USA TODAY

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Lutz: GM may kill off one of its brands

From wire reports

NEW YORK — General Motors (GM), which issued a shock profit warning last week and has been losing market share, may phase out one of its weaker car brands if sales fail to meet projections, company Vice Chairman Bob Lutz said Wednesday.

GM's Bob Lutz, left, and Gary Cowger show off the 2006 Pontiac G6 hardtop convertible at the Los Angeles Auto Show in January.

AFP/Getty Images

GM's Buick and Pontiac are both "damaged brands" because of the lack of investment over the years, and GM is working to correct that with an array of new vehicles, Lutz told a Morgan Stanley automotive conference in New York. (**Photo gallery**: GM under preesure)

But if some of its brands fail to meet sales projections, "then we would have to take a look at a phase-out. I hope we don't have to do that. What we've got to do is keep the brands we've got."

Financial analysts have said for years that the world's largest automaker has too many brands to support, even with the gradual phase-out of the Oldsmobile brand a few years ago.

Sales for both Pontiac and Buick have lagged in recent years. But GM is in the midst of a $3 billion investment in new vehicles for Buick, and Pontiac showrooms will get four new vehicles this year, including the Solstice roadster, Torrent SUV and the G6 midsize coupe.

GM, which has been struggling because of sluggish North American sales and high costs for health care and materials, lowered its 2005 earnings forecast last week to $1 to $2 a share from a previous estimate of $4 to $5 a share. (**Related**: GM's generous incentives fail to rev sales in the USA)

At that point, Standard & Poor's revised its ratings outlook for GM to negative from stable. S&P's decision could foreshadow a downgrade of its rating on GM debt to junk status, which would significantly increase GM's borrowing costs. Fitch Ratings also downgraded GM's ratings to one notch above junk.

GM posted a 6% drop in U.S. sales for the first two months of the year. GM's U.S. market share fell to about 25%, far below its share of 27.5% for all of 2004.

Analysts said last week that GM's March sales could fall as much as 10% in March, while foreign automakers would continue to gain U.S. market share.

Lutz said GM will post relatively flat U.S. sales for March, however, performing much better than expected.

"I think we're going to be just about even, our best guess at this point. Either a percent over or a percent under," he said. "It is a substantially better month than January or February, and it looks like the whole industry is up."

No details about an expected restructuring at GM, the largest private U.S. provider of health care, have emerged since it roiled markets with its warning last week.

But the company, which has about $300 billion in outstanding debt, said Wednesday it is in talks to sell a stake in its GMAC Commercial Mortgage unit after potential investors expressed interest in the unit.

GM faces a cash outflow of $2 billion this year, but the automaker is not selling the stake to raise cash, spokeswoman Toni Simonetti said.

GM intends to keep a "significant equity interest" in the unit, Simonetti said.

Lutz and Gary Cowger, GM's president for North America, also spoke of possible demands for a cut in mounting health care benefits for the company's hourly union employees in remarks on the sidelines of the New York auto show on Wednesday.

An elimination of any one of GM's brands would likely mean plant closings and a shrinking of GM's hourly workforce.

"An across-the-board competitive health care plan for salaried and hourly employees could literally save us billions," Cowger said. Health care costs, added Lutz, are "a huge albatross hanging over American industry today."

Cowger said the automaker plans to focus on new products and educating potential buyers about the unique aspects of its car and trucks as part of its strategy for fixing its ailing North American business.

He acknowledged the poor start to the year for the world's biggest automaker, saying it was hurt by strong business at the end of 2004, rising interest rates and competition.

Although GM's financial outlook may have changed, Cowger said, the company's managers are "extremely focused on what we need to do."

That includes spending incentive dollars more strategically, reallocating resources for vehicles with greater potential for high-volume sales and improving marketing, Cowger said.

In particular, he said GM needs to do a better job of conveying to customers the unique aspects of its cars and trucks.

He cited the company's announcement in January that it plans to put two safety features — OnStar in-vehicle communications service and electronic stability control — in all of its vehicles by the end of 2010. GM believes it would be the first automaker to make both features standard across its entire fleet.

"We want to make sure that people are aware of the things that only GM can do," Cowger said.

Lutz acknowledged that the automaker, which will struggle to make a profit this year, faces challenges. But he said GM was "taking the necessary step to right this ship."

"Sure, we face short-term challenges, and this is not going to be a banner year," he said. "It's a difficult period of adjustment. But we will get through it."

He said some of GM's new cars, such as its Chevrolet Cobalt small car and the Pontiac G6, will post their best sales to date in March, and told the Morgan Stanley conference "I don't know where all the gloom and doom is coming from."

He quoted one car reviewer who said, referring to GM's troubles, that the quality of the Cobalt convinced him that "the Titanic may yet turn fast enough to miss the iceberg."

Find this article at:
http://www.usatoday.com/money/autos/2005-03-23-gm-plan_x.htm

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March 24, 2005

GM Doesn't Have a Bad Image. It Has A Bad Reality.


David Kiley

Paraphrasing a line written by David E. Davis, the dean of automotive journalism, about the city of Detroit, "General Motors (Davis wrote of the City of Detroit) doesn't have a bad image. It has a bad reality."

GM's market share is sliding despite heavy incentives. It has a union, the United Auto Workers Union, that blackmails GM, as well as other automakers, into keeping plants open it doesn't need. The threat is this: close the plant you don't need and take our jobs away and we'll close the plants you do need by picketing. That's a reality. Rank and file members use that same leverage pay far less than salaried workers as a percentage of pay in healthcare premiums, while GM's costs go up 18% a year. More reality: GM used to have have twice the market share it has today with Chevy, GMC, Oldsmobile, Buick, Pontiac and Cadillac. Since then GM has subtracted Olds, but added Hummer, Saturn and Saab. More brands and half the share? That's a problem. GM's Bob Lutz suggested yesterday that Buick or Pontiac could go the way of Olds if things don't improve. Buick is the obvious choice.

But let's look at the stuff GM can control and has botched. New products and advertising. Pontiac and Buick have had recent marketing makeovers, yet GM marketing chief Mark LaNeve says they aren't right yet. Huh? How'd you get through a process, practically a new brand strategy every year for the last four years for those brands and still not get it right. Press GM executives on Saturn and Saab, and they'll tell you that the marketing strategies hatched

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for those brands aren't right either.

GM produces some solid, competent products, but far too few that stir any emotion. Worse yet, dreary images of Buick, Saab, Chevy and Saturn passenger car brands do not wrap competently produced cars in a blanket of appeal the way, say, Toyota's image of quality and reliability wraps a bland Camry or Corolla in an attractive coverlet.

As one rival car executive commented about Buick and Pontiac, "These aren't brands for the 21st Century."

The trouble at GM is that it has a bad image to go with a bad reality.

01:32 PM

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We would be honored if we could be added to this business blogger. We are from the World Business for sale is the leading independent businesses for sale listing service
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Posted by: **Admin** at December 25, 2005 12:19 PM

Excuse me if I'm out of place. I found this blog because it was listed as a GMC blog. I just wanted to let the world know that due to reasons beyond my control I am not going to continue developing my GMC related site but I'm puting it up for sale. If anyone is interested you can get more information at http://www.gmcar.com.

Posted by: **Larry Bartley** at June 10, 2006 11:37 PM

Larry thanks for the info link!!!

We are from;
http://buy-a-business.worldbusinessforsale.com/

Posted by: **Buy business** at December 11, 2006 08:03 AM

i have owned 2 gmcs from the year 2000 and could not say anything good about them. constant problems with the transmissions and rear ends. i have now purchased a 2007 toyota tundra and can not say enough great things about it. another guy that i work with has a 2500 gmc with a 6.0L and he does not have a chance in hell to perform with this half ton truck. 430 gears 6 speed trans. and a hell of a lot

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GENERAL - ALL GM DEALERS

Subject: **Mark LaNeve Comments Regarding Recent Press Coverage**

Message from Mark LaNeve

March, 24, 2005

Attention: GM Dealers (including Saab & Saturn Retailers)

Many of you may have read in various press reports yesterday that Bob Lutz was quoted as saying we would consider eliminating our Pontiac or Buick Divisions. This interview took place during the New York Auto Show press days. Please be assured that the reporting of this is a mis-representation and incorrect paraphrasing of the actual comments made.

Let me be clear, we are not, I repeat NOT, discussing the elimination of any of our brands. To the contrary, we are investing more heavily than ever in new product and marketing programs to build all of our brands, drive sales and improve the value of your franchise. Bob Lutz in particular has been a huge champion for re-igniting the Pontiac and Buick brands with world class product.

Please do not be distracted by this unfortunate report or other recent press reports. There is nothing going on in our business model that excellent sustained sales performance won't fix. That said, we are currently having a very solid month and need a strong close for the month of March and the quarter.

Your support and focus is appreciated.

Sincerely,

Mark LaNeve
GMNA Vice-President
Vehicle Sales, Service & Marketing

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Automotive News

Kill a brand? GM's LaNeve says no

Jason Stein

Automotive News | March 24, 2005 - 12:01 am EST

DETROIT -- One day after General Motors Vice Chairman Robert Lutz mused about the automaker possibly killing a brand, another GM executive asserted that the automaker has no intention of eliminating any of its brands.

Mark LaNeve, vice president of sales and marketing for GM, told *Automotive News* the automaker is investing heavily in all eight brands. Phasing out a particular division is not under consideration.

"We have no plans, or even discussions, of killing any brands," LaNeve said, "We're investing more heavily than ever in product and marketing programs."

On Wednesday, Lutz told a Morgan Stanley Automotive conference in New York if one of GM's "troubled brands" fails to turn around, "then we'd have to take a look at a phase-out."

Published reports linked Pontiac and Buick to Lutz's comments.

LaNeve reemphasized in a message to dealers Thursday that both brands are safe.

LaNeve also said GM is managing Buick, Pontiac and GMC as one channel and providing those divisions with a product portfolio "to service that channel and to focus " the lineup.

That represents a key difference from Oldsmobile, which GM killed last year, he said.

"These portfolios we're going to deliver we don't have to deliver an A to Z portfolio for those three brands," he said. "We can tighten and focus them. I'd rather have four or five great Pontiacs or Buicks than eight undistinguishable products. That business model makes a lot of sense."

You may e-mail Jason Stein at

Backseat Driver
GM: It's Worse Than You Thought
Jerry Flint, 03.25.05, 9:30 AM ET

Every day there seems to be more bad news from **General Motors**. It's like a parody of BBC news in the early days of World War II.

"And now, news of fresh disaster."

The latest is that GM (nyse: GM - news - people) is killing the Zeta program for America. Zeta was an Australian-developed platform--or architecture, as GM likes to call it--for rear-wheel-drive cars.

I've never been totally comfortable with the concept of a global platform--particularly one sourced from Australia--but Zeta was intended to fill a huge gap in GM's U.S. lineup. Zeta was to be the basis for a range of midsize and large rear-drive models, like a new Chevy Impala, Pontiac GTO and, most important, a new fleet of big Buicks.

GM had said it planned to spend $3 billion resurrecting Buick. Those rear-drive cars were the heart of the program. Kill them, and the great plan to save Buick is back on the shelf. There's just a reskinned LeSabre/Park Avenue coming out in this fall, renamed Lucerne.

After years of not offering a V-8 engine option in its sedan lineup, Buick will have one in the Lucerne. That's good, but a warmed-over front-wheel-drive car is not as good as a brand-new lineup of rear-drive cars. Last year GM showed a gorgeous Buick dream car convertible to be built off that Zeta architecture. Everyone who saw it was excited. Well, it's gone.

How come?

Here's what I say:

That $2 billion given to **Fiat** (nyse: FIA - news - people) in February drained the kitty, so Zeta died. General Motors has another problem. Its most important program is what they call T900, a replacement for GM's big sport-utility and pickup trucks, such as the Chevrolet Suburban and Silverado, GMC Yukon and Sierra, and Hummer H2. GM has made up to 1.8 million of its big truck nameplates in a year. It's been the one great success story at GM, and highly profitable.

The current versions of these vehicles, as good as they are, have been around a while and are getting tired. The T900 program replaces them. The new sport-utility models are to begin rolling out early next year. Pickups would start the following fall. But something must be going wrong. GM is diverting manpower and money into the program. I say you don't make a move like that, only nine months from Job 1, unless there's a problem.

On his blog, GM Vice Chairman **Robert A. Lutz** says that the cancellation of Zeta is simply a reallocation of resources. Lutz also claims that the company remains committed to developing rear-rear-wheel vehicles. All this may be true, but the scrapping of the Zeta program will definitely push back the date that GM rolls out new rear-wheel-drive and all-wheel-drive mass-market sedans and coupes.

It is clear that the market is making a shift back to rear-wheel-drive cars, and that all-wheel-drive is also gaining traction with consumers. The American arm of **DaimlerChrysler** (nyse: DCX - news - people) got a jump on its U.S. rivals last year when it introduced its big rear-drive sedan, the Chrysler 300C, which is also available with all-wheel drive. **Ford Motor** (nyse: F - news - people) has been surprised at the demand for the AWD versions of its new Ford 500 and Mercury Montego sedans.

Buicks will have to soldier on for a few more years with just two front-wheel-drive sedans, plus a few light trucks. And if you were wondering, Buick sales in the first two months this year are running 20% behind last year. Its current sales rate is about 250,000 units per year, which is terrible.

Right now--just when rising gasoline prices are starting to put a crimp in sales of big trucks--GM is worried about its next generation of trucks. And I'm hearing strange things about those T900 vehicles. For example, I hear that the new big SUVs coming next year don't have fold-flat rear seats. It's difficult to imagine any manufacturer building such vehicles today without fold-flat seats. Chrysler went through a hugely expensive emergency crash program to get them into its minivans in the middle of the model cycle. Fold-flat seats are what they call "the price of admission" today.

And now, news of fresh disaster.

Vice Chairman Bob Lutz was quoted in the March 24 edition of *The Wall Street Journal* as saying GM could "phase out" Pontiac or Buick if such "damaged brands" fail to improve. "I hope we don't have to do that," he was quoted as saying at a conference.

Lutz has been in the industry too long to be suckered into this kind of quote. Whether he meant to or not, he has put the divisions in play. What critics don't understand is that the best thing GM has is its dealer force. You kill the dealers if you kill such well-entrenched nameplates as Pontiac and Buick, and you kill GM. It's that's simple.

GM seems to be in a state of organizational chaos. Where it will end? Stay tuned.

Automotive News

Bob's bombshell

2 weeks of turmoil at General Motors ends with a disturbing hint: Weak brands could be cut from the herd

Jason Stein

Automotive News | March 28, 2005 - 12:01 am EST

Robert Lutz was a little apprehensive about delivering a speech to Wall Street analysts last week.

"What an opportunity to get into serious trouble," General Motors' vice chairman told the audience at a Morgan Stanley conference in New York.

Lutz promptly did get into trouble, unleashing a tempest when he talked about phasing out one of GM's venerable car brands. It capped a stormy week in which the 73-year-old executive was the company's lightning rod.

In fact, it was a pretty tough fortnight for General Motors - one that began with a profit warning and production cuts. The company struggled to come to grips with escalating problems. Last week alone:

- Lutz scared dealers by calling Pontiac and Buick "damaged brands."
- The Zeta rear-wheel-drive North American product program was canceled.
- Salaried employees were offered buyout packages.
- GM floated a health care proposal to the UAW.

"It was a tough week for all of us at GM, and there are certainly challenging times ahead," Gary Cowger, GM North America president, admitted at another New York event.

Lutz said at the Morgan Stanley conference: "If one of GM's troubled brands, or one of the brands that has been undernourished for many years," fails to turn around, "then we'd have to take a look at a phaseout."

'Damaged brands'

In response to a separate question at the conference, Lutz called Buick and Pontiac "damaged brands that suffered from years of harvesting" with very little reinvestment.

He later added: "What we've got to do is keep the brands we've got and go where the positive momentum is. (GM Chairman Rick Wagoner is) always insisting on this. He says, 'Look, let's not squander all of our resources on trying to overcome negative momentum. Let's put the resources where we've got positive momentum, which is basically ... Cadillac, Hummer and GMC and, increasingly, Saturn."

Lutz's comments in New York had phones ringing off the hook in Detroit. Dealers were up in arms about the possibility of a brand going away. GM sent out an e-mail to dealers in an effort to put them at ease.

Mark LaNeve, GM's vice president of vehicle sales, service and marketing, told Automotive News that there are no plans to kill - or any ongoing discussions about killing - any of GM's eight brands.

Robert Lutz, right, shows Cadillac's XLR-V to a surprise N.Y. auto show visitor, Donald Trump

But he said product plans for Buick and Pontiac are being refocused as GM continues to mold its Buick-Pontiac-GMC dealerships into one distribution channel.

"We hope at some point that there is little segment overlap among the three brands," LaNeve said. "We will have some, but it should be highly differentiated."

As of Feb. 1, GM had 784 Buick-Pontiac-GMC dealerships - 22 more than at the same time last year. By contrast, GM had 198 stand-alone Buick dealerships, 110 stand-alone Pontiac stores and 245 Pontiac-GMC stores.

LaNeve says GM realizes it doesn't have to deliver an "A-to-Z portfolio" to each franchise within the Buick-Pontiac-GMC dealerships.

"We can tighten and focus them," LaNeve said. "I would rather have four or five great Pontiacs or Buicks than eight undistinguished products. That's the way we're trying to drive the business."

Bob Bakshi, a California multipoint dealer and a member of GM's national dealer council, says Buick and Pontiac have been starved for product.

"There's only so many divisions that they can get product to every year, and Pontiac and Buick didn't get that for the last couple of years," Bakshi says. "That's what (Lutz) was trying to say. He unfortunately used the word 'damaged.' I wish he used the word 'underperforming.' "

Change hurts Pontiac, Buick

The cancellation of plans to build rwd vehicles off the Zeta architecture (see story, Page 26) adds more uncertainty at Pontiac and Buick. Both brands stood to inherit multiple sedan, coupe and convertible Zeta models over the next three years, according to supplier and industry sources.

The altered plans for Zeta will delay a series of launches in 2008, including a flagship sedan for Buick and performance vehicles for Pontiac.

Meanwhile, GM sources say if sales don't improve in March and April, the company could cut up to 28 percent of white-collar workers in certain departments. Some employees have until April 1 to accept buyout packages.

GM also is pressing UAW employees to accept the same health benefits as its U.S. salaried workers.

Lutz gave analysts at the Morgan Stanley conference a sign that GM plans to ask the union for help.

"Our salaried employees have one of the absolute best health care plans in the world. The UAW hourly health care plan is way richer than that," Lutz said. "What has got to happen is we've got to get to a point where all employees - salary and hourly - have the same health care benefit. That would mean huge sums of money for us."

Cowger, who spoke at the International Motor Press Association breakfast last week in New York, said: "There are lots of reasons for our tough start to 2005: an intensely competitive market, the tough pricing environment, pull-ahead sales into the last quarter, rising interest rates, legacy costs, skyrocketing health care costs."

And none of those problems is going away. March came in like a lion for GM and was going out like one, too. In fact, the whole year is starting to look pretty ferocious. c

Rick Kranz, Gail Kachadourian and K.C. Crain contributed to this report

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Automotive News

'What Mr. Lutz meant to say ... '

Automotive News | March 28, 2005 - 12:01 am EST

Maybe it was a little damage control over "damaged brands" Pontiac and Buick.

Last week, General Motors disputed a wire service report that suggested Pontiac or Buick might someday be eliminated. The report had quoted GM Vice Chairman Robert Lutz, who referred to Buick and Pontiac as "damaged brands."

GM spokeswoman Geri Lama offered to provide *Automotive News* with a transcript of Lutz's comments during a Wednesday, March 23, automotive conference in New York. The transcript was provided by Thomson StreetEvents.

We accepted.

"Below is the Q&A that prompted the stories," Lama wrote in an e-mail.

The transcript included these Lutz comments: "Over time, if one of the troubled brands - or one of the brands that's been undernourished for many years - if it fails to turn around, then we'd have to take a look (at a) phaseout."

In this portion of the transcript, Lutz didn't refer to Buick or Pontiac by name, or as "damaged."

Oops. It seems that GM's version omitted Lutz's answer to a previous question. Morgan Stanley analyst Stephen Girsky had asked Lutz which GM brands were undervalued. Lutz explained GM's plan to consolidate the Buick, Pontiac and GMC brands into dealerships that house all three franchises.

Then Lutz added: "Buick and Pontiac are both damaged brands that have suffered from years of harvesting with very little reinvestment. And that's what we're trying to correct with an exciting array of new products."

Contacted Friday, March 25, Lama said the omission was inadvertent.