

MICHAEL YAKIMA
PolkInsight™ Advisor
michael_yakima@polk.com

Where Are All the Saturn Owners Going?

On September 30, General Motors announced that it would shut down the Saturn brand after its planned sale to Penske unraveled.¹ This unexpected announcement signaled the end for Saturn, which began selling vehicles in 1990² that were intended to compete with Asian imports.

For a while, Saturn was somewhat successful, inspiring a cult following with its unique approach to auto sales. Customers were intrigued by the brand's no-haggle pricing, emphasis on customer service and focus on being different than the rest of GM. But, in terms of both loyalty and sales, Saturn struggled in recent years after never having reached its expected potential.

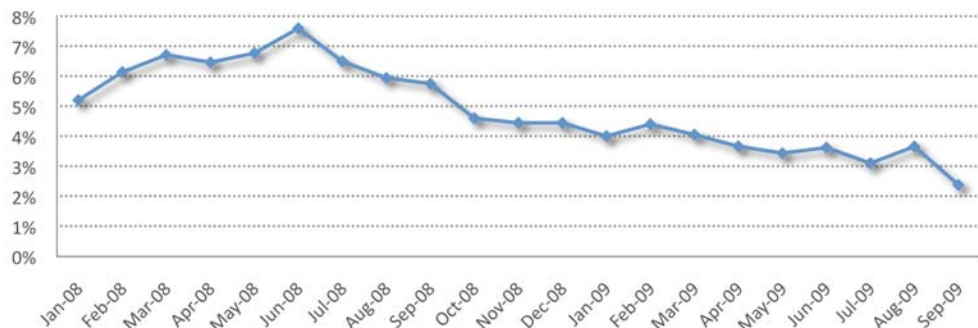
How much market share did Saturn contribute to General Motors over time? How loyal have Saturn owners been? Most importantly, now that the brand is being terminated, where will Saturn owners go when it's time for their next vehicle purchase?

This Polk View attempts to answer these timely questions.

Saturn's Share of GM Sales Decreased over Time

General Motors had hoped to sell 500,000 Saturn vehicles per year, although its peak sales year was 1994 with 286,000 units sold³. Saturn has never represented more than 7.5 percent of GM's retail market share, a drop in the bucket compared to Chevrolet, the manufacturer's market share leader. Saturn's share of GM sales peaked at 7.5 percent in 2007, the year that the Saturn Aura was named the North American Car of the Year.⁴ However, this award was not enough to keep the sales momentum going, and Saturn's share of GM sales fell almost three percentage points to 4.7 percent for the first eight months of 2009. Saturn's downfall was likely due to a confluence of factors including decreased demand for its small vehicles, quality issues, lack of ongoing GM commitment to the brand and labor union issues.⁵

Figure 1: Saturn's Share of GM's Retail Market

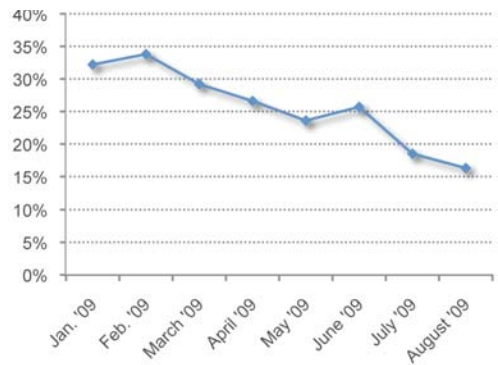


Saturn Not Successful at Creating Loyal Customers

Despite its emphasis on customer loyalty, Saturn was never able to create a significant base of customers who would return time and again to buy a Saturn. Between 2001 and 2008, Saturn's average make loyalty (the percentage of customers who went on to buy another Saturn) was 41.9 percent, lagging the industry average of 44.5 percent. While higher than make loyalty for GMC and Pontiac, Saturn was not able to engender as much loyalty as Chevrolet, Cadillac or Buick.

Saturn's make loyalty fell to 32.9 percent in Q4 2008, when GM announced its restructuring plans, and continued to fall each month in 2009 as rumors and stories about Saturn's future appeared frequently in the news. In the first eight months of this year, Saturn's make loyalty fell by almost half – from 32.2 percent in January to just 16.3 percent in August as shown in Figure 2.

Figure 2: Saturn Make Loyalty



continued

“ Saturn was never able to create a significant base of loyal customers.”

¹ GM to Shut Down Saturn after Deal with Penske Falls Apart, USA Today, October 1, 2009

² Saturn.com

³ With Saturn, G.M. Failed a Makeover, The New York Times, December 4, 2008

⁴ TheSaturnWay.com

⁵ Saturn was Supposed to Save GM, Newsweek, April 4, 2009



“Monthly defections of Saturn owners increased 85 percent from January 2009 to August 2009.”

Initially started as an independent subsidiary of GM, Saturn was gradually moved back into the GM fold. But, it wasn't successful at building loyalty to the OEM. From 2001 through 2008, Saturn lagged behind all other GM brands in terms of building corporate loyalty.

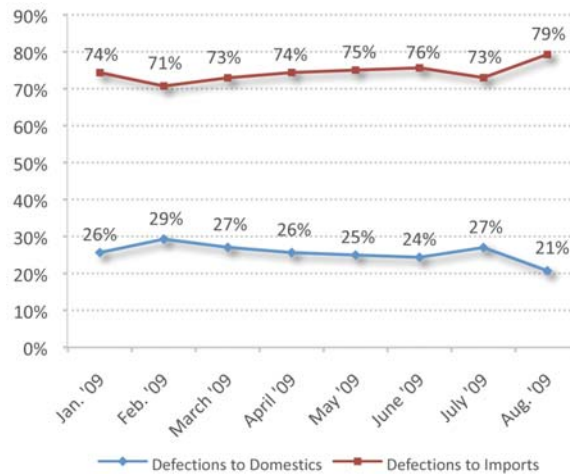
High Number of Customers Defected from Saturn

Another way to look at owner loyalty is to measure defections, or the percentage of customers who don't buy their next vehicle from the manufacturer. From Q1 1999 to Q4 2008, 43.8 percent of Saturn owners did not choose a GM vehicle after they moved out of their Saturn.

Not surprising considering the uncertain state of the brand throughout the year, the number of monthly defections from Saturn increased a dramatic 85 percent from January 2009 to August 2009. In January, 2,395 Saturn owners defected to another manufacturer; this number increased to 4,438 in August.

Where did these Saturn owners go if not to another GM vehicle? Based on data from January through August 2009, nearly three-quarters of the defectors (74.7 percent) purchased an import car or truck, while 25.3 percent bought a Ford or Chrysler. Top non-GM models purchased by former Saturn owners so far this year are the Toyota Corolla (716 units), Honda Accord (631 units), Honda CR-V (608) and the Toyota Camry (605). The top-selling domestic vehicles to defected Saturn owners are the Ford Fusion (510), the Ford Escape (472) and the Ford Focus (472).

Figure 3: Saturn Owner Defections from GM



In a case of irony, what aspired to be the "import killer" for GM is turning out to be an "import feeder." Based on this analysis, we can expect that Saturn's liquidation will help Toyota and Honda, and Ford to a lesser extent.

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