

AUTOMOTIVE

Outlook 2021: Automotive industry embraces digital to drive progress

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The new Rolls-Royce Ghost. Image credit: Rolls-Royce Motor Cars

By ELLEN KELLEHER

Experts are betting that cash-rich affluents will speed the luxury car market out of its pandemic-induced pause in 2021, aided by pent-up demand, online innovation and the continuing shift towards electric vehicles.

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The arrival of new technology as well as new models, hybrid vehicles and electric cars will boost sales of super-premium vehicles next year. If sales of Bentleys and Rolls-Royces, the two fastest-performing brands of 2020, are any guide, demand for super-premium vehicles is set to rocket higher in 2021.

"Luxury is expected to outperform," said Tyson Jominey, vice president for data and analytics at [J.D. Power](#), Nashville. "Consumers on the sideline are expected to return and new products like the Aston Martin DBX SUV will power the industry forward."

While the automotive industry has taken a hit because of the global pandemic, there are several positive trends which are likely to improve the outlook for 2021.

Spending on cars, not travel

Given the relative strength of the stock market, luxury buyers are likely to still remain cash rich even if the pandemic lingers. A perk for the industry is that the cancelation and postponement of vacations has made affluents more interested in the purchase of luxury cars.

"Many consumers who would be going on exotic vacations this year had those trips canceled or postponed and that plus the strength in the stock market has given many luxury buyers extra purchasing power that they are using to buy luxury goods," Mr. Jominey said.

In 2020, sales of cars worth more than \$70,000 are up 16 percent, while sales of vehicles below \$50,000 are down 14 percent, per J.D. Power.

Vehicle sales in the U.S. are expected to remain relatively robust and climb to the mid-15 million range from sales in the mid-14 million range, which are expected by the close of 2020, according to J.D. Power. While these numbers fail to approach the 17 million sales range seen every year from 2015 to 2019, expectations still look vigorous in the

wake of the upheaval of 2020.

"There's pent-up demand," said Lauren Fix, automotive expert at [The Car Coach](#), Lancaster, NY. "Lots of new technology and hybrids mixed with combustion engine vehicles will be hitting the market place."

Shift towards electric vehicles to accelerate

2020 brought news from Boris Johnson that the U.K. will be the first G7 country to ban the sale of petrol and diesel cars by 2030. That announcement, which followed a move by California Governor Gavin Newsom to bar the sale of new gas-powered cars in the state by 2035, has catapulted the electric car movement to the front burner in 2021 ([see story](#)).



Prime Minister Boris Johnson this year announced the U.K. would bar the sale of petrol and diesel cars by 2030. Image credit: UK Prime Minister's office

"2021 should be a good year for electric vehicles," said David Undercoffler, editor in chief of [Autolist.com](#), San Francisco. "EV buyers are traditionally from higher-earning households, the very households whose economic fortunes really haven't been affected by the COVID pandemic."

Adding to the picture of strength in 2021, electric vehicle costs are continuing to shrink as the battery technology improves and sales volumes increase. Next year will also see the arrival of Volkswagen's new ID4 electric SUV, BMW's i4, an electric sedan that will go toe-to-toe with the Tesla Model 3, and the 2021 Audi e-tron GT which shares development roots with the Porsche Taycan ([see story](#)).

Many of the new electric vehicles hitting the market will be crossovers rather than sedans or hatchbacks, which appeal to first-time buyers and will likely push sales of EVs higher in 2021.

"You no longer have to talk someone into a small or odd-looking EV," Mr. Undercoffler said. "You're giving consumers what they already want."

Online sales stay popular

The introduction during the pandemic of a range of digital tactics, such as online showrooms, virtual test drives and contactless delivery by the likes of Jaguar Land Rover, Rolls-Royce, Mercedes-Benz and Audi, has set a new bar in the industry ([see story](#)).



Rolls-Royce is digitizing its bespoke commissioning process. Image credit: Rolls-Royce

Consumers have taken to the convenience of buying a car online after examining it in a virtual showroom and having it dropped off at their door. So, a significant percentage of consumers will still want the "contactless, virtual"

experience going forward.

"Vehicle retail in the luxury space is going to be more complicated going forward as well as more costly," said Ryan Robinson, automotive research leader at [Deloitte](#), Toronto. "Brands are going to have to hire and train the right people to explore the right processes."

Diminished supply is another factor likely to push sales of luxury cars higher in 2021 as brands like Lexus, Mercedes-Benz, BMW and Land Rover have significantly lower levels of supply than the non-luxury segment.

"This means consumers are buying these luxury vehicles more quickly and that provides further evidence of continued strong demand for these higher-end vehicles," Mr. Undercoffler said. "Higher-earning households have been disproportionately less affected by the COVID-19 pandemic than lower-earning ones so they are more likely to continue to make vehicle purchases as planned."

Industry may take longer to turn corner

Some industry watchers predict that the wider automotive market will not recover from 2020's drop in sales until 2023 at the earliest. Also, due to a roll-over effect, many 2021 models that were slated to arrive in 2020 will be available next year instead.

"Consumers may be surprised to see fewer 2022 models available this upcoming year," said Casey Dawson, a [car dealership consultant](#) in the New Orleans area.

Layoffs and furloughs across the auto manufacturing industry are set to persist in 2021 as companies continue to adjust their production rates.

"The vehicle production shutdowns that happened in the spring caused a lot of inventory and supply issues," Mr. Robinson said.

However, what is likely to buoy demand for luxury cars in 2021 is the fact that affluents have been insulated to some extent from the severity of the pandemic's impact.

"They have been able to transact in the vehicle space a lot more readily than mass-market consumers and that should continue," Deloitte's Mr. Robinson said.