

CORPORATE BRAND MANAGEMENT AND REPUTATION

MASTER CASES



Positioning the 'French Goddess' The Citroën DS Case

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Corporate Brand Management and Reputation: Master's Cases

The "Corporate Brand Management and Reputation: Master's cases" is a case series for applying the case method of teaching and learning in higher education. The cases are relevant to brand strategists in private and public sector organizations, as well as academics and students at universities, business schools, and executive education.

The cases are written by groups of master's students as a course project. The specially developed case format is defined as: *"A management decision case describes a real business situation leading up to a question(s) that requires assessment, analysis, and a decision reached by discussion in class. The alternative approaches and recommendations from the class discussion are followed by a description of the choices made by the case company. This description is then discussed by the class."*

The student groups select the topics of their case providing updated and relevant insights into the corporate brand management. The cases can be used as "written cases" (handed out and read in advance, later to be discussed in class) and/or as "live case" (presented by the teacher following a discussion in class). Each case includes teaching notes, visuals with speaker's notes, learning objectives, board plans, and references.

The mission of the series is *"to develop cases for discussion providing insights into the theory and practice of corporate brand management and reputation, with the intent of bridging the gap between academic teaching and managerial practice."*

The series is a result of co-creation between students and teachers at the elective course Corporate Brand Management (BUSN35 – five-credit course/eight-week half-time studies), part of the master's program International Marketing and Brand Management at Lund School of Economics and Management, Sweden. The cases represent the result of the intellectual work of students under the supervision of the head of course.

Although based on real events and despite references to actual companies, the cases are solely intended to be a basis for class discussion, not as an endorsement, a source of primary data, or an illustration of effective or ineffective management. The cases are free to be used and are to be cited following international conventions.

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Positioning of the 'French Goddess'

WRITTEN CASE

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DS Automobiles' premium branding – positioning of the French goddess

In January 2014, the Portuguese businessman Carlos Tavares joined the Managing Board of the PSA group and 2 months later, he got promoted to Chairman. 2 years before his appointment, the company had lost a staggering £5 billion in trading because of unprofitability in car sales. As a result of the downward trend, the newly appointed CEO presented the strategic plan that was designed to accelerate their recovery. On the 14th of April, Tavares presented the turnaround plan called 'Back in the Race' and revealed the future direction of the company and the associated milestones. At the time, the PSA group consisted of the car brands Citroën and Peugeot. In the diagnosis of their operational framework, they concluded that too many of their car models were cannibalizing each other which partly caused the economic loss. Adding to that, it was concluded that the company was not enough profit-oriented, by a stretch. Therefore, the general objective of the recovery plan was to move the group's culture towards a fully profit-oriented global mindset. However, what still needed to be decided is how the branding strategy for each brand would be positioned to address the right profit pools.

Background & History of DS

The Citroën DS was first introduced in Paris in 1955 and it symbolized french luxury, innovation, elegance, expertise, and prestige. The car was a culmination of three minds, André Lefèbvre, an airplane engineer, Paul Magés, a self-taught engineer and Flaminio Bertoni, a sculptor and painter. The car had an aerodynamic body with refined surfacing and part-veiled rear wheels. Furthermore, it boasted luxurious interior as well as high-pressure hydraulics and self-leveling technology, which set a new refined standard in the car industry. The DS soon became an icon and with the launch of the DS 19 in 1956, the model garnered international success. In 1956, the DS was manufactured in Great Britain and Belgium and 1958, Citroën introduced the DS 19 Prestige which was a combi version of the original. In addition, from the beginning of 1959, the DS 19 was manufactured in South Africa and exported throughout Western-Europe, Australia, Canada, and America.

In Paris 1964, the new DS Pallas was presented, which displayed premium qualities never seen before on a car produced in France. It had chrome details all over, the seats were more comfortable, leather interior and an exclusive metallic color were optional possible to add. In the coming year, the new DS 21 was released containing a more powerful engine and in 1967 the DS got a new look which was praised by the masses. In 1968 the DS 19 was replaced by the DS 20 and in 1969 the engine got yet another upgrade from 109 horsepowers and a maximum speed of 175 km/h to 139 horsepowers and a maximum speed of 185 km/h.

During the early '70s, the development of the DS was mostly focused on the car's gearbox and in 1971 it was upgraded from 4 gears to 5 and a year later an automatic gearbox. From 1972 until 1975, which was the year Citroën decided to retire the DS model, they replaced the DS 21 with the DS 23 which had 141 horsepowers and a maximum speed of 190 km/h. As mentioned, Citroën decided to retire the model in 1975 considering that it had run its course and was beginning to look out-dated. During its lifetime, the DS has been connected to a wide array of films, actors and political actors, in the likes of Jean Paul Belmondo, Charles de Gaulle, and François Hollande. It was regarded as a truly original and avant-garde car and went down in history as a work of art. In 1976, Citroën S.A merged with Peugeot S.A to create the PSA Peugeot Citroën group.

As of 2010, Citroën decided to give their past success a new twist. By the beginning of the decade, they launched the first model, the Citroën DS3, with the intention to profile it as a premium brand compared to their current car models. However, while there are similarities to their iconic model from the 50s, Citroën focused on a more sophisticated marketing approach by calling it the "anti retro" campaign. Their marketing campaign starred John Lennon and Marilyn Monroe who advocated their philosophy of using one's creativity for influencing everyday life, rather than taking inspiration from the past. The same year as the launch of the DS3 model, they were awarded both 'Car of the year' and 'Small Car of the Year' in the TopGear Magazine Award 2010 (BBC, 2010). The motivation of the choice was:

"Most cars feel like they've been edited down from something else. The DS3 does not. It is, for its completeness and rounded set of abilities, a bloody triumph..."

While the model proved to be somewhat successful, the European car market was suffering severely from the financial crisis in 2008. The PSA group showed a staggering £5 billion loss in 2012 and there was a need for drastic changes. Ultimately, this led to sweeping cost-cutting plans and later the appointment of the new CEO Tavares who immediately put in the strategy 'Back in the Race' to make PSA more competitive once again.

Current situation - Back in the Race

In 2014, the operational framework for a turnaround plan for the PSA group was presented. This turnaround is necessary as the group is suffering from the untapped potential for growth. For example, PSA explains that the group, without doubt, has to overcome a very poor profit-orientation. The two brands that the group was managing were Peugeot and Citroën, which have recently (in the years leading up to 2014) been further differentiated. However, there are several issues that the PSA group has to deal with. For instance, due to the multitude of models within the brands of Peugeot and Citroën, the two brands are cannibalizing each other. The decision has been made to decrease the number of PSA's model offerings from 45 in 2014 to 26 in 2022 (PSA, 2014). DS has already been introduced by Citroën, but the management has an important choice to make regarding the positioning of the brand. However, the executives have raised the question if DS should still stay part of Citroën in the form of mother-daughter positioning or that it should take a different position due to its premium quality and allure that the DS is designed to embody.

PSA has relatively strong engineering knowledge, which it wants to exploit i.e. with the positioning of DS. The executives agree that developing more of the same models will not get the group on the high level it aspires to be. Additionally, the PSA group has the goal to strengthen and accelerate its transformation abilities to get a higher competitive attitude and reach higher profits (PSA, 2014). It is key to get the potential repositioning of DS right as the European car industry is projected to increase further coming years (Figure 1).

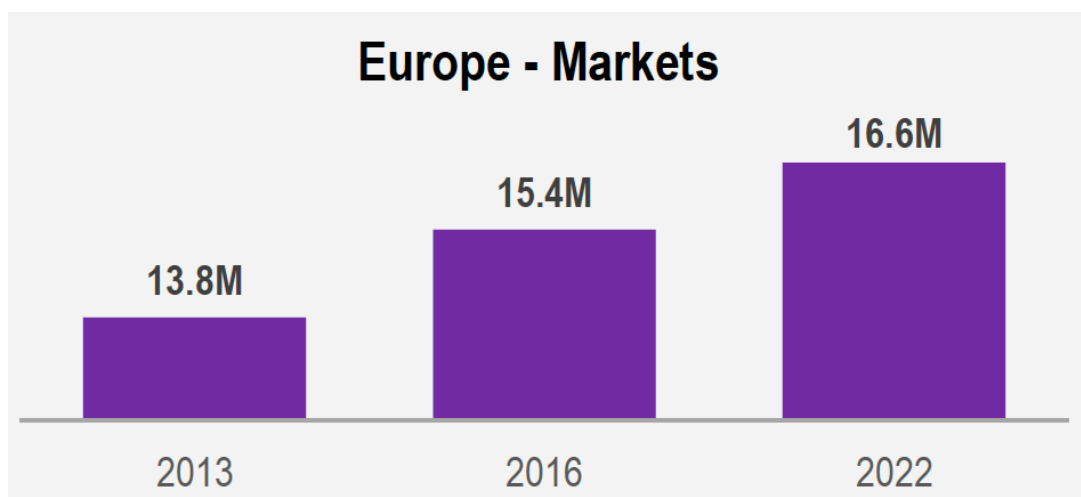


Figure 1 – Projected growth European car market (PSA, 2014)

When looking into the general aspirations of PSA's executives, it can be concluded that DS ought to be a high-end car that is bought for the image. DS is using its brand heritage from arguably the most iconic Citroën ever produced (Citroën DS19). That is why the profit pool for the DS is stemming from tradition rather than modernity (PSA, 2014). Reliability, appeal, and service are central positioning goals for the group that aims to achieve the aforementioned goals (ibid.). Furthermore, marketing operations are to be increased together with the product organization to reach the target group's desires and expectations. High service quality cannot be foregone in the positioning of

the brand, as well as product quality. In addition to the marketing operations, PSA has the aim to develop and introduce the brand in the 200 wealthiest cities globally (ibid.). The largest profit pools that the group estimates are the SUV and sedan car models, which Citroën and Peugeot are not primarily offering.

Managerial decision

As of 2014, there is an urgent need to turn around the unprofitable business. CEO Carlos Tavares needs to reconsider the brand portfolio and focus more on aligning their products with the market expectation in which they operate. To be able to ensure a profitable turnaround, a new direction of the company is paramount to leverage a market recovery. In doing so, the management must answer a set of questions regarding their product proliferation. More specifically, with their large extent of car models cannibalizing each other, these questions need to be tended to by the management:

1. How should the recently adopted DS be positioned?
2. What direction out of the following alternatives is the most suitable?
 - a. Business as usual, Citroën DS
 - b. DS by Citroën, visually endorsed by mother brand
 - c. DS, separated as a mother brand, shadow endorsed by Citroën

Reference

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