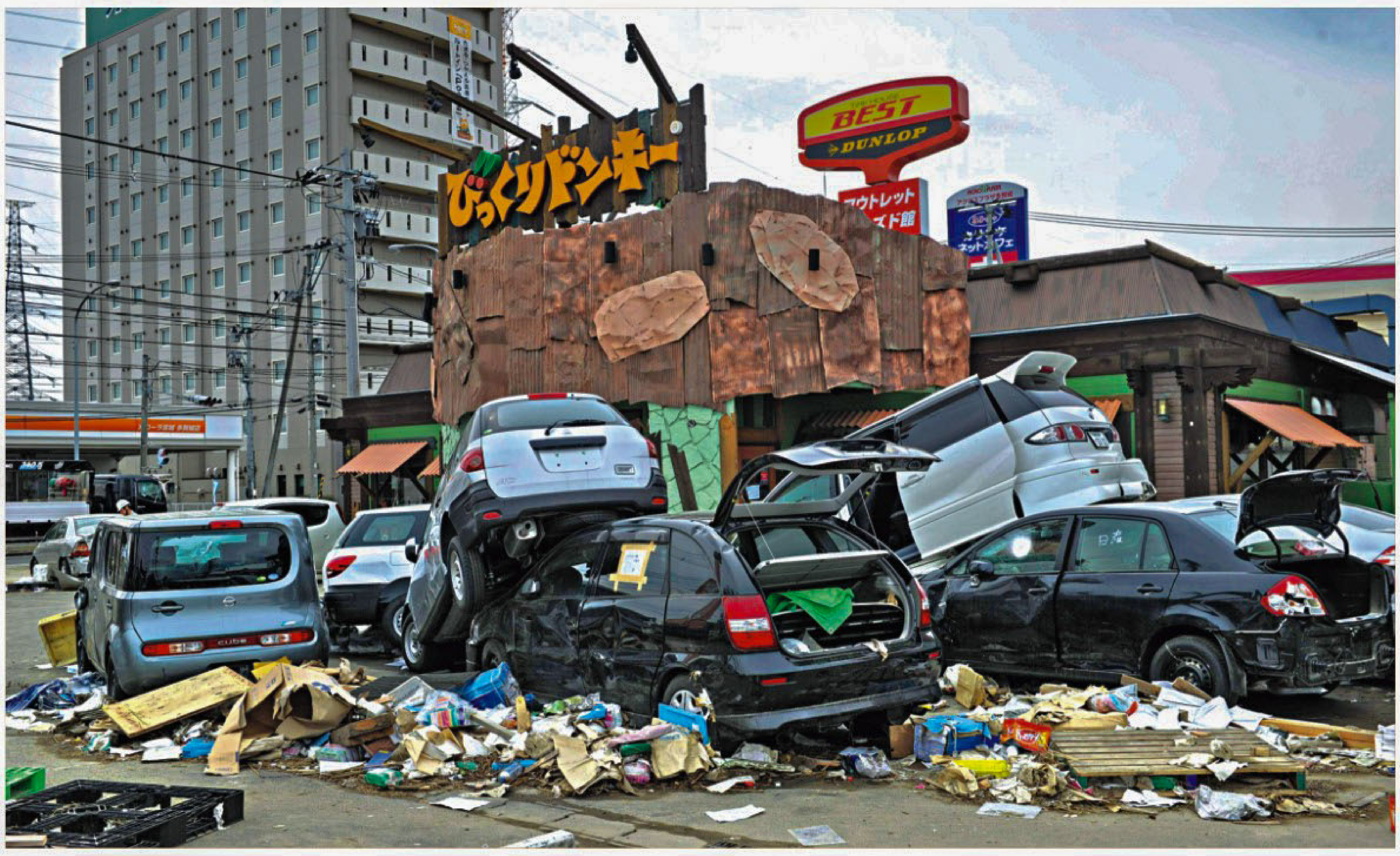
A veiled optimism



AFP

Damaged cars sit in a pile in the car park in Sendai, Miyagi prefecture, on Friday, two weeks after a giant 8.9-magnitude quake struck and sent a massive tsunami crashing into the Pacific coast of Japan. The quake not only compelled some major Japanese carmakers to shut down their manufacturing plants at home, but also impacted markets like India.

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When will the Japanese automakers recover? That is the question uppermost on the minds of most Indian car majors. While Japan was rocked by an earthquake and tsunami, the Indian car manufacturers like Maruti Suzuki, Honda and Toyota-Kirloskar are waiting with bated breath as to when the crisis would blow over. After all, production shutdown in Japan may adversely affect the Indian arm of the companies. Take for instance, Toyota. Despite the natural disasters, Toyota initially had not discontinued production at its facilities. However, now the auto major has been compelled to shut down more than a dozen of its manufacturing plants in Japan. Of course, it has announced it will increase production at its other facilities across the world.

Indian manufacturers fear if production in Japan is disrupted for a prolonged period, then that might ultimately affect production in India. India, which is one of the fastest growing markets for automobiles, has local car sales growing at the rate of 30 percent. Car sales have grown by 1.79 million in the period between April 2010 and February 2011.

The country is also home to several car companies worldwide. Automobile manufacturers fear that if manufacturing disruptions continue in Japan for a month or more, their businesses will be affected. They will no longer be able to import the vehicle parts. The major Indian manufacturers like Maruti Suzuki and Honda Siel have started playing a wait and watch game. They are keen on seeing that the crisis is resolved fast. It may be pointed out here that many Japanese automobile companies operate here either through subsidiaries or as joint ventures with Indian companies. In fact, the Indian market leader recently cancelled the celebration of the rolling out of the 10 millionth car. The chairperson of the company, RC Bhargava, in a press conference said that the tragedy is a great one for mankind and the company did not want to celebrate the landmark occasion.

Likewise, Japanese auto major Honda said it has postponed the preview of its small car Brio in India that was scheduled for March 17. Toyota has also deferred the inauguration of its manufacturing facility at Bangalore. The reason is the same -- the tragedy is a great one and the company sources many of its critical components from Japan. Experts are of the opinion that although there may not be an immediate impact on production, but if the crisis continues, then there may be a long-term effect. Most companies have a components buffer stock for about a fortnight and if normal production in Japan resumes after that, then the Indian companies will not feel the heat. The Automotive Component Manufacturers Association of India is also of the opinion that the current crisis may not have an immediate impact but if the crisis continues, then it can stall manufacturing operations here as well. As of now, auto manufacturers like Honda, Toyota and Nissan have halted production at their Japanese plants in order to cope with planned power outages. The cumulative effect of all this can be felt in April, if not immediately.

The writer, based in Kolkata, is a freelance contributor.

Wi-Fi cars hitting info superhighway

AFP, *Washington*

More cars are hitting the information superhighway thanks to new automotive Wi-Fi technology that allows vehicles to become rolling "hot spots."

Analysts say consumers are warming to the notion of more connectivity in their cars, with "apps" for information and entertainment just as they have with their smartphones or tablet computers.

"Initially, putting Internet access in the car sounds like a distraction and frivolous but as time passes it will become a part of our lives and we will feel uncomfortable not having access," said Jeff Kagan, an independent telecoms analyst.

"I think this is going to grow into a vibrant sector."

Market research firm iSuppli said it expects a surge in worldwide shipments of car Wi-Fi systems to 7.2 million units by 2017, from just 174,000 in 2010.

Wi-Fi has been around for several years as an aftermarket accessory but many major manufacturers now offer some form of Wi-Fi or are developing it.

Ford has been offering Wi-Fi in selected models since 2010 and some form of Internet access is also offered by many other major automakers including General Motors, BMW, Audi, Saab and Chrysler.

In mid-March, Finnish telecom giant Nokia announced the launch of a Car Connectivity Consortium of 11 companies with common technical standards, including vehicle manufacturers Daimler, General Motors, Honda, Hyundai, Toyota, and Volkswagen.

Autonet Mobile, a California-based firm that touts itself as the "first Internet-based telematics and applications service platform" for the auto market, has over 10,000 US customers using its CarFi service at $29 a month, said chief executive Sterling Pratz.

The group recently signed agreements with General Motors and Subaru.

Pratz told AFP that consumers are looking for better entertainment options for passengers in their vehicles and use Wi-Fi for videos, gaming and social networking.

"They feel there is a better way to stay entertained in the car compared with the DVD player. They lead a connected lifestyle and when they get in the car they feel disconnected," he said.

A next step, Pratz said, is other types of applications that can allow parents to monitor speeds of their teen drivers and to find their car if it is stolen.

Autonet, which started in 2005 and has funding from venture capital firms, only operates in the US market but Pratz says he plans talks with European carmakers and is considering Asia as well.

In Europe, Audi is using a system from Marvell Technology and Harman Automotive to create a factory-installed mobile hotspot, allowing up to eight devices to be connected.

"I believe today's consumers want the convenience of seamless connectivity and live content whenever and wherever they choose -- whether in the home, office, classroom or automobile," said Weili Dai, Marvell's co-founder and vice president in announcing the system.

"Finally, the car is connected to the rest of our lives."

Saab meanwhile has announced its own system based on Google's Android operating system, dubbed IQon, touted as "a completely new car infotainment user experience."

The Swedish automaker will allow third-party developers to develop "apps" by accessing 500 signals from different sensors in the vehicle.

"With Saab IQon, there are no limits to the potential for innovation," said Saab's Johan Formgren. "We will be inviting the global Android developer community to use their imagination and ingenuity."

Analysts say the market is likely to grow as more applications become available -- for entertainment, navigation or even for diagnostics of the automobile.

Yes, online media brands do matter

CHRYSTIA FREELAND

Shakespeare was wrong. He assured us that a rose by any other name would smell as sweet. One reason that is such a beloved line is its comforting message that intrinsic quality, rather than external labels, is what really counts. But recent research from a Harvard Business School professor suggests that, at least when it comes to the written word, labels matter quite a lot.

That is one of the conclusions of not-yet-published work by Bharat Anand, the professor at Harvard, and Alexsander Rosinski, a former visiting researcher there. The two wanted to figure out two things: whether brands influence our perceptions of quality, and whether adjacent advertising does.

It has become conventional wisdom to believe that information has been commodified. Google is the great leveller, with algorithms that can promote content-farm stories ahead of Pulitzer Prize-winning investigations. But it turns out that, to readers, provenance still matters a lot.

The two researchers took a story about Greek public finances that appeared online on the Huffington Post and showed it to a test group of 700 readers in three forms: as an unlabelled piece published online, as an online piece published by the Huffington Post and as an online piece published by The Economist.

The scent of this rose depended very much on its name: When respondents believed they were reading an Economist story, they rated its quality at 6.9 on a scale of 10; when the same piece was attributed to the Huffington Post, it drew a score of 6.1; and when it had no label, it scored just 5.4.

This is a terrific finding for the beleaguered mainstream media, which may not be quite so lame after all in the eyes of their readers.

The researchers' findings about the relationship between ads and perceptions of quality were equally intriguing. Conventional wisdom is that advertising is a mild annoyance for readers (some websites offer ad-free versions as a perk for paying subscribers). To investigate this, the researchers placed two types of ads alongside the article

about Greece, ones they describe as "cheap" and "good."

The biggest surprise was that "good" ads had almost as powerful an impact on perception of quality as an editorial brand. When the article was viewed beside ads for Jaguar and Credit Suisse, but without a brand, readers rated it a 6, nearly high as the 6.1 it received as an ad-free Huffington Post piece. Even the "cheap" ads (for online card games and astrology) earned a slightly higher rating of 5.6 for the no-brand story.

But if the article appeared under an editorial brand, readers saw advertising as a negative. The impact was greatest for the most lustrous masthead. The "cheap" ads reduced the perceived quality of the Economist story to 6.2, nearly the ranking it earned as a Huffington Post story with no advertising. Even the "good" ads made readers a little more critical.

This finding may not be quite so uplifting for legacy media companies. It is bad enough that even classy ads slightly depress the value that readers see in their content. More worrying, if you are a publisher, is the apparent power of "good" consumer brands to confer a quality halo on editorial content.

The obvious conclusion to draw is that owners of "good" brands may be able to cut out the publisher altogether and produce their own content. Sure enough, that is one of the emerging trends on the Internet. Retail sites such as Groupon, Gilt Groupe and Net-a-Porter publish their own editorial material. One reason it works is that it is good; Groupon's writing is smarter and sharper than that of many pure publishers. But the Harvard researchers' findings suggest we may also like the stories on these sites partly because of the borrowed luster of the branded goods sold on them.

The great virtue of Prof Anand and Mr Rosinski's work is that they produced some empirical answers to questions -- the value of brand, the impact of advertising -- that we often talk about in abstract and emotional terms.

Here are two other big issues I would like to see them tackle in the same way. First, how do personal brands (think Oprah Winfrey) stack up against institutional ones? And second, what is the impact of social networks, such as Facebook? If brands can increase our perceptions of quality, it would be useful to learn whether personal recommendations have the same power.

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