Recipe for Success: Rover Japan Limited

By Peter Woods

A company's sales have grown by over 30% every year on average for 10 years and brand awareness and franchise strength are developing strongly. What story lies behind this marketing success? And how does a successful importer approach Japan to generate that success?

This is the reality of Rover Group's experience in Japan since 1985. Sales of just over 1,000 units then rose to about 27,000 units in 1996. What does the future hold for Rover in Japan?

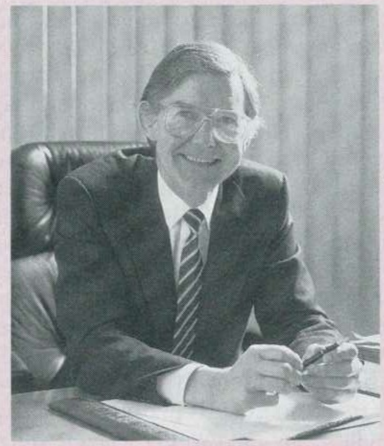
... in the beginning

Rover's main beginnings in Japan go back to 1977, when a sales company was established with a local joint venture—one of the first foreign auto companies to establish itself seriously in Japan. But the real push started in 1985 when Rover Group took over all local importation and distribution, the second importer to do so [the first being BMW—now Rover's parent company] by which time the company had a clear view of the potential for sales over the long term.

Breaking out of the mold ...

Rover achieved unusually sound success for its size, with strongly rising volume and increasing market share, in the period to 1990, becoming the No. 4 importer. Then, in common with the whole market and all other importers, Rover Japan [RJ] was sideswiped by the bursting economic bubble in 1991. However, whilst the total passenger car market and import market continued to fall for three years, Rover Japan took strong corrective action and then broke out of the restrictive mold in late 1992. Judging that the recession would bottom out in 1993 when important new Rover Group products would be arriving, Rover Japan determined to change pace and push hard on the market in late 1992 and start the much needed revitalization of its dealer franchise in preparation for strong growth in 1993.

Strong advertising with preferential customer credit schemes supported by dealer campaigns, contests and direct mail produced the needed results. The import industry's sales finally stopped falling and levelled out in late 1993.


P.J. Woods, President, Rover Japan

Rover Japan's sales started to turn very positive in the fourth quarter of 1992 and in 1993 and produced a sales rise of 35%, stealing a march on the market. These years were critical for this was when the bridge building to today's success occurred. They also showed quite clearly the customer responsiveness to improved value for money in today's 'post bubble' market.

RJ's sales have continued to grow well from 1994, reserving a secure place as a leading automotive importer for Rover Group.

But how was this created—with the support of what fundamentals?

The recipe ...

Strong advertising

The overriding priority for any importer, after mapping out a strategic plan, is to start obtaining recognition for the company and brands from potential customers. This is prohibitively expensive at the best of times in Japan but horrendously so at start up, when volumes and revenues are very low and when HQ confidence has not yet been earned. There is no alternative but to afford as much as is feasible year by year and to make progress slowly, mon-

Rover 400—New Rover 400 426Si

itoring your results carefully as you go.

The arrival of new products particularly from 1993 gave a heaven–sent opportunity to force our way out of the sales recession, overcome customer hesitations, and energize our dealers. Using magazine and newspaper ads, and, for the first time in major volume terms, TV commercials, Rover Japan executed strong product launches over the next three years with well prepared, and more costly, media ads.

Company and brand recognition have risen steadily therefore over the years, as has an understanding of brand values and meaning, as media expenditures strengthened significantly over time.

Range Rover—Range Rover 4.6 HSE

New products

In the early years in Japan, Rover sold virtually only the Mini but the range was slowly expanded to the Rover 800 Series followed by the Range Rover. Then the new Land Rover Discovery and Rover 100 were launched in 1991–1992, broadening the range further. The revised Range Rover, featuring air suspension, was followed quickly in early 1993 by the launch of the Rover 200 & 400 Series in two engine sizes and four body styles. This was soon followed by a new Rover 800. A wealth of attractive products had therefore joined the ubiquitous Mini by 1993, giving Rover Japan a wider and more comprehensive product offering than most other importers.

All these new products established themselves quickly in the market place, creating considerable customer traffic, and resultant strong growth in sales. In 1995 sales growth continued supported by the introduction of an all–new Range Rover, sales of which blossomed 10–fold over two years. At year end, the new small British sports car, MGF, was successfully introduced and almost immediately won the Japanese Importer Car of the Year Award in early 1996 against very strong competition. The jury particularly praised the new technology of the car as well as its style and competitive price. But 1996 produced an even stronger offering with a brand new Rover 200 and a new Rover 400, giving Rover Japan a fully updated and very comprehensive product range in the sedan, sports utility/4WD and luxury car sectors.

Revised pricing

In 1992 and 1993, major shifts occurred between the European and Japanese currency exchange rates, with the yen strengthening strongly. The British pound sterling was the first to weaken and, given the potential medium to a long–term shift in exchange relationships, a revised pricing strategy was quickly formed with HQ consent. The plan—to move forward decisively with lowered prices to optimize long–term volume and profit growth at a time when Japanese customers were becoming increasingly aware of value and as major new Rover product lines were being introduced—was rapidly completed in the third quarter of 1992 for introduction in the first quarter of 1993.

Average prices were lowered by 13% in early 1993 and new products were introduced at revised price levels. It was argued that this was impossible to do in this way, particularly in Japan, because of prior customer reactions. Rover Japan's experience showed this to be a misconception and that it could be handled quite adequately. Indeed, market image improved strongly and positively as a result of the speed and innovation of this repricing, as well as the effectiveness of the explanation for the change under the banner of 'Fair Play' given to the press and through the media. Sales volumes surged by 35% in a stagnant market and the change become a force for success.

Average prices were again lowered by 13% in early 1994, in effect passing on all the benefit of the exchange movement to the customer. Volumes again surged by 35%.

Dealer exclusivity

RJ's franchise exclusivity reached 100% in 1993 meaning that competitive manufacturer sales ceased and RJ dealers gave us finally, after eight years of careful nurturing, full commitment to Rover Group sales only. Exclusivity had been rising steadily from zero since 1995, when it became very clear early to our dealers in 1986 that Rover Group meant business in Japan and was here for the long term. As investment in media, infrastructure and the franchise continued strongly over the years, this reconfirmed RJ intentions to dealers and encouraged them to quicken their pace to exclusivity.

Just as important during this whole period was the number of dealer sales points which steadily rose from 40 to 116 in 1996 and the quality of these points which changed out of all recognition in terms of showroom, corporate identity, service workshop and the competence of sales and service staff supported by professional training from RJ.

Important in this phase was the availability of sound marketing campaigns and promotional support for dealers to assist their growth. Particularly relevant was the priority given by RJ to ensure both adequate dealer margins and carefully controlled growth of the franchise so that dealers were able to improve their volume annually and so make sound profits on a consistent basis. This in turn led to heavy reinvestment by the dealers over the years in more showrooms and service facilities.

Investment

Rover Japan has steadily invested in the franchise over the past 10 years particularly in raising the standard of its staff by training and development. Media and corporate identity investment weigh heavily for all participants. Equally so is the investment in physical infrastructure required by a serious importer for Parts Depots, Vehicle Preparation Centers, Service Training Centers and more. Investment in retail outlets (dealerships) directly by the importer, in line with Japanese domestic manufacturer practice, also requires major investment particularly in major cities, often too expensive for the family dealer, and RJ has 10 such major dealer branches of its own together with several major city center service facilities. The above investments give strong and lasting encouragement to the franchise.

Customer satisfaction

Satisfying customers is the mission of RJ staff and continuous investment in training of dealer sales and particularly service staff, supported by effective process development (ISO 9002 achieved by RJ in 1995), is a minimum for success. High quality and reliable products backed by knowledgeable service technicians, speedy communications, comprehensive analytical equipment and a high level of parts availability complete the equation.

Satisfying customers is merely part of the mission of Rover Group. The whole is to give customers delight with their product so that all their experiences are pleasurable and they become our best salespeople. Achieving the reality, particularly in Japan where customers have the highest possible requirements, is never easy and requires continuous attention and action to improve performance and motivate staff while providing the hardware and software they need to strive for perfection.

Positive PR

The support provided by the Japanese press is strong and calculable in advertising terms. The product and price story is a natural for success if carefully woven. Using seeding exercises for key Japanese press members driving new products in the U.K. and in Japan, supported by good newsworthy items about the franchise, Rover Japan has succeeded in raising the recognition levels and support of dealers, customers, the press and the general public.

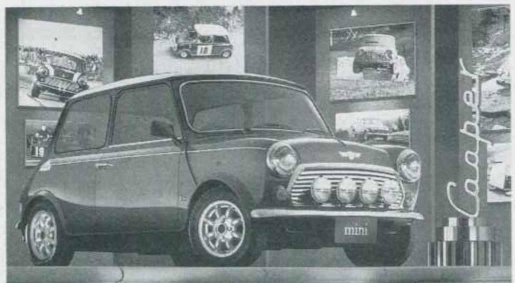
Careful press relations management has made a major contribution to RJ's success and has strongly supported the growth of company and brand recognition cost effectively.

. . . and the others

There are of course many other relevant factors explaining success.

Stability tells . . .

A stable organization carefully developing the fundamentals of the business over the past 10 years, with senior expatriate managers having all been in Japan for 10 years or more, has enabled constant and consistent policies to be developed. This in turn has led to good development of relationships and trust throughout the franchise.



(Above) Rover 200—New Rover 200 5door SLi
(Below) Mini—Mini Cooper

But this is not the whole story . . .

If this is a summary, it is clearly not all the story. This is what you can see on and just below the surface but what lies beneath? How was Japan approached? What beliefs or principles or simple guidelines provided the backdrop for this success? How does an importer start and then keep on the rails—where or what is the guiding star?

Information

There is a wealth of written material on Japan. The realities of the market are not so difficult to pin down and the principles of marketing are the same anywhere but you need to read in depth to plan success and avoid failure. In the UK's case the Board of Trade (DTI), the British Embassy and British Chamber of Commerce in Japan as well as others such as JETRO can easily unlock this material for you. Face–to–face contacts with those operating in Japan also gives anecdotal information which is often far more convincing than the written word.

Understanding

You need to be very clear on why you want to be in Japan and then start to understand Japan's different culture. Then you can begin to understand the keys to success.

Why Japan?

To achieve strategic world market share and/or volume and profit growth or just currency balancing. To better understand the Japanese threat to your domestic industry at home or merely to improve corporate learning (Technology, Business Approach, Customer Care). To secure an Asian presence. One or several of these reasons will be relevant to you but when you consider all of them it is very difficult for a serious world player to avoid the conclusion that you do need to be in Japan. Although success and profit may well be feasible, a simple defensive mode may be the essential minimum; even that minimalist presence must be pursued convincingly and with knowledge and commitment.

Different culture

You will be operating in a different environment in which many of your HQ rules, practices and judgements will be less than relevant. If you do not study and soak up this culture change thoroughly you will not succeed.

Some simple guidelines?

HQ Support—Understanding of strategy, tactics and costs is essential at board level. Frequent visits to Japan should be encouraged.

Brand—Careful and steady development of brand recognition. With a large population and world–leading readership, recognition is very slow and costly. Use PR for cost–effective ad support.

Niche—Distinction, differentiation and character are even more important in this very large homogenous market. Develop your niche.

Specification—Ensure your product meets legal and market needs—assist HQ by encouraging change. Specifications must be targeted to meet the needs of the Japanese market.

Quality—You will have to stretch constantly to meet the highest standards in the world—and ones which are being constantly raised. At the customer level, real product failure is close to zero and customer acceptance of failure virtually nil.

Customer Satisfaction—Any objective less than outstanding is dead.

Staff—You can obtain Japanese staff but you will not obtain good quality for many years until you have established company and brand recognition and even then it will be well below the best standards of Japan's large companies. Good training, development and motivation are essential. You will worry about staff morale, motivation and quality results forever. The ability to speak English should never be overvalued in recruitment.

Longtermism—A fundamental of Japan. You have to make a very long–term commitment and look for long–term—not short–term—profits. If you cannot, then do not start. You will not be successful in two years, it will not pay off in 12 months—such requirements are arguably unreasonable at home, in Japan they are non–starters. This long–term attitude will bear fruit somewhat quicker than you expected.

Relationships—Development of relationships and trust is very important.

Patience—You need a lot. Reaction times to well thought–out programs can be years rather than months. Group consensus "dwell" times takes months and may change your top–down plan out of recognition. Because of language and culture—pushing gets you nowhere in the environment. You have to learn to play the system, to develop the power in the middle of the company, where it should be, with strong empowerment of your staff. Once the "train" starts however, it will go and it will work very well without false starts.

Style of Management—Accordingly, individuals change their style of management and become less aggressive, more patient, "leading from" behind, using key middle managers and staff to generate ideas and programs which the group will make work. An understanding, caring and listening management uses their skills to encourage change and speed success.

Costs—You must grasp the nettle early, understand your local Japan costs and obtain acceptance at HQ. This requires continuous education.

Joint ventures—There are many examples of excellent JVs but the majority opinion is, avoid them like the plague and do it yourself—or else keep your eyes open wide and be extremely well informed and advised before you proceed.

Grade up—Do not try to do the impossible in a tight time frame. It will not happen. Your initial tasks will be massive—get your priorities clear and constantly "grade up" and improve your efforts and results every week of your company's life in Japan. Sweat and tears over the fundamentals of your business can and will work finally to your advantage. Count the results and successes day by day and results indeed you will have.

Learning—Raising the quality and abilities of your staff and of your wholesalers or dealers is fundamentally important. Costs will not allow you to do it overnight but constantly grade up your training programs each year and the measurement of their results.

Most of the above apply to virtually any commercial culture of course but they apply particularly to Japan. We are talking about a company's long–term staying power, development of staff abilities and thorough development of business fundamentals—going slowly, thoroughly, carefully and patiently in order to achieve excellent success in the long term almost by definition. If you demand perfection and thoroughness at the beginning of the business cycle the end product will have an excellent chance of success and survival. You will have many failures on the way but recognize them and learn.

The future

Rover Group looks toward the future in Japan with some natural confidence but also wariness as the market becomes increasingly competitive. Following BMWs ownership of the company investment, in plant and product has doubled annually and it is clear that as part of a much stronger and well focused automotive group the potential for improving product and strengthening brand values is certain. This will in turn strengthen the growth of brand image and recognition throughout Japan over the coming years whilst the dealer franchise continues to grow at its current rate of about 15–20% per year based on sound profitability, and the importer RJ develops its professionalism aimed at increasing customer delight in Rover Group products.

Peter Woods has been Director of International Sales and Product Planning and Marketing of Rover Group, and President of Rover Japan. He is currently Regional Director–Overseas of the Rover Group. He also serves on the Executive Council of the British Chamber of Commerce in Japan.