

**The Total Value Index<sup>®</sup> – Appendix**  
Strategic Vision, Inc.

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The following notes are conclusions by Strategic Vision, Inc. (SVI) that are important but did not fit the parameters established for the press release.

**A note about Scion:** The entire Scion brand continues to do well, scoring above segment averages. However, Scion has a new competitor: Toyota's Yaris competing in the same segments. Scion used Toyota's equity communicating reliability while maintaining competitive pricing. The question arises: What should Scion do to move forward when it has to do combat with its own parent for market share? The future of Scion (and its "little deviants") needs to be reexamined as the market is quickly adjusting to make Scion's path much more difficult.

**A note about Chrysler:** There have been sea-changes at Chrysler in 2007. With new leadership and direction, combined with strong new products already launched like the 2008 Chrysler Town & Country and 2008 Dodge Avenger, it is Strategic Vision's opinion that Chrysler is poised for increased sales success in 2008 and the future. If the corporate management mirrors what appears to be in Chrysler's planning, they might have to wear shades.

**A note about TVI:** It is also important to note that the customers' perceptions of Total Value (expressed in the Total Value Index<sup>®</sup> – TVI) are not based on low prices or apparent affordability, as they are defined by many historical calculations. Not even "price for value" – nor warranty alone or any simple equation – is sufficient to calculate value. The calculation changes slightly (different weights for the same variables) by segment. In fact, as demonstrated in previous years, the infusion of incentives to "lower" the price and attract buyers who otherwise might not be interested (including cash back, interest charges or extended warranty), can actually hurt brand trust and ultimately erode brand equity. The following tables will show TVI by median purchase price, incidence of incentives and percent of the buyers delighted by the offered warranty. (See Appendix A – D.)

Total Value is important for brands with strong reputations and critical for everyone else. Of course, "value" starts with what is received. Of course, too, what is received is weighed against what is given. In ancient times, the first "law of alchemy" reflected a simple formula: What is created cannot be greater than what is lost. And, of course, that law was for the uninitiated with the more sophisticated version being: The perceived value of what is created cannot be greater than the perceived worth of what is lost.

Total Value is more than price paid or deal, and it is more than initial quality (TGW – save us from unweighted counts that blur "things gone wrong" and "design issues that I do not like") divided by price - which some profess. Total Value encompasses the complete ownership experience with emotional components and priorities. Not all things are equal. Building Total Value is strongly related to brand reputation which carried (in part) the notion of the vehicle being a "smart buy." In a mature market where consumers have a variety of excellent choices, where concern for fuel economy and "getting the most for their money" – as an emotional statement – also count, the expectation and perception of Total Value influence the purchase in major ways.

Both short-term, immediately experienced factors (like price paid, incentives – used correctly – or product features – standard) and longer-term, anticipated factors (like reliability and durability) shape the perception of Total Value. Therefore, the Total Value Index with its parts can be used to determine when the economic factors are "out of whack." Price, incentives, content, and even message – can be assessed against the array of proven SVI factors that shape success: Quality, Value and Delight.

Appendix A: Very different brands from Scion to BMW are among the top five in value.

Rank by Brand TVI					
Brand		07TVI	Purchase	Incidence	Warranty
Rank		Full Year	Price (median)	Incentives	% Delighted
1	MINI	817	\$26,660	6%	53%
2	Volkswagen	777	\$23,000	30%	41%
3	Lexus	777	\$42,000	23%	40%
4	BMW	773	\$47,000	23%	62%
5	Scion	770	\$18,000	12%	36%
6	Acura	770	\$37,700	25%	41%
7	Mercedes Benz	770	\$55,012	30%	44%
8	Audi	768	\$40,000	30%	41%
9	Infiniti	762	\$40,000	23%	41%
10	Lincoln	762	\$40,000	57%	45%
11	Honda	761	\$24,261	25%	37%
12	Hyundai	760	\$21,000	51%	60%
13	Saturn	757	\$23,250	55%	46%
14	Toyota	748	\$25,000	39%	33%
15	Volvo	746	\$38,900	41%	36%
16	Jaguar	746	\$67,000	35%	46%
17	Saab	744	\$34,000	70%	48%
18	Cadillac	742	\$50,000	52%	46%
19	Kia	741	\$20,000	59%	56%
20	Mazda	739	\$22,500	49%	31%
21	Nissan	739	\$25,000	35%	34%
22	Hummer	738	\$36,500	53%	52%
	<b>INDUSTRY</b>	<b>737</b>	<b>\$27,000</b>	<b>47%</b>	<b>38%</b>
23	Porsche	732	\$75,000	25%	39%
24	Mitsubishi	726	\$24,183	58%	53%
25	Subaru	720	\$24,000	55%	25%
26	Buick	720	\$28,000	68%	42%
27	Land Rover	720	\$64,000	30%	44%
28	Pontiac	719	\$23,000	56%	40%
29	Mercury	717	\$25,000	72%	32%
30	Chevrolet	716	\$28,000	65%	41%
31	GMC	715	\$35,000	70%	37%
32	Ford	714	\$28,000	69%	34%
33	Suzuki	701	\$17,900	47%	46%
34	Chrysler	700	\$27,700	60%	29%
35	Dodge	689	\$28,000	61%	26%
36	Jeep	678	\$27,000	50%	27%

Appendix B: Purchase price alone does not determine the final perceived value.

Rank by Price Paid					
TVI			Purchase		
Brand		07TVI	Price	Incidence	Warranty
Rank		Full Year	(median)	Incentives	% Delighted
23	Porsche	732	\$75,000	25%	39%
16	Jaguar	746	\$67,000	35%	46%
27	Land Rover	720	\$64,000	30%	44%
7	Mercedes Benz	770	\$55,012	30%	44%
18	Cadillac	742	\$50,000	52%	46%
4	BMW	773	\$47,000	23%	62%
3	Lexus	777	\$42,000	23%	40%
8	Audi	768	\$40,000	30%	41%
9	Infiniti	762	\$40,000	23%	41%
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36	Jeep	678	\$27,000	50%	27%
1	MINI	817	\$26,660	6%	53%
14	Toyota	748	\$25,000	39%	33%
21	Nissan	739	\$25,000	35%	34%
29	Mercury	717	\$25,000	72%	32%
11	Honda	761	\$24,261	25%	37%
24	Mitsubishi	726	\$24,183	58%	53%
25	Subaru	720	\$24,000	55%	25%
13	Saturn	757	\$23,250	55%	46%
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20	Mazda	739	\$22,500	49%	31%
12	Hyundai	760	\$21,000	51%	60%
19	Kia	741	\$20,000	59%	56%
5	Scion	770	\$18,000	12%	36%
33	Suzuki	701	\$17,900	47%	46%

Appendix C: High incentives erode brand trust and ultimately decrease value.

Rank by Incidence of Incentives					
TVI			Purchase		
Brand		07TVI	Price	Incidence	Warranty
Rank		Full Year	(median)	Incentives	% Delighted
29	Mercury	717	\$25,000	72%	32%
17	Saab	744	\$34,000	70%	48%
31	GMC	715	\$35,000	70%	37%
32	Ford	714	\$28,000	69%	34%
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3	Lexus	777	\$42,000	23%	40%
5	Scion	770	\$18,000	12%	36%
1	MINI	817	\$26,660	6%	53%

**Appendix D: Warranties can help reassure customers but are not “the magic bullet.”**

However, BMW with its ultimate service and Hyundai and Kia being the first to establish a strong warranty plan have received customer recognition as value leaders.

<b>Rank by Incidence of Incentives</b>					
TVI		07TVI	Purchase	Incidence	Warranty
Brand		Full Year	Price	Incentives	% Delighted
Rank			(median)		
4	BMW	773	\$47,000	23%	62%
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25	Subaru	720	\$24,000	55%	25%

**A Note about Strategic Vision, Inc. "Decisions made from an articulate, reflective, ValueCentered® position have the greatest sense of integrity, are the most useful, and lead to the greatest successes." (Dr. Darrel Edwards, *The Secret of (Almost) Everything*, 2007)**

Strategic Vision, Inc. was founded in 1972 by the following Partners:

- Dr. Darrel Edwards, Ph.D. from Brigham Young University in 1968, in Clinical Psychology, Philosophy and Religion, a Board Certified Diplomate in Clinical Psychology from the American Board of Clinical Psychology, a Senior Member of the American Society for Quality, and currently CEO And Creative Director.
- J. Susan Johnson, M.A. from San Diego State University, in Research Psychology and Statistics, with a license in Marriage, Family and Child Counselor with a 10,000 hour of Clinical Internship, is President of Strategic Vision, Inc.
- Sharon D. Shedroff, M.A. from the California School of Professional Psychology, in Clinical Psychology, with a license in Marriage, Family and Child Counselor with a 10,000 hour of Clinical Internship, is President of Consumer Division, Strategic Vision, Inc.
- Alexander Edwards, B.A. from the University of California, San Diego in Cognitive and Behavioral Psychology, Magna Cum Laude, and a member of the Screen Actor's Guild (SAG), is President of the Automotive Division, Strategic Vision, Inc.

Strategic Vision, Inc. was incorporated in 1989 and became StrategicVision Worldwide, Inc. unofficially in 1999 with core strategic centers in Toronto, Frankfurt, Milan, Russia and Shanghai and associates in Maumee, London, France, Spain, Mexico and Spanish-speaking South America, and Brazil.

StrategicVision Worldwide, Inc., as a research-based consultancy with thirty-five years of experience in understanding the consumers' and constituents' decision-making systems for a variety of clients, including (over that time) most automotive manufacturers, American Airlines, Procter & Gamble, Coca Cola, Nestlé Foods, leading pharmaceuticals, world-leading advertising agencies, 10 Downing Street, the Vatican, and dozens of other Fortune 500 companies. Its unique expertise is in identifying consumers' comprehensive motivational hierarchies, including the product attributes, personal benefits, values and emotions, and images that drive perceptions and behaviors.

ValueCentered Psychology® and its unique research methods that define the development and assessment of products and associated communications were defined by Dr. Darrel Edwards in 1968 and articulated by Dr. Edwards and J. Susan Johnson (Edwards and Johnson, 1972) with the autonomous hierarchical tandem clustering program. Dr. Edwards had been trained in *Personal Construct Theory* (G. Kelly, 1955) and the positive opportunities to understand decision-making, sharpened in his ground-breaking research on problem solving for the National Aeronautics and Space Administration (1968). From these pioneering procedures arose a wave of means-ends techniques and "laddering" procedures aimed at defining emotions (and at times "values") from the consumers' perspectives. Milton Rokeach (1918-1988) – best known for *The Open and Closed Mind* (1960); *Beliefs, Attitudes and Values: A Theory of Organization and Change* (1968) – stimulated Dr. Edwards's thinking. Rokeach's central work was tested and found wanting in the fire of testing the null hypothesis (proposing that what you are doing is not different from doing nothing) by Dr. Edwards in (1968) and CoreValues® comprehensively linked to behavior, attribute/benefits, and images – with more than two million interviews and surveys combined completed through 2006 – replaced Dr. Rokeach's position.

While Dennis Hinkle (1965) tried to apply hierarchical systems to clinical psychology, he could not reject the null hypotheses and his work was never replicated. Still, Bannister and Mair (1968) gave Hinkle's work extensive play and coined the term "laddering." It was Reynolds and Guttman (1988) who popularized "laddering" through its introduction in Michigan's business curricula.

By then, Edwards and Johnson (1972) had extensive programs for data collection and analyses that rejected the laddering position and introduced autonomous hierarchical tandem clustering and comprehensive, systematic articulation of the levels within a decision-making process throughout education, medicine, business, industry, finance, and politics, including applying it to the Reagan-Mondale political race (1984), Bush-Dukakis (1988), the broad range of communication, election, and governmental decision for 10 Downing and the Vatican with Pope John Paul II.

Currently, ValueCentered® methods shape qualitative interviews and quantitative surveys worldwide and on the internet through StrategicVision's *Voice of the Customer Internet Surveys* (Immediate Response Processes) – VOC IRPs. Programming and design for the work has been done by our additional Founding Partners:

- Chuck Borough, B.S. in Physics and Mathematics from Brigham Young University, with a worldwide reputation as the leading *Quick Basic* programmer and problem-solver.
- Alex Hare, B.A. in Fine Arts and Personal and Social Psychology from San Diego State University whose work structures the look of our business face, our website, and Dr. Edwards and Johnson's presentational material and books.

For further information, contact Alexander Edwards, Dr. Darrel Edwards, Susan Johnson, Sharon Shedroff, Chris Chaney, Dave Lazott, or Molly Sirota at (858) 576-7141; or visit [www.strategicvision.com](http://www.strategicvision.com).