

# **KELLEY BLUE BOOK**

## **BRAND WATCH:**

### **LUXURY SEGMENT**

### **TOPLINE REPORT**



2<sup>nd</sup> 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

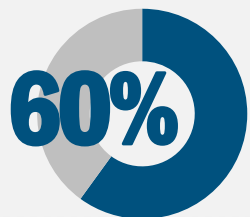


How demographic groups differ

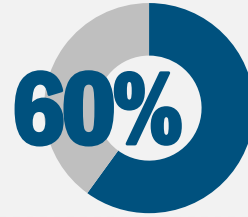
# BRAND WATCH: LUXURY CONSIDERATION

Consideration for luxury SUVs and cars are now on equal footing. Luxury shoppers have historically preferred cars over SUVs, we may be seeing the balance between car and SUV preference shift in the coming quarters. There are now 8 cars in the top 15, with Tesla Model 3 and BMW 3 Series leading the way in consideration. Despite having competitive consideration, luxury car sales have been increasingly losing out to luxury SUV sales, specifically compact and midsize segments.

## WHAT ARE OVERALL SEGMENT PREFERENCES AMONG LUXURY SHOPPERS?

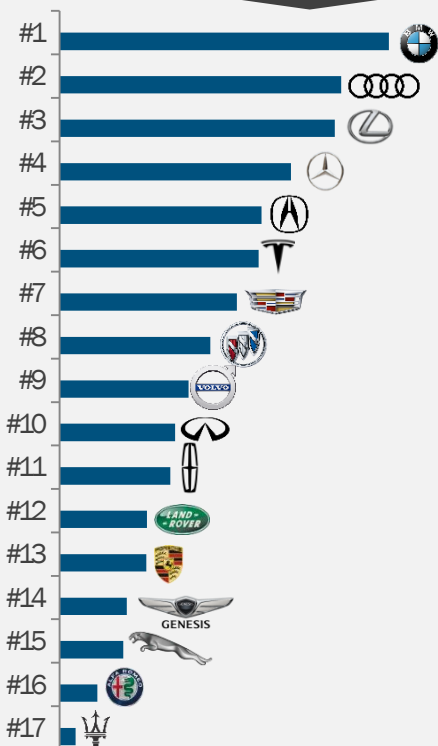


Luxury SUVs

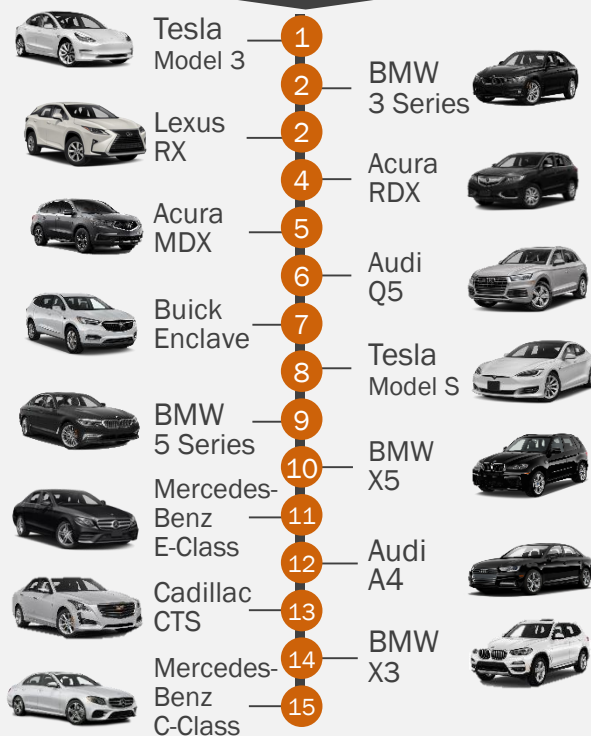


Luxury Cars

## WHICH BRANDS LEAD IN LUXURY CONSIDERATION?



## WHICH MODELS ARE CONSIDERED MOST AMONG LUXURY SHOPPERS?




















## WHICH FACTORS ARE MOST IMPORTANT TO LUXURY CONSUMERS?



# A CLOSER LOOK: LUXURY BRAND CONSIDERATION

In an auto market that is down year to date, sales of luxury vehicles are a bright spot. Luxury sales were up 6% year-over-year in June and up 2% in the first half of the year. All the gains in luxury this year can be attributed to the success of Tesla. Without Tesla, luxury sales would be down 2%, roughly in line with the overall U.S. new-car market.

RANK	BRAND	CONSIDERATION
1		23%
2		19%
3		19%
4		16%
5		14%
6		14%
7		12%
8		10%
9		9%
10		8%
11		8%
12		6%
13		6%
14		5%
15		4%
16		3%
17		1%

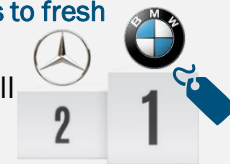
>15%

8-15%

<8%



**BMW remained the most considered brand for the 4<sup>th</sup> quarter in a row. BMW more than doubled its sales lead over Mercedes in June, thanks to fresh SUVs.** BMW just got a new CEO who will be focusing on advancing electric vehicles that's still in line with the brand's performance character.



Tesla has been a disruptor in the luxury market. **Tesla's Q2 global deliveries set a new record of 92,500 (they now sell in Europe and China as well as the U.S.) The Model 3, the least expensive Tesla, is a hot seller and accounts for all of the increase.** At the same time, sales of the flagship Model S and Model X SUV are falling and Elon Musk says there are no plans to redesign the S and X beyond software updates. **Despite the record deliveries, Tesla still lost a lot of money in Q2. Tesla is no longer an emerging brand, it has become one of the top performing luxury brands with 8% market share.**



**Land Rover had a significant shift in YoY consideration, going from 4% to 6%, although sales were relatively flat YoY. Range Rover Sport was featured in KBB's 10 Best Luxury SUVs** for its tenacious off-road abilities and uncompromising luxury.



Source: KBB Brand Watch Survey, Q2-2019

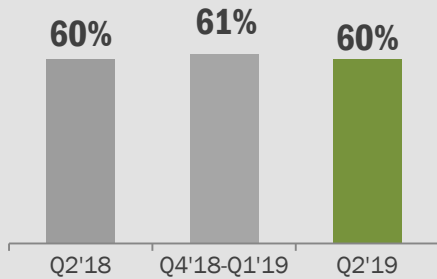
Q: Please select at most 5 vehicles that you are currently shopping

# A CLOSER LOOK: LUXURY SEGMENT CONSIDERATION

Consumer preference for luxury cars is up this quarter compared to last quarter and a year ago. Consideration is now on par with SUVs.

Entry-level cars saw the biggest YoY decline in new vehicle sales from 25% to 22%. Luxury midsize SUVs saw the biggest YoY segment sales gain, jumping from 27% to 30%. SUV consideration may be boosted with new product launches in the near future - Tesla Model Y, Rivian SUV, Lincoln Corsair, Lincoln Aviator, Buick Encore GX, Volvo V60, and Cadillac XT6.

## LUXURY SUVs



Top 5

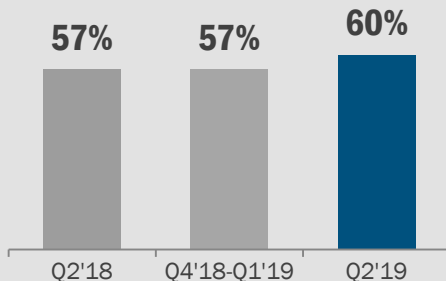
- #1 RX
- #2 RDX
- #3 MDX
- #4 Q5
- #5 Enclave



The Lexus RX moved up from #4 and replaced Acura RDX (#2) as the top considered model. The Buick Enclave entered the top 5 most considered luxury SUVs this quarter. Newcomer Lincoln Nautilus and Tesla Model X gained in consideration in Q2 and showed up for the first time in the top 15 most considered luxury SUVs.

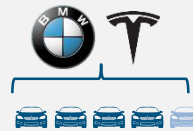


## LUXURY CARS

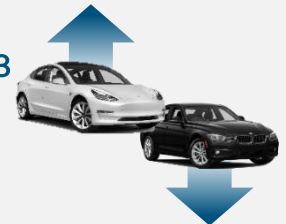


Top 5

- #1 Model 3
- #2 3 Series
- #3 Model S
- #4 5 Series
- #5 E-Class


















Tesla and BMW dominate the top 5 car considerations accounting for 4 of the 5 top models. The Acura TLX and Lexus ES fell out of the top 5 consideration set this quarter. For the first time ever, Model 3 soared to the top luxury car position, dethroning BMW 3 Series.




# A CLOSER LOOK: TOP CONSIDERED LUXURY MODELS OVERALL

Tesla's Model 3 shifted to the most considered model this quarter (up from #6 in Q1 2019). The brand has 2 models in the top considered list (Model 3 and Model S) for the first time in Brand Watch history. BMW 3 Series maintains its #2 position but is tied with Lexus RX. Lexus RX jumped up to #2 after holding the #5 position last quarter. While still in the top 5 most considered, Acura RDX drops to #4 this quarter after holding the #1 position in Q1 2019. However, the brand's MDX entered the top 5 most considered models (up from #7).

## TOP 15 MODELS

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

 **#1**  
Model 3 was the #1 selling luxury model in Q2, beating out long standing sales leader Lexus RX. Despite record sales, Tesla still is not profitable.

From a model consideration perspective, **luxury car outnumbered SUV consideration; there are now 8 cars vs 7 SUVs in the top 15.**















With a fresher line of SUVs, **BMW beat out Mercedes-Benz in sales** at the closing of Q2.



# A CLOSER LOOK: FACTORS OF IMPORTANCE DRIVING LUXURY VEHICLE CONSIDERATION

Affordability continued to hover around 50% and is the 5<sup>th</sup> most important factor when shopping for a new vehicle. A recent Cox Automotive study revealed that the majority of luxury sales happen in the \$50,000-70,000 MSRP range, with 85% of luxury vehicle sales in that range so far this year. With recent news of recalls, consumers may be paying attention to Reputation, which gained two spots in importance.

	RANK	FACTOR	IMPORTANCE	TOP RANKED BRAND	#2	#3
TOP 5	1	Durability/Reliability	81%		Acura	Genesis
	2	Safety	73%		Tesla	Mercedes-Benz
	3	Driving Comfort	69%		Cadillac	Lincoln
	4	Driving Performance	62%		Porsche	Audi
	5	Affordability	50%		Buick	Infiniti
	6	Reputation	49%		Tesla	Mercedes-Benz
	7	Technology	48%		Audi	BMW
	8	Interior Layout	46%		Acura	Genesis
	9	Exterior Styling	46%		Audi	Porsche
	10	Fuel Efficiency	41%		Acura	Lexus
	11	Ruggedness	21%		Volvo	Cadillac
	12	Prestige/Sophistication	20%		Porsche	Mercedes-Benz



Good news or bad, Tesla garnered high perceptions from consumers, with no sign of slowing down. It already dominates in 7 factors and could easily take over Safety and Reputation from its 2<sup>nd</sup> place spot.

Genesis replaced Acura as the top ranked brand for Affordability this quarter.

Acura seems to have slipped in perception and consideration, similar to Honda on the non-luxury side.



# BRAND WATCH TOPLINE

**For all sales or client success inquiries, please contact:**

Sales Analytics Consulting

[kbb.SA-OEMConsulting@coxautoinc.com](mailto:kbb.SA-OEMConsulting@coxautoinc.com)

**For all other inquiries, please contact:**

[Mai.Nguyen@coxautoinc.com](mailto:Mai.Nguyen@coxautoinc.com)

[Vanessa.Ton@coxautoinc.com](mailto:Vanessa.Ton@coxautoinc.com)

