

Message from Palmer EVP



Fastest Growing Brand in the Industry

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Both internal indicators and external measurements show marked increases in Nissan's brand strength over the past year. With its market leadership in the EV segment and its new Infiniti global headquarters in Hong Kong, Nissan is delivering a powerful, unified message of innovation and excitement to consumers around the globe.

Can you provide your thoughts on the current status of the Brand?

There's no doubt that the Nissan brand is improving, but how do you measure brand strength? It's very simple. If you can improve market share at the same time that you can improve your transaction price, your brand has to be improving. It's easy to increase volume with incentives or to increase the price and let the volume drop. But if you can raise both at the same time, the only explanation is that your brand has become stronger.

We've moved over the past 12 months from not being on Interbrand's 100 Best Global Brands list to 90th place in 2011. The list also shows us as the fastest-growing brand in the industry. Likewise, in the BrandZ measurement, for the first time in many years, we have moved in the right direction.

This year will be very pivotal with a lot of new products coming out. Can you give a rundown on the LEAF, Altima, and other models? How will this be tied in with the brand?

The impact of Nissan LEAF on the brand has been amazing. If we go back three or four years, people weren't talking about Nissan as the brand of innovation. But now we're at the front of the discussion about electric cars. Nissan LEAF has put us on the technology map and on the tip of people's tongues. And the other new cars that are coming clearly represent an opportunity to reinforce the fact that Nissan stands for "Innovation and Excitement for Everyone."

One of our most important launches this year is the Altima. It's in the big-volume segment in the United States and represents our biggest opportunity for improvement. The previous Altima was number two in the US market, and with the new model, which has been designed with everything we know about motorcars, we will have an opportunity to go for number one, which will also boost the brand.

The other new cars that are coming include the Sylphy, Note and Sentra. All of these launches started with the question, how does this car contribute to "Innovation and Excitement for Everyone"? Having great products is one thing, but having compelling stories to tell and having people buy into those stories is another. Traditionally, that has been the job of Marketing and Communications. A year and a half ago, we took the decision to combine these two organizations and to bring them closer to the Product Planning and upstream organizations so that we could grasp the voices of the customer much earlier. This also enabled the telling of stories about new car development in a more compelling manner.

An example of such storytelling is the "WHAT IF_" brand campaign we have currently launched in around 30 airports around the world. Some 750 million people will walk in front of our advertising every year and get a single message each time: that Nissan stands for "Innovation and Excitement for Everyone".

We have the science to make great products, so if you can tell compelling stories and make sure your sales operation has the power to back up the stories, you have a very powerful car company.

The new Infiniti has been attracting a great deal of attention and appears to be moving to a new level.

When you look across the industry, there are two types of luxury brands: those like BMW and Mercedes, whose livelihood depends on selling luxury cars, and the rest, where the luxury line is part of a major car company. Most of the latter are at the 100,000-unit level, one exception being Audi, which appears to have a degree of autonomy from the Volkswagen Group.

So in looking at what we need to do with Infiniti, the first thing is to give it oxygen—give it space from the Nissan brand so it can develop in its own way. Since space is geography, we decided to move the head office. We looked at Europe, the United States, and Southeast Asia, and the perfect position was Hong Kong. It's the gateway to China and Southeast Asia, it's only four hours flying time from Japan, the English spoken there makes it easy to communicate with Europe and the United States, and it has a major airport.

Secondly, we need talent. Selling in the premium and luxury market is very different from selling in the mass market. So having been able to recruit Johan De Nysschen to head our Infiniti operations which started on July 1 certainly brings credibility.

The final component is products that meet with the brand definition of "The Fusion of Inspired Performance and Hospitality". That will start with the JX, a product that is absolutely on fire in our sales operations. Hopefully, we'll break out of the 100,000-plus mire of brands and reach the 200,000 mark in FY12. Then, we can start to break away from the pack and close in on the German premium and luxury brands.

What makes Infiniti different from the German luxury brands?

One key point to keep in mind is that once people reach a certain age and buy into German luxury, they tend to continue to buy into it. So you need to catch your customer much earlier. These "Young Premium Customers" are looking for something different from what their fathers are driving. If the German brands are representatives of old luxury with conservative straight line design, we want to be about modern luxury with curves and sexy designs. On a performance axis, we need to be equal to the Germans, but we don't want Infiniti to be performance "machines," as one of the makers are calling themselves. We want to be much more soulful, much more human and hospitable.

Also, we are not shying away from our Japanese heritage. Equally important to the Brand is hospitality, which draws on our Japanese and Asian roots and describes how you should feel when you get into one of our cars or step into one of our dealerships. The purchasing of an Infiniti should be a pleasure. And I think that *omotenashi*—hospitality in terms of the design, the accommodating nature of the vehicle, the design of our dealerships and the behavior of our salesmen and women—will set us apart.

Nissan's latest mid-term plan is the first to focus on Brand, rather than on the company's "recovery."

Nissan Power 88 is the first mid-term plan we have gone into without a handicap. We have great products in the pipeline and we have strong financials. So what are the remaining weaknesses? They are Brand power and Sales power. So our latest mid-term plan is all about addressing those "last weaknesses" of the company. If we do, the consequence will be the "88" in the plan's name: 8% global market share and 8% operating profit. But they are not the goals. The real goal is "Power"—that is, Brand and Sales power.

So how do you elevate people's perceptions about your brand to the levels the vehicles themselves deserve? Marketing is not art, it's science, and we have to put science into place that allows us to manage the brand, to take actions and to be able to see the reactions.

How do you achieve customer loyalty and get people to keep coming back to Nissan?

More and more, it is hard to convince people by pure, "above-the-line" advertising alone. They are referencing shared experiences through periodicals they trust like *ADAC*, *What Car?* and *Consumer Reports*. Experiences shared online are also becoming vitally important. Last week (June 2012), we opened a digital listening center in Chennai to listen for all the Internet chatter about Nissan or Infiniti, sorting it into categories, and allowing us to react to the real and instantaneous voice of the customer. If someone tweets something about Nissan, we're listening, and hopefully we'll react to that. The quicker the reaction, the more you can reinforce that the Brand is very trustful.

How has Nissan LEAF contributed to brand strength?

Nissan LEAF is an absolute example of stand-out innovation. By 2050, 70% of the world's population will be living in a city*¹. If we look at units in operation per 1,000 people in 2009, the U.S. figure is 774 cars. In India, it's only 31, and China is only 47. So there is going to be a huge rise in the number of vehicles in these emerging markets in the next 20 years. Most of the rise is going to be in the city, so something has got to give.

Nissan thus created the electric car. I'm not saying that every car should be electric, but about 10% of the population naturally should drive an electric car. Why spend so much money on gasoline when you can use a car that runs on much cheaper electricity? If 10% of the population moves to electric, a lot of pollutants and carbon dioxide will come out of the air.

The World Health Organization estimates that 235 million people currently suffer from asthma. In the U.K. for example, it has increased five times over the past 25 years. One of the causes is pollutants, some of which are caused by motorcars. With more people living in cities, more efforts are needed to keep pollutants out. Electric cars don't expel pollutants, and the more of them we use in the city, the cleaner the air will be for our children.

More than 80% of vehicle owners in the United States own more than one car. Interestingly, we're finding with our Nissan LEAF customers that in most instances they buy Nissan LEAF believing it to be their second car, but they wind up using it as the first car. It is only for the occasional long journeys that they use the second car, which they thought was the first.

We will have four electric cars in the first generation, the first and foremost being Nissan LEAF. We've subsequently unveiled the e-NV200, an electric commercial vehicle. The third car is the Infiniti LE, which is a genuine premium car that looks, feels and smells like an Infiniti. The fourth car, which has yet to be unveiled, is going to be an entry car.

These four cars cover a full spectrum, and they all look like traditional cars. But in the second generation, they won't necessarily have to conform to traditional concepts. The engine doesn't need to be sitting in front, and you do not need the gas tank behind the rear seat. So as we start of thinking towards the future, we'll start to explore the freedom that the electric car gives to the designers and engineers.

Other so-called environmentally friendly cars like hybrids took three generations to take root. Nissan LEAF is remarkable in the fact that it is taking root in its first generation. We've sold over 32,000 Nissan LEAFs so far*², and we are looking to sell 40,000 in 2012. This puts Nissan LEAF in the top 25% of all cars sold on the market. So Nissan LEAF is not niche. And being the EV gold medalist in front of so many customers is a real driver of brand value.

*1 from "World Urbanization Prospects The 2009 Revision" by United Nations

*2 as of June 2012

