

# QUARTERLY INSIGHTS

Q3 WRAP-UP AND Q4 OUTLOOK





# 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 22 million monthly visitors<sup>1</sup>, 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, to an unrivaled understanding of what car-shoppers really want.

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<sup>1</sup> comScore Media Metrix, July - September, 2022

# MARKETPLACE AT A GLANCE

New vehicle sales grew **1%** over the third quarter, and posted a nearly **10%** gain in October compared to a year ago. Although Q3 is still down **21%** from 2019 (i.e., pre-pandemic and pre-supply chain crisis), some analysts see the following as positive signals that the industry starting to see some light:

1. **Strong consumer demand**
2. **Improved vehicle inventories**
3. **A slowdown in price growth**

Many others however, are anticipating greater headwinds caused by inflation and growing interest rates. The timing is ironic. We're finally getting back to stronger inventory levels that could meet demand, but inflation, loan rates/availability, higher gas prices, and higher ownership costs in general, are causing cars to be less affordable. Either way, the new car market will inch towards the end of the year with a great deal of cautious optimism.

## NUMBERS TO FOLLOW FOR THE NEW CAR MARKET

<h1 style="text-align: center;">13.7M</h1> <p style="text-align: center;">Cox Automotive and LMC Automotive have revised their 2022 sales forecasts after the Federal Reserve raised interest rates, making it more expensive to finance vehicle loans. This is the lowest seen in a decade.</p>	<h1 style="text-align: center;">\$45.9k</h1> <p style="text-align: center;">Average new-vehicle transaction prices reached \$45,971 in Q3 2022, a 10% increase from 2021 and the highest quarter ever recorded. October averages, though slightly down (\$45.6k) from Q3 are nearly 3% higher than 2021.</p>	<h1 style="text-align: center;">200k</h1> <p style="text-align: center;">Roughly 200,000 electric vehicles were sold in Q3 2022, a record-high in the U.S., representing nearly 6% share of the market and growth of 69% compared to Q3 2021.</p>
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North American production cuts are pacing at **1.35 million** through the end of the third quarter, still mostly due to chip shortages, and could rise to **1.5 million** by the end of the year. For comparison, there were 10.5 million vehicles cut from production in 2021.

**On an industry level, you are seeing an improvement in inventory, but it's not across all brands, and at the same time, there is a pullback starting on the demand side. Rising interest rates have pushed a lot of consumers right out of the new-car market.**

— Jeff Schuster, president, Americas operation and global vehicle forecast at LMC Automotive

# PRODUCTION & SALES IMPACT

During the third quarter, a number of manufacturers reported gains in sales volume. Most significantly, General Motors sold 550,000 vehicles and saw nearly **25%** growth, while Ford Motor also enjoyed a 16% increase compared to Q3 last year. Meanwhile, Toyota and Honda, who fared well for a good portion of the semiconductor shortages, took some big hits to sales and market share (-7% and 36%, respectively) in Q3. Heading into the fourth quarter, Toyota trails GM on a year-to-date basis by more than 70K units, and Tesla is looking to close the year as the luxury sales lead with an expected 100K lead over BMW.

On a brand level, the top ten in Q3 were all mainstream, while the highest ranking luxury brands all dropped a few spots compared to the prior quarter. Tesla dropped from #12 in Q2 to #14 in Q3, while German contenders, Mercedes-Benz and BMW, fell from #13 and #14 to #16 and #17 in brand rankings. Still, luxury sales are maintaining nearly **18%** market share for the quarter and a **9%** increase year-over-year.

## TOP 10 BRAND SALES, Q3 2022 VS. Q3 2021

MANUFACTURER	SALES Q3 2022	% CHANGE vs. Q3 2021
Toyota	458,487	-5%
Ford	444,647	16%
Chevrolet	372,873	30%
Honda	200,258	-35%
Kia	184,808	4%
Hyundai	184,431	3%
Jeep	161,351	-18%
RAM	139,296	-4%
Subaru	137,320	-3%
Nissan	120,679	-36%

When looking at year-to-date sales, the industry is still reporting a drop of **12.9%** compared to the first three quarters of 2021, but it's important to note that the semiconductor shortages really influenced inventory and new vehicle sales starting in the third quarter of last year.



## TOP 10 MANUFACTURER SALES, YEAR-TO-DATE JANUARY - SEPTEMBER, 2022 VS. 2021

MANUFACTURER	UNIT SALES	% CHANGE VS. 2021
General Motors	1,650,827	-7.1%
Toyota Motor Corp.	1,571,714	-15.4%
Ford Motor Co.	1,380,494	-1.2%
Stellantis	1,199,407	-12%
Honda Motor Company	728,257	-38.3%
Nissan N.A.	538,338	-31.2%
Hyundai Motor Group	528,298	-10%
Subaru Corp.	401,115	-13.3%
Tesla Motors	386,634	+63%
BMW	249,835	-6%

### CLOSING OUT THE YEAR

Looking ahead into the final months of the year, there are a few things that will help the U.S. auto industry to close strong, relatively speaking.

**Demand:** Aside from the strong pent-up demand from consumers that have been holding off for the past 18 months, there are estimates of more than 300,000 vehicles that may need to be replaced in the aftermath of Hurricane Ian.

**Price Normalization:** While we're not returning to the pricing we knew before the supply chain crisis or recent inflation, the growth is cooling off and analysts believe we'll continue to see month-over-month declines through November and December.

**Vehicle Availability:** Inventory is still tight, and more for some manufacturers than others, but experts are saying that we're seeing the highest levels of inventory since June 2021. It's even possible that we could see year-end sales events for a limited number of models.



**"The supply situation in the new vehicle market has significantly improved over recent months, but with interest rates rising, and consumer optimism falling, the key question now is whether buyers will be willing and able to buy."**

—Charlie Chesbrough, Cox Automotive senior economist

## HEARST AUTOS SHOPPING ACTIVITY

With a view into a highly-engaged audience of 20M+ 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.

Interest in Compact and Full-Size SUVs and Crossovers remained strong in the Q3 2022. These segments along with Midsize SUVs and Full-Size Pickups accounted for ~50% of sales in the third quarter. Although not fully represented in the top 10, when summing all electric vehicle segments, shopper interest in EVs is falling just shy of 14%, and roughly 6% of market share in sales.

TOP 10 SEGMENTS IN CONSUMER INTEREST	% Share Q3 2022	% Change vs. Q2 2022
Compact SUV/CUV	8.1%	5%
Full-Size SUV/CUV	6.5%	4%
Luxury EV Car	4.2%	0%
Midsize SUV/CUV	3.9%	-9%
Compact Car	3.9%	-14%
Muscle Car	3.7%	109%
Full-Size Luxury SUV/CUV	3.6%	9%
Midsize Luxury SUV/CUV	3.5%	-14%
Midsize Pickup Truck	3.4%	27%
Midsize Sedan	3.4%	15%

### VEHICLE SEGMENTS THAT ARE TAKING OFF, Q3 2022 VS. Q2 2022

Among 45 segments that we measure at Hearst Autos, these five emerged in highest growth from Q2 to Q3 2022. It's worth noting that this quarter we saw some of the biggest increases driven by product announcements ranging from special-edition models to end-of-era production for longstanding nameplates.

Segment	% Change in Share	+ / - Rank
Full-Size Sedan	153%	+10
Muscle Car	109%	+19
Electric SUV	52%	+2
Luxury Coupe	30%	0
Midsize Pickup Truck	27%	+8

# KEY VEHICLES DRIVING GROWTH IN SHOPPER INTEREST

There are key vehicles that are responsible for driving the increases we're seeing in some of the high-growth segments. Some are related to upcoming launches or refreshes, while others are driven more by availability in today's market.



## FULL-SIZE SEDAN

- Nissan Maxima (Production ending)
- Dodge Charger (Production ending, EV replacement in 2024)
- Chrysler 300 (Production ending)

## MUSCLE CAR

- Ford Mustang (All new, Black Horse racing edition 2024)
- Dodge Challenger (Production ending, EV replacement in 2024)
- Chevrolet Camaro (No product announcements)

## ELECTRIC SUV

- Rivian R1S (Launch-edition deliveries ramped up in Q3)
- Jeep Wagoneer EV (New in Q3!)
- Volvo EX90 (New in Q3!)

## LUXURY COUPE

- BMW 4-Series Gran Coupe (Test data and new details on electrified version)
- Infiniti Q60 (2022 Final production year)
- Lexus RC (No product announcements)

## MIDSIZE PICKUP TRUCK

- Chevrolet Colorado (Updated 2023 model year details)
- GMC Canyon (Updated for 2023 with new AT4X off-road model)
- Jeep Gladiator (Updated for 2023)

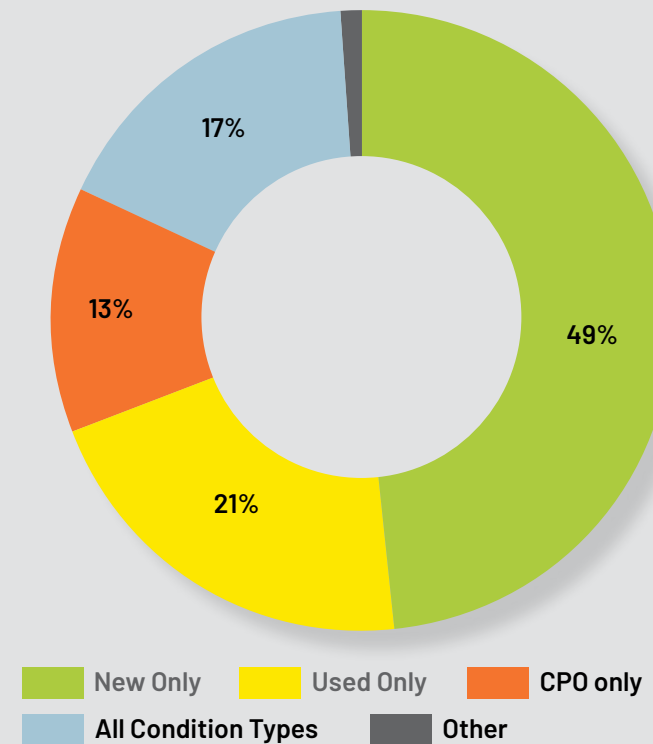
# HEARST AUTOS MARKETPLACE STUDY: A DEEP-DIVE INTO LUXURY & CPO/USED SHOPPER CONSIDERATION

In April 2022, Hearst Autos conducted a marketplace study to understand a wider range of consumers as it relates to their auto shopping, purchase intent, attitudes and behavior. In this analysis, we took a deep-dive into two segments of shopper consideration. Those that are looking at luxury brands or models, and those that are open to considering a Certified Pre-Owned (CPO) vehicle or one that is used. Here are some of the key findings:

## LUXURY INSIGHTS

- Nearly **one-third** are considering buying luxury brands only, and among those roughly **50%** are looking to buy new.

## WHICH OF THE FOLLOWING ARE YOU CONSIDERING FOR YOUR NEXT VEHICLE? (n=223)

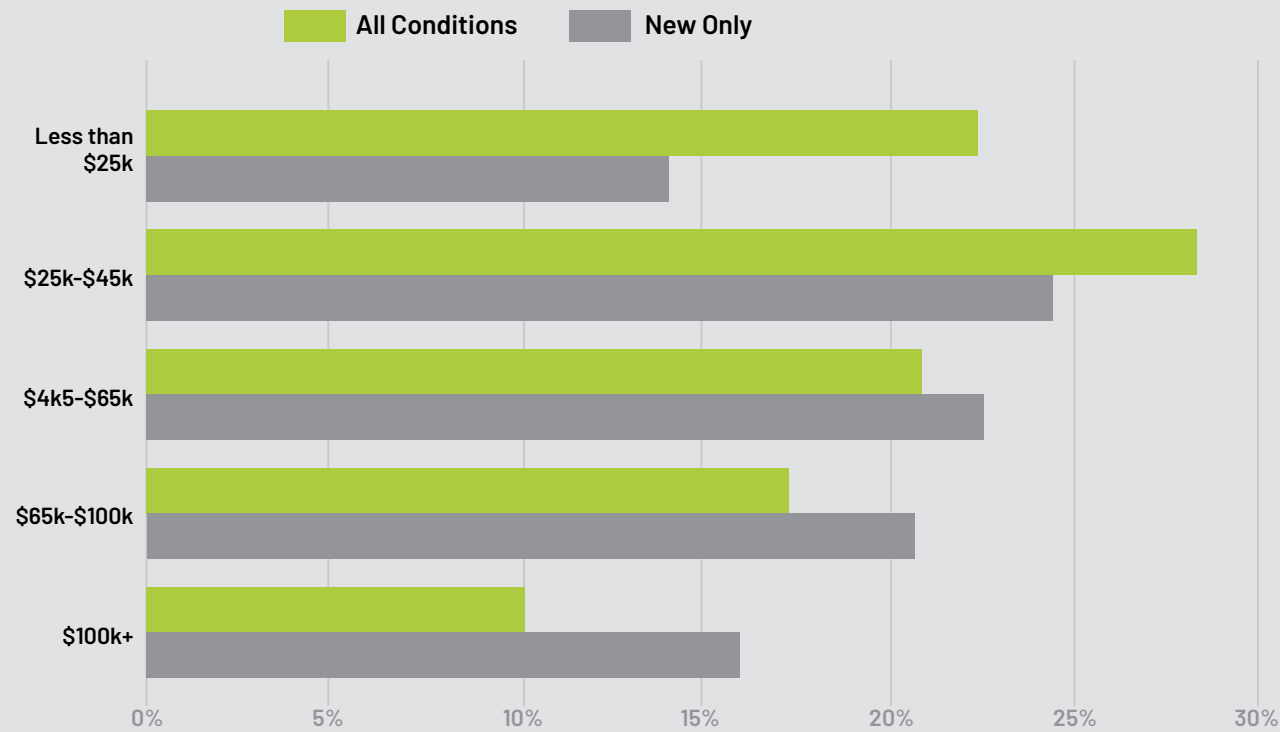


**Two-fifths** are looking for an upgrade, while **28%** are in-market because of a lifestyle change (e.g., new baby or job change).

**A quarter of those looking at all conditions of luxury only expect to spend between \$25K-\$45K. This is because almost half are considering used or CPO options as well, and therefore desire luxury with entry-level prices.**

- **When looking at those desiring both luxury and purchasing a new vehicle only, roughly 60% expect to be paying \$45k+.**

## PRICE CONSIDERATIONS OF LUXURY SHOPPERS: ALL CONDITIONS VS. NEW ONLY



When it comes to EV consideration, luxury shoppers are getting ready to take the plunge. One-third indicated they will be interested within the next year and half will be ready within the next two to five years.

This group is practical in wanting to start this transition to electric and save money, given the rising gas prices. "Eliminate gas costs" was the top answer when asked what interests them most about EVs.

When asked about their reservations on buying/leasing an EV, the top two concerns were about costs (battery replacement and upfront costs), which demonstrates that cost is their overall top priority when buying/leasing a vehicle.

## CPO/USED SHOPPER CONSIDERATION

- Although only **1/10** specify they're considering CPO only, **one-third** are considering "all condition types", including CPO.
- Luxury shopper consideration for CPO is roughly **11%** higher than the general shopper.
- The primary reason for those considering CPO is driven by a cost/value evaluation — **1/5** indicate that they can own luxury vehicles due to CPOs costing less than new luxury vehicles.

Source: Hearst Autos, Marketplace Study: In-Market Shoppers, April 2022

## But there is a need for more education around CPO programs and benefits...

### Low Awareness

In a study published by Mintel, they found that more than half of consumers have heard of CPO, but less than **1/5** know much about it and **25%** have never heard of CPO.

### Skepticism

They also identified a great degree of skepticism that consumers have around CPO offerings, with **35%** believing that the certified pre-owned label is just a marketing ploy.

### Priorities

A top consideration for **70%** of CPO shoppers is "low mileage", followed by a "clean vehicle history report" (**64%**) and "price consideration" (**60%**).

Manufacturers should highlight mileage limits and clean history, as well as how CPO vehicles go through a multi-point inspection in order to appeal to consumers who aren't clear on the benefits. And to further establish trust, Mintel suggests offering a guarantee of some kind in order to help those that don't believe in the certification.

Source: Mintel, August 2022

## THE TOP 3 LUXURY BRAND CONSIDERATIONS ARE:



**BMW: 18%**



**Cadillac: 11%**



**Audi: 10%**

Source: Hearst Autos, Marketplace Study: In-Market Shoppers, April 2022



# THE ECONOMY & CONSUMER CONFIDENCE

The Fed has increased interest rates six times this year, to the tune of more than three percentage points. The goal of this is to slow down inflation, stabilize consumer spending, and ultimately avoid going into an economic recession.

While the auto industry has been plagued more by supply chain issues than consumer demand or confidence, we're starting to see headwinds based on inflation and interest rates. Loan rates, financing term lengths, vehicle prices, gas prices, and monthly payment amounts are all increasing as a result of both supply shortages and inflation.

To understand how consumers are affected and what their sentiment towards inflation is, we conducted a poll across a number of Hearst websites and found the following:

■ There is some growing concern with obtaining future loans such as mortgages, auto loans, etc.

• **28%** indicated that they are "very" or "extremely concerned"

• **23%** are somewhat concerned, and **nearly half** are not at all concerned

■ When asked how recent inflation has changed their daily spending habits, more of our site visitors have noticed increased spending than those who haven't

• Almost **1/4** estimate that they're spending **10 - 15%** more now than they had been in the prior 6 months

• **22%** estimate spending **25%** more, and **17%** believe they're spending **50%** or more than they had been in the prior 6 months

• **37%** stated they haven't changed their spending habits

■ Despite the increases in gas prices, **half** are still driving the same amount as before, but roughly **29%** are trying to cut back on driving time as much as they can.

■ Many have a pessimistic outlook of the economic future; **68%** feel that the economy is going to get worse before it gets better, or that "we're going into a recession."

■ There is a great deal of skepticism towards making big purchases in the next six months. **68%** are "Unlikely" to make any big purchases (e.g., car, house, etc.) in the next 6 months, and only **18%** were "Very Likely" or "Extremely Likely" to make a big purchase.





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