

COMMERCE

Lower-priced auto lines affecting brand stature

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By JOE MCCARTHY

Are luxury automotive brands running the risk of brand dilution by unveiling new models with low price tags?

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Whether its Mercedes jumping below \$30,000 with its CLA model, or Maserati breaching \$65,000, luxury brands from all sides are rushing to broaden audiences. However, trigger-happy critics of this trend ignore the fact that primary brand lines remain hard-to-reach, options can ratchet up costs and that low price points can help cultivate lifetime loyalists.

"There's nothing wrong with generating interest in a luxury car segment," said George Magda, vice president of national accounts at [Herman Advertising](#), Fort Lauderdale, FL. "Mercedes is getting a whole new demographic, and they still have the opportunity to up-sell from \$30,000 to \$40,000.

"If you don't offer this price point you may be losing out on more customers," he said. "Plus, brands then give consumers the inclination that, 'Hey, this brand is feasible,' and get them in the door, where they'll determine the value of the vehicle and if they should open up their budget a little more.

"I think Lexus is shutting themselves down, when you really think about it, because at the

end of the day, entry-level lines create more interest and that helps dealers."

The setting

Toyota Corp.'s Lexus recently announced that it would not chase Mercedes-Benz into the sub-\$30,000 territory, according to [Bloomberg](#), which suggests that \$30,000 represents a symbolic barrier of sorts. However, Mercedes has dominated the entry-level luxury auto market in the United States this year, breaking all-time sales records, partly because of this move.

Also, Lexus hovers in the ball park of the \$29,600 CLA model with its popular IS model at \$35,900.

Both of these models have been the focus of numerous promotional campaigns that place an emphasis on crowd sourcing and creativity, indicating that they are targeting the same demographics.



Lexus IS

For instance, Mercedes-Benz USA invited five of Instagram's most lauded users to ignite interest in the CLA model among young consumers by touring the United States in the vehicle.

The automaker opened up the journey to a sixth entrant who was selected by the five recognized photographers to boost fan interest in the promotions. The contest appealed to Generation Y consumers by using Instagram and allowing fans to participate in the campaign ([see story](#)).

Also, Lexus geared up for the Specialty Equipment Market Association Show Nov. 5-8 with an executed version of the winning deviantArt contest design for the IS that embodies the brand's receptive relationship with its fans.

VIP Auto Salon, Orange, CA, worked for more than 10 weeks on Robert Evans' winning design that features an aero styling package, a carbon interior option, special three-piece wheels and a custom paint job ([see story](#)).

Further up the totem pole, Maserati announced that its Ghibli model would start at \$65,600, opening the Italian automaker to new consumer brackets.



Maserati Ghibli debut

Maserati launched its Ghibli model at the Los Angeles Auto Show with a new campaign that aims to disrupt the entry-level luxury automotive market.

The “Absolute Opposite of Ordinary” campaign revolved around the theme that Maserati will never succumb to cookie-cutter designs, giving its vehicles an edge over others ([see story](#)).

The theme of disruption permeates all of these campaigns, which seems to be both a meta-commentary on shifting brand boundaries and a spelling-out of their attempts to stir fresh interest among new demographics.

Other angles

Cutting prices can seem like a well-lit path toward brand dilution. Critics will argue that lower prices squander exclusivity by opening a brand up to the lowest common denominator and that affordable and luxury are two words that do not fit together.

However, Mr. Magda argued that exclusivity is a precarious trait. Brands do not want to come off as standoffish. Instead, automakers with lower-priced lines can cultivate relationships with consumers who may become higher-end clients in the future.

Entry-level lines, such as the Mercedes C-Class, still hold options that raise prices and are not easily confused with a brand's elite lines, therefore do not necessarily sap the allure of higher models. Once a consumer buys her or his first, deliberated vehicle, a relationship is established that will likely lead that person to make a model upgrade in the future.

Furthermore, a lower-priced line may grab the attention of a consumer who may have deemed a brand forever out of reach.

Some consumers may be looking for models that are more fuel efficient and compact, while other brand loyalists may want to purchase an entry-level vehicle for their daughter or son.

"You want to welcome people into your brand," Mr. Magda said. "Being exclusive means not being open to all buyers."

"Everyone already wants to drive one of the luxury car brands," he said. "If a brand says it's not affordable, consumers will default to other brands. You greet the masses, but sleep with the classes."

Final Take

Joe McCarthy, editorial assistant on Luxury Daily, New York

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