GM HUMMER H2

1981 AM General develops the High Mobility Multi-wheeled Vehicle for the US Army. The initial contract calls for 70,000 'Hum-vees'. The vehicle becomes famous from service in the 1991 Gulf War and films like 'Independence Day' and 'Black Hawk Down'. From 1992 AMG sells a civilian version called the HUMMER, which appeals to buyers who want the ultimate in ruggedness and off-road performance.

1999 Mike DiGiovanni, General Motors' head of market research, approaches its North American Strategy Board with a proposal to buy the marketing rights for the HUMMER from AM General and create a scaled down version of the HUMMER called the H2. At this time, GM and the other big US auto makers are enjoying a boom in the sale of large Sport Utility Vehicles, many with a deliberately rugged image. Gasoline is cheap, and fuel consumption is not a concern. Impressed by his passion for the project, the board give DiGiovanni permission to set up a division to bring the H2 variant to market. He has a limited budget, no factory and no dealers. He builds a small team based not so much on their deep experience, but on their own passion for the HUMMER concept. He has three approaches: (1) search the 'rock pile', iconoclasts who challenged the status quo and had been knocked back; (2) only recruit those who really wanted to be on the team instead of people simply available for new projects; and (3) find the GM veteran networkers who can achieve results inside the bureaucracy, rather than focus entirely on younger innovators. The H2 Development Center is established.

Informal discussions between GM and AM General have been under way for some time. In May a group of AMG and GM staff enjoy a day comparing the off-road capabilities of their respective products. In December, AM General and GM conclude an agreement under which GM acquires exclusive ownership of the HUMMER brand worldwide, and sole marketing and distribution rights. The original HUMMER gets the variant tag H1, and the new GM model will be called the HUMMER H2. AMG will build the H2 at a new factory in Mishawaka, Indiana, next door to the Hum-vee plant, even though it is basically a GM vehicle based on a GM SUV platform. GM loans AMG the money to build the factory and will pay AMG a manufacturing fee on each vehicle produced.

2000 In January a HUMMER H2 concept vehicle is shown at the Detroit Auto Show. EDAG (a German automotive consulting firm) is engaged to advise on product design and production methods. DiGiovanni is told he has two years to get the H2 into production.

The team have two main criteria in developing the H2: (1) make it genuinely live up to the 'Hummer' name and have it be instantly recognizable as such; and (2) make it a very capable off-road vehicle (surpassed only by the H1). Existing GM components are used to keep the price down, but in places the customer sees parts unique to the H2 are used.

The style of the project is unusual for GM. It involves working with an outside company who will make the vehicles (AMG). The design and manufacturing groups are small and closely integrated. A strong rapport develops, perhaps because HUMMER is an automotive icon, and people naturally want to work on something with that status. The compressed time scale means that short cuts have to be made to traditional GM practices, helped because it is a small, isolated programme. For example, rather than optimise parts through extended development, extra weight is allowed to ensure strength. The H2 is the first GM product to be entirely computer designed - even the clay models are milled out by computer controlled machines.

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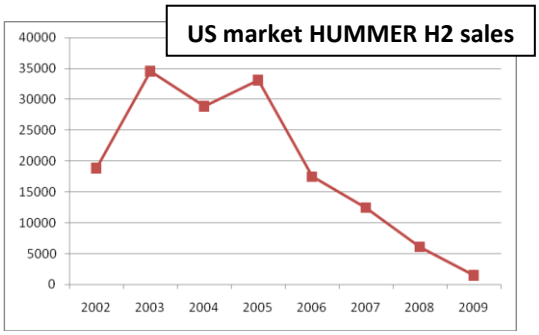
The new factory is built in 16 months and is ready in December 2001. It is designed for flexible production of up to 50,000 units a year, using fewer robots than in a typical plant, and depending more on co-operative team working and lean manufacturing techniques.

Public anticipation is growing. Motor Trend magazine writes, 'From what we've seen, the H2 looks good and appears to have the right off-road stuff, too. If GM can keep the price reasonable, this could be bigger than anyone ever imagined.' In another innovation, 'personal consultants' are appointed who keep in touch with sales prospects and take early orders before the dealers are appointed. Later in the year GM announces that the vehicles will be sold through GM dealerships (including new specialist HUMMER dealers).

2002 The HUMMER H2 is launched on time. Its rugged exterior hides a 6 litre V8 petrol engine and automatic transmission. It also features eight-way power seats, dual-zone climate control, Bose sound system, and extensive sound insulation. It quickly becomes the market leader in North America, outselling similar big SUVs like the Range Rover, Lexus LS470 and Mercedes G-Class, and making HUMMER GM's 'hottest' division. GM reckons that 90% of HUMMER H2 owners will not take their vehicle off-road. Unusually at GM, key development team members are not reassigned back to their previous jobs, but stay on to see the HUMMER into production and help build the brand.

2005 GM launches a smaller version based entirely on GM components, called the HUMMER H3, which will be built in a GM factory. HUMMER's marketing chief declares an ambition to sell over 100,000 H2s and H3s in 40 countries by 2010.

2006 After a strong start, H2 sales begin to falter. HUMMER H1 production ends. HUMMERs sell in small numbers through importers and distributors in 33 countries.



2008 The financial position of America's Big Three auto makers (GM, Ford and Chrysler) weakens. SUV sales are hit by higher gasoline prices, issues over their size and safety, and a counter reaction to their perceived environmental impact. SUVs have delivered most of the Big Three's profits for years. The H2 attracts particular criticism, since it weighs 2.7 tonnes empty and returns only 24 l/100 km (for comparison, the Vauxhall Insignia weighs 1.5 tonnes and achieves 5.8 l/100km). H2 and H3 drivers in the US are found to be receiving five times the average number of tickets for driving and parking offences. The HUMMER brand is put under review.

2009 H2 production is suspended in January. As part of its restructuring from bankruptcy, GM puts the HUMMER brand up for sale. Andrew Winston, an environmental strategy expert, writes, 'The Hummer was a short-sighted investment and it's a good symbol of the reasons GM went bankrupt. You can't keep selling products to people that waste their money and resources (ok, there will always be a niche market that can afford anything, but if their values shift as well, watch out). The race is on to offer power and lower emissions. But offering muscle, power, and energy-guzzling just for the fun of it? That's over and won't come back.'

2010 A potential deal to sell the rights to Chinese automaker Sichuan Tengzhong Heavy Industrial Machinery Company falls through in April after its bid fails to win approval from Chinese regulators. The last HUMMER H3 comes off the line on 24 May. Remaining dealer stock of H2s and H3s (over 2,000 vehicles) is being sold off at deep discounts. 3,000 engineering, manufacturing and dealer jobs will be lost. GM retains the rights to the HUMMER brand... just in case. AM General continues to build large numbers of Hum-Vees but loses the contract to build its replacement in 2015.

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