

LUXURY MEMO SPECIAL REPORTS

## Automotive – Luxury Memo special report

April 6, 2018



*Maserati's Ghibli. Image credit: Maserati*

By NANCY BUCKLEY

Luxury automobiles have long been a sign of wealth and comfort, but in recent years they have evolved to indicate the technology and innovation of the future.

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There has been a race among automotive marques to be the most eco-friendly, but as carbon footprints are diminishing and technology is increasingly deployed across most brands, the marketing of the vehicles becomes paramount. Along with sustainability, other trends in automotive have affected how brands market to consumers, such as global politics, supply and demand chains, and autonomous driving.

"Many luxury automakers have recently made announcements to electrify their lineups by unveiling EVs or by setting aggressive benchmarks to offer electric versions of each of its models," said Julie Blackley, communications manager at [iSeeCars](#).

### Top 5 trends in luxury automotive

- Consumers' weariness about autonomous cars

Recent crashes have perpetuated consumers' fears about the technology of self-driving cars, creating a setback in the demand for the innovative product.

- Carbon footprint conscious

Most consumers demand eco-friendly products across industries, but in automobiles, electric vehicles are becoming more in-demand as both automakers and consumers look to reduce their carbon footprints.

- Technology in and outside of the vehicle

Infotainment systems are gaining sophistication that matches the luxury brands, but the technology outside of the car, such as Web sites and mobile engagement, are lacking among most high-end automakers.

- See the humor in it

A car is a highly personal product and luxury automakers have consistently looked to connect at that intimate level with consumers through lighthearted advertisements that offer the brand a chance to share with the

consumer.

- Political influences

The political environment around the world is unsteady with the impending Brexit and new tariffs in the United States, leaving all industries uncertain of the future.

What's your carbon footprint?

Automobile brands have spent the better part of the last few decades trying to find the best solution for the environment as they meet the demand for cars. The answer has been electric vehicles.

However, this electrification trend has left some brands in legal trouble as they try to be the best in the field.

The electric vehicle is led by the production facilities that make the automobiles. Volkswagen pledged itself to electric cars, with plans to have 16 production facilities around the world dedicated solely to the production of battery-powered vehicles by 2022 ([see story](#)).

Audi, a VW subsidiary, also is looking to reduce its carbon footprint with the opening of the first CO2-neutral production plant in the premium segment.



*Audi's Brussels plant uses solar energy. Image courtesy of Audi*

The brand's new production facility in Brussels, Belgium will be dedicated to electric models, including the manufacturing of Audi's first fully electric series model.

Audi powers the plant through green electricity, with a solar energy system that spans almost 400,000 square feet on the facility's roof. The plant also uses biogas for heating, further reducing the emissions generated for its operations ([see story](#)).

As automakers continue to invest in electric mobility initiatives, the electric vehicle market is likely to see a paramount jump by the year 2025.

According to a new report from Frost & Sullivan, the electric vehicle (EV) industry is expected to see a 28.3 percent annual compound growth rate, with a jump from 130,000 units to 1.8 million in seven years. Plug-in hybrids will lead the market, with a 59.8 percent share, but complete battery-powered cars will continue to gain traction ([see story](#)).

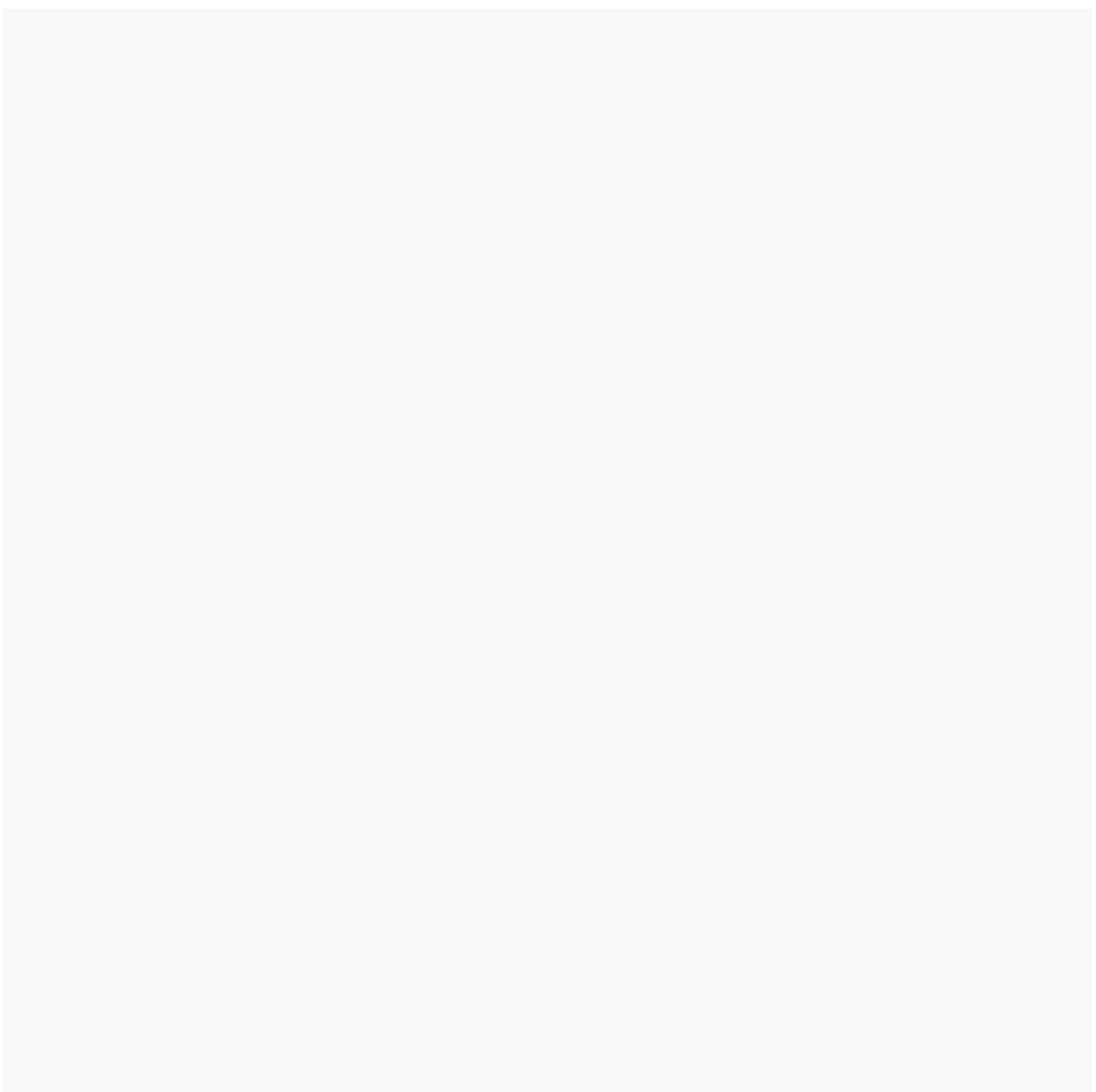
This is seen across luxury auto brands. For example, by August 2017, BMW Group had sold more than 50,000 electric vehicles that year, exhibiting the importance of electric-powered cars in today's auto industry.

Electric vehicles have slowly become a significant portion of the automotive industry, forcing OEMs to embrace the eco-friendly strategy.

Countries are also putting targets on electric vehicle adoption.

By 2030, India's serious pollution problem will be addressed by an initiative from the country's energy department that will attempt to cease the selling of gas-powered vehicles ([see story](#)).

Jaguar Land Rover, an automaker controlled by India's Tata Motors, announced that every one of its models starting in 2020 will be available to be electric-powered, following similar news from BMW and Volvo ([see story](#)).



The most beautiful car in the world, electrified. Introducing the #Etype Zero an original Series 1.5 Roadster fitted with a bespoke electric powertrain. #JLRTechFest #JaguarClassic #JaguarElectrifies #ElectricCars #ClassicCars

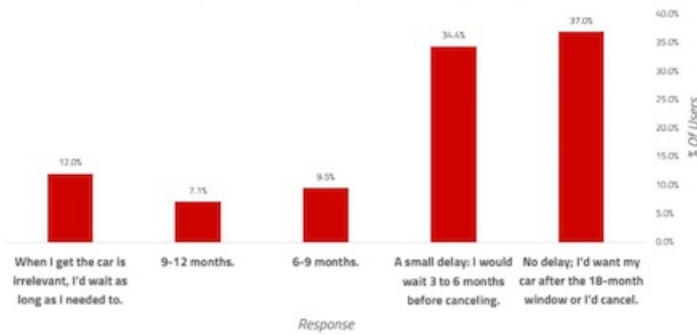
A post shared by Jaguar (@jaguar) on Sep 7, 2017 at 4:03am PDT

### *Jaguar Instagram post*

When a consumer thinks of electric cars, Tesla is often the first name to come to mind.

However, a recent series of delays and record losses for the electric vehicle company has left its customers unhappy and in danger of abandoning the automaker, according to a new report from Autolist.

If you put a \$1,000 fully-refundable deposit on a Model 3 today and Tesla told you to expect the car in 12 to 18 months, how long a delay would you tolerate before you canceled your deposit?



*Customers' patience for Tesla's delays is wearing thin. Image credit: Autolist*

After Tesla announced record losses last quarter and further delays to its Model 3 line, Autolist found that many of its customers said they would cancel their orders if the cars were not delivered in a timely manner.

For luxury auto brands, meeting production deadlines can be a challenging task, but for customers, it is one of the most important criteria for owning a luxury car ([see story](#)).

However, the brand continues with confidence in its models. For example, Tesla is looking to shift the pickup truck narrative with what its founder calls a "game-changing" feature.

Tesla CEO Elon Musk is promising that following the production of its all-electric crossover, Model Y, the automaker will get to work on an electric pickup truck. The luxury pickup truck industry is sparse, but including an electric motor and a mystery "game-changing" feature will put the Tesla pickup on a platform of its own ([see story](#)).

Some consumers remain weary about the electric car because of the lifestyle it forces them to adapt through charging the vehicle. Others worry about the accessibility of charging stations, but brands, both in the auto industry and outside, have looked to ease this concern.

For example, The Ritz Carlton Hotel Company bolstered a sustainable future with the addition of electric vehicle charging stations at properties across its global portfolio.



*Charging port of a Tesla Model S*

The hospitality brand previously installed the chargers at the majority of its properties in North America and at select international hotels. Keeping its dedication to service close at hand, the addition of the charging stations benefits guests who own electric vehicles ([see story](#)).

This focus on eco-friendly cars has caused some brands to get ahead of themselves, leading to legal battles on emission cheating.

The automotive industry has been increasingly embracing electric motors and, as a whole, made strides toward better practices for the environment.

For the most part, BMW has been a leader in this movement, but the automaker has allegedly installed devices on its X5 Diesel and 335d to trick emissions tests.

BMW X5 Diesels, in production from 2009 to 2013, and the BMW 335d from 2009 to 2011, are being cited in a lawsuit

against the automaker for emissions well beyond the legal limit.



*BMW's X5 series is thought to be environmentally friendly. Image credit: BMW*

While the manufacturer uses marketing language that positions these vehicles as eco-friendly, the class-action lawsuit claims BMW used a device that masks harmful emissions on the road.

In the suit filed on March 27 with the U.S. District Court for the District of New Jersey, investigators say the pollution at times reached up to 27 times the legal limit ([see story](#)).

BMW's lawsuit follows a few years after a similar scandal with Volkswagen. The company was accused of having software in diesel engines that could detect when it was being tested and have the device reflect better results in terms of emissions from the vehicle.

Dazzle them with the lights

This year's Consumer Electronics Show in Las Vegas was rife with numerous brands revealing intricate and futuristic infotainment systems and new ways of connectivity.

While autonomous driving solutions and electric-powered engines seem to be the flashy themes to which auto brands are gravitating, consumers are more interested in the technology happening inside their vehicle's dashboard.

Augmented reality, high-speed WiFi, voice control and artificial intelligence are technologies that consumers interact with on a daily basis in their homes and outside of their vehicles ([see story](#)).

Mercedes-Benz is bringing artificial intelligence-powered chatbots to the automotive world to allow drivers to ask questions at any time.



*Mercedes partners with Google Home. Image credit: Mercedes.*

Daimler, Mercedes' parent company, is working on a new voice-activated chatbot solution accessed through an application on mobile devices or in their cars. "Ask Mercedes" will interact with consumers to answer their queries and help build a series of customer support prototypes.

Consumers can use voice commands and text to ask the artificial intelligence-based communicative system questions through the built-in app within Mercedes vehicles. Customers can also download the application on their mobile devices or also on their Google Home. The app and chat service will be available at all times ([see story](#)).

BMW took the technology one step further, eliminating all senses. The automaker revealed a new driver interface for



its cars of the future in which consumers can control their vehicles by touching the air. BMW's HoloActive Touch System is its concept for a future operating platform that exists in a hologram-like form, using cameras and motion sensors to interact with drivers ([see story](#)).



*BMW's installation at CES for its HoloActive Touch System. Image credit: BMW Blog.*

Outside of the car, luxury automakers' are lacking in digital engagement with consumers online, but exceed non-luxury automakers with social media.

L2's [Digital IQ Index](#) for the auto industry revealed that Rolls-Royce, Land Rover and Aston Martin are among the few automakers whose mobile sites lack any investment, with load times more than five seconds long. Mercedes was the only luxury brand listed within the top-five rankings for digital offerings.

Auto US: Mobile Site Loadtime vs. L2 Digital IQ Mobile Score  
February 2018, n= 43 Brands



*Chart on auto brands' mobile performance. Image credit: L2*

Lamborghini, Porsche, Audi and Aston Martin are each within the top six brands who have the most interaction share on both Facebook and Instagram. Lamborghini saw the most interaction on Instagram, with a 14 percent share of auto interactions.

Ferrari saw the most engagement on Facebook with a 21 percent share ([see story](#))

Mercedes' digital reach was seen in this year's Super Bowl campaign by the brand where it offered fans a chance at winning a free car during the day with a mobile game designed to test dexterity and endurance.

In a contest that the automaker called "Last Fan Standing," customers had to keep a finger placed on a moving Mercedes on their phone without lifting their finger off the screen. The brand was banking on the increased spectacle of the National Football League championship game as well as customers' comfort with mobile games to drive up attention for its vehicles ahead of the big game ([see story](#)).

Other brands have moved past in-vehicle technology and online engagement to virtual reality. Lexus made the point that its cars can only be appreciated in-person by leveraging a trendy technology.

*2018 Lexus Command Performance Sales Event*

In the automaker's "Virtual to Reality" ads, models are shown using various virtual reality devices to take a simulated test drive.

While most VR efforts have centered on providing the viewer with an immersive experience, Lexus' ads instead take a third-person view, highlighting the limitations of the innovation in an effort to drive traffic to its dealers ([see story](#)).

McLaren also is using virtual reality by working with software startup Vector Suite to develop a bespoke tool that allows its designers to simultaneously sketch by hand and model their design in 3D ([see story](#)).

#### *How McLaren Automotive uses virtual reality to design its cars*

Chinese ecommerce platform Alibaba took a totally different spin on technology to offer consumers a new vending machine for luxury cars in China, which will allow users to browse vehicles on their smart phone and select a vehicle for purchase.

While "vending machines" for automobiles exist in a theoretical sense in Singapore, they act as only simple storage facilities, but Alibaba's will allow users to buy a new car ([see story](#)).



#### *Current Singapore vending machine*

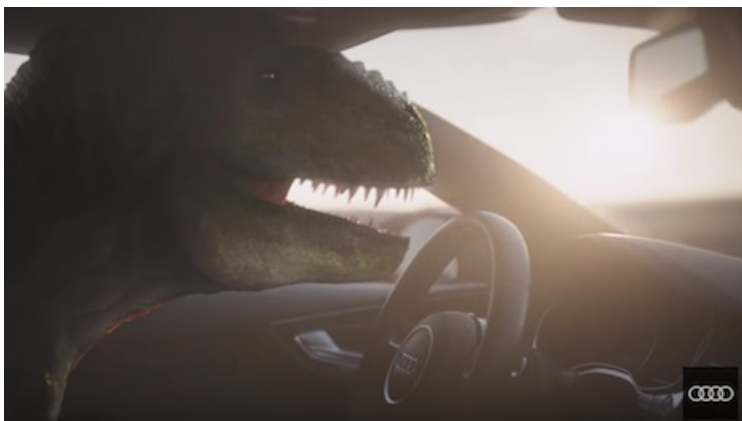
Put your feet up and drive

A conversation about evolving technology in automobiles is incomplete without the mention of self-driving cars.

Automakers were already struggling to get the public on board with autonomous vehicles, but a recent tragedy in the U.S. involving a self-driving Uber car has made the near-future prospects for the idea even more challenging.

A few weeks ago, a woman was tragically killed in an accident involving a test of one of Uber's self-driving cars. Numerous luxury car brands are testing or planning to test driverless cars in the near future, but events such as this will make the idea difficult to sell.

While the investigation is still ongoing as to whether it was the fault of the driverless car, which had a safety driver sitting behind the wheel but was in autopilot mode, it would be the first instance of a death caused by an autonomous vehicle.



#### *Audi's humorous autonomous car commercial. Image credit: Audi*

There was a Tesla driver who died in a driverless car accident, but a later investigation determined that the driver

was at fault for ignoring multiple warnings to take control of the vehicle.

In response to the outcry, Uber halted all nationwide testing of driverless vehicles and the state of Arizona is seeking to limit its ability to do so in the future.

Around the country, the incident has shaken confidence in the safety of driverless cars, an idea of which much of the public was already skeptical ([see story](#)).

Do not talk politics

Another big concern in the luxury automobile world is the potential future effects of Brexit.

As an E.U. summit gets closer, the European Automobile Manufacturers' Association is sharing the implications of a significantly damaged auto industry if sector-specific guidelines are not handled with care in regards to Brexit.

With 300 automotive production plants spread across Europe and many different countries involved in the assembly process of individual models, E.U. standards will have a big impact on the industry. The ACEA is focused on whether or not British-approved vehicles will be allowed to sell in the European Union.

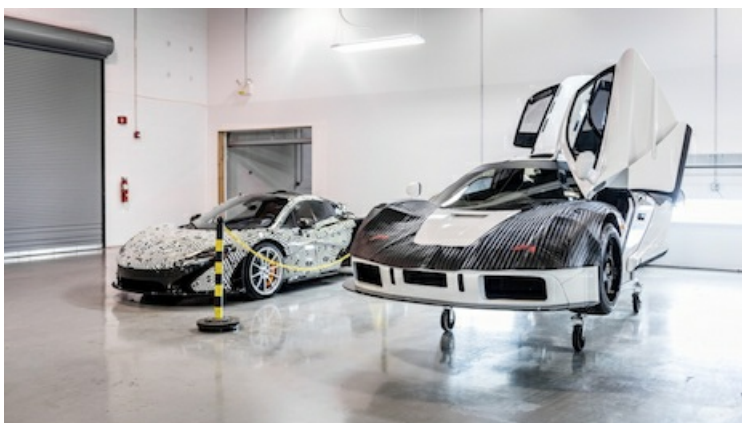


*Rolls-Royce is one of the U.K.'s luxury car brands that could be affected by post-Brexit trade policy*

The E.U. has a specific set of guidelines when it comes to automotive production regarding safety, environmental and security specifications. Automakers in Europe and the United Kingdom are now concerned about how their vehicles will be sold across borders ([see story](#)).

Concerns, however, are not affecting the sales for British automakers. After a decade of seeing no profits, Brexit has helped Aston Martin become the fastest-growing automotive brand, according to Brand Finance.

Weakened currency in the United Kingdom, where Aston Martin is based, has supported the automaker's \$3.6 billion growth over the past year, reported in [Brand Finance Auto & Tyres 2018 report](#) ([see story](#)).



*McLaren has 10 retail locations in China, with another on the way this year. Image credit: McLaren*

As Brexit approaches, Prime Minister Theresa May is looking to establish a beneficial trade deal with China after the country leaves the European Union. McLaren expanded its influence in the lucrative Chinese market as one of the brands who accompanied Prime Minister May on her visit to China to discuss a trade deal between the two countries ([see story](#)).

Across the pond, the U.S. is dealing with its own bout of political influences upon automakers with President Donald



Trump's potential tariffs on steel and aluminium entering the United States, in a move that many expect to ignite a trade war with other nations.

On March 1, President Trump mentioned his plan to impose a 25 percent tariff on steel and a 10 percent tariff on aluminium. Beyond impacting industries such as the automotive sector that rely on those raw materials, this could potentially have a domino effect as mutual trade retaliation boosts taxes on imports ([see story](#)).

Keep on smiling

With the impending changes through technology and government, luxury automakers have kept marketing campaigns lighthearted, looking to give consumers a sense of nostalgia or put a smile on their faces.

For example, Porsche teamed with a playful partner to help establish a love for the brand early on in young car enthusiasts.

*Porsche's new video for its Speed Champions Lego collection.*

Porsche is working with Lego to combine creativity with design and a love of cars.

The two brands are releasing a Lego set based on Porsche vehicles and are touting the partnership by bringing the automaker's museum to life at night. The set retails for \$29.99 and is being advertised by a playful new spot that shows these Lego sets coming alive at night at its museum ([see story](#)).

Audi looked to the end-of-the-life spectrum with the launch of its new RS 5 Coupe Audi Sport car with a short film about an old man realizing he still has one more experience left on his bucket list.



*In "Final Breath," a dying man realizes he still has one more experience he must have. Image credit: Audi*

The short film was created in collaboration with ad agency Venables Bell & Partners and directed by Martin de Thurah, with a sleek visual style. The short film leans into the aspirational aspect of owning an Audi, positioning the new car as a must-have experience for anyone interested in modern luxury sport cars ([see story](#)).

Audi also aired a campaign that focused on the future drivers of the world with a video campaign that featured a variety of kids, with their strong imaginations envisioning the future for cars.

*Audi: Believe in the Future of Driving*

Audi's spot showed a series of clips of kids sitting in the back seat of an Audi who were just told to wait a few minutes. As they are sitting, patiently waiting, the vehicle begins to speak to them ([see story](#)).

Lexus took a surprising approach to personalization with a genetic matching system that stunned consumers.

The automaker partnered with 23andMe, a genetic company that helps customers discover their ancestry along with numerous other DNA findings.

Lexus is offering its customers the chance to be matched with the perfect vehicle based on their genetic makeup. However, the only problem is that it is completely in jest. In celebration of April Fools' Day, the brand released a campaign claiming to find shoppers with "the car of their genes" through 23andMe.

*23andMe provides Lexus' Genetic Selection program*

According to the prank, participants provide a sample of saliva to the program and Lexus delivers a handcrafted, completely personalized vehicle to customers' doors within 48 hours. Lexus' sarcastic video ends by saying, "The

perfect driving experience is in our DNA, because it is also in yours."

Viewers with a keen eye will notice the fine print, which reads, "Imaginary technology. Funny bones not hereditary" ([see story](#)).

A humorous or lighthearted approach allows brands to connect to consumers on a personal level and also offers a memorable campaign.

#### Thinking outside the box

Automakers have a unique feature among luxury brands in that the whole basis of the industry is innovation and technology. This often allows brands to break out of the automobile industry and offer their expertise in another realm.

Tesla, most famously, is known for its connection with space exploration. Entrepreneur Elon Musk is also the founder of SpaceX, an aerospace manufacturer and space transportation service. The company recently launched Falcon Heavy rocket with a Tesla Roadster as its cargo.

#### *Audi Mission to the Moon: Audi Apollo*

Audi is also part of this new space race. The brand will be operating a mission to the moon, the first private excursion planned so far, which is set to make a landing in 2019. In celebration of 45 years since the last human contact on the moon, Audi released a video to bring awareness to its mission ([see story](#)).

Back on Earth, Land Rover branched out of its traditional wheelhouse by creating a new smartphone inspired by its rugged portfolio of rough-terrain vehicles.

The Land Rover Explore is a smartphone designed by Land Rover to be taken out on any tough, rugged adventure, with enhanced capabilities focused on use while traveling through the wilderness, hiking or camping. This move represents an adventurous spirit on Land Rover's part as it seeks to branch out and experiment with new products ([see story](#)).

Technology is the way of the future. With the means and manpower to explore other fields, luxury automakers are taking the initiative to be innovators across industries.

"It is important for automakers to have engaging digital content to capture digitally-savvy buyers since most car buyers turn to the Internet before making a car purchase," iSeeCars' Ms. Blackley said.

#### Best-practice tips for luxury automakers

- Julie Blackley, iSeeCars
  - "Millennials are a rapidly growing luxury consumer segment, so it is important to capture this audience. One effective way to do so is through social media. Brands that have been effective in doing so are BMW, which placed an i8 at the Coachella Music Festival; Mercedes, which partners with digital influencers; and Audi, who has used Facebook to unveil concept cars."
- Lauren Fix, The Car Coach
  - "White-glove service is what these clients prefer, not having to go to the dealer for the purchase or maintenance."
  - "Offering special-edition vehicles to their best clients."
  - "Luxurious high-end dealer experiences that are exclusive."
- Bob Longstreth, vice president, Foresight research
  - "There's premium ride sharing/subscriptions, the move from sedans to utilities, electrics and autonomous/advanced safety features."
  - "The advanced safety features: forward-collision warning/pre-collision automatic braking, lane departure warning/lane keep assist, blind spot warning, rearview camera, adaptive cruise control and automated parallel parking are available on most luxury vehicles."
  - "The top three channels for communicating with luxury buyers are auto shows, brochures and automotive-related events. Two of the three channels are experiential. They allow the buyer to see and experience the

car. Having a ride and drive, especially at an auto show, allows the marketer to showcase their advanced features."

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