The Marketing of the Chevrolet Volt

A Case Study Emphasizing Social Networking Media for a Continuing New Product Launch

By Robert F. Dyer and Marilyn Liebrenz-Himes

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Revolutionary new product introductions do not come along that often – real innovations are far and few between. GM has put years of development effort, a huge amount of capital and a lot of hope for the future of the Corporation behind the **Volt**, the new plug-in hybrid electric vehicle being produced by its Chevrolet Division. This new product was launched in November 2010 as a 2010 model. However, the publicity, prototyping, concept vehicle demonstrations, and general marketing build-up for the Volt vehicle go back to 2007-2008. This case study addresses the continued rollout efforts for the **Volt** in 2012.

Introduction

GM is on somewhat on a roll, despite a still sluggish economy. It has eliminated such divisions as the Saturn and Pontiac; successfully introduced new models of its remaining vehicle brands, has seen robust 2010 sales figures, witnessed the growth in popularity of its smaller vehicles, paid back its government loans, and has recently posted strong customer satisfaction ratings. GM has had some experience with hybrid vehicles, selling traditional, Toyota-type, hybrid systems on several of its Chevy cars and SUV vehicles over the past few years. Earlier it produced and sold an all-electric vehicle. However, producing and marketing a plug-in electric vehicle by the "new GM" is a brand new deal. Not only does this involve revolutionary battery technology and innovative engineering and power train systems but also convincing the public

that the “extended range” version of its new electric car is the way to go. These challenges come just as another new plug-in vehicle, the Nissan Leaf, was introduced to the U.S. market at nearly the identical time. (The GM Bailout: Paid Back in Full, WSJ.com, April 21, 2010).

The Volt Vehicle

The Volt’s propulsion system is based on GM’s new ‘Voltec’ electric automobile platform which allows the vehicle to travel between 25 to 50 miles by the electric energy stored in its on-board battery pack. The car’s lithium-ion battery pack can be fully charged by plugging the car into a 120-240 VAC (Voltage Alternating Current) residential electrical outlet. With fully charged batteries and under normal driving and climate conditions, the Volt has an expected range of 40 miles, a distance longer than the daily commute for 75 percent of Americans (whose average commute trip is 33 miles). After the battery is depleted, a small 4-cylincer internal combustion engine using premium gasoline creates electricity on-board using a generator to extend the Volt’s range up to an additional 310 miles. Importantly, the power from the generator is sent primarily to the electric motor, with the excess going to the batteries. If the battery is depleted and at speeds between 30 and 70 miles per hour, the gas engine’s power may assist the traction motor (via a clutch), boosting high speed efficiency by 10-15 percent.

The Looks /the Physical Product

The new Volt is a well-appointed four-seater, looking much like the hit Chevy Cruze model vehicle. Its styling has drawn praise from auto design circles. It will come standard with an in-dash GPS navigation system and also has the GM IT platform, the On-Star system. Sure to appeal to techies and younger buyers, the Volt will be able to communicate how much battery power is still available to smart phones as well through dashboard metrics.

Pricing

Pricing had been a big secret at GM. Mid-way through fall 2010, GM announced that the Volt's retail price would start at $41,000 (including destination charges). This quoted price came before any factory incentives, tax deductions or other subsidies are factored into the final price. The Volt is currently eligible for a $7,500 U.S. federal tax credit and other benefits available at some locations. In perhaps an acknowledgement of the hefty price, the Volt will also be available through a three-year lease program with a monthly payment of $350 for 36 months, with $2,500 due at lease signing, and with an option to buy at the end of the lease.

Production and Sales

Since 2008, GM's target has been to get the Volt into retail showrooms by the end of 2010. The first Volt rolled off the assembly line on November 30, 2010. The calendar year production for all of 2011 is slated for 10,000 to 15,000 units and will jump to 45,000 units in 2012 and even more if demand is higher. All Volt vehicles will be produced at a single facility, the Detroit/Hamtramck assembly.

Scheduled Roll Out

Initially, the Volt vehicles' will be sold in only a few U.S. geographic areas including California, the Metro Washington DC Area, Michigan, Texas, New York, New Jersey and Connecticut. The very first cars were available in Washington, D.C., the New York City Metro region, California and Austin, Texas. This restricted roll-out tied in with the limited production of the Volt in its initial year. GM will not have full North American availability of the Volt at its dealerships until mid 2012. Plans are also in the works for 2011 sales of the Volt in Europe (the European version will be the Opel Ampera), Australia, and China. By way of contrast, Nissan has announced that it will sell about 25,000 Leafs in the U.S. in 2011 and is building a Tennessee plant that can manufacture 150,000 a year.

Target Markets

Although there have been no official statements about the Volt's target market profile, the geographic markets selected for the initial launch might offer some indications. The question becomes: "Who are likely to be the innovators and early adopters for this innovation in the automotive field?" The Washington Post concluded that "common sense suggests that the likeliest purchasers will be upscale consumers who already own gas powered cars for heavy-duty driving, live in a single family home with an electric outlet in the garage – and can afford a green experiment." (Washington Post, August 1, 2010). Looking at the longer term, John Graham, Dean of the School of Public and Environmental Affairs at Indiana University, stated that "There is a big challenge in going from marketing the Leaf or the Volt to early adopters to selling them to mainstream retail car buyers." (Washington Post, "Plug-n cars not on a fast-track," Feb. 2, 2011, p. A3.)

Positioning the Volt

More and more the Volt's positioning statement and value proposition is becoming refined and clearer. The Green Car Blog quoted a conference call held with GM's Director for Powertrain Engineering who returned over and over to the theme what may become the main marketing message of the 2011 Volt: "It's the electric car without limits, the one you can take on spontaneous road trips, and it's different from all those other EVs with their limited range."(www.**greencar**reports.com/**blog**/1044805_2011-chevy-volt-marketing-theme -emerges-an-ev-for-road-trips). The Volt is positioned as an electric car that you can use as a primary vehicle and take anywhere. So it appears that GM is trying to convey two simultaneous messages: it's an electric car, with all the fun-to-drive characteristics that EVs entail (plus zero emissions on battery power!), but it is a different kind of electric car because you will have the sustainability virtues of an electric vehicle and yet the convenience and distance of a conventional car.

Promotion/Marketing Communications

GM has gotten a huge amount of publicity for the Volt over the past several years. There were scores of articles about the forthcoming vehicle in car magazines and general publications. Blogs aplenty have begun to generate traffic in chatting about the Volt. And, of course, heavy internet activity can be seen via Google search topics on hybrid cars as well as these new electric entries into the field. GM is just beginning to release TV commercials for the Volt. The Chevrolet Volt website is well-designed (www.Chevrolet.com/Volt) and is a strong electronic marketing tool as GM is reported to have a database of over 50,000 individuals with strong interests in buying a Volt. What appears to be lacking is a vigorous viral marketing or social media approach for building demand of the Volt in the coming years.

Car companies are heavy users of marketing communications in general. But when a car manufacturer has an opportunity to launch a "game-changing" product that could have a major impact on the image and positioning of the corporation, marketing communications, no doubt, take on a special level of importance.

Few would doubt that one of the most creative and "blockbuster" new product launch communications campaigns was the one built for the launch of the BMWZ3 sports roadster in the U.S. market. It used integrated marketing communications, it heavily used non-traditional promotional tools but it did not overlook the used of tried and true traditional promotional approaches for new cars. Furthermore, it worked. All sales goals were achieved. It employed metrics to gauge the effectiveness of its IMC approach. Importantly, the campaign looked at not only what was needed to generate initial "buzz" about the BMW/Z3 but it also carefully considered how to get consumers into their dealerships and to "close" sales on inquiries and visits. In selling cars, a hit on a website even if it is as involved as "creating your own custom BMW" is not a sale made. All in all, the following approaches were used in the BMW Z3 launch campaign: 1) BMW created an agreement with MGM to have the Z3 featured in the James Bond "Golden Eye" film, 2) the Neiman Marcus Christmas catalogue had an offer to order a special edition of the Z3 , 3) Z3's were heavily promoted on BMW's website, 4) a major PR event was the unveiling of the auto in New York's Central Park, 5) the BMW /Z3 was displayed and commented on during a live Jay Leno Tonight broadcast, a special radio DJ program is

used that has the car as a central focus of a radio show in 13 major markets, 6) a video was filmed called “Go: An American Road Story” showing how one individual uses his Z3 to have the “ultimate driving experience” on a cross-country journey across the USA, 7) traditional media involved the use of TV and print advertising for the Z3, 8) a BMW rep made calls at dealerships to “pump up the volume” among dealer sales people and staff about the new Z3. Of course, this was all done over 17 years ago. Social media networks, as we know them today, did not exist. One could wonder how the BMW/Z3 would make use of media opportunities such as Facebook, You Tube, and Twitter?

Background Information

A Brief History of Automobile Power Technology and Electric Vehicles

Early in the history of auto production there were three competing technologies for the power source of automobiles: steam, electric and gasoline. At the turn of the century steam cars lead the way with the advantages of fewer moving engine parts and very high torque. Although the engines were very simple and durable, their extensive piping and metalwork made them heavier. Though reliable and fast, they were limited in range, expensive and heavy.

Electric vehicles (EV) were also present at the late 1890’s/early 1900’s somewhat tied to the work of Thomas Edison and others in the field of battery design. Electrics were popular with taxi firms and women who wanted nothing to do with the crank starting of internal combustion engine (ICE)-powered vehicles. Electrics also offered less pollution, noise and vibration, along with quick starts offered by electric engines low-end torque. At this time, the drawbacks of EV’s were huge: very high manufacturing costs; triple the operating costs of ICE’s; heavy batteries weighing a ton or more; range limited to 50-80 miles before needing recharging; and very few charging facilities with the exception of large center cities. Many of these drawbacks still hinder electrics, despite gains in battery technologies.

By 1910, most major mainstream automotive firms, turned to internal combustion engines and by the 1920’s investments in steam and electric powered autos ceased.

Forward to the 1990’s, where interest in alternative fuels for cars returned as fuel prices skyrocketed, concerns about the oil supply from the politically unstable Middle East intensified, and declining oil reserves in major drilling areas became more fact than fiction. These problems were compounded by a growing awareness of the function of greenhouse gas emissions and their impact on the ozone layer. As well, vehicle emission standards and the availability of tax incentives for car buyers pushed for the development of alternative fuels.

Also in the early 1990’s, manufacturers developed pure electric vehicles that differed from the ICE power systems in several ways. They offered one or more electric motors, no mechanical transmission was required to transfer power from engine to wheel, and no gears were required because of the even, flat torque of electric motors. Battery technology still required very heavy batteries and EV’s had lower top speeds and a more limited range (40 to 6o miles) in contrast to the 300 plus mile range of ICE vehicles. The lack of a retail charging infrastructure coupled with long charging times requiring several to many hours still was a major barrier. In the mid 1990s

both GM and Honda introduced “plug-in” EV’s (the GM- EV1 and the Honda-EV Plus, respectively). Initial costs were very high because of the new technology and the volumes were very low. The GM EV entry was reported to cost over $78,000 to produce, even though priced at retail at less than $34,000. Even at this relatively low price, these cars cost double the amount of a comparable ICE automobile. After seeing sales of only a few thousand units, both vehicles were withdrawn from the market.

Midway in the 1990’s hybrid electric vehicles (HEV) came on the scene. The hybrids had both electric and ICE systems that worked together to produce impressive fuel efficiency. The electric motor produced high torque that hybrids used to accelerate at the slower speeds where ICE engines were least efficient. At cruising speeds, the gasoline engine kicked in where it was most efficient. The hybrid battery stored electric power by the ICE through regenerative power (capturing the energy generated as the vehicle braked). As a consequence, hybrids were best suited for the stop and go or “city driving” conditions, where 50% greater efficiency could be achieved by a small car delivering 50 miles per gallon. Much larger SUV hybrids even offered a respectable 30 mpg. The premium that manufacturers charged for a hybrid vehicle over a gas only vehicle (about $5,000) had a 15-20 year payback in the U.S. Federal tax deductions for purchase of hybrids ($2,000 in the year of purchase) improved the economics considerably. The Toyota Prius (offered in 1997) and the Honda Insight (offered in 1999), led the way for hybrids. By 2002, some 150,000 had been sold worldwide (60,000 in the U.S.). Currently, hybrids are now offered by a number of prominent world market care manufacturers, including GM and Ford. On a cumulative basis, sales of one million hybrids took over eight years to be accomplished. This can be compared to the typical annual sales in the U.S. of about 16-17 million vehicles per year.

It is interesting to note that President Obama has announced a goal of putting one million plug-in electric cars on the road by 2015. The federal government is already offering incentives as high as $7,500 for consumers to buy plug-in cars and putting up to $2.4 billion for battery and electric car manufacturing. (Washington Post, “Plug-in cars not on a fast track, “February 2, 2011, p. A3.) A report by a panel of industry experts has questioned the reality of meeting this goal based upon the manufacturer’s announced production numbers and an analysis of consumer demand. Other possible technological options have also been explored by various automobile manufacturers. For example, GM also pioneered the use of electric motors and a variety of alternative fossil fuels (natural gas, ethanol, and propane) to be used in ICE vehicles. GM also explored the use of hydrogen as a power source, however, GM’s hydrogen product was dropped early on and none of the other fuel technologies could be considered a major player.

(This section is heavily based upon several sources: Bloomberg Businessweek, “Charged for Battle,” January 3-9, 2011, pp. 48-56.; Alan MacCormack and Kerry Herman, Reinventing the Automobile: General Motors’ Autonomy Project, Harvard Business School Case #9-604-064, August 4, 2005; John A. Heitman, The Automobile and American Life, The McFarland & Company Publishers, 2009).

The Sponsor

Ourisman Chevrolet, the largest Chevrolet dealership network in the metro Washington, DC area, dates back to 1921, just three years after GM purchased the Chevrolet Motor Company. The first dealership, started by Benjamin Ourisman, was located at 610 H. St. NW, in the heart of Washington, DC, and only moved to its current headquarters location in Marlow Heights, MD in 1962, following both World Wars. Mandell Ourisman took over the dealerships after the death of his father, Benjamin, in 1955, and now his three sons, John, Robert and stepson Dan Korengold, manage numerous dealerships and operations.

The Ourisman Dealerships were among the first to advertise their cars on television in the late 1960s. Not many dealers saw the benefits of using TV to reach possible customers, but Mandell "felt it would bring positive results." That television singing commercial is still heard today, "You always get your way, At Ourisman Chevrolet."

The Ourisman Chevrolet dealerships in the metro Washington, DC area were among the first to obtain the Volt car. With the continually rising gas prices, as well as the growing concern over the economic and political issues involved with petroleum-based fuels, the Ourisman Dealerships feel that the GM Volt represents the car of the future—here today.

(The above section is heavily based on the Washington Times article, "Ourisman Chevrolet," Sept. 28, 2007).

The Challenge--Case Study Questions

The overall case challenge is to create an overall marketing communications strategy for the Volt's continuing rollout in 2012 which builds on or at least incorporates the GM promotional activities utilized in 2010-2011. Your campaign should be directed toward the current Volt customer, although different target segments may be added, if research supports these additions.

Campaign Requirements

--Develop an integrated marketing plan, with heavy emphasis on social media, as well as other modes of marketing communications including (if appropriate) internet-based communication tools. Details should include the following:
--Provide a statement of your goals and objectives for your 2012 continuing rollout communications campaign;
--Assist GM in developing a clearer target market statement;
-- Construct an example of the use of social media using its technology;
--Outline a direct marketing program targeting interested individuals as identified through contact with dealers or websites pertaining to the Volt. The direct marketing program could be utilized to convert interest into purchase or even to strengthen the buyer satisfaction for those who already purchased a Volt;

Disclaimer:

The case is entirely based upon publicly available information and has not incorporated any information from GM. This case study reflects the sole view of the case authors and the DMAWEF, and is not intended to represent any official statement by the General Motors, the Chevrolet Division of GM, or the case sponsor, Ourisman Chevrolet.

Budget

For the purposes of this case study competition, your proposed marketing communications plan should be based on a maximum budget of $100,000. This amount is in addition to all national or corporate marketing communications sponsored by GM or Chevrolet, and is intended to be utilized by Ourisman Chevrolet and its locations throughout the metro Washington, DC region, including adjoining states of Maryland, Virginia, and West Virginia. Campaign should focus on spotlighting the Volt car, although it should be recognized that the Ourisman dealerships carry a variety of brands and models, in addition the Chevrolet Volt vehicle.

Deliverables

Submissions may be made by individuals or small teams (up to 4 members). The Collegiate Maxi Competition is open to both undergraduate and graduate students, but teams must be composed of entirely one level or another.

Entries should be organized as follows:

--Title page with names of all team members, name of school, email and telephone contact information, and name (if appropriate) of professor or advisor (also with email and telephone).

--One page executive summary,

-- The communications plan, a written document no longer than 10 pages, excluding appendices,

--Appendices (max of 20 pages):

a. Detailed budget

b. Creative sample(s)

c. Forecast results of the marketing campaign (ROI)

d. PowerPoint Presentation (max 20 slides), pitching your strategy and its rationale for your communication plan. Slides may be arranged with multiple slides per page if desired.

Deadline

All entries must be received by **November 18, 2011**. Entries are encouraged to be sent online, but hard copies are acceptable. Contact information for the DMAW/EF is: Karen Depew, DMAW/EF Executive Administrator, 301.652.7074, kdnorthwood@gmail.com

Criteria for Success

Entries will be evaluated, based on the stated objectives of the submission, that is, how effectively the proposed plan achieves those objectives. Entries will also be judged on effective use of marketing channels (online or off line), creativity, originality, and anticipated impact.