

The Outlook

Larger Saturn probably won't hurt mystique of company, experts say

General Motors Corp. took action last week to satisfy dealers that have long clamored for a larger Saturn. The company said it would build a midsize model at its Chevrolet plant in Wilmington, Del.

The new car, code-named Innova, will be the first Saturn built outside its assembly line at Spring Hill, Tenn., which has cultivated an image of down-home workers who crafted a car as a team.

It is scheduled to make its way into showrooms in 1999, General Motors said the

car will be based on the Opel Vectra that GM makes and sells in Europe.

Was this a smart move by General Motors? Will the larger Saturn steal sales away from other GM divisions?

What will this do to the Saturn mystique? Will customers view the new car as a Opel in Saturn clothing? Will this hurt Saturn sales?

Jeffrey A. Legum

President of Westhanger Cadillac, Oldsmobile, Chevrolet

It may cannibalize sales from others divisions of GM.

But it will get some people who would only have considered buying an import to at least think about buying an American car. I think it was a good move.

They are trying to keep the Saturn buyer in the fold. This will give them a car to move up to after buying the smaller Saturn.

There was a program within General Motors aimed at having the Saturn buyers step up to an Oldsmobile. But this never made sense. The Oldsmobile dealers wouldn't embrace Saturn's one-price selling. Without this, the car-buying ex-

perience would be different at Oldsmobile dealerships and Saturn dealerships and the experience was what Saturn was selling.

GM's decision to base the new Saturn on the Opel could hurt sales. Who knows? I don't know. The industry is going more toward world cars. It is going to have to become acceptable with customers at some point. It's the way of the future.

There isn't a need for another mid-size sedan per se. But I think the mind-set of someone who has owned a Saturn and is shopping for a new one is different from what Pontiac or Oldsmobile dealers would attract.

There will be some cannibalization, there always is. But there is a better chance that Saturn will get the import buyer this time.

There are several reasons for that. First of all, they can be more cost-effective on the new car because they are using an existing platform, and an existing factory.

So their investment will be less, one-fifth or one-sixth of what it was at Spring Hill.

Second, the new car is going to be more exciting than what they have now. There is nothing wrong with the current Saturn, but it is really a ho-hum car. People don't buy it because they want a sports car. They buy it because they like the way they are treated.

Edward Lapham

Executive editor of *Auto-motive News*

There is no way that GM was going to put the kind of capital into Saturn that Saturn would have needed to build another new plant and develop another new car and take another six years to do it. There was no way they were going to do that. This is the next best thing.

The one GM division that will feel the least comfortable about this is Oldsmobile. John Roock, the head of Oldsmobile, has been try-

ing to restructure that division to make it the place where Saturn customers would go when they wanted a more up-scale car. He wanted it to be a place where they felt comfortable. Well, now Saturn has another vehicle of their own.

I don't think the Opel link is going to hurt the Saturn mystique. They are trying to move people up from the little Saturn to a bigger Saturn. GM is going to keep a lot of the stuff unique to Saturn.

There was a squabble within GM. The Saturn people were adamant about wanting a pretty loud voice in the design and engineering process for the new car. And they got it.

David Healy

Analyst with *Burnham Securities*

I think it might cannibalize other GM sales to a degree, but it will probably mean a net increase in market share for GM. They need some new production and

bringing in an import-based car avoids the necessity of building a new plant or spending a lot of money on designing a new car.

The Saturn line is pretty limited to two or three versions of the sub-compact car. Unless they get new products that appeal to a different buyer they are going to lose market share. Saturn is not particularly profitable and GM didn't think it would pay to develop a new model. I don't think that basing the new car on the European Opel will hurt the Saturn mystique. I suspect there will be enough difference from the present Saturn and other GM cars that it will have a shot of grabbing more market share.

GM is trying to broaden its model line to protect its market share. It wouldn't mind Saturn buyers going to Oldsmobile when they wanted a more up-scale car but they couldn't take the chance that they would buy an import.

—Compiled by Ted Sheasby

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