



Monthly automotive competitive insights

By The Compete Automotive Team

**“The shutdown of the Grand River plant is an effort to reduce inventories that had built up after GM overestimated the demand for the different Cadillac models during the final months of 2004.”**

Jeff Kuhlman, Cadillac spokesman, 2/28/05.



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](mailto:LMerrihew@compete.com).

To subscribe to **AutoIntelligence**, go to [www.compete.com/automotive](http://www.compete.com/automotive)

To unsubscribe e-mail [LMerrihew@compete.com](mailto:LMerrihew@compete.com).

Automotive Practice

Lincoln Merrihew, [LMerrihew@compete.com](mailto:LMerrihew@compete.com)  
Frank Hanenberger, [FHanenberger@compete.com](mailto:FHanenberger@compete.com)  
Dean Macko, [DMacko@compete.com](mailto:DMacko@compete.com)  
Shwe Sachdev, Justin Fong, Carol Dennington, Jeremy Crane

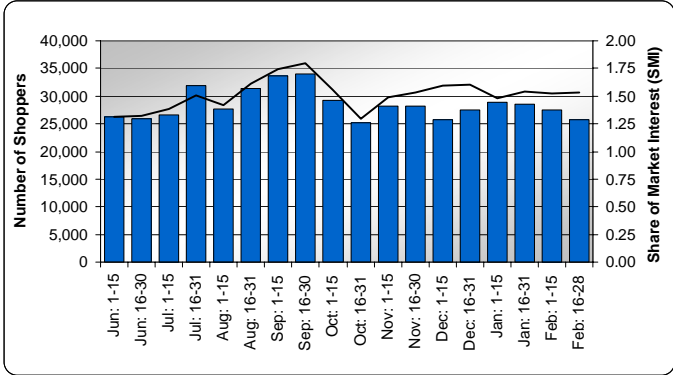
**BREAKING THROUGH THE CADILLAC GRAND RIVER PLANT SHUTDOWN**

The Lansing Grand River plant produces the Cadillac CTS, STS and SRX. Excess inventories forced Cadillac to temporarily close the plant. Compete assessed whether a lack of demand or sub-par conversion of demand to sales created the inventory surplus.

Compete's analysis of the three vehicles in aggregate showed that demand growth coincided with the third quarter launch of the 2005 STS. Demand peaked in the second half of September and dropped 26% in the next 30 days—never again exceeding 30,000 shoppers in any two-week period. These results highlight that the inventory buildup of Grand River vehicles was driven by lack of demand. Applying Compete's demand to sales conversion analytic (VDQ) shows that this demand drop resulted in approximately 1,400 lost sales per month—equal to about 10% of Grand River's fourth quarter production volume.

Automakers can use Compete's real time demand intelligence in their efforts to align production, inventory and sales objectives—as well as advertising and incentives. For example, any incentive will produce fewer sales if there are fewer shoppers to convert.

**CADILLAC CTS/STS/SRX—LANSING GRAND RIVER DEMAND**



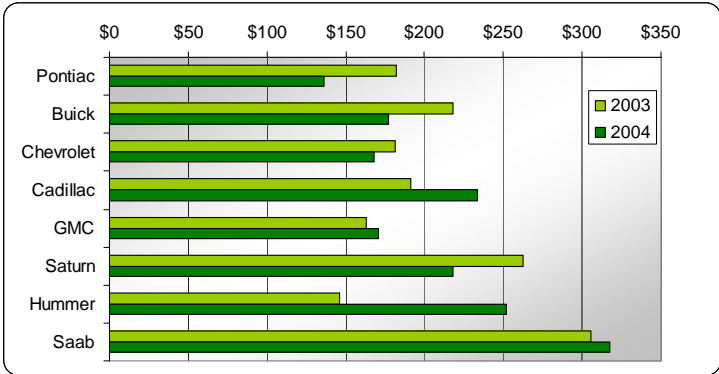
**PONTIAC WINS THE AD EFFICIENCY GRAND PRIX**

The notion of GM dropping a brand has resurfaced in the press. One of the core issues is each brand's ability to profitably reach sales goals, which includes (1) cost-effective demand generation and (2) cost-effective conversion of demand to sales. Compete assessed each GM brand's efficiency in generating demand based on media dollars spent per shopper generated.

In 2004, Pontiac was GM's most efficient brand, spending an average of \$136 per shopper each month. Pontiac also improved the most year-over-year—with cost per shopper down 25%. Chevrolet and GMC followed at \$168 and \$171 per shopper, respectively. In the past two years, Saab has been the least efficient, spending over \$300 per shopper. This means \$10 million spent on Pontiac advertising would produce 74,000 shoppers, while the same amount at Saab would generate only 31,000 shoppers.

GM's next step is to determine whether Pontiac's advantage holds up all the way to sales. For example, if Saab's close rate is twice Pontiac's, the net impact on sales is the same for both brands—assuming a higher close rate does not cost more per sale. In addition, if Saab's profit per vehicle is twice Pontiac's, Saab's lower media effectiveness could be an acceptable trade-off.

**AVERAGE COST PER SHOPPER IN ADVERTISING DOLLARS**



Automakers can use Compete's media spend efficiency analytic to benchmark advertising efficiency. Furthermore, quantifying dollars per shopper enables OEMs to validate marketing budgets based on actual sales objectives and typical shoppers needed per sale (Compete's VDQ analytic).