

AUTOINTELLIGENCE™

Monthly automotive competitive insights from Compete

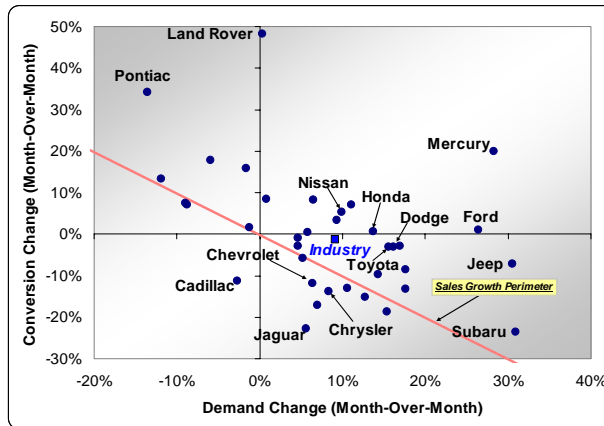


EMPLOYEE DISCOUNTS—PART II

With Ford and Chrysler Group joining GM in July, employee discount campaigns generated record sales. Many non-Big 3 brands also set sales records despite no “factory-backed” employee pricing. Compete isolated the extent to which the high-volume brands—and certain outliers—used different combinations of demand and conversion to improve sales.

The red line in the chart shows combinations of demand and conversion change that generally resulted in higher sales. The industry overall was above the threshold in July with sales up 8% driven by more demand, not better conversion (in June, conversion—not demand—drove 12% higher industry sales).

BRAND-LEVEL DEMAND AND CONVERSION



Pontiac (upper left) moved from GM's sales laggard in June to sales leader in July, but at a price. Pontiac compensated for 14% less demand with 34% better conversion—driven by 12% higher incentive spend. Ford, Dodge, Toyota, Honda, and Nissan created higher sales through more demand, while maintaining conversion month-over-month. Mercury, Jeep and Subaru generated the highest demand growth, but only Mercury was able to complement it with better conversion, resulting in 54% sales growth—the highest of any non-exotic brand. *Note that sales results include fleet, which impacts sales and conversion; an accurate assessment of retail conversion and sales success can be made when retail mix data are available.*

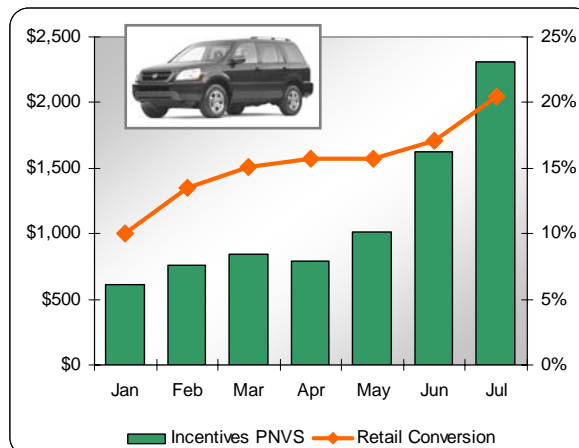
OEMs use Compete intelligence to identify the drivers of sales and market share as one element of competitive intelligence. This helps optimize the most cost-effective combination of demand generation (advertising) and demand conversion (incentives). It also helps identify the impacts of and needed responses to rivals' successes, while considering factors such as inventory levels and mix.

PILOTING INCENTIVES AT HONDA

In late July, Honda warned that the escalating Big 3 price war would likely force it to increase its spending on discounts and other sales incentives, thereby putting pressure on its bottom line. Compete assessed the ability of higher incentives per new vehicle sold (PNVS) to close a greater share of Pilot shoppers.

Pilot incentives per vehicle almost quadrupled from January to July and retail conversion improved from 1-in-10 shoppers in January to 1-in-5 in July. While Honda impacted the market, it must determine if this was the most profitable way to drive retail sales. From May to June, 60% higher incentives only improved conversion by 9%; in July, 43% higher incentives improved conversion 20%.

HONDA PILOT INCENTIVE EFFECTIVENESS



Retail sales can be driven by multiple combinations of demand (number of shoppers) and conversion—incentives are a critical conversion driver. Honda spent \$34,000,000 on Pilot incentives in July. Compete intelligence enables OEMs to optimize incentive spending across vehicle lines and programs (cash, lease, APR etc.) and balance ad spend and incentive spend against retail sales goals.

Unlike June, the July Big 3 employee discount campaigns drove sales primarily through higher demand, not better conversion.

Compete provides automakers with the most detailed and immediate insights into vehicle demand generation and conversion, as well as vehicle and brand competitiveness. Our services help automakers optimize marketing and incentive decisions and benchmark performance against rival actions.

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