

# /// AUTOMOTIVE UPDATE

February 2022 [www.mediagrouponlineinc.com](http://www.mediagrouponlineinc.com)



## The Industry Continues to Spin Its Wheels

The calendar changing to a new year didn't change the challenges of the automobile industry. Of the seven reporting manufacturers (see table on page 4), only Hyundai-Kia reported a sales increase of 3.1% for January 2022. Very few brands experienced increases: Ford +1.4%, Hyundai +10.3%, Lexus +5.0% and Genesis +29.3% (only 3,600 units).

Even sales for Toyota Motor North America, which had recently surpassed General Motors as the top manufacturers by units sold, decreased 5.1%.

For the entire industry, light-vehicle sales decreased approximately 9%, according to forecasts from J.D. Power-LMC Automotive, Cox Automotive and TrueCar. J.D. Power reported January was the eighth consecutive month total retail inventory was less than one million units. Cox Automotive added new-vehicle inventory decreased 61% YOY.



With this continuous downward trend, the SAAR for the first month of 2022 was projected at 14.1 million to 15.3 million, but the SAAR for January 2021 was 16.84 million units.

Ford shared another insight reflective of the current situation. The 90,000 new-vehicle orders it received during January were 20,000 more than those during December 2021, but customers had already placed 37% of those 90,000 orders.



## Grin-and-Bear-It Is Wearing Thin

Although auto dealers are selling all the vehicles they can obtain, and at a record average transaction price of \$44,905 during January, according to J.D. Power, dealers have little patience remaining.

A Honda spokesperson said the company expects more inventory during February; however, the number of vehicles removed from production because of the chip shortage continued to increase. During the last week of January, global vehicle production declined by 230,700 units, a 23% increase from the previous week. North American plants had the largest increase or 71,700 units.

Ally Financial provided some good news, but to benefit from it dealers will have to remain patient. Ally is forecasting the very high prices of used vehicles will decrease 15%, but not until the end of 2023.

Despite the chip shortage and inventory challenges, J.D. Power predicts 2022 will be a good year for dealers. The record average transaction price will generate equally record gross profits or a projected average of more than \$3,000 per vehicle.

J.D. Power expects automakers and dealers won't be able to fulfill consumers' pent-up demand until spring 2023. Automakers will finally obtain all the microchips they need and can start producing more vehicles than the demand.



### More Dealers Want to Connect with Connected-TV

Connected TV (CTV) connects television and digital, creating value for both media, viewers and advertisers. More auto dealers are interested in the benefits of CTV, as more of the vehicle-buying process occurs online. Dealers can use linear TV for its outstanding reach and programmatic spot buying to reach niche digital audiences.

According to research from eMarketer, there will be 221.0 million users of CTV devices, which will increase 5.4% to 232.9 million by 2025. Ad dollars will chase those viewers as they always have.

A March 2021 forecast from eMarketer estimated total US linear and connected TV ad spending would total \$93.33 billion by 2025, a 9.4% increase from \$85.32 billion projected for 2022. Linear TV will retain the largest share, but it will decrease from 79.6% for 2022 to 70.6% for 2025. Conversely, CTV's share will increase, from 20.4% to 29.4%, respectively.

Some forward-leaning dealers are already experimenting with CTV, planning and funding test campaigns, with substantial increases in sales as a result. Nonetheless, the integration of linear and digital TV into CTV and the value it can deliver will require a few more years as addressable advertising continues to evolve and mature.

### Vehicle Apps Require More Development

Digital apps are almost as essential to the lives of consumers as the devices on which they use them. According to App Annie's State of Mobile 2022 report, 12.19 billion mobile apps were downloaded in the US during 2021 and consumers spent \$43.04 billion via those apps.

As automakers invest billions in electric-vehicle technology and then autonomous-vehicle technology, the vehicle apps customers use will become more complex, but must also deliver reliability and ease of use.

Automakers and their customers are discovering, however, that vehicle apps still require considerable development before customers are satisfied with their use. This is the primary takeaway from the J.D. Power 2021 OEM App Benchmark Study.

J.D. Power tested vehicle apps from 32 brands and none of the customers who participated in the study were completely satisfied with their experiences, although 38% said they use their vehicle's app much of the time.

Somewhat unsurprisingly, surveyed consumers rated the Tesla app first while Volvo was first for vehicles with internal-combustion engines. Most consumers complained the apps operated slowly and many didn't include navigation assistance and remote controls, which were the features consumers said they wanted.





### Rural Markets Could Boost EV Sales

Like any major historical transition, the transition from vehicles with internal-combustion engines (ICE) to EVs is and will continue to face many challenges. Battery technology must advance significantly and millions of charging stations are needed across the country.

Most major manufacturers have dozens of EV choices for consumers in the pipeline, which should have a positive effect on the widespread adoption of EVs. Another challenge is some states, typically those whose populations didn't vote for President Biden, are not providing the necessary financial incentives. Although the numbers are small, 76% of the EVs sold during 2021 were in states Biden won.

Rural populations are more likely to be among those non-Biden supporters; however, because they drive more miles on average than their city/urban/suburban counterparts, more rural vehicle buyers could be attracted to EVs. For that trend to accelerate, rural communities will need to add charging stations to serve small, isolated populations.

The introduction and immediate appeal of Ford's new F-150 Lightning pickup truck may also prove to motivate the sale of EVs in rural communities. Ford's classic F-150 pickup truck is a favorite everywhere, but especially in rural areas. The EV Lightning pickup is expected to compel many buyers to cross the line from ICE pickups to EV pickups.



### EV Charging Stations' Reliability Still Sketchy



Not only is personal transportation transitioning from vehicles with internal-combustion engines (ICE) to EVs, but also the fuel, the power source, to operate EVs. A major advantage of an EV over an ICE vehicle is most owners will recharge their vehicle at home, but charging stations must be conveniently located when people are traveling.

Regular reports reveal the rapid installation of more charging stations, but the technology to use them is not universal. Plus, a new study from Umlaut, an engineering consulting firm, found significant gaps in the reliability and performance of the chargers it tested.

The study concluded Volkswagen's Electrify America was first, Tesla's Supercharger second and ChargePoint third. In addition to testing reliability and performance, test criteria also included the environment of the charging stations. Like with gas stations, consumers expect similar lighting, a roof and other services.

Charging network apps were also tested, because for many years yet EV owners will have to search for the next station on their routes and will want a digital payment system equivalent to those offered at gas stations.

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## MONTHLY AUTOMOBILE SALES CHART

NOTE: General Motors, Stellantis and Tesla announce their light-vehicle sales quarterly instead of monthly; however, Ford is now reporting monthly again. As of January 2020, BMW Group, Nissan North America, Volkswagen Group, Jaguar Land Rover and Mercedes-Benz also decided to report sales only quarterly. They will publish their Q1 2022 sales during early April 2022. Their brands are not included in this month's sales table.

Rank	Auto Brand	January 2022	% Change from January 2021	2022 Year to Date	% Change from 2021 Year to Date
#1	Toyota	137,207	-6.4%	137,207	-6.4%
#2	Ford	136,705	+1.4%	136,705	+1.4%
#3	Honda	68,232	-18.5%	68,232	-18.5%
#4	Hyundai	51,510	+11.5%	51,510	+11.5%
#5	Subaru	44,158	-4.8%	44,158	-4.8%
#6	Kia	42,488	-5.5%	42,488	-5.5%
#7	Mazda	21,079	-16.5%	21,079	-16.5%
#8	Lexus	20,620	+5.0%	20,620	+5.0%
#9	Volvo	7,110	-12.8%	7,110	-12.8%
#10	Lincoln	5,740	-25.8%	5,740	-25.8%
#11	Acura	5,717	-32.8%	5,717	-32.8%
#12	Genesis	3,638	+29.3%	3,638	+29.3%
Toyota Motor Corporation		157,827	-5.1%	157,827	-5.1%
Ford Motor Co.		142,445	-0.1%	142,445	-0.1%
Hyundai-Kia Automotive Group		93,998	+3.1%	93,998	+3.1%
American Honda Motor Company		73,949	-19.8%	73,949	-19.8%
<b>TOTAL*</b>		<b>540,566</b>	<b>-5.5%</b>	<b>540,566</b>	<b>-5.5%</b>

\*of all reporting auto manufacturing groups

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