



Volkswagen “debacle” can help the leather industry

An expert on automotive market research, Dr Axel Sprenger, has said he thinks the best way for the automotive leather industry to secure a successful future for itself is to redouble its efforts to make the leather that goes into cars as natural as possible.

Automotive companies are going to have to emphasise authenticity in the wake of the Volkswagen scandal of 2015, in which the German original equipment manufacturer (OEM) stood accused of using so-called ‘defeat device’ software to make its models appear more successful in emissions testing. The authorities in the US have said almost 600,000 vehicles are implicated and the Department of Justice filed a civil complaint in the Federal court against Volkswagen at the start of this year.

Monthly sales of Volkswagen cars in the US have shown substantial year-on-year declines for six months in succession: the smallest was 9.1% in December 2015; November’s decline was 25%. Sales in Europe have fared much better, but the group has had to set aside more than \$18 billion to pay for fines it expects to receive, a sum that would blow a big hole in anyone’s budget.

Authenticity, please

On the face of it, this scandal may have looked like bad news for suppliers, but one automotive industry observer, Dr Axel Sprenger, senior director for the European business of US-based automotive market research firm JD Power, disagrees. As far as tanners are concerned, Dr Sprenger says there is hope, because all the tricks and smoke and mirrors are clearly going to cost a major automotive group major reputational damage and a very large sum of money. As a reaction to this, he believes automotive companies are going to try to make authenticity a key part of their messages to consumers.

Tanners must respond to this too by redoubling their efforts to convince their automotive customers, and even the general public, of the beauty of natural leather. If manufacturers of synthetic materials continue to improve in their efforts to imitate leather, and tanners continue to supply their automotive customers with finished leathers that are difficult to distinguish from cheaper synthetic substitutes, it is likely automotive companies and consumers will end up questioning the need to have leather in car interiors at all, Dr Sprenger warns. He adds that it’s important for the leather industry to try to make a bigger impression on the public; the automotive industry continues to invest in leather, but it only does so because consumers are willing to pay a premium to have it.

What consumers want

According to the Munich-based JD Power director, there is certainly room in the global automotive industry at the moment for suppliers to “gain their own understanding of consumer needs” and enter into dialogue with OEMs about what those needs are, or at least what companies’ perceptions of them are. Tanners will

be far from alone if they feel distant from that type of dialogue at the moment. Axel Sprenger, who formerly worked as an engineer for Mercedes, says the research and development departments of big automotive brands struggle to find out what it is consumers want. These engineers have discussions and come up with new ideas all the time, he explains, but they are discussions about technology and the physical implications for the car of their ideas, not about what consumers want. “They are typically 45-year-old German male engineers,” he says, “making cars for other 45-year-old German men. When it comes to a 30-year-old Chinese woman, they don’t have a clue what it is she wants.”

In its research, JD Power carries out detailed surveys of the car-buying public. Currently, these surveys include around 50 questions on their car interior preferences, with 25 or 30 of them focused specifically on the seats. “Something like 20% of all the complaints OEMs receive are about interiors,” Dr Sprenger points out, “including complaints about soiling, squeaks and rattles. The number-one complaint about interiors is that the material looks scuffed or stained. When it’s the first thing they see every day when they open the car door, people hate it.”



He accepts that stay-clean technology is already available, as is the technology to address squeaks and rattles, but when "what really matters" comes up for discussion, OEMs often reject the business case because it would mean an addition of €1 or €2 to costs. "That's a mistake," he insists, "because consumers want those solutions."

A change of direction

Specific to leather, he says: "What makes sense for the leather industry is to move away from making leather look and feel more and more like polyurethane or vinyl. Tanners have to make their leathers look more natural, more like leather."

It could take a substantial amount of time for wider consumer tastes to adjust to more natural leathers, with defects and all, in their car interiors but Dr Sprenger says something similar has happened also with the wood some automotive companies use in dashboards and other parts of the interior. "It's even possible the Volkswagen debacle could help. Companies are going to have to become more transparent and offer greater authenticity," he concludes. "Everybody was used to wood that looked like plastic, but natural-looking wood has worked well in Germany for the last five years at least."

Tanners, therefore, should persevere in their attempts to "move away from homogenisation". ★

Questions to answer. Volkswagen chairman, Matthias Müller, faces the US media.

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