



## These Automotive Companies Inspire the Best Brand Loyalty

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There are few things more important than brand loyalty when it comes to the automotive industry. Competition among automakers, car rental companies, gas stations, and car insurance companies is nothing short of fierce. In addition, profit margins can sometimes be razor-thin, so companies need to do as much as they can with their marketing budget and effectively sway customers with a quality product.

Luckily for us consumers, research firm Brand Keys recently came out with its [17th annual loyalty rankings](#) that examined 375 top brands across 54 categories -- including numerous automotive sectors. The score each company receives is known as the Customer Loyalty Engagement Index and encompasses a plethora of factors that allows these companies to be compared to one another.

Today, I want to look at Brand Keys' top selections in the auto sector and not only give credence to these companies for driving customer loyalty, but also discover what attributes they may possess that could make them excellent investments.

### Automotive

Brand Keys' results actually delivered a tie for first place between domestic auto giant **Ford** (NYSE: [F](#)), and South Korea's **Hyundai**. I believe each company offers a unique perspective on why they're driving significant brand loyalty.



Source: [Martin Mincer](#), Commons.wikimedia.org.

As I noted in my recent [deeper dive into Ford](#), CEO Alan Mulally is driving significant growth and brand loyalty with its turbocharged, but fuel-efficient, EcoBoost engines, an emphasis on reviving the American muscle car with the iconic Mustang, and the added consistency of America's best-selling truck, the F-Series. Ford has also taken advantage of the brand damage caused to domestic rival **General Motors**' (NYSE: [GM](#)) by its bankruptcy filing, and the fact that GM failed to make innovative changes to the Silverado or Sierra truck lines for nearly seven years.

Hyundai's success derives from its incredible price points and presumably one of the best warranties available. Clearly, no one wants to use their warranty, but the peace of mind that Hyundai gives customers has been enough to keep them coming back.

### Car insurance

Sometimes the amount of advertising an insurance company kicks out isn't indicative of the loyalty it can generate from consumers. You might be of the opinion that loyalty and insurance are essentially oxymorons (and in some cases I'd agree), but no company has been better at capturing and hanging onto clients than privately held State Farm.

What's interesting here is that State Farm's advertising budget jumped dramatically in 2011, yet it's nowhere near as high as **Berkshire Hathaway**-owned GEICO, which [spent just shy of \\$1 billion](#) on advertising in the same year. Average spending on ads as a percentage of revenue in the insurance industry is 2.4% -- GEICO's was 6.5% in 2011.

State Farm's loyalty appears to originate from its dominant market share in the car insurance market. According to CarInsuranceCompanies.net, State Farm held 18.7% market share as of 2010, compared with just 8.5% for GEICO. I can't also help feeling that GEICO's aggressive advertising might also be bothersome to certain potential customers, further securing State Farm's position at No. 1.

### Car rental

There are a growing number of choices when it comes to car rentals, but **Avis Budget Group** (NASDAQ: [CAR](#)) has claimed the crown on Brand Keys' list for 13 consecutive years.

The keys to driving continued success for Avis appears to be its rapid adoption of mobile technologies which allow customers to make reservations online without the added redundancies of reentering flight or travel information, and the ability to provide real-time customer feedback to on-site managers which can make actionable and quick changes to customer concerns. In addition, Avis was the first car rental company to embrace a smoke-free rental car policy, taking advantage of a move toward healthier living habits.

### Gasoline

Similar to car insurance companies, there's a love-hate relationship with gas stations. They're often considered a necessary evil, yet advertising isn't necessarily the key to driving brand loyalty here, either. In fact, the top brand in the sector for generating loyalty, **Royal Dutch Shell** (NYSE: [RDS-A](#)), rarely turns to advertising to boost its image. Instead, it relies on its reputation as one of the nation's best-quality gasoline sources to fuel return customers.

In addition, Shell emphasizes the use of the Shell card as a way for consumers to earn points toward future gas purchases while reducing its own costs (i.e., no third-party credit charge) and keeping customers locked into its network of gas stations.

### What's the takeaway?

Now that we've had a glimpse into which companies drive the best brand loyalty in the automotive sector, let's examine what factors are consistent throughout the sector that might help investors pick out the next great company in the sector.

First of all, innovation is obviously very important. With gas prices well over \$3 a gallon in most parts of the country, fuel economy is the first hurdle that'll help automotive companies drive loyalty. Ford's EcoBoost engines, and Avis' purchase of ZipCar to expand its ride-sharing business, are keys to getting in consumers' favor.

Also, market share and brand visibility are defining factors in the automotive sector. State Farm, for instance, is 8.5 percentage points ahead of the second-highest car insurance company (**Allstate**) in terms of market share. This gives members the impression that bigger will mean better coverage and representation in case of an insurance claim. Similarly, Shell ranked No. 1 in terms of total gallons sold and market share in the U.S. as of 2009, according to the Lundberg Survey. Brands that are easily visible usually command strong brand loyalty.

### Worried about Ford?

If you're concerned that Ford's turnaround has run its course, relax -- there's good reason to think that the Blue Oval still has big growth opportunities ahead. We've outlined those opportunities in detail, in the Fool's [premium Ford research service](#). If you're looking for some freshly updated guidance to Ford's prospects in coming years, you've come to the right place -- [click here](#) to get started now.

### The Death of the PC

The days of paying for costly software upgrades are numbered. The PC will soon be obsolete. And *BusinessWeek* reports 70% of Americans are already using the technology that will replace it. Merrill Lynch calls it "a \$160 billion opportunity." Computing giants including IBM, Yahoo!, and Amazon are racing to be the first to cash in on this PC-killing revolution.

Yet a small group of little-known companies have a huge head start. Get the full details on these companies, and the technology that is about to destroy the PC, in a free video report from The Motley Fool.

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