

From: Jeffrey Sleete <jeff@sleetesales.com>
Sent: Friday, January 27, 2023
Subject: Under the Hood 1/27/23

Fridays: Under the Hood

A diagnostic look into the weeks' most pertinent auto business news, complete with article links and a brief recap of the meat of the articles. If you want to earn a car dealers business, talk-their-talk. Display an understanding and interest in their business. ***Under the Hood*** gives you that edge.

Will Leasing Rally in 2023?

Cox Automotive projects that leasing will represent 21 percent of new-vehicle retail sales in 2023, up from an estimated 19 percent in 2022.

Source: Automotive News

<https://www.autonews.com/nada/analysts-predict-leasing-will-grow-slightly-2023>

Dealers Face EV Hurdle

As dealers get ready for a surge of older electric vehicles arriving in the used-vehicle market in coming years, one challenge many of them face now is simply that there isn't enough supply to meet current consumer demand. With more automakers charting electric paths, dealers are readying their sales and service operations to handle the influx of used EVs that will eventually arrive when all those new models age and permeate auction lanes or return to dealerships as trade-ins.

Source: Automotive News

<https://www.autonews.com/nada/dealers-face-ev-inventory-hurdle>

How to Sell Battery-Electric Vehicles to Skeptical Customers

When it eventually comes to high-volume electric-vehicle sales, auto dealers will tackle the task. But it will take getting up to speed first.

Source: WardsAuto

<https://www.wardsauto.com/dealers/how-sell-battery-electric-vehicles-skeptical-customers>

8 Brands Struggle with U.S. Conquest Retention, Study Shows

Dodge, Ram, Audi, Mazda, GMC, Volkswagen, Acura and Mercedes-Benz are all in the heat of a "nomad retention challenge" in the U.S., a report from S&P Global Mobility shows. This means these eight brands face the challenge of keeping their conquest customers from being "one and done" and going elsewhere after one purchase, the research firm said.

Source: Automotive News

<https://www.autonews.com/retail/these-8-car-brands-struggle-one-and-done-customers>

Exploring Used-Car Inventory Acquisition in Ever-Changing Environment

Since the COVID-19 pandemic hit in early 2020, the talk has been of tight used-car inventory, new-vehicle production shortages and high prices for both used and new. Things are turning, but slowly. That said, inventory acquisition for used inventory is still an issue for many dealers. And trade-in appraisals, reconditioning costs and valuation for used vehicles are top-of-mind for dealers.

Source: Auto Remarketing

<https://www.autoremarketing.com/trends/exploring-used-car-inventory-acquisition-ever-changing-environment>

Honda to Create Division to Speed Up Electrification Development

Honda Motor Co said on Tuesday it would create a new division in a bid to strengthen and speed up its electrification business as part of an overhaul of its organizational structure. The shake-up is part of the automaker's bid to catch up in the fast-growing market for full electric vehicles, led by Tesla Inc and China's BYD Co. Japanese automakers have been at risk of falling behind their European and U.S. rivals in the EV market.

Source: Reuters

Honda Realigns Around Hybrids, BEVs, Tougher SUVs and Better Quality

Honda is having to play catch-up in the EV space. The Japanese car company, arguably the best powertrain-making company in the world, announced this week a management change at the top of its U.S. operations, and a realignment of business – all designed to optimize its future in EVs and digital engineering.

Source: WardsAuto

<https://www.reuters.com/business/autos-transportation/honda-create-division-speed-up-electrification-development-2023-01-24/>

Mainstream EVs Change Consumer Perception by Attracting Young, Affluent, Luxury-Car Owners, Edmunds Says

When gas prices surged in early 2022, a surprising number of luxury car owners traded-in their internal combustion engine Lexus, Mercedes-Benz, BMW and Audi vehicles for electrified Ford Mustang Mach-E, Hyundai Ioniq 5 and Kia EV6 SUVs. EVs from the three mainstream brands Ford, Hyundai and Kia, are winning significant conquest sales from luxury and

other mainstream brands, commanding top dollar transaction prices and drawing buyers under 45.

Source: Auto Remarketing

<https://www.autoremarketing.com/trends/mainstream-evs-change-consumer-perception-attracting-young-affluent-luxury-car-owners-edmunds>

Flood of "Right to Repair" Bills Signals DIY Watershed

The "Right to Repair" movement championing owners' freedom to fix everything from smartphones to tractors is set for a landmark new year, as tech companies roll out user repair programs and state legislatures weigh broader consumer protections. 2023 has kicked off with rising momentum for right to repair advocates.

Source: Axios

https://www.axios.com/2023/01/23/right-to-repair-legislation-john-deere-apple-ftc?utm_source=newsletter&utm_medium=email&utm_campaign=newsletter_axioswhatsnext&stream=cience

Ford Offers Frustrated Bronco Customers \$2,500 to Buy Something Else

Ford Motor Co. has sent letters offering a \$2,500 deal to frustrated customers tired of waiting for certain high-end Bronco SUVs that are on order but delayed because of the ongoing global supply chain disruption. Bronco customers they may take no action and continue to wait or accept a \$2,500 rebate to change a 2023 Wildtrak order to an Outer Bank, Big Bend or Badlands series without a molded-in colored hardtop, Sasquatch package or Lux package that allows for more extreme adventure driving.

Source: Detroit Free Press

<https://www.freep.com/story/money/cars/ford/2023/01/23/ford-bronco-customer-bronco-suv-deal/69831627007/>

Kia Dealers Hope EV9 Production Will Shift to U.S.

James Morrell, chairman of the Kia Dealer Advisory Council, said there's no way to deal with the new law without building the EV9 in the U.S.

Source: Automotive News

<https://www.autonews.com/dealers/inflation-reduction-act-may-hurt-launch-new-kia-ev9>

BMW dealers press for leasing support

BMW's lease penetration is down dramatically — 30-plus points vs. pre-pandemic levels, the brand's dealer board leader said late last year. That's a concern for the franchise, and retailers at the NADA Show are keen to hear the brand's strategy to turn it around. The slump in leasing is an industrywide concern, especially for luxury automakers, which rely on that business to make their pricey metal affordable.

Source: Automotive News

<https://www.autonews.com/nada-show/bmw-dealers-need-brand-help-turn-leasing-around>

Renault, Nissan Near Deal on Alliance Shake-Up

Renault and Nissan Motor Co. Ltd. are nearing a deal to reshape their 20-year-old alliance, according to people familiar with the matter, in a restructuring that would reduce the French car maker's shareholding in its Japanese partner and give both companies more autonomy. A deal could be officially unveiled early next month, these people said, and would represent the most significant change in the car makers' alliance since it was forged amid a financial crisis at Nissan.

Source: Wall Street Journal

<https://www.wsj.com/articles/renault-nissan-near-deal-on-alliance-shake-up-11674750979>

Rising Interest Rates Are Less of a Concern for Subaru Dealers

Rising interest rates aren't a problem for the Subaru market, though buyers seem to be bringing more cash to deals, according to Subaru National Retailer Advisory Board Chairman Jeff Williams. "Is it affecting customers buying cars?" Williams, a vice president at Williams Auto World, which owns Williams Subaru in Lansing, Mich., said of interest rate growth. "No. I don't think so."

Source: Automotive News

<https://www.autonews.com/dealers/subaru-national-retailer-advisory-board-chairman-jeff-williams-downplays-impact-interest>

JLR Swings to Profit After New Range Rover Model Output Doubles

Jaguar Land Rover returned to profit after improved availability of semiconductors boosted output of high-end new models. The British luxury carmaker reported profit before tax of £265 million (\$326 million) for the three months ending in December, compared with a £9 million shortfall a year earlier, Indian parent Tata Motors Ltd. said Wednesday.

Source: Bloomberg

https://www.bloomberg.com/news/articles/2023-01-25/jaguar-land-rover-owner-swings-to-profit-as-chip-crunch-eases?cmpid=BBD012523_hyperdrive&utm_medium=email&utm_source=newsletter&utm_term=230125&utm_campaign=hyperdrive&sref=P2Xjia5c

ICE fueling costs fall below price of EV charging in the midrange segment, study says

The cost to drive an internal combustion engine vehicle 100 miles in the U.S. fell below the cost to charge a comparable electric vehicle for the first time in 18 months, a new report from a Michigan think tank says. An analysis of late-2022 fueling costs by the Anderson Economic Group says midpriced ICE drivers are paying about \$11.29 for 100 miles of driving, an average of 31 cents less than midpriced EV drivers who charge at home.

Source: Automotive News

<https://www.autonews.com/mobility-report/ice-fueling-costs-can-fall-below-price-ev-charging-study-says?utm>

U.S. senator seeks to bar EVs from tax credits not meeting sourcing rules

U.S. Senate Energy and Natural Resources Committee chair Joe Manchin on Wednesday introduced legislation that would immediately impose battery sourcing requirements on electric vehicles to qualify for \$7,500 tax credits. The U.S. Treasury in December said it would not issue proposed guidance on battery sourcing rules until March, giving some electric vehicles not meeting new requirements a brief window of eligibility in 2023 before the battery rules take effect. Manchin's legislation would make all of the battery requirements for tax credits retroactive to Jan. 1.

Source: Reuters

https://www.reuters.com/business/autos-transportation/us-senator-seeks-bar-evs-tax-credits-not-meeting-sourcing-rules-2023-01-25/?taid=63d18ef3f6f20a0001c36348&utm_campaign=trueAnthem%3A%2BTrending%2BContent&utm_medium=trueAnthem&utm_source=twitter

Another rough year may be ahead for auto suppliers

Suppliers have been through three years of challenges and setbacks. They might be in for a fourth. Parts suppliers are getting the financial squeeze from inflation and rising interest rates while navigating uncertainty in the economy and the new-vehicle market. The number of suppliers in financial distress spiked in 2022 as those issues cut into margins and sent companies scrambling for price relief from their customers.

Source: Automotive News

<https://www.autonews.com/suppliers/why-automotive-supply-chain-faces-another-tough-year>

NextGear Capital Offers 10 Tips For Independent Dealers To Thrive in 2023

1. Aged inventory is not your friend. Holding costs will hurt your profits.
2. Money is made at the buy. Use tools to expand your reach to find the desired inventory at the best price. Look for tools that allow you to wholesale and retail at the same time.
3. Know where your inventory is at all times. Use tools such as Account Portal to make your audits and reconciliations more efficient and profitable.
4. It is important to be lean in 2023. Watch expenses closely such as reducing unnecessary costs, ensuring your marketing spend generates returns, and investing carefully to stay competitive.

5. Change your pricing strategy regularly to match market conditions.
6. Leverage the resources of your vendor partners. They have the ability to provide access to unique data which is key to driving stronger profits. Also, choose partners that work together to improve your efficiency and strategy.
7. Focus on the client experience. Consider time on the lot, pricing transparency, and the overall process. Give your clients an experience to remember and they will spread the word to others.
8. Build long-term relationships. Become involved in your community, learn from your competitors, and stay close with your vendors to keep abreast of new products, offerings and opportunities.
9. Knowledge is power. Pay attention to industry news and stay on top of trends.
10. Satisfied clients are a gold mine. Invest in a strong CRM to stay connected to them and remain top of mind.

<https://www.autodealertodaymagazine.com/369886/nextgear-capital-offers-10-tips-for-independent-dealers-to-thrive-in-2023>

