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New GM SUVs will be value priced

Discounts to be used on older products

By DETROIT -- Despite General Motors' rocky introduction of value pricing, the automaker will stick with it when it introduces redesigned full-sized SUVs in January.

Automotive News / December 19, 2005



Rick Wagoner: GM's value pricing has spurred sales.

DETROIT -- Despite General Motors' rocky introduction of value pricing, the automaker will stick with it when it introduces redesigned full-sized SUVs in January.

The question is: Can GM sell these vehicles without big rebates even as it offers generous incentives on older products? GM CEO Rick Wagoner says GM will continue to discount vehicles nearing the end of their life cycle.

"We've positioned some prices down, others we haven't as much," Wagoner

said in a Dec. 8 interview with *Automotive News*. "It is much easier, when you have a new product, to (offer) a compelling price. That's the time when you like to talk about product anyway, as opposed to the deal."

Early next year, dealers will get a redesigned Chevrolet Tahoe, GMC Yukon, Cadillac Escalade, Chevrolet Suburban, GMC Yukon XL and Cadillac Escalade ESV. Later in the year, the GMC Sierra and Chevrolet Silverado pickups hit showrooms. Saturn also will get several new vehicles.

Value pricing means a lower sticker price on certain base models that is close to the actual transaction price. The transaction price is the average price paid for the vehicle.

GM markets the idea under the tag line Total Value Promise.

Value-priced vehicles carry little or no rebates. Last summer, GM cut sticker prices on 2006 models by an average of \$301, or 1.1 percent, from final 2005 model year prices.

Interrupted message

Some GM dealers say value pricing has not had a chance to lure Internet shoppers who compare prices online. That's because GM keeps running big incentive programs that interrupt the automaker's Total Value Promise marketing campaign, says Lynn Thompson, co-owner of Thompson Pontiac-GMC-Cadillac-Saab in Springfield, Mo.

"Value pricing is a six-month to a yearlong thing," he says. "It will put GM back on people's shopping

The launch schedule

GM's launch plan for redesigned large pickups and SUVs

1st quarter

- Chevrolet Tahoe
- GMC Yukon
- Cadillac Escalade
- Chevrolet Suburban
- GMC Yukon XL
- Cadillac Escalade ESV

3rd and 4th quarter

- Chevrolet Silverado pickup
- GMC Sierra pickup

list, but that takes awhile. It won't just drive people in overnight."

Value pricing hasn't had much time to work, given that GM introduced the idea in the late spring, then went into a four-month national incentive program called "Employee Discount for Everyone." When that ended on Sept. 30, GM let value pricing ride for October. But October sales plunged 25.9 percent from the October 2004 level.

In response, GM initiated its Red Tag sale. Under the sale, which runs from mid-November to Jan. 3, customers can buy virtually any 2005 or 2006 Buick, Pontiac, GMC or Chevrolet product for \$100 over the price a supplier would pay -- generally \$100 to \$200 below invoice. The promotion does not include the Pontiac Solstice, Chevrolet Corvette or Buick Lucerne.

Still, Wagoner says, GM's value pricing has successfully spurred sales for several new products this year.

"It's not the reason the Pontiac Solstice has been a screaming success, but I think it's part of it -- the fact that you can get a car like that for \$19,995," Wagoner said. "I think that was part of the gee-whiz of it."

He says the Hummer H3 SUV, the Chevrolet Impala sedan and the Cadillac DTS sedan are other examples of value-priced vehicles. The H3 is a new product, while the DTS is a re-engineered, restyled successor to the DeVille. Hummer has sold 27,205 H3s and Cadillac has sold 18,061 DTSs through November.

Avoiding confusion

The challenge for GM is selling older products without confusing consumers. The Chrysler group has been trying to use a value-pricing strategy for several years and still resorts to national incentive programs to move aging inventory.

One marketing expert says GM can make its plan work.

"GM's goal is for the Total Value Promise to phase out the deep discounting," says Marc Babej, president of marketing consultancy Reason Inc. in New York. "They want to get rid of the old cars with deep incentives, and once they do that they can make the Total Value Promise the reality."

Babej says GM's pricing move is a return to pricing "sanity." It won't cause too much confusion because consumers don't expect big discounts on new products. But consumers expect deals on older vehicles.

Dealers don't worry that incentives on older products will cause consumer confusion, provided GM continues to advertise the Total Value Promise.

"Obviously, on older products you have to incentivize them more to get them gone, but the newer products are priced very fairly," says Tommy Brasher, president of Brasher Motor Co. in Weimar, Texas. Brasher is on GM's national dealer council.

"I don't think anyone -- even the consumer -- likes \$4,000 to \$5,000 in rebates because it makes you think it's overpriced to begin with. So I am glad to see them get away from rebates as best as you can."

Wagoner says dealers "are very much behind this concept of getting the focus on the good value for the product, and they are also, I think, tired of chasing the deal."

"If the traffic slows down, we'll see. But that'll be the test, I guess."

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