

Analysis of Subaru of America, Inc.

M405 Consumer Behavior Final Project



Completed by Kelsey Kitchen
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Consumer Audit

Subaru can be described as a Japanese based company that produces cars “equipped with all-wheel drive technology and the fuel-efficient Subaru boxer engine. Its vehicle line includes the Impreza, Legacy, Outback, Forester, and Tribeca models” (Hoovers). They implement socially responsible practices by producing their products in a plant that is designated as a “backyard wildlife habitat by the National Wildlife Federation;” which can be considered as one of the many ways they market to the types of consumers they aim to target. Also, according to Hoovers.com, Subaru “launched more practical, outdoor models like the Outback wagon, repositioning itself as a value brand by pricing its cars more affordably. It also restyled its models with more interior space, which is important to US drivers, who tend to require more leg room. Additionally... it is a top safety pick among highway safety experts.” Subaru had to adapt its marketing mix in order to be successful in the US market. Subaru of America, Inc. had to forgo competing with familiar competitors in the Japanese market like Volvo and Audi and, instead, adapted their products and focused on promoting to consumers who seemed like the correct American target customer. Subaru competes with all car manufacturers, but their main competitors are Toyota and Volkswagen; as these dealerships offer similar car models, prices, and aim to target a similar type of consumer.

Subaru’s main target customers would be considered to be a couple that is middle-aged, financially-stable, and strongly value their family and career. Based on VALS consumers segments, a Subaru consumer would best be categorized as a Thinker. Their primary motivation is ideals that “are guided by knowledge and principles. They are mature, satisfied, comfortable, and reflective people who value order, knowledge, and responsibility. They tend to be well educated and actively seek out information in the decision-making process. Although their incomes allow them many choices, Thinkers are conservative, practical consumers; they look for durability, functionality, and value in the products that they buy” (Strategic Business Insights). Also, based on the results from this survey, one of Thinkers’ favorite things actually includes a Subaru; therefore making Thinkers the bulls-eye consumer from the Subaru brand perspective.

According to a Bloomberg BusinessWeek article, “Subaru's secret is that it understands the customers who drive its cars and has gotten smarter and more aggressive about reaching out to new ones who would feel at home as part of that clan...much of the automaker's marketing focuses on cementing its connection to customers. Subaru's research shows them to be an eco-friendly bunch who value the freedom to go where they want, when they want. Unlike luxury car buyers, Subaruers are "customers who are not buying things, but experiences," said Chief Marketing Officer Tim Mahoney. In their marketing they've been focusing on what creates love between the owner and the automobile...They play up fun and the adventure you can have in a Subaru."

Also, in another recent auto news article, current Subaru CEO Evans stated that “we asked customers what they think about us and have four frequent responses. First, we build vehicles that last a long time. Second, those vehicles are ready for adventure, like the Outback and the Forester. Third, we have safe vehicles. Fourth is versatility. Those are the four brand attributes. When you bring them together, you get Love.”

These current news articles really correlate well with Subaru’s VALS consumers, Thinkers; and, Subaru customers can be furthered segmented, represented in the following table:

	Family Oriented	Price Conscious	Adventurous	Eco-Friendly
Demographics	Older Families	Newlyweds expecting child	Couple with dog	Younger Families
Lifestyles	Conservative	Busy	Active	Trendy
Personality	Knowledgeable	Hard-working	Outgoing	Mature
Core Benefits	Practical	Affordable	Comfortable	Safety

Consumer needs can be characterized into multiple types of models. Based on Maslow’s Hierarchy of needs, consumers needs can be fulfilled by owning a Subaru. Physiological needs are fulfilled by the vehicle itself, safety needs are provided from Subaru’s product offerings, and social needs are achieved by the belongingness of love; Subaru’s motto for selling an experience. Subaru consumers also value the needs in the upper tier of the hierarchy from the achievement and independence offered from a Subaru as well as consumers self-actualization of fulfillment from personal experiences. Subaru also fulfills consumers social and nonsocial needs by offering a car with superb functionality, symbolism of the consumers’ perception of themselves and by others, and the hedonic nature of sensory pleasures provided from the Subaru experience. By understanding how needs link with motives and behaviors, marketers help consumers resolve their conflicts by helping to influence their decisions.

The consumer needs that are being targeted by Subaru correlate well with the Laddering Approach. Subaru consumers want their car to be congruent with their lifestyle, which can be reflected amongst their many needs defined based on their underlying values. The following list relates to Subaru’s possible levels for a Means-End Chain:

- 1) Link Product Attributes to Benefits: Subaru builds vehicles with large interior space providing consumers with more leg room.
- 2) Link Attributes to Values: Subaru builds cars that are ranked as top safety pick, making consumers feel like they are a safe driver in society.
- 3) Segment on Benefits: Safe vehicle to transport family, making the consumer feel like a responsible parent.
- 4) Segment on Values: Cares about family, consumer feels better about who they are.
- 5) Identify New Attribute to Target Existing Value: Offer warranties to make sure the car will be durable for as long as possible.
- 6) Identify New Value to Appeal to Consumers: Personal accomplishment of purchasing the correct car.

Attributes include concrete physical features as well as product characteristics. Benefits can be functional, positive consequences that the product actually provides or benefits can be realized as psychosocial feelings from using a product. Finally, the ultimate values a customer experiences can be the instrumental meaning the product provides or the terminal end-status from using the product. Subaru targets their consumers by offering mental awareness about the practicality of their vehicles which triggers an emotional response to consumers when they are ready to purchase a new car. Subaru markets to the decision-makers involved in the purchase which include the buyer, users, and influencers such as children and dogs. All consumers eventually go

through the purchase of a car, but Subaru aims to target consumers with ways to satisfy their needs, wants, and ultimate end-goals.

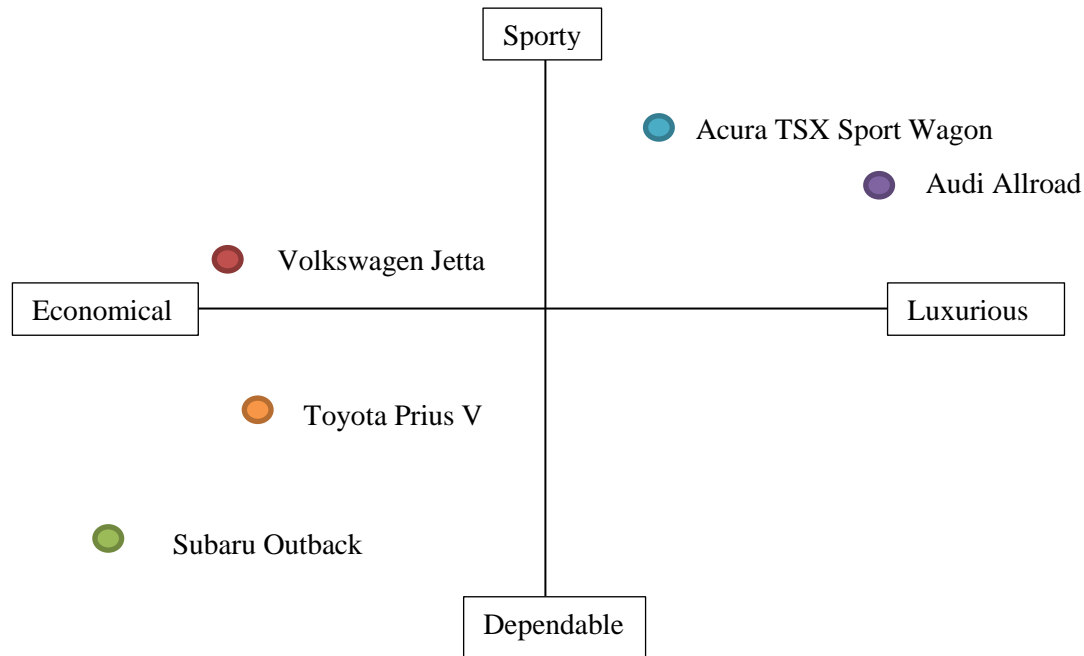
Consumers make decisions about Subaru products utilizing the Thinking Based Hierarchy approach. It is worth the consumer's time to search for the correct car because it is a big-ticket durable good. The process of this decision starts with thinking, which then triggers feelings, then ultimately leading to the purchase of the product. Subaru consumers most likely make their decision using a conjunctive approach in order to combine items of information about product attributes to reach their decision. This decision process is consistent with a two-stage approach where consumers first narrow down alternatives that meet specific criteria and then they choose the best brand from the subset of alternatives. Car buyers have many alternatives and therefore have to first simplify the task of making a decision. While consumers choose screening attributes to be above the minimum threshold, marketers need to make sure they do not go too far beyond this minimum threshold. The consumer has to evaluate many attributes such as safety features, miles per gallon, price, number of seats, and other amenities such as a sunroof or backup camera. An example of the firm going above consumer's minimum threshold would be having an unnecessary amount of cup holders in the car. Manufacturers need to make sure they put the correct elements customers want instead of trying to differentiate by adding elements the customer finds unnecessary. A dilemma with the conjunctive decision approach is that it does not always lead to a final decision because the choice rule may not be apparent due to the various attributes the customer has to consider. Therefore, consumers might also use the compensatory model to make sure they are choosing the best option overall. The approach to making this decision involves a mental cost-benefit analysis in which negative features can be compensated for the positive ones; then attributes are compared and an overall weighted evaluation is used to make a choice. Purchasing a car involves a high level of cognitive search effort because it is a product of high importance and Subaru differentiates from its competitors by offering safety and durability for a reasonable price.

Understanding the types of consumers that will benefit the most from a product are ultimately reflected in the firm's Marketing Strategy; the key focus emphasized on providing value to consumers. Subaru has a clearly defined value proposition generated from understanding what their target customer is looking for in a vehicle. Subaru has then further segmented by offering the price their consumers are looking for and by utilizing promotions and advertisements that will generate interest from their target market.

Strategic Positioning

Subaru products represent safety, value, and reliability for savvy shoppers with active lifestyles who want to provide the safest transportation for themselves and their family. Subaru provides superior offerings among all other car manufacturers in its class because of its remarkable safety features, durability, roomy interior, and unbeatable overall value for its reasonable price. Subaru's value proposition is represented through their "Confidence in Motion," backed by their engineering excellence, allowing customers to further enrich their lives through a uniquely satisfying driving experience (Subaru Global).

Below is a positioning map of Subaru's offerings relative to their key competitors:



Subaru's position in the automobile market is based on their key offerings aligned with their target market's needs. Subaru offers the most dependable crossover at the most reasonable price. Also, the Outback and Forester models have a roomy interior that provides a comfortable ride. The newest models have superior technology, trendy designs, and earn the trust from consumers with their safety guarantees. Subaru has capitalized on their position in the marketplace by offering vehicles to consumers that provide them with the satisfaction and importance they desire.

Marketing Strategy





Subaru's Marketing Strategy is very reflective of Ohmae's view of Strategy. Subaru differentiates themselves positively from their competitors by using relative corporate strengths to satisfy customer needs. Based on the Model of Marketing Process, Subaru successfully implements key marketing processes to create value for customers (Appendix, Figure 1). The following list summarizes Subaru's overall Marketing Strategy:

- 1) Defining value producing strategies through utilizing market research and further segmenting and targeting to specific consumers.
- 2) Developing value through product management by reinvigorating existing customer solutions through the correct pricing strategy and value propositions.
- 3) Communicating and delivering value with a successful channel strategy and integrated marketing communications.
- 4) Managing customer relationships through customer acquisition, loyalty management, and elimination of unprofitable customer groups.

By implementing these marketing operations with a central focus around the customer; Subaru has been able to achieve the core function of marketing. Other elements in Subaru’s Marketing Strategy include the following: price levels, promotions, advertisements, and distribution system.

Price Levels

2014 Automatic Models:

	Subaru Outback 2.5i	Acura TSX	Volkswagen	Toyota Prius V
Price	\$23,011 - \$30,827	\$31,846 - \$35,188	\$20,875 – \$29,506	\$26,494-\$29,999
MPG	24 City/30 Hwy	22 City/30 Hwy	23 City/33 Hwy	44 City/40 Hwy
Body Style	Wagon	Sport Wagon	SportWagen	Wagon
Performance Rating	All-Wheel Drive, 8.4	Front Wheel Drive, 8.3	Front Wheel Drive, 8.5	Front Wheel Drive, 7.4
Passenger Capacity	5	5	5	5
Safety Rating	9.4	N/A	N/A	8.5
Critics’ Rating	8.8	8.5	9.3	9.1
				

*Information provided by: [US News](#)

The above table shows Subaru prices compared to their top competitors. Subaru has a very reasonable price range for their offerings from \$23,011 to \$30,827. This \$7,000 range within their product is caused from the different amenities you can add into the Outback model. The Subaru has consistent gas mileage with its competitors and gets a good amount for a vehicle of its size. Also, the Subaru Outback is the only wagon that has all-wheel drive. This allows the car to outperform its competitors based on differentiation as well as better tire traction from all four wheels as opposed to just the front two. Finally, Subaru has the highest safety rating which is consistent with their marketing claims; and overall the firm provides superior value for an affordable price.

Promotions

Subaru’s current end of the year promotions include discount offers and a donation event for proceeds on a vehicle purchase. For the Outback model, Subaru is offering a leasing deal of \$255 a month for 36 months with \$1,955 due at signing. Or, the offering for a purchasing deal is 0.9% financing. They also have similar deals for all of their car models. The promotional event they are hosting is “Share the Love with Fidelco Guide Dog Foundation: For this Holiday season, every new Subaru purchase or lease through January 2nd, Subaru will proudly donate \$250 to charity” – Subaru kindly asks you to consider the guide dog charity, but they provide a list of charity choices for consumers to choose where they wish to donate to best benefit their local community (Suburban Subaru).

Advertisements

Subaru's "Share the Love" promotional event also ties in with their advertisements; which are very appealing to their target customers ([Helping Hands](#)). This Subaru advertisement starts off with saying "The hands that drive a Subaru, are the hands that do good things for the whole community: the environment, seniors, kids, and animals;" and it features family members and their dog. The advertisement then begins to sway consumers' emotions towards wanting to purchase a Subaru because consumers are able to "get a good deal on a Subaru" and in turn, the company will donate. Subaru's emotional appeal coincides with the experience this brand can provide because it makes consumers feel good about purchasing a Subaru. "It feels good to be a helping hand" because Subaru produces their cars with a strong focus on being eco-friendly and consumers are able to donate to a charity to help their community. Purchasing a Subaru also provides the long-term value the consumer is looking for by driving a safe car for their family and other drivers. This more recent advertisement is very appropriate for the holiday season and really targets consumers' emotions and the terminal values they will receive from their purchase. In regards to the Outback Subaru's main competitors, the advertisements are very different. Toyota's Prius V advertisement also has an emphasis on the family aspect, but the ad sends off a much different vibe, with the main focus being on a "More Efficient" Toyota ([More Efficient Toyota Prius](#)). Acura's advertisement focuses on how they started with a sports car, and ended with a sports wagon ([Transformation](#)) and Volkswagen did not have an advertisement available for their sportswagon. While all of these vehicles compete based on their similar product offerings, their advertisements really appeal to different types of customer segments. Also, Subaru really has the best advertisement. Their ad utilizes the correct emotional appeals and makes consumers want to purchase a Subaru or makes them feel good post-purchase.

Distribution

The brand is accessed by consumers when they physically going to a car dealership that sells Subaru's. Figure 2 in the Appendix shows a visual of route to market map for a typical automotive production process. Subaru purchases car parts from various suppliers and these parts are assembled in Indiana; Subaru's only assembly plant in the United States. Subaru then has various corporate offices in regions around America where sales and operations take place to distribute the finished product to dealerships and various outlets consumers can go to purchase a vehicle (Subaru-Earth). Once the automobile is at a Subaru dealership, consumers know to start looking there because that is the main place to purchase the brand. Also, they are able to learn a lot of information at the dealership. Consumers have narrowed down their options at this stage and then most likely test drive the car to and make sure it is the right vehicle for them to purchase. However, car buyers are also able to purchase Subaru's at used car dealerships, Subaru's website or websites like Craig's list, or consumers might look for car options in the newspaper. However, in regards to purchasing a new car, Subaru must add value through the various distribution processes. Subaru must obtain stable supplier relationship so that they can ensure they will be able to receive the best parts for their vehicles; and for the best price to them, in order to pass along their cost savings to the consumer. Supplier relationships are also crucial for car parts so Subaru can make sure they will be able to receive parts to assemble their cars to meet customer demand. Then, Subaru adds value through ISO certified assembly and operational process to make sure the car is assembly correctly and meets the customer's specifications. At more of a corporate level, sales and operational teams make sure Subaru models are getting to the right dealerships based on different regional customer demands.

Distribution processes play an important role in the overall Marketing Strategy because they help to determine what price levels to set, what promotions Subaru is able to offer, and what operational factors should be the most transparent in advertisements.

Recommendations

Overall, Subaru as a car brand is doing very well. They have clearly defined a target market and utilize the correct Marketing Strategy which is centered around their value proposition. While I don't necessarily think they are doing anything wrong, I do think there are areas for improvement; through expansion upon their target market. Subaru has been successful at targeting groups in the Family Life Cycle, middle-aged workers with kids, but I think they can go beyond this customer segment to better benefit their bottom line.

Subaru has established itself as a brand with good equity, emphasizing the nostalgia of the driving experience a vehicle can provide. However, I believe they can improve their marketing strategy by putting a stronger emphasis on intergenerational transfer. Subaru knows that their customers value family, dogs, and the freedom to drive where they want; which is reflected and consistent throughout their advertisements. Parents can have a strong influence on their children through intergenerational transfer because they help to form their children's beliefs. Current Subaru customers have strong product knowledge as well as attitudes towards freedom, responsibility, and safety. Money allocation is another important characteristic of the "Thinker" under one of VALS eight segments; and purchasing a car involves a careful, thinking-based decision making process because it is a product that will be a part of your life for a decent amount of time. Therefore, this is the type of information I think Subaru marketers should consider in order to successfully market to the next generation.

Also, I think Subaru is able to position itself in another way in the eyes of their current target customer. Based on my more in-depth analysis of the Subaru Outback, the results showed that it is the safest car in its class and is of great value. Therefore, I think that parents should consider this car when their child becomes of age to drive as opposed to only thinking of the brand as a car for themselves. Especially in today's market, crossover vehicles are becoming more trendy because they are safer than most small cars and are more fuel efficient than SUV's. Also, because of Subaru's durability, a teenager could end up owning their first Subaru for a long time. If children grow up witnessing the satisfaction of their parents enjoying the experience a Subaru vehicle can provide, it will be easier to convince younger generations that Subaru is the right brand for them. Teenagers can enjoy the freedom and adventures in their first car or they will know that when it's their time to settle down, a Subaru will be the best type of car for their family.

To even further segment without changing Subaru's brand perception, brand managers may be surprised as to how many younger, working consumers would be willing to consider a Subaru for their car of choice. Subaru does a great job at targeting dog lovers, and I think it is very common for singles or young couples to start off with a dog; and, based on personal experience, a car like the Subaru Outback is roomy enough for passengers and for dogs in the trunk area. Also, it is affordable, practical, and represents this customer group as maturing in their new stage in life.

Lastly, I know that many firms offer options for company cars, which is why I think this is another area Subaru salespeople can target. Employers would be attracted to car dealers like Subaru because they offer such affordable and reliable cars. Employees would also be drawn towards wanting to own a Subaru because it is safe, comfortable, and has good gas mileage, which would benefit consumers that have to drive long distances for work.

My recommendations would help Subaru’s Marketing Strategy because these suggestions would ultimately help the company earn more return on their investments. By implementing minor extensions to their advertisements, Subaru can create value for more consumer segments and, in turn, gain more loyal customers by utilizing the family life cycle. Also, by staying current with market research, Subaru will be able to understand how to adapt their automobiles based on their customers’ needs and future market trends; all while staying consistent with the established brand image they have created and have been very successful with.

Appendix

Figure 1:

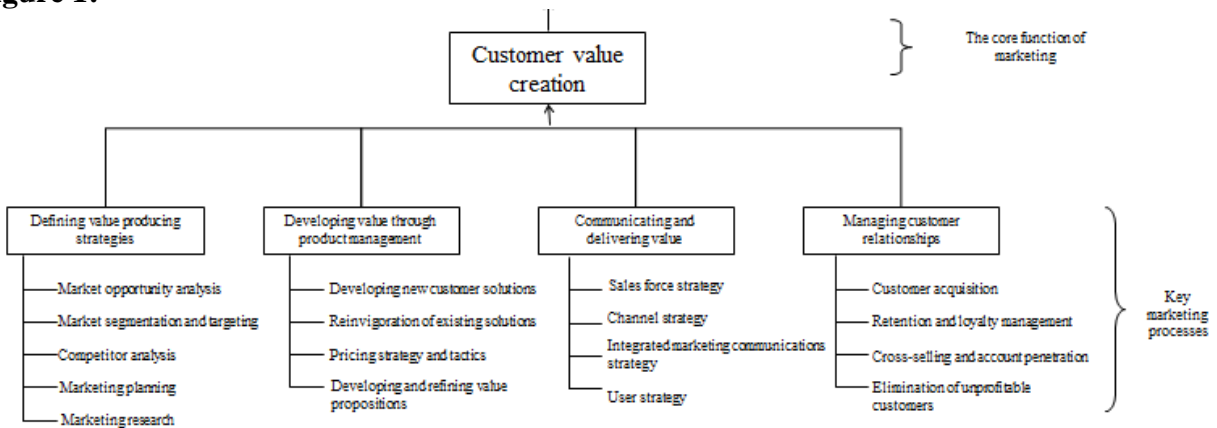
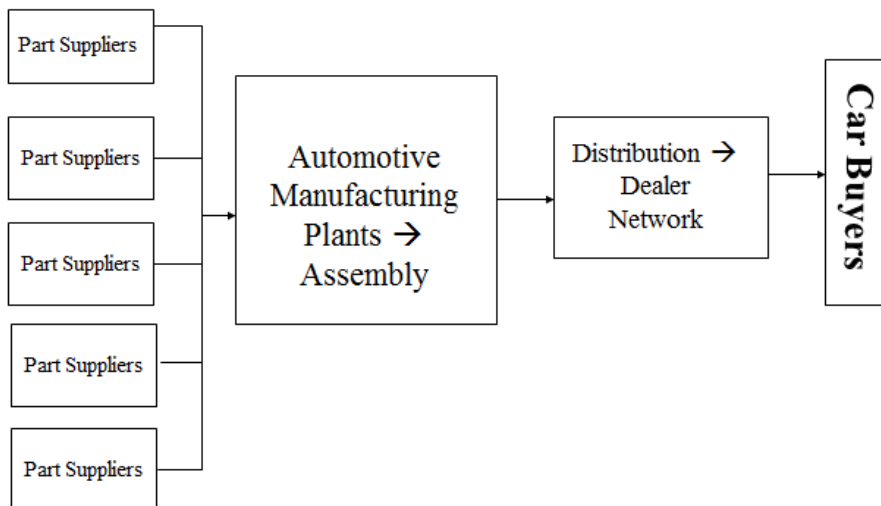


Figure 2:



Resources:

<http://subscriber.hoovers.com.ezproxy.lib.indiana.edu/H/company360/fulldescription.html?companyId=113548000000000>

<http://www.strategicbusinessinsights.com/vals/ustypes/thinkers.shtml>

<http://www.subaru-global.com/news2012n001223.html>

<http://www.subaru-global.com/brand.html>

http://www.businessweek.com/magazine/content/10_22/b4180018655478.htm

<http://www.autonews.com/article/20130916/OEM02/309169983/subaru-boosts-digital-marketing-but-tv-is-still-king#>

<http://www.suburbansubaru.com/subaru-new-model-promotions.htm>

<http://www.subaru-earth.com/WebPage.aspx?WebSiteID=522&WebPageID=16371>