



General Motors
Division of Marketing

A New **Green** GM

How to Sell Cars Again

Executive Summary

A New Green GM: How to Sell Cars Again

General Motors (GM) needs to be sure it can survive after its restructuring. The best way for GM to maintain its viability is to begin meeting current and emerging market demand by investing in a vanguard of “green” products.

At GM there is pride in our heritage, but this company has held this heritage for too long, especially in the development of its vehicles. This trend has drastically hurt GM financially over the past decade, because it has been designing vehicles that are not meeting new and emerging consumer demands and trends for environmentally responsible vehicles. Although competitors are starting to meet consumer demands for efficient vehicles, GM has a long record of ignoring calls for increased vehicle efficiency.

Recommendation: Invest in a Cutting-Edge Green Product Line

The company needs to expand its alternative fuel vehicle development to

- A) *Commit* to, and set a goal for, progressive efficiency and MPG standards
- B) *Learn* from work done with the EVI and Volt
- C) *Focus* its product line
- D) *Capitalize* on an emerging market demand

By committing to these goals, GM can create an unrivaled demand for its vehicles.

The best and most efficient way for GM to create a product line that maintains and expands the company’s viability is to have its research and design teams create deeper partnerships with marketing teams that have knowledge of new green consumer demands and federal and state governments that can provide outside funding and research to the company. These partnerships meet a need for efficiency within the company, and ensure that GM will meet and exceed green market demands and regulations.

General Motors has long prided itself in being not only the largest American car company, but also the largest in the world. Owing to a fundamental shift in the demands of American consumers, the company must make a significant investment in a new, environmentally friendly, and appealing product line. Using successful marketing and design collaboration and partnering with the government, GM can begin meeting the current and future demand for green vehicles and regain its status as the strongest car company worldwide.

Good company, good people, bad decisions. The average SUV produced last year by General Motors had a fuel economy rating of 21 miles per gallon (MPG), the same MPG that Henry Ford’s original Model T got (Ford Motor Company, n.d.). Throughout its long history, General Motors (GM) has seen its ups and its downs, but until now, it has never seen a market where it cannot meet consumer demand. This company is struggling to stay alive, and it needs to be sure that it can survive after its restructuring.

There is only one way to do this; GM needs to start producing cars that people want to buy. From a marketing perspective, the leadership within this company needs to invest more into “green,” environmentally conscious technologies and vehicles if it wants to remain viable

in the future. By creating successful partnerships and cutting excess capacity in its product line, the company can make a green future a reality.

A New Take on Our History

From the pink Cadillac to the little red Corvette, GM vehicles are a staple of both automotive and American history. Many of the company's current customers are attracted to this rich history. However, this customer base alone is far from sufficient to keep the company viable in the coming years. GM's historic status throughout the past two decades has been continually declining owing to an inability to meet new consumer demands. It is time to take the company's vibrant history and rework it to create the best and most marketable vehicles for new and emerging consumers.

A Decade of Poor Sales

Although General Motors still remains the largest manufacturer of automobiles worldwide, its market share has dwindled owing to the disappointing sales of the two last decades. The company's first yearly profit loss dates all the way back to 1991 (Dickson, 1993). Worse yet, US vehicle sales have decreased 41% since 2001 (GM Corporate News, 2009). GM's poor sales performances are linked not to poor economic conditions, but to a longstanding inability to meet consumer demands through its product line.

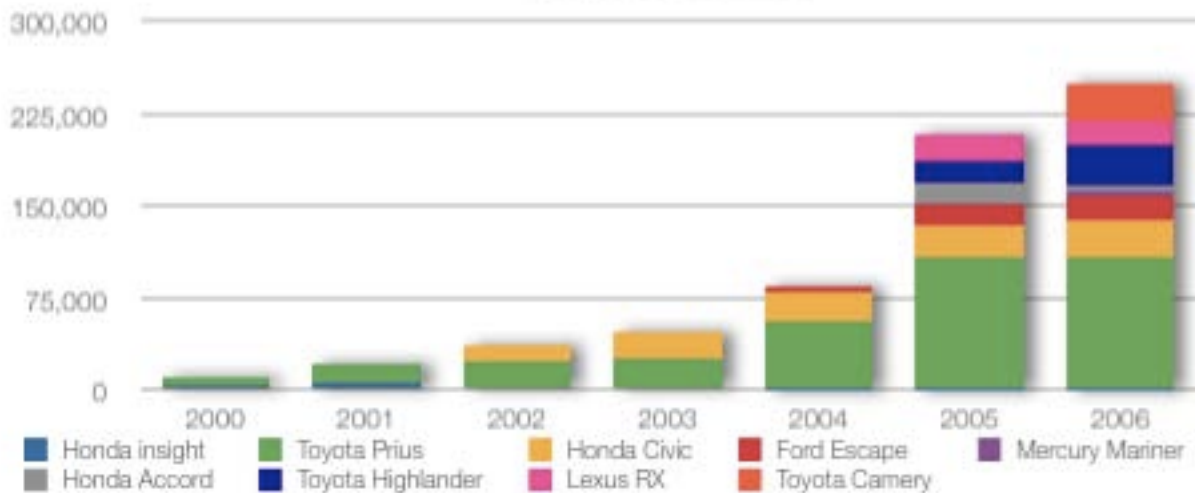
Cars That Do Not Meet Green Market Demand

Business Week columnist Bill George flatly states, "GM's biggest issue is that it isn't making cars that the American people want to buy" (2008). Furthermore, when asked about the American consumer's perception of its vehicles in a recent *Meet the Press* interview, GM's new CEO, Fritz Henderson, reaffirmed that "American car-buyers perceive that GM makes vehicles that are of lower quality and less efficient" (Gregory, 2009). Surprisingly enough, however, GM is producing some of the highest quality cars in its history. The problem is that Americans do not want to buy them. Why? Because they do not appeal to the trendiness of new and emergent car buyers.

American trendiness has shifted to socially and environmentally conscious products, and the cars that people drive are no exception. Hybrid sales since the turn of the century are an excellent example of this.

Hybrid Vehicle Sales

(US Department of Energy, 2007)



A quick glance at the chart above would show that GM is far behind its competitors in the hybrid vehicle market. Although the company has taken some steps forward in hybrid development, six of the eight hybrid models that GM produces are large SUVs or trucks that get 20 MPG or less (US Environmental Protection Agency [EPA], 2009). Although these vehicles appeal to some of the company's base customers, they are not marketable to the broader spectrum of American car buyers, and they are not efficient enough to appeal to emerging green market consumers.

Not Just about Gas Prices

A key point to remember about hybrids is that their success is related not just to gasoline prices, but to a fundamental shift in the demands of the American car buyer away from fossil fuels. During the second half of 2008, oil and gasoline prices decreased by over 60%, but the sales of Toyota's Prius hybrid were the highest in its history (Toyota and Lexus top one million, 2009). Also, in a recent survey, the majority of respondents stated that they would be willing to pay up to 20% more for a vehicle that was 25% more efficient (Green Car Congress, 2008). The hybrid and alternative fuel vehicle markets are already large and expanding.

The Expanding Green Market

The expansion of this market gives GM a unique opportunity to meet the challenges of its competitors and consumers. Toyota has published a 2011 target for the average amount of energy consumed by its vehicles (Woodyard, 2008). This company has been successful and will continue to be successful because it not only meets the current market demand for green vehicles, but is also expanding to meet future demand. Although competitors are hearing consumer demands for efficient vehicles, GM has a long record of ignoring their calls.

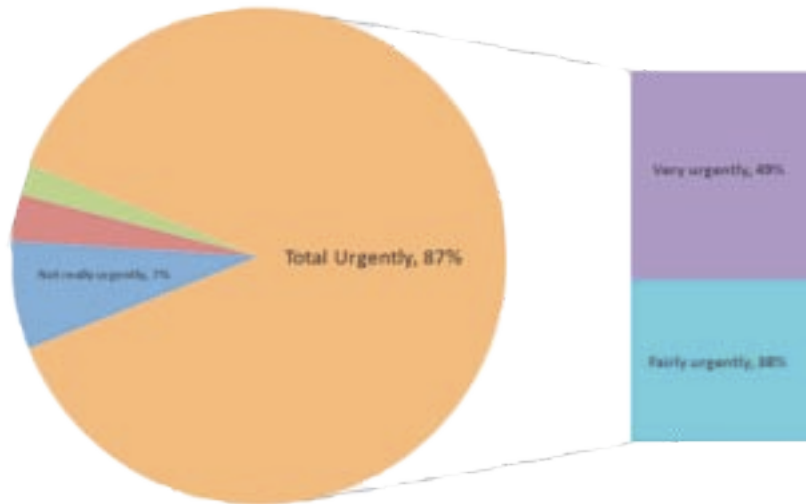
Opposition to Public and Private Green Interests

GM's corporate image has been tarnished after years of failing to recognize growing concern over the environmental impacts of its products. Although the company has made substantial investments in corporate responsibility projects, it has continually missed the fundamental social and environmental concern of its stakeholders and customers: the fuel efficiency of its vehicles (General Motors [GM], 2009).

"No" Can No Longer Be the Answer to Efficiency Standards

General Motors has stood opposed to the federal government's Corporate Average Fuel Economy (CAFE) standards from their inception in the 1970s (Rosebro, 2007). These standards regulate the average MPG that a car manufacturer must achieve across its product line.

Unfortunately for GM, many legislators are calling for the expansion of these and other efficiency standards. This may seem unfair to the company, but legislators are only acting on the demands of their constituents. In a recent survey, 87% of respondents felt that the implementation of higher fuel economy standards was of "high urgency."



(Green Car Congress [GCC], 2008)

If GM wants to remain viable, the company needs to reexamine its position on fuel efficiency regulations.

The Shareholders' Appeal Must Be Honored

Shocking, however, is that GM's highest stakeholders have been asking the company to commit to increased fuel efficiency standards for several years. In 2006, the GM shareholders' representatives brought a resolution to the company's annual board meeting recommending that a council be formed to address

- (A) [how] the company plans to remain competitive based on emerging green-house gas (GHG) regulations, (B) how the company plans to comply with current California GHG regulations, and (c) how the company will create vehicles with lower GHG emissions. (GM Shareholders, 2006)

Although this request seemed to show merit, it was later WITHDRAWN owing to unpublished negotiations between the two parties. If GM wants to remain viable, it needs to reverse this trend of dodging efficiency standards and embrace the emerging environmental agenda.

Recommendation: Invest in a Cutting-Edge Green Product Line

The best way for General Motors to maintain its viability by meeting the current and emerging market demand is for it to invest in a vanguard of "green" products. Although this investment has several steps to enactment, the company needs to expand its alternative fuel vehicle development to

- A) *Commit* to, and set a goal for, progressive efficiency and MPG standards,
- B) *Learn* from work done with the EVI and Volt,
- C) *Focus* its product line, and
- D) *Capitalize* on an emerging market demand.

If GM can redesign its product line to meet these goals, the company can ensure its future viability for years to come.

Commit to Efficiency Standards

General Motors needs to reverse its long record of opposition to fuel efficiency standards and commit to progressive and sensible MPG standards for its vehicles. From a marketing perspective, a sensible goal for passenger cars is an average of 40 MPG by 2015, and 50 MPG by 2050. By setting this goal, the company shows consumers that it cares about their interests. Even if GM were unable to meet these standards, by making a substantial effort to improve efficiency, the company begins to prove to America that it is focused on creating a new and sustainable future.

Learn from and Expand on the EVI and Volt

In the back corner of GM's museum of cars sits its only production electric vehicle, the EVI. Although the vehicle showed promise, after three years, in what former GM CEO Rick Wagoner called "the worst decision of his tenure," the EVI model was scrapped (Green, 2006). This cannot occur with the company's first plug-in hybrid electric vehicle, the Chevrolet Volt.

When released in 2010, only 60,000 Volts will be produced, while Toyota plans to sell well over 1 million Priuses (Toyota and Lexus top one million, 2009). The success of other fuel efficient vehicles shows that GM does not need to have limited production of Volt. Years of research have culminated in the production of the first American plug-in hybrid. General Motors needs to capitalize on this work and expand on it. The Volt has the opportunity to become GM's Prius. The company needs to learn from mistakes it made with the EVI to foster Volt's success.

Focus the Product Line

To remain viable and invest in new vehicles like Volt, GM needs to focus its cost structure. Internal research, outside research, and current business leaders all come to one conclusion as to the best way for the company to start cutting its costs: consolidation of its product line. Currently, GM has eight brands (Buick, Cadillac, GMC, Chevrolet, Hummer, Saab, Saturn, and Pontiac) and 48 models (GM, 2009). Although the company has already planned to consolidate to the Chevrolet, Cadillac, Buick, and GMC product lines, it would be smart to reevaluate this proposal. For GM to commit to environmentally conscious vehicles it should continue cutting costs by also eliminating the GMC and Buick lines while keeping the Chevrolet, Cadillac, and Saturn lines. This model would be most beneficial because it cuts infrastructure costs even further, maintains appeal to its current customer base with the Chevrolet and Cadillac lines, and allows for expansion into emerging green markets with the already environmentally responsible Saturn line.

Capitalize on the Emerging Market Demand

Environmentally conscious consumers are ready for efficient and green vehicles. However, they currently have few options available to them. By developing new and innovative vehicles that appeal to them, GM can create an unrivaled demand for its vehicles. In addition, because these vehicles are clean, fashionable, and like none other on the market, they will entice weary consumers to buy again.

Partnering to Make Green Vehicles a Reality

Although there are many obstacles to overcome in the development of a new product line, the best and most efficient way for GM to create a product line that maintains and expands the company's viability is to have its research and design teams create deeper partnerships with

1. Marketing teams with knowledge of new green consumer demands and
2. Federal and state governments that can provide outside funding and research to the company

These partnerships meet a need for efficiency within the company, and ensure that GM will meet and exceed green market demands and regulations.

Marketing and Design Departments Working Together

GM's research and design department needs to collaborate with its marketing department to begin developing vehicles that satisfy the needs and wants of new American car buyers. By creating a closer relationship between the designers and the marketers, GM can begin making a concerted and efficient transition into a twenty-first-century car company. Along with the efficiency that this partnership brings, it also allows for an increase in employee collaboration and empowerment. *Business Week* recently developed a proposal for GM's restructuring. Crucial to this proposal was installing a development style committed to new ideas of employee empowerment and environmental responsibility (George, 2008). By collaborating with the marketing department, GM's designers take a significant step toward this goal.

Partnering with the Government

The recent changes in government leadership and legislation throughout the nation will become an asset in reaching the goal of green vehicle production. First, the government has invested in the company by giving it a loan of American taxpayer funds. Because the US Congress and Obama administration have a stake in the company's success, they are more than willing to work with GM to develop vehicles that keep the company viable. Second, part of the American Recovery and Reinvestment Act (ARRA) is an abundant supply of tax credits and grants for companies investing in green technologies. By shifting to the development of environmentally conscious vehicles, General Motors will create over one million new green jobs (GM, 2009). These green jobs make the company eligible to apply for nearly \$3.7 billion in federal grants (ARRA, 2009). Finally, instead of fighting regulations regarding vehicle emissions, GM should work with legislators and create fuel efficiency regulations that are attainable but also appeal to constituents concerned about the environment.

How to Sell Cars Again

General Motors stands at the cusp of redefining itself and its products for years to come. Being a car company with deep American roots, General Motors has a distinct advantage over its competitors because it already has a strong customer base of American consumers. Unfortunately, this base is not enough for the company to survive currently or going into the future. Owing to a fundamental shift in the demands of American consumers, the company must make a significant investment in a new, environmentally friendly, and appealing product line. Using successful marketing and design collaboration and partnering with the government, GM can begin meeting the current and future demand for green vehicles and regain its status as the strongest car company worldwide.

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