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The Luxury Vehicle Market in Canada

Overall Market

The luxury market in Canada is one of the hardest to analyze for a couple of reasons. First, a number of OEMs' egos get in the way, arbitrarily classifying certain vehicles as "luxury" products that most would not consider appropriate in that segment. I can't do anything about that and I'm not about to change what the OEMs have decided.

Second, cross-border shopping is strongest in the luxury segments and we have no way of tracking sales that are consummated outside of Canada. While American imports aren't mainstream, they represent a not-insignificant minority of luxury vehicle sales. My estimate is that U.S. imports accounted for approximately 5,000 units in 2008 and 3 to 4,000 units in 2009, but that is a pure guess. Most would put this

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Canadian Light Vehicle Market - Luxury Vehicles

Year	Total Market	Small Luxury Car	High Luxury Car	Luxury Sport Car	Compact Sport Utility	Intermediate Luxury Sport Utility	Large Luxury Sport Utility	Total Luxury
2000	1,549,441	41,747	25,015	4,581	-	13,587	2,142	87,072
2001	1,570,629	43,040	21,362	4,949	113	16,621	2,578	88,663
2002	1,703,246	52,060	20,399	6,843	1,227	18,063	3,476	102,068
2003	1,593,506	53,485	17,426	7,634	841	28,594	3,927	111,907
2004	1,534,415	60,727	14,085	8,705	2,812	32,303	3,088	121,720
2005	1,583,291	73,312	15,297	8,164	3,242	32,353	3,096	135,464
2006	1,614,701	74,501	14,127	7,126	4,514	32,455	4,472	137,195
2007	1,653,362	70,208	13,117	5,672	8,133	34,729	4,551	136,410
2008	1,635,986	70,088	11,398	5,110	8,979	33,241	3,430	132,246
2009	1,460,581	63,474	10,560	3,846	15,604	35,287	2,896	131,667
Change	-10.7%	-9.4%	-7.4%	-24.7%	73.8%	6.2%	-15.6%	-0.4%

Source: DesRosiers Automotive Consultants Inc., AIAMC and CVMA

Share of each Luxury Segment within the Luxury Market

Year	Total Luxury Market	Small Luxury Share	High Luxury Share	Luxury Sport Share	Compact Luxury Sport Utility Share	Intermediate Luxury Sport Utility Share	Large Luxury Sport Utility Share	Luxury Share of Total Market
2000	87,072	47.9%	28.7%	5.3%	0.0%	15.6%	2.5%	5.6%
2001	88,663	48.5%	24.1%	5.6%	0.1%	18.7%	2.9%	5.6%
2002	102,068	51.0%	20.0%	6.7%	1.2%	17.7%	3.4%	6.0%
2003	111,907	47.8%	15.6%	6.8%	0.8%	25.6%	3.5%	7.0%
2004	121,720	49.9%	11.6%	7.2%	2.3%	26.5%	2.5%	7.9%
2005	135,464	54.1%	11.3%	6.0%	2.4%	23.9%	2.3%	8.6%
2006	137,195	54.3%	10.3%	5.2%	3.3%	23.7%	3.3%	8.5%
2007	136,410	51.5%	9.6%	4.2%	6.0%	25.5%	3.3%	8.3%
2008	132,246	53.0%	8.6%	3.9%	6.8%	25.1%	2.6%	8.1%
2009	131,667	48.2%	8.0%	2.9%	11.9%	26.8%	2.2%	9.0%

Source: DesRosiers Automotive Consultants Inc., AIAMC and CVMA

Observations - "The Luxury Vehicle Market in Canada"

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number a lot higher but I base my calculation on vehicle registration figures which should pick up cross border shopping. Simply put, the 'vehicles on the road' figures don't support a higher number. The result of this undocumented cross border shopping is that luxury sales have been under-reported for some time.

The luxury vehicle markets outperformed the total market in 2009. Sales were down by 0.4 percent but the total market was down by 10.7 percent, so luxury share of the total market increased to 9.0 percent. Chalk

this up to the wealth effect. Many luxury intenders are at the top of the wealth scale, owning homes and equities. Both of these categories improved significantly in 2009, helping the luxury market outperform the overall market. This is a reversal of what had been happening the previous four years where the luxury segment lost overall share in the market. This was the fifth year in a row that luxury sales were above 130,000 units.

I have included a table that looks at sales by sub-segment from 2000 to 2009 in order to

highlight how much the luxury segments have changed. In 2000, some 28.7 percent of the luxury market was comprised of high luxury passenger cars. Sales of these vehicles fell to just 8.0 percent in 2009. Small luxury passenger cars have held steady in the fifty percent range while luxury SUVs have increased, especially compact and intermediate luxury SUVs. Indeed, most of the growth over the decade has occurred in the arena of luxury SUVs. Luxury sports cars fell out of favour two decades ago and are still a very small niche market accounting for only 2.9 percent

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Canadian Light Vehicle Market - Luxury Vehicles by Brand

Year	Total Luxury Market	GM Luxury	Ford Luxury	Chrysler Luxury	GM/Ford/Chrysler Luxury	Japanese Luxury	Korean Luxury	European Luxury
2000	87,072	10,768	6,417	5,797	22,982	21,051	284	42,755
2001	88,663	9,911	6,513	4,460	20,884	22,191	1,108	44,480
2002	102,068	11,505	7,701	3,976	23,182	26,298	947	51,641
2003	111,907	10,592	7,361	6,747	24,700	32,278	895	54,034
2004	121,720	9,863	5,773	16,517	32,153	33,972	1,571	54,024
2005	135,464	13,607	9,305	19,474	42,386	36,892	1,418	54,768
2006	137,195	14,686	7,935	17,859	40,480	36,304	1,642	58,769
2007	136,410	12,533	8,613	12,328	33,474	39,584	904	62,448
2008	132,246	10,320	7,291	8,009	25,620	41,902	869	63,855
2009	131,667	6,140	8,203	5,310	19,653	39,372	1,317	71,325
Change	-0.4%	-40.5%	12.5%	-33.7%	-23.5%	-6.0%	51.6%	11.7%

Source: DesRosiers Automotive Consultants Inc., AIAMC and CVMA

Each OEM's Share Within the Luxury Market

Year	Total Luxury Market	GM Luxury Share	Ford Luxury Share	Chrysler Luxury Share	GM/Ford/Chrysler Luxury Share	Japanese Luxury Share	Korean Luxury Share	European Luxury Share
2000	87,072	12.4%	7.4%	6.7%	26.4%	24.2%	0.3%	49.1%
2001	88,663	11.2%	7.3%	5.0%	23.6%	25.0%	1.2%	50.2%
2002	102,068	11.3%	7.5%	3.9%	22.7%	25.8%	0.9%	50.6%
2003	111,907	9.5%	6.6%	6.0%	22.1%	28.8%	0.8%	48.3%
2004	121,720	8.1%	4.7%	13.6%	26.4%	27.9%	1.3%	44.4%
2005	135,464	10.0%	6.9%	14.4%	31.3%	27.2%	1.0%	40.4%
2006	137,195	10.7%	5.8%	13.0%	29.5%	26.5%	1.2%	42.8%
2007	136,410	9.2%	6.3%	9.0%	24.5%	29.0%	0.7%	45.8%
2008	132,246	7.8%	5.5%	6.1%	19.4%	31.7%	0.7%	48.3%
2009	131,667	4.7%	6.2%	4.0%	14.9%	29.9%	1.0%	54.2%

Source: DesRosiers Automotive Consultants Inc., AIAMC and CVMA

Number of Dealers in Canada - Primarily Luxury

		2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	Change from 2000
1	Mercedes-Benz	51	50	51	52	51	55	52	53	51	53	2
2	Acura	42	44	46	47	47	47	48	48	50	47	5
3	Volvo	44	42	43	43	44	43	44	43	42	41	-3
4	Audi	36	36	36	35	35	35	35	37	39	41	5
5	BMW	32	32	32	35	36	37	39	38	40	40	8
6	Lexus	22	23	26	28	27	29	30	30	30	30	8
7	Infiniti	23	24	26	27	26	29	28	29	29	29	6
8	Jaguar	21	22	22	26	25	25	23	23	23	22	1
9	Land Rover	16	20	20	23	22	22	22	23	23	22	6
10	Porsche	11	11	11	11	11	12	12	12	12	12	1
Total		254	262	270	284	280	291	289	293	297	301	47

Source: DesRosiers Automotive Consultants Inc. and Canadian Automobile Dealers Association (CADA)

Sales per Dealer in Canada - Primarily Luxury

		2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	Change
1	BMW	344	397	454	433	461	491	513	632	581	618	6.4%
2	Lexus	239	242	251	290	308	349	400	446	500	527	5.3%
3	Mercedes-Benz	244	238	285	267	242	213	280	304	399	458	14.7%
4	Acura	199	250	236	262	302	288	279	341	328	310	-5.4%
5	Audi	166	169	201	225	212	206	235	222	238	276	16.0%
6	Infiniti	189	157	268	331	302	265	242	233	281	244	-13.2%
7	Porsche	117	100	108	147	165	161	156	166	140	141	0.4%
8	Volvo	197	220	220	250	253	271	225	180	128	137	7.6%
9	Land Rover	63	51	109	70	61	95	117	129	100	91	-8.5%
10	Jaguar	111	112	116	91	70	48	41	32	40	37	-9.5%

Source: DesRosiers Automotive Consultants Inc., AIAMC, CADA and CVMA

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of the total luxury market. Their current sales of 3,846 units are less than half of what they were in the early part of this decade when they approached 9,000 units.

Looking at these segments together, one could conclude that the Canadian market should be more appropriately referred to as a 'premium' market versus a 'pure luxury' market. Many of our best luxury models are actually de-contented for Canada in order to reach lower price points and larger swaths of luxury intenders. The size of our small luxury segments (i.e., small luxury passenger car and luxury compact sport utility) are good indicators of the 'premium'

side of the market as well as the strength of a brand like Acura which by most measures sells a line of vehicles more 'premium' than 'pure luxury'-oriented.

Leading the growth in luxury sales were luxury compact sport utility vehicles. Sales in this segment were 15,604 units, up some 73.8 percent. Both Audi and Mercedes-Benz introduced high volume vehicles into this segment in 2009, leading to significant growth. The other growth segment was luxury intermediate sport utility, increasing sales by 6.2 percent to 35,287 units. Lexus leads this segment with close to 10K

units sold in 2009. All the other luxury segments saw large declines in 2009. Luxury sport cars were down by 24.7 percent, large luxury sport utility vehicles were down by 15.6 percent, small luxury passenger cars were down by 9.4 percent and high-end luxury passenger cars were down by 7.4 percent.

Luxury Vehicle Sales by Brand

The story of the year - for the second consecutive year, in fact - has to be Mercedes-Benz. BMW remained the number-one seller of luxury

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Luxury Vehicle Sales in Canada by Brand - Units

		2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	Change
1	BMW	11,022	12,702	14,520	15,160	16,598	18,150	20,020	24,031	23,244	24,724	6.4%
2	Mercedes-Benz	12,457	11,881	14,520	13,868	12,337	11,704	14,536	16,108	20,363	24,273	19.2%
3	Lexus	5,257	5,575	6,514	8,132	8,318	10,108	12,001	13,388	15,001	15,802	5.3%
4	Acura	8,376	11,012	10,864	12,327	14,191	13,517	13,415	16,378	16,381	14,562	-11.1%
5	Audi	5,992	6,072	7,236	7,861	7,422	7,209	8,222	8,230	9,271	11,310	22.0%
6	Infiniti	4,340	3,765	6,969	8,938	7,841	7,672	6,779	6,756	8,159	7,081	-13.2%
7	Lincoln	6,417	5,955	6,565	6,423	4,825	3,924	4,094	5,960	5,227	6,168	18.0%
8	Volvo	8,658	9,237	9,442	10,750	11,135	11,651	9,911	7,731	5,365	5,636	5.1%
9	Chrysler	5,501	4,248	3,770	6,557	16,402	19,336	17,766	12,301	7,852	5,239	-33.3%
10	Cadillac	6,042	5,137	7,063	6,548	6,401	8,290	8,958	8,257	7,337	4,562	-37.8%
11	Ford	-	558	1,136	938	948	5,381	3,841	2,653	2,064	2,035	-1.4%
12	Range Rover	1,015	1,026	2,174	1,603	1,346	2,086	2,570	2,963	2,293	2,006	-12.5%
13	Porsche	1,288	1,102	1,193	1,612	1,816	1,926	1,868	1,987	1,682	1,689	0.4%
14	Hyundai	284	1,108	947	626	625	534	932	762	711	1,206	69.6%
15	VW	-	-	-	806	1,612	836	691	654	703	880	25.2%
16	Jaguar	2,323	2,460	2,556	2,366	1,751	1,200	943	738	929	804	-13.5%
17	Saab	1,483	1,710	1,764	1,710	1,864	2,197	2,640	2,209	1,568	777	-50.4%
18	Nissan	1	-	741	1,559	983	700	624	469	448	700	56.3%
19	Subaru	-	-	-	-	-	804	902	801	925	588	-36.4%
20	Hummer	-	-	424	872	498	1,754	2,002	1,269	812	494	-39.2%
21	Mazda	894	551	307	794	2,118	1,663	1,029	659	543	310	-42.9%
22	Chevrolet	1,181	1,046	1,230	1,020	1,048	1,362	1,086	798	603	307	-49.1%
23	Toyota	1,771	887	567	287	187	2,115	1,408	1,010	380	280	-26.3%
24	Kia	-	-	-	269	946	884	710	142	158	111	-29.7%
25	Dodge	152	108	90	149	115	138	93	27	157	71	-54.8%
26	Honda	412	401	336	238	250	212	146	123	65	49	-24.6%
27	Maybach	-	-	-	8	7	6	8	6	5	3	-40.0%
28	Mitsubishi	-	-	-	3	84	101	-	-	-	-	n.a.
29	Oldsmobile	2,052	2,016	1,024	442	52	4	-	-	-	-	n.a.
30	Plymouth	144	104	116	41	-	-	-	-	-	-	n.a.
31	Mercury	-	-	-	-	-	-	-	-	-	-	n.a.
32	Buick	10	2	-	-	-	-	-	-	-	-	n.a.
Total Luxury		87,072	88,663	102,068	111,907	121,720	135,464	137,195	136,410	132,246	131,667	-0.4%

Source: DesRosiers Automotive Consultants Inc., AIAMC and CVMA

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vehicles in 2009 with 24,724 units, besting Mercedes-Benz by a narrow margin of just a few hundred units. Meanwhile, Mercedes-Benz built on momentum that's been gathering for several years and continued to increase its penetration of the luxury markets. Mercedes-Benz sales were up 19.2 percent for the year, placing the company in a very solid number two market position for the second year in a row. Mercedes-Benz and BMW are the only two luxury

brands to have ever sold over 20K luxury units in a year.

One also has to highlight Audi for their success in 2009. Their sales were up 22.0 percent and they sold more than 10K units for the first time ever (11,310 units, specifically). I would argue that Audi is the luxury vehicle company with the most patience and the OEM most loyal to its established brand values. Most luxury players chase down all kinds of rat holes, looking for incremental volume and often diverting scarce resources away from core brands. Audi just

sticks to the knitting. They appear to understand their customer base very well and will not compromise their brand in the pursuit of growth. Interestingly, by not compromising, they actually see growth while many that go the other route see declining sales.

Lexus captured the third sales spot just ahead of Acura by a thousand units. Lexus also extended its streak of consecutive yearly increases to fourteen years. Toyota's luxury arm always seems to take baby

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Compact Luxury Sport Utility Sales in Canada - Units

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	Change
1 Mercedes-Benz	-	-	-	-	-	-	-	-	-	5,012	n.a.
2 Acura	-	-	-	-	-	-	1,415	4,104	3,573	2,869	-19.7%
3 BMW	-	-	-	-	2,304	2,930	3,096	2,975	2,296	2,236	-2.6%
4 Audi	-	-	-	-	-	-	-	-	-	1,942	n.a.
5 Infiniti	-	-	-	-	-	-	-	-	2,300	1,785	-22.4%
6 Volvo	-	-	-	-	-	-	-	-	-	1,211	n.a.
7 Land Rover	-	113	1,227	841	508	312	3	1,054	810	549	-32.2%
Total Compact Luxury Sport Utility	-	113	1,227	841	2,812	3,242	4,514	8,133	8,979	10,592	18.0%
Mercedes-Benz	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	47.3%	
Acura	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	31.3%	50.5%	39.8%	27.1%	
BMW	0.0%	0.0%	0.0%	0.0%	81.9%	90.4%	68.6%	36.6%	25.6%	21.1%	
Audi	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	18.3%	
Infiniti	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	25.6%	16.9%	
Volvo	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	11.4%	
Land Rover	0.0%	100.0%	100.0%	100.0%	18.1%	9.6%	0.1%	13.0%	9.0%	5.2%	
Total Compact Luxury Sport Utility	0.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	

Source: DesRosiers Automotive Consultants Inc. , AIAMC and CVMA

steps year-in and year-out, never faltering - rising, in fact, from bit player to main-line player.

Acura sales were down last year by 11.1 percent to 14.5K units and they have fallen to the fourth sales position.

The entire luxury market seems to have fractured into at least three groups. The top tier

players led by BMW all sell between 10K and 25K units each year. Also in this group are Mercedes Benz, Lexus, Acura and Audi.

Following these is a second tier of players led by Infiniti. All of these players have between 5K and 10K units each year. Audi jumped out of this group last year but the others rarely change. Staples of the second

tier include Lincoln, Volvo, Chrysler and Cadillac - all either Detroit brands or controlled by Detroit brands.

Comprising the third tier is a long list of OEMs selling between a few hundred to a few thousand units per year. Most of these players are either niche companies (e.g., Porsche, Range Rover) or are not serious luxury competitors but do have a

Large Luxury Sport Utility Sales in Canada - Units

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	Change
1 Audi	-	-	-	-	-	-	618	1,235	1,269	1,146	2.8%
2 Cadillac	621	1,038	1,582	1,451	1,108	940	1,342	1,386	1,056	639	-23.8%
3 Lincoln	1,521	1,540	1,470	1,604	1,102	1,025	968	961	384	600	-60.0%
4 Mercedes-Benz	-	-	-	-	-	265	956	488	394	308	-19.3%
5 Infiniti	-	-	-	-	380	362	267	204	160	162	-21.6%
6 Hummer	-	-	424	872	498	504	321	277	167	41	-39.7%
Total Large Luxury Sport Utility	2,142	2,578	3,476	3,927	3,088	3,096	4,472	4,551	3,430	2,896	-24.6%
Audi	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	13.8%	27.1%	37.0%	39.6%	
Cadillac	29.0%	40.3%	45.5%	36.9%	35.9%	30.4%	30.0%	30.5%	30.8%	22.1%	
Lincoln	71.0%	59.7%	42.3%	40.8%	35.7%	33.1%	21.6%	21.1%	11.2%	20.7%	
Mercedes-Benz	0.0%	0.0%	0.0%	0.0%	0.0%	8.6%	21.4%	10.7%	11.5%	10.6%	
Infiniti	0.0%	0.0%	0.0%	0.0%	12.3%	11.7%	6.0%	4.5%	4.7%	5.6%	
Hummer	0.0%	0.0%	12.2%	22.2%	16.1%	16.3%	7.2%	6.1%	4.9%	1.4%	
Total Large Luxury Sport Utility	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	

Source: DesRosiers Automotive Consultants Inc. , AIAMC and CVMA

Intermediate Luxury Sport Utility Sales in Canada - Top Ten (Units)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	Change
1 Lexus	2,941	2,251	2,262	4,790	5,131	5,597	5,131	5,052	6,865	9,281	35.2%
2 Acura	980	3,964	4,992	4,432	4,181	3,836	4,257	6,017	5,514	6,002	8.9%
3 BMW	1,840	2,802	3,164	3,352	2,956	2,450	2,158	4,075	3,981	4,437	11.5%
4 Mercedes-Benz	4,147	3,330	3,066	2,301	2,497	2,635	2,856	3,635	4,681	4,289	-8.4%
5 Volvo	368	1,611	2,042	4,284	4,382	4,984	4,428	3,339	2,994	2,742	-8.4%
6 Lincoln	-	-	128	1,145	1,072	664	53	2,531	2,218	2,471	11.4%
7 Land Rover	1,015	913	947	762	838	1,774	2,567	1,909	1,483	1,457	-1.8%
8 Cadillac	-	-	-	149	1,232	1,166	1,589	1,503	1,045	990	-5.3%
9 Infiniti	2,296	1,750	1,462	2,845	2,319	1,454	1,430	1,094	1,003	919	-8.4%
10 VW	-	-	-	784	1,519	802	684	654	703	880	25.2%
Others	-	-	-	3,750	6,176	6,991	7,302	4,920	2,754	1,819	-34.0%
Total Intermediate Luxury Sport Utility	13,587	16,621	18,063	28,594	32,303	32,353	32,455	34,729	33,241	35,287	6.2%
Lexus	21.6%	13.5%	12.5%	16.8%	15.9%	17.3%	15.8%	14.5%	20.7%	26.3%	
Acura	7.2%	23.8%	27.6%	15.5%	12.9%	11.9%	13.1%	17.3%	16.6%	17.0%	
BMW	13.5%	16.9%	17.5%	11.7%	9.2%	7.6%	6.6%	11.7%	12.0%	12.6%	
Mercedes-Benz	30.5%	20.0%	17.0%	8.0%	7.7%	8.1%	8.8%	10.5%	14.1%	12.2%	
Volvo	2.7%	9.7%	11.3%	15.0%	13.6%	15.4%	13.6%	9.6%	9.0%	7.8%	
Lincoln	0.0%	0.0%	0.7%	4.0%	3.3%	2.1%	0.2%	7.3%	6.7%	7.0%	
Land Rover	7.5%	5.5%	5.2%	2.7%	2.6%	5.5%	7.9%	5.5%	4.5%	4.1%	
Cadillac	0.0%	0.0%	0.0%	0.5%	3.8%	3.6%	4.9%	4.3%	3.1%	2.8%	
Infiniti	16.9%	10.5%	8.1%	9.9%	7.2%	4.5%	4.4%	3.2%	3.0%	2.6%	
VW	0.0%	0.0%	0.0%	2.7%	4.7%	2.5%	2.1%	1.9%	2.1%	2.5%	
Others	0.0%	0.0%	0.0%	13.1%	19.1%	21.6%	22.5%	14.2%	8.3%	5.2%	
Total Intermediate Luxury Sport Utility	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	

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vehicle or two positioned in this segment.

One aspect leading to this tiering is the structure of the dealer body. With all segments of the market, success or failure comes down to product but in the luxury segments this also extends into the broader image of the brand. In this light, the image of the dealer body is almost as important as product. The top-tier players all have strong

stand-alone dealers and most of these top-tier dealers have gone through expensive imaging programs over the past decade.

The differences between brands in the various tiers are myriad - and sales discrepancy involves more than just dealer factors since many lower-tiered OEMs also have stand alone dealers - but the dealer side of the equation is an important and oft-forgotten factor when analyzing the luxury market.

The Detroit Three brands (Lincoln, Cadillac and Chrysler) all sell luxury vehicles out of their full-line stores and this hurts them quite a bit. In many cases, the consumer has to trip over many ordinary vehicles to find a luxury product at one of these stores. Most don't want to do this.

I also believe that there is nothing wrong with being a lower-tiered player. An OEM can be just as successful being

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Observations - "The Luxury Vehicle Market in Canada"

Small Luxury Vehicle Sales in Canada - Top Ten (Units)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	Change
1 BMW	6,594	7,574	8,598	9,284	8,248	9,217	11,213	13,492	14,215	15,629	9.9%
2 Mercedes-Benz	4,612	5,552	7,755	6,711	5,794	4,863	6,569	7,365	11,173	10,454	-6.4%
3 Audi	3,371	3,506	5,028	5,911	5,650	5,559	6,186	5,544	6,231	6,989	12.2%
4 Lexus	1,638	2,073	3,049	2,553	2,571	3,246	5,817	7,043	7,234	5,885	-18.6%
5 Acura	6,931	6,731	5,542	7,721	9,671	9,205	7,510	6,099	7,137	5,597	-21.6%
6 Chrysler	5,501	4,248	3,770	3,463	10,480	14,654	13,316	10,210	7,443	5,234	-29.7%
7 Infiniti	2,003	1,825	5,356	5,929	5,067	4,714	3,992	4,908	4,286	3,998	-6.7%
8 Cadillac	669	484	2,039	2,409	2,079	4,154	3,946	3,839	4,223	2,488	-41.1%
9 Ford	-	-	-	-	730	5,276	3,659	2,558	2,064	2,035	-1.4%
10 Lincoln	-	-	-	-	-	270	1,732	1,585	1,358	1,508	11.0%
Others	10,428	11,047	10,923	9,504	10,437	12,154	10,561	7,565	4,724	3,657	-22.6%
Total Small Luxury	41,747	43,040	52,060	53,485	60,727	73,312	74,501	70,208	70,088	63,474	-9.4%
BMW	15.8%	17.6%	16.5%	17.4%	13.6%	12.6%	15.1%	19.2%	20.3%	24.6%	
Mercedes-Benz	11.0%	12.9%	14.9%	12.5%	9.5%	6.6%	8.8%	10.5%	15.9%	16.5%	
Audi	8.1%	8.1%	9.7%	11.1%	9.3%	7.6%	8.3%	7.9%	8.9%	11.0%	
Lexus	3.9%	4.8%	5.9%	4.8%	4.2%	4.4%	7.8%	10.0%	10.3%	9.3%	
Acura	16.6%	15.6%	10.6%	14.4%	15.9%	12.6%	10.1%	8.7%	10.2%	8.8%	
Chrysler	13.2%	9.9%	7.2%	6.5%	17.3%	20.0%	17.9%	14.5%	10.6%	8.2%	
Infiniti	4.8%	4.2%	10.3%	11.1%	8.3%	6.4%	5.4%	7.0%	6.1%	6.3%	
Cadillac	1.6%	1.1%	3.9%	4.5%	3.4%	5.7%	5.3%	5.5%	6.0%	3.9%	
Ford	0.0%	0.0%	0.0%	0.0%	1.2%	7.2%	4.9%	3.6%	2.9%	3.2%	
Lincoln	0.0%	0.0%	0.0%	0.0%	0.0%	0.4%	2.3%	2.3%	1.9%	2.4%	
Others	25.0%	25.7%	21.0%	17.8%	17.2%	16.6%	14.2%	10.8%	6.7%	5.8%	
Total Small Luxury	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	

Source: DesRosiers Automotive Consultants Inc., AIAMC and CVMA

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small (witness Audi) as being large. Likewise, an OEM can be just as unsuccessful being big as being small. Being smaller usually only hurts when an company's ego gets in the way and they try to be more than what their product and dealer body can support.

Cadillac (10th), Ford (11th), and Chrysler (9th) all have lost significant market share over the years. Collectively, the D-3 captured 40.0 percent of the luxury market in 1990 and in the year 2009 this has dropped to 14.3 percent. Most of this decline can be ascribed to GM products. Also, some would consider the Chrysler 300 more of a premium intermediate vehicle than an entry level luxury product, so their share would be considered high by many. However, even with counting the Chrysler 300 included in this

segment, Chrysler still is having problems, dropping from almost 20K units in 2005 to 5.2K units in 2009.

Cadillac is an enigma wrapped in a riddle. They experienced a horrific fall from grace, bearing the luxury standard during the 1950's, 60s, 70s and even to a degree in the 1980s. Fortunes fell to under 10K units annually in the early part of the 2000s, holding only 5.3 percent of the luxury market by 2004 and barely edging onto the luxury top ten (9th place). GM brought in Bob Lutz at the beginning of the decade with job one being to fix Cadillac. And fix the product he did with sales in Canada growing from 5K units in 2001 to 9K units in 2006.

However, during the last three years sales have fallen back to 4.6K units annually. I suspect that dealer network issues lie at the core of the problem, followed closely by the loss of luxury brand equity (some of which can be blamed on the general woes of GM). This is a prime example of other issues that can hurt sales aside from product. GM luxury brands as a whole (including Hummer, Saab, Corvette, Cadillac and Oldsmobile for older model years) have also taken a significant decline. Total GM luxury has declined from over 15K units in 2005 to only 6.1K units in 2009.

There are currently 27 luxury brands for sale in Canada all

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Observations - "The Luxury Vehicle Market in Canada"

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of which are documented in one of the attached tables.

Number of Dealers and Sales by Luxury Dealer

Unfortunately, I cannot get a breakout from GM or Ford for the number of dealers associated with their luxury brands and Chrysler doesn't have a luxury dealer network, so this analysis only covers OEMs for which there is a unique dealer body dedicated to selling luxury vehicles. Even here, there are some minor issues with brands like Acura which sell non-luxury products alongside their luxury vehicles but there is no easy way to address this. I only included luxury sales in this analysis so

some of these dealers sell more units per store than indicated (they are just not luxury units).

I argue that the three best dealer metrics to monitor are net profits (or return on sales), absorption rates and new vehicle sales per dealer. We do not have access to the first two so I'm restricted to looking at sales per dealer. Although Mercedes Benz has the most luxury dealers in Canada (53 stores), they have the third best sales per dealer at 458 units. BMW is the strongest dealer body selling 618 units per store although this is down from 632 units per store in 2007 (they added 2 dealers). Lexus is number two with 527 units per store. With the exception of Volvo, all luxury

brands have added or held their store counts since the year 2000.

Having the best performing and therefore the most powerful luxury dealer network in Canada has served BMW very well and is one of the key reasons they emerged as the number one luxury brand in Canada over Mercedes Benz and remained in that position in 2009. The splitting off of all Lexus dealers from their sister Toyota franchise, together with the building of dozens of image stores over the last few years, is also a key element in their success with rock solid increases in sales per dealer. The brilliance of Honda to launch Acura in 1987 with stand-alone dealers was critical in establishing their brand identity by which they benefit to this day with the number four position in the overall market. **DAR**

High Luxury Vehicle Sales in Canada - Top Ten (Units)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	Change
1 Mercedes-Benz	3,471	2,869	3,059	3,878	2,936	2,699	3,046	3,587	3,187	3,567	11.9%
2 BMW	2,551	2,268	2,744	2,504	2,607	3,186	3,119	3,118	2,466	2,257	-8.5%
3 Lincoln	4,896	4,415	4,967	3,674	2,651	1,965	1,341	883	1,267	1,589	25.4%
4 Jaguar	1,968	1,617	1,055	1,045	774	531	392	288	705	681	-3.4%
5 Audi	1,843	1,908	1,644	1,508	1,451	1,451	1,307	1,003	956	675	-29.4%
6 Lexus	678	697	611	451	370	1,053	894	1,184	822	592	-28.0%
7 Cadillac	4,752	3,615	3,442	2,517	1,828	1,897	2,000	1,470	983	429	-56.4%
8 Volvo	1,692	684	597	445	520	376	248	543	243	250	2.9%
9 Infiniti	41	190	151	164	75	1,142	1,090	550	410	217	-47.1%
10 Porsche	-	-	-	-	-	-	-	-	-	114	n.a.
Others	3,123	3,099	2,129	1,240	873	997	690	491	359	189	-47.4%
Total High Luxury	25,015	21,362	20,399	17,426	14,085	15,297	14,127	13,117	11,398	10,560	-7.4%
Mercedes-Benz	13.9%	13.4%	15.0%	22.3%	20.8%	17.6%	21.6%	27.3%	28.0%	33.8%	
BMW	10.2%	10.6%	13.5%	14.4%	18.5%	20.8%	22.1%	23.8%	21.6%	21.4%	
Lincoln	19.6%	20.7%	24.3%	21.1%	18.8%	12.8%	9.5%	6.7%	11.1%	15.0%	
Jaguar	7.9%	7.6%	5.2%	6.0%	5.5%	3.5%	2.8%	2.2%	6.2%	6.4%	
Audi	7.4%	8.9%	8.1%	8.7%	10.3%	9.5%	9.3%	7.6%	8.4%	6.4%	
Lexus	2.7%	3.3%	3.0%	2.6%	2.6%	6.9%	6.3%	9.0%	7.2%	5.6%	
Cadillac	19.0%	16.9%	16.9%	14.4%	13.0%	12.4%	14.2%	11.2%	8.6%	4.1%	
Volvo	6.8%	3.2%	2.9%	2.6%	3.7%	2.5%	1.8%	4.1%	2.1%	2.4%	
Infiniti	0.2%	0.9%	0.7%	0.9%	0.5%	7.5%	7.7%	4.2%	3.6%	2.1%	
Porsche	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	1.1%	
Others	12.5%	14.5%	10.4%	7.1%	6.2%	6.5%	4.9%	3.7%	3.1%	1.8%	
Total High Luxury	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	

Source: DesRosiers Automotive Consultants Inc., AIAMC and CVMA

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