooses the marketing communication and measures well with the upcoming launch of the Audi R8 super sports car as well as the Audi A5 Coupé expected to be launched at the end of the year 2007 which will open new segments and allow Audi to penetrate new target groups, Audi should be able to keep increasing their sales.

Nevertheless, there is a lot to improve in the communications sphere to the customer which is in this case measured by the brand image and brand awareness which is lower than it should be and has not significantly improved in the past years. One reason for the weak brand position in Japan results from the only recently launched brand strategy in Japan. As Audi Japan as a national sales company is only six year old and strategic brand development activities have only taken place since then. Prior to the establishment of the national sales company the frequent change of importers has resulted in different approaches in the sales of Audi products in Japan. As many of the importers had different car brands in their portfolio no clear brand strategy for Audi had ever been developed. With the establishment of Audi Japan this has changed and fundamental brand strategy is now based of all marketing and promotional activities in Japan. Public perception and image of the brand is slowly rising but the gap to the competitors is still large and needs to be closed quickly.

Audi must position itself clearly from brands of the mass market and clearly communicate its brand identity to the customer, thereby creating an aura, which leads to a higher demand of its products, or in other words increasing the pull effect in the market.

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LIST OF ABBREVIATIONS

ASF	Audi Space Frame
ESP	Emotional Selling Proposition
LV	Louis Vuitton
MB	Mercedes Benz
MPV	Multi Purpose Vehicle
SUV	Sport Utility Vehicle
USP	Unique Selling Proposition
YSL	Yves Saint Laurent

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APPENDIX A1

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Audi A4



Audi A6



Audi A8



Audi allroad



Audi Q7



Audi TT



Audi R8

