

## Case 8

# Saab — A Case of Emergency\*

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3 “It is merely a coincidence,” Nick Lindh thought as he hung up the  
4 phone and turned on his old Acer laptop. While waiting for the  
5 computer to start up, he wondered if any of his former colleagues  
6 at the statistics department perhaps could calculate the probability  
7 that he, out of all, would be asked to do this job. “Whatever the  
8 probability is, it is slim,” he thought. His former colleague Morgan  
9 Johnson had asked him to join him in a project and to come down  
10 to Saab and share some of his views on marketing in general and  
11 marketing management in particular.

12 Morgan was not a Saab employee but a senior partner at one  
13 of Europe’s top management firms, and had worked with Nick on  
14 several occasions. Morgan had been a mentor to Nick since the  
15 1980s, and the two had become close friends over the years. They  
16 had recently worked together in a brand development project that  
17 had turned out well, so Morgan felt confident assigning Nick to the  
18 Saab task. However, Morgan did not know that Nick had studied  
19 Saab in depth for over two decades and was quite a specialist on the  
20 organization, nor did Nick mention it either since he did not consider  
21 that an important piece of information.

22 The reason Nick had studied Saab for such an extended period  
23 of time was due to some advice one of his old professors had given

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\*Carl Patrik Nilsson, of the Stockholm Institute of Communication Science (STICS), developed this case for educational purposes only.

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1 him back at his old business school. His professor had told him to  
2 do the following: (a) pick a company that you find interesting, that  
3 you think could be managed better, and that you also think will stay  
4 around for some time; (b) make that company your hobby object of  
5 study and try to learn everything about that company; and (c) try  
6 also to understand all marketing and management theories you have  
7 ever learned by applying them to whatever is going on in this hobby  
8 project of yours. Saab was Nick's hobby project, chosen more than  
9 25 years ago among thousands of other companies that he potentially  
10 could have picked. Over the years, Nick had come to consider Saab  
11 an "invaluable source of insights into marketing," as he used to  
12 phrase it.

13 Nick had been a marketing consultant at a small firm for the last  
14 ten years, and he had been a full partner for the last two years. Before  
15 his current job, Nick had worked as a senior brand manager for many  
16 years, and prior to that he had started off his career as an assistant  
17 at the statistics department at his old university. It was a great job,  
18 where he learned a lot about how stats could be used to get on top  
19 of things. In connection to his work, he had continuously updated  
20 his theoretical skills by adding one or two marketing or management  
21 courses per year to his CV. He had done so ever since he graduated  
22 from his home university. He considered practical experience to be  
23 valuable and theoretical insights imperative, especially when working  
24 in complex industries. Nick could understand that some practitioners  
25 did not particularly value theories that had intuitive characteristics.  
26 However, there were not only "intuitive theories," but also a growing  
27 number of counterintuitive theories that you either knew or did not  
28 know. If you did not know them, your intuition would tell you to  
29 manage your company in an intuitive way, which thereby meant a  
30 less favorable way than what the best managers did.

31 The next day, Nick met with his former colleague over breakfast  
32 in a spacious conference room at Morgan's favorite hotel. It was not  
33 so much a breakfast as a business meeting. Morgan barely said hello

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1 before he started updating Nick about the client. The art of updating  
2 people was Morgan's specialty, and he always believed that the more  
3 background information the better. So the first thing he did was to  
4 give Nick a compressed historical snapshot of Saab:

5 Nick, I do not know if you know this or not, but most people  
6 are unaware of the fact that Saab started out as an airplane  
7 manufacturer in 1937. Not only was Saab an airplane manufacturer,  
8 but the company was actually formed partly from the remnants of  
9 a failed and reconstructed train set and locomotive manufacturer,  
10 Aktiebolaget Svenska Järnvägsverkstäderna (ASJ). ASJ had formed  
11 an airplane division, Aktiebolaget Svenska Järnvägsverkstäders  
12 Aeroplanavdelning (ASJA), which was then merged with Saab.  
13 Initially, Saab was manufactured German Junkers Ju 86K and  
14 American Grumman fighter planes, both manufactured under  
15 license. In 1940, the company started the development of an entirely  
16 Swedish bomb plane, the B17, which was followed by the B18. The  
17 B18 was, as a matter of fact, the fastest bomb plane when it was  
18 introduced in 1944. So you can imagine that Saab already had  
19 great engineers from the very start.

20 Nonetheless, following the end of WWII Saab had, like many  
21 other fighter plane manufacturers, an overproduction of airplanes  
22 and needed to transform its military production into some kind of  
23 civilian production. Consequently, a team of engineers, designers,  
24 and technicians put together what was to become Saab's first  
25 product, the Saab 92. The car was first presented in 1947 and  
26 launched in 1949, and full-scale production was initiated that  
27 same year.

28 That Saab started production of cars was actually the result of  
29 an analysis of the company's options as well as its capabilities.  
30 This environmental scanning and analysis took place in late 1944  
31 and early 1945. The top management had realized that sales of  
32 military airplanes would decline when the war ended. Thus, the  
33 managing director at the time, Ragnar Wahrgren, discussed options  
34 with his management team, such as prefabricated houses, kitchen  
35 furniture, motorcycles, and cars of course. Eventually the choice

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1 fell on cars. One problem, though, was that no one within the  
2 company had any experience in the car industry. Hence, in charge  
3 of the development of Saab's first car was an aircraft engineer  
4 who specialized in wing design for fighter airplanes. Consequently,  
5 aerodynamics was deemed important, which is evident from the  
6 design of Saab's first car — viewed in profile, it has the same shape  
7 as the wing of an airplane.

8 Together with aerodynamics, the first Saab had to fulfill two  
9 more absolute requirements: to be unpretentious and to use front-  
10 wheel drive. It had to be unpretentious since Europe was rather  
11 poor after WWII, and it had to use front-wheel drive since this  
12 layout has many and obvious advantages compared to rear-wheel  
13 drive, for instance on snowy and icy roads.<sup>1</sup> Furthermore, you can  
14 save a lot of precious space when opting for front-wheel drive since  
15 you can make the engine and drivetrain in one compact piece —  
16 something that many rear-wheel drive manufacturers discovered  
17 some 40 to 50 years after Saab did.

18 So if you are still with me, Nick, we have here a company whose  
19 first product was developed based on simplicity, aerodynamics,  
20 and front-wheel drive. The company was very proud of their  
21 creation, and from that point onwards the company chose a  
22 path that deviated quite a lot from those paths chosen by other  
23 manufacturers. Saab came to be the slightly odd outsider cousin  
24 among the car brands, an image that the company proudly clung  
25 to in heart and spirit.

26 During the following years up until 1989, when the company  
27 was still independent and Swedish-owned, Saab achieved quite a  
28 number of technological breakthroughs even though the company  
29 was small. These breakthroughs boosted the Saab staff's confidence  
30 that they were on the right track and doing the right things.

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<sup>1</sup>Vehicles with front-wheel drive have a better grip on sandy, muddy, snowy, and icy roads. Since the engine on most cars is placed in the front, this means that cars with front-wheel drive will have more weight and thereby more downforce (than cars with rear-wheel drive) on the front wheels, which is transformed into better grip.

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1 However, in 1989 Saab's relative independence came to a halt. The  
2 American car manufacturer General Motors acquired half of the  
3 company and assumed leadership over Saab. The first thing they  
4 thought about was to put in place appropriate goals and adequate  
5 strategies.

6 After the historical snapshot, Morgan filled up his mug of coffee  
7 and went on talking about Saab's goals and core strategy.

8 **Goals and Strategy**

9 Morgan said: Nick, as I guess you remember from your days at  
10 the business school, goals provide organizations with an outline  
11 that can guide actions. A goal can be defined as a future state that  
12 an organization or individual strives to achieve. Clearly defined  
13 goals help organizations coordinate activities and predict and plan  
14 for future events. Organizational goals usually have four basic  
15 purposes: (a) they provide guidance and direction; (b) they simplify  
16 and aid planning; (c) they motivate and inspire employees; and (d)  
17 they are crucial in the evaluation and control of organizational  
18 performance.

19 Part of planning and setting goals is environmental scanning,  
20 which is the practice of monitoring and analyzing a company's  
21 marketing environment. The input from the scanning is used to  
22 adapt to the ever-changing world outside of the company. In the  
23 process of adapting to the environment, plans have to be revised,  
24 strategies fine-tuned, and goals and objectives recalibrated. Some  
25 organizations are stiff and inflexible, while others have the ability to  
26 adapt to changes and better achieve a strategic fit between strategy,  
27 environment, and organization.

28 To perform well in the marketplace, the top management ought  
29 to choose the right strategy and course of action in order to  
30 achieve company goals and to generate sustainable profits. When  
31 it comes to the selection of a general strategy to create competitive  
32 advantage, there are basically three strategies to choose among.  
33 A company can choose cost leadership, differentiation, or focus as

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1 a general strategy. The focus strategy can in turn be divided into  
2 two substrategies, cost focus or differentiation focus.

3 Cost leadership is a straightforward strategy. It simply means  
4 that the company aims at being the company with the lowest costs  
5 in its industry. Differentiation means that the company strives to  
6 be unique in some sense along some dimensions widely valued by  
7 buyers. The third strategy, focus strategy, rests upon a narrower  
8 competitive scope where the company tailors its strategy to serve a  
9 specific segment in the industry while excluding others. The focus  
10 strategy can be executed using either cost focus or differentiation  
11 focus.

12 In Saab's case, the main goal for the organization and the  
13 marketing department, set in 1989, was to reach a production level  
14 of 150,000 units per year, which was a very ambitious but in no  
15 way impossible goal to achieve considering that the global sales  
16 totaled 103,591 in 1989. However, GM could have had a better start  
17 with its newly acquired brand, since sales dropped the following  
18 year to 87,356. Despite the drop in sales, Saab and its marketing  
19 department were steadfast and committed to its goal for the next 20  
20 years even though they never reached it. The closest the company  
21 came to reaching this goal during the 20-year period was in 2006,  
22 when 132,957 cars were sold. Thus, Saab fell short by 13% and made  
23 a loss equivalent to 1/6th of the total revenue that year. Hence, it is  
24 unlikely that the company would have reached breakeven, even if it  
25 had reached the goal of 150,000 produced units. In the years after  
26 2006, sales fell sharply, reaching 93,388 in 2008, 38,756 in 2009,  
27 and 31,696 in 2010, a year when many car manufacturers saw sales  
28 recover sharply after the financial crisis.<sup>2</sup>

29 The strategy that GM used for Saab was based on a mix of efforts  
30 designed to achieve competitive advantage. Saab was the world's  
31 smallest standard car manufacturer but now with the strength of  
32 the biggest manufacturer in the world — GM. Thus, GM's strategy

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<sup>2</sup>The prelude to the financial crisis started in the spring of 2008, with the fall of the investment bank Bear Stearns. The crisis escalated in the autumn that same year with the fall of the investment bank Lehman Brothers.

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1 for Saab was to build further on Saab's high-quality cars through  
2 economies of scale in production and thereby reinforce the cost  
3 leadership strategy.

4 In addition, there were synergy effects to be gained by coordi-  
5 nating distribution so that Saab, Opel, and other brands in the GM  
6 portfolio could use each other's dealership networks. Coordination  
7 was also to be achieved in the area of product development so that  
8 platforms, engines, and components used for the various car brands  
9 in the GM portfolio (Opel, for instance) could be shared and used  
10 in upcoming Saab models. GM and Saab also came up with a bold  
11 idea to really speed up product development<sup>3</sup> and save costs at the  
12 same time. The idea was as simple as it was brilliant: to develop  
13 two new Saab models based on two already-existing cars. Thus, the  
14 Subaru Impreza and the Chevrolet TrailBlazer were transformed  
15 into the Saab 9-2<sup>4</sup> and the Saab 9-7, respectively. This last move  
16 was part of an effort to broaden Saab's product portfolio and appeal  
17 to additional segments in the market and thereby increase total  
18 sales.

19 Morgan took a deep breath and a big gulp of piping hot coffee  
20 from his mug, and went on:

21 In addition to the mix of efforts that I just told you about,  
22 Nick, GM and Saab crowned their marketing strategy by setting  
23 a very attractive price on their valuable offer. In a study by an  
24 independent consultant, it was found that Saab managed to keep  
25 prices only slightly higher than the Japanese car manufacturer  
26 Toyota. Taken together, this was the essence of Saab's strategy, and it  
27 was appreciated and applauded by Swedish as well as international  
28 media. There was also this Swedish "car professor," later stationed  
29 in Copenhagen, who praised the GM — Saab strategy. So things  
30 could not have been better.

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<sup>3</sup>The Saab 9-2 was launched in 2004, and the Saab 9-7 in 2005.

<sup>4</sup>The model number on the first Saab from 1947 was "92."

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1 “Nick, what I have told you so far sounds pretty good, doesn’t it?”  
2 Morgan asked Nick. Nick nodded. Morgan then continued:

3 Well, before going any further I would like to read to you an excerpt  
4 from one of today’s business journals that sheds some light on how  
5 Saab’s business was doing during this time period and actually all  
6 the way up until today, which I have now been updating you about.  
7 It goes like this: “Despite over 60 years in the car industry, Saab has  
8 very seldom managed to run its business at a profit. From day one,  
9 Saab has been a project producing cars and losses and most recently  
10 only losses. When looking at the company’s financial statements,  
11 it becomes obvious that Saab has not produced a profit in the last  
12 14 years; instead, the company has lost 2,000 Euros per car on the  
13 1,372,873 cars the company has produced during the same time  
14 period. Former CEO of Volvo Cars, Pehr Gyllenhammar, claims  
15 that Saab in fact has generated a profit only on two occasions during  
16 its 60-year-long history [Market Biz News, November 11, 2011].”

17 “So now the media have finally realized that the company is really  
18 sick?” Nick inserted. Morgan nodded and added, “Yes, but they have  
19 no clue what kind of disease Saab has contracted and, moreover, why  
20 this disease has remained untreated for such an extended period of  
21 time. Well, now it is your job to know, Nick, and before I start asking  
22 you questions I will add some more history for you.”

23 Morgan went on with his lecture:

24 Nick, while you were struggling to finish your degree at the business  
25 school, you know, in the last years of the 1980s, the two companies  
26 Scania and Investor, who owned Saab at that time, scanned and  
27 analyzed Saab’s business environment. As a result of that analysis,  
28 they came to the conclusion to sell Saab to General Motors. As I  
29 mentioned previously, half of the company was sold in 1989 but  
30 the other half was not sold until the year 2000.

31 When GM acquired half of Saab in 1989, Saab got a new  
32 CEO, David Herman. Herman held the post for two years while  
33 Saab was integrated into the GM organization. Herman was then

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1 superseded as CEO by strongman Keith Butler-Wheelhouse. Under  
2 his management, things would change somewhat, in addition to the  
3 changes we have already talked about, that is.

4 Butler-Wheelhouse's plan was to increase the speed of the prod-  
5 uct development using the means already mentioned previously.  
6 Things had just been taking too much time in the past. For example,  
7 Saab's first car, the Saab 92, had developed into the Saab 93, which in  
8 turn was developed into the Saab 96. The Saab 96 was in production  
9 for 20 years before the production of it was discontinued in 1980.  
10 Even though the 96 had a new model name, it was still based on  
11 a car constructed in 1947.<sup>5</sup> Another Saab model, the 99, was an  
12 additional example of slow development, where basically the same  
13 car was produced from 1967 until 1987, when that model was  
14 discontinued.

15 Not only did the new CEO Butler-Wheelhouse see opportunities  
16 to speed things up and to add new models to Saab's product  
17 portfolio, but he also thought that Saab should start using rear-  
18 wheel drive for its most luxurious models. When GM bought Saab,  
19 they did so with a certain purpose. GM wanted to add a premium  
20 brand to their portfolio of existing brands. The premium brands  
21 that Saab was to complement in GM's portfolio were Corvette and  
22 Cadillac, both using rear-wheel drive. Thus, for Saab to fit into the  
23 picture, the car ought to have rear-wheel drive. Furthermore, a look  
24 at other premium brands supported GM's idea about the concept of  
25 rear-wheel drive. Brands like BMW, Mercedes, Lexus, and of course  
26 also Porsche and Jaguar were all using rear-wheel drive. Moreover,  
27 Toyota's premium model Celica, which was highly successful in  
28 the 1970s using rear-wheel drive, lost almost all of its attrac-  
29 tiveness when Toyota decided to turn it into a front-wheel drive  
30 vehicle.

31 However, GM's will to change to rear-wheel drive on Saab was  
32 not welcomed by the engineers or anyone else at Saab. It became the

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<sup>5</sup>The 93 as well as the 96 were based on Saab's first car, the 92, which was constructed in 1946–1948.

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1 start of a lengthy debate and power struggle within the company  
2 that went on during the first half of the 1990s. According to  
3 interviewed staff at Saab, Saab Tech, and GM, a lot of time and  
4 energy was spent on the wrong things during this period of time.  
5 One of the interviewees said, “We were not even going in circles;  
6 we were trapped in a maelstrom bringing us to places we didn’t  
7 want to go. GM wanted us to start using rear-wheel drive, and we  
8 were stalling and delaying or at least trying to — not really the best  
9 combination to speed up product development.” In the end, GM  
10 gave up and Saab released their largest model, the Saab 9-5, with  
11 front-wheel drive in 1996.

12 Sorry for going on and on, Nick, but the story of Saab is quite  
13 interesting and that is why I am forgetting about the time here.  
14 Anyway, to see whether you are still with me, I would like to hear  
15 what you have to say about the following questions.

16 Morgan took a pause to fill up his coffee mug and wrote four  
17 questions on the whiteboard.

18 **Morgan’s First Set of Questions**

19 Morgan wrote the following questions on the whiteboard:

- 20 1. When Saab developed its first car, three factors were deemed  
21 important. Why were these three factors important, and do you  
22 agree with Saab’s notion that these three were the most important?  
23 2. Discuss and elaborate around the following issues related to Saab:  
24 a. Which management philosophy is Saab using and is it appro-  
25 priate for the company? Furthermore, what would you as  
26 head of the marketing department do and say about the long-  
27 standing goal that the company was aiming at?  
28 b. In what way could Saab create synergy effects and were there  
29 any potential downsides related to those synergy effects?  
30 c. Which strategies did Saab use and were they appropriate for  
31 the company?

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- 1 3. Did Scania and Investor arrive at the right conclusion in their  
2 environmental analysis when they decided to sell Saab? Why or  
3 why not? Was it the right decision by GM to acquire Saab?  
4 4. What would you have done regarding the decision to use rear-  
5 wheel drive or front-wheel drive? Which marketing arguments  
6 or other arguments would you bring forward to support your  
7 decision?

8 Since Nick had already given the subject quite some thought over  
9 the last two decades, he thought he would enlighten his mentor a little  
10 bit and give him an appetizer of his exceptional knowledge of Saab.  
11 So he fired away answers to all four questions that took everything  
12 that Morgan had thought of into consideration, along with a number  
13 of other issues that Morgan had not considered or even thought of.

14 Morgan was flat-out mesmerized and very impressed, and  
15 thought he had made a surprisingly excellent choice when choosing  
16 Nick for the project. With a smile on his face and with his coffee mug  
17 filled up, he continued to update Nick and resumed his lecture:

18 So here GM had bought the smallest car manufacturer of standard  
19 cars in the world, and they wanted to integrate this odd bird into  
20 the GM family. The Saab organization, located in an arctic country,  
21 Sweden, and in a remote area in that arctic country, Trollhättan, was  
22 not the easiest to manage. They were right out stubborn, you see,  
23 and had fixed ideas about how things were supposed to be done.  
24 Not only was Saab stubborn, but the entire cluster of suppliers,  
25 in which Saab was an integrated part, was stubborn. It could  
26 not have been easy for the GM managers to start doing business  
27 with this small-minded company and the fragmented network of  
28 smaller manufacturing enterprises [SMEs] that came along with  
29 it. From GM's point of view, Saab was just not able to see the big  
30 picture.

31 Morgan then took a gulp of coffee and browsed through some of his  
32 papers while mumbling something about the arctic car cluster.

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1 While Morgan was mumbling, Nick's thoughts began to wander.  
2 He thought of his own family and their relation to the Saab  
3 brand. He figured that they had been pretty much in Saab's core  
4 segment. When Nick was seven years old, his father, an academic  
5 and lecturer in marketing management, had come to the conclusion  
6 that Saab was a suitable brand for the family. Ever since then,  
7 Saab had been an important brand in Nick's life. After all, he  
8 met the brand every morning and afternoon when he got a ride  
9 to and from school, and during summer vacations he spent a  
10 lot of time in the backseat together with his brother and sister  
11 going back and forth to their summer house in the Scandinavian  
12 mountains.

13 Nick's dad had a total of four Saabs before he quit driving,  
14 and he had had five Fords before that. He was pretty unlucky with  
15 his Saabs or perhaps lucky, depending upon the perspective. Nick's  
16 father only bought one Saab and got the other three for free. The  
17 first one was a used Saab 99L, which he bought when it was only  
18 three years old. He had that car for almost 10 years, and Nick's dad  
19 used to say that that car was the best he had ever had. The second  
20 was a brand new Saab 900GL and was paid for mostly by subsidies  
21 from the state, the municipality, and a mix of insurance companies.  
22 They were nice enough to pay for it because of a hip injury he had  
23 developed. A few years after Nick's dad bought the car, he underwent  
24 surgery to remove the damaged hip and thereby overcame his  
25 handicap.

26 Unluckily, when Nick's dad was finally free from his handicap,  
27 the car was stolen and set on fire by those who stole it. But he was  
28 not sad for long, since the insurance company stepped in and gave  
29 him the chance to buy a brand new Saab 900 Turbo. That was a  
30 great car both Nick and his dad agreed upon. However, one sunny  
31 morning Nick was on his way to the business school with his dad's  
32 car when a lady, also driving a Saab, made a left turn right in front of

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1 Nick. Nick slammed into the side of that Saab 99 at 70 km/h.<sup>6</sup> Nick  
2 stepped out of the wreck shocked and dizzy, but most importantly,  
3 alive and without a scratch on him. The lady suffered a slight head  
4 wound mostly because she had not worn a seatbelt, according to the  
5 police officers when they arrived on the scene. The policemen and  
6 firemen cleaning up the scene also informed Nick that he would have  
7 suffered serious, if not fatal, injuries had he been driving another car  
8 brand.

9 So that sunny morning could have been Nick's last one had it  
10 not been for the safety features of the brand he was driving. As  
11 for the lady, she was lucky that Saab was the first car manufacturer  
12 in the world to put in collision protection elements in the doors  
13 already back in 1972 — about 20 years before the other safety giant  
14 in the industry, Volvo, introduced side collision protection. Nick  
15 thought to himself that perhaps his story and others' alike with more  
16 meaning and content would have appealed to a greater extent to an  
17 academic target market with an above-average education. Nick had  
18 never been a fan of the shallow unfocused marketing communication  
19 that Saab had used over the last 20 years. "Well, maybe my story  
20 would have suited Volvo better than Saab," Nick concluded. After  
21 the accident, Nick's father got another Saab 900 from the insurance  
22 company, which is still being used to this day by one of his  
23 grandchildren.

24 At this point, Nick stopped daydreaming and returned to  
25 Morgan's presentation.

26 "Allow me to repeat myself," Morgan said. Nick smiled when he  
27 realized that his mentor had caught him daydreaming. With a fresh  
28 mug of coffee in his hand, Morgan went on.

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<sup>6</sup>70 km/h is equivalent to 45 miles per hour. The European New Car Assessment Programme (Euro NCAP) usually tests cars at a speed of 55 km/h or 35 miles per hour.

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1 **Innovation and Product Development**

2 Morgan continued:

3 Nick, we both know that companies use innovation and product  
4 development to battle each other, but all companies are unfor-  
5 tunately not successful in this respect. A number of interviews  
6 that I have personally conducted with Saab managers, engineers,  
7 designers, and all kinds of staff show that they really have taken this  
8 issue to heart. It seems as if they really have understood that this  
9 is important. One manager that I interviewed captured it in three  
10 nice sentences: “To be innovative and to develop new products is  
11 a cornerstone in the renewal that companies undergo constantly.  
12 Companies that want to remain on the market and survive in the  
13 fierce competition had better innovate or perish. At Saab, we are  
14 dedicated to innovation and product development and, as a bonus  
15 from our efforts in building the car with the best quality, we will  
16 have a product that sells itself.”

17 As if Morgan had heard what Nick had been daydreaming about,  
18 he then started to talk about safety.

19 **Safety**

20 Morgan stated:

21 Well, you know, Nick, Saab has been brilliant when it comes to  
22 new and odd ideas. Throughout the 1970s and 1980s, Saab was  
23 astonishing in their innovation abilities. For instance, in 1972 Saab  
24 inserted shock-absorbing bars in the doors to protect the driver  
25 and passengers in the event of a side collision. This side collision  
26 protection was developed and put in place 20 years before Volvo,  
27 positioned as “the world’s safest family car,” developed the Side  
28 Impact Protection System (SIPS).

29 In fact, in various tests and measurements of safety Saab has  
30 been found to be safer than Volvo in a majority of cases during the  
31 last two decades, both in real accidents and simulations [Folksam,

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1 2009]. However, while Volvo has marketed itself as a safe family car  
2 and positioned itself as safe, Saab has kept silent about its safety.  
3 Saab was the first car manufacturer in the world to introduce many  
4 other safety components as well, so let me mention a few: in 1964,  
5 twin diagonal brake systems, so that in case one system fails there  
6 is always a back-up; in 1967, energy-absorbing zones in the front  
7 and the rear; in 1972, side collision protection; in 1983, brake pads  
8 without asbestos; in 1993, Black Panel, which is a system to reduce  
9 unnecessary or redundant information and thereby enhance the  
10 driver's night vision when driving at night time; and in 1997, Saab  
11 Active Head Restraint (SAHR), which is an active protection against  
12 whiplash injuries.

13 In a comparison among brands over the last three decades, Saab  
14 comes out as the safest car (in reality) during a majority of years —  
15 a fact that almost no one has any knowledge about. There you can  
16 talk about satisfying the customer beyond his or her expectations.  
17 The only problem is that the customer will only find out about  
18 this if he or she ends up in one of the most violent car accidents  
19 possible. If it is a less violent accident, it does not matter which car  
20 you are in, but when a collision is really violent you would wish  
21 that you had bought a Saab.

## 22 **Turbo**

23 “The coffee is really good here at my favorite hotel isn't it?” Morgan  
24 said. He filled up his mug once again, smiled at Nick, and went on:

25 The engineers at Saab were not only good in innovating new safety  
26 components; they were really good in all kinds of innovation. Their  
27 biggest innovation was perhaps not in safety, but in how to get as  
28 much horsepower as possible out of an engine without increasing  
29 the number of cylinders or increasing the cylinder volume. Other  
30 manufacturers who wanted more horsepower from their engines  
31 would increase the number of cylinders to 6, 8, or even 12, and  
32 also the cylinder volume from, say, 2 liters to 4 liters or more.  
33 The problem, though, is that big engines weigh considerably more

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1 than small engines and they consume more gasoline as well. Even  
2 though Saab at that time only used 4-cylinder engines with 2  
3 liters of cylinder volume, their engineers chose to stick to that  
4 engine size. They figured that a little bit of engineering magic  
5 could get just as much horsepower out of the engines without  
6 having to increase the engine size, and Saab's new magic was  
7 the Turbo.

8 Nick, as you know, Saab did not invent the turbo. However, Saab  
9 was the first car manufacturer that could harness its power. The  
10 Saab engineers, under the direction of head engineer Per Gillbrand,  
11 came up with a beautiful solution so that the turbo could be used  
12 in standard cars. The key to the success story was the invention of  
13 the wastegate valve. The wastegate allowed Saab to domesticate the  
14 turbo and increase the engine power by 50% and reduce the fuel  
15 consumption at the same time. It was the kind of product attribute  
16 that is a dream for both engineers and marketers.

17 Saab put in the new attribute in the 99 model in 1977, and full-  
18 scale production started in 1978. That same year, in 1978, Saab  
19 launched the Saab 900 and the top-of-the-line model was the Saab  
20 900 Turbo. It became an instant success on the market and the  
21 delivery time to get a new Saab 900 grew rapidly. By the end of that  
22 year, customers had to wait more than 10 weeks for their new cars  
23 and delivery times just continued to grow longer. The marketing  
24 department was very excited about this success. In retrospect, the  
25 Saab 900 Turbo might have been Saab's most successful model on  
26 the market and the company was indeed booming.

27 A few years later, in 1984, Saab developed a new big and luxurious  
28 family car, the 9000 series. This was to be the stepping stone  
29 to the premium segment. When the 9000 arrived in the U.S., it  
30 was categorized as a "large car" by the Environmental Protection  
31 Agency (EPA)<sup>7</sup> — that is, a car in the largest category. For Saab,

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<sup>7</sup>According to the U.S. EPA, the Swedish-built Saab 9000 is the most fuel-efficient automobile in the agency's "large car" size class. In addition, the Saab 9000 is the only import to achieve "large car" status, which the EPA determines as a function of interior volume (Saab Press Release).

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1 this recognition by the EPA was very valuable, since the Audi 100,  
2 BMW 5 Series, and Mercedes 280 were in one size category below  
3 the Saab 9000. Consequently, Saab had finally reached the top of the  
4 pyramid. The sales success from 1978 was repeated in 1984–1985.  
5 Shortly after the launch of the 9000 series, delivery times started to  
6 grow, which the marketing department knew was a foolproof sign  
7 of imminent success.

8 **Biopower**

9 Morgan continued:

10 Nick, let me finish this innovation part by saying just a few words  
11 about Saab's BioPower model. In 2006, Saab introduced biopower  
12 as a new concept. The concept rests upon a slightly modified engine  
13 and fuel system so that the engine can run on up to 85% ethanol  
14 and 15% gasoline. The engine can also use ordinary gasoline, but  
15 then there is no biopower effect of course.

16 Running a car on ethanol is positive for the environment in  
17 that it produces less carbon dioxide and other harmful emissions.  
18 Ethanol is also a recyclable fuel type, since it is the end result from,  
19 for instance, corn or wheat that has been mixed with yeast and  
20 water in a fermentation process.

21 A final advantage of ethanol compared to gasoline is that the  
22 engine power increases by about 20%. The engineers that were  
23 working on the fine-tuning of the engines were euphoric when  
24 they discovered this. As one of the engineers put it, "We did  
25 nothing and got 20–30 more horsepower for free." Everybody was  
26 happy.

27 **Market Segmentation and Positioning**

28 All of a sudden, Morgan went quiet! He was gazing into nothingness  
29 and chewing on his tongue in a peculiar way, as if something was  
30 missing. A quick look down in front of him revealed the problem  
31 immediately. He had allowed himself to run out of coffee. There

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1 were only fumes left in his mug, and that was almost as embarrassing  
2 as running out of fuel on the Autobahn. A few seconds later, Morgan's  
3 mug was full of pitch-black coffee again and he went on as if nothing  
4 had happened: "Nick, you remember that market segmentation is at  
5 the core of marketing?" Nick nodded but said nothing, so Morgan  
6 continued:

7 A crucial aspect of segmentation is to evaluate the segment in  
8 terms of:

- 9 (1) attractiveness (such as size, growth, profitability, and scale  
10 economics), and
- 11 (2) whether the segment matches the company's objectives and  
12 resources. This is simply a question of whether there is a match  
13 between the segment and the company. If there is a match,  
14 the company will be able to serve the segment by satisfying  
15 customer needs better than competitors and will thus do so at  
16 a profit.

17 To Saab's delight, one can assume, the famous marketing professor  
18 Philip Kotler [2005, p. 412] has been kind enough to point out  
19 in textbooks that Saab should belong to the same "well-to-do"  
20 segment as brands such as BMW and Mercedes. However, BMW  
21 and Mercedes are about 10 to 20 times bigger than Saab in terms of  
22 production, which means that in order for Saab to compete with  
23 these two giants Saab should be more differentiated, unique in their  
24 product design and promotion, and . . . and . . .

25 Morgan went quiet again. "There was one more thing I wanted  
26 to say here," Morgan added. "Something about that all these men-  
27 tioned aspects should also be reflected in something or somewhere.  
28 Umm . . . , he mumbled and then his eyes went blank.

29 "It must be all that coffee," Nick thought. "Perhaps decaf would  
30 do the trick," Nick speculated in silence.

31 Morgan caught himself drifting away, and then he refocused and  
started again. "It is gone; I have forgotten it. Let us go on instead,"

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1 Morgan said. And on he went:

2 One Swedish professor in marketing said: “In view of Saab’s  
3 relatively limited production output, one could almost say that  
4 Saab’s cars are ‘built by hand.’<sup>8</sup> Saab sells fewer cars than BMW  
5 and Mercedes, so in order to find car brands with equally limited  
6 production output as Saab, we have to look at Porsche (75,238 cars  
7 in 2009) and Jaguar (52,500 cars in 2009). Both those premium  
8 brands sold more cars than what Saab did in 2009, which is rather  
9 surprising.”

10 Saab’s top management has had a wish for Saab to belong to the  
11 premium car segment, but at the same time the car has had the  
12 image of being a *folkbil* [people’s car], which has complicated the  
13 task. Saab’s management has actually, from time to time, expressed  
14 the view that Saab is a *folkbil*, which in Swedish means “a car for  
15 everyone.” Saab has successfully conveyed this notion in their PR  
16 campaigns, and all Swedish car industry journalists except one have  
17 given strong support to this idea. Most of the journalists believe that  
18 the *folkbil* idea is the very reason behind Saab’s successes over the  
19 years.

20 “Okay, Nick,” Morgan said, “we are about to come to an end here,  
21 so listen up and fill up your cup!” Morgan continued:

22 The final step in the segmentation process is to position the  
23 company’s offer in the marketplace. Positioning is a matter of how  
24 your offer is perceived by your prospects on important attributes.  
25 Consequently, positioning is about what you do to the mind of the  
26 customer through all kinds of market communication.<sup>9</sup> Among  
27 the important aspects of positioning, two are especially relevant  
28 here — namely, to find a distinctive and unoccupied position for  
29 your brand; and secondly, to be first with the new attribute.

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<sup>8</sup>Saab’s cars are not actually built by hand; it is just a metaphor for limited production. Saab is using relatively efficient means of production in their factories.

<sup>9</sup>Note that product, price, and place are also means of communication.

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1        Saab has in the past, as we have seen, developed many new  
2        product attributes that were new to the industry, which in turn  
3        constituted excellent opportunities to position Saab's offer on the  
4        market. The development of the turbo back in the late 1970s serves  
5        as a good example. Possessing an attribute like turbo, which no  
6        one else has, is a dream scenario for any marketer working with  
7        positioning. Both before and after the turbo, Saab focused on safety;  
8        and during the 1990s and early 2000s, they focused on the "Born  
9        from Jets" tagline and also the very successful and awarded "Release  
10       Me" campaign. In connection with the ethanol strategy in 2006,  
11       Saab positioned itself as the "biopower" car, which resulted in the  
12       best sales ever that year.

13       "Oh, aah," Morgan said, "now I remember what I wanted to say  
14       when I interrupted myself and went blank just a few minutes ago.  
15       Perhaps you remember that I said that 'all these mentioned aspects  
16       should also be reflected in something or somewhere'; I should have  
17       added '... reflected in Saab's...'. Yes, now I remember," Morgan  
18       stated triumphantly before he went on: "But it should not be  
19       necessary for me to say this to you, since it is quite obvious what  
20       I wanted to say and you seem to be on top of everything today, so  
21       you tell me instead, Nick," Morgan said with a smile.

22       Nick flashed away the right answer instantly and added with a  
23       grin, "Well, I could have helped you right away when you started  
24       drifting away, but I thought I would check how your memory is doing  
25       nowadays and it seems to still be intact." Morgan laughed dryly as he  
26       was tired of talking and was suffering from a serious coffee deficit.  
27       Then he replied with five more questions.

28       **Morgan's Second Set of Questions**

29       Morgan wrote another set of questions on the whiteboard:

- 30       5. When and how are innovation and product development good  
31       tools to make a product "sell itself"?

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- 1 6. In connection to the launch of Saab's 900 and 9000 models,  
2 the delivery times grew rapidly and the marketing department  
3 was excited and jubilant on both occasions. In your capacity as  
4 a prominent marketing specialist, how would you interpret the  
5 sales successes of the 900 and the 9000 models in 1978 and 1984,  
6 respectively? And what factor or factors were mostly behind the  
7 success?
- 8 7. Did Saab's 9000 series become a premium car through the EPA  
9 classification? What is your opinion, and what arguments do you  
10 have that support your opinion?
- 11 8. What were the advantages and disadvantages when Saab intro-  
12 duced ethanol as a new fuel, and did the micro/macro environ-  
13 ment play a role in any way?
- 14 9. In your opinion, should Saab be a *folkbil* ("people's car") as it  
15 has been in the past and should Saab try to go after the "folks  
16 segment"? Furthermore, which positioning concept should Saab  
17 try to establish over the next few years?

18 In addition to Morgan's five questions, there was actually one  
19 more question related to what Nick had been daydreaming about:

- 20 10. Why do you think that Nick concluded that the story about his  
21 own car accident (as a potential means for marketing commu-  
22 nication) perhaps "would have suited Volvo better than Saab"?  
23 Was Nick's conclusion correct or incorrect, according to you?

24 Morgan listened carefully to Nick's answers to his questions, and  
25 then he said: "Before we finish off today's lecture, there is one more  
26 thing that our client Saab would like to have your opinion about. Let  
27 me present the situation to you," Morgan said with a friendly smile  
28 and went on:

29 As you know, in 2009 and 2010 Saab was on the very edge of  
30 bankruptcy when the Dutch car manufacturer Spyker assumed  
31 leadership over the company. When the worst crisis was over, Saab's

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1 top management realized that GM had not managed Saab's product  
2 portfolio particularly well. The product development, which GM  
3 had promised and planned to speed up, had come to a complete  
4 halt. New product launches had thereby been either stopped or  
5 postponed.

## 6 **The Meeting**

7 Morgan continued with his presentation:

8 In early 2010, shortly after Spyker had acquired Saab, the new  
9 chairman together with the CEO and the rest of Saab's top  
10 management held a meeting where they looked at Saab's product  
11 portfolio using Boston Consulting Group's well-known matrix.  
12 They did not really like what they saw. There were no question  
13 marks, stars, or cash cows, and the car production in the factory had  
14 been standing still for way too long. However, the top management  
15 had not come to the meeting empty-handed. The projects that GM  
16 had halted could be resumed relatively easily, and at that meeting  
17 the top management had brought along four dossiers filled with  
18 documents describing four potential products. The halted product  
19 development projects were perhaps the answer to all the product  
20 development problems that had hung over Saab like a dark shadow  
21 for years.

22 At the meeting, the CEO put the dossiers and documents on the  
23 table in front of them. Inserted in the first dossier were technical  
24 drawings, specifications, and pictures related to the new Saab 9-5  
25 Sedan, which was only a few months away from being launched.  
26 In the second dossier were documents and pictures of the new 9-  
27 5 Station Wagon, which could be launched as soon as six months  
28 after the 9-5 Sedan. The third dossier was thicker than the others. It  
29 consisted of, among other things, a set of beautiful sunset pictures  
30 from a photo session in Acapulco with the brand new Saab 9-  
31 4X Crossover SUV, which was to be produced in Mexico. The 9-4X  
32 could be launched at about the same time as the 9-5 Station Wagon,  
33 about half a year after the 9-5 Sedan.

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1       The fourth and last dossier was filled with documents that  
2 showed the much-wanted and upcoming Saab 9-3 Sedan, which  
3 could be launched about two years after the Saab 9-5 Sedan. In  
4 that fourth dossier, the CEO and the chairman also found an  
5 odd-looking pinkish document marked with a red sticker and the  
6 text “Urgent.” The pinkish two-page document was written by a  
7 technical consultant who concluded that the product development  
8 process could be speeded up even further. If certain measures were  
9 undertaken, the Saab 9-3 Sedan could be launched one and a half  
10 years after the Saab 9-5 Sedan.

11       The assembled managers looked up after they had gone through  
12 all of the documents. They were all smiling at each other, out of  
13 relief. The future did not look that bad after all, and they knew  
14 exactly what to do next.

15 **Morgan’s Last Question**

16 Morgan ended his lecture by saying, “Nick, since you have provided  
17 me with great answers to all of my questions, I would very much like  
18 to hear what you would have decided in this last situation.” He then  
19 proceeded to write the following question on the whiteboard:

20       What would you have done when launching Saab’s new products  
21 on the market?

22       Morgan filled up his coffee mug one last time, smiled at Nick  
23 (you), and waited for his (your) answer.

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