

# AUTOINTELLIGENCE™

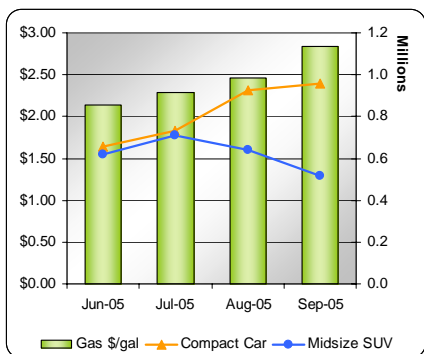
Monthly automotive competitive insights from Compete



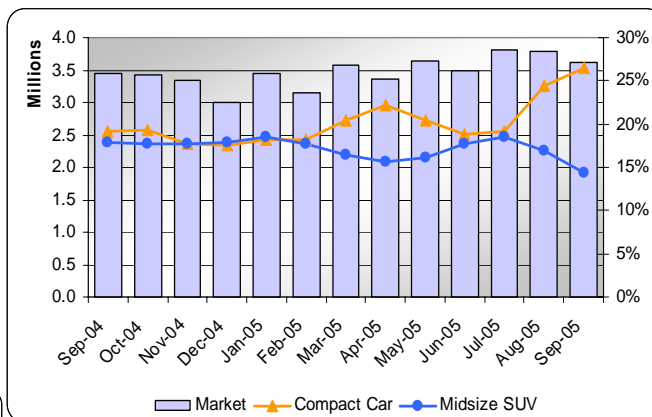
## IN FACT, IT'S A GAS...PRICE ISSUE

While simultaneous Big 3 employee discounts helped drive new vehicle demand to a period high in July, more dramatic changes coincident with higher gas prices have occurred below the surface. Compete quantified the share of all new vehicle shoppers considering any vehicle in the Compact Car and Midsize SUV segments using its Segment Share of Market Interest (SMI) analytic.

PER-GALLON GAS PRICES (left) & SHOPPERS BY SEGMENT (right)



MARKET DEMAND (left) AND SEGMENT SMI (right)



The share of all new vehicle shoppers considering any Compact Car reached 27% in September, up from 19% in September 2004. The gains were coincident with the launch of the 2006 Civic, but also higher gas prices (small chart). At the same time, Midsize SUV segment SMI reached a period low in September at 14.4% as gas prices climbed.

Automakers well-stocked with small models have had the *potential* to realize higher sales recently as the result of market-driven changes in Compact Car demand. As gas prices change

in the future, ongoing demand tracking by model provides OEMs with the contextual insights needed to best align supply and demand, including the extent to which small car demand declines as prices decline.

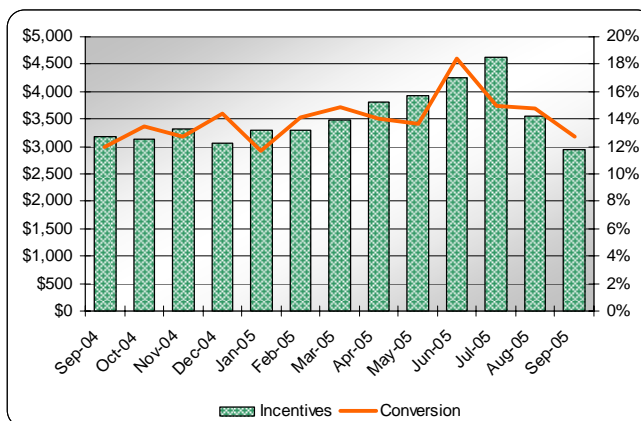
## VOLVO CONVERTS MORE FOR LESS

In September, Volvo sales dropped below 10,000 for the first time since February 2003. Compete assessed Volvo's recent use of incentives in converting demand to sales.

Volvo's conversion of shoppers to buyers has generally tracked well with incentive levels (incentive data source: Autodata). The largest inconsistency in this correlation was July—the first month of Big 3 employee discounts (Volvo was excluded from Ford's employee discount program). Volvo's incentive efficiency in July deteriorated to a period-worst \$310 per conversion point.

Polk registration data indicate a relatively low and stable fleet mix for June through August, meaning fleet sales likely did not contribute to conversion dynamics in this timeframe. September conversion was the worst since January, though incentive efficiency improved to a 2005 best at \$231 per conversion point.

VOLVO INCENTIVE EFFECTIVENESS



Automakers use Compete's Incentive Effectiveness intelligence to optimize variable marketing spend across programs (cash/lease/APR) and vehicle lines. Integral to Compete's Cost of Retail Sales model, Incentive Effectiveness helps determine whether incentives or advertising is the most cost effective path to retail sales.

**Compact Car demand has bettered the market as gas prices have increased.**

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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