### Management Decision

### Purpose

This case gives students an opportunity to partake in the managerial function of decision making. Students must decide how to present an automobile warranty so that the company can maximize sales, but must also consider how the company’s commitment to honesty will be perceived by consumers.

### Setting It Up

You can introduce this case by presenting an object before students. It can be something simple like a book or something complicated and high-tech like a smartphone or tablet computer. After showing them the object, tell students that it comes with a lifetime warranty and ask them what they expect the warranty should cover.

#### WHAT SHOULD WE CALL IT?

Your jobs as a marketing manager at GM certainly has been challenging. Through government bailouts, bankruptcy, and a thorough reorganization, you’ve had the unenviable job of trying to persuade the buying public that your cars are still high-quality, high-value products. Some of your campaigns went off better than others—who can forget the disastrous ad campaign that tried to convince married women to buy more pickup trucks? But with exciting new models coming out of factories and a renewed sense of determination from senior executives, you’re quite excited about getting the word out about how great GM cars are.

One particular day, you get a phone call from your supervisor, asking you to help solve a little problem. It turns out that GM wants to offer an industry-leading warranty on its Opel- and Vauxhall-branded cars that it sells in Europe. The warranty would cover any issues, except for accidental damage, for 100,000 miles, with no limitations on date. Managers are even exploring ways for the warranty to be fully transferrable so that people who buy a used car will be protected by the warranty.

“Sounds like a great way to sell cars,” you tell your boss, “so what do you need me for?” The problem, he tells you, is that some executives in the company want to market the warranty as a “lifetime warranty.” How is it that a warranty with a mileage limit qualified as “lifetime?” According to GM research, drivers in Britain only drive about 8,200 miles a year, meaning that the 100,000 mile limit would last for 12 years. Plus, they’ve found that 95% of car owners in Britain don’t use their cars for more than ten years. So, they argue, even though the warranty has a limit, it’s essentially a “lifetime” warranty because most owners will never use their cars long enough.

Being the ace manager that you are, your supervisor has asked you to make the decision as to whether GM should go ahead with labeling the warranty as “lifetime.” The phrase “lifetime warranty” certainly has a nice ring to it, and your head is full of great ideas about how to take advantage of it to sell more cars. At the same time, you wonder whether, and maybe even when, consumers will get angry about being misled. Is it really a lifetime warranty if it comes with an expiration date? What to do …?

Source:

John Reed, “GM Woos Europe with ‘Lifetime Warranty,’” *Financial Times* (August 5, 2010), accessed October 10, 2010, from [www.ft.com/cms/s/0/e4caae36-a0b7-11df-badd-00144feabdc0.html](http://www.ft.com/cms/s/0/e4caae36-a0b7-11df-badd-00144feabdc0.html).

**Questions**

1. What recommendation would you make as to how to label the warranty in marketing campaigns? Why?

1. In making the decision, how could you benefit from the various group decision making techniques described in the chapter? Which might be most effective for the decision you face?