

case study - the re-branding of skoda

Introduction

The re-branding of Skoda provides a useful case study of the challenges faced by brands wishing to reposition themselves

Remember the Skoda jokes?

- What do you call a Skoda with a sun-roof? Answer: A skip
- Why does a Skoda have a heated rear windscreen? Answer: To keep your hands warm when you push it
- What do you call a Skoda with twin exhaust pipes? Answer: A wheelbarrow

Critics of the Skoda would be surprised to hear the Skoda is now one of the fastest-growing car brands in the UK motor industry. The Czech car company boosted its sales in the UK in 2001 by 24% as opposed to the average market growth of 10.7%. This built on growth of 34% in 2000.

How has this been achieved?

Background

Skoda had a monopoly in car manufacturing in Czechoslovakia until the 1989 'Velvet Revolution'. After this the Czech government started looking for a commercial partner to revitalise its Skoda factories.

In 1991, Volkswagen took a 30% stake in Skoda and started work in training and educating the workforce to Western quality standards. It invested over £2 billion in the plant, research, development and new models. Ten years later, in 2001, VW took total control of the business.

The first two launches from the new Skoda camp were well-received by the automotive press. The Felicia - launched in 1994 - was built as an old-style Skoda, but enjoyed the benefit of VW features. The 1998 Octavia was built on the VW group platform.

The costs of the improved VW car structure pushed up Skoda prices. The cars carried a higher price tag and Skoda needed to convince consumers that this price was worth paying.

A VW marketing manager working for Skoda explained:

"We needed to move away from being a cheap brand to being a value-for-money brand. At the same time, we badly needed to find our own positioning within the group, rather than just trading on being part of the VW Group. Otherwise, we might just as well have re-branded ourselves as VW, with very little reason for existence."

Launch of the Octavia

Skoda's first VW-backed model was the Octavia. It was launched in the UK with a £10m promotional campaign- Skoda's highest-ever spend on a marketing campaign.

However, the Octavia launch was a failure. Just 6,154 Octavia cars were sold over the year following the car's launch, despite the fact that the car achieved almost unanimously good reviews. Market research at the time suggested that sixty per cent of people said they "would never buy a Skoda".

Only a fifth of early Octavia buyers were under the age of 45 and a third had previously owned Skoda cars. Skoda's image was old, unfashionable and out of sync with its products.

VW's Strategy

VW resisted the temptation to scrap the Skoda brand altogether. Despite its poor image in the UK, Skoda still commanded respect in Eastern Europe and held its own in other Western European countries.

The Skoda brand also had high “**brand awareness**” in the UK –even if it was for the wrong reasons – and a reliable **distribution channel** through a network of independent car retailers.

The next product launch was the Skoda Fabia. It was launched with a much smaller marketing campaign and an advertising message that poked gentle fun at Skoda’s customer perception:

“The Fabia is a car so good that you won't believe it's a Skoda”

Key elements of the promotional mix were as follows:

- The Fabia was launched with a number of television, print and poster ads
- The initial TV campaign ran for four-and-a-half weeks and the print and poster campaign ran for two weeks.
- Expensive TV and print campaigns were supported by both PR and direct mail campaigns
- The PR push targeted the consumer press and attempted to get journalists to discuss Skoda in a positive light
- The direct mailings tried to build on loyalty levels among Skoda drivers and get across the brand's new image.
- AutoExpress magazine carried a competition to win a Skoda car that generated 27,000 responses. The respondents who didn't win the car were profiled to check their similarity to the average Skoda driver and followed up. Hot prospects received a scale model as a consolation prize and an invitation to test drive a full-size model.

Impressive results

The results of the marketing campaign were impressive. By the end of 2000, more than 11,000 Fabias had been sold and even Octavia sales were seeing a 29% increase on the previous year. In July 2000, the near impossible finally happened - Skoda had a waiting-list for its cars.

There was also a less obvious, but equally important shift in the public's perception of Skoda. Only 42% of those polled after the campaign said they would not consider buying a Skoda.