



# /// AUTOMOTIVE UPDATE

APRIL 2018 [www.mediagrouponlineinc.com](http://www.mediagrouponlineinc.com)

## Are Passenger Cars Going the Way of the Passenger Pigeon?

According to historical records, the passenger pigeon was the most abundant bird species in North America during 1850, with likely billions of them filling the sky – 64 years later (1914), the last known individual died at the Cincinnati Zoo.

The demise of the US passenger car may not be so dramatic, but, in a stunning announcement during late-April 2018, Ford reported it would reduce its passenger car models to just two, the Focus Active crossover and Mustang, during the next few years. Although details are sketchy, General Motors appears to be initiating the same strategy.

It's difficult for these giants of the auto industry to disregard the data trends. During 2014, 7.9 million passenger car units were sold in the US, and then plummeted to 6.3 million units during 2017. Conversely, during the same period, light truck sales increased from 8.7 million units to 11.1 million units.

A forecast from LMC Automotive projects 73% of all US light vehicle sales will be one type of utility vehicle or another by 2022 while passenger cars will only account for 27%.

Industry analysts expect to see Ford, GM and, undoubtedly, the other major manufacturers design and produce more hybrid vehicles, with elements from both passenger cars and SUVs.



## Manufacturers' Other Recent Moves

Ford's plan for a self-driving car network by 2021 may also be a factor in its decision to manufacture fewer passenger cars. Some other automakers plan to sell self-driving vehicles to third-party services, such as Uber and Lyft, but Ford will operate its own network. A pilot program has already begun in Miami.

Following the lead of other upscale automakers, Mercedes-Benz announced during mid-April 2018 the introduction of a subscription-based service similar to BMW's, Cadillac's and Porsche's. The Mercedes-Benz Collection will debut in Nashville and Philadelphia during June.

Various reports seem to confirm Volkswagen Truck & Bus, the parent company's commercial vehicle division, will purchase all of Navistar International, of which Volkswagen already owns a 16.9% share. Navistar is one of the largest truck manufacturers in the US and has a dealer network throughout North America,

Volkswagen initially purchased a share of Navistar to manufacture and start marketing a fully-electric, medium-duty truck during 2019.



## MARKETING FORWARD

### More Dealerships Cashing in Their Chips

Many successful, but local and mid-sized car dealerships are facing four major headwinds:

1. It will be necessary to triple their revenues during the next five years to remain competitive.
2. Internet research and shopping for vehicles, especially price comparisons and online ordering of used cars, continues to increase.
3. The rapid development of electric and autonomous vehicles and ride-sharing services, which would require legacy dealerships to change their business models significantly.
4. The scale-of-economies advantages of major dealership groups, such as AutoNation and Group 1 Automotive, and capital and equity firms.



According to *Automotive News*, during 2017, the five largest groups owned 843 dealerships and the 10 largest, 1,200, of a total of 16,800. Dealerships owned among the top 50 groups has increased from approximately 1,650 during 2008 to approximately 2,350 for 2017.

Another motivation for the 200 dealerships sold during 2017 and another 200 forecasted to be sold during 2018 is the high value of the real estate where they are located.

### Used-Car Margins Are Troubling

Another reason so-called “mom-and-pop” dealership may be ready to sell is the startling report at this year’s NADA Show. According to data shared with attendees, “the average US light-vehicle franchise dealership lost \$2 on every used vehicle it retailed in 2017.” (*Automotive News*)

The two-dollar loss was an average – mass-market dealerships actually generated a net profit of \$26 for every used car while luxury-brand dealerships lost \$197. The reason for the difference is a few luxury-import brands compel their franchise dealerships to add off-lease vehicles to their used-car inventory and sell them as certified pre-owned vehicles. Those they are unable to sell within a reasonable time period must often be liquidated at a loss.

### Billboards Could Move from Outside to Inside Your Car

If self-driving vehicles are the future of personal transportation, which means the driver doesn’t have to operate the vehicle or carefully watch the road and surrounding traffic, then is it inevitable in-car advertising and messaging will be seeking the driver and passengers’ attention?

Somewhat surprisingly, a December 2017 Ipsos survey of 2,000 US adults found more willingness to accept in-car advertising IF it was useful.

USEFUL IN-CAR ADVERTISING/MESSAGING FEATURES	PERCENT
Notification of an approaching gas or charging station if the vehicle needed fueling	76%
Appointment reminders	67%
Specials/sales at stores where you’ve previously shopped	49%
Regular services reminders (dry cleaning or haircut)	42%
Asking during your morning commute if you would like to stop at a coffee shop you’ve previously visited	30%
Notification of approaching stores you’ve previously shopped	29%
Notification of approaching restaurants you’ve previously visited	27%

*Ipsos, April 2018*



## ROAD SIGNS

### Will More Charging Stations Accelerate EV Sales?

A perception – and an accurate one – among Americans of too few charging stations for electric vehicles (EV) has been a primary barrier to increasing EV sales. Now, however, multiple initiatives are addressing this issue and some are likely to be of added benefit to mass-market retailers.

Another EV perception has been the amount time required to recharge a vehicle’s battery compared to filling a gas tank. Walmart and Target (and others to come, no doubt) have recognized the advantage of offering charging stations at their stores, so an EV could be fully charged once a driver has finished his or her shopping.

- Electrify America, a division of Volkswagen, has announced plans to install EV charging stations at more than 100 Walmart locations in 34 states by mid-2019. Electrify America’s plan will result in 80% of stations at Walmart stores on highways and the other 20% at metropolitan locations.
- Target is also partnering with Electrify America, as well as Tesla and ChargePoint, to install EV charging stations at 100 stores in 20 states by approximately mid-2020, which will result in a total of more than 600 stations.

- The Maven division of General Motors in conjunction with EVgo, a charging-infrastructure company, is planning a network of charging stations specifically for the drivers of ride-hailing services, such as Uber and Lyft, who rent Chevrolet Bolt EVs instead of using their personal vehicles. No timeline or number of stations were included in the press announcement.



### Cybersecurity Lags Auto-Tech Advances

As light vehicles – whether cars or trucks; with an internal combustion engine, electric motor or the use of other fuels; or driver-operated or self-driving – become another mobile device instead of just basic transportation, a major issue is the need for cybersecurity.

According to a 2018 TU-Automotive report, a majority of the industry insiders it surveyed don’t think automakers have addressed this issue sufficiently: all respondents, 66%; OEMS, 53%; and security experts, 78%.

Tesla received the highest percentage, or 22%, among actual manufacturers named when asked which automaker has the best automotive security, however, the “other” category received the most votes, or 29%. Of the top auto manufacturers, GM received 7%, Ford 7%, Toyota, 5%, and FCA and Volkswagen, both 0%.

THE BIGGEST HURDLE TO SOLVING AUTOMOTIVE SECURITY, 2018			
Hurdle	All	OEMS	Security Experts
A lack of industry standards	30%	13%	24%
Adequate security technology for cyber-physical system security	13%	20%	17%
Cross-industry collaboration	27%	33%	26%
A lack of education of the partners and customers of OEMS	11%	13%	---
A lack of cybersecurity experts	9%	13%	7%
<i>TU-Automotive, April 2018</i>			



## MONTHLY AUTOMOBILE SALES CHART

NOTE: General Motors has decided to announce light-vehicle sales quarterly instead of monthly, eliminating Chevrolet, GMC, Buick, Cadillac and GM from our monthly tables. 2018 GM sales will be announced July 3, October 2 and January 3, 2019. A total percentage for the "% change from April 2017" and "% change from 2017 year to date" columns are not provided because the absence of GM sales numbers would significantly skew these percentages.

RANK	AUTOMAKER	APRIL 2018	% CHANGE FROM APRIL 2017	2018 YEAR TO DATE	% CHANGE FROM 2017 YEAR TO DATE
#1	Ford	195,338	-4.3%	769,670	-2.8%
#2	Toyota	170,706	-5.1%	678,528	+4.3%
#3	Honda	113,813	-8.4%	442,890	-3.3%
#4	Jeep	82,641	+20.0%	310,746	+21.0%
#5	Nissan	78,804	-29.1%	453,920	-6.3%
#6	Hyundai	55,035	-10.8%	199,550	-11.4%
#7	Subaru	53,170	+1.5%	202,873	+3.2%
#8	Kia	50,585	-5.2%	177,530	-2.0%
#9	Ram	43,074	-9.0%	156,728	-13.0%
#10	Dodge	40,994	+4.0%	157,965	-9.0%
#11	Mercedes-Benz*	30,522	+4.8%	116,682	+1.0%
#12	Volkswagen	28,794	+4.5%	112,746	+8.6%
#13	BMW	23,482	+3.8%	97,317	+3.2%
#14	Mazda	23,056	-4.6%	107,051	+14.8%
#15	Lexus	21,642	-2.1%	85,853	+2.0%
#16	Audi	19,104	+2.1%	69,156	+7.5%
#17	Chrysler	14,189	-18.0%	60,422	-6.0%
#18	Acura	11,888	-15.9%	45,302	-1.3%
#19	Infiniti	8,960	-17.0%	49,847	-8.3%
#20	Lincoln	8,518	-12.1%	30,980	-15.8%
#21	Volvo	8,333	+17.0%	28,416	+37.9%
#22	Mitsubishi	7,990	-4.6%	43,762	+16.6%
#23	Land Rover	6,448	+24.0%	30,694	+22.0%
#24	Tesla	6,000	+36.4%	24,000	+36.4%
#25	Porsche	5,570	+1.0%	19,524	+7.0%
#26	Mini	3,731	+7.2%	14,264	+3.9%
#27	Jaguar	2,019	-37.0%	10,068	-31.0%
#28	Alfa Romeo	1,847	+173.0%	7,639	+328.0%
#29	Fiat	1,404	-45.0%	5,418	-45.0%
#30	Genesis	1,028	-25.6%	5,390	-17.5%

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RANK	AUTOMAKER	APRIL 2018	% CHANGE FROM APRIL 2017	2018 YEAR TO DATE	% CHANGE FROM 2017 YEAR TO DATE
#31	Maserati	950	-24.9%	3,663	-19.6%
#32	Bentley	165	-1.8%	652	-9.4%
#33	Smart	93	-74.5%	414	-71.0%
	Ford Motor Company	203,856	-4.7%	800,650	-3.3%
	Toyota Motor Corporation	192,348	-4.7%	764,381	+4.1%
	FCA/Chrysler Group	185,099	+4.3%	702,571	+1.6%
	American Honda Motor Company	125,701	-9.2%	488,192	-3.1%
	Hyundai-Kia Automotive Group	106,648	-8.4%	382,470	-7.4%
	Nissan Motor Company/Infiniti / Mitsubishi	95,754	-26.6%	547,529	-5.0%
	Volkswagen Group <sup>†</sup>	53,723	+3.2%	202,438	+8.0%
	Daimler AG	30,115	+2.1%	117,096	0.0%
	BMW Group	27,213	+4.2%	111,582	+3.3%
	Jaguar/Land Rover	8,467	0.0%	40,762	+3.0%
	<b>TOTAL<sup>‡</sup></b>	<b>1,119,483</b>		<b>4,520,011</b>	

Source: Automakers and ANDC

\* Includes Mercedes-Benz vans

† Includes Audi, Bentley, Porsche and Volkswagen brands, but not Lamborghini

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

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