

2006 Detroit News Domestic Vehicle Avoider Study

**Conducted for The Detroit News
by J.D. Power and Associates**

December 11, 2006

Background

- **Detroit News commissioned J.D. Power and Associates to conduct a proprietary research survey to gather consumer opinions regarding likelihood to consider purchasing an American vehicle.**

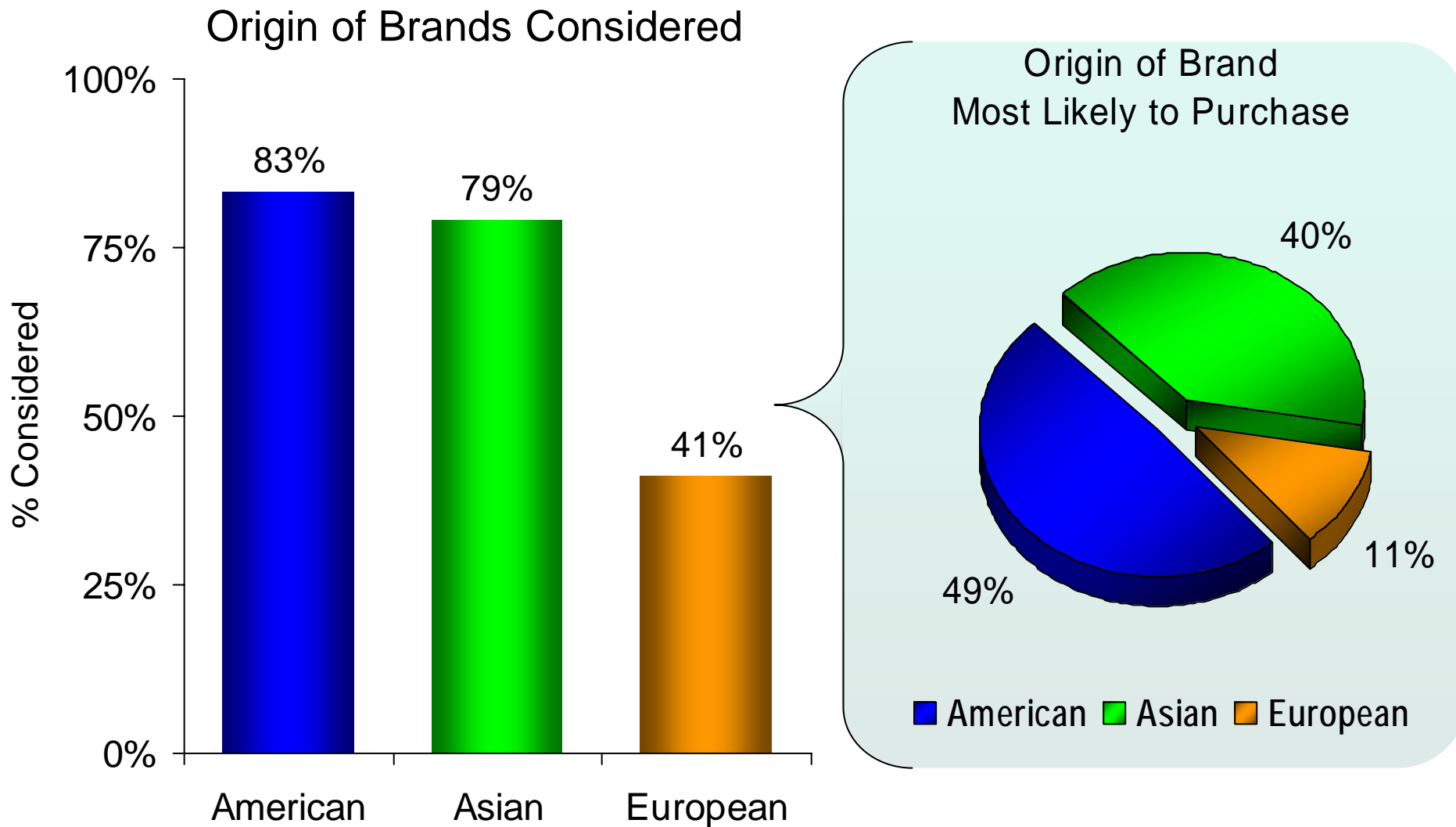
Objectives

- **Understand the reasons why consumers will not consider purchasing American vehicles**
- **Determine the overall perception—among avoiders—of American, Asian, and European vehicles**
- **Identify key areas of needed improvement for American vehicles to gain shopper consideration**
- **Examine demographic characteristics as they relate to above objectives**

Methodology

- **Internet survey**
 - An online survey was developed to gather consumer opinions for avoidance of American, Asian, and European vehicles
 - Average survey completion time was 9:37 (min:sec)
- **Sample supplied by a research panel company**
 - Survey fielded to Opinion Outpost panel members and balanced to U.S. census characteristics
- **Target returns**
 - 500 new vehicle shoppers that plan to purchase/lease in the next 24 months
- **Fielding period**
 - Open: Monday, Nov 27, 2006
 - Close: Thursday, Nov 30, 2006

American vehicles lead in purchase consideration

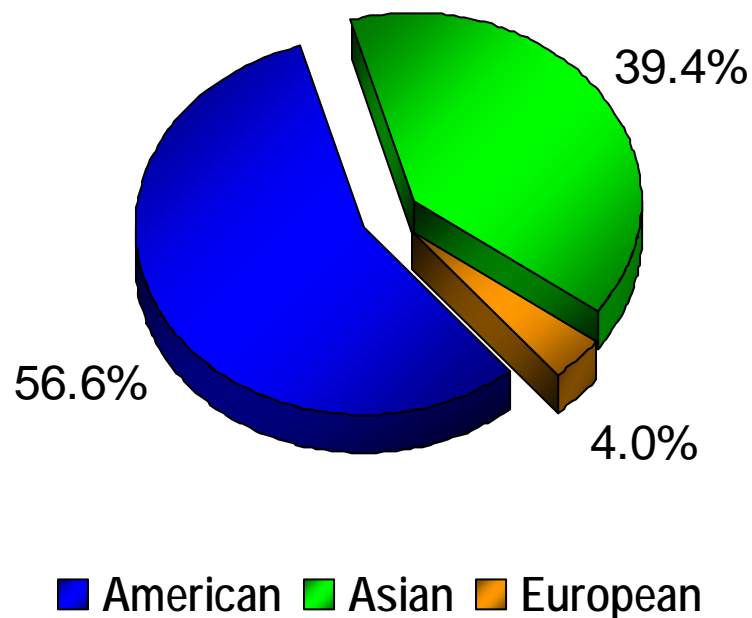


Base: Total Industry (n = 500)

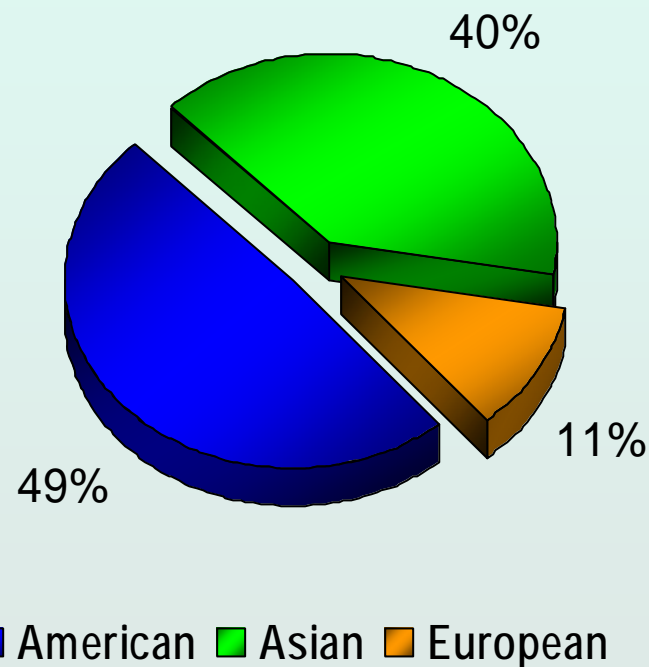
Source: 2006 Detroit News Domestic Vehicle Avoider Study

Actual new-vehicle sales in 2006 compared to the origin of the “most likely” brand consumers intend to purchase in the next two years

2006 U.S. Light Vehicle Sales*
YTD through Nov. 2006



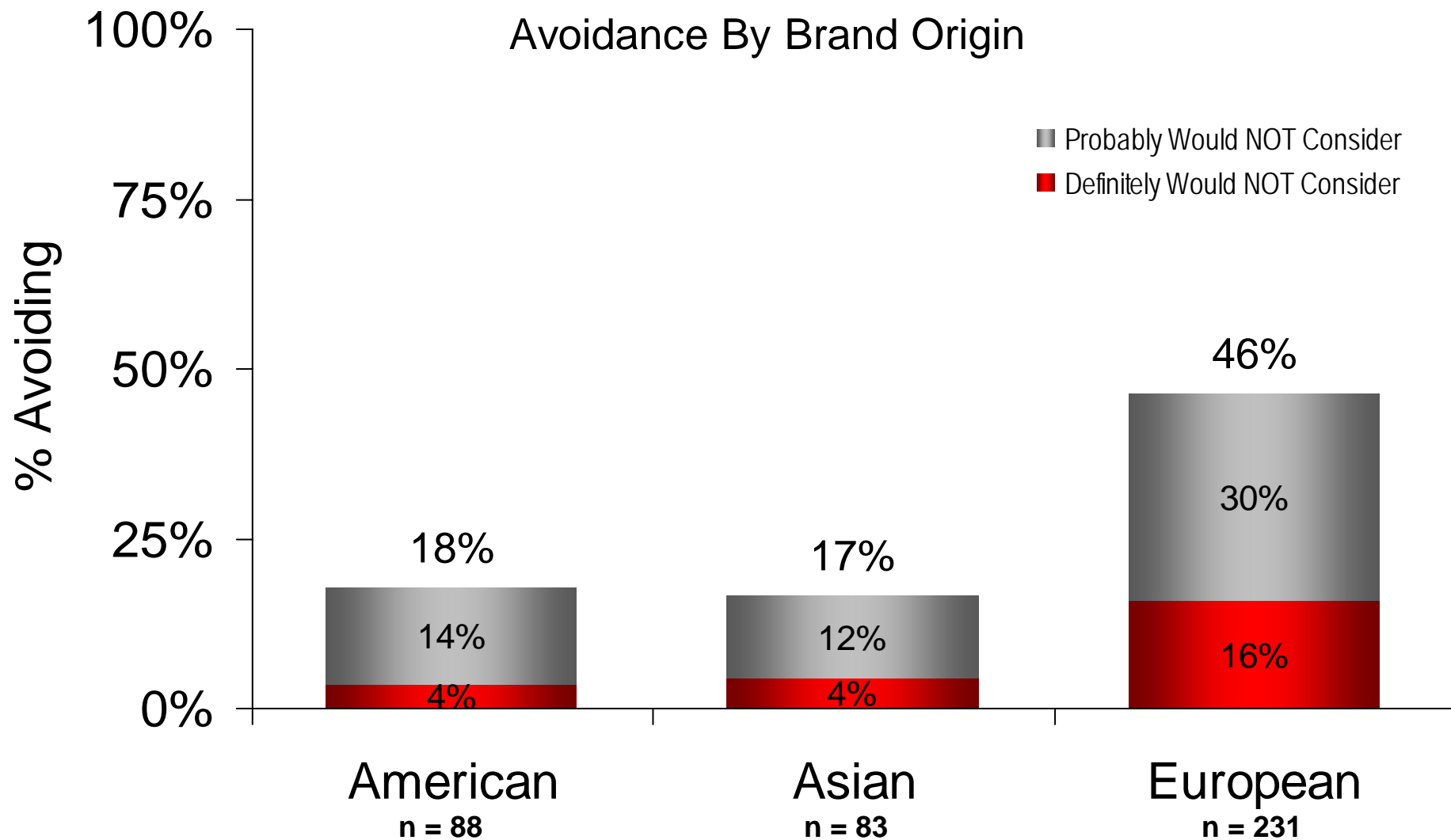
Origin of Brand
Most Likely to Purchase



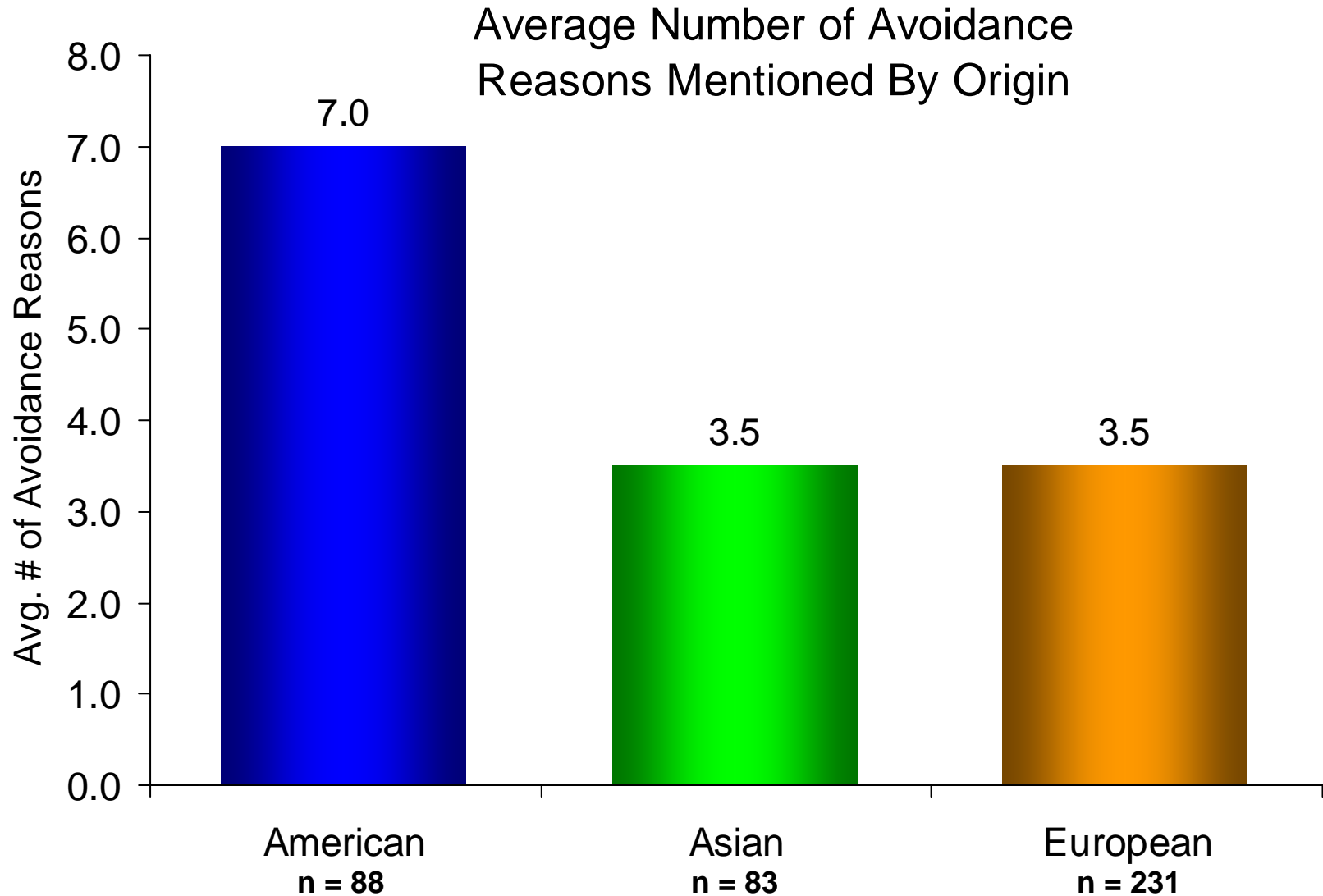
Base: Total Industry (n = 500)

* Source: Power Information Network U.S. Sales Report, November 2006

European vehicles are avoided most frequently, primarily due to purchase and ownership costs

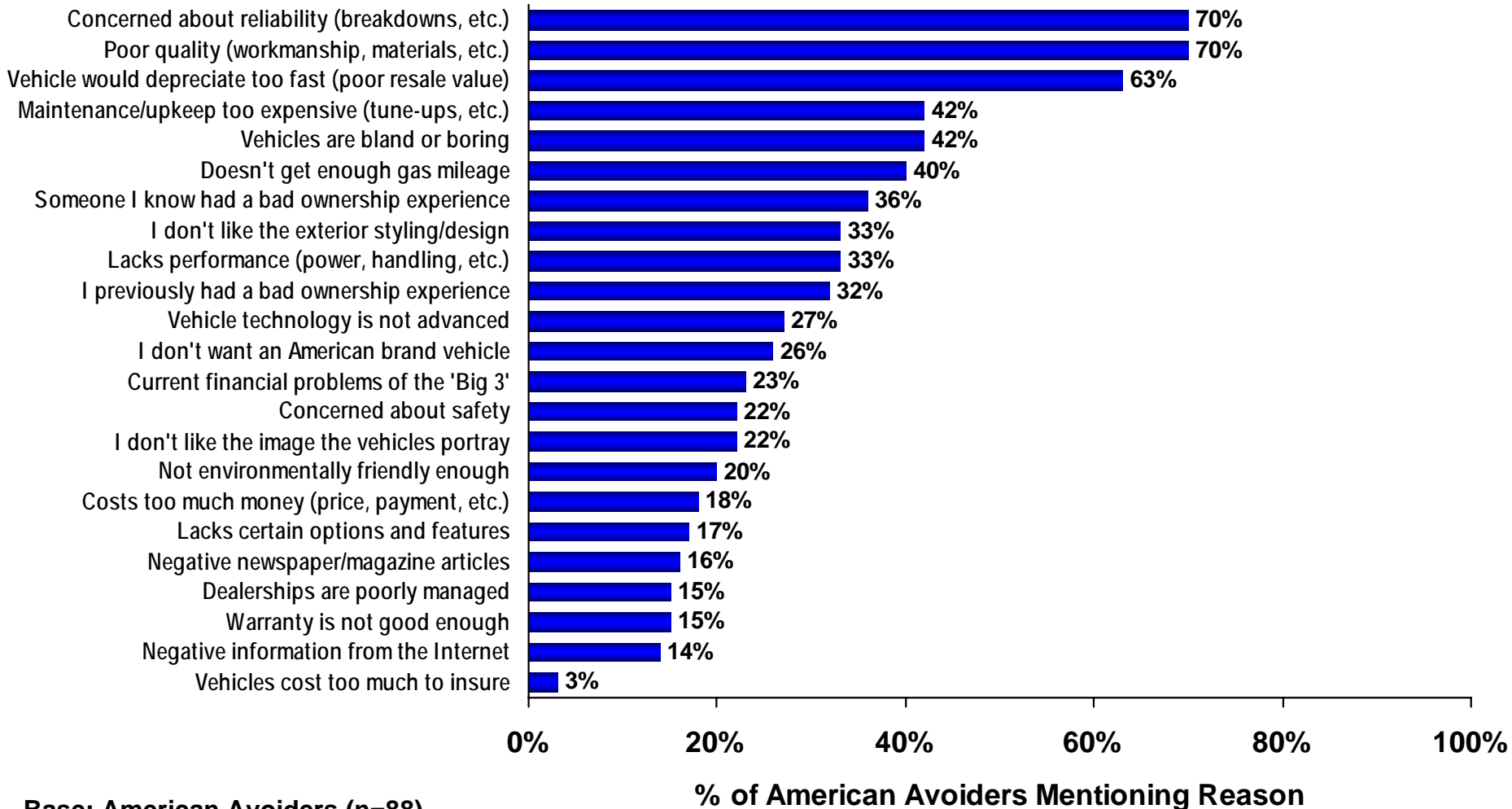


American vehicle avoiders select twice as many avoidance reasons as import avoiders.



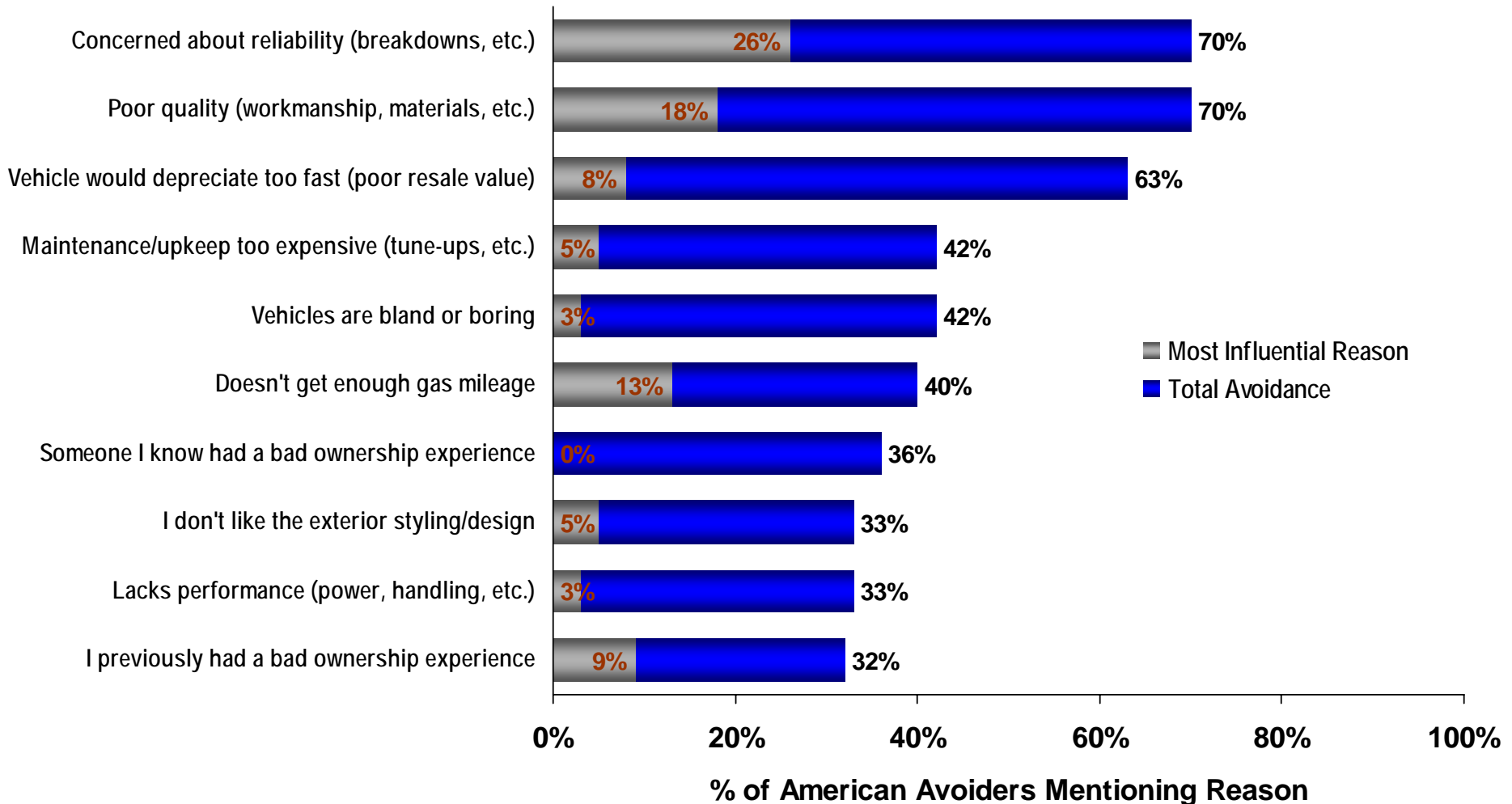
American vehicles are avoided by 18% of respondents. Avoidance is chiefly due to perceived quality concerns.

Avoidance Reasons – American Vehicles



Reliability, Quality, and Fuel Efficiency are the most influential reasons that respondents avoid American vehicles

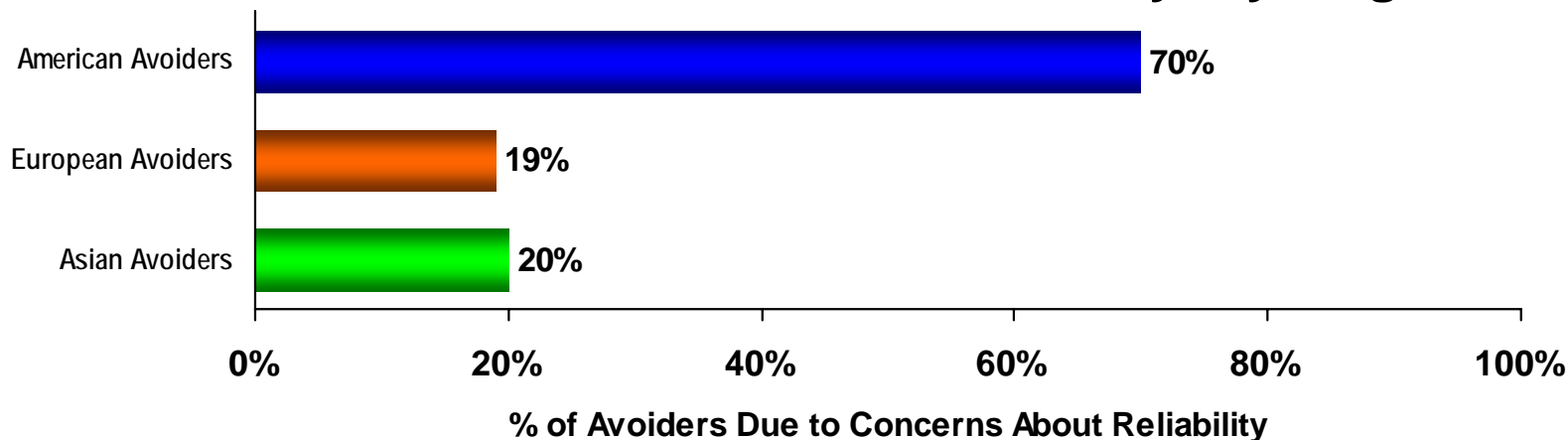
Top 10 Avoidance Reasons – American Vehicles



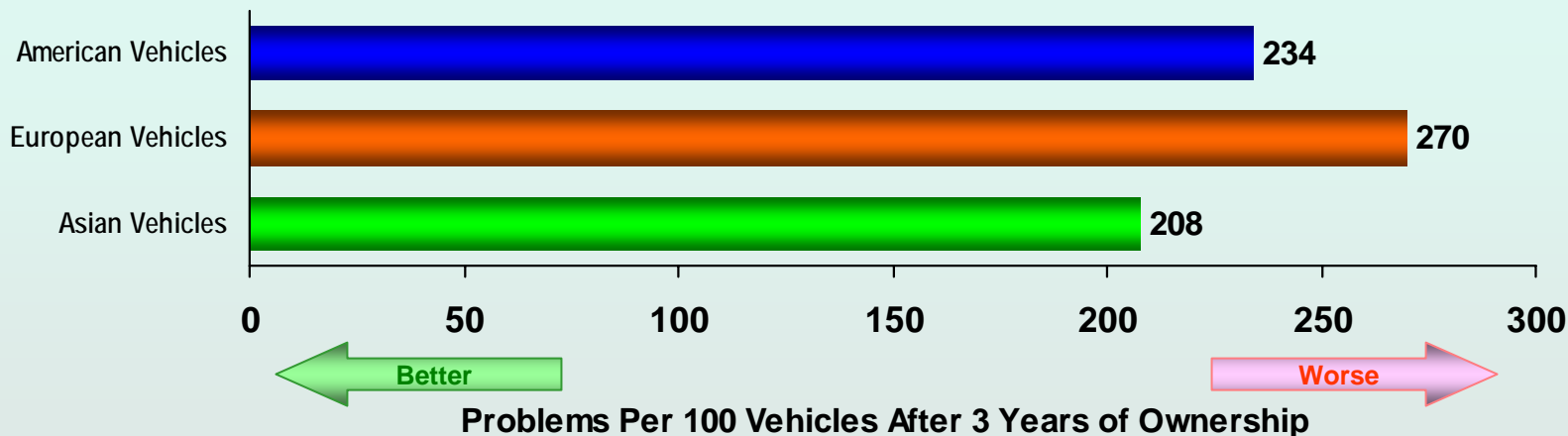
Base: American Avoiders (n=88)

American vehicles are avoided due to perceived reliability concerns much more frequently than imported vehicles. Actual reliability of American vehicles shows a more competitive outlook.

Avoidance Due To Perceived Reliability, By Origin



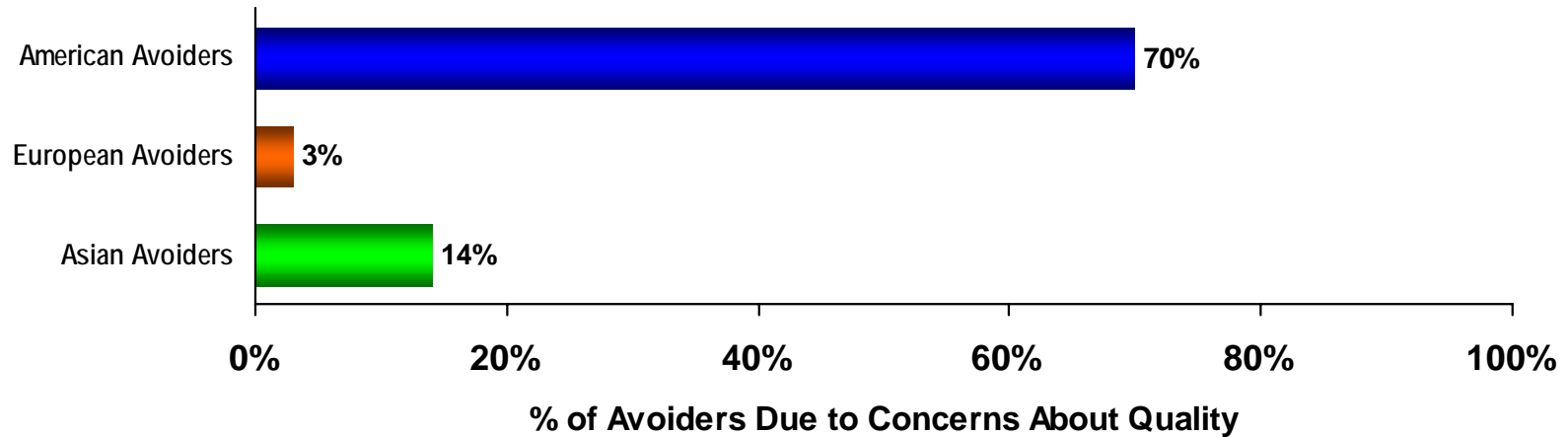
Vehicle Dependability* By Origin



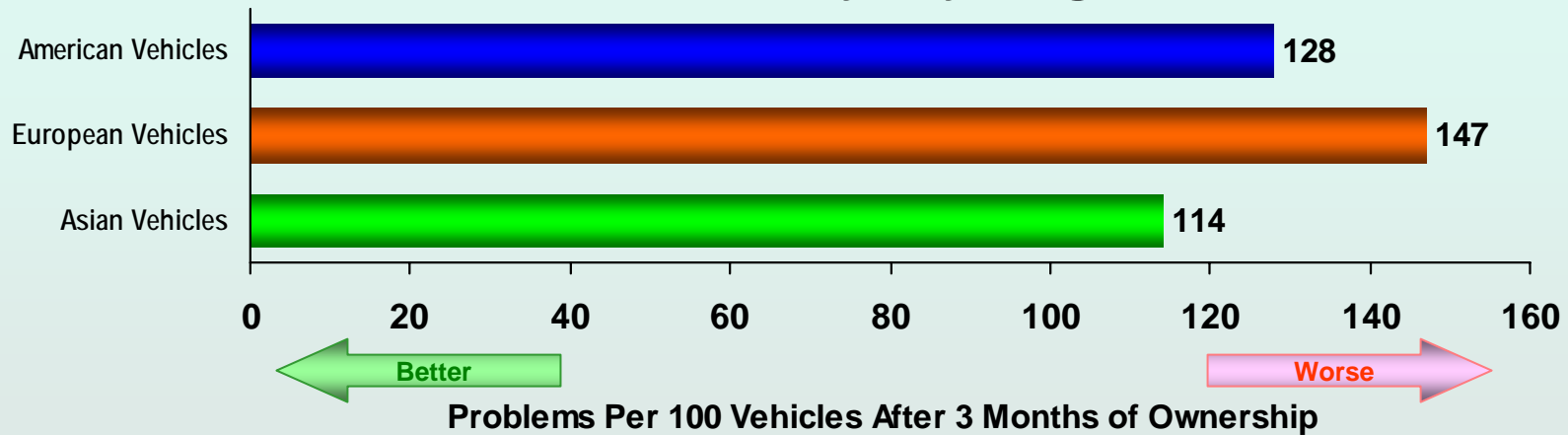
* Source: J.D. Power and Associates 2006 Vehicle Dependability Study (VDS)

American vehicles are avoided due to perceived quality concerns much more frequently than imported vehicles. Actual quality of American vehicles shows a more competitive outlook.

Avoidance Due To Perceived Quality, By Origin



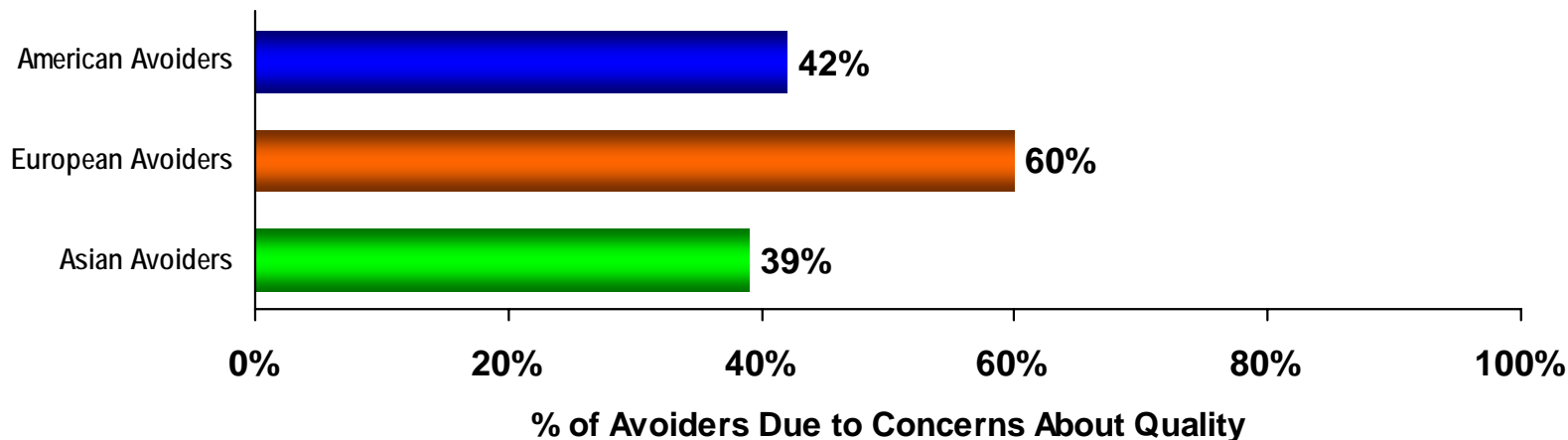
Vehicle Quality* By Origin



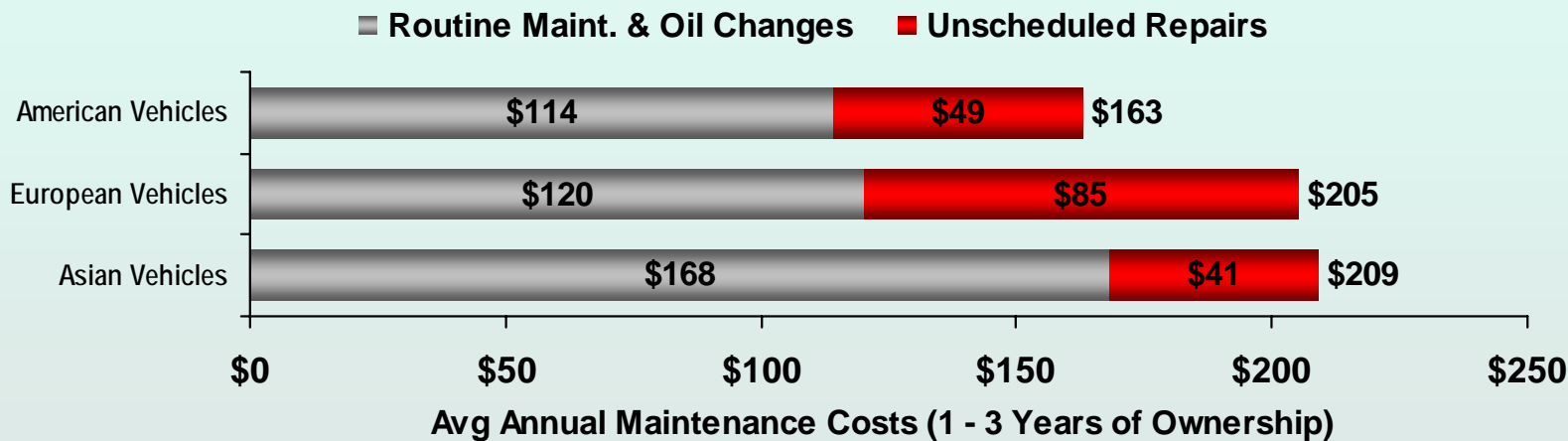
* Source: J.D. Power and Associates 2006 Initial Quality Study (IQS)

Maintenance costs are the fourth-most common reason that American vehicles are avoided, and that is likely due to the expectation of higher unscheduled repairs. Based on CSI, American vehicle owners spend slightly more on unscheduled repairs, but spend much less overall on maintenance in the first 3 years.

Avoidance Due To Perceived Maintenance Costs, By Origin



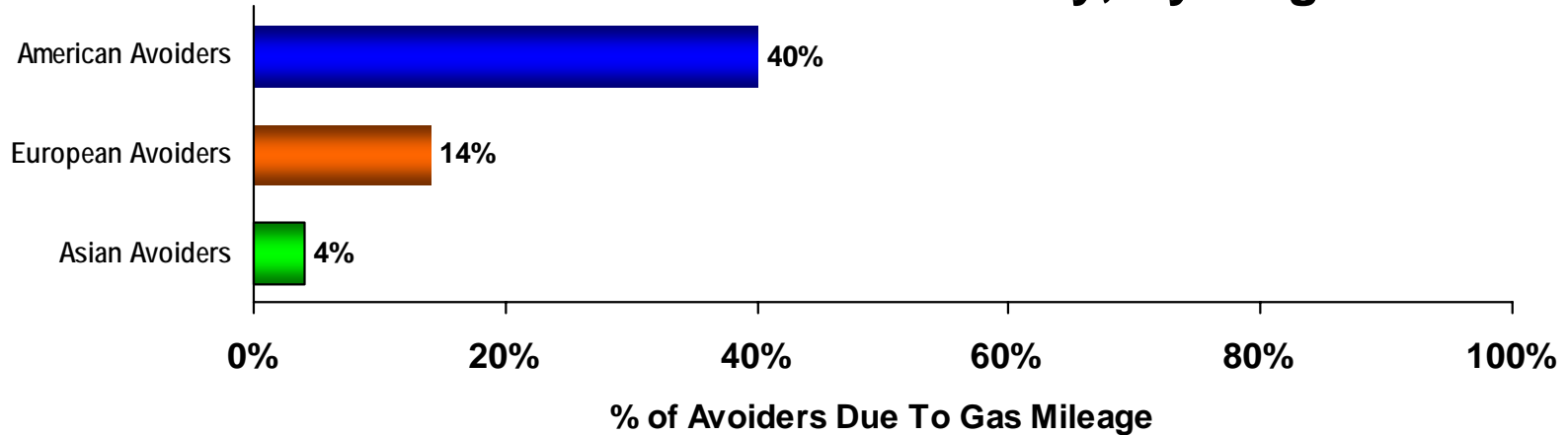
Average Annual Maintenance Costs At Dealership* By Origin



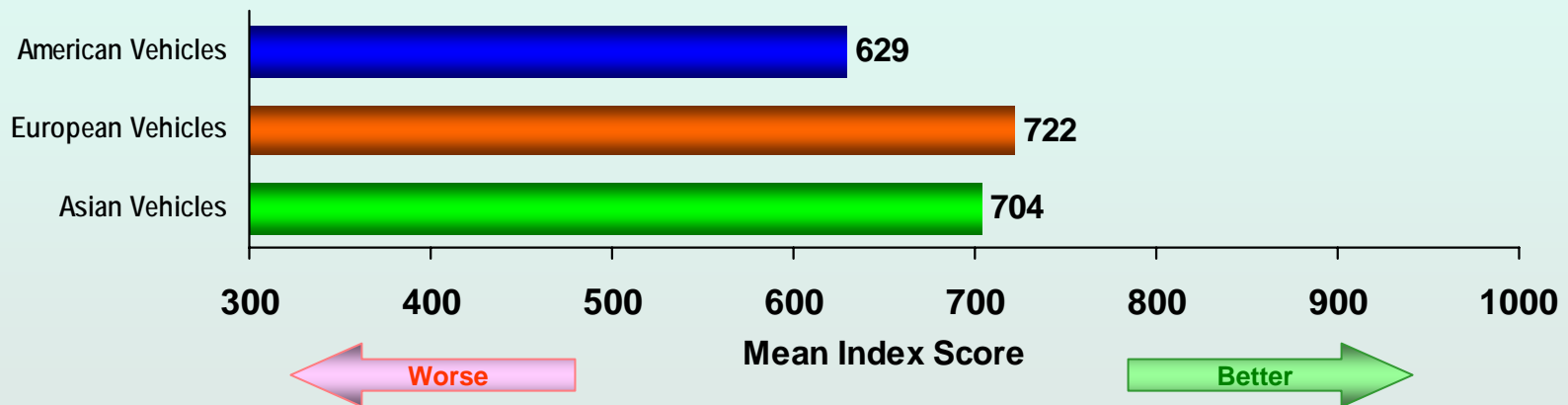
* Source: J.D. Power and Associates 2006 Customer Satisfaction Index Study (CSI)

American vehicles are avoided due to fuel economy much more frequently. This is in line with the low fuel economy score that American vehicle owners rate in the 2006 APEAL study.

Avoidance Due To Fuel Economy, By Origin

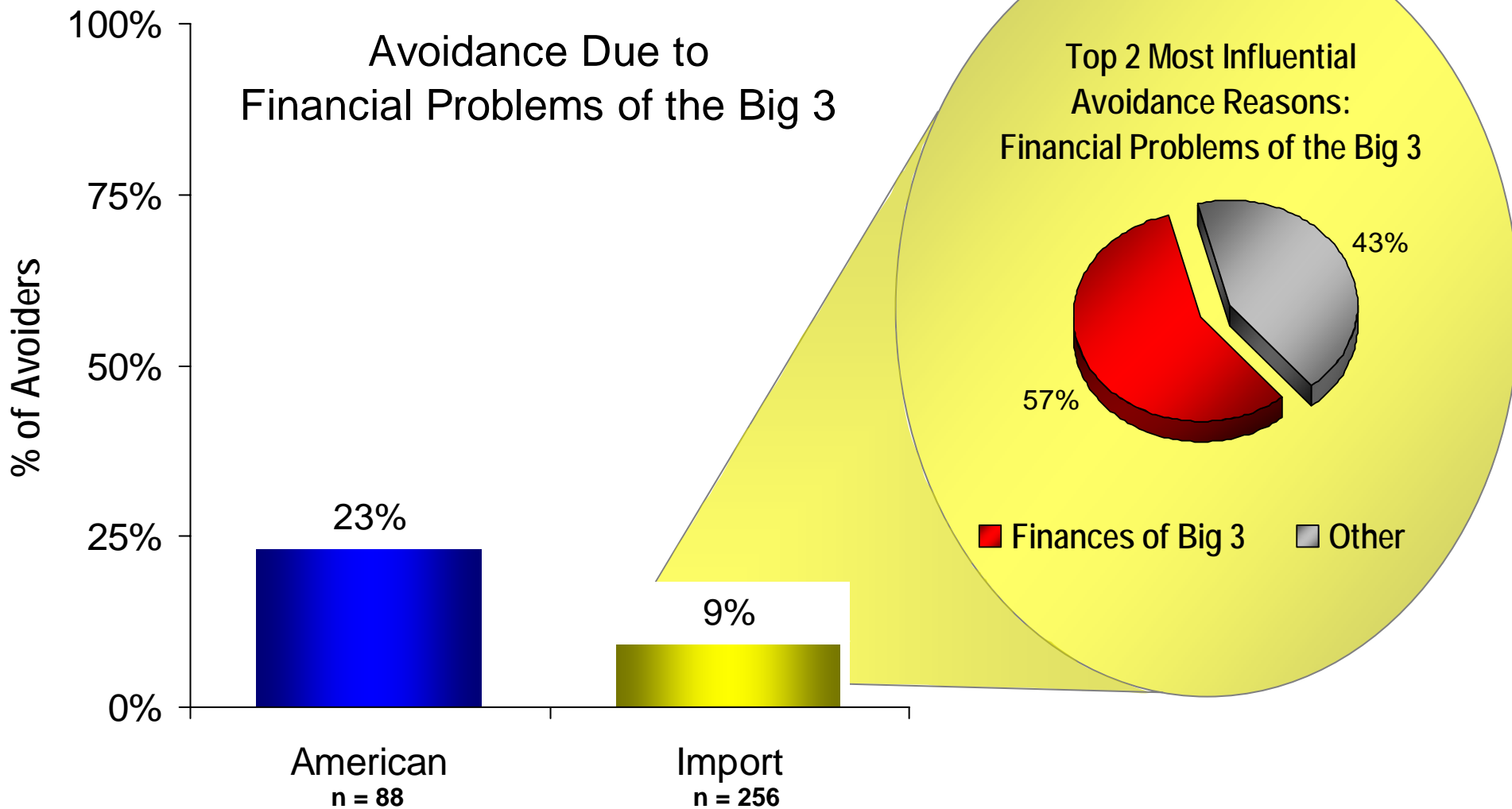


Rating of Fuel Economy* By Origin



* Source: J.D. Power and Associates 2006 Automotive Performance, Execution, and Layout Study (APEAL)

While 23% of American vehicle avoiders are discouraged by the Big 3's financial problems, 9% of respondents plan to avoid imports seemingly in support of the Big 3 American brands



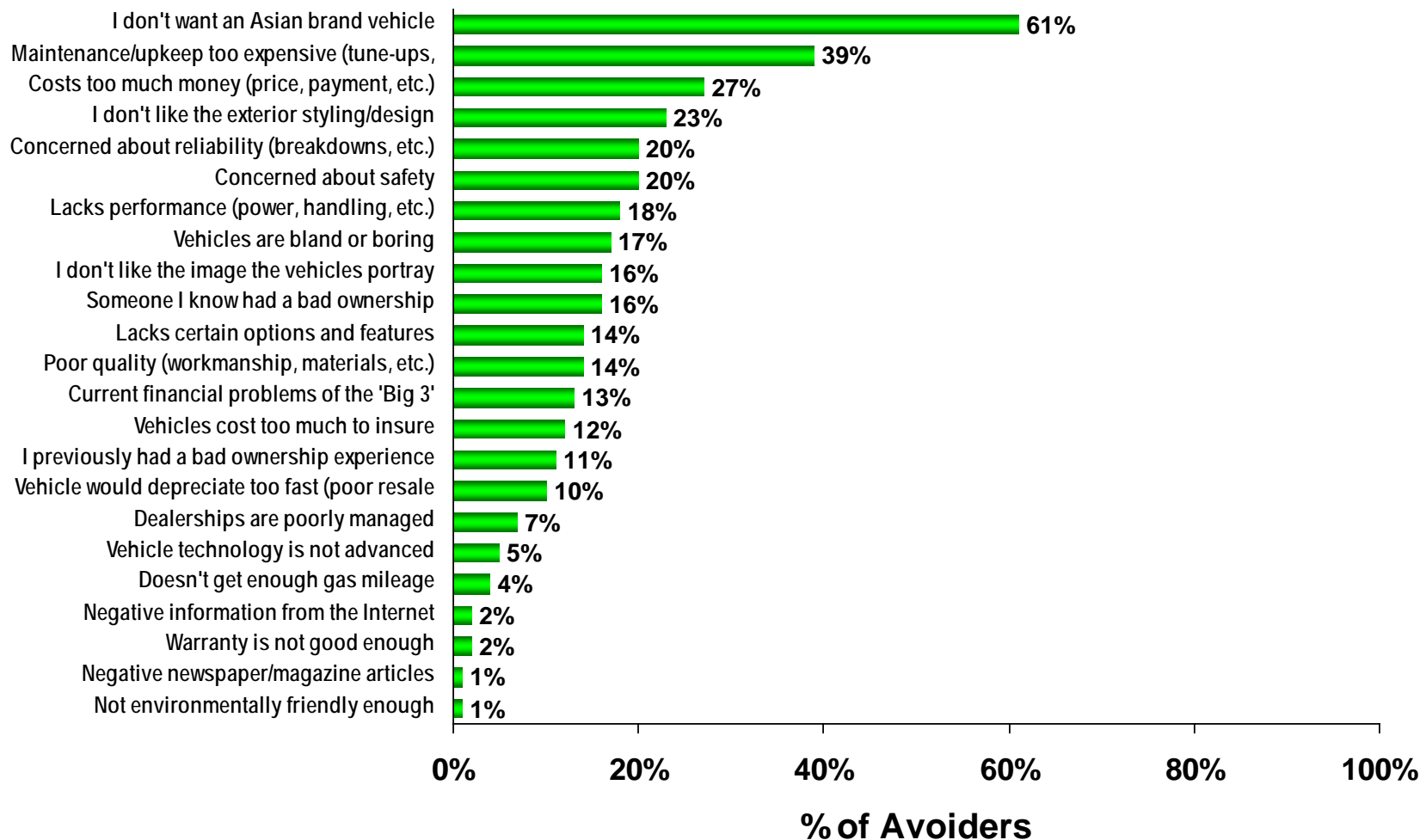
Verbatim Comments

What can American brands do that would encourage more people to consider buying American?

- “1. Cost 2. Reliability 3. Resale value 4. fuel efficiency”
- “better quality so that cars will last beyond 100000 - also better warranties”
- “stop killing the resale value... redesign the cars give them a "new look””
- “one thing I would like to see is different looking vehicles, they all look the same”
- “Put the Costumer FIRST, and not the share holder!!!”
- “American vehicles need to have extremely better gas mileage, cost effective for maintenance & better pricing.”

17% of all respondents avoid Asian branded vehicles. Most of these (61%) avoid simply because the brand is Asian (or not American).

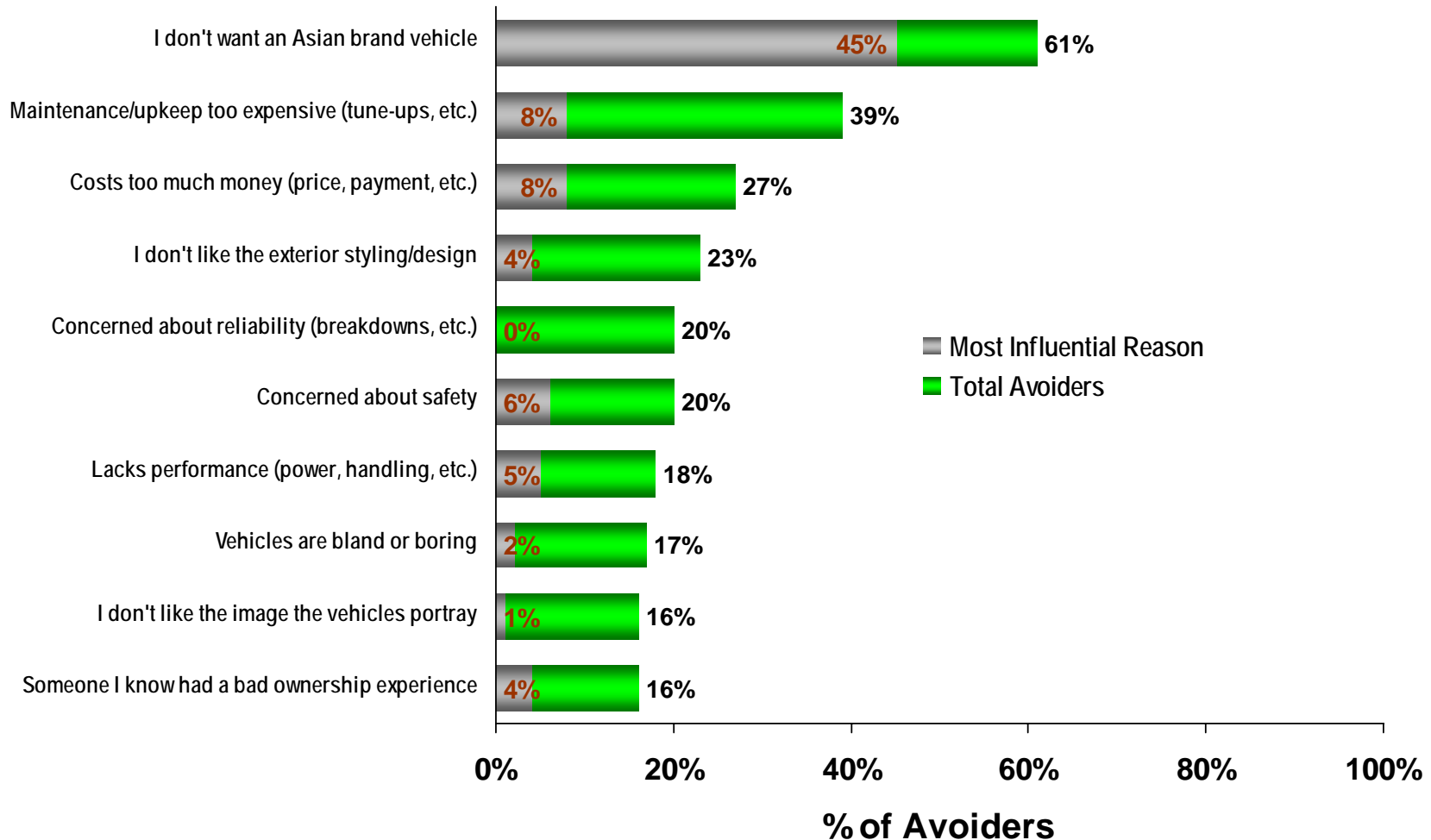
Avoidance Reasons – Asian Vehicles



Base: Asian Avoiders (n=83)

Not wanting an Asian brand, for the sake of its origin, is the most influential reason that Asian vehicles are avoided

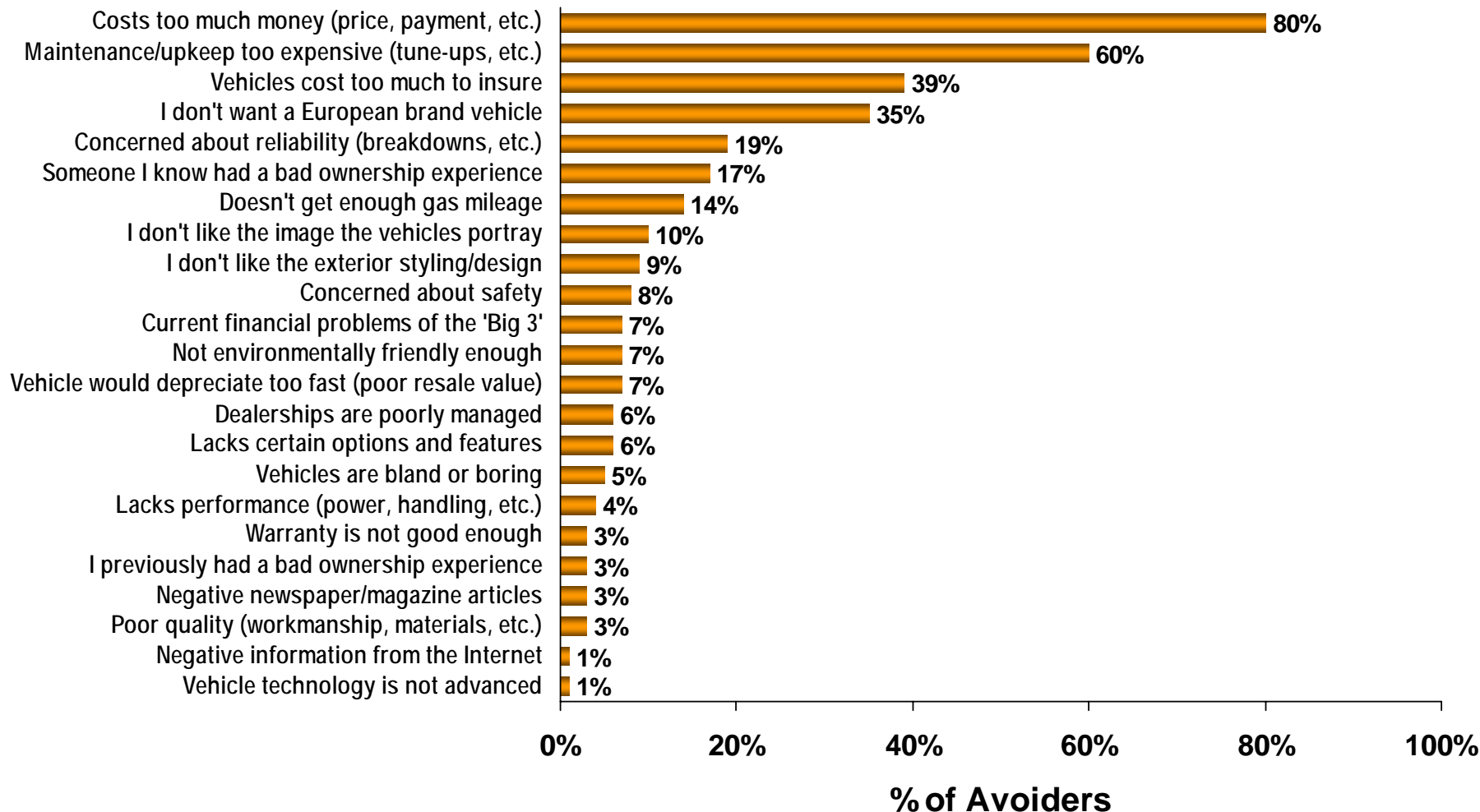
Top 10 Avoidance Reasons – Asian Vehicles



Base: Asian Avoiders (n=83)

European vehicles are avoided by 46% of respondents. Purchase and ownership costs keep consumers away.

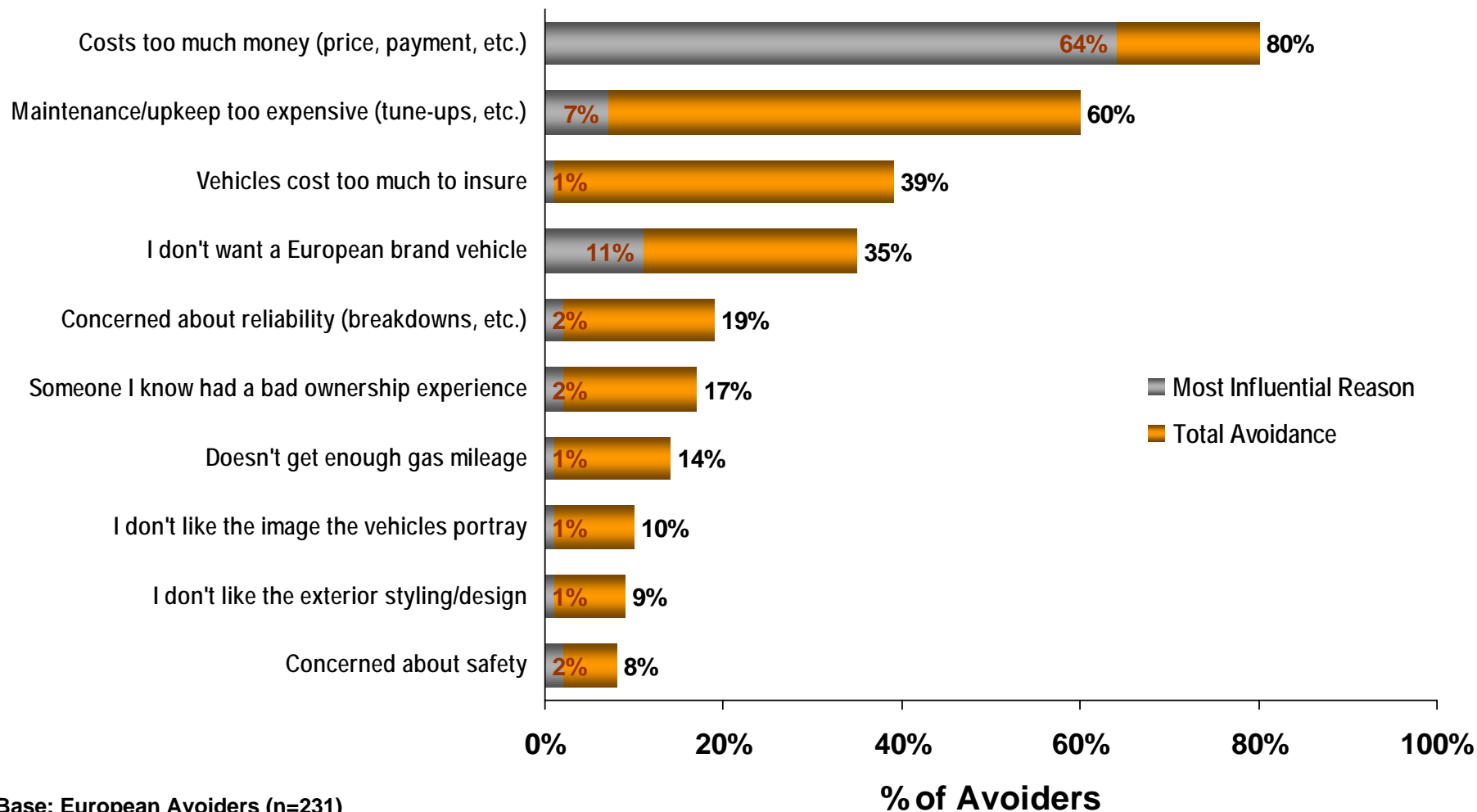
Avoidance Reasons – European Vehicles



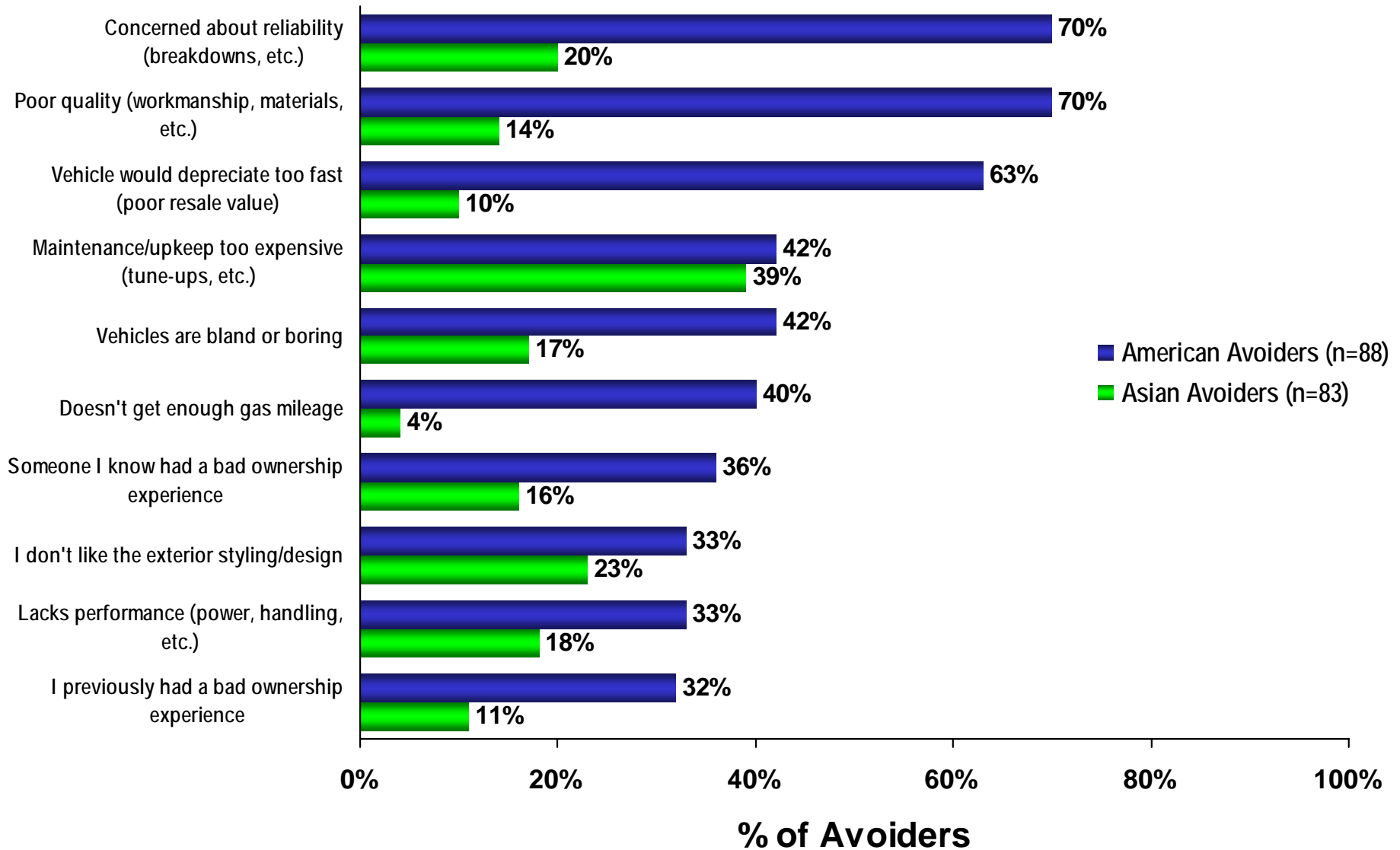
Base: European Avoiders (n=231)

Cost is the most influential reason that European vehicles are avoided

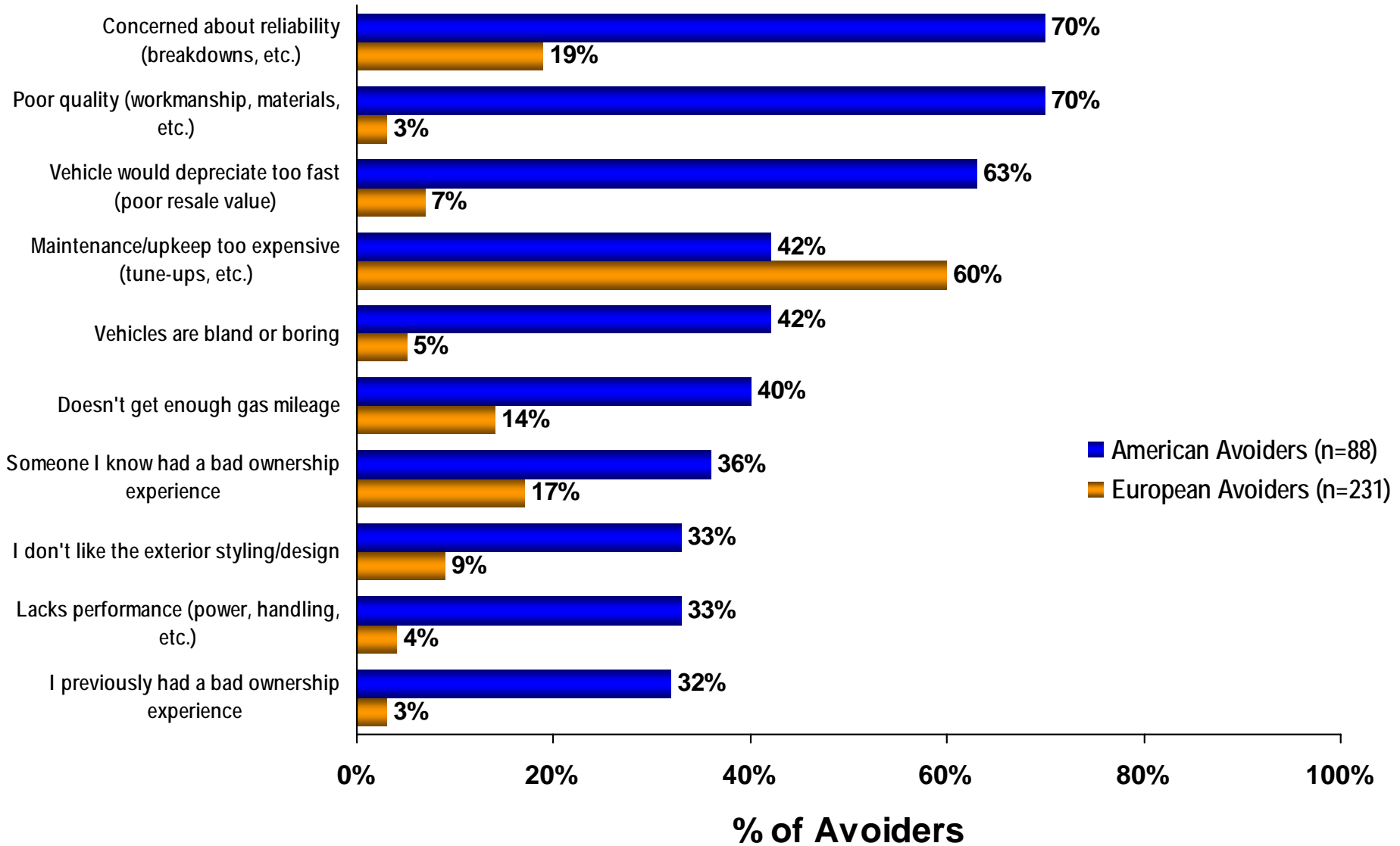
Top 10 Avoidance Reasons – European Vehicles



Top 10 American Avoidance Reasons vs. Asian Vehicles



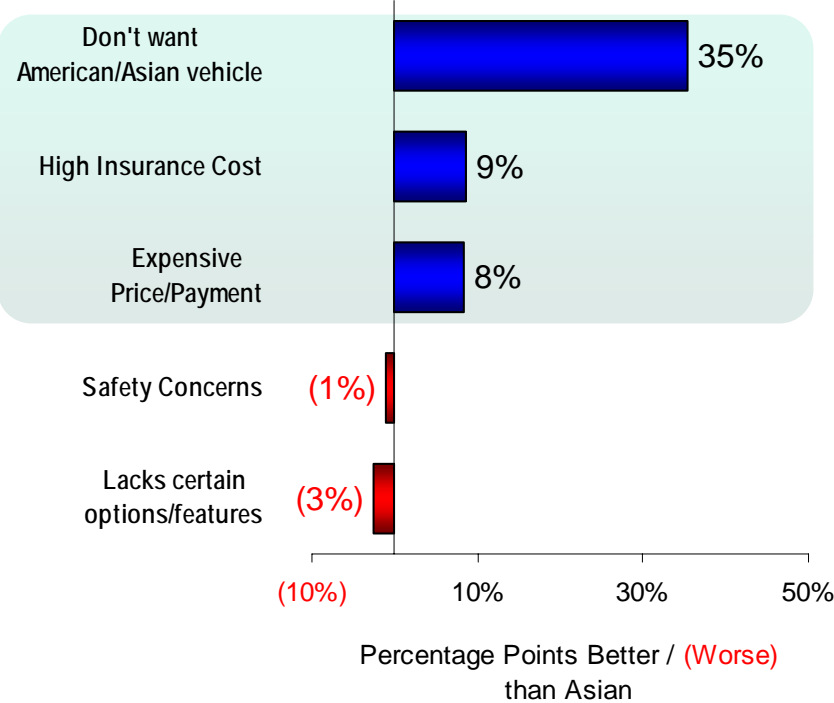
Top 10 American Avoidance Reasons vs. European Vehicles



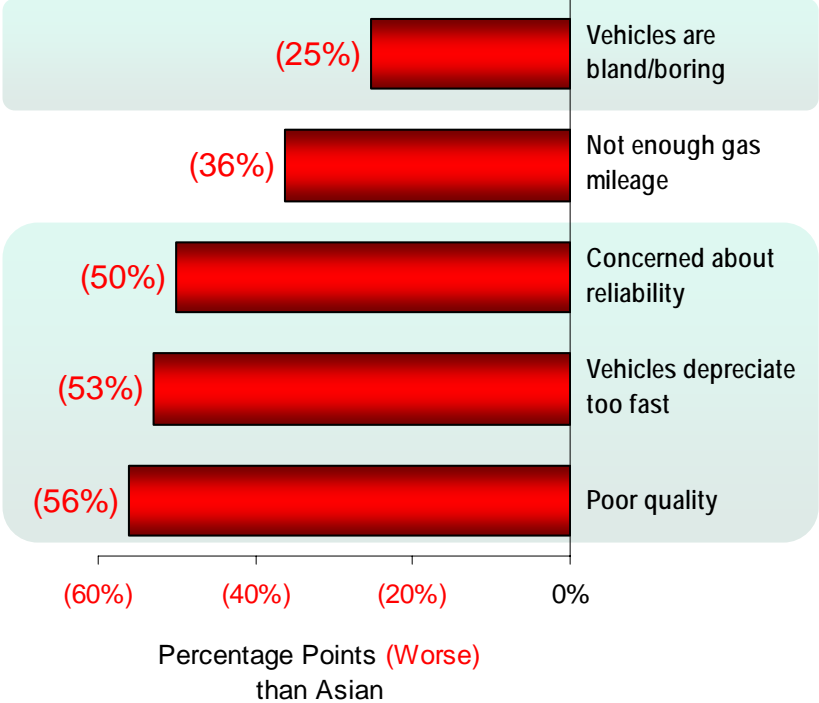
Performance Gap for Vehicle Avoidance Reasons

American vs. Asian Vehicles

Top 5 American Strengths



Top 5 American Weaknesses

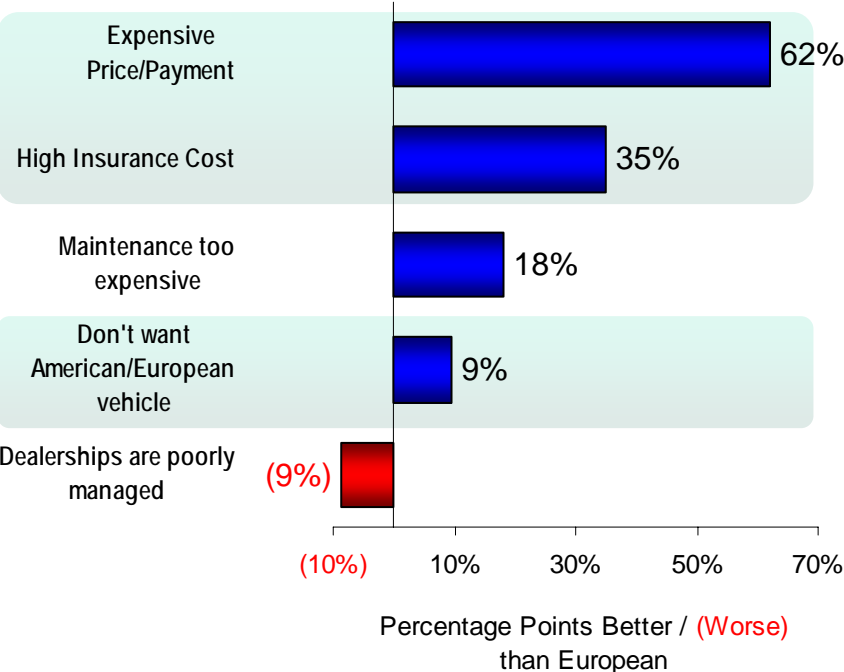


 = American Top 5 Strength/Weakness vs. European

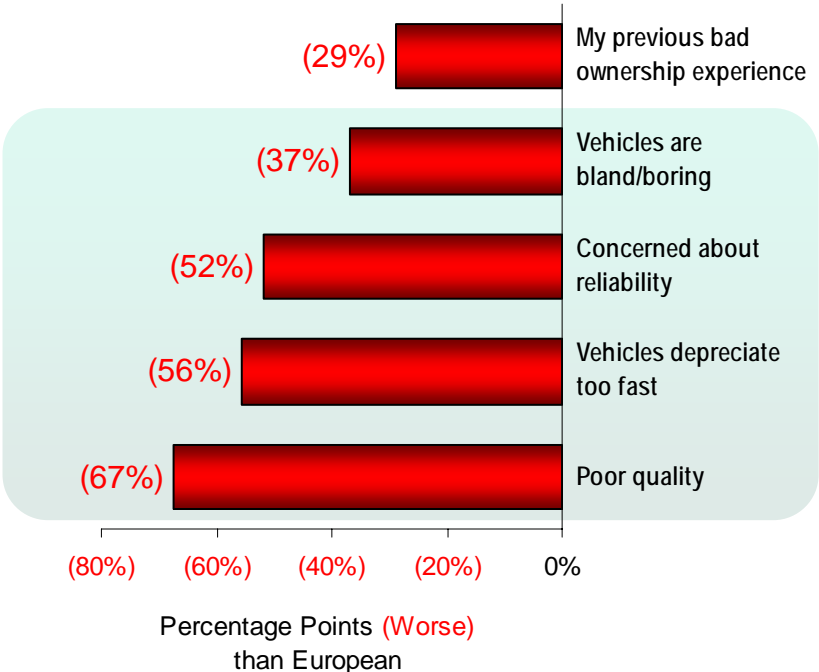
Performance Gap for Vehicle Avoidance Reasons

American vs. European Vehicles

Top 5 American Strengths



Top 5 American Weaknesses



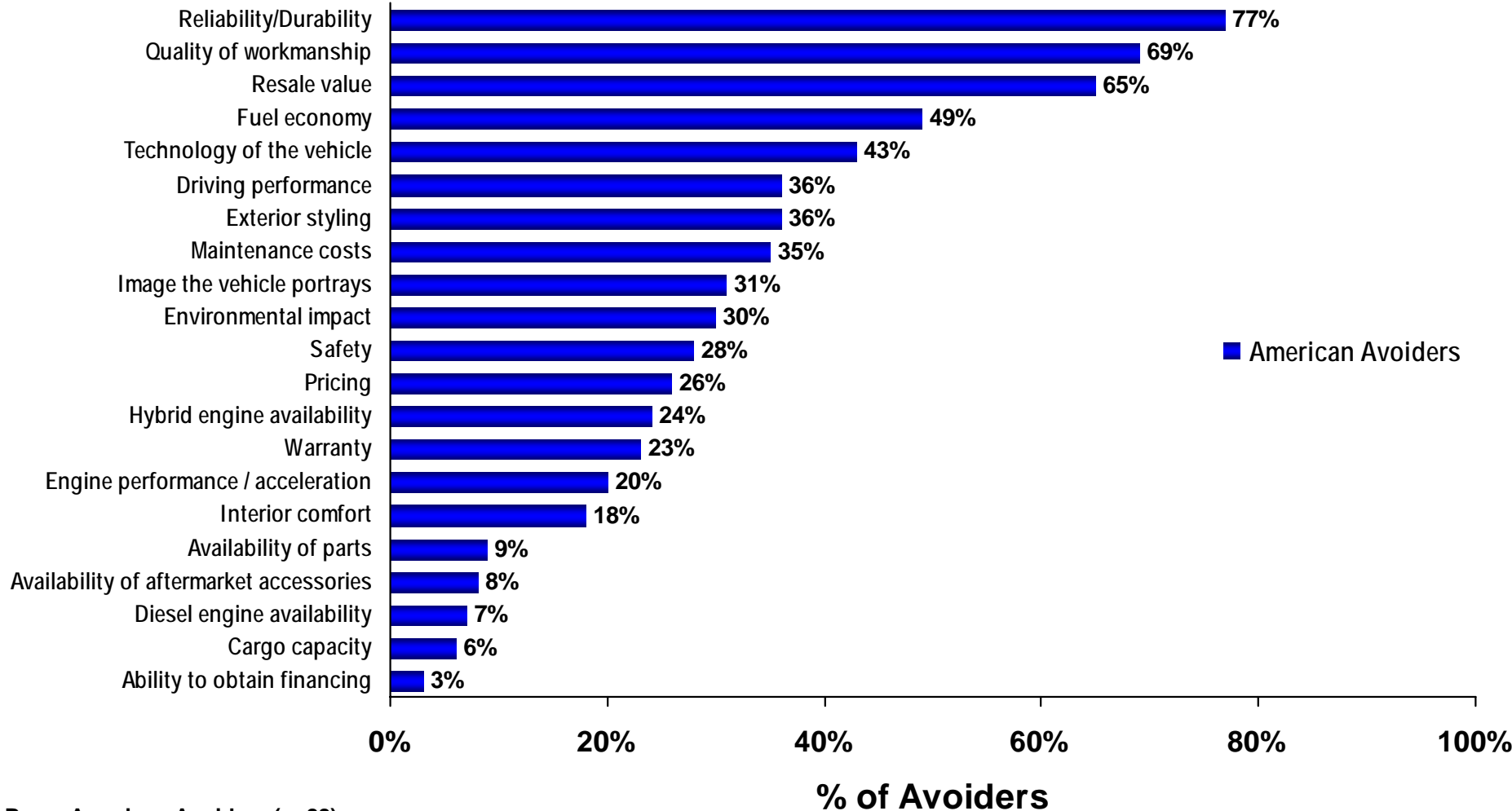
 = American Top 5 Strength/Weakness vs. Asian

Avoidance Reasons Summary

	Avoiders			Avoidance Reasons
	American (n=88)	Asian (n=83)	European (n=231)	
Concerned about reliability (breakdowns, etc.)	70%	20%	19%	Top 1
Poor quality (workmanship, materials, etc.)	70%	14%	3%	Top 3
Vehicle would depreciate too fast (poor resale value)	63%	10%	7%	Top 5
Maintenance/upkeep too expensive (tune-ups, etc.)	42%	39%	60%	
Vehicles are bland or boring	42%	17%	5%	
Doesn't get enough gas mileage	40%	4%	14%	
Someone I know had a bad ownership experience	36%	16%	17%	
I don't like the exterior styling/design	33%	23%	9%	
Lacks performance (power, handling, etc.)	33%	18%	4%	
I previously had a bad ownership experience	32%	11%	3%	
Vehicle technology is not advanced	27%	5%	1%	
I don't want an American/Asian/European brand vehicle	26%	61%	35%	
Current financial problems of the 'Big 3'	23%	13%	7%	
Concerned about safety	22%	20%	8%	
I don't like the image the vehicles portray	22%	16%	10%	
Not environmentally friendly enough	20%	1%	7%	
Costs too much money (price, payment, etc.)	18%	27%	80%	
Lacks certain options and features	17%	14%	6%	
Negative newspaper/magazine articles	16%	1%	3%	
Dealerships are poorly managed	15%	7%	6%	
Warranty is not good enough	15%	2%	3%	
Negative information from the Internet	14%	2%	1%	
Vehicles cost too much to insure	3%	12%	39%	

Consumers want American vehicles that are more reliable, fuel efficient, and stylish

Needed Improvements – American Vehicles



Base: American Avoiders (n=88)

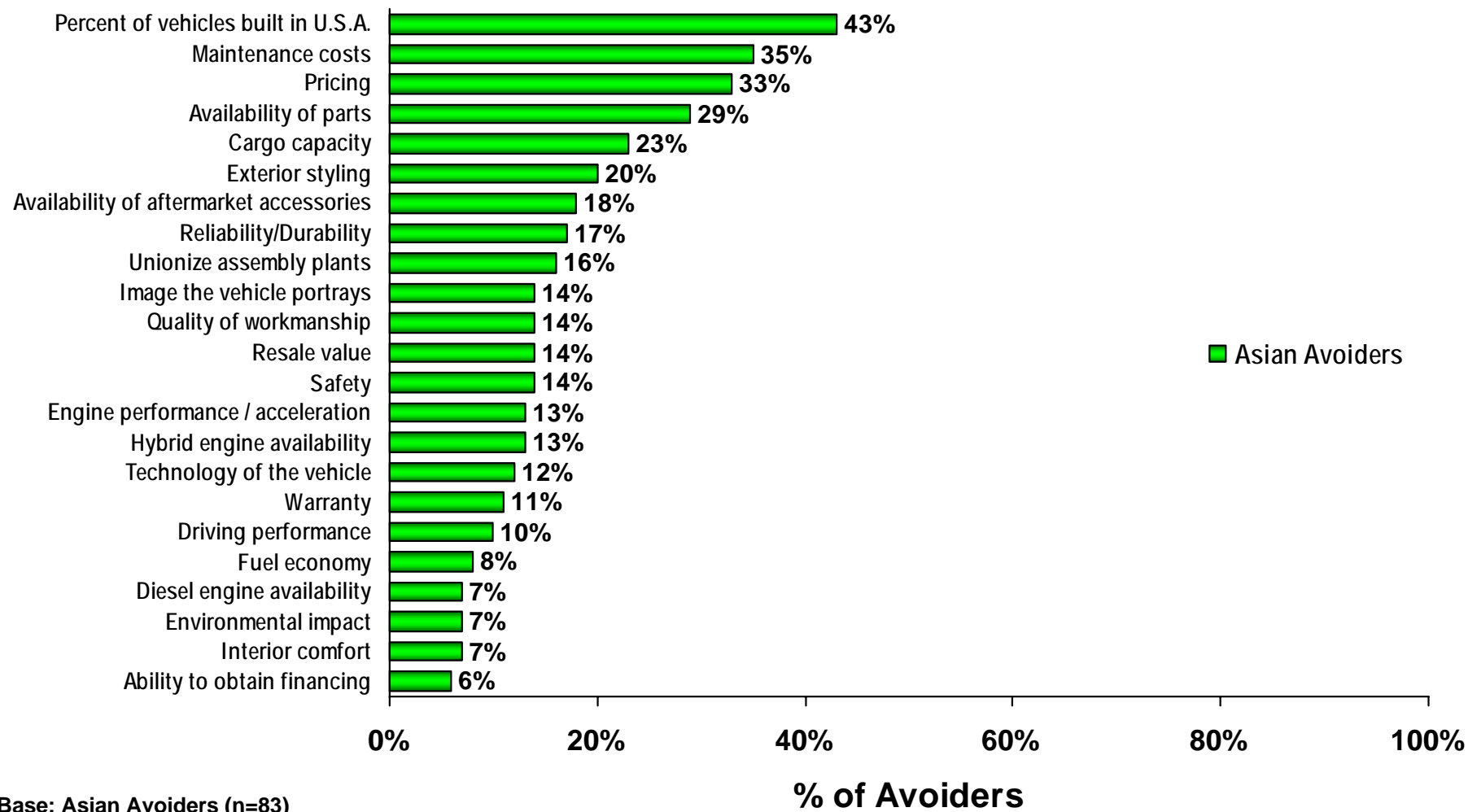
Verbatim Comments

What can American Brands do to earn your consideration?

- “more exciting and updated body styles and engine performance/handling”
- “...re-establish the status of quality, reliability, technology and performance.”
- “quality”
- “sell for less, better gas and better style, come up with something new”

Asian vehicle avoiders want vehicles built in the USA. Asian vehicles are perceived as too expensive to buy and maintain.

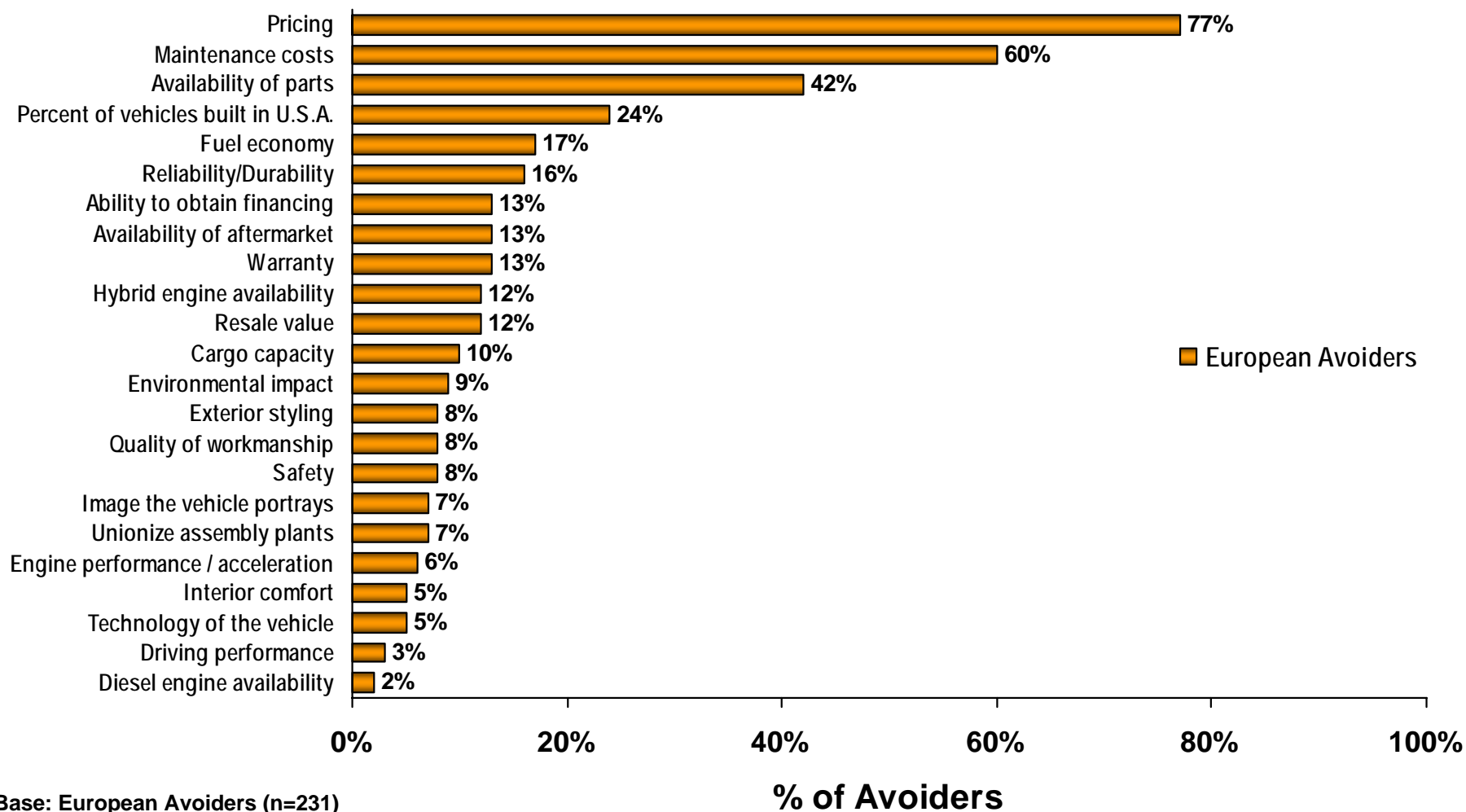
Needed Improvements – Asian Vehicles



Base: Asian Avoiders (n=83)

European vehicle avoiders want lower ownership costs to consider purchasing

Needed Improvements – European Vehicles



Needed Improvements Summary

	Avoiders			Most Improvement Needed
	American (n=88)	Asian (n=83)	European (n=231)	
Reliability/Durability	77%	17%	16%	Top 1
Quality of workmanship	69%	14%	8%	Top 3
Resale value	65%	14%	12%	Top 5
Fuel economy	49%	8%	17%	
Technology of the vehicle	43%	12%	5%	
Exterior styling	36%	20%	8%	
Driving performance	36%	10%	3%	
Maintenance costs	35%	35%	60%	
Image the vehicle portrays	31%	14%	7%	
Environmental impact	30%	7%	9%	
Safety	28%	14%	8%	
Pricing	26%	33%	77%	
Hybrid engine availability	24%	13%	12%	
Warranty	23%	11%	13%	
Engine performance / acceleration	20%	13%	6%	
Interior comfort	18%	7%	5%	
Availability of parts	9%	29%	42%	
Availability of aftermarket accessories	8%	18%	13%	
Diesel engine availability	7%	7%	2%	
Cargo capacity	6%	23%	10%	
Ability to obtain financing	3%	6%	13%	
Percent of vehicles built in U.S.A.	N/A	43%	24%	
Unionize assembly plants	N/A	16%	7%	

American-brand avoiders comprise a younger, more educated, and more affluent demographic

Demographic Profile

	American Avoiders	Asian Avoiders	European Avoiders
% Male	52%	51%	52%
Age (median)	37	42	42
% Married	56%	67%	65%
% College Grad	56%	37%	41%
Income (median, 000's)	\$ 66.4	\$ 52.1	\$ 52.2

Key Findings

- American vehicle avoiders select twice as many avoidance reasons as import avoiders (7 vs. 3.5 reasons).
- Surveying owners of vehicle brands from the U.S., Asia and Europe, JDP A's syndicated 2006 Vehicle Dependability Study shows that similar vehicle-problem levels occur after three years of ownership for domestics and imports. But respondents to this study are more than three times more likely to avoid domestic brand vehicles due to reliability concerns than they are to avoid imports. This shows that consumer perception is not in line with experience.
- Avoidance due to gas mileage concerns is cited 10 times more often for American vehicles than Asian vehicles (40% vs. 4%). JDP A's syndicated 2006 Automotive Performance, Execution and Layout study supports that American vehicle owners are less satisfied with fuel economy than import owners.
- While gas mileage ranks 6th among the reasons mentioned to avoid American vehicles, it is the 3rd Most Influential reason.
- 23% of American-brand avoiders mention the Big 3's financial problems. Interestingly, 9% of those avoiding import vehicles do so in support of the Big 3's financial problems.
- 16% of Asian avoiders and 7% of European avoiders indicate that unionizing assembly plants is a needed improvement.
- American-brand avoiders comprise a younger, more educated, and more affluent demographic than Asian or European avoiders.