State Of The Automotive Industry From A Franchised Dealer's Perspective

- Premature EV Facility Investment Demands
- Acknowledging the EV Future While Being Transparent to your Customers
- Direct Sale Prohibitions
- Misuse of Dealer Data by OEMs
- Blue Sky Values: Buy, Sell or Hold

STATE OF THE INDUSTRY REPORT:
LEGAL PERSPECTIVE

"Take your pick."

DEALERLAW.COM

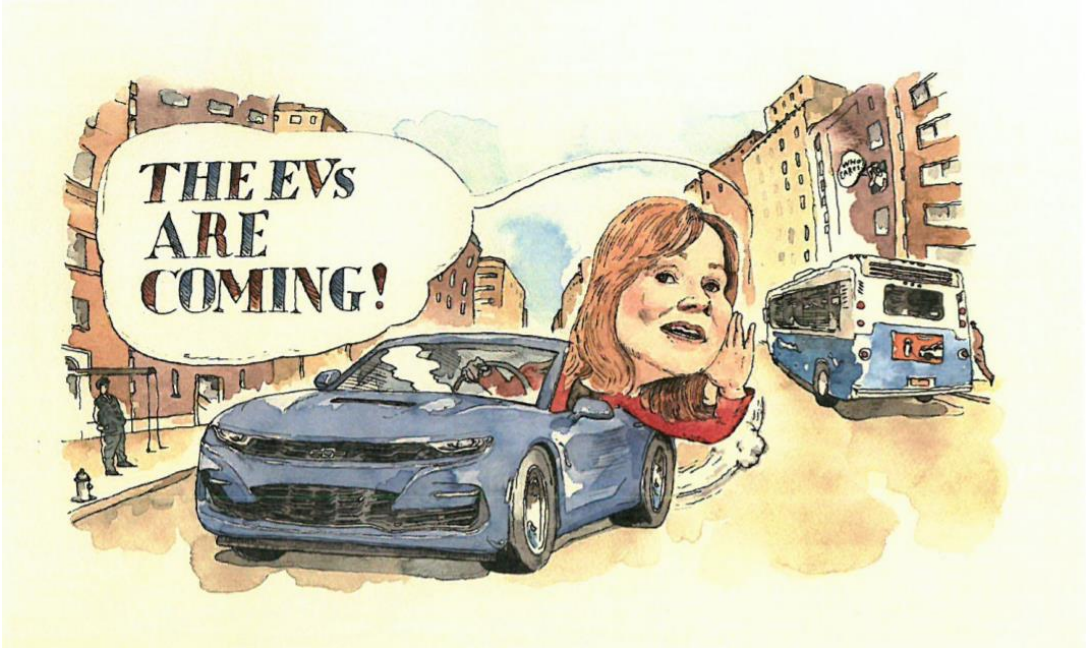
IS THE EV TRANSITION BEING OVERSOLD?

- Automaker Imaging
- Regulatory Pressure
- Pretextual Objectives
- Preconditioning Consumers

FIRE, AIM, READY?

PROJECTED EV MARKET IN US

- Auto pacific projects that EV market in the U.S. Will triple by 2025 to 4.9% and 800,000 sales (less than 1.7% now)
- IHS expects that in 2030, 87% of new cars sold with still have an internal combustion engine.



DEALERLAW.COM

October 21, 2021

ANDERSON ECONOMIC GROUP

Anderson Economic Group EV Transition Series: Report No. 1

Comparison: Real World Cost of Fueling EVs and ICE Vehicles

Electric vehicles can be more expensive to fuel than their internal combustion engine counterparts

Patrick L. Anderson, Principal and CEO
Alston D'Souza, Senior Analyst

Study compares electric vehicle charge costs vs. gas — and results were surprising

Jamie L. LaReau Detroit Free Press

Published 11:12 a.m. ET Oct. 21, 2021 | **Updated 10:28 a.m. ET Oct. 26, 2021**

View Comments

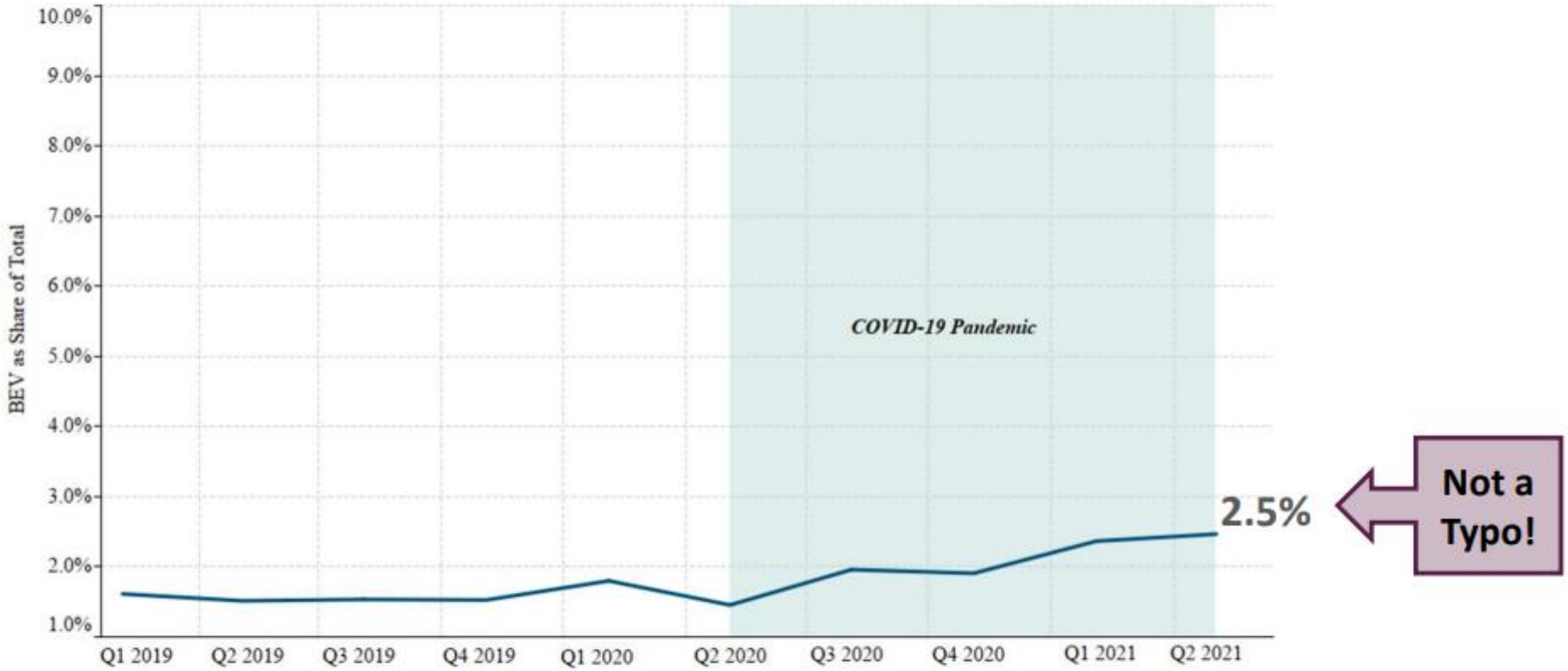
Last year, Patrick Anderson went electric: He got a Porsche Taycan EV in dark blue.

Anderson, who is CEO of East Lansing-based economic consulting firm Anderson Economic Group, loves the zippy acceleration and "exciting" features the car offers. He also gets satisfaction in knowing that driving an EV benefits the environment, he said.

But Anderson's joy comes with a dark side.

Detroit Free Press

A. Electric Vehicles as Share of Total Vehicle Unit Sales, U.S. 2019-2021 (2Q)



Note: In this chart, we classify only battery electric vehicles (BEV) as "electric vehicles." Hybrid and plug-in hybrid vehicles with ICE drivetrains are not included. HEVs and PHEVs use an ICE along with an electric motor, which uses energy stored in a battery. HEV batteries charge through regenerative breaking, whereas PHEVs also use an electric power source.
Source: Automotive News Data Center, U.S. light vehicle sales by nameplate. Analysis: Anderson Economic Group.

AEG ©2021

IV. Advice for New Vehicle Dealers

The automotive market is changing... slowly.

A. AEG research indicates strong likelihood of EV adoption in only certain markets:

- Wealthy, metro areas with strong EV infrastructure

B. For other markets, the adoption will be slower:

- Rural areas
- Areas with weak EV infrastructure
- Areas with lower incomes

AEG ©2021

IV. Advice for New Vehicle Dealers

New vehicle dealers should think carefully about their local market.

A. Dealers must balance automaker investments against consumers' limited demand for EVs.

B. There is a **serious mismatch risk** for dealers located in most markets, where the EV push does not match local market demand.

AEG ©2021

Know Your Market.

A. Understand the penetration of electric vehicles in **your local market**.

B. Do not assume your customers will jump to buy EVs in droves.

C. Consider getting an expert to assess your area's market potential for EVs.

It is important to understand how much *your* market can support electric vehicles. Regional differences will strongly affect EV market penetration.

AEG ©2021

Be Cautious About OEM Demands.

A. Before making facility and/or equipment investments, consider current and potential EV sales in your market.

B. For sales performance assessments, carefully analyze local market demand and the availability of EV charging stations.

C. Clearly document and communicate with the OEM about your market findings.

Advice: *Be prepared to review and question OEM projections. Consider hiring an expert to understand what the OEM relies on and check against local market data.*

AEG ©2021

INTRUSION INTO SALES BY OEMS

- Use of Dealer Data by OEM
- Price Setting by OEM
- Direct Selling of EVs by OEM
- Trade Allowances by OEM

ALL PROHIBITED UNDER NY FRANCHISED DEALER ACT

DEALERLAW.COM

4 • DECEMBER 6, 2021 Automotive News

Global execs: Big retail changes coming

More online, direct sales expected, survey finds

John Irwin
jirwin@crain.com

By 2030:

- Half say 60% of sales will be direct
- Only 40% sales through dealers
- Subscription programs will compete

EVs by 2030:

- 52% US, China, Japan
- Variance of opinions from 5% - 90% = no consensus

Americans Return to Car Dealers, Thwarting Expected Shift Online

Gabrielle Coppola & Edward Ludlow

Published On 03:30 PM IST, 12 Jun 2020
Last Updated On 02:44 AM IST, 12 Jun 2020

Save

(Bloomberg) -- In the middle of California's **lockdown**, Mike Sullivan sold 160 cars in a week by delivering online orders to customers' doorsteps.

Even though that total meant sales plummeted about 75% at his 12 **dealerships** in the Los Angeles area, Sullivan had reasons to be encouraged. He hustled to set up e-commerce after the state ordered the closure of many retailers, including car lots, and customers liked the new model.

But since California loosened its coronavirus restrictions in May, shoppers have come back to Sullivan's showrooms. Not even recent protests over police brutality and looting, which hit three of his stores, kept them away.

Bloomberg
NEWS

Automotive News DECEMBER 13, 2021

Automakers see gold in over-the-air software upgrades

Will customers keep shelling out post-purchase?

Nick Bunkley
nbunkley@crain.com

DETROIT — Starting this week, some Dodge owners who want more horsepower can just download it. Ram owners will one day be able to buy extra payload capacity.

The kinds of instant upgrades consumers are used to getting on their cellphones are now on the way to their cars and trucks as automakers salivate over the prospect of wirelessly squeezing more profit from vehicles long after they've left the dealership.

General Motors projects up to $25 billion in annual revenue by 2030 from software and subscription services. Stellantis last week began a push to bring in $23 billion a year from such offerings by 2030, more than 50 times what it gets from the meager options available today.

"We intend to deepen the emotional bond between our customers and the brands they love," Mamatha Chamarthi, head of Stellantis' software business, said in a presentation to investors. "If the past was about increasing margins by moving customers north in hardware and trim levels, our future is about offering customers software-based services."

But whether automakers can persuade customers to keep their wallets open long after taking ownership of a vehicle isn't clear. Soaring transaction prices mean many buyers are stretching the limits of their budgets to afford their monthly payments, even as loans increasingly spread out the cost over seven years or more.

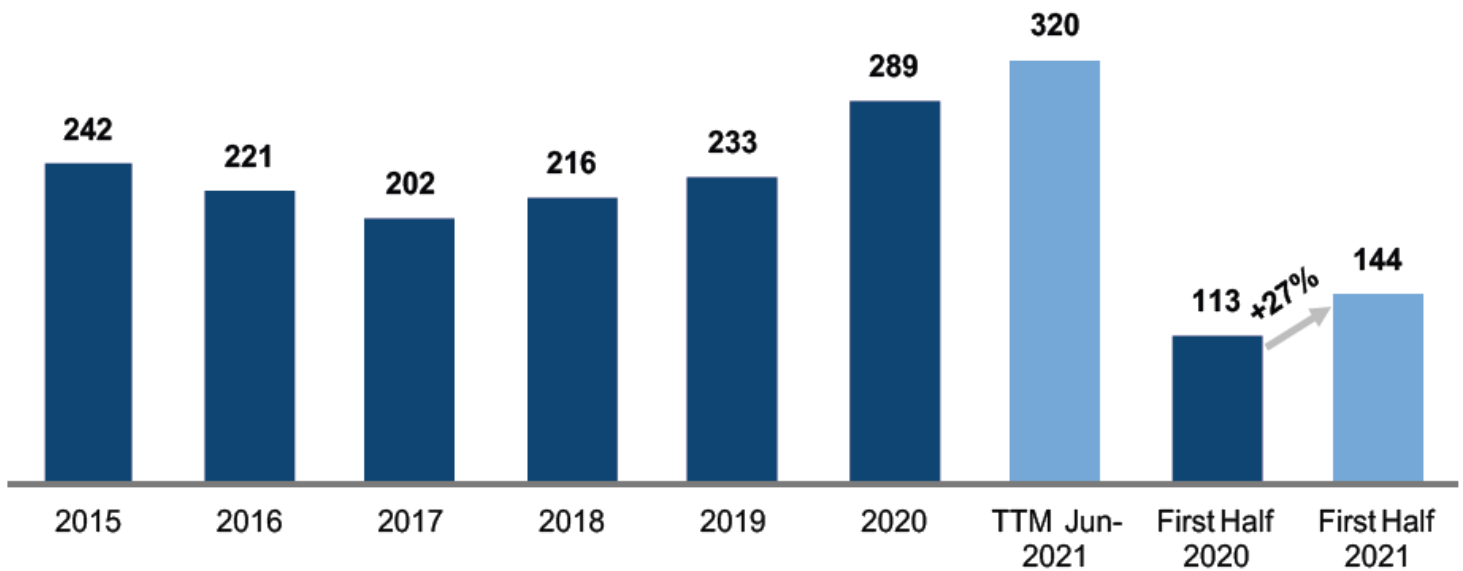
see **SOFTWARE,** Page **28**

Tavares: Cutting manufacturing costs is key.

DEALERSHIP ACQUISITION ACTIVITY

The buy/sell market over the last 12 months has been nothing short of extraordinary. Since the economy reopened in June 2020, the number of auto dealership buy/sells completed hit a record 320 through June 2021 (see Chart I). At the current run rate, Kerrigan Advisors expects 2021 to exceed 2020's transaction count by a significant margin, making this year the most active in history.

Chart I | Total Number of Completed Dealership Transactions



2021 buy/sells are already at record numbers, exceeding 2020 by 27%, marking the highest number of buy/sells for a half year period since Kerrigan Advisors started tracking the data.

Source: The Banks Report, Automotive News, Kerrigan Advisors' Research
Note: A transaction can include multiple franchises and is defined as one buyer and one seller.

SELL OR HOLD?

- Broker Puffery
- Junior "Partner"

DEALERLAW.COM

QUESTIONS?