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California market crucial to GM's success

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As the nation's No. 1 auto market, California has long been key to General Motors' business plan, but the state's environmentally conscious consumers might be even more important to GM's post-bankruptcy fortunes.

On Wednesday, the automaker launched a national TV advertising campaign touting its future as a "leaner, greener, faster, smarter" company. Given California's status as the nation's top green car market, GM hopes to reach the hearts, minds and pocketbooks of motorists statewide.

"California is a lot more environmentally conscious and tends to buy more hybrids than other (states)," said Jesse Toprak, executive director of industry analysis for Edmunds.com, a Santa Monica-based auto information site.

"That will be very important for GM as it tries to regain market share ... not just from Toyota and Honda, but Ford is also emerging as a very viable competitor."

And the state could be just as important to Chrysler, which is basing much of its post-bankruptcy strategy on selling small, fuel-efficient cars in conjunction with Italian automaker Fiat.

GM already has shed brands that hamper its overall fuel-mileage ratings – Hummer in particular – and will focus on a core group of Chevrolet, Cadillac, Buick and GMC. Three of those brands have gas-electric hybrids in their 2009 lineups – Chevrolet Malibu, Chevrolet Silverado, Cadillac Escalade and GMC Yukon.

The highlight of the green strategy is the upcoming Chevrolet Volt, a plug-in electric designed to travel 40 miles on a single charge, before a three-cylinder gas engine takes over to recharge a lithium-ion battery pack. The car hits the market for the 2010 model year.

"With the Volt, Californians are going to be the first in line to drive these cars and voice their opinions about these vehicles," Toprak said.

The Volt is just one example that GM has long recognized the green market in California.

In 2006, when GM was being criticized as bloated and a producer of too many large sport-utility vehicles, it debuted several vehicles with gas-electric and alternative-fuel systems at the Los Angeles Auto Show. Behind closed doors, it also unveiled the Volt.

Making its green push in California was no accident, given the state's taste for environmentally friendly vehicles.

In 2008, California represented 24.2 of the nation's hybrid market, according to Southfield, Mich.-based R.L. Polk & Co. That's more than twice the state's historic share of new-vehicle sales nationwide, which has been 11 percent to 12 percent most of this decade.

While California's huge population and plentiful green car buyers bode well for GM, there are plenty of obstacles, too.

One potential drawback: "(U.S. automakers) have been steadily losing market share in California," said Art Spinella, president of Bandon, Ore.-based CNW Research, which tracks the auto industry.

The Sacramento-based California New Car Dealers Association said GM's 14.2 percent share of the state's new-car sales in 2008 topped rivals Ford (11.4 percent) and Chrysler (7.5 percent), but sharply trailed Toyota's 25.6 percent share and barely edged Honda's 13.4 percent.

If GM hopes to gain traction following bankruptcy, Toprak said, it will have to do so with fewer dealerships.

"In areas where you have more than one franchise in a small radius, half of those will be gone. That's particularly true in Southern California," he said.

And selling green cars in California represents only part of GM's challenge.

"They have to learn to prioritize," he said. "You can sell everything, but you need to market it accordingly. There's no shame in having a large portfolio of cars, but you have to produce cars people will buy."

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