



Land Rover North America, Inc.

Charles Hughes, president and CEO of Land Rover North America (LRNA), smiled as he reviewed the company's latest field reports. LRNA registered 4,503 total units sold in first-half 1994, more than double the volume in first half 1993. The Discovery, the company's first new 4X4 (four-wheel drive) vehicle in twenty years, was shaping up as quite the success story: over 2,000 units sold and nearly 4,000 customers on dealer lists awaiting product availability. Other changes to the Land Rover line-up, including a total redesign of the Range Rover and improvements to the Land Rover Defender, promised further sales gains in the coming year. With a \$110m infusion of funds from new parent BMW, Hughes had reason to believe that his dream of making North America the #1 Land Rover market worldwide was well within reach.

The game had changed since Land Rover's North American subsidiary opened its doors in 1987. LRNA had grown from a distributorship selling only one Land Rover model to a multi-product firm with three vehicles under the corporate umbrella. But how best to manage that line? Much hinged on getting the positioning for the Discovery right. The company had straddled the fence with its launch advertising, running some ads targeted to families with *The Definitive Family 4X4* positioning, and some to 4X4 enthusiasts with *The Evolved Land Rover* theme. Some suggested the firm should stress Discovery's \$20,000 price differential versus its up-market sibling instead, and position the model as *The More Affordable Range Rover*. It was time to stop waffling and get off the fence.

Astute line management required careful articulation of fiscal year marketing plans as well. Decisions concerning the company's "experience marketing" efforts, sponsorship activities, and retailing strategies had to be made. The management team had to determine what support, if any, to put behind the corporate Land Rover brand versus individual models in the line. Sound recommendations concerning the allocation of funds across brands and mix elements required not only a deep understanding of the marketing tasks at hand, but a strategic vision of the company, its product line, and the brands within it as well.

LRNA was growing fast, and Hughes knew that decisions made now were pivotal to the future trajectory of the firm. Hughes packed up the data his research manager had compiled for him and headed for home. Tomorrow he would join members of his President's Cabinet on Long Island and design the marketing strategies and tactics that would make LRNA the #1 Land Rover market worldwide. Divergent views of the strategic roles of the different models in the LRNA line, and opposing visions of the "glue" that held them all together promised a long meeting ahead.

Professor Susan Fournier prepared this case as the basis for class discussion rather than to illustrate either effective or ineffective handling of an administrative situation.

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History of Land Rover

The Land Rover

The Rover Group, which began as a sewing machine and bicycle manufacturing concern in Solihull, England in 1860, conceived its first four-wheel drive (4WD) utility vehicle in 1947. Design engineers intended the new vehicle as "something rather similar to a post-war Jeep, but more useful to a farmer, much more versatile, able to do everything!" It was to be a vehicle for the land: a *Land Rover*, as managing owner Wilks christened the project. Wilks' product philosophy was to "build it simple and strong;" creature comforts in the Land Rover would be virtually absent, and gadgetry kept to a minimum. The Land Rover's austere appearance would serve as a design hallmark: it was to be "starkly practical and not exactly ugly, but possessive of a distinctly attractive appearance all its own." The vehicle was received with great enthusiasm at its 1948 Amsterdam Motor Show launch.

There is now something which can either be regarded as a private car able to perform valuable duties other than sheer transport, or as a general purpose countryside worker capable of providing comfortable, efficient transportation. This dual role of the Land Rover cannot be too highly stressed because it opens up possibilities of the greatest value to those who live in the country, whether under cultivation or in the wild state. (*The Autocar* 30 April 1948)

Land Rovers quickly became a well-established part of the rural, industrial, civil, and military scenes in the United Kingdom. Police and firefighters were outfitted in specially-designed Land Rovers. A full six in ten Land Rovers were sold to military customers. Within five years of its launch, 80% of Land Rovers were destined for Third World countries where the vehicle's functional utility was greatly valued. While Land Rover design evolved through time in response to changing customer needs, care was taken to maintain the characteristic Land Rover image. The chassis, wheelbase, body style, suspension, and general layout remained unchanged, as did the basic aesthetics of the vehicle.

The Range Rover

The Range Rover addressed management's desire to respond to changing marketplace needs for a more stylish 4WD vehicle without "tarting up the Land Rover." The Range Rover was still considered first and foremost as a utility vehicle, however. According to chief design engineer Spen King, the Range Rover "resembled a Land Rover in performance, toughness, versatility, and essential design and therefore was quite recognizably a Rover product, yet delivered on important unmet benefits of luxury and comfort as well." The goal was to "do something that had the strength of a Land Rover, but was a nice vehicle to drive on the road, which Land Rover wasn't."

When first introduced in 1970, the Range Rover went out with a Land Rover badge on its tailgate. Management removed the corporate tag within six months, noting that the marque's strong associations with agriculture interfered with the desired image of elegance, luxury, and romance. Range Rovers were henceforth branded solely by model name to allow the vehicle's identity to flourish.

The Range Rover proved that luxury and ruggedness could be united, and that a market existed for this benefit combination. By 1975, three-fourths of Land Rover vehicles produced were Range Rovers despite a price significantly higher than all other sports utility vehicles (SUVs) on the market. In recognition of outstanding product quality, the Range Rover was awarded Four Royal Warrants ("Seals of Approval" bestowed by individual members of the Royal Family), was put on display in the Louvre (the only vehicle to have ever done so), and received the Dewar Trophy for Outstanding Product Design. These accomplishments validated the aura of dignity and class that

developed around the Range Rover model. Demand often outstripped supply causing vehicles to change hands at prices considerably higher than the manufacturer's suggested retail price. Sporadic production of Limited Edition series compounded this phenomenon, creating situations of product scarcity that further elevated consumer opinion of the brand. Public relations further built the Range Rover legend, a notable example of which concerned press coverage of the vehicle's crossing of the Darien Gap, the only "break" in the Pan-American freeway at the Panama-Columbia border.

Range Rover underwent systematic mechanical upgrading over the next fifteen years, benefiting from a more powerful 3.9 liter engine, an electronically-controlled air suspension system, and a more rugged transmission. Alternative body configurations (e.g., long wheelbases) and Limited Edition series (e.g., The Great Divide Range Rover) were also created, providing a range of options in the product line. Each change moved the brand further up-market until it eventually broke the \$50,000 mark. In keeping with the philosophy guiding Land Rover development activities, Range Rover aesthetics remained virtually unchanged over time.

The Land Rover Brand Culture

By the mid-1980s, Rover established a strong following of intensely loyal owners. Like Harley Davidson and other "cult brands," Range Rover and Land Rover owners shared a consumer lifestyle centered around the brand. Many became avid collectors owning three or more vehicles, each uniquely different in its personality and history. Consumers registered themselves as product owners and organized clubs that supported social functions, arranged tournaments, and sold Rover-branded books, clothing, and memorabilia. Once each year, 500 or more enthusiasts gathered for an international rally in England to celebrate the brand; local celebrations were also held. Dedicated owners published newsletters filled with 4WD adventures and product insights (e.g., *The Rover Reference*). Many become "missionaries" for the brand, generating consumer interest and support through their sincere product endorsements and exciting product tales. Stories of owners turned star salespersons in the dealership arena were not uncommon. Rover vehicles evolved from utilitarian tools of transportation to symbols rich in personal and cultural meaning. The Rover Group codified this meaning in "The Land Rover Marque Values" which included individualism, authenticity, freedom, adventure, guts, and supremacy--values they felt captured the essence and spirit of the corporate brand.

The Day of Reckoning

Despite the strength of its consumer franchise and the clarity of the trademark's image, the mid-1980s proved tough for The Rover Group. The company's hold on key Third World markets loosened as oil crises, constrained parts supplies, and scant repair services took their toll. In what came to be known internally as "The Japanese Invasion," a run of reliable, high quality sport-utility vehicles (SUVs) took control in Land Rover's core markets. The company lost one-third of base model sales from 1983 to 1985, a drop for which steady Range Rover sales did not compensate. Company profits plummeted as the firm sought new markets to offset Third World sales declines.

The crisis triggered a worldwide market review. Research confirmed that the Japanese had indeed identified an opportunity in the emerging 4X4 leisure sector¹. The data suggested that the 4X4 leisure sector was actually comprised of two distinct user segments. The first, a group of young, affluent, childless adults, sought products that made visible statements about their owners' images and accomplishments. These consumers wanted vehicles that were unique and different, and that set

¹Ironically, Rover Group market research had identified the Japanese development strategy as early as 1983 but considered it "just a hula hoop trend."

them apart from the masses. They viewed 4WD as a rather exciting product option, even if they never actually got off the road to use it. The second segment was comprised of conservative buyers who were more interested in vehicles that were smart and functional than those that made image statements. Family buyers who needed versatile and practical transportation solutions were included in this segment; also included were older traditionalists who turned to SUVs as stylish alternatives to traditional luxury cars. Family buyers valued the 4WD feature for the safety benefits it afforded; older conservatives linked the feature to desired benefits of increased road holding and handling.

The recommendation emerging from the worldwide market review was to introduce a new vehicle that could regain both segments of the leisure sector from the Japanese. The savior was to be named Discovery.

The Land Rover Discovery

Management felt they could tackle both consumer segments in the 4X4 leisure sector by offering alternative body configurations on the Discovery chassis. A three-door Discovery was produced for the young childless adults; a five-door version was made available for families and older traditionalists. Particular attention was paid to the design of the Discovery interior as research had shown poor performance of competing vehicles in this domain. Designers felt that existing SUVs emphasized their truck origins, leaving open an opportunity for an SUV with more of a car-like feel. Designers also operated on the insight that a vehicle was made as much for the passenger as it was for the driver, and sought a spacious feel and good visibility from the rear seats to address this concern. Care was taken to differentiate the Discovery from the Range Rover so that sales would not be cannibalized. While the Discovery and Range Rover shared the same basic chassis, 4WD and suspension systems, Discovery's elevated roof line and alpine windows distinguished the vehicles visually. The models also followed different brand identification strategies. While the Range Rover was marked only by its model name, the Discovery was branded with the corporate Land Rover tag. This branding strategy was physically evident on the vehicle itself where the "Land Rover" emblem was affixed to the Discovery tailgate and "Land Rover" lettering was emblazoned on the vehicle's hood.

An innovative multi-functional team organization and application of just-in-time manufacturing principles took the Discovery from product concept to launch in less than three years. In its 1989 U.K. launch, Discovery was positioned as the world's most advanced 4WD vehicle with advertising that stressed dual benefits of authenticity and comfort (see **Exhibit 1**). After its first full year of sales, the Discovery had outsold the former market leader, the Mitsubishi Shogun, by two to one. Sales were 50% above target. Most sales were incremental to the category: 60% of sales went to first-time 4WD buyers, the majority trading from foreign luxury cars like the Volvo Estate, BMW 3-series, and Saab 900. By its second year on the market, Land Rover Discovery emerged as the best-selling 4WD vehicle in the U.K. and the top-selling model in the Land Rover product line.

Range Rover of North America, Inc.: The Beginning Years

The 1985 Worldwide Market Review suggested that leadership in the SUV sector would have to consider not only new model introductions, but geographic expansion into the U.S. market as well. The U.S. SUV segment was considered "hot": growth in sales was steady, and continued increases in demand were forecast throughout the decade. Management felt that participation in the U.S. market would validate the company's status as a legitimate marketplace contender. "You can't be a major player if you don't compete in the world's largest auto market," explained Hughes.

The U.S. subsidiary, Range Rover of North America, Inc., opened its doors in April 1986. The U.S. branch would sell only one model, the Range Rover, hence the corporate name. Charles Hughes,

a 20-year automobile industry veteran from Cadillac and Volkswagen, served as CEO. Hughes hired fifteen people to help run the start-up organization. The challenge facing Hughes was a daunting one. He had to build an entire marketing operation from scratch and compete in an increasingly complicated SUV marketplace. He had to sell a vehicle most Americans had never heard of and convince consumers to pay prices well above competition. "And don't forget to include the budgetary constraints I would face as a 2,000 to 3,000 unit-a-year operator," added Hughes.

Range Rover Positioning and Introductory Advertising

Start-up advertising agency Grace & Rothschild was recruited for the critical task of positioning the Range Rover. "Like a porcupine about to mate, we knew that positioning would be vital to our success," joked Hughes. When presented only with a visual of the vehicle and information on its price, potential customers exhibited strong negative reactions: "Who in their right mind would spend over \$50,000 for that. . .for a Jeep? That's nuts! I would rather buy a Mercedes for that money!" A second round of research exposed consumers to three positioning options for the brand: a luxury car alternative, the car the Queen drives, the best off-road vehicle available. Reactions were promising. Consumers were intrigued by the notions of British heritage and luxurious styling combined with 4WD capability--intrigued enough to find the sticker price more palatable. Chip Sleeper, vice president at Grace & Rothschild in charge of the account, explains:

Consumers needed help categorizing the car since the concept was so unfamiliar. It was different in the U.K. where buyers were weaned on the Land Rover brand and the Range Rover country car image. U.S. buyers were not as sophisticated or knowledgeable. They had to be taught the differential advantages of the marque (brand). Their reception of the vehicle had to be shaped.

The chosen positioning created a niche at the intersection of rugged 4X4 SUVs and performance luxury cars. According to Fran Lipman, account supervisor at the agency, "We created a 4X4 with luxury, not a luxury car with 4X4 capabilities. And we owned that niche."

Roy Grace, agency founder and creative spirit behind the brand, described the style, tonality, and objectives of the resulting exclusively-print \$3.5 million introductory ad campaign:

We accomplished our advertising objectives with slightly off-beat British humor. The ads were tongue-in-cheek, yet displayed an intellectual quality . . . a taste of humor for the literate customer. The strategy was to use bold visuals and apparently unconnected headlines. We let the readers come up with the connections, make the inferences; it gave them a sense of smartness and satisfaction. We had to make people feel intelligent about paying such a high price for 4WD features they would likely never use in a luxury car! The ads were bold, different; they went against tradition. They had to be noticed in a world where players spent \$4.9 billion on advertising. The "Most Beautiful Vehicle in the World," our introductory ad, did just that. We covered a beautiful car in mud! And the "Spot the Range Rover" ad. How bold *not* to display your vehicle in an ad after only one year on the market!

Price information was included in the advertising, another unusual move for a luxury car. According to Chip: "The price drew the right audience. It was self-selecting. It implied we had nothing to hide, and served as an effective quality credential. It also saved the buyer the step of having to tell his friends how much he paid for this radically-new vehicle." A second advertising mandate dictated inclusion of the Royal Warrants in all body copy. Introductory Range Rover ads shared one final character: they did not include people. "This way, we did not artificially restrict our consumer audience or prematurely define our brand," explained Fran. The introductory campaign (**Exhibit 2**) earned Gold Pencil and Effie awards for advertising creativity.

Public Relations

Public relations activities were considered crucial in launching the Range Rover, in part because they helped extend a limited advertising budget, but also because they established the brand in the minds of influential opinion leaders. Bill Baker, Vice President of Corporate Communications, viewed automotive reviewers as the primary target audience for the brand since these opinion leaders dictated consumer choice in the complex and fragmented SUV category. Specific events chosen to generate press support reinforced the exclusive Range Rover image. In the premier event celebrating the launch, sixteen of the nation's top automotive, lifestyle, and business editors were treated to a four-day trip to the U.K. The "Taste of the Range Rover Lifestyle" event included a lecture on the history of the trademark at London's Royal Geographical Society, off-road instruction at Eastnor Castle (home to U.K. military training programs), and dinner at the home of Earl Spencer, father to Princess Diana. The \$200,000 event generated two magazine cover stories and thirteen feature stories, coverage that Baker estimated at over \$1.6 million in equivalent advertising space.

Corporate Sponsorships

The company also secured several sponsorships as they broke onto the U.S. market. One such event was the "24 Hours of Aspen" downhill ski race, noted as "the most brutal endurance ski race on the globe." Range Rover's \$160,000 sponsorship provided money for Sunshine Kids, a national children's cancer organization. The company also signed on as primary sponsor of the "Tread Lightly! on Public and Private Lands" program, a \$25,000 involvement that helped position the company as a highly responsible retailer of off-road vehicles. The Rover Group also served as exclusive sponsor of the Camel Trophy Adventure Rally (cost \$240,000), an event known as the "Olympics of 4-Wheel Drive." Started in 1979 by R. J. Reynolds' Camel brands, the yearly competition engaged twenty teams from countries around the world in a grueling 1100-to-2000 mile, three-week trial through deserts, rainforests, and jungles. After ousting Jeep as the original sponsor in 1980, the Rover Group served as the sole provider of team vehicles for the trials.

Distribution

Without sufficient sales volume to support stand-alone franchises, Hughes decided to work through a limited network of premium-car dealerships. A prestigious dealer network contributed to the perceived exclusivity of the brand and guaranteed higher profits to franchise partners, Hughes reasoned, even if it did raise the risk of consumer conflict from restricted availability of service and repair. Hughes' dealer selection process was rigorous. Only 60 of the 800 dealerships considered were enlisted. Hughes made personal site visits to each of the finalists "to make sure they were on the same wavelength as the company." In screening candidates, customer satisfaction and dealer performance ratings were appraised, and dealership clientele scrutinized. Sales and service staffs were judged in terms of their facility with premium products and their 4X4 enthusiasm and expertise. Dealerships had to demonstrate a willingness to invest in the franchise by putting forth monies for a computerized parts ordering system, special tools, and training for head mechanics in Rover's Solihull manufacturing plant. The average dealer investment was \$60,000 with an expected payback in 90 days.

Early Results

Despite a tough year for luxury item sales, U.S. reception of the Range Rover was extremely positive. First-year unit sales topped 2,500, 10% ahead of company goals. Media representatives were impressed: "The company took the States like Sitting Bull took Custer" (*Automobile Magazine*); "There is little doubt that the Range Rover will be the status car of the year" (*Road & Track*); "It's the ultimate Yuppie mobile—watch out America!" (*Playboy*). On the dealer front, Rover registered a higher

satisfaction index than 38 of the 40 manufacturers rated. Customer reaction was equally favorable: 93% of first-time buyers said they would definitely recommend the brand to others; 84% claimed they would buy a Range Rover again. The company was off to a strong start.

The Range Rover Hunter

The Range Rover Hunter was introduced at year-end 1989 in the company's second major product move. As originally conceived, the Hunter was attractive from both an engineering and consumer point of view. Built entirely from the existing Range Rover platform, the Hunter required minimal manufacturing investment. Moreover, it seemed to address an unfilled consumer need for a more affordable Range Rover. The model, however, was pulled from the market in early 1990. Hughes reflects on this marketplace mishap:

The Hunter experience really taught us how consumer information can lead you astray. In focus groups, consumers lamented that the Range Rover was too pricey for them, and we went away thinking there was a market for a less well-appointed vehicle. So we made the \$36,500 Hunter with cloth seats, not Connolly leather; without as much wood trim; without expensive features like anti-lock braking. The Hunter was, in effect, "a cheaper stripped down Range Rover." And it was a disaster.

The Growth Years: Line Expansion and Franchise Development

And so, the company began to grow. By 1992, the staff had increased from 15 persons to 60, the dealers from 60 to 80. Sensing a crossroads, Hughes met with his executive committee to discuss future strategies. The options were clear: to remain a 5,000 unit niche player (which Hughes affectionately described as "Chrysler's rounding error") or to grow into a bigger, more legitimate concern in the U.S. car business ("All the way to Ford's rounding error"). The health and vitality of the U.S. SUV market urged them on. Research suggested that consumers of the 1990s were no longer driven by status concerns or the collection of possessions as symbols of wealth and prestige. They wanted "experiences," both real and fantastical, and 4WD vehicles seemed to hit the mark. SUVs, with their perception of being more safe to drive than other vehicle alternatives, also fit the consumer trend toward increased pragmatism. Continued category growth seemed likely with new models that no longer required consumers to trade off creature comforts for 4WD capabilities. Some industry experts were bold enough to suggest that SUVs would replace luxury cars in the longer term. U.K. success with the Discovery provided the most persuasive evidence for expansion. The worldwide Land Rover franchise nearly doubled with the addition of Discovery, and cannibalization of Range Rover sales was considered minimal.² Hughes' executive committee "decided to go for it" and set a goal of 40,000 total LRNA units a year by 1998. The plan that would get them there was grounded in a vision of the corporation as the world's premier 4X4 specialty company ("The best 4 X 4 by far"). It involved three basic strategic areas: branding, product, and retail.

A New Branding Strategy

To symbolize its new strategic direction, the company changed its name in August 1992 to Land Rover North America (LRNA). No longer was the corporate identity tied to the top-of-the-line

²While Range Rover sales decreased significantly after Discovery's launch, management attributed losses to competition, not cannibalization. Research estimated only 5% of Discovery sales as Range Rover replacements.

Range Rover: the corporate brand was now *Land Rover*, an umbrella under which all the company's vehicles would fit. Fran Lipman commented on this conscious shift in the firm's branding strategy:

Did it work? I honestly don't know. It appeared so obvious at the time: the Land Rover brand seemed a more powerful and versatile entity, a broader platform under which new model launches could be accommodated. But U.S. consumers were and are amply confused on this matter. Unlike the U.K., they don't realize that Range Rover is a model in the Land Rover line. Many still think Range Rover is the corporate brand. That is, after all, how they were introduced to the concept in 1987. We always hear this in focus groups: "Is that a Land Rover, a Range Rover, or what?" Quantitative data reveal consumer confusion as well: there are always more people stating purchase intent for Range Rover than there are buyers, implying interest in the corporate brand, not the Range Rover model. Range Rover print ads, which started requiring the Land Rover corporate emblem in 1992, exacerbate this issue since they say "Land Rover Range Rover" at the bottom.

A New Product Strategy

The second leg of the corporate growth strategy involved significant product line expansion: "We were plagued with doubt regarding the longevity of a purely top-of-the-line manufacturing concern," explained Hughes. LRNA's product expansion activities through 1995 included introduction of the Land Rover Defender (1992), introduction of the Land Rover Discovery (1994), and plans for the 1995 launch of a second-generation replacement for the Range Rover, the Range Rover 4.0 SE.

The Land Rover Defender The limited edition Land Rover Defender 110 hit the market the same month the corporate branding strategy shift was announced. The Defender was the original Land Rover vehicle, renamed to allow the model an identity separate from that of the corporation as a whole. **Exhibit 3** depicts advertising for Defender 90, successor to the 110.

The Land Rover Discovery The Discovery was introduced in the U.S. in April 1994, five years after its U.K. debut. The \$29,350 Discovery was adapted to U.S. tastes and government regulations and loaded with creature comforts. An alarm system with keyless entry, cruise control, heated exterior mirrors, five-door entry, seven-passenger seating capacity, and halogen headlamps were provided as standard equipment; dual electric sunroofs, fog lamps, rear air conditioning, and leather upholstery were offered as options. At launch, Discovery was the only SUV in its class with dual-front airbags and anti-lock braking as standard equipment.

The Discovery was introduced with a dual positioning to maximize sales potential (see **Exhibit 4** introductory advertising). The first positioning stressed Discovery's credentials as *The Definitive Family 4x4*. Advertising on this theme portrayed the brand as a versatile family vehicle--a station wagon or minivan substitute with extraordinary safety qualities and 1990s style and panache. The second positioning marked the Discovery as *A Logical Evolution of the Legendary Land Rover*. Advertising on this platform served up the Discovery as the latest generation of the authentic 4X4 brand, and stressed ruggedness, off-road credentials, and brand heritage in the copy and visuals. The Legendary Land Rover positioning mirrored the U.K. approach, where Discovery operated as the all-purpose centerpiece of the product line (see **Exhibit 1**). A third positioning, *The More Affordable Range Rover*, had been briefly considered as well, but was discarded in light of the Range Rover Hunter marketplace experience.

Discovery's dual positionings were supported by a \$3 million introductory quarter advertising budget, a sum equal to the total yearly spending for the 1987 Range Rover launch. In a break with tradition, television played a dominant role in the communications mix (45% print; 55% TV), and people were included in the ads.

The U.S. Discovery launch was a resounding success. The vehicle won the coveted "Four Wheeler of the Year" Award; *Popular Science* honored Discovery with its "Best of What's New" credential. In four months, over 2,000 Discovery vehicles were sold. Dealers cried for greater supply as customer waiting lists grew. Product expectations were raised: "We saw Discovery selling at a rate of two-to-three for every Range Rover," Hughes said, "maybe two-to-five if we played our cards right."

The Range Rover 4.0 SE The \$54,000 Range Rover 4.0 SE planned for 1Q 1995 would be unique in two respects: (1) it would represent the first total redesign of the Range Rover in the vehicle's 25-year history; and (2) it would be the first time the Land Rover parent had designed a vehicle from scratch with the U.S. consumer in mind. The design goal for the new Range Rover model was to "retain the off-road Land Rover pedigree while adding vastly improved and much-needed on-road driving characteristics." Standard equipment on the 4.0 SE would include an ergonomically-designed interior complete with rear air conditioning, heated leather seats with two-person position memory, an 11-speaker sound system, side mirrors that automatically adjusted downward in reverse gear, 50% more luggage space than the original Range Rover, and the most extensive use of computer electronics of any SUV on the market. These creature comforts were considered critical in waging competition against up-market SUVs and luxury cars. The \$500 million redesign was dramatic: less than 2% of the parts from the original Range Rover would be retained in the 4.0 SE. The challenge was to make the new Range Rover "completely updated yet comfortably familiar, something that was instantly recognizable as a Range Rover, but more modern-looking, with rounded edges and a softer feel." To guard against the possibility of alienating existing customers with the new design, management planned to retain the original Range Rover as the Range Rover Classic, "for as long as there was consumer demand."

A New Retail Strategy

The final component of LRNA's new strategy involved a complete redesign of the dealer network wherein existing franchises would be converted into free-standing, exclusive retail outlets called Land Rover Centres. As conceived in 1990, the Land Rover Centre would provide "a comfortable and educational environment that revolves around the 4WD lifestyle." Centre stores would offer new and used Land Rover vehicles (including other brands of used 4X4s), off-road equipment (e.g., winches, brush guards), car accessories (e.g., bike carriers, roof racks), Land Rover branded merchandise (e.g., outdoor clothing, T-shirts, watches, tote bags), and adventure travel arrangements. All Centres would include an off-road demonstration track for new vehicle trials and provide on-going four-wheel training seminars. The Centre would be "a must on the shopping list of any 4WD shopper," Hughes predicted. "We hoped to generate as much as 20% of the profits accrued by vehicle sales themselves through Land Rover extended products."

The Centre concept built upon a Yankelovich Monitor survey on retail shopping satisfaction.³ A full 72% of consumers strongly agreed that shopping was "an odious way to use their time." Automotive shopping was the worst offender: "In rank order, the car buying experience was *the most anxiety-provoking and least satisfying* of any of the retail experiences studied. It was described as frustrating, painful, insulting, and belittling. Consumers said they would rather go to the dentist than buy a new car." Hughes' Centre concept addressed these findings: "I wanted to close the gap between what shopping was and what it could be. Saturn made significant advances on this front with their no-haggle policies, but they didn't push the concept far enough. Why shouldn't car shopping be *fun*, not just less painful? Why shouldn't it be *the best* shopping experience any of us have?" The first Centre store was due to open in Atlanta in 4Q 1994; plans were to convert all dealerships to the Centre model within a three-year timeframe.

³Source: Yankelovich Partners, Presentation to National Retail Federation, 1992

Summary

Key events in Land Rover history are summarized in the **Exhibit 5** timeline. Unit sales for The Rover Group worldwide and for LRNA through 2Q 1994 are provided in **Exhibits 6** and **7**. This background sets the stage for the positioning, marketing mix allocation, and retail strategy decisions facing Hughes and the members of his President's Cabinet as they assemble for their 1994 marketing planning meeting on Long Island.

Decision #1: Positioning

Marketing research manager Paul Montopoli had been busy compiling consumer and market information to inform the positioning decision. Through syndicated survey research, Paul knew that SUV purchase interest was driven by a host of product benefits including product quality (i.e., durability, manufacturer's reputation, reliability, workmanship), product safety, product performance (i.e., acceleration, engine quality, transmission quality, ease of handling, towing capacity), and overall comfort/convenience (i.e., interior roominess, seating capacity, technical innovations, cargo capacity, family use vehicle, car substitute), to name but a few (see **Exhibit 8**). Off-road capability (i.e., 4WD availability, perceived ruggedness/toughness, handling off road) also figured prominently in SUV purchase intentions, though the majority of SUVs sold included 2WD, not 4WD. SUV aesthetics also served as a powerful purchase motivator, especially as compared with the aesthetic appeal of other available vehicle alternatives:

I bought a minivan because of all the room it provided for the kids and stuff. It seemed like such a pragmatic purchase. But I just could not live with the image! You know, the stereotypical suburban housewife driving the neighborhood kids to softball practice. I sold it and bought a Jeep Grand Cherokee. It is just so much more fun to drive. (Woman, age 35-44)

The SUV has come a long way since it first appeared on the U.S. market with rubber mats and vinyl seats, so far that it has emerged as an accepted, even desired image vehicle of choice. People want vehicles with an awful lot more *character* than the gutless, androgynous clones coming out of computerized wind tunnels. In the U.S. SUVs have that style and look. They are fashion statements. (Charles Hughes)

Paul noticed that while commonalities in purchase motives across target groups could be identified, meaningful differences in the importance of SUV attributes by consumer segment existed.

Paul wondered who would emerge as Discovery's competition in the battle for new unit sales. By 1994, shoppers chose from over 30 SUV models, their prices ranging from \$10,000 to \$60,000 (see **Exhibit 9**). Market power was concentrated in the hands of two brands—Jeep and Ford—with Chevy a distant third in market share. The Japanese impact on the market was modest, with all such manufacturers claiming less than a 20% share. Competition for share was intensifying, especially within the luxury segment: Mercedes, Lexus, and Infiniti had already announced high-end SUV launches for 1996; Jaguar, Acura, Lincoln, and Cadillac were studying the segment for potential entry in 1997. Brand awareness, opinion, and consideration levels provided a snapshot of the competitive structure through SUV consumer eyes (see **Exhibits 10** and **11**).

Jeep, the best-selling SUV brand on the market, enjoyed a strong heritage in the sport utility domain. Its 1940 response to an invited U.S. Army bid for a "reliable and roomy general purpose 4WD vehicle to be used in the war" yielded America's first-ever SUV. "Jeep" thus originated the SUV category for American consumers, becoming the prototype or standard against which many developed their impressions of rugged 4WD transportation. By 1993, products in the Jeep line

included the \$11,800 basic off-road Jeep Wrangler, the \$13,600 compact Jeep Cherokee, and the luxurious \$21,000 Jeep Grand Cherokee. The Grand Cherokee, heralded by *Road & Track* as "the most car-like of all SUVs," served as the image and sales leader in the Jeep line. A \$67.8 million advertising budget supported the Grand Cherokee in 1994; an additional \$37.5 million was put behind the Cherokee (up from \$28.4 million in 1993).

Ford Explorer claimed title as the second best-selling SUV brand and number four-selling vehicle in the United States. Like Jeep, Ford included multiple price points in its portfolio. The top-of-the-line Explorer Ltd was positioned as an affordable luxury vehicle with unparalleled creature comforts, an image that was backed by a \$24 million advertising investment (down from \$36 million in 1993). While Ford Explorer ad spending paled in comparison to that for the Grand Cherokee, the brand benefited from an investment of over \$1 billion in advertising for the corporate brand name, a strategy that brought buyers into showrooms where they selected among Ford offerings.

Chevrolet was the third major player in the market, selling 200,000 S-10 and full-size Blazers in 1993. A \$60 million ad budget supported Chevy's brands under a "product quality with style" theme. Other SUV competitors focused their advertising to differing degrees on luxury, comfort, functionality, adventure/escape, and authenticity/heritage. AM General's Hummer, a newcomer in the serious 4WD sector of the market, was positioned as an American legend, stressing combat-proven credentials in Operation Desert Storm in the same way Jeep reinforced its World War II associations. The ads in **Exhibit 12** illustrate the different brand positionings operative in the marketplace.

Consumers' perceptions regarding which brands delivered on which benefits had begun to crystallize, creating a basis for meaningful product differentiation in the marketplace. The perceptual data Paul collected was vast: in his most recent survey, SUV purchase intenders rated a total of 23 SUV brands on 21 attribute items. Paul conducted a factor analysis to reduce the 21 attributes to the major criteria which consumers used to differentiate SUV brands. **Exhibit 13** provides perceptual ratings for the 23 SUV brands on the eight major criteria resulting from this analysis (i.e., quality, safety, performance, off-road capability, aesthetics, comfort/convenience, economics, and status/image). Paul thought a useful second step in data reduction would be to focus his analysis on a more manageable set of SUV brands, and to display the data graphically to tease out insights hidden in the numbers. He created graphical summaries that compared Discovery to leading SUV brands on the market (see **Exhibit 14**). Paul also found it illuminating to chart perceptual differences between the various Land Rover product alternatives, as well as between brands in other firm's multi-product SUV lines (see **Exhibit 15**). Purchase and usage diagnostics for owners of the different Land Rover models provided another perspective on differences among Land Rover alternatives (**Exhibit 16**), as did expert judge opinions of the various models in the Land Rover line (see **Exhibits 17 and 18**). Demographic profiles of the various brand franchise groups were also informative (**Exhibit 19**).

Decision #2: Allocating Funds Across Marketing Mix Elements

Hughes believed that his goals of attaining 40,000 in unit sales suggested a marketing budget increase from the traditional \$9 million level to the \$20-\$30 million range. Public relations programs, corporate sponsorships, promotional events, and experience marketing activities competed with traditional advertising for these funds. There were also auto shows (\$200,000), road tests (\$100,000), dealer and employee training programs (\$2 million), and consumer research activities (\$1 million) to support. While each of the programs seemed sound, Hughes' budget could not accommodate them all. Difficulties in measuring the value and effectiveness of the various alternatives made the allocation decision tougher still.

Advertising Recommended advertising spending levels varied dramatically from a low of 25% to a high of 75% of the total marketing budget. Advertising medium preferences also differed: some advocated a switch from business magazines to general audience books and commercial television. A big question concerned whether corporate advertising should be aired in addition to or as a replacement for advertising focused on individual models in the Land Rover line. If model-specific advertising was pursued, the question of appropriate support levels for the vehicles remained at issue.

Corporate sponsorships and public relations programs The costly mix of sponsorship and PR activities was under close scrutiny. Managers debated the value of continued sponsorship of the "24 Hours of Aspen" event (\$160,000) and the "Tread Lightly!" (\$25,000) program. All supported the Camel Trophy sponsorship (\$240,000), though differences of opinion regarding which vehicle to showcase in the event were voiced. A fourth major public relations campaign, the "La Ruta Maya Expedition" (\$270,000), was also being considered. The plan was to fund the creation of stone slab structures bearing ancient hieroglyphs and then carry these historical replicas on the roof of a Land Rover vehicle for 1,500 tortuous miles to a final destination city in Belize where lost structures would be replaced. Members of the automotive press would be invited to join in driving portions of the route. Two Land Rover vehicles would be donated to the Mayan Foundation at the end of the expedition to reinforce the corporate image. General fees and press release distribution costs for the four major PR events were estimated at \$115,000. Smaller scale PR events proposed for the upcoming year included coverage of a clay shoot (\$10,000), sponsorship of the Virginia Cup Tennis Challenge (\$40,000), support of equestrian trials and polo matches (\$20,000), and a first-ever winter ascent up New Hampshire's Mt. Washington (\$20,000), a site famous for "the worst weather in the world." Again, whether to pursue these events, and which models to pursue them with, were debated among company managers.

Experience marketing programs The company's experience marketing initiatives were also being critically analyzed. Prominent among experience programs was the Land Rover Driving Academy in Colorado, inspired by the 1989 "Continental Divide Crossing" event that gave media opinion leaders hands-on familiarity with the Range Rover. Established in 1992, the Academy offered specialized off-road driving instruction to Land Rover owners. "The programs were designed to empower owners, to teach them how to maximize the potential of their vehicles," explained Jim Pappas, president of the Bay State Rover Owners Group and top salesperson for LRNA (himself an owner of four Defenders and a past graduate of the Academy). "There is nothing like propelling in first gear with a 90 degree turn at the end of the drop to get that point across."

Instructors at the Academy were accomplished drivers with experience in 4X4 competitions. Student-to-instructor ratios were generally four-to-one; average class sizes were 15. Two-thirds of a typical year's 200-250 participants were first time Land Rover buyers signing on to \$2,000-\$3,500 four-day programs in 4WD basics. The Great Divide Alumni Expedition, a seven-day crossing of the Continental Divide, served as the Academy's centerpiece. This program was targeted to graduates of past programs at a tuition of \$4800. On average, five alumni expeditions and ten basic sessions were offered each year. Operating costs per four-day session were in the \$40,000-\$45,000 range.

Some wanted to expand the number and type of courses provided by the Driving Academy; others wanted to hold the programs to tighter performance criteria and prune course offerings ("The programs themselves barely break-even if that and we often operate below capacity," explained Scott Heffernan, LRNA sales manager). There was some internal support for opening additional company-owned facilities and funding the development of independently-run off-shoot programs. A Land Rover parts dealer in Vermont, for example, had approached LRNA with a funding proposal for a two-class program in Driving Basics and Ice Driving. Some thought dealers should be required to extend the concept locally, with operating costs estimated at \$20,000 for a one-to-two day program.

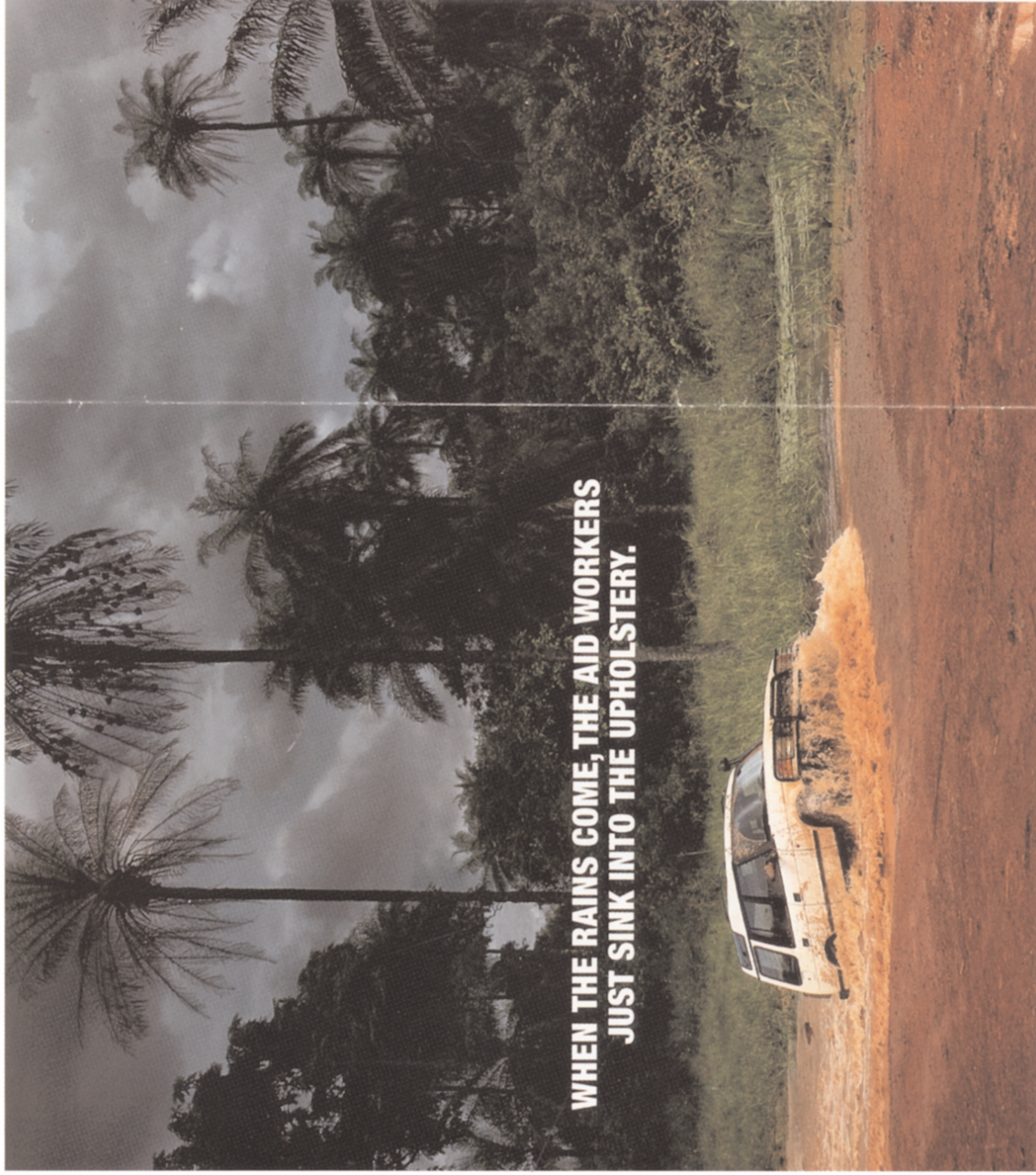
Several managers recommended expanding the company's experience marketing efforts beyond driving schools to include funding of newsletters (\$50,000 per year) and a site on the World

Wide Web (\$150,000 development costs). Building from the Academy philosophy, "Love of Product" seminars were also proposed (cost \$1.6 million). "Seminars would instill in staff and retail partners the same deep understanding of the Land Rover ownership experience that Academy participants received through their programs," explained Hughes.

Promotions and direct mail Several promotional alternatives were under consideration. Line managers proposed a "Champagne Invitational Preview" for prospective 4.0 SE customers (cost \$35,000). In this event, current Range Rover owners would receive one Waterford champagne glass in the mail; the second glass would be available at the local dealership should the customer join in celebrating the new model. An introductory Discovery promotion was recommended as well. Managers envisioned a treasure hunt designed to highlight product search attributes for the buyer (e.g., storage capacity), with prizes awarded to prospect's children for success in the games. Delivery of picnic baskets with all new vehicle purchases was also proposed, as was an enhanced 800-number program with higher quality mailings and personally-signed letters from Hughes sent to product inquirers. Program costs averaged \$5,000-\$60,000, depending on size of the mailing.

Decision #3: The Retail Strategy

Though Hughes remained an avid supporter of the Land Rover Centre concept, others' reactions were tense and skeptical. One original retail partner thought the idea was downright crazy: construction of a Centre would cost at minimum \$500,000 (\$2 to \$3 million if a completely new facility were erected), a hefty sum in a time of declining luxury car sales. Dealers were quick to add that the concept headed in a direction completely opposite from that of the rest of the industry: "Why should we go exclusive when dealerships are consolidating around us and moving toward multi-acre vehicle department stores?" While recent moves by Lexus and Infiniti to force stand-alone franchises upon their dealers seemed valid, dealers argued that LRNA's sales levels were not high enough to justify the investment risk. Frustrations also stemmed from concern that the Centre model implied significant expansion of the dealer network, thus jeopardizing exclusivity benefits in the marketplace.



Guinea-Bissau is one of the poorest countries in the world and is arguably the most underdeveloped country in Africa.

Economic aid was cut in 1989 and the region has been struggling to maintain a workable infrastructure ever since.

The European Development Fund has been helping by introducing a more efficient farming policy, and has created a 50,000 hectare project devoted to maize, cotton and rice.

Even in the dry season, the dirt roads are formidable, but when the rains come they are all but impassable.

The deluge begins in July and continues relentlessly until January, turning the roads into rivers of mud.

The aid workers must cover 1,500 kilometres a week in these conditions, and to do so they rely on the Discovery.

With permanent 4-wheel drive, it makes light work of the most hazardous terrain, while the interior provides its occupants with some well-deserved luxury.

It would be easy to assume that the vehicles exported here have been specially modified, but in fact they're exactly the same as those you see driving around town. The difference lies not in the car, but in the way it is used.

So while 4-foot deep mud may be rare in your part of the world, the need to carry seven people in comfort may not be. And while you're unlikely to fill the load space with extra fuel containers, you may



well need to transport a few bicycles or some camping gear.

Either way, the Discovery is not a car for stick in the muds. For more information, dial 100 and ask for Freephone Land Rover.



DISCOVERY

Exhibit 2 Introductory U.S. Range Rover Print Advertising



It not only says you've arrived. It also says you'll get home.

A Range Rover, clearly, says a lot about the individual who owns one. Its interior speaks volumes about high standards.

Luxurious leather seating and upholstery, a spectacular stereo and more, even an optional sunroof all contribute to a dedication to things refined.

Range Rover's exterior reveals an even finer luxury. As a matter of fact, it was exhibited at no less than the Louvre as an example of elegant design.

Spending \$33,000 plus for a 4x4 indicates more than wealth, however. It also shows a healthy regard for practicality. For there are very few vehicles as extraordinarily capable as a

Range Rover. Its V8 engine, 4-wheel drive and superb suspension can carry you home securely and smoothly through snow, rain, mud and the most daunting of Nature's obstacles.

Call 1-800-FINE-4WD for the name of a dealer convenient to you. And test drive the vehicle that speaks highly of its owner.

Range Rover.

In V8 engine, 4-wheel drive and superb suspension can carry you home securely and smoothly through snow, rain, mud and the most daunting of Nature's obstacles.

Call 1-800-FINE-4WD for the name of a dealer convenient to you. And test drive the vehicle that speaks highly of its owner.

Almost as lightly as they speak about it.

RANGE ROVER



We brake for fish.

Would you like to experience a Range Rover under optimum conditions?

Just add water.

A Range Rover can wade through depths that would immobilize a mere car.

And provide the added traction of 4-wheel drive in a downpour.

What's of the more extraordinary, though, is that a Range Rover isn't a vehicle you'll want to use for a rainy day.

Because on a dry road, it handles like a

road car. And on a test track, it surges along at roughly 100 mph.

It even outpaces you with all the comfort and luxury of a luxury car.

So why not call 1-800-FINE-4WD for the name of a dealer convenient to you?

While a downpour is going on, it's worth the price.

After all, when you buy one you're not simply buying an ordinary 4-wheel-drive vehicle.

You're converting your money into a legend.

RANGE ROVER



Can you spot the Range Rover in this picture?

Goodbye road. Goodbye traffic. Goodbye 5 m.p.h.

A Range Rover does something far more impressive than get you through a traffic jam in an inconvenient, uncomfortable, time-wasting manner.

A Range Rover takes you where there are no jams. Because there is no traffic.

Through the woods. Along the beach. Across the desert. Range Rovers, after all, are extraordinary. They drive for years in places

ordinary cars couldn't drive a square of a mile. So it's not surprising that to marry a Range Rover's most luxurious features with its elegant interior, optional sunroof, or the

security of 24-hour roadside assistance. Its most luxurious feature is its ability to provide an experience a bit more exhilarating than a highway in the suburbs at 65 m.p.h.

Why not call 1-800-FINE-4WD for the name of a dealer convenient to you?

We won't deny that it's somewhat above \$34,000 a Range Rover is hardly inexpensive.

But after all the time you've spent in traffic jams, what could be more than going off on your

own. With massive strength, formidable

traction, and a fully articulated coil spring suspension system that allows each wheel to go 300 ways or so, you're in a degree that no other off-road vehicle can.

All in all, a Range Rover is so well

When you buy a Range Rover, you're buying more than a polished, polished, hard-headed exterior.

More than cruise control, air conditioning, automatic transmission, an optional sunroof, or a side of Beef & Egg Benedict magazine called "The best of any 4-wheel-drive vehicle we've ever driven."

When you buy a Range Rover, you're buying one of the most remarkable pieces of automotive equipment ever designed.

With massive strength, formidable

RANGE ROVER



Who says you can't buy your way out of trouble?

When you buy a Range Rover, you're buying more than a polished, polished, hard-headed exterior.

More than cruise control, air conditioning, automatic transmission, an optional sunroof, or a side of Beef & Egg Benedict magazine called "The best of any 4-wheel-drive vehicle we've ever driven."

When you buy a Range Rover, you're buying one of the most remarkable pieces of automotive equipment ever designed.

With massive strength, formidable

traction, and a fully articulated coil spring suspension system that allows each wheel to go 300 ways or so, you're in a degree that no other off-road vehicle can.

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With massive strength, formidable

traction, and a fully articulated coil spring suspension system that allows each wheel to go 300 ways or so, you're in a degree that no other off-road vehicle can.

All in all, a Range Rover is so well

When you buy a Range Rover, you're buying more than a polished, polished, hard-headed exterior.

RANGE ROVER

Exhibit 2 (continued)



You're about to see a luxury become a necessity.

There's no denying the luxury of a Range Rover. From its burnished walnut trim to its decidedly quiet ride, a Range Rover offers the absolute amenities and genteel polish of a high-end European sedan.

But, at the first sign of snow, it quickly puts company with more luxury cars. Because, with its 4-wheel drive, it can handle slick roads, unplowed driveways, and seemingly impossible trails with

a tenacity a sled dog would envy. In fact, as everything from shot to slash, a Range Rover provides a sense of security un-



RANGE ROVER

matched by anything short of staying home. So why not call 1-800-FINE-4WD for the name of a dealer near you? You may well decide that, even at roughly \$36,000, a Range Rover is worth its price for style alone. Or comfort alone.

Or even for the superb-driving experience its new, more powerful engine provides. But the first blinding snow you encounter will open your eyes to its real value.



And you thought your teenagers were rough on a car.

One of the reasons a Range Rover will stand the rigors of normal driving conditions so steadfastly is that it was designed to withstand the rigors of shockingly abnormal ones.

The sands of the Sahara. The snows of Kilimanjaro. Jungles. Gravel. Mud-covered snowdrifts.

With a unique 14 gauge steel chassis, Range Rovers not only get through mile

after mile of arduous terrain, they get through your after year of it.

In fact, Range Rovers in their third decade are still climbing, wading and



RANGE ROVER

generally unexpected adversity all over the world.

So if the idea of an extraordinarily luxurious, undeniably rugged vehicle appeals to you, call 1-800-FINE-4WD for the name of a dealer near you. It's not surprising that even at roughly \$36,000 many people consider a Range Rover well worth the price. It is, after all, a jungle out there.



The British have always driven on the wrong side of the road.

It's not that we can't get it right. We simply have our own way of doing things. While other automobiles are either unusually rugged, or extravagantly civilized, we've made the one luxury car that isn't dependent on the luxury of a road.

Short of going across undamaged terrain, there are very few places you won't see it.

With its masterful chassis, and permanent 4-wheel drive, a Range Rover can go through anything from a desert

to a snowstorm. In fact, it can even go through time, gracefully.

Range Rovers in their third decade are still performing automotive impossibilities from the Serengeti to the Himalayas.

Why not call 1-800-FINE-4WD for a dealer near you? Obviously, at around \$43,000, a Range Rover isn't inexpensive.

But it's an investment you'll feel quite comfortable with.

Whichever side of the road you're on.



RANGE ROVER

Less we admit complacency, though, we always manage to make improvements that improve even a Range Rover.

The 1991, for example, has a quieter ride, along with a larger fuel tank for increased touring range.

Why not call 1-800-FINE-4WD for a dealer near you? Obviously, at around \$43,000, a Range Rover isn't inexpensive.

But it's an investment you'll feel quite comfortable with.

Whichever side of the road you're on.



Introducing the most beautiful vehicle in the world.

How can we call this most splendid vehicle "beautiful"?

Quite easily, actually. The Range Rover, after all, was exhibited at the Louvre. It's also a favorite of fashionable drivers from St. Martin to Milan.

And with its Land Rover pedigree, it's a favorite on the Serengeti and in the outback as well. In fact, its formidable 4-wheel drive provides grip enough for a

blizzard. And can readily see you across terrain roughly as rough as this.

What's more, with its fuel injected 3.9 liter V8 engine, the Range Rover even

roads on the surface that most chaf-

hinges most off-road vehicles. A paved road.

And its standard equipment includes all the luxury features you'd expect in a vehicle priced at \$39,925.00.

So why not call 1-800-FINE-4WD to find out if one select Canadian dealer's Range Rover will worth the price. It is, after all, a jungle out there.



RANGE ROVER

Exhibit 3 U.S. Defender 90 Print Advertising



What to drive in places where you're the food.

The Defender 90 from Land Rover is one of the most sought-after vehicles in the world.

Which is why it's designed to keep whatever's out there, out there.

It offers the comfort of a front passenger safari cage, permanent four-wheel drive, and a brisk 3.9-liter V8 engine that can put just the right distance between you and a stomping, hungry, salivating who-knows-what.

With an immensely rugged 14-gauge

steel chassis and phenomenally resilient coil spring suspension, it can climb over boulders, splash through a muddy gulch, power up a mountain, and curl down a twisted gorge.



Leaving a predator dumbstruck back at the gulch.

And now that the Defender comes with an optional removable hard top, a dangling green tree boa can't even drop in unannounced.

So why not call 1-800-FINE 4WD for the nearest dealer?

While it's not exactly the least expensive 4x4, the Defender offers you that invaluable old English option.

To be or not to be.

Exhibit 4 Introductory U.S. Discovery Print Advertising



Land Rovers have survived jungles, swamps, even the Kalahari. But this?

Swat kicking, upholstery trouncing, and all-out mud-slopping. Such indulgences are perfect for the new Discovery from Land Rover.

Available dual sunroof and folding jump seats make for an enormously spacious interior, seating a family of seven comfortably, wherever you go. And you can go wherever.

It's, after all, a Land Rover. Along with features such as permanent four-wheel drive, a 3.9 liter V-8

engine, and resilient coil spring suspension, it comes with a history of astounding driving accomplishments. Surely it could take your kids to school in a blizzard. Actually, with a

7700 pound towing capacity in low range, it could take the bus. What's more, the Discovery is the first 4x4 ever to have dual airbags. Along with its ABS system, side door beams, and steel inner body cage, it's a great place to leave children.

Why not call 1-800-FINE 4WD for more information? Starting at around \$29,350* it's great for the one place known as the most challenging a vehicle has to endure: Suburbia.



*MSRP. EXcludes dealer prep, destination, taxes, license, title, and optional equipment.



Protect your family from the most dangerous animals on earth.

For over 40 years Land Rovers have stood up to tigre water buffalo and untamed wild animals.

So there's much to be said for the new Discovery when confronted by the automotive wildlife in America's roads.

It's the first family 4x4 that comes with dual airbags.

What's more, with its superior ABS and permanent 4-wheel drive, the Discovery provides security that goes well beyond the front seats.

Particularly with our steel inner body cage and massive 14-gauge chassis surrounding your son, daughter and golden retriever.

What's all the more extraordinary is

that the Discovery can provide this kind of security on virtually any kind of terrain. From Amazon trails submerged in water to the sands of the Kalahari, not to mention, the mud-covered lot at the little league field.

Why not call 1-800-FINE 4WD for the nearest dealer?

Starting at just under \$29,000* it's rather modestly priced.

Especially for a vehicle intended to keep a family of seven, a family of seven.



It costs \$29,350* to bring a child into the world.

The Land Rover Discovery can help deliver children anywhere. The towering stone pillars of the Navajo Trail. The sinuous mud paths of La Ruta Maya.

Or perhaps alongside a quiet little river, in Burundi.

Become with the Discovery's permanent four-wheel drive, 14-gauge steel chassis, and 3.9-liter V-8 engine, there's virtually no limit to where a kid's curiosity

Sunday drive might take you. And with its dual airbags, superior all-terrain ABS, and steel inner body cage, it can provide a sense of security

strong enough to satisfy even the most overly protective parent. Finally, with nearly 70 cubic feet of interior space, the Discovery is one of the few things you can buy for your children that they'll never outgrow.

So why not call 1-800-FINE 4WD for the dealer nearest you? And get to know the most beautiful mother of all. Nature.



How to prepare the Discovery for the jungles of Madagascar.

What can you possibly do to make the new Discovery from Land Rover any better?

It already has a 14-gauge steel chassis, steel frame, and phenomenally resilient coil spring suspension, all of which enable it to drive through places where the only other vehicles you'll see are helicopters.

It also already comes with almost 70 cubic feet of interior space.

That's almost enough room for a whole Malagasy little league team. And it already has a high level of security. Aside from its steel inner

body cage, side door beams, ABS, and permanent four-wheel drive, the Discovery is the first 4x4 ever to have dual airbags.

So why not call 1-800-FINE 4WD for the nearest dealer?

At just around \$29,000* it's an astonishingly capable vehicle. Realize though, that even the Discovery can't drive beyond a certain point:

"E."



Exhibit 5 Key Events in Land Rover History

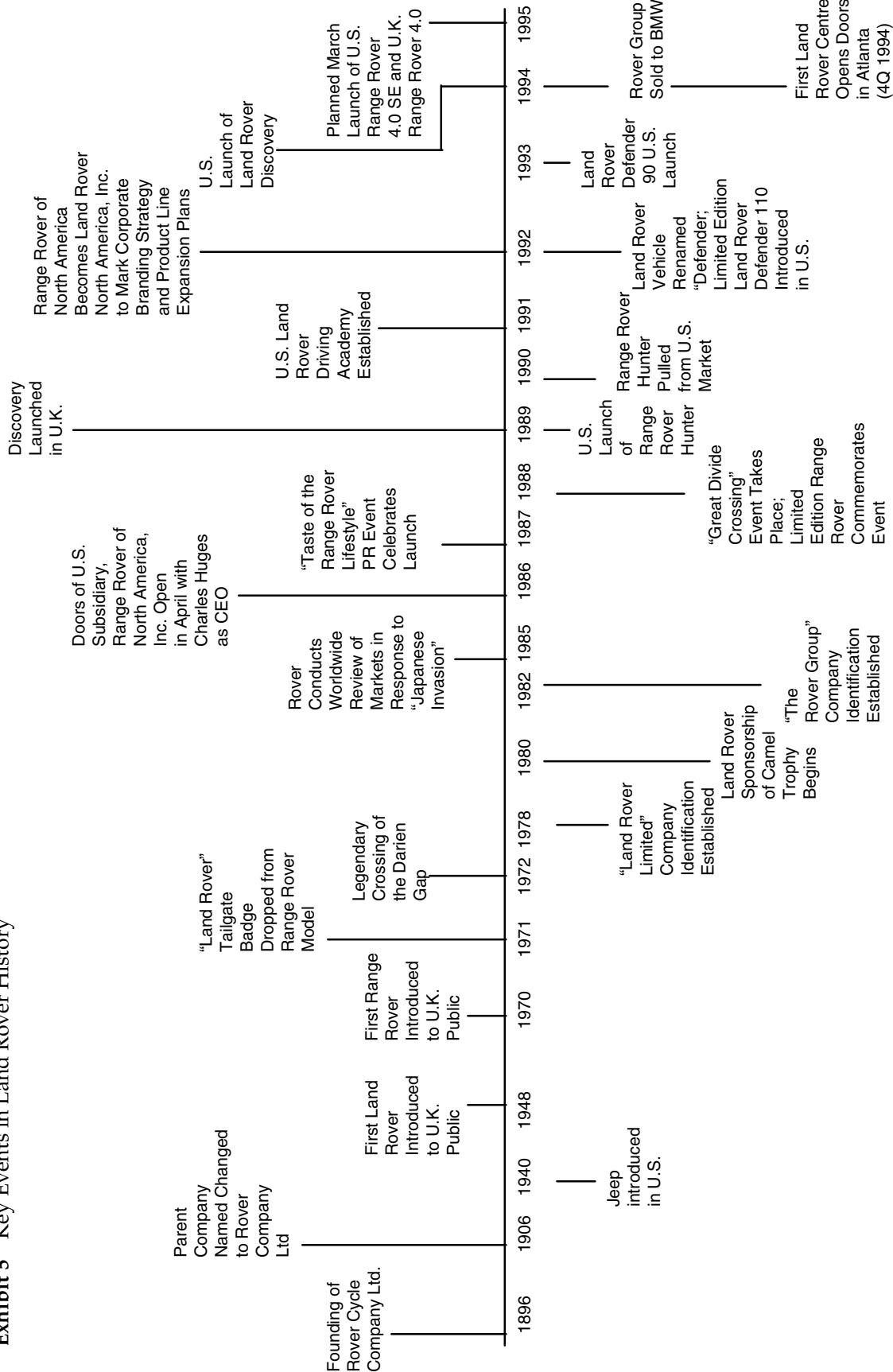


Exhibit 6 Rover Group International Unit Sales

	Total^a	Range Rover	Defender	Discovery
Total Worldwide				
1987	41,191	20,506	20,686	NA
1988	46,700	24,185	22,515	NA
1989	52,272	28,096	23,088	1,088
1990	66,185	23,774	20,583	21,828
1991	57,065	17,976	19,480	19,609
1992	57,621	15,764	17,646	24,311
1993	73,627	17,719	19,375	36,433
1994 ^b	45,039	8,168	10,545	26,326

Source: Internal company records

^a U.K. sales comprise roughly 35% of total units worldwide; Europe 27%; North America 14%; Australia 6%; Japan 3%. Country sales breakdowns do not differ significantly by model with one exception: 23% of Defender unit sales go to Third World/Other markets while only 10%-12% of Range Rover and Discovery sales are so destined.

^b First and second quarters only.

Exhibit 7 Land Rover North America Unit Sales

LRNA Sales Unit					
	Total	Range Rover	Defender	Hunter	Discovery
1987	2,586	2,586	NA	NA	NA
1988	3,427	3,427	NA	NA	NA
1989	5,122	4,822	NA	300	NA
1990	4,532	4,432	NA	100	NA
1991	3,259	3,259	NA	NA	NA
1992	4,234	3,875	359	NA	NA
1993: 1st and 2nd quarters	2,193	2,049	144	NA	NA
3rd and 4th quarters	2,713	2,540	173	NA	NA
1994: 1st and 2nd quarters	4,503	1,835	613	NA	2,055

Source: Internal company records

Exhibit 8 SUV Purchase Drivers,^a for Total SUV Intenders and by Key Demographic Groups

	Total SUV Intenders	Key Demographic Groups						
		Age		Gender		Kids		
		Under 40	Over 40	Males	Females	Kids	No Kids	Household Income
Quality	4.5	4.4	4.5	4.4	4.5	4.5	4.4	< \$100,000 > \$100,000
Safety	4.3	4.2	4.4	4.1	4.5	4.4	4.3	4.4
Performance	4.2	4.2	4.2	4.2	4.3	4.2	4.2	4.2
Off-road capability	4.1	4.2	4.0	4.0	4.1	4.0	4.1	4.1
Aesthetics	4.1	4.1	4.0	4.0	4.1	4.0	4.1	4.2
Comfort/convenience	4.0	4.0	4.1	3.9	4.2	4.1	3.8	4.0
Service factors	4.0	4.0	4.0	4.0	4.3	4.0	4.0	3.9
Economics	4.0	4.0	4.0	3.8	4.1	4.3	3.9	3.4
Status/image	2.9	3.0	2.8	2.8	2.9	2.9	2.7	3.2

Source: Maritz, 1994 Truck Study

Note: Mean differences in excess of .3 significant at 95% confidence level.

^aNumbers shown represent mean importance ratings as measured on 5-point scale where 1 = not at all important and 5 = extremely important.

Exhibit 9 SUV Industry Unit Sales, Pricing, and Ad Spending, by SUV Segment

<i>SUV Segment</i>					
<i>Make</i>	<i>Model</i>	<i>1992 Unit Sales</i>	<i>1993 Unit Sales</i>	<i>1994 Final Base MSRP</i>	<i>1994 Advertising Spending Levels^a</i>
<i>Mini</i>					
Geo	Tracker	32,666	42,312	\$11,015	NA
Isuzu	Amigo	8,519	8,645	14,999	NA
Jeep	Wrangler	49,724	65,648	11,818	NA
Land Rover	Defender 90	359	317	27,900	NA
Suzuki	Samurai	3,256	1,131	9,889	NA
Suzuki	Sidekick	15,392	18,218	11,699	NA
<i>Compact</i>					
Chevrolet	S-10 Blazer	147,742	167,421	\$18,145	\$60.8 ^b
Ford	Explorer	306,681	302,201	17,970	24.0
GMC	Jimmy (S-15)	41,282	47,831	18,274	18.0
Honda	Passport	25,278	106	15,820	23.9
Isuzu	Rodeo	45,257	40,906	15,089	27.8
Isuzu	Trooper	12,956	21,786	21,700	31.5
Jeep	Cherokee	128,960	125,443	13,639	37.5
Jeep	Grand Cherokee	84,600	212,564	21,256	67.8
Land Rover	Discovery	NA	NA	28,900	NA
Mazda	Navajo	8,220	6,920	18,225	10.1
Mitsubishi	Montero	6,702	9,280	27,625	4.6
Nissan	Pathfinder	37,675	49,081	19,669	11.1
Oldsmobile	Bravada	12,122	10,513	25,020	0.4
Toyota	4Runner	39,917	46,652	20,308	25.0
<i>Full-Size</i>					
Chevrolet	Tahoe	24,337	22,852	\$22,440	\$10.2
Chevrolet	Blazer	20,614	22,852	\$21,630	60.8 ^b
Chevrolet	Suburban	56,839	82,615	20,706	NA
Ford	Bronco	24,752	29,729	21,785	NA
GMC	Yukon (Jimmy)	6,053	7,412	21,700	0.7
GMC	Suburban	22,809	32,084	21,657	NA
Land Rover	Range Rover	3,875	4,589	52,500	NA
Toyota	Land Cruiser	7,907	8,962	36,708	6.9
TOTAL SUVs		1,182,699	1,402,558		
TOTAL CARS		8,213,113	8,517,859		
TOTAL LIGHT TRUCKS		4,655,043	5,378,121		

Source: Autodata, *Ward's Automotive Yearbook 1994*^aIn millions of dollars^bAdvertising spending for Chevy S-10 Blazer and full-size Blazer combined.

Exhibit 10 Brand Awareness and Ad Recall for Major SUV Brands^a

	Brand Awareness		Ad Recall	
	Very Familiar	Somewhat Familiar	Lots of Ads	Some Ads
	%	%	%	%
Ford Explorer	54	38	33	44
Jeep Grand Cherokee	40	50	37	46
Ford Bronco	38	49	13	35
Toyota 4Runner	22	49	10	39
Nissan Pathfinder	21	56	12	36
Isuzu Trooper	20	54	12	37
Toyota Land Cruisers	12	48	2	20
Oldsmobile Bravada	6	34	1	14
GMC Jimmy (Yukon)	5	24	1	8
Range Rover	4	48	3	19
Mitsubishi Montero	4	30	1	7
Land Rover Discovery	2	8	2	7

Source: Allison-Fisher, Inc. Image Barometer, 2nd Quarter, 1994

^aAs measured among SUV intenders.

Exhibit 11 Overall Opinion and Buying Consideration of Major SUV Brands^a

	Overall Opinion		Buying Consideration	
	Excellent	Good	Definitely	Probably
	%	%	%	%
Ford Explorer	40	40	54	27
Jeep Grand Cherokee	38	42	37	32
Range Rover	32	38	8	16
Toyota 4Runner	27	44	25	26
Toyota Land Cruiser	26	31	16	22
Land Rover Discovery	18	38	15	12
Nissan Pathfinder	17	49	21	28
Ford Bronco	13	45	10	27
GMC Jimmy (Yukon)	12	38	15	26
Isuzu Trooper	9	35	8	22
Oldsmobile Bravada	8	36	11	28
Mitsubishi Montero	6	20	3	18

Source: Allison-Fischer Inc., Image Barometer, 2nd Quarter, 1994

^aAs measured among SUV intenders very/somewhat familiar with the brand.



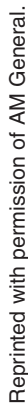


Exhibit 13 Consumer Perceptions^a of Major SUV Brands

	Facets ^b							Status/ Image
	Quality	Safety	Performance	Off-Road Capability	Aesthetics	Comfort/ Convenience	Economics	
TOTAL ALL MAKES	6.7	6.8	6.5	6.7	6.8	6.7	5.8	5.9
Chevy Blazer Full-Size	6.7	7.1	6.7	7.2	6.8	7.1	5.5	5.9
Chevy Blazer S-10	6.7	6.9	6.7	6.8	7.0	7.0	5.9	5.9
Ford Bronco	6.6	6.9	6.4	6.9	6.5	6.7	5.6	5.4
Ford Explorer	7.4	7.4	7.1	7.1	7.5	7.6	6.1	6.8
Geo Tracker	5.4	5.0	5.2	4.5	6.1	5.0	6.3	3.8
GMC Jimmy	6.5	6.8	6.5	6.7	6.8	6.7	5.8	5.7
GMC Yukon	6.4	6.7	6.2	6.8	6.5	6.6	5.3	5.9
Honda Passport	7.1	6.7	6.6	6.3	7.1	6.8	5.9	6.3
Isuzu Rodeo	6.4	6.5	6.1	6.0	6.7	6.3	5.9	5.2
Isuzu Trooper	6.3	6.4	6.1	6.1	6.2	6.5	5.8	5.3
Jeep Wrangler	6.4	6.5	6.0	6.8	6.8	5.7	5.8	4.6
Jeep Cherokee	7.1	7.3	6.9	7.1	7.2	7.3	6.0	6.4
Jeep Grand Cherokee	7.2	7.4	7.2	7.2	7.5	7.5	5.6	7.4
Kia Sportage	4.5	4.5	4.3	4.3	5.2	4.8	5.2	3.5
Land Rover Defender	NA	NA	NA	NA	NA	NA	NA	NA
Land Rover Discovery	7.4	7.6	6.4	7.4	6.5	6.9	4.9	6.9
Land Rover Range Rover	7.3	7.4	6.5	7.2	6.4	6.8	4.7	7.0
Mitsubishi Montero	6.1	6.2	5.8	5.9	5.8	6.3	5.4	5.3
Nissan Pathfinder	7.1	7.0	6.6	6.7	7.1	6.9	6.1	5.9
Olds Bravada	6.5	6.6	6.6	6.5	6.7	7.0	5.4	6.7
Suzuki Sidekick	5.3	4.9	5.2	4.4	6.0	4.8	6.2	3.8
Toyota 4Runner	7.4	7.3	6.6	7.0	7.2	6.8	5.9	6.1
Toyota Land Cruiser	7.1	7.0	6.3	6.9	6.4	6.7	5.2	6.1

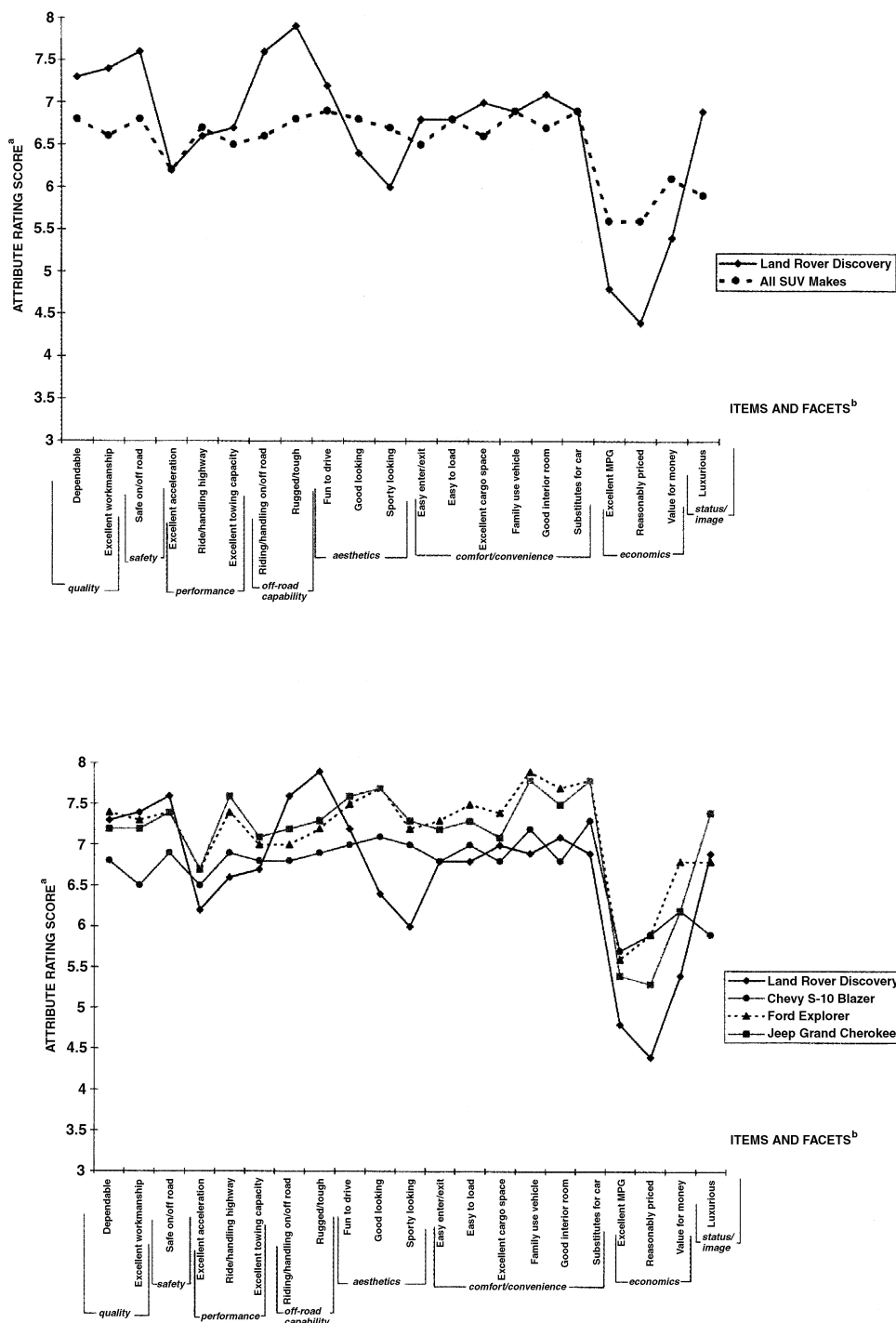
Source: Allison-Fisher, Inc., Image Barometer, 2nd Quarter, 1994

Note: Mean differences in excess of .5 significant at 95% confidence level.

^aMean ratings on 10-point scale where 1 = poor and 10 = excellent, as provided by those very/somewhat familiar with the brand.

^bFacets "aggregate" or average multiple survey items tapping each domain. Facets are ordered from left to right in terms of overall importance in SUV purchase.

Exhibit 14 Perceptual Comparisons: Discovery versus Competition

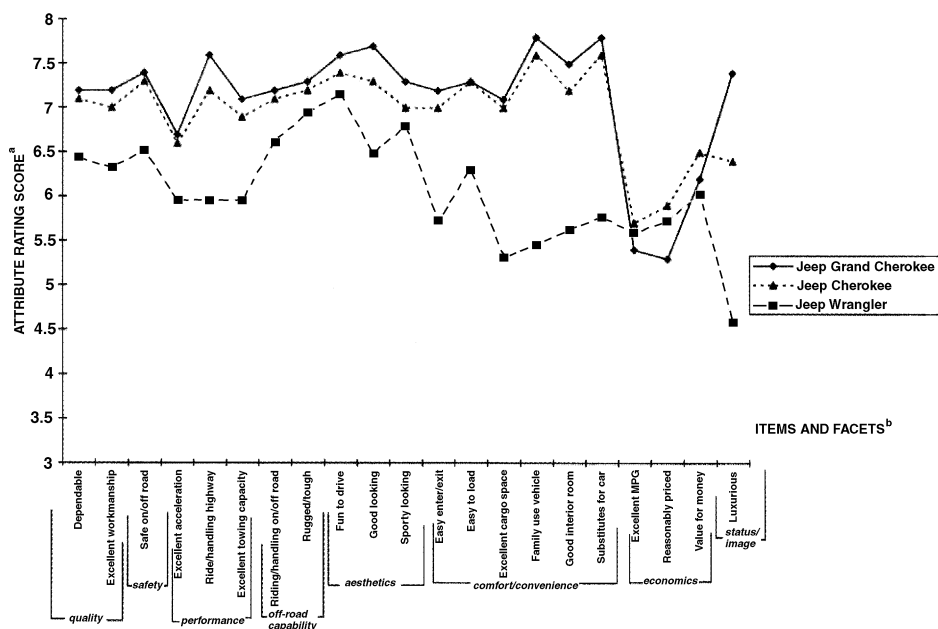
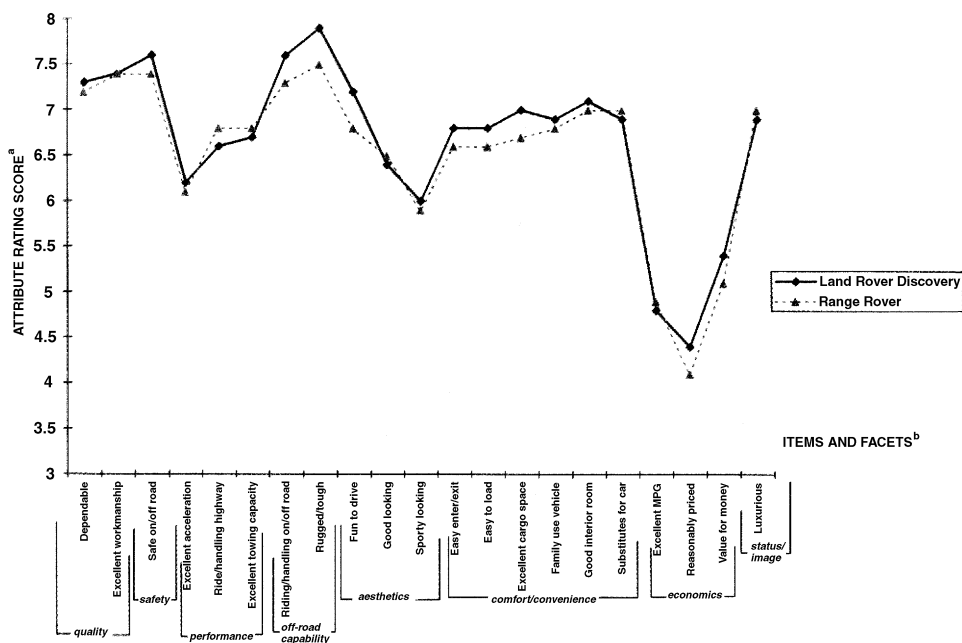


Source: **Exhibit 13** data; Allison-Fisher Image Barometer Study.

^aMean ratings on 10-point scale where 1 = poor and 10 = excellent.

^bIndividual survey items displayed, as grouped by facet. Facets are ordered in terms of importance in SUV purchase.

Exhibit 15 Perceptual Comparisons: Brands Within Multi-Product Lines



Source: Exhibit 13 data; Allison-Fisher Image Barometer Study.

^aMean ratings on 10-point scale where 1 = poor and 10 = excellent.

^bIndividual survey items displayed, as grouped by facet. Facets are ordered in terms of importance in SUV purchase.

Exhibit 16 Purchase and Usage Diagnostics for the Different Land Rover Models

	Total SUV Buyers	Vehicle Purchased		
		Range Rover	Defender	Discovery
	%	%	%	%
Other Vehicles Considered for Purchase				
Jeep Grand Cherokee	30	25	6	36
Toyota Land Cruiser	26	33	13	24
Ford Explorer	15	15	13	26
Jeep Cherokee	15	15	6	16
Toyota 4Runner	6	2	19	5
Jeep Wrangler	3	—	38	—
Mercedes Benz	1	15	—	—
Jaguar	1	10	—	—
Most Important Reason for Selecting Model				
Four-wheel drive availability	15	15	11	7
Well-made vehicle	11	11	11	10
Fun to drive	9	8	31	10
Value for the money	9	2	4	9
Previous experience with model	7	12	4	2
Manufacturer reputation	5	5	12	11
Safety features	3	8	—	21
Exterior styling	3	10	4	3
Ride comfort	2	6	—	—
Technological innovations	2	10	—	11
Prestige	1	3	4	4
Seating capacity	1	—	—	7
Actual Usage Activities				
Transportation to/from work	78	60	57	70
Shopping/daily errands	86	76	70	82
In line of business	25	38	30	30
Hunting/fishing/camping	32	26	65	30
Pleasure driving	80	78	89	77
Vacation trips	66	54	49	65
Hauling	19	13	28	21
Off-road	20	31	78	40
Most Often Usages				
Transportation to/from work	59	35	26	45
Shopping/daily errands	18	30	10	29
In line of business	6	13	11	9
Pleasure driving	11	16	30	9
Off-road	—	—	10	1
TOTAL NUMBER OF VEHICLES OWNED IN HOUSEHOLD (MEAN)	2.9	3.4	3.9	3.2

Source: 1994 Maritz Truck Study

Exhibit 17 Expert Judge Comments on Land Rover Vehicles

The Discovery is the only real 4WD in the group. I knew this thing would do well on the trail, but it surprised me with its highway handling. (*Four Wheeler*, February 1994)

The Disco is even more of a babe magnet than Defender, and now I don't have to stack 'em like cordwood: this thing's got seven seats. (*Four Wheeler*, February 1994)

For the money, Disco is a great adventure alternative to the high zoot Range Rover (*Playboy*, January 1994).

Land Rover has come up with an offering capable of standing with Ford Explorer and Jeep Grand Cherokee. It is not as smooth a ride as Ford, and it's boxier than Cherokee, but it carries the aura of a Rover, and an important part of driving an SUV is feeling sporty (*Chicago Tribune*, December 1994).

It has prestige that drips like chocolate sauce from its marque (*Men's Journal*, December 1993).

I think of the Discovery as the Morgan of sport utilities. It has personality far beyond any of the others. In a sea of Explorers, Grand Cherokees, Blazers, Jimmys, and Japanese clones, there's no mistaking a Discovery's styling, its driving feel, or its prestige. The way I see it, Land Rovers of any ilk don't have any competitors, per se, any more than Morgans do. If you want one, nothing else will do. (*Road & Track*, January 1994)

The Discovery offers U.S. enthusiasts a more affordable alternative to the luxurious Range Rover County. It isn't inexpensive, but it comes with a list of standard equipment that helps offset those pangs of sticker shock. No other vehicle in Discovery's class is so able at so many tasks. It's a comfortable family car, a competent tow vehicle, and an off-roader without peer. And its cheerful, offbeat British character provokes smiles with every drive. Unique is always worth a little extra. (*New Car Test Drive*, January 1994)

A Discovery is a terrific place for an adult who wants to play make-believe. As in make-believe you can afford the more luxurious Range Rover which costs nearly twice as much. Or make believe you're piloting that archetypal safari-mobile, the traditional Land Rover, which stickers out at \$1,000 less for Defender 90, but runs a little short on the creature comforts side. Even if you're just buying the off-road fantasy, its trucky flavor gives the Discovery more realistic character than vehicles that simply adopt the image. (*AutoWeek*, October 1994)

Don't let the price tag fool you into thinking Discovery is a luxury 4X4. The interior has rather basic furnishings and leather upholstery is a \$1,250 option. Though Discovery is extremely capable off-road, most people will buy it as an on-road fashion statement. Before spending this much we recommend you look at upscale versions of Explorer and Grand Cherokee. (*Consumer Guide*, 1994)

The Defender is loud, uncomfortable, and a blast to drive. It's a toy, a big expensive toy. When purchased for this purpose, Defender is the best thing going. (*Automobile Magazine*, 1994)

When you drive back to town in the Defender you do so as a conquering general returning from battle. Forget luxury. Heck, forget good ergonomics, comfort, fit, and finish. Approach the Defender 90 as you would a military weapon and you'll appreciate it. If you look at it as a truck, an SUV, or—please no—a car, you'll be horrified by its lack of refinement. (*Autoweek*, October 1994)

The one honest-to-goodness best 4X4, the one with the best mix of on- and off-road performance, the most comfort, and the most prestige has to be Range Rover. Period. (*Automobile*, January 1991)

The very best, timeless designs are the ones with integrity, where substance and appearance are as one. Get that right and you have a timeless design. Although some social presumption plays a part in any decision to buy a Range Rover, what gives the car real substance is more substantial than that. Although perhaps not a thing of ravishing beauty, Range Rover is a masterpiece of dignified design. (*Car Magazine*, November 1993)

Range Rover highs: superb off-roadability. Lows: the barely amusing Brit notion of ergonomics. Verdict: quirks aside, a virtuous blend of on- and off-road performance. (*Car and Driver*, March 1994)

Quite simply, it is the most prestigious means of going for a dirty weekend (*European Car*, December 1993)

Exhibit 18 Expert Judge Ratings^a of Major SUV Brands

	Chevy Blazer	Ford Explorer	Isuzu Trooper	Jeep			Land Rover			Toyota			
				Wrangler	Cherokee	Grand Cherokee	Discovery	Defender 90	Range Rover	Mitsubishi Montero	Nissan Pathfinder	4 Runner	Land Cruiser
Braking response	1	1	1	1	1	1	2	1	2	1	1	1	1
Cargo space	Small	Average	Average	Very Small	Small	Average	Small	NA	Average	Very small	Small	Small	Average
Complaint rating	NA	NA	9	5	4	1	NA	NA	6	8	9	8	3
Fuel economy	3	2	2	2	2	2	1	1	3	2	2	3	1
Head/leg room	Roomy	Roomy	Average	Average	Cramped	Cramped	Very cramped	Very roomy	Cramped	Average	Roomy	Average	Very roomy
Preventive maintenance cost	7	8	5	6	6	6	1	1	1	2	3	3	3
Repair cost	9	9	6	9	9	9	1	2	1	5	7	6	5
Rollover risk	Very high	High	Very high	Very high	Moderate	High	Very high	Very high	Very high	Very high	High	High	High
Safety features (Anti-lock breaks, airbags)	4	8	6	1	5	5	7	1	7	4	1	1	1
Seating capacity	2-6	5	5	2-4	5	5	5-7	4	5	7	5	5	5-7
Towing rating	Average	High	Average	Very low	Average	Average	Very high	Very high	Very high	Average	NA	Low	Average
Warranty coverage	2	2	9	3	3	3	5	5	5	3	6	3	3

Source: The Truck, Van, and 4 x 4 Book, 1994

^aAs measured by expert judges on a 10-point scale where 1 = very poor and 10 = excellent, except as indicated.

Exhibit 19 Major SUV Brand Buyer Profiles^{a,b}

	1992 Total U.S. Adults	Total SUV Buyers	Ford Explorer	Jeep			Land Rover			Mitsubishi Montero	Toyota Land Cruiser
				Grand Cherokee	Jeep Wrangler	Range Rover	Discovery	Defender			
									%		
Gender	%	%	%	%	%	%	%	%	%	%	%
Male	49	66	61	61	87	74	76	88	65	72	
Female	51	34	39	39	13	26	24	12	35	29	
Marital Status											
Married	<u>68</u>	<u>74</u>	<u>83</u>	<u>78</u>	<u>61</u>	<u>84</u>	<u>84</u>	<u>65</u>	<u>85</u>	<u>88</u>	
Kids present	40	24	24	27	24	30	38	21	42	41	
No kids present	28	50	59	51	37	54	46	44	43	46	
Not married	32	26	17	22	39	16	16	35	15	12	
Age											
18-34	37	37	27	23	47	12	20	38	32	24	
35-49	29	43	39	49	47	54	57	47	53	55	
40-64	17	17	28	24	6	28	20	15	13	18	
65+	17	3	6	65	—	7	4	1	2	3	
Median age	43	41	43	42	33	46	41	38	39	43	
Education											
Less than high school	20	06	1	2	5	4	1	1	1	2	
High school graduate	35	14	17	13	10	5	4	9	5	3	
Some college	23	26	29	33	26	14	10	19	20	20	
College graduate	15	29	29	24	34	36	34	32	31	34	
Advanced degree	7	25	22	21	25	41	49	38	40	37	
Occupation											
Professional/managerial	13	38	44	35	38	36	49	40	43	46	
Self-employed	9	11	6	6	11	28	22	20	20	25	
Other	78	51	50	59	51	36	29	40	37	29	
Household Income											
Under \$50,000	73	32	23	46	63	3	3	12	9	4	
\$50-74,999	16	24	27	23	26	1	7	12	19	10	
\$75-99,999	6	15	18	11	6	4	11	13	18	16	
\$100,000 plus	5	21	22	14	5	68	64	48	47	55	
Median income	\$31K	\$63K	\$64K	\$78K	\$40K	\$256K	142K	\$113K	\$101K	\$135K	
Payment Method Cash	NA	33	37	32	NA	54	50	56	41	54	

Sources: Maritz Truck Buyer's Study, 1994; U.S. Department of Commerce, *Statistical Abstract of the United States 1994*

^aAll figures in percent, unless otherwise indicated.

^bNumbers may not add to 100% due to refusals.