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Those with designs on success may have to change their style

It was an arresting lead: "Sales of imported cars, especially Japanse cars, ran wild in October, while those of the North American car makers took a bruising tumble." Later in this news story, which appeared in *Report on Business* on Nov. 4, reporter Ken Romain wrote, "there appears to be no accounting for the sales splurge by the imports." Readers must have muttered, "Haven't you seen the new Japanese cars?"

In 1989, Canadian car sales by General Motors, Ford and Chrysler were down by 9 per cent from 1988. Sales of foreign cars were up by 1 per cent, with the major Japanese companies far ahead. Honda was up 13 per cent, Toyota 10 per cent and Suzuki 11 per cent. Nissan was down 6 per cent for the year, but up 3 per cent in December, probably reflecting the popularity of its brave new models. (Mazda and Subaru were down for the whole year.)

Why do Japanese cars fare so well in the market? Consumers are attracted by the quality of imports, but also by their conception – their *design* – even at premium prices. In discussing business, we too often confine ourselves to executives and managers. In large measure, the war between North America and Japan over cars is a war among designers. Design is the software that makes the hardware sell.

Almost 10 years ago, United Auto Workers president Douglas Fraser explained to a Detroit audience why he opposed import quotas on cars to protect his own union members. He argued that his workers' long-term security depended on U.S. auto companies getting the product right. He claimed that only falling profits and angry shareholders could win the attention of bovine Detroit automakers. So Mr. Fraser did not support import quotas.

What happened? General Motors' share of the U.S. car market fell from 57 per cent in 1978 to 35 per cent in 1987 – a staggering collapse of fortunes. Among the Big Three, Ford emerged with the best designs and quality, lowest product costs and highest profits on improved sales, but imports won the decade.

A study by the U.S. consulting firm Harbour and Associates Inc. says Ford employs an average of 3.36 workers per car per day, compared with Chrysler at 4.38 and General Motors at 4.99. This, among other things, leaves Ford with a profit of $591 (U.S.) per vehicle assembled in North America, compared with $228 for Chrysler and only $47 for GM. Good for Ford, but Japanese operations in North America required only 2.75 workers per car per day.

Under Chairman Roger Smith (the off-stage star of the witty current film *Roger and Me*), General Motors spent an average of $6-billion annually in the 1980s to automate its plants and design new cars. But GM's productivity is poor, and even its sportier new models still exhibit touches of plush and glitz that deter many consumers. The aura of another era lingers in the musculature and woodgrain veneer of too many GM cars.

The importance of design in manufacturing is still not understood in North America. We seek out Italian lamps, Japanese television sets, West German suits, Swedish bookcases and British stereos, in part because they are so esthetically pleasing. Throw in the probability that they are better made and more profitable than their North American equivalents and the predicament of our manufacturers is apparent.

This week in Toronto, haberdasher Harry Rosen mused about challenges facing retailers in the 1990s. He criticized the traditional system in which manufacturers create products they must sell to retailers who, in turn, must court and spark consumers. It is the retailers who have daily contact with the public, and the best information on their preferences. Citing the success of Ralph Loren's Polo line, Mr. Rosen says, "They're shrewd observers of contemporary life. When they want a product, they take it to the manufacturer," not the other way around. Harry Rosen does the same, and his business is expanding – not the other way around.

It is a cliché to say that we live in the information age, but what does that mean in practice? Well, design consists of nothing *but* information. The more information consumers have, the more importance they place on design. The less our manufacturers realize this, the more they are likely to end up sharing a "bruising tumble" with the Big Three. Designing women and designing men should be the hot business properties in the 1990s, insinuating knowledge into things that therefore succeed.

The article EM9002 reprinted above is used in Figure 11.2a of the STAT 221 Course Materials.