Niche Products in the British Motor Industry: A History of MG and Triumph Sports Cars, 1945-81

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Since the last quarter of the nineteenth century the British economy in general and the manufacturing sector in particular has suffered competitive decline relative to other industrialized nations, particularly during the post World War Two era. The search for the causes of this decline has produced a large body of research into the country's cultural values, socio-economic institutions and neo-classical economic theory. The performance of the British motor industry fits that of the wider economy. The sector emerged from World War Two with a competitive advantage in regard to its European rivals. However, by 1981 the indigenous sector, represented by British Leyland (BL), had faced bankruptcy, entered into state ownership and undergone several unsuccessful revival efforts. In terms of annual output, export sales and profitability, the industry's decline was absolute. Numerous studies blame poor management, hostile industrial relations, insufficient investment in plant and machinery, inefficient production methods and unattractive model ranges. Most have concentrated upon and singled out production factors per se.

This thesis tests the validity of these theories and explores the connection, if any, between the decline of the British economy and motor industry. It also investigates the success (in terms of unit profitability, export sales and product image) of Austin-Healey, MG and Triumph sports cars compared to the performance of most British mass market models through a holistic approach, where management, corporate strategy and structure, government-enterprise relations, product design and development, industrial relations, distribution structures, consumer demand and product attributes, including quality, are given equal weight with production methods and scale of output. The study then examines the reasons for the sudden discontinuation of sports car production in 1981.

A study of sports cars allows comparisons among models within a corporation as well as between competing companies. MG was founded in 1923 as part of the Nuffield Organisation. William Morris' (Lord Nuffield) firm merged with Austin to create British Motor Corporation (BMC) in 1952.

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In that same year BMC launched the complementary Austin-Healey range. Triumph models were offered by Standard which, nearly bankrupt, was purchased by Leyland, a truck and bus concern, in 1961. Seven years later the consolidation of Leyland and BMC into British Leyland left one British firm to compete against the emerging Japanese and Italian semi-specialist sports car manufacturers.

In the late 1940s the Nuffield Organisation unenthusiastically complied with the Labour Government's "Export or Die" campaign by shipping several of its models to the USA in the hope of achieving short-term sales. Nuffield management anticipated that its small car, the Morris Minor, would gain a market share. But the small car, as well as the larger sedans, appeared much like American models yet offered a lower level of characteristics and less durability at a higher price. This was not surprising as the British vehicles were designed primarily for the domestic market and the car makers viewed the government's export campaign and strict regulation of home sales as temporary aberrations. The unique designs of many British volume cars continued to be a major reason for low overseas sales, especially in North America, long after the domestic restrictions were abolished.

Instead of the small car, it was the MG sports car that became Nuffield's sales leader in the USA. Few MG sports cars had been exported prior to the war, but the mechanical specifications that provided the models with higher performance levels by British standards were sufficient for US drivers. Moreover the use of Lancaster's attribute analysis theory of consumption with consumer group testing results indicated that the MG's higher levels of steering, braking, and roadholding differentiated the sports car from American models. These characteristics along with the unique styling and design permitted sales at a slightly higher price than the typical US volume car.

The MG's sales success in the US persuaded Triumph, whose sedans had met tremendous overseas sales resistance and consequently was in danger of losing its allocation of government rationed steel during the Korean War rearmament campaign, to enter the sports car niche. The TR series was launched in 1953. Over the next two decades, a design spiral between BMC (MG and Austin-Healey) and Triumph resulted in regular launches of innovative models catering to US demand. MG's periodical release of revolutionary designs set the pace, while Triumph developed robust designs to catch up. To ensure complete coverage of the niche and maximize sales, the design competition spawned a range of sports cars from both rivals. The models varied in price from entry to up-market with corresponding levels of driving characteristics and comfort, including fixed head bodyshells.

Although a cross-elasticity of demand existed with lower priced mass market models, especially those that offered relatively high levels of driving characteristics (such as the Volkswagen), the British held a monopoly in the moderately priced semi-specialist niche until the mid 1960s. This camouflaged many of the weaknesses in the British position, such as poor quality, inadequate product channels and periodic car and spare parts supply shortages. The British monopoly also allowed MG and Triumph, whose models were generally priced slightly higher, to compete on the basis of design and image rather than on price. The situation changed with the immediate sales success of the Ford Mustang in 1964-5. The Mustang and its US-built imitators, which featured higher levels of driving characteristics than the average volume car without sacrificing passenger and cargo space, revealed that the British had not fully exploited the niche.

Within five years, however, Detroit attempted to increase sales of its specialty cars by increasing the level of characteristics normally associated with volume cars, such as comfort and size. Consequently the sports car product image was lost. Fiat had entered the niche, but posed little threat to the British since the Italians suffered from many of the same problems. Moreover the Fiat models were largely simulations of British designs and therefore never acquired the product image of MG and Triumph. Far more serious was the Japanese challenge of the 1970s. Datsun's innovative, high quality and, initially, moderately priced model quickly gained sales leadership of the niche. However, the Datsun Z series could not drive the British out of the market since Nissan moved its models upmarket. In addition, the slowness of the British and Italians to respond to proposed US legislation banning convertibles (which was never enacted) gave the Europeans a duopoly in a rapidly shrinking open car segment.

Elbaum and Lazonick argue convincingly that rigid socio-economic institutions, developed in the late nineteenth century, impeded the implementation of mass production techniques and sophisticated corporate structures in Britain. Ironically these institutions were well suited to producing sports cars and other niche motor products. Until the creation of British Leyland, the sports car line companies and their parent firms were small and simply structured. The sports car makers were given a large degree of operational freedom. The main connection with the wider enterprise was distribution and component supply; both BMC and Standard-Triumph facilitated higher output and lowered costs by insisting upon the use of common components, especially engines, in sports cars.

At MG's Abingdon plant annual output rarely exceeded 55,000 units and assembly was conducted without the use of even rudimentary machinery. The flexible system permitted the assembly of various models (including Austin-Healey) and quick low cost adjustment of output to demand. There was little dislocation when measured day work (MDW) replaced piece-work payment. The small size of the plant and a team concept resulted in good industrial relations which contributed to a low off-standard rate. The tradition of the "practical man" in management and engineering, labor-intensive assembly methods and the perception of the workers as special, if not skilled, created a pre-Fordist atmosphere at Abingdon.

Larger and mechanized plant made sports car production at Triumph analogous to that of mass market models. Yet the scale of operations and level of annual output was a fraction of the size of Austin Morris. Thus Triumph was a hybrid, having some of the advantages of a small concern and suffering some of the problems of a mass producer. Partially flexible assembly methods and roughly balanced machine and labor inputs were viable for annual production of 25,000 units of a specific model. Despite the advantages of mechanized assembly, component supply shortages from body and foundry subsidiaries and independent manufacturers due to poor work organization and chronic strikes reduced capacity utilisation. Productivity in assembly and manufacturing plants was further reduced by high manning levels, old machinery and deficient co-ordination.

The British monopoly (later duopoly) in the sports car niche, higher prices based upon product differentiation and traditional production techniques allowed Triumph and MG to earn large unit profits compared to British volume cars. The British difficulty in sustaining dedicated mechanized production methods, which was becoming evident at Triumph, raised volume car costs. Since competition in the mass market rested primarily upon price and design, the British were forced to keep prices low to achieve a minimum of sales, which pruned profit margins.

Although MG and Triumph annual output was highest in the BL era, the eventual withdrawal from the niche can be traced to the corporation's characteristics and performance. This paradox stemmed from the maintenance of traditional production methods by the sports car makers while the firm was unable to institute high volume capital-intensive manufacturing techniques and a multi-divisional corporate structure.

In keeping with the tradition of the motor industry of entrepreneurial and personal management, BL was controlled by dominant figures preventing the emergence of a managerial hierarchy and a long-term comprehensive corporate strategy. The Chairman often intervened in operational matters to settle inter-divisional and divisional-central staff rivalries. Management's significant failing was their half-hearted, gradual rationalization plan. The expectation of high output convinced BL executives that consolidating the large product range and small scale and widely scattered plants as well as reducing the large work force were unnecessary. Existing models and components were retained while new cars and engines were introduced resulting in internecine competition and excess capacity. Sports car component requirements became important as they prevented diseconomies of scale in the production of older engines.

The corporate sports car, the Triumph TR7, vividly illustrated BL's weaknesses. BL possessed two of the world's best sports car design teams, but failed to merge them. Ironically, BL abandoned innovative design precisely at the time when the sales success of the Datsun Z series and highly engineered volume cars suggested creativity was needed to maintain market share. Supposedly designed to facilitate production and reliability, the engineering of the TR7 was so slipshod that insoluble quality problems arose. This resulted from BL's low priority on attracting and retaining professional engineers. Changing market demands, especially safety and pollution legislation, overwhelmed the traditional "practical man."

BL's move to MDW and highly mechanised production also made engineering a vital factor in manufacturing efficiency. Generous arrangements concerning manning levels under MDW reduced industrial engineering options, but the evidence indicates that the build method and supervision of TR7 production was poor. The previous formula of sports car manufacture--flexible assembly and shared components--was discarded even though it should have been applied to the entire range. Fitted with a unique engine that was produced in an vastly under-utilized plant, the TR7 was then assembled in a factory designed for high annual output. When production commenced, off-standard rates soared and output failed to achieve plan resulting in the damaging combination of high variable and fixed costs. Sales resistance, arising from poor quality and undifferentiated characteristics, exacerbated the cost structure. The TR7's poor image restricted much needed price increases and condemned subsequent innovative versions.

It is no coincidence that productivity improved after TR7 production was moved to less mechanised, lower capacity plants in 1977 and again in 1979. This was consistent with previous sports car production methods and British socio-economic institutions. Clearly the TR7, which was initially built in the same manner as BL's volume cars, demonstrated that the firm could not adapt to highly mechanized mass production. For the first time the design and production methods and the degree of market competition of a British sports car were analogous to mass market models. Not surprisingly, the sales and units profit results were similar. The discontinuation of BL's sports car of the future was rooted in the decisions and actions of a firm that could not overcome its limitations.

The withdrawal of Austin-Healey, MG and Triumph Spitfire models--the sports cars of the past--stemmed from long- and short-term causes. The Austin-Healey Sprite, which over time became a duplicate version of the MG Midget, was one of the few models eliminated in BL's rationalization program. The expedient modifications to the MGB, Midget and Spitfire to meet the 1975 US collision and exhaust legislation actually reduced their characteristic levels and styling appeal. By 1979 the age and attributes of the cars, especially when compared to the Datsun, Mazda RX-7 and the growing number of US-built and imported "sporty" cars, in conjunction with a downturn in the US market resulted in lower sales. In addition, costs were increased by BL's decision to use unique engines, the appreciating value of sterling against the dollar and high rates of domestic inflation. Apparently MGB price movements were restricted by corporate attempts to attract buyers to the recently launched TR7 convertible. The traditional concentration upon the US market and underdeveloped distribution structures in Europe meant that BL could not easily switch output to other markets.

The dramatic corporate consolidation plan of 1979, intended to save BL from yet another bankruptcy, provided the opportunity to close Abingdon and cancel the Spitfire. Sales and output of the TR7 never attained reduced targets, despite the withdrawal of MG models and the introduction of convertible and high performance versions. In 1981 the TR7 was discontinued in the face of another corporate financial crisis and the British abandoned sports car production.

The problems of the British motor firms were common, pervasive and chronic. The companies achieved their greatest success when operations and strategy were congruous with Britain's socio-economic institutions, such as BMC during the first half of the 1950s, Leyland-Triumph in the early 1960s and sports cars until the mid 1970s. Accordingly, one factor alone was not responsible for the decline of the industry. The collapse of BL stemmed from the failure to make Chandler's "three-prong" balanced investment in management, production and distribution as well as the inability to move to Fordist techniques. The nationalization of the firm did not revive the firm, for the Ryder (1974-77) and Edwardes (1977-82) rescue plans addressed the symptoms rather than the causes of decline. Moreover the micro-economic policies of the Wilson Labour government, which took BL into state ownership, stressed "social accounting" rather than the potentially unpopular measures needed to return the firm to profitability. Indeed Edwardes had little room to maneuver in view of the firm's unviable position by 1979.

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