



AUTOMOTIVE UPDATE

DECEMBER 2019 www.mediagrouponlineinc.com

Sales Continue to Roll with Positive Economic Conditions

As with so many retail sectors, consumers continue to carry the automobile market on their backs. Despite estimated sales (since they only report actual sales quarterly) at General Motors of -5.5%, Ford Motor Co. of -2.7% and Fiat Chrysler Automobiles of -3.5%, *Automotive News* estimates the remainder of the industry enjoyed a 2.2% increase for November.

The forecast for November’s SAAR (seasonally adjusted, annualized rate) was in the range of 16.9 million to 17.5 million, a significant improvement from October’s 16.55 million. According to *Automotive News* analysis, the industry still has the opportunity to exceed 17 million units for all of 2019, which would be the fifth consecutive year.

Once again, Toyota Motor Corporation, American Honda Motor Company and Hyundai-Kia Automotive Group led with almost or double-digit sales gains, or +9.2%, +11.1% and +10.4%, respectively.

Nissan Motor Company, however, is the odd man out again, as November’s decline of 14.4% in sales, is the third consecutive month in the red, and the eighth during 2019. Sales for the Nissan brand decreased 13.3%, and Infiniti 33.4%.



California Takes a Stand

After the Environmental Protection Agency (EPA) and the National Highway Traffic Safety Administration (NHTSA) declared the State of California did not have the authority to legislate statewide emission standards stricter than the national standards, California “put its money where its mouth is.”

During mid-November 2019, the state announced all vehicles it purchases, as of 2020, for its various government fleets must adhere to the state’s stricter emission standards. The state, therefore, will not be buying vehicles from General Motors, Fiat Chrysler Automobiles (FCA), Toyota and Nissan, which agreed with the EPA and NHTSA rulings.

The other major automakers – Honda, Hyundai-Kia and Volkswagen – as well Mercedes/Benz, BMW Group and Jaguar/Land Rover could be the winners. Who knows, maybe California will even buy a few Teslas, including the new Cybertruck.

HOW MUCH CALIFORNIA SPENT WITH MAJOR AUTOMAKERS, 2016–2018

| AUTOMAKER | AMOUNT |
|--------------------------------|-----------|
| General Motors | \$58.6 M |
| Fiat Chrysler Automobiles | \$55.8 M |
| Toyota | \$10.6 M |
| Nissan | \$9.0 M |
| Total | \$134.0 M |
| <i>Statista, November 2019</i> | |

The only downside for the automakers that qualify to sell vehicles to California is the amounts it spent with those automakers that don’t qualify from 2016 through 2018 are quite small when compared to their total revenues.

Nonetheless, for those who want much stricter emission standards throughout the country, it’s a first step, albeit a small one.



MARKETING FORWARD

REPUTATION IS AUTO BRANDS' SECRET SALES DRIVER, PART 2

The November 2019 Automotive Update Report from Media Group Online featured information from Reputation.com's 2019 Automotive Reputation Report, which revealed auto dealers had the best score compared to other major consumer-facing industries.

Part 2 focuses on the reputation of auto brands – and Lexus is the clear winner, with an average reputation score per dealer of 672. Nissan is second, at 663, and then Acura, at 654.

Although Lexus didn't have the largest number of reviews per location for the 12 months ending July 2019, it did have the largest average location rating, or 4.49, and its recent response rate to negative feedback was 48%. By comparison, Cadillac had the largest percentage in this last category, or 57%, with Subaru second at 56% and Nissan third at 55%.

The January 2020 Automotive Update Report will present information about the reputation scores of the large dealer groups.

MORE AD DOLLARS FOR 2020 AUTOMOTIVE ADVERTISING

Media reps always have their forks poised in readiness if the



ad-dollar pie becomes bigger – and it will for the automotive industry during 2020, according to BIA Advisory Services.

In a mid-November release, BIA forecast a total of \$15.8 billion for local advertising from the automotive vertical. Manufacturers, local dealer associations and new and used dealers will account for 80% of the total expenditure.

Although 6% fewer dollars will be spent on broadcast TV, it will still receive the largest share, or \$3.7 billion, compared to \$3.9 billion during 2019. Broadcast radio's share will also decrease by 2.0%, to \$1.7 billion.

All forms of local automotive digital media spending will total \$7.4 billion, with OTT (+18.5%), mobile (+11.3%), email (+11.3%) and radio online (+10.3%) increasing the most in this category. OTT total dollars will be \$211.5 million, and mobile \$2.7 billion.

TOP 10 BRANDS BY AVERAGE REPUTATION SCORE PER DEALERSHIP, JULY 2019

| BRAND | SCORE | REVIEWS/ LOCATION* | AVG. LOCATION RATING* | RECENT RESPONSE RATE (NEGATIVE FEEDBACK) |
|-------------------|-------|--------------------|-----------------------|------------------------------------------|
| #1: Lexus | 672 | 311 | 4.49 | 48% |
| #2: Nissan | 663 | 353 | 4.38 | 55% |
| #3: Acura | 654 | 222 | 4.47 | 46% |
| #4: Subaru | 647 | 269 | 4.43 | 56% |
| #5: Lincoln | 642 | 168 | 4.45 | 40% |
| #6: BMW | 641 | 284 | 4.42 | 48% |
| #7: Buick | 639 | 153 | 4.35 | 52% |
| #8: Toyota | 630 | 423 | 4.38 | 50% |
| #9: Mercedes-Benz | 628 | 260 | 4.41 | 47% |
| #10: Chevrolet | 627 | 180 | 4.32 | 47% |

Reputation.com, September 2019

*during last 12 months



ROAD SIGNS

IT'S TIME FOR DEALERSHIPS TO EMBRACE THE SUBSCRIPTION MODEL

Convenience and personalization have been two of the primary drivers of modern consumers' buying habits. A subscription model delivers both, which is why meals/food and other types of subscription services are common, and many are successful.

Younger adults are the first generations (Millennials and Gen Xers) who don't view car ownership (as well as other possessions) as necessary and a detriment to their lifestyles. They tend to be early adopters of a transportation subscription model.

Not only does it relieve them of the burden and costs of vehicle ownership, but also provides the flexibility to switch between different brands and models as their needs, and even whims, change.

The subscription model is also gaining favor with older consumers, especially snowbirds, who can subscribe for one vehicle during their summer when they are typically in northern climes and then a different vehicle during the winter when enjoying the warmth of the South.

Germain Automotive Group, an Ohio-based dealership with multiple locations, has discovered 20% to 30% of subscribers of its Drive Germain subscription service eventually buy a vehicle.

A subscription model also benefits dealerships' inventory control. Vehicles returned from a lease or as service loaners can be added to a special subscription fleet to maximize the revenues generated from those assets.



MAXIMIZING THE CLOSING RATE OF INTERNET LEADS: A SUCCESS STORY

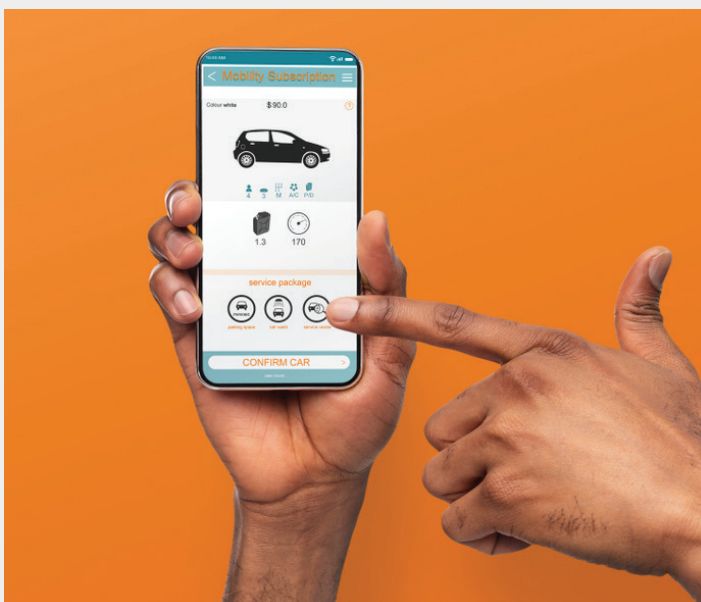
For some time, the vast majority of consumers start their car-buying journey online almost exclusively, researching models, features, pricing and even financing. Every one of those consumers is a lead, but, as in all sales, converting those leads to a closed sale is typically the toughest task.

Future Nissan in Roseville, CA has found the use of data mining software of the customer information in its CRM system is the key to maximizing the closing of those Internet leads. The sales team is able to view a customer profile and a "buying score," which allows it to engage with those customers when they are ready to buy.

Early CRM systems didn't have the tools available today, some of which will provide alerts when a customer profile matches particular sales and service categories, and then create a score.

Future Nissan, for example, can identify a customer whose current vehicle has more remaining value than the current loan level. The sales team can approach this customer with an offer to purchase a new vehicle at the same or lower monthly payment – and approximately 20% of customers in this category are interested.

With this data-mining strategy, Future Nissan has increased its closings of Internet leads from 12% to 15% during mid-2018 to 19% during August 2019.





MONTHLY AUTOMOBILE SALES CHART

NOTE: General Motors, Ford, Fiat Chrysler Automobiles (FCA) and Tesla announce their light-vehicle sales quarterly instead of monthly. They will publish their Q4 2019 sales during early January 2020. Their brands are not included in this month's sales table.

| RANK | AUTO BRAND | NOVEMBER 2019 | % CHANGE FROM NOVEMBER 2018 | 2019 YEAR TO DATE | % CHANGE FROM 2018 YEAR TO DATE |
|------|--------------------------|---------------|-----------------------------|-------------------|---------------------------------|
| #1 | Toyota | 177,764 | +8.4% | 1,913,187 | -1.5% |
| #2 | Honda | 119,470 | +12.2% | 1,330,352 | +1.7% |
| #3 | Nissan | 83,562 | -13.3% | 1,134,435 | -6.5% |
| #4 | Hyundai | 60,601 | +6.2% | 624,051 | +3.6% |
| #5 | Subaru | 56,893 | +0.2% | 637,753 | +3.6% |
| #6 | Kia | 50,504 | +12.0% | 564,109 | +4.0% |
| #7 | Mercedes-Benz* | 37,263 | +13.3% | 322,450 | +1.4% |
| #8 | BMW | 31,213 | +10.2% | 289,080 | +4.5% |
| #9 | Lexus | 30,093 | +13.8% | 262,789 | 0.0% |
| #10 | Volkswagen | 29,218 | +9.1% | 335,445 | +4.2% |
| #11 | Mazda | 24,374 | +18.0% | 252,061 | -8.2% |
| #12 | Audi | 20,618 | +20.7% | 198,261 | -1.1% |
| #13 | Acura | 14,482 | +3.1% | 141,252 | -0.6% |
| #14 | Volvo | 9,635 | +17.8% | 95,874 | +7.2% |
| #15 | Land Rover | 9,514 | +11.3% | 84,155 | +3.2% |
| #16 | Infiniti | 9,385 | -33.4% | 106,465 | -18.9% |
| #17 | Mitsubishi | 8,188 | +6.5% | 111,131 | +1.9% |
| #18 | Porsche | 6,326 | +11.5% | 56,835 | +7.0% |
| #19 | Mini | 3,067 | -13.1% | 33,782 | -17.4% |
| #20 | Jaguar | 2,958 | -7.5% | 27,740 | +2.7% |
| #21 | Genesis | 2,167 | +419.7% | 19,011 | +96.0% |
| #22 | Lamborghini [§] | 232 | +16.0% | 2,552 | +82.9% |
| #23 | McLaren [§] | 180 | +52.5% | 2,106 | +68.5% |
| #24 | Bentley [§] | 169 | -2.9% | 1,859 | -2.0% |
| #25 | Rolls-Royce [§] | 110 | +1.9% | 1,210 | +1.9% |
| #26 | Smart | 0 | -100.0% | 680 | -41.1% |
| #27 | Other† | 328 | +2.2% | 3,608 | +2.2% |

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| RANK | AUTO BRAND | NOVEMBER 2019 | % CHANGE FROM NOVEMBER 2018 | 2019 YEAR TO DATE | % CHANGE FROM 2018 YEAR TO DATE |
|------|--------------------------------------------|---------------|-----------------------------|-------------------|---------------------------------|
| | Toyota Motor Corporation | 207,857 | +9.2% | 2,175,976 | -1.4% |
| | American Honda Motor Company | 133,952 | +11.1% | 1,471,604 | +1.5% |
| | Hyundai-Kia Automotive Group | 113,272 | +10.4% | 1,207,171 | +4.6% |
| | Nissan Motor Company/Infiniti / Mitsubishi | 101,135 | -14.4% | 1,352,031 | -7.0% |
| | Volkswagen Group [‡] | 56,563 | +13.3% | 594,952 | +2.8% |
| | Mercedes-Benz USA | 37,263 | +13.0% | 323,130 | +1.2% |
| | BMW Group | 34,390 | +7.6% | 324,072 | +1.7% |
| | Jaguar/Land Rover | 12,472 | +6.2% | 111,895 | +3.1% |
| | TOTAL | | | | |

Source: Automotive News, December 2019 (Automotive News doesn't provide total sales, except during the four months/year when General Motors, Ford, Fiat Chrysler Automobiles and Tesla report their sales)

* Includes Mercedes-Benz vans

† Includes Aston Martin, Ferrari and Lotus estimates

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

§ Automotive News estimates

Not included in table: General Motors (Buick, Cadillac, Chevrolet and GMC); Ford Motor Co. (Ford, Lincoln); and Fiat Chrysler Automobiles (Alfa Romeo, Chrysler, Dodge, Fiat, Jeep, Maserati and Ram); and Tesla

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