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THE BIG STORY / OCTOBER 2017



To Dealers, **EV SALES** Have Nowhere to Grow **BUT UP**

BY ALYSHA WEBB

As workers in the high-tech neighborhood in Santa Monica, CA, known as Silicon Beach emerge from their office buildings for lunch, they migrate to a table on a side street. There, they line up to register for test drives of a Chrysler Pacifica Hybrid plug-in hybrid-electric minivan and a Fiat 500e battery-electric vehicle.



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Silicon Beach workers line up for test drives of Chrysler Pacifica Hybrid and Fiat 500e.



They also receive a voucher for a free lunch at one of the food trucks parked on the same street.

Julie Wiskirchen, who works in a nearby office, came by because her co-worker told her about the free food. But she is impressed with the Pacifica PHEV minivan.

“I know people who need a bigger vehicle and would like to try an electric,” she tells *WardsAuto*. “I will tell them about the Pacifica. It fills a niche.”

Hosting these kinds of events is one way manufacturers aim to help their dealers sell more electric vehicles of both the plug-in hybrid-electric and battery-electric variety. Adding more PHEV and BEV models to their lineups is the only way most automakers will be able to meet stiffening fuel-economy requirements in the U.S.

The challenge for dealers is finding customers for those vehicles. Dealers say they accept that the

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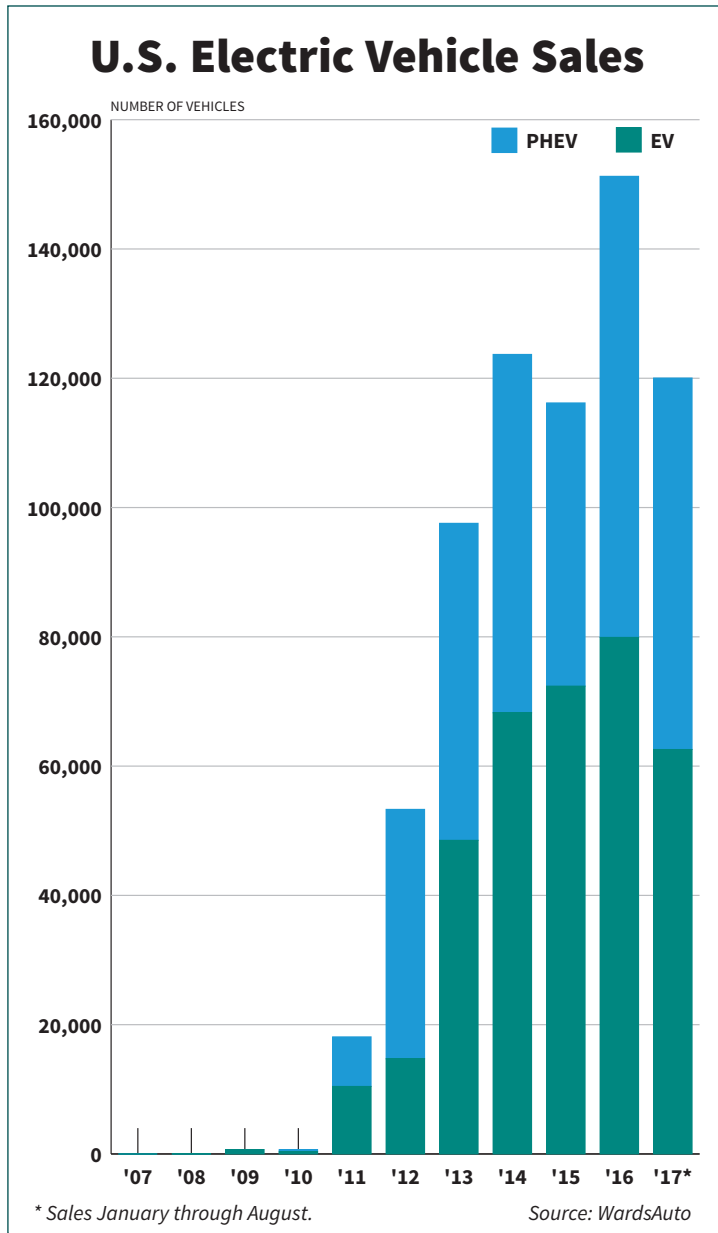
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While sales are growing, BEVs and PHEVs still represent a tiny portion of the total market. In the U.S. in 2016 sales reached 151,244 units, about 0.9% of 17.4 million light vehicles sold, according to *WardsAuto* data. In the first seven months of 2017, BEV and PHEV deliveries were ahead of prior-year's pace at 103,136 units.

Cheap gasoline has kept traditional internal-combustion-engine models attractive.

But Kristin Kolodge, executive director of driver interaction and human machine interface at J.D. Power, sees another force at work: fear of the unknown.

EV technology is “complex and sometimes overwhelming to the consumer,” she says. “It has taken a while for consumers to get used to even mild-hybrid vehicles.”

Manufacturers and dealers are hoping education of staff and customers alike will overcome this fear. At dealerships, that means extensive employee training.

“Keeping the staff fully educated is the most important factor” to boosting EV sales, Rich Steinberg, head of electrification strategy

future is electric. But that doesn't sell cars today. So, from offering daily rentals of EVs to touting ample incentives, dealerships are employing diverse strategies to boost electric-vehicle demand.

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BMW i3s lined up on dealer's lot.

at BMW North America, tells *WardsAuto*.

Besides the i3 extended-range electric vehicle and the i8 PHEV, BMW also sells five plug-ins: the 225xe, 330e, 530e, 740e and X5 xDrive40e. BMW's Mini brand also sells a PHEV version of its Countryman model.

"Trying to get all the dealer staff on board (with our electrification strategy), that is our future," Steinberg says. "Trying to win over their hearts and minds, we do that continuously."

Chevrolet last year launched its ChevyEVlife.com website to educate both consumers and dealership personnel about

electric vehicles.

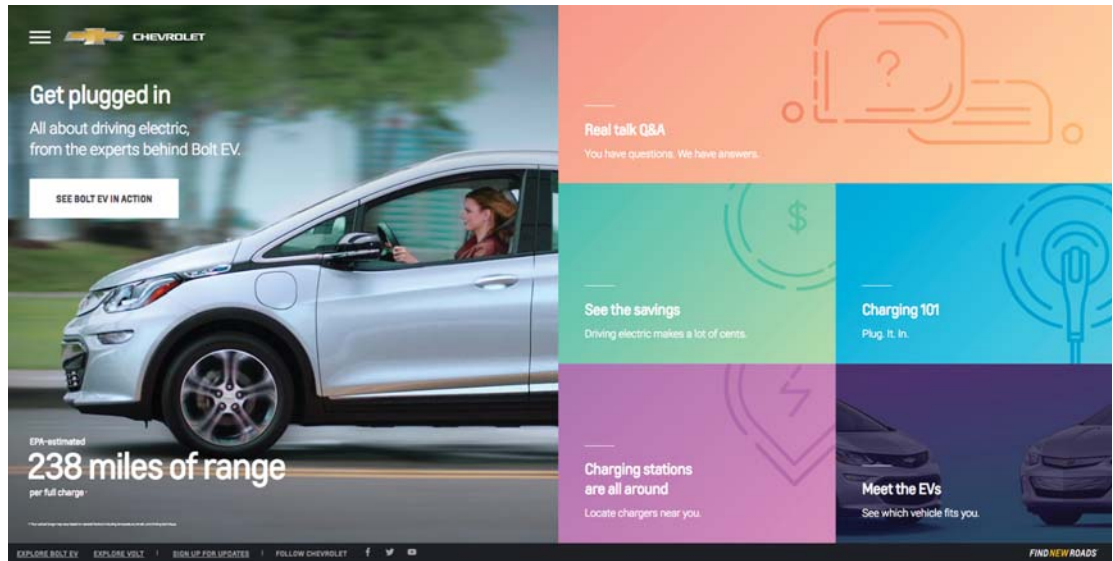
It aims to "demystify what it means to own an electric vehicle," says Kata Beslic, advertising and marketing manager-Chevrolet electric vehicles. "A lot of people are intimidated," she says. "We took it upon ourselves to really help them know what it means to own an electric vehicle."

Classic Chevrolet in Sugar Land, TX, near Houston is one of Chevy's stars in its commitment to selling the all-electric Bolt and range-extended hybrid-electric Volt.

"Basically, we just really believe in the products," says Jeff Sebastian, the dealership's executive manager.



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ChevyEVlife.com website effort to educate consumers on EVs.

He encourages his staff to take the Volt EREV and the Bolt BEV home for test drives. Sebastian also has his service-lane advisers receive training in EVs so they can share information with customers. “We feel like the more we get our staff to understand and like the product, the more they have appreciated it and the more they can recommend it to the customer,” he says.

The dealership sold or leased 26 Volts in 2017 and has sold 15 so far this year. It has only had the Bolt for a few months and has sold or leased eight units.

Getting customers in an EV for a test drive is one of the best ways

to educate them about the technology, dealers say.

“A lot of people have the perception that an electric vehicle is...in the world of a golf cart,” says Joe Ingram, general manager-Orange Coast Nissan in Costa Mesa, CA.

Orange Coast Nissan offers all-electric Leaf loaner cars while a customer’s vehicle is in the shop. It also offers daily rental of Leafs

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**GETTING CUSTOMERS
IN AN EV FOR A TEST DRIVE**
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them about the technology.

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Orange Coast Nissan says deals great on used LEAFs.

and stores the customer's car while they are driving the BEV. About one person a month takes advantage of the daily rental option, Ingram says.

Ingram aims to make his store a Leaf Super Store, earned by selling the most copies in the Orange County district. The entire district sold 220 Leafs from January through July. Ingram's store is in second place with 51 units sold, behind Stadium Nissan.

To boost his chances of winning, Ingram is pushing used Leaf sales

as well as new. He has 11 used Leafs in stock.

"The price point on the used Leaf is fantastic," he says. "It gives people the opportunity to have very little (financial) exposure and own a car."

At South Bay Mini in Torrance, CA, the test drive is the sales clincher, says Michael Nguyen, the dealership's product "genius." Mini recently launched a PHEV version of its Countryman model. Nguyen greets customers coming into the sales area and explains



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**MINI
Cooper SE
Countryman
ALL4 plug-
in hybrid
winning
over
customers
with test
drives.**



the vehicle's technology.

The first question customers ask about the Countryman PHEV is whether it qualifies for California's High Occupancy Vehicle lane sticker, Nguyen says. It currently doesn't. That is a disappointment to some. Then he takes them for a test drive.

"It is a Mini, it handles well," Nguyen says. "Then they don't mind (the no-HOV lane sticker) at all. They fall in love with it right there."

Most customers already are Mini enthusiasts, he adds.

There is a waiting list for the Mini Countryman PHEV, says Mo Ali, general sales manager at South Bay Mini. "It is a high-demand car."

CASH IS KING

Electric vehicles often carry a higher price tag than a comparable gasoline- or diesel-powered versions, largely because of the battery, which can cost thousands of dollars.

That makes incentives an EV dealer's best friend. The federal government offers tax breaks of up to \$7,500 per vehicle. Many

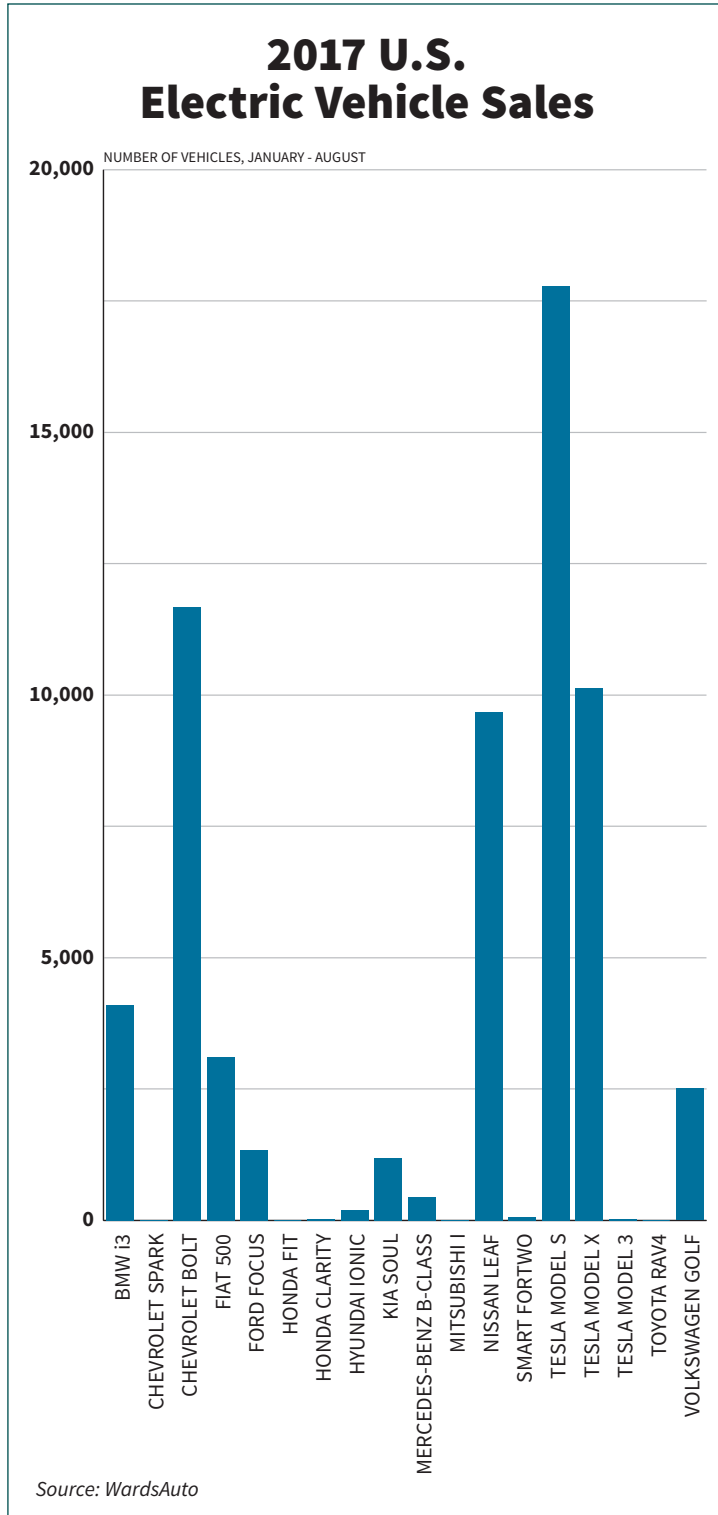
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states add incentives of their own, which can reduce the price of an EV nearly \$10,000. But federal tax incentives may vanish under the current administration.

“It will be a challenge (if the federal credit ends), no doubt about it,” says Nathan Kokes, advanced technology vehicle brand manager at Toyota Motor Sales.

Toyota offers two electric vehicles, its Mirai fuel-cell vehicle and its more mainstream Prius Prime PHEV.

State incentives are expected to remain in place, however, “so we will have to do a better job of talking about the benefit” of owning an EV, Kokes says.

Toyota already has an enormous pool of people to market its electric vehicles to: buyers of its Prius hybrid. It pursues that market segment because those consumers already are interested in alternative-fuel vehicles, Kokes says.

“We have a limited budget to spread around a very large number of vehicles, so we want to be as efficient as possible,” he says.

For Leaf shoppers, the EV incentive is “on the mind of every single

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'17 Prius Prime Toyota's plug-in version of popular hybrid.

person who walks in the door” of Orange Coast Nissan, Ingram says.

Ingram works with the Nissan USA EV manager to offer “fantastic lease deals” using the incentives. For example, Orange Coast Nissan’s website advertises a Leaf lease for only \$95 a month. To achieve that, a customer puts \$5,500 down. That not only keeps the monthly payment low, but also provides the customer with \$2,500 back from the State of California.

Ingram also takes advantage of manufacturer-funded programs to boost sales, such as one Nissan negotiated with the University of California. Any UC system

employee or current or former student qualifies for \$10,000 off a Leaf, courtesy of Nissan. Ingram advertises that through multiple channels.

“If a car is affordable enough, that is when you see people commit,” says Ingram.

BMW and Nissan have similar deals with San Diego Gas & Electric, whose customers qualify for \$10,000 toward an electric vehicle from either manufacturer.

Honda aims to make two-thirds of its global sales electrified by 2030. The recent launch of the Clarity Electric, a BEV, is part of that plan, as is an upcoming PHEV model.



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**Honda
Clarity EV
went on sale
Aug. 1 in
California,
Oregon.**



The loss of the federal incentive might cause some consumers to decide not to buy a Clarity Electric, says Steve Center, vice president-connected and environmental business development at American Honda.

But, he tells *WardsAuto*, there still will be plenty of hand-raisers because “the notion of driving an electric car is what the customer is really after.”

Center figures Honda has a head start in finding buyers because it began leasing a fuel-cell vehicle, also called the Clarity, back in 2008. It has leased the Fit subcom-

pact BEV since 2012.

The automaker keeps a database of people interested in electric vehicles. “So we have been building this big farm of Honda EV lovers that are already out there,” says Center.

Honda premiered its Clarity EV launch strategy with those people by inviting them to driving events staged from exclusive locations such as a luxury home in the Los Angeles neighborhood of Bel Air. Then Honda fed the names of those who were interested in acquiring another electric vehicle to its dealers.



“We are intending to make electrified vehicles a volume pillar going forward,” Center says.

WHERE’S THE NEAREST CHARGING STATION?

The online site for auto-parts chain NAPA says of maintenance needs for electric vehicles: “As for oil changes, spark plugs and wire and air/fuel filters, these maintenance items are a thing of the past in electric cars because they simply don’t have these parts. Exhaust system maintenance, including the muffler and a catalytic converter, are simply not found in electric vehicles either.”

Paul Ritchie, co-owner of Hagerstown Honda in Hagerstown, MD, says his peers have been talking about how selling EVs in greater numbers will impact their service business. “We will be doing tires and brakes only,” he frets. “Do we really want to upgrade our service department?”

Other dealers are more sanguine.

While he concedes other dealers may worry about a loss of service income, Classic Chevrolet’s Sebastian says: “I don’t even





Teslas at charging stations.

think that way. Our goal is to take care of the customers.”

The lack of a good charging infrastructure is a bigger worry.

Range anxiety – the fear of ending up with a depleted battery far from home – has long been a bugaboo in the EV sales world.

That is changing as battery technology improves and range increases. Models such as the Bolt and Tesla boast more than 200 miles (322 km) of range on a single charge.

To be sure, “It is not as straightforward as (if) you just drive to a gas station,” says Lisa Jerram, a principal research analyst at

Navigant Research. EV drivers must figure out where a charging station is located, she says.

Jerram, however, thinks many charging needs are being resolved with home charging and growth of a “decent” network of public and workplace fast-charging locations.

That doesn’t stop dealers from

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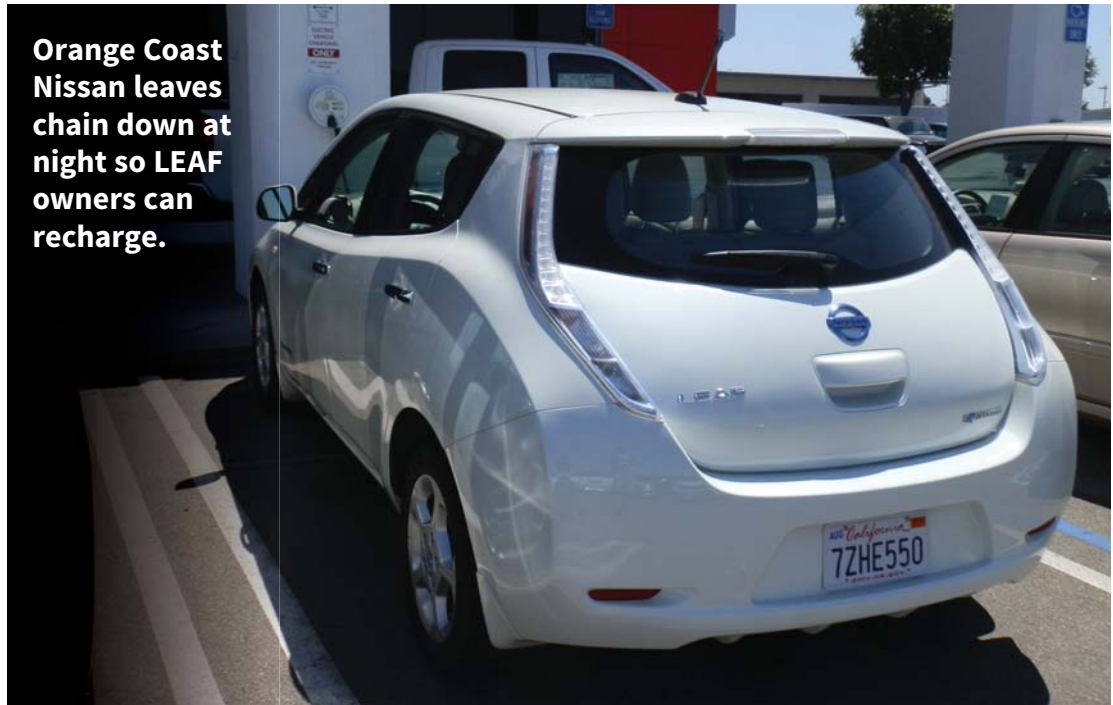
These manufacturers may be getting ahead of themselves by launching so many new plug-in electric vehicles.

WHERE ARE ALL THESE PEOPLE GOING TO PLUG THESE VEHICLES IN?



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Orange Coast Nissan leaves chain down at night so LEAF owners can recharge.



saying lack of charging infrastructure is an obstacle to more EV sales.

“These manufacturers may be getting ahead of themselves” by launching so many new plug-in electric vehicles, dealer Ritchie says. “Where are all these people going to plug these vehicles in?”

Automakers and dealers are doing their part to provide charging infrastructure. For example, BMW offers two years of free charging on the EVgo ChargeNow network to drivers of its electric vehicles, Steinberg says.

BMW also has worked with the

National Parks Service to install 100 charging points in national parks, and with the city of Seattle to integrate charging stations into some light posts.

Most dealerships that sell EVs have charging stations on site. At Orange Coast Nissan, “I stopped pulling a chain across the front gate so that Leaf customers can charge overnight,” Ingram says.

Geography also is a barrier to selling more EVs for some dealers. More than half of all BEV and PHEV sales in the U.S. are made in California, where incentives are plentiful and consumers generally



are inclined toward environmentally friendly products.

Chrysler bows to Californians' special affinity for electric vehicles in its marketing of the Pacifica Hybrid. Only in California is the minivan being marketed as a PHEV. Everywhere else? Just as a hybrid.

"We see Californians as early adopters," says Vince Maccani, head of marketing operations for Chrysler and Fiat.

At Valley Chrysler Dodge Jeep Ram in Staunton, VA, there hasn't been a rush of interest in the Pacifica hybrid, sales manager Ben Rexrode says. Nestled in the Appalachian Mountains, the dealership is part of Carter Myers Automotive Group of Charlottesville, VA.

"We are up against the mountains, and the hybrid is not a big seller in this part of the country," Rexrode says.

While his dealership has installed a charging station, there isn't much public charging infrastructure in Staunton, he says.

Interest in the Pacifica hybrid minivan could grow, grants Rexrode. The professors at nearby James Madison University "are

trying to go green," he says. "That will probably help our area (sell some Pacifica Hybrids). It will be a good chance we can sell some – once we get them."

Chrysler had to halt production of the Pacifica PHEV in June following a recall involving power-train problems, but has resumed shipping.

Ritchie says his dealership, located outside of Baltimore, has a lot of potential customers who worry about a dead battery and are in a wait-and-see mode over Honda's new Clarity EV.

Nonetheless, he is philosophical about the arrival of electric vehicles: "We all anticipate it is going to be phased in over time. It is just part of the evolution of the automobile." **WA**



California-based Alysha Webb is a long-time veteran of the auto beat, specializing in coverage about dealers and the industry in China.