

2018 MID-YEAR REVIEW

June 27 // DETROIT

Welcome Back!

Wireless

Username: Madison

Password: Bro@dw@y#



Kelley Blue Book



SCHEDULE OF EVENTS

2:00 p.m.

State of the Industry

The Economy – [Charlie Chesbrough](#)

The CUV Tsunami – [Zohaim Rahim](#)

The Scores at Halftime – [Michelle Krebs](#)

Then and Now – [Michelle Krebs](#)

Q&A

3:00 p.m.

Break

3:15 p.m.

The State of Change

Predictions – [Mark O'Neil](#)

Accelerate – [Jessica Stafford](#)

Evolution of Mobility – [Isabelle Helms](#)

Subscription Landscape – [Drew Heckman](#)

Q&A – [Rebecca Lindland](#)

4:30 p.m.

End





PREDICTIONS FOR THE FUTURE: DEALERSHIPS IN THE AGE OF MOBILITY

Mark O'Neil | COO Cox Automotive



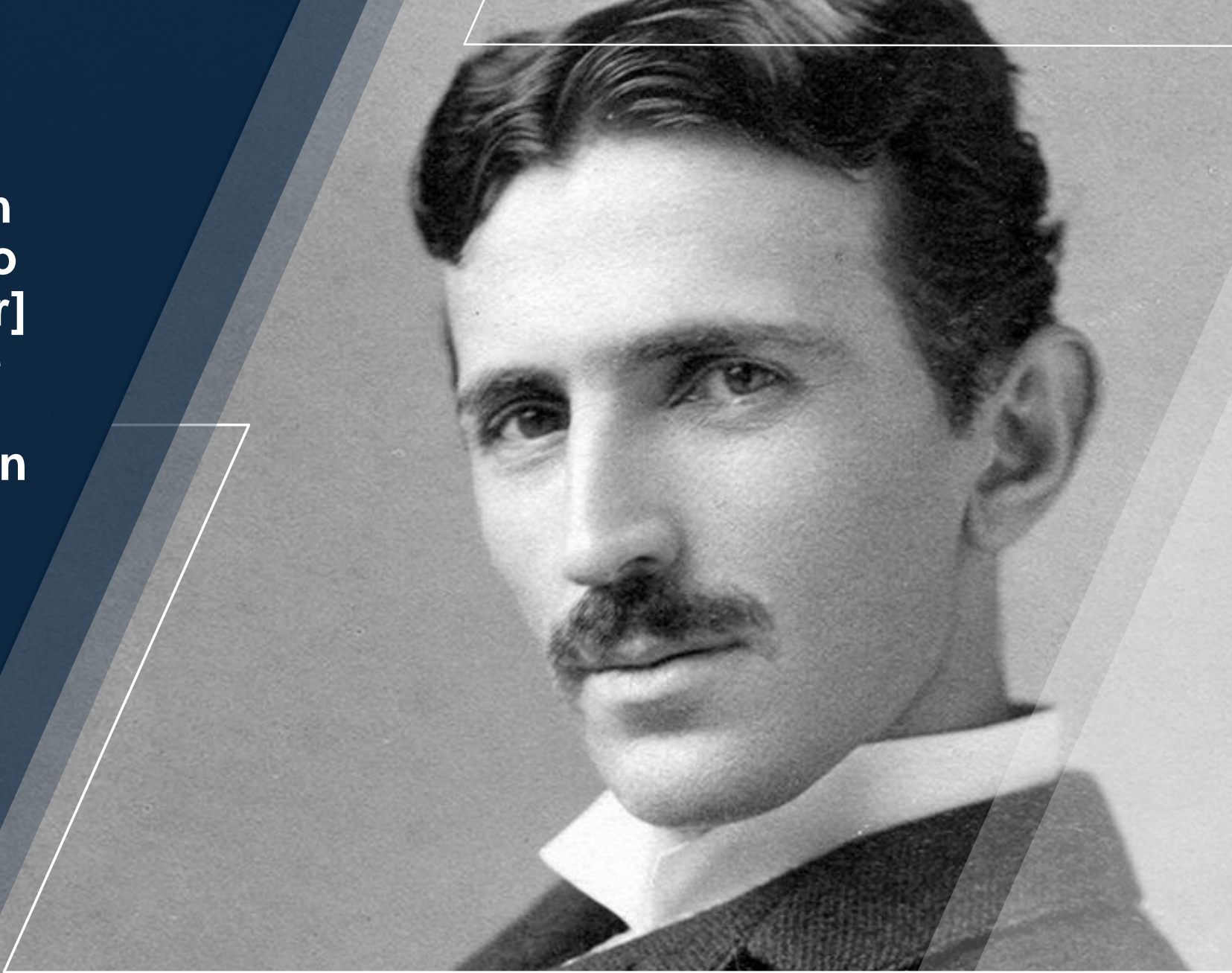
“There's no chance that the iPhone is going to get any significant market share.”

Steve Ballmer
CEO, Microsoft



“The instruments through which we shall be able to [see and hear each other] will be amazingly simple compared with our present telephone. A man will be able to carry one in his vest pocket.”

Nikola Tesla
Inventor



“30% of all Porsche cars will be sold online by 2025.”

Klaus Zellmer
CEO, Porsche N.A.



TRUTH #1

83%

prefer to do at least one of the purchase steps online

TRUTH #2

89%

want to finish the process at the dealership

TRUTH #3

85%

are more likely to buy from a dealership with online process





CARVANA

50k

25k

0k

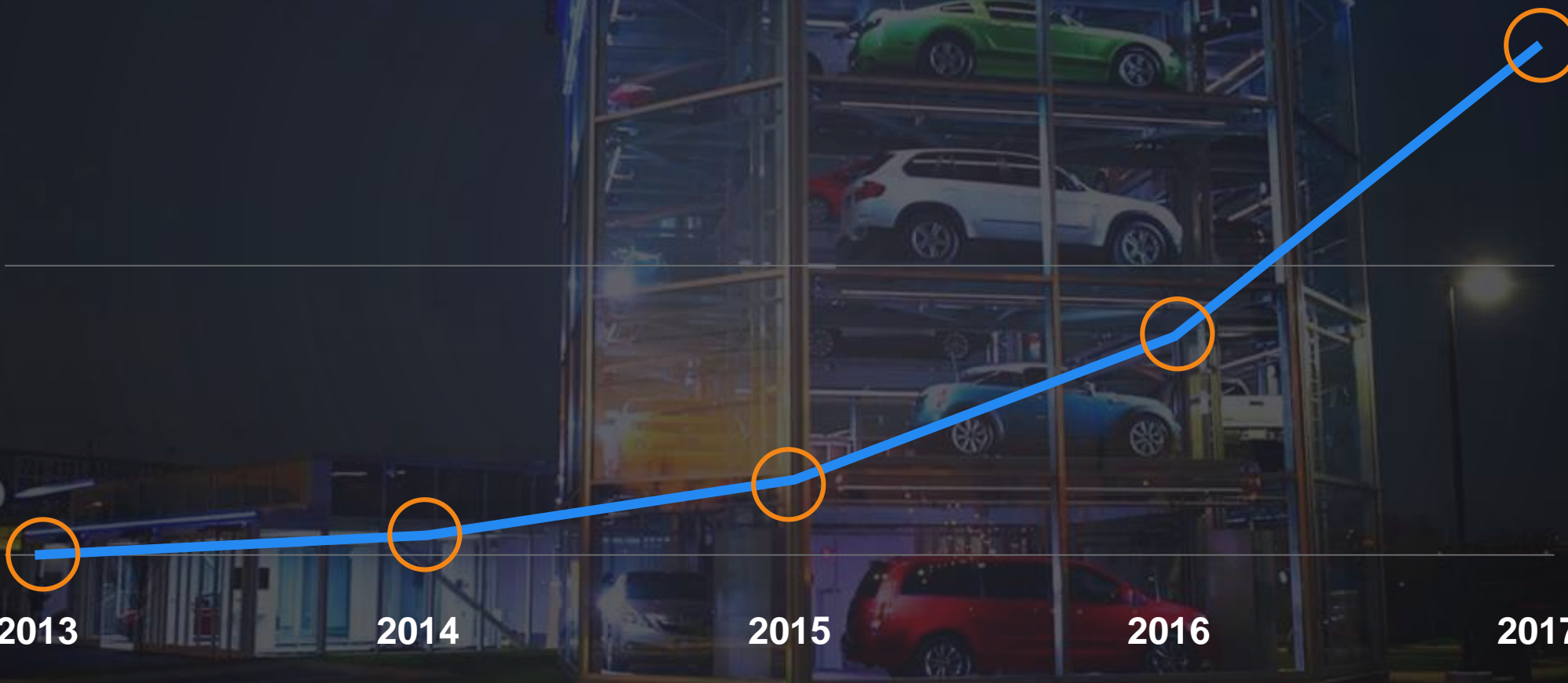
2013

2014

2015

2016

2017





“ By 2030, 95% of all US passenger miles will be served by transport-as-a-service providers who will own and operate fleets of autonomous electric vehicles. ”

Tony Seba
Principal, RethinkX



RANGE OF MOBILITY MODELS EXPANDING CONSUMER OPTIONS

1:1

1: MANY

OWNERSHIP

SUBSCRIPTION

RENTAL,
CAR-SHARING

TAXI,
RIDE-SHARING

PUBLIC
TRANSPORT



CARE BY VOLVO

The revolutionary new way
to subscribe to a car.

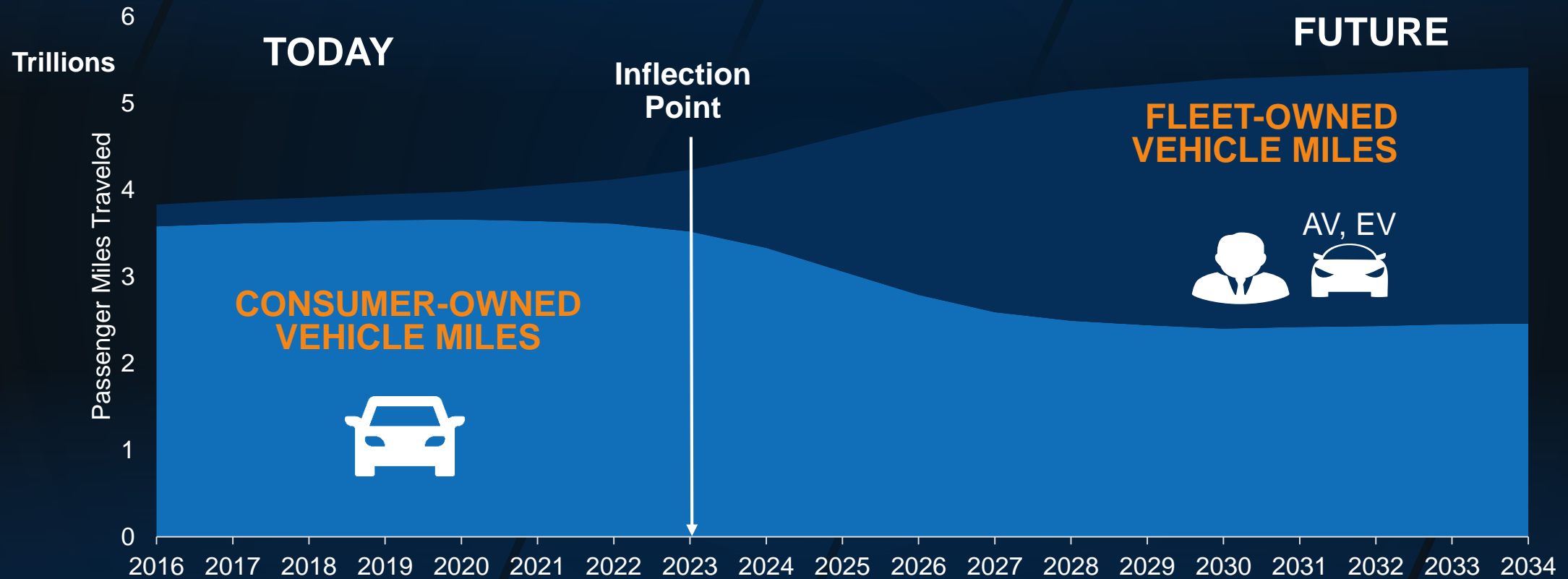
MAVEN



PORSCHE
PASSPORT



PASSENGER MILES INCREASE BUT SHIFT TO FLEET-OWNERSHIP



40% REDUCTION IN CONSUMER SALES

DEALER ROOFTOPS DECLINE, OWNERSHIP CONCENTRATION INCREASES



Graph not drawn to scale (e.g., more independent groups than shown)
Based on Value Strategy Segmentation data. With addition of NextGear for % of revenue
'Top' = Mega, Middle = Major + Midsize, Small = Single point franchise & Independents Prime + Small

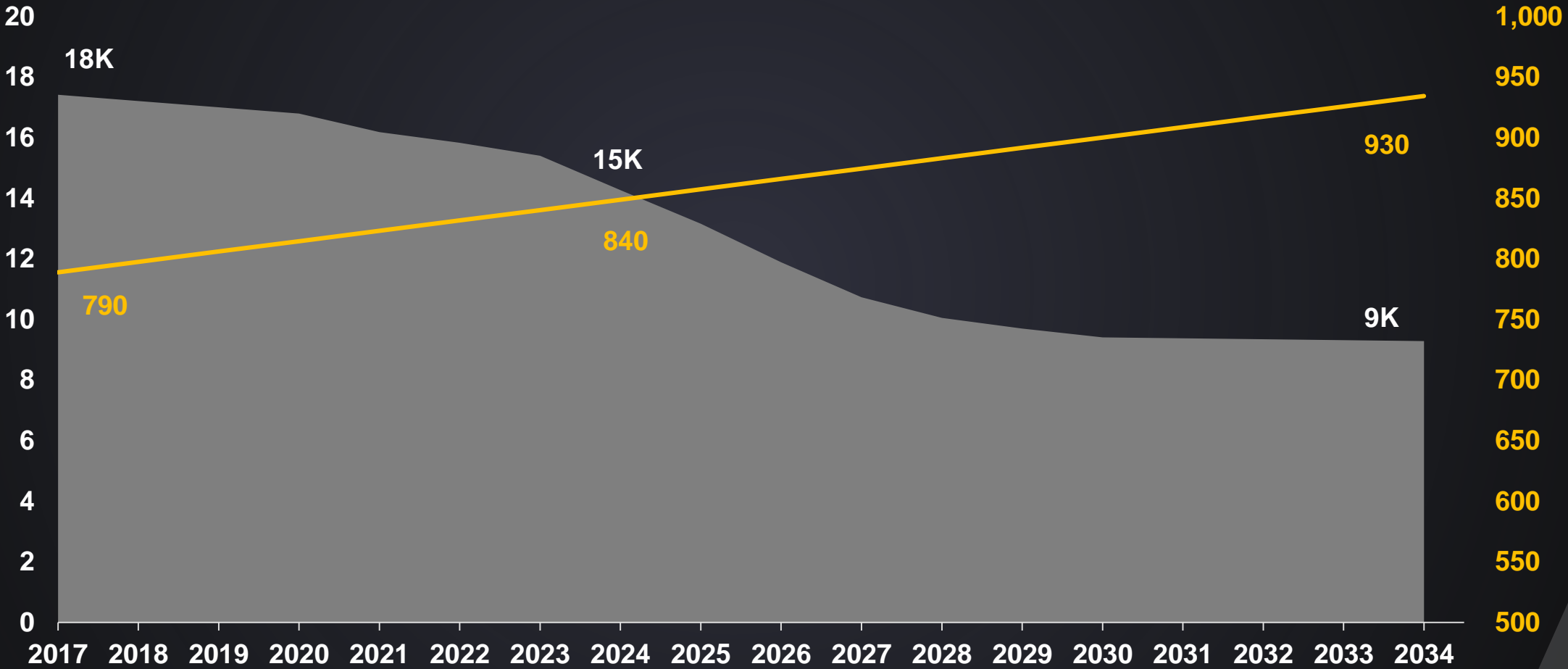
FRANCHISE ROOFTOPS

Rooftop Throughput
(Consumer Sales per rooftop)

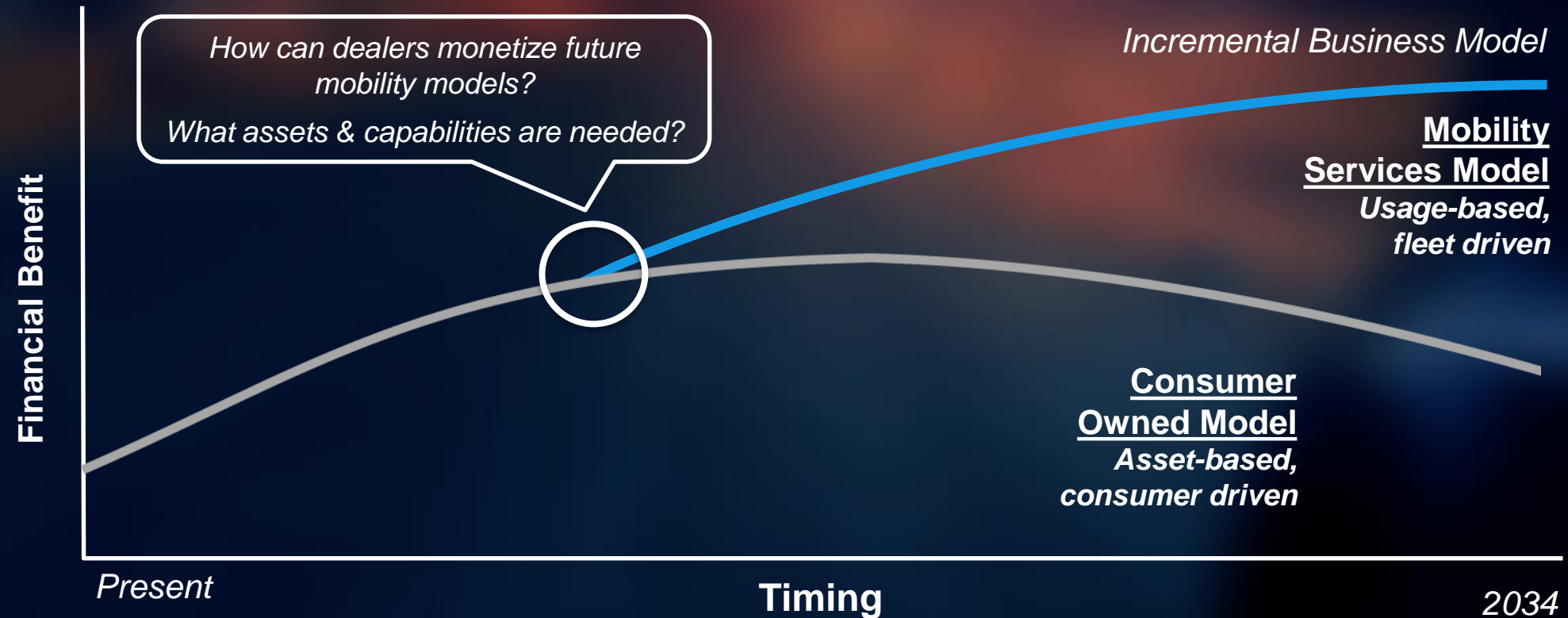
Franchise
rooftops (K)

Driverless Fleets

Mobility Accelerates



DEALER BUSINESS MODEL – LONG TERM



Cars per Household	1.9
Fleet, % of SAAR	17%

1.2
43%

DIGITAL DISRUPTION

 **Accelerate**



EXPRESS

FLEET MANAGEMENT

RIDECELL[↑]



OUSTER

SUBSCRIPTIONS



CLUTCH



FLEXDRIVE

TECHNOLOGY ADOPTION







WINNING IN THE NEW RETAIL ENVIRONMENT

Jessica Stafford | General Manager
of Autotrader



A CALL FOR A SOLUTION

WHAT IS DRIVING THIS DISRUPTION?

1%

less than 1 percent of vehicle buyers are happy with the car buying process today



CONSUMER EXPECTATIONS HAVE SHIFTED

CONSUMER DECISIONS ARE DRIVEN BY EXPERIENCES

Save time

Transparent buying process

Better experience with technology



**NOT ALL DEALERS
ARE EMBRACING**

LOSING CONTROL

DEAL STRUCTURE ONLINE

F&I MANAGER RESISTANCE

fear

?

WINNING IN THE NEW RETAIL ENVIRONMENT

BEST PRACTICES

Sell the car, not the appointment

Dedicated digital retailing staff

Push advertising to drive
engagement





CREATE SEAMLESS EXPERIENCE

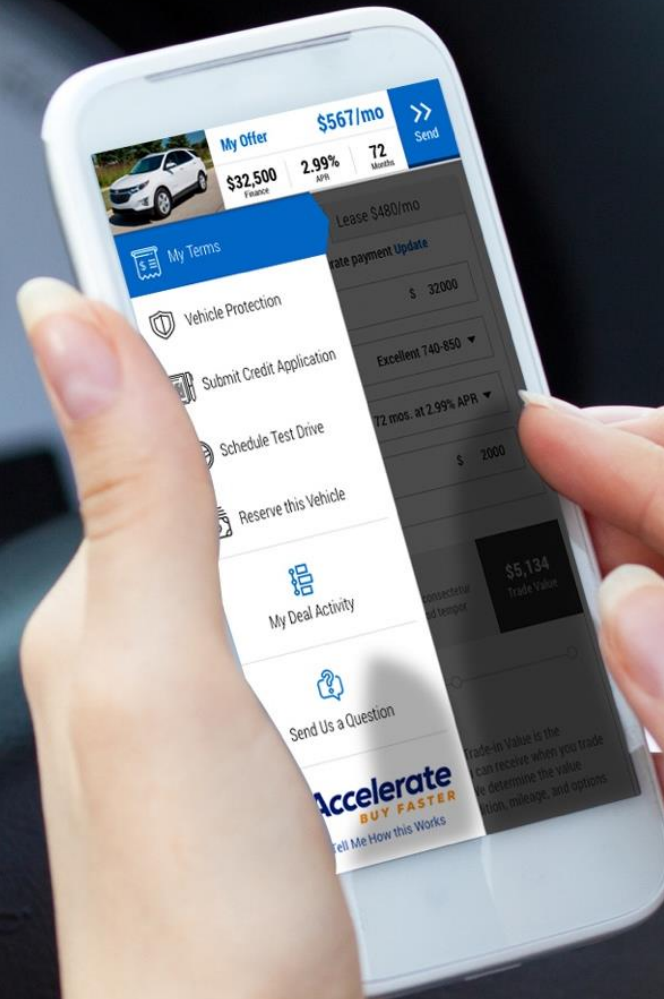
KEY DIFFERENTIATORS

Kelley Blue Book

Integrated financing

F&I education

Embedded experience





MARKET PENETRATION

10%+

NATIONWIDE

(ACCELERATE ON AUTOTRADER)

WHERE WE STARTED



SHOW NADA 2018





A MORE EFFECTIVE CONSUMER & DEALER EXPERIENCE

“ I'm getting a more qualified customer. I have a more engaged customer. I have a customer that's educated and wants to proceed to take the next step. ”

“ Our success rate of a digital retailing customer is phenomenal. We double our close rate off a customer that's utilized digital retailing versus somebody that just sends in a standard internet lead. ”

“ Did my first digital retailing deal. It was so streamline and the customer loved it. The customer did entire process, including trade value. She said it was the quickest and easiest experience buying a car. ”

OUR VISION: CONNECTED RETAILING

ONLINE

**NEARLY HALF OF BUYING
EXPERIENCES BEGIN
ONLINE, AND THEN MOVE
BACK AND FORTH,
OFFLINE AND ONLINE**

Source: Bain Capital Global automotive Consumer Study; 2017

Autotrader 




Kelley Blue Book

CONNECTED RETAILING

IN-STORE

THIS IS A NON-LINEAR
CONSUMER EXPERIENCE
WITH MULTIPLE
OPPORTUNITIES TO
PROVIDE ENGAGING VALUE



THE EVOLUTION OF MOBILITY

a 3-Part Research Study

Isabelle Helms | VP Research
and Market Intelligence

FREEDOM AND INDEPENDENCE OF VEHICLE OWNERSHIP



ANTICIPATE A SHIFT IN PRIMARY MODE OF TRANSPORTATION

14%

will not use a vehicle they
own as their primary mode
of transportation in 5 years

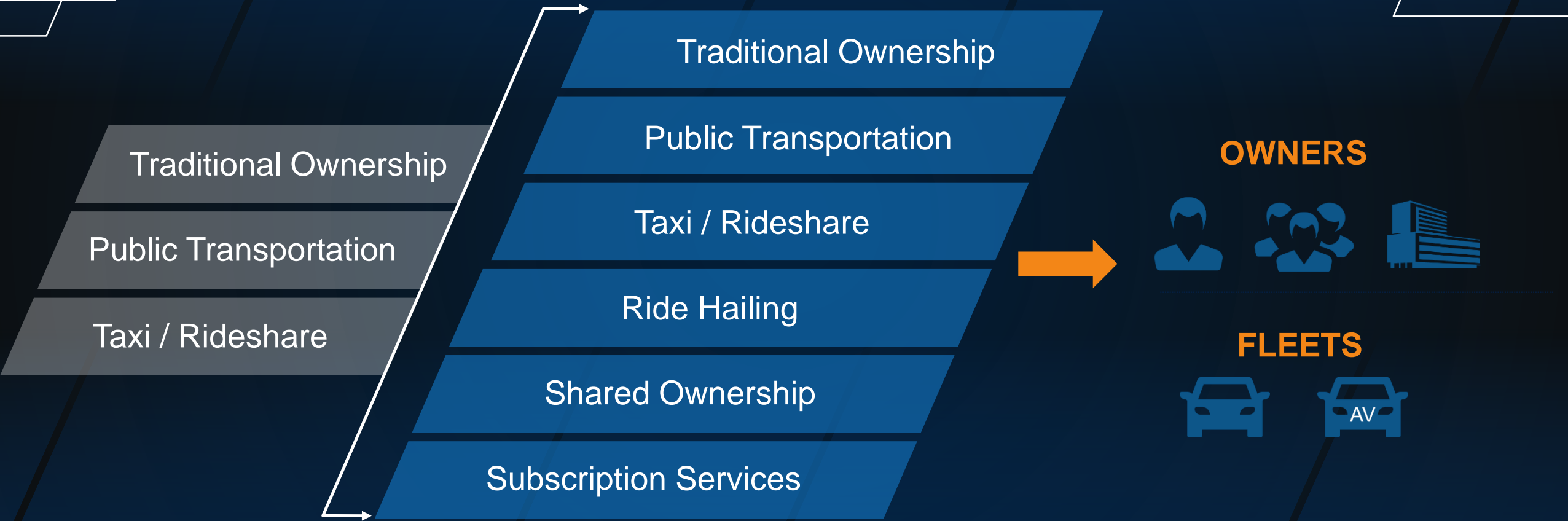
27%

among Millennials
(23-36 years old)

AN EXPLOSION OF ALTERNATIVES ARE SURFACING



MOBILITY SERVICES MODEL



RIDE-HAILING SEEING SIGNIFICANT GROWTH

2015

73% AWARENESS

22% USAGE

2018

88% AWARENESS

39% USAGE

CHANGE

+15

+17

CAR SHARING STRUGGLING FOR GROWTH

2015

43%

AWARENESS

12%

USAGE

2018

54%

AWARENESS

14%

USAGE

CHANGE

+11

+2

CAR SUBSCRIPTIONS SHOWING APPEAL

2018

25%

AWARENESS

10%

LIKELY TO
CONSIDER

THE APPEAL OF CAR SUBSCRIPTIONS

(AMONG THOSE AWARE)

- 1 Allows me to access the best/newest in-vehicle technology
- 2 Minimal effort in maintaining/repairing the vehicle
- 3 Ability to drive the vehicles I want and it offers flexibility



EVOLUTION OF MOBILITY STUDY

PHASE 1:

Understand consumer acceptance of emerging mobility options over last 3 years

1,250 consumers ages 12+

Release: Q3

PHASE 2:

Understand dealer awareness, perceptions and readiness of emerging mobility trends

400 automotive dealers

Release: Late 3Q18

PHASE 3:

Understand the mobility choices consumers would make assuming all mobility options were available, considering trade-offs on monthly costs, convenience, etc.

2,000 consumers ages 12+

Release: 4Q18



SUBSCRIPTION LANDSCAPE

Drew Heckman
Chief of Strategy, Flexdrive

THE EVOLUTION OF CONSUMER MOBILITY

Full-time Use
Ownership

AutoNation

CARmax

CARVANA

Occasional Use
Rental

enterprise

Hertz

Budget

SILVERCAR

Daily/Hourly/Use
Car share

zipcar
wheels when you want them

TURO

ReachNow

MAVEN

enterprise
CarShare

Getaround

CAR2GO

Point to Point
Ride share

TAXI

UBER

lyft

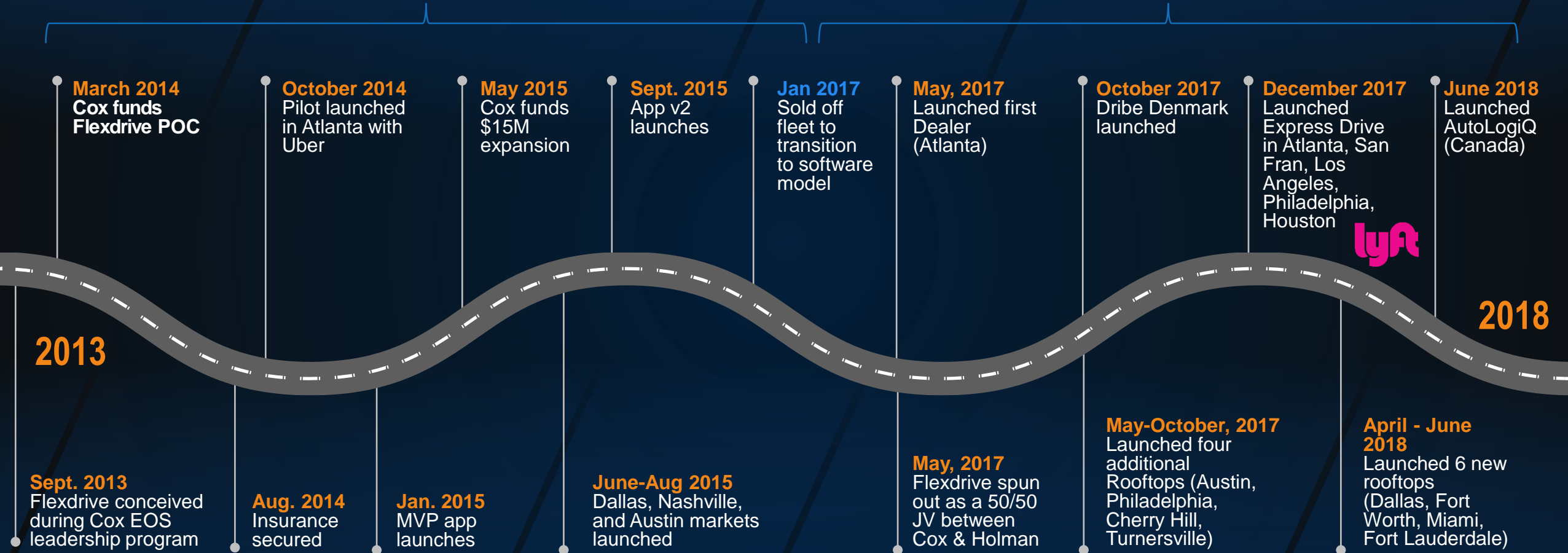
WAYMO

nuTonomy

HISTORY OF FLEXDRIVE

OWNED FLEET (700 CARS)

SOFTWARE & SERVICES



2005: THE GRAVES AMENDMENT



SUBSCRIPTIONS: A BUSINESS OPPORTUNITY

RECURRING REVENUE

With a consumer subscription offering, dealer can shift away from asset-based transactions and develop a stable, **recurring revenue** stream

Create **revenue on stale inventory**

FIXED ABSORPTION

A subscription not only includes **pre-paid maintenance**, but also ties a vehicle to a specific dealer for required service

Increase **fixed absorption**

Service, parts and body shop

IMPROVED CSI

Create **customer loyalty** and **retention**

The addition of subscription model **enables customers** the opportunity to get in and out while the dealer holds the **“EQUITY”**

Create market **differentiation**

SUBSCRIPTIONS: A VALUE PROPOSITION FOR CONSUMERS

NEED A CAR

Ease of Access

Ease of Ownership

Ease of Disposition

Consumers extremely or very interested in subscription services tend to align with the following:

- Lease or intend to lease a vehicle
- Own a recent model vehicle
- Based in/nearby a large city

WANT A CAR

Experience

Variety

Adventure

Enjoyment

Males 21-39
Drive for work
are primary demographics

COMPETITIVE LANDSCAPE



FLEXDRIVE

yoyo



BOOK
BY CADILLAC

CARMA



PORSCHE
PASSPORT

canvas

MAVEN

ReachNow



MOBILITI

CARE BY VOLVO



BOOK
BY CADILLAC

*Introducing a New Luxury Vehicle
Subscription Service from Cadillac*

Be among the first to experience this exclusive new program that offers more possibilities for luxury drivers.



OEM VEHICLE SUBSCRIPTION PROGRAMS

PURE MARKETING

REACHING NEW CUSTOMERS

DEVELOPING NEW BUSINESS MODELS


FEAR OF MISSING OUT

Seize the moment.
Drive the Collection.

Welcome to Mercedes-Benz Collection, a monthly subscription service that allows you to drive an entire range of vehicles.

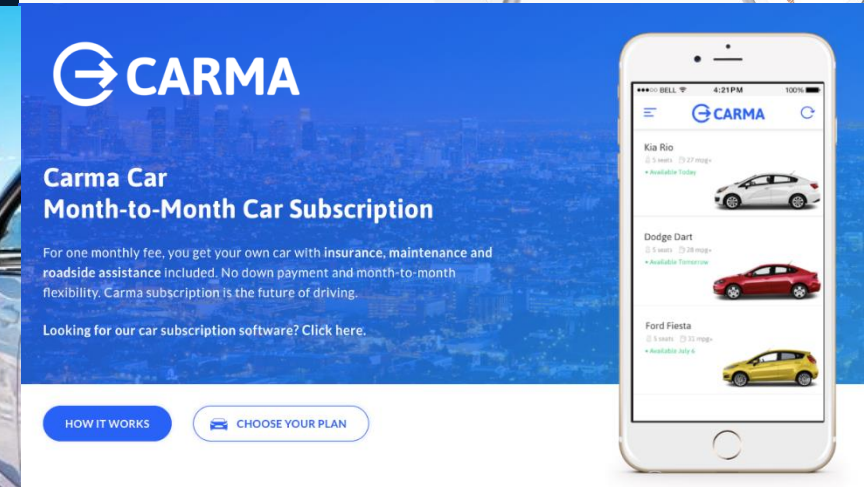
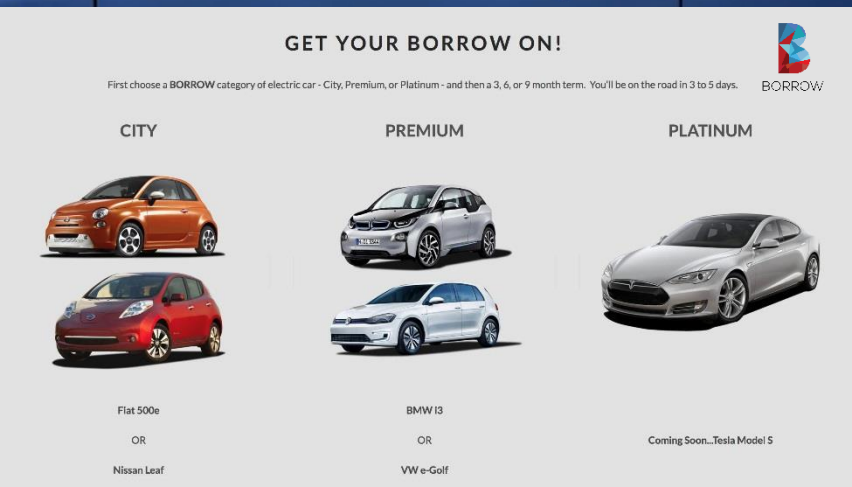
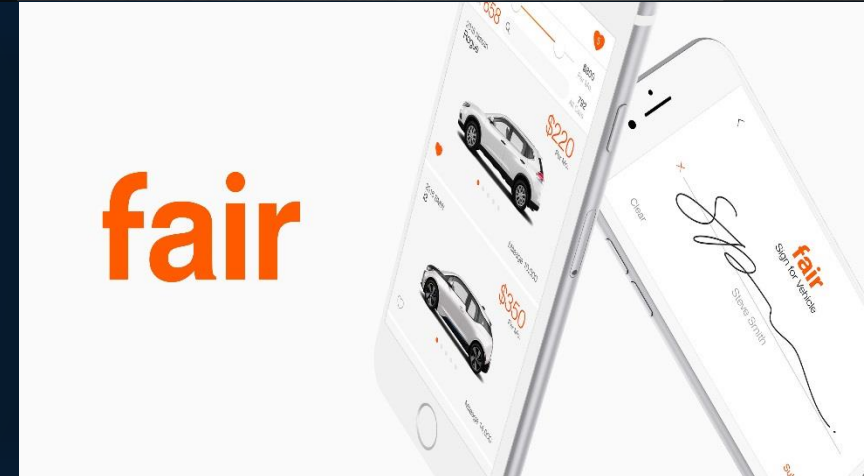
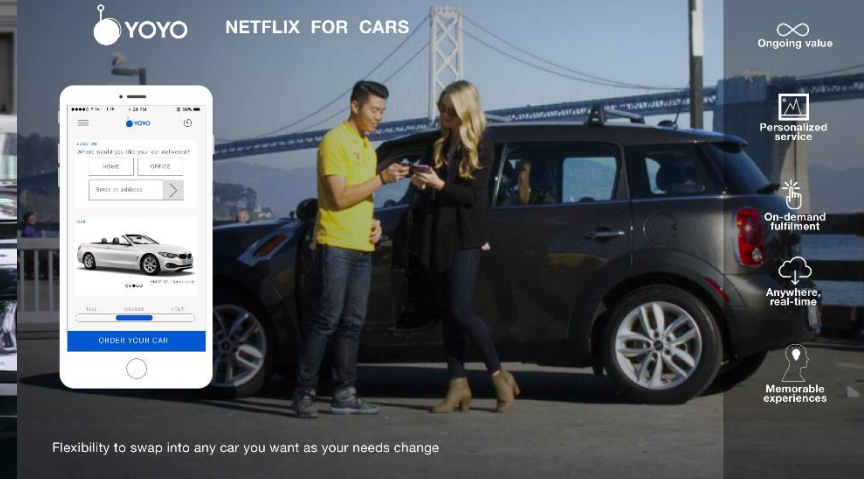
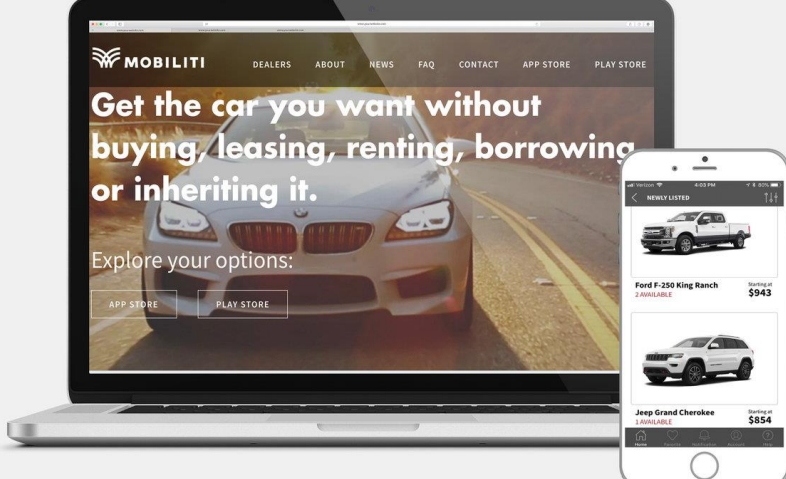


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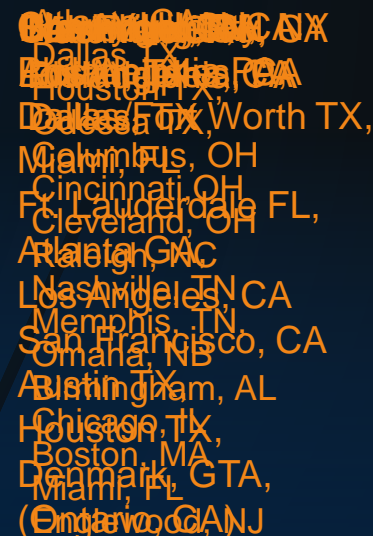


TRANSPORTATION
Ford Canvas
Monthly subscription car service coming to L.A.

Getty Images



Atlanta
Dallas
Houston
Dallas
Miami
Cincinnati
Cleveland
Atlanta
Las Vegas
Memphis
Omaha
Austin
Chicago
Boston
Miami
(Englewood)



SUBSCRIPTIONS: A STRATEGIC OPPORTUNITY



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yoyo



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Q & A