HEARST AUTOS INSIGHTS

Q2 2023

HEARST AUTOS


S EK 3383

As the leading automotive media organization in the world, Hearst Autos connects

car buyers, owners, and enthusiasts to the information they need, the experiences they crave, and the stories they love—while connecting automotive marketers to this audience of unrivaled breadth and diversity.

With insight into the shopping activity of more than **23 million monthly visitors**,[1] Hearst Autos has a unique view into emerging trends in consumer interest. We are thrilled to share a quarterly view on this ever-changing industry—from the top segments, brands, and models, we offer a unique perspective on what car-shoppers really want.

[1] comScore Media Metrix, April – June, 2023

WHAT'S INSIDE

NEW CAR MARKET

As the second quarter came to a close, analysts marveled at the industry's resiliency that could be seen through higher-than-expected sales volumes. Fueled by pent-up demand and strong fleet deliveries, Q2 climbed 18% above the same period last year with 4.1 million vehicles sold. It also outperformed the prior quarter by 15%, selling at least 550,000 units more than the first quarter. This brought the first half of 2023 to more than 7.5 million in vehicle sales, a 13% gain compared to the first half of last year when supply constraints were at their worst.

June's annualized selling rate (SAAR) climbed to an optimistic 15.8 million, but analysts are still closely monitoring shifts in demand driven by affordability and availability of vehicles. While most indicators show that we've avoided a recession, there's no denying that inflation and high interest rates are impacting many Americans and will continue to challenge their ability to purchase a car for the foreseeable future.

Q2 2023 BY THE NUMBERS

15.0 – 15.4
PROJECTED SALES VOLUME (M)

With four of the first six months of 2023 posting a selling rate above 15 million units, analysts are confident that the year will end with **15 million** in sales, at minimum. Though many initially projected 13.7 – 14.1 million, strong H1 results combined with relatively stable economic indicators are driving analysts at Cox Automotive and GlobalData to bring their forecasts up.

$45,978
AVERAGE RETAIL TRANSACTION PRICES

As of June, J.D. Power reported average retail transaction prices fell just shy of $46k. While this is lower than the $48k prices we were seeing at the end of 2022, it's still high given that consumers are financing their purchases at rates of 7% or more. As a whole, the industry is seeing most prices at or below MSRP, with less than a third of vehicles climbing above.

$1,798[1]
INCENTIVE SPEND per VEHICLE

Incentives are back in 2023, inching closer to an average of $2k per vehicle, and nearly double the amount reported one year ago. Falling between 3.7% and 4.2% of MSRP, this is still well below pre-pandemic levels of 10 - 11% of MSRP. Even with pricing leveling out and incentives on the table, dealers are showing strong profits compared to pre-pandemic years.

[1]J.D. Power and LMC Automotive, June 2023

Similar to the first quarter, fleet sales contributed to a lot of the strength of the second quarter (~20% of sales volume), and ultimately the first half. Luxury brand sales represented **17.5%** of vehicle sales, growing **26%** over the same quarter last year, and even 17% above the first quarter. Trucks and SUVs/CUVs continue to dominate, holding roughly **80%** of market share. For the remainder of the year, we'll keep our eyes on the following:

1. **AFFORDABILITY:** pricing, shifts in interest rates, credit availability, and incentives
2. **BRAND WARS:** loyalty trends, product launches, and brand shifts due to inventory and incentives
3. **AVAILABILITY:** inventory, supply chain, and the impact of upcoming UAW negotiations

> **"Consumers always find a way to buy new wheels despite the circumstances. Americans are not only car-dependent but have a love for cars. This is exactly what makes the automotive business so wonderful."**
>
> — Jonathan Smoke, Chief Economist, Cox Automotive

INVENTORY AND DAYS' SUPPLY

We continue to monitor inventory and rely on days' supply as a measure of how stable the market is. This is a measure of how long inventory would last at the current rate of sales. At the close of June, the national average was coming in at 51 days worth of vehicle inventory, and a 74% increase in total volume from where we were at 2022's midpoint.

Most brands have returned to comfortable levels of inventory, with two-thirds maintaining above-average supply throughout the first half of the year. Another one-third remain below average in inventory levels, and four brands in particular fall into what we'd consider critically low. So which brands are back to holding onto too much inventory, and which ones are hurting for inventory?

HIGH INVENTORY (100+ DAYS)

JAGUAR INFINITI LINCOLN

LOW INVENTORY (<30 DAYS)

TOYOTA HONDA KIA LEXUS

AS OF THE END OF JUNE, 2023:

- 51 DAYS OF INVENTORY AT THE CURRENT SELLING RATE
- 1.9 MILLION AVAILABLE NEW VEHICLES FOR SALE
- ~800K MORE AVAILABLE THAN ONE YEAR AGO

J.P. Morgan has estimated that global production should be up 3% this year, and that despite inflation, auto manufacturers will remain in a strong position to fulfill pent-up demand at higher than average prices. That being said, there are still some long-tail effects of the semiconductor shortage that could easily carry on into 2024. As many of us look in the rearview mirror on the worst period in recent history for supply, most OEMs have their sights set on ensuring battery resources will be available for the long-haul, and that their plants will be ready to shift into full production of EVs.

In June, 46% of vehicles are projected to be sold within 10 days of their arrival at the dealership, which is down from the peak of 57% in March 2022. The average time that a new vehicle spends in the dealer's possession before being sold is expected to be 28 days, up from 18 days a year ago, but still less than half the pre-pandemic average of 70 days.

— Thomas King, president of the data and analytics division at J.D. Power

OEM SHAKE UPS

General Motors continued to have a strong 2nd quarter, helping to keep the **#1 rank in sales** and even post double-digit growth compared to both last year and the previous quarter. All four of its brands (Buick, Cadillac, Chevrolet, and GMC) saw growth of **15% or more**, with Buick leading the group in percentage increases at nearly **50% growth**.

Toyota, which has been in one of the weakest positions when it comes to vehicle supply, still **held the #2 position** among OEMs. Although sales were slightly down compared to the first half of last year, there was marginal growth compared to the second quarter of last year, and 21% growth versus the first quarter this year.

One of the more notable shifts is among **Hyundai Motor**s. When combining Hyundai, Genesis, and Kia brands, the group jumped ahead of Stellantis to rank fourth. Both Hyundai and Kia were neck-in-neck during the second quarter, both posting roughly 15% growth compared to last year, while Genesis, much smaller in volume, posted a **25% increase** from the second quarter last year.

	Q2 2023 U.S. SALES			H1 2023 U.S. SALES	
OEM	VOLUME	% CHANGE vs. Q2 2022	% CHANGE vs.Q1 2023	VOLUME	% CHANGE VS. H1 2022
General Motors	691,978	19%	15%	1,295,186	18%
Toyota Motor N.A.	568,962	7%	21%	1,038,520	-1%
Ford Motor Co.	531,662	13%	12%	1,007,568	10%
Hyundai Motors N.A.	437,826	15%	14%	820,180	17%
Stellantis	436,656	6%	18%	806,786	-1%

Stellantis dropped just behind **Hyundai Motors**, and this shift pushed Honda out of the Top 5 in both the second quarter and first half of the year. **Honda** is still recovering from its supply shortages, but posted remarkable combined **growth of 45%** across its two brands (Honda and Acura) during the second quarter, and **25% growth** over the first half.

Biggest year-over-year gainers for the half will be Tesla (up 26.7% for a 4.3% market share) and Honda (up 25.4% to 8.3% share). These are strange sales bedfellows: an automaker that has never sold an internal-combustion vehicle and another that currently has no EVs for sale in the US.

— Todd Lassa, Contributing Editor, Autoweek

GENERAL MOTORS

Top Sellers: Silverado, Sierra, Equinox, Malibu, Encore GX, Escalade
Most Growth: Trax, Trailblazer, Bolt & Bolt EUV, Camaro, Encore GX, Envision

TOYOTA MOTOR N.A.

Top Sellers: RAV4, Camry, Tacoma, Highlander, RX350, NX
Most Growth: Sequoia, bzrX, Tundra, LS600, RX450, NX

FORD MOTOR CO.

Top Sellers: F-Series, Explorer, Escape, Bronco Sport, Nautilus
Most Growth: Econoline, Transit Wagon, Expedition, Bronco, F-Series

HYUNDAI MOTORS, N.A.

Top Sellers: Tucson, Elantra, Santa Fe, Sportage, Forte, GV70
Most Growth: Ioniq6, Elantra, Seltos, Carnival, GV60, GV90

STELLANTIS

Top Sellers: Ram 1500, Grand Cherokee, Wrangler, Pacifica, Charger
Most Growth: Voyager, Durango, Compass, Ram Promaster

Among some of the midsize-to-larger brands, **Mazda (58%), Tesla (53%)**, and **Honda (45%)** had the highest growth year-over-year. The **Nissan Group** also continued its growth streak **(33%)**, marking seven consecutive quarters of year-over-year growth. Both **Nissan (32%)** and **Infiniti (57%)** saw significant growth during the second quarter.

LUXURY LEADERS

To no surprise, **Tesla** continues its stronghold in both luxury and EV sales. The brand led by more than 80,000 units and captured more than 24% share of luxury brand sales. With **53% growth** compared to last year, and even **20% growth** compared to the first quarter, Tesla continues to maintain a wide margin against other luxury competitors.

LUXURY MANUFACTURER	U.S. SALES	% CHANGE vs. YR. AGO Q2 2022	% CHANGE vs. LAST QTR. Q1 2023
Tesla	169,500	53%	20%
BMW	89,432	13%	9%
Mercedes-Benz	84,414	10%	41%
Lexus	81,160	22%	19%
Audi	57,396	25%	11%

HEARST AUTOS SHOPPING ACTIVITY

With a view into a highly-engaged audience of 23M+ in-market shoppers, Hearst Autos measures shopper interest based on sessions, visitors, and pages viewed for every vehicle on the market in the U.S. Aligning with industry sales, we continue to see market demand still favors SUVs/CUVs and trucks, with full, family-sized SUVs/CUVs holding high volume and strong growth.

There were some sizable shifts in segments this quarter, mainly driven by key vehicles of interest that we'll cover below. The **Midsize Pickup Truck segment saw the most significant growth** among the segments with higher volume, causing it to jump from ranking 18th last quarter, all the way up to fourth this quarter. Similarly, the Full-Size Luxury SUV/CUV segment had a major jump in shopper interest that brought it up five spots in the rankings.

TOP 10 SEGMENTS IN CONSUMER INTEREST	% Share Q2 2023	% Change vs. Q2 2022
Compact SUV/CUV	7.2%	-6%
Full-Size SUV/CUV	6.6%	6%
Full-Size Luxury SUV/CUV	5.8%	76%
Midsize Pickup Truck	5.7%	111%
Luxury EV Car	3.6%	-13%
Midsize SUV/CUV	3.6%	-16%
Subcompact Plus Crossover	3.5%	10%
Midsize Luxury SUV/CUV	3.4%	-16%
Subcompact SUV/CUV	3.3%	3%
Compact Car	3.3%	-27%

VEHICLE SEGMENTS THAT ARE TAKING OFF, Q2 2023 VS. Q2 2022

Among **47 segments** that we measure at Hearst Autos, we've identified some of the fastest growing segments. When looking at some of these categories, there's undeniable interest around launches, new electrics entering the market, and even some cars that are grabbing the attention of both car shoppers and enthusiasts.

Mainstream Segment	% Change in Share	+ / - Rank
Midsize Pickup Truck	111%	+14
Full-Size Luxury SUV/CUV	76%	+5
Midsize Luxury Sedan	65%	+4
Heavy Duty Pickup Truck	57%	0
Electric SUV	52%	-1

KEY VEHICLES DRIVING GROWTH IN CONSUMER INTEREST

MIDSIZE PICKUP TRUCK

FORD MAVERICK AND 2024 HYBRID OPTION
- 364% growth in Q2, jumping to #3 and capturing 12% share

TOYOTA TACOMA
- Leads the category with 41% share, but still grew 43%

CHEVROLET COLORADO
- Ranks #2 with 14% share and 33% growth, but Maverick and Ranger are close behind

MIDSIZE LUXURY SEDAN

MERCEDES-BENZ E-CLASS
- Jumped from #3 to #1 with 60% growth
- Now ranks ahead of BMW 5-Series and former leader, Genesis G80

BMW 5-SERIES
- Held onto #2 rank, but saw 32% growth
- Only trails E-Class by less than a percentage point

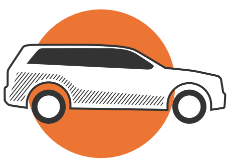
ELECTRIC SUV

We anticipate a lot of shifts in this segment over the next year as other new entrants start to solidify their positions into 2024 and 2025.

KIA EV9
- Though most are new in this segment, EV9 leads with 36% share and saw the most growth at 61%

GMC HUMMER EV SUV
- Ranks #2 in the segment holding 18% share and saw 33% growth in Q2

TOYOTA COMPACT CRUISER (NEW ENTRANT)
- New on the scene, but already grabbing 12% share of the segment.



FULL-SIZE LUXURY SUV/ CUV

LEXUS GX & TX
- GX jumped 5 spots and 225% to take the lead in the segment, while newcomer TX (2024) grabbed enough interest to rank #2 in a highly competitive segment

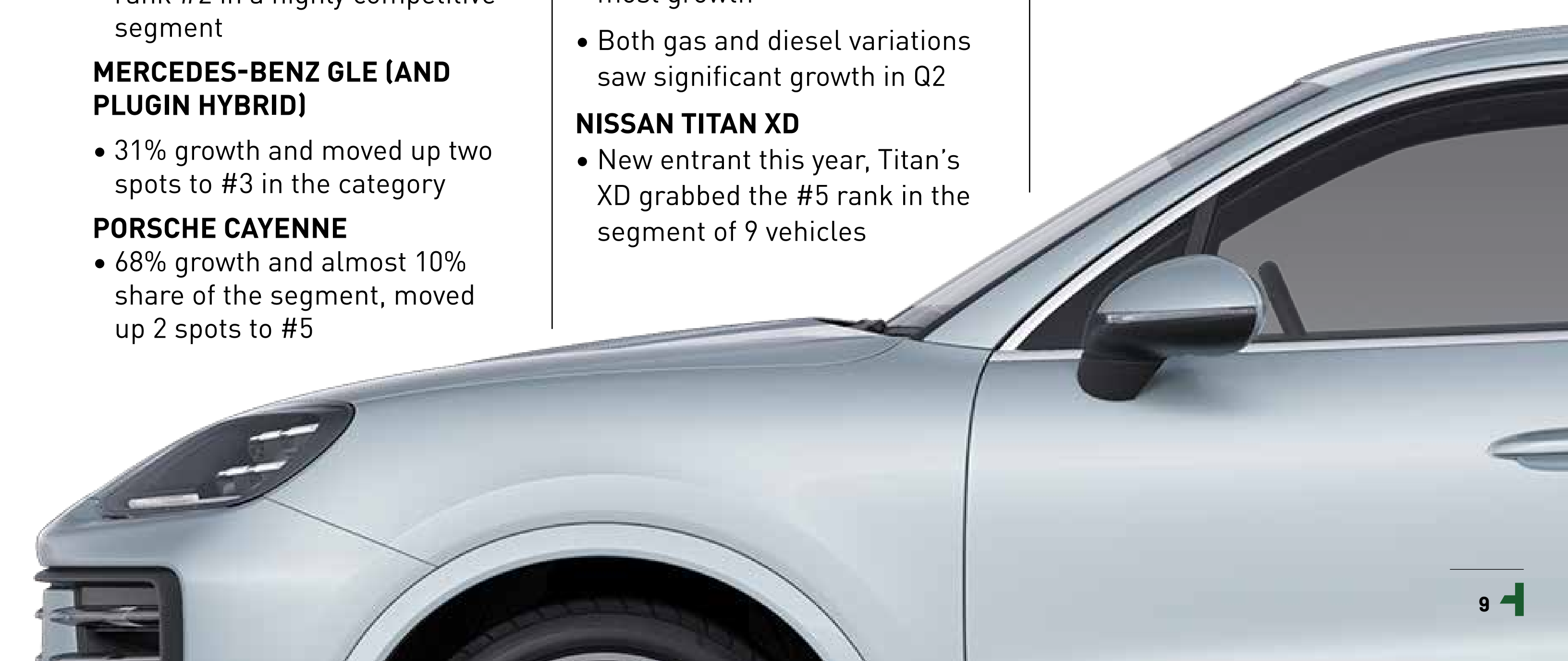
MERCEDES-BENZ GLE (AND PLUGIN HYBRID)
- 31% growth and moved up two spots to #3 in the category

PORSCHE CAYENNE
- 68% growth and almost 10% share of the segment, moved up 2 spots to #5

HEAVY DUTY PICKUP TRUCK

CHEVROLET SILVERADO HD AND GMC SIERRA HD
- GM's HD trucks hold the #1 and #2 ranks, but Sierra saw the most growth
- Both gas and diesel variations saw significant growth in Q2

NISSAN TITAN XD
- New entrant this year, Titan's XD grabbed the #5 rank in the segment of 9 vehicles



EVs ARE HERE, BUT HOW ABOUT THE INFRASTRUCTURE?

The most wide-known hesitation since EVs were rumored to be entering the mainstream, is that American consumers have range anxiety. It makes sense given that we drive greater distances and are more car-dependent than most other countries. The Federal Highway Administration reported that Americans drive an average of 14,263 miles per year, and in states with vast rural land, that climbs to more than 24,000 miles per year.

Despite these concerns, EV sales are continuing to gain rapid momentum as more and more fully electric vehicles hit the market. With growth of 40% in the second quarter and 7.2% share of the market through the first half of the year, there's no doubt that adoption is here. But in order to reach the target goal of half of vehicle sales being zero-emissions vehicles by 2030, our charging infrastructure needs to expand and become more convenient and reliable for consumers across the entire country.

7% EVs
SHARE OF NEW VEHICLE SALES

92 DAYS
WORTH OF SUPPLY OF EVs

30+ EV
MODELS LAUNCHING IN 2023,
50+ IN 2024

In a road map analysis of the U.S.'s fast-charging network that was conducted by the Great Plains Institute and Carbon Solutions, it was identified that **only 10% of the nation's existing public** (non-Tesla) direct-current fast-charging (DCFC) stations meet the minimum standards to accommodate an intrastate charging network. And in J.D. Power's most recent E-Vision Intelligence Report and survey of EV owners, they found that **21% of EV owners** that attempted to charge at a public charging station during the first quarter this year, were unsuccessful. The problems range from faulty software to severed power cords, among many other issues. But the exception to this experience lies within one brand's network, Tesla.

> **With Tesla charging network collaborations on the horizon, Ford, GM and Rivian buyers will benefit. However, charging installation growth continues to lag the growth of EVs on the road, further straining already-limited infrastructure. One of the top reasons rejecters say they're not likely to purchase an EV is range.**
>
> — Elizabeth Krear, vice president, electric vehicle practice at J.D. Power

While the country works on building standards and infrastructure, **Tesla's North American Charging Standard** (NACS) has outperformed all others, with only **4% of owners** citing issues at Tesla's fast-charging ports. Whether it's because Tesla heavily invested in this area early, or whether they just built a really good technology, their chargers and their network have a higher satisfaction rate (734 out of 1000) than the average (554).

Rapid expansion of level 3 fast-chargers is planned, through additional government investment, OEM investments, and now the widespread adoption of Tesla's technology by others. In recent months, a number of OEMs have announced the partnership and adoption of Tesla's NACS and it's anticipated that **70% of all EVs** sold will soon be compatible with Tesla's technology. So who is on board?

blink

chargepoint

electrify america

Ford

gm general motors

RIVIAN

VOLVO

Polestar

Mercedes-Benz

HOW IS IN-MARKET SHOPPING CHANGING?

As we've seen through sales figures, consumer behavior, and numerous studies that gauge intent, consumers are still showing high interest and car purchase consideration, despite the challenges in today's market.

To keep a pulse on how shopping is changing, Hearst Autos conducted an in-market study again in April, 2023 and looked at key changes and similarities from our study last year. Additionally, we turned to Mintel's 2023 Car Purchasing Process report to gather additional insight into where the mindshare of research is spent. Here are some key findings:

+ 56% desire an upgrade and ⅕ want to switch to an EV or more fuel-efficient vehicle[1]

Mimicking what we're seeing in sales results, in-market shoppers are looking to upgrade their vehicles and **one-in-five** are looking to switch to an EV or more fuel-efficient vehicle. While loyalty has been on the decline, it's mostly because consumers want to try something new or different, rather than having high degrees of dissatisfaction with their current brand.

+ 67% of research effort is around understanding fuel and energy efficiency[2]

Consumers rely on a variety of information and resources when purchasing a car, and while safety features are generally cited as the most researched, new data from Mintel and Kantar in Mintel's 2023 Car Shopping Process study shows that **fuel/energy efficiency** was the most researched content during this year's study.

THEN (2022) VS. NOW (2023)[1]

30% vs. 45%
NEW TO MARKET, SHOPPING FOR USED

Nearly half of people who are new-to-market (don't currently own a vehicle) were looking at Used vehicles only, compared to **30%** last year. This is likely driven by high prices and high interest rates, challenging affordability for many in-market shoppers.

33% vs. 25%
LOOKING TO SPEND LESS THAN $25K

One-quarter are expecting to spend **less than $25k** on their next car, compared to roughly one-third last year. A majority now fall into a mid-range of price expectations with nearly half expecting to pay between **$25k and $55k**.

+100% vs. +140%
GROWTH IN EV PURCHASE CONSIDERATION

Among current Gas/ICE owners, EV purchase consideration grew 140%, which is **40% higher** than reported last year. Of those considering an EV, **41%** are ready to buy or lease an EV within the next two years and **17%** are considering buying one in the next 2 - 5 years.

Sources:
[1] Hearst Autos 2023 In-Market Shopper Study, April 2023
[2] Mintel 2023 Car Purchasing Process, May 2023

HEARST AUTOS

CONNECT WITH US

+ **ADVERTISING**
Comprehensive advertising through Hearst lifestyle and In-market partners
felix.difilippo@hearst.com

+ **ACCELERATE**
A full-service technical consultancy for OEMs
eddie.alterman@hearst.com

+ **INSIGHTS**
In-depth auto shopping data and consumer insights
libby.murad-patel@hearst.com

+ **PRESS**
HApress@hearst.com

hearstautos.com

@HearstAutos

hearstautos

Hearst Autos