

Friday, July 25, 2008

Asst Prof Janell Townsend quoted by Wards Automotive on insights to GM

Lean International Portfolio Provides Focus GM Lacks at Home
By James M. Amend WardsAuto.com, Jul 25, 2008 11:33 AM

Outside of a likely sale of the Hummer division, General Motors Corp. stands by its multiple-brand strategy in North America even as its international operations suggest a leaner portfolio works better. Overseas operations continued to post impressive gains in the year's second quarter, growing 10% compared with year-ago, primarily driven by the emerging markets of Brazil, Russia, India and China. Yet, GM offers fewer brands internationally than in its home market, where eight nameplates vie for limited resources.

International sales, led by strong brands such as Chevrolet, continue to rise sharply. GM Europe sells under the Opel/Vauxhall, Chevrolet, Cadillac, Saab and Hummer brands, while the Latin America, Africa and Middle East (LAAM) regions use roughly the same portfolio. Chevrolet dominates the Asia/Pacific region, except for China, where the Buick nameplate still rules among premium cars and recently was joined by Cadillac. "In each of the (international) regions, you have up to four or five brands as the footprint," says Jonathan Browning, GM vice president-global sales, service and marketing, during a second-quarter sales call with journalists and Wall Street analysts this week. "I think that is a pretty balanced picture," Browning says, responding to a suggestion that perhaps GM could trim its portfolio overseas to help offset its struggles in North America, where shuttering a brand would likely prove too costly for the cash-strapped auto maker. "I think the benefit of (a smaller portfolio) is shown in terms of the momentum, the growth that we've been talking about," Browning says of GM's sales performance in the three major regions outside of North America. Each has seen double-digit growth over the past years and continued to excel in this year's first half. "So the portfolio is working for us in each of the other regions," he says. Related Stories GM to Emerge from Restructuring 'Lean and Successful,' Wagoner Says

Saturn Maintains Orbit in GM Universe

Chinese Car Market Cultivating More Sophisticated Buyers; Less Emphasis on National Brands

GM's European sales rose 2.5% in the second quarter, pacing 2.8% ahead of year-ago, while LAAM deliveries rose 17.7% in the period and 18.7% for the first half. Asia/Pacific saw a 14.6% gain in the quarter, for a 9.9% increase year-to-date. Meanwhile, North American sales tumbled 19.7% in the second quarter and slid 15.3% in the first half. Much of the decline is blamed on a persistent housing slump and record-high gasoline prices, which have squelched industry demand for profitable pickups and SUVs. Some analysts say GM's positive overseas results bolster the argument a leaner portfolio would allow the auto maker to sink more cash into robust brands such as Cadillac and Chevrolet. "There's clearly room for consolidation in North America, but GM faces the issue of trading costs and what benefit it might derive," says Janell Townsend, assistant professor of marketing and international business at Oakland University in suburban Detroit. "The costs to eliminate Oldsmobile were astronomical." However, she warns against drawing too many comparisons between sharply focused international markets and North America, where GM spent nearly a century operating under the business model of a car for every purse and pocket. "(GM is) still building a dealer network in Asia," Janell offers. "They're still building a luxury distribution channel in Europe. In the U.S., it's been 100 years of Chevy-to-Pontiac-to-Buick-to-Cadillac, and that worked when you were the only player in every segment." George Magliano, director of automotive research and forecasting-Americas at Global Insight Inc., agrees. "GM cannot support their current number of brands in the U.S. with their current market share," he says. "But for reasons, such as their dealer network, they're stuck with them. Going overseas into these different markets, they've been able to choose a different strategy and it has yielded different results." But even GM's international operations could pare their offerings, analysts suggest. For example, second-quarter sales of Buick and Saab, combined, only accounted for 232 units in Latin America, the Middle East and Africa. While Buick deliveries in the region fell more than 20% in the year's first half, Chevrolet sales jumped 19.2% and Cadillac's soared 44.3%, fueling the idea that even a 2-brand strategy could work outside the U.S.

[View Complete Article](#)

SUMMARY

Outside of a likely sale of the Hummer division, General Motors Corp. stands by its multiple-brand strategy in North America even as its international operations suggest a leaner portfolio works better. Overseas operations continued to post impressive gains in the year's second quarter, growing 10% compared with year-ago, primarily driven by the emerging markets of Brazil, Russia, India and China. Yet, GM offers fewer brands internationally than in its home market, where eight nameplates vie for limited resources.

Created by Scott Klimecki (smklimec@oakland.edu) on Saturday, October 10, 2009
Modified by Scott Klimecki (smklimec@oakland.edu) on Monday, October 19, 2009
Article Start Date: Saturday, October 10, 2009