



AUTOMOTIVE:
GOLD WINNER

Audi - Putting Old Luxury on Notice

Business Opportunity

Audi is an absolute force in the rest of the world—outside of the United States. In many countries it frequently outsells its closest rivals, BMW and Mercedes-Benz, and the Audi A6 is “the world’s best-selling luxury car.” Today, Audi is far from holding this position in the U.S. In America, there are three brands that have dominated the consumers’ minds in the luxury segment: BMW, Mercedes-Benz, and Lexus.

Here in the U.S., Audi has not been on consumers’ radar, and many have seen Audi as more of a “Tier 2” brand. In the past, Audi brand purchase funnel metrics and attribute scores were closer to lower volume brands like Saab and Volvo than they were to BMW and Mercedes-Benz. This, despite the fact that Audi has a storied hundred-year history that equals that of its German counterparts, a motorsports record that tops even Porsche and Ferrari, and a world-class product that often outstrips its “Tier 1” competitors in awards for design and performance.

This record has always been impressive to “in the know” consumers, but that audience was not big enough for Audi to meet its long-term goals. Audi needed to move from being a brand of “Private Prestige,” championed by enthusiasts and niche audiences, to a brand of “Public Prestige” where both luxury car owners *and* their neighbors would recognize Audi as a Tier 1 brand.

With a series of new product launches in 2008, Audi knew that they had the right vehicles to change consumers’ views and convince them that Audi was a true Tier 1 competitor. This would also be critical for the August launch of the Audi A4, which is the brand’s volume model and the one that is critical for meeting sales and revenue goals.

And we would need to do this with a media budget of less than half our closest competitor. In 2007, Audi spent \$98MM compared to BMW’s nearly \$200MM, Mercedes-Benz’s nearly \$300MM and Lexus’ nearly \$400MM. (Source: AdViews)

Campaign Objectives

Audi goals for 2008 were:

1. Enter the luxury conversation. Get Audi talked about (vs. BMW, Lexus, and Mercedes-Benz)
2. Popularize the brand. Expand our Audience beyond enthusiasts and the “in the know” crowd
3. Demonstrate increases in key metrics: Awareness, Opinion and Excellent Opinion
4. Take on Tier 1 – close the consideration gap with Tier 1 brands, BMW, Mercedes-Benz, & Lexus
5. Increase market share in the Import High Group (IHG)

Strategy

Audi is putting old luxury on notice and offers consumers a new, more progressive luxury choice.

Budget

The budget for this campaign was \$98 million in 2008. The overwhelming majority of this budget, 72%, went towards broadcast television.

Research Strategy & Insights

In order to change consumer perceptions of Audi, we had to offer consumers something different than what they were already getting from one of the other three luxury brands. American consumers were largely satisfied with the choices available to them, so if Audi wanted to take on its competitors we needed to give them something special.

Key Finding #1

According to GfK, Audi trails the category on Price of Entry brand attributes, including luxurious, prestigious and sophisticated as well as on Key Consideration Drivers including viewed as a leader, trusted name and proud to own. In order to be considered as a true luxury option Audi had find a way to change consumer perceptions and elevate their luxury credentials and this couldn't be done just by telling consumers, rather we needed to prove what the Audi brand has to offer. (Source: GfK 2007-2008)

The next thing we had to determine was what type of luxury Audi could own. In the minds of consumers, Mercedes Benz stands for status, BMW stands for sporty performance, and Lexus owns quality and reliability. With those areas "taken," we set off to explore different avenues for Audi.

We started by looking at the Audi brand itself: stories of its history, its accomplishments, and its values.

Digging in to the history of the company, we were struck by the culture of innovation that had persisted through the company's hundred-year history. No matter how big the obstacles or how loud the detractors, Audi pushed their vision of the future forward: August Horch, the founder of Audi, quit Mercedes-Benz when they refused to consider a front-mounted engine and started his own company; after World War II, when every last doorknob of the factory was disassembled and carted off to the Soviet Union, Audi began again; Audi developed a diesel racecar when everyone said it couldn't be done—and then proceeded to win LeMans six times in seven years, with the first and only diesel engine to ever win the title; Audi designed and launched a supercar that leapfrogged anything built by BMW and Mercedes-Benz and was called the "Ferrari-Killer" by Business Week magazine (10/06).

All of this is summed up by the German Audi tagline, "*Vorsprung Durch Technik*," Progress Through Technology.

Key Finding #2

We wanted to understand if the challenge with consumers was just a lack of knowledge about the history and accomplishments of the Audi brand. If telling them these stories would change their opinions about Audi. We had all worked on brands that had re-invented themselves by telling consumers stories about their history and culture. But what we learned was that when it came to Audi consumers didn't really care. In the worst cases, because these stories challenged what people already knew about Audi, they thought that what we were saying couldn't possibly be true—that we were making up stories about the brand.

Campaign Description

In looking at the plans for 2008, we realized the year culminated with a daunting task – launching the A4, a car with ambitious volume goals and stiff, entrenched competitors in the BMW 3 Series, Mercedes-Benz C-Class and the Lexus IS. In planning for that launch, we

would need to use the niche but sexy R8 & beautifully designed A5 as halos to strengthen and bolster the brand, building momentum and setting us up to launch the A4. The key was to start the year off right – do something that would make America take notice of Audi.

We started by finding a creative idea that would allow us to challenge old luxury in a way that felt epic. We recreated the famous horse head scene from the Godfather, but replaced the horse's head with the grille of a luxury automobile. We declared that the era of old luxury was over. And we played this message on the biggest stage we could find: The Super Bowl.

After our warning shot had been fired, Audi needed to start talking to consumers about what it's brand had to offer, now that Old Luxury had been put on notice. The next launch, the A5 coupe, had been winning design awards across Europe and was the perfect vehicle to represent the Audi vision of luxury.

Introduced on the stage of the entertainment world's biggest night of the year, the A5 made its launch appearance at the Oscars and began to change America's perceptions of BMW, Mercedes-Benz, and Lexus, while telling another piece of the story of the Audi brand.

The A5 work used a traditional boarding-school setting to tell a story of challenging traditional value systems. Here we went a step further, not just challenging the notion of Old Luxury, but naming the traditional luxury brands, BMW, Mercedes-Benz, and Lexus. The A5 was the new, better choice for those who wanted to break out of the same tired choices.

In our final launch of the year, the A4, Audi decided to up the ante one more time. We challenged both our competitors' brands, and challenge their volume models. The lead spot, called "Living Room," took on the Mercedes-Benz C-Class. The spot focused on the living room of a wealthy family who had a C-Class parked in the driveway. As the traditional old luxury living room transformed, became more modern, more open, and more progressive, the C-Class was replaced with the new Audi A4.

This launch spot was followed up with a final challenge: the Audi A4 and its competitors on the track. In AMC certified testing, the A4, despite being bigger than all three competitors, had a faster 0-60 time, and was also more fuel-efficient. This spot recreated a stylized version of this test, and showed that Audi had the product credibility to take on the traditional luxury "Rule of Three" in the automotive industry.

The Olympics became the stage for this launch effort. What better place to reach a mass audience, and tell a story of competition, of challenging the old guard, and of celebrating progress?

Business Results

1. With the launch of the "Horse Head" Super Bowl spot **Audi entered the conversation** in a number of important ways:

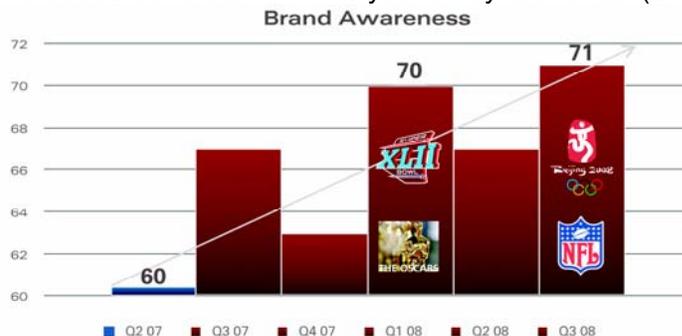
- For two hours after the spot ran, "Audi R8 Price" was the #1 search term on Google (Source: Google Trends)
- Before the end of January, "Horse Head" had over 2 million views on YouTube (Source: YouTube)
- Of all Super Bowl advertisers, Audi ranked #5 in pre-game buzz, and #2 in total buzz (pre-game and post-game combined), behind Budweiser and ahead of Pepsi – two brands that ran multiple spots during the game – putting Audi in the same conversation as the biggest, most iconic American brands (Source: Nielsen Buzz Metrics)

- Visitors to audiusa.com jumped 190% after the Super Bowl (2,200,139 visitors vs. 2007 monthly average of 758,522). Traffic was up throughout the year, and in August was up 111% YOY. (Source: Audi web metrics)

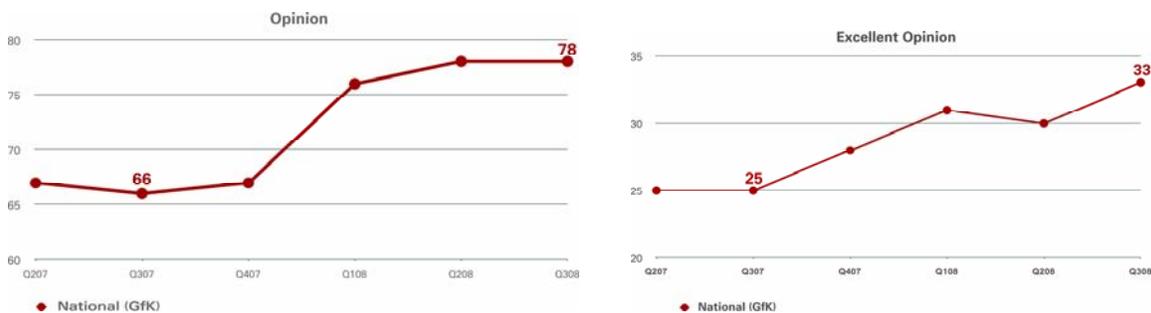
2. The resulting PR and buzz went beyond the enthusiast audience and engaged a broader more mass target to popularize the brand, taking Audi outside of the automotive press and enthusiast blogs and putting it in the mainstream:

- There were 534 stories with 592 million media impressions in TV, print, and online, including media properties like the *Today Show*, *Fox News*, *Charlie Rose*, *The New York Times*, *The Washington Post* and *The Wall Street Journal* (Source: Audi PR)
- The “Horse Head” ad was rated #1 Super Bowl spot by Yahoo!, and ended up on top-ten lists across the internet on sites like Slate, Brandweek, Adweek, MySpace and YouTube
- The momentum and buzz generated by the Super Bowl continued through the year and has resulted in significant movement in all key metrics for the Audi brand.

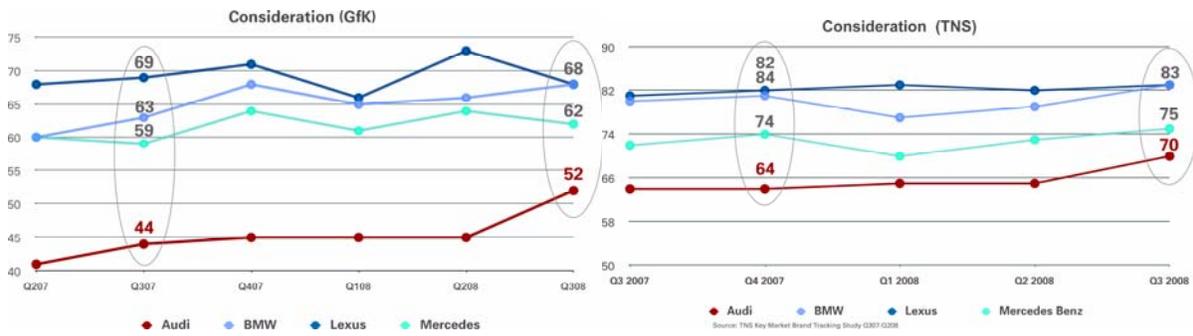
3. Today brand awareness is at an all-time high for Audi at 71%. Timing of awareness increases correlate with this year’s key launches. (GfK Audi Upper Funnel, 2007-2008)



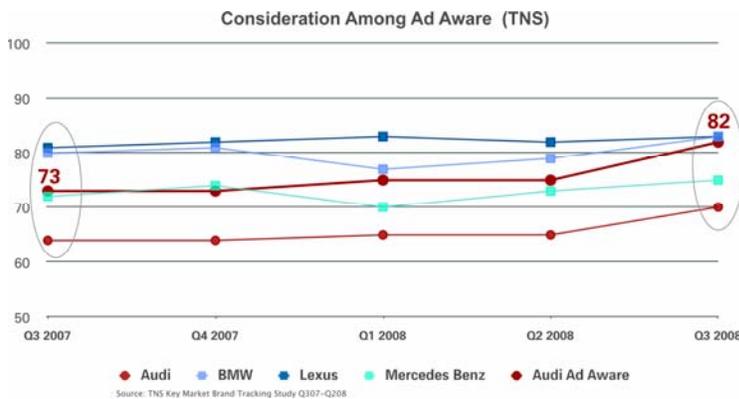
Opinion is also at an all-time high, at 78%, with an 18% increase over year ago. And Excellent Opinion is up 32% from a year ago, at 33%. (GfK Audi Upper Funnel, 2007-2008)



4. Audi is closing the Consideration gap with Tier 1 competitors, both nationally (GfK) and in our top sixteen markets (TNS). At 52%, national consideration for Audi is at its highest in history. Audi has achieved this during a year when competitors’ consideration has remained flat. (Source: GfK Audi Upper Funnel 2007-2008, TNS Key Market Brand Image Tracking Program, 2007-2008)



Among those aware of Audi advertising in our top sixteen markets, the consideration gap no longer exists. With this group, Audi consideration is now equal to that of Lexus and BMW, and is ahead of Mercedes-Benz by 7 points. (TNS Key Market Brand Image Tracking Program, 2007-2008)



5. In 2008 share of the Import High Group has grown by 13% for Audi. This share increase was accomplished with marketing spending that was flat vs. year ago, and during a significant downturn for the automotive industry as a whole. Taken in context, this share gain is an incredible accomplishment for Audi. In 2008, most other brands in the IHG were down by double digits. (Source: Autodata, Inc.)

- Lexus sales were down -21% vs. 2007
- BMW sales were down -15.2% vs. 2007
- Mercedes-Benz sales were down -11.2% vs. 2007
- Audi sales were down only -6.1% vs. 2007