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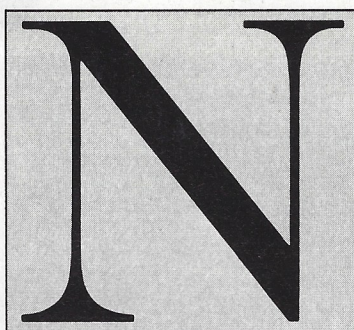
GM'S NEW FAMILY CARS

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Pontiac's Chief

By Gary Witzenburg



Now one is more aware of the challenge facing General Motors' Pontiac Motor division than its general manager, William E. Hoglund. Once a strong third in industry sales behind mighty

Chevrolet and Ford Motor Company's Ford division, Pontiac has slipped to fifth, passed first by Oldsmobile and then Buick during the fuel-conscious Seventies.

Making the challenge doubly difficult for the affable Hoglund is the fact that Pontiac has a long history of engineer/executives at its helm, and that he, as a financial man, does not fit the mold.

In the 1960s there were Semon E. "Bunky" Knudsen, who left to become president of Ford, and later of White Motor Company; Elliott M. "Pete" Estes, who rose to the GM presidency; John Z. DeLorean, who resigned to form his own auto company; and F. James McDonald, who succeeded the retiring Estes as General Motors president early last year. All were strong product men and true car enthusiasts.

But Hoglund, armed with a bachelor's degree in economics, a master's in business administration, a calculator, a balance sheet, and a keen financial mind, has climbed the ladder on the money side of General Motors. He did not become a real auto enthusiast, he admits, until arriving at Pontiac as assistant comptroller in 1965.

That was in the midst of the division's performance-oriented glory days, just as DeLorean took over to complete the image-building job begun by Knudsen

and Estes. It was the time of the early Grand Prixes, the GTOs, the first Firebirds, and under-the-table racing on every front as Pontiac metamorphosed from a maker of "old folks' cars" to one of youthful, innovative, and technically exciting, fun-to-drive automobiles. "It was a fun time to come here," he says with a grin, "and a good baptism, because DeLorean always had six or seven hot cars in the garage."

And it wasn't long after Hoglund had returned to Pontiac in August, 1980, as the division's general manager and a GM vice president, that he began to see one of Pontiac's toughest problems: the division seemed to have no common, agreed-upon product planning direction. Generally, sales wanted to go one way, design another, and engineering somewhere in between. "Clearly," he says, "we had to get together and decide on the direction in which we all wanted to go."

"Knudsen, Estes, and DeLorean were the architects of the golden era of Pontiac, and they, in effect, were the product planning and marketing departments. Back in the days when Knudsen took over, we had only one car line. That evolved into two with the Tempest in 1962 and then three with the Grand Prix in 1969. So it was easier for one guy at the top to pull a string."

"As a matter of fact, in those days the sales department was never involved in any of the product planning—it was sort of 'we'll grow 'em and you sell 'em.' But we've had trouble developing the product planning and marketing system since the era of those three guys. It just seemed to me that we had to glue the whole organization together so we'd all be pulling on the same oar. Management challenges today are entirely different, and require total involvement."

Bill Hoglund, Pontiac General Manager, plans to put his cars among the top three in automotive sales



H

oglund and his key people decided to have a major conference on direction—past, present, and future. What had made Pontiac great when it was great; what mistakes had since

been made; where the division is now; and where should it be headed.

"Most of the executives at the meeting went back to the hot 1960s' days of performance and styling, engineering innovation, excitement, youth, and that kind of thing," Hoglund recalls.

"Much of the criticism concerned a lack of consistency over the past ten years as Pontiac tried to find its market. We'd been chasing Buick and Olds with luxury trims, and then turning around and going after Chevrolet with low-price packages—that kind of thing."

The strategy meeting centered on a "probe segment" marketing chart that defined car-buyers and their preferences in six separate market segments (see chart below). On the horizontal "X" axis are product types ranging from functional and conservative at the extreme left to the most sporty and expressive on the far right. On the vertical "Y" axis is price—inexpensive at the bottom, most expensive at the top. Pontiac's target market, it was decided, should lie well to the right of the conservative and practical, and below center on the price scale—an area represented by the shaded circle.

Thus the engineering-oriented, I-know-cars buyers (about 19 percent of the market), the driving enthusiasts (13 percent), and the car-of-my-dreams buyers (23 percent) are key targets, while the more price-oriented, practical, and king-size luxury-car buyers will be left to other divisions and companies.

Pontiac's products would be more expressive and sporty automobiles, aimed at a 25- to 44-year-old age bracket. In keeping with this philosophy, the division is dropping its full-size line for 1982 and developing a new mid-engine sports car for the 1984 model year, although these decisions were made by Hoglund's predecessor, Bob Stempel, now heading GM's overseas operation.

Was there unanimous agreement? "Obviously there are guys who sell in markets where Buick and Olds have

been killing us because they have plusher pillow trims," Hoglund admits. "But all of us realized when we looked at the strategy chart that there was no way we were going to beat Buick and Olds at their own game, because their image is to be more luxurious than Pontiac. So we had to get out from under them and go off in a different direction. We might as well capitalize on whatever strength we do have."

Born of American parents in Stockholm, Sweden, on August 22, 1934, Hoglund was nearly fated to wind up at General Motors. "My father was with GM," he explains. "I grew up in a GM family overseas, and overseas it's even more concentrated as a family venture than it is domestically because your whole social life is based around GM."

After his family relocated in New York and Hoglund graduated from Princeton University, he worked as a summer trainee at General Motors financial staff in Detroit, then entered the University of Michigan's Master of Business Administration program. After receiving an MBA in 1958, he joined what was then the Buick-Oldsmobile-Pontiac division's Kansas City assembly plant as a cost supervisor.

Returning in 1963 to the B-O-P division headquarters in Detroit, he skipped up the executive ladder—first on the corporate comptroller staff, then as Pontiac's assistant comptroller in 1964. In 1971 he became GM's assistant treasurer in New York, and in 1974 returned to Pontiac as comptroller. In 1978 he became corporate comptroller and then returned to Pontiac as general manager.

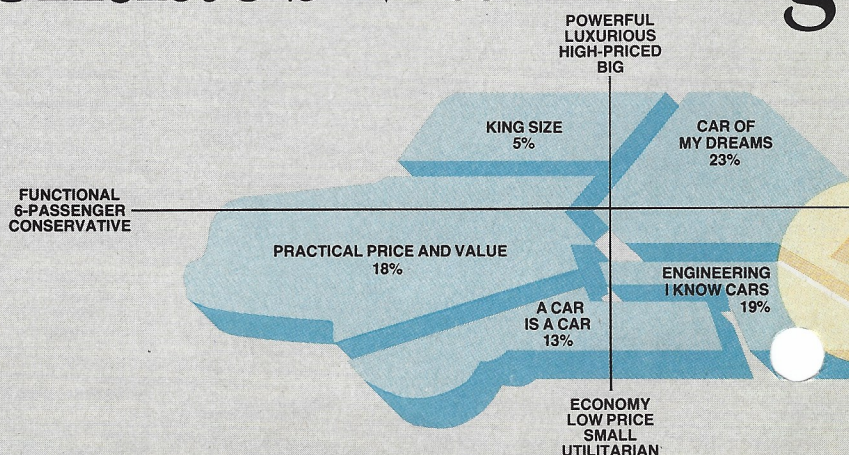
Tall, slender, and studiously hand-

some, with wavy, dark hair and chrome-rimmed glasses, he quickly puts even new acquaintances at ease with his broad smile and a genuinely friendly demeanor. He obviously loves his job, and he radiates enthusiasm. You soon find yourself discussing cars and the business like two sports fans bellied up to a bar. When he can get away, he likes to play golf or ski, "go up north and do nothing—ride around in my boat, go water-skiing or play a little tennis." He and his wife have three children, and he serves on the executive board of a local Council of the Boy Scouts of America.

Hoglund seems unintimidated by the thought of following the long line of engineers in Pontiac's general manager-ship. "By the time you get to this job," he grins, "I think the requirements are mostly management oriented. As a discipline, finance is little different from engineering, from sales, or from manufacturing in this job. The question is: is a financial guy, who's been generally an internal kind of guy, going to be able to handle the external elements of this business? I can handle it. When I have (Pontiac chief engineer) Bob Dorn and the design staff to work with, I can handle the technical end. And, as long as we get the sales guys talking to engineering and design, we can plug in the marketing information. It doesn't take any engineering expertise to get that job done... so long as I get the team working together."

"The objective is to get the operation to run itself. Probably the most difficult time you have trying to run a company is when you try to run it all yourself and don't let the people who work for you do

Pontiac's Marketing



The chart describes entire automotive market and buyer profiles. Vertical axis depicts "economic, low-priced, small cars" at bottom and "luxurious, high-priced, big cars" at top

with a graduation of models in between. Horizontal axis depicts "functional, conservative, six-passenger cars" at left and "expressive, sporty, two-passenger cars" at

it. I might make a suggestion if something doesn't go right, make an observation and then we talk about how to improve it. But for me to try to run public relations, or sales, or engineering would be an absolute mistake."

How does he intend to implement this new master plan, to change Pontiac's image and capitalize on it? "What we're trying to do now is define exactly what that target market circle is, and what is acceptable and not acceptable to maintain a consistent image. Also, to make sure that we appeal to a broad market range that would go all the way from a low-priced, but still exciting, T1000 economy car to a Firebird Trans-Am or a well-equipped Grand Prix. So we're taking every car and deciding what we have to do to fit it into that target market.

"I would say that the new Pontiac image is one of contemporary performance, if you want to pick two words, and that means real, honest automobiles whose appearance is consistent with what they do. The contrast between the old Firebird and the new Firebird is the best example. The hot car of the '70s—to make it look like what it could do—was a car with underwear all over it, with spoilers and chickens on the hood, and it was garish. The new Firebird is absolutely pure and real. The lines are crisp, and we're not going to have that kind of stuff on it. To compete in that market today, because it's a pure market, you'd better have a pure-looking automobile.

"The new front-drive A car, the Pontiac 6000, is a real sedan, with a fuel-injected four-cylinder engine and outstanding fuel economy. There are no pillow trims in the interior, but there's a

good-looking, up-level sport trim that's both tasteful and comfortable. If you look at the design's simplicity, it's all real and honest. For example, it doesn't have any end caps. If you look at the front fender of most cars you'll see a line where the front-end sheetmetal stops. But our design doesn't have a front-end panel; the fender goes all the way out. Same thing in the rear. For fit and finish, that's a lot easier to put together."

What about the new Grand Prix-based Bonneville sedan—does that fit in with the new image? "We might have done some things differently on that car," Hoglund concedes, "but there was not enough time. On the other hand, it was designed to look like a traditional Bonneville, and I think the execution of it is pretty darned good. I would say, in terms of our target market it may still have too much chrome on it, but that is the agony we're going through.

"When we announced that Pontiac was dropping the Bonneville, dealers were choked up over losing their beloved big car. We were really trying to develop a transitional strategy that would still let us compete in the six-passenger market. Our sales people, as far seeing as they are, still tend to have a short-term focus, which is understandable. The dealer is immediate—if red two-doors are selling, he wants more red two-doors. So dropping the Bonneville was a real shock, because they'd probably just sold three of them on Saturday at a hefty gross.

"I guess the challenge now is to glue the whole thing together so we can execute it properly, and that's part of the exciting end of this business. Certainly Dorn's engineering people are ready to go, and now we've got to get the dealer organization completely plugged in."

How can Hoglund, as general manager, improve the quality of existing products coming off the assembly lines? "The first thing," he comments, "is to create an environment where the attainment of quality is the key objective. Our assembly plant and our engine plant guys have done a tremendous job. Our assembly plant has gone from an also-ran rating to one of the top two or three in the country, and we haven't spent a nickel out there. They have done it all themselves, and the dealers are telling us that the cars coming in are beautiful. That's without changing a tool or anything else except people's attitudes.

"Once you get your own attitude

right, then you can start working on the suppliers. We're sending the parts back if they're not right. I think the positive elements of getting good quality—the pride, the support that you give them by shipping back lousy parts—is more effective than the fear of not having a job."

And what are Hoglund's feelings about the future? "We've done a lot of talking about the long term, but we need a short term to be able to afford the long term. We sure as heck can't afford all these product programs if we don't start to turn some numbers here in the fairly near future.

"Our problem is that whenever the auto industry is reasonably successful ringing up sales, credit expands and money supply grows. Then the gurus in Washington say 'Ah-hah! The money supply has expanded outside of our limits.' And they start popping interest rates, and we're back on a cycle.

"So there's no way we can get off of this merry-go-round until some of the results of President Reagan's program can be seen, and we can begin to curtail this ridiculous inflation we've been having. All of this lovely product program is based on some opportunity for recovery in the short term, whether that means three months or twelve months.

"Actually, the retail finance rate is little different when the prime rate is thirteen, than when it's twenty. But, the psychological pressure of twenty scares everybody so much. I think we can sell cars at a twelve or thirteen percent retail finance rate, but the thought of a twenty percent prime rate absolutely blows people away. A car purchase is still an emotional experience—a fun experience if the buyer is confident about his position. But, it's not fun if he's buying only because his present car must be replaced."

As a financial man, Bill Hoglund is certainly a different sort of general manager. Once in the forefront of technical innovation and excitement, Pontiac's muscles have atrophied of late as it tried to fill all the product niches between big-brother Chevrolet and luxury-oriented Oldsmobile and Buick. As a financial man, but one with a keen sense of people and product, Bill Hoglund may be just the sort of leader Pontiac needs.

Auto writer Gary Witzenburg is published in many national magazines including Mainliner, Playboy, and Popular Mechanics.

Target

EXPRESSIVE
2-PASSENGER
SPORTY

THE DRIVER
13%

right. Types of car buyers are expressed in percentages. Pontiac's market target, shaded area, is smaller, economically-priced, expressive, sporty cars purchased by 25-44-year olds.