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Two automobile markets

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Emerging fifteen years ago in the United States, the present-day market for pick-ups, minivans, monospaces, four-wheel drives, urban cars and other recreational vehicles represent between 25% and 50% of all sales of new individual/personal vehicles depending on the region of the world evaluated.

Demand for these types of vehicles seems to result from two specific parameters: new categories of the population seeking vehicles that correspond to their own specific practical and symbolic desires, and the need to vary and to do so on periodically. Hence, this type of demand (the second market) is fundamentally different from that of sedans (the first market), which is more predictable and hierarchized from the top-of-the-line to the bottom of model ranges.

It is difficult to ignore the link between the emergence of this new market and deregulation of revenue distribution - more or less pronounced in function of the country studied - especially since numerous observations seem to favor this sort of analysis. The replacement of centralized regulation of a hierarchical progression of salaries by a more "competitive system" of salary formation based on merit, and increased wealth resulting from new and numerous financial and real estate opportunities, seem to have substantially transformed the trajectories and social structures characteristic of the "years of abundance" as well as social status symbols whose importance in the conception of vehicles is no longer neglected.

How will this new market evolve? Will it tend towards a simple distinction between the classical range of models that others derived from it will suffice to satisfy? Or else will it evolve into a demand for distinction that is not solely based on surface elements, but that implies the need to conceive of and produce specific models that share very few parts with other models? Will it stabilize with the structure of present-day model types? Or will it be characterized by a regularly renewed demand for conceptually innovative models corresponding to the constant emergence of new categories in the population acquiring here and there new sources of wealth?

Answering these questions is an essential task to undertake in order to evaluate the future pertinence of the "profit strategy" adopted by firms and the difficulties they could encounter during mergers and/or alliances. If the models of the second market turn out

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to be simply derivatives of the first, and if their variety is stabilized, then the "volume and diversity" strategy, in other words based on the platform, will be able to guarantee the firm's profitability, as well as that of merged or allied firms, even if they have different product policies.

On the other hand, if models from the second market must remain specific and change on a regular basis and in a radical manner, then firms adopting a platform policy will not be able to apply this to their classical range of models. In addition, they will have much difficulty in conceiving of and producing innovative models due to the contradictory nature of demands and risks required by the "innovation and flexibility" strategy with those of the "volume and diversity" strategy. The same goes for firms that merge or ally when they adopt different "profit strategies". Indeed, where can one find the synergies necessary to sufficiently justify the considerable financial and human investment that any merger or alliance requires?

Will we soon be witnessing the emergence of a new strategy thanks to the invention of an unprecedented way of conceptualizing automobiles, one that would render volume, diversity, and innovation compatible, such as General Motors was able to accomplish in the 1920s and 1930s with volume and diversity by inventing commonly shared platforms and the "surface" diversity of models?

The persistence of both these markets, distinct yet of equal importance, could soon well resemble one of those structural constraints whose inventiveness has already been demonstrated by history.