

**THE BUSINESS SITUATION**

When it comes to selling cars, the real challenge isn't selling new cars; it's selling existing cars on the lot. New cars get talked about in the press; they get featured on the cover of car magazines and mentioned around the water cooler. Existing car models get forgotten; they're yesterday's news. In the first half of 2009, Audi of America had just come off six major new car launches, so it was no surprise that shopping intentions—the percent of luxury shoppers who put the brand at the top of their list—increased for Audi since 2008 (see *Figure 1*). These new cars were driving Brand Awareness, Brand Opinion and Brand Consideration to all-time highs. But by the second half of 2009, shopping intentions peaked and were even starting to slip. This was worrisome, because shopping intentions are extremely important, as they correlate to future sales.

With the brand growing fast and gaining market share, the last thing Audi wanted was to give back any ground. But the existing car lineup was about to become old news, and with no major launches planned for 2010, we needed a campaign that would reignite momentum in the marketplace and sustain sales growth.

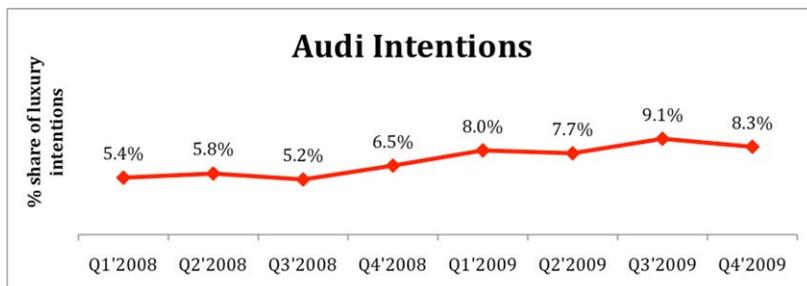


Figure 1 (Source: GfK)

**THE OBJECTIVES**

*1) Increase the number of hand-raisers: Shopping Intentions*

When shopping intentions begin to outpace market share, car brands can stop “buying” share. They can lower incentives because “demand,” not the “offer,” is driving sales. Audi intentions peaked in the 3<sup>rd</sup> quarter of 2009 at 9.1% followed by a steady decline, ending the year at 8.3%. Our goal was to reverse the downward trend and surpass the September high of 9.1%.

*2) Drive traffic to dealerships: Foot Traffic*

You don't sell cars if people aren't visiting the dealership. So Foot Traffic was an important metric and our goal was to achieve a significant increase in Foot Traffic year over year, despite the lack of new model introductions.

*3) Maintain accelerated sales growth: Retail Sales and Market Share*

As stated above, Audi was already growing. Still, we needed to sustain sales growth without the launch of new models. The luxury car market overall had been severely damaged by the recession, so while year-over-year growth was important, we were extremely focused on growing Audi market share.

So our objectives were aggressive: Get people to put Audi on the top of their lists; go visit the dealership to buy an Audi, thereby maintaining sales growth; and do all of this *without* any new product announcements.

## THE RESEARCH

Since Audi sales had been on the rise, the brand was attracting those who were already inclined toward the brand, but in order to continue growing we knew we had to bring new customers into the fold. In the midst of reviewing daunting amounts of syndicated studies from popular automotive research companies, we found one chart in particular that made Audi's situation glaringly obvious. It was a simple, visual piece of data that became our jumping-off point for how we would approach 2010.

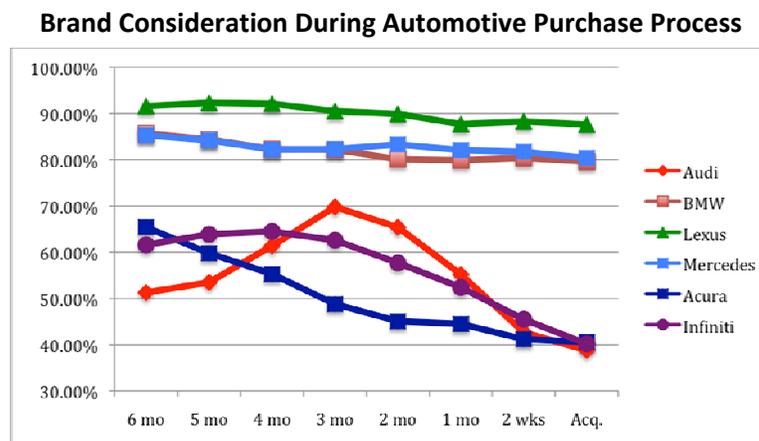


Figure 2 (Source: Time Inc./CNW Research, 2008)

During the purchase process Audi experienced a sharp rise in consideration between six and three months (see *Figure 2*). Then, the trend reversed, as consideration declined from three months all the way to acquisition. Subsequently, everyone on the team began referring to this chart as the “consideration drop-off chart.” Comparing the shape of the consideration lines was an easy way to visualize the problem. Clearly BMW, Mercedes and Lexus enjoyed not just higher levels of consideration but a more consistent *kind* of consideration. Meanwhile, Acura and Infiniti had more natural sloping declines. Audi, it seemed, was an anomaly.

So, we embarked on Audi's first-ever comprehensive research program to understand how and why people buy luxury cars, and their perceptions of Audi. We went straight to the source, conducting nationwide surveys and focus groups with recent luxury buyers, including people who considered buying an Audi but purchased the competition, and people who didn't even consider Audi to begin with. And here's what we learned:

*Luxury car shoppers are like sheep; they follow the herd*

It was impossible to ignore the affinity people had for competitive brands. They sought comfort and validation in the ubiquity of BMW, Mercedes and Lexus. A Los Angeles respondent summed it up best, “My car is seen everywhere.” Another respondent said, “I can think of 8 out of 10 people who drive that

exact same car.” (Source: Agency qualitative research, Sept. 2009.) One of the biggest barriers for Audi was its lack of presence on the road. In speaking with Audi owners they claimed to see Audi all over the place. But when we talked to people who did not shop Audi, this wasn’t the case. Instead they told us that they rarely if ever see Audi on the road, at the country club or in their neighbors’ driveways. This was interesting considering we heard this in the exact same cities where Audi owners claimed to see Audi all over.

### *Always a bride’s maid, never the bride*

We also discovered that getting people to “consider” Audi was not the issue. Luxury shoppers were willing to check the box and say they would consider the brand. Savvy luxury shoppers even pointed to the new cars from Audi as reasons to believe the brand was up and coming. But whether they would truly consider *purchasing* an Audi was up for debate. The truth is, most of us go into buying anything with biased opinions; even more so when shopping for luxury cars. The people we talked to were simply in love with the brands they already owned or were more familiar with, and their bias affected the way they were shopping for cars. We learned that most people tended to have a lead option and a point of comparison. Overwhelmingly, Audi was not their first choice, if they considered the brand at all. Those who shopped Audi but didn’t buy one treated the brand as a point of comparison, using Audi models from beginning to end of the process to justify another luxury brand.

After probing on perceptions of Audi and the competition, we wanted to see what could prove the brand’s worth. Our first inclination was to share superior engineering claims and unique stories of how Audi builds cars with greater attention to detail. It wasn’t convincing for competitive owners. In fact, instead of elevating Audi, these claims reinforced higher perceptions of their own brands. For example, when we told them, “Every year Audi travels to the African desert to test the effect of the intense ultraviolet light on the dashboards and headrests, and Audi forces its cars to start over and over, above the Arctic Circle in the dead of winter,” people assumed their brands must have done the same. So we tried a different approach.

## **THE “AH-HA” MOMENT**

### *Momentum is a powerful message*

It wasn’t until we exposed people to more surprising claims that they started to listen. Something magical happened when we used claims that showcased the brand’s momentum. Claims like “Audi is the fastest growing luxury brand in the U.S.” and “The Audi A6 is the best selling luxury sedan on the planet” were the most powerful. They forced people to step back and rethink the order of things. They shook people’s assumptions and got them to worry that perhaps they weren’t with the right crowd anymore.

In order to disrupt the existing purchase behavior, we had to break people’s blind faith and commitment to better-known brands. It was an exercise in manufacturing popularity. One analogy thrown around was that of a popular nightclub. How can you tell if a nightclub is popular? By the red-velvet rope and the long line of people outside, waiting to get in. We had to create a velvet rope for Audi and show that people were lining up around the block. This way, we wouldn’t have to change anyone’s sheep-like behavior, just shock them enough to question their choices.

## **THE BIG IDEA**

The brief was simple and direct: “Shock the Sheep” and force Audi to the top of the consideration list with bold, provocative claims designed to question consumers’ ingrained perceptions of the luxury world order. The ammunition:

- Audi is growing faster than BMW, Mercedes and Lexus
- Audi defeated BMW in three straight *Car and Driver* comparison tests
- Audi retains its value better than any German luxury brand
- The Audi A6 is the best selling luxury sedan on the planet

## **BRINGING IT TO LIFE**

### *Challenging the competition*

In keeping with the competitive nature of the campaign, we developed spots to run in one of the most competitive media outlets of the year. “Spell” and “Friendly Competition” debuted during the opening ceremonies of the 2010 Winter Olympics in February and ran the duration of the games. In “Spell,” luxury drivers were awakened from their overt biases for BMW, Mercedes, Lexus and even Ferrari. The title cards read, “The spell has been broken. Audi is growing faster than BMW, Mercedes and Lexus.” The next spot, “Friendly Competition” reminded people that in every competition, there is a winner and a loser. This time the title card read, “Audi has defeated BMW in three straight *Car and Driver* comparison tests.”

### *Cutting the herd off at the path*

We knew we needed to challenge the sheep during their shopping process in places where a “shocking claim” would be most relevant. In 2009, 75% of all luxury buyers used the Internet to shop for cars (Source: Strategic Vision New Vehicle Experience Study, 2009). So we looked to capture the attention of luxury shoppers online by creating an array of banner ads to run in online paid media, targeting shoppers on automotive websites like AutoTrader.com and Edmunds.com, as well as various regional news websites. Each banner was tied to a shocking claim and drove traffic to dealer group pages where shoppers could easily find a nearby dealership.

### *Sustaining the fight*

After the Olympics, dealer-funded media took over and the 50+ dealer advertising groups individually tagged each commercial. Then in June during the annual Summer of Audi event, while everyone was talking about sales and offers, we leveraged the moment to further seed doubt about our competitors. The third spot, “Truth,” highlighted moments in life when what we know to be certain just isn’t so. The title cards read, “Things aren’t always what they seem. Audi retains its value better than any other German luxury brand.”

And because not all of the Audi dealers had the money to spend on TV media, we developed a radio campaign called “Good News, Bad News.” The campaign launched with four executions, and each script treated the shocking claim as bad news for the competition. To soften the blow for BMW, Mercedes and Lexus, Audi “hired” people capable of delivering bad news. There was a therapist, a mother, a surgeon and a guy with a British accent (because everything sounds better in a British accent).

## **THE RESULTS**

### *1) Increased the number of hand-raisers: Shopping Intentions*

We launched the campaign and shopping intentions skyrocketed. Not only did they reverse from the downward trend but they blew past the high of 9.1% set in the 3<sup>rd</sup> quarter of 2009 (See *Figure 3*).

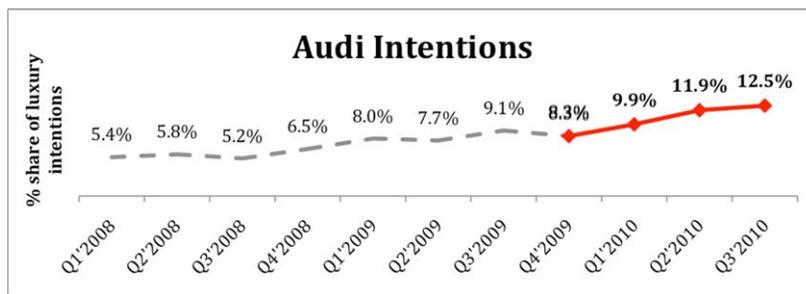


Figure 3 (Source: GfK) Note: Q4'2010 data not available by submission date

### 2) Drove traffic to dealerships: Foot Traffic

Dealership Foot Traffic was up 14% year-over-year (See Figure 4). Additionally, dealers have reported seeing more consistent traffic in 2010, an indication that people are not visiting only during times of heavy up advertising, but instead are visiting dealerships on a regular basis.

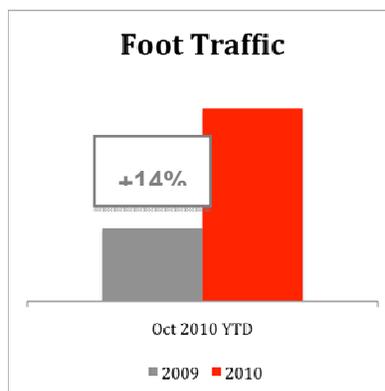


Figure 4 (Source: Audi Traffic Data)

### 3) Maintained accelerated sales growth: Retail Sales and Market Share

By the end of the campaign in October 2010, Audi sales were up 22% year-over-year and have consistently outpaced the overall luxury market since the campaign launched (see Figure 5). Audi market share within the luxury segment was up 9%. Additionally, by the end of 2010, Audi of America celebrated a major milestone by selling over 100,000 units in one year for the first time in the U.S.

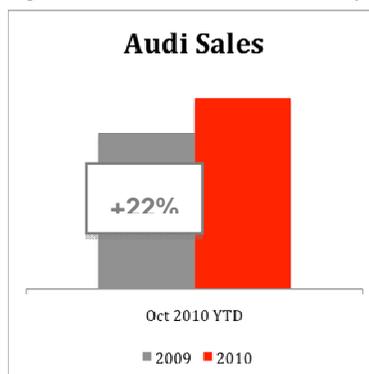


Figure 5 (Source: Audi of America Sales Data)