

Market segmentation and innovation: the case of saturn gm

Business



Armed with the goal of competing with Japanese car dealers, GM introduced the Saturn to target the compact and imported-driven segment of pragmatic buyers who seeks to have customer-responsive and quality cars built not to impress but to be functional (LaFrance and Hillebrand, 1996). At the onset, the market segment of Saturn was clear: it targets no-nonsense and pragmatic buyers in the passenger market who seek quality, functional cars at affordable prices something that Toyota had offered in their Corolla models. The segmentation came from the assumption that for GM to create a whole new brand to directly compete with Toyota and Honda, it would need to come up with cars that would be for families as well as individuals.

Concurrently, the targeted market also includes Asians and foreigners who prefer Japanese cars from GM cars. However, the current management changes in Saturn and its introduction of several models propelled the company to realign its market segment to include the sports car market segment, the prestige medium car segment, the sports utility vehicle market covering the medium segment luxury segment and the hybrid market. These target market segments represents a significant departure from the compact passenger car market earlier targeted by Saturn. For one, while the management of salaried dealers, consumer-focused and community friendly Saturn still remains, it is apparent that Saturn had broadened its market segment. It no longer targets the specific market that used to be its niche market but it has now entered the mainstream market of luxury and sporty class vehicles in order to attract single, sporty and the luxury market of middle and upper middle class.

Hence, the relatively lower prices of Saturn continuous to be the primary leverage of Saturn over its competitors. Despite the changes in Saturn's market segmentation, social responsibility remains to be a key in its corporate strategy. For one, its dealers are on salary instead of commission and they are unionized in order to protect their interests. Moreover, the emphasis of Saturn on their environmental compliance and promotion remains to be a priority of the company. Moreover, they have supported projects and used materials that would be less degrading to the environment.

Essentially, the corporate social responsibility of the company remains intact despite the infusion of innovative and creative changes in its cars. One of the chief problems that Saturn encountered was its insistence on the old model formula. The apparent lack of innovation and new models of the S-series showed the resistance of Saturn to innovation- which is essential in a market such as automobiles. By the infusion of capital on R and D and the revitalization of Saturn's old formula of quality cars- only more stylish and trendy with more models to choose from, can Saturn hope to keep up its loyal clientele as well as create new ones. In a market where hundreds of new models are introduced every month, complacency will dearly cost a manufacturer (Chatterjee, et al, 2002).

Hence, through the introduction of new models and with its new look, Saturn has a great chance of expanding its market segment. In order to avoid the formulaic structure of one size fits all market segmentation of most automobile companies, Saturn still needs to provide a structured market

segmentation plan in order to find its niche in the industry. It has already found it in the compact car segment. However, with the move to include a wider range of market, Saturn is no longer competing with Japanese cars but also with American and European cars and even on the rosters of GM cars. What Saturn can do is to keep up with the competition among Japanese cars and SUVs by re-aligning itself again and targeting the compact, functional and value-for-money market. There are too many players in the luxury vehicle category and Saturn can capitalize on its old consumer base by improving its cars on their original market segment but introducing more innovative cars with the same value-for-money but functional cars formula.

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