



Monthly automotive competitive insights

By The Compete Automotive Team

To reach sales goals and rely less on fleet sales, Cobalt will need 20,000 more shoppers per month than Cavalier on a sustained basis



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.

COBALT HAS A HILL TO CLIMB

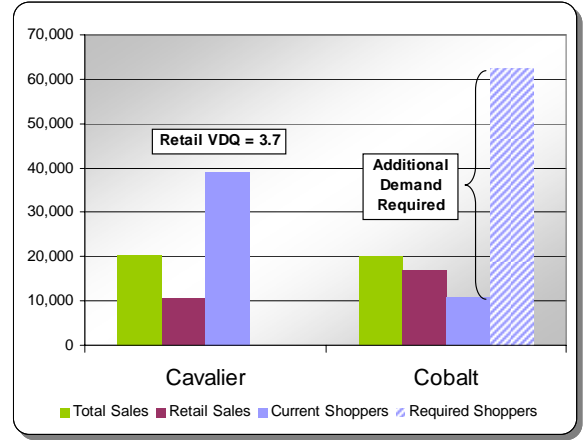
After nearly a decade since its last major redo, Chevrolet is replacing the stalwart Cavalier with Cobalt. While the long Cavalier product cycle saved development costs, it also meant that much of Cavalier sales were fleet (meaning lower margins and little chance of creating a loyal buyer). Cobalt objectives include sales of about 20,000 units per month, reduced reliance on fleet, and positioning above Aveo. Compete assessed the number of shoppers Cobalt will need on a sustained basis using a combination of shopper counts, our Vehicle Demand Quotient (VDQ) analytic, and vehicle registration data.

About 50% of Cavalier's roughly 20,000 sales in August 2004 were retail; YTD about 36% of sales had 39,000 shoppers. Therefore, Cavalier's retail VDQ in August was 3.7 (10,600 retail sales from 39,000 shoppers, or it took 3.7 shoppers to make a retail sale).

Assuming lower fleet reliance is one of Cobalt's goals, a 50% reduction would mean about 15% of all sales would be fleet, and that retail sales would total about 17,000 per month. Applying the Cavalier VDQ to the Cobalt retail sales target, Cobalt will need 62,000 Cobalt shoppers per month on a sustained basis to reach its retail objectives. It will need more than that in the early months, as VDQs are higher at launch. In August, Cobalt had 10,800 shoppers—a good start but only 17% of total sustained shopper needs.

Compete will know very quickly whether Cobalt has reached its shopper goals. If it does not, it will need more marketing, more fleet sales, or incentives. If demand outstrips supply, it will be able to delay adding incentives or even raise sticker prices. The sooner Chevrolet knows, the quicker it can respond.

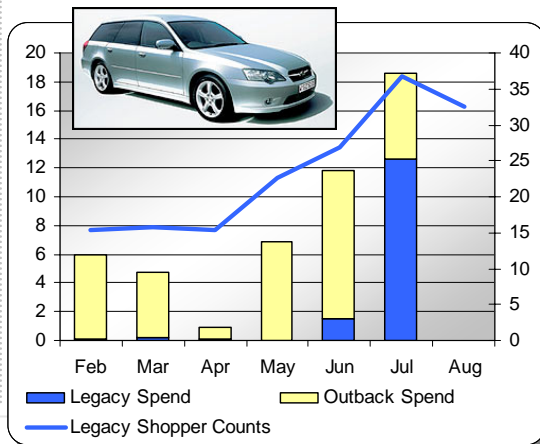
SHOPPERS AND SALES



OUTBACK SHARES MORE THAN JUST A PLATFORM WITH LEGACY

The launch of the 2005 Legacy is a key step in Subaru's plan to move upscale, while maintaining a place in the market distinct from Outback. Compete assessed the effectiveness of Legacy marketing using our Media Demand Generation (MDG) analytic.

MEDIA DEMAND GENERATION
(Spend, millions, left; shopper counts, thousands, right)



Legacy marketing began in June. However, the ramp-up in the number of Legacy shoppers started a month earlier—in May. This could be early market “buzz” interest in the 2005 Legacy, but overlaying Outback marketing spend with Legacy marketing spend shows a more complete story: the increase in Legacy shopper counts correlates well with total combined spend on Outback and Legacy.

The good news is that marketing geared toward Outback had an ancillary benefit of creating Legacy shoppers. The bad news is that Subaru could potentially have delayed or reduced Legacy spending until the spillover from Outback subsided. A 50% reduction would have saved \$6 million in July, assuming June's 30,000 Legacy shoppers were adequate to meet sales goals.

Comments on this issue? E-mail LMerrihew@compete.com.

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Automotive Practice

Lincoln Merrihew, LMerrihew@compete.com
 Frank Hanenberger, FHanenberger@compete.com
 Dean Macko, DMacko@compete.com
 Shwe Sachdev, Justin Fong, Carol Dennington