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U.S. Marketing Promotions Cost Analysis

The *U.S. Marketing Promotions Cost Analysis* model calculates the differences between standard or non-incentivized programs and all factory-supported promotions. The incentive variables included in the model are consumer rebates, discount financing, lease rate subvention, residual exposure, dealer allowances, volume bonus payments and contests.

Passenger car and light duty truck retail sales are the weights used to average the costs per model every month.

Estimated Incentive Spending Considerations:

- **Lease Program**
  The model compares the residuals offered by the manufacturer to the residuals reported in a standard industry lease guide. The difference between the two is the amount of lease residual support. Lease rate support is calculated by comparing the manufacturer/captive lease interest rate with the average commercial bank new car loan rate.

- **Finance Program**
  The amount of finance support is the difference between the average of the 60-month commercial bank new car loan rate and the average automobile company's new car finance rate (APR).

- **Consumer and Dealer Rebates**
  Consumer and dealer cash support is represented at face value.

- **Take Rates**
  The "Take Rates" are the percent of sales that are allocated to each type of promotion. More specifically, the number of vehicles purchased with cash, financed or leased through manufacturers. Depending upon a manufacturer's emphasis, these rates will change month to month based on a combination of proprietary research and available industry data.

The final incentive costs per new car or truck retailed are estimates based on a set of assumptions, research and insight. Autodata conducts its own research, obtains information deemed to be reliable from industry sources, and the insight and experience of its own analysts.