



Lotlinx

# The EV Inventory Conundrum

Trends Are Impacting the Market and Your Ability to Turn

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# The EV Inventory Conundrum

## Three Trends Are Impacting the Market and Your Ability to Turn

➤ The electric vehicle (EV) market is exploding with options for consumers, driven by manufacturers' expansion of options as they look toward the future of automobiles. While hybrids entered the landscape decades ago, the new era of efficient vehicles is all electric. Except, the path toward EVs becoming the norm hasn't been as expected.

Several trends are impacting where the EV market will head. Inventory is rising, and automakers are sending unclear signals to consumers about their plans. Within those plans is the challenge of supportive infrastructure for EVs with accessible and plentiful charging stations. Consumer demand has also hit a snag, causing your inventory to grow and sit on your lot.

It's critical to look at these trends and determine how they'll impact your dealership and its profitability. After reading this guide, you'll gather insight into these topics and leave with a strategy to market the right vehicle to the right customer.

> Trend 01



**EV Inventory  
Levels  
Are Rising**

> Trend 02



**Automakers  
Are Uncertain  
About Long-  
Term EV Plans**

> Trend 03



**Consumer  
Demand for  
EVs Is Softer  
Than Expected**

> Trend

# 01



## EV Inventory Levels Are **Rising**

The recovery of inventory continues to rebound. According to Cox Automotive, the total new-vehicle inventory at the end of June was 1.95 million, with a 53-day supply. It's a 75% increase from the year before. In regard to EVs specifically, inventory also grew, closing out the month with a 103-day supply equal to 90,953 units, excluding Tesla.

new-vehicle  
inventory end  
of June 2023

**1.95**  
million

=



**75%**  
increase

EV inventory

**103**

day  
supply

=

**90,953**  
units excluding Tesla

Model inventory across EVs had high and low ends, with some automakers, like GM, noting that much of its in-transit inventory is already sold. The rise in stock is also affecting transaction prices. The average was down 20% from the year before at \$53,438. The dip in price is a response to Tesla's cost-cutting and EVs having the highest incentives in June.

These numbers highlight that available EV inventory is double that of gas cars. **While EV sales are up for the year, they are unlikely to keep pace with the influx of inventory.** It's counter to what occurred in previous years. Low EV inventory had been the story for some time, which impacted availability and consumer adoption. Long waitlists for models weren't worth it to many car buyers, who then stuck with gas vehicles.

The availability issue is no longer a problem. Interest is. Incentives and tax credits could spur this, but you'll have to be creative in how you market these cars to get them off the lot and leave with a healthy margin.

**> Trend 01** [cont.]

The future of inventory includes more than 90 new EV models expected to hit the market through 2026.

**90** new EV models **2026**

Adding all these models to an already bloated market is concerning. You're left with big questions to answer. How will you move this inventory? If the turn comes to a halt, incentives and price cuts would be the typical response, which hampers profit.

You're in a precarious position. You need to be competitive in the EV market, as there's still the promise that these are the cars of tomorrow. Ultimately, you need a long-term plan to manage and move this inventory that still leaves plenty of margin. Some of this hinges on what move manufacturers make.

 Trend

## 02



## Automakers Are Uncertain About **Long-Term EV Plans**

Your inventory correlates directly to production, and the EV market has seen this dramatic change from scarcity to plenty. As indicated, sales are stronger in 2023 over 2022, but more inventory is decreasing prices. Now the supply and demand are askew, and manufacturers are slashing prices. For example, **Ford reduced the price of its F-150 by \$6,000-\$10,000**. They are following in the footsteps of Tesla, which instituted price reductions across its portfolio.



Luxury dealers are also rethinking their EV strategy. The fully electric Porsche Macan is planned to debut in 2024 alongside the phasing out of the combustion-engine model. Now, they're having **second thoughts**, and the biggest reason why is their doubts about the public charging infrastructure. **Mercedes-Benz** is also reconsidering phasing out ICE-powered models in favor of EVs. The automaker's justification for the slowdown results from an uncertain economy and feedback from dealers.

Volkswagen, which was once considered a contender to win the EV wars, is also slashing production and has paused building new factories. It plans to do so by 30%, citing "strong customer reluctance" as the primary reason for cutbacks.

While many manufacturers are struggling in the EV market, one model is outperforming expectations. Chevy had decided to **discontinue its Bolt EV** earlier this year but recently reversed course to create a new version. Chief executive Mary Barra said, "We can't build enough Bolts right now."

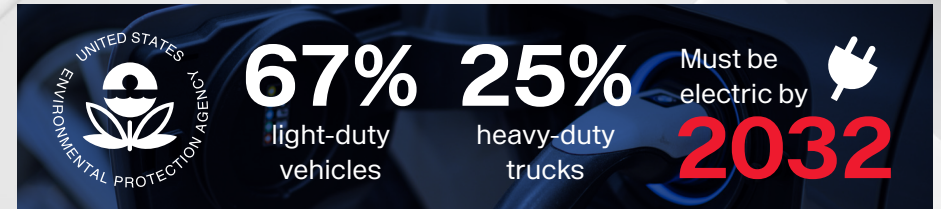
**> Trend 02** [cont.]

Its success has brought customers back to the brand with this popular, affordable model, with a starting price of \$26,500. Thus far, they've built 50,000 EV units in 2023, most of which were Bolts.

There's a lot of volatility in the EV market, with different automakers changing course, scrapping plans, or pivoting. As a result, you feel that same unpredictability in your inventory levels and profit margins. When manufacturers shift, you have to as well. One of the biggest questions remains, how fast can the U.S. auto market transform to electric?

### Can the U.S. Auto Market **Transition to Electric?**

The EV market brings many new factors into the landscape that aren't present with gas-powered vehicles. As a dealer, you've had to reposition these units in ways that focus on what makes a consumer purchase them over traditional cars. You have to speak to the environmental benefits of EVs and the long-term savings from not needing to fill a tank.



Changing the car industry has been slow because it's a complicated ecosystem. The proposed new rules from the Environmental Protection Agency (EPA) would force the transition. It states that 67% of new light-duty vehicles and 25% of heavy-duty trucks sold in the U.S. be electric by 2032.

Automakers have been embracing EVs, receiving billions in government incentives to do this. However, they have concerns about the timeline and whether it's feasible to be at those levels by 2032, with the Alliance for Automotive Innovation asking for less stringent standards. This group includes traditional manufacturers.

**> Trend 02** [cont.]

Another group, the Zero Emission Transportation Association, which represents Tesla and other all-electric automakers, says it's doable and wants the EPA to impose even stricter rules.

The battle to become a country of EVs has other challenges. There's still the infrastructure issue so that charging is accessible in any part of the U.S. There's also the need to get consumers fully on board, many of whom doubt the safety and stability of these vehicles.

These things directly impact your inventory concerns for EVs now and in the future. You can't control what manufacturers produce. If they are increasing EVs, other in-demand models will be scarce. If they're cooling, then you may find yourself in limbo between in-demand models and what's available.

Lotlinx behavioral data highlights that EV launches and economic incentives impact sales, but also highlight significant fluctuations in demand. The positive news is that demand is growing. With less than 20% of EV vehicles viewed each day on dealership websites, it is important for dealerships to assure all EVs on their lots get seen. A car not seen is a car that will not sell.



Fluctuations in demand and supply correlate to pricing, which impacts your ability to stay priced to market and generate profits.

**As you define and address your EV inventory, you also need to examine the trends in consumer demand.**



> Trend

03



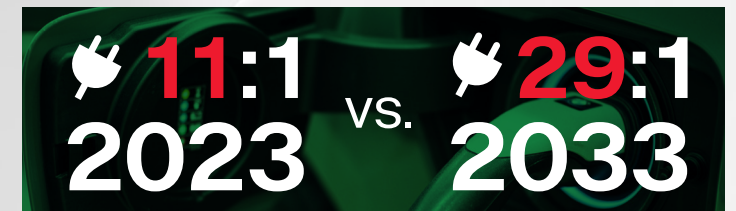
**Consumer Demand for EVs Is Softer Than Expected**

EVs were supposed to sell themselves with their efficiency and innovation. Unfortunately, that promise has not come to bear. Supply is exceeding demand in almost every category and model. The weakening of brand loyalty is also a component here. The pandemic and its impact on inventory created a significant issue for automakers. Some fared better than others, depending on how able they were to respond and how broad their portfolio was.

The S&P Global Mobility research offers some insightful learnings. Brand migration was more prevalent among the luxury segment. One outlier is Tesla, which had 68% of current owners buy another. Many consumers left BMW, Mercedes-Benz and Lexus for Tesla.

Toyota, which had been a case study for brand loyalty, slipped to number seven on the loyalty list. Ford and Chevy were one and two. Typically, owners are more likely to stay brand loyal when a brand has an extensive portfolio. This makes it even more interesting that Tesla performed so well, considering it has few models.

Consumer demand is also dwindling because of the lack of infrastructure. Dealers have the same apprehensions, with only 50% excited about selling them, according to Urban Science research. However, this report found that dealers are more worried about charging than car buyers.

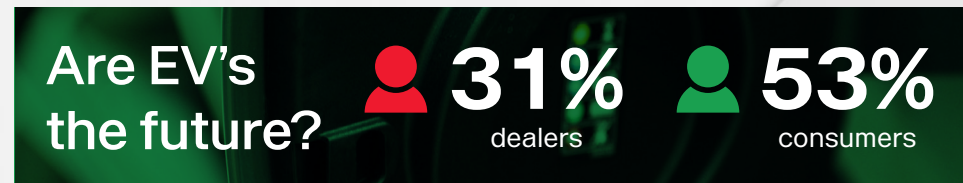


> **Trend 03** [cont.]

In sizing up the availability of charging, you must look at the ratio of plugs to EVs and the convenience of the location of those plugs. Urban Science says the ratio is currently 11:1 and will be at 29:1 by 2033. This gap will keep EV ownership out of reach for many and demand low.

More data provides further insights. The 2023 Cox Automotive Path to EV Adoption found that EV consideration is growing, with 51% of consumers in this bucket. However, the gap between consideration and purchase remains wide, with the highest deterrent price. They'll only account for 8% of new car sales in 2023.

The survey also included responses from the dealer community. Only 31% of dealers think they are the future, while 53% of consumers do. Dealers also feel unprepared to sell EVs and want more manufacturer support for selling and servicing.



The bottom line is that if buyers don't want EVs, you can't move them. It will require more work to get consumers comfortable and knowledgeable about EVs. If you don't have the right inventory, loyal customers could walk away. The success story of EVs remains firmly with Tesla currently, and emulating their model is entirely different from most dealerships.

So, what solutions are available to navigate the EV inventory conundrum? VIN-specific marketing can help you control turn and protect profits.

## > The EV Inventory Conundrum Solution: VIN-Specific Marketing Technology

You win inventory turn when you position the right vehicle at the right time to the right shopper. It seems like something that would be impossible to execute and scale, but it's what the Lotlinx platform does with precision. It's proven to move inventory seven to 10 days faster. VIN-level marketing provides the tools to promote and find shoppers for any VIN, including EVs. Its fuel is data and leveraging AI and machine learning for precise targeting.

It allows you to maximize your ad spend, and 52% of marketers believe AI's greatest source of savings is its ability to reduce spending on third-party providers, like agencies. Realizing these savings is possible with VIN-specific strategies. You can increase turn, reduce waste, improve margins, and control risk.

The Lotlinx Platform provides automobile dealers and manufacturers with enhanced operational control over their retail business. Leveraging state-of-the-art real-time data and machine learning technology, Lotlinx provides a Precision Retailing solution that enables dealers to automatically adapt to market dynamics, mitigating inventory risk through VIN-specific strategies. Dealers benefit by optimizing their profitability per vehicle retailed with machine-enabled increases in volume, turnover, gross, and market share.

Explore how it works by **reading our case study** that yielded a move of 80% of sunsetting inventory and reduced days on lot by 30.



Have more questions



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