



Four Questions OEMs Should Consider Before Adjusting EV Pricing

As we move through the second quarter of 2024 into the crucial summer selling season and model year sell down, there is tremendous volatility in the U.S. auto industry and an influx of information for OEMs to sort through, especially as they work to guide electric vehicle (EV) sales.

While S&P Global Mobility data shows that overall auto sales volume is up 5% from Q1 2023, OEMs are still facing challenges. Incentive spend is significantly up year-over-year, and inflation, high interest rates and economic pressures have consumers looking for lower monthly payments. For EVs – once considered a unique market segment where OEMs could operate differently than they have with their traditional ICE products – these challenges are compounded with high price points, tight OEM profit margins and higher and imbalanced inventory levels, all while EV adoption remains a challenge with consumers.

Pricing adjustments and additional incentives may be necessary to keep EVs moving in the current dynamic market, while OEMs also navigate how to rebalance ground stock and upcoming production schedules between EVs, hybrid/plug-in vehicles and internal combustion engine (ICE) vehicles. Before making any changes or decisions, OEM sales and incentive teams should consider these four questions.

1. Are your EV incentive programs competitive?

When determining whether they can afford any vehicle, including EVs, many consumers focus on monthly payments rather than MSRP. Incentives and rebates play a big role in helping bring consumers' decisions over the finish line, so it's critical to ensure your programs are competitive.

Market Scan's analytics solutions for OEMs monitor and measure rebate and incentives for both finance and lease, allowing you to assess your payment position versus the competition. With real-time insights down to the trim level, your incentives team can fine-tune programs and strategies to keep your vehicles competitive and profitable.

2. Are you taking advantage of regional market opportunities?

With inventory increasing year-over-year, the industry overall is seeing a significant increase in incentive spending. At the end of Q1 2024, S&P Global Mobility data showed that industry-wide incentive spend was up 96% from Q1 2023. When you look at incentives at a more granular level, there have been larger gains across the EV and pickup truck segments over the past year.

In addition, there has been a more aggressive shift toward regional incentive programs as OEMs look to spend on increasingly targeted initiatives. For OEMs, an understanding of how specific makes and models are selling in different markets can help identify opportunities for targeted, timely incentive programs at the regional level – right down to the ZIP code. This is especially important for EVs, which OEMs are required to sell at higher rates on the East Coast and West Coast than in other parts of the country.

3. Do you have the right approach for the EV market?

Although EVs have become more popular in recent years, consumer adoption has been slowed by range anxiety, limitations in charging infrastructure and high price points.

OEMs have felt the pressure to grow EV sales and have responded by increasing incentives and lowering MSRPs. According to S&P Global Mobility, incentives in the EV space are up by \$400 since the beginning of 2024 and more than \$3,700 over the previous year. Some EVs have also dropped MSRP by more than \$10,000 in the same period; these reductions are seen in lower monthly payments, helping address affordability concerns for consumers. However, with these consumer-friendly shifts in EV top-line pricing, incentive spending and monthly payments, OEMs must also now be much more considerate of their overall showroom walks and competitive positioning between EV, hybrid/plug-in and ICE products.

These pricing adjustments will likely continue, so it is essential to have the right strategy around MSRP and incentives. Make sure you're attracting consumers while still being mindful of your margin.

4. Are we looking at the right data?

To fully understand your position in the market, you need to have the right information. Many OEM sales and incentives teams rely on outdated, modeled or inconsistent data from multiple sources to compare competitive positioning. These methods can lead to incorrect assumptions and a costly misallocation of resources, all as market competition adjusts on a real-time basis.

Our Market Scan solutions provide real-time market data, allowing you to optimize your position and incentive costs. With Market Scan, your sales and incentives team can access all published OEM, captive lender and non-captive lender (lease and retail) programs as well as municipal tax, title and registrations covering all 50 states. With all this data available, you'll be able to extract the insights and information you need to validate – and improve – your competitiveness quickly and efficiently.

[Book a demo](#) today to see how Market Scan can empower your sales and incentives teams to stay ahead of the competition.

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