

The Car Buyers Report

Not used, not new, but next



Welcome to the Auto Trader Car Buyers Report, our most comprehensive study into the consumer car buying journey to date. The automotive retail market is a fast evolving one, with just about every aspect of the sector changing dramatically in recent years; the way we pay for a car, the way we research it, and even the car itself. Within this report, we wanted to understand the impact these changes were having on the car buying journey and how easily consumers were finding it to navigate through to their perfect car.

To fully understand how these changes are affecting today's car buyers, we took a unique approach to our study. Moving away from asking car buyers to rate their experience post-purchase, we conducted our study over a six-month period, tracking every element of the buying process, from conversations with friends and online browsing behaviours, through to social media engagement and dealer forecourt visits. This meant we were able to capture every experience and emotion as it happened, not once the car buyer had been able to rationalise it. The result offers the most accurate look at the modern car buying journey, and a clear picture of the challenges, and critically, the opportunities, facing today's dealers and manufacturers.

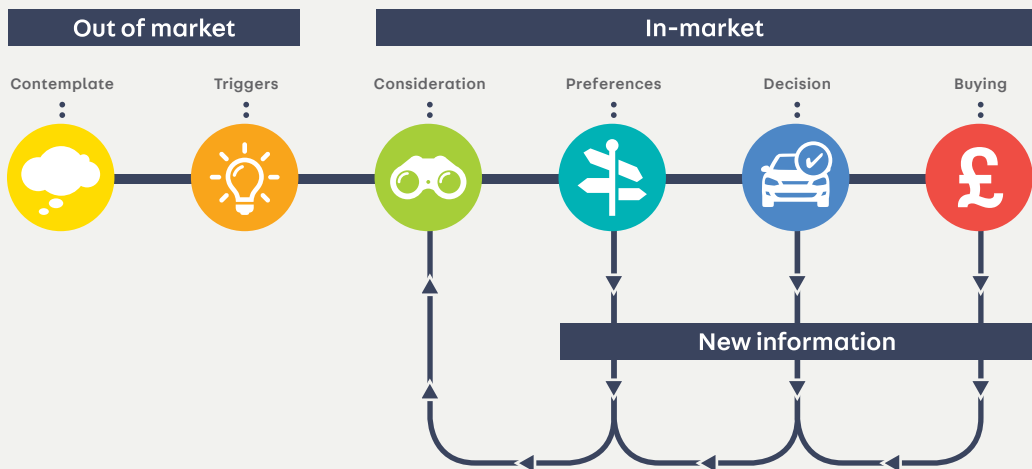
The car buying journey: automotive snakes and ladders

Whilst there is a linear set of stages to narrowing one's choice and eventually buying a car, once 'in-market' the almost limitless options and availability of influential new information mean this definitely isn't the case, and often leads to the buyer being sent back to an earlier stage of the process – a game of automotive snakes and ladders. As such, car buyers were often sent backwards

through the process each time they learnt new information that prevented them from reaching their decision as illustrated in the stage by stage overview below. This report explores each aspect of the car buying journey as outlined below, going through the challenges buyers encounter at each stage and what it means for the industry.

Stage-by-stage overview of the car buying journey

'Progress' through the journey will often mean going backwards...

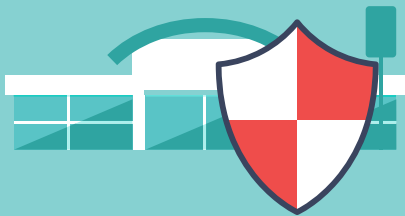


...which is both a problem and an opportunity

Key findings

Planned entry

There are dozens of triggers to enter the market, though in four out of five cases, these are planned. Many older, male buyers with more disposable income are simply seeking a change of car, whereas younger buyers with smaller budgets plan their purchases around changes in lifestyle, such as growing families and career advancement.



Trust & transparency

When car buyers enter the market, they do so with a number of pre-cast aspersions. Many feel intimidated at the prospect of buying a car and do not trust the industry to be open and honest.

Simplicity

With the sheer volume of choice and personalisation available on today's latest models, options appear endless and often overwhelm consumers. As a result, 85% of car buyers know they'll have to expend lots of time and effort in order to make a decision. The ability to simplify the process, the options available and offers are therefore crucial.



Reassurance



Once car buyers are in-market, they attempt to work out which cars they would consider. With immediate information-overload for many, this soon leads to confusion, and in some cases analysis-paralysis. Consequently, buyers seek sources of reassurance to guide them on their journey, no matter how confident the car buyer.

Open to influence

Car buyers were more open to influence throughout the journey than was expected, and perhaps more importantly, far later into it. Many were flipping between new/used, make/model and even car type throughout and were considering an average of three cars, even at the point of purchase.



Mental fatigue



Car buyers have a limited amount of mental effort they're prepared to invest and the fatigue created by the current process resulted in 60% of car buyers giving up their pursuit for the perfect car and making a purchase simply out of exhaustion. This was even more prevalent with younger buyers, with a significant 75% of 17-24 year olds stating they were 'tired of looking around'.

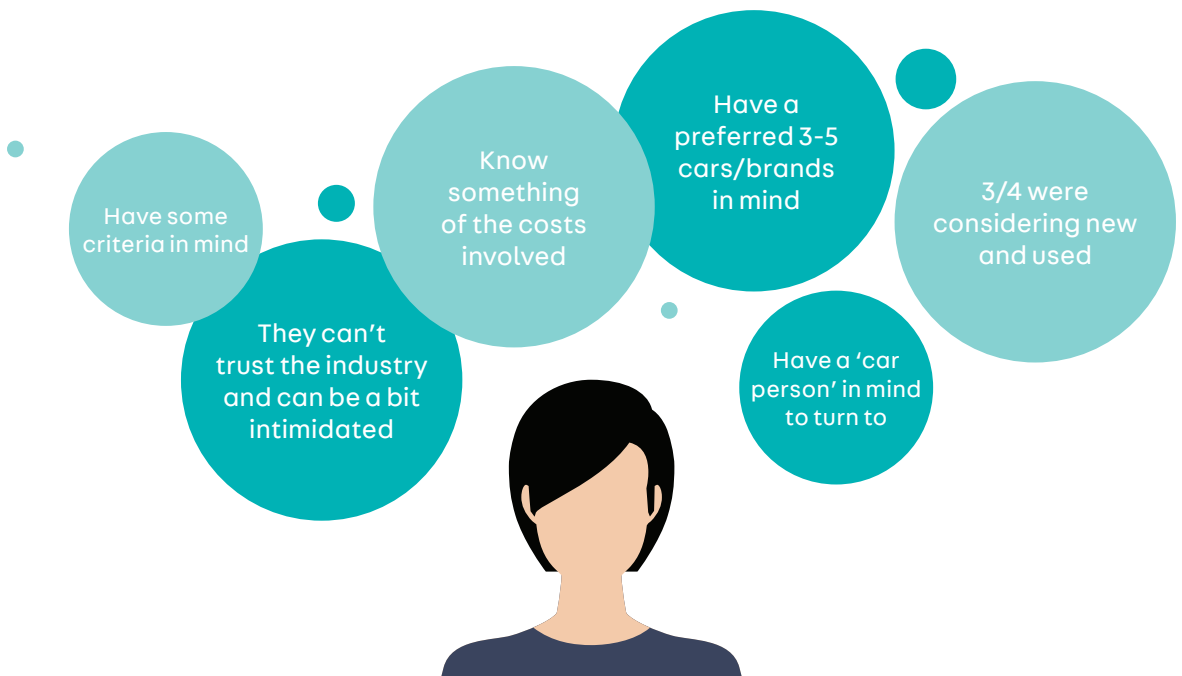


Stage one

Passive contemplation

This first stage might start from the moment a buyer drove their current car off the forecourt and started to compare it with others on the road. Every car related advertisement or conversation is subconsciously priming a car buyer for their next car purchase. It's unstructured but significant, and means that no

one enters the market cold, and will already have a basic foundation of knowledge or expectation of the car buying journey. This is where initial pre-conceptions are formed around preferred brands and/or cars; three quarters of car buyers are open to purchasing a new car before formally entering the process.





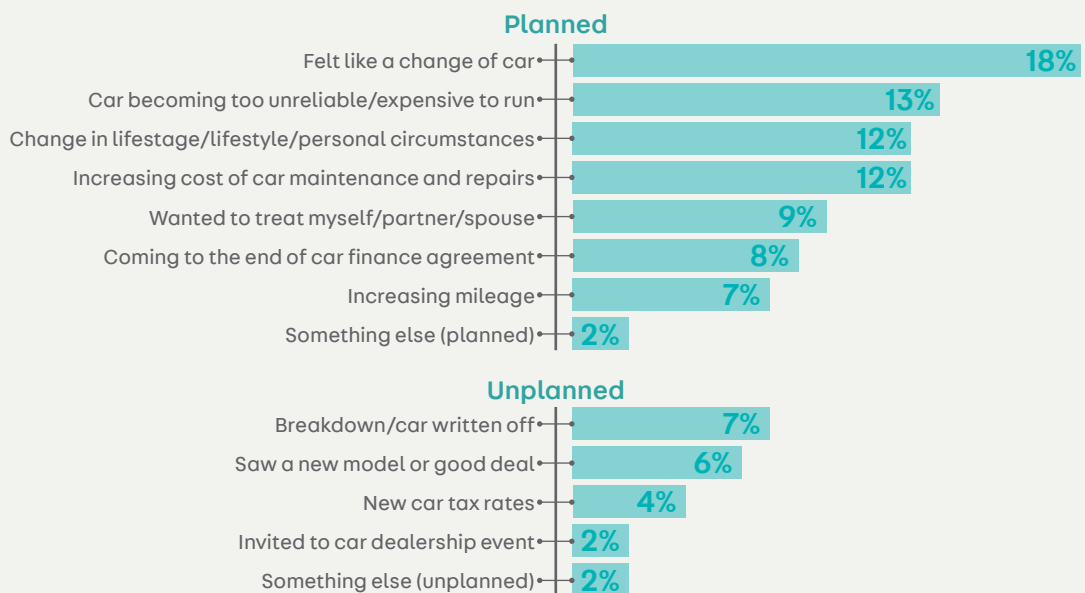
Stage two

Triggers

For four out of five of car buyers, their entry into the market is planned and primarily motivated by emotion: *'I felt like a change of car'*. This is more prevalent for those aged 45+ where they are likely to have more disposable

money, whilst for those aged 18-24, their need was driven more by a change in lifestyle/personal circumstances. Interestingly, upcoming plate changes weren't mentioned as a significant reason for pulling people into market.

Thinking about your current or most recent car buying experience, what were the main reasons you started thinking about buying a car?



Crucially, the vast majority of car buyers entering the process expect it to be hard

85% of buyers

stated they knew they would have to spend a lot of time and effort to purchase their next vehicle



Stage three

Active contemplation and consideration

Once in the market, car buyers consciously file and process information as they start to work out what's right for them. At this stage, buyers are willing to put the effort in to find their ideal car. They'll start to reprocess everything they know, reviewing the criteria they had previously been exposed to, forming a view of what brands they may consider.

The main considerations at this point are primarily financial: nearly half (47%) of buyers identified the price they're prepared to pay for the car as their key consideration, whilst 35% chose what their current car is worth, 35% the cost of ownership once they've purchased the vehicle and 27% what their finance options could be. The challenge of weighing up all these factors makes it difficult for buyers to work out their budget and highlights the importance of price transparency to aid buyers in

establishing what cars can best suit their budget.

In order to understand how car buyers approach their future car purchase, it's helpful to split the UK population into two segments. 'Confident Car Lovers' make up 39% of the UK population; they are buyers who are knowledgeable about cars and have a strong interest in them outside of the car buying process. In contrast, the remaining 61% are less enthused and typically lack confidence or passion for buying a car.

For these 'Confident Car Lovers', this can quickly lead to a clear purchase strategy. For the majority though, this is where buyers start to realise they are not informed enough to make the right choice.

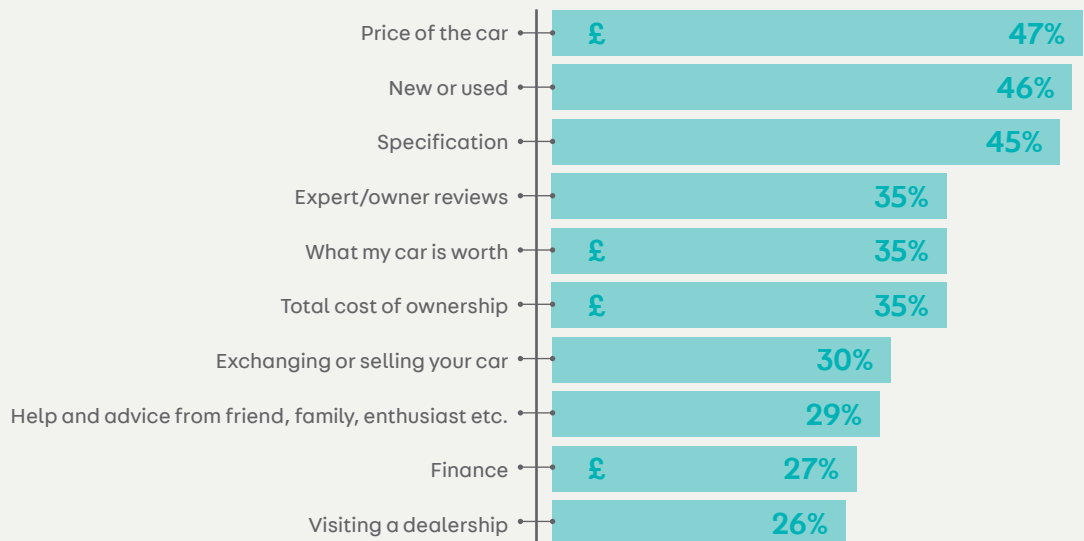
It's at this early stage that many car buyers will also start to work out how they can dispose of their car: either part exchange or selling it privately (30%).

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they are buyers who are knowledgeable about cars and have a strong interest in them outside of the car buying process.

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Thinking about your current or most recent car buying experience, when did you (if at all) first think about each of the following things during the car buying process?



With the sheer volume of choice and personalisation available on today's latest models, options appear endless and often overwhelm buyers. The need for guidance and reassurance is key at this stage as car buyers start to actively research their next purchase. For men, they are more likely to rely on advice through online intermediaries, whilst women and younger buyers are most likely to rely on friends and family (72% of 17-24 year olds stated these were their main source of advice).

The internet dominates as a tool for car shopping, with three quarters of car buyers using the web to research their purchase. Two thirds of buyers visited car dealerships and around one in four rely on referrals. Interestingly, a third of car buyers discounted car dealerships completely as a tool or aid to their purchase.

We saw that at this stage there was still indecision with 30% of buyers switching between new and used cars.

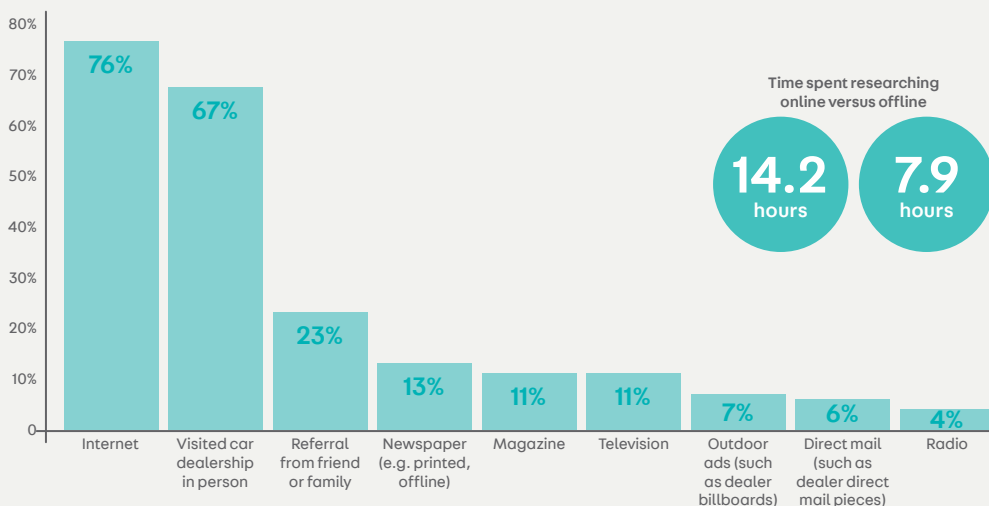
Two thirds changed their mind as to the make/model they initially considered.

It's also at this stage that buyers start to determine what success looks like. For confident car lovers, their aim is to find their 'perfect car'. For the rest, they're looking for a car that satisfies their basic criteria.

To help further distil options, many have adopted a behaviour we've coined as "anchoring". Starting from a fixed point (i.e. current car) this is used as the basis for comparison for the characteristics they want to keep or replicate (and hence not have to think about) and those they want to change.

For all car buyers however, the level of mental effort they're prepared to invest in their search is also a key issue. As illustrated, below right, there is a clear disparity between 'confident car lovers' and the majority of car buyers.

Which of these source(s), if any, did you use or see while vehicle shopping?



At this stage



of buyers switched between new and used



changed their mind as to the make/model they initially considered

In order to get there though, car buyers are prepared to expend different levels of mental effort

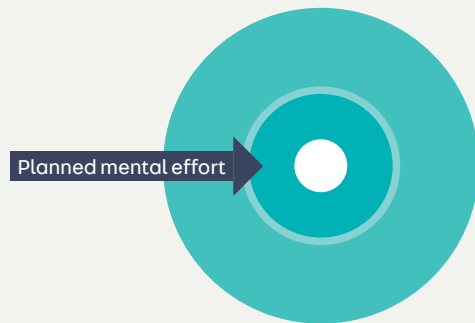
Confident Car Lovers (39%)



- All cars
- Those they'd consider
- Those they'd be happy with
- Those they'd desire

For both groups the total volume of cars that are available for them to buy is the same. There are also a similar number of cars both would discount for not being suitable for their needs. For the more confident car lover, when they consider those they'd truly desire, the shortlist shrinks significantly. However, despite the amount of stringent

Everyone else (61%)



criteria they may apply, they're prepared to invest the required amount of mental effort to reach their target.

For everyone else however, their criteria is a lot looser and even though their perception of the perfect car may be broader, they're less prepared to invest the mental effort to find it.

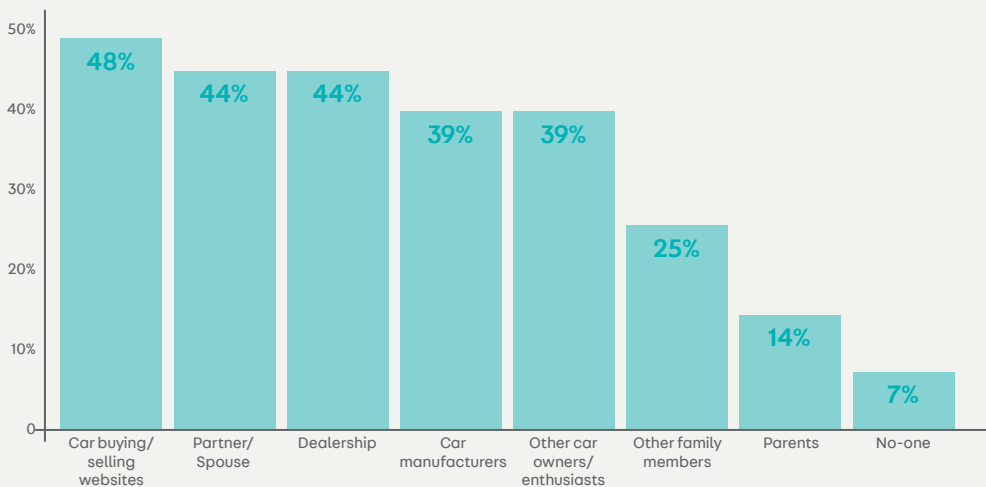


Stage four Preferences

At Stage Four, despite being far into their journey, new information (peer recommendation, advertising etc.) can lead to car buyers tearing up their plans. Progress is like a game of automotive snakes and ladders – rather than moving on a linear

journey, gradually narrowing down their choices, many buyers struggle to move past this point and will often go backwards in their journey, constantly re-evaluating their choices. Not surprisingly, it's at this stage many car buyers stop enjoying the process.

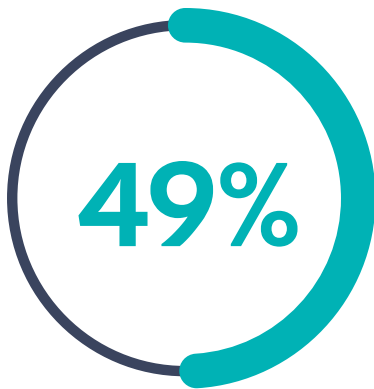
Who (if anyone) would you be open to getting recommendations from about other cars that you might be interested in during the car buying progress (either online or face-to-face)?



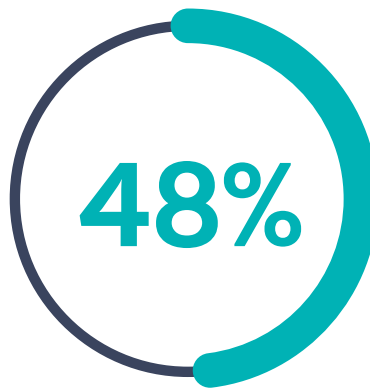
The desire for reassurance – a theme that features across the journey – starts to become very important as car buyers look for recommendations and advice. Younger buyers (18-24) rely heavily on advice from their friends (46%) and parents (45%). In contrast, almost half of 45-64 year olds will look for advice from third party sites such as Auto Trader.

At this stage, buyers also started to become overwhelmed by the vast array of specifications available, sometimes even discounting brands entirely for being too complicated. Personalisation and choice can be good, but as our findings show, in what is already a complex process, simplicity is often far more appealing. Again, they continue to flip between choices:

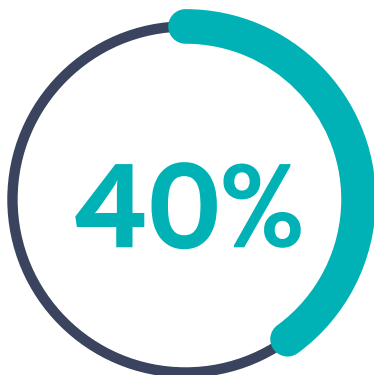
At this stage



of buyers changed their mind about the make they were considering buying at least once



of buyers changed their mind about the model of car they were considering at least once



of buyers changed their mind about the type of car they were considering buying at least once



of buyers are still actively considering both new and/or used cars



Stage five

Making a decision

It's at this stage, that if car buyers don't get derailed by new information – they can head towards a decision. For the majority, getting this far requires them to be 'informed enough' – this means they have an awareness that there is more information out there that they could factor in but they had reached a point of comfort and were able to proceed. Once armed with enough information, it's at this point that buyers are ready to engage with the physical forecourt. On average buyers visit 2.2 forecourts before purchasing, with over half of car buyers making first contact with the dealer walking in unannounced.

There is also always the risk they may again discover new information which may send them back to the consideration stage – from a deal they stumble across online to a car they see in the street. This poses huge potential for brands, especially via digital marketing with the opportunity to influence somebody's brand choice.

We compared all of the major websites within the automotive classifieds/content category to understand the role they play and influence they have in aiding the car purchase. Over half of all car buyers surveyed said that Auto Trader was the most influential website whilst searching for their latest purchase.

52%

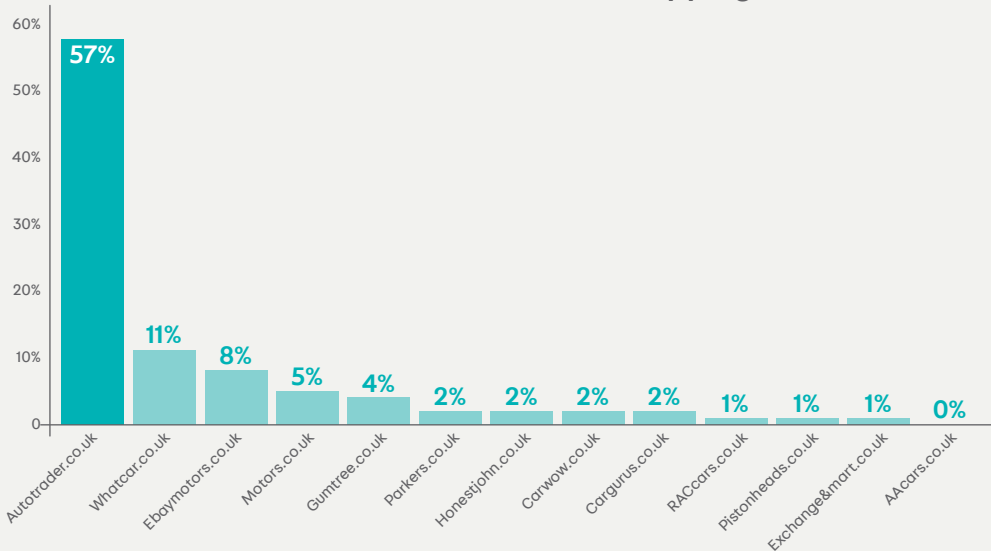
make first contact with a dealer by walking in

2.2

average number of forecourts or dealerships visited to make a purchase

Over half of all car buyers surveyed said that Auto Trader was the most influential website whilst searching for their latest purchase.

Which website would you consider the most influential whilst vehicle shopping?



Source: Auto Trader Market Tracker Study, 2017



Stage six

Buying the car

Even this final stage can be a test; one in five car buyers are worried about encountering unexpected costs, jargon or being confronted by too many deals. Buyers are still looking for reassurance, with many choosing to take somebody with them to complete the deal (usually a man, be it their dad, a partner or just a friend to help them along the way).

Surprisingly, despite the lengthy process, on average, three cars are still being considered at this late stage. Further analysis of Auto Trader website data sought to verify this. The graph above right shows searches for a well-known volume brand across

each stage of the buying journey. To begin with, there is an average of four models across three makes being considered. As users move into the stages, the consideration set increases and peaks to an average of seven models across five makes at the preference stage. However, when coming to the end of the journey, we found that just as many makes and models were being considered to the beginning of the journey and often different ones.

Worryingly, our study showed that eight out of ten car buyers who purchase their car, still don't think it is the perfect car for them.

One in five car buyers are worried about encountering unexpected costs, jargon or being confronted by too many deals.

Number of cars considered at each stage of the buying journey



Auto Trader Marketplace data, Oct 16 - Feb 17

At this stage



on average were still
being considered



of car buyers don't think
the car they had purchased
was their perfect car

For many car buyers they have simply reached a point of fatigue and are resigned to settle for one of the three. Six out of ten will push on out of determination, but despite the length

of time they have already invested in the process and the vast amount of information they have collected, there is still the risk they may go right back to an earlier stage of the process.

Conclusion

Recap of journey

Challenge or opportunity?

This report paints a difficult picture for the automotive industry, highlighting the complex and often stressful process car buyers go through when looking to purchase their next car. The ideal scenario for buyers would be to look forward to and enjoy their quest for their perfect car. Sadly, for many this isn't the reality. However, the findings do highlight a number of opportunities for automotive brands to attract and retain car buyers as they navigate the car buying minefield.

The complex nature of the buying journey means buyers flip between their choice of cars, frequently changing their minds on makes and models, leading to a lack of loyalty. Targeted digital marketing can create the opportunity to both retain loyal customers and attract new customers, even when nearly at the point of purchase.

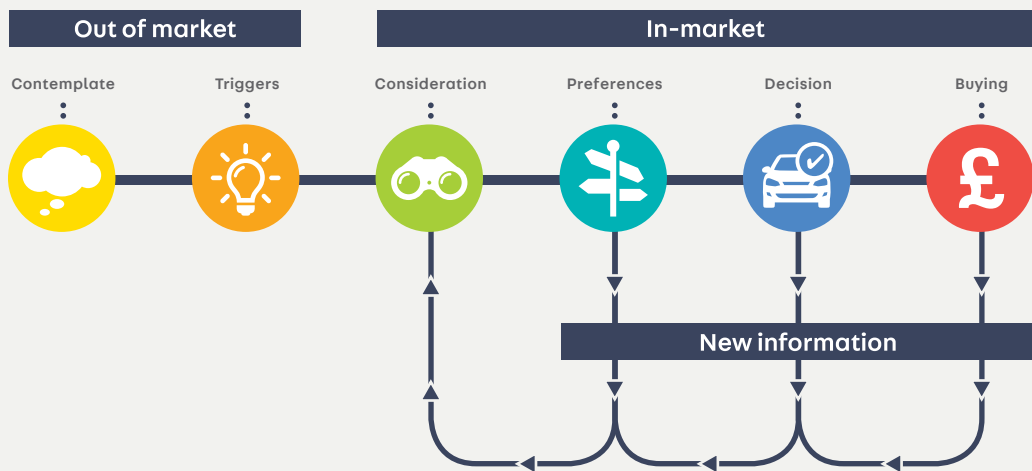
The feeling of being overwhelmed by choice leads to a strong desire for reassurance; that simple human desire that car buyers are choosing the right brand for them and alleviating that nagging doubt that there was something that they haven't considered. This uncertainty

is only amplified through the inherent lack of trust towards our industry. This highlights the need for manufacturers and dealers alike to drive trust and transparency into the sector. This can be achieved through offering a fully transparent customer experience, facilitated by unbiased, independent reviews, videos and strong imagery, coupled with a choice of cars that are in tune with the local market that are transparently and accurately priced.

This lack of trust and loyalty is also not helped by the limited mental effort car buyers are prepared to invest into the process. By simplifying the process buyers go through, be it avoiding complicated car jargon, demonstrating payment options and the true cost of car ownership up front, or managing the options thrown at them through personalisation, this will help buyers get closer to their perfect car, rather than leave the process dissatisfied having felt they settled for a car that was good enough.

There are clearly a number of areas for the industry to improve upon, many of which may not be a quick fix, but through tackling these can only create more opportunities.

Stage-by-stage overview of the car buying journey



Research methodology

For this process, we recruited 40 households actively looking for a new car, representing a mix of ages, genders and regions, as well as type of car buyer: new, used, those that had just started looking and those who had been searching for months. Each person used a bespoke app to log 'in the moment' experiences over four weeks, resulting in 400+ individual moments, including seeing cars that sparked their interest, conversations with friends and family, advertisements, online browsing, as well as actual forecourt visits.

Auto Trader Market Tracker Study. Auto Trader has also partnered with Join the Dots to regularly track a number of key trends within the automotive industry. The survey asks a nationally representative sample of circa 2000 consumers key questions about their attitudes and behaviours towards car buying. The research is conducted twice a year.

This was followed up with in-depth interviews to discuss their experience, challenges and objectives, before being invited into an online forum for two weeks to share their experiences. These initial findings were then fed into a survey of 2,000 consumers, half of which had recently purchased a car, the remainder who were still actively in the buying process. This enabled us to quantify the key themes that were emerging.

The research was conducted by independent research agency Join the Dots from January-June 2017.

Auto Trader Marketplace data. Auto Trader extracted data from its marketplace to report on the search behaviours of UK car buyers. The data used in this report includes search behavior for one of the UK's leading volume brands across a four month period from October 2016 – February 2017.

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 dealers 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 250 Index.

The marketplace brings together the largest and most engaged consumer audience. Auto Trader has over 90% prompted brand awareness and attracts circa 55.5 million cross platform visits each month, with circa 70% of visits coming through mobile devices.

The marketplace also has the largest pool of vehicles sellers (listing more than 470,000 cars each day) with over 80% of UK automotive dealers advertising on [autotrader.co.uk](https://www.autotrader.co.uk)

For more information about Auto Trader dealer products and services
trade.autotrader.co.uk

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