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Monthly automotive competitive insights from Compete

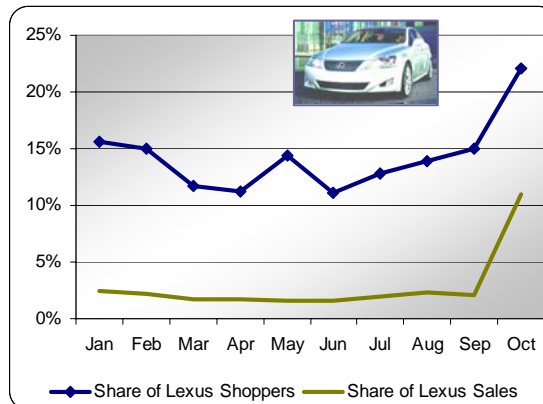
2006 LEXUS IS STARTS FROM SQUARE TWO

Based on historic sales numbers alone, the launch of the new Lexus IS might appear to be starting from square one. But based on latent demand, the new IS started from at least square two. Compete measured shopper strength of the outgoing IS model to quantify latent IS interest and the correlation of that interest to sales.

Through September, the IS averaged 18,800 shoppers per month (13% of all Lexus shoppers shopped IS). Through September, IS averaged only 2% of IS sales (as low as 413 units in June). While both demand and sales have increased sharply since launch, October sales of 2,563 units were 4.5 times the 2005 monthly average number January through September; the number of shoppers was up only 60%. The fact that sales grew much more than shoppers sheds light on Lexus' success in tapping into the latent demand.

Historic IS sales numbers were a poor representation of latent demand and sales potential. Understanding a vehicle's latent demand provides key insights into the amount of advertising needed to create incremental demand, and hence the need to spend on advertising. The more latent demand, the less of a need for advertising to create *incremental* demand.

LEXUS IS SHARE OF LEXUS



Demand was a better indicator of future IS sales potential than were historic IS sales

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.

LEXUS COMPETITIVENESS AGAINST 3-SERIES IMPROVED

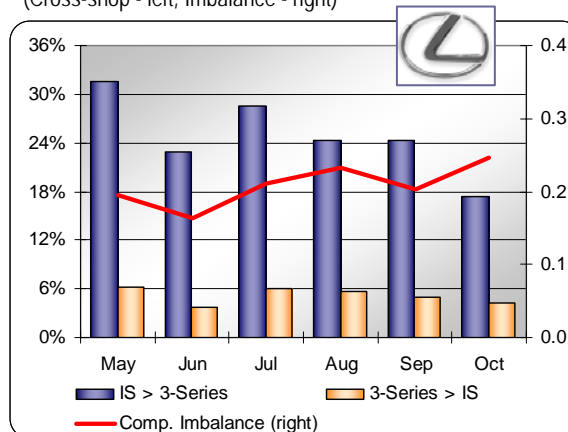
The IS has often been positioned as a rival to the BMW 3-Series. With the IS and 3-Series both new for MY 2006, Compete assessed the change in their relative shopper competitiveness using the Competitive Imbalance metric. Competitive Imbalance quantifies the relative cross-shop strength between two vehicles. Here it compares the extent to which IS shoppers cross-shopped 3-Series (blue columns) vs. the extent to which 3-Series shoppers cross-shopped IS (orange columns); the ratio of the two equals the Imbalance. An Imbalance of 1.0 means the two are equally cross-shopped against one-another; less than 1.0 means IS has a disadvantage against 3-Series.

Through October, IS had gained ground against 3-Series. IS's competitiveness against 3-Series was at a five-month best in October (a Competitive Imbalance of 0.25).

While promising for IS to date, the results are framed within typical launch patterns. During successful launches, cross-shopping of other vehicles in general decreases; this is seen in IS and 3-Series interaction. For example, 31% of IS shoppers cross-shopped 3-Series in May. By October, only 17% of IS shoppers cross-shopped 3-Series.

Post-launch results will dictate the extent to which IS can maintain or increase its improved competitiveness. As launch spending for both vehicles subsides, it is likely that cross-shopping of other vehicles will increase. The relative rate of increased cross-shopping between the two over time will dictate the changes in the Competitive Imbalance and verify whether IS's improved competitiveness is permanent.

IS COMPETITIVE IMBALANCE VS. 3-SERIES
(Cross-shop - left, Imbalance - right)



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