General Motors. General. Motors.

When you're trying to be all things to all people, can you really meet the needs of anyone?

Written By Sarah Lambert

There's an old saying: "Make something you know people need, and you automatically have a market of buyers". How hard can that be, you might ask? Well, in 2014, Forbes ranked GM as the 6th largest automaker in the world behind companies like Toyota, Volkswagen, Daimler, BMW and Ford (Le). And yet, for 77 years GM was the global leader in auto sales, only losing that title in 2008 (Gardner). What happened? How could this global car manufacturer have stumbled so far off the path? The simple answer is this: **Loss of customer focus**.

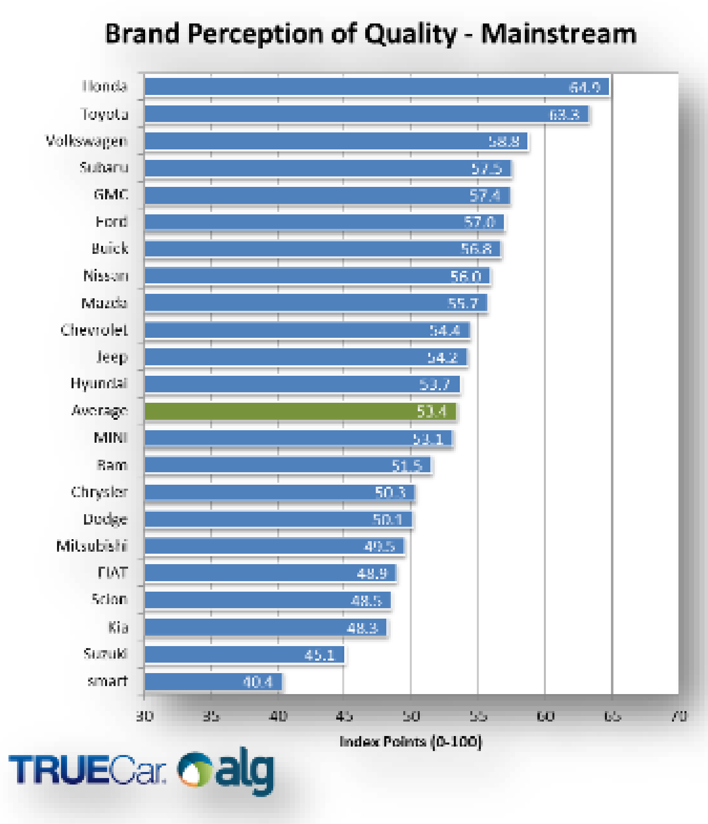
At any given time, GM has had between 9 and 16 brands under its umbrella. While this may have seemed like a smart strategy (a car for every buyer) as GM grew in the early 20th century, it's no longer efficient in today's market, it lacks clarity around brand, and most of all it doesn't represent a clear understanding of the customer's needs and wants. What it does focus on is volume, plain and simple.

This article will explore the areas of customer focus where GM has faltered: Quality, Innovation, Emerging Markets, and Lack of Clear Multi-Brand Strategy.

General Quality: Poor

GM's recall crisis in 2014 cost the company $1.7 billion and exposed approximately 77 separate vehicle defects. The worst was an ignition defect that led to at least 13 deaths for which GM paid the maximum fine of $35 million to the National Highway Traffic Safety Administration (Halvorson). The recalls were traced to quality issues coming from two sources: the first, in the supply of defective products and parts, mainly from China. It's important to remember though, that the Chinese supplier was merely following the design GM provided. Second, the company culture at GM, and it has been this way for decades, doesn't allow for bad news to be brought to higher-ups (Colvin). In fact, a 300-page report completed as part of a three-month investigation by U.S. attorney Anton Valukas concluded that there is a "pattern of incompetence and neglect" at GM and that those considered most incompetent were GM engineers who wrongly analyzed the source of the problem. One can see how the recalls and the quality issues tie directly to the company's lack of customer focus when CEO Barra told her employees: "We failed these customers. We didn't do our job." (Wallace)

An attempt to improve quality took place in the mid-1980s when GM and Toyota formed a joint venture for one product. GM was able to see immediate changes when the plant applied the "Toyota Way" to production; they were able to stop the production line if they saw something needed to be fixed immediately. But GM's



corporate culture diminished these efforts by procrastinating and even neglecting to implement changes to the rest of the plants. So, even when the venture didn't last, GM managers agreed that it was a lost opportunity (Gomes-Casseres).

GM is again trying to improve its quality and vehicle safety by encouraging employees to openly discuss any safety issues they see. This program, called "Speak Up for Safety", empowers and recognizes employees for sharing their ideas to make vehicles safer or for pointing out any potential issues they may see (Langfitt).

It is important for readers to know that there are several measures of vehicle quality in the marketplace, from long-term durability to fit and finish. However, when it comes to forecasting vehicle value for a brand, the data shows that perception, more so than reality, is a much better predictor. As you can see from the rankings in 2014, GM has work to do to get to the top.

ALG's Brand Perception of Quality rankings, June 2014

Innovation, yes. Customer-focused innovation, no.
Innovation is key for securing future revenues and attracting new customers but also maintaining the loyalty of the current customers. GM has been an innovator in the auto industry since its beginnings with the electric self-starter to the first set of four-wheel brakes and beyond. Initially, many of these innovations were all about making cars safer or more efficient, but from the 1960s through the early 2000s, they were about engine technology such as the gas turbine, turbochargers and the first V6, or experimenting with alternative fuels like kerosene, diesel, or ethanol (Kincaid, Conklin). Unfortunately, these later innovations meant more to the industry than they did to the customer, which meant that the brands these innovations went into never increased in value in the buyer's mind.


The Chevy Volt

As of late, much of GM's innovation has been focused on environmental initiatives such as a wide array of hybrid vehicles and the fully electric car. While GM has begun to recommit to innovation that is important to the marketplace and not just to the industry with these environmentally friendly options, the cost of these new car options and the research and development that goes into them, create an incredibly high price point to take them global - between $35,000 and $48,000 USD.

With a new focus and commitment on China given the size and growth of that market, GM's is sinking millions of dollars into manufacturing facilities there to be prepared (Mourdoutkoutas). Unfortunately, China is the leader in innovation by commercialization, which is the complete opposite from the traditional theory of the Western culture, based in research. Instead, the Chinese like to test their products on the market even though the ideas might need a lot of improvement to be finished (Roth). Electric cars are an excellent example. The Chinese recognize that they lack the charging infrastructure and that many improvements are necessary for the car to be ready, BUT they are bringing the car to market as soon as possible to get feedback from the customers and make the necessary adjustments. GM will have to figure out how to leverage not only this mindset in bringing new ideas to market but also need to partner with local companies using local talent to seek new business opportunities in the market instead of merely technical innovation.

Emerging Markets
General Motor's strategy is to create a true global brand. Part of this strategy is to enter emerging markets as they are considered the most "compelling growth opportunity". In 2010 GM saw great potential in emerging markets, with 43% of global sales generated in Brazil, Russia, India and China (BRICS) markets (GeneralMotors), but that was 5 years ago. Recently GM has pulled out of many emerging markets as well as started to modify products offered therein.

Recent setbacks are mostly generated by mismatching the product offering with emerging markets demands. One example, in the ASEAN region where GM is closing its Indonesia (Bekasi) and Thailand (Rayong) factories (MotionCars) which produced the Chevrolet Spin, a Minivan-SUV hybrid introduced in 2012. In Indonesia, Spin was intended to compete against Toyota's mini-van Avanza, the most popular car in Indonesia.


The GM Spin →

GM's Spin was unable to take market share from Toyota as expected, with only 34 dealers in 2013 and less than one percent of the market (Shirouzu), while Toyota held 90% market share. GM's Spin was not fully accepted as they failed to understand the markets and consumer's needs, some key factors include:

- Considering purchasing power and budgets: The Spin was expensive and required high-quality fuel versus Toyota's affordable car pricing based on using a cost-effective body, on-frame construction and lower quality fuel requirement.

- Use and capacity: GM Spin is a Minivan-SUV hybrid, offered in a market with preference for Minivans, as minivans allow carrying multiple passengers in comfort while being suited for frequent floods and rough terrain.

- After sales and maintenance: Parts are not easily available nor affordable.

- Strong concerns about vehicle resale value

- Logistics chain issues: The process and components were too complex making it too costly and no longer competitive (Shirouzu)

Even though General Motors is looking improve its access to emerging markets by collaborating with competitors, with Volvo to manufacture cars in India, with Isuzu to create a next-generation pickup truck and with Shanghai Automotive Industry Corporation adapting a mini-van for its use in China (Orr); and its CEO Mary Barra sees the US auto-economy expanding in 2015, its emerging markets strategy must be reviewed, such as internal causes leading to factory closures and/or product lines being removed in emerging markets, like Opel and Cruz in Russia (Rapoza), Australia and Europe, while its competitors like AG (Volkswagen) of Germany and Toyota of Japan have deep resources to challenge GM in other emerging markets like China, ASEAN and South America (Taylor).

The danger of multi-branding without a clear strategy
GM has a complex multi-level corporate portfolio. Making up this complex web are portfolios of divisions, brands within divisions of models within brands, of cosmetic and mechanical variations within models, of multiple market segments, of manufacturing plants, of supply chains, and of dealers. Unlike most other car manufacturers GM has multiple major car divisions: Chevrolet, Buick, Cadillac, and GMC (this number was reduced considerably after the global financial crisis of 2008, since General Motors retired famous brands like Saturn, Pontiac, Oldsmobile and Saab).

There is nothing wrong with having multiple brands under one corporation such as Toyota with Lexus and Volkswagen that has a wide family of brands. However, throughout the years General Motors' corporate strategy has been operating out of control as a result of the loss of customer focus. Replication of cars in many of the market segments occurred amongst GM's brands, forcing the company to compete with itself for market share and cash flow. The strategic boundaries for geographical or market segment niches that had developed multiple brands with different values have become blurred. General Motors was trying to be everything to everyone, while its competitors had made wise choices and focused on positive cash flow projects without as much cannibalization.

Proliferation and Replication
More successful competitors like Honda and Toyota have very targeted market focus and have positioned themselves to compete in segmented niches of the market where they can create and sustain positive cash flow. At one point General Motors had 95 cars in their offerings, clearly demonstrating exactly how out of control and out of sync the organization was. The "rebadging" of cars (essentially the same physical car, replicated at the same price point across other sub-brands) applied by GM is additional evidence of the lack of customer focus in various segments (More).

Going one level deeper, even within a particular model GM offers a large number of possible mechanical and cosmetic variations and options. Alternatively, Toyota usually offers two basic engine choices and less cosmetic variability. This has not only increased GM's proliferation in their auto offerings, but it also increases variable manufacturing costs and production cycle time.

An excellent and final illustration of this out-of-control proliferation of models by General Motors can be clearly seen when we look at the mid-price sedans. Toyota's Camry has a powerful market penetration in this segment with few options of engines and cosmetics. Meanwhile at one point, nearly every division of GM had one or more offerings in this segment (see list below):

- Chevrolet Malibu
- Chevrolet Impala
- Pontiac G8
- Buick Allure
- Buick Lucerne
- Cadillac CTS
- Saturn Aura

So what does all of this mean? It means that in an age where hyper-personalization and niche markets abound, re-branding the same design of something in order to sell it to a different group of people doesn't sit well - most often with the original market. In addition, with the increased usage and availability of the internet in every corner of the globe, keeping these “rebranded” versions of the same design a secret is not only difficult but foolhardy. In turn, quality, particularly in cars, has become paramount. GM has continually knocked down the foundations it built for success, and it has stopped listening to the needs of its customers who are now going elsewhere.

Does GM have any loyalty left in its customers? Absolutely. The Chevrolet Suburban has been produced in some way, shape or form since the 1930s. BUT, it's also been sold as a GMC Yukon XL and the Holden Suburban and some even think that the Cadillac version is the Escalade. Would you be willing to pay more for something just because it's been repainted and had fancy hubcaps put on it? Me neither.

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