



Monthly automotive competitive insights

By The Compete Automotive Team

**Tacoma currently has enough demand to sell up to an additional 117,500 units per year, likely at the expense of other vehicles.**



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. Compete intelligence can be applied to marketing effectiveness, demand forecasting and vehicle launches.

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## TACOMA REVVING UP—WHO WILL STALL?

Toyota has begun ramping up Tacoma production at its Tijuana plant in an effort to reduce historical production constraints at NUMMI. Compete analyzed Tacoma's incremental sales potential based on current demand and conversion trends.

Compete found that Tacoma's current average monthly demand of 115,321 shoppers is sufficient to yield between 53,000 and 117,000 additional sales per year, depending on conversion rates.

The first scenario has Tacoma conversion returning to pre-launch levels of 14.9% (conversion has worsened since launch with more demand and little change in capacity). The second scenario applies typical Colorado conversion rates to recent Tacoma demand. Since these incremental sales would be unlikely to grow the industry overall (or perhaps even the segment), Tacoma sales would come at the expense of rivals. Naturally, the potential for incremental Tacoma sales will decrease if demand softens. Tacoma's launch has been noteworthy as demand has remained elevated for five straight months since launch.

Toyota can use Compete's recurring demand and conversion intelligence to optimize retail sales in the most profitable manner by evaluating trade-offs between demand generation measures (e.g. advertising) and conversion tools (e.g. incentives), including quantifying untapped demand. Compete's monthly cross-shop intelligence identifies Tacoma's best conquest opportunities—for Toyota and rival brands.

### TACOMA INCREMENTAL RETAIL SALES POTENTIAL

<b>Tacoma Demand</b> (avg. # shoppers, Nov-Mar)	<b>115,321</b>	<b>115,321</b>
<b>Historical Conversion</b> (using retail registration data)	<b>14.9%</b> (Tacoma)	<b>19.5%</b> (Colorado)
<b>Monthly Sales Potential</b>	<b>17,223</b>	<b>22,539</b>
<b>Historical Sales</b> (2004 monthly avg.)	<b>12,744</b>	<b>12,744</b>
<b>Incremental Sales Potential</b>	monthly	<b>4,479</b>
	annually	<b>53,743</b>
		<b>9,794</b>
		<b>117,530</b>

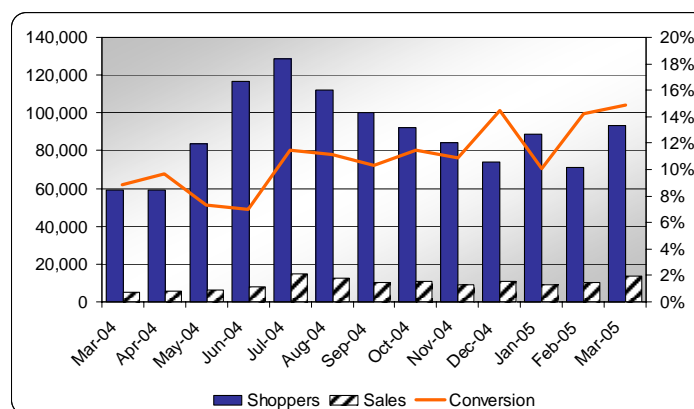
## SCION—FADING FAD OR SHIFTING GEARS?

Despite the plethora of positive media attention Toyota's youth brand has received, total Scion sales have generally trended downward since the tC introduction last July. Sales peaked that month at 14,793 units on the strength of close to 130,000 in-market shoppers. Since then, average monthly sales have been 27% below the July peak. Compete assessed whether the decline in Scion sales was due to lower demand or worse conversion of shoppers to buyers.

Compete's analysis shows that Scion demand and conversion have trended in opposite directions: demand has trended down while conversion has improved. The drop in Scion sales is the result of the gains in conversion generally not keeping pace with the softening of demand. For example, in February shopper counts were down 45% from their July peak while conversion was only 24% better.

The impact of shifting gears is seen in comparing March 2005 vs. July 2004 results. Sales were within 938 units, but the March results were driven by 93,000 shoppers and a 14.9% close rate, while July results were driven by 130,000 shoppers but only a 11.5% conversion rate.

### SCION DEMAND AND CONVERSION RATES



Scion's next step is to benchmark conversion rates for lead rivals and determine the most cost-effective way to drive competitive conversion in combination with higher demand to hit retail sales goals going forward.