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GM's Appointment of Lutz Shows No Respect for Marketing

Without a Story, Carmaker's Advertising Isn't Going to Cut It

By Al Ries

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General Motors' new advertising and marketing czar is Bob Lutz, who until April of this year headed global product development. According to CEO Fritz Henderson: "Bob's responsibilities beyond creative design will include brands, marketing, advertising and communications." (I can visualize Bob at his first meeting with one of GM's agencies: "I'm not a marketing expert, but I did stay at a Holiday Inn Express last night.")

Has respect for marketing fallen so low that the most difficult job in the profession (getting GM out of the ditch) can be given to someone with so little experience in marketing?

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Ernst & Young survey, only 7%

I'm afraid so. The fact is that most companies do not assign much value to the marketing function. Nor do they compensate marketing people at the same level as they do financial, legal and other functional occupations.

A recent survey of Fortune 1000 companies conducted by Ernst & Young found that only about 15% employ some sort of marketing person with a chief- or senior-level title such as chief marketing officer.

It gets worse as far as money is concerned. According to SEC regulations, a company has to list the total compensation of its CEO and its CFO in addition to its three highest-paid executive officers. According to the Ernst & Young survey, only 7% of Fortune 1000 companies included a marketing executive on their lists.

That's strange in light of what Peter Drucker, the management guru of the 20th century, had to say about marketing. "Because the purpose of business is to create a customer, the business enterprise has two -- and only two -- basic functions: marketing and innovation."

"Marketing and innovation produce results; all the rest are costs," reported Mr. Drucker. "Marketing is the distinguishing, unique function of the business."

Marketing is worshiped in the abstract but not in the specific. There's no need to hire a chief marketing officer, goes the thinking, because marketing is just common sense. Let's just assign the function to one of our senior officers.

His or her first assignment: an overnight stay at a Holiday Inn Express.

Left-brain management types often confuse marketing with advertising. But the two are totally different. Advertising is focused externally and attempts to set up a dialog with customers and prospects. Marketing is focused internally and attempts to set up a dialog with top management in order to develop a product or a service "with a story."

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Without a story, no advertising, no matter how brilliant, is going to work.

BMW's story is "driving." Toyota's story is "reliability." Mercedes' story is "prestige."

Marketing comes first, advertising comes second. That's why Bob Lutz seems to be on the wrong tack when he immediately focuses on fixing the advertising. "I think you will very quickly see a drastic change in the tone and content of our advertising," said Mr. Lutz. "And if you don't, it will mean that I have failed."

"My top priority now," he added, "is to enhance the ability of GM to let the public know about what great cars and trucks we build. For all the money spent in the past, this seemingly simple task has eluded us." (Note: GM spent \$36 billion on U.S. advertising in the past ten years.)

"Our current product lineup is arguably the best of any mass producer in the world, and our task is to use enhanced advertising and communications methods to convince more Americans to give us a try again," said Mr. Lutz.

I think he's wrong. Advertising at GM is not broken. Marketing is.

Marketing's job is to coordinate all the various disciplines inside a corporation in order to develop the right product, the right price, the right position, the right distribution strategy and the right brand name.

Advertising's job is to position that brand name in the minds of consumers.

Good marketing makes advertising relatively easy. Bad marketing makes advertising difficult, if not impossible.

Marketing is a discipline that can take years of study and work. A discipline that's just as complicated and as hard to learn as medicine or accounting or automobile repair. Furthermore, the principles of marketing are counterintuitive. Invariably they are the opposite of what most people would call "common sense."

What is GM's marketing problem? One complaint of commentators in the media is that "General Motors doesn't build cars that people want to buy." This is true.

People want to buy Toyotas, Hondas, BMWs, Mercedes, Lexus and other brands. People want to buy brands, not just vehicles.

What you park in your garage is your family's most visible status symbol. Nobody wants to buy a Walmart V-8, no matter how cheap it would be. And few people want to buy a Buick (average age of buyer: 62) even though Buick (along with Jaguar) was rated as the most dependable vehicle in J.D. Power's 2009 vehicle dependability study.

Another complaint of commentators in the media is that "You can't make money building motor vehicles in America because labor and health-care costs are too high."

Is that so? Compare General Motors with that motor-vehicle company on the other side of Lake Michigan, Harley-Davidson.

In the last four years, General Motors lost \$82.0 billion while Harley made \$3.6 billion. Furthermore Harley's net profit margin was 15.8%, three times the profit margin of the average Fortune 500 company.

Harley competes with Honda, BMW and some of the same companies that General Motors competes with. The difference is that Harley has built a strong brand by narrowing its focus to heavy-duty motorcycles while General Motors has gone in the opposite direction by expanding its brands so they don't stand for anything. (Chevrolet sells everything from the \$13,000 Aveo subcompact to the \$25,000 Impala full-size sedan to the \$40,000 Suburban sport-utility vehicle to the \$105,000 Corvette ZR1 sports car, in addition to a full line of pickup trucks.)

Nor is Harley shy about spelling out its marketing strategy. The Harley Owners Group and its nickname HOG let prospective customers know exactly what Harley stands for. Today, Harley has 46% of the U.S. heavy-duty cycle market and, according to Interbrand, is the world's 50th most-valuable brand. (None of General Motors eight brands made the latest list.)

You don't make money building products; you make money building brands. Last year General Motors built and sold 7,451,510 vehicles and managed to lose \$4,141 on every one.

Harley's preference for brand over product is demonstrated by the unique "potato, potato" sound (which the company once tried to patent) of its two-cylinder V-twin engines with dual-fire ignition systems. Though obsolete from an engineering standpoint, the dual-fire system is maintained

because of the strong connection between its distinctive sound and the Harley-Davidson brand.

For similar reasons, Rolex continues to make mechanical watches even though quartz watches would be cheaper and more accurate. Brand is more important than product.

Many left-brain management types are also confused about the role and function of advertising itself. Their assumption is that advertising is communications.

Hence Bob Lutz's approach: "We're going to have design have a powerful influence on public relations and advertising, and vice versa. It's really going to be, for the first time, an integrated communications approach.

"We're going to go from being very defensive and risk-adverse in communications," he said, and become "much bolder in getting our story out."

Bob, you have no story.

Advertising is not communications. Advertising is positioning. What position is Chevrolet trying to occupy? Or Buick? Or Cadillac? Or GMC?

An effective marketing program isolates a singular position and then tries to occupy that position in the prospect's mind with advertising that reinforces its singular position.

"Think small" isolated the small-car position for Volkswagen and then filled that position with brilliant advertising that spelled out of the advantages of owning a small car. Some sample headlines:

"It makes your house look bigger."

"Live below your means."

"And if you run out of gas, it's easy to push."

As soon as Volkswagen moved into larger, more expensive vehicles, the marketing rationale for the program fell apart, along with Volkswagen sales. (The advertising looked the same, sounded the same, but didn't work the same.)

What singular position can Chevrolet possibly own?

As design czar, in charge of global product development for General Motors, it was part of Bob Lutz's job to answer that question and then to make sure the vehicles sold in Chevrolet showrooms reinforced that position. But he needed a chief marketing officer to force him to make that decision.

It's time for a new era in marketing. Strangely enough, I think the timing is right for such a new era to begin. Things have to hit rock bottom before a revolution can occur.

The golden age of advertising was the 1960s, precisely because advertising in the decade of the 1950s was so dreadful. "See the USA in your Chevrolet" was a typical example.

Marketing in the first decade of the 21st century is equally bad. Instead of visiting the USA in your Chevrolet, the marketing program wound up with "An American revolution."

Bob, your problem is marketing, not advertising. I don't care how good your cars are. I don't care that Buick is the most dependable vehicle made in America. It doesn't matter. You have no story.

"It will be Buick's task to take on Lexus," said Mr. Lutz. That's wishful thinking at best. Last year, according to J.D. Power, only 1% of Lexus buyers considered Buick.

Nor did Tiger Woods do much for the brand. In the eight years of the Tiger, Buick sales fell from 404,612 in the year 2000 to 137,197 last year, a decline of 66%. (Why didn't the marketing people at Buick ask the obvious question: Is the owner of a \$20 million yacht likely to drive a \$30,000 Buick?)

Hopefully I'll get a chance to meet Bob Lutz some day. Maybe he'll let me fly his Czech-built L39 Albatros.

I'm not a jet pilot, but I did stay at a Holiday Inn Express recently.

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