

RESEARCH

Drivers more loyal to mass than luxury, but no need for alarm

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Land Rover Range Rover

By FORREST CARDAMENIS

On the whole, luxury automakers do not foster loyalty as successfully as non-luxury ones, according to new findings by Experian Automotive.

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Subaru and Ford have the most loyal owners, with just over two-thirds of owners likely to purchase another of their cars, while Mercedes-Benz ranks a close third. Despite faltering in brand loyalty rankings, however, luxury brands perform well in model loyalty rankings, suggesting that product supersedes reputation.

"It's exciting to see that manufacturers' efforts to improve owner loyalty are working," said Brad Smith, director of automotive statistics and consulting, Experian. "Over the last few years, loyalty rates have increased, and these improvements are key to the industry.

For the study, Experian Automotive looked at 6.8 million household repurchase events from October 2014 to September 2015 in the United States.

What's in a name?

Almost 68 percent of Subaru owners will purchase another Subaru, compared to 66.7 percent of Ford owners and 65.1 percent of Mercedes owners. Lexus placed ninth with a 60.7 percent retention rate, behind Toyota, Kia, Hyundai, Nissan and Chevrolet.



Mercedes Sprinter Van

However, when looking at individual models, those that are most likely to be purchased again are luxury. Land Rover's Range Rover leads all cars, with 48.2 percent of owners purchasing another one.

Interestingly, the Range Rover was the only Jaguar Land Rover vehicle to make the top 10. Neither the Land Rover brand nor the Jaguar brand placed in the brand loyalty top 10, and Jaguar did not place in the manufacturing top 10.

Trailing just behind the Range Rover is the Mercedes S-Class with a 46.6 percent retention rate and the Mercedes-Benz 2500 Sprint Van at 44.8 percent, tied for third with the Lincoln MKZ. The Lexus RX 350 placed fifth.



Mercedes S-Class

Daimler ranked sixth in manufacturer loyalty top 10, and Toyota, which owns Lexus, ranked third. BMW and Tesla are both absent on brand and manufacturer lists, as are Audi, Porsche and their parent company Volkswagen.

Despite underperformance among luxury brands, consumer loyalty levels are up across the board.

That consumers were loyal to particular luxury models more so than the brands themselves suggests either that luxury automakers have differentiated vehicles in their fleet enough to make it clear to the consumer which best suits her needs and/or that luxury consumers return to a brand not because of its reputation but because of the quality of the product.



Options shown

Lexus RX 350

Other factors also play a role. Mass-market brands are more likely to have captive finance subsidiaries, meaning that it is easier for a consumer to purchase and then repurchase a car by a manufacturer such as Ford or Toyota. Fifty-eight percent of consumers with loans from independent banks repurchase the same brand, compared to 63.8 percent of those with captive finance contracts.

Additionally, previous Experian studies have shown that longer ownership periods tend to decrease loyalty ratings, and those who lease vehicles in the short-term are more likely to purchase another by the same brand. Dealers will often encourage trade-ins after just two or three years to lock the customer in with a newer vehicle, whereas a luxury brand is held in high regard in part because of how long it lasts.

Still, vehicle retention rates show that if a brand can successfully sell a consumer on a specific vehicle as the best segment choice on the market it can go a long way in garnering another purchase down the road. Finding a way to maintain a relationship over the lifecycle of a vehicle, as mass-market brands do for short-term leases, could also boost retention rates.

New tactics

Indeed, other recent reports show that luxury brands are setting records for consumer loyalty rates.

In an era of hyper-competitiveness and ambitious sales targets, customer loyalty for automotive brands were on the rise in the first quarter of 2015, according to a report by IHS Automotive released last summer.

Many luxury automakers have been caught in a race to the bottom, unveiling lower priced models each year and flooding markets with product. In such an environment, it would seem that loyalty would decline, but it has risen to 52.8 percent in the United States ([see story](#)).

Changes to the automotive industry in selling, namely the increased role that digital will play, will present brands with challenges and opportunities to retaining customers.

Multichannel retailing is the future of the automotive industry, with 50 to 60 percent of sales leads expected to come through digital means by 2016, compared to 15 percent in 2014, according to a July 2015 report by Frost & Sullivan.

New store formats, such as digital showrooms and pop-ups, offer original equipment manufacturers (OEMs) a cost-effective way to reach consumers and generate sales, but this change in retail strategy requires investment from brands. As automakers alter the way in which consumers interact with their brand during the purchase path and post-purchase, the challenge will be to retain a sense of consistency and loyalty ([see story](#)).

"Understanding rates of consumer loyalty among vehicle brands, makes and models helps to drive better business decisions, such as a dealer selecting inventory and targeting advertising or a manufacturer making adjustments to a vehicle's design and creating more competitive promotional strategies," Mr. Smith said.

Final Take

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