

CHAPTER FIVE: MARKET SEGMENTATION & POSITIONING

Daimler Chrysler's Maybach:
Battling for the hearts, minds and wallets of the "World's Super-Rich".

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Daimler Chrysler has just launched their new super luxury car, the Maybach (www.maybach-manufaktur.com) to much excitement for those that can afford such luxury. The Maybach is the newest addition to the Daimler Chrysler range of car marques, which includes the venerable Mercedes Benz brand. In May 2002, the Maybach went on sale in Europe with two models the Maybach 57 and 62 launched. The numbers referred to the length of the car models, mimicking the yachting tradition of classifying yachts according to their length, (*another tactic to convey prestige onto the brand*). The car was launched to much fanfare in New York, where a Maybach car was encased in a reinforced glass container, carried across the Atlantic on the roof deck of Cunard's QE2 luxury cruise ship, and then transported to Wall Street for the launch event via heavy lift helicopter across the New York skyline. The Maybach name derives from the Maybach luxury cars that were made prior to World War II. The name Maybach refers to Wilhelm Maybach, a German engineer who helped build engines for Zeppelin airships and alongside Gottlieb Daimler, developed the first Mercedes car. The original Maybach's were limousines for the rich and famous of the 20's and 30's. Daimler Chrysler resurrected this brand name for their new premium range of luxury cars overtaking the Mercedes S-Class model as the premier car in the their brand portfolio range.

The Maybach is Daimler Chrysler's attempt to move into the realm of super luxury car market niche. For super-luxury comes at a hefty price. The ex-works price for the Maybach 57 is £196,000 sterling (€310,000 Euro), while the top model, the Maybach 62, is priced at £228,000 sterling (€360,000 Euro) anywhere in Europe - excluding all locally applicable taxes and duties. The Maybach has been initially launched with a network of 25 sales centres in Europe, North America, and the Far East. These sales centres will be exclusively Maybach focused centres based in cities with reputations for wealthy residents such as Paris, London, New York, Los Angeles, and Dubai. However secondary dealerships will be

allocated to a handful of large Mercedes dealers. Daimler Chrysler believes that 40% of the cars will be sold in the- North America market, 25% in Europe, 20% in Asia, and 15% for the rest of the world, mainly oil states of the gulf.

Daimler Chrysler is the world's number 3 carmaker (behind General Motors and Ford). Daimler Chrysler was formed when Daimler Benz merged with American automotive giant Chrysler. The company produces a wide range of passenger cars and trucks. It produces a number of car marques including Mercedes Benz (*which produces a wide variety of cars such as the compact family A-Class, the 4x4 M-Class, the CLK sports car, and the executive E-Class saloon*); American brands Chrysler and Dodge; 4 x 4 specialist JEEP, and the tiny urban SMART cars (*Figure 1 illustrates the passenger car brands of Daimler Benz*). Similarly the Volkswagen group now owns seven automotive brands including Bentley, Bugatti, Lamborghini, Audi, Volkswagen, Seat and Skoda, trying to have a marque in every segment of the marketplace. Many of these car models share the same platforms, which reduces their manufacturing and R&D costs. The famous Mercedes logo has been brand stretched, entering new areas unfamiliar to Mercedes, with the A-Class (small family hatchback cars), M-Class (4x4 off-roader) and Vaneo range (compact vans). It is trying to tap into new lucrative revenue streams. Some commentators argue that this strategy has damaged the mystique and prestige of the Mercedes brand as they have become more ubiquitous and less exclusive. Previously, the Mercedes was associated solely with top of the range saloon, roadsters, estate and coupé cars. However the launch of the A-Class has been very successful for Mercedes with 750,000 units sold since its launch. The price of a Mercedes car can vary from £13,000 (€20,400) to £90,000 (€141,000).

Figure 1 – Daimler-Chrysler Passenger Car Brand Marques

<i>Maybach</i>	<i>Mercedes-Benz</i>	<i>Chrysler</i>	<i>Dodge</i>	<i>Jeep</i>	<i>Smart</i>
Maybach 57	A-Class	300M	Neon	Wrangler	Smart Coupe
Maybach 62	Vaneo	PT Cruiser	Caravan	Liberty	Smart
	C-Class	Concorde	Dakota	Grand-Cherokee	Convertible
	V-Class	Prowler	Durango		Smart
	E-Class	Town & Country	Intrepid		Roadster
	M-Class	Voyager	Ram		
	CLK Class	Sebring	SRT-4		
	SLK Class		Stratus		
	S-Class		Viper		

Now Daimler Chrysler has upped the ante, with the prices for their Maybach at £228,000 sterling (€360,000 Euro). They have decided that they would brand the car using the unique Maybach brand and insignia. No Mercedes logos or branding are used in any of the promotional strategy for the car. This is due to Daimler Chrysler's strategy to persuade potential car buyers that they are getting something unique, exclusive and that cannot be obtained for a mere £13,000. The company wants to position the car in the super luxury car bracket. The Maybach uses two intersecting M's in a spherical triangle; the two M's

standing for "Maybach Manufaktur". Many auto industry analysts have suggested that the Maybach is just another Mercedes pitched at the high end of the market, and questioned why not just launch the car under the well-respected marque of Mercedes Benz?

The Maybach is produced at a specially designed "Maybach Manufaktur" area at Daimler Chrysler's Sindelfingen plant near Stuttgart in Germany. Traditionally the regular Sindelfingen factories output is on average 2,100 cars per day, whereas the Maybach production line will have an output of roughly 5 cars per day. The Maybach cars are built to order where customers can tailor their car to their specific requirements. This is a new 21,000m² section of the plant and employs 330 people. The production combines automation and craftsmanship. Robots are used in the construction of the frame of the car, whereas painting and interior finishing are done by hand. There are 17 colours to choose from, and as there is a two-tone finish, this means that there are more than 100 different paint combinations available. A Maybach takes about four weeks to complete the production process. According to Daimler Chrysler there are over 2.2 million possible permutations of equipment and fittings for a Maybach car. The most expensive option being a full-length roof system with electro-transparent glass at a mere snip at £8,386 (€13,195) The car is expected to be bought by the any world's super rich, so it has been tested in varying climatic conditions. The car underwent an extensive testing programme, driving 2.5 million kilometres in nine different countries ranging from forests in Norway, a frozen lake in Sweden to city traffic in 40c degree heat of Dubai.

Crucially Daimler Chrysler wants to create an air of exclusivity and deliver first class customer service for the Maybach. They have created the role of "personal liaison managers" in the 18 global Maybach centres. Each customer is assigned a "PLM", who is on call 24 hours a day, 7 days a week. These personal liaison managers are assigned to the task of looking after the exact needs of their clients. They interact with their clients ensuring that their exact specifications for their customised car are correct. The personal liaison managers can arrange test drives; factory visits for potential customers to the Maybach's centre of excellence at Sindelfingen, where they can view their car being fitted from a plush viewing suite. Furthermore, they will organise all of the servicing arrangements for the car, including transportation of the car to one of 50 approved servicing centres. Each Maybach has a four-year warranty and service and repairs are free for four years. Once a customer places an order for a Maybach they receive leather-bound portfolio holding selected paint, wood and leather samples and early design sketch of the car, further enhancing the aura of prestige, and luxury.



So what does the Maybach offer to the world's superrich?

Figure 2 - Key Features of the Maybach

- Highest powerplant engine in the world, with 405 kW/ 550 hp,
- V12 Engines, 5.5 Litres,
- Automatic Transmission,
- Electro-hydraulic braking system - Sensotronic Brake Control (SBC™),
- Electronically controlled air suspension system - AIRMATIC DC (Dual Control),
- Voice control - LINGUATRONIC,
- Operating and display system- COMAND APS,
- Automatic emergency call system - TELEAID,
- Six Grand nappa leather colours and three types of fine wood,
- 17 paint finishes is available for the exterior, a two-tone colour scheme available,
- Fully-reclining seats in the rear,
- 600 Watt sound system with Dolby surround sound on every seat, 21 speakers ,
- Four-zone climate control system with two separate air conditioners,
- Two Colour Monitors with integrated TV receiver and DVD player,,
- Refrigerator compartment (for the Champagne!!),
- Two Cordless Digital Telephone handsets,
- Ten Airbags,

Two new entrants to the super-luxury car segment have also emerged, that of German automotive giants BMW, and Volkswagen (VW) group. Furthermore, Ford has entered the arena with the purchase of British Aston Martin marque. Only the Japanese manufacturers have not ventured into this competitive, yet small niche, adopting a wait and see approach. Many commentators believe that these super luxury cars are not profit centres for their manufacturers, but act as image enhancers for their entire brand ranges. The main competitors to the Maybach brand are Bentley and Rolls Royce. The Rolls Royce and Bentley brand names were produced by the same British company, Rolls Royce Motors, however in 1998 a bidding auction ensued for the company between BMW and VW for the firm. VW won the bidding for the Rolls Royce Motors, only to discover the much-revered

Rolls Royce brand name was actually owned by Rolls-Royce plc, the aerospace company, not Rolls-Royce Motors, and they had already struck deal with BMW for rights to the name. A complex legal settlement was found which gave VW the Bentley brand and BMW the Rolls Royce name. A formal split occurs at end of 2002, with Bentley maintaining operations in old Rolls Royce factory at Crewe, while BMW's Rolls Royce is in production at an all-new plant in Goodwood, near Southampton, however, they cannot produce cars under that name until 1st Jan 2003. BMW cannot do any promotion of their Rolls Royce variation until then. BMW expect to launch their Rolls Royce at the beginning of 2003, but have not yet named their new model. VW is now concentrating it efforts on the Bentley brand, promising to invest over €800 million into the brand.

Table 1 Comparison of the Key Players in the Super Luxury Car Market

	Daimler Benz's Maybach	VW's Bentley Arnage T	BMW's Rolls Royce (RR01)
Background	Revitalised pre World War II luxury car marque.	Largely hand built car	Largely hand built car, New body style
Country of Origin	Germany	United Kingdom	United Kingdom
Max. Speed	250km/h	270km/h	N/A
Length	6165	5400	5969
Key Features	405 kW/ 550 hp, Electro-hydraulic braking system, Electronically controlled air suspension, Voice control, Automatic emergency call system Fully-reclining seats in the rear, Dolby surround sound on every seat, Four-zone climate control, Customised Construction	336 kW/450 hp 6.75 Litre, V8 Engine 13.7mpg, GPS Satellite Navigation System, Memory Facility for Driver & Passengers, Traction Control, Computer Controlled, 8 Air Bags, Customised Construction	6.8 Litre, V12 Handmade, Aluminium Frame, 6 Speed Automatic Transmission, Advanced entertainment & communication systems, Customised Construction
Available Since	May 2002	April 2002	Jan 2003
Price Range	£196,000 - £228,000 (€310,000 - €360,000)	£151,000-£166,500 (€240,000- €262,000)	£133,000 (€210,000)

All three competitors expect to sell around a 1,000 units each for their respective super-luxury brands. The key for these super luxury cars is to keep them exclusive, the less available the brand, the more exclusive it becomes, which further enhances their image. The Maybach is referred to in automobile marketing as the “halo brand”, where it is seen as the premium leader, the flagship of an automobiles manufacturers brand portfolio, adding exclusivity and enhancing the reputation of the brand. The company is not going to make huge profits from a market, which is very small, where only a handful of entrepreneurs, industry leaders and celebrities are able to afford such luxury. There are some key question marks surrounding the launch of the Maybach. Daimler Chrysler hopes to break even on the Maybach project within 5 years. Furthermore, will potential buyers be drawn to a brand that has been dead for sixty years? Also, the timing of the launch of the Maybach is questionable. The Maybach was conceived in the booming nineties, where the stock market was at its zenith, entrepreneurs and investors were becoming millionaires overnight with paper fortunes. Now during the downturn with the collapse of the dot com and tech boom, the corporate accounting scandals and growing future economic uncertainty, there may not be the same amount of money floating around and people willing to buy one of the world’s most expensive cars.

QUESTIONS

1. Using segmentation bases described in this chapter, describe the potential market segment for the Maybach.
2. Discuss the reasons why you believe that Daimler Chrysler adopted to use the Maybach brand for the launch of their super luxury car, rather than under one of their existing brand marques and how will the launch affect the Mercedes Benz brand name.
3. Create a perceptual map for European Daimler Chrysler’s passenger car brand portfolio, using the dimensions of price and number of potential customers. The map should include the following Daimler Chrysler marques; A-Class, M-Class, E-Class, S-class, the Smart car and the Maybach. Use www.mercedes.com and or www.4car.co.uk to help in the construction of this map.

The material in the case has been drawn from a variety of published sources.