

AUTOMOTIVE

Luxury automakers look ahead to 2021 by transforming digital ecosystem

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The Audi e-tron. Image credit: Audi

By SARAH RAMIREZ

Although premium car sales in the United States have yet to return to pre-pandemic levels, the automotive industry is trending in the right direction as it commits to digitalization.

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During a webinar hosted by *The Wall Street Journal* on Nov. 17, panelists discussed the challenges premium and luxury automakers have faced in 2020. While car sales dipped in the spring, transaction prices have grown consistently as inventory remains tight amid persistent demand.

"Overall, things are looking fairly positive as we're exiting 2020," said Tyson Jominy, vice president for data and analytics at [J.D. Power](#), Nashville.

The "State of the Auto Industry" webinar was moderated by Tracey Baldwin, vice president of consumer media at *The Wall Street Journal*.

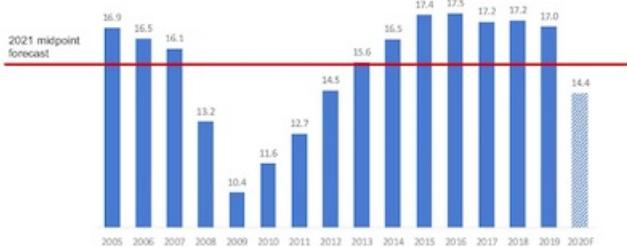
COVID as a catalyst

All things considered, premium car sales have performed decently over the course of the pandemic, but not as well as mass market vehicles, according to Mr. Jominy.

Year-over-year, retail sales of premium sports cars and super premium cars are up 6 and 10 percent, respectively outperforming all other vehicle segments, including premium SUV in different size classes.

Meanwhile, a variety of factors are driving consistent growth in transaction prices, allowing automakers and dealerships to report record profits.

Industry expected to recover nearly 1 million sales in '21



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The auto industry is expected to have a stronger 2021. Image credit: J.D. Power

Incentives are not necessary, as there is strong demand for vehicles and manufacturing is not up to fall capacity keeping inventory tight. According to J.D. Power, more than 50 percent of new vehicles are selling in less than 25 days, compared to about 40 percent in 2019.

"If we had more cars to sell and inventory, we would probably be doing even better than we're doing now," Mr. Jominy said.

COVID-19 has also been a catalyst for digitalization in the industry.

While not all U.S. markets allowed digital retail sales at the start of lockdowns, those that did outperformed markets that did not in the spring.

"Consumers have very dramatically moved to the digital shopping experience very quickly," said Loren Angelo, vice president of marketing at Audi of America. "We saw online leads up 30 percent higher at one point in May than in 2019."

"This is a space in which we know in the automotive sector, it's an easier experience for consumers," he said.



With Audi at Your Door, consumers can have vehicles virtually appraised and have cars delivered for test drives. Image credit: Audi

Many luxury automakers have been embracing a range of digital tactics, such as online showrooms, virtual test drives, contactless delivery and more ([see story](#)). For instance, Audi is pivoting its rental service Silvercar to dealerships to adapt to consumer needs by offering extended test drives and more vehicle options.

"I think now we're a little bit smarter [ahead of a second wave of lockdowns]," Mr. Angelo said. "We are now prepared, as an industry, from regulation through the digital process."

"Digitalization has always been coming," he said. "But now it's really reinforced for brands to invest in their ecommerce strategies, to really look at ways in which we can bring those virtual experiences to life."

EV adoption?

One automotive trend that COVID-19 has not accelerated is consumer interest in electric and plug-in vehicles.

While research from J.D. Power shows that, year-to-date, hybrid vehicles were up to 3 percent in 2020 from 2.5 percent in 2019, sales of battery electric, plug-in hybrid and plug-in electric vehicles have all dipped.

The panelists agreed that it will take more than education often central to EV marketing efforts to change driver

preferences in the U.S., and the push away from traditional combustion engines will have to come through regulation.

Luxury automakers are pushing ahead with electrification efforts, as consumer interest builds and many governments pursue restrictions on traditional combustion engines. The innovative efforts are smart business decisions, as some European governments are moving to ban all petrol- and diesel-fueled cars as soon as 2030 ([see story](#)).

Audi is putting its progressive mindset embracing sustainability and digitalization at the forefront of its marketing. The automaker recently shared a new global ad campaign, "Future is an Attitude," striking a positive tone ([see story](#)).

"We're very bullish on the adoption of electric vehicles," Audi's Mr. Angelo said. "We have also made longer-term sustainability commitments because we know those are the things that are important to our consumers."

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