

A CNW Research Newsletter

Retail Automotive Summary

Clarity. Context. Vision.

Length of Ownership? Buyers Say They'll Keep New Vehicle Longer

Here's a marketing dilemma:

Make vehicles better so they last longer in order to be competitive and score well with Consumer Reports then attempt to get buyers to trade-in vehicles more often to keep production and sales share up or growing.

The most recent Purchase Path Study's early results have consistently shown new-vehicle buyers plan to keep their car or truck far longer than prior to the recession.

Among new buyers, only 8 percent say they'll keep the vehicle for three years or less while 36 percent intend to keep it more than 10 years.

In comparison, in 2006, the 1-3 year intention was 11 percent and the "Over 10 Years" was nearly a quarter of owners.

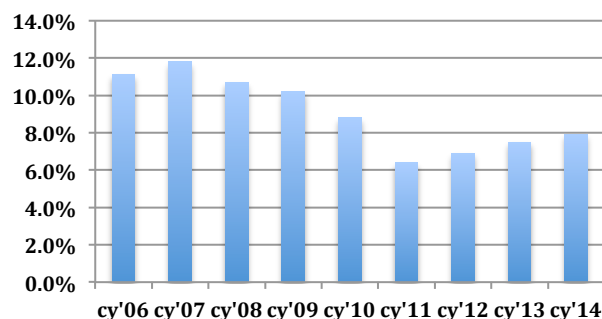
Mainstay Cycle Evaporating

The largest movement was in the mid-range historic four-to-six year ownership cycle, the mainstay for the auto industry.

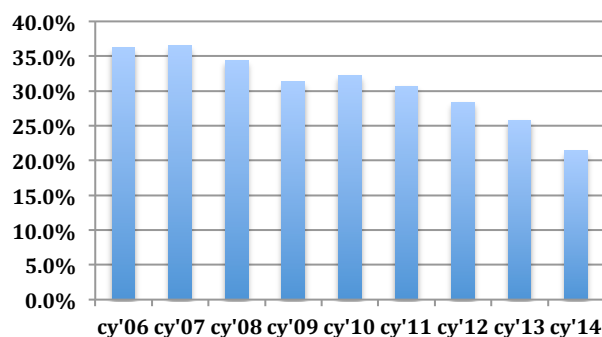
Prior to the recession, more than 35 percent said they'd keep a car or truck four-to-six years before trading or selling the vehicle. That has steadily declined and this year the figure is barely above 20 percent. The vast majority of those abandoning this ownership cycle went to 10-years and longer category.

CONTEXT: What's it mean for automakers and dealers? Greater reliance on leases, especially three and four year contracts; added benefits in new models including safety and performance features, and not lastly, heavier marketing costs.

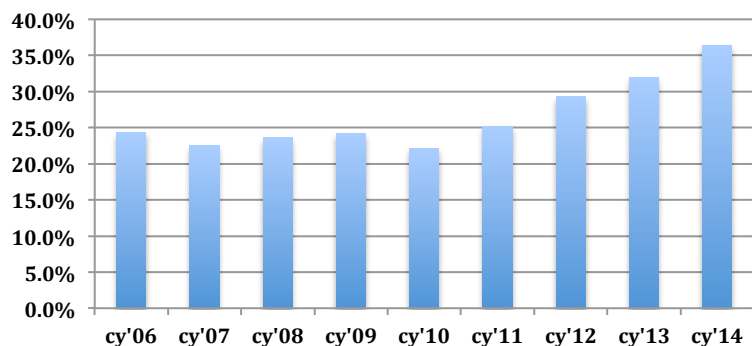
Will Keep Vehicle for 1-3 yrs



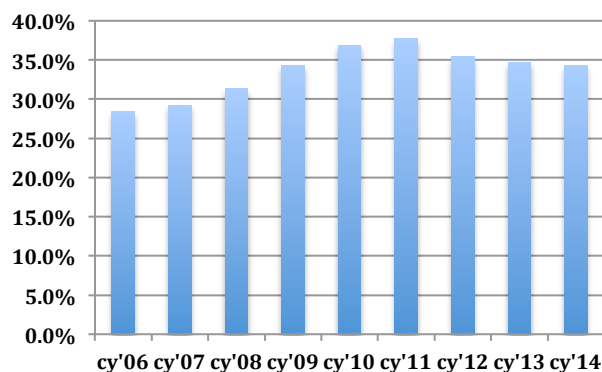
Will Keep Vehicle 4-6 yrs



Will Keep Vehicle Over 10 yrs



Will Keep Vehicle 7-10 yrs



How Important is the MPG Information on New-Vehicle Sticker?

While gas prices and the economy improve, the importance of sticker-price MPG labels diminishes. That's hardly a surprise.

What is surprising, however, is that fuel economy ratings among younger and older consumers are parallel. That is, under 30 and over 65 new-car shoppers consider fuel economy as reported on the sticker to be "Very Important" in large numbers. Meanwhile, the core of the new-car market is becoming less interested in the City/Highway MPG info.

For example, in cy'06, prior to the recession, a fifth of new-car shoppers said the info was "Not at All" important in their decision. That slowly declined to barely 5.7 percent in the depths and early recovery of the economy.

The Under-30 and Over-65 age brackets, however, showed an 11 percent and 13 percent respectively feeling that MPG was "Not at All" important in cy'06 and 3.2 percent during the recession.

Gas Prices 'Very' Important

Conversely, at the other end of the scale, barely 23 percent of consumers shopping for a new vehicle said MPG Info was "Very Important" in 2006, rising to 38 percent in 2011 before beginning to slide. Full year 2014 (through September) the percentage has declined to 31 percent.

And as gasoline prices continue to decline, this percentage is expected to fall into the mid-20s by year's end.

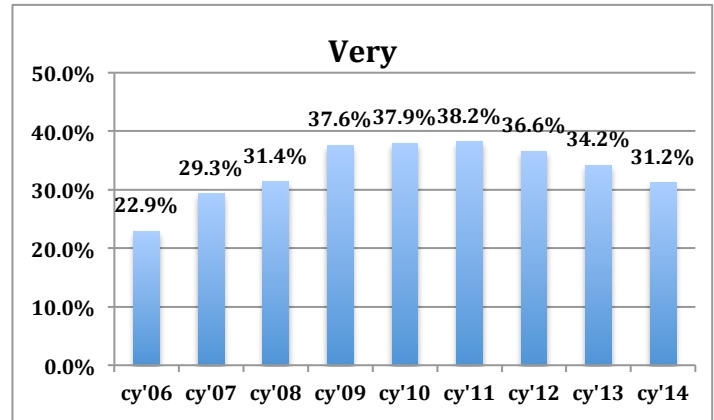
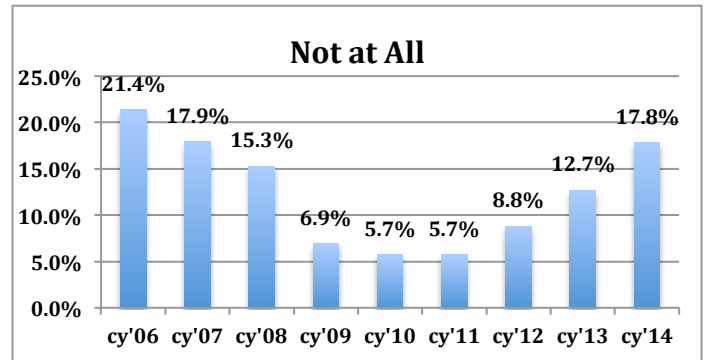
Bad for Hybrids, Electrics?

It doesn't help. Both hybrid and electric vehicles are suffering to a small to major degree because of lower gas prices.

In CNW's monthly survey of gasoline price perceptions, nearly 12 percent of new-car intenders say they expect fuel prices to decrease over the next three months. That compares to only 4 percent in April of this year and 5.7 percent in September of last year.

Reaction to Gas Prices

In the latest survey of what consumers would do at different fuel price levels, (*For comparative years, see Document 496b at CNWbyWEB.com; table below*), it's interesting to note that major changes in driving habits don't occur until gas hits \$4 per gallon. A year ago, that reaction came at \$3.75. Even more intriguing, consideration of a hybrid vehicle isn't dramatic until fuel prices top \$4 per gallon



	Very	Somewhat	Not at All
cy'06	22.9%	55.7%	21.4%
cy'07	29.3%	52.8%	17.9%
cy'08	31.4%	53.3%	15.3%
cy'09	37.6%	55.5%	6.9%
cy'10	37.9%	56.4%	5.7%
cy'11	38.2%	56.1%	5.7%
cy'12	36.6%	54.6%	8.8%
cy'13	34.2%	53.1%	12.7%
cy'14	31.2%	51.0%	17.8%

and electrics until nearly \$5 per gallon. Both stood at \$3.75 a year ago.

Postponing a new-vehicle acquisition this year came at \$4.50 per gallon while a year and a half ago it stood at \$3.75.

	\$2.25	\$2.75	\$3.25	\$3.75	\$4.00	\$4.50	\$5.00	\$5.50
Purchase more fuel efficient vehicle eventually*	3.4%	10.46%	18.53%	24.91%	73.31%	82.58%	93.71%	98.81%
Purchase more fuel efficient vehicle immediately	0.0%	5.32%	6.67%	19.73%	46.87%	61.77%	72.91%	86.37%
Postpone any new vehicle purchase	0.0%	0.00%	2.21%	10.36%	24.51%	52.85%	61.97%	83.78%
Consider hybrid (gas electric) vehicle	0.0%	0.00%	8.81%	15.39%	36.93%	58.24%	79.03%	92.36%
Drive somewhat less	0.0%	0.00%	3.32%	10.05%	26.81%	75.97%	80.44%	98.43%
Drive significantly less	0.0%	0.00%	2.23%	5.71%	20.32%	59.81%	70.38%	99.17%
Californians -- Approval of Offshore / Anwar Drilling	0.00%	0.00%	13.87%	26.81%	44.43%	62.58%	78.19%	82.69%
National -- Approval of Offshore / Anwar Drilling	0.00%	0.00%	22.21%	46.68%	50.73%	79.56%	85.64%	94.71%
National -- Favor Canada-Texas Oil Pipeline	0.00%	0.00%	53.19%	60.71%	68.34%	82.34%	88.27%	98.56%

Oct Sales Swell; Sub-Prime Share Shows Hispanics Use Most

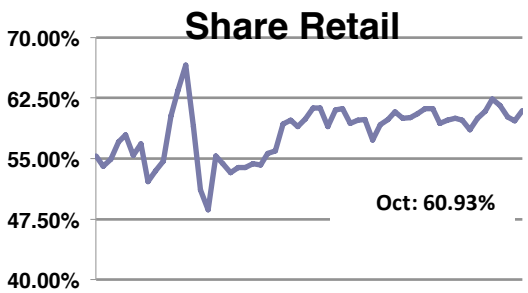
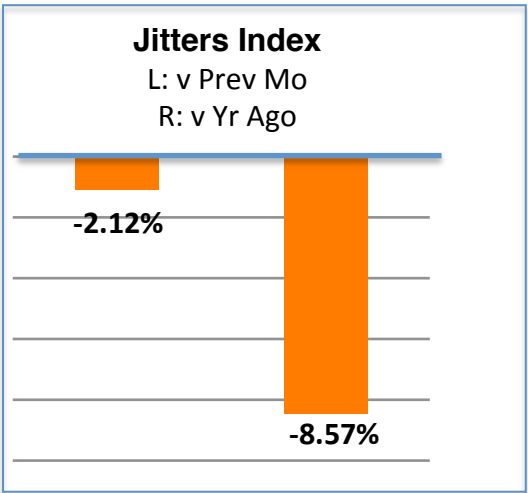
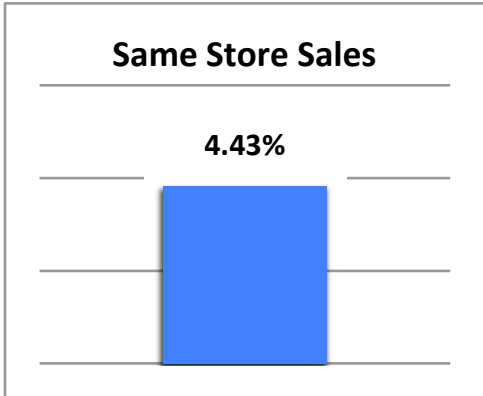
There are two measurements that appear to conflict: Consumer Confidence and auto sales. While most analysts and reporters want to link the two by claiming higher confidence results in greater new-car sales, the reality is the national confidence (and vice versa) measurements are questionable as a means of determining sales of big-ticket items. Why? They measure everyone equally even if the person surveyed is neither likely nor financially capable in making a \$30,000 acquisition.

In reality, then, concerns about the economy may impact everyone surveyed because of rising food prices or job stability, but the actual Key Market – those capable, willing and able to make a vehicle purchase – is likely to have a totally different view of their economic well being. A new or larger monthly payment isn't as much of a concern.

Expect 6 Percent Sales Increase
That said, October sales again look like they'll improve substantially over last year even though many consumer confidence indices have weakened.

While mid-Month data showed an 8 percent increase (Back Page), second-half data lowers the forecast somewhat to around 6 percent.

There is a caveat. Because the month ends on a Friday, dealers may well include weekend sales (November) in their reports to manufacturers, skewing the results.



Jitters Index
Among Key Market consumers, the Jitters Index again improved in October besting September by 2 percent and October '13 by a healthy 8.6 percent.

That turned into a whopping 19 percent increase in Floor Traffic with an impressive 11.4 percent gain in Closing Ratios.

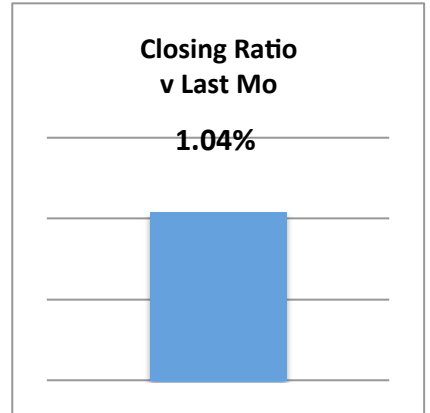
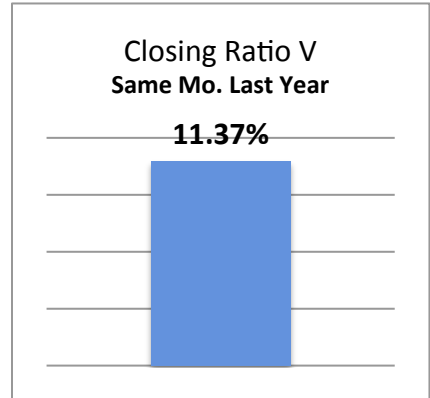
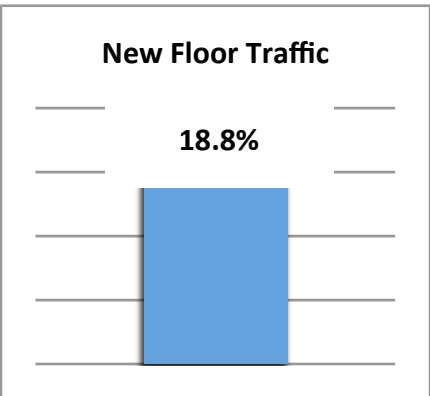
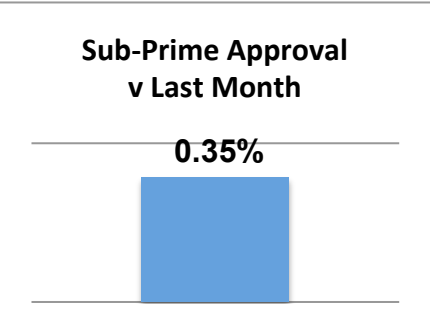
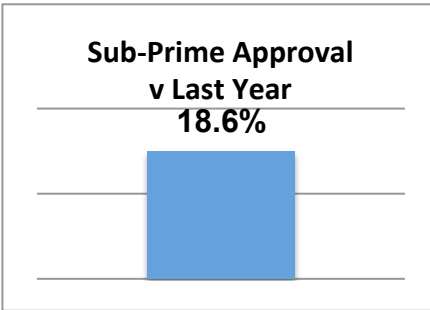
Same-store sales were up a modest 4.4 percent indicating many dealerships completed renovations, remodels and location moves in time for the Fall season.

Additionally, the share of vehicles sold at retail topped 60 percent, returning to an historic trend line.

Hispanic/Af-Am Boost Sub-Prime
Sub-Prime contracts were up 18.6 percent vs. a year ago and a slight 0.35 percent vs. last month. Both figures are on trend.

Of the Sub-Prime buyers, Hispanics constitute 39 percent, African-Americans 32 percent, Asians 7 percent.

CONTEXT: The strong floor traffic number indicates a jump on 2015 sales since usually shoppers don't enter a dealership until two or three months prior to making an actual purchase.



	Anticipated October	Actual October	% Chng	YTD	YTD	% Chng
	cy14	cy13	14 v 13	cy14	cy13	14 v 13
Document 106m						
Franchised Dealer Sales	1,265,553	1,213,741	4.3%	13,233,064	13,224,092	0.1%
Independent Dealer Sales	1,045,790	1,152,283	-9.2%	11,650,670	11,957,116	-2.6%
Casual (Private) Sales	882,885	786,820	12.2%	10,773,468	10,432,163	3.3%
Total Sales	3,194,228	3,152,844	1.3%	35,657,202	35,613,371	0.1%

	Franchised	Independent	Franchised	Franchised	Independent	Independent
	Asking Price	Asking Price	Trans Price	% of Asking	Trans Price	% of Asking
Document 107m						
Jan-14	\$11,429	\$9,942	\$10,843	94.87%	\$9,513	95.68%
Feb '14	\$11,221	\$9,694	\$10,658	94.98%	\$9,291	95.84%
Mar '14	\$11,396	\$9,847	\$10,946	96.05%	\$9,490	96.37%
Apr '14	\$11,372	\$9,811	\$10,931	96.12%	\$9,469	96.51%
May '14	\$11,408	\$9,967	\$10,979	96.24%	\$9,621	96.53%
June '14	\$11,516	\$10,482	\$11,162	96.93%	\$10,109	96.44%
July '14	\$11,502	\$10,336	\$11,150	96.94%	\$9,949	96.26%
Aug. 14	\$11,229	\$10,311	\$10,883	96.92%	\$9,961	96.61%
Sept '14	\$11,309	\$10,392	\$10,963	96.94%	\$10,073	96.93%
Oct. '14	\$11,186	\$10,242	\$10,836	96.87%	\$9,836	96.04%
Oct '13	\$11,482	\$10,223	\$10,825	94.28%	\$9,667	94.56%
Nov. '13	\$11,367	\$10,205	\$10,720	94.31%	\$9,625	94.32%
Dec. 13	\$11,419	\$10,324	\$10,855	95.06%	\$9,871	95.61%
Mo. Vs Yr Ago	-2.65%	0.19%	0.10%	2.67%	1.72%	1.54%
This Mo v Last Mo	-1.09%	-1.44%	-1.16%	-0.07%	-2.35%	-0.92%

October Used Prices

For Franchised Used-Car dealers, prices slipped more than 1 percent in October vs. September and rose barely one-tenth of one percent vs. a year ago.

Independents had a 2.4 percent decline vs. last month and a 1.7 percent increase vs. a year ago.

Units Sales Favor Private Party

Overall used-car sales in October should hit nearly 3.2 million units with franchised dealers holding 39.6 percent.

Independents scored 32.7 percent of the market with Private Party responsible for the remaining 27.6 percent.

On a unit basis, Franchised dealers were up about 4 percent with Independent dealers down more than 9 percent losing most of their market share to casual sales which were up 12 percent.

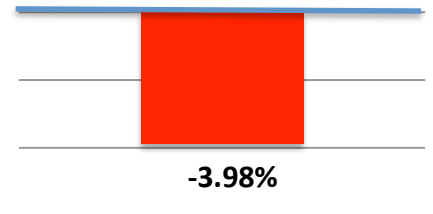
Approval Rates

An interesting side-note to the September data was the slight decline in approvals for Prime Buyers.

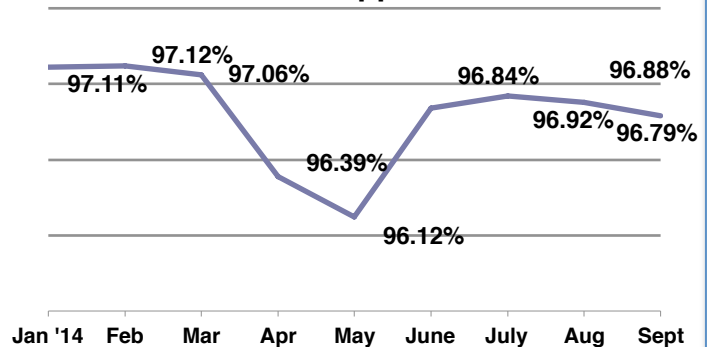
While still extremely high – over 96 percent get approved – that is down somewhat from the early 2014 figures of 97 percent.

Why the drop? There is no outward, discernable reason except to say no one is immune from the vagaries of financial institutions and perhaps their over-use of credit as the recession winds down.

Used Days Supply



Prime Approvals -- 2014



Kontos

Kommentary

Summary

Wholesale used vehicle prices softened again in September, their fifth monthly decrease in a row.

September's modest year-over-year increase in average prices reflects a higher percentage of institutional sales of late-model vehicles this year versus last and therefore masks the softness in prices seen by looking at those sales on a disaggregated basis.

Improved retail sales of used vehicles after a tough summer cushioned the blow to wholesale prices from growing supply.

Details

According to ADESA Analytical Services' monthly analysis of [Wholesale Used Vehicle Prices by Vehicle Model Class](#)¹, wholesale used vehicle prices in September averaged \$9,557 -- down 0.4% compared to August, but up 0.8% relative to September 2013.

Average prices for minivans were up significantly, but this reflects an increase in the percentage of current and one-year-old models sold in factory sales in September.

Trucks and cars moved in opposite directions, with prices for trucks rising significantly on a month-over-month and year-over-year basis, while cars showed major sequential and annual price declines. Crossovers also showed price declines.

Prices for used vehicles remarketed by manufacturers were down 4.2% month-over-month and down 3.3% year-over-year, as manufacturers sold off elevated program vehicle inventories. Prices for fleet/lease consignors were

Wholesale Used Vehicle Price Trends

	Average Prices (\$/Unit)			Latest Month Versus:	
	Sep-14	Aug-14	Sep-13	Prior Month	Prior Year
Total All Vehicles	\$9,557	\$9,595	\$9,477	-0.4%	0.8%
Total Cars	\$8,325	\$8,450	\$8,433	-1.5%	-1.3%
Compact Car	\$6,682	\$6,748	\$6,768	-1.0%	-1.3%
Midsize Car	\$7,636	\$7,832	\$7,763	-2.5%	-1.6%
Fullsize Car	\$6,516	\$5,786	\$6,653	12.6%	-2.1%
Luxury Car	\$11,652	\$11,857	\$11,562	-1.7%	0.8%
Sporty Car	\$12,003	\$12,325	\$12,160	-2.6%	-1.3%
Total Trucks	\$10,406	\$10,270	\$9,727	1.3%	7.0%
Mini Van	\$7,082	\$6,126	\$6,611	15.6%	7.1%
Fullsize Van	\$11,496	\$11,499	\$10,632	0.0%	8.1%
Mini SUV	\$12,269	\$12,407	\$11,151	-1.1%	10.0%
Midsize SUV	\$7,414	\$7,401	\$6,931	0.2%	7.0%
Fullsize SUV	\$10,541	\$10,400	\$10,455	1.3%	0.8%
Luxury SUV	\$18,442	\$18,588	\$18,785	-0.8%	-1.8%
Compact Pickup	\$7,249	\$7,333	\$7,009	-1.2%	3.4%
Fullsize Pickup	\$12,933	\$12,857	\$11,864	0.6%	9.0%
Total Crossovers	\$11,941	\$11,950	\$12,536	-0.1%	-4.7%
Compact CUV	\$10,504	\$10,666	\$11,220	-1.5%	-6.4%
Mid/Fullsize CUV	\$13,290	\$13,198	\$13,879	0.7%	-4.2%

Source: ADESA Analytical Services. August data revised.

down 2.0% sequentially and down 1.1% annually.

Prices for off-rental "risk" units within this segment were again down significantly. Dealer consignors saw a 1.9% average price decrease versus August, although prices were up a modest 0.3% relative to September 2013.

Retail used vehicle sales in September were up 4.1% month-over-month and up 4.6% year-over-year, based on data from CNW Research.

According to Autodata, sales of certified pre-owned (CPO) vehicles were down 15.4% versus August, but that was based on three fewer selling days. A better reflection of certified used vehicle demand is that September CPO sales were up 19.7% from the prior year.

¹The analysis is based on over six million annual sales transactions from over 150 of the largest U.S. wholesale auto auctions, including those of ADESA as well as other auction companies. ADESA Analytical Services segregates these transactions to study trends by vehicle model class.

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Jesse S: *Socially Speaking*

Conspiracy in China: 'Umbrella Revolution' Caused by Pinterest?

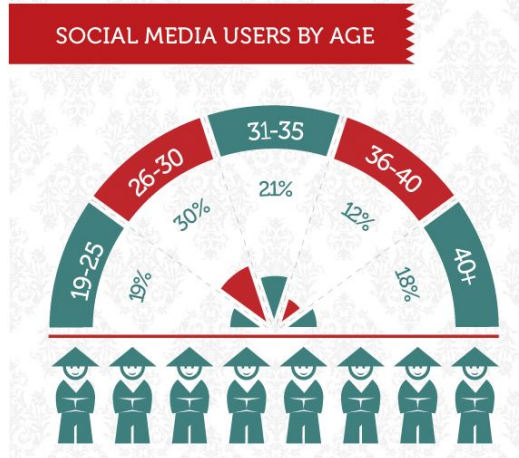
The government shutdown of Instagram (a photo sharing app owned by Facebook) throughout China on September 28th was upsetting to a lot of local residents as this was the first time a popular social networking site had been blacked out by the government since 2009.

Facebook, Twitter, Youtube, and Snapchat have been banned since the July 2009 Ürümqi riots. **Tencent and Sina Weibo** (a microblog platform like Twitter and Tumblr) are the most widely used networks in the CCP.

WeChat (a messenger service) and RenRen (a Facebook like app) own spots 1 and 4, respectively. But since shutting down a single website on the 'net is akin to dousing out a single candle during a vigil, does this damage the rising success rate of the popularity of the Instagram platform, or is this merely a hiccup?

Fastest Growing Platform

After the censorship of websites like those mentioned above left a hole in the social media circles of the 'net, within China, it allows platforms like Instagram and Weibo to gain followers by the bullet-train-load. Instagram has 200 million active monthly users and Weibo has 165.5 million.



Pro-Democracy Supporters Shut Down Popular App

In a 24 hour period between 28th and 29th, more than 9,000 photos began circulating Instagram of the Occupy Central protests.

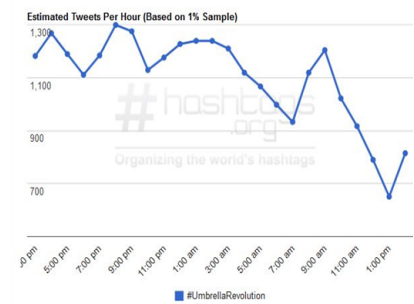
Utilizing the hashtag #OccupyCentral (among others), the demonstrators quickly became a trending topic among many social sites.

Leaders in Beijing decided to curtail the public's use of social media to prevent negative photos from leaking about the protests.

Party Blocked Websites

In a standard tactic, the Chinese Communist Party blocked website access to Instagram via the Great Firewall of China, the country's government based, internet censorship program.

#UmbrellaRevolution 24-Hour Trend Graph



Takeaway: Make Friends, but Don't Organize, Peasant.

The early adopters of technology, specifically 19-30 year olds, ultimately began utilizing these social networks as they were meant to be utilized (at least in China):

Make friends, organize, adapt, adopt, move along.

As the government began coming down on sites that gave citizens access to western ideals,



Photographed from above, the glowing screens of mobile phones held aloft by the sea of protesters' have created an enduring image of solidarity.

35.7 percent of China's population are online. In the U.S. it is 78.3 percent. Instagram has surpassed Twitter in popularity as the fastest growing social media site showing a 23 percent growth according to Global Web Index.

namely Facebook, Twitter, etc., the population moved to fresher waters. Instagram was a widely unnoticed platform for the “Great Firewall of China” to sensor because, for the most part, it was merely a picture taking application.

Not a place to cause political unrest, or to show the country losing face via police brutality photos.

Students Find ‘Workaround’

Although Instagram had already been removed from the Chinese Android store in July of this year, students who had already downloaded it or obtained it illegally were utilizing it before and during the protest. It had yet to be blocked.

The ability to tag photos for search engines, Twitter accounts and Weibo allowed the students to communicate and bypass police barricades, and show their friends what was happening in real time.

1.4 Billion Potential Customers

For years, US brands have been struggling to make footfall in “China” and capitalize on the countries 1.4 billion potential customers, to almost no avail.

So when western social media slipped in through a “backdoor” of sorts, it provided an outlet for brand recognition along with the ability to help companies become a household name throughout Southeast Asia.

The picture taking platform had been a relatively untapped market for brand recognition as most local businesses hadn’t given it much credence. This was seen as a small victory.

A Blow to Instagram?

Yet, like an invading army assaulting a beachhead, the “west” was swept back to sea as the Peoples Republic of China (PRC) Censorship Program locked the web down even tighter. Yes, this is a blow for social media in China and it could be for Instagram as well.

In 2012, Facebook bought the photo-sharing app for \$1B, and there

was a fear that the PRC censors were going to block the new acquisition.

Because Facebook left the “little” application alone as an independent tool, China didn’t see it as much of a threat. Unlike an Instagram photo, Facebook left the app alone and it wasn’t tweaked to death to adopt the Facebook user account tracking features.

This allowed the service to grow quickly since it was relatively untouched by the larger parent corporation. The app started increasing its web penetration by 100,000 downloads weekly.

Pinterest ‘Next Big Thing’

Between 2012 and 2013, Instagram increased its user rate from a measly 40m users to an impressive 150m users. An increase of 275%.

Today, it stands at 200,000 active monthly users. If it fails to recoup the loss of new monthly users,

Pinterest could be the next big thing in China. As of July 2013, the total number of Pinterest users worldwide is 70 million. A popular Chinese blog from Los Angeles, for example, has 13m followers.

Joy Cho, a graphic design blog, focuses on “design, fashion, food, and joyful moments from everyday life.”

Although some diehard fans of blocked sites in China can access them through a VPN, or Virtual Private Network, to get around the country’s firewall, not all people have the patience or desire to go through that many hoops.

Remember, not every Asian is a tech-savvy nerd. Our gag gifts and back scratchers have to be made by someone.

(Note: Info in this column is from various sources.)



As much as many would like to think Facebook is the most powerful social media tool, [Omnicores](#) make a good argument that Pinterest has really picked up the pace and is here to rule over all the other social media tools.

These are their key points for that opinion:

- Pinterest has 70 million users
- There are 2.5 million monthly page views
- Pinterest attracts 1090 visitors per minute
- Pinterest user stays on the site for 15.8 minutes
- Pinterest is overwhelmingly used by women with a 83% women to 17% men ratio
- Pinterest is most popular among 35-54 years old users followed by 32% of 18-34 years old users
- 50% of US moms who use Pinterest would follow a brand if rewards were offered to them
- 81% of U.S. women online trust Pinterest as a reliable source for information and advice
- Pinterest tops the chart with the most activity in categories such as cooking & dining, DIY & crafts, health info, funny & human interest, fashion & beauty, and tech
- 90% of US online specialty retailers use Pinterest

46% of online shoppers in the U.S. have made a purchase based on a recommendation via Pinterest.

Back Page

*Deliveries not sales	Oct. 1-15	Oct. 1-15	% Chng	Actual Sales	Oct. '14	Full Mo
	cy2014	cy2013	14 v 13	Oct. '13	Sales	Change
New Cars					Extension	
Detroit 3	159,112	158,234	0.6%	177,147	178,130	0.6%
Asian	175,391	159,372	10.1%	326,914	359,773	10.1%
European	37,529	30,178	24.4%	89,547	111,360	24.4%
Ttl Pass. Cars	372,032	347,784	7.0%	593,608	649,263	9.4%
New Trucks						
Detroit 3	241,539	219,848	9.9%	376,931	414,120	9.9%
Asian	66,411	61,882	7.3%	199,900	214,530	7.3%
European	7,416	6,993	6.0%	34,857	36,965	6.0%
Ttl Lt. Trucks	315,366	288,723	9.2%	611,688	665,616	8.8%
Ttl Industry	687,398	636,507	8.0%	1,205,296	1,314,879	9.1%
	Oct. 1-15	Full Oct.	% Chng	Prev Mo	Prev Mo	% Chng
	cy2014	cy2013	14 v 13	cy2014	cy2013	14 v 13
Lease Share	29.7%	29.5%	0.7%	29.2%	29.4%	-0.7%
Floor Traffic - New (105m)	105.16	88.65	18.6%	100.53	92.15	9.1%
Floor Traffic - Used (105m)	100.93	92.81	8.7%	100.56	97.02	3.6%
	Oct. 1-15	Prev Yr	% Chng v	% Chng	Pent Up Demand	Units
	cy 14	cy2013	Same Mo '13	Prev Mo	Oct. '14	105,750
Avg. New MSRP (101m)	\$38,682	\$38,694	-0.03%	-0.05%	Oct. '13	128,600
Total Discounts	\$6,154	\$5,773	6.60%	-0.74%	% Change	17.2%
Manufacturer Incentives	\$4,794	\$4,381	9.43%	-2.48%		
Dealer Incentives	\$1,360	\$1,392	-2.30%	5.92%	Purchase Delay	Months
Core Trans Price	\$32,528	\$32,921	-1.19%	0.08%	Oct. est. '14	2.85
% Mfg Incent of MSRP	12.39%	11.32%	9.5%		Oct. '13	3.42
% Ttl Discnts of MSRP	15.91%	14.92%	6.6%		% Change	-16.7%

Jitters Index Summary

	Fed	Gas	Child's	Job	Day to Day	Condition of	Food	Local	Jitters
	Taxes	Prices	Edu*	stability	Needs****	Investments**	Prices	Taxes***	Index
v Prev Mo	0.32%	-3.11%	-0.78%	-0.82%	-1.22%	-0.78%	0.20%	-0.20%	-0.76%
v Mo. '13	-4.21%	-1.13%	-4.83%	-20.73%	-6.28%	-19.37%	0.00%	-1.91%	-6.57%

Total U.S. **Hispanic** **African-American** **Non-Hisp/AA**
Oct TDR **16.68** **1.60** **1.47** **13.58**
 In Millions: Delivery Rate is similar to SAAR. Excludes fleet
 Data shows the monthly deliveries projected to full-year deliveries