

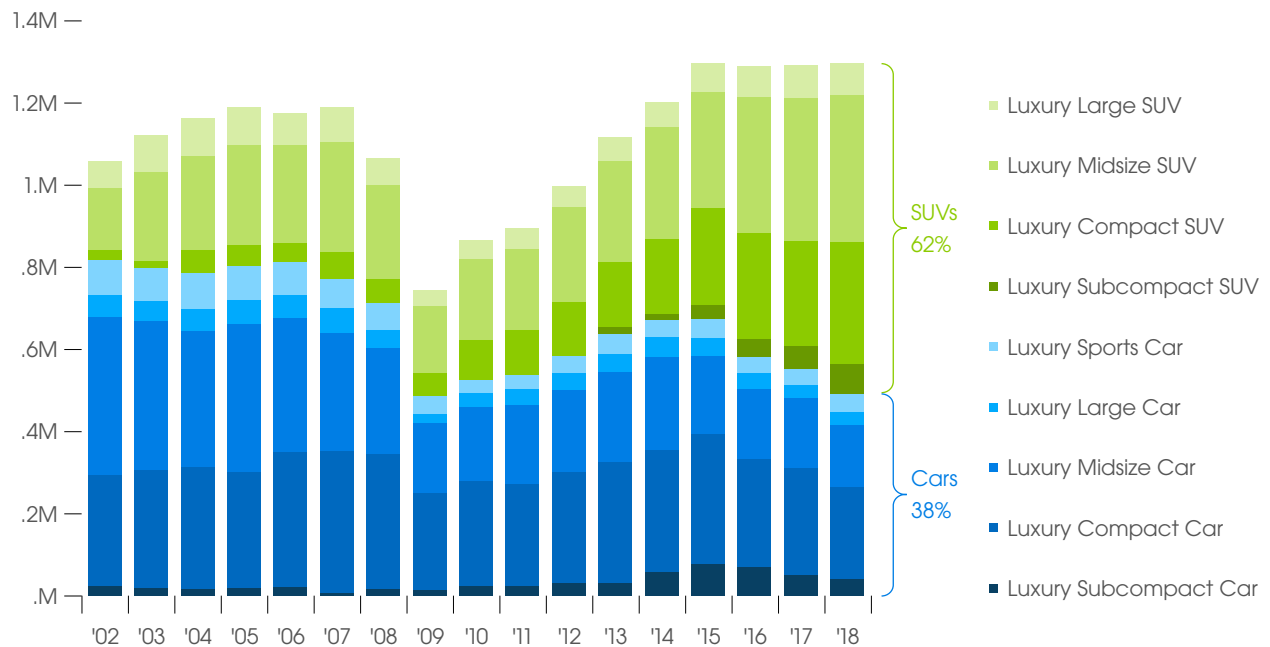


 edmunds

# LUXURY REPORT

2018

## The shifting luxury identity



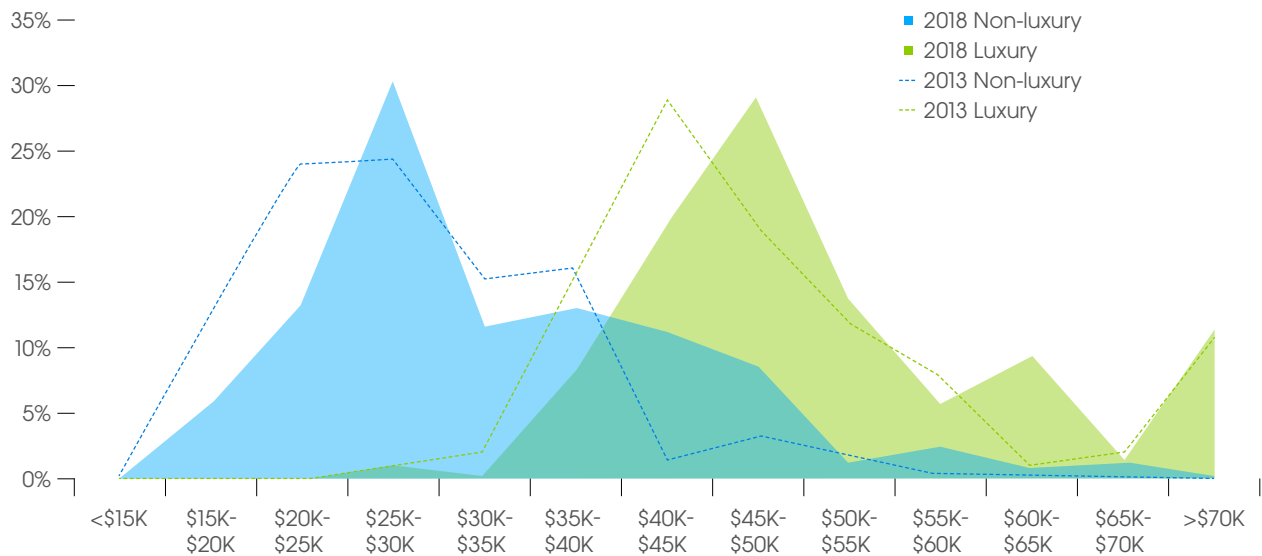
Source: Edmunds

The luxury vehicle market has grown dramatically in the last 15 years, and it shows no signs of slowing down. Luxury vehicle sales and market share are near record levels so far this year, with 1.3 million vehicles sold through August, accounting for 11.4 percent of the market. An expanding lineup of SUVs is driving this massive growth, with sales of luxury SUVs hitting an all-time high of 62 percent of luxury vehicle sales so far this year.

Although flooding the market with SUVs from both legacy luxury and mainstream brands is proving a winning strategy for automakers, it's also driving up prices of new vehicles overall and blurring the lines in the eyes of car shoppers of what truly makes a vehicle "luxury."

**62%**  
of luxury sales have been SUVs in 2018 — an all-time high

## Pricing overlap



Source: Edmunds

The price gap between luxury and mainstream vehicles has narrowed significantly in recent years: in 2008, the average transaction price for a new mainstream vehicle was \$25,608, while a new luxury vehicle cost \$46,416 on average, a difference of 58 percent. So far this year, there's a 48 percent gap, with a mainstream vehicle selling for \$33,346 on average and a luxury vehicle selling for an average of \$54,627.

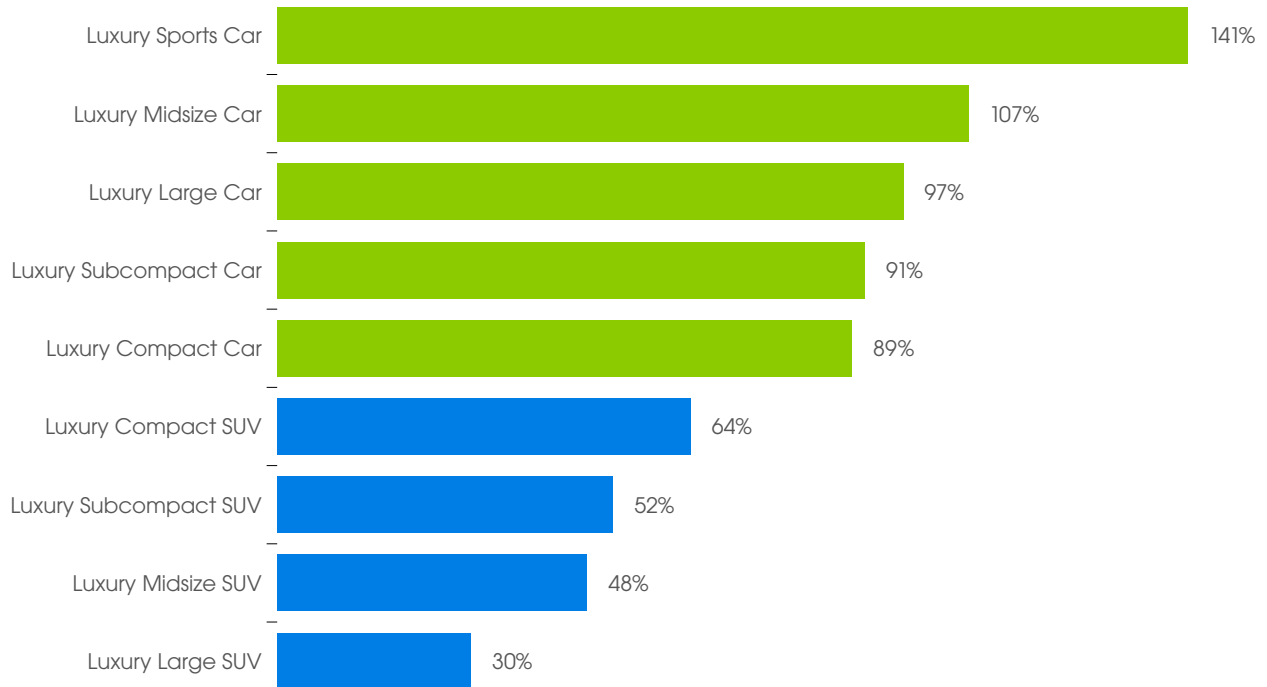
This narrowing price gap is driven by the fact that the mainstream and luxury categories have expanded in opposite directions. On the mainstream side, automakers have responded to consumer demand for more SUVs and trucks by offering higher trim levels of top-selling nameplates. On the luxury side, they have introduced new small SUVs and cars. This trend is only deepening for the 2019 model year, with a spate of small luxury SUVs set to hit the market including the Audi Q3, the Cadillac XT4 and the Lincoln Nautilus, which all have MSRPs that are lower than their respective brand's overall average.

### AVERAGE TRANSACTION PRICES

Year	Luxury	Mainstream
2008	\$46,416	\$25,608
2013	\$50,822	\$29,298
2017	\$53,987	\$32,709
2018	\$54,627	\$33,346

# Luxury losing differentiators

## 2018 PREMIUM FOR LUXURY



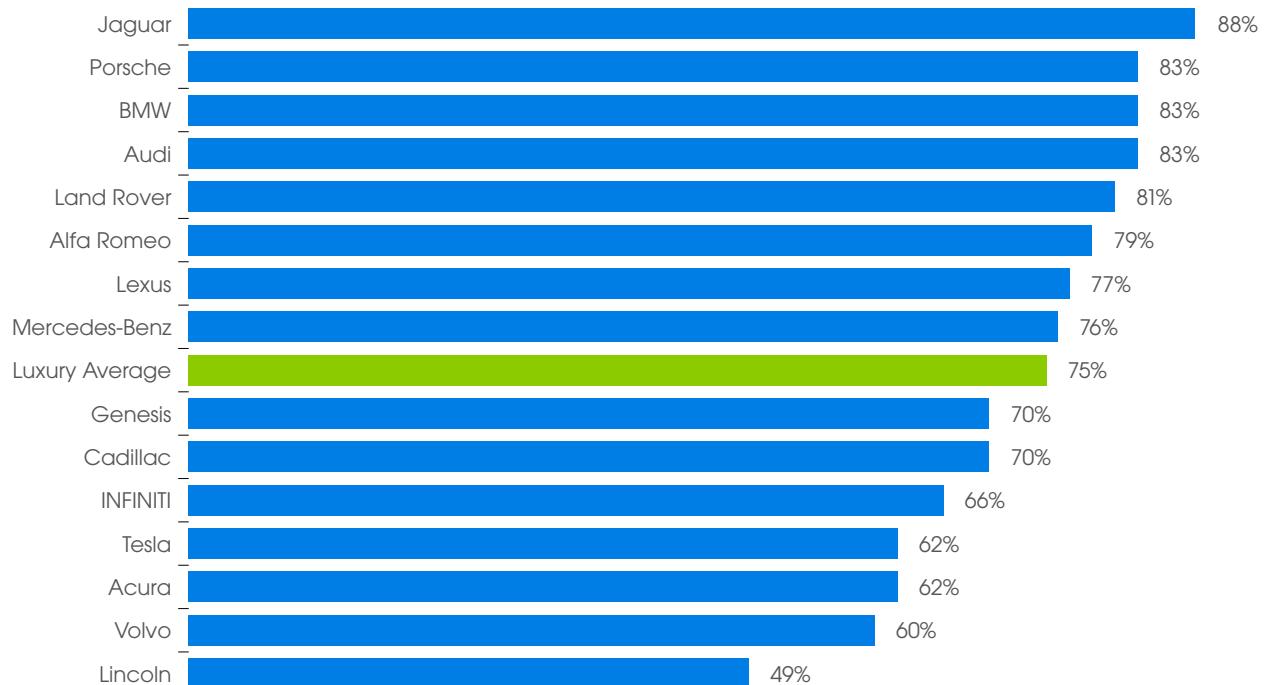
Source: Edmunds

The mass migration to SUVs has removed some of the luster from luxury nameplates. Luxury brands historically have justified their premium with higher-level performance, content and styling. But horsepower and handling take a back seat with SUVs, and content is trickling down to mainstream models faster than ever before. Combined with the inherently higher price of SUVs, the luxury premium these vehicles command is much smaller than it is their ciling car counterparts.



# Attracting the luxury loyalists

## BRAND-LOYAL BUYERS



Source: Edmunds

**75%**  
of luxury shoppers on  
Edmunds research only  
other luxury models

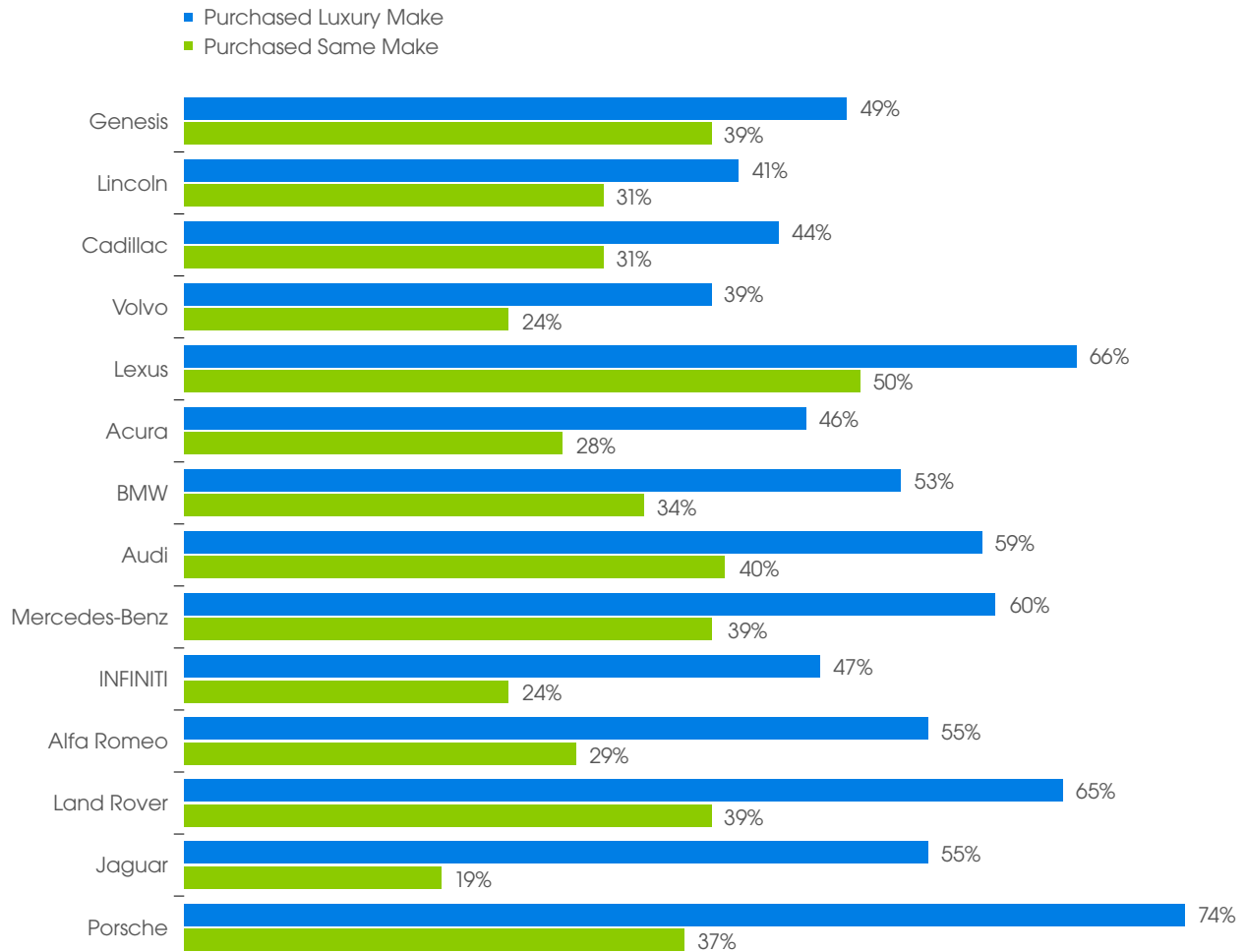
Buying a vehicle from a luxury brand has historically been driven in some degree by car shoppers' emotional preferences. Many buyers are drawn to the cachet of owning a vehicle from a luxury brand even if the purchase may not make practical sense. In order to determine which brands do the best job of attracting consumers who have a "luxury" mindset, Edmunds analyzed cross-shopping data to see the percentage of shoppers who considered only luxury brands.

Jaguar, Porsche and BMW shoppers lure in the most buyers who stick strictly to luxury, while Lincoln, Volvo and Acura shoppers are most likely to attract shoppers who are also cross-shopping mainstream brands.

# Trade-in loyalty reveals lost opportunities

## BRAND AND LUXURY LOYALTY

Brands ranked in order by narrowest gap between segment and brand-loyal buyers



Source: Edmunds

As the lines between luxury and mainstream blur, it becomes even more imperative for luxury brands to attract the highest share of luxury loyalists and then keep those buyers loyal to their brands. Even though a significant share of luxury shoppers opt to lease versus buy, Edmunds trade-in data gives insight into which brands do the best job at winning the devotion of the largest percentage of luxury-loyal buyers.

Even though brands such as Lincoln and Genesis attract among the lowest share of luxury loyalists, they do a great job of keeping those buyers in their brand fold. And while brands such as Porsche, Jaguar and Land Rover attract a lot of luxury shoppers, they're missing an opportunity to keep them in the family, as a high share of shoppers opt to trade in their vehicles for a luxury vehicle from another brand.



## THE TARIFF EFFECT AND THE FUTURE OF LUXURY

Prospective tariffs on the industry could, if enacted, pose serious obstacles for the luxury segment. While overall about 50 percent of vehicles sold domestically are produced in the United States, only 29 percent of luxury vehicles sold in the U.S. are produced there. While brands such as Mercedes and BMW are hedging their bets by producing the SUVs Americans love domestically, it gives these brands less flexibility should consumer tastes change. Luxury automakers do have the advantage of absorbing price increases better than their mainstream counterparts, but as the price gap between luxury and mainstream continues to narrow, this becomes more of an issue.

As we head into the heart of the 2019 model year, the luxury market is strong but at a crossroads. As luxury brands push into vehicle segments dominated by ever more premium offerings from mainstream brands, they're going to have to work harder to convince shoppers the brand cachet is worth paying extra for.



## Questions?

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