

# **AUDI A1 Launch: small is good**

## **Exec Summary:**

It can be hard to isolate marketing's impact on the launch of a new product.

The quality of the product, the creativity of the communications, the state of the economy or indeed the weather can all make a difference.

But this is a story that really does prove the power of effective marketing.

The small car Supermini segment is a mass-market category, and Audi needed to find a way in without damaging the prestige brand that had taken so long to build.

Two divergent marketing strategies were employed. One in the UK and another in Western Europe.

Same car, same conditions, different strategy.

The UK strategy was significantly more effective than the European. 55% more effective to be precise, or approximately 6,000 more cars sold.

This paper is about the UK strategy, which was founded on an insight.

The UK marketing team realised they could flip "small".

In the technology category, "small" is a product of good design.

With this perspective, "small" was no longer a barrier: it was an opportunity; Audi had found something new to say in the crowded Supermini category – but also a new point of difference versus the Prestige category as a whole.

And because of this, the A1 became the fastest selling small car launched in the last ten years; expanding into the mass market left the brand strengthened, not diluted.

*'Vorsprung durch Technik'*, as people are increasingly saying.

## **Introduction:**

Growth needs space, and space can be hard to find in the current climate. Especially in the most crowded of car segments, the Supermini.

The motor trade has not had a good recession, and despite forecourt price-drops and scrappage schemes, volumes were down 15% from 2007 to 2011.

Audi was faring better, achieving 0.4% growth, but still nowhere near the levels the business needed.

The large saloon segments were down 12%; to achieve growth Audi looked beyond the traditional prestige heartland.

Despite also being in recession, the Supermini segment represented 32% of the total market, and a big opportunity for the company.

So, Audi AG decided to launch the Audi A1, the first prestige car competing in the Supermini segment, alongside the likes of Mini, Polo and Fiat.

Scepticism was rife:

*“Audi missed the boat a long time ago on this one. They can’t just dress up a Polo and call it a competitor with the Fiat 500 and Mini. Those minicars are icons, and aren’t just derivations.”*

Top Gear, 03/02/2010

## **The consumer insight: *small is good***

Marketing instinct tells us small means worse, particularly when it comes to prestige brands.

Prestige brands create their ‘prestige’ through the careful management of price, specification,, exclusivity and scarcity.

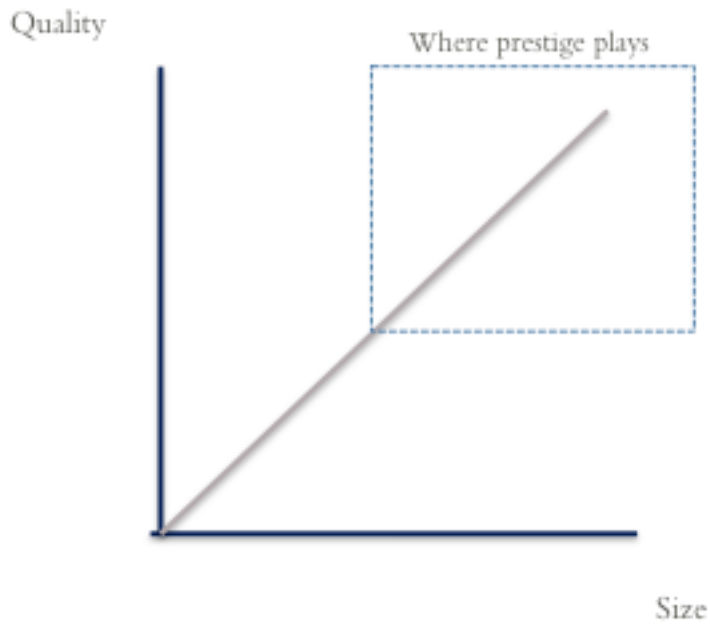
Prestige brands often tier their offerings, with each successive tier denoting a higher level of quality and quantity of features, and therefore offering a higher tier of status for the user.

British Airways “tier” through Economy, World Traveller, Club World and First. American Express through Green, Gold, Platinum and Black cards.

And nowhere are these tiers more prevalent than in the motor trade.

For prestige manufacturers, the bigger the car, the better it is, and therefore the more prestigious it is. (BMW 3 series, 4 series, 5 series and 7 series. Mercedes A Class, C Class, E Class and S Class.)

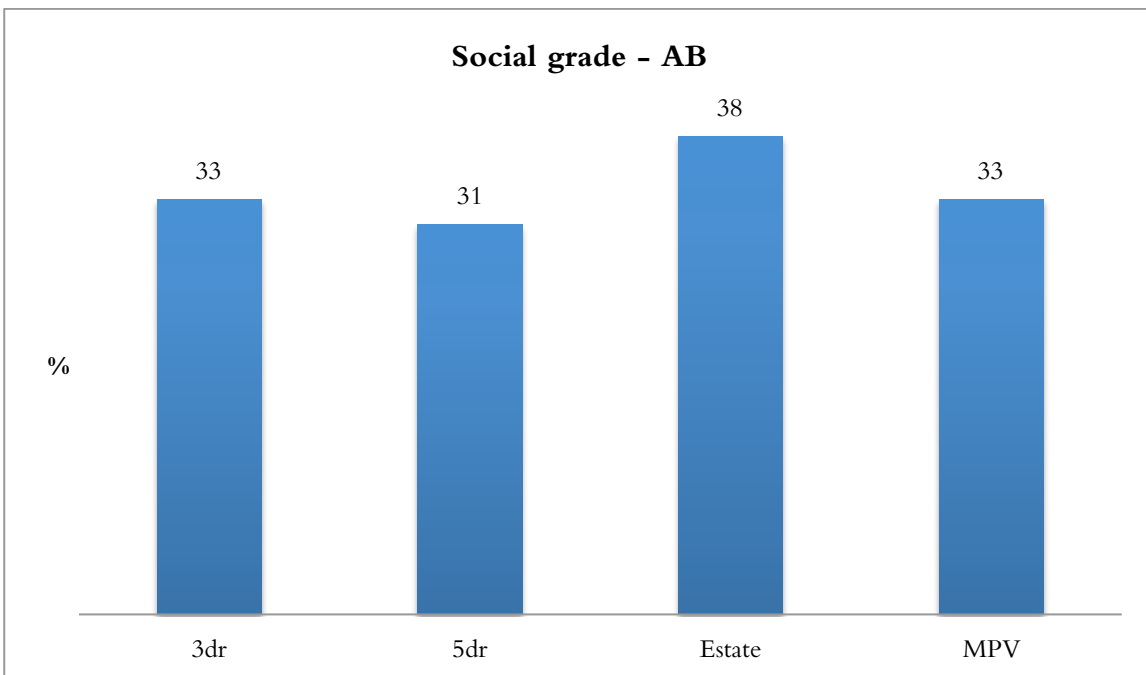
*The established rules of the car category*



That's why brands like BMW have kept clear of the Supermini segment, instead choosing a strategic sub-brand like Mini. For them, Supermini was considered just too small, too cheap, too common, to be considered prestige.

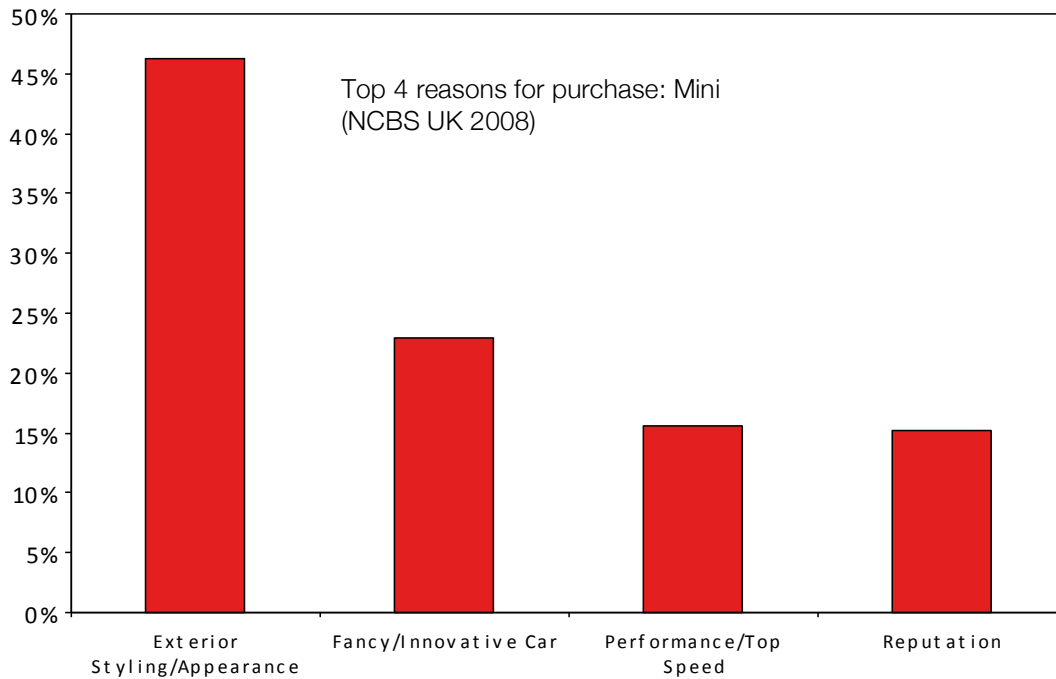
But Audi thought differently.

The data showed that car size was not necessarily a predictor of wealth:



(Source: NCBS UK)

Audi knew there was a segment of small car buyers who were buying a small car because it best met their needs, not just because it was the best they could afford.



Looking at the reasons why people purchase Mini, it became clear that consumers wanted a good small car, not a small cheap car.

These consumers were more likely to be urban, to have a dual income and have no kids.

Their desire for a small car had solid rational foundations, such as fuel efficiency, less carbon impact and lower tax; but also an emotional sense that a large car was an unnecessary extravagance in a city.

For them, a small car met their rational and emotional needs better than the larger prestige equivalent.

For these consumers, “size” did not equal “stature”. A small car was a benefit.

Consumer insight: small is good

With this in mind, Audi’s A1 was a symphony of understated luxury, filled to the brim with the latest technology.



*“Most of what you see and touch is delightfully finished... the controls are simply perfect and Audi has miniaturised the A8 limo's second-generation multimedia interface with wit and charm.” – Telegraph*

Audi had set tough targets for the A1 throughout Europe in 2011 – in the UK, the Audi A1 would comprise 16% of new Audis on the road, and a 3.1% share of the A0 segment.

The question became, how to successfully launch the product, and drive volume sales in the mass market, without diminishing the prestige credentials of the masterbrand.

**Marketing strategy: Two divergent approaches**

*“A1 must help redefine prestige for Audi. Audi must not be redefined by the A1”*

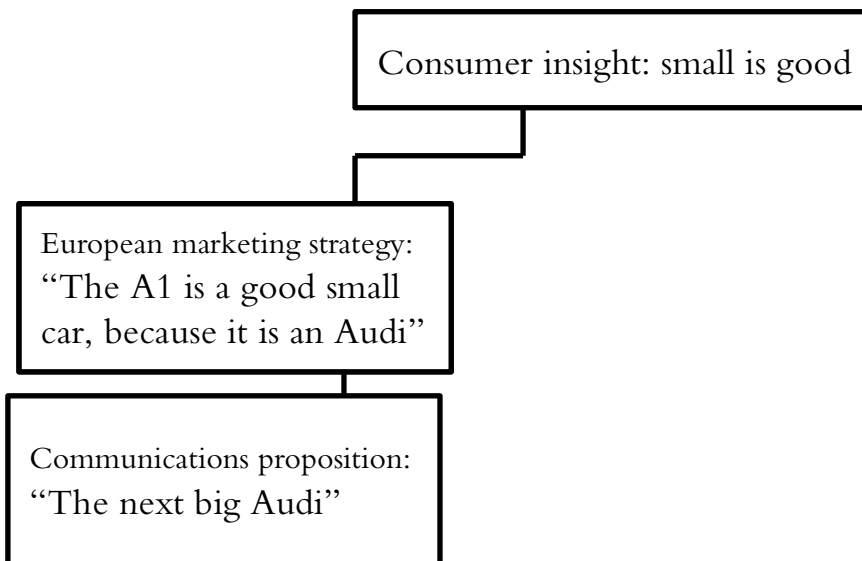
– BBH Strategic Response

To launch, the European marketing strategy took an orthodox approach, using the Audi masterbrand to lend credibility to the smaller offering.

The strategy was to justify the price premium, saying “this small car is good, because it is an Audi”.

Despite the A1 being small, it was all Audi – and therefore worth a premium.

The communication proposition was: ‘The Next Big Audi’.



The European communications campaign used familiar cues of prestige, using Justin Timberlake to lend a sense of celebrity status to Audi’s small car offering.

## European Campaign: The Next Big Thing



Source: Audi AG/YouTube<sup>1</sup>

However, Audi in the UK took a different approach:

Audi's brand platform is *Vorsprung durch Technik* – progress through technology.

Examining the launch of the A1 through the lens of technology, the UK Marketing team realised that the launch of the A1 could be a benefit to the brand, rather than a problem.

Modern technology brands don't have the same hang-ups about size that 'old' prestige brands have.

For technology brands, small is often considered a benefit – a product of good design.

A good example of this is Apple – in 2010 iPod Nano and Shuffle accounted for 71% of Apple's iPod sales<sup>2</sup>, significantly more than the standard iPod and top tier iPod Touch.

<sup>1</sup> To watch the campaign, go to <http://youtu.be/UirJJ8eiWpk>

<sup>2</sup> Source: NPD Group

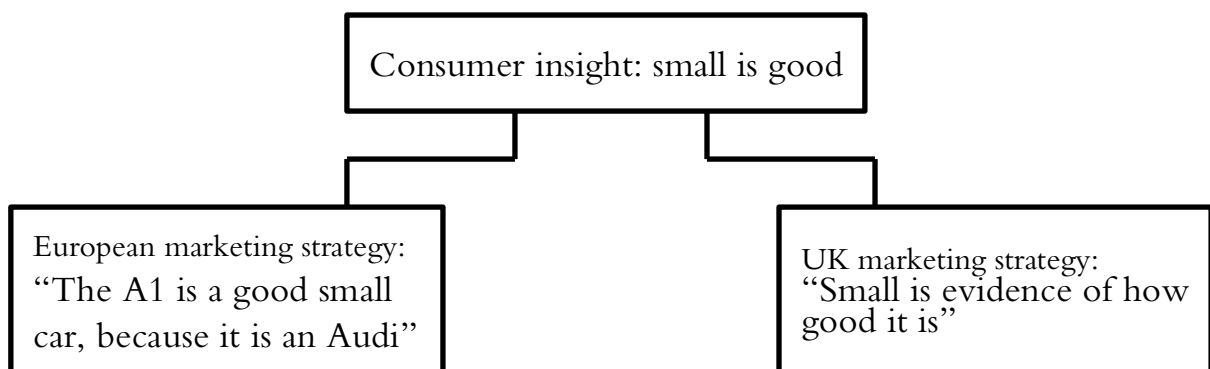
Apple had expanded into the mass market with products like Nano and Shuffle, all the while improving their brand image.



In the same way, the Audi A1 broke the traditional constraints of the small car. It offered ‘big car’ prestige innovations, engineered into a smaller space. Its smallness was a product of technology and innovation.

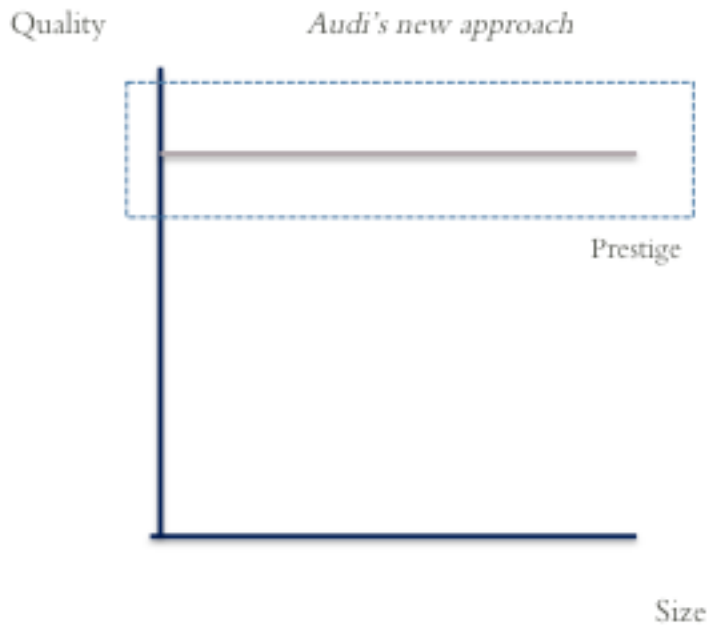
Through this lens, the A1 could justify its 20% price premium, and set itself apart as a superior prestige player in the small car category.

The task for marketing became clear: to present the small Audi A1 as the latest expression of *Vorsprung durch Technik*. Its size was evidence of its quality.



In so doing, the brand had reframed the car category. Prestige was no longer a function of size.

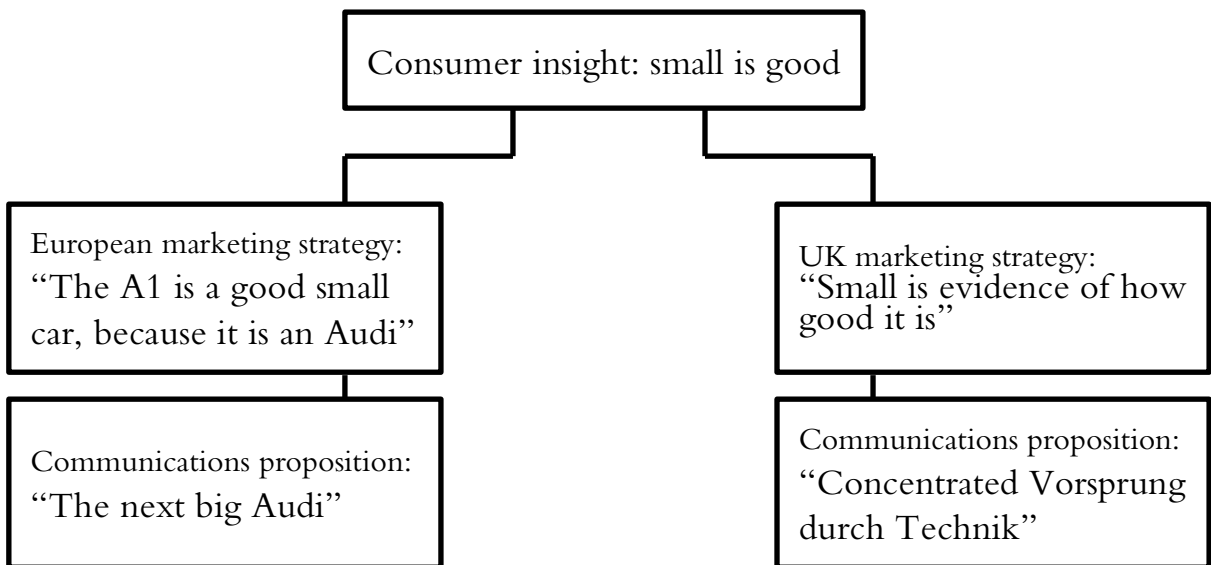




**Communications:**

This insight led to a communications proposition of “concentrated *Vorsprung durch Technik*”, and a creative idea, “A Big Idea Condensed”.

Suddenly the A1 was positioned not as a small, expensive car, but a product of design and engineering expertise.



By talking about small and clever, the brand was saying something different from all the other prestige manufacturers, with their large, luxuriant associations:



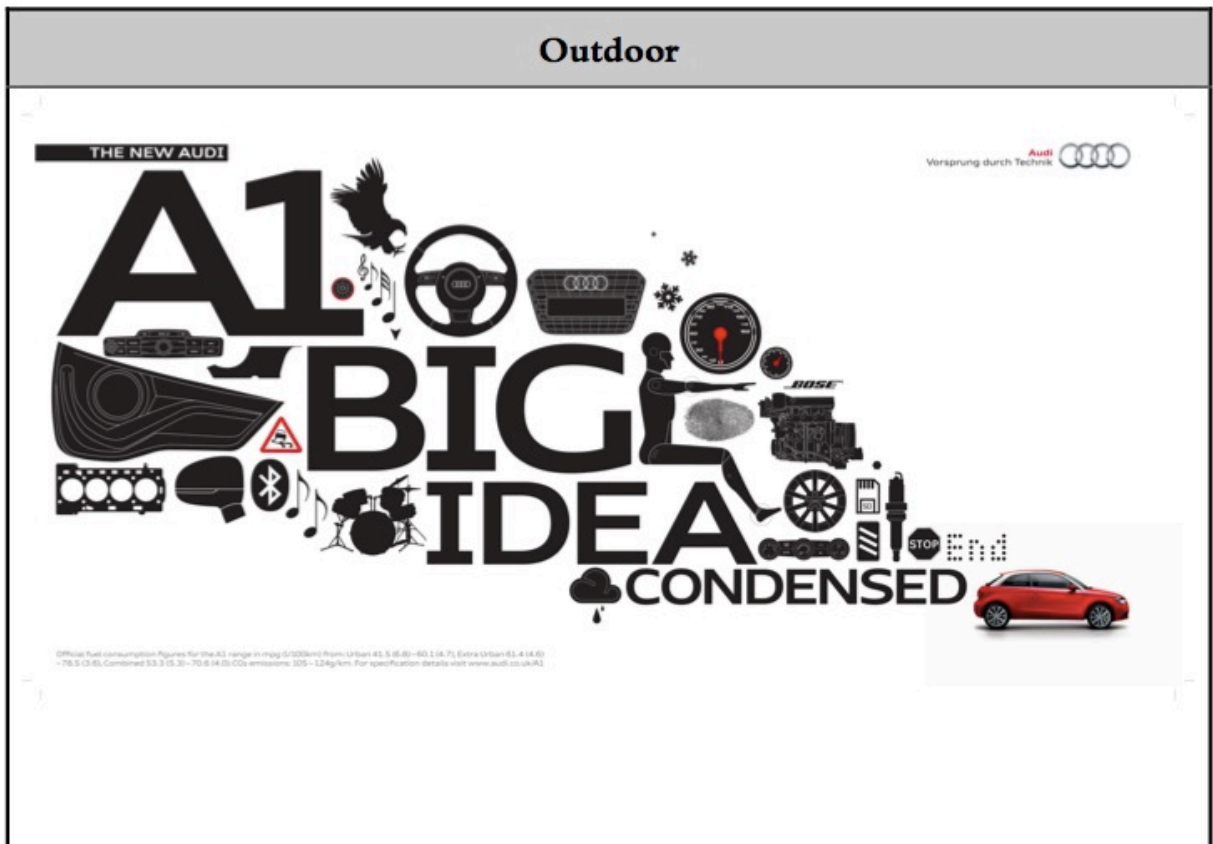
Figure 1 – The World of the Prestige Car

However, by focussing on the product benefits of design expertise, Audi also stood out against the quirky, personality-driven Supermini category.



Figure 2 – The World of the Small Car

The brand therefore wore 'A big idea condensed' as a badge of pride across all channels, investing over £4m in paid-for media.



### Audi's First 1,024-Sheet



## Cinema

The cinema executions are 10 second idents, each demonstrating how a different design feature is condensed into the Audi A1.



v/o: "SatNav, in 3D, with Google Earth. A Big Idea, Condensed. The Audi A1"



v/o: "Twice as bright as normal lights, efficient Xenon headlights. A Big Idea, Condensed. The Audi A1"



v/o: "Big sound from small speakers, Bose surround sound. A Big Idea, Condensed. The Audi A1"



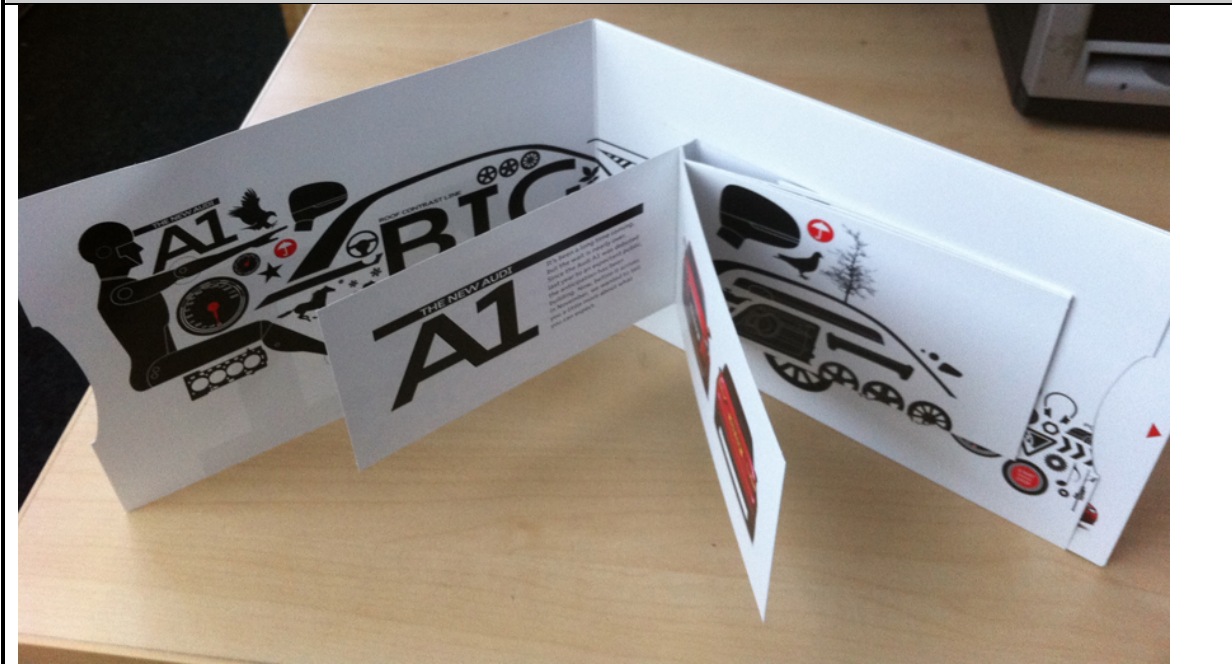
v/o: "Above 100g per Km road tax. Below, no tax. 1.6TDi. A Big Idea, Condensed. The Audi A1"



v/o: "Fuels is expensive, make it go further. TDi engine. A Big Idea, Condensed. The Audi A1"



## Product brochures



## Website

Source: Audi UK 2010

Centre Materials



Source: Audi UK 2010

Print DPS



Source: Audi UK 2010

## DM



*Source: Audi UK 2010*

## iPad Ad

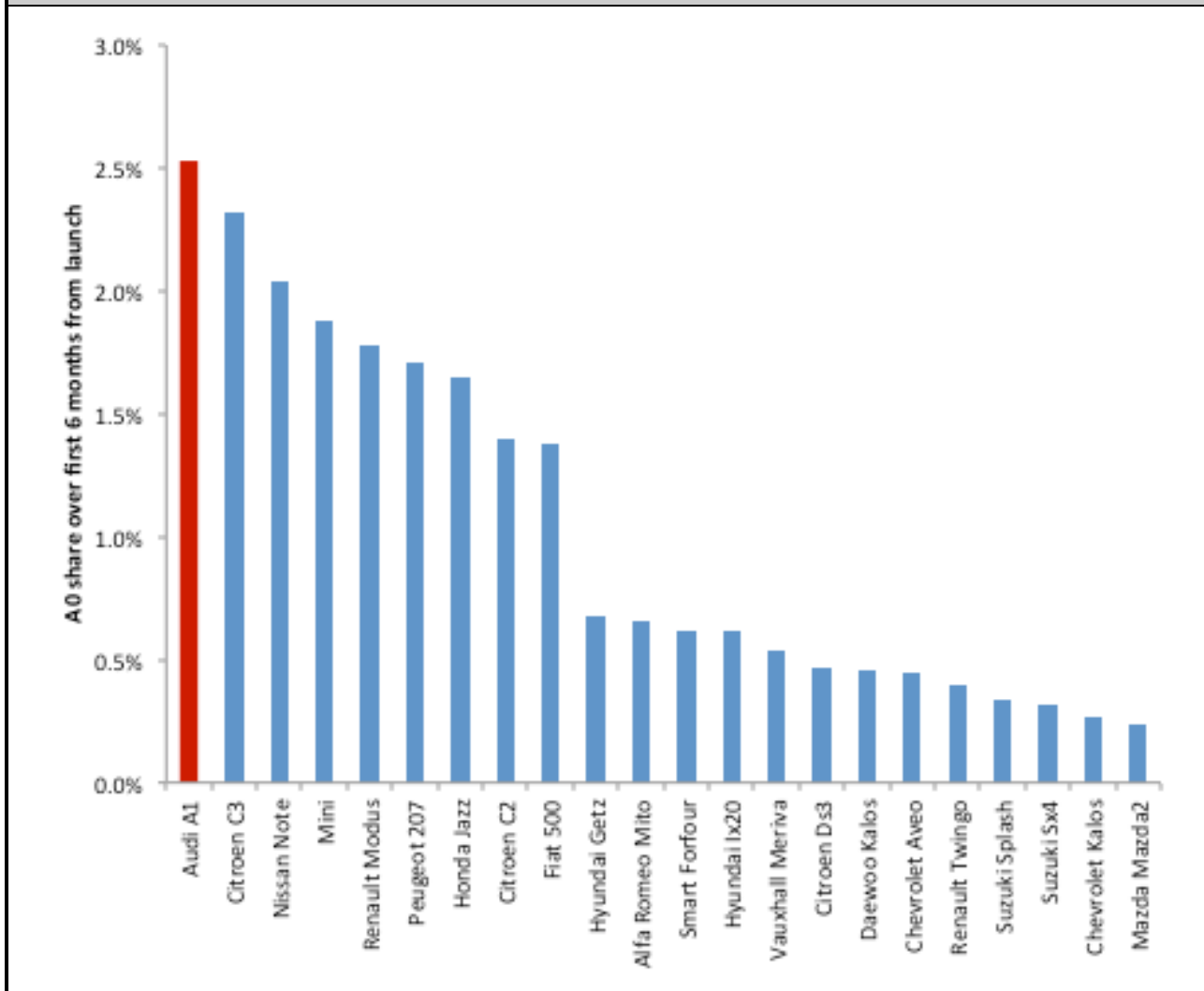


*Source: Audi UK 2010*

### **Results:**

The UK A1 launch was a phenomenal success; it out-performed every car launch in the segment in the previous decade.

## The Fastest A0 Launch This Decade



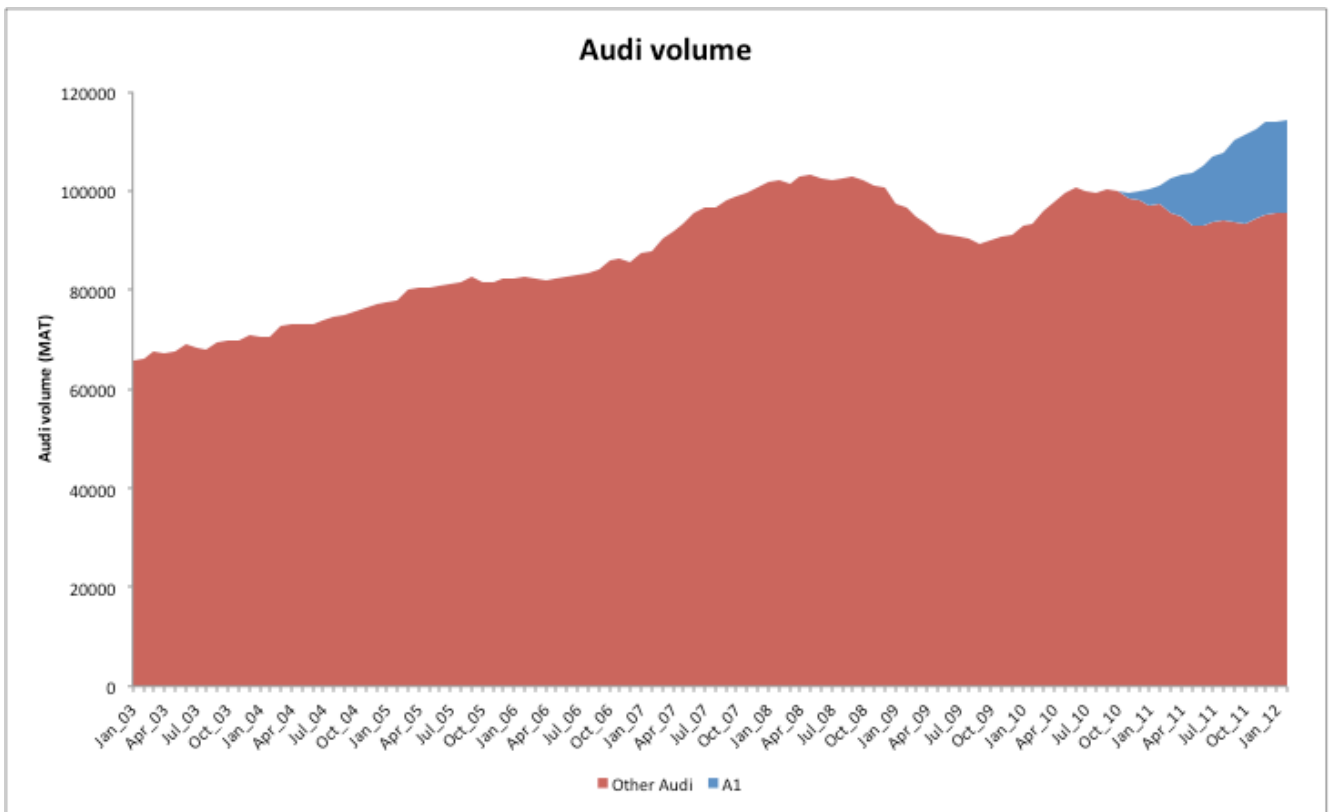
Sources: UK Audi Sales JATO 2001-2011

Six months after the launch, 22% of Supermini drivers in the UK agreed that the car was desirable; over-taking the Mini, with its fifty-year history and re-launch.

16 months after launching, the Audi A1 had sold 20,168 cars and achieved a 3.2% share of the Supermini segment.

Sales of the rest of the Audi brand had remained flat - but thanks to A1 sales, the Audi brand achieved a staggering 14% growth in new car sales in 2011.





Source: UK Audi Sales, JATO 2012

Econometric analysis by Data2Decisions indicated that communications delivered £21.2 million net profit (incremental to an already successful owned media campaign), and an ROI of at least £4.4 for every £1 spent on communications.

The brand had also recruited a whole new generation of advocates. 15% of all new Audi A1 car buyers were under 30, compared to 4% of other Audi new car buyers.

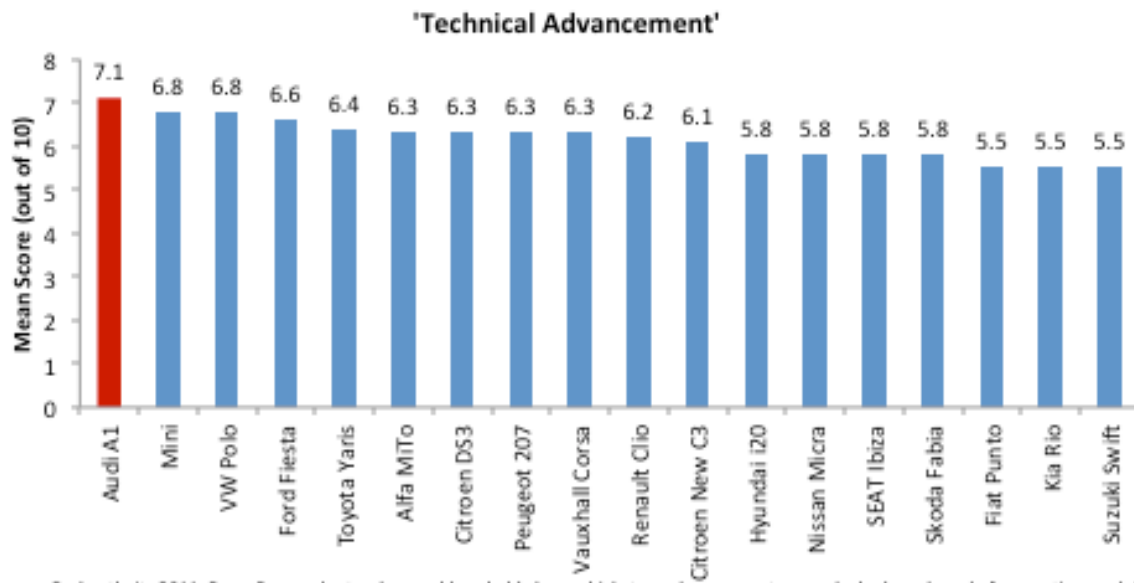
The data shows that 58% of consumers came from people trading-up from non-prestige, showing that “small” was indeed worth paying more for.

These new Audi customers would remain Audi customers; historical data shows that on average Audi customers purchase 1.75 Audis per person over their life. This translates into an additional 4,967 additional Audis sold over a lifetime. Thus A1 put Audi at a strategic advantage to BMW, who have to re-acquire consumers progressing up from the Mini brand.

But this was not just about selling cars, it was about continuing to build premium perceptions of the brand, in the face of a volume increase at the least prestigious end of the market.

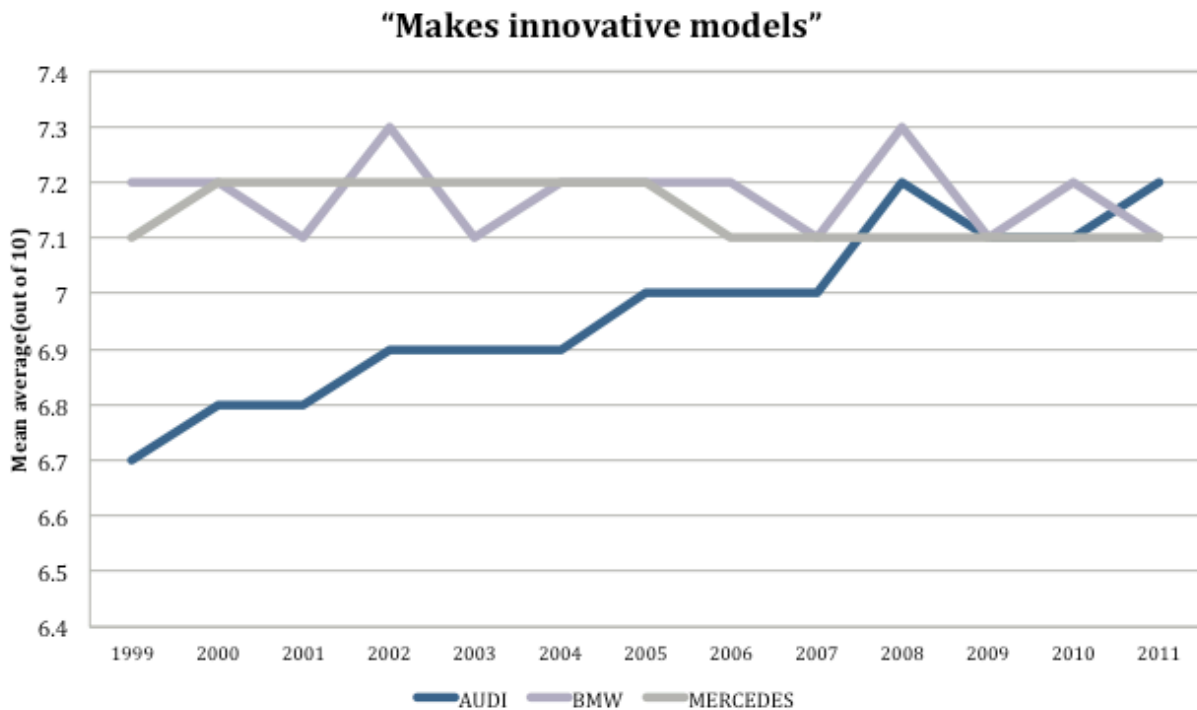
By reframing the A1 as the essence of *Vorsprung durch Technik*, rather than a dilution of it, the brand continued to build its innovative and progressive image.

## A1 Technical Innovation



Source: Berkantheits 2011. Base: Respondents who would probably buy vehicle to replace current car and who have heard of respective model. Sample sizes: Audi A1 193, Competitors average 201.

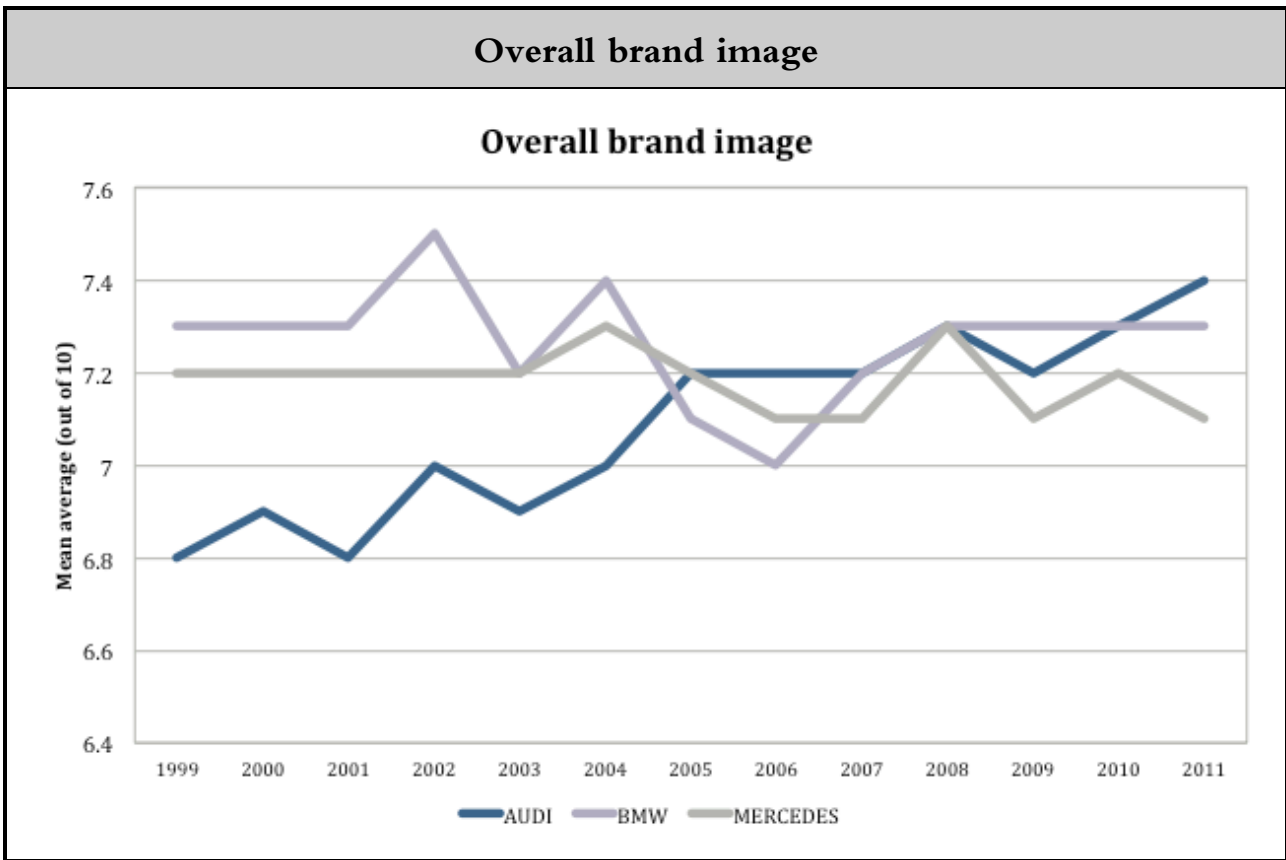
## Makes innovative models



Sources: Audi UK Image tracker

Brand measures like 'makes innovative models' and 'technologically advanced' grew significantly over the period.

In terms of brand image, The A1 had put Audi in the lead above the traditional prestige competition for the first time in the brand's history. Audi became the most desired brand in the prestige category.



Sources: Audi UK Image tracker

**A marketing initiative to launch a mass-market product had become notable for its premium brand-building effectiveness.**

**Proving the impact of marketing:**

The UK is similar to the other Western European markets in many ways – the A0 segment represents 31% in UK and 33% on average across western Europe.

Audi has a comparable market share, and media investment in Europe was higher than in the UK.

After the 16-month sale period, the Audi A1 achieved a 3.2% share of the A0 segment in the UK. Across Europe, it achieved a 2.1% share.

If the UK had used the European marketing strategy, it would have sold a total of 11,883 cars in the same period – 6,623 fewer cars.

Proof that the UK marketing strategy yielded better business results for the brand.

**Conclusion:**

The launch of the A1 provides a rare proof that marketing strategy was decisive in the success of a new launch.

Audi interrogated the needs of the Supermini consumer, and in launching the A1 broke the conventions of the category, understanding that “small” could also be positioned as “prestige.”

Rather than apologising for its size, Audi UK used “small” as evidence of Vorsprung durch Technik.

In so doing, Audi differentiated their product, won a new generation of consumers, and reinforced and strengthened the brand.

By not following the orthodox prestige marketing approach used in Europe, Audi in the UK had triumphed.

Brands can overreact in adversity, creating sub-brands, or reinventing their core, but Audi remained unerringly true to its brand idea.

The lesson for marketing is clear: in the modern world, prestige doesn't have to mean big, expensive and scarce. It can also mean small, accessible and very clever.

2000 WORDS

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