

## Marketing the Mercedes way

Ola Källenius of Daimler discusses the high-tech and high-touch marketing of an iconic brand.

**Ola Källenius** is a self-confessed “car guy” who still harkens back to being “that kid with the dream of driving that Mercedes star.” The Swedish-born Källenius joined the then Daimler-Benz AG in a management associate program in 1993, was named executive director of McLaren Automotive in 2003, and became a member of the Divisional Board of Mercedes-Benz Cars, responsible for marketing and sales, in 2013. In January 2015, Källenius was appointed to the Board of Management of Daimler AG. At age 45, he is the youngest member on that governing body. In a recent conversation with McKinsey’s Jesko Perrey, Källenius shared his views on what’s driving the future of marketing, particularly at the luxury end.

**The Quarterly:** *Has marketing changed fundamentally since the first golden age?*

**Ola Källenius:** It has become a more challenging game, but I would say that some of the basics are still the same. You need an attitude, a story. You have but two buttons to push—emotion and intelligence, heart and mind.

**The Quarterly:** *This suggests that analytics alone won’t supplant traditional storytelling.*

**Ola Källenius:** One thing I want to stress, because everyone tends to talk just about the digital side, is that in the world of modern luxury it's not all digital. It's human touch. That's equally important as digital—more important, in a way. Think about other luxury brands, like Hermès and Louis Vuitton. Look what they're doing: they're building flagship stores that are beautiful, where you actually like to just browse around before you buy. Those are emotional places. So let's not believe that, even for younger people, this side does not count. It does. At the same time, people want seamless integration between the physical side and the digital side.

**The Quarterly:** *What does the digital side allow you to do that you couldn't do before?*

**Ola Källenius:** Here's one example where big data has actually changed the way we're doing business: car2go.<sup>1</sup> We know everything that happens to those cars, 24/7, around the year. If you start analyzing that data, you can see patterns. You can see, for instance, that between 8:00 and 10:00 in the morning, in different cities, there is a likelihood that somebody picks up a car, drives somewhere, and is in a certain "neighborhood A." So we can make sure there are more cars in that neighborhood during those hours.

We can also improve the customer experience so there is a one-to-one relationship with the customer. That's what we do now with "Mercedes me," which allows our customers to have a unique Mercedes ID. This allows seamless integration between your smartphone and your car, and between us and our vehicles. We know, for example, how your brake pads are wearing. That data lets us know when a car needs service even before the customer does, so we can prompt a service appointment.

**The Quarterly:** *How important is it for you to connect within the organization—to integrate marketing into product development, for example?*

**Ola Källenius:** We have completely reorganized our marketing and sales department instead of having different things in different areas, and have created what we call "best customer experience."

<sup>1</sup> Daimler's car-sharing provider, car2go, offers point-to-point rentals in selected European and North American cities.

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We bundle the different areas inside our headquarters function, which does the blueprint for the whole customer journey. We now have a steering committee with our telematics people and entertainment people and IT people sitting together because you can't do marketing well in isolation. You have to have engineering with you, and you have to have IT with you—otherwise it doesn't work.

**The Quarterly:** *How else are you working to provide “best customer experience”?*

**Ola Källenius:** Another way we're achieving the human touch is building on Apple's idea of the “product genius.” It's a role, in the retail network, that is not a sales role, so customers don't have the pressure of the transaction when they speak with this person. We call the role our “product concierge.”

The product-concierge role is solely to help our customers understand the product before the sale, after the sale, and after they have left the lot. So if you've purchased your new S-Class, the product concierge explains the car to you, and you kind of understand how it works. But now you've driven off, and you're sitting there with the telemetric system, and you forgot how to activate your Mercedes-Benz apps, for instance. You call the product concierge, and he or she will explain it to you.

This is just one example of a role that didn't exist previously at a car dealer and almost didn't exist anywhere. We've improved the customer experience by eliminating the pressure of the transaction. Hamburg was our pilot for that. Now, we're training 500 product concierges in China as we speak.

**The Quarterly:** *Is this also a response, in part, to the challenge of proliferation? How do you break through the clutter?*

**Ola Källenius:** If you look at society as a whole, we all know this, the amount of information that you absorb per day now—compared with, maybe, what you did 10, 30, 50 years ago—is much, much higher. So to grab the attention of the relevant people and drive their buyers’ choice, you have to be really smart about this. This has huge importance, as far as Mercedes is concerned, compared with where we were years ago, when marketing was more just about the product.

Now, to digitize within Mercedes, we have a proof point that we push for connectivity: “Mercedes me.” You have to have connectivity, especially for younger people. We offer all kinds of services around the car and beyond, so to speak. The look and feel of our advertising, physical presentation, and stores all need to fit into that world. This is reflected in our “Mercedes me” showroom in Hamburg—well, you could call it a showroom, but it’s really not. It’s a restaurant, it’s a happening place where we cooperate with artists and with musicians. It’s the cool place to be for young, successful professionals. They’re working hard all week, and they deserve a treat on the weekends!

**The Quarterly:** *Which becomes a key facet of this new golden age, does it not? The better you engage with your customer, the stronger your customer’s experience going forward.*

**Ola Källenius:** The founding father of our company called it: “The best or nothing.” What did he mean when he said that? He was not talking about a product description, per se. He was talking about attitude. You don’t rest on your laurels. You move beyond.

We push the emotional button very consciously across touchpoints in marketing. And the great thing with Mercedes is that you do have emotional brands. When you buy a Mercedes, it’s always been about the dream of the little kid one day driving the star. ○

**Ola Källenius** is a member of the Board of Management of Daimler, responsible for marketing and sales. This interview was conducted by **Jesko Perrey**, a director in McKinsey’s Düsseldorf office.