

AUTOINTELLIGENCE™

Monthly automotive competitive insights from Compete

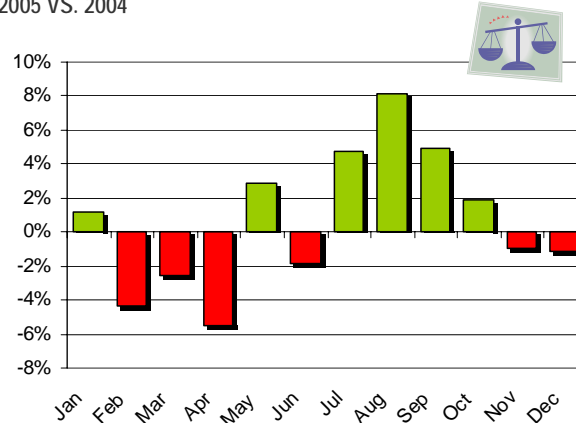
MOVING SHOPPERS TO THE MIDDLE TO MOVE THE METAL

Compete has shown that the number of in-market shoppers increased during months when all of the Big 3 offered employee discounts. There were 3.64 million in-market shoppers in July—the highest Compete has ever recorded. Compete assessed whether the net impact of the Big 3 discounts was *more* shoppers in 2005 overall or simply a *redistribution* of shoppers by comparing year-over-year differences in the number of shoppers by month.

The average number of monthly shoppers in 2005 changed little from 2004: 3.45 million in 2004 vs. 3.47 million in 2005. The distribution, however, was different. The biggest year-over-year changes were from July to September (months when all of the Big 3 offered employee discounts). In most months before the tandem discounts and in most months after, year-over-year shopper counts were down in 2005.

Understanding the net results for the year and month-by-month as they occur is pivotal for sales and marketing planning. Higher demand means less pressure on conversion to reach sales goals (sales being a function of the number of shoppers and the ability to close them). Lower demand means reaching sales goals will require a re-starting of demand (such as through advertising) and/or enhanced conversion (such as through greater incentives or lower transaction prices).

YEAR-OVER-YEAR CHANGE IN SHOPPER COUNTS
2005 VS. 2004

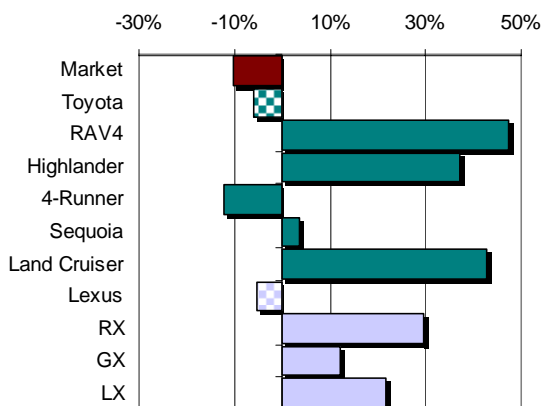


TOYOTA SUVs UP IN A DOWN MONTH

December is typically the weakest demand month of the year (sales are strong because of very aggressive conversion tactics). As part of ongoing market assessments, Compete identified a trend counter to norms among Toyota and Lexus SUVs, and benchmarked their results to Toyota and Lexus overall and the market.

The number of shoppers in the market overall was down 10% in December month-over-month. Toyota overall was down 5.8% and Lexus was down 5.5%. In contrast, all Toyota/Lexus SUVs but 4-Runner had more shoppers (an average change of 23% more). Gains for RAV4 were expected given its December launch; gains for others are atypical. The decline in 4-Runner shoppers in part reflects a 20% month-over-month gain from October to November (meaning November 4-Runner shopper counts were already elevated). Sales of Toyota/Lexus SUVs overall were up 33% month-over-month.

CHANGE IN THE NUMBER OF SHOPPERS. NOV.-DEC. 2005



The aseasonal gains in its SUV shopper counts means Toyota had the ability to drive higher sales in December while avoiding the industry's heavy reliance on conversion. That means it had the option of spending less on incentives and/or dealers felt less pressure to sacrifice profits for sales.

OEMs require similar intelligence as they seek the right balance between more shoppers (such as through advertising) and better conversion (such as through incentives) to drive sales. Toyota's demand-based approach was the right choice if creating more demand cost less than driving better conversion.

Big 3 employee pricing only redistributed shoppers, it did not add 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.

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