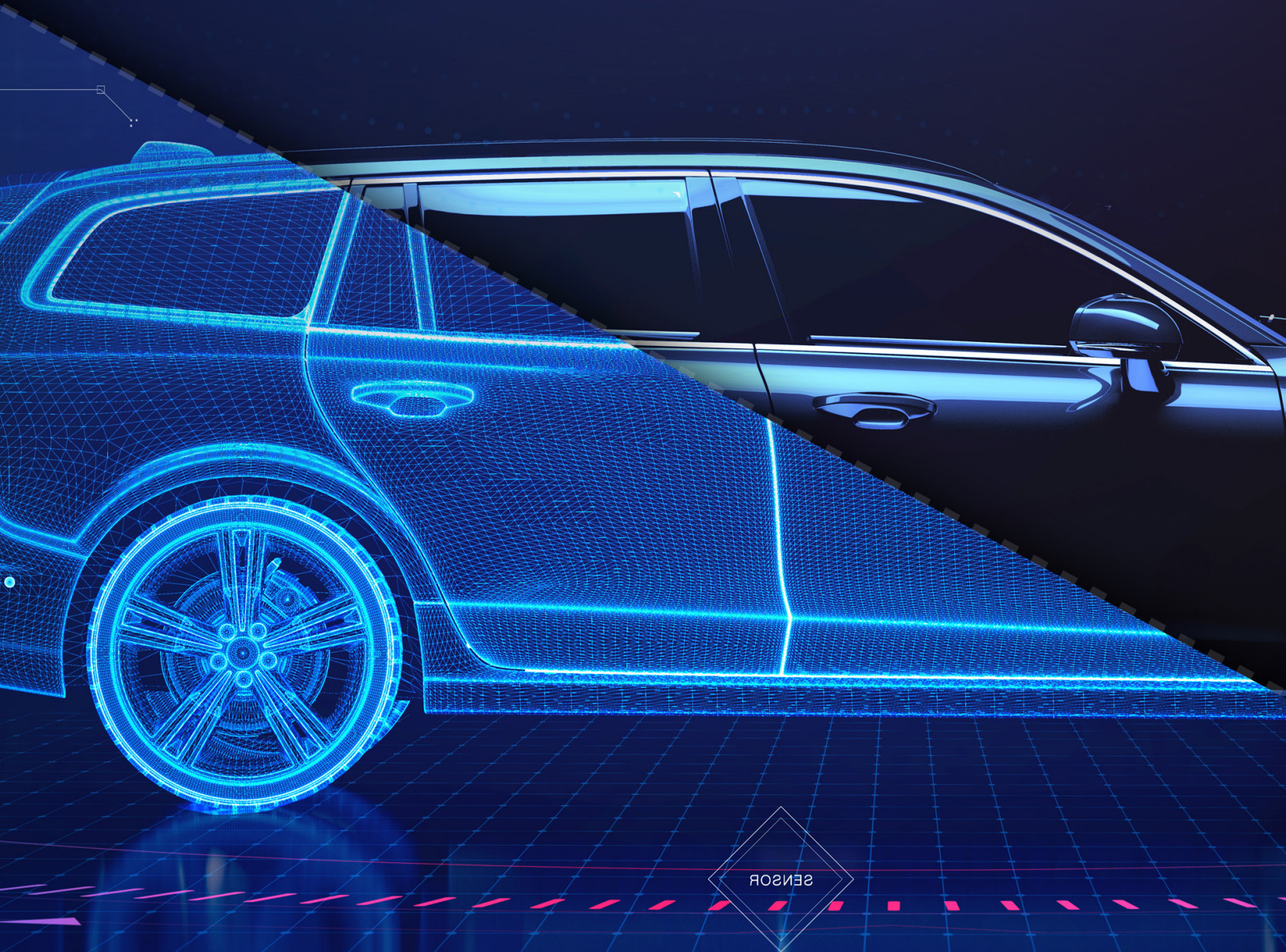


Automotive Outlook

Insights and Trends for 2020



Introduction

It's the start of a new decade. The next 10 years, and 2020 especially, can hold any number of possibilities for the future of automotive.

The industry is at a critical juncture. The past decade of growth was characterized by extended periods of low interest rates and fuel prices, allowing the industry to reach all-time volume records—17 million+ vehicles over the last four consecutive years. However, multiple sources have forecasted that new unit sales will slow down to just under 17 million in 2020.¹

What's the key to driving sales in a flat market? Staying in the know. To grow your automotive business, you need to understand the trends, take advantage of the data and insights available to you, and position yourself for success by building a strong, dependable brand and making informed decisions.

Knowledge is power. As you navigate the year ahead, pay close attention to these four factors:

1. Disruption in the Marketplace
2. Key Market Indicators
3. Shopping Behaviors and Insights
4. Media Spend and Marketing



Disruption in the Marketplace

Between the rise of subscription car services and ride sharing, and advances in electrification and assisted driving technology, the last decade has presented auto dealers with their fair share of hurdles and opportunities. But now with Generation Z entering the workforce en masse, dealerships have the chance to engage with an entirely new set of customers.

Here's everything you need to know about marketplace disruption in 2020.

Vehicle Subscription Services

Several OEMs and third parties have launched services where consumers can pay a monthly fee to access vehicles in their area. But despite the convenience and flexibility of these services, consumers have shown that they will only respond at the right price point, which is still being determined.

Electrification

Consumer sentiment has been positive towards the electronic vehicle segment, and is primarily motivated by saving on gas and becoming more environmentally friendly. EVs represented almost 2% of new car sales in 2019, with approximately 40% sold in the state of California. There are approximately 16 makes and models now, and the industry expects that number to more than double by 2025.² California, Washington, and Florida are currently the top three states with the highest number of light-vehicle registrations.³

Assisted Driving Technology

When it comes to autonomous vehicles, consumers and industry experts sit at opposing sides of the table. The general population doesn't appear to want them, with only 36% of shoppers likely to purchase a self-driving vehicle.² To put it plainly, consumers aren't exactly trusting of the technology just yet. Although driverless cars may be the future, they won't be hitting the road—on a grand scale—anytime soon. However, consumers are gradually incorporating smaller components of autonomous technology into their driving experience.

Ride Sharing

Ride sharing has freed consumers from the need to use their own vehicle every time they need to get around. These services provide on-demand access to transportation that is, in many ways, as convenient and reliable as driving a personal car.

Generation Z

Born after 1996, with \$3 trillion in purchasing power, the Gen Z demo is 67 million strong and now entering the workforce in droves. And what do they need to get them there? You guessed it. Gen Z represents the next generation of opportunity for dealerships.⁴ Typically thought of as technology-driven, a recent study found that Gen Zers and even younger millennials are more inclined to want to interact with people at a dealership than online.⁴



KEY TAKEAWAYS:

So, what should your priority be in 2020? Connecting with Gen Z. Now is the time to go the extra mile to reach them. Make sure your website is optimized for mobile use, stay active on Facebook and YouTube, and focus on promoting vehicle features and attributes, as this is what appeals to them.

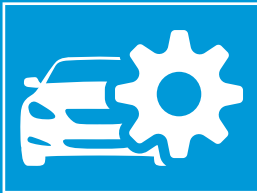
Current trends show that while Gen X and baby boomers want space for their families, Gen Z shoppers are more likely to go the sedan route. And wanting to avoid the debt they've seen the previous generation incur, they'll be looking at pre-owned vehicles in the \$10K range.⁴

Sources: (2) JD Power Auto Revolution – Doug Betts SVP & GM, Global Automotive, JD Power; (3) Urban Science/Harris Poll, August 2019; Map Source: 1 Electric Vehicle Registration Counts by State, AFDC.energy.gov, April 2019; (4) Automotive News – Decoding the Gen Z car buyer, June 2019

Key Market Indicators

Strong signals from retail behaviors in the auto industry point to a softening demand for new vehicle sales. We can attribute this to a combination of the following:

- Nearly half of consumers feel like owning/leasing is too expensive.
- Pre-owned vehicles are seeing a rise in demand and cost.
- OEM incentives are reaching all-time highs.
- Production factory shutdowns are being announced more frequently.



Retail-only Sales

are projected to decline in 2020 by 3% with sales of 16.8M retail units.⁵



Average Time

for a vehicle in the market was 96 days in 2019.⁷



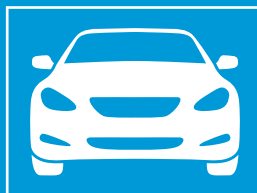
Passenger Car

production will be cut, with demand for cars falling below 30% in 2019. SUVs are now 50% of the market.⁵



New Car Prices

New vehicle prices are at an all-time high of \$36,402 due to the growth of costly SUVs and improving technology.⁶



Pre-owned Vehicles

had an average selling price of \$20,835, driving demand for lower cost alternatives.⁶



Affordability

Vehicles are more affordable, with a growth in leases and extended-term financing. 72 months+ leases rose to 36% of all leases in 2019.⁵



New Models

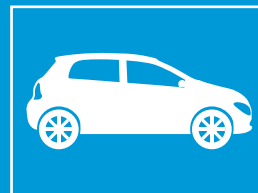
Over 100 models will be updated or released in 2020.⁴



Brand Loyalty

peaked at 50% in 2019 due to an improving ownership experience. The most influential purchase factors⁵ were:

- Reliability
- Exterior styling
- Previous brand/model experience



Shopping Around

57% of car buyers leave the dealership without buying a car. 48% of those who leave do so due to inventory or pricing issues.⁸

KEY TAKEAWAYS:

In 2020, you'll need to create a business that is flexible and scalable, with systems and platforms in place to meet the needs of today's consumer. Leverage all available data to make sure your dealership is running at maximum efficiency, including targeting and personalization.

Knowing who and where your customers are coming from, as well as what devices they are using, will help you determine how to optimize your campaigns. Detailed reporting that includes bounce rates, time spent on your website, VDP engagement, and conversions is critical. Focus on the growth areas for your business like pre-owned and fixed ops, and scrutinize your sales and marketing efforts in these areas.

Shopping Behaviors and Insights

Digital retailing continues to be a hot topic, with shoppers looking for convenience, transparency, and time-saving tools. The online buying process is still in its early stages, as shoppers still prefer to test drive a vehicle before committing to their purchase. 85% of new car buyers shop extensively online before visiting a dealership, and the vast majority of them want to minimize their time spent in person.



Time Spent Shopping

The overall journey between the start of the online buying process and it ending with a purchase is about 13 weeks. “Premium” buyers take a bit longer at 14 weeks, and “pickup” buyers have the longest journey at 17.5 weeks. The average number of websites visited has also decreased as shoppers become more efficient—now at 8.5, down 22% from 2016.⁹ Research has found that the number of dealerships visited actually increases as age decreases.¹⁰

- 3.8 for Gen Z and younger millennials
- 2.6 for older millennials
- 2.4 for Generation X
- 2.1 for baby boomers



Digital Retailing Readiness

Although most research is conducted online, the majority of consumers still aren’t willing to negotiate the entire transaction without visiting a dealership first. A recent study showed that 85% of consumers would not want to buy a car without physically seeing it first.¹⁰

“Many dealers have made significant investments into streamlining the shopping experience for consumers. Digital retailing will only accelerate and dealers who want to capture consumers attention will need a complete video solution to promote how their dealership helps shoppers save time. It’s worth noting that successful online brands like Cars.com, Carvana, Google and Facebook, all focus on video, whether its TV or Online, to make their brand message more memorable”.

Patricia Pidgeon, Senior Director,
Product Marketing



Distribution Model

The U.S. retailer operating model and the dealer franchise system has more than 18,000 new car and truck dealerships. There has been a significant consolidation of individual franchises into dealer groups, a few of which have reached ownership of more than 200 individual franchises.

KEY TAKEAWAYS:

As of 2020, digital retailing is still in its early stages, and dealers who can’t compete on price alone have an opportunity to stand out from the competition: by creating a best-in-class virtual showroom and promoting its time-saving benefits to auto intenders. In a market with narrowing new vehicle margins and declining sales, dealers cannot escape Economics 101. If you’re a dealer and want to grow your volume in the future, online digital retailing will help you reach far beyond your primary market area.

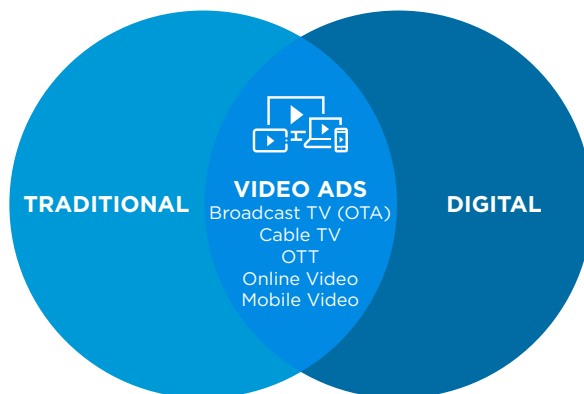
Media Spend & Marketing

In 2020, local automotive ad spend is expected to increase slightly by 1.9% (up to \$15.8 billion), and \$6.4 billion (41%) will go to some form of video advertising.¹² While the shift to digital will continue over the next five years, “over-the-top” (OTT TV content served over a high-speed internet connection) will see the largest growth of all digital media in 2020.

GM, the nation’s fifth largest ad spender—who, in 2018, allocated 83% of their total ad spend on TV—is taking advantage of the latest video trend by increasing their “connected TV” budgets by 66%. GM’s CMO Deborah Wahl noted at CES this year that they are bullish on connected TV’s targeting capabilities, noting a 10% increase in effectiveness.¹³

Why is video so effective? Whether it’s on TV, online, or streamed “over-the-top” (OTT), video engages auto shoppers and tells your story with the combined power of sight, sound, and motion. But as the advertising landscape evolves, the line between traditional and digital media continues to blur, with video ads falling within both categories.

Video ads fall under the umbrella of both traditional and digital advertising:



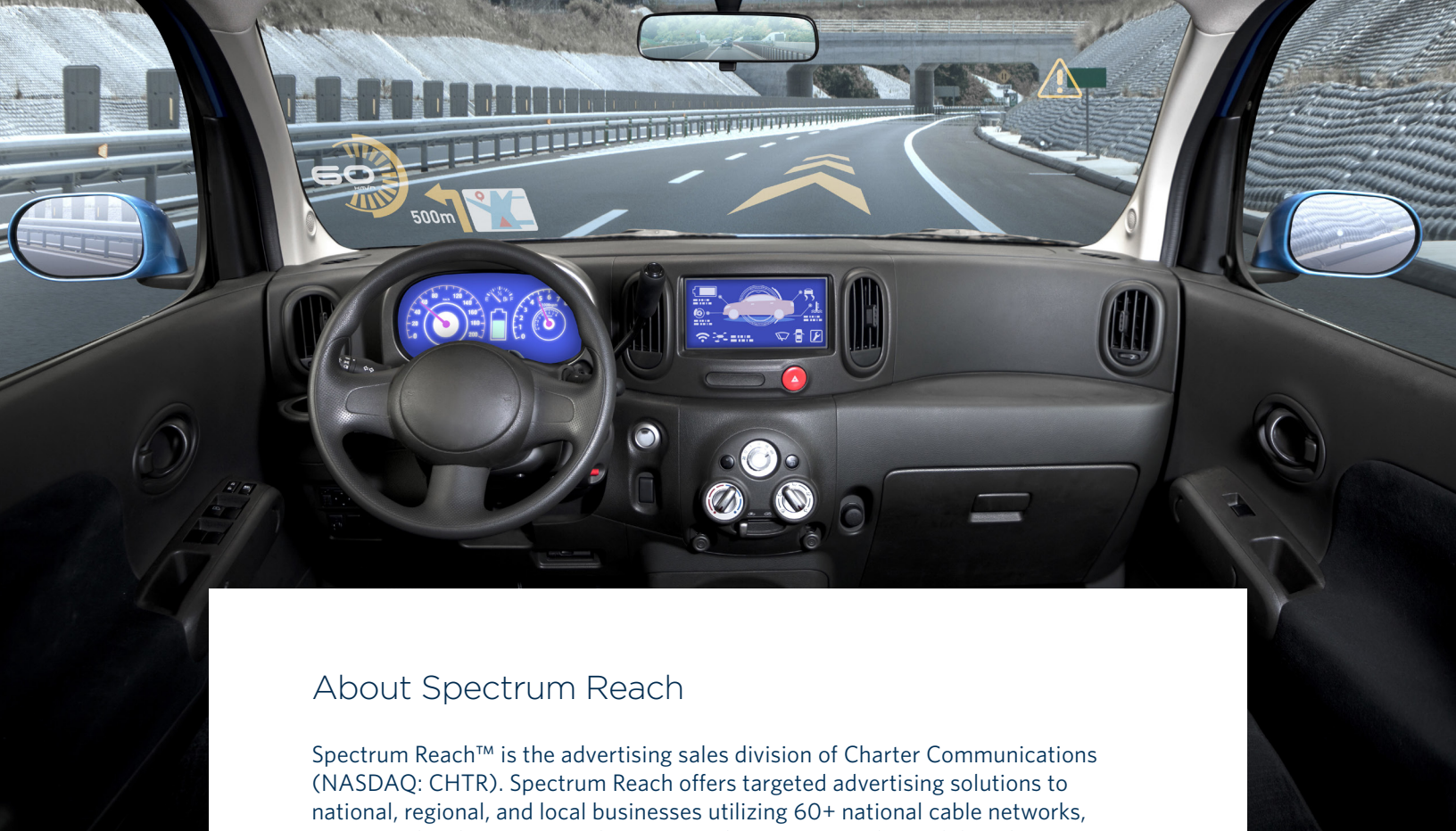
“Video advertising still dominates the landscape. Wherever and however you consume it, video is king, and it’s the primary tool that the auto industry will continue to use to reach and engage car buyers in 2020.”

Kurt Kennedy, VP,
Automotive Sales & Strategy



KEY TAKEAWAYS:

To reach auto intenders in 2020, you should consider incorporating all forms of video (TV, OTT, and online/mobile) into your media mix. TV can help shoppers remember who your dealership is before they go online and search for a car; online video can enhance your overall impact. There’s a 54% increase in business effects (profit, sales, market share, penetration, loyalty, and price sensitivity) when combining TV with online video. This increase is only 32% with TV alone, and 25% with online video alone.¹⁴ Also, when producing video for your auto business, make sure to employ a consistent, unified creative strategy—it will make your advertising 57% more impactful.¹⁵



About Spectrum Reach

Spectrum Reach™ is the advertising sales division of Charter Communications (NASDAQ: CHTR). Spectrum Reach offers targeted advertising solutions to national, regional, and local businesses utilizing 60+ national cable networks, 30+ 24/7 local news networks, 2 regional sports networks, and digital advertising, including social, mobile, and search, all supported by marketing, research, and production services from the award-winning creative agency Kernel®. Spectrum Reach applies insightful research through data-driven products to understand consumer behavior and build targeted, multiscreen media plans customized for each customer.

With offices in 36 states and 89 markets, including top markets New York, LA, and Dallas, Spectrum Reach covers nearly 27 million households throughout the country. From television advertising to exciting new possibilities in interactive media and multiscreen solutions, Spectrum Reach's consultative team brings advertisers effective and efficient ways to turn cable and digital audiences into their customers.

More information about Spectrum Reach can be found at SpectrumReach.com