

BY JIM KOSCS,
AIADA CONTRIBUTING EDITOR

Mazda

“zoom-zooms”

Its Way to Growth

A CLEAR BRAND IDENTITY AND BOLD DESIGN PAY

BIG DIVIDENDS FOR JAPAN'S FIFTH-LARGEST AUTOMAKER

Even with the economic turmoil that has characterized much of 2008, Mazda has every reason to be optimistic about future stability and growth. A recent string of successful models has broadened its customer base and yielded market share growth. The all-new Mazda6, introduced this past August, vaulted Mazda into the thick of the midsize segment, and a new generation of Mazda's global bestseller, the Mazda3, arrives in the first quarter of 2009.

A look back over the past seven years — courtesy of Edmunds.com — shows Mazda gaining market share while reducing incentive spending. From 2002-2006, Mazda held a steady 1.5-1.6-percent share. That jumped to 1.9 percent in 2007 and stood at 2.1 percent in August of 2008. Mazda's incentive spending, as calculated by Edmunds, was \$1,319 per vehicle through August compared to \$2,238 in 2002. Sales hit 296,000 in 2007 and, through August, had been on track to exceed that figure this year. Mazda has 700 U.S. dealers.

continued on page 22



UNVEILED: The next-generation Mazda3 debuted at the Los Angeles Auto Show in November; sales begin in the first quarter of 2009. A five-door hatchback will again be offered.

Mazda's resurgence can be attributed to its building one of the best-defined brand identities in the industry, and offering a product line that mostly matches it. Mazda calls it "Zoom Zoom," and it has turned into more than just a marketing mantra. Company executives and designers say that by infusing new Mazda designs with "the soul of a sports car," the brand has tapped into a customer base that eschews mainstream design but still demands mainstream value and quality.

Younger Buyers

And that customer base is young — the second youngest in the industry with a median age of 41, according to Dave Dildy, Group Manager, Vehicle Line, Mazda North American Operations. Mazda's youngest customers made the Mazda3 a surprisingly big hit five years ago. The MX-5 Miata — the world's best-selling sports car ever — draws Mazda's oldest customers.

Jessica Caldwell, a market analyst for Edmunds.com, likens Mazda's customers to those of Volkswagen. "Both want something a bit different from the mainstream," she said. "Mazda is not a niche brand, but its niche-like product strategy finds success with lower volumes in large segments. Mazda is very good at differentiating itself from large-volume competitors. Its 'zoom zoom' marketing has captured the brand identity and they've stuck with it."

In mid-October, news broke that Ford was considering selling part of its 33.4 percent controlling share in Mazda. And as Ford sought to shore up its own finances, Mazda switched its financing source from Ford Motor Credit to Chase Auto Finance.

"The change in credit arms should not be much of an issue for customers," said Caldwell, "but dealer personnel

need to learn new financial products and procedures. They were familiar with one system and now suddenly they need to learn something new."

Going Big on Midsize

This past August, Mazda introduced its new-generation Mazda6, upgrading the model from "tweener" to true midsize.

At the moment, Mazda is seeking to grab a slightly bigger slice of the midsize market, not to unseat its leaders. The company expects to sell 80,000 in the Mazda6's first full-year in the U.S., plus another 20,000 for Mexico and Canada. Mazda can source more than 100,000 cars from the flexible Flat Rock plant, if necessary.

The product strategy is to combine standout styling with sporty performance and to offer a few more luxury amenities than competitors do. The MSRP range of \$18,550 to \$28,260 encompasses 4-cylinder and V6 engines, three transmissions and four trim lines. Factory options are limited to three packages, complemented by about a dozen accessories. The 2.5-liter, 170-horsepower, 4-cylinder is a new Mazda engine and is offered with 6-speed manual or 5-speed automatic transmissions. The 3.7 liter, 272-horsepower V6 is a Ford design built by Mazda in Japan and teamed to a 6-speed automatic — rare in the segment. EPA-rated fuel economy for both engines is competitive for the segment.

Mazda projects that 75 percent of Mazda6 customers will choose the 4-cylinder, and of those, 15 percent will take the 6-speed manual transmission. That would be high for the segment, and some midsize competitors do not offer a manual transmission at all. Most V6's are expected to be high-end Grand Touring models.

The new Mazda6 is designed to attract older buyers than the previous model, buyers who are willing to spend more. “We’re targeting the 30-55 age group, with emphasis on over-35,” said Dildy. The goal is to raise the average transaction price to about \$24,000, up from \$19,000 for the previous model. Mazda is also reducing Mazda6 fleet sales to about 10 percent, down from nearly 24 percent for the previous car in its last few years. The company used direct mail and Internet communications to reach current Mazda6 owners, offering lease extensions until the new car arrived and a \$500 “owner loyalty” cash incentive.

Compact Car, Big Impact

Inspiration to move the Mazda6 upward came in large part from Mazda’s success with the Mazda3, which brought upscale design, performance, and content to the compact segment. Especially with rising fuel prices, the idea of the premium small car has taken root in the U.S. (also helped by MINI and Volkswagen), and now other mainstream brands are augmenting their compact lines with upscale variants.

Originally projecting U.S. Mazda3 sales of about 70,000, Mazda found itself scrambling to meet demand for 120,000 and was still setting monthly sales records for the 5-year-old Mazda3 as late as this past summer. Mazda continued to expand the Mazda3 line, adding the premium Grand Touring trim line and the high-performance Mazdaspeed3 model.

“The Mazda6 will probably not have as much of an impact in its segment as the 3 did for compacts,” said Caldwell of Edmunds.com. “It’s harder to stand out in the midsize segment. The 3 really stood out by offering two body styles, two engines, luxury and high-tech amenities that were not the norm for compacts.”

Crossing Over

Never able to grab a toehold in the minivan category, Mazda has cast its lot with crossovers, the 5-passenger CX-7 and the 7-passenger CX-9, both designed expressly for the U.S. market. The CX-9 won the North American Truck of the Year award and *Motor Trend* magazine’s “SUV of the

Year” and has topped magazine comparison tests.

Mazda scored another surprise hit with its Mazda5, a kind of mini-minivan, offering 6-passenger seating and dual sliding doors, but with an un-minivan-like 28 mpg highway fuel economy. “When we launched the Mazda5, many asked, ‘Why?’” said Barnes. “But we saw the move to smaller, more sensibly sized vehicles. The 5 had its best month ever in August, and that’s with very little marketing support. We asked for and got another 10,000 allocated to the U.S. this year.” A successor model is in the works.

Barnes also confirmed that Mazda is pursuing higher-mpg technologies. “The goal is to improve our global fuel economy 30 percent by 2015,” he said. “We are working on a new family of gasoline piston engines, a new version of the rotary, and a clean diesel.” In addition, Mazda continues to research hydrogen — but for burning, not for fuel cell electric vehicles. “Our rotary engine is uniquely suited to using hydrogen as a fuel,” Barnes said.

Still Sporty After All These Years

Mazda helped reinvigorate the sports car segment in 1978 with the first RX-7, and then single-handedly revived the market for small roadsters with the MX-5 Miata in 1989. That model will get a makeover for 2010. Mazda caused a bit of a stir among sports car purists when it first offered a power retractable hardtop a few years ago, but it now accounts for nearly half of Miata sales. Although it would not comment on future products, Mazda reaffirmed its commitment to the rotary engine, which is currently used only in the RX-8 sports coupe. Specifically, the company plans to boost fuel economy for the unique engine.

Jordan Meadows, Design Manager, MNAO, said that the success of the Mazda3 strengthened the company’s resolve to create more striking designs and to tune its vehicles for sporty performance. “We want to appeal to customers who want to make a style statement, even with an everyday product,” Meadows said. He likened Mazda’s design approach to that of Apple: “You can have a bland PC or an iMac, a cell phone or an iPhone. It’s about making an emotional connection with customers.” **AD**



EMPHASIS ON SPORT: The Mazda CX-7 is a crossover sport-utility with a turbocharged engine and a very sporty attitude. The 5-seat model has been attracting new customers to the brand.



ZOOM WITH ROOM: The Mazda RX-8 sports coupe is the company’s sole rotary-powered model. Hidden rear doors access a reasonable back seat.



ROOM FOR TROPHIES: The 7-passenger Mazda CX-9 has won big industry awards and is a favorite with the auto media.