



## IN SEARCH OF THE TRUMP ROADMAP

A page-one story in the January 2017 Automotive Update Report started to analyze the impact of President's Trump proposed economic, tax and trade policies on the automotive industry.

Since then, the CEOs of the major automakers have met with Trump. One of their primary requests was a single, nationwide fuel-economy standard that would lead to the elimination of California's regulation that a specific number of zero-emission vehicles are sold in the state. Eleven other states and the District of Columbia apply the same rule.

According to Mark Fields, CEO of Ford Motor Co., the meeting with the President included a discussion of the 20% border tax on imported goods that he has proposed, which could have a major impact on vehicles being manufactured in Mexico.

Toyota, has calculated that the 20% border adjustment tax would add \$1,000 to the cost of a US-built Camry, although 75% of each Camry has US content. Toyota is proceeding with its construction of a new assembly plant in Mexico for Corolla small-car production, despite the possible tax, because the plans are part of a larger strategy that can't be suddenly halted.

The proposed border tax could provide a short-term benefit to automakers, dealers and consumers, however, if the price of a new car purchase could substantially increase after such a tax is imposed.



## A NEW SALES RECORD POSSIBLE

January's decline in light-vehicle sales as presented on Page 4 of this report is not surprising, as January is often a soft month. The 1.9% decrease, however, results in the first negative January since 2010.

Inventory levels of and incentives for 2016 models are likely the culprits.

Robust production during early 2016 has resulted in larger-than-normal inventories and selling these extra 2016 models will require larger incentives, which are forecast to cost the industry \$1.5 billion.

Although the January 2017 Automotive Update Report cited sources that

predicted 2017 sales would be less than 2016's, J.D. Power is predicting light-vehicles sales of 17.6 million units. This is good news for the industry; however, that forecast includes flat retail sales of 14.1 million vehicles, but an increase in fleet deliveries to more than 3.4 million.

## MARKETING FORWARD

### The Walmart Car Dealership

Local auto dealerships don't need any additional competition, but Walmart's foray into car sales could be a win-win, as the program involves partnerships with local dealers. The program is being introduced in Houston, Dallas, Phoenix and Oklahoma City.

Walmart shoppers will be able to use touch-screen kiosks, which CarSaver, an online auto retailer, will install. From the kiosk, consumers can select a new or pre-owned vehicle and arrange financing and insurance with the help of advisors via a phone conversation. Consumers then schedule an appointment with a nearby dealership.

CarSaver conducted a pilot program in Stuart, FL during April 2016, which resulted in 80% of kiosk-made appointments becoming a sale.

### It's Time to Evolve Customer Surveys

Consumer surveys provide important feedback for all retailers, including auto dealerships. According to Chad Perry, national director-account management at DealerSocket, an information-technology provider, dealers must carefully plan the size of surveys and how often they distribute them.

He recommends that a four-question survey is more likely to elicit the kind of responses that will help dealers improve their sales process and services. With the increasing number of requests consumers receive via social media and apps to write reviews and comments, they are likely to balk at some of the enormous surveys from some auto dealerships.

Perry also recommends asking open-ended questions, such as "Please describe what you liked and didn't like about your car-buying experience." In addition, surveys should focus on whether the consumer would buy a vehicle from the dealership again and whether they would refer others to the dealership.



### Attracted to Used-Car Quality

Used cars no longer attract just those consumers with a marginal credit rating or without the income to buy a new vehicle. According to Melinda Zabritski, senior director-automotive at Experian, 54% of prime borrowers are buying used vehicles.

The primary attraction of certified pre-owned (CPO) vehicles, in particular, is new-vehicle production is of such high quality compared to decades ago that these pre-owned vehicles are highly reliable.

The 2.5 million CPO vehicles sold during 2016 was a record; and more than 3.1 million off-lease vehicles will be available during 2017. According to Zabritski, consumers in the market for a used hybrid vehicles during 2017 will discover lower price points because fewer people want to buy them.



## ROAD SIGNS

### Not Too Old for New Connectivity

For consumers who own Ford and Lincoln models as old as 2010 without built-in modems, Ford Motor Co. is helping them enjoy the high-tech features of the newest models with a device that plugs into their vehicle's OBD II port, located below the steering wheel.

The device will be available during summer 2017, and once installed, drivers will be able to start their older vehicles and lock and unlock the doors remotely, obtain engine management alerts and benefit from a WiFi hotspot.

Such devices are already available from third-party sources, such as AT&T and Verizon, but Ford and other automakers are concerned these devices could negatively affect on-board systems, cause security issues or reveal proprietary data.



### More Dealership Acquisitions During 2017

According to Erin Kerrigan, founder and managing director of Kerrigan Advisors, a national buy/sell advisory firm, there is likely to be an increase in dealership acquisitions during 2017, compared to the 229 2016 transactions.

Investors are actually more attracted to a dealership's back shop-fixed operations, which generates on average 45% of profits while new-vehicle sales are responsible for just 6% of profits.

Publicly owned and large privately owned dealership groups account for just 13% of vehicle sales, so previously these companies were interested in acquisitions simply to increase the number of dealerships they owned. For 2017, however, Kerrigan says there are an increasing number of private

investors seeking car dealerships for the cash flow from those back shop-fixed operations.

Another trend is less interest in dealerships that sell luxury brands, such as Mercedes-Benz, BMW, Lexus and Jaguar. These acquisitions require a larger cash investment and don't generate higher ROIs.

Kerrigan says wily investors are more likely to target dealerships selling domestic brands, and can be purchased for a mid-range price. Currently, Toyota, Honda and Subaru dealerships are receiving the most interest. The caveat for these investors, however, is that they must be exceptional dealership operators to maximize revenues, profits and ROI of dealerships selling these brands.





# MONTHLY AUTOMOBILE SALES CHART

RANK	AUTOMAKER	JANUARY 2017	% CHANGE	YEAR TO DATE	% CHANGE	JANUARY 2017 MARKET SHARE	YTD MARKET SHARE
#1	Ford	162,401	-1.8%	162,401	-1.8%	14.2%	14.2%
#2	Chevrolet	135,170	-1.9%	135,170	-1.9%	11.8%	11.8%
#3	Toyota	127,476	-9.2%	127,476	-9.2%	11.2%	11.2%
#4	Nissan	100,761	+3.6%	100,761	+3.6%	8.8%	8.8%
#5	Honda	97,178	+7.7%	97,178	+7.7%	8.5%	8.5%
#6	Jeep	58,415	-6.9%	58,415	-6.9%	5.1%	5.1%
#7	Hyundai	44,689	-0.7%	44,689	-0.7%	3.9%	3.9%
#8	Subaru	43,879	+6.8%	43,879	+6.8%	3.8%	3.8%
#9	Dodge	40,109	-17.0%	40,109	-17.0%	3.5%	3.5%
#10	Ram	38,045	+5.5%	38,045	+5.5%	3.3%	3.3%
#11	GMC	37,324	+1.1%	37,324	+1.1%	3.3%	3.3%
#12	Kia	35,626	-7.0%	35,626	-7.0%	3.1%	3.1%
#13	Mercedes-Benz†	27,576	+3.8%	27,576	+3.8%	2.4%	2.4%
#14	Volkswagen	23,510	+17.1%	23,510	+17.1%	2.1%	2.1%
#15	Mazda	21,698	+10.1%	21,698	+10.1%	1.9%	1.9%
#16	BMW	18,109	+0.1%	18,109	+0.1%	1.6%	1.6%
#17	Lexus	15,572	-25.6%	15,572	-25.6%	1.4%	1.4%
#18	Chrysler	13,377	-38.6%	13,377	-38.6%	1.2%	1.2%
#19	Audi	13,201	+11.4%	13,201	+11.4%	1.2%	1.2%
#20	Buick	13,117	-28.2%	13,117	-28.2%	1.1%	1.1%
#21	Infiniti	11,558	+35.8%	11,558	+35.8%	1.0%	1.0%
#22	Cadillac	10,298	-4.1%	10,298	-4.1%	0.9%	0.9%
#23	Acura	9,202	-10.2%	9,202	-10.2%	0.8%	0.8%
#24	Lincoln	8,785	+22.4%	8,785	+22.4%	0.8%	0.8%
#25	Mitsubishi	6,457	+3.1%	6,457	+3.1%	0.6%	0.6%
#26	Land Rover	6,163	+9.0%	6,163	+9.0%	0.5%	0.5%
#27	Porsche	4,602	+5.7%	4,602	+5.7%	0.4%	0.4%
#28	Volvo	3,472	-18.2%	3,472	-18.2%	0.3%	0.3%
#29	Mini	3,110	-4.0%	3,110	-4.0%	0.3%	0.3%
#30	Jaguar	2,939	+117%	2,939	+117%	0.3%	0.3%

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RANK	AUTOMAKER	JANUARY 2017	% CHANGE	YEAR TO DATE	% CHANGE	JANUARY 2017 MARKET SHARE	YTD MARKET SHARE
#31	Fiat	2,164	-9.0%	2,164	-9.0%	0.2%	0.2%
#32	Genesis	1,818	---	1,818	---	0.2%	0.2%
#33	Maserati	889	+69.3%	889	+69.3%	0.1%	0.1%
#34	Smart	324	-18.8%	324	-18.8%	0.0%	0.0%
#35	Bentley	148	+82.7%	148	+82.7%	0.0%	0.0%
#36	Alfa Romeo	108	+58.8%	108	+58.8%	0.0%	0.0%
	General Motors	195,909	-3.8%	195,909	-3.8%	17.2%	17.2%
	Ford Motor Company	171,186	-0.7%	171,186	-0.7%	15.0%	15.0%
	FCA/Chrysler Group†	152,218	-11.2%	152,218	-11.2%	13.3%	13.3%
	Toyota Motor Corporation	143,048	-11.3%	143,048	-11.3%	12.5%	12.5%
	Nissan Motor Company	112,319	+6.2%	112,319	+6.2%	9.8%	9.8%
	Honda Motor Company	106,380	+5.9%	106,380	+5.9%	9.3%	9.3%
	Hyundai-Kia	82,113	-1.4%	82,113	-1.4%	7.2%	7.2%
	Volkswagen Group§	41,074	+14.0%	41,074	+14.0%	3.6%	3.6%
	Daimler	27,900	+3.5%	27,900	+3.5%	2.4%	2.4%
	BMW-Mini	21,219	-0.5%	21,219	-0.5%	1.9%	1.9%
	Jaguar/Land Rover	9,102	+29.9%	9,102	+29.9%	0.8%	0.8%
	TOTAL¶	1,142,181	-1.9%	1,142,181	-1.9%	---	---

Source: Automakers and ANDC

Red font indicates declining year-over-year volume.

† Excluding Sprinter/Metris: increased 3.5% to 25,527 for January (same for 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 34.9% to 2,800 for January; (same for YTD).

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

WardsAuto Website:

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