



Mercedes-Benz



Official name: Mercedes Car Group

Owned by: Daimler AG

Owns: Mercedes-Benz, AMG, Mercedes-Benz McLaren, Maybach and Smart. Also owns 10% of Hyundai.

Current situation: Mercedes has made a series of inept decisions in recent years such as destroying much of its good name by selling shoddy luxury vehicles and losing billions on its *Smart* car venture. Parent company Daimler AG also lost \$US29billion buying, then selling, Chrysler. Japanese brands like Lexus are baying at Mercedes' heels, offering better cars at better prices. Sales of Mercedes cars are up, but the luxury market is extremely vulnerable to any economic downturn, especially in developing markets like China.

Chances of survival: Okay. However, Mercedes has alienated millions of customers and its luxury cars are harder to sell in hard times. Many customers are likely to switch to Eastern brands like Lexus. We expect massive restructuring at Mercedes in years to come •



A brief commentary on Mercedes

Karl Benz started *Benz & Co* in 1883. Benz & Co made the world's first production motor car in 1894 and the first motor bus in 1895.

Gottlieb Daimler founded *Daimler Motoren Gesellschaft* (DMG) in 1890. The firm produced a series of innovative models and flourished.



KARL BENZ

Stuttgart DMG dealer Emil Jellinek painted the name of his daughter Mercedes on his race car for luck.

Hard times in the 1920s forced the rival Benz and Daimler firms to merge. The firm became Daimler-Benz. However, the rights to the name 'Daimler' in France and England were owned by another company, so Daimler-Benz's cars were instead called Mercedes-Benz.

Mercedes-Benz cars quickly gained an international reputation for quality, speed and style. After World War II, Mercedes-Benz gradually became a global luxury car brand, second only to Rolls-Royce in exclusivity and status. Daimler-Benz also became the world's largest maker of commercial vehicles.

In the 1990s Daimler-Benz became greedy. No longer satisfied with having Mercedes as an exclusive luxury brand, the management set out to take over the world.

Desire clouds the mind: Mercedes helped establish the Smart car company, and lost billions on it. Mercedes launched its A-Class as the car of the future, only to have to recall every single one after journalists easily rolled an A-Class over onto its roof during a test (see below).

Daimler-Benz bought the American Chrysler corporation and sold it again a few years later, having lost \$US29billion on the deal.

The saddest part of the sorry saga was what happened to Mercedes cars. Using modernisation as an excuse, Mercedes cars became stylish but plasticky, filled with high tech gadgets that were unproven and often unreliable. Daimler-Benz knew that most of its target customers would sell their cars after a couple of years anyway. These cheap and



nasty Mercedes models rolled out of the factories as fast as Mercedes could make them, and a gullible public bought them.

Mercedes-Benz chief executive Jürgen Hubbert was eventually forced to apologise for the quality of vehicles. “Quality has become a decisive factor,” he said, as Mercedes-Benz dropped to nearly the bottom of a German quality survey.

Mercedes quality has improved a little in recent years, but it’s still far below most Japanese models. There’s little sign that Daimler-Benz has repented its past sins. The public keep buying the cars, so Daimler-Benz keeps making them. The Mercedes brand, however, is close to being damaged beyond repair. Daimler-Benz’s greedy managers will have no one to blame but themselves •

The A-class debacle was a perfect example of what went wrong at Mercedes. Swedish journalist Robert Collin took a brand-new Mercedes A-class for a test drive and rolled it doing a simple manoeuvre called an ‘elk test’. The elk test was designed to simulate what would happen if the driver had to swerve suddenly to avoid, say, an elk standing in the middle of the road.

Mercedes, needless to say, blamed everyone else: “We’re assuming that the incident in Sweden was caused by extreme driving conditions,” a Mercedes spokesman said. Meanwhile, enterprising German journalists took out an obsolete East German car called a Trabant and tried the same test that the A-class had failed. The Trabant, a car designed in the 1950s, passed the test that the A-class couldn’t. Mercedes eventually had to admit there was a much more serious problem and recalled the entire A-class production run for suspension modifications.

“...the A-Class has shown a weakness in extreme test conditions...no-body regrets this more than we do.”

Thanks to a multi-million dollar PR campaign, the A-Class went on to become one of Germany’s best-selling cars. And, being a Mercedes, one of the least reliable •

