



brand. BRAND LOYALTY
brandtelemetry

THE CANADIAN AUTOMOTIVE **Brand Telemetry Report**

Evaluating the strengths, weaknesses and opportunities
for automotive brands in Canada

SUMMARY REPORT

THE CURRENT STATE AND ROAD AHEAD

When it comes to buying a car, it's one thing to choose a particular brand—and another still to choose it again. Low interest rates, cheaper gas and competitive prices within the marketplace have driven Canadians to automotive dealerships in droves. Automotive sales set a record in 2015 with nearly 1.9 million vehicles purchased and yet, it appears that customer loyalty to a particular brand may prove to be increasingly elusive. Even with strong sales, Canadian automotive manufacturers and dealers still have work to do when it comes to building and retaining brand loyalty. The road to long-term victory is wide open for those who see the challenges as opportunities.

Today's consumers no longer simply evaluate vehicles on the merit of the product itself, since cars are better built than ever before and manufacturers are making significant investments in the customer experience at both the brand and the dealer levels. Brand choice, satisfaction and loyalty are driven by a wide variety of other attributes. The product remains a meaningful part of the vehicle purchase decision, but brand strength is also determined by a complex mix of consumer emotion, perceptions of a brand's personality and the extent to which the brand experience fulfills the customer's needs. The choice, then, has much to do not only with the functionality the vehicle provides, but also how a particular brand aligns with who the customer is as an individual.

In this marketplace, differentiation takes on new definitions—and for Canadian automotive brands, it takes on new dimensions as well. For this report Bond Brand Loyalty surveyed 2,000 Canadians and asked them, amongst other things, about their current vehicle, and what they plan to purchase next. The study focused on evaluating and revealing key strengths, weaknesses and potential opportunities for automotive brands in Canada.

A SAMPLE OF THE BRANDS COVERED IN OUR STUDY:



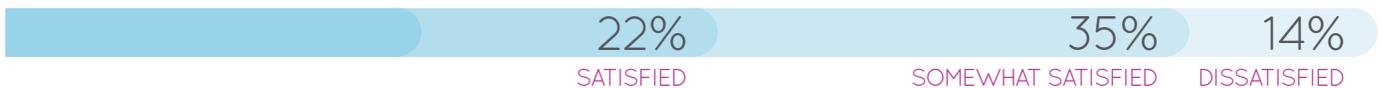
JUST **THREE IN TEN** LOVE THEIR CAR

After purchase and throughout the vehicle ownership experience, overall customer satisfaction levels tend to drop. Because of this, there is a key opportunity for brands to continually find ways to enhance and improve the ownership experience to increase the customers' affinity with the brand. Brands and dealers need to make the experience special above and beyond the product, and keep it special throughout the customer journey.

The study revealed that just over one-half of Canadians (51%) are satisfied with their current vehicle, however **only 29% consider themselves to be very satisfied with their current vehicle**. These findings vary amongst brands. It is clear that as the marketplace gets more crowded and complex, it is more important than ever for brands to identify the most important drivers of customer satisfaction to differentiate and win.

29%

JUST UNDER ONE-THIRD OF CANADIANS CONSIDER THEMSELVES TO BE VERY SATISFIED WITH THEIR CURRENT VEHICLE



TOTAL SATISFACTION WITH THE CURRENT VEHICLE VARIES BY ORIGIN:



HALF OF CANADIANS WILL STAY, HALF WILL GO

One-half of Canadians anticipate buying the same brand of vehicle they are currently driving. This represents both a huge threat and an opportunity for auto brands and dealers in Canada. It also points out the importance of enhancing the relationship with the customer over time to reduce the likelihood of defection.

Enormous resources are spent attracting customers to a brand and yet it's proven to be less expensive to hold onto existing customers than acquire new ones. The corollary is that more customers will be "in play" the next time they are in the market making attractive targets for competitive brands to conquest. Automotive brands and their dealers must pay attention to changing customer needs and act appropriately to thwart this dwindling loyalty.

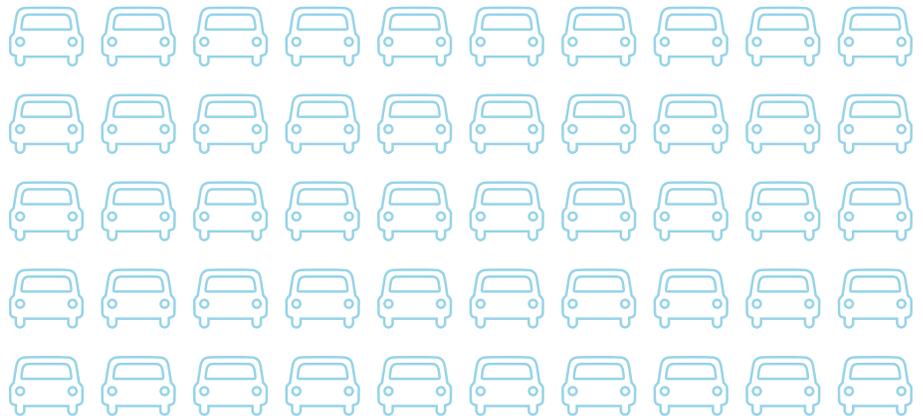
50%

One-half of Canadians anticipate buying the same brand of vehicle the next time they are in the market.



50%

One-half plan to abandon their current automotive brand for a new one when they buy next.



EUROPEAN BRANDS STAND TO GAIN THE MOST “IN-PLAY” CUSTOMERS

We asked Canadians planning to leave their current brand which brand they would purchase if they had to choose today. Net of anticipated customer defection and acquisition, we found that European brands stand to secure the most “in-play” customers. Though it appears North American brands would not gain their respective share of switching customers, they remain highly competitive with Asian and European brands when it comes to customer retention. On an individual brand level, the North American brands have a wide performance range on these metrics, with some performing well and some performing poorly. Overall, there is a great opportunity for North American brands to leverage retention strategies when it comes to customers looking to make a move.

-4.4%
North America

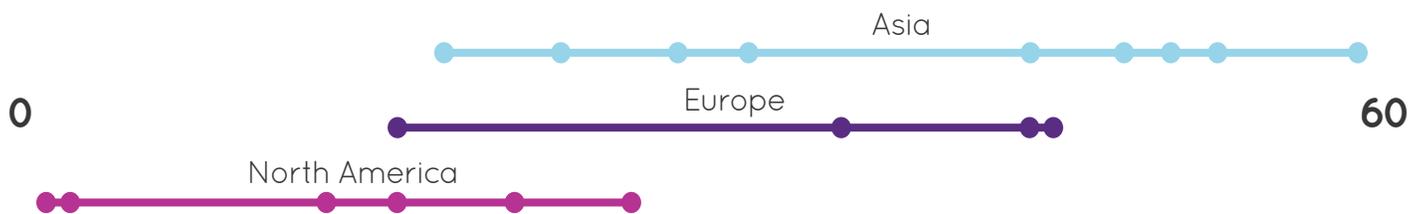
0.8%
Asia

5.2%
Europe

AUTO NPS VARIES SIGNIFICANTLY

Customer advocacy greatly varies by brand origin. North American brands’ Net Promoter Scores (NPS)* are below average with nearly as many detractors as promoters. However, it’s important to point out there is a wide range amongst the North American brands. Asian brands take the lead when it comes to customer advocacy with the majority of their customers identified as promoters of the brand.

OVERALL NPS



*The Net Promoter Score (NPS) is an index that measures the willingness of customers to recommend a company/brand’s products or services. It can be used to measure the customer’s overall satisfaction with a company/brand’s product or service and the customer’s loyalty to the brand.



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BOND BRAND TELEMETRY

OUR APPROACH TO UNDERSTANDING BRAND STRENGTH

What is Telemetry?

Telemetry is the process of gathering wide ranging data and information from disparate sources, and communicating them to a central hub for monitoring and analysis.

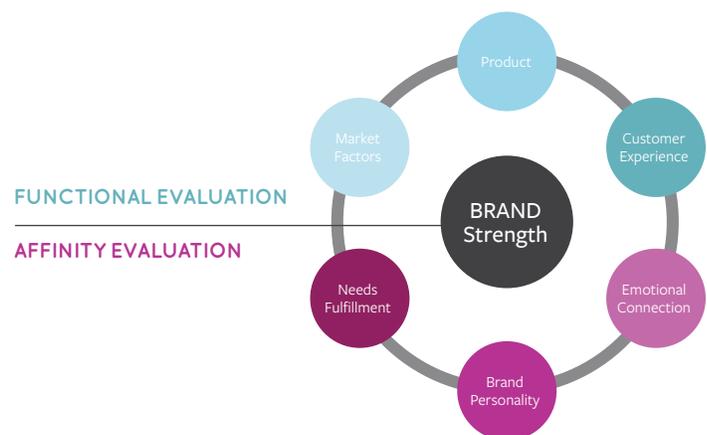
The term was heavily influenced by Formula One racing. In F1, the cars have hundreds of sensors that constantly send information back to the pit crew about the car's health and performance, so they can make adjustments in the next pit stop. If the team can use the information to gain even 1/10th of a second per lap, it can be a huge advantage.



A good brand is similar to a fast race car—it is incredibly complicated, has a large number of moving parts that need to be understood and optimized together, and is moving very quickly. Our approach, Brand Telemetry, aims to do for brands what telemetry does for a winning race car.

Brand choice, satisfaction and loyalty are driven by a wide variety of attributes. Products and services are a meaningful part of the equation; however, brand strength is also determined by a complicated series of consumer emotions, perceptions of the brand's personality and the extent to which doing business with the brand fulfills the customer's needs.

Our approach maps a brand's performance on a wide set of attributes, to pinpoint strengths and opportunities for improvement.



WHAT WE MEASURED

DRIVERS OF BRAND STRENGTH AND LOYALTY

FUNCTIONAL ELEMENTS	EMOTIONAL CONNECTION	BRAND PERSONALITY	NEEDS FULFILLMENT
Quality	Confident	Leader	Sense of belonging
Performance	Proud	Conservative	Warm relationships with others
Value	Impressed	Old-fashioned	Sense of freedom
Technology/Innovation	Excited	Approachable	Sense of being well respected
Safety	Curious	Genuine	Fun and enjoyment of life
Ease of doing business	Comfortable	Outgoing	Be the person I want to be
Versatility and Utility	Happy	Honest	Self-respect
Overall buying experience	Suspicious	Contemporary	Sense of accomplishment
Comfort	Angry	Innovative	Sense of thrill
Cost-effective to drive and maintain	Bored	Transparent	Stand out from the crowd
Design/Style	Nervous	Trustworthy	Have confidence in the future
Communications		Inspiring	
Customer service during maintenance		Fun	
Inventory/model selection		Prestigious	
Environmentally Friendly			
Financing options available			
Follow up from dealership on maintenance schedule			





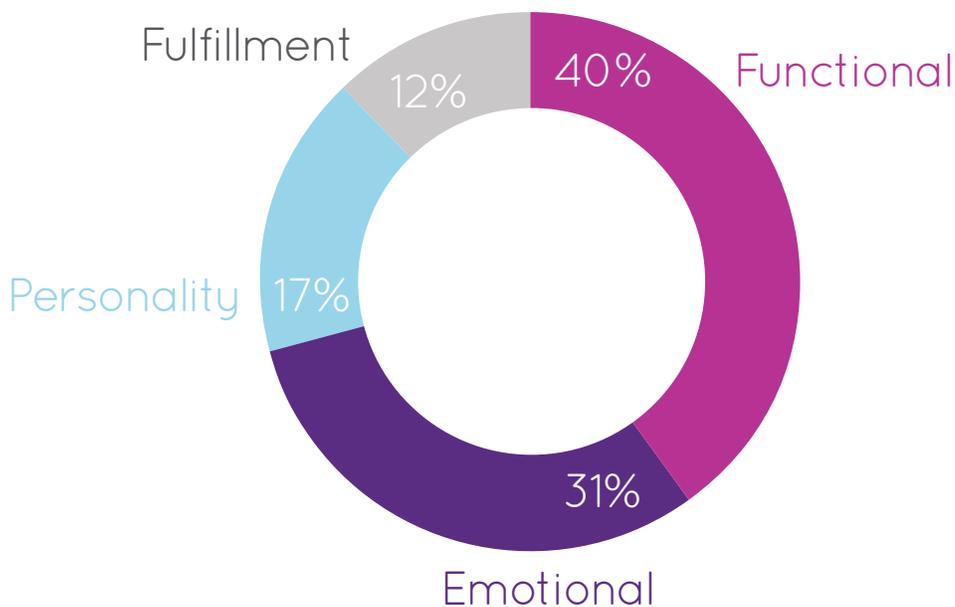
Key Automotive Loyalty Drivers

DRIVERS OF BRAND LOYALTY

Loyalty to automotive brands is driven by consumer perceptions on a variety of Functional, Emotional, Brand Personality and Needs-Fulfillment evaluations.

When it comes to building loyalty, the importance of product is still very evident with **40% of brand loyalty** being explained by this attribute. However, the study uncovered how crucial it is for brands and dealers to understand the part emotion plays in keeping a customer loyal. There can be a tendency to forget about the exhilaration a customer feels when they drive away in a new car or experience that new car smell. These are examples of raw emotion and it drives **31% of customer loyalty**.

TRUE DRIVERS ANALYSIS: AUTO NPS



TOP FOUR DRIVERS IN EACH FACTOR

FUNCTIONAL ELEMENTS	EMOTIONAL CONNECTION	BRAND PERSONALITY	NEEDS FULFILLMENT
Quality	Confident	Trustworthy	Confidence in the future
Performance	Angry (lack of)	Honest	Fun and enjoyment of life
Value	Proud	Innovative	Be the person I want to be
Technology/Innovation	Happy	Leader	Sense of being well respected

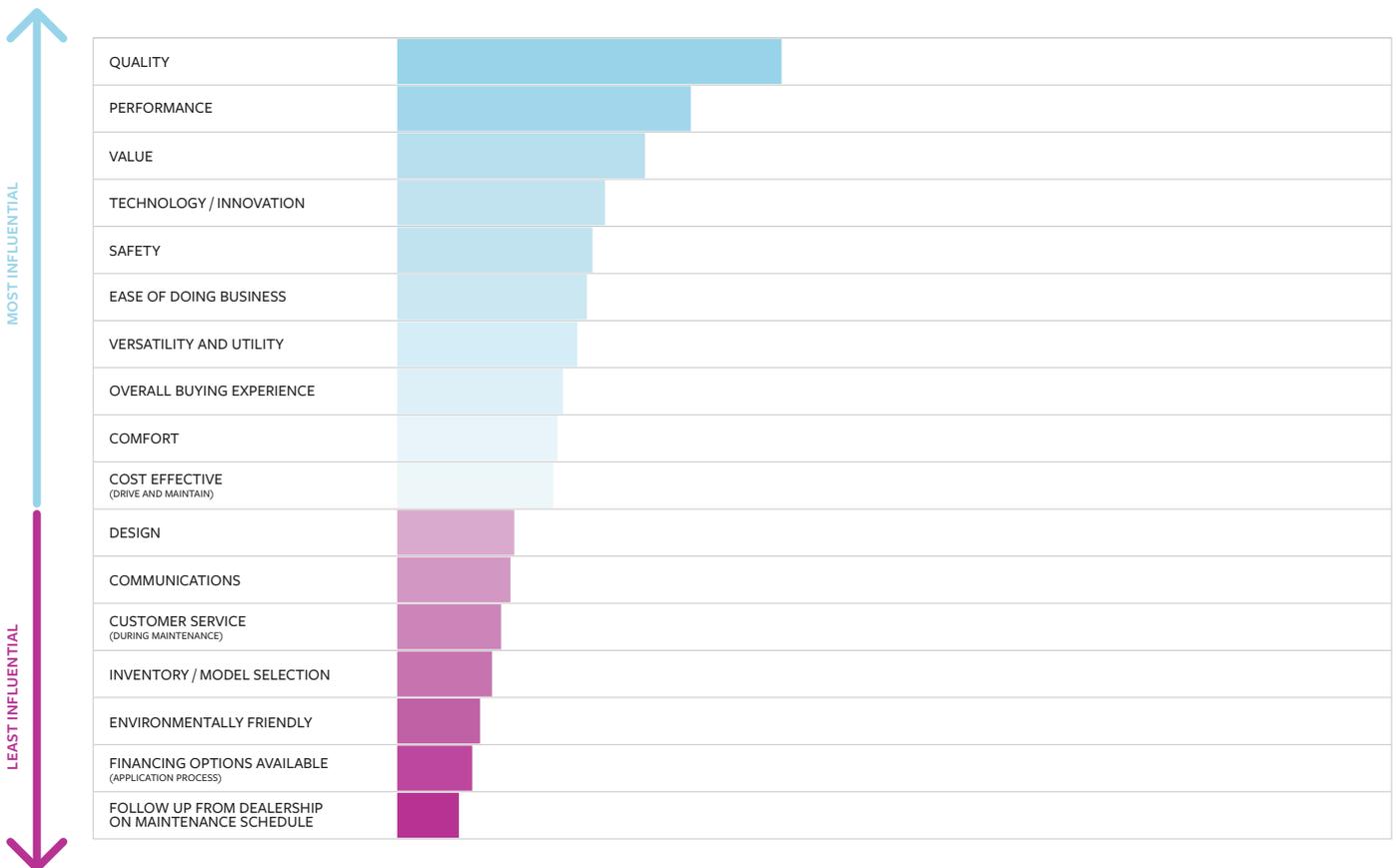
FUNCTIONAL ELEMENTS

Within the Functional and Product components, the top drivers of brand loyalty are Quality, Performance, Value and Technology/Innovation. A brand can have the best design, the best advertising, the best digital strategy, the best connectivity; but if the quality is poor, customers will defect. Vehicle quality is price of entry.

Value came out as being one of the top drivers of brand loyalty. A vehicle may have many other attractive attributes but customers are still very much looking for value in their vehicle buying decision. This is especially relevant for the Canadian market which tends to be more price sensitive compared to the U.S. Value can be defined various ways but typically consumers tend to see it as the relationship between what they pay and what they get. The challenge for marketers is to articulate this difference but done well, this can be an important factor in boosting brand loyalty.

Differences emerged in the study when it came to understanding how mainstream brands performed vs. premium brands. In the Functional and Product categories, for example, Quality was identified as an improvement area for the mainstream brands. Nobody really makes a “bad car” anymore, which may help explain this finding. If most brands are delivering high quality vehicles, then it ceases to be a differentiator. However, some brands did outperform in this area so it’s important for them to make that message known and tell it effectively since it will help drive brand loyalty.

FUNCTIONAL DRIVERS OF NPS



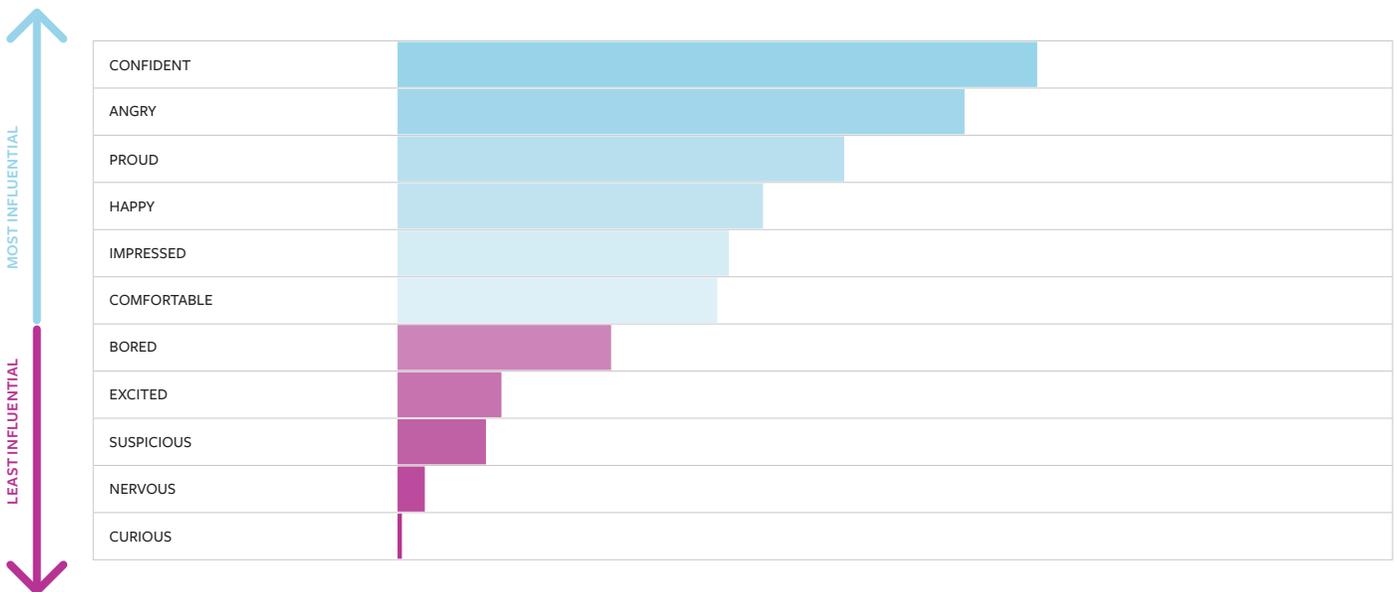
EMOTIONAL CONNECTION

Within the Emotional component, the top drivers are Confidence, Anger (lack of), Pride and the ability of the car to make the owner feel Happy.

Brand loyalty is not just driven by pragmatic elements. Emotion needs to be considered by brands and dealers in attempting to keep customers loyal. These somewhat more nebulous components should not be neglected and need to be expressed by each brand in a way that is consistent with their image and positioning within the market.

In the emotional category, mainstream makes tend to inspire Confidence, Happiness and Comfort; however, they're lacking in Pride and they do not particularly impress owners. Since Pride and the ability of the car to impress their owners are important drivers of brand loyalty, more work needs to be done here by mainstream brands.

EMOTIONAL DRIVERS



BRAND PERSONALITY

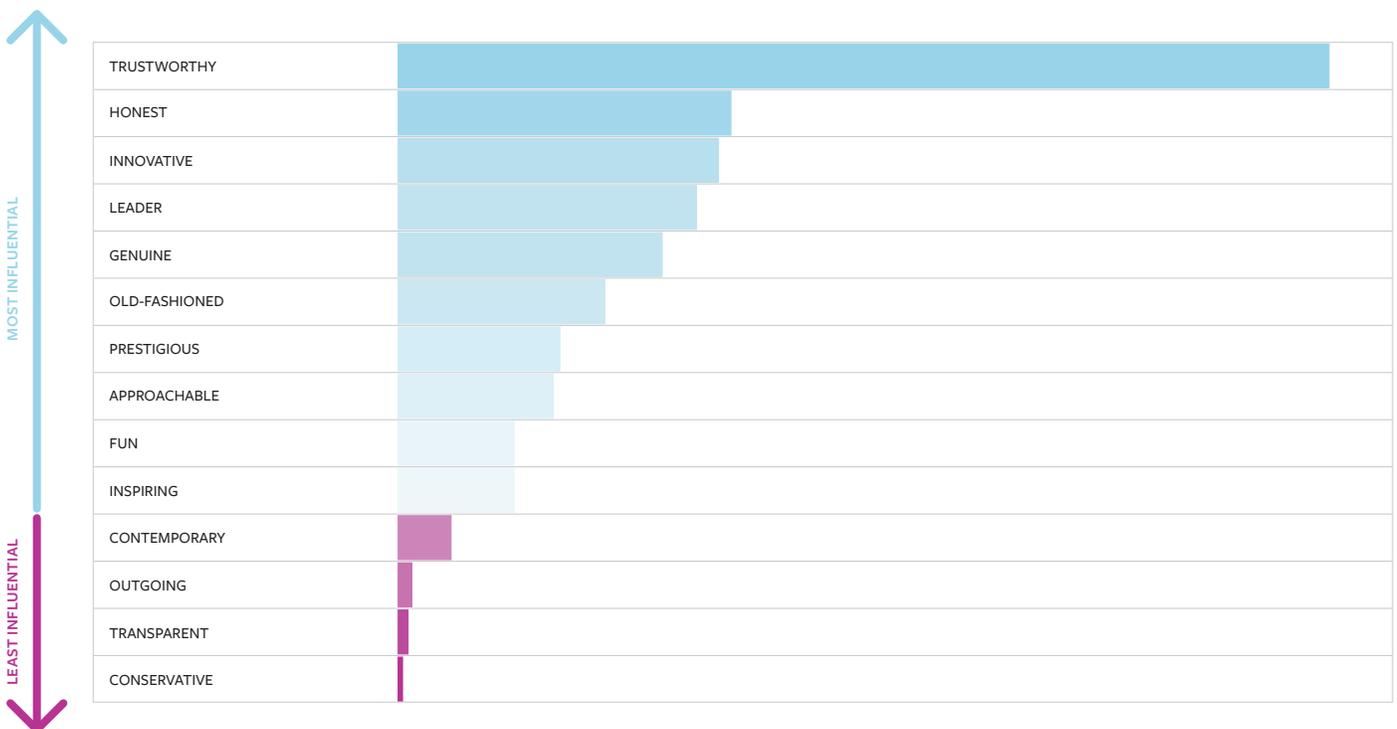
For the Brand Personality component, the top drivers are Trustworthy, Honest, Innovative and being seen as a Leader.

On the whole, both mainstream and premium makes are strong on being Trustworthy. Premium makes tend to be seen as being more Innovative and Leaders, with both these factors being strong drivers of loyalty.

Perhaps it sounds like motherhood and apple pie but car buyers are looking for a brand they can trust. If they don't have trust, it severely limits the ability for that brand to keep that customer loyal. Trust is built during the entire customer journey not only by the performance of the actual vehicle itself and whether or not it meets or exceeds expectations, but also by the customer experience the owner receives when they research vehicles online, buy the car or take it in for service. Brands and dealerships are evaluated at every touch point and if trust breaks down at any one of those points, a drop in loyalty can be expected.

Ending 2015, some brands have experienced a crisis in trust. Canadians are telling us that if a brand cannot be trusted, or is perceived as not being trustworthy, then it will face severe impediments in keeping their customers loyal next time they're in the market.

BRAND PERSONALITY



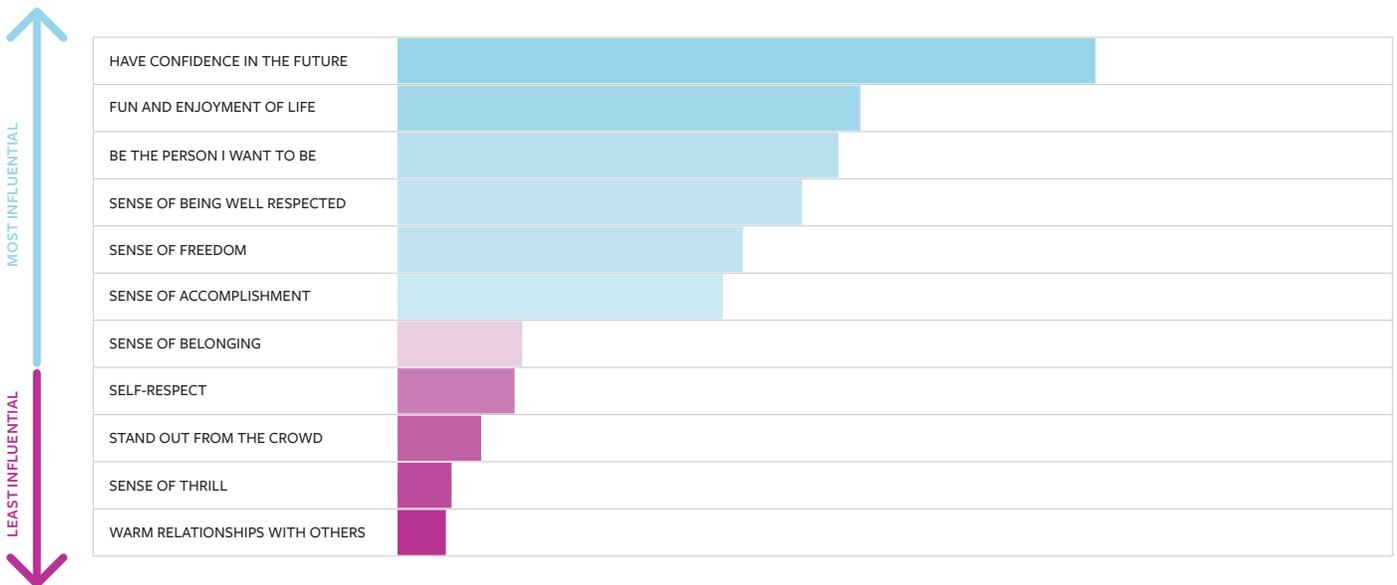
NEEDS FULFILLMENT

Even though the Needs Fulfillment category explains only 12% of brand loyalty, these seemingly esoteric attributes should not be neglected.

More specifically, brands that provide customers with a feeling of Confidence in the future, Fun and enjoyment of life, Be the person I want to be, and Sense of being well respected—the main drivers within this category—will find their prospects for boosting loyalty increased. Astute brand marketers can use this insight to help craft messages that have a greater likelihood of resonating with their customers.

Needs fulfillment, along with the emotional connection consumers have with the brand and the personality the brand exudes, all play into the loyalty equation. Clearly product is paramount as the overall main driver of brand loyalty but by considering these other seemingly indistinct factors and acting upon them, marketers can have a positive impact on brand loyalty.

NEEDS FULFILLMENT



HIGH, MEDIUM, LOW BRANDS SUMMARY

What does it take to be a top automotive brand? Product is obviously key but the Affinity Drivers can be the differentiator. Referencing the chart below, it is clear that what distinguishes a Top Brand from a Mid Brand is performance on Emotional Connections, Brand Personality and Needs Fulfillment. While the Mid Brand was almost on par with the Top Brand in terms of Functional Drivers, the Mid Brand fell short when it came to Trust and Anger (lack of) Drivers which impacted their overall NPS rating. It is crucial for brands to take note of the opportunity to improve on Emotional, Brand Personality and Needs Fulfillment drivers to increase brand strength and decrease the gap from a Mid to Top brand.

MAINSTREAM BRANDS

KEY DRIVER	TOP BRAND	MID BRAND	LOW BRAND
OVERALL FUNCTIONAL RANK	2/14	3/14	14/14
Quality	Strong	Strong	Weak
Performance	Strong	Strong	Weak
Value	Strong	Strong	Weak
Technology/Innovation	Strong	Strong	Weak
OVERALL EMOTIONAL RANK	1/14	9/14	10/14
Confident	Strong	Strong	Weak
Angry (lack of)	Strong	Weak	Weak
Proud	Strong	Strong	Weak
Happy	Strong	Strong	Weak
OVERALL PERSONALITY RANK	3/14	9/14	11/14
Trustworthy	Strong	Weak	Weak
Honest	Strong	Weak	Weak
Innovative	Strong	Strong	Strong
Leader	Strong	Strong	Weak
OVERALL NEEDS FULFILLMENT RANK	5/14	7/14	9/14
Confidence in the future	Strong	Strong	Weak
Fun + enjoyment of life	Strong	Strong	Weak
Be the person I want to be	Weak	Strong	Strong
Sense of being well respected	Strong	Strong	Strong



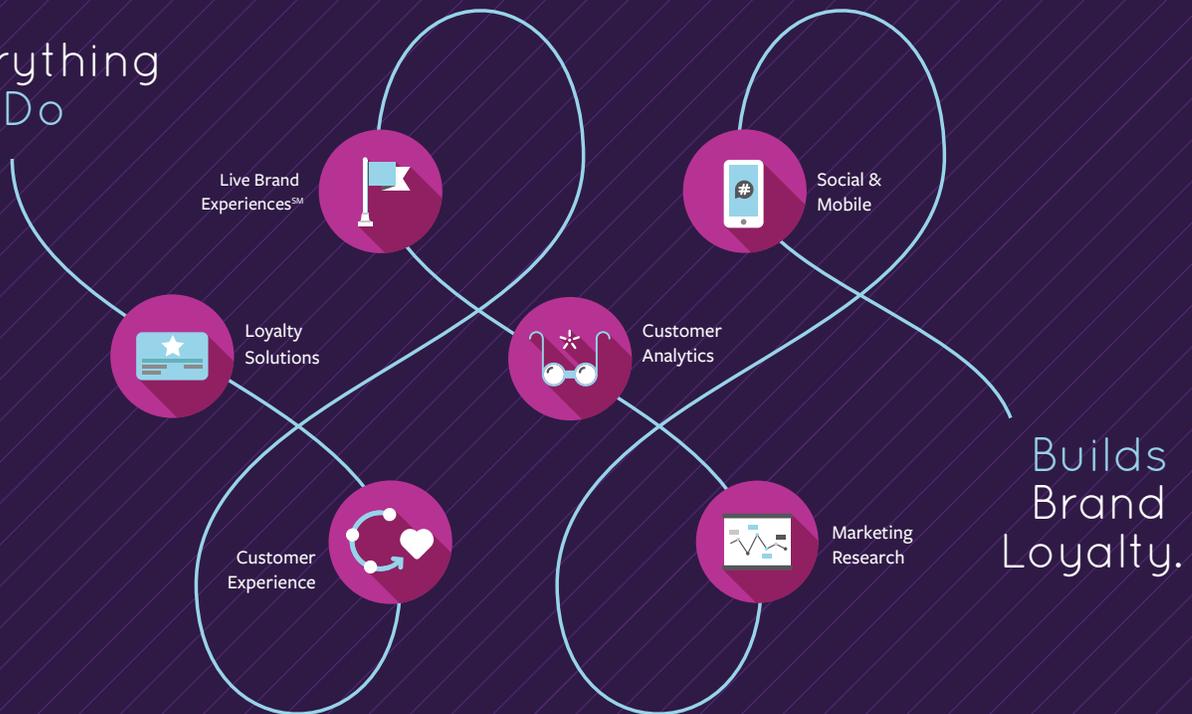
Methodology

Bond Brand Loyalty surveyed 2,000 general population Canadians using an online survey methodology. Survey took place in October 2015. Respondents were asked about their current vehicle, and what they plan to purchase next. Brand ratings were given on the respondent's current primary vehicle brand.

About Bond Brand Loyalty

Bond Brand Loyalty, formerly Maritz Canada and Maritz Loyalty Marketing, is a management-owned agency that specializes in building brand loyalty for North America's most influential and valuable brands. Our mission is to make marketing more rewarding for customers, richer and more resilient for brands, and more profitable for our clients. We build measurable, authentic and long-lasting relationships through a combination of services that includes loyalty solutions, customer experience, marketing research, customer analytics, live brand experiences and proprietary loyalty technology platforms.

Everything
We Do





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