Consumer Trends Pulling Auto Manufacture and Sales Into the Future

By CHRISTIAN SCALI and MELANIE JOO

Despite the rise of ride-sharing services, 2015 was a record year for the retail automotive sector. The growing economic malaise in the rest of the world, particularly in emerging markets, led to a flat 2016 overall, dampening prospects for global automakers and suppliers.

Furth further setbacks this year included the Volkswagen diesel scandal and the massive Takata airbag recall and bankruptcy, both of which may manifest further consequences affecting consumer confidence by creating increased scrutiny of the practices of other auto manufacturers and suppliers.

Provided this heightened awareness does not reveal a sector-wide culture of deceit (a very unlikely result), any fallout from these scandals is likely to be limited to the companies responsible for them, trickling down to the distributors and retailers associated with them.

The automobile industry is cyclical and historically has experienced downturns characterized by oversupply and weak demand. Many factors affect the industry, including general economic conditions, consumer confidence, personal discretionary spending levels, interest rates and credit availability. Due to the cyclical nature of the sector, it is logical that the industry will experience sustained periods of decline in vehicle sales in the future.

But excluding the relatively self-contained scandals mentioned above, the usual factors influencing that decline are insubstantial. Moreover, as is usually the case with these devastating-at-the-moment scandals, they will likely result in either enhanced self-policing through robust corporate compliance and ethics programs throughout the sector, or additional regulation that, with time, should allow the affected companies to recover their images and set examples for competitors.

Despite all of the negative press arising from deceitful factory executives and safety issues, massive improvements in fuel economy technology and pressure from new entrants from the tech sector are advancing ride-sharing, self-driving capabilities and changes in the very fiber of the franchise model – causing evolutionary leaps for the entire industry.

Factories and tech companies alike are dabbling with new technologies and vehicle concepts that can transform the automobile industry (and transportation more broadly) in perhaps the most dramatic fashion since mass-production. Already we are beginning to see what the connected-car will look like: a fully digitized vehicle with Wi-Fi, advanced infotainment systems and apps; vehicle-to-vehicle technology; GPS systems for determining routes, locations and traffic conditions and networked links to allow remote vehicle diagnostics and repairs. All this as self-driving technology expands to allow self-parking, self-braking, automatic cruise control based on road conditions, accident-avoidance features and others.

The “consumer-centric culture” that the industry is exploring is the goal to digitize and enhance the customer experience, from virtual reality and apps designed to reduce the time a customer spends shopping for a vehicle and sitting in the dealership, to extended tests drives, paperless sales and vehicle home delivery. All of this is driving the auto industry into the 21st century and re-energizing automotive retail. If the industry continues to embrace new technology and change with consumer behavioral trends, it should continue the success of 2015.

In the showroom, retailers and others are developing and implementing software to digitize and enhance the customer experience.

Millennials, who fueled the growth and success of ride-sharing companies while the Great Recession stunted their own prosperity, have been slower to purchase cars and homes, choosing instead to squirrel away their money until they leave the nest. However, many Millennials are now buying more cars and homes, and we’ll see an uptick in the numbers of car-buying millennials in coming years.

Auto retail sales disrupters have developed platforms to respond to the needs and desires of millennials. These disrupters could hurt future auto dealership sales if they replace the auto dealer. But the success and long-term viability of retail automotive disrupters is hindered by laws and regulations enacted before the advent of the technology or business model at issue. If the regulatory framework does not keep pace with new disrupter business models, auto dealerships shouldn’t see these companies impacting their sales volume. But if the framework is amended thoughtfully, with the interest of auto dealers in mind, auto dealers can take advantage of the changes to reach an even greater number of customers.

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Christian Scali and Melanie Joo are with The Scali Law Firm. Recognized as California’s top boutique automotive law firm, The Scali Law Firm’s clients range from small, family-owned businesses to publicly held global companies and high net worth individuals. Its team of attorneys has decades of specialization in serving the auto dealer industry. For more information, please visit ScaliLaw.com.
Product Specialists Help New Vehicle Owners Understand Technology, Enhance Ownership Experience

With vehicles becoming increasingly complex, buyers are getting assistance from product specialists to help them learn how to use the technology in their new car, according to the J.D. Power 2016 U.S. Sales Satisfaction Index (SSI) Study, released recently.

The study finds that 24% of owners of luxury vehicles and 16% of owners of mass market vehicles in 2016 worked with both a salesperson and a product specialist when buying or leasing their new car, up from 19% and 15%, respectively, just two years ago.

The product specialist's primary role is to make the owner aware of the array of technologies in their new vehicle and help them understand how to use it. For example, the product specialist helps the owner pair their smartphone to the vehicle's Bluetooth system; shows them how to operate the navigation system; and explains the vehicle's audio and communications systems.

Owners who work with both a salesperson and product specialist are overall more satisfied with the sales experience than those who work only with a salesperson (836 vs. 829, respectively, on a 1,000-point scale).

“Owners can be challenged with the complexity of today's vehicles,” said Chris Sutton, vice president of the automotive retail practice at J.D. Power. “More dealerships are employing product specialists—and more brands, especially the luxury brands, are requiring that the dealers have them—to help the customer have a more thorough ownership experience with their new car or truck. Having a product specialist show the technology to the owner can really ensure the customer gets the most benefit out of their vehicle.”

Sutton noted that explaining the technology or providing a demonstration at the time of the purchase not only makes the owner aware of all of the technologies within their vehicle, but also helps them understand how to use the technologies, which means they are more likely to use them, continue to use them, and, because they see the value, want them in their next vehicle.

Two other J.D. Power studies—the J.D. Power 2016 U.S. Tech Experience Index (TXI) StudySM and the J.D. Power 2016 U.S. Initial Quality StudySM (IQS)6 evaluate similar findings that point to the critical nature of assisting owners with the technology in their new vehicle.

According to the TXI Study, owners who learn how to operate the technologies from their dealer have higher overall satisfaction than those who learn how to operate the technologies from another source or from prior experience. The TXI Study finds that across all technologies, there is, on average, a 98-point drop in satisfaction when owners have technologies they say are difficult to use (DTU).

The product specialist can help minimize DTU issues with technology, which can improve satisfaction and positively affect the vehicle's quality. Even though it may operate as intended, when a technology is difficult for an owner to use or understand, it is likely to be considered a quality issue. For example, navigation system difficulty to use is a top-10 location tie for the sixth most common problem in IQS. Owners who learn how to use their navigation system from the dealer report 2.2 DTU problems per 100 vehicles (P100) fewer navigation DTU problems than those who do not get a dealer explanation.

“Whether it’s training a few minutes with repeat buyers to refresh their knowledge of the technologies or a few hours with first-time buyers, it’s a small investment with long-term benefits,” said Sutton.

BRAND SALES SATISFACTION RANKINGS

Buick ranks highest in sales satisfaction among mass market brands, with a score of 859. It is the first time Buick has topped the rankings since 2009. MINI, which had ranked highest from 2010 through 2015, ranks second (879) and Chevrolet ranks third (879). GMC ranks fourth (855), giving General Motors three of the four top spots among mass market brands.

Porsche ranks highest in sales satisfaction among luxury brands for a second consecutive year, with a score of 824. Infiniti ranks second (815); Mercedes-Benz third (809); and BMW and Cadillac tie for fourth (807).

Other key findings of the study include:

• Technology Trends in Sales Process: The use of technology, such as tablets and computer displays, by dealers during the sales process is increasing. Among premium owners, 27% say their salesperson used a tablet while the sales process, up from 24% in 2015, while 22% of non-premium owners say their salesperson used a tablet, up from 15%. Tablets are used most frequently to capture information about the buyer, demonstrate vehicle features, and display price or payment information.

• Telephone Remains a Valuable Shopping Tool: Three-fourths of owners say they used the internet during the vehicle-shopping process, yet 42% of all owners say they also used the telephone to call dealers. The top two reasons for calling a dealership are to check vehicle inventory and pricing. Surprisingly, buyer satisfaction is lower among owners who use the internet to shop than among those who do not (823 vs. 845, respectively), while satisfaction is higher among those who call dealers than among those who do not (835 vs. 823).

• Younger Buyers Are Toughest Customers: Gen Y buyers are the toughest to please, with sales satisfaction of 824. In contrast, Boomers and Pre-Boomer buyers are the most satisfied, each with sales satisfaction of 836. “Gen Y has high expectations and less experience than their older counterparts with the vehicle-buying process, which are likely contributing to their lower satisfaction,” said Sutton.

• The Deal Affects Satisfaction: The study identifies 10 dealership processes that have the greatest effect on sales satisfaction. Free of the processes are part of the working out the deal measure, including providing the customer with straight answers; not pressuring the customer; and not bringing too pushy to sell the customer additional products. When the dealer adheres to these processes, each can improve sales satisfaction by 35 points or more.

The study, now in its 30th year, measures satisfaction with the sales experience among new-vehicle buyers and rejecters—those who shop a dealership and purchase elsewhere. Buyer satisfaction is based on four measures: working out the deal (25%); salesperson (19%); delivery process (16%); and facility (15%). Rejecter satisfaction is based on five measures: salesperson (10%); fairness of price (4%); experience negotiating (4%); facility (3%); and variety of inventory (3%).

The 2016 U.S. Sales Satisfaction Index (SSI) Study is based on responses from 28,979 buyers who purchased or leased their new vehicle in April or May 2016. The study is a comprehensive analysis of the new-vehicle purchase experience and measures customer satisfaction with the selling dealer (satisfaction among buyers). The study also measures satisfaction with brands and dealerships that were shopped but ultimately rejected in favor of the selling brand and dealership (satisfaction among rejecters), and was fielded from July through September 2016.
The House of Rolls-Royce announced its Spring/Summer 2017 Couture collection. Signature detailing in vibrant colour will complement palettes of classic white as Dawn is Inspired by Fashion. Rolls-Royce and the world of Haute Couture have long been bound by a common philosophy – taking the very finest materials and crafting them into the most exquisite and desirable luxury goods as expressions of their clients’ taste and lifestyle.

Under the stewardship of Design Director Giles Taylor, a team of talented designers from the House of Rolls-Royce, including textile specialist Cherica Haye who studied at the Royal College of Art, and Michelle Lusby Colour & Materials designer who gained experience working at Mulberry. Their work has seen the incorporation of fine silks and unexpected textures into the interior environment of truly bold and distinctive Bespoke commissions. They have conceived and executed Bespoke commissions with a depth of inspiration befitting to the world’s leading luxury brand.

In creating ‘Dawn – Inspired by Fashion’, these designers selected the neutral canvas of white upon which to base three vibrant colours that will set the tone for 2017’s Spring/Summer collection; Mugello Red, Cobalto Blue or Mandarin. Subtle accents of these colours adorn interior aspects of each Dawn, whilst the ‘Silent Ballet’ of the roof as it rises to provide shelter from the paparazzo’s lens unleashes a brushstroke of colour to catch the style-spotter’s eye.

“Our clients are the very arbiters of fashion, tastemakers who sit in the front row of the Couture shows, themselves influencing evolving trends,” comments Giles Taylor, Director of Design for Rolls-Royce Motor Cars. “To them, the commissioning of fine luxury objects represents a deeply-involving curatorial process – with different forms of luxury design, craft and execution serving as inspiration for the other. Dawn – Inspired by Fashion’s beautifully expresses the notion that inspiration for truly personal objects is drawn from the passions, tastes and lifestyle of its patron.”

The legendary Rolls-Royce craftsmanship and attention-to-detail is apparent through the exquisite dashboard created in Piano White with aluminium particles resulting in a silk-like appearance, with the lacquering process alone taking nine days of meticulous work. This is completed elegantly with the integration of a Bespoke clock, set as a piece of jewellery styled exclusively to emit a silver on silver effect, evoking the metallic fabrics seen on this year’s catwalks in preparation for next year’s season.
Tesla Model S – Combining Performance, Safety and Efficiency

Model S, the first fully electric sedan, is an evolution in automotive engineering. Combining performance, safety and efficiency, it has reset the world’s expectations for the car of the 21st century with the highest possible safety ratings, the longest range of any electric vehicle, and over-the-air software updates that continuously make it better.

Built on the Tesla platform, the battery’s location on the floor gives Model S an extremely low center of gravity, greatly reducing the risk of rollover while at the same time enhancing handling and performance. Without an engine, Model S has a quadruple zone much larger than other performance sedans to absorb the energy of a front end impact.

Model S is one of the safest cars on the road. Much of its safety is owed to the unique electric drivetrain that sits beneath the car. Model S has a low center of gravity, minimizing rollover risk. Model S’s safety record is proven by its NHTSA and Euro NCAP 5-star safety rating along with setting a record of the lowest likelihood of injury to occupants when tested in the United States.

With two motors, one in the front and one in the rear, Model S digitally and independently controls torque to the front and rear wheels. The result is unparalleled traction control in all conditions. Unlike conventional all-wheel drive vehicles that sacrifice fuel efficiency for increased traction, Tesla’s Electric All Wheel Drive system increases efficiency.

Reaching 0-60 mph in a mere 2.8 seconds, Model S is the quickest four-door sedan ever built.

Superior handling is the result of an extremely low center of gravity, thanks to the battery pack along the floor pan, centered between the seats. No other production car has a more ideal placement of mass for optimal handling.

Without an internal combustion engine, Model S allows for additional cargo space and offers a spacious cabin fitting five adults and two children (rear-facing jump seats).

Model S allows you to travel anywhere without using a drop of gasoline. The EPA rates the efficiency of Model S as equivalent to 90 mpg.

Genesis G90 Earns Awards

Consumer Guide Automotive recently named the Genesis G90 premium luxury sedan to their 2017 Best Buy list. To determine the winners of this award, Consumer Guide Automotive editors test drive and thoroughly evaluate more than 100 new vehicles in the American market each year. The exclusive list of vehicles receiving a Best Buy Award, earns the publication’s highest ranking.

“We are humbled by this recognition. It represents the manifestation of our goal for unparalleled success of the G90 in the premium large car class,” said Erwin Raphael, general manager of Genesis in the U.S. “We worked hard to ensure the G90 delivers sleek design and dynamic performance, coupled with world-class technology and the highest levels of refinement. We are honored that our flagship model is recognized for surpassing expectations.”

Launched in October 2016, the G90 is quickly distinguishing itself in the prestigious premium luxury car segment. It features a choice of two engine options, an uncompromised level of standard advanced safety technology, plus best-in-class standard luxury amenities. The G90 also includes the first-ever Amazon Alexa skill that allows owners to send remote voice commands to their vehicles through an Alexa-enabled device and Genesis Connected Services.

Offering two distinct cutting-edge performance options, customers can select an all-new powerful 3.3-liter twin-turbocharged V6 or an available 5.0-liter V8 GDI engine. Both engines are available with the advanced H-TRAC AWD system.

The G90 also comes with world-class safety technologies. This comprehensive suite of advanced standard safety innovations works to minimize risk and maximize protection for the driver, passenger and other drivers.

We worked hard to ensure the G90 delivers sleek design and dynamic performance, coupled with world-class technology and the highest levels of refinement. We are honored that our flagship model is recognized for surpassing expectations.
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