

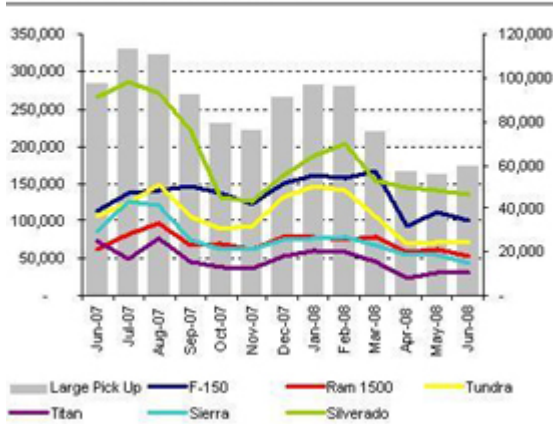
AUTOINTELLIGENCE™

Monthly automotive competitive insights from Compete

Round 2: 2009 Ford F-150 vs. 2009 Dodge Ram: Ugh.

What should Ford and Dodge do in an environment where gas prices continue to reach all-time highs and demand for Large Pick-Up trucks overall reach all-time lows despite severe discounts for trucks currently in inventory? Stay and pray or pause and wait for *less* turbulent times?

Monthly unique Large Pick-Up Shoppers (June 2007-June 2008) (left); unique shoppers by model (right)

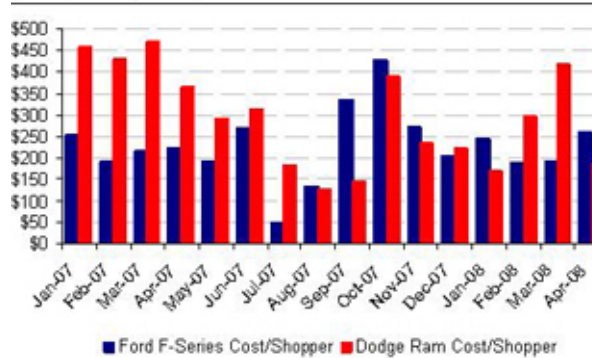


The first of two challenges for both manufacturers is to overcome what is happening to the Large Pick-Up segment in a punishing market. Despite a small up-tick in demand in June (up 7% May-June, Chart 1), demand for large pickups has been steadily declining over the past 13 months – down 38% year-over-year. Tundra, Titan, F-150 and Silverado were impacted the worst losing an average 47% year-over-year.

There are a number of things contributing to this decline: Ever increasing gas prices, fewer housing starts, and a generally poor economy. Unfortunately, demand is a significant part of the equation in the formula for a successful launch and while newly launching models typically attract *more* shoppers, the effort to draw more, and more importantly, shoppers that are truly “in-market” when the new light-duty pick up trucks hit the market will be a tough and expensive job.

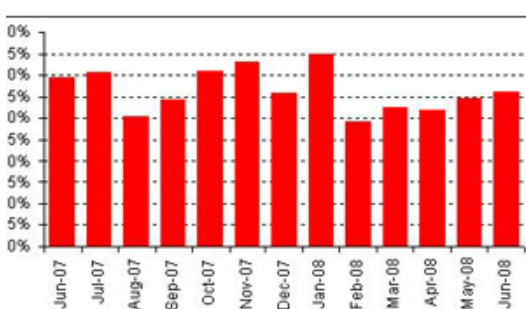
To get some perspective for the future, Compete took a look at what it cost Dodge and Ford per shopper from January 2007 through April 2008. Chart 2 shows the cost per shopper, or cost to generate 1 shopper given ad spend over time; the lower the number the more “efficient” the spending. Dodge’s cost per shopper had been ramping up since January 2008 with a peak in March at \$417/shopper. Ford on the other hand has maintained a relatively consistent cost/shopper between in and around the \$200/\$250 range throughout 2008. During a launch, cost per shopper typically peaks, so both OEMs can expect their numbers to rise in the fall.

Dollars Spent to Attract One Shopper (January 2007-April 2008)



Top the demand challenge with the growing problem if getting rid of the old to make room for the new and the task becomes daunting; so daunting, that on June 1st, Ford made the bold move to suspend plans to launch the all-new 2009 F-150 citing rich inventories of the 2008 as being in part, the influence (142 days supply May 2008, [Automotive News](#)).

Percentage of Unique Shoppers that shopped ONLY Dodge Ram (June 2007 – June 2008)



Dodge is in a similar situation with over 160 days supply (Automotive News) of the 2008 Dodge Ram 1500 and launched a 0% finance campaign to help clear out inventory, but will it be enough? Dodge and Ford aren’t the only ones offering incentives to move inventory. All manufacturers that sell a truck have turned to incentives to drive retail conversion to reach or “recover” retail sales. Spend on incentives for light duty trucks have increased 29% year-over-year (Autodata). So, Ford made a decision to delay – Dodge is “forging on alone” with plans to launch on schedule this fall. Can they pull it off? There are still consumers out there that need and want pick-up trucks and a percentage of them are looking exclusively at Ram.

Dodge Ram 1500 averaged 24,000 in-market shoppers per month in the last 13 months (chart 1) – and according to Chart 3, an average 37% of those shoppers focused solely at the Ram 1500. During a launch, shopper focus typically improves. Dodge has an opportunity to find and convert those focused shoppers to sales, but again, will it be enough to reach Dodge’s sales targets? The effort will be tough and only time will tell if Dodge did the right thing by staying in the fight.

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