COMPETE, INC.
The Predictive Edge

AUTOINTELLIGENCE™

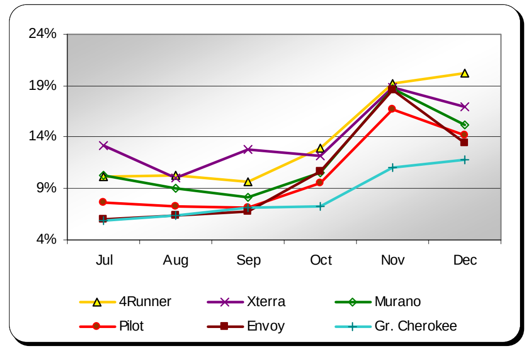
Monthly automotive competitive insights

By The Compete Automotive Team

Pathfinder should look at 4Runner, Grand Cherokee and Pilot as strong conquest candidates.

WHO IS IN NISSAN'S PATH?

PATHFINDER REVERSE CROSS-SHOP, 2004



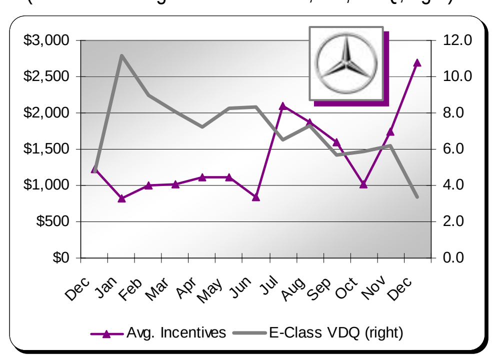
The all-new 2005 Nissan Pathfinder, launched aggressively in November, is key to increasing Nissan sales. To grow Pathfinder sales, it will need to conquest from rivals. While Pathfinder garnered close to 72,000 *unique* shoppers nationally in November, in December demand was down 30% (worse than the industry's 10% drop). Compete used its reverse cross-shop analytic to assess which rivals Pathfinder had the best chance of conquesting even as demand softened. The chart shows the extent to which shoppers of several Pathfinder rivals considered Pathfinder over time.

As Pathfinder's shopper counts dropped in December, so did consideration among shoppers of several rival vehicles. Notable exceptions are 4Runner and Grand Cherokee, shoppers of which increased consideration of Pathfinder. Their resilience indicates that 4Runner and Grand Cherokee are particularly vulnerable to Pathfinder. In addition, both vehicles have significant shopper counts, meaning a rich pool of shoppers to conquest. Pilot shoppers posted lower interest in Pathfinder, though consideration did not drop as much as the others, suggesting Pilot may be an emerging Pathfinder conquest opportunity. Pivotal for Nissan is that consideration of Pathfinder among platform-mate Xterra shoppers was down—key for minimizing cannibalization. In contrast, almost 25% of Armada shoppers considered Pathfinder in December (not shown), just as Nissan had been touting Pathfinder's increased size and switch to body-on-frame construction.

Nissan should use the combination of Compete shopper counts and reverse cross-shop intelligence to quickly leverage where Pathfinder has the best opportunity to conquest shoppers. By monitoring how opportunities evolve over time (such as in response to marketing and in response to tactics by rivals) Pathfinder can continue to refine and evolve its conquest targets. Jeep and Toyota need to quantify the persistence of the Pathfinder encroachment threat, and respond before it is too late.

MERCEDES TURNS TO INCENTIVES TO CLOSE E-CLASS SHOPPERS

E-CLASS INCENTIVES AND VDQ
(E-Class average incentives/unit, left; VDQ, right)



Many automakers were forced to add incentives during 2004 to bolster sales. Mercedes increased incentives on the E-Class in July and again in December. Compete compared the impact of changes in E-Class incentives to changes in Mercedes' ability to convert E-Class shoppers into buyers. Compete measures conversion using its VDQ (Vehicle Demand Quotient) analytic, which is the ratio of shoppers to sales, or the number of shoppers needed for each sale.

The simple story is that more incentives resulted in better conversion. More than doubling incentives in July pushed E-Class VDQ to its lowest (best) level to date in 2004, while the second (and richest) incentives in December pushed VDQ downward to the best of the year.

The executive story is more complex and more valuable. E-Class VDQ was already improving before the July incentive push, and continued improving afterwards until October and November when conversion worsened. Given the trend, did Mercedes spend too much in July? Even $200 too much means a $1M overspend based on sales results. Were incentives too low in October relative to rivals, damaging conversion in those months and increasing the need for $20M worth of incentives in December?

Mercedes and all OEMs can optimize sales and incentive strategies by quantifying changes in conversion efficiency relative to incentive changes (including conversion based on type of incentives and share of incentive voice) for their own vehicles and benchmarked against rivals.

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.

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To unsubscribe e-mail LMerrihew@compete.com.

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