How Bureaucrats and Bean Counters Strangled General Motors by Killing its Brands

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Structured Abstract

Case Study

Purpose
To use branding literature to understand the rise and fall of GM's brands.

Design/Methodology/Approach
Case analysis using secondary sources covering GM's brands and products, managerial leadership, and market and financial performance throughout its 100-year history.

Findings
During much of its first 50 years, GM was led by engineers who pioneered professional brand management, and through intelligent allocation of resources created one of the world's strongest portfolio of brands. Government anti-trust hearings shifted GM to a cost-cutting orientation during its 2nd 50 years that had a negative impact on the GM brands and brought the current financial problems.

Research Limitation
This is a case study of only one firm, but parallels are drawn to other firms that have had similar brand issues.

Practical Implications
Firms with multiple brands need top management leadership to ensure each brand has a unique mission with minimal overlap and adequate resources for product development, innovation, and communications to achieve its mission. If the mission or resources disappear, non-core brands need to be terminated. Governments that wish to support well managed firms with strong brands need to be careful in using anti-trust actions, and should not force firms to make products that are not desired by customers.

Value
This paper takes a novel approach to evaluating the current state of General Motors by examining the factors that led to chronic mismanagement of its brands, which in turn has reduced brand equity, market share, and profits that have magnified GM's problems with labor and legacy costs, productivity, and product mix.

Key Words: General Motors, Brand Equity, Brand Extensions, Brand Portfolio, Innovation

Introduction

General Motors celebrated its 100th anniversary in 2008, but this impressive corporate milestone was greatly overshadowed by news that Toyota had overtaken GM as the world's largest automaker, and that the firm was teetering on the brink of bankruptcy. By June 2009 GM had declared bankruptcy and was shuttering or selling its Opel, Vauxhall, Saab, Hummer, Saturn, and Pontiac brands, closing 1/3 of its US dealers, and receiving over $50 billion in economic assistance from the U.S. government (Isidore 2009). Most analysts have attributed GM's bankruptcy to its high cost UAW labor, huge legacy costs, and insular management (Pealstein 2009), but government officials have more often attributed GM's fall to its lethargic shift from gas-guzzlers to greener vehicles. For example, President Obama's Chief of Staff Rahm Emanuel noted on the March 1, 2009 *Face the Nation* program that Detroit had "never invested in alternative energy cars. They got dependent on big gas guzzlers." These "causes" of GM's decline, however, are really symptoms of a larger problem that has plagued GM for decades: chronic brand mismanagement. This is somewhat ironic, because long before modern branding principles and strategies showed up in marketing journals or textbooks, they were practiced and perfected by GM as it rose to become the world's largest automaker and manufacturing firm during its first 50 years.

Research in recent times has shown that strong brands can frequently be a firm's single most valuable asset because of the profits they generate through higher margins, better channel cooperation, easier extension possibilities, and a host of other benefits (Delgado-Ballester and Munuera-Aleman 2005; Gerzema and Lebar 2008; Keller and Lehmann 2006). Building a strong brand is dependent on creating positive, strong, and unique associations that will help buyers differentiate it from other available brands (Keller 1993). Unfortunately, GM's brands

today have little positive value in either the financial or consumer market place. So what caused GM, a branding pioneer, to kill its brands? In a further irony, the government that is now providing funds to revive GM (or at least try) also helped start the firm on its brand killing ways over 50 years ago. This article chronicles the rise and fall of GM's brands during its 100-year history, and how government anti-trust and fuel related policies were complicit in creating the management culture that helped bring the downfall of GM's brands and the firm itself.

General Motors' Rise to the Top

Although GM was incorporated in 1908, it didn't start its rise to the top of the automotive world until Alfred P. Sloan was promoted as CEO and president in 1923. As figure 1 shows, until the 1950s all of GM's top leadership positions were held by trained engineers such as Sloan, who had typically worked their way to the top via manufacturing or product development positions and divisional leadership roles. They understood that the financial success of the firm was based on providing products that people wanted to buy, and they supported talented leaders within GM who were in tune with the needs and desires of the market such as Harley Earl, who was hired by Sloan to create the world's first automobile styling studio (originally call the Art and Colour Department), and Charles Kettering, head of GM R&D and prolific inventor of such things as the electric starter, leaded fuels, and fast drying automotive paints during his long GM career. Sloan and his engineering oriented successors provided the resources to staff GM with the best engineering and styling personnel in the business, and as the following sections highlight, this was to provide the foundation for the successful development of GM's brands and consequent financial success.

Figure 1 about here

Brand Builder 1: Brand Portfolio Management

When Sloan took over as head of GM, he inherited what today is called a "house of brands", which included Chevrolet, Oakland, Oldsmobile, Buick, Cadillac, and GMC. GM had been losing money for much of its history up to that point because each of its brands had product lineups that were all over the place in terms of specification and pricing. This created a great deal of overlap and cannibalization, and also muddied each brand's position in the eyes of the public (Sloan 1963). Sloan's great organizational achievement was to bring order to this brand chaos by segmenting the market and devoting one division to each segment – "a car for every purse and purpose", with Chevrolet at the bottom and Cadillac at the top (Niedermeyer 2007a). Under Sloan's strategy of centralized policy and decentralized administration, each of the major brands became largely independent divisions of GM with their own management, engineering capabilities and assembly plants to produce vehicles for their targeted segments. GM upper management during this time mainly enforced segment discipline among the divisions and provided "big picture" market and technical strategic guidance.

Another area of GM leadership in brand portfolio management was the policy of continuously evaluating each brand to determine if it's mission was still important to GM and worthy of support, or whether it no longer served a purpose and should be killed off. Pontiac, for example was launched in 1926 as a companion brand of the Oakland division, but when the success of Pontiac overshadowed the "senior" brand, GM dropped Oakland. Similarly, LaSalle was also introduced in the 1920s to provide a lower priced companion brand for Cadillac, but it was dropped when it was no longer needed as the US economy emerged from the Great Depression. Even today this is an often-neglected part of portfolio management, but the early

elimination of weak brands allows more resources to be invested in strengthening the firm's core brands (Ewing et al. 2009).

In creating these policies, GM largely pioneered modern brand portfolio management that is inline with recent branding research. For example, risk in minimized by creating and maintaining a minimally overlapping portfolio of brands within the same product category, because it reduces the likelihood that a negative event involving any single brand also hurts other brands (Petromilli et al. 2002). By using strong central management GM also prevented its divisional managers from encroaching on each other's territory and blurring boundaries between brands (Pierce et al. 2002). The minimal brand overlap also helped maintain the equity and margins of higher status brands such as Cadillac and Buick (Aribarg and Arora 2008).

Brand Builder 2: Adequate Resources

Brands require investment to keep them strong (Keller 1999), and the GM brand hierarchy was supported by a policy of innovation and product development to justify the price and status differences between the brands. Product innovation is an important tool for brand differentiation, as the qualities that consumers come to associate with the brand such as performance, quality, comfort, safety, or operating economy often originate from its innovations (Aaker 2007). Furthermore, innovations often make a product highly valued and sought after among segments of the market whose wealth and product interest define them as "innovators" or "early adopters" (Rogers 1982). During its rise to the top, GM most frequently followed a trickle-down approach to product innovations, by using its higher priced brands such as Cadillac or Oldsmobile to introduce innovations such as the electric starter, synchromesh gears, hydraulic valve lifters, automatic transmissions, and tailfins (Niedemeyer 2007b and 2007c). If they

proved to be successful on the higher price/status brands, GM would typically allow its lower priced brands such as Chevrolet and Pontiac to adopt the innovations later on (Flint 2009).

The associations that create the unique brand concept may also originate from the actual physical or technical characteristics of the brand's products that differentiate it from other brands (Park et al. 1991). During GM's rise to the top, its higher price/status brands tended to have more features, power, and size than the lower price/status brands. For example, only Cadillac offered V-16 and V-12 engines during the 1930s, while Chevrolet was limited to 6 cylinders. When GM introduced high compression V-8 engines in 1949, the Cadillac version had 331 cubic inches and 160 horsepower, while the Oldsmobile version had 303 cubic inches and 135 horsepower, and Chevrolet did not receive its first modern V-8 until 1955. Furthermore, each division's unique identity was reinforced by the use of its own engines, and in many cases gearboxes and other key components. In fact, GM had four entirely different automatic transmissions by the 1950s, when none of its competitors had more than one.

Starting in the 1930s, GM enhanced its economies of scale by sharing car bodies between divisions, although never at the expense of brand identity. Under the able leadership of Harley Earl, each division's cars were given brand distinct styling so that buyers could easily distinguish an inexpensive Chevy from a more upscale Buick or Cadillac even though all GM divisions at that time made only full-size cars (Sloan 1963). Taking a cue from the fashion industry, Sloan and Earl went one step further by also introducing the annual model change in the 1920s. Unlike the Ford Model T, which changed little during its almost 20 year production run, the idea behind the yearly facelift was to motivate car owners to trade in their obviously "obsolete" model for the latest fashion. From a branding perspective, these frequent changes also had the largely unintended effect of creating positive associations with GM brands such as "exciting",

"contemporary", and "trendy" that are characteristics of powerful and alluring brand personalities (Aaker 1997).

Brand Builder 3: Distinct Brand Images

By the time of GM's 50th anniversary, all its brands were market leaders starting at the top with Cadillac, the exclusive and expensive status symbol of choice for most sports heroes, movie stars, and captains of industry. Meanwhile, the local banker, doctor, or university president would be much more likely to drive a Buick or Oldsmobile, which were the aspirational brands for the merely wealthy and successful. For over 60% of the car buyers during that era, the affordable alternatives were usually among the budget priced competing trio of Chevrolet, Ford, or Plymouth, but GM was also the winner here as more Americans saw the USA in their Chevrolet than any other brand for over 50 years (Teahen 2008). In short, through consistent differences in product specification, styling, and pricing, each GM divisional brand had its own distinct image that could be effectively communicated to its target market, which resulted in GM having the best selling and most profitable brands in each of its major segments.

General Motors' Anti-Trust Induced Shift

During the 1950s, over 50% of the cars sold in the United States were from GM, and its Chevrolet division by itself had nearly 25% market share. This success came at a time when US car sales comprised over 70% of the world market, as foreign companies such as Toyota and BMW were still digging out from WWII after being crushed by American troops carried into battle in Cadillac powered tanks and GMC trucks. GM was not only the largest automaker with the industry's strongest brands, it was also the low cost producer, styling leader, and generally one of the most professionally managed and admired firms in the world (Drucker 1946). The very success and dominance of GM resulted in Congressional anti-trust hearings against the firm

starting in 1955 (Vartan 1959). Although the government ultimately did not force GM to split or sell off significant holdings, the anti-trust hearings led GM management to conclude that further increases in market share would likely force the breakup of the corporation, which meant that future growth would need to come primarily from increased margins on existing share rather than higher share (Daye and VanAuken 2007). These anti-trust hearings coincided with GM's shift from being engineering led to being finance led as figure 1 shows, and started a shift in the firm's behavior towards its brands. Whereas brand related expenditures were previously seen as investments for building and maintaining strong brands, GM's financially oriented top management increasingly viewed them as expenses that should be reduced to improve short-term profits. This myopic short-term financial focus is not new, as it has been a common criticism of American companies for decades (Abernathy and Hayes 2007, Strach and Everett 2006), but GM, with the help of the U.S. government, was again leading the way with a series of financially motivated brand killers outlined in the next sections.

Brand Killer 1: Breakdown of Brand Portfolio Management

Brands need to change to stay relevant, but the shift from a market focus to a cost-cutting focus at GM did not provide an effective strategy for dealing with the emergence of a market for compact cars that was supplied primarily by independent and foreign automakers such as AMC, Studebaker, and Volkswagen during the late 1950s. For the financially focused managers at GM, small cars were a threat to GM's huge economy of scale cost advantages in producing full-size cars. While a full-size Chevy would sell well over one million units per year in the 1950s and 1960s, a best-selling small car during that time would likely sell well under half of that volume due to the low gasoline prices that made fuel economy a relatively unimportant attribute for the vast majority of American car buyers. Unlike many foreign markets where governments

heavily taxed fuel and/or larger cars, low US taxes would make full-size cars with large V-8 motors the dominant sellers until a temporary shift to smaller cars occurred during the fuel crises of the 1970s.

In turn, it was the high profits from large cars that supported large increases in employee pay and benefits, which in turn led to a growing reliance on the higher profits of full-size cars (and later on trucks and SUVs) to support them. All these factors made small cars less financially attractive to produce, and, as a consequence, none of the GM divisional brands was interested in becoming a "small" car specialist. The only way that GM might make reasonable profits from small cars in the United States was to share the same small car platform across multiple GM brands to provide additional sales volume and economies of scale. As a consequence, the 1961 compacts from Pontiac, Oldsmobile, and Buick shared drivetrains and chassis/bodies to a greater degree than any GM full-size offerings. While the platform sharing across the GM divisional brands did lower production costs, the growing similarity of the cars also started to breakdown brand individuality and identity. Furthermore, during this era when small cars were very spartan, it is unlikely that GM's financially focused leadership even bothered to consider whether inexpensive smaller cars would be a good fit with the large size and more upscale luxury images associated with the Buick or Oldsmobile brands. This is in direct contrast with research on brand extensions which has found that a good fit between a new product and its parent brand is important for its success and provides positive feedback to the parent brand, while poor fitting extensions can have the opposite effect (Bottomley and Holden 2001; Strach and Everett 2006).

Figure 2 about here

The breakdown of GM's "purse and purpose" brand portfolio strategy, which was designed to protect the identity of the divisional brands, also fostered increased cross-divisional poaching as a strategy for growth. The higher status GM brands such as Buick had always envied Chevrolet's high volume, but with the introduction of their smaller cars such as the Buick Skylark, which was still a 6 passenger car, they now had the means to steal sales by undercutting the price of a full-size Chevrolet (Niedemeyer 2007a). Meanwhile Chevrolet management was salivating over the higher margins of GM's upscale divisions and worked to reduce its deficits in product specification. This convergence between the bottom and top of the GM brand lineup is well illustrated by comparing the specifications of the standard full-size Cadillac with the full-size Chevrolet over time as shown in figure 2. The exclusive 1955 Cadillac was considerably larger, more powerful, and pricier than the highly popular 1955 Chevy, and the large gaps allowed room for Pontiac, Oldsmobile and Buick to fit the purse and purposes in-between. But the gap between Chevrolet and Cadillac was reduced over time and by 1985 had reversed in some cases, as the once powerful and flashy full-size Cadillac had become smaller and less powerful than the full-size Chevrolet. Meanwhile, Cadillac sales increased as the price became more affordable relative to average incomes (76.4% of median household income in 1985 versus 126.7% in 1955).

This reduction in the specification differences between GM's top and bottom divisions also made finding logical places for its middle divisions an increasingly difficult task (Niedemeyer 2007a). Although moving Cadillac to the mass-market brought GM great profits for several years, it also caused the brand to lose its premium quality association. As figure 2 shows, during the 1980s and 1990s when nearly everyone in middle-class neighborhoods could afford a Cadillac, fewer people of all classes desired to own one. For over 40 years Cadillac was

the top selling luxury car in the US, but by 1998 Cadillac had fallen behind Lincoln, Mercedes-Benz, BMW, and Lexus. This corresponds with recent brand research which finds that cheaper offerings by upscale brands, while often profitable in the short-term, tend to reduce their status and profitability over the longer term (Randall et al. 1998; Reddy et al. 2008).

Brand Killer 2: Rampant Badge-Engineering

The profitability and manufacturing flexibility that platform sharing demonstrated with GM's early compact cars started a trend that was to see greater across-division platform sharing and badge-engineering as the decades progressed. While platform sharing will typically decrease the individuality of brand offerings "under the skin", badge-engineering means that most of the skin itself is also shared, which results in products that are virtually identical in styling, specification, quality, and performance, even though they carry different brands and prices. One of the major reasons that badge-engineering can be a highly profitable strategy comes from research which finds consumers can be willing to pay a price premium to receive the unique features they associate with their favorite brand, even after its unique physical or technical characteristics have disappeared (Sullivan 1998). This reliance on market ignorance puts the brands in jeopardy, however, when consumers find out that their "premium" brand is no longer distinct from lower-status brands (Olson 2008; Strach and Everett 2006).

While GM was the first automaker with its own in-house styling department to allow the creation of distinct visual identities amongst its divisional brand offerings, its shift to badge-engineering became increasingly visible and publicly confirmed by series of high profile incidents such as a 1983 *Fortune* magazine cover story showing the new Chevrolet, Pontiac, Oldsmobile, and Buick A-Body intermediates with the title "look alike cars", and a popular 1985 Lincoln TV spot that made fun of the newly introduced and virtually identically styled

Oldsmobile, Buick, and Cadillac C-Body full-size cars with a storyline on how the parking valet could not tell them apart (Wilson 2008). Brand research finds that styling similarity, as opposed to technical aspects under the skin, is much more influential in shaping consumer perceptions about the similarity of various alternatives which can lower overall profitability (Ramadas and Sawhney 2001), and as figure 1 shows, it was during this era of increased badge-engineering that GM market share and return on sales started its major downward trend.

In house of brand settings such as GM, negative publicity about one of the brands is more likely to cause damage to other brands in the portfolio when the brands are closely connected (Lei et al. 2008), such as they are when they share a flawed platform. For example, in the late 1970s, the Oldsmobile designed V-8 diesel engine quickly gained a reputation for early self-destruction, and the negative publicity from these failures caused great harm to all six GM divisions that shared it (Fish 2008). Another example was the unattractive "dust buster" minivan styling that hurt the reputations and sales of each of the three GM divisions that shared it during the 1990s. Unfortunately these types of examples were all too typical at GM during recent decades as the platforms that were shared were frequently mediocre, flawed, or primarily designed for the low-priced needs of Chevrolet and hence inappropriate for the reputations of the upscale GM brands that were forced to share them. This is the exact opposite of recent research, which finds that platform sharing is least harmful to brands if the platform originates with an upscale brand and shares it with lower status brands (Olson 2008).

Brand Killer 3: Innovative Brand Abuse

During GM's rise to the top, they used the higher status and lower volume Cadillac and Oldsmobile divisions as their "innovation" brands, which made innovation related problems easier and less expensive to fix in comparison to their use on a high volume product. With the

shift to a financial orientation, however, the scale economies of volume production and platform sharing increasingly meant that innovations were introduced first on volume brands or across all of the divisions at the same time. Under this policy, Chevrolet increasingly became GM's innovation brand as it was used first for new technologies such as fuel injection (1957), independent rear suspension (1960), sleeveless aluminum engine block (1970), dual overhead cam motor (1975), 6 speed gearbox (1989), and also for the planned Volt plug-in hybrid (2010). The higher costs of the innovative features, however, frequently required severe cost cutting to allow Chevrolet to maintain its "low price" position in the market. Unfortunately, this cost cutting also damaged Chevrolet's reputation with millions of customers because it was frequently accompanied by poor reliability, durability, and in the case of the 1960's Corvair, compromised safety that provided the subject matter for Ralph Nader's book "Unsafe and Any Speed".

If using a low priced brand for innovations can be risky, not innovating for upscale brands may be even worse. Because Cadillac has been an innovation laggard for decades, only senior citizens are old enough to remember the days when Cadillac technology was advanced enough to allow a Coupe DeVille to be driven off the showroom floor to a 10^{th} place finish in the 1950 Le Mans 24 hours sports car race. Foreign competitors introduced overhead cam engines, fuel injection, 4 wheel independent suspensions, 5 speed and higher automatic transmissions, navigation systems, and a host of other innovations years sooner than GM's luxury brands. Under the mandate to increase margins rather than share, however, GMs luxury brands were used as cash cows that relied on the brand equity established during the Sloan era to support their premium prices when there was very little innovative about their offerings. Arguably, Chevrolet's most innovative models such as the Corvair and Corvette should have been marketed

as Oldsmobiles because of the brand's already established image for innovation and prestige, which might also have allowed higher prices to cover the costs of innovation without resorting to reputation killing cost cuts.

Brand Killer 4: Corporate Average Fuel Economy Regulation

Arab members of OPEC embargoed the sale of oil to the U.S. (and Western Europe and Japan) that caused fuel shortages and severely impacted the U.S. economy in 1973-74. In response Congress enacted the Corporate Average Fuel Economy (CAFE) standards to reduce oil consumption as an alternative to raising fuel taxes. Two notable elements within the CAFE regulations had important effects on the future of GM and its brands. First, while the standard would require the average fuel economy of passenger cars to double by 1984, the standard for light trucks was set almost 30% lower due to the "work duties" of trucks that would make it difficult to downsize them as a means of increasing fuel economy. CAFE forced GM to downsize and reduce the power of its larger cars, which caused the most damage to its prestige brands whose image was largely based on power, size, and comfort. As figure 2 shows, between 1975 and 1985, the length of a full-size Cadillac was reduced by 3 feet and the engine size was cut in half. The result of this downsizing was that Cadillac and GM's other upscale divisions went from offering among the fastest and most exciting cars in the world, to among the slowest and most boring, hardly the basis for a premium image or premium price tag. One unintended side effect of CAFE was the encouragement of the truck, van, and SUV markets. Since those types of vehicles had less stringent CAFE standards, they could still be offered with the powerful engines and large sizes that many American consumers preferred, but could no longer find in the downsized passenger cars. As a consequence, trucks and SUVs went from less 20% of the total passenger vehicle sales to more than 50% in 2004 (Csere 2006), and GM mirrored this trend by

introducing badge engineered trucks and SUVs to all their divisions, which further muddied the image of the brands, particularly for the truck/SUV only brand GMC.

The second element of CAFE was the "two fleet rule", which did not allow cars made outside of the North America to count towards an American automaker's fleet fuel economy average (Jenkins 2009). This mandate, designed to protect UAW jobs, meant that GM could not import small cars from low-cost subsidiaries and manufacturing sites in Eastern Europe, Mexico, or Brazil to offset the sales of fuel guzzling, but highly profitable full-size GM cars. Furthermore, as fuel prices dropped in the 1980s and 90s due to deregulation of the oil industry, consumer demand for small cars was also greatly reduced. In essence CAFE made it necessary for GM to produce small cars as loss leaders so that it could produce more profitable larger cars, so it is not surprising that few resources were put into this unprofitable shrinking segment (Jenkins 2008). For example, GM's J-body small car was introduced in 1982 with badge engineered variants for all the GM divisions from top (Cadillac Cimarron) to bottom (Chevrolet Cavalier) and was produced largely unchanged until 2005. To sell the unwanted and unattractive cars, GM was frequently forced to discount, rebate, and increasingly rely on fleet sales that further damaged resale value and brand image. In short, CAFE together with low fuel prices made cars less attractive to many consumers and unprofitable for GM, and this increased the short-term financial incentives for management to further accelerate the implementation of badge engineering.

Brand Killer 5: Resource Starvation

While badge engineering could allow GM to inexpensively expand the product lines of each of its divisional brands into categories such as small cars, minivans, and SUVs that did not exist during the Sloan era, it remained an expensive proposition to create awareness and

knowledge about the expanded offerings. Although GM has been one of the world's largest advertisers for many decades, its ad budget was increasingly spread more thinly to cover each division's ever expanding product range, greatly reducing GM's share of voice versus competitors with more focused product lines (Wilson 2008).

Furthermore, the mediocrity, flaws, and poor differentiation among the various badge-engineered offerings also meant more marketing resources were required because of the added difficulty of efficiently communicating effective arguments for the brand. For example, since 1960 the smallest North American sourced Chevrolet model has had 5 different names due to negative brand equity from cost cutting induced product failures (Corvair and Vega) or lack of competitiveness due to a failure to invest in updates (Chevette and Cavalier). In addition to the frequent name changes, all but the Corvair were available as badge-engineered models for one or more of GM's other divisions to create even more consumer confusion. Each of these new names required millions in additional communication and promotional spending in order to create market awareness, brand meaning, and help erase the negative associations of the old names. In comparison, competitors such as Toyota, Honda, and Volkswagen have been able to use their Corolla (1966), Civic (1972), and Golf (1974) names continuously for decades, with each new generation of the model benefiting from the awareness and positive associations created by the earlier generations.

Resource starvation, together with low fuel prices, also thwarted GM's effort to pioneer the electric vehicle market during the 1990s. GM's EV1 was a sleek two-seater electric car that was the result of a $1 billion investment to develop a leadership reputation in green vehicles (Witzenberg 2008). Although the $80,000 car was generally well reviewed by environmentalists when introduced in 1996, and was leased at subsidized rates that implied a "purchase" price of

just over $40,000, its limited range and small size in an era of cheap gasoline greatly lowered demand, which caused less than 80% of the 1,100 EV1s that were built to actually be leased during the three-years the car was marketed (Witzenberg 2008). Since the EV1 did not offer any prospect for profits in the near-term, GM's entire electric car program was cancelled in 1999. Many automotive analysts and GM insiders consider this decision to have been a major mistake, as the technology that had been required to develop the EV1 could have been easily transferred to hybrid cars to give GM the "green aura" enjoyed instead by Toyota (Halvorson 2006).

Brand Killer Number 6: Failure to Triage Brands

Common signs of brand death include decreasing brand loyalty, lack of perceived differentiation between brands, increased price sensitivity, and lack of alignment with brand promise (Semans 2005). By these criteria, all of GM's major divisional brands were in cardiac arrest by the late 1980s. Although some branding literature suggests that properly managed brands can live forever, brands that are no longer meaningful to customers are using up resources that might be better employed elsewhere (Ewing et al. 2009; Varadarajan et al. 2006). But rather than make tough decisions on which brands should live or die, GM management decided to add some new "divisional" brands to reach the growing number of consumers that would not even consider one of the old GM brands. This resulted in the creation of GEO (1989), and Saturn (1990), and the purchase of Saab (1990) and Hummer (1998). Saturn was the most ambitious effort which entailed a $5 billion investment to change the way the GM built and sold cars with a new factory in Tennessee and an all new dealer network featuring "no-haggle" pricing (Aaker 1994). None of these "new" GM brands were as successful as hoped, however, in large part because of too much reliance on badge-engineering, the need to share the marketing resources

with all the other GM brands that were still around, and a lack of investment in new products (Chapman 2008).

Meanwhile, the efforts to establish the new divisional brands took away more resources from the already undernourished and heavily tarnished existing GM divisions, as illustrated by the sad fate of Oldsmobile. As recently as the early 1980s, Oldsmobile had been the 3rd best selling car brand in America, but less than 10 years later its sales had dropped by over two-thirds due to negative publicity about its unreliable diesel engines and loss of brand image due to rampant badge-engineering (Niedemeyer 2007b). Despite some efforts to revive the over 100-year old brand, it was finally terminated in 2004 at a cost of $1 billion to compensate dealers and redundant divisional employees.

As the Oldsmobile example illustrates, terminating a brand can be expensive, but the price pales in comparison to the true cost of not efficiently culling the portfolio. This true cost is shown by the lack of financial value GM's brands provide to the balance sheet. Recent research estimates that almost one-third of the S&P 500's market value is based on brand equity (Gerzema and Lebar 2008), and by this criteria GM's automotive brands (including German brand Opel, English brand Vauxhall, and Australian brand Holden) were worth just under $700 million after 100 years of operations, as the entire market capitalization of the firm was about $2 billion at the end of 2008. In comparison, Toyota's market capitalization was over $130 billion (estimated brand value $43 billion), although its 2008 unit sales were only 6% higher than GM's, and BMW's market capitalization was just under $11 billion (estimated brand value $4 billion) with unit sales that were just 16% of GM's. GM's lack of brand equity is further reflected by the difficulties that GM has had in getting financially attractive offers when selling or trying to sell its Opel, Vauxhall, Hummer, Saturn, Pontiac and Saab brands.

What Might Have Been?

Several changes to government policies and GM strategies over the past 50 years would likely have increased the chances that GM would still have world leading brands and a profitable start to their 2nd century. In hindsight, the U.S. government's decision to not break-up GM was probably a serious mistake, as dividing GM into two firms, with Chevrolet and Buick in one, and Pontiac, Oldsmobile, Cadillac and GMC in the other would have created a much more competitive and dynamic U.S. car market. If this had been done, each half's 20 to 30% market share and resources would have been much more in balance with Ford and Chrysler, but with only the threat of breakup, GM turned to a cost-cutting focus with brand killing results.

Low fuel prices and the cozy oligopoly of the American car market also meant that the incentive for efficiency related innovation was greatly reduced. GM was a world pioneer in the mass-production of fuel saving technologies such as fuel injection (1957) and turbo-charging (1962), but dropped them by the mid-1960s due to limited market interest and the lower manufacturing costs provided by more conventional technologies. Increasingly, GM brands (and other American car makers) would be seen as innovation laggards, as they failed to keep up with European and Japanese manufacturers who needed to continuously introduce and improve fuel saving technologies because of the higher fuel taxes and fuel prices in their home markets. Higher fuel taxes in the U.S. would likely have made GM much more innovative and competitive with foreign automakers, while also allowing for easier differentiation of the GM divisional brands based on size, performance, and technology (Tucker 1980).

If GM still had strong brands, they would almost certainly have much higher market share and as a consequence have fewer legacy costs that U.S. taxpayers are in the process of paying off as part of GM's bankruptcy restructuring. Strong brands would also enable GM to

charge the type of premium prices that allow competitors such as Toyota and BMW to fund the development of leading edge new models, provide high levels of customer service, pay above average employee salaries and benefits, and earn industry leading ROI. Finally, a GM with strong brands would benefit from much higher consumer trust when launching future technologies such as plug-in hybrids and hydrogen fuel cell cars. Unfortunately for GM there is no time travel machine that can send the world back to 1955, but what could GM do to improve their situation today?

What Happens Now?

As this is written, it appears that GM will emerge from bankruptcy with improved cost competitiveness by reducing its debt and legacy related financial burdens, which together with recent efforts to improve productivity and quality will greatly reduce GM's competitive disadvantages (Inkpen 2005; Mufson and Tse 2009; Schorn 2006). GM has also showed evidence of improved product development processes by their recent launches of new or revised models such as the Cadillac CTS, Chevrolet Malibu and Corvette, and Opel Insignia, which have all won prestigious awards from motoring journalists.

Unfortunately old habits die hard, and GM needs to stop with its brand killing mistakes of the last 50+ years. For example, GM is heavily promoting its forthcoming "plug-in" hybrid, the Chevrolet Volt, but because of the expensive technology and production constraints on its batteries, they are projecting a price of more than $40,000 and annual sales between 10,000 and 60,000 units. This relatively high price and limited production would support and fit the Cadillac or Buick image much more than Chevrolet (Flint 2009). GM also needs to eliminate its still too frequent use of badge engineering, which continues to dominate the product lines of divisions such as GMC.

GM faces a very daunting future because of its severely weakened brands, which carry negative associations with large segments of the market due to past cost cutting related problems. Rebuilding brand trust will require years of excellent products like those that have started to emerge from GM, but they may need to be sold at below average prices to gain trial, which will be financially difficult if GM is not a low cost producer.

Government Policy and Managerial Implications

The operating environment of the firm is a major influence on organizations, and the government is frequently a major shaper of that environment (Keim and Hillman 2008). This essay argues that government anti-trust and fuel policies created an ideal environment to shift GM from the brand building focus it had during most of its first 50 years, to a cost cutting focus during the last 50 years that ultimately killed GM's brands. Using the branding literature to compare the rise and fall of GM's brands leads to the following implications.

Government policies should seek to provide a strong competitive environment, but should be careful in initiating anti-trust actions against firms such as GM in the 1950s that have gained dominant positions due to outstanding products and management. This has not only been a GM problem, but has also been an issue with other widely admired and successful firms such as IBM, Microsoft, and Intel. Even when the anti-trust inquires lead to no major sanctions, they can have a serious impact on the company culture as former IBM CEO Lou Gerstner notes: "While IBM was subject to the suit, terms like "market," "marketplace," "market share," "competitor," "competition," "dominate," "lead," "win," and "beat" were systematically excised from written materials and banned at internal meetings. Imagine the dampening effect on a workforce that can't even talk about selecting a market or taking share from a competitor" (Gerstner 2002, p. 118).

Government policies should also reward firms and their brands for providing the market with designs that customers will find desirable. This was the major problem with CAFE when combined with low fuel taxes, because it forced GM and the other American carmakers to produce cars that American consumers did not want with brand damaging results. This may be a continuing problem in the future, because much of the current government financial support for U.S. automakers is predicated on them shifting to the production of environmentally friendly small and/or hybrid cars as President Obama noted in a recent press conference: "I know that, if the Japanese can design an affordable, well-designed hybrid, then, doggone it, the American people should be able to do the same" (April 29, 2008). Unfortunately, most analysts including the President's own auto industry task-force, don't believe that hybrid cars can be profitable, particularly when fuel prices remain low (Bensinger 2009). If firms are forced to produce products that consumers do not want, there is little likelihood that they will be able to generate the profits necessary to maintain strong brands.

House of brands firms should follow the brand policies of GM in its first 50 years, where strong central management had the mandate to require a clear customer focused, minimally overlapping mission for each brand or eliminate it from the portfolio, and the authority to keep brand managers from poaching on each other's assigned mission (Aribarg and Arora 2008; Pierce et al. 2002). Contingency plans should also be in place for repositioning or termination in the face of changes to government policies, market preferences, and technology developments.

Building and maintaining a strong brand requires investments, and top management must also provide each brand with enough resources to fulfill its mission via innovation, competitive technical specification, and communication budgets (Keller 1999). If resources are not sufficient to support a brand, it may be a signal that the firm has too many brands. This has not only been

an issue for GM, but also with other house of brand firms such as Unilever, which has pared back on its brand count in order to have more resources to focus on its core brands (Pierce et al. 2002).

Finally, management rewards should recognize that long-term financial success comes from providing customers with outstanding products that support the brand mission, not from cost cutting that damages brand equity. Although such strategies can be profitable in the short-term, they ultimately reduce the value of the brand to both financial markets and consumers (Olson 2008; Randall et al. 1998; Reddy et al. 2008). As figure 1 indicates, as GM shifted from getting more customers to getting more from each customer through cost cutting and non-fulfillment of brand promise, both return on sales and market share have steadily declined. This fits well with research that finds revenue expansion is more profitable than cost cutting (Rust et al. 2002).

Conclusion

As the GM examples used here illustrate, it can become very financially tempting to cash in on strong brands by cutting back on the product content, individuality, innovation, and marketing support that have established the brand's value to the consumer in the first place. In the Internet age, where so much brand and product information is easily accessible, this reliance on consumer ignorance is bound to fail, particularly when faced with competitors that actually provide branded products with the desired attributes. It can also be financially tempting in the short-term to move a brand into hot market segments or high volume markets, even when such moves do not fit well with the brand's established positioning or place in the brand portfolio. When brand meaning becomes eroded over time by these actions, the brand can become a

liability rather than an asset to the firm that will only magnify other organizational problems such as uncompetitive cost structures and the occasional technological or market failure.

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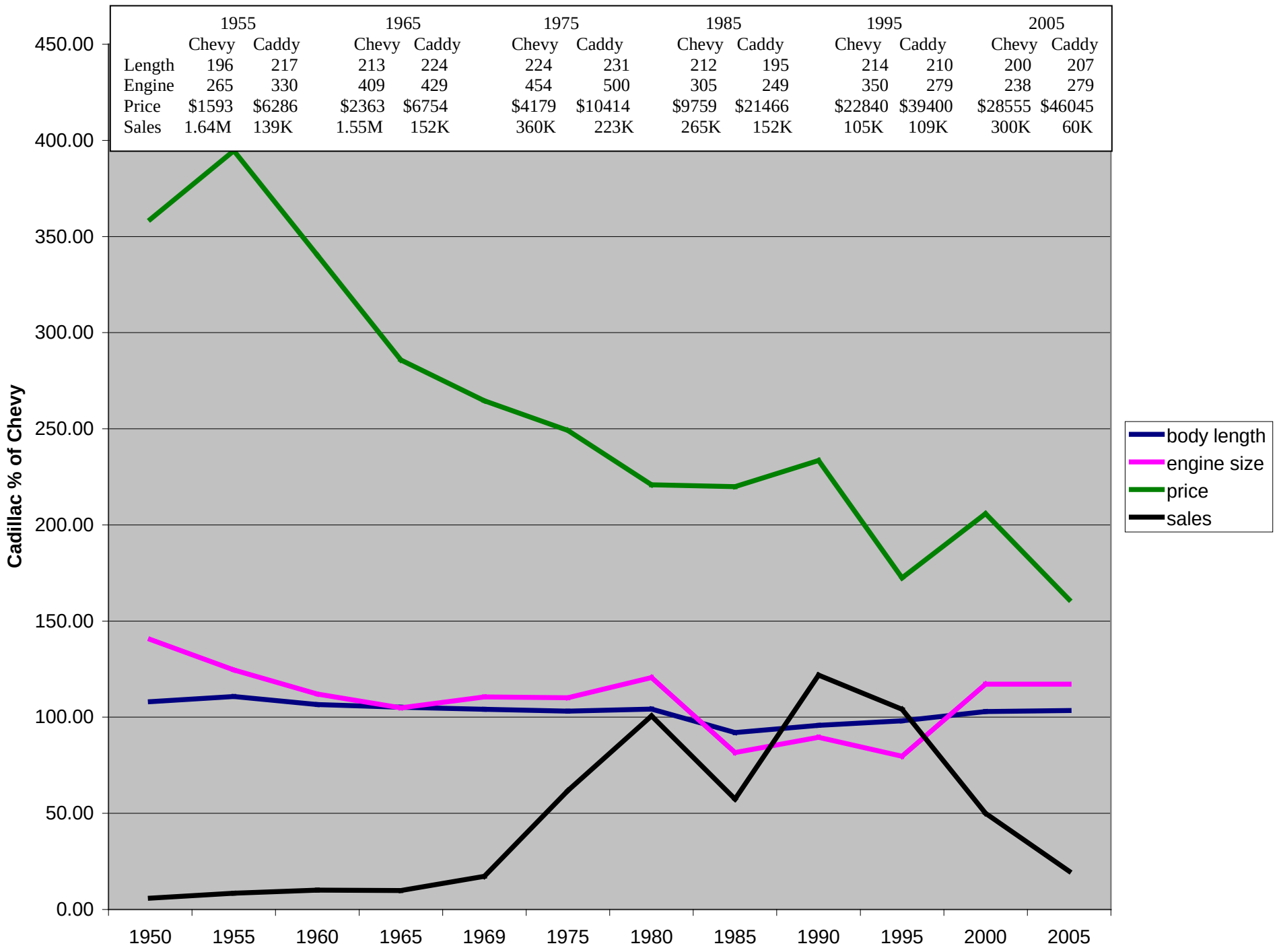
Figure 1
GM Leadership and Market Position

year	GM US Share	GM ROS	President (background)	CEO (background)
1930	41.2%	15.4%	A. Sloan (engineer)	A. Sloan (engineer)
1940	43.6	10.9	W. Knudsen (engineer)	A. Sloan (engineer)
1950	45.5	11.1	C. Wilson (engineer)	C. Wilson (engineer)
1955	50.8	8.2	H. Curtice (finance)	H. Curtice (finance)
1960	43.6	7.8	J. Gordon (engineer)	F. Donner (finance)
1965	50.1	10.2	J. Gordon (engineer)	F. Donner (finance)
1969*	46.8	7.6	E. Cole (engineer)	J. Roche (statistician)
1975	43.4	3.0	E. Estes (engineer)	T. Murphy (finance)
1980	46.4	4.4	E. Estes (engineer)	T. Murphy (finance)
1985	37.0	5.4	F. McDonald (engineer)	R. Smith (finance)
1990	35.1	3.3	R. Stempel (engineer)	R. Smith (finance)
1995	32.8	3.2	J. Smith (finance)	J. Smith (finance)
2000	28.2	3.2	G. Wagoner (finance)	G. Wagoner (finance)
2005	26.2	1.4	G. Wagoner (finance)	G. Wagoner (finance)
2008	22.5	-21.2	F. Henderson (finance)	G. Wagoner (finance)

Notes: GM US Share = GM calendar year market share for light vehicles (cars and light trucks).
GM ROS = Return on Sales. * = 1969 used instead of 1970 because major UAW strike in 1970 caused large disruption in GM production and earnings.
Source: GM Annual Reports.

Figure 2: Cadillac versus Chevrolet full-size cars

	1955		1965		1975		1985		1995		2005	
	Chevy	Caddy	Chevy	Caddy	Chevy	Caddy	Chevy	Caddy	Chevy	Caddy	Chevy	Caddy
Length	196	217	213	224	224	231	212	195	214	210	200	207
Engine	265	330	409	429	454	500	305	249	350	279	238	279
Price	$1593	$6286	$2363	$6754	$4179	$10414	$9759	$21466	$22840	$39400	$28555	$46045
Sales	1.64M	139K	1.55M	152K	360K	223K	265K	152K	105K	109K	300K	60K



Note: Price%HHinc = price as a % of median US household income for stated year, Length in inches, Engine size in Cubic Inches.