



Monthly automotive competitive insights

By The Compete Automotive Team

The all-new Tacoma has attracted increasing interest among Tundra shoppers



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.

Comments on this issue? E-mail LMerrihew@compete.com.

To subscribe to **AutoIntelligence**, go to www.compete.com/automotive

To unsubscribe e-mail LMerrihew@compete.com.

Automotive Practice

Lincoln Merrihew, LMerrihew@compete.com
 Frank Hanenberger, FHanenberger@compete.com
 Dean Macko, DMacko@compete.com
 Shwe Sachdev, Justin Fong, Carol Dennington

TACOMA TOO MUCH OF A GOOD THING?

The 2005 version of the Toyota Tacoma is larger and more powerful. The size and performance gap between Tacoma and Tundra is now smaller than among any other brand. Compete quantified Tacoma's **cannibalization** potential to Tundra, and benchmarked that against the same risk for other brands.

Consideration of Tacoma among Tundra shoppers has always been higher than same-brand consideration among rivals' large pickup shoppers. The recent launch of the 2005 model made things **worse**, and the risk is likely to surpass May's recent peak (simultaneous with strong demand for Tacoma market-wide).

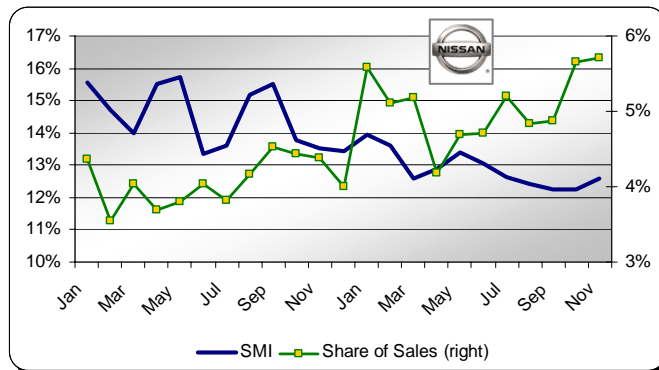
For context, the highest **competitive** same-brand cross-shop in any month shown was when 15% of Titan shoppers considered Frontier in May. Consideration of Colorado among Silverado shoppers has never been more than 15%, and only 13% of Ram shoppers considered the new Dakota in November.

But is the overlap actually a concern? Only if the overlap results in too few **unique** shoppers between Tacoma and Tundra to support sales of both (such as might be the case as Toyota ups sales expectations for either model), or if Toyota is spending twice to attract the same shoppers. Toyota and other OEMs can validate cannibalization risks through the **integrated** assessments of (1) shopper counts by vehicle, (2) the subset of Tundra and Tacoma unique shoppers—excluding double-counting, (3) sales objectives, and (4) shopper-to-sales conversion. Conversion can be measured in absolute terms using Compete's Vehicle Demand Quotient (VDQ) as shown in last month's newsletter, or in relative terms using share of demand relative to share of sales (example in analysis below).

NISSAN PUSHES SALES HIGHER THROUGH BETTER CONVERSION

Over the past two years, Nissan has increased its share of all new light vehicle sales from a low of 3.5% in February 2003 to a high of 5.7% in November 2004. Compete compared Nissan's Share of Market Interest (SMI) to its share of sales to determine the drivers of its sales growth. SMI is the share of all new vehicle shoppers market-wide by month that considered at least one Nissan.

SHARE OF DEMAND (SMI), SHARE OF SALES (2003-2004)
 (Share of Demand (left axis); Share of Sales (right axis))



Nissan's SMI has trended downward, with two notable exceptions: May 2003, when SMI was driven higher by interest in the 350Z and Frontier, and August 2004, when the new Quest launched. The addition of Titan (January 2004) added to Nissan SMI only modestly. November's up-tick is from higher Pathfinder demand.

The growth in sales despite lower demand share means Nissan has become **more effective** at converting shoppers to buyers. Better conversion can come through higher incentives, more fleet, the right products, and effective marketing. Nissan's next step is to identify the performance for each of its vehicles (like Pathfinder) to determine where further demand efficiencies can be obtained. Other OEMs seeking to grow sales can use Nissan's results and Compete metrics to set realistic sales and conversion goals, and make smarter, more cost-effective decisions.

CROSS-SHOP, TIME SERIES
 (Cross-Shop Share; Fullsize Pickup of Compact Pickup)

