



“Differences in new vehicle buyers’ ethnicities predict where future sales will grow,” says Strategic Vision

SAN DIEGO — Strategic Vision (SV) completed its annual review of the New Vehicle Experience Study (NVES) focusing on the similarities and differences of various ethnic groups to learn what brands lead with which ethnic customers and what it is about those brands, both in product and communications, that lead to the increase in vehicle sales. The NVES ethnic review was based on over 525,000 respondents who self-reported their ethnicity – not having to rely on guessing ethnicity based on mathematical algorithms.

The answer to the question, “Why does race matter when it comes to buying a new vehicle?” isn’t as simple as the question itself. This is because, in general, regardless of race, new vehicle buyers are more similar than they are different. For example, in NVES, automotive customers are asked how important the various aspects of their vehicle were in their purchase decision. Every ethnicity has “Reliability” rated “Extremely Important” more than any other attribute.

However, the magnitude of how important reliability is to the consumer changes, depending on the ethnicity of the buyer. For example, African Americans more often state that vehicle attributes that are connected to foundational security such as reliability, durability, quality of workmanship and manufacturer’s reputation are all cited as “Extremely Important” more often than do Caucasians (i.e. manufacturer’s reputation is reported as “Extremely Important” for African Americans 61% of the time while only 50% of the time for Caucasians.)

Therefore, to understand both the reasons directing these similarities and differences and relate these findings to new vehicle sales, SV examined different points along the customer’s Purchase Path (stage of buying a vehicle).

As seen in Table 1 below, Honda, Toyota and BMW all are most likely to be “Definitely Considered” in a future vehicle choice. However, the magnitude of their consideration varies drastically by ethnicity. For example, for African American’s, BMW is the brand most often cited as a future vehicle choice as 37% of African Americans would Definitely Consider a BMW as a future purchase. This is significantly more than the US Industry average of 23%.

Table 1: Percent "Definitely Would" Consider the Brand in the Future

<u>African Americans</u>		<u>Latino Americans</u>		<u>Asian Americans</u>		<u>US Industry</u>	
BMW	37%	Toyota	44%	Honda	50%	Honda	38%
Honda	37%	Honda	42%	Toyota	47%	Toyota	38%
Lexus	36%	BMW	34%	Lexus	45%	Ford	30%
Toyota	32%	Mercedes	31%	BMW	41%	BMW	23%
Mercedes	32%	Audi	30%	Mercedes	37%	Chevrolet	22%

For Asian Americans, Honda (50%) is stated to be the brand most often available for future consideration. Asian Americans are also more likely to put BMW in their consideration set than African Americans (41% vs. 37%). However, BMW is 4th on the list for Asian American future purchase because they have a stronger affinity to the various Asian Import brands.

It is interesting to see that the emerging markets are aspiring to consider and own luxury brands such as BMW, Mercedes, Audi and Lexus and have three luxury brands in their top five list while those in the macro community have these luxury brands replaced with Ford and Chevrolet. This is likely because of the images that the models of these brands represent to the various customer groups.

Table 2: Top Five Indexed Images of Vehicle Purchased

<u>African American</u>	<u>Latino American</u>	<u>Asian American</u>
Classy	Powerful	Family oriented
Cool	Cool	Cool
Energetic	Modern	Smart
Youthful	Sexy	Helpful
Sophisticated	Elegant	Luxurious

Compared to other ethnicities, African Americans, Latino Americans and Asian Americans all report higher incidences of stating that they purchase vehicles that are “Cool” (as seen in Table 2 above). One reason why luxury brands are more often found in the future consideration sets of these three ethnic groups is because they are looking for (and buying) vehicles which provide imagery of being Classy, Sexy and Luxurious. African Americans are more drawn to younger, more energetic vehicles; Latino Americans are looking for modern and powerful perceptions resulting in elegant and sexy imagery, while Asian Americans are more prone to purchase family oriented, smart and helpful vehicles.

These images are directly connected to the reasons customers purchase one vehicle over another. As discussed previously, the reasons for purchase are very similar across the various ethnic groups, but knowing the magnitude of their differences can be helpful in creating products and drafting communications to each group.

For example, as seen from the data in Table 3 below where purchase reasons are compared and indexed against the US Industry average, African Americans state that they are more price sensitive; which may be why they have more demands on the vehicle being reliable and needing to be able to trust the manufacturer. Latino Americans state that they are more likely to purchase a vehicle that has the capability to transform to become “their” vehicle that meets both the image they want to convey to others and their physical needs such as being able to carry their family and friends and cargo. Asian Americans state that they more often look for the new innovations added to a vehicle, beginning with simple features such as navigation.

Table 3: Top Five Indexed Purchase Reasons

<u>African American</u>	<u>Latino American</u>	<u>Asian American</u>
Price/Monthly Payment	Prestige	Prestige
Audio/Video System	Interest Rate, Credit Terms	Ease Of Customizing
Convenience of Controls	Ease Of Customizing	Navigation System
Interest Rate, Credit Terms	Overall Seating Capacity	Technical Innovations
Engine Performance	Interior Storage	Magazine/Newspaper/T.V. Reviews

All of this leads to the only metric that counts: which brands lead in sales to the different ethnic groups. For this metric to be fully understood and appreciated, the data needs to be viewed both in actual sales and in comparison to the industry average.

As seen in Table 4.1 below, we see that Nissan leads African American sales which is connected to both price sensitivity and African Americans looking for a younger, more energetic brand. Toyota is the number one brand that Latino Americans would purchase in the future, and therefore, it shouldn't surprise anyone that it also has the highest market share with Latino Americans. The same is similarly true for Toyota (and Honda) among Asian American new vehicle buyers.

Table 4.1: Top Five Brands with Highest Market Share

<u>African Americans</u>		<u>Latino Americans</u>		<u>Asian Americans</u>	
Nissan	13%	Toyota	15%	Toyota	25%
Toyota	11%	Honda	13%	Honda	19%
Chevrolet	10%	Nissan	12%	Nissan	7%
Honda	9%	Ford	10%	BMW	5%
Ford	8%	Chevrolet	7%	Ford	5%

Top market share is a clear indicator of which brands sell to the various ethnic customers. However, when the market share is compared to the increase of sales per brand over the US Industry totals, we can see where future increases in sales are likely to occur.

For example, in Table 4.2 below, Nissan is still in the top rankings with other brands where customers might be price sensitive. Furthermore, the imagery of being younger and more energetic as well as purchase reasons such as requiring intuitive controls as well as added power and performance fit with Nissan and these brands where sales have increased.

Latino Americans are increasing sales with brands that are working to provide a good value with definitive imagery. Hyundai makes the list as styling cues and vehicle content for price have greatly added to the brand's prestige.

Table 4.2: Top Five Brands with Highest Indexed Share

<u>African Americans</u>		<u>Latino Americans</u>		<u>Asian Americans</u>	
Dodge	195	Nissan	172	BMW	250
Nissan	192	Volkswagen	136	Lexus	216
Chrysler	181	Dodge	125	Mercedes	201
Cadillac	148	Honda	124	Toyota	188
Kia	142	Hyundai	113	Honda	180

Asian Americans are also more likely to find emerging sales from luxury brands such as BMW. This should be a warning to Lexus that even though the Asian luxury customer feels connected to Lexus, without added innovation, they could defect to other brands such as BMW and Mercedes.

About Strategic Vision:

Strategic Vision is a research-based consultancy with over 42 years of experience in understanding the consumers' and constituents' decision-making systems for a variety of Fortune 100 clients, including most automotive manufacturers, education, medicine and politics. Its unique expertise is in identifying consumers' comprehensive, motivational systems, including the product attributes, personal benefits, value/emotions and images that drive perceptions and behaviors. ValueCentered Psychology® (the foundation of all Strategic Vision studies) was created by Darrel Edwards Ph.D in 1968, with research methods defined by Dr. Edwards and co-founders J. Susan Johnson and Sharon Shedroff. For further information, contact Alexander Edwards or Christopher Chaney at (858) 576-7141.