

Mercedes-Benz: Don't Discount. Don't Disappear

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It's not news that the automobile industry is in trouble. GM and Chrysler have gone through bankruptcy. J.D. Power and Associates expect sales of cars in the U.S. to drop to 10 million in 2009, down from 16 million in 2007. Luxury vehicles have been hit especially hard.

However, Mercedes-Benz USA has a couple of success stories. Its new compact sport utility vehicle, the \$33,900 GLK, launched in January and already leads its category. It has sold more than twice the number of vehicles this year as its closest competitor, the Acura RDX. Mercedes is also pleased with the sales of its most affordable sedan, the C-Class (starting at \$33,600), which has gained 5 points of market share, albeit in a shrinking market.

Both successes have a lot to do with Mercedes' fierce defense of its brand, according to Steve Cannon, vice president of marketing for Mercedes-Benz USA. In short, Mercedes is not succumbing to the temptation to cut prices. "You have to stay true to who you are no matter what," Cannon says. "So many of our competitors are doing distressed advertising, saying sale, sale, sale. You can't move down-market in times like these."

If you do, you undermine the value of your brand, says David Melançon, CEO of New York-based brand consultancy The Ito Partnership. Melançon points to Macy's as a company that, once considered among the toniest of department stores, has downgraded its image through endless discounting. "Why would I ever pay full price for anything at Macy's ever again?" Melançon asks.

Mercedes has wholeheartedly embraced advertising the details. When the company introduced the C-Class, it opened up the brand to a whole new group of buyers. But rather than lead with the lower price in messages to new consumers, the company emphasizes all the ways in which the C-Class is still a Mercedes, a product of 100 years of German engineering. The same is true of the GLK and, Cannon says, of other models Mercedes will introduce later this year. "People buy emotionally, but they justify intellectually," Cannon says. "In this market, the justification hurdle is a little bit higher."

By hammering home product attributes that make a Mercedes a Mercedes, the automaker is helping consumers think their way through to a purchase. And in the process, Cannon says, Mercedes continues to build its brand rather than chip away at it. "When the market turns, we will have [these new consumers] in the brand, and they will grow with us," Cannon predicts