Thank you for having me.

Appreciate chance to give industry view.

Overlap between what we each do.

My perspective is unusual.
Cox is 119 years old. Long term thinkers.

Company pre-dated the automotive industry by a decade. Started as a newspaper business.

Incoming CEO is great-grandson of the founder. He has a plan for 2034!

Future is our core competency.
Also unusual because of breadth of Cox Automotive.

Not just big ($8 billion in revenue) also cover a lot of ground.

Clients: independent and franchise dealers, brands and manufacturers, lenders and captives.

Business: auctions, logistics, software, finance, marketing, etc.

Holistic view of the future and the impact on entire industry.
Pace of change is so fast. Future feels like right now.

Always been a race for the next/newest thing in automotive.

Driverless cars...flying cars...space travel!

Distinction between pace of change and impact of change.

Pace of change is accelerating. But impact may not be as dramatic.
26 years for television to be adopted by 25% of US population. Just 7 for the Internet.

But what about impact?

Social media adopted in fraction of the time as electricity…but far less impact.

My message: “keep up, but also keep perspective.”
Popular to predict when the personal car will be dead.

Pace versus impact question.

“Mobility” will reduce car ownership. Study in Austin, Tex. (where Uber/Lyft left) suggests ride sharing changes behavior on car purchases.

But the end of car ownership? Greatly exaggerated.
Here’s why.

270 million cars on the roads (or in garages/driveways).

60 million transactions each year at dealerships.

People love their cars. And they love the satisfaction of buying one.
They don’t love the process.

A lot of consumers are asking this question: Why can’t I buy a car online?
The **online sales** future is now.

Fewer showroom visits and test drives – now averaging just over two.

Making up minds before visiting the dealership.
Millenials are finally buying cars, or aspiring to buy them.

They expect to do everything online.
3 types of online sales.

Start a deal online – shopping by payment.

Negotiate a deal online – agree on specific terms, including F&I.

Buy online – complete and “sign” paperwork (the last to come).

Means changes for dealers and for you.

Where will registration, titling, etc. happen in this system?
Early adoption curve for Carvana.

Jump in or be left behind.
Adoption curve for Uber; 40 million active users.

Pace vs. Impact questions: do people really want to share? Will this happen outside of cities?

Our research: Less than 5% of Uber/Lyft users have given up owning a car. The Austin, Tex. research I mentioned has it slightly higher.

Warning sign but not a threat to car ownership.
Adoption rates not yet that high for subscription services.

Online-first or mobile-first technology that’s disrupting.

See it as a way for dealers to be in mobility.
The hottest of hot topics: autonomous vehicles.

Holiday Inn Express: I’ve ridden in an autonomous car, but I don’t know when they will take over. More questions than answers.
Tony Seba’s YouTube lecture has some answers.

Do know this: autonomous will be truly disruptive for industry, especially dealers.

If car ownership is going to die, it will be at the hands of driverless cars (not an app that let’s you hail a taxi).

Could reduce the 60M transactions significantly, and probably the 270M car parc too.
Two factors for autonomous: regulation and consumer acceptance.

Congress has begun to get involved and I know you have had leadership role.

But most important will be consumer acceptance.

70% are likely to consider some form of autonomy. But 80% want to have the option to drive.

Sweet spot is level 4 – splits the middle between safety and the “joy of driving.”
This all leads to two big changes for the industry in the future.

First, shift from “units” to “miles.”

Second, shift from “consumer-owned” to “fleet-owned.”

This is a model we built. We see miles increasing (due to convenience, population, etc.). And we see fleets taking over – ultimately autonomous fleets.

Transportation as a service, rather than 2.2 cars in every driveway.
Shifts will have huge impacts on the industry.

Focus on dealers who are already facing many changes.

May use real estate and relationships differently. May focus on service and storage. May be very different in urban vs. rural.

Definition of a dealer may change. And new players will certainly enter.
Keep up, but keep perspective.

Disruption doesn’t mean dislocation.

What to worry about?

Now – online sales, subscriptions, ride sharing, etc. Have to move more of your “business” online as well.

Next – focus less on car and driver, more on transportation mix. Have to regulate a “service” rather than a “thing.”

Never – lose focus on safety. Don’t worry about becoming obsolete.
Like you, we have a lot to worry about.

25 brands. 40,000 clients.

With so much going on, leadership is a challenge
I thought I could share a few parting thoughts on leadership.

You don’t have to see around the corner to lead.

You just have to help your team make the turn.
My model for how to do that

Focus on: Manage the chaos
Happy to take questions.