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Ford Ka (A):

The Market Research Problem

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Gilles Moynier, Brand Manager at Ford France of Ford's latest and smallest model, the Ka, sat in his office in Rueil Malmaison near Paris in February 1996 and reflected on the meeting he had attended the day before. Goldfarb Corporation, a market research agency, had made a presentation on possible segmentation and targeting strategies for the Ford Ka, which was scheduled for launch at the Paris Motor Show in October 1996.[1]

Before he could develop a marketing strategy for the Ka in France, Moynier needed to determine the target market for the new product. The car industry had traditionally segmented the market into size-tiers but Europe's market for small cars was changing rapidly, prompting significant concerns about continuing with "traditional" size-based market segmentation. Time was running short as he needed to present the marketing strategy for the Ka to senior management early the following week.

Company Background

Headquartered in Dearborn, Michigan, USA, Ford was the second largest manufacturer of cars and trucks in the world after General Motors in 1995. Ford sold 6.6 million vehicles world-wide for a total of US$110 billion resulting in a net income of US$2 billion, compared to US$107 billion and US$3.9 billion respectively, in 1994. In 1995, sales in Europe accounted for 26% of total dollar sales. Ford entered the European market soon after the company's incorporation in the USA in 1903. By 1995, Ford had 47 automotive manufacturing locations across Europe, including major industrial complexes in the UK and Germany, and assembly plants in Spain, Belgium, France and Portugal.

Ford sold its first cars in France in 1907. In 1995, Ford was the largest non-French manufacturer with a 7.3% unit share of the total passenger car market in France, behind the domestic manufacturers PSA, which owns Peugeot (17.7%) and Citroen (12.5%), and Renault (29.2%). Sales and net income totalled FF17.7 billion and FF0.28 billion respectively, down from FF18.7 billion and FF0.64 billion respectively, in 1994.[2]

Exhibit 1 shows the different Ford models marketed in France in 1995. Besides the distribution of Ford cars, the activities of the Ford France Group included the distribution of Jaguar cars and the manufacturing of components at two locations.[3]

At Ford, brand managers were responsible for marketing individual Ford cars at the regional level (France, of course, was one of Europe's most important regions for Ford). The Ka brand manager at Ford France had a great deal of responsibility as it was considered to be a major initiative in the French market.[4]

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1 A concept version of the car was introduced to the world during the 1994 Geneva Motor Show.
2 The prevailing exchange rate for the French franc in early 1996 was roughly FF5 per US$.
3 Ford acquired Jaguar in 1989. Plants at Bordeaux-Blanquefort and Charleville-Mezieres produced components used in the assembly of Ford vehicles throughout the world.
4 The Ka was launched in other European markets but the case focuses solely on the initiative and activities in France since Ford France was in charge of developing the marketing strategy for all of Europe.

The Small Car Market in France

Table 1 shows the typical categorisation of cars used by the industry as well as automotive magazines in Europe. Apart from the emergence of minivans and sports utility vehicles, this categorisation had changed little over the years. Exhibit 2 shows the market size of these different categories along with Ford's market share position in France.

Table 1:
Categorisation of Cars

Category[1]	Description	Examples
A & B	Small cars less than 390cm long	Ford Fiesta, Fiat Cinquecento, Opel Corsa, Peugeot 106 and 205, Renault Clio, Renault Twingo, VW Polo
C	Lower medium cars	Ford Escort, Opel Astra, Peugeot 306, Renault Mégane, VW Golf
D	Upper medium cars	Ford Mondeo, Audi 4, BMW 3 Series, Peugeot 406, Renault Laguna, VW Passat
E	Executive cars	Ford Scorpio, Audi 6, BMW 5 Series, Mercedes E-Class, Renault Safrane
F	Luxury cars	Jaguar XJ6/12, BMW 7 Series, Mercedes S-Class
G	Cabriolets	BMW Z3, Mazda MX-5, Mercedes SLK, Porsche Boxster
J	Sports utility vehicles (Dual-purpose vehicles)	Ford Maverick/Explorer, Opel Frontera, Range Rover, Toyota RAV4, Toyota Landcruiser
M	Minivans	Ford Galaxy, Fiat Ulysse, Renault Espace, VW Sharan
S	Coupés	Ford Probe, Mercedes CLK, Opel Tigra

[1] The category labels are those used by Ford France. Other organisations may use different labels, but the categorisation remains the same.

As shown in Table 1, a car less than 390cm long is categorised as a small car. There are, however, a few exceptions to this rule. For example, the Opel Tigra is categorised as a sports coupe and the Toyota RAV4 as a sports utility vehicle even though both are less than 390cm long.

In France, small cars (i.e., categories A and B) accounted for 43.7% of the 1.9 million new cars sold in 1995. In contrast, they accounted for 32.2% of the 12 million new cars sold in Europe. The small car market was more developed in France than in most other European countries largely due to taxation policy: owners of small cars pay significantly less car tax than owners of bigger cars or cars with powerful engines.

Since the size of a car was strongly correlated with production costs and thus price, this product categorisation led car manufacturers to segment customers according to income and age. Small cars were sold to younger, lower income buyers; large cars to older, wealthier buyers and families. Exhibit 3 shows a breakdown of small car buyers by household income, age and life stage for France. Ford traditionally used these variables to classify the small car buyers into four target groups based on financial constraints and the presence of children, also shown in Exhibit 3.

In the past, manufacturers specialised in certain categories of cars rather than producing a full range. As a result, manufacturers of smaller cars like PSA, Renault or Fiat concentrated on achieving low production costs through high volume, while luxury car manufacturers like Mercedes or BMW concentrated on differentiation through product features and quality.

In the 1990's, the small car market became increasingly competitive with the launch of new models and the upgrading of existing models. Opel updated the Corsa in 1992 and Volkswagen relaunched the Polo in 1994. Renault added the Clio (1990) and the Twingo (1992), Fiat the Punto (1994) and a restyled Lancia Y (Lancia was owned by Fiat).

Moreover, manufacturers that had traditionally focused on larger cars began to show an interest in the small car market. For example, BMW acquired Rover in 1994, partly for Rover's line of smaller cars, and Mercedes announced its own entry into this market for 1997 with the introduction of the Mercedes A-Class, which would be followed by the Smart car. Exhibit 4a provides detailed information about the most important small car models distributed in France in 1995.

The largest manufacturers of small cars in 1995 were Renault (36.6%) and PSA with Peugeot (18.1%) and Citroen (8.0%). For four years in a row, the Renault Clio remained the market leader despite a declining market share. In 1995, it had a market share of 20.1%. With the Fiesta, Ford had a unit market share of 7.6%. Other foreign manufacturers with sizeable market shares in the small car market included the Italian manufacturer Fiat (11.0%) and the German GM subsidiary Opel (7.6%). Exhibit 5 gives market share information for the best-selling models for 1992 to 1995 and Exhibit 6 a demographic description of buyers by model.

Fragmentation of the Small Car Market

During the 1980s and the early 1990s, a series of environmental and demographic changes significantly affected the French car market. Increased road congestion and the problem of parking in large cities made small cars increasingly attractive to consumers. A further advantage was their low fuel consumption; in France, fuel prices remained high throughout the 1990's due to tax accounting for more than 85% of the retail price of fuel. Needless to say, environmentally conscious people also appreciated the reduced toxic emissions associated with smaller cars.

There were also important demographic changes that made small cars a more attractive option to the buying public in the mid-1990's (Exhibit 7 shows the changes in household demographics for France). First, the average size of households had declined to less than three, increasing the feasibility of small cars as a primary source of family transportation. Second, a rise in the number of working women in France led to an increase in the number of women buyers. This too, led to stronger demand for small cars as women have a relatively higher preference for small cars.

These changes brought new buyers to the small car market and raised questions about the underlying rationale for the traditional market segmentation based on the size of a car. As Christian Digoin, Sales and Marketing Director of Ford France, explained:

> *"The traditional categories no longer mean anything today. The traditional product categories were based on car size, engine output and the price of a car. I think this categorisation is no longer appropriate. What drives customer choice are his needs and today he can find a solution to his needs with a C, D or B category car. Renault is one of the car manufacturers that better understands these changes. For example, the Mégane Scénic, due to be launched [in 1996], is a C category car with the interior space of a D category car and the price of a C+ category car. It is breaking the normal categorisation barriers."*

By 1996, manufacturers were confronted with an increasingly fragmented small car market, reflecting an increase in the variety of consumer needs and manufacturers' positioning strategies. For many customers considering the purchase of a small car, price was no longer the most important factor. Older customers who valued the advantages of smaller cars expected features similar to larger models due (in many cases) to previous experience with large cars. Positioning research conducted for Ford in January 1996 showed that future small car buyers "…will be looking for more from their cars next time – improved safety features (airbags, ABS), robustness, more space/functionality, power steering, greater comfort (air-conditioning) and greater performance (power)."

As a consequence the traditional B category was split into 3 sub-categories. *"Basic" B category* cars provided the product attributes that had been associated with small cars in the past. *"Trend" B category* cars addressed the needs of customers who were looking for better performance and more features in a small car. *"Other" B category* cars addressed the needs of customers who were looking for a luxury small car. Table 2 provides a description of these emerging product sub-categories and provides examples of the cars in each sub-category.

Table 2:
Emerging Product Categories in the Small Car Market in France

Category	Description	Examples
A	Practical 'run-arounds'; less than 360cm long.	Fiat Panda, Fiat Cinquecento, Rover Mini, Seat Marbella
Basic-B	Compact, stylish, good value, manoeuvrable urban cars; less than 360cm long.	Citroen AX, Lancia Y, Nissan Micra, Peugeot 106, Renault Twingo, Rover 100
Trend-B	Improved driving dynamics; levels of equipment previously offered only on larger cars; 360cm to 400cm long.	Ford Fiesta, Fiat Punto, Opel Corsa, Peugeot 205, Renault Clio, Volkswagen Polo
Other-B[1]	Luxury and sports derivatives; 360cm to 400cm long.	Mercedes A-Class, Renault Clio Baccara, Peugeot 205 GTI

1 The Other-B sub-category also overlapped with small sports coupes (e.g., Opel Tigra) and small sports utility vehicles (e.g., Toyota RAV4).

In France, the approximate unit market sizes of these sub-categories as a percentage of the total B category were: A category 6%, Basic-B category 40%, Trend-B category 52% and Other-B category 2%.

These ongoing changes provided manufacturers with considerable latitude for innovative approaches to the small car market. Marketing propositions were introduced to differentiate small cars ranging from good value to aspirational lifestyle. For example, advertisements for the Volkswagen Polo stressed its reliability and affordability: "a condensed version of the Volkswagen Golf." In contrast, advertising for the Renault Clio used good-looking actresses to give the car a glamorous, chic image. In addition, manufacturers had begun to reorganise product lines by focusing on different customer groups with different needs (see Table 3).

Exhibit 8 shows the position of different cars in a perceptual map based on the views of small car buyers in 1993 and indicates the evolution of the B-category.

Table 3:
Major Needs of Different Customer Groups

Customer Group	Major Needs
Middle-aged buyers	Safety, reliability and value
Singles	Individuality and personality
Families	Functionality, space and reliability
Women	Combination of all factors, value

Ford's Strategy in the Small Car Market

Ford's decision to develop the Ka was a response to the changes in the small car market. Ford had long been present in the market with the Fiesta. At the time of its launch in 1977, the Fiesta was a highly sophisticated vehicle with an 1100cc engine, a top speed of 140km/h, and features such as coiled suspension, rack and pinion steering, dual circuit brakes, and front wheel-drive (see Exhibit 4b for a glossary of technical terms). For many years, the Fiesta was one of the three top-selling small cars in Europe and among the top five in France.

In 1989, Ford decided to replace the Fiesta with the "New" Fiesta, which would seek to respond to the changing demands of small car buyers by adding both driving dynamics and safety features normally associated with larger cars. With the "New" Fiesta, Ford wanted to target the emerging Trend-B category. The positioning statement described it as "a competent, safe, dynamic car with outstanding comfort." The objective was to use different versions of the "New" Fiesta to target different areas of the market. For example, the *Luxury* "New" Fiesta was designed to appeal to small car buyers who were looking for "big car" luxury in a small car. Accordingly, it was equipped with features such as seat adjustments, leather steering wheel and courtesy lighting. In contrast, the *Family* version was designed to appeal to buyers who were looking for a small car that could serve as primary transportation for a small family. Not surprisingly, it included a full centre console, vanity mirrors, a pollen filter and a retractable rear-seat. The marketing for the *Family* version emphasised the Fiesta's many safety features. However, as the market continued to fragment, Ford realised that the "New" Fiesta, even with its many versions, could not satisfy the increasingly varied needs of buyers within the small car market.

As a result, Ford decided to continue to sell the original version of the Fiesta targeted at the Basic-B buyer by offering basic, cheap transportation. The original Fiesta possessed the necessary attributes of low price, style and manoeuvrability, while the "New" Fiesta possessed features of the Trend-B category. At that point, several competitors had already introduced multiple small car models. Fiat competed with four models - Panda, Cinquecento, Uno and Lancia Y, Renault with two – Renault 5 and Clio, and Peugeot with two – 106 and 205.

In 1992, however, Ford had to re-evaluate its strategy because of the dramatic success of the newly launched Renault Twingo (see Exhibit 4a for details of the Renault Twingo). Within 12 months, the Twingo had gained a market share of 8.9% and become the third best-selling model in the small car market in France. This was especially impressive because it was originally targeted at a more limited segment – buyers looking for manoeuvrability and urban transport – than were the Renault Clio or the Peugeot 106, the two top selling brands in the small car market. "The magnitude of the success of the Twingo took everyone by surprise" said Thierry Bonnet of Ogilvy and Mather France, the ad agency for Ford France, "–including Renault."

The Twingo changed the characteristics of the Basic-B category, forcing other manufacturers to offer more than basic transportation to remain competitive. It gave customers a distinct, original style, flashy colours, greater functionality and more interior space than cars of similar size. It was the pioneer that confirmed the demand for an urban, stylish car. Ford management felt that the Fiesta brand line did not have the appeal to compete with the Renault Twingo.

The Birth of the Ka

The idea for the Ka is attributed to Jack Nasser who, at the time, was head of Ford's European operations. Given the challenge from the Renault Twingo and the importance of the small car market to Ford, it needed to respond quickly. Ford management decided therefore to develop the Ka using the same chassis as the Fiesta. While this saved time and cut the development costs to $250 million (instead of the usual $1 billion or more to develop a new car), it restricted Ford's ability to build the Ka on the basis of technical innovation. Instead, the idea was to use innovative styling, features and manoeuvrability as a basis for marketing the Ka. Also, Ford had already located a production capacity of 250,000 units per year, which corresponded with the sales objectives for Europe. Exhibit 9 provides detailed information about the Ford Ka.

Ford's Claude Lobo, who headed the team that developed the Ka, emphasized:

> *"We purposefully designed a car that was out of the ordinary, for a market segment in which we were not yet present and keeping in mind the urban, educated customer who is self-confident and rejects the commonplace."*

And Gilles Moynier explained:

> *"Renault spent more time researching the needs of small car buyers at the product development stage of the Twingo than we did with the Ka. One of the main disadvantages of a small car is the lack of space. Renault decided to maximise the interior space of the Twingo by designing an adjustable rear seat. This allowed customers the option of enlarging the luggage compartment or extending leg-space for rear seat passengers. We did not have the luxury of time. We could not first research consumer needs. The Ka is already developed and therefore we need to find an appropriate target market for the product, rather than the other way around."*

> *"The Ka's styling is one of its key attributes. It is more innovative than that of the Twingo but the car does not change consumer perceptions of what a small car can offer to the extent the Twingo did."*

While being different in many respects, there was a strong similarity in the styling approaches taken by Ford with the Ka and Renault with the Twingo. As noted by Renault managers at the Twingo's launch in 1992,

> *"For at least a decade, the car industry has been working at making cars that as few people as possible dislike. Renault had reached a point where it could no longer keep producing risk-free designs."*

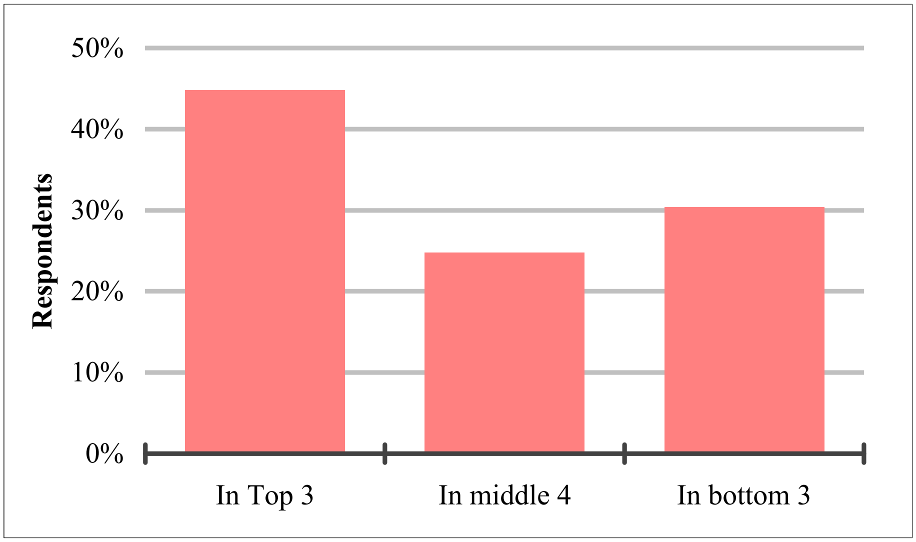
Market Research

The market research to identify target customers for the Ka was conducted in two stages. First, following Ford's standard approach, reactions and attitudes of potential customers towards the Ka were elicited in focus groups from three potential target groups: first-time buyers, single working professionals, and multi-car households. Thirty focus group sessions were conducted and the groups were recruited on the basis of demographic and lifestyle information from Ford's existing buyer surveys. Second, more structured personal interviews with potential customers were used to better understand the competitors in the small car market and customer perceptions of the Ka relative to its potential rivals. In addition, a series of customer characteristics and general attitudes were measured.

The Initial Meeting

Matthew Sell and Jeff Nash of Goldfarb Market Research came to Ford to present preliminary results from the market research that had just been completed.

Figure 1:
Ranking of the Ford Ka from a List of Ten Small Cars



"Our traditional targeting methodology does not seem to be working. During focus group interviews, we found that the response to the Ka is polarised. There are pockets of interest emerging in the three potential target groups but there is not one clear target emerging as did for the "New" Fiesta, i.e., 25–44 year old professionals in white collar occupations."

"There are surprisingly strong reactions from customers to the styling of the Ka; people either like or dislike it. Overall, the Ka seems to upset people more than it pleases them. Relatively few people had a neutral reaction. However the arguments were different depending on the make-up of the focus group. The younger people felt the Ka is too much of an image risk. Older people liked it but thought it was for a younger person. Men saw it as a feminine car and women were concerned that they might not be taken seriously driving a car that looks frivolous. Many respondents judged the Ka as massive on the exterior, but offering much less interior space than the Twingo."

"Our conclusion is that the Ka does not seem to be a life-stage car. It captures the imagination of people who are not necessarily young or old. More older people responded favourably to the Ka, but this is not unusual in the small car market. Let us not forget that 72% of Twingo buyers are over 35 years old."

"The second type of research provided some interesting insights about customer perceptions. First we asked respondents to choose their three most preferred and three least preferred cars from a list of 10 small cars.[5] *Similar to the focus group results, we find a polarised reaction to the Ka (Figure 1). About 45% of the respondents listed the Ka among their top three choices of the 10 small cars*

5 Besides the Ford Ka, the cars included in the survey were: Volkswagen Polo, Renault Twingo, Fiat Cinquecento, Peugeot 106, Ford Fiesta, Opel Corsa, Nissan Micra, Opel Tigra, and Toyota RAV4 (see Exhibit 4a for more information about these cars).

provided. However, just over 30% of the respondents listed the Ka among their bottom three choices. This is a fairly strong negative rating given that the respondents were selected among potential target customers."

For those people who listed the Ford Ka as one of their top three choices, the Renault Twingo and the Opel Tigra were frequently in the top three as well. Those who put the Ka as one of their bottom three choices had chosen most often the Peugeot 106 and the Volkswagen Polo as their favourites.

"We also asked a sample of 300 respondents to provide descriptive adjectives *that best-described each of the 10 cars in the group. Interestingly, there were differences in the words chosen between Choosers (respondents who selected the Ka as one of their top three choices) and Non-Choosers (respondents who selected the Ka as one of their bottom three choices)." (The results from this exercise are shown in Exhibit 10).*

"In two weeks when we return with our final presentation of the research findings, we plan to provide you with a thorough demographic description of the "Choosers" and "Non-Choosers of the Ka."

"From the survey results, we will develop a set of perceptual maps based on multidimensional scaling. These maps will show simultaneously the position of the different cars relative to a selection of descriptive adjectives for "Choosers" and "Non-Choosers."

"In order to see whether buyers in the small car market can be grouped into psychographic clusters, we have collected information based on a set of 62 attitudinal questions. As we see it, the key issue is to determine whether traditional demographic segmentation of the small car market lines up with psychographic segmentation. Perhaps psychographic segmentation will tell us something different about buyers of small cars."

As the consultants from Goldfarb packed up to leave, Gilles Moynier reflected upon these preliminary results. "Maybe our whole way of looking at the small car market needs to be revised," he thought. Hopefully the picture would be clearer when the Goldfarb people returned in two weeks to make their final presentation.

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Exhibit 1

Description of Ford's Product Line of Passenger Cars for France in 1995

	Ford Fiesta		Ford Escort		Ford Mondeo		Ford Scorpio	
								
Typical Model	1.3i Navy	1.8D Navy	1.6i 16v	1.8TD	1.8i 16v	1.8 TD	2.0i 16v	2.5 TD
Engine ($cyl./cm^3$)[1]	4/1242 (g)	4/1753 (d)	4/1597 (g)	4/1753 (d)	4/1796 (g)	4/1753 (d)	4/1998 (g)	4/2500 (d)
Power (hp @ rpm)	65 @ 5500	60 @ 4800	90 @ 5500	90 @ 4500	115 @ 5750	90 @ 4500	136 @ 6300	115 @ 4200
CV[2]	6	5	7	6	7	5	11	7
Max. Speed (km/h)	162.5	153.1	180.0	174.9	198.3	179.1	196.5	190.3
Acceleration (sec)[3]	34.8	35.8	34.2	34.9	31.7	35.7	33.0	34.7
Fuel Consumption (h/c)[4]	8.3/8.8 litres	5.5/6.6 litres	7.4/10.4 litres	6.3/7.8 litres	7.9/10.5 litres	7.1/8.1 litres	7.8/13.9 litres	8.1/12.6 litres
Length/width (mm)	3743/1606		4136/1700		4481/1747		4825/1875	
ABS	na		4,980 FF		6,900 FF		yes	
Power Steering	yes		yes		yes		yes	
Price (FF)	64,800	72,000	85,300	106,400	109,900	103,500	172,100	164,400
Available Models[5]	3d, 5d		3d, 4d, 5d, sw, cab		4d, 5d, sw		4d, sw	
Available Engines	Gasoline: 1.1i, 1.3i, 1.4i, 1.6i, 1.8i diesel: 1.8, 1.8 TD		gasoline: 1.3i, 1.4i, 1.6i, 1.8i, 2.0i diesel: 1.8, 1.8 TD		gasoline: 1.6i, 1.8i, 2.0i, 2.5i V6 diesel: 1.8 TD		gasoline: 2.0i, 2.9i V6 diesel: 2.5 TD	
Price Range (FF)	59,300 – 103,300		73,700 – 162,300[6]		109,900 – 183,100		154,300 – 260,000	

[1] Fuel type noted in parentheses: g = gasoline, d= diesel.
[2] CV = chevaux fiscaux: Basis for road tax; depends on engine size, transmission and fuel type; the higher the rating, the higher the road tax.
[3] Time in seconds for 1,000 m from standstill.
[4] Fuel consumption in litres per 100 km; h = highway driving; c = city driving.
[5] 3d = 3-door model; 4d = 4-door model; 5d = 5-door model; sw = station wagon; cab = convertible (cabriolet); 4x4 = all wheel drive.
[6] Does not include the Ford Escort 2.0T Cosworth, which costs FF265,400.

Source: Ford France and Automotive Press.

Exhibit 1 (Cont'd)

Description of Ford's Product Line of Passenger Cars for France in 1995

	Ford Probe	Ford Galaxy	Ford Maverick	Ford Explorer
				
Typical Model	2.5i V6 24v	2.0i GLX	2.7TDi GLS (4x4)	4.0i V6 (4x4)
Engine (cyl./cm^3)[1]	6/2500 (g)	4/1998 (g)	4/2664 (d)	6/3958 (g)
Power (hp @ rpm)	164 @ 5600	115 @ 5500	125 @ 3600	156 @ 5000
CV[2]	15	11	11	23
Max. Speed (km/h)	225.1	177.8	155.0	167.0
Acceleration (sec)[3]	29.7	35.9	37.2	34.8
Fuel Consumption (h/c)[4]	9.2/13.3 litres	8.8/13.5 litres	7.9/10.5	12.3/16.7 litres
Length/width (mm)	4559/1773	4617/1798	4185/1990[6]	4789/1783
ABS	yes	yes	Yes	yes
Power Steering	yes	yes	Yes	yes
Price (FF)	168,300	148,000	146,600	247,000
Available Models[5]	coupe	5, 6, 7 seats	3d, 5d	5d
Available Engines	Gasoline: 2.0i, 2.5i V6	gasoline: 2.0i, 2.8 VR6	diesel: 2.7TD	gasoline: 4.0i V6
Price Range (FF)	141,800 – 168,300	148,000 – 195,000	143,100 – 166,200	247,000

[1] Fuel type noted in parentheses – g = gasoline, d= diesel.
[2] CV = chevaux fiscaux: Basis for road tax; depends on engine size, transmission and fuel type; the higher the rating, the higher the road tax.
[3] Time in seconds for 1,000 m from standstill.
[4] Fuel consumption in litres per 100 km; h = highway driving; c = city driving.
[5] 3d = 3-door model; 4d = 4-door model; 5d = 5-door model; sw = station wagon; cab = convertible (cabriolet); 4x4 = all wheel drive.
[6] The 5-door version is 4665 mm long.

Source: Ford France and Automotive Press.

Exhibit 2

French Car Market Size by Car Category and Ford's Market Share (1995)

Market Size in France			Ford France			
Product Category		% of Total Unit Market	Ford Model	Ford Sales (%)	Unit Market Share (%)	Share Change (94/95)
A	Mini cars	1.0	-			
B	Small cars	42.7	Classic Fiesta New Fiesta[1]	45.4 1.8	3.3 0.1	-0.2
C	Lower medium cars	28.0	Escort	30.5	2.2	+0.1
D	Upper medium cars	18.1	Mondeo	18.7	1.4	-0.5
E	Executive cars	3.6	Scorpio	1.0	0.1	+0.1
F	Luxury cars	0.1	-			
G	Cabriolets	0.1	-			
J	Sports utility vehicles	1.9	Maverick/ Explorer	0.8	0.1	0.0
M	Minivans	3.8	Galaxy[1]	0.2	0.02	
S	Sport Coupes	1.1	Probe	0.9	0.1	0.0
Total Unit Sales		1.9 mil.	Total[2]	140,778	7.3%	-0.5%

[1] Introduced in 1995.
[2] The total figures include sales of models whose marginal volumes are not reported in the table.

Source: Ford France and EIU Motor Business Europe (1995).

Exhibit 3

French B-Category Buyers by Household Type, Age and Income for 1994

Household Description	Age	Average Household Income per year (FF 000) <100	100-150	150-250	>250	Total
Primary Car[a]						
Single Women	<30	**3.6**[b]	**1.7**	**1.4**	**0.9**	7.6%
Single Women	30-45	**2.7**	**3.1**	**0.9**	**0.2**	6.9%
Single Men	<30	**2.7**	**1.6**	**2.1**	**1.3**	7.7%
Single Men	30-45	**1.0**	**0.9**	**0.7**	**0.4**	3.0%
Childless Couples	<30	**0.9**	**1.2**	**1.7**	**0.3**	4.1%
Childless Couples	30-45	**0.5**	**0.8**	**1.0**	**0.4**	2.7%
Full Nesters	<35	**0.9**	**1.8**	**2.0**	**1.0**	5.7%
Full Nesters / Single Car	>35	**1.1**	**1.5**	**1.4**	**0.5**	4.5%
Full Nesters / Multi Car	>35	**1.1**	**1.4**	**5.8**	**5.5**	13.8%
Empty Nesters	45-60	**2.7**	**2.9**	**3.1**	**1.5**	10.2%
Empty Nesters	>60	**6.9**	**4.8**	**3.5**	**2.1**	17.3%
Secondary Car						
Household with Children		**0.3**	**1.2**	**3.3**	**4.2**	9.0%
Household w/o Children		**0.4**	**0.7**	**2.5**	**3.7**	7.3%
Total		24.8%	23.6%	29.4%	22.0%	100%

a. Indicates the car driven by the head of the household.

b. To be read as 3.6% of B-category car buyers in 1994 were single women who were less than 30 years old and had an average annual income of less than FF100,000.

Ford's Segmentation of Small Car Buyers for the Ford Fiesta

Ford traditionally grouped the small car buyers (A and B categories) into four target groups based on financial constraints and the presence of children in the household. The resulting four target groups are indicated in the above table by the following colour-coding:

Light yellow	Financially constrained buyers	Orange	Average income and/or family constrained buyers
Light peach	Average income, more youthful/expressive buyers	Dark red	Higher income, not family constrained buyers

Source: Ford France and New Car Buyer Survey France 1995.

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Exhibit 4a

Leading Small Cars Distributed in France in 1995

Car[1]	Citroen AX (*)		Fiat Cinquecento (1992)	Fiat Panda (*)	Fiat Punto (1994)	
						
Typical Model	1.1i Image	1.5D Spot	1.1 Sporting	1.1 Selecta	60 SX	1.7TD ELX
Engine (cyl./cm^3)[2]	4/1124 (g)	4/1527 (d)	4/1108 (g)	4/1108 (g)	4/1242 (g)	4/1698 (d)
Power (hp @ rpm)	60 @ 6200	58 @ 5000	55 @ 5500	55 @ 5500	60 @ 5500	71 @ 4500
CV[3]	4	4	6	5	5	6
Max. Speed (km/h)	157.9	148.5	156.1	152.6	158.2	162.2
Acceleration (sec)[4]	34.7 sec	37.8	36.4	37.1	36.4	36.0
Fuel Consumption (h/c)[5]	5.5/7.3 litres	5.3/5.6 litres	5.7/8.2 litres	5.5/7.9 litres	6.0/7.8 litres	6.3/7.3 litres
Length/width (mm)	3525/1555		3227/1487	3415/1515	3760/1625	
ABS	Na		na	Na	7,000 FF	
Power Steering	Na		na	Na	1,600 FF	yes
Price (FF)	62,900	72,800	50,700	51,000	68,300	87,200
Available Models[6]	3d, 5d, 4x4		3d	3d, 4x4	3d, 5d, cab	
Available Engines	gasoline: 1.0i, 1.1i, 1.4i; diesel: 1.5		gasoline: 1.0, 1.1	gasoline: 1.0, 1.1	gasoline: 1.1, 1.3, 1.4 diesel: 1.7, 1.7 TD	
Price Range (FF)	53,600 – 83,400		40,600 – 50,700	36,600 – 65,500	58,900 – 109,900	

[1] Year of market introduction or major model update in parentheses (* = before 1991).
[2] Fuel type noted in parentheses: g = gasoline, d= diesel.
[3] CV = chevaux fiscaux: Basis for road tax; depends on engine size, transmission and fuel type; the higher the rating, the higher the road tax.
[4] Time in seconds for 1,000 m from standstill.
[5] Fuel consumption in litres per 100 km; h = highway driving; c = city driving.
[6] 3d = 3-door model; 4d = 4-door model; 5d = 5-door model; sw = station wagon; cab = convertible (cabriolet); 4x4 = all wheel drive.

Source: Automotive Press.

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Exhibit 4a (Cont'd)

Leading Small Cars Distributed in France in 1995

Car[1]	Nissan Micra (1994)	Opel Corsa (1992)		Opel Tigra (1995)[7]	Peugeot 106 (1991)	
						
Typical Model	1.0 16v Lagoon	1.2i City	1.5TD Sport	1.4i 16v	1.0 Kid	1.6 Griffe
Engine (cyl./cm^3)[2]	4/998 (g)	4/1195 (g)	4/1487 (d)	4/1389 (g)	4/954 (g)	4/1597 (g)
Power (hp @ rpm)	55 @ 6000	45 @ 5000	67 @ 4600	90 @ 6000	50 @ 6000	90 @ 5600
CV[3]	4	5	4	6	4	7
Max. Speed (km/h)	144.0	137.0	156.3	191.5	141.3	181.7
Acceleration (sec)[4]	38.9	38.7	35.7	33.0	38.0 sec	31.9 sec
Fuel Consumption (h/c)[5]	7.0/7.7 litres	6.8/8.4 litres	5.9/7.1 litres	6.1/9.0 litres	6.1/7.0 litres	7.0/9.5 litres
Length/width (mm)	3695/1585	3729/1608		3922/1604	3564/1590 mm	
ABS	7,100 FF	7,000 FF		7,400 FF	na	6,510 FF
Power Steering	2,600 FF	na	yes	Yes	na	yes
Price (FF)	64,600	58,600		91,500	59,000	115,900
Available Models[6]	3d, 5d	3d, 5d		Coupe	3d, 5d	
Available Engines	gasoline: 1.0, 1.3	gasoline: 1.2i, 1.4i diesel: 1.5, 1.5TD		gasoline: 1.4i, 1.6i	gasoline: 1.0, 1.1, 1.3, 1.4, 1.6 diesel: 1.5; (electric: 27 hp)	
Price Range (FF)	58,400 – 103,500	58,600 – 91,400		91,500 – 108,500	59,000 – 116,200	

[1] Year of market introduction or major model update in parentheses (* = before 1991).
[2] Fuel type noted in parentheses: g = gasoline, d= diesel.
[3] CV = chevaux fiscaux: Basis for road tax; depends on engine size, transmission and fuel type; the higher the rating, the higher the road tax.
[7] Not considered a small car, but included in the market research (see footnote 5).
[4] Time in seconds for 1,000 m from standstill.
[5] Fuel consumption in litres per 100 km; h = highway driving; c = city driving.
[6] 3d = 3-door model; 4d = 4-door model; 5d = 5-door model; sw = station wagon; cab = convertible (cabriolet); 4x4 = all wheel drive.

Source: Automotive Press.

Exhibit 4a (Cont'd)

Leading Small Cars Distributed in France in 1995

Car[1]	Peugeot 205 (1991)		Renault Clio (1990)		Renault Clio Baccara	Renault Twingo (1992)
						
Typical Model	1.4	1.8TD	1.4 RN	1.9D RN	1.8 Baccara	Pack
Engine (cyl./cm^3)[2]	4/1360 (g)	4/1796 (d)	4/1390 (g)	4/1870 (d)	4/1794 (g)	4/1239 (g)
Power (hp @ rpm)	75 @ 5800	78 @ 4800	80 @ 6000	65 @ 4500	95 @ 5750	55 @ 5300
CV[3]	6	5	7	6	9	5
Max. Speed (km/h)	160.6	159.5	169.3	162.2	182.4	147.6
Acceleration (sec)[4]	35.8	36.1	33.6	36.3	33.1	35.9
Fuel Consumption (h/c)[5]	7.5/8.8 litres	6.8/8.0 litres	6.4/8.5 litres	6.0/7.1 litres	6.8/11.6 litres	7.0/7.9 litres
Length/width (mm)	3705/1572		3709/1630		3709/1630	3433/1630
ABS	na		6,610 FF		6,610 FF	5,690 FF
Power Steering	yes		Yes		Yes	na
Price (FF)	74,200	87,800	80,900	90,900	131,200	61,500
Available Models[6]	3d, 5d		3d, 5d		3d, 5d	3d
Available Engines	gasoline: 1.1, 1.4, 1.6, 1.9[7] diesel: 1.8, 1.8TD		gasoline: 1.2, 1.4, 1.8 diesel: 1.9 (electric: 30 hp)		gasoline: 1.8	gasoline: 1.2
Price Range (FF)	67,800 – 96,300[7]		64,600 – 107,000		128,100 – 139,200	58,500 – 66,000

[1] Year of market introduction or major model update in parentheses (* = before 1991).
[2] Fuel type noted in parentheses: g = gasoline, d= diesel.
[3] CV = chevaux fiscaux: Basis for road tax; depends on engine size, transmission and fuel type; the higher the rating, the higher the road tax.
[7] Does not include the Peugeot 205 GTi with T16 engine.
[4] Time in seconds for 1,000 m from standstill.
[5] Fuel consumption in litres per 100 km; h = highway driving; c = city driving.
[6] 3d = 3-door model; 4d = 4-door model; 5d = 5-door model; sw = station wagon; cab = convertible (cabriolet); 4x4 = all wheel drive.

Source: Automotive Press.

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Exhibit 4a (Cont'd)

Leading Small Cars Distributed in France in 1995

Car[1]	Toyota RAV4 (1995)[7]	Volkswagen Polo (1994)
		
Typical Model	2.0 16v VX	1.3 GL
Engine (cyl./cm³)[2]	4/1998	4/1296
Power (hp @ rpm)	129 @ 5600	55 @ 5200
CV[3]	10	6
Max. Speed (km/h)	170	159.7
Acceleration (sec)[4]	33.2	36.8
Fuel Consumption (h/c)[5]	8.3/11.4 litres	6.4/8.0 litres
Length/width (mm)	3750/1695	3715/1655
ABS	yes	4,770 FF
Power Steering	yes	yes
Price (FF)		71,900
Available Models[6]	3d, 5d[8]	3d, 5d
Available Engines	gasoline: 2.0	gasoline: 1.3, 1.6
Price Range (FF)	145,000 – 165,000	60,900 – 84,200

All Other Small Cars

Fiat Uno*
Kia Sephia
Lancia Y10
Mazda 121
Renault 5*
Rover Mini
Rover 100
Seat Marbella*
Seat Ibiza
Suzuki Swift
Suzuki Baleno
Toyota Starlet

* Discontinued in 1995

[1] Year of market introduction or major model update in parentheses (* = before 1991).
[2] Fuel type noted in parentheses: g = gasoline, d= diesel.
[3] CV = chevaux fiscaux: Basis for road tax; depends on engine size, transmission and fuel type; the higher the rating, the higher the road tax.
[4] Time in seconds for 1,000 m from standstill.
[5] Fuel consumption in litres per 100 km; h = highway driving; c = city driving.
[6] 3d = 3-door model; 4d = 4-door model; 5d = 5-door model; sw = station wagon; cab = convertible (cabriolet); 4x4 = all wheel drive.
[7] Not considered a small car, but included in the market research (see footnote 5).
[8] The 5-door model is 4150 mm long.

Source: Automotive Press.

Exhibit 4b
Glossary of Technical Terms

Term	Description
Car platform	Level structure raised above the ground and placed over the car tires; different model versions and even models can be built on top of a platform.
Coiled suspension	Coiled = Form of suspension that improves handling while delivering a smooth ride.
Rack and pinion steering	Preferred steering system for small cars (originally developed for racing cars).
Dual circuit brakes	Dual circuit system provides backup in case of leak in brake system.
Front wheel-drive	Engine powers front wheels of a car. All small cars have front wheel-drive (with the exception of 4x4 models).
ABS	Anti-braking system. Prevents the locking-up of wheels during braking, which enables driver to control car even when braking.
Power steering	Support mechanism to facilitate the turning of the steering wheel.
Courtesy lighting	Interior lighting for passengers for night travel.
Vanity mirrors	Small mirror on the back of sunvisor for front passenger seats.
Centre console	Moulded housing between bucket seats that houses instruments, gear shift, and storage compartments.
Pollen filter	Filter in ventilation system or air conditioning to prevent pollen entering the interior of a car.

Exhibit 5

Market Shares of the Leading Small Cars Distributed in France in 1995
(as a % of unit sales in the A/B category)

	1992	1993	1994	1995
Renault Clio	26.0	23.5	23.0	20.1
Peugeot 106	11.0	12.1	13.7	13.7
Renault Twingo	-	9.1	11.2	13.3
Citroen AX	9.4	6.5	7.9	8.0
Fiesta (Old + New)	8.9	7.7	8.1	7.6
Opel Corsa	7.0	6.7	6.7	7.6
Fiat Punto	-	0.5	6.0	7.3
Volkswagen Polo	3.5	2.8	2.1	4.6
Peugeot 205	14.5	6.7	6.7	4.3
Renault 5	6.3	3.3	3.7	3.2
Fiat Panda	1.9	1.4	2.6	2.3
Nissan Micra	0.7	1.6	1.3	1.3
Fiat Cinquecento	1.0	0.8	0.6	0.4
Total	90.2	82.7	93.6	93.7

Source: Ford France and EIU Motor Business Europe (1995).

Exhibit 6

Demographic Description of French Car Buyers by Car Model for 1995

Buyer Characteristics	Renault Clio	Peugeot 106	Renault Twingo	Citroen AX	Ford Fiesta	Opel Corsa	Renault 5	Fiat Panda
Gender								
Men	57[1]	47	44	56	56	47	54	51
Women	43	53	56	44	44	53	46	49
Age								
18-23	6	10	5	10	9	10	5	5
24-30	16	14	14	6	20	19	7	14
31-35	8	11	9	9	9	13	8	16
35-50	32	28	35	27	31	31	46	33
51-60	16	14	19	21	14	14	9	14
60-70	13	13	13	19	12	9	19	13
70+	9	10	5	8	5	4	6	5
Marital Status								
Single, living alone	18	21	14	20	15	14	16	11
Single, living with parents	11	14	6	10	16	14	10	10
Married, without children	34	25	33	30	32	26	22	22
Single, with children	3	6	4	8	7	6	6	7
Married, with children	34	34	43	32	30	40	46	50
Household Size								
1	18	22	14	20	17	14	15	11
2	37	30	35	35	38	32	27	28
3	22	23	22	20	17	25	20	24
3+	23	25	29	25	28	29	38	37
No. Children in Household								
0	74	69	64	71	71	64	57	52
1	15	16	16	16	17	20	15	20
2/2+	11	15	20	13	12	16	28	28
Household Income								
<100KF	26	32	16	37	30	23	35	25
100/150KF	28	20	16	22	25	23	21	24
150/175KF	8	7	8	5	11	8	14	7
175/250KF	20	18	23	21	19	22	17	24
250/400KF	14	17	25	9	12	18	9	16
400/500KF	3	4	6	3	1	4	2	3
>500KF	1	2	6	3	2	2	2	1
Place of Residence								
Paris/Ile de France	14	13	26	17	18	19	11	13
Rural, <50,000	53	56	44	60	52	49	65	56
50 000-100 000	7	8	7	7	9	7	6	11
>100 000	26	23	23	16	21	25	18	20

[1] To be read "57% of buyers of Renault Clio in 1995 were male".

Source: Ford France.

Exhibit 7

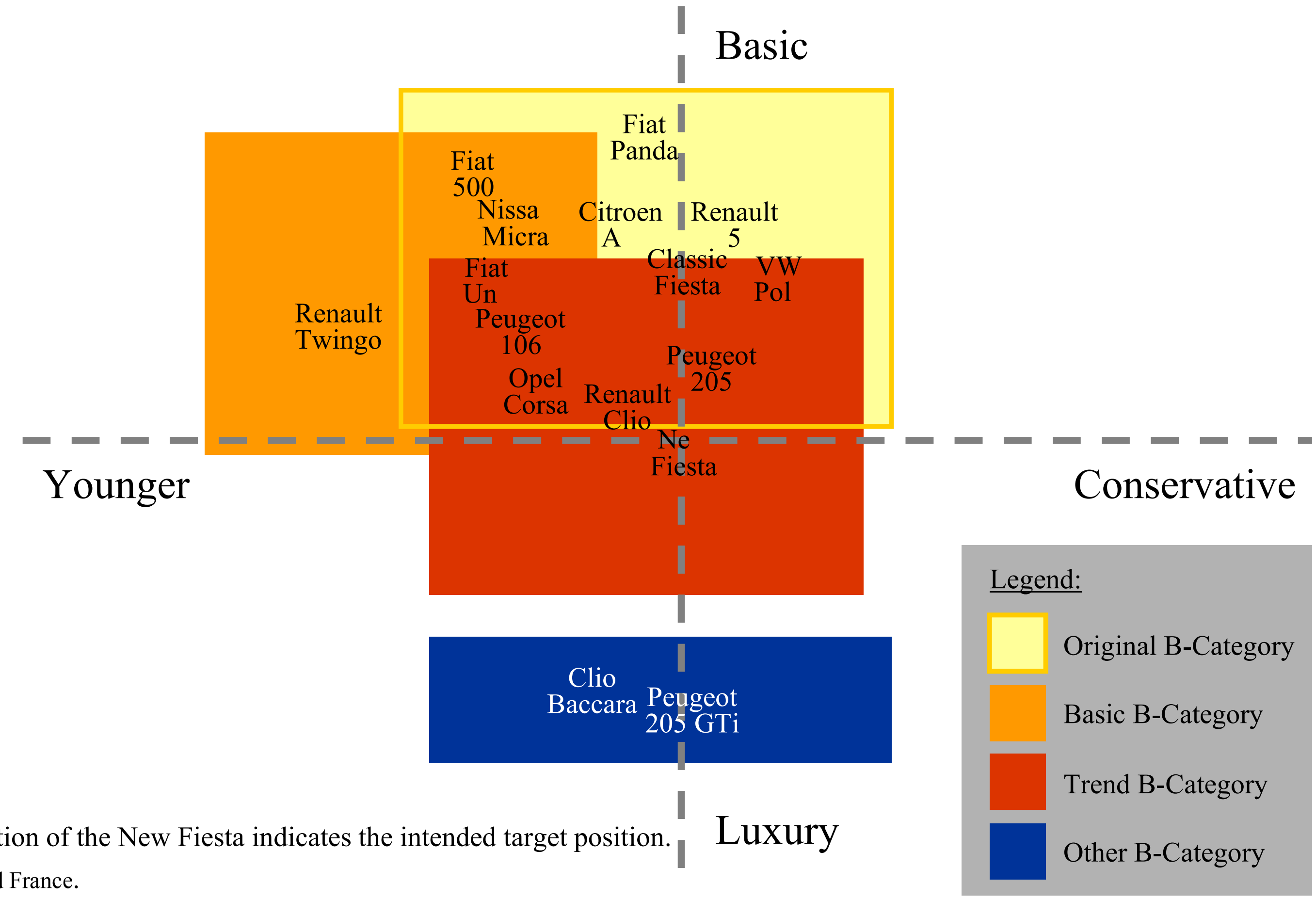
Household Statistics in France for 1982 and 1993 (in Thousands)

Households	**1982**		**1993**	
Single Women				
15-29	312	1.6%	494	2.3%
30-49	391	2.0%	513	2.4%
50-74	1,192	6.1%	1,409	6.5%
Single Men				
15-29	431	2.2%	518	2.4%
30-49	706	3.6%	732	3.4%
50-74	549	2.8%	639	3.0%
Couples Without Children				
2 Income	1,940	9.9%	2,191	10.2%
1 Income	1,215	6.2%	1,080	5.0%
Retired Couples	3,178	16.2%	3,753	17.4%
Couples With Children				
1 Child	2,859	14.6%	2,984	13.9%
2 Children	2,902	14.8%	3,008	14.0%
More than 2 Children	1,674	8.5%	1,739	8.1%
Single Parents				
Woman w/Children	1,039	5.3%	1,326	6.2%
Man w/Children	177	0.9%	226	1.0%
Other Households	1,033	5.3%	930	4.3%
Total Number of Households	19,598	100%	21,542	100%
Total Population	54.27		56.65	

Source: INSEE (1996).

Exhibit 8

Two-Dimensional Perceptual Map Showing Average Buyer Perceptions of Different Small Car Models for France in 1993 and the Evolution of the B-Category.[1]



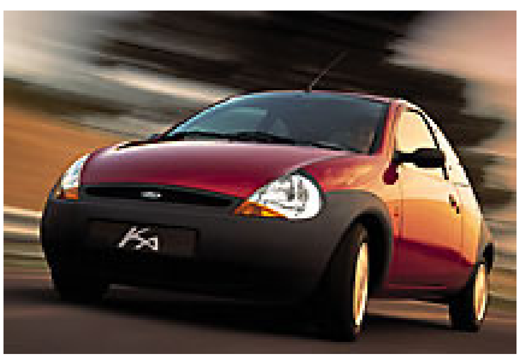
[1] The position of the New Fiesta indicates the intended target position.

Source: Ford France.

Exhibit 9

Ford Ka

The Car



The Specifications

Engine (cyl./cm³)	4/1299 (gasoline)	Fuel Consumption (h/c)[3]	5.2/8.3 litres
Power (hp @ rpm)	60 @ 5000	Length/width (mm)	3620/1631
CV[1]	5	ABS	na
Max. Speed (km/h)	153.2	Power Steering	yes
Acceleration (sec)[2]	34.5	Available Model/Engine	1.3i Endura (3d)

[1] CV = chevaux fiscaux: Basis for road tax; depends on engine size, transmission and fuel type; the higher the rating, the higher the road tax.
[2] Time in seconds for 1,000 m from standstill.
[3] Fuel consumption in litres per 100 km; h = highway driving; c = city driving.

Source: Ford France.

Exhibit 10

Word Association Task (Small Cars)[1]

Small Car	What Choosers Said	What Non-Choosers Said
Ford Ka	Sophisticated, Futuristic	Flimsy, Ugly
Opel Tigra	Youthful, Exciting	Sophisticated, Youthful
Toyota RAV4	Ugly, Unusual	Unusual, Youthful
Opel Corsa	Safe, Boring	Practical, Safe
Peugeot 106	Practical, Outdated	Practical, Safe
Ford Fiesta	Ugly, Safe	Practical, Boring
VW Polo	Ugly, Poorly Constructed	Safe, Practical
Nissan Micra	Outdated, Boxy	Small, Outdated
Fiat 500	Outdated, Dull	Flimsy, Outdated
Renault Twingo	Futuristic, Cheap	Fun to Drive, Energetic

[1] "Choosers" = respondents who put the Ford Ka among their top three choices;
"Non-Choosers" = respondents who put the Ford Ka among their bottom three choices.

Source: Ford France (1995).