/// AUTOMOTIVE UPDATE
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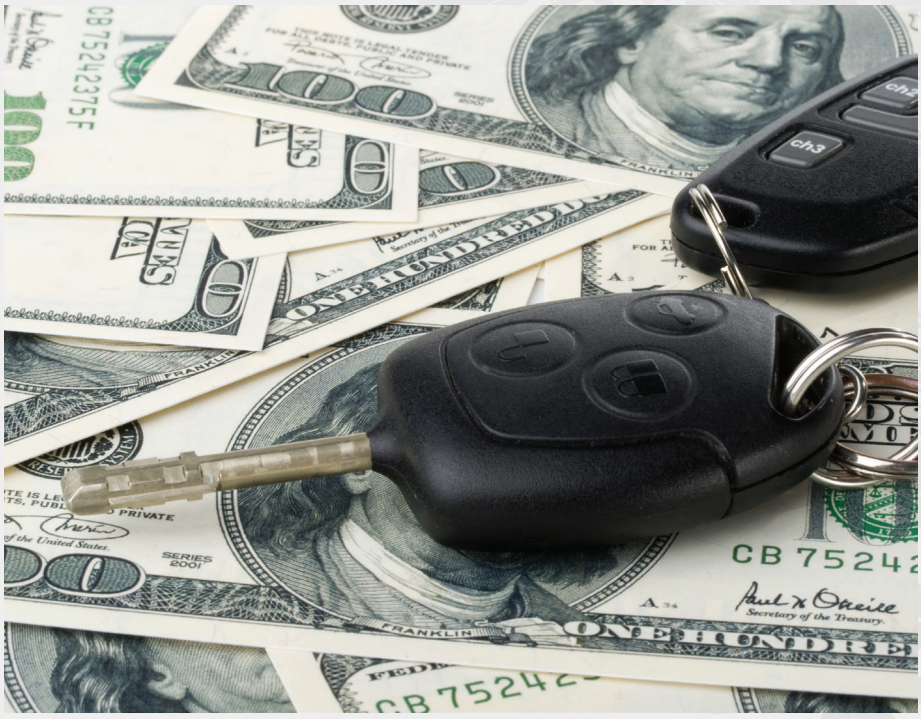
NOT SO FAST ON REGULATORY RELIEF

The Trump administration has made regulatory relief one of its many cornerstone policies to help make it easier for businesses in all industries and of all sizes to generate more revenues and increase hiring.

One of its targets has been the Consumer Financial Protection Bureau (CFPB) and its aggressive focus on auto lenders and dealers during the past six years. Although many in the lending and dealer sectors may be anticipating less intrusion from the CFPG, they may discover that the reality of what may happen will be quite different.

Analysis from EFG Companies, a provider of dealership finance and insurance products, services and training, indicates the first reality is that the CFPB is just one of approximately 55 compliance-related agencies in the US government. Trying to curb, or even eliminate, their regulatory work will take time and, as always, new administrations aren't able to deliver on all, or even many, of their promises.

The other reality, according to Jenny Rappaport, chief marketing officer for EFG Companies, is that many lenders made the necessary changes (some major) that CFPB requested or were adjudicated in court. She says they are not very likely to revert to previously questionable practices that would expose them again, especially after investing millions in additional personnel and procedures.



Credit Conditions Very Conducive to Car Buying

According to WalletHub's Q1 2017 Auto Financing Report, interest rates for new car loans are the lowest they've been for three years, and averaging 16% less than the average used-car loan.

Despite that difference, it's a great used-car market for consumers with excellent credit, as they are likely to qualify for an average interest rate 28% less than it was at the beginning of 2014.

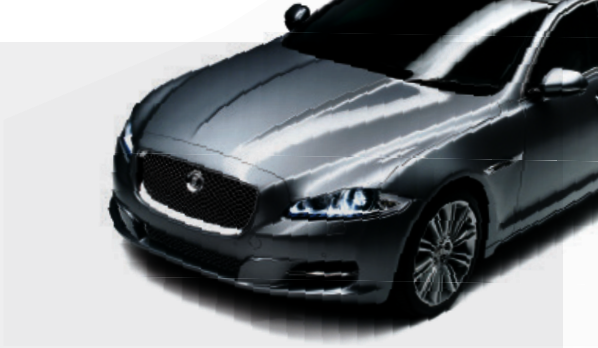
Dealerships and lending institutions should certainly be touting the affordability of interest rates to generate more vehicle purchases, especially used cars, as experts expect their numbers to increase significantly with so many leases coming to an end.

The following table from the WalletHub report reveals which sources are offering the best rates during Q1 2017.

SOURCES OF INTEREST RATES FOR NEW & USED CARS, Q1 2017

Source	New Cars	Used Cars
Community and small banks	4.21%	5.23%
Regional banks	3.99%	4.70%
National banks	3.13%	3.68%
Credit unions	2.30%	2.59%
Car manufacturers – financing	1.77%	N/A
Car manufacturers – lease	4.38%	N/A

WalletHub, February 2017



MARKETING FORWARD

Advertising Is Local

In a February 2017 Local Media Watch post, BIA/Kelsey provided some interesting data and analysis to show why a thorough understanding of a local media market can reveal opportunities for advertisers (car dealers in this case) to use overlooked media channels to build more brand awareness.

The post focused on the Missoula, MT market where 2017 ad spending is forecast to total $120 million, and to increase to $200 million by 2021. During 2017, TV OTA will account for 11.1% of that $120 million and total automotive market ad spending will be approximately $9.8 million.

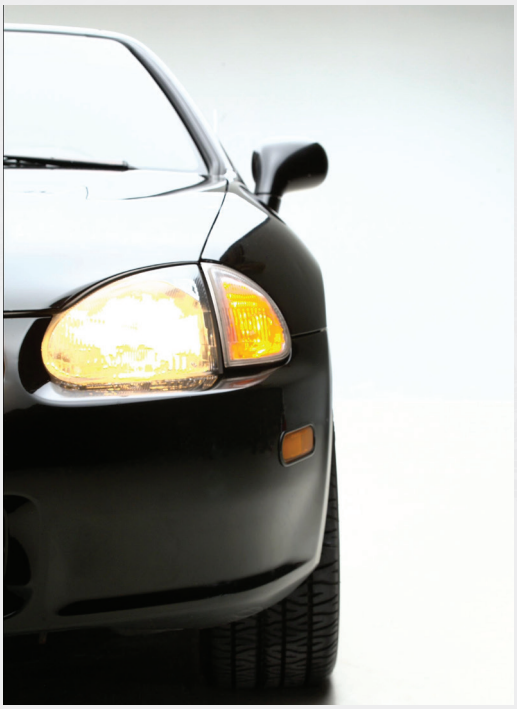
The post then compares Missoula's share of 16 media channels to Los Angeles' share. Without presenting the entire chart, what is significant is that TV, radio and cable TV have much smaller shares in the Missoula market than Los Angeles. Although counter-intuitive, Missoulans have higher shares of major digital channels.

MEDIA CHANNEL SHARES: MISSOULA, MT VS. LOS ANGELES, 2016

Media Channel	LA Share	Missoula Share	Difference
TV	41.98%	29.80%	-12.18%
Radio	11.43%	7.50%	-3.93%
Cable TV	7.99%	0.80%	-7.19%
Online – other	12.76%	19.60%	+6.84%
Mobile	5.62%	11.20%	+5.58%

BIA/Kelsey, February 2017

Some might jump to the conclusion that the two digital channels in the chart are where auto dealers should concentrate their ad dollars; however, just the opposite is true. Using TV and radio as brand-building media channels combined with digital display and mobile advertising is likely to provide an auto dealer with more exposure than just digital alone.

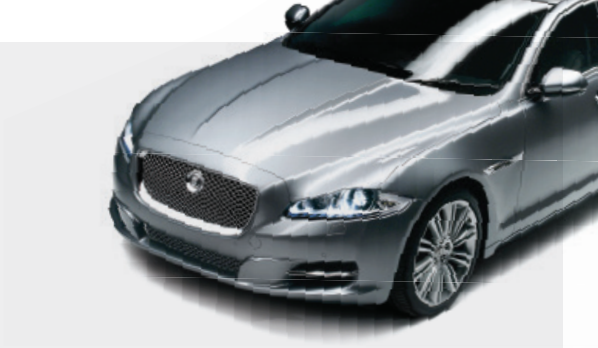


Another Reason the Rich Are Wealthy

It's often said that the wealthy have money because they know how to spend it wiser than the rest of us. New research from MaritzCX, a customer service software firm, reveals why, as the most popular new vehicle that people with incomes of more than $200,000 purchase is a Ford F-150 pickup truck.

The next four most popular are Jeep Grand Cherokee, Honda Pilot, Jeep Wrangler and Honda Civic. The reasoning behind these counter-intuitive choices is that the wealthy are very practical and view these mid-priced vehicles as more than adequate for transportation in a large city. The study also discovered that more mid-priced vehicles have the luxury features that were previously only found in luxury brands.

A Tesla, Lexus or other luxury brands only become popular among those earning more than $400,000 annually; and, even then, many are still choosing a Honda Civic.



ROAD SIGNS

The Car as a Payment Device

Convenience has always been an essential element of all forms of transportation. Ride-sharing, car-sharing and autonomous vehicles promise to make it even more convenient to transport you from point A to point B.

Now, however, some of the major automakers and financial institutions are upping the convenience game with technology that will transform the car into a payment device.

» During October 2016, General Motors expanded the capabilities of its OnStar program with OnStar Go. Together, with IBM and Mastercard, Masterpass will be a feature of the OnStar Go platform in GM models during 2017, allowing drivers to order food and pay for goods and services without leaving the vehicle.

» At the January 2017 Consumer Electronics Show, Honda unveiled an in-vehicle payment technology. With the simple push of a button, drivers will be able to pay for gas and parking via fuel pumps and meters with smart technology.

» Mercedes introduced a similar technology in Europe during January 2017 called "Mercedes pay." Customers of Daimler Mobility Services will have the convenience of paying for those services via their smartphones.

Traditional financial institutions may not find these technological advances to be very convenient, as their introduction are likely to provide opportunities for Google, Amazon, PayPal et al to increase their market share of card-not-present transactions.

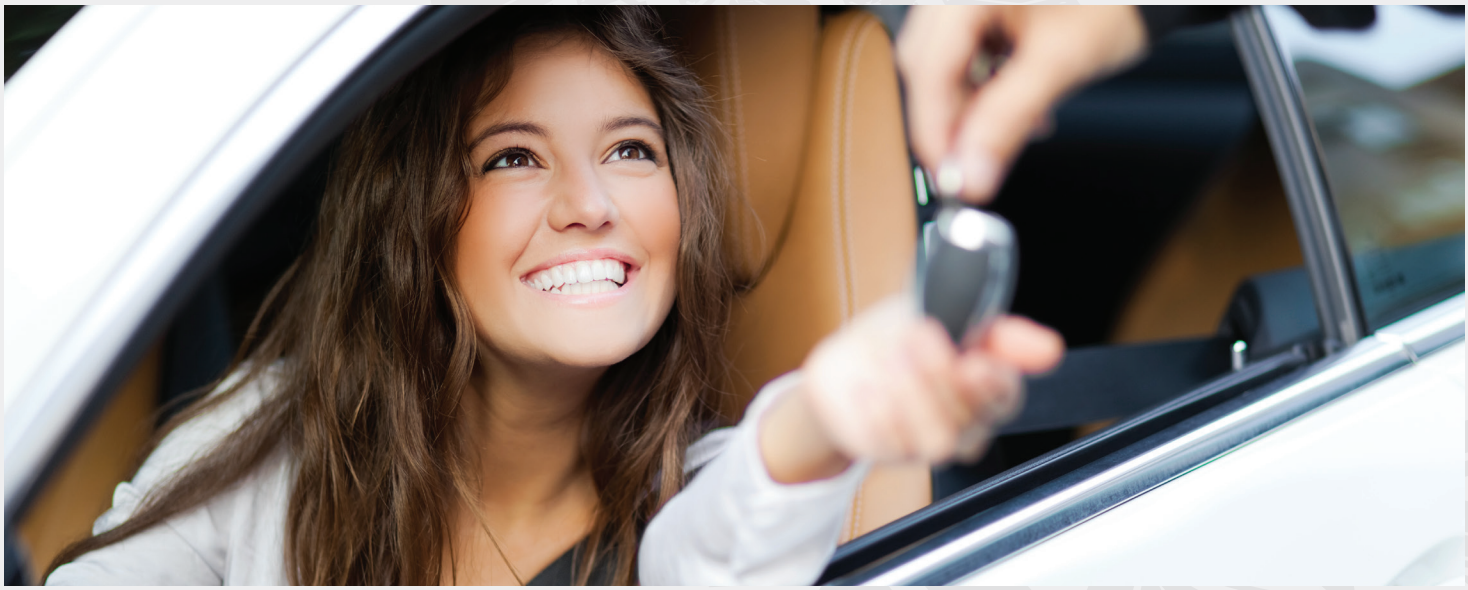
Auto Dealers Shouldn't Count on Millennial Loyalty

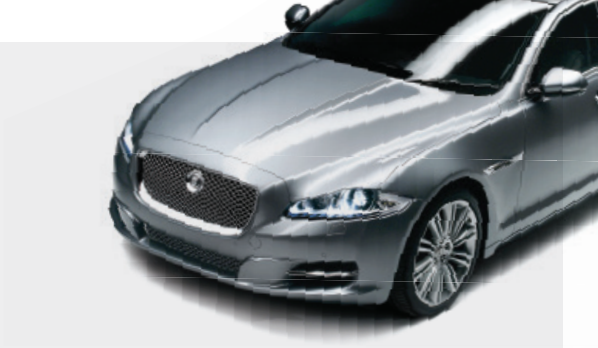
Analyzing the vehicle purchase behavior of more than 4 million customers can lead to some very conclusive results. That is exactly what AutoLoop, a marketing and customer-relationship management company, discovered from its customer loyalty study.

The most important takeaway for auto dealers is that the biggest generation of Americans (and consumers), Millennials, are much less likely to be loyal than Americans of other generations.

Although approximately 60% of Millennials surveyed said they were loyal to a brand, they were more likely to spend their money to buy a different brand. One of the reasons may be that Millennials, during their young lives, have had more experiences of disloyalty, such as working hard for a college degree, which didn't lead to a good-paying job.

The study also found that another major driver of Millennials' lack of loyalty is their much greater use of the digital channel to shop for a vehicle. The prices they find online are often lower than the actual price the dealership quotes once the young adult visits the dealership and starts the negotiation process.





MONTHLY AUTOMOBILE SALES CHART

RANK	AUTOMAKER	FEBUARY 2017	% CHANGE	YEAR TO DATE	% CHANGE	FEBUARY 2017 MARKET SHARE	YTD MARKET SHARE
#1	Ford	198,720	-4.5%	361,121	-3.3%	14.9%	14.6%
#2	Chevrolet	164,095	+3.4%	299,265	+1.0%	12.3%	12.1%
#3	Toyota	156,001	-5.4%	283,477	-7.1%	11.7%	11.5%
#4	Nissan	122,003	+1.2%	222,764	+2.3%	9.2%	9.0%
#5	Honda	110,822	+4.3%	208,000	+5.9%	8.3%	8.4%
#6	Jeep	62,345	-14.7%	120,760	-11.1%	4.7%	4.9%
#7	Hyundai	51,438	-3.0%	96,127	-1.9%	3.9%	3.9%
#8	GMC	46,339	+17.2%	83,663	+9.4%	3.5%	3.4%
#9	Subaru	45,500	+8.3%	89,379	+7.5%	3.4%	3.6%
#10	Dodge	43,878	-6.6%	83,987	-11.9%	3.3%	3.4%
#11	Ram	42.785	+3.6%	80,830	+4.5%	3.2%	3.3%
#12	Kia	42,673	-14.2%	78,299	-11.1%	3.2%	3.2%
#13	Mercedes-Benz†	27,035	+7.2%	54,611	+5.5%	2.0%	2.2%
#14	Volkswagen	25,145	+12.7%	48,655	+14.8%	1.9%	2.0%
#15	Mazda	22,824	+5.9%	44,522	+7.9%	1.7%	1.8%
#16	BMW	22,558	+0.3%	40,667	+0.2%	1.7%	1.6%
#17	Lexus	18,338	-20.6%	33,910	-23.0%	1.4%	1.4%
#18	Chrysler	16,730	-28.1%	30,107	-33.2%	1.3%	1.2%
#19	Buick	16,131	-9.4%	29,248	-18.9%	1.2%	1.2%
#20	Audi	13,741	+17.3%	26,942	+14.3%	1.0%	1.1%
#21	Infiniti	13,737	+32.5%	25,295	+33.9%	1.0%	1.0%
#22	Mitsubishi	10,924	+38.8%	17,381	+23.0%	0.8%	0.7%
#23	Acura	10,864	-14.9%	20,066	-12.8%	0.8%	0.8%
#24	Cadillac	10,823	-8.6%	21,121	-6.5%	0.8%	0.9%
#25	Lincoln	8,744	+8.8%	17,529	+15.2%	0.7%	0.7%
#26	Land Rover	5,747	-10.4%	11,910	-1.3%	0.4%	0.5%
#27	Volvo	4,651	-11.6%	8,123	-14.5%	0.3%	0.3%
#28	Porsche	3,637	+2.1%	8,239	+4.1%	0.3%	0.3%
#29	Jaguar	3,484	+130%	6,423	+124%	0.3%	0.3%
#30	Mini	2,154	-24.1%	5,264	-13.4%	0.2%	0.2%

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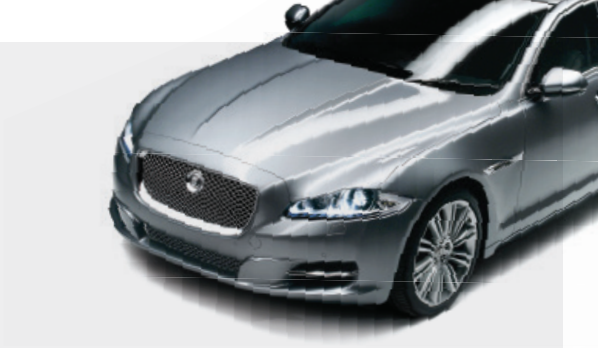

RANK	AUTOMAKER	FEBUARY 2017	% CHANGE	YEAR TO DATE	% CHANGE	FEBUARY 2017 MARKET SHARE	YTD MARKET SHARE
#31	Fiat	2,145	-19.1%	4,309	-14.3%	0.2%	0.2%
#32	Genesis	1,582	---	3,400	---	0.1%	0.1%
#33	Maserati	1,087	+49.3%	1,976	+57.7%	0.1%	0.1%
#34	Alfa Romeo	443	+843%	551	+379%	0.0%	0.0%
#35	Smart	348	-17.5%	672	-18.1%	0.0%	0.0%
#36	Bentley	155	+150%	303	+112%	0.0%	0.0%
	General Motors	237,388	+4.2%	433,297	+0.4%	17.8%	17.5%
	Ford Motor Company	207,464	-4.0%	378,560	-2.6%	15.6%	15.3%
	Toyota Motor Corporation	174,339	-7.2%	317,387	-9.1%	13.1%	12.8%
	FCA/Chrysler Group‡	168,326	-10.1%	320,544	-10.6%	12.6%	12.9%
	Nissan Motor Company	146,664	+5.7%	265,440	+5.8%	11.0%	10.7%
	Honda Motor Company	121,686	+2.3%	228,066	+3.9%	9.1%	9.2%
	Hyundai-Kia	95,693	-6.9%	177,826	-4.4%	7.2%	7.2%
	Volkswagen Group§	42,678	+13.3%	84,139	+13.7%	3.2%	3.4%
	Daimler	27,383	+6.8%	55,283	+5.1%	2.1%	2.2%
	BMW-Mini‖	24,712	-2.5%	45,931	-1.6%	1.9%	1.9%
	Jaguar/Land Rover	9,231	+16.4%	18,333	+22.7%	0.7%	0.7%
	TOTAL¶	1,333,128	-1.1%	2,475,700	-1.5%	---	---

Source: Automakers and ANDC

Red font indicates declining year-over-year volume.

† Excluding Sprinter/Metris: increased 7% to 24,522 for February; increased 5% to 50,049 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 40% to 3,000 for February; increased 37% to 5,800 YTD.

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

WardsAuto Website:
http://wardsauto.com/f-i/regulatory-relief-might-be-less-auto-dealers-think

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WalletHub Website:
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Time Money Website:
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Credit Union Times Website:
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