

2018 Auto Accessories Trend Report

New Trends. New Profits.





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Some trends are new and others familiar. Then there are those trends noticed only by a small segment of dealers. One such trend is vehicle accessory sales.

Accessories Trends

The vehicle accessories industry has climbed from \$30 billion in sales in 2011 to more than \$41 billion in 2016. The forecasted growth for 2017 is over \$43 billion.¹

Consumers spend that \$41 billion on accessories ranging from floor mats, window tint, and console organizers to body side moldings, remote start systems, and exhaust upgrades. How much of that \$41-billion trend are dealers grabbing? An estimated 10 percent.²

Now, 10 percent of \$41 billion is not small change. But, the big change that awaits dealers is the untapped opportunity in selling accessories to customers in the dealership.

- Half of all new vehicle buyers install accessories. Those buyers spend at least \$250 on accessories

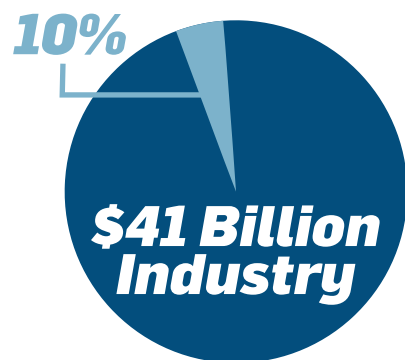
and most purchase more. So much so that the average per-vehicle-spend on accessories is near \$1,000.³

For 20 percent of vehicle buyers, the availability of accessories influences which dealership to select for the vehicle purchase.

- Nearly six million new vehicle owners will spend that money on accessories within the first two years of ownership.⁴
- Equally important, more than 80 percent of accessory purchases are made in the first 120 days of vehicle ownership (and the search for accessories actually begins before the consumer

completes the vehicle transaction in the dealership).⁵ For 20 percent of vehicle buyers, the availability of accessories influences which dealership to select for the vehicle purchase.⁶

Dealership Market Share



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per-vehicle-spend
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New Vehicle Buyers





Market Trends

Accessories are bought by two large segments of the market: car enthusiasts and non-enthusiasts.⁷

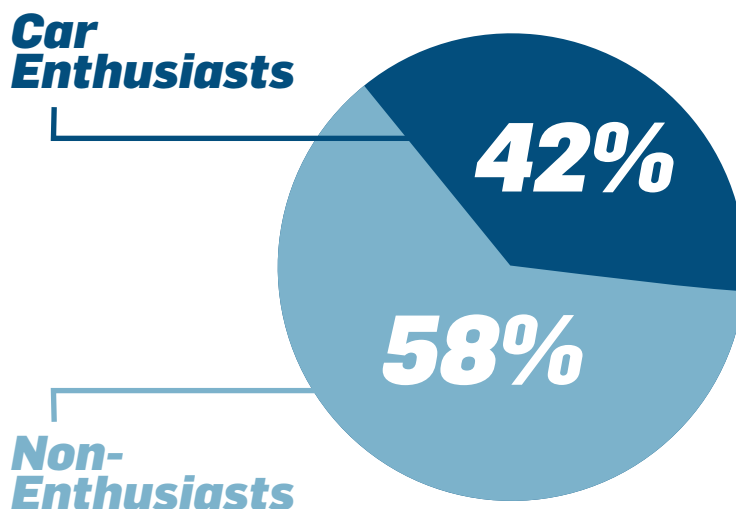
- Enthusiasts (42 percent of the market) include everyone from consumers who enjoy working on their vehicles to those vehicle owners who purchase accessories to make their car stand out in a crowd.

- Non-enthusiasts (58 percent of the market) range from commuters who want to maximize comfort and convenience to consumers who look for personalization.

So the market is as wide as it is deep. In fact, it's as diverse as the new vehicle market itself.

Vehicle Trends

- Accessories for SUVs and pick-up trucks account for more than 56 percent of the industry's accessory sales.⁸
- With vehicle purchase preferences trending to one-third passenger cars and two-thirds SUVs, pick-up trucks, and minivans, the market potential in accessories is expanding in lock-step with industry vehicle trends.⁹



Demographic Trends

In addition to industry trends, demographics play a big role, too, and those trends also are positive. The 18- to 39-year-old (Millennial) vehicle buyer accounts for more than 55 percent of accessory purchases, while the remaining 45 percent is split among three older demographic bands.¹⁰

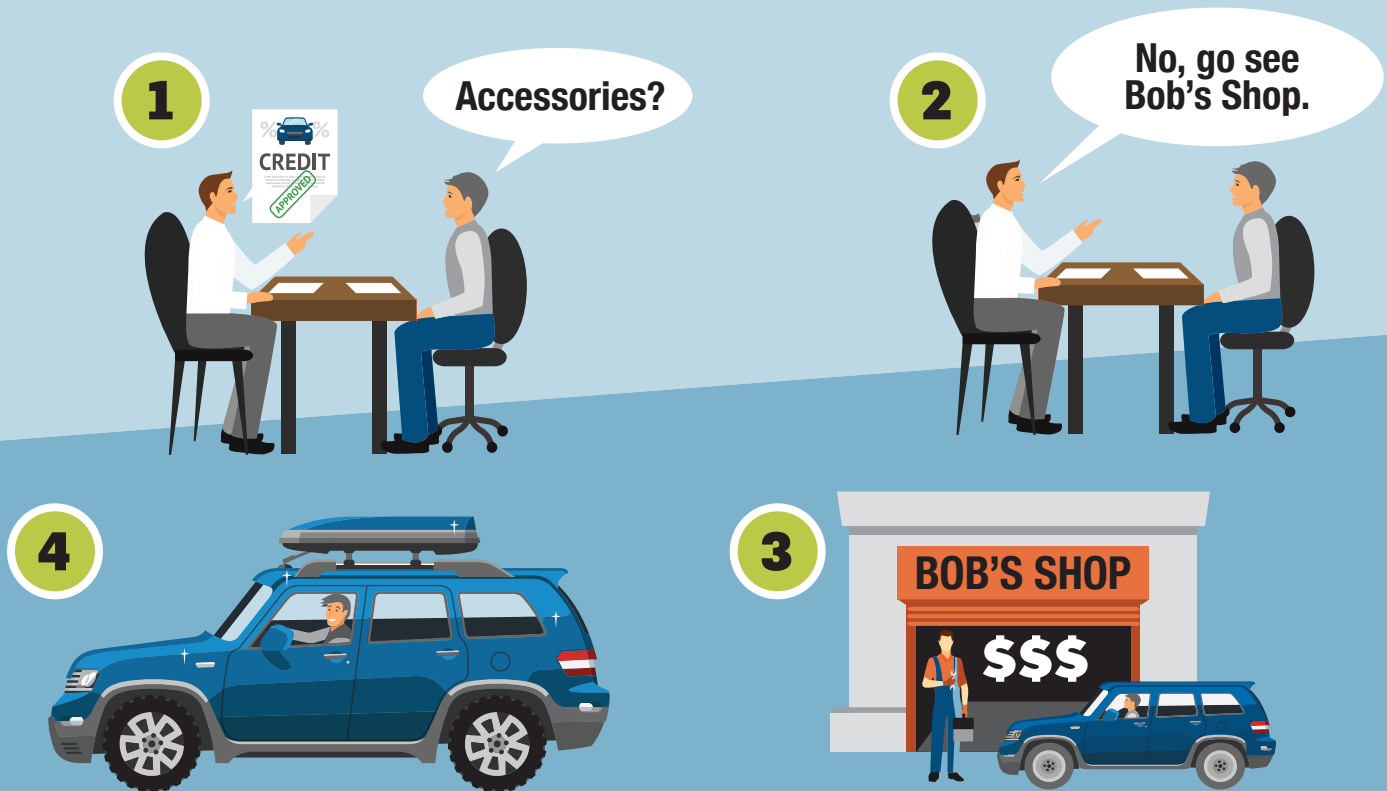
- Millennials also spend more than *three* times what older demographics spend on accessories.
- One third of younger buyers want to personalize their vehicles with options and accessories, while another third is focused on wanting their vehicle to stand out from the crowd.¹¹

Despite these trends, half of all consumers who purchase a new vehicle at a dealership can't even recall accessories being brought up. And when it was mentioned, nearly 70 percent of the time it was the consumer who initiated the conversation.¹²

Too often, dealers aren't asking consumers directly what they want in vehicle accessories. Yet, dealerships hold a built-in advantage in expert installation, customer service, and product quality regarding accessories. Still, it appears few dealers are taking advantage of that benefit.¹³



Disconnected Transaction



The Dealership Dilemma: An Old Trend

Most dealerships today don't sell accessories – or, at least, not efficiently and profitably.

Typically, accessories suppliers are fragmented; most of the information is in paper-based catalogs or a stand-alone electronic database; and, the entire process is disconnected from the dealership's daily operating practices and dealership management system (DMS) controls.

As a result, most dealers ignore accessories sales. The digital tools and technology platforms haven't been available. And so dealerships continue doing business the way they've always done business.

Until now.

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A New Way Forward: Digitization

How would that “old way of doing business” change if a dealership could digitize the accessories sale and fulfillment process *inside* the dealership, making it part of daily operations and a seamless part of the DMS?

How would it change the customer experience if the accessories sales process meant dealers could display vehicle accessories on a large, interactive screen for customers, showing the actual vehicle the customer just purchased (down to the trim level) and animating instantly how the vehicle would look with different accessory choices?

How would it change the efficiency of selling accessories if, with a single click of the mouse, each

accessory purchased could be added instantly to the deal in F&I and financed?

Digitally track and manage the entire accessories process...

And, how would it change the way work is done if that digital platform also enabled the dealership's personnel to digitally track and manage the entire accessories process – from the sale to order placement to fulfillment and accounting?

With the right digital technology and business practices, accessories sales can show dealers and consumers a better way forward. The result? Increased revenue and gross profit for dealers and an improved buying and customer experience for the consumer.

AddOnAuto: A Seamless Transaction





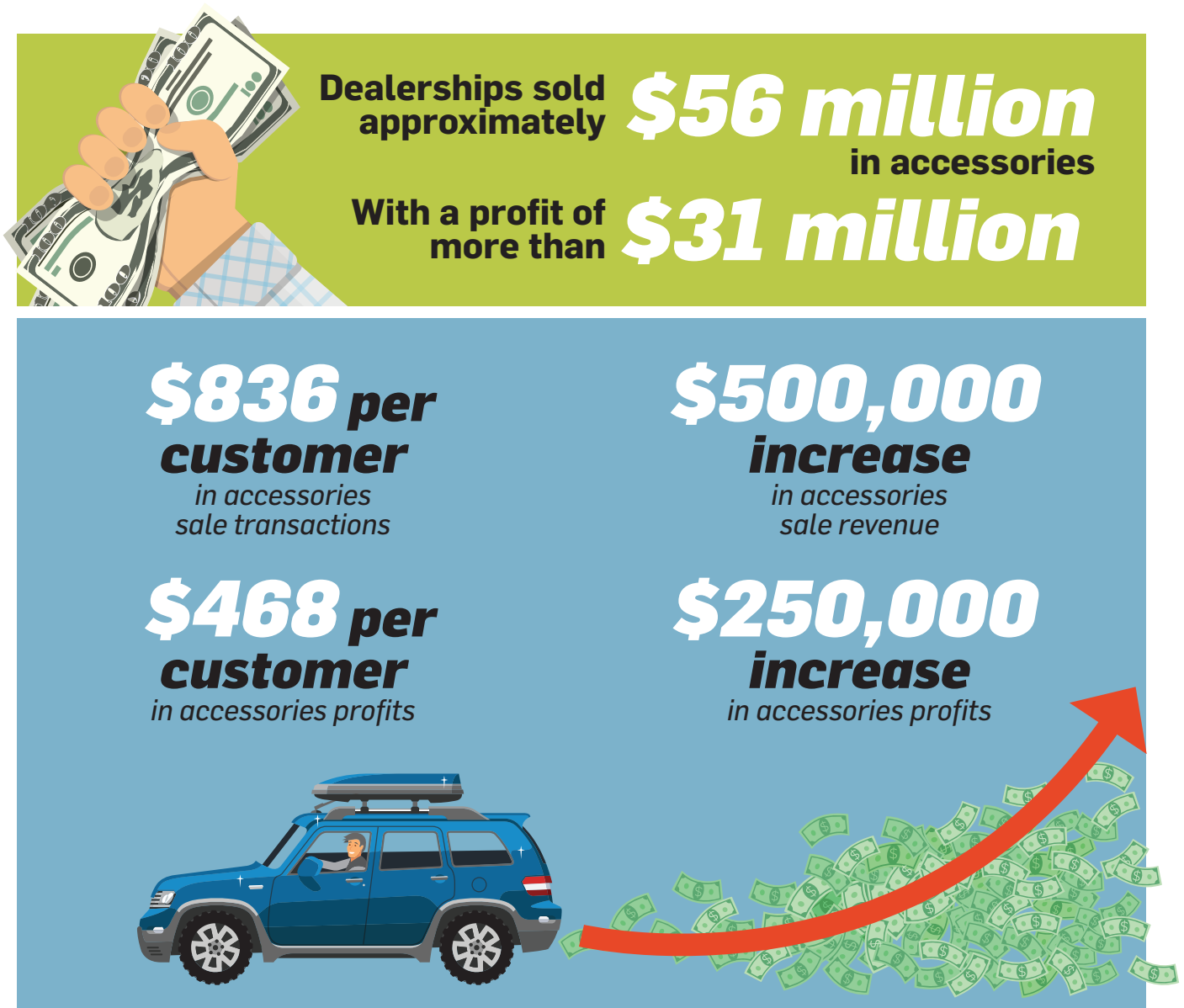
Case Study: Capturing a Trend

This snapshot of accessories sales trends was compiled using 2017 sales data from 125 dealers representing 34 brands across all regions of the U.S. The common denominator: These dealers all use AddOnAuto, an in-dealership, digital technology platform for selling vehicle accessories.

Together, these dealerships sold approximately \$56 million in accessories, with a total profit of more than \$31 million.

Averaged across the 125 dealerships, accessories sales amounted to nearly a \$500,000 increase in revenue and a \$250,000 increase in profit for each dealership.

Serving almost 67,000 accessory customers, these dealers delivered an average of \$836 per customer in accessories sale transactions and \$468 per customer in accessories profits.





Trend 1: Protection, Convenience, and Utility Remain Top of Mind for Consumers

Over the past several years, the trend for consumers purchasing vehicle accessories reinforces the importance of products that provide protection, convenience, and utility for vehicle owners.

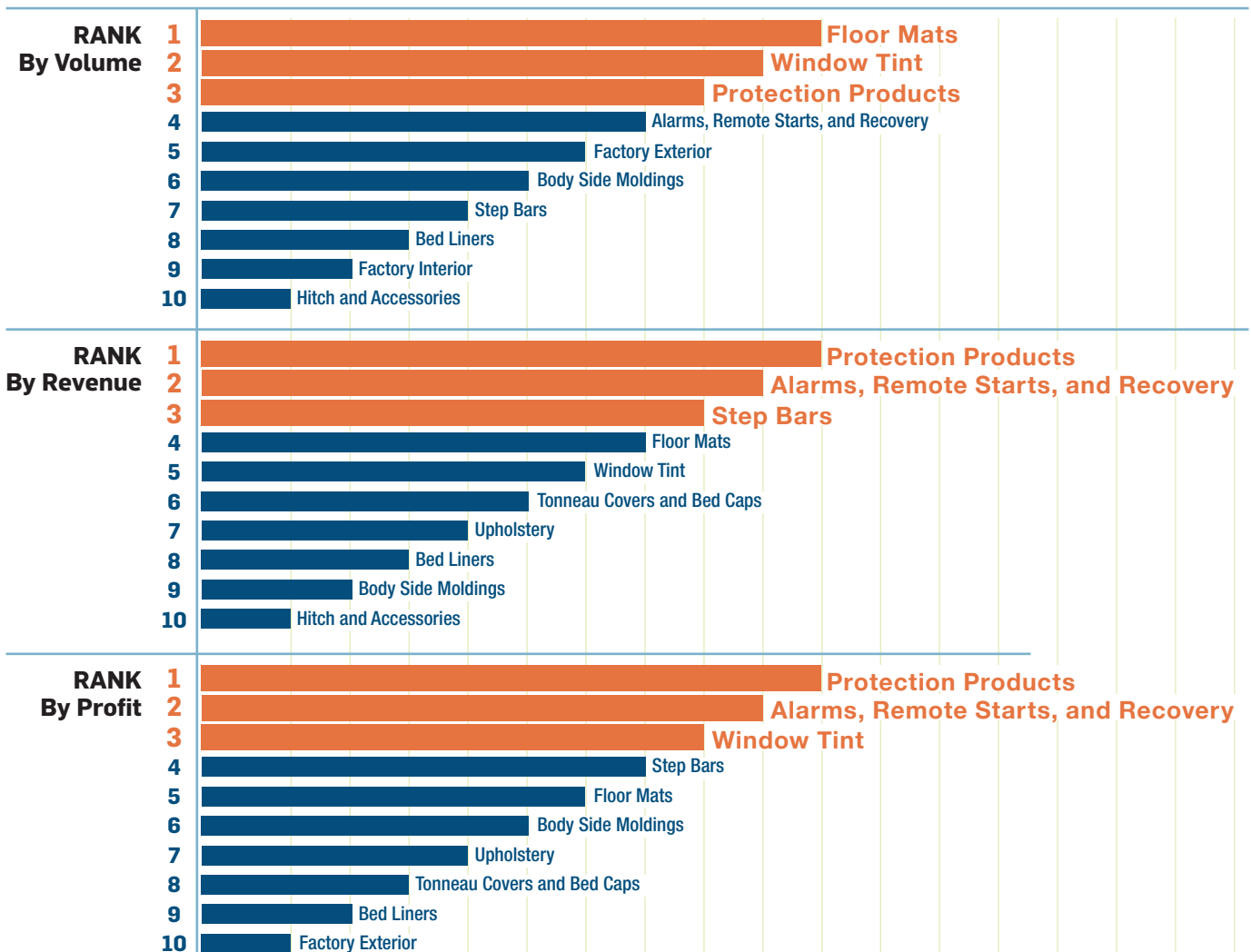
Protection products continue to hold the top spot in both revenue and profit, a trend that has held over the past three years. By volume, floor mats continue to hold the top spot and also moved up in the profit rankings last year.

Bed liners entered the top 10 for the first time in volume and profit, and moved up two spots in revenue.

Tonneau covers and bed caps moved up in the top 10 for revenue and entered the top 10 in profit for 2017, helped largely by truck sales in the Midwest and South.

Upholstery products did not crack the top 10 in volume, but made the top 10 for both revenue and profit.

Window tint products held steady in all three categories.

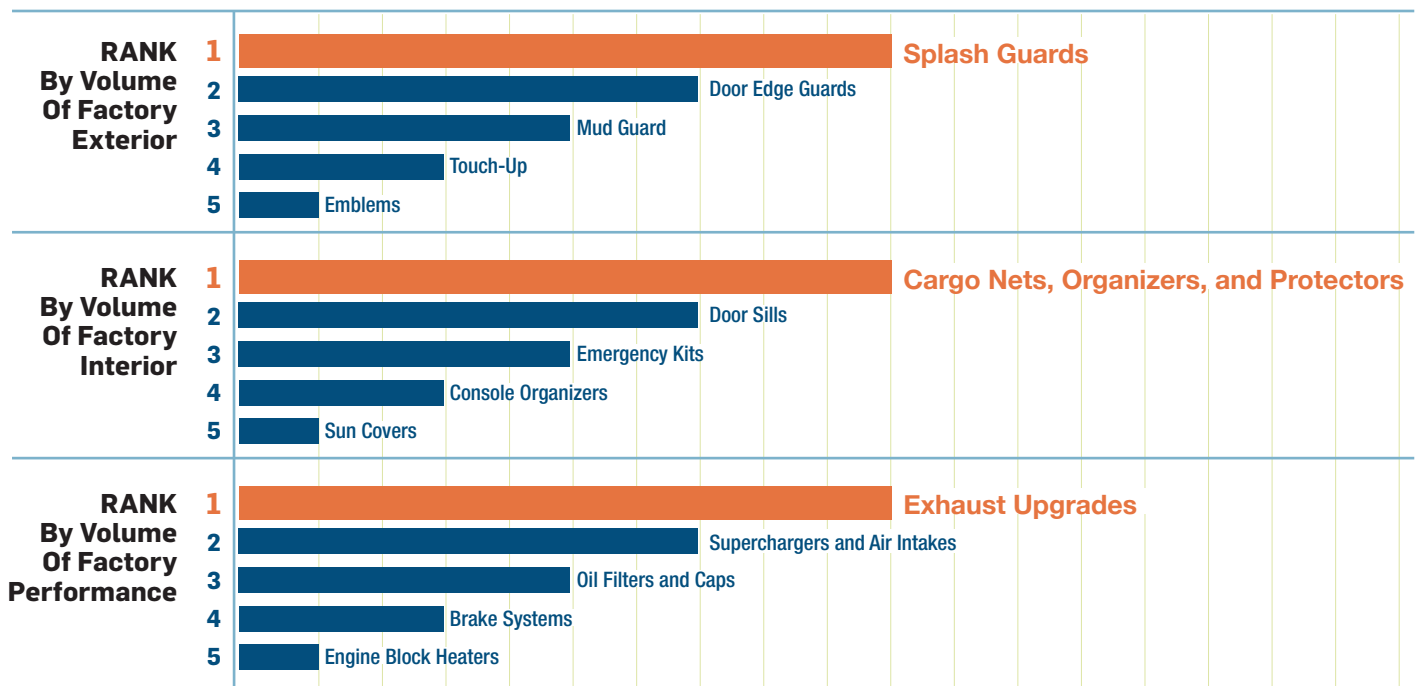




Trend 2: Vehicle Manufacturer Accessories

For the past several years, accessory products from vehicle manufacturers have followed similar trends around protection, convenience, and utility. This year, however, three new entrants broke into the top five by volume for factory-built exterior accessories: mud guards, touch-up, and emblems.

- Console organizers and sun covers were both new to the factory interior category.
- Exhaust upgrades accounted for more than two-thirds of all the sales in factory performance accessories.

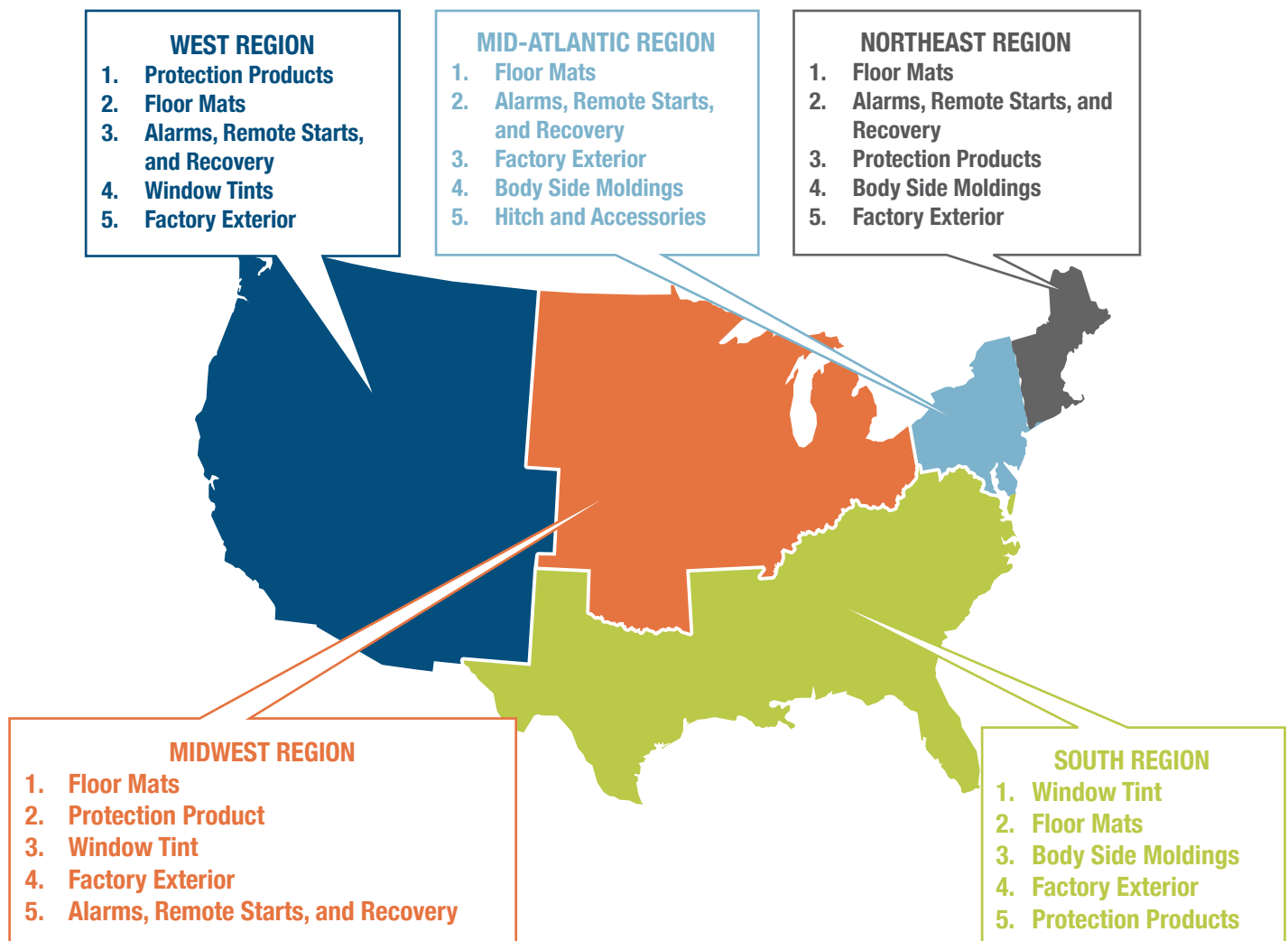




Trend 3: Compass Points

Again in 2017, accessories purchases were heavily influenced by consumer preferences across different regions in the U.S.

- Floor mats continue to rank first or second by volume in every region. In the South, window tint continues to hold down the top spot; in the West, protection products moved to the top.
- The West region also experienced the greatest change in accessories preference rankings. Protection products, along with alarms, remote starts, and recovery products increased in volume, while floor mats, window tint, and factory exterior products dropped in volume.
- The West region, however, had both the highest total profit from accessories sales and the highest average profit per accessorized vehicle.
- In the Mid-Atlantic, body side moldings and hitch products both moved into the top five.
- In the South, wheel accessories dropped out of the top five, replaced by protection products.





Trend 4: From “A Car” to “My Car”

The consumer trend to personalize vehicles and transform “a car” into “my car” is a major driving force in accessories sales. Consumer preferences in vehicle brands and models also play a role.

With trucks and SUVs strong sellers in 2017, these vehicles topped the list for “most accessorized vehicle” for the majority of brands. Typically, more accessory options are available for these vehicles that add to their functionality and utility, as well as their identity.

What’s more, three-fourths of sport utility vehicle drivers are choosing to stay in SUVs when trading in their old model.¹⁴ That’s another positive trend for accessory sales.

While most brands reported the same top performing models as last year, there were some notable changes to the list:

- The Chrysler Pacifica overtook the Chrysler 300.
- The Jeep Grand Cherokee replaced the Wrangler as the most accessorized model.
- The Kia Optima replaced the Kia Soul.
- For Mazda, the CX-5 outranked the Mazda3 4-Door.
- The top accessorized Subaru was the Outback, replacing the Forester.

**Top Accessorized Vehicle Model**

VEHICLE MAKE	VEHICLE MODEL
Acura	MDX
BMW	3 Series Sedan
Buick	Enclave
Chevrolet	Silverado 1500 Crew Cab
Chrysler	Pacifica
Dodge	Charger
Fiat	500
Ford	F-150 Super Crew
Genesis	G80
GMC	Sierra 1500 Crew Cab
Honda	CR-V
Hyundai	Tuscon
Infiniti	QX60
Jeep	Grand Cherokee
Kia	Optima
Lexus	RX
Lincoln	MKX
Mazda	CX-5
Mercedes-Benz	C-Class Sedan
Mitsubishi	Outlander
Nissan	Rogue
Ram	Ram 1500 Crew Cab
Subaru	Outback
Toyota	RAV4
Volkswagen	Jetta Sedan



Future Trends: The Trend to Digitalization

As the broader retail world evolves with the digital world, the most profitable retailers are discovering that digitization is critical to keeping pace.

Taking a digital view in using technology is more than simply automating manual processes in stand-alone applications. The trend to digitization is about connecting processes across departments and functions to eliminate steps, increase efficiency, and use technology to do more so your customers can look forward to more.

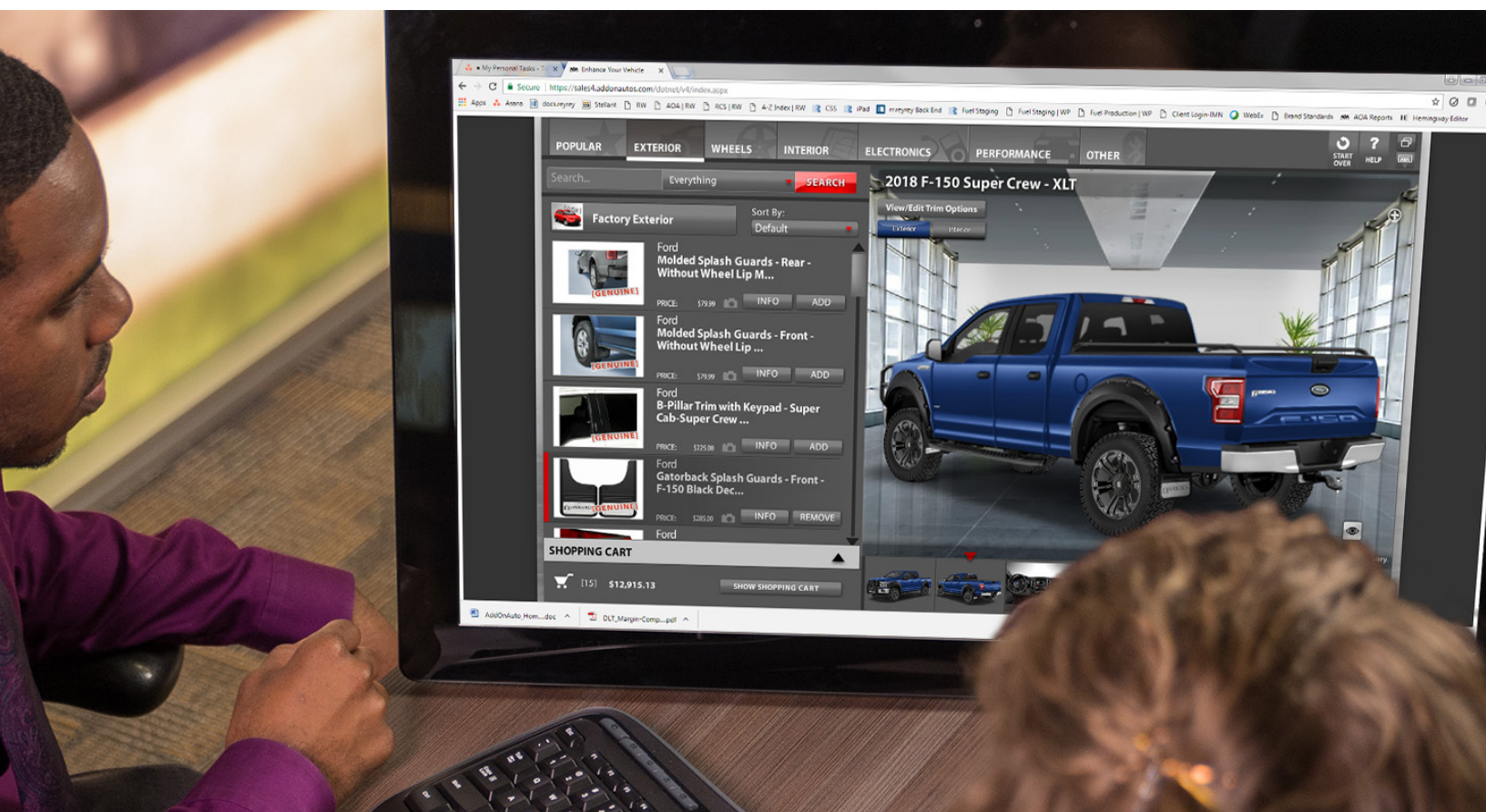
For automotive retailers, the trend to digitization is about dealers becoming better retailers and meeting head-on the retailing challenges facing a rapidly changing automotive industry.

It's about implementing the tools, technologies, and processes supported by a single digital technology platform that functions as a complete retailing system throughout the dealership.

Finally, it's about meeting the expectations of the "Amazon generation" of shoppers. That's increasingly hard to do if automotive retailers rely on disparate, stand-alone systems to run their business or ignore retail trends.

One trend that cannot be ignored is selling accessories in the dealership.

AddOnAuto is the digital platform that enables dealers to catch that trend.





Notes and Acknowledgments

Note: A variety of sources were consulted in the compilation of this report, in addition to the accessories sales data from AddOnAuto. Primary among the other sources were reports from SEMA (the Specialty Equipment Market Association) and reports from Foresight Research (<http://foresightresearch.com/>).

Acknowledgments

- ¹ 2017 SEMA Market Report
- ² 2017 SEMA Market Report
- ³ Foresight Research 2016 Accessory Immersion Report
- ⁴ Foresight Research 2017 Accessory Immersion Report
- ⁵ J.D. Power Manufacturer Website Evaluation Study – 2015
- ⁶ Foresight Research News Release: 2017 Accessory Immersion
- ⁷ 2017 SEMA Market Report
- ⁸ 2017 SEMA Market Report – SEMA News – December 2017
- ⁹ Forbes, “February Auto Sales Heading for Two-Thirds Trucks, Fewer Cars” (2-28-18)
- ¹⁰ Foresight Research 2016 Accessory Immersion Report
- ¹¹ J.D. Power Automotive Media and Market Report.
- ¹² Foresight Research 2017 Accessory Immersion Report
- ¹³ Foresight Research 2017 Accessory Immersion Report
- ¹⁴ Bloomberg News, “Americans Adore Their SUVs” (3-7-18)



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