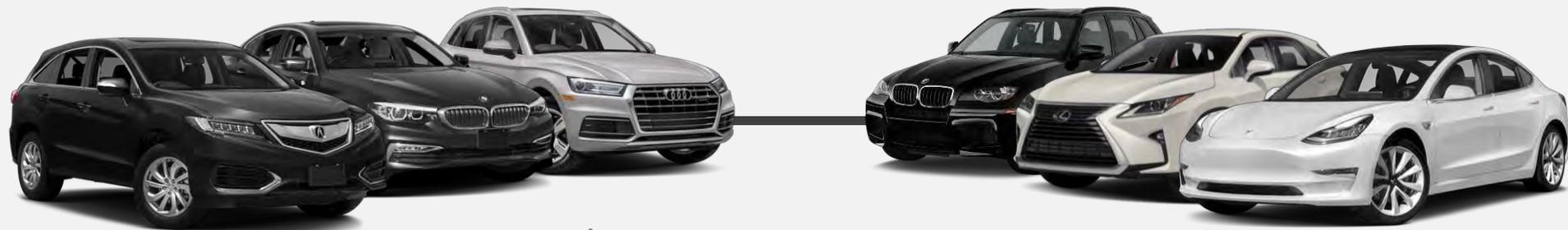


KELLEY BLUE BOOK BRAND WATCH: LUXURY SEGMENT TOPLINE REPORT



1st Quarter 2019

WHAT IS BRAND WATCH™?

Brand Watch, a shopper perception study, reveals **trends** in vehicle **consideration** among new car consumers and provides **insight** into **factors** that influence purchase decisions.



BRAND-LEVEL STUDY
135,000+ interviews
Since 2007

**BRAND AND MODEL LEVEL
PERCEPTION STUDY**

MODEL-LEVEL STUDY
75,000+ interviews
Since 2012



Captures **brand and model consideration & familiarity** among new-car shoppers

Tracks **12 factors** important to shoppers across all models and **6 segments**

Respondents are **in-market for a new vehicle** and recruited from KBB.com



WHAT CAN BRAND WATCH™ DO?

Identify key factors driving vehicle purchase decisions and measure OEM brand equity within and across segments



OBJECTIVES/MEASURES



What is important to consumers when shopping for a new vehicle



How brands and models perform on factors most important to shoppers within and across segments

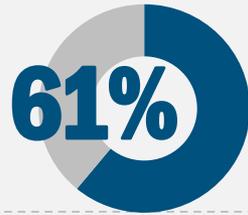


How demographic groups differ

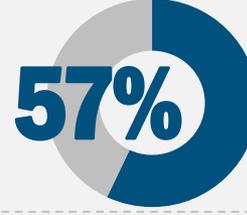
BRAND WATCH: LUXURY CONSIDERATION

Utilities outnumbered cars on the Q1 most-considered list. Acura RDX knocked the BMW 3 Series out of the top spot on shopping lists. BMW had the most spots on the top 15 most-shopped, followed by Acura (4) and Audi (3). The most considered luxury brands generally retained their order from Q4 2018, except for mid-pack, where Infiniti pulled ahead of Cadillac, likely because Cadillac, though still the highest with incentives, dialed them back by about \$1,000 per vehicle in Q1, while Infiniti ratcheted them up.

WHAT ARE OVERALL SEGMENT PREFERENCES AMONG LUXURY SHOPPERS?

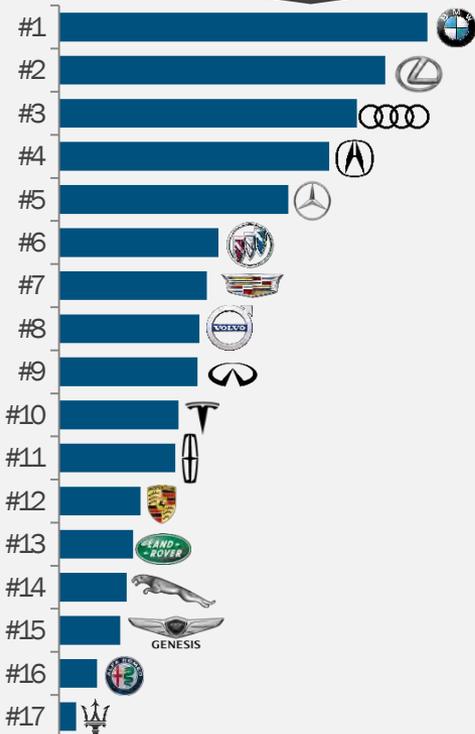


Luxury SUVs

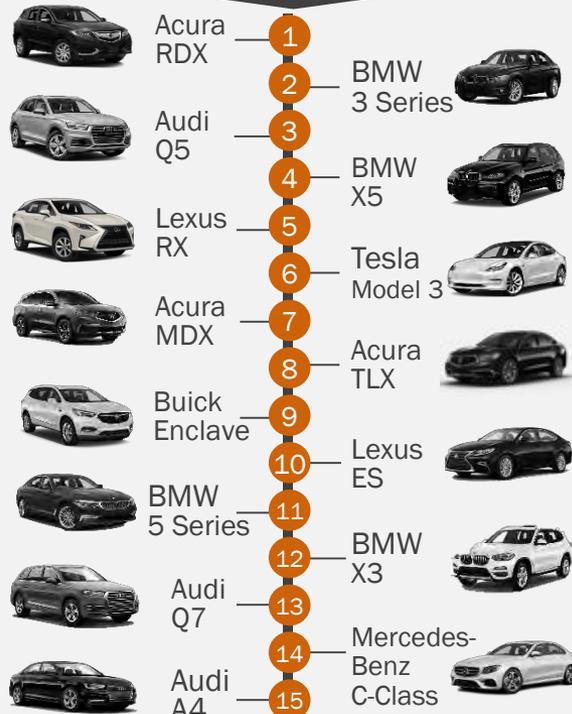


Luxury Cars

WHICH BRANDS LEAD IN LUXURY CONSIDERATION?



WHICH MODELS ARE CONSIDERED MOST AMONG LUXURY SHOPPERS?



WHICH FACTORS ARE MOST IMPORTANT TO LUXURY CONSUMERS?

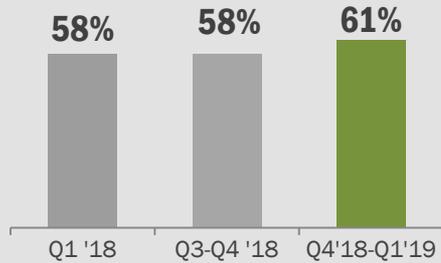


Source: KBB Brand Watch Survey, Q4-2018/Q1-2019, (ties indicate identical values to the tenth of a point)

A CLOSER LOOK: LUXURY SEGMENT CONSIDERATION

Shopping consideration for luxury utilities converted to buying in Q1 as consumer preference definitely leaned more towards utilities than cars. Luxury vehicle sales in Q1 rose 1%; total U.S. sales dipped 3%, in line with Cox Automotive's expectations for the full year. Q1 sales and share of midsize and compact luxury utilities rose and luxury full-size utilities held steady with average transaction prices higher in all luxury utility categories. Sales and transaction prices for luxury cars in all categories dropped.

LUXURY SUVs



Top 5

- #1 RDX
- #2 Q5
- #3 X5
- #4 RX
- #5 MDX

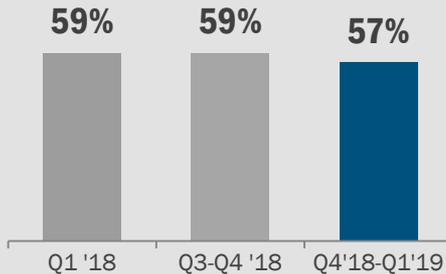


Acura RDX soared to the top spot for luxury vehicle consideration, where sales rose 35% in Q1. The RDX was named "Best New Car for 2019" by Autotrader. The second-generation Audi Q5 moved up in consideration to No. 2.

Its sales were up 9% in Q1, accounting for a third of Audi sales. The BMW X5, completely redesigned for 2019, moved up to the third spot. The Lexus RX fell to the No. 4 spot from No. 2. Acura MDX was knocked from first to fifth place in luxury SUV shopping.



LUXURY CARS



Top 5

- #1 3 Series
- #2 Model 3
- #3 TLX
- #4 ES
- #5 5 Series

BMW 3 Series retained the top spot again, followed by the Tesla Model 3. The Acura TLX and Lexus ES swapped spots for No. 3 and No. 4, respectively, likely due to hefty incentives on the TLX.



The BMW 5 Series again ranked No. 5, after sharing that spot with the Audi A4 in Q4.



A CLOSER LOOK: LUXURY BRAND CONSIDERATION

Inventories of luxury vehicles hit 75 days, up 4 days from a year ago, though specific models were in relatively short supply and turning quickly. Incentives rose significantly for Genesis and Jaguar in Q1 and edged higher for Buick and Infiniti, who are tops in spending in terms of incentives as a percentage of average transaction price. Other luxury makers lowered incentives or held them steady.

RANK	BRAND	CONSIDERATION
1		25%
2		22%
3		20%
4		18%
5		16%
6		11%
7		10%
8		10%
9		9%
10		8%
11		8%
12		6%
13		5%
14		5%
15		4%
16		3%
17		1%

>15%

6-11%

<6%



Lexus and Acura were 2019 KBB.com Brand Image Award winners; Lexus took home Best Overall and Most Trusted Luxury Brand, while Acura won its first Best Value Luxury Brand award. BMW led luxury brands in shopping consideration. Despite a 9% drop, Mercedes Benz brand sales still beat BMW, with its flat sales, for Q1.



Porsche won two 2019 KBB.com Brand Image Awards for Best Performance and Best Styling Brands. Volvo XC40 won Autotrader's Best New Car award. Tesla's consideration continues to



grow as do its financial losses, which totaled \$700 million in Q1. Tesla announced it would raise more funds in the capital markets for its expansion and future vehicles.



Despite consideration in the lower third of luxury makes, Jaguar I-Pace and Genesis G70 were named 2019 Best New Car by Autotrader.

Jaguar Land Rover is beset with problems – weakness in China, Brexit, customers retreating from diesels and the company's reduced value.



Source: KBB Brand Watch Survey, Q4-2018/Q1-2019, (ties indicate identical values to the tenth of a point)

Q: Please select at most 5 vehicles that you are currently shopping



A CLOSER LOOK: TOP CONSIDERED LUXURY MODELS OVERALL

Acura successfully converted shoppers to buyers. Its Q1 sales outpaced the industry, up 9% from the year earlier, on the strength of utility vehicles, which now account for nearly 70% of the brand's sales. Acura's Q1 utility sales soared by 20%; car sales were down 11%. Acura closed Q1 strong, reporting its best March in 5 years, paced by the RDX (Autotrader's 2019 Best New Car award winner). Kelley Blue Book recognized Acura as America's "Best Value Luxury Brand" in its 2019 Brand Image Awards, marking the first time Acura has received the award.

TOP 15 MODELS

#1  RDX Luxury Compact SUV	#2  3 Series Entry Luxury Car	#3  Q5 Luxury Compact SUV	#4  X5 Luxury Midsize SUV	#5  RX Luxury Midsize SUV
#6  MODEL 3 Entry Luxury H/P/E Car	#7  MDX Luxury Midsize SUV	#8  TLX Entry Luxury Car	#9  Enclave Luxury Midsize SUV	#10  ES Entry Luxury Car
#11  5 Series Luxury Car	#12  X3 Luxury Midsize SUV	#13  Q7 Luxury Midsize SUV	#14  C-Class Luxury Car	#15  A4 Entry Luxury Car

 Lexus sales rose 4% in Q1 on the strength of the RX, up 8%. Consideration for the RX and ES dropped 2 and 3 spots, respectively, quarter over quarter.

 BMW has 4 vehicles in the top 15, and with a wave of new (3 Series X7) and updated (7 Series, 8 Series coupe & convertible) products in the pipeline, it's blowing the competition out of the water.

 Mercedes-Benz continues to struggle with model changes and limited supply of high-volume utility and compact models.

A CLOSER LOOK: FACTORS OF IMPORTANCE DRIVING LUXURY VEHICLE CONSIDERATION

The ranking of the top five factors important to consumers buying luxury vehicles didn't budge in Q1. For the fourth consecutive quarter, affordability ranked fifth after jumping two spots to its current position in Q2 2018 and staying there ever since. Like non-luxury buyers, luxury buyers seek value for the price as buying conditions worsen, the threat of tariffs hang in the balance and consumer confidence weakens despite a strong economy and stock market. In affordability, Genesis was pushed out by Infiniti at No. 3 and Buick moved to the second spot, behind Acura.

TOP 5

RANK	FACTOR	IMPORTANCE	TOP RANKED BRAND	#2	#3
1	Durability/Reliability	79%		Acura	Volvo
2	Safety	72%		Tesla	Lexus
3	Driving Comfort	66%		Lexus	Lincoln
4	Driving Performance	61%		BMW	Porsche
5	Affordability	48%		Buick	Infiniti
6	Interior Layout	46%		Audi	Mercedes-Benz
7	Technology	46%		BMW	Lexus
8	Reputation	45%		Acura	Tesla
9	Exterior Styling	42%		Audi	BMW
10	Fuel Efficiency	40%		Volvo	Lexus
11	Ruggedness	21%		Volvo	Infiniti
12	Prestige/Sophistication	20%		Mercedes-Benz	Porsche



Tesla again dominated the importance factors list, capturing 7 of 15 first-place spots. The only categories in which Tesla doesn't place are ruggedness and affordability, which don't matter to the brand except, perhaps, when it comes to affordability and the more mainstream priced Tesla Model 3.

Lincoln burst into the driving comfort category for the first time, ranking third and pushing Volvo off the top 3 list.



Lincoln sales surged 23% in Q1, its best Q1 in 18 years, thanks to its redesigned full-size Navigator and new products in the pipeline (Nautilus, Aviator, and Corsair).



Interior layout and technology outranked reputation in Q1 vs Q4. Audi, which had not been in the top 3 in Q4, replaced Mercedes in the No. 2 spot for interior layout.



Mercedes fell to No. 3 and Lexus was pushed out. In technology, BMW showed up as No. 3, pushing Lexus to third and Audi off the list. Rankings could change as Audi introduces the new high-tech Audi e-Tron EV in May in the U.S.



BRAND WATCH TOPLINE

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