

## WILL AGING CARS BOOST NEW SALES?

Approximately 34 million new light vehicles were sold during 2014 and 2015, and through October 2016, an additional 14.47 million, or a grand total of 48.47 million. Add November and December 2016, and the three-year total will likely exceed 51 million.

Why, therefore, did the average age of cars and light trucks on the road increase to 11.6 years during 2016? IHS Markit estimates that the total number of light vehicles on US roads is 264 million, and 18.4% of them are those 48.47 million new vehicles sold during the last 34 months.

Although the rate of increase of the average age of vehicles on the road has moderated considerably, IHS thinks the average will continue to increase, as more vehicles will have even greater quality features.

IHS estimates that vehicles 16 years and older will increase 30% to 81 million by 2021, and 20 million of those vehicles will be at least 25 years old.

This is great news for the automotive aftermarket – repairs and parts –, but the new vehicle market is precariously balanced on a razor's edge. If more owners keep their old cars, as IHS forecasts, then new-vehicle demand could significantly decrease; or if consumers are confident in their jobs and wage growth continues, then more of them may decide to junk the junker for a new vehicle.



## AUTO LOAN MARKET STABLE – FOR NOW

If the increasing age of their vehicles compels consumers to replace their sleds with a new vehicle, then credit shouldn't be an issue. Many economic and automotive market analysts have voiced concern that a subprime bubble could develop similar to the mortgage crisis that was largely responsible for the recession.

Although caution is always a prudent strategy, the credit market remains robust. Interest rates may increase a bit, as the economy improves, but rates are expected to remain very attractive.

Mike Jackson, CEO of AutoNation, isn't concerned with subprime auto loans, as they represent only 10% of all of his company's loans. In addition, Experian reported that subprime loan and lease origination's share of all auto loans actually declined slightly during Q2 2016, to 19.3%.



## MARKETING FORWARD

### Accessories: The Overlooked Profit Center

According to Reynolds and Reynolds, a professional services company for car dealerships, consumers spend 90% of the vehicle accessory market's \$40 billion total within 90 days of purchasing their new vehicle. Plus, approximately 50% of those people riding on new wheels spend approximately \$1,500 on accessories.

You would think car dealerships, as the location of all those new-vehicle sales, would snag a significant portion of the \$40 billion in accessory purchases, but it is only 5%. Ouch!

Reynolds has taken the initiative to help dealers by acquiring AddOnAuto during 2014. It's an online platform where auto buyers can accessorize the vehicle they're about to buy in a virtual digital environment.

Since mid-year 2016, Bryan Honda in Fayetteville, NC has been using AddOnAuto with its customers, and the average total accessory purchase of \$280.19 is 13.2% larger than the national average for all Honda dealerships of \$183.85.

Whether dealerships offer AddOnAuto to its customers, it may be imperative to increase accessory sales not only because they are an overlooked profit center at most dealerships, but also because new-vehicle sales may have peaked and volume will no longer be driving profits.

Regardless of the value of the AddOnAuto platform or where new-vehicle sales are headed, dealerships should proactively be promoting accessories and grab a much bigger share of those \$40 billion.

### It's Definitely Not Your Grandfather's Buick

Clearly, the Buick division of General Motors is doing something right, as it just became the first domestic vehicle brand to be named as one of Consumer Reports' top three most reliable brands for 2016. No other US vehicle has reached this lofty distinction during the more than 30 years Consumer Reports has published its annual reliability survey.

With a score of 75, Buick jumped from #7 in the 2015 survey to #3 behind #1 Toyota and #2 Lexus.

Jake Fisher, Consumer Reports director of automotive testing, stated that one of the major reasons Buick excelled in the survey is that it offers a limited number of vehicles – no pickups and SUVs.

The remaining brands in the top 10 were Audi, #4; Kia, #5; Mazda, #6; Hyundai, #7; Infiniti, #8; BMW, #9; and Honda, #10.

#### MOST RELIABLE AND LEAST RELIABLE VEHICLES, 2016

Most Reliable	Least Reliable
Toyota Prius	Cadillac Escalade
Lexus CT 200h	Ford Focus
Infiniti Q70	Jeep Renegade
Audi Q3	Chevrolet Suburban/ GMC Yukon XL
Lexus GX	Chrysler 200

*Automotive News (Consumer Reports), November 2016*





## ROAD SIGNS

### The Final Disruption?

No self-respecting fashionista would ever buy shoes online! Buying prescription eyewear online, how absurd! Ordering groceries, even perishable produce, online... you must be kidding.

Skeptics all, we just didn't believe online consumerism could include these products and how quickly it has happened. Now, another breach has been made in the wall of one of the last bastions of traditional consumer purchases – the automobile.

During November Fiat Chrysler Automobiles (FCA) announced it has reached an agreement with Amazon (of course) to start selling cars online. Italy will be the guinea-pig market and three Fiat models, the 500, the 500L and the Panda, will be offered. More Pandas are bought in Italy than any other model.

According to research that Gianluca Italia, managing director of FCA in Italy, presented during the online press conference, 50% of Italians have expressed a willingness to buy a vehicle online; however, 97% want to take delivery at a dealership.

Italia also said that Italians who purchase one of the three Fiat models via Amazon will receive as much as an additional 33% percent off current promotions.



### Targeting the Captured Ridesharing Audience

It's safe to say that no one will ever make a fortune driving for Uber or Lyft, unless your name is James Bellefeuille. He was a digital media strategist at a Chicago boutique ad agency by day and an Uber driver by night.

With his business, advertising and digital media experience, he quickly recognized that the passengers in his car were a captive audience for in-car marketing, and video, specifically. The basic concept already exists in most New York taxis, which are equipped with video screens on the front seats that target passengers in the back seats.

What Bellefeuille understood, as a digital media strategist, is that today's consumers, especially the predominantly young consumers using Uber, don't respond well to traditional pushy sales messages.

He knew they want relevant and premium content; so Vugo Mobile Media, the company he co-founded, provides passengers with news channel choices and information that may be helpful based on their destination via tablets.

The advertising messages are also matched to destinations, with real-time deals and offers, which is just what advertisers want in the digital marketing environment. Of equal value to advertisers, is that Vugo's Tripintent technology also captures rider demographics and in-depth profile information.

Vugo already has a presence in more than 11,000 vehicles in Los Angeles and Minneapolis, and will be adding four more markets during 2017.



# MONTHLY AUTOMOBILE SALES CHART

RANK	AUTOMAKER	NOVEMBER 2016	% CHANGE	YEAR TO DATE	% CHANGE	NOVEMBER 2016 MARKET SHARE	YTD MARKET SHARE
#1	Ford	187,012	+4.5%	2,262,493	-0.6%	13.6%	14.3%
#2	Chevrolet	169,675	+8.1%	1,883,551	-2.7%	12.3%	11.9%
#3	Toyota/Scion*	168,595	+5.3%	1,916,313	-2.1%	12.2%	12.1%
#4	Honda	111,308	+7.9%	1,333,253	+4.5%	8.1%	8.4%
#5	Nissan	103,024	+8.0%	1,291,585	+5.2%	7.5%	8.1%
#6	Jeep	67,285	-12.3%	843,217	+7.5%	4.9%	5.3%
#7	Hyundai	61,201	+2.0%	707,485	+1.3%	4.4%	4.5%
#8	Kia	52,504	+15.3%	593,245	+3.8%	3.8%	3.7%
#9	Subaru	51,308	+11.4%	551,955	+4.9%	3.7%	3.5%
#10	GMC	49,113	+14.1%	483,213	-3.1%	3.6%	3.0%
#11	Ram	42,511	+12.0%	492,254	+11.2%	3.1%	3.1%
#12	Dodge	34,075	-20.7%	470,529	-2.2%	2.5%	3.0%
#13	Mercedes-Benz†	32,927	+0.3%	338,670	+1.2%	2.4%	2.1%
#14	Volkswagen	29,672	+24.2%	285,719	-10.3%	2.2%	1.8%
#15	Lexus	29,050	-1.0%	290,046	-4.3%	2.1%	1.8%
#16	BMW	26,189	-18.2%	280,339	-10.0%	1.9%	1.8%
#17	Mazda	22,041	-3.0%	269,019	-7.2%	1.6%	1.7%
#18	Buick	18,530	+16.1%	208,343	+3.0%	1.3%	1.3%
#19	Audi	17,118	+2.5%	187,018	+2.9%	1.2%	1.2%
#20	Cadillac	15,326	+14.5%	148,560	-3.8%	1.1%	0.9%
#21	Chrysler	14,518	-46.8%	215,196	-26.6%	1.1%	1.4%
#22	Infiniti	12,112	+3.6%	120,095	+1.4%	0.9%	0.6%
#23	Acura	11,616	-5.1%	144,212	-10.1%	0.8%	0.9%
#24	Lincoln	9,429	+19.1%	98,933	+9.5%	0.7%	0.6%
#25	Volvo	7,723	+11.9%	72,595	+19.6%	0.6%	0.5%
#26	Mitsubishi	6,896	+1.8%	88,884	+1.6%	0.5%	0.6%
#27	Land Rover	5,659	-13.5%	65,582	+5.5%	0.4%	0.4%
#28	Porsche	5,513	+23.9%	50,265	+5.1%	0.4%	0.3%
#29	Mini	4,507	+1.4%	47,372	-11.5%	0.3%	0.3%
#30	Jaguar	3,381	+217.0%	26,949	+103.0%	0.2%	0.2%

# /// AUTOMOTIVE UPDATE

DECEMBER 2016 www.mediacenteronline.com



RANK	AUTOMAKER	OCTOBER 2016	% CHANGE	YEAR TO DATE	% CHANGE	OCTOBER 2016 MARKET SHARE	YTD MARKET SHARE
#31	Fiat	2,415	-14.5%	30,136	-19.2%	0.2%	0.2%
#32	Maserati	1,380	+27.3%	10,838	+2.0%	0.1%	0.1%
#33	Genesis	1,306	---	5,215	---	0.1%	0.0%
#34	Smart	563	-15.0%	5,025	-26.3%	0.0%	0.0%
#35	Bentley	387	+106%	2,174	+3.3%	0.0%	0.0%
#36	Alfa Romeo	23	-32.4%	464	-23.1%	0.0%	0.0%
	*Toyota	168,425	+6.3%	1,904,388	-1.2%	12.2%	12.0%
	*Scion	170	-90.0%	11,925	-61.6%	0.0%	0.1%
	General Motors	252,644	+10.2%	2,723,667	-2.5%	18.3%	17.2%
	Toyota Motor Corporation	197,645	+4.3%	2,206,359	-2.4%	14.3%	13.9%
	Ford Motor Company	196,441	+5.1%	2,361,426	-0.2%	14.2%	14.9%
	FCA/Chrysler Group†	160,827	-14.3%	2,051,796	-0.6%	11.7%	12.9%
	Honda Motor Company	122,924	+6.5%	1,477,465	+2.9%	8.9%	9.3%
	Nissan Motor Company	115,136	+7.5%	1,411,680	+4.9%	8.4%	8.9%
	Hyundai-Kia	115,011	+9.0%	1,305,945	+2.8%	8.3%	8.2%
	Volkswagen Group§	54,303	+20.6%	523,002	-4.6%	3.9%	3.3%
	Daimler	33,490	0.0%	343,695	+0.6%	2.4%	2.2%
	BMW-Minil	30,696	-15.8%	327,711	-10.2%	2.2%	2.1%
	Jaguar/Land Rover	9,040	+18.9%	92,531	+22.7%	0.7%	0.6%
	<b>TOTAL¶</b>	<b>1,378,635</b>	<b>+3.6%</b>	<b>15,850,640</b>	<b>+0.04%</b>		

Source: Automakers and ANDC

Red font indicates declining year-over-year volume.

\* Excluding Sprinter/Metris: increased 1.1% to 30,363 for November; decreased 0.2% to 308,226 YTD.

† Includes Alfa Romeo, Chrysler, Dodge, Fiat, Jeep and Ram

§ Does not include Lamborghini

¶ Includes BMW and Mini

ANDC estimate for Tesla: an increase of 4.4% to 2,250 for November; increased 5.4% to 24,475 YTD.

¶ Industry total takes into account Automotive News figures/estimates for brands, such as Tesla and other low-volume, high-priced manufacturers.

The Wall Street Journal Website:

<http://www.wsj.com/articles/americans-are-keeping-their-cars-longer-benefiting-service-shops-and-parts-makers-1479817722>

Automotive News Website:

<http://www.autonews.com/article/20161130/BLOG13/311309996/discounting-fears-of-an-auto-loan-bubble>

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Reuters Website:

<http://www.reuters.com/article/us-fiatchrysler-amazon-idUSKBN13D1SI>

MediaPost Website:

<http://www.mediapost.com/publications/article/289448/targeted-advertising-moves-to-screens-in-back-seat.html>

Good Car Bad Car Website:

<http://www.goodcarbadcar.net/2016/12/usa-auto-sales-brand-results-november-2016-ytd.html>