



# Market Report

The future of car retailing

 AutoTrader

September 2019

 AutoTrader

# Contactless car vending machine



# 01

## Introduction



Nathan Coe, CFO and CEO-Designate, Auto Trader

Welcome to the Auto Trader Market Report, a biannual review of the UK's new and used car markets. We explore how the industry is evolving and how consumer buying behaviours are changing, based on data from Auto Trader, the UK's largest automotive marketplace.

The report considers what is in store for car retailing and how we must adapt as an industry to capitalise on future opportunities and make the industry work better for all involved.

It's an interesting time for the automotive industry right now, and some are feeling the pressure. Both new and used car transactions remain depressed according to the Society of Motor Manufacturers and Traders (SMMT), with used car transactions falling by -1.7% during the period January to August 2019, and new car registrations are down too, by -3.4%.

Brexit-related uncertainty is hampering consumer confidence, as well as requiring investment to plan for different scenarios. Emissions legislation has caused supply issues. Manufacturers are having to spend enormous amounts on R&D for electric vehicles (EVs). And retailers are experiencing margin pressure from rising labour, property and tax costs as well as facing

challenges from manufacturers looking to evolve their network strategies and increased scrutiny from the Financial Conduct Authority (FCA) around automotive finance.

It doesn't sound like a particularly rosy picture! However, there remain pockets of growth. For example, SUVs have grown in popularity, increasing sales by 279%<sup>1</sup> in 2018 compared with 2009 and accounting for a third of car sales today. And demand for EVs is growing rapidly too, with searches on our site up 36% year-on-year. We continue to believe these demand stimuli will drive long-term growth as the macroeconomic backdrop recovers. What's more, the more forward-thinking approach that some retailers are taking has seen them bucking the trend and outperforming the market. For instance, the top 1,000 retailers on our marketplace, such as Smallbone & Son, Angus Mackinnon, and Chorley Group, advertise 43% more live-stock than the rest of the market, with 20% more of their stock categorised as well priced. This results in 8% less overaged stock and a 61% increase in profits compared to the rest of the market<sup>2</sup>.

That said, consumers want more from the automotive industry. Our Car Buyers Report revealed 15% of consumers are 'dreading' buying a car – and that goes

up to 40% when you narrow it down to women aged 45 and over. With more than half (60%) of car buyers completing a purchase in a state of exhaustion and frustration, with a feeling of just having to 'get it done', it's hardly surprising that 85% don't even think the car they purchased was their 'perfect car'. There are a whole host of different pain points that contribute to these findings, but at the centre of them lies a feeling of 'cognitive overload' – many consumers feel they are faced with complex choices, find it too difficult to compare, have too much jargon to contend with, and have a lack of clarity (or understanding) about the information that's being presented to them. Added to this, they feel there is a lack of transparency when it comes to price – leading to a worry that they're being 'ripped off'.

conducted for this report. Almost half of people (45%) said they would buy a new car online without seeing it in person if purchased on a finance deal. This rises to nearly two-thirds (64%) for 18 to 34-year olds. However, most people still value human interaction of some kind during the process as it's a key part of building trust in the seller, and gaining confidence that they've made the right decision; three in four (74%) said they wouldn't buy a car without speaking to a retailer. Retailers remain crucial in the car buying process – 34% who bought a new car and 26% who bought used said that speaking to a helpful retailer was the biggest accelerator to purchase<sup>4</sup>.

It's important to remember that buying a car remains a big physical purchase – and often a very personal and emotional one for individuals.

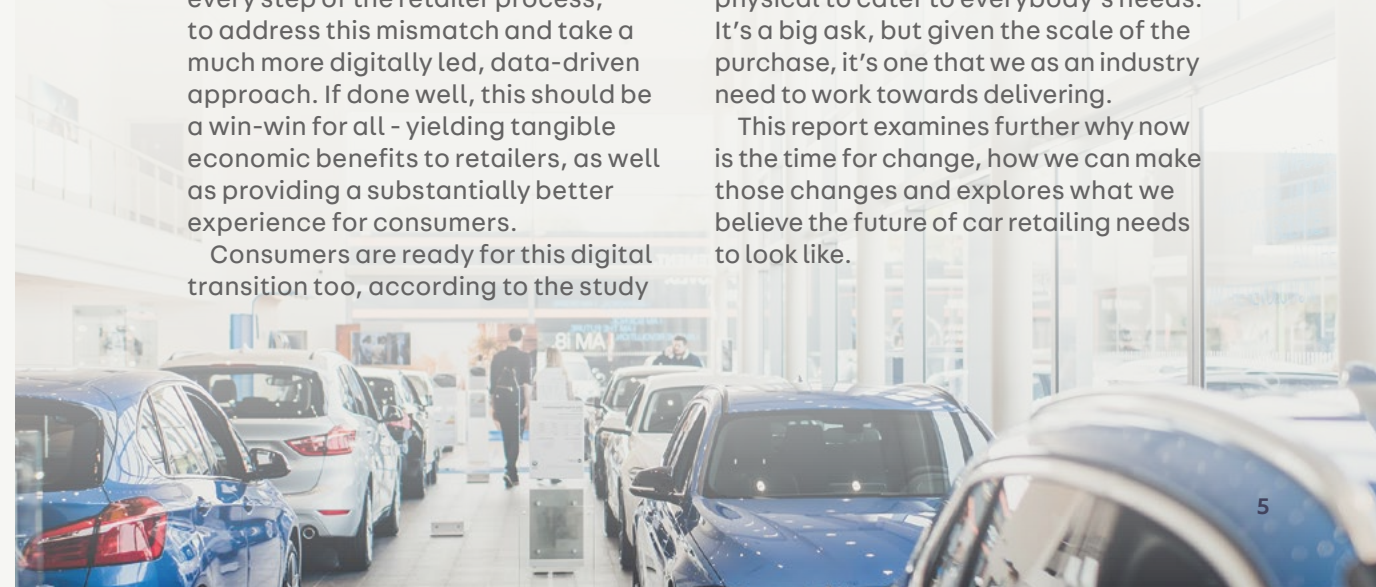
We must adapt as an industry to capitalise on future opportunities and make the industry work better for all involved

Given all of this, we see a real opportunity for the industry as a whole to improve the process and make it work better for consumers and retailers alike. The fundamental challenge here is a mismatch between where consumers are spending their time – c.70% of which is online, vs. where retailers are spending their money – c.85% of which is offline. What's needed is a digital 'rewiring' at (almost) every step of the retailer process, to address this mismatch and take a much more digitally led, data-driven approach. If done well, this should be a win-win for all – yielding tangible economic benefits to retailers, as well as providing a substantially better experience for consumers.

Consumers are ready for this digital transition too, according to the study

There's no getting away from the important offline elements of the journey. There needs to be a seamless, omni-channel experience for consumers so they can choose the journey that's right for them – be it online or offline, or any combination of the two. A one-size-fits-all approach won't work, so we need to create an experience that's flexible enough and 'blended' enough between digital and physical to cater to everybody's needs. It's a big ask, but given the scale of the purchase, it's one that we as an industry need to work towards delivering.

This report examines further why now is the time for change, how we can make those changes and explores what we believe the future of car retailing needs to look like.



# 02

## Key findings

**45%**

would buy a new car online without seeing it in person if done so on finance

**19.5**

Consumers think it will be 19.5 years before cars are bought without human interaction

This figure increases to **64%** for 18-34 year olds

**74%**

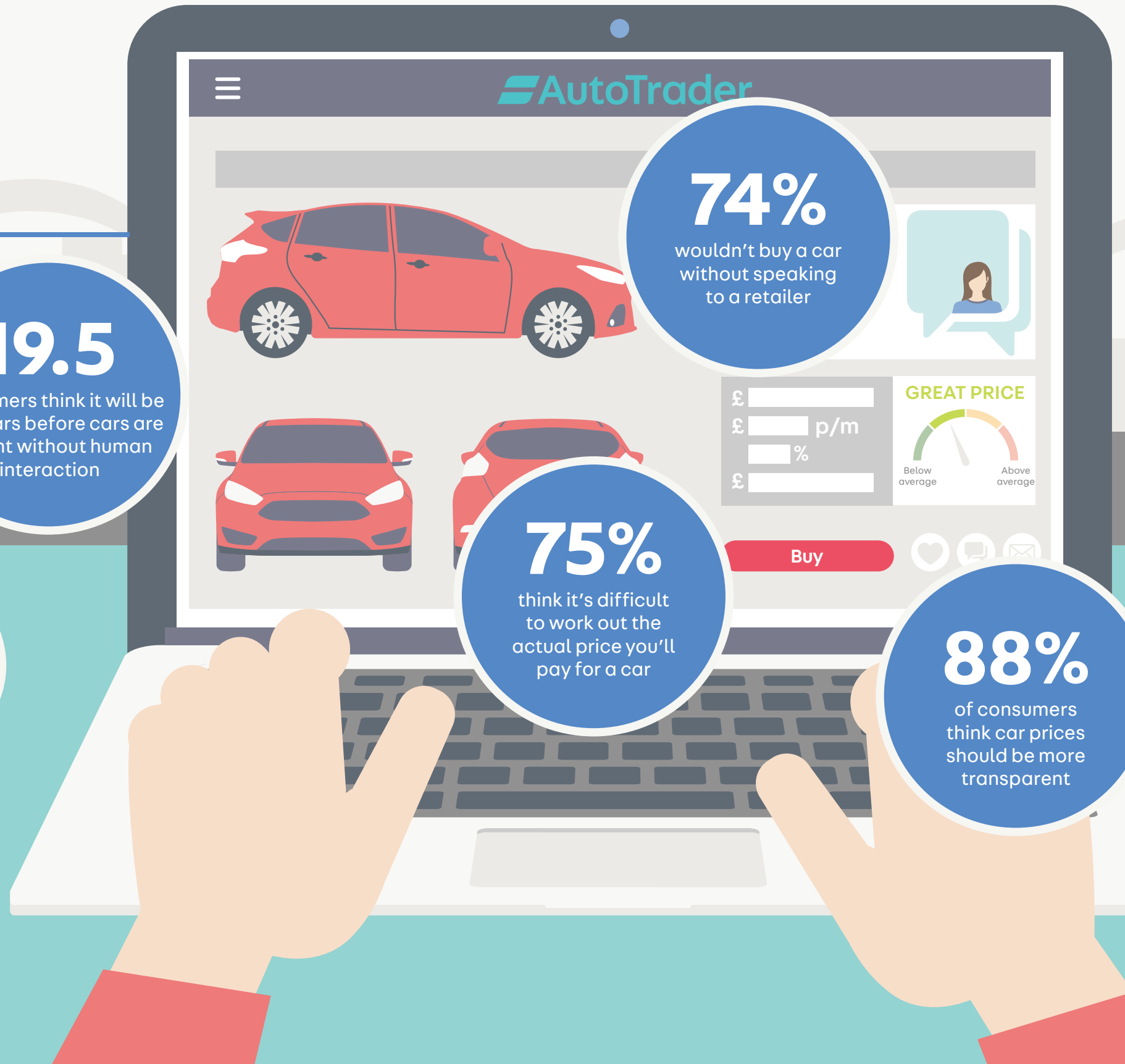
wouldn't buy a car without speaking to a retailer

**75%**

think it's difficult to work out the actual price you'll pay for a car

**88%**

of consumers think car prices should be more transparent



There are pockets of growth in some areas of the market, particularly EVs and SUVs



# 03

## Market overview: under pressure

It's safe to say the automotive industry is currently in a state of flux, not least driven by the political uncertainty that Brexit continues to cause.

Sterling has fallen 15% against the euro since the Referendum in 2016 and while prices have increased it has not been at the same rate as the pound falling. This has dented manufacturers' profits and they can't absorb this impact long term. Countries across the EU and rest of the world will have higher relative levels of profitability and are considered more attractive options with greater return on investment, so UK retailers have seen less new car stock as a result.

### Baffled consumers

Consumer confusion is high, and confidence is low. The uncertainty caused by Brexit creates reluctance to commit to spend. The inconsistent messages consumers have received in recent years around fuel type: "buy diesel!", "buy hybrids!", "don't buy diesel!", "buy electric!" has also had an impact. It's confusing and intimidating, and they aren't sure which is the best option for them.

However, there are pockets of growth in some areas of the market, particularly EVs and SUVs. Data from the c. 50 million cross platform visits a month on Auto Trader shows that searches for alternatively fuelled vehicles are up 36%<sup>4</sup> year-on-year. SUVs have grown in popularity too, with sales increasing by 279% (2018 vs. 2009) and today they account for a third of new car sales in the UK<sup>5</sup>.

### Supply and demand

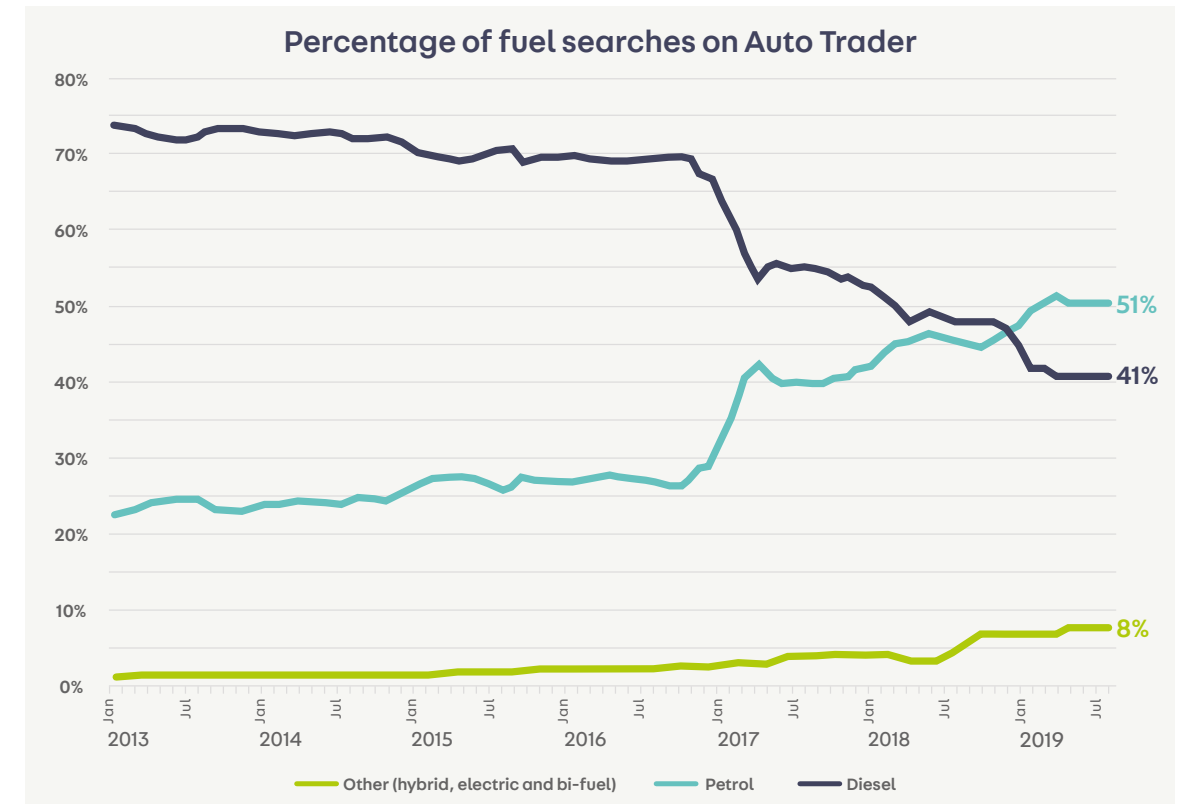
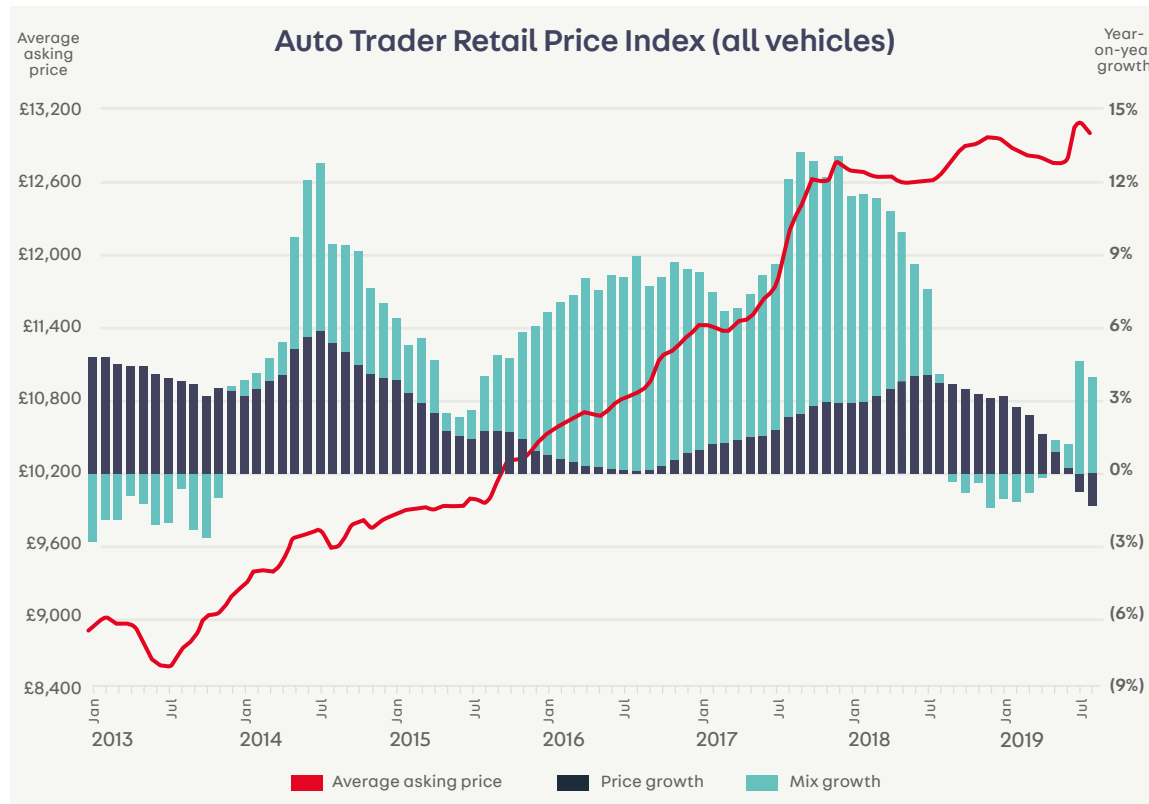
Although sales of EVs were encouraging in August 2019, with registrations up 377.5% compared with the same time last year<sup>6</sup>, there are other issues. The impact of emissions legislation, like WLTP (Worldwide Harmonised Light Vehicle Test Procedure) and now RDE (Real Driving Emissions), is creating supply constraints and in some cases, manufacturers are struggling to meet demand.

The cost of building these cars is high and lithium sources are expensive, leading manufacturers to pump more investment into R&D, seek alternative sources of battery supply, develop specific EV

4. Based on fuel-type searches on the Auto Trader marketplace, August 2018 vs. August 2019

5. SMMT: New car registrations August 2019

6. SMMT: New car registrations August 2019



model platforms and make production processes more affordable. Currently the expense is being passed onto consumers. So, while the total cost of ownership for EVs is usually comparable with or even slightly favourable to internal combustion engines (ICEs), the initial outlay is considerably higher. Used EVs are expensive too. In July 2019 they reached their highest average price of £26,802 according to the Auto Trader Retail Price Index. That's because demand is great but supply for used models is low, pushing prices higher. For example, the Renault Zoe was the third fastest selling used car in August 2019, taking just 24 days to turn compared to a market average of 57 in August 2018.



**The Renault Zoe (EV) was the third fastest selling used car in August 2019, taking just 24 days to turn compared to an average of 57 in August 2018**

Even at these price points, leasing and finance options make it more affordable for consumers. Finance has the added benefit of taking the risk of residual values away from car buyers and this is

particularly relevant for EVs, as there's a lack of knowledge around battery life. The SMMT reported in August 2019 that the new car market declined for the sixth consecutive month in Q2 2019, and the

used car market dipped in Q2 by 2.8%. However it seems to have recovered more recently and we're optimistic for a better outlook in H2 compared with H1. The prices of used cars are being impacted partly as a result of these trends, as well as CAP HPI's market adjustments which are still heavily used in the wholesale market. Since January this year, the average price growth has been flattening and we reached a tipping point in July; used car prices are now in decline according to the Auto Trader Retail Price Index, driven by strong levels of supply and the softer demand environment.

**Tough market environment**

It's not just buying habits that are putting retailers and manufacturers under pressure. Rising property costs driven by local business rates and wage growth, as well as the challenges of complying

with the apprentice levy, are raising the bottom line. Finding ways to reduce costs and increase margins on stock will go a long way in taking the pressure off. Retailers today are also suffering the pressures of the UK's challenging economy through a domino effect. The economy impacts manufacturers (currency rates and taxes) which, in turn, set franchise retailers ambitious targets and squeeze margins on new cars. The retailers that have been outperforming the current market trends are those which have adapted. Franchise retailers, for example, are increasingly focused on used cars because they have more control over the prices and the margins are better than those on new cars. The more successful independent retailers have proactively responded by concentrating operations too, with digital-led approaches to stock sourcing, promotion and pricing including a focus on ancillary penetration.

# 04

## The opportunities

### Car buying needs to be more efficient for consumers

People still find buying a car difficult, as we discovered in the Auto Trader Car Buyers Report in July 2019. There are approximately 28 jobs to complete before they receive their new car keys<sup>7</sup> although buyers can only identify four or five which makes the process daunting and tough.

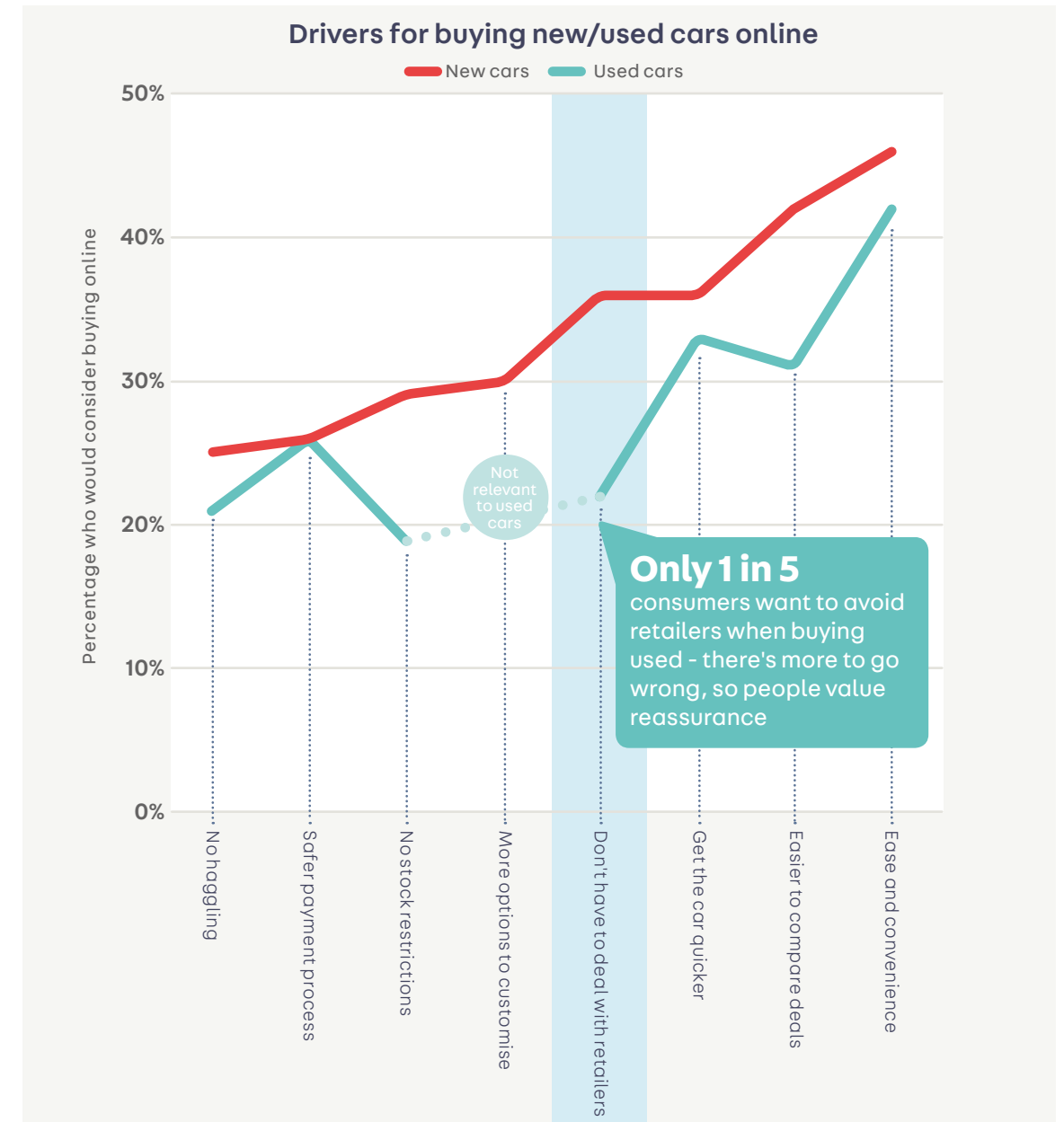
For example, price is a testing part of the car buying process; 88% agree car prices should be clearer and 75% think it's difficult to work out the actual price you'll pay for the car.

In spite of this, one in six people in the UK transact each year. We – both Auto Trader and the wider industry – should make transactions simpler and

### Jobs to be done

The jobs to be done are framed around four key areas:

Needs	Budget/finance	Validating choices	Buy
"What do I need?"	"What can I afford?"	"Is it right for me?"	"I'm ready"
<input checked="" type="checkbox"/> Size of vehicle	<input checked="" type="checkbox"/> Monthly repayment	<input checked="" type="checkbox"/> Expert reviews	<input checked="" type="checkbox"/> Find a trustworthy local dealership (dealer reviews)
<input checked="" type="checkbox"/> Brand	<input checked="" type="checkbox"/> Understanding finance jargon e.g. APR	<input checked="" type="checkbox"/> Owner reviews	<input checked="" type="checkbox"/> Visit dealership
<input type="checkbox"/> Specification	<input type="checkbox"/> Servicing costs	<input checked="" type="checkbox"/> Is it easy to drive?	<input checked="" type="checkbox"/> Test drive
<input type="checkbox"/> Trim level	<input checked="" type="checkbox"/> Tax	<input type="checkbox"/> Will it fit in the garage?	<input checked="" type="checkbox"/> Negotiate deal
<input checked="" type="checkbox"/> Car type	<input type="checkbox"/> Insurance	<input type="checkbox"/> Do I need any add-ons?	<input checked="" type="checkbox"/> Prepare for haggling?
<input checked="" type="checkbox"/> Fuel type	<input checked="" type="checkbox"/> Fuel economy	<input checked="" type="checkbox"/> Seek advice from friends/family/forums	<input checked="" type="checkbox"/> Check documentation / service history
<input type="checkbox"/> Warranty	<input type="checkbox"/> Purchase or lease?		<input type="checkbox"/> Understand warranty / gap insurance
	<input checked="" type="checkbox"/> Part-exchange value		



faster so that more people finalise a deal rather than being put off: 42% are unlikely to carry on the process of buying a car because of the pain points they've experienced and a third (33%) would have bought their car sooner if they'd had a smooth experience<sup>8</sup>.

This highlights the huge opportunity to drive more transactions for the industry; if c.10 million cars are currently

**88%**  
of consumers agree that car prices should be clearer



Today, a lot is spent on the physical forecourt, and the offline retail experience is expensive. This creates a mismatch between where car buyers are spending their time (online) and where retailers are spending their money (offline)

transacted at a speed of turn of 3.4 on a car parc of 34 million, increasing the ease of buying a car should increase speed and thereby the number of transactions and size of the market. For instance, if we can reduce speed of turn to 3 from 3.4, that would equate to an additional 1 million transactions.

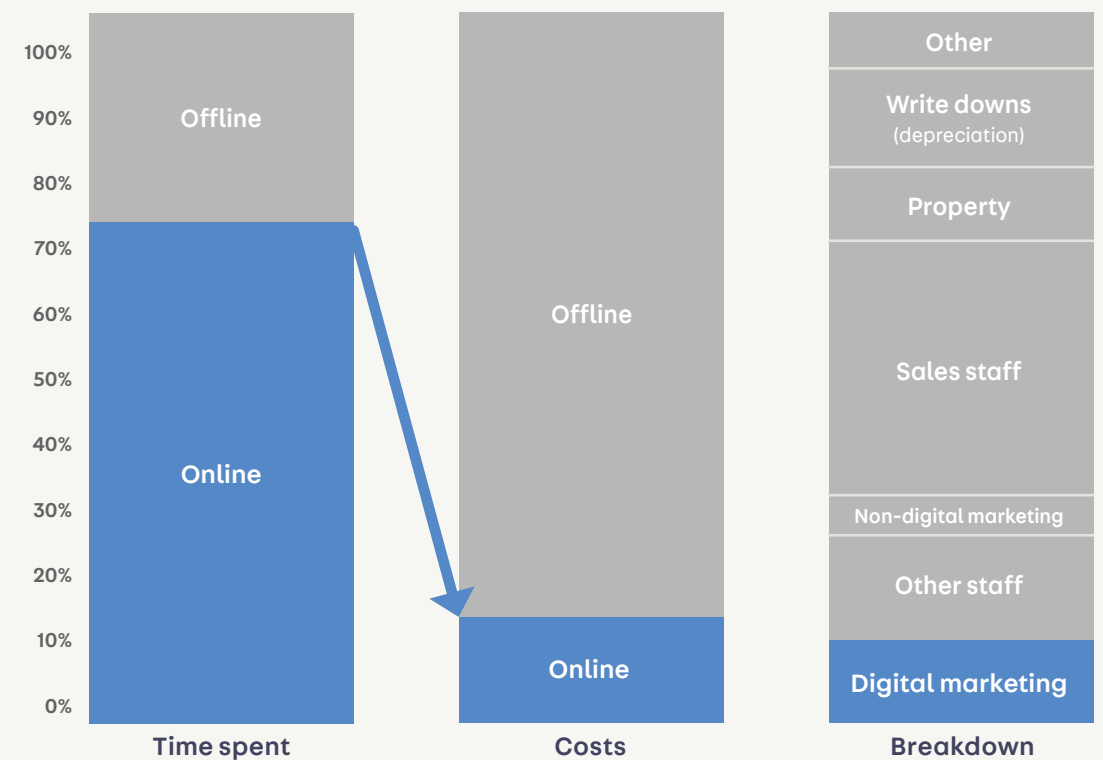
The industry needs a digital rewiring to enable the end-to-end process to be online. But, one size does not fit all and we know consumers do the 28 jobs of car buying in a non-linear fashion. We need to give them the tools to dip in and out of the process and let them do the parts they want to online or offline. The key is their journey must be a seamless omni-channel experience – whether it’s online, offline or, more likely, a blended mixture of both.

**It needs to change for retailers too**

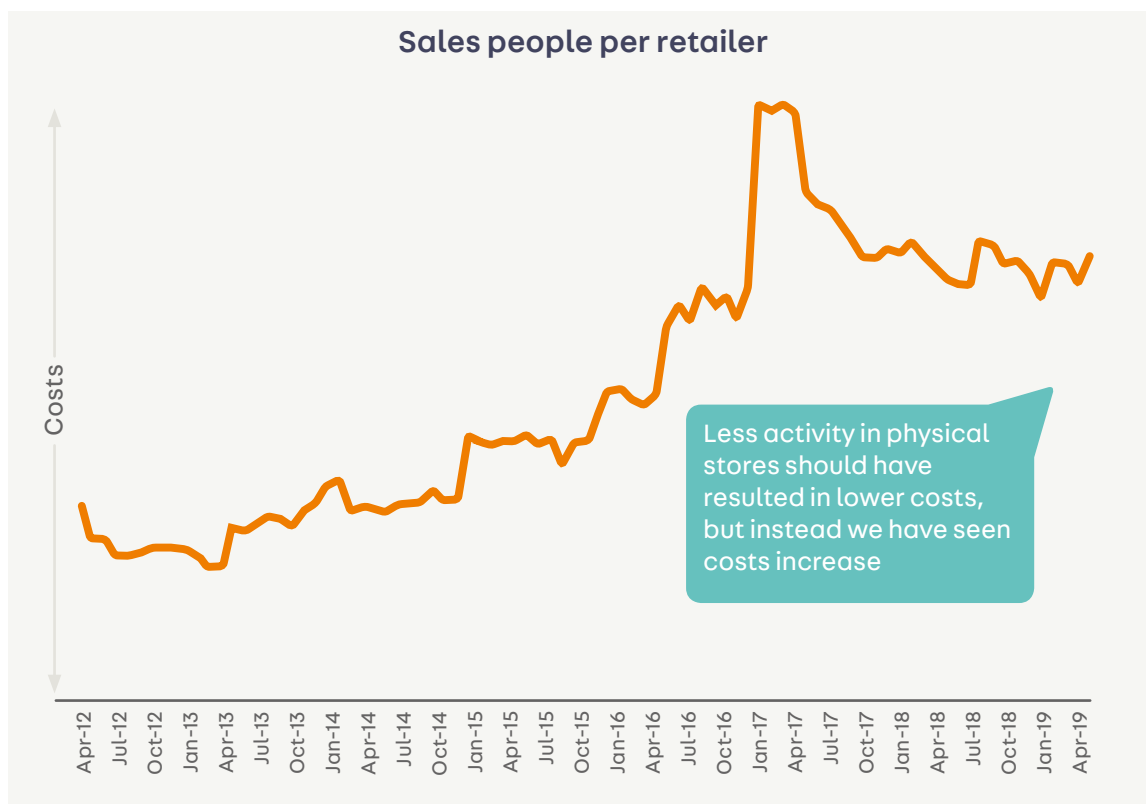
As the whole industry evolves and takes a more digitally led role, there’s a huge opportunity to streamline costs. Today, a lot is spent on the physical forecourt, and the offline retail experience is expensive. This creates a mismatch between where car buyers are spending their time (online) and where retailers are spending their money (offline).

The physical aspects of car buying remain very important to most car buyers, which has limited retailers’ ability to respond to this to date. To meet the varied needs of consumers, retailers won’t all look the same. Some will become brand experience

Creating a mismatch between where car buyers spend their time and retailers spend their money has caused failures in other retail categories







## What are other industries doing?

The late 90s and early 00s saw changes in travel retailing with the emergence of companies such as Booking.com and Skyscanner following a difficult trading period for more traditional tour operators, which were forced to consolidate and evolve. A decade later in 2010, a similar story unfolded in furniture – particularly mattresses – with the arrival of Made.com, Eve, Emma and Simba etc. while traditional retailers struggled.

Skyscanner and Booking.com have adapted significantly to benefit from the changing retail market, moving from content and advertising-driven marketplaces to transactional platforms. Both companies now enable booking journeys on their platforms on behalf of airlines and hotels; the airline and hotel remain the principal transaction however many of these platforms drive better conversion of ancillary sales which is where the bulk of the margin is.

At Auto Trader, we have started to put the building blocks in place to support

retailers in digitising their business operations. Consumers do their research online, and we put the tools in place to help retailers be found online.

We've also enabled retailers to source stock more efficiently through our Dealer Auction joint venture with Cox Automotive. This joint venture provides vendors with a huge buyer base, whilst empowering buyers with data-driven prioritisation of the stock that best suits them. All for significantly less than the fees they pay at physical auctions.

The next stage is to help retailers enable transactions to be completed online. One of the ways we're doing that is through part-exchange for consumers; making the process more convenient, and eliminating the need to haggle with retailers, which we know is a key pain point. Removing those pain points and making the part-exchange process easier, and more transparent is key. Bringing this process online in a way that enables online transactions will see a big shift in the market.

**Consumers do their research online, and we put the tools in place to help retailers be found online**



destinations which give customers an interactive adventure. Others will be specialist logistics and service centres, or easy-to-access, in town-located 'stores' where customers can ask questions or touch and feel the car they're interested in. The point is, not all dealerships will be the same traditional retail forecourt, each will have something different to offer.

Improving the car buying process for consumers will mean greater financial opportunities for retailers because they'll be more likely to complete the car buying process quicker; if we can

address the consumer pain points, reduce cognitive load and help them move through the process, it's a win-win for everyone.

This new approach to retailing will mean greater revenue and an improved bottom line. In fact, retailers will be able to run much bigger sites, will have the propensity to turn cars faster and run these centres with fewer staff working with more efficient processes allowing them to see more customers as the time consuming parts of the buying process move online.

**Improving the car buying process for consumers will mean greater financial opportunities for retailers because they'll be more likely to complete the car buying process quicker**

## Making headway

UK online retail already accounts for almost 20% of total retail sales<sup>9</sup> and it's growing at a rate of three times the rate of offline. Within just five years, online retail is likely to be over 50% of all UK retail sales. PwC's recent review of the High Street revealed that retailers in a variety of sectors, including fashion and property, are closing the doors of their physical stores to financially gain from the continuing move online. Around 2,870 stores shut in the six months to June 2019<sup>10</sup> as retailers restructured their businesses.

While automotive is vastly different to retail sectors like fashion, we can learn from their omni-channel solutions and apply them in a way which suits our industry and the demands of our consumers. Online car sales are growing, with sales expected to pass one million next year, compared with 618,000 in 2018, which was nearly double the number sold online in 2017. According to Frost & Sullivan, this growth is expected to continue, and in 2025 it's predicted online sales will surpass six million<sup>11</sup>.

Automotive retail has been immune to digital transformation until now for a myriad of reasons. In recent years,

manufacturers haven't driven change in new cars; they created new styles and versions of what has worked previously but the retailing journey or experience has not been a focus for change. In addition, compliance with environmental standards is more challenging than ever, and manufacturers have had to find budgets to invest huge amounts into R&D for electric vehicles.

We've also had the fortune of a stable economic backdrop for the last 10 years which has supported current retailing models. But now the market is tougher and cost pressures are building.

**UK online retail is growing at a rate of three times the rate of offline and, within just five years, online retail is likely to be over 50% of all UK retail sales**

## Implementation and success of your online transactions initiative



Peter Vardy, CEO, Peter Vardy

We know that the retail landscape is changing - consumers are more empowered with information and making more informed buying decisions. In such a competitive space, where convenience is everything, it's essential to meet the customers' demands and needs, or they will inevitably begin to shop elsewhere.

### The customers love being in full control of building their deal

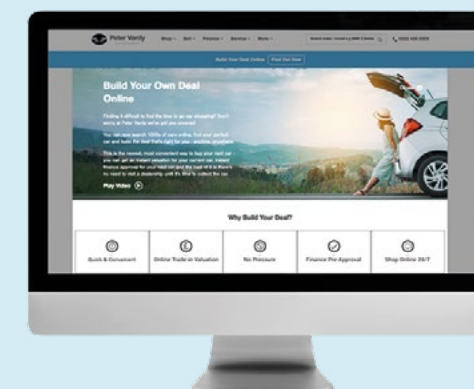
As we know, there is still a stigma attached to the motor trade - consumers lack trust when buying a car yet shop with confidence online for everyday items. In our business we consider our customers to be our guests, we decided earlier this year to give the consumer the same tools to build a deal that we the retailer have, to enable us to start rebuilding trust in the transparency of the whole buying process. With over 100 years' experience in the motor industry, my father and I felt we were best placed to work with SilverBullet to develop a world class e-commerce solution that would benefit both the customer and the retailers.

We have been blown away with the results we have had so far. The customers love being in full control of building their deal and for us the retailer we are seeing a significant

increase in; finance penetration (92%), margin (12%) and an additional profit per unit (£300), on top of a 50% reduction in time spent in showroom.

With emergence of online only motor retailers, we believe it would be naïve to think that all consumers are ready to fully commit online which is why we feel it's vital to adopt a more blended retailing experience whereby the consumer can seamlessly transition from online to instore. Adopting this omni-channel approach will not only ensure continued growth in online transactions but also complement the traditional dealership experience.

To ensure its success the major change required is the business culture, e-commerce is a process not a piece of software or a button on a screen, it involves having the right people in the right roles to support the process. I truly believe e-commerce will save the motor retail network, and the SilverBullet products are helping us to recognise the full potential of digital retailing for the first time.





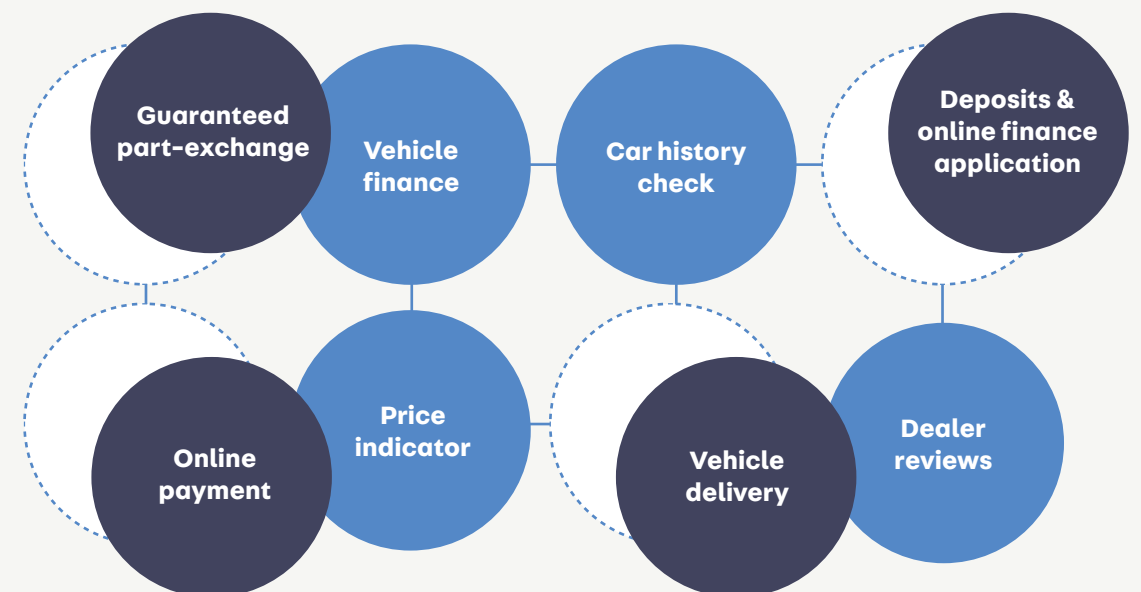
# 05

## Futureproofing the dealership

**R**etailers should aim to use their on- and offline assets to curate powerful, seamless experiences. Integration of data will be crucial to make sure retailers: have the right price stock at the right price; have competitive finance options; and understand what the consumer has done before and when and why they want to interact.

To do this effectively, retailers should invest probably more in their digital offering as they do their physical one, as this is where their customers are spending their time. Currently, it's only the marketing function that is invested in digitally by most retailers. There needs to be more digital investment at every step of the retailer process, including logistics and prep; buying

### The elements to deliver an end-to-end online transaction



Large groups are building independent car supermarkets which are focussed on lower prices and fast stock turn, creating more competitive price points for consumers

Online spend versus offline spend

Areas of retailer process	From	To
Buying and pricing of vehicles		
Logistics and preparation		
Marketing		
Sales		
Finance and add-ons		

Case study: eCars247

Christopher Killen, Co-Founder, eCars247



eCars247 launched in December 2017 as the UK's first fully online retailer aimed at offering consumers a different way of buying a car. Research showed us that 10% of UK car buyers would buy a car online and we were confident this was only set to grow. There was scepticism about whether we could provide the level of service consumers expect when purchasing such a high value item, but the response has been so good we'll be growing our stock from 50 vehicles to 200 by the year's end.

Research showed us that 10% of UK car buyers would buy a car online and we felt this was only set to grow

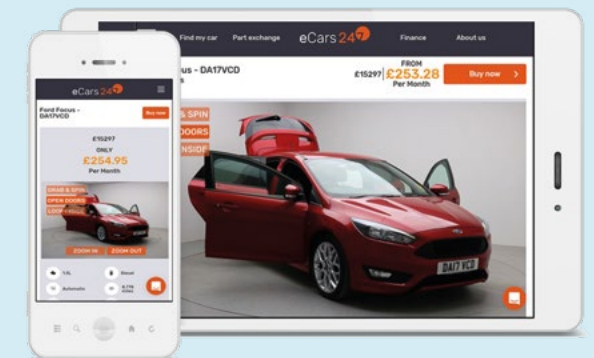
Part of the reason is down to our adoption of a truly consumer centric model. We believe that the traditional retail model has left car buyers feeling they've a one-sided relationship with a dealership, often feeling like the salesman just wants the sale rather than provide the right car. With our model we've strived to create an equal partnership. There's no commission structure and our only incentive is based on customer satisfaction, leading to 66% review penetration on Trustpilot (average of 16%) and 99% five stars.

vehicle, 66% take another vehicle from us instead. The reason for return is usually down to the vehicle not meeting their day to day requirements e.g pram doesn't fit in boot.

And that is what our service is all about, giving our customers the time and freedom to make an informed decision on their purchase.

With the emergence of online retail and the increasing digital marketing and marketplace capabilities, there's never been a better time to implement a truly blended online and offline experience that offers the best of both to car buyers.

Crucial to our customer centric philosophy is our 14-day test drive. We implemented this from the get-go as we recognised that whilst online retail eliminates many pain points, they still want the physical interaction with the car. The extended test drive allows them to do this and experience ownership, allowing them to feel fully informed and ultimately in charge of the buying process. The figures speak for themselves: 99% of consumers who take a 14-day test drive end up buying the car. Out of the 1% that return the



and pricing; and, in particular, sales, as well as finance and add-ons.

We are already seeing the emergence of this future today, with large groups building independent car supermarkets which are focused on lower prices and fast stock turn, creating more competitive price points for consumers.

While there's significant local pressure between retailers, there's been little national competitive pressure because of the massive fragmentation in automotive retailing. This makes it very different to other retail categories that are more concentrated, such as what Tesco and Walmart did to grocery retailing in the UK and US respectively. But new entrants including supermarkets, pure on-line players, manufacturers, captive finance houses, leasing companies and progressive retailers are scaling up and looking to distribute more widely, meaning that the competitive pressure is now rife.

There needs to be more digital investment at every step of the retailer process, including logistics and prep; buying and pricing; and, in particular, sales, as well as finance and add-ons

Therefore, we'll continue to see franchise dealers consolidate with fewer larger groups in the franchise space. Independents will continue to use this opportunity to use their agility and size to adapt to local market conditions, making use of their flexibility when it comes to product choice and operating approach.

Independents' size also allows them to explore different possible avenues at a faster pace, but they must be laser-focussed on what their competitive edge is and use it to their advantage. For instance, their online footprint will give them a wider audience so they could focus on specific product offerings, like EVs or SUVs or try and target consumer segments like families or retirees. At this stage, it's more challenging to predict independent retail numbers because their agility makes them more responsive to change.

In the past, technology provision in car retailing has generally

been poorer compared with other markets, however in some markets, marketplaces have made this simpler in terms of tools for pricing, sourcing and marketing their vehicles. Finance remains behind the digital curve when it comes to the finance that people use to buy cars. That said, we are seeing retailers investing directly in building their own bespoke capabilities to close the gap, and many have attractive consumer journeys, including Hendy, Vertu, Chorley Group, Peter Vardy and eCars247.

## Optimising for a bundled future

John Evison, Associate Partner, OC&C Strategy Consultants



Buying and running a car is changing: drivers no longer want to go to different places to buy a car, insure it, service it and then sell it on, all the while taking the depreciation and major repair risk. OC&C's 2019 UK Auto Disruption Speedometer has highlighted demand for bundles: 60% of drivers would like to bundle servicing and breakdown cover with a new vehicle lease, and 29% would be interested in a monthly all-inclusive package with the ability to swap cars.

This poses huge opportunities for retailers, OEMs and other industry participants to take a larger slice of the pie. But it is also a threat as companies previously focused on B2B relationships (e.g contract hire, rental and lease businesses) sniff opportunity in consumer motoring, and digital entrants and comparison platforms have an opportunity to become the default for bundles propositions.

For retailers (and others) to make the most of this change understanding what

different consumer segments actually want is critical. For example the needs of the young, urban and family-free (a small but over-reported segment!) will be radically different from the more traditional suburban commuter. Some drivers will be much more price or service sensitive, and not always logically so. Pricing approaches will also represent challenges, as bundling of services will crystallise the opaque total cost of exclusive usership into a single, highly visible payment.

The deployment of tiered and tailored offers will be the winning formula. For some consumers, there will be opportunities to sell at a premium based on convenience, service and risk transfer. For others it will always be the lowest cost. Whichever businesses can bring best practices in pricing, product design and marketing from the wider consumer industries will have the best chance.

The tectonic plates are shifting and now is the time to start thinking about it.

# 06

## The future's bright

### Retail models are evolving

The automotive ecosystem has been stable, with manufacturers providing new car stock to retailers, and sourcing of used car stock being dominated by a mix of part-exchange and auction. However, we believe these boundaries are changing.

The direct to consumer trend is only going to grow in both used and new car markets. Manufacturers, captive finance houses and leasing companies are all looking at more efficient and direct routes to the consumer to bypass expensive physical channels.

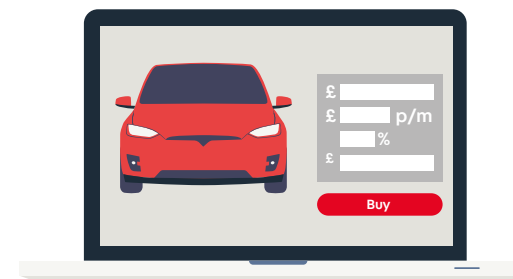
### Financing the deal

The way in which cars are paid for or owned has changed significantly, with the rapid growth and popularity

of finance options. In fact, 91% of new cars purchased today are done so on a finance deal<sup>13</sup>, and finance deals are growing in popularity for used car purchases too. Whilst it's difficult to put an exact figure on it, finance accounts for a conservative estimate of 30-40% of used car sales.

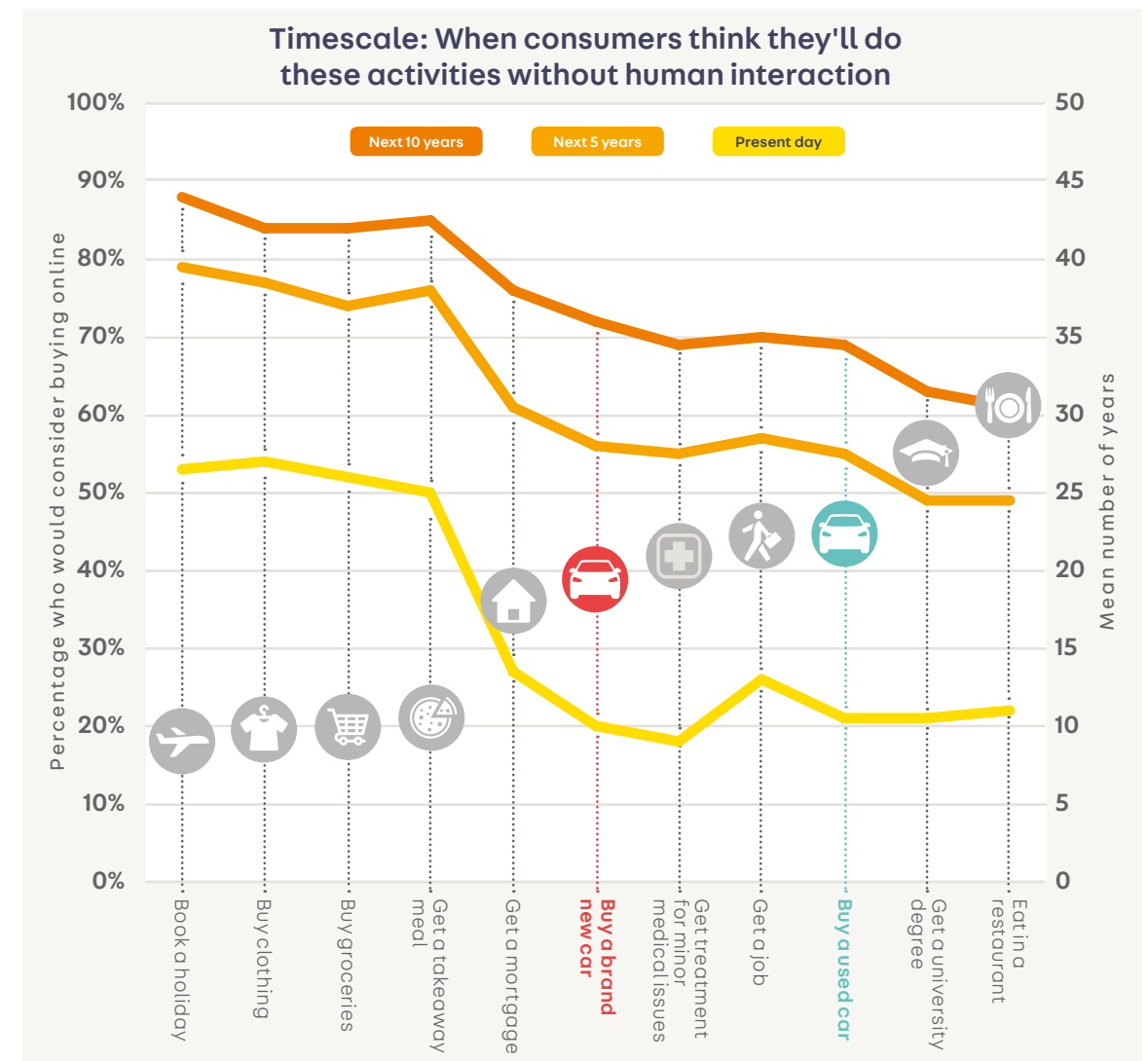
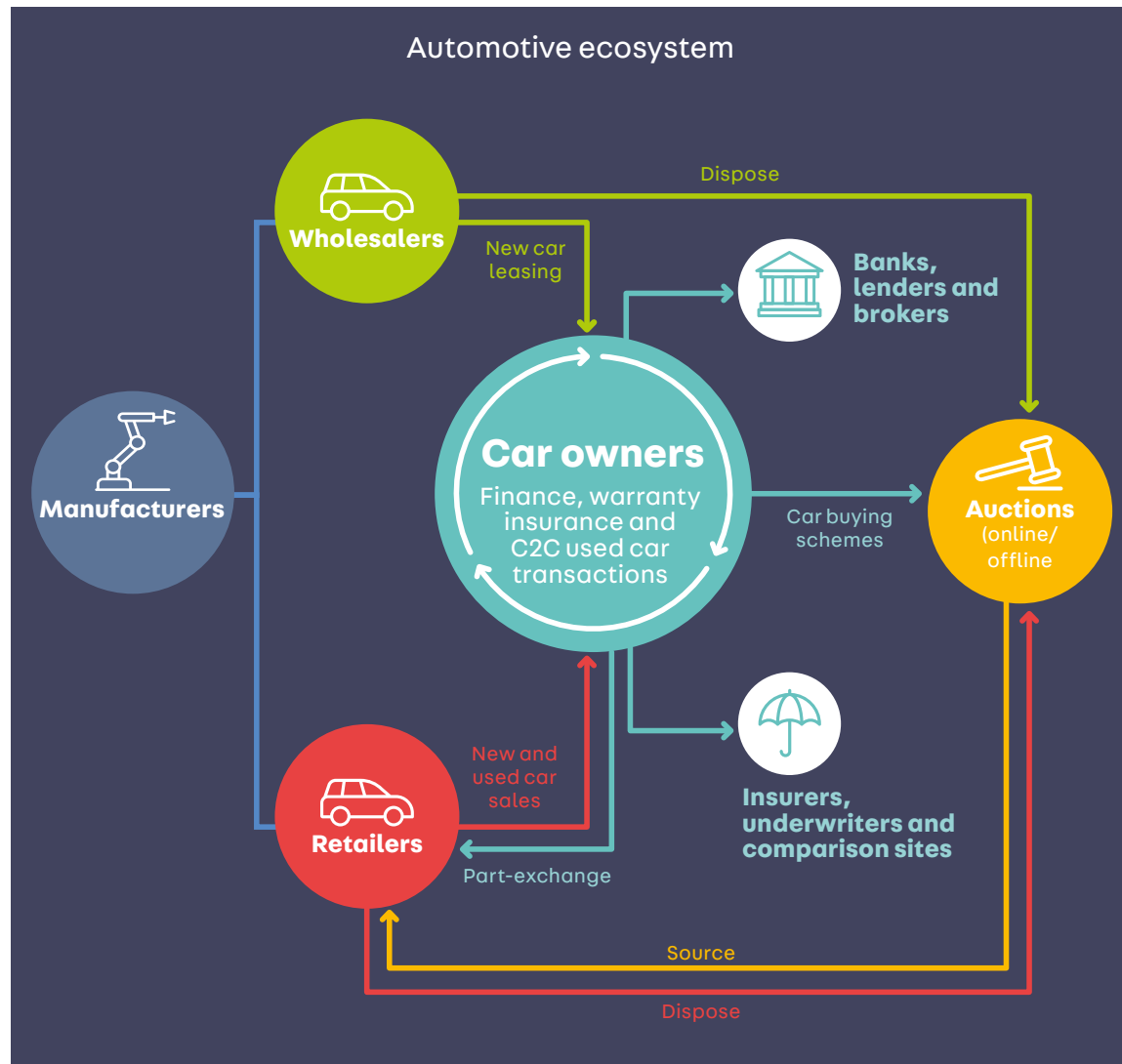
Our research has shown that people are more open to buying a car online if using a finance agreement because it is considered less risky; nearly half (45%) would buy a new car online without seeing it in person if done so on finance. This figure increases to 64% for those aged 18 to 34.

Finance options have removed some of the barriers to buying online and the purchasing cycle reduces for these customers. In addition, the penetration of finance has fuelled the new car market exponentially in recent years



# 45%

would buy a new car online without seeing it in person if done so on finance



led particularly by strong growth of the prestige brands, which are made more affordable when bought on a finance deal thanks to their healthy residual values relative to volume brands. With fewer consumers registering cars because ownership models are changing, the way we monitor the industry will have to change; it will become more valuable to track the number of times cars are utilised by a consumer rather than the number of transaction and registrations.

The online model puts consumers in the driving seat. Transparent pricing

and all available finance options need to be clear so that car buyers can choose the best way to pay for a car for them, complete all the paperwork and finalise the deal from the comfort of their living room. Making the entire transaction more efficient for them and for retailers across the UK.

### Retaining trust

Even though retailing models are changing, it's essential to maintain and continue to build trust with consumers

to ensure they come back for aftersales support, locally, and when it's time for them to buy their next car. Our research shows three in four (74%) wouldn't buy a car without speaking to a retailer. And around half of the consumers surveyed are trying to establish if they can trust a retailer when they visit a car. For used cars, trusting a retailer is as important for consumers as the look and feel of the car itself.

The people we surveyed think it'll be nearly 20 years (19.5 years) before new cars are bought without any human interaction at all. This is nearly the

**Trust is key: 74% of consumers wouldn't buy a car without speaking to a retailer**

same amount of time as they think it will be until you can get treatment for minor medical issues without human interaction (21 years). Crucially, the nature and length of those appointments will change thanks to the seamless online experience. So, each customer service advisor will be able to sell more cars and recognise greater revenue.

The automotive model will change to the benefit of car buyers, retailers and manufacturers alike, but people still value human interaction. As an industry, we must ensure each touchpoint in the car buying process gives consumers the trust and reassurance they need to finalise their purchase.

The future of car retail is an omni-channel approach, one built on trust, and one with a seamless link between the online and physical touchpoints to make the car buying experience easier, quicker and, ultimately, more valuable for buyers as well as sellers. Change is inevitable, and the industry needs to evolve alongside it to ensure its long-term success. In the short-term, to win in this increasingly competitive and challenging landscape, buy the right stock and price it correctly from day one.

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Consumers think it will be 19.5 years before new cars are bought without any human interaction at all

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# Research methodology

## Consumer research

Auto Trader partnered with Join the Dots, an award-winning consumer insight agency, to explore attitudes towards buying cars now and in the future, among a nationally representative sample of 2,000 UK driving licence holders. Research conducted in August 2019.

## Auto Trader Retail Price Index

The Auto Trader Retail Price Index combines and analyses data from c. 500,000 trade used car listings every day, as well as additional dealer forecourt and website data (manufacturer, fleet and leasing disposal prices, in addition to pricing data from over 3,000 car dealership websites), ensuring the Index is the most accurate reflection of the live retail market.

# About Auto Trader

Auto Trader Group plc is the UK and Ireland's largest digital automotive marketplace. Auto Trader sits at the heart of the UK's vehicle buying process and its primary activity is to help vehicle retailers compete effectively on the marketplace in order to sell more vehicles, faster. Auto Trader listed on the London Stock Exchange in March 2015 and is now a member of the FTSE 100 Index.

The marketplace brings together the largest and most engaged consumer audience. Auto Trader has over 90% prompted brand awareness and attracts circa 50 million monthly cross

For more information, please visit:  
<https://plc.autotrader.co.uk/press-centre>

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For the latest news, views and insight for the automotive retail community, follow @ATInsight on Twitter and LinkedIn.

platform visits each month, with over 70% of visits coming through mobile devices.

The marketplace also has the largest pool of vehicle sellers (listing around 450,000 cars each day). Around 80% of UK automotive retailers advertise on [autotrader.co.uk](http://autotrader.co.uk).







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