

Vladimir · engine · level of luxury

Literature, Russian Literature



Vladimir Manukyan Doctor Mitrokostas Evangelos Price analysis 522 January 8, 2018 Pricing Strategies of the Automobile Industry in the United States Cars are used every day, but they are a major purchase for the average consumer. Because of the size of the investment and the plethora of choices available, it is important for consumers to consider the different factors that go into the price of a vehicle. It is interesting to see the effect a brand's image has on a consumer's willingness to pay and the price of a vehicle. Industry structure consists of two major parts which are the manufacturing process and distribution and sales channels.

The manufacturing process is labor and capital intensive, channels are private and independent. Car producing industry in United States is heavily regulated for instance sales of cars, manufacturing, emissions, fuel economy standards and safety. United States' car market is not highly concentrated because the HHI is equal 1167.58. In the US auto industry competition is medium and increasing, there are high and steady barriers to entry and high level of globalization.

Aside from prices companies differentiate their products by · Engine · Level of luxury · Design · Status · Independent company attributes

US auto industry by numbers · Total US Car Sales 2010: 11.5 Million · Total US Car Sales 2011: 12.72 million leading to total dealership revenue of 609 billion.

· Total US Car sales 2012: 14.5 million cars 13 percent growth from 2011 · Projected US Car Sales 2013: Projected to be 15.5 million Would return US car sales to pre-recession levels.

Top selling automakers in United States are These five automakers in the US comprise 68 % of market share. General Motors is considered to be the largest automaker by vehicle sales in the US which includes four brands, Chevrolet, Cadillac, Buick and GMC. In addition, Chevrolet was responsible for about 71 percent of GM sales in 2012. It sold 2. 6 Million cars in all over the world and the revenue from those transactions was \$152. 3 Billion.

The second largest automaker in the US is Ford. Total sales are 2. 3 Million cars; revenue is \$134. 3 Billion. Ford company is producing Ford and Lincoln but the main part of the revenue is generated by Ford cars.

In 2012 the 95 percent of the sales was Ford. Next is the Toyota with sales 2. 1 Million car and revenue is \$225. 8 Billion.

In the US, Toyota is offering 3 brands which are Toyota, Lexus and Scion but Toyota has the biggest sales volume, in 2012 it was responsible for 85 percent of the company's sales. Chrysler is the fourth biggest automaker company in US. It has 4 different brands which are Chrysler, Dodge, Jeep and Ram. Total sales are 1. 7 million cars, total revenue is \$65. 78 billion.

Market share of these brands are almost equal. The fifth biggest is Honda. US brands that are produced by Honda are Honda and Acura. Total sales for Honda is 1. 42 Million cars and total revenue is \$47. 32 Billion.

Honda accounts for nearly 90 percent of the company's sales. Pricing Strategies · Industry Wide Agreements· Manufacturer/Brand Level: Specials· Manufacturer Level: Premium Pricing· Brand Level: Bundling of Add-Ons· Dealership Level: Competition Pricing· Used Car Pricing Industry-

wide norm: types of agreements
 Second-degree price discrimination –
 Versioning. There are different versions of agreement. Consumers can choose between buying or leasing a car. Buying a car is more expensive option in contrary leasing a car involves lower monthly payments.

Manufacturers/Brand level: Special Third-degree price discrimination- Price varies for different consumer segments.

Sometimes manufacturers offer special to certain consumer segments.

For instance, special financing option for students or recent graduates by BMW and General Motors because students have a higher elasticity of demand which means they should be offered more attractive financing plan if you want to make a sale. Premium pricing In order to understand how it works, we need to collect some data and compare premium brand model and a base brand model for each manufacturer.

I took eight similar sedan models as a control base. Honda Civic vs Acura ILX
 Ford Taurus vs Lincoln MKS
 Toyota Avalon vs Lexus LS350
 Chevrolet Impala vs Cadillac XTS
 From table 2 it's visible than an automaker's premium brand has a higher price than its base brand. Bundling
 Automakers offer several version of the same car. Many options can be purchased separately from the bundle. For example, premium brands always have · Better audio system · Better interior material (leather...) · Better safety features (fog lights, back camera...) · Cool specs (heated front seat and moon roof)

CAR MODEL	PRICE DIFFERENCE BETWEEN 1ST AND 2ND OPTION	PRICE DIFFERENCE BETWEEN 2ND AND 3RD OPTION
Ford Taurus		

\$2200 \$4200 Toyota Avalon \$2205 \$2305 Honda Civic \$2650 \$1450 Acura
ILX \$3310 \$2200 Lincoln MKS \$2400 \$4600 The pricing of the used car.

The most important factor in pricing a used car is the depreciation value. Depreciation is a bad thing for new cars buyers and a good thing for used car buyers. Depreciation example with the brand new Nissan 370z.(assuming 15000 miles per year)Here we can see that after 5 years this car lost \$17,804 and the current value is \$12,069.

On average, a car will depreciate 15-25 percent each year for the first five years. The car will be worth 37 percent of its original value after those five years. Most of the car manufacturing companies are trying to get young customers and building loyalty to their brands.

They are trying to differentiate their products in order to set higher markup percentage.

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