

BRAND WATCH

LUXURY SEGMENT TOPLINE REPORT

3rd Quarter 2020



WHAT IS BRAND WATCH™ ?

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

Brand Level Study
135,000+ interviews since 2007



BRAND WATCH™



Model Level Study
84,000+ interviews since 2012

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

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

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

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

BMW has been the reigning leader in luxury consideration for the last 7 years with the exceptions of 2 quarters (Q4 2014 and Q3 2018). Lexus held the #1 spot in Q4 2014 and the gap between both brands is narrowing, generated by the increased RX demand.

BMW Loses Traction

- Growing demand for X3 and X5 could not offset the decline of the volume leader 3 Series, which attributed to the 2-point loss for BMW from Q2 to Q3.

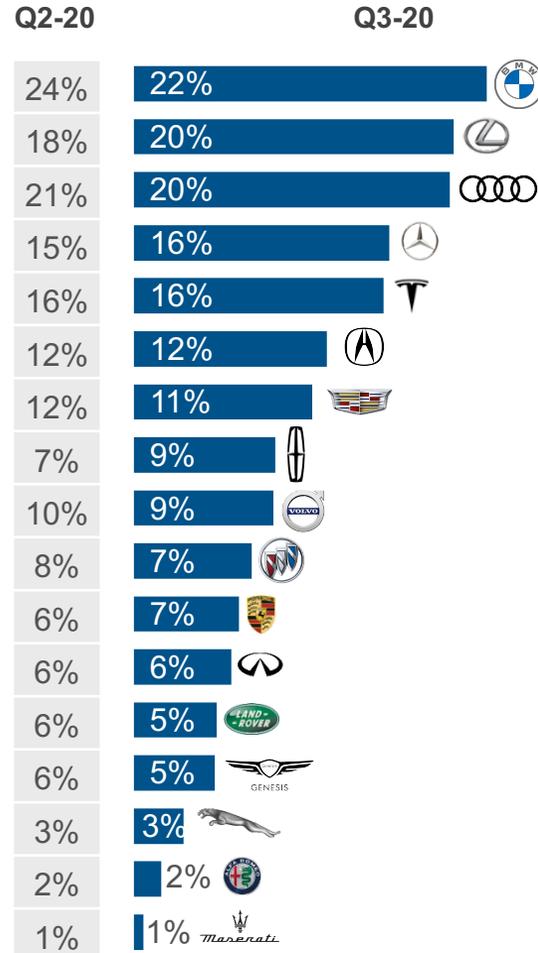
Lexus Speeding Forward with RX

- Lexus overtook Audi for the #2 spot in Q3, which pushed the latter to the 3rd position as Q5 shopping softened.
- RX underwent a minor facelift in 2019 and has been in sell-down mode and making room for the redesigned, next generation RX in 2021. Lexus can potentially pull ahead in consideration next quarter when the all-new IS and the refreshed LS enter the market.

Tesla Holding Strong with Model Y

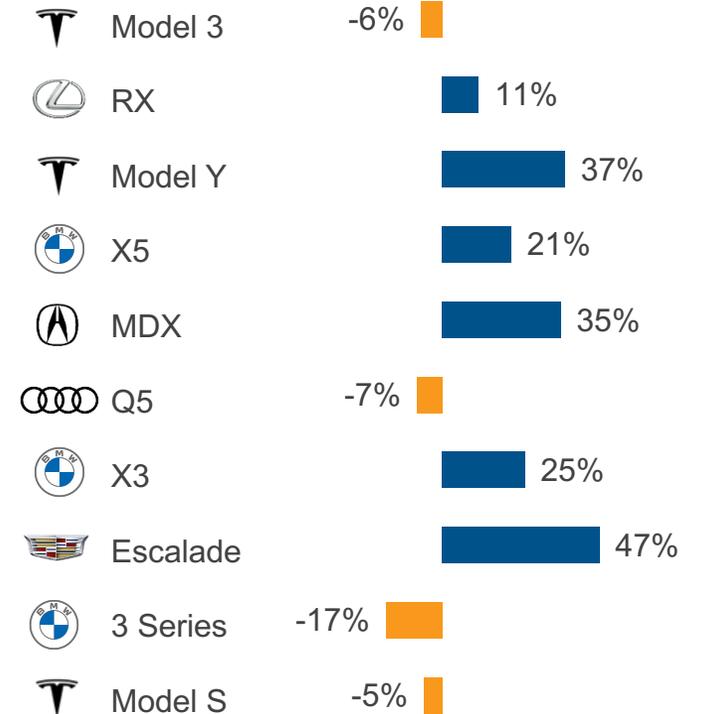
- Tesla demand held steady QoQ. The gain in Model Y consideration offset the softening interest of Model S and Model 3.

QUARTERLY BRAND CONSIDERATION



QUARTERLY CONSIDERATION GROWTH

TOP 10 MODELS Q3-20 vs. Q2-20



A CLOSER LOOK: LUXURY SUV INTEREST DOMINATES

Luxury SUV consideration is up significantly from the previous quarter and from Q3 2019, reaching its highest level ever. Specifically, midsize and compact luxury SUVs have been driving demand. Additional all-new SUVs such as Lexus NX, Mercedes EQC, Acura MDX, and Infiniti QX60 launch, could further lift luxury SUV demand.

QUARTERLY SEGMENT CONSIDERATION

67% 
LUXURY SUVs

Last Qtr.	Last Year
62% ▼	60% ▼

TOP 5 LUXURY SUVs

- #1  RX
- #2  Model Y
- #3  X5
- #4  MDX
- #5  Q5

51% 
LUXURY CARS

Last Qtr.	Last Year
57% ▲	60% ▲

TOP 5 LUXURY CARS

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

Luxury SUV Demand Reached All-Time High

- Lexus RX has maintained the #1 spot since Q1 2020. Its lease specials focused on 2020 and 2021 models.
- The newly launched Tesla Model Y took the #2 spot in Q3, up from #6 in the previous quarter.
- The Acura MDX moved up 3 spots to the 4th position in Q3 as dealers have been selling down the current generation and preparing for the all-new model in Q1 2021 as a 2022 model.

Luxury Car Consideration Dipped to All-Time Low

- OEMs have made decisions reflective of the slowdown of the luxury car segment. Models to be discontinued are Lincoln Continental, Jaguar XE, Lexus GS, Acura RLX, BMW i8, Cadillac CT6, and Mercedes SLC
- Tesla and BMW dominate the top 5 luxury car list with their respective compact and midsize sedans
- Model 3 remained at the top position, holding the #1 spot since Q2 2019.

▲ ▼ indicate significant % change Q/Q

Source: KBB Brand Watch Survey, Q3 2020; Last Qtr. = Q2-20, Last Year = Q3-19
Interpretation Example: 67% of luxury shoppers consider luxury SUVs

TOP 10 CONSIDERED MODELS: LUXURY SHOPPERS

With luxury SUV prospering and luxury car lagging, the top 10 included 7 SUVs with a good mix of domestics and imports. BMW 5 Series tumbled off the top 10 list in Q3 from the #2 spot in Q2. New entrants in the top 10 include Acura MDX, Cadillac Escalade, and BMW X3.

TOP 10 MODELS

* New to Top 10

#1	#2	#3	#4	#5
 MODEL 3 Entry Luxury H/P/E Car	 RX Luxury Midsize SUV	 MODEL Y Luxury Compact H/P/E SUV	 X5 Luxury Midsize SUV	 MDX* Luxury Midsize SUV
#6	#7	#7	#9	#10
 Q5 Luxury Compact SUV	 X3* Luxury Compact SUV	 Escalade* Luxury Fullsize SUV	 3 Series Entry Luxury Car	 MODEL S Executive Luxury H/P/E Car

TOP 10 IN Q3-20

Tesla Remained Resilient

- The Model Y made a big leap from #10 to #3 in Q3 from Q2 as the luxury compact SUV segment is increasing in market share and consideration.

BMW 3 Series Losing Grounds

- The X5 made significant gains, climbing from #9 to #4 in Q3 from Q2.
- The 3 Series lost ground in the last 2 years as competition intensified from Model 3 and other luxury SUV brands.

FACTORS DRIVING LUXURY CONSIDERATION

Ranking among the top four luxury factors driving consideration has remained unchanged for the past five years. Reputation (#5) and Technology (#7) swapped spots for the most important factor for buyers considering a luxury brand in Q3 when compared to last quarter.

RANK		FACTOR	IMPORTANCE	TOP RANKED BRAND	#2	#3
Q3-15	Q3-20					
1	1	Durability/Reliability	81%▲			
2	2	Safety	71%			
3	3	Driving Comfort	68%			
4	4	Driving Performance	60%			
5	5	Reputation	49%			
7	6	Interior Layout	49%			
9	7	Technology	48%▲			
8	8	Exterior Styling	45%			
6	9	Affordability	44%			
10	10	Fuel Efficiency	40%▲			
11	11	Ruggedness	20%			
12	12	Prestige/Sophistication	18%▲			

Tesla Losing Grip on Domination

- At the height of Tesla's domination, it held 8 top spots in Q3 2018. It has gradually slowed since Q1 2020 with 3 leads in Driving Performance, Technology and Fuel Efficiency. The regression may be fueled by Tesla's quality woes. Most recently, the Model Y reportedly had seat belt, glass roof and water leak challenges.

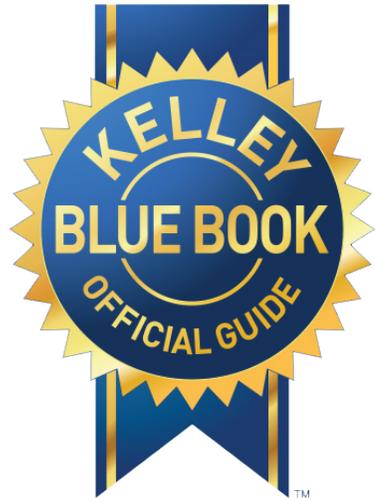
Maserati Improved Image

- In 2020, Maserati made headway and topped the leaderboard in Exterior Styling (Q1 and Q3) and Prestige/Sophistication (in Q2), which were nods to the stylish Ghibli, Levante and GT Sport.

Porsche Stands for Prestige

- Porsche overtook Tesla for Prestige/Sophistication in Q3. It also is rising in other factors such Driving Performance, Reputation, Exterior Styling and Interior Layout, and can potentially overtake Driving Performance again with the launch of the Panamera Coupe.

▲ ▼ indicate significant % change from Q3-15 vs. Q3-20

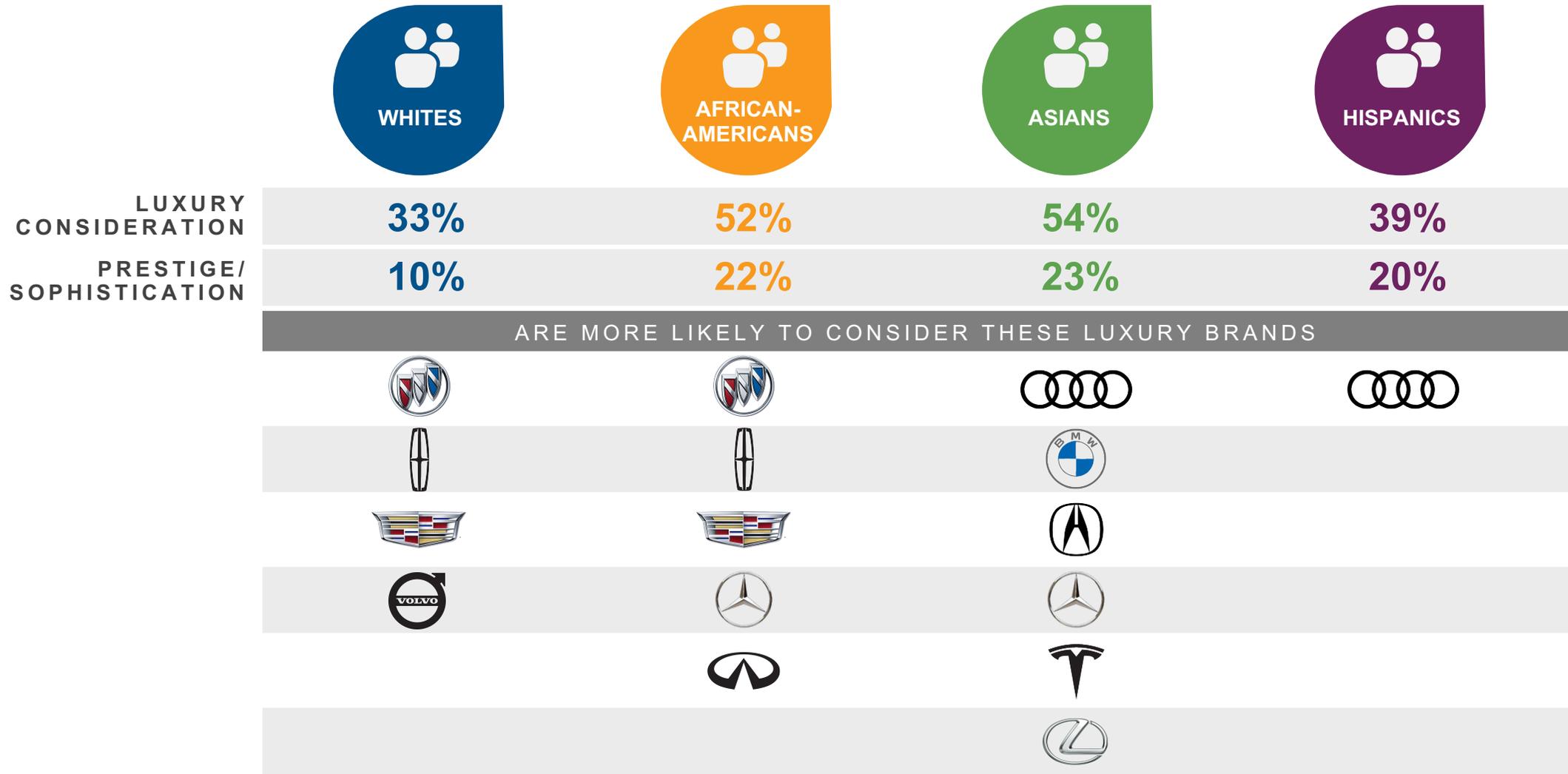


BRAND WATCH

Multicultural and Gender Deep Dive
2019/2020



The Luxury Segment Draws in More African-Americans and Asians than Others



African Americans Expect More in Choosing the Right Vehicle

THESE FACTORS ARE MORE LIKELY TO INFLUENCE THEIR PURCHASE DECISION



AFFORDABILITY



DRIVING COMFORT



DRIVING PERFORMANCE



EXTERIOR STYLING



FUEL EFFICIENCY



**PRESTIGE/
SOPHISTICATION**



SAFETY



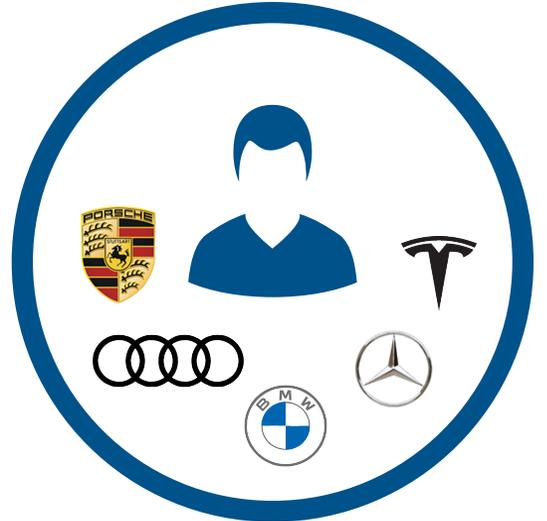
TECHNOLOGY

Note: Hispanics and Whites did not over index in any factors of importance measures

Males have a Stronger Affinity for the Luxury Segment Especially Cars While Females Choose SUVs

	 WOMEN	 MEN
LUXURY CONSIDERATION	30%	38%
LUXURY SUV CONSIDERATION	69%	59%
LUXURY CAR CONSIDERATION	49%	61%
PRESTIGE/ SOPHISTICATION	10%	13%

ARE MORE LIKELY TO CONSIDER THESE LUXURY BRANDS



Men Favor More Emotional Factors While Women Seek More Practical Attributes

THESE FACTORS ARE MORE LIKELY TO INFLUENCE THEIR PURCHASE DECISION



AFFORDABILITY



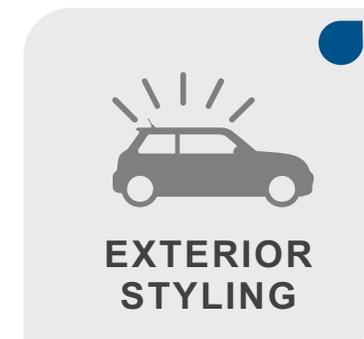
DRIVING COMFORT



DRIVING PERFORMANCE



DURABILITY/ RELIABILITY



EXTERIOR STYLING



REPUTATION



SAFETY



FUEL EFFICIENCY



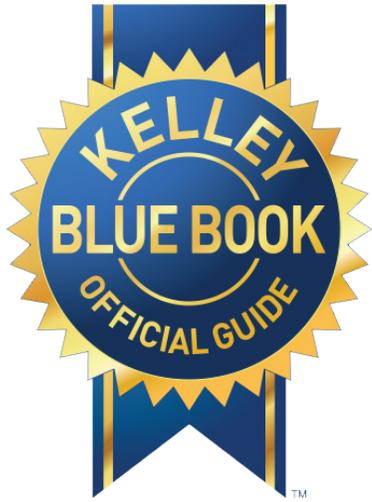
TECHNOLOGY



PRESTIGE/ SOPHISTICATION



RUGGEDNESS



BRAND WATCH TOPLINE

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