

## MICROMASS COMMUNICATIONS

### Loyalty Predictive Model for the Luxury Automotive Market

#### Overview

The auto industry is under incredible pressure with 2008 sales expected to be, at best, 14.5MM vehicles— the lowest level in a decade. The U.S. economy is weakening, and depending on the pundit you listen to, may not begin to recover until well into 2009. While the luxury group has weathered this storm better than other segments of the business, there has never been a time in recent memory where it is more important for luxury automotive manufacturers to retain as much of their current customer base as possible.

MicroMass' Luxury Automotive Loyalty Predictive Model examines customer loyalty among luxury brands. The model uses proven behavioral science constructs about relationships to evaluate five behavioral factors that help predict and build luxury-brand loyalty. The model provides a deep understanding of the behavioral drivers and barriers of luxury automotive owners and identifies which customers will be loyal to a brand, which customers will defect and which are on the fence.

MicroMass research found that the undecided customers— often an overlooked group— represents the majority of customers. The MicroMass model brings to life what issues need to be addressed with this group to encourage them to stay in the franchise.

#### Methodology

- » Validated via an online survey fielded in Q1/2008 through early Q2/2008.
- » Sample: luxury car owners and leasers who owned or leased within the past 2-3 years.
- » A demographically represented sample.
- » Survey questions examined customer loyalty levels and customer mindset in terms of loyalty and commitment.

#### Key Insights

Understanding the loyalty levels of existing customers is the critical first step for luxury brands.

MicroMass found that there is a key segment of customers that are malleable and moveable; if you hit them with the right messages, you can change them. Recognizing who these customers are leads to more efficient communications. Brands can prioritize marketing investment, dedicating the appropriate amount to the identified loyalists and maximizing its spend where it matters the most: in the battle for those undecided customers.

The key is understanding customer mindsets within the luxury market and segmenting based on those mindsets. This requires brand segmentation to go deeper than demographics and psychographics alone.

To impact loyalty, brands need to adjust to a segmentation based on brand attachment versus simply brand awareness. It's about keeping customers in love with a brand versus wooing customers time and time again.

**Kari Price**  
T (919) 256-2481  
E kari.price@micromass.com

**Julie Laitin**  
T (212) 286-2424  
E jlaitin@julielaitin.com

**Cynthia Amorese**  
T (908) 665-8072  
E camorese@comcast.net

When brands look to loyalty and commitment mindsets versus likelihood to buy a certain model, unique customer segments are unearthed. Behavioral science based marketing offers brands new insights into key consumer audiences. It uncovers an individual's areas of interest, current needs, behavioral barriers and intentions to act.

### Bottom Line

**Increasing loyalty, even if only among leasing customers, has huge revenue and profit implications.** At any given time, about 63 percent of luxury car owners are on the fence about which luxury brand to purchase or lease next. That's a big piece of the pie up for grabs, especially as luxury car manufacturers battle for fewer and fewer customers. Every point increase in loyalty is worth millions of dollars in revenue for the high-line manufacturer.

**Luxury automotive brands need to look at loyalty differently from other marketing efforts.**

A shift in marketing mindset away from awareness to customer attachment is critical

to success. The conventional messaging approach for customer purchase decision no longer applicable when looking at loyalty. Brands need to shift their messaging from applying awareness tactics to applying a loyalty approach and displaying a deeper knowledge of the customer in order to impact the purchase decision.

**Adopting a behavioral science-based approach to segmentation leads to incredibly efficient communications.** Brands will avoid both spending marketing dollars on those who are leaving the franchise anyway and dedicate a small but appropriate amount of budget to the guaranteed loyalists. But most of all, a brand will be able to use its marketing firepower to sway those undecided customers.

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