



Monthly automotive competitive insights

By The Compete Automotive Team

Acura RL looks to have belied typical launch patterns...until you look more closely



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.

RL: SUCCESS OR REPAIR?

Acura has launched the all-new RL after a longer than typical product cycle for the outgoing version. Early sales of the new RL are strong out of the gate. Compete assessed the success of the launch using its **Vehicle Demand Quotient (VDQ)** analytic. VDQ quantifies conversion effectiveness based on the number of shoppers required to produce each sale.

From September to October, the number of RL shoppers more than **doubled**—a sign of effective marketing. At the same time, sales were nearly ten times as high. The fact that sales increased faster than the number of shoppers means it took fewer shoppers to make each sale in October than it did in September (seen by RL's lower VDQ).

The decline in VDQ is **atypical** of a launch, which usually sees a swell in the number of shoppers, but sales that only gradually ramp up as vehicle supplies increase and because new models typically lack the incentives and deals offered on the outgoing models. Acura's ability to run counter to trend suggests it has soundly aligned demand and sales, maximizing its profit opportunity for the new model.

But there is **more** to the story: RL's VDQ had been much worse than rivals and other Acuras, such as TL. TL's VDQ has averaged 10.0 so far in 2004—meaning 1 in 10 TL shoppers bought, and that TL conversion has been much better than even the enhanced RL results. Had the old RL VDQ been more like TL's, the October's VDQ of 20.9 would represent an increase, and thus be more typical of a launch.

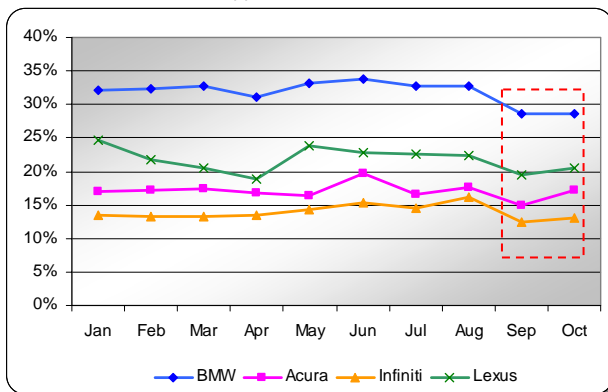
Acura can use ongoing assessments to ensure that RL continues to maintain higher demand and continues to effectively leverage that demand into retail sales. Unless supplies are constrained, a continued high VDQ would suggest that there is a problem with the price-to-value relationship.

ENGINEERING MORE FOCUS

Typically, OEMs are better able to leverage demand when shoppers are more focused (i.e., consider rivals less). Compete analyzed the extent to which Mercedes has been able to focus its shoppers recently, and the extent to which it has been able to capitalize on that focus. Compete assessed shopper focus using brand-level cross-shop behavior. The ability to capitalize was evaluated using changes in demand compared to changes in sales.

Mercedes' shoppers considered several key rivals brands less in September and October (notably BMW and Infiniti), proving it had more focused shoppers, and indicating that sales should have out-performed demand. This was not the case. From August to September, demand and sales tracked identically (both

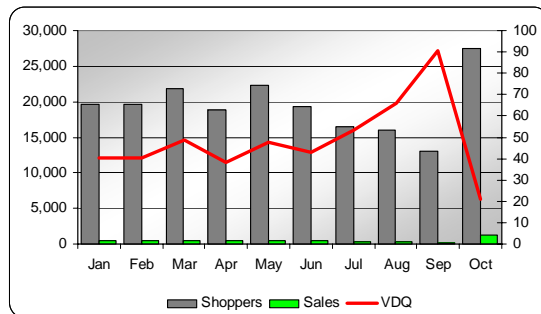
MERCEDES BRAND-LEVEL CROSS-SHOP
(Share of Mercedes shoppers that considered other brands)



down 3%); in October things got worse as the gain in sales (5%) was actually less than the gain in shoppers (up 7%).

If the underperformance of sales was not driven by lower fleet sales, Mercedes needs to quickly understand at the vehicle-level why its focused shoppers did not convert more successfully to buyers. Key assessments include whether it reduced incentives in September and October, and/or whether it was out-spent by rivals.

ACURA RL SHOPPERS, SALES, and VDQ
(Shopper, sales (left); VDQ (right))



	Aug	Sep	Oct
Shoppers	15,956	13,028	27,432
Sales	242	144	1,310
VDQ	65.9	90.5	20.9