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Case Study Strategy & Business ...Booz, Allen & Hamilton

Conceptual Re-engineering at Nissan

By Robert J. Thomas

To anyone who admires tradition, the business of making cars has always had a kind of simple elegance. For three-quarters of a century, we have done it basically the same way, measuring our success in terms of design, performance, production and sales. We honor operational excellence.

But one complicating factor -- becoming more evident every day -- is that those who make the cars don't handle the retail end of the business. While this division of labor is common in almost every consumer product industry, it can, and often does, become a problem when very expensive merchandise is being sold.

Those of us on the manufacturer's side believe devoutly in customer satisfaction. Yet dealership personnel, the salespeople who represent us but whom we do not employ, often act in ways that consumers dislike. In their off-putting urgency to close a deal, the salespeople are simply reacting to some of the industry's harsher facts of life. For them, the combination of high overhead and a surfeit of competitors in the same geographic area (some even selling the same line of cars) always makes it imperative to press for an immediate sale.

As bothersome as that practice is, it did not mean much until recently. We could always count on the consumers to buy at dealerships, because they had no other place to go.

But this customer-as-afterthought approach to selling cars will soon go the way of the Model T. The balance of power is about to tilt radically to consumers, who now have alternatives to factory-authorized dealerships. Sales via the Internet, car "brokers" and giant auto malls, among other new options, now represent only a small fraction of the total, but they are certain to grow. And it won't take a large percentage to shake loose the foundation of our business -- the traditional manufacturer/dealer distribution pipeline -- and with it a large measure of control over inventory and pricing decisions.

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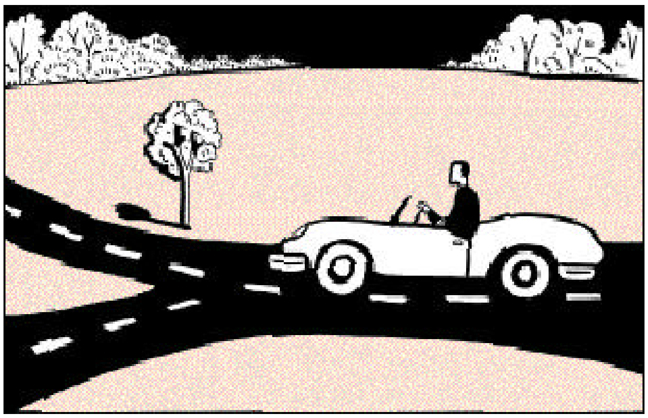
That the auto industry will almost certainly be called to account for all those years of failing to nurture buyer loyalty will not surprise anyone associated with other consumer-oriented businesses. But it has come as a shock to many of us at automotive industrial companies, where the reason for existence has been to "move the metal."

Last year, although Nissan had dramatically recovered from a slump in sales during the late 1980's and was basking in success, I became convinced that the way we were doing business would not help us meet the challenges of the new marketplace.

The problem lay not with our manufacturing processes -- Nissan efficiently delivers an excellent product -- but in how we interact with the market. So I personally led our company management on an overhaul of our thinking in what amounted to a conceptual re-engineering. The goal was to insure Nissan's future success by developing an innovative mind-set, one that says we can break away from the industry and chart a new course.

Conceptual re-engineering is analogous to other types of re-engineering in the sense that we had to rethink our business rationale, from top to bottom. We examined our assumptions about the kind of company we are, the kind of industry and competitive market we are in, the needs and expectations of consumers and how we want to achieve success. We had to peel away layers of rote thinking that served to protect the status quo. Only then could we uncover the principles that we wanted to express as individuals and as a company.

Toward that end, we created what we came to call our "Belief Stream." Before tackling the obligatory vision and mission statements, we settled on the things that we believed about the industry and Nissan and the values that we wanted to stand for.



Before I could lead this work, however, I had to go through my own transformation ...

**THE BEGINNING:
MY TRANSFORMATION**

From my days in college, I began to realize I was noticeably drawn to contrasts. For example, I enjoyed the directness and solvability of my math major courses, but I was equally intrigued by the obliqueness and conundrums in my philosophy minor courses.

One philosophical argument I remember was the one about whether pleasure is a feeling in and of itself, or if it is simply the absence of pain. That question can be argued persuasively from either side (as most philosophical arguments can), and how you view it may depend on your perspective or point of view.

Which is a good segue to the contrasting opinions we deal with daily in our business:

Our business is simple / Our business is complex.

The consumers want value, and a good "deal" / What they really want is respectful service.

We have to make demand equal to supply / We ought to make supply equal to demand.

Employees want empowerment / Employees want direction.

Your competitors are your enemies / Your competitors are your partners.

Your products define your brand / Your brand defines your products.

Stability and consistency are the keys / Change and flexibility are the keys.

The foregoing examples are the tip of the iceberg when it comes to the contrasts -- even paradoxes -- in our industry. Each of those points can be argued intelligently and persuasively, and often are -- even at the same time. What gives a chief executive officer the ability and courage to pick a path through the contrasting choices? Especially if the path is one that puts the status quo at risk?

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We are probably all -- good or bad -- products of our parental, neighborhood, societal and business environments and upbringing, and I'm no exception. I grew up with simple Midwestern values and naïveté about the hardships of urban life and big business. My views were later broadened and hardened by a three-year assignment with the Ford Motor Company in the New York City area during the destructive automotive recession of the early 80's. In all, I have 25 years of automotive experience, mostly working for manufacturers, but with a stint in the mid-80's on the retailing side that gave me a real understanding of, and respect for, the franchised retailers of our products.

I never really thought much about how to approach the future, but if you had asked me, I would have said that I just assumed that what I had learned in those 25 years would be what I would need to know to get through the next several years.

Was I ever wrong! The changes in the industry I described above were just some of the many stimuli that accumulated and eventually contributed to my own transformation. That shift occurred for the most part over a two-week period approximately a year ago, as I catalogued all that I knew, all that I believed in, those new things that challenged my beliefs and knowledge and those new things that validated them. Once I became sensitized to the changes going on all around me, I was bombarded by them, proving once again the truth of the adage, "When the student is ready, the teacher will appear."

An example: One day, I read a list of the top 20 TV shows and realized I had never heard of most of them, let alone watched them. It really surprised me that I had become that out of touch with what entertained the public.

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Another example: When I became president and chief executive four years ago of the Nissan Motor Corporation U.S.A., the American sales, marketing and distribution arm of Nissan (which encompasses the Nissan and Infiniti brands), I transformed the previous and perennial record of falling short of sales objectives into a sales increase of more than 30 percent, followed by solid sales/profit accomplishments every succeeding year. However, despite the huge achievements, the employees told us in a survey that we didn't understand their needs! I was surprised that corporate success didn't automatically breed high morale. I was also surprised to find that employee-oriented company activities related to performance evaluation and career planning that had worked for me as I was beginning my career didn't affect this generation the same way.

A third example: Despite spending significant amounts of marketing dollars, and despite terrific products, our imagery indicators kept falling and the cost of sales per unit kept rising. We were all puzzled that our sales momentum and our marketing messages on the attributes of our various models were seemingly falling on deaf ears.

I quickly came to realize that
our employees and consumers were telling us the same thing: that, as executives, we were out of touch and trying to satisfy ourselves through our mind-set -- rather than being able to see the world through their eyes.

For me, it was a relatively simple matter to make the shift. But to carry out that change within our company required a conceptual re-engineering process that has been anything but simple. It is a year old at this point and certainly hasn't run its course.

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THE CONSUMER ENVIRONMENT

Consumer behavior has changed dramatically in the last decade. When consumers felt everything would improve as they grew older, their spending patterns were predictable. As they moved up in status and income, everything they purchased seemed to be bigger and better.

But the economic dislocations and uncertainties of the last 20 years, and especially of the early 90's, have created a curious hybrid: cautious consumers who are nevertheless willing to pamper themselves once in a while, as long as the pampering is perceived to be worth the money.

No company has had more impact on our recent understanding of consumers than Starbucks, the Seattle-based coffeehouse-cum-cultural-center/neighborhood-hangout chain. It has grown from a local fern bar into a national presence by persuading people to plunk down $2.50 and more for a cup of coffee. It is not just a normal cup of coffee, of course, being a very good cup with a pleasant place to drink it -- but that's not the point.

Starbucks has redefined leisure, giving its customers a new kind of (non-alcoholic) place to interact and take a break -- the same lifestyle/break that Coke ("The Pause That Refreshes"), then Pepsi ("For Those Who Think Young"), then McDonald's ("You Deserve a Break Today") offered their consumers. It's the same kind of lifestyle/break that we auto makers say our customers will get when our ads show them driving for pleasure -- whether it's an Infiniti sweeping along a scenic road or a Pathfinder plowing through the snow.

Moreover, Starbucks challenged the former wisdom that brand identity was no longer important. It is one of the hallmark companies that have resurrected brand loyalty, by giving customers good value (even though the cost is relatively outrageous) with no aggravation in a nice environment.

Unfortunately, the car industry is seriously out of sync with consumers on the "non-aggravation" scale. Surveys consistently indicate that buying a house and buying a car are about equal in the amount of stress and anxiety they cause consumers. All but the most determined and confident hagglers typically sign off on a car deal thinking they were taken advantage of by a sharp salesperson, and therefore paid too much.

So consumers are beginning to show signs of doing what any rational person would do: abandoning the places where there is aggravation and investigating new retail sites. They can sign onto the Internet and find information on manufacturer costs that can help them make a deal, or they can actually buy a car on-line. In the real, not virtual, world, they can go to one of the new car malls that carry several makes and models, and comparison shop -- without having to get into their cars and travel from one dealership to another. Or they have the alternatives of CarMax and AutoNation, used-car emporia.

Circuit City, the electronics chain, has proven it can adapt the techniques and facilities it uses selling computers and televisions to cars (CarMax). Wayne Huizenga, the brains behind Blockbuster Video and other endeavors, is capitalizing a national network of used (and new) car franchises
(AutoNation) that will dwarf anything now in existence.

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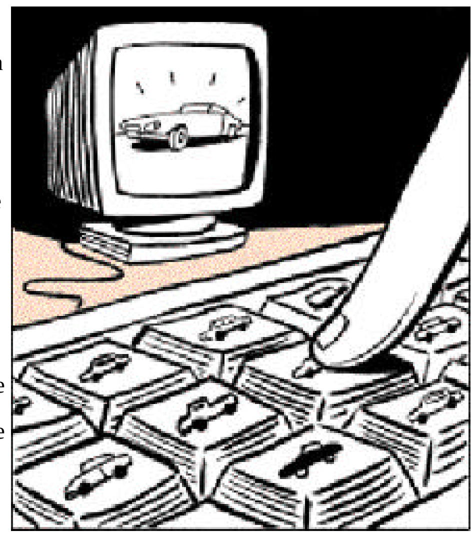
If the demise of local, family-owned dealerships seems unimaginable, just consider Circuit City's other business. Twenty years ago, if we wanted to buy a television, we went to the RCA or the Magnavox dealer. Even 10 years ago, if you wanted a computer, you went to the Apple or the I.B.M. store. There are no more Apple or I.B.M. or RCA or Magnavox stores. At Circuit City, the Sonys, JVC's, Mitsubishis and Magnavoxes are stacked together, organized by appliance, not brand. It is not unusual to see a 40-foot wall of televisions, all playing the same channel for comparison purposes. At Computer City, a competitor of Circuit City, the I.B.M.'s sit on shelves between the Compaqs and the NEC's. Across the aisle are the Macs.

A similar retail revolution has taken place in other consumer arenas: think about where you bought books, office supplies, hardware and tires 10 or 15 years ago and where you buy them now. Most of the old outlets either don't exist or are listing badly.

We have not experienced the retail revolution in the auto industry to that degree yet, but there are plenty of indications of a "shelf space world" to come, one in which customers will go to hangar-like structures to choose from row upon row of Nissans, Toyotas, Hondas, Chevys and Fords sitting side by side, like soap. In this world, the fulcrum of power between the manufacturer and the retailer would shift to the retailer, who would control inventory, ordering popular models and refusing unpopular ones.



Manufacturers would lose the benefit of a strong-selling product supporting a weaker one. Like packaged-product makers, auto makers could find themselves fighting each other for placement among the many other brands on the shelf.

In the short run, the competition may be good for consumers using only price as a measurement, but in the long run the manufacturers will have to consolidate their lines. There is a limit to how responsive a manufacturing company, even one that can significantly shorten its product-cycle time, can be to the abrupt cycle of short-term consumer/retail demand. Eventually, consolidation will most likely drive out all but the top three or four sellers in each segment, leaving consumers with fewer overall choices.

This treadmill-to-oblivion scenario is unappealing to the traditional participants: manufacturers and existing retailers. In the "shelf space" world, the retailers would change from entrepreneurs to warehouse managers, and manufacturers would continue to succeed only as long as they could maximize production flexibility and squeeze profits out of the margins. This revolution is perhaps a long way from being on an irresistible arc, but if we want to shape the future of the industry into some configuration that is "win-win" for consumers/retailers/manufacturers, we have to change.

To that end, Nissan has spent the last year trying to remake itself from a business with a manufacturing mind-set into a market-oriented company that can provide consumers with all that they look for in a superior brand: the manufacturer and retailer understand their needs, a sense of confidence those needs will be met, credibility and, of course, great products and service.

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RETHINKING CULTURE AND BEHAVIOR

When we began this process, it was a given that we would put customers at the center of any new strategy. But before we could change our outward philosophy, we had to change our company's inward culture and the behavior of individuals.

We were working within certain parameters, of course. I had no intention of putting the company at risk, so any changes had to be productive under all known industry and market conditions. I also committed to our parent company that we would continue to achieve our annual vehicle sales and corporate profit objectives throughout the change process.

Before we went to our retailers with our ideas, we spent several months working together internally, beginning with seminars for the most senior-level executives. My goal at the beginning was to create a strong team by developing trust and to get the senior people to re-conceptualize their roles. Their responsibilities had been divided up functionally, which is appropriate for a traditional company, but not for one trying to effect fundamental change.

During the initial phase of our overall corporate self-examination, which I have led personally throughout in order to keep our respective learning curves the same, I started with the small group of officers. Surprisingly to me, they were largely defensive, resistant or uninterested, and they were easily influenced by defenders of the status quo. I had to act, so I shifted virtually every officer's functional assignment and reduced the number of officers to six, from nine. Finally, after some key officers reached the same transformation as I had, the tide turned.

The officers and I then engaged with our field management (regional vice presidents) and our national headquarters management (directors), to go through the same self-examination for their benefit. The initial range of resistance in the officer group was present in these groups as well. At the time, I attributed a lot of this to human nature, but have come to also link it more and more to the consequence of bureaucracy.

Dealing with the management group in total (consisting of approximately 50 officers, regional vice presidents and directors) had some advantages and some disadvantages.

This large group was effective for one-voice positioning on issues, and even self-evaluation activities such as developing our "Belief Stream": our core values, vision, mission, objectives and strategies.

However, we weren't effective as a large group in the synthesis and alignment of those things that were exposed as weaknesses or opportunities. I found that in those areas, it worked much more effectively if I personally provided a synthesized straw man for the group to evaluate and improve upon. But even then, it was hard to transfer our group dynamics into the workplace.

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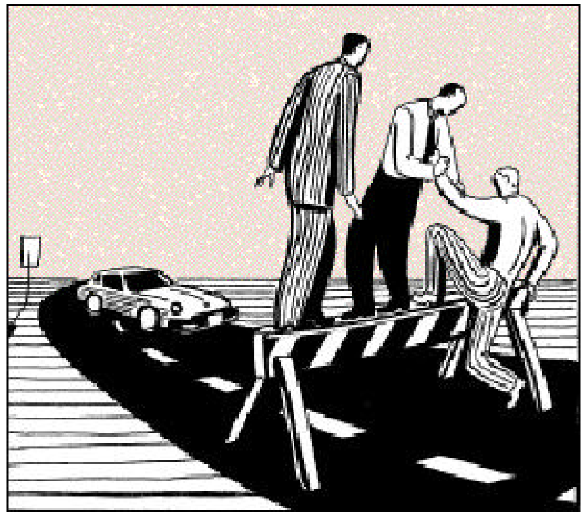

As a concession to our ingrained bureaucracy, we formed a management "Align" team in order to translate our new culture and strategies into our roles back at work. (It hurts even to write this down as a well-intended action, because the inevitable paralysis of this initiative would be obvious to even the casual outside observer.) We quickly found that people did their old work during the day, and their new work on evenings or weekends, as proof of their commitment to the mandated change. Which wasn't what we wanted at all.

We had overcome a lot of hurdles to get to this point, however. We dealt with the realities of individual "power plays" as some people fought the coming changes either behind the scenes or out front. We worked against this by measuring each of us on a "collaboration scale" (collaboration, as opposed to negotiation or direct order). We used such common-sense terms as underminer/blocker/neutral/facilitator/accelerator. We also gradually accepted the reality that our formerly treasured functional expertise was actually a roadblock to collaboration; those not burdened by "facts" were far more able to make innovative, team-building contributions.

In many respects, the spirit of the change had become healthier.
Our people inspiringly identified our previous management philosophy as being one of administrative management of corporate objectives and chose instead a new direction of stewardship of our corporate heritage.

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This led eventually to their ability to embrace the new advertising direction for the Nissan division, which incorporates the free spirit and entrepreneurial values of our founder in the United States, Yutaka Katayama, and the legacy of the company's earlier Datsun name. (See box on page 64.)

They were also able to see the company's luxury Infiniti brand in a new light for the first time since its launch in 1989, and therefore capitalize on its natural strengths. They were able to attack Infiniti's pending off-lease problem -- having an increased volume of off-lease turn-ins (likely fetching lower prices, given the higher supply) -- by rewriting the "rules" with the help of our retailers, thereby completely changing the situation's financial dynamics. The retailers agreed to buy the higher volume at higher prices, and we in turn agreed to market and promote them. It was a basic mind-set change that our off-lease vehicles were valuable, instead of a problem.

The result is a much healthier imagery and thus valuation for both the Nissan and Infiniti brands, as well as a much healthier financial picture for the future. But there was still much to do to keep our new corporate attitude from being threatened by bureaucracy and other internal factors.

THE ISSUES THAT REMAIN

Indeed, this conceptual re-engineering definitely remains a work in progress, and there are countless issues still facing us. We need to:

➢ defeat our bureaucracy.

➢ develop high-volume traffic-inducing marketing to complement our successful added-value imagery marketing for both franchises.

➢ change the environment for our retailers to satisfy consumers better and thus provide better protection against retailing alternatives.

Defeat Our Bureaucracy. We will restructure and greatly simplify our organization and budgeting framework so that we can sharpen our focus on our core business (sales/marketing/distribution/dealer and customer relations). We will utilize core strategies to guide our business approach, and will strive to have our national headquarters even more fully integrated with our 10 regional offices. We will insure accomplishment of our business objectives, and do no more than we can while still maintaining that focus -- the corporate equivalent of "Don't bite off more than you can chew." We will continue expecting successful results against set objectives, but additionally create an agile, innovative environment in order to be more responsive to changing conditions and opportunities.

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Develop High-Volume Traffic. Traditionally, we have used advertising messages for multiple purposes -- there were corporate, brand, model and dealer campaigns as well as those geared specifically to increase traffic by featuring special events or sales. And each of the campaigns at the model level or below could carry additional weight: adding lease prices or cash discount offerings to the ending of product commercials, for example. As we have now effectively developed brand imagery advertisements, we are about to consolidate all of that into a two-tier approach.

Our entertaining brand commercials catch people's attention. The rest will be 30-second, single-purpose commercials designed to attract competitive levels of traffic for our dealerships. There will be a consistent format, and subtle references to our brand advertising.

Change Retailing Environment. This is a multifaceted issue, but one physical change we will encourage is to have fewer dealers and larger retailing areas. We believe that formula builds financial stability through reduced overhead and greater revenue opportunities. It also encourages better customer treatment because the dealer is more dependent upon those living in the assigned market area. Dealers currently spend too much of their resources and "good will" competing not against other manufacturers' brands, but against nearby dealers marketing the same brand to the same universe of customers.

SUMMARY

This is the point when a fanfare should sound, signaling me to announce a set of dazzling statistics that prove the brilliance of what we have done. But the fact is that I am writing about a program that remains very much in play.

The changes we have made so far required us to think differently about our product, our market and our company. We have found it is no easier to re-engineer a mental process than it is a car.

We have consolidated functions at all levels, but that isn't code language for wholesale job elimination. What it means is that we have changed the focus of our headquarters operation to support our regional offices, rather than headquarters first servicing itself, or the "parent" company in Japan.

The unwritten chapters of our story will be characterized by our ability to face and deal with the issues that have been raised by our conceptual re-engineering. While those issues are certainly daunting, we will address them, and we have the confidence -- bred from our pattern of success -- that we can accomplish what we focus on.

My tasks will consist of keeping the organization on track with our new direction ("Belief Stream"), and pushing it to meet the operational and process objectives we have and will set.

I would like to come back to you in six months or a year with a short update: within our headquarters, will we remain as energized, and as ready not to strangle ourselves with our own bureaucratic forms? Will our stylish, brilliant advertising put our brands at the top of consumers' minds, and will our other ads bring more people into Nissan and Infiniti showrooms?

More importantly, will those consumers then feel comfortable where they are, and buy or lease a car? Will our corporate changes translate into different behavior all the way up and down the corporate line?

I look forward to being able to report the next installment.

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THE ROAD TO THE UNITED STATES

Nissan and other non-American car makers owe their success in the United States to the last time the country's auto industry underestimated the power of consumers.

Detroit opened the door to "outside" competition during the oil crisis of 1973. It had misjudged potential consumer demand for small, fuel-efficient, reliable vehicles -- cars that Honda, Toyota and Datsun (as Nissan was then known) were happy to provide.

Until the mid-1980's, the demand for Japanese cars far exceeded the supply, the result of a voluntary restraint agreement between the United States and

Japan that limited the number of imports. The limit-created shortage made "let's make a deal" marketing (those special prices, rebates and incentives that now permeate the industry) superfluous. Selling Japanese cars back then was like minting money, for everyone wanted one.

Once the oil crisis ended, American drivers moved back into larger cars. But Japanese companies followed suit, providing high quality and extreme levels of reliability in larger cars, thus achieving high loyalty rates. Increased success meant increased competition -- leading to aggressive new marketing programs. For the first time, the Japanese- owned companies needed a sales strategy. It seemed simple enough: consumers wanted good deals, so we competed with each other on price.

Nissan's identity during this period was murky. Until the early 1980's, we were well known as Datsun. Datsun's organization in the United States was started in 1960 by Yutaka Katayama, an entrepreneurial free spirit who guided the subsidiary until 1975, when he returned to Tokyo. Under Mr. Katayama, Datsun was regarded as the franchise for the real driver, that is, someone who enjoys driv-ing, as opposed to someone who just wants to get from one place to another. Datsun sold the first affordable high-performance sports car, the 240Z (shown above), and introduced the 510 performance sedan. It also sold the first small pickup truck in the American market.

In the early 1980's, the parent company decided to give all of its worldwide subsidiaries the Nissan name. With too little fanfare, Datsun disappeared in the United States. The company underestimated the difficulty of regenerating a successful brand with a new name in an extremely large country where the public is bombarded with thousands of commercial messages.

In short, few consumers realized that Datsun was now Nissan. We had lost the equity we had built up with car owners who had loved the 240Z and trusted the Datsun name. It would be many years before we were successful in gaining the same trust in the Nissan name.

In 1989, we entered the luxury car market with Infiniti, facing stiff competition from two earlier entries, Honda's Acura and, most especially, Toyota's Lexus. Infiniti now gets the highest industry marks for its core commitment to customers -- the Total Ownership Experience philosophy

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A DECADE OF CHANGE ROILS THE MARKETPLACE

The 90's have been a decade of unending change for the car industry in the United States.

As the decade opened, the economy was settling into a long, slow-growth mode. Consumers demanded -- and got -- improved quality. The Government required increasing amounts of R&D investments for emissions and regulatory compliance. The pressure rose to shorten model life cycles, in order to woo prospective car buyers with the newest, greatest, everything-est vehicle.

Everyone's historical optimism carried over into tomorrow's production schedules, which, when added together, totaled much more than the industry's projected annual sales. Formerly great brands began to wither from confusion and misunderstanding ("We Are Not Your Father's Car").

Meanwhile, real estate values, which fueled consumer optimism, stopped rising reliably -- and then actually fell steadily. Consumers held on to their cars longer.

Enter stage left: "program cars," so called because they were part of an increased rental car company disposal program for manufacturers' excess production. The manufacturers even bought rental car companies for disposal purposes! Successful -- to a fault. The rapid turnover of doubly discounted vehicles (new to rental, then rental to auctioned used cars) was too much for even the cash-rich manufacturers to sustain. Exit stage right.

Enter stage right, in its place: lease programs from captive finance companies. At the same time, entering from center stage: dealer and customer incentive programs. All designed to "re-price" the manufacturer's suggested retail price to the level the consumer is willing to pay (the transaction price). The added enticement of leasing is that the total cost of incentivizing, by artificially increasing the residual values, can be delayed somewhat until the vehicle comes out of service.

From the orchestra pit comes a nonstop cacophony of "multitiered" advertising messages from all manufacturers and dealers, each touting a new product or new deal. But these "good news" messages are at odds with the welcome that consumers receive when they step into the showroom. There, the environment of oversupply and declining profits produces pressure for more sales -- today! -- and the sorry spectacle of one dealership putting down another to "win" the consumer's business. Sounds like a frenzied, futile mating dance, doesn't it?

But wait, there is more. To continue the stage left/stage right analogy, we then have whole new theaters open up. Examples: "brokers," the Internet, Circuit City's CarMax, Republic's AutoNation, and a host of public offering activities by dealer groups hoping to cash in on the public's possible attraction to their alternatives to the traditional dealership.

AutoNation has even bought its own rental car companies (Alamo and National). This time, however, the purpose is for the supply of "used" vehicles to AutoNation, rather than their disposal.

In other words, wherever you look, the car industry is in flux, forcing companies like Nissan to respond with changes of their own.

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THE NISSAN BRAND CAMPAIGN

The most visible expression of Nissan's new marketing attitude and new reliance on its heritage was the ad campaign that debuted during the 1996 summer Olympic Games.

The "Love Life, Love People, Love Cars!" philosophy of the company's founder in the United States, Yutaka Katayama, was brought to life again in the set-up spots of the campaign. Mr. Katayama, known as Mr. K, first advanced that slogan in the 1960's as he established the Datsun brand in America. The new campaign's opening spots also introduced a "Mr. K" character, a lovable dog, and recalled the company's remarkable heritage of Datsun vehicles.

The American public is bombarded by more automotive commercials than any other kind. The average television viewer glazes over (or clicks away from) more than 6,000 car commercials annually. The battle for distinctive imagery is daunting, indeed. Because the history of our industry is product-oriented, most franchises promote themselves through advertising of model lines.

Nissan took a different route, following the Olympic spots with an unbelievable home-run commercial. This one followed the escapades of a young boy's male doll, as he commandeers a remote-controlled Nissan 300ZX to go to the boy's sister's room and entice the sister's female doll to leave her beau to join him for a ride -- all to the sounds of Van Halen's "You Really Got Me."

Created by TBWA Chiat/Day, the spot broke all the rules for the category. It dealt very little with the product itself. In fact, the 300ZX was a low-volume model that had recently been targeted for phaseout. But consumers got it. Time magazine, USA Today and Rolling Stone all named the spot the No. 1 commercial for the year in any category.

A few more commercials have followed (and many more are in the works), making this a true campaign. And already, USA Today's public polling placed Nissan in its esteemed Top Five listingfor campaigns in all categories in 1996, joining such perennial favoritesas Pepsi and Polaroid.

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DEALER RELATIONSHIPS

There are a bit more than 1,100 Nissan dealers in the United States, selling 700,000-plus vehicles annually. Another 150 dealers sell the company's Infiniti line, which accounts for 55,000-plus sales each year. Together, these operations represent approximately 5 percent of the car industry in the United States.

Although the dealers are independent entrepreneurs, our fortunes are inextricably entwined. We take the position that we should act as partners, treating each other with trust, respect and a sense of fairness. Thus, our dealers have complete access to our executive actions, decisions and retailer support programs.

Our retailers basically expect that we should keep them competitive with their rivals with regard to product offerings and quality, pricing and incentive support, as well as with imagery and showroom traffic. In return, we expect them efficiently and effectively to handle consumers and owners in such a way that they add value to the entire experience.

There are those in the industry, and from without, who predict (and are working toward) the demise of manufacturer/retailer relationships like ours. The irony is that, while we have been slow as an industry to respond to consumer needs, our distribution system is still the one that can best serve the customer over the long term.