

CASE - New Genesis SUV could be a game changer for Hyundai's luxury brand

Competing in the luxury car market without any SUVs in the lineup is like playing football without linemen. It's asking to get run over. That's why it was crucial for Hyundai's luxury brand, Genesis, to finally have its own SUV. The GV80 SUV, which made its US debut at an event in Miami Tuesday night, could be a game changer for the South Korea-based automaker. Up until now, Genesis has offered only sedans, even as customers have been increasingly turning to SUVs. Mercedes-Benz has eight different SUV models in the United States, while BMW offers seven. Even Porsche, a luxury automaker renowned for sports cars, makes two SUVs and both are now its best selling products.

Today, Genesis sales are miniscule compared to these established luxury brands. Last year, it sold 21,000 cars in the United States. BMW sold more than twice as many of its 3-series sedan alone.



The new Genesis GV80 SUV is intended to be the Hyundai luxury brand's new flagship model.

Still, Mark Del Rosso, head of Genesis's North American operations, boasts that last year's sales doubled from the year before. That was largely thanks to sales of the new G70, an award-winning sporty sedan. After the new GV80, Del Rosso said, Genesis plans to soon add at least one more SUV to its lineup and an electric vehicle. That would give the company a total of six models. Genesis's growing lineup increases the possibility that the auto maker could one day mimic the success of Lexus, just 30 years old but already one of the world's leading luxury car brands in both sales and prestige.

"I've learned to never ever underestimate Hyundai," said Sharon Silke Carty, editor-in-chief of Car and Driver.

Hyundai has proven itself in the US market. In the most recent Consumer Reports auto reliability rankings, Hyundai was the sixth most reliable car brand, ranking just behind Genesis. (Lexus was number one.) Hyundai is also no longer thought of as a brand people buy mostly based on price.

Kia, which is also part of the Hyundai Motor Group, has followed a similar path. Kia was once seen as strictly a bargain product, but those perceptions have changed. The Kia Telluride SUV recently won the North American SUV of the Year award, as well as MotorTrend SUV of the Year. Critics have lauded the Telluride's luxury-like ride quality and amenities.

Genesis, too, has established itself with its lineup of strong cars, said Brian Moody, executive editor of Autotrader.com.

"You're never going to get to the place of big sales and marketplace recognition if you don't start with really good, compelling vehicles to begin with," said Moody, "and at least they've done that."

The Genesis G70, in particular, has made an impact. A direct competitor to the performance sedans, like the BMW 3-series, it won both Motor Trend Car of the Year and North American Car of the Year awards last year, as well being named one of Car & Driver's Top 10 cars.

Genesis has taken great pains to minimize any apparent similarities between its own vehicles and those of Hyundai and Kia.

"They're being extremely careful to make sure people don't feel it's just a Hyundai or Kia with different styling," said Jake Fisher, head of auto testing for Consumer Reports.

For instance, even though the Kia Telluride and Hyundai Palisade SUVs have been very well received, the GV80 is not related to them. While those SUVs are built around what is essentially front-wheel-drive engineering, the GV80 is based on rear-wheel drive engineering, like the Genesis sedans.

Also, like Genesis's other cars, the GV80 is designed to look more like a Bentley, noted Car and Driver's Carty.

"It looks kind of like a Bentayga," she said, referring to Bentley's SUV.



The Genesis GV80's interior has clean lines, quilted leather and wood trim.

It has a similarly large grille and side vents. Genesis's winged logo is also somewhat similar to Bentley's. Genesis vehicles do not come with Bentley prices, though, and the brand makes a strong appeal to value-conscious consumers, said Fisher.

Genesis cars are not exactly cheap, but they tend to cost considerably less than directly competitive German luxury models. (Genesis said the price of the GV80 will be revealed closer to when it goes on sale in the US this summer.). The interior, though, looks like the cabin of something far more expensive. It has clean lines, quilted leather and lots of shiny metal surfaces and wood trim.

The new SUV also uses active sound deadening to quiet the interior. This involves using microphones to detect noise in the cabin then using the SUV speakers to generate sound waves that precisely cancel out the noise. The SUV will also have driver assistance features, like adaptive cruise control that will learn the driving tendencies of individual drivers. The SUV's twin sets of headlights — which are in two separate strips — will become a design signature for the brand. The GV80 is intended to become the brand's flagship product, said Del Rosso.

"The DNA is distinctly Korean, audacious, progressive etc.," he said. "And I think the piece of it that I really, really love is that we can clearly differentiate on design."

For now, though, it's the brand's first entrant in a crowded field of SUVs from well-known luxury players.

"Let's be honest, it's going to be tough to build a brand from the ground up in that segment. I'm not saying they can't do it," said Moody. "That's a lot of hard work for many, many years to come."

- **How should Genesis think about positioning itself to succeed in the target market?**

Approach:

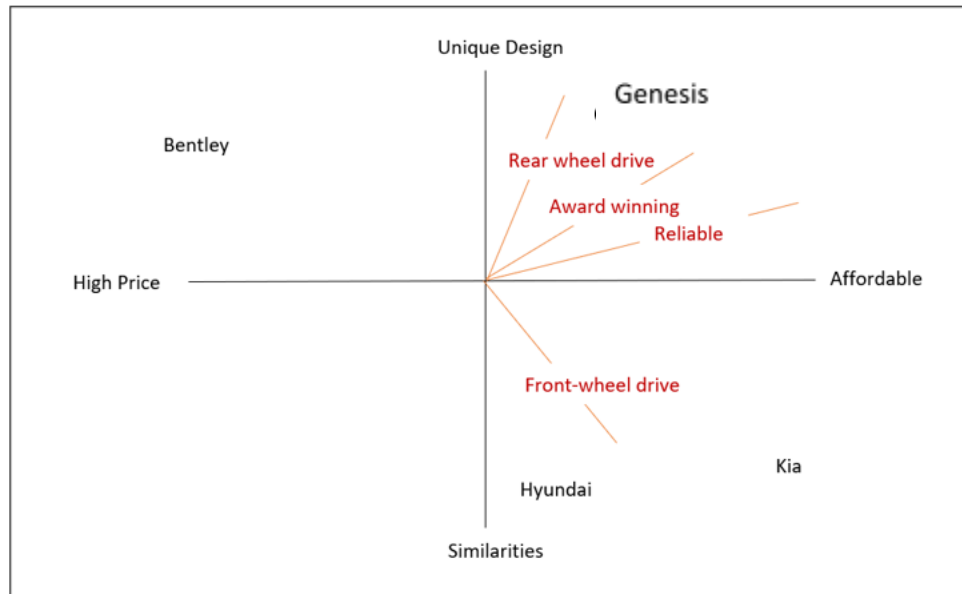
To develop a marketing strategy aiming to influence how the target market perceives a product as compared to the competition, a real differentiation is needed that matters to the customers. Understanding the criteria that customers use to evaluate different products and convincing them to buy a product that meets those needs of customers is the important part of positioning a brand/product.

<i>Factors</i>	<i>Factors explained</i>	<i>Positioning examples</i>
Attribute positioning	specific features of Genesis	Compelling and good, based on rear-wheel drive engineering, GV80's interior has clean lines, quilted leather and wood trim, large grille and side vents, winged logo.
Benefit positioning	specific result/benefit of Genesis	Reliable car brand, unique style and minimize any similarity between other vehicles, active sound deadening feature for cancelling noise, driver assistance features.
Use/Application positioning	when and how -market niche	Makes a strong appeal to value conscious consumers.
User positioning	who uses it	Savvy, modern, expressive consumers with post-recession values who earn social status more by outsmarting the Joneses than by out-spending them.
Competitive positioning	better than the other	G70 chosen as Motor Trend Car of the Year and North American Car of the Year, named one of Car & Driver's Top 10 cars, design signature- twin set of headlights.
Value positioning	Lower price and best value	Less cost than competitors.

Perceptual Map for positioning Genesis:

In determining a brand's position and the preferences of consumers, perceptual map is the key to position a product effectively.

<i>Factors/Rank</i>	Genesis	Bentley	Kia Telluride	Hyundai Palisade
Unique style	1	2	3	4
Affordable	3	4	1	2
Features	1	2	4	3
Reliable	1	2	4	3



Positioning in order to succeed: (Consumer Acceptance)

1. *Degree to which consumers perceive Genesis SUVs are superior than existing substitutes:* GV80 is compelling and good, based on rear-wheel drive engineering, GV80's interior has clean lines, quilted leather and wood trim, large grille and side vents, winged logo.
2. *Consumers think how Genesis SUV is consistent with their needs and values:* Genesis is a reliable brand.
3. *Its ease of use in daily life:* GV80's affordability than its competitors. "Genesis at Home" program that offers the facility to consumers to have their vehicle picked up and returned for scheduled maintenance. The online platform for leasing and paperwork, ordering the new vehicle.
4. *Being able to tried on for limited time:* The test drives offered by brands to turn potential buyers into clients.
5. *Benefits of Genesis SUV observed by the potential customers:* active sound deadening feature for cancelling noise, driver assistance features.

The Market Attractiveness/Competitive Position Matrix:

Segment chosen: For positioning itself to succeed in the target market, Genesis should first target a particular segment and try to focus on that segment with its luxury car. Assuming here, the segment is the modern consumer who likes branded cars but cannot afford high priced brands.

Why this segment: This segment is considered here (assumed for question) because customers are willing to pay for the features and comfort travel. Customers who want to buy a luxury car but at a reasonable price. This GV80 offers them unique style and signature design.

		Rating(0-10)	Total
	Weights	S1	
Market Attractiveness factors			
Customer needs and behaviour	0.5	9	4.5
Segment size and growth rate	0.3	7	2.1
Macro trends	0.2	8	1.6
Total: Market Attractiveness	1		8.2
Competitive position factor			
Opportunity for competitive advantage	0.6	7	4.2
Capabilities and resources	0.2	5	1
Segment appeal	0.2	7	1.4
Total: Competitive position	1		5.7

Why I have chosen the shown weights and rating for the assumed segment market:

As Genesis is focusing on luxury car brands based on the customer needs and preferences (prices), the customer needs and behaviour are what matters the most. Genesis is offering a luxury brand at a reasonable price as compared to its competitors. Segment size relatively matters less as Genesis has a long way to go and is just having its start in a luxury brand group. So, this factor is given less weight. Also, macro trends including the substitutions, competitors etc., also matter but competitors are already great players in this segment. Genesis has an advantage over them as it offers all the features and unique style at much affordable cost.

Moving on to competitive advantage factors, Genesis has an advantage over its competitors based on its features, style, signature style, superior interior, winged logo, side vents and less price. Also, the capabilities and resources as well as the segment appeal weighs less as compared to the competitive advantage.

Market Attractiveness	High (8-10)	S1		
	Moderate (4-7)			
	Low (0-3)			
		Weak (0-3)	Medium (4-7)	Strong (8-10)
Company's Competitive Position				

As, from the position matrix it is observed that a company has to invest in order to build. There is a challenge for leadership. So, Genesis has to build selectively on its strengths and reinforce the vulnerable areas.

Positioning statement:

For Savvy, modern, expressive consumers who earn social status more by outsmarting the Joneses than by out-spending them, Genesis GV80 is a luxury and reliable car brand that offers unique style and active sound deadening feature for cancelling noise, driver assistance features. Unlike other luxury brands our product is affordable which appeals to value conscious consumers and has an unmatched interior with winged logo to give the luxury feel and comfort.

How Newness in Product will position GV80:

The most competition occurs at the *Augmented level* of product stages. Genesis GV80 product has added new features and it is understood that the modern consumers are willing to pay the extra cost for luxury and comfort travel.

Continuous Innovation – GV80 offers luxury features like Bentley's winged logo and side vents. It thus offers innovation but no new learning by customers. Hence, it offers AWARENESS.

Dynamically Continuous Innovation – GV80 has the driver assistance feature, noise cancellation feature and thus offers DIFFERENTIATION.

In order to succeed in the target market, Genesis could highlight the features of its augmented product – the price offered/ financing schemes, warranty etc. Also, it should focus on lowering the **CHASM** so that Genesis could reach the early majority (34%) in less time and thus make it a success. The price offered of this Genesis SUV is comparatively lower than its competitors and this lower price offers Genesis a benefit to strategize itself and gain a competitive edge to capture the market.

In order to achieve success in the target segment, Genesis could work on retaining its customers and try to convert its passives into promoters and its detractors into passives (to improve NPS which will eventually lead to success).