



The Car Buyers Report

Jobs, not journeys

01

Introduction



Nathan Coe, CFO and CEO-designate, Auto Trader

Welcome to the second edition of the Auto Trader Car Buyers Report. A lot has happened within the industry over the last two years: we've seen the full impact of sustained anti-diesel rhetoric, the resulting disruption of the Worldwide Harmonised Light Vehicle Test Procedure (WLTP), and of course, the ongoing economic uncertainty surrounding Brexit.

There's also been the emergence of some bright spots too, not least the growing appetite for alternatively fuelled vehicles (AFVs), which on our marketplace has seen a growth in searches of 158% since 2017. But what of the car buying journey itself? Two years ago, we published the first edition of the Car Buyers Report, where we revealed that the car buying journey was complicated, daunting and so frustrating that 60% of consumers ended up settling for a vehicle that would simply 'just do'.

At a time when the market is facing unprecedented challenges, as an industry we can ill afford to fall behind in meeting evolving consumer expectations and changing buying habits. As we move towards more of an end-to-end online buying process,

retailers and manufacturers need to better reflect other industries which are providing a more transparent, simplified and faster buying experience, otherwise they'll see slower sales, smaller profits and even more challenging conditions.

Over the following pages we'll discuss the key findings from our latest study, revealing how the journey has evolved since 2017, how today's consumers view the process of buying a car, and highlight the opportunities for both retailers and manufacturers.

At a time when the market is facing unprecedented challenges, as an industry we can ill afford to fall behind in meeting evolving consumer expectations and changing buying habits



"I'm delaying the decision even though I've seen the exact car I want. I'm undecided how good a deal it is"

Car buyer

02

Jobs, not journeys

A non-linear experience

Unfortunately, whilst many things have changed over the last two years, our research revealed that the car buying journey remains a challenging one for consumers. In fact, 52% of car buyers think the process hasn't changed, whilst a concerning 14% believe it's become more difficult. Just 24% believe it was easier. And it's little wonder.

If we think about the car buying experience, we know the average consumer starts at point A, passively absorbing influences at a subconscious level until one of a series of potential 'triggers' sets them on the road to point B. These triggers can range from a change in personal circumstances (24%), their current car becoming too unreliable (38%) or simply because they just feel like a change (46%). However, the road is not in fact a journey.

In reality, today's car buyers face a far more chaotic and non-linear process defined by a series of 'jobs to be done', each framed around their needs, what they can afford, the type of car, and the actual purchase process itself. Each of these jobs need to be completed to reach point B. However, completion of one job does not lead automatically to the next; each job can be completed at any point, repeated, and frequently started, stopped and put off until another time, all the while adding to the consumer's cognitive load and decision anxiety.

Buying a car is already a daunting process, but most people are largely underestimating the complexity of the process: they expect to complete four or five jobs, but in reality there are approximately 28 to complete before receiving their new car keys.

How has the car buying experience changed?



of consumers say the process has become more difficult



of consumers say the process has not changed



of consumers say the process has become easier

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		

Consumer pain points

In other complex purchase processes, retailers help consumers complete respective jobs more effectively, making it easier to compare prices, offer greater price transparency, and make the overall experience more simplistic. Unfortunately, according to this year's results, car buyers don't experience the same support from the automotive industry, often feeling like it's actively playing against them and making these jobs purposefully difficult to complete. As a result, they soon become pain points, framed around seven key challenges:

1) Hard to find inspiration:

If a consumer doesn't know what car they want, it can be hard to find inspiration; and with one out of five car buyers starting their journey with no idea in mind of what they want, it's affecting a significant proportion of people.

2) High cognitive load:

The process of finding a car can be very labour intensive, regardless of how car savvy the consumer is. In many respects, online has made car buying easier by opening up the number of ways individuals can search, making more options available. However, too much choice can be a bad thing: 31% of car buyers said the availability of choice has made the process more difficult.

1 in 5 consumers start the process with no idea of what car they want

3) Difficult to compare:

There are a huge number of makes, models and derivatives, but it's currently very difficult to compare a shortlist like-for-like. 7% of car buying visits are to manufacturer websites, 14% are to review sites and 78% are to market places and retailers. 65% of car buyers will have multiple tabs open, and on average, are considering 4.3 car brands, 1.7 fuel types and 2.1 car types.

4) Lack of price transparency:

Buyers find it challenging to determine what a fair and reasonable price is for the car, which isolates and postpones customers from moving on. The issue is especially prevalent when trying to decide between new or used.

5) Online experience:

Car buyers don't find the online experience easy or feel it's designed

towards their needs. They have to invest a lot of time 'research snacking' - dipping in and out when they have a few spare minutes in their day to complete the necessary jobs.

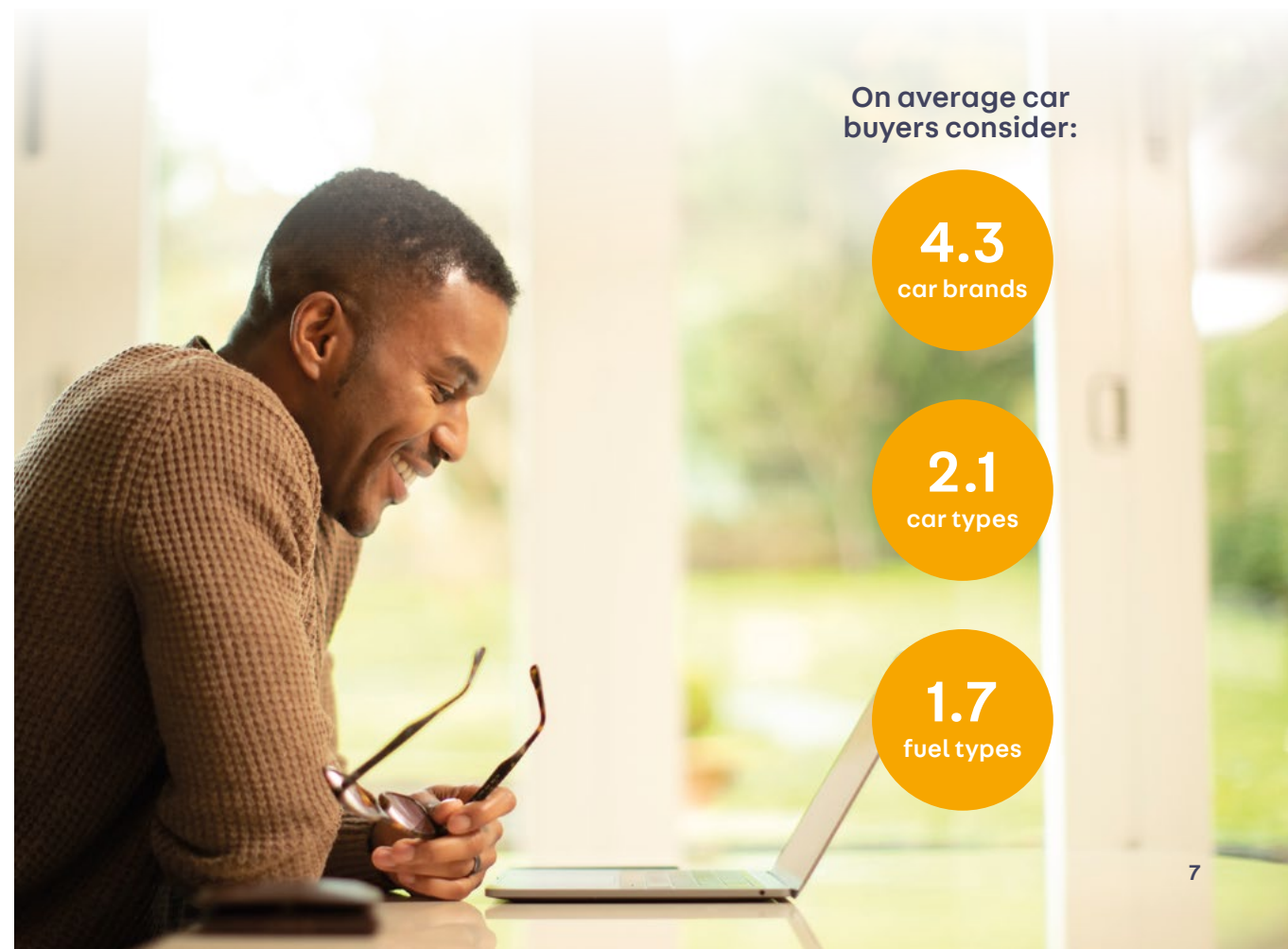
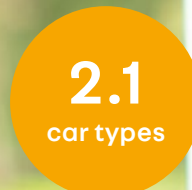
6) Retailers:

The showroom experience is still uncomfortable and often prolongs the process as car buyers wait until they feel they're 'showroom ready'. In fact, 65% of car buyers say they have to do as much research as possible before they visit a dealership to ensure they're prepared for a hard sell.

7) Decision anxiety:

The consequence of all these pain points is that it leads to consumers being stuck with decision anxiety. Many delay, give up or purposely elongate the process of buying a car because they're not confident with their decision.

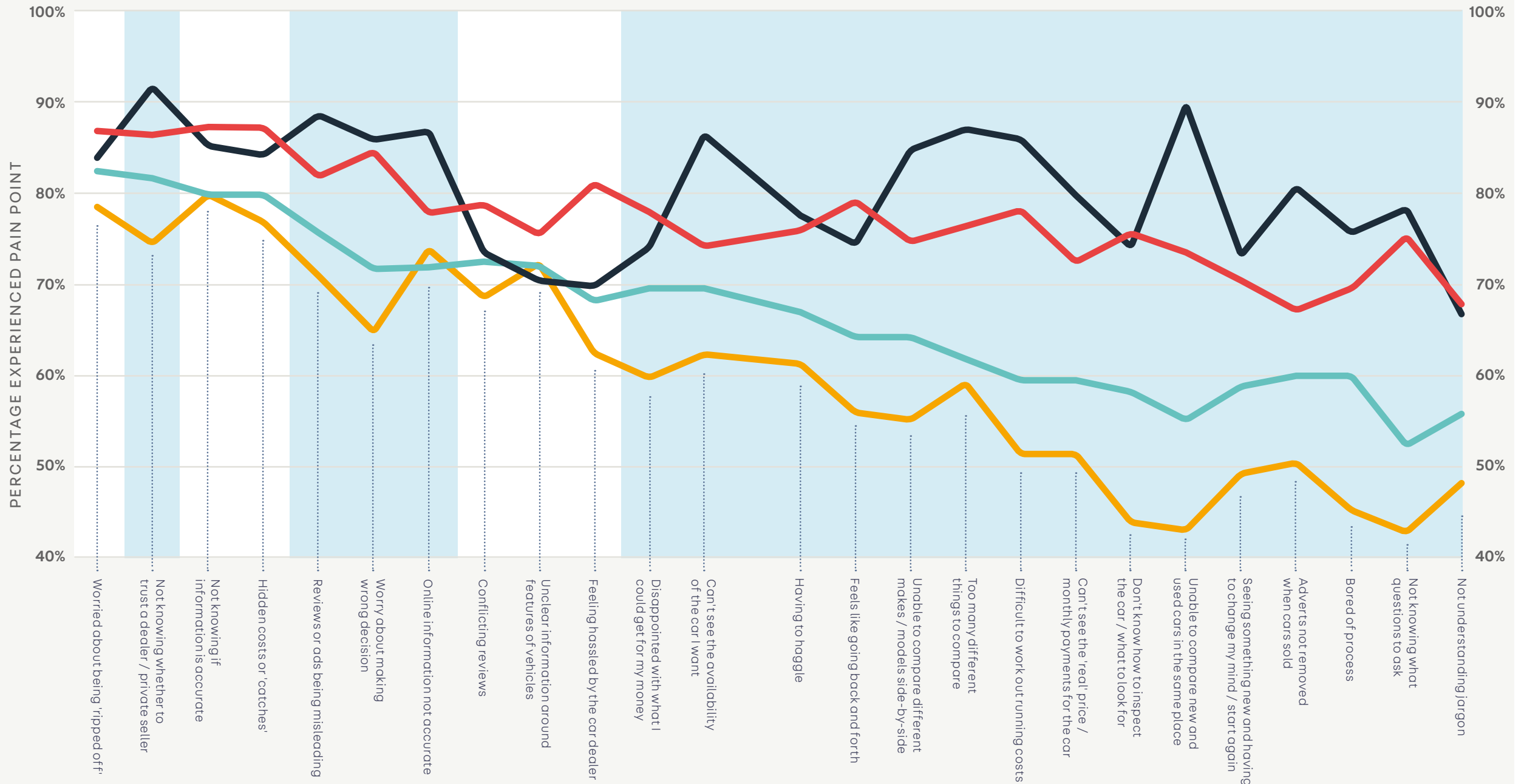
On average car buyers consider:



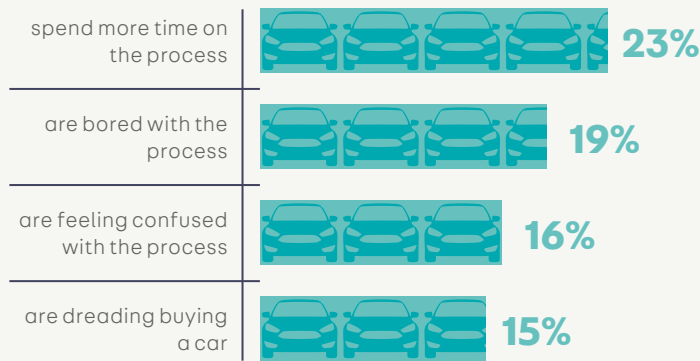
Consumer pain points by age

18-24-year olds are feeling the pain points across the whole journey more than older buyers in part because of less experience, but also expectations are higher.

Age range (years): 18-24 25-44 45-64 65+



The result of car buying 'pain points' means consumers...



42%
of consumers say they're unlikely to carry on in the process

The impact on the industry:

These pain points are resulting in consumers not only having to spend more time on the car buying process (23%), but also feeling confused (16%), bored (19%), and most concerningly, dreading buying a car (15%). With 42% saying they're unlikely to continue in the process, the chaotic and non-linear nature is having a profound impact on the industry.

For one, with more than one in three (39%) buyers claiming they would have bought their car sooner if they'd had a smoother process, it's dramatically slowing sales; easier completion of car buying jobs would lead to faster sales and to more cars bought throughout their lifetime.

The user and customer experience in other industries – retail and travel in particular – are evolving rapidly, which means consumers' expectations around ease and simplicity are increasing at a similar rate. Unless the car buying process can catch up, the pain points will only become more acute.

As you'd expect, younger consumers who grew up with the internet find the

current method of buying a car more difficult than their older counterparts. 86% of under 24s want the car buying process to improve, which is not surprising when 87% are unable to see the availability of the car they want, 90% are unable to compare new and used cars in the same place, and 92% are unsure as to whether they can trust a retailer.

33%
of car buyers claim they would have bought their car sooner if they'd had a smoother experience



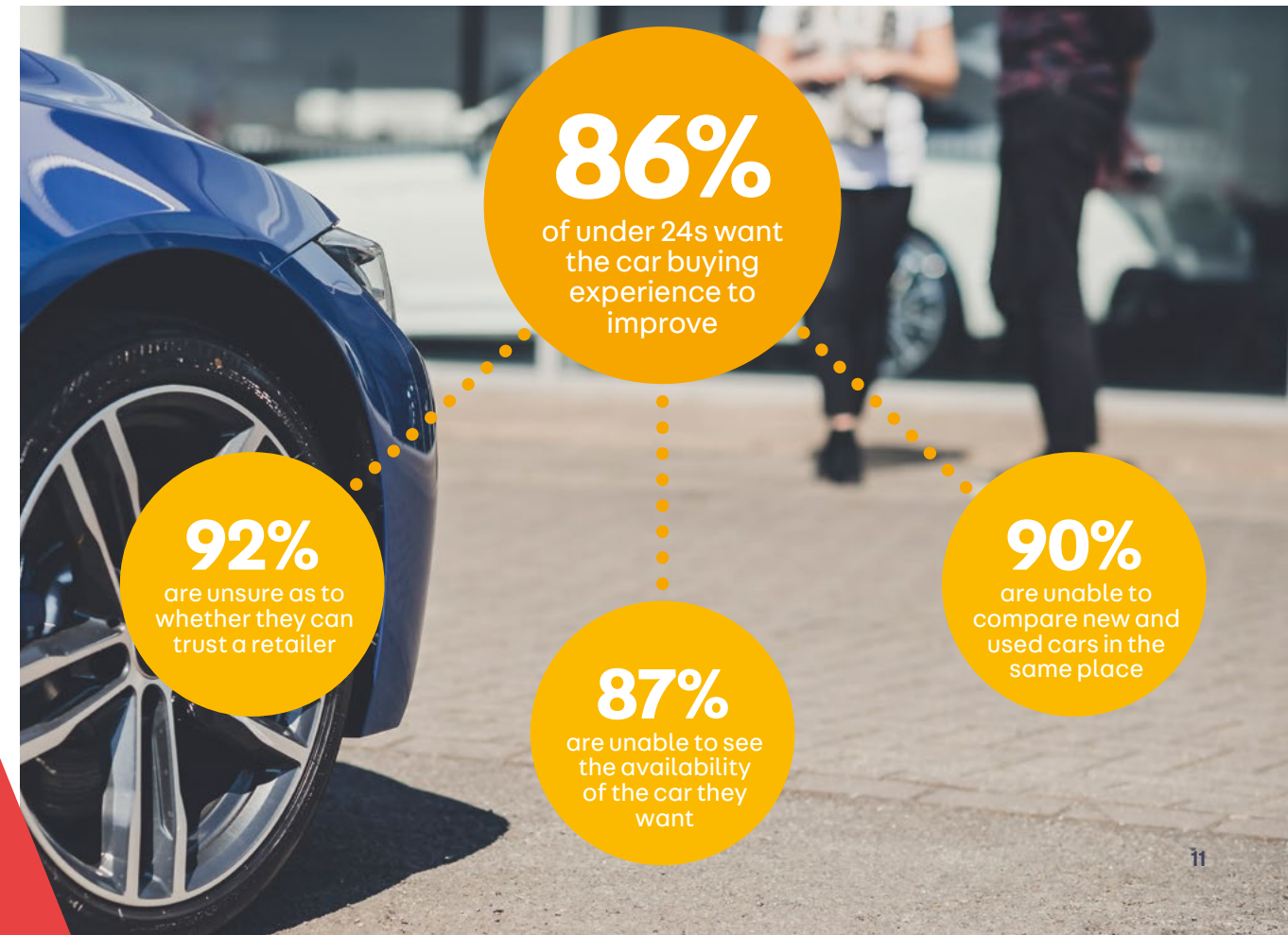
The accelerators to purchase

Our research has highlighted that car buyers experience jobs rather than journeys, the majority of which help them feel 'showroom ready' i.e. sufficiently prepared to enter a dealership with intent to buy. They're looking to understand the real price of a car, whether it's fair, available and the right choice, as well as locate a retailer they can trust, all of which takes place online. However, as we've seen, these jobs are a pain point and slow them up.

Underpinning just how fundamental retailers are in the car buying process, the findings reveal just how positive an impact finding the right dealer can have on the experience. In fact, a third (34%) of consumers who bought a new car and more than a quarter (26%) of those who bought second-hand, said

that speaking to a helpful retailer was the biggest accelerator to purchase. Being offered a good deal from a retailer was second (32% for new car buyers, 28% for used).

Therefore, whilst the findings don't paint a positive picture of the car buying process, there is a huge opportunity for the industry in making these online jobs better and connecting consumers with the right retailer earlier. This is then complemented by retailers which provide an exceptional online and offline experience. By disrupting the process, either through small but impactful incremental steps, or by taking more profound action, manufacturers and retailers can make the process of buying a car more efficient, faster, and, crucially, more profitable.



03

How do we improve the car buying experience?

Our research highlights that car buyers are looking for the experience to be improved in four key areas:

1) Speed:

The jobs that need to be done can't be avoided, however the speed in which they're completed can be improved by making it more efficient and ensuring the right support is easily accessible.

Fast response:

Whether via email, text or phone calls, retailers should respond quickly to customer enquiries and provide accurate information that will help them in their process. Slow responses add to the frustration and slows the process down even further. Any feeling that details are being withheld reinforces the idea they have to be 'showroom ready'.

Be proactive:

Retailers and brands shouldn't wait to be asked for information; pre-empt the detail they'll need to make a purchase decision and offer it at every possible consumer touchpoint: on websites, on listings, when responding to enquiries, and especially during the dealership experience.

2) Transparency:

Transparency is one of the fundamental issues consumers face during the car buying process – the lack of clarity around pricing, hidden extras, stock availability and finance deals are all pain points that make the experience more frustrating than it needs to be.

'Real' price:

Struggling to work out the 'real' price is one of car buyers' biggest frustrations, particularly amongst younger consumers: 80% of 18-24-year olds identified it as a pain point. Brands and retailers should feature the total cost of a car including the RRP and the monthly cost, ensuring the APR and balloon payments are all clear. Where possible include the running costs too as 80% of car buyers find it difficult to work out.

Avoid catches

Retailers must avoid administrative or 'process' fees: 83% of buyers considering a new or used car identified hidden costs or 'catches' as a major pain point, perpetuating the reputation of dealers as untrustworthy.

Finance:

One in five think the process of buying a car is more difficult because of finance. Take every opportunity to explain it to them, online and offline.

Promote owner reviews:

Don't underestimate the value of an owner or customer review: 65% of both new and used car buyers consider owner reviews more helpful than those in an article.

3) Ease:

The research underpins how difficult buying a car is. Consumers know the information they want or need, but it's difficult to source it: the right price, detail on the specs, the costs, and the technical information is often hard to locate.

Access to information:

Brands and retailers should make it easy for customers to access all of the information they may need to make a purchase decision - avoid burying it behind layers of jargon.

Stock availability:

Often a car buyer will only discover their choice is not available once they're ready to purchase, potentially wasting weeks of research and job completion: 73% of new car buyers experienced this pain point. Alleviate this frustration by making it easier for them to source online.

A great dealer experience is more likely to make 77% of consumers buy a car from them and 79% to return

Don't hide monthly payments:

Nine out of 10 cars are bought on finance, but most people start a new search by looking for total price because searching by monthly payment is hidden.

Showroom experience:

Visiting a dealership remains a daunting process; remove the stress and make the experience an easy one. To one in five car buyers a great dealer experience means neutral advice and opinions (not a hard sell) and for 17% it means understanding their needs and making an appropriate recommendation. Explain the features that will genuinely benefit them. A great dealer experience is more likely to make 77% of consumers buy a car from them and 79% to return.

4) Simplicity:

The process of buying a car is complex and full of inefficiencies. There is a big opportunity for brands and retailers to make it simpler for consumers to understand and compare the huge variety of options available to them, such as finance, type of car, where to buy etc.

Comparison:

Brands should add comparison functionality to their websites, which includes new and used cars together – car buyers do not search in silos and the inability to compare side-by-side is particularly frustrating, especially to young people. 90% of 18-24-year olds saw this is a major pain point.

Blended retail:

The average car buyer spends 14 hours researching before entering a dealership; treat them accordingly to avoid frustration and slowing up the process. Be sure to make the online and offline transition a connected, efficient and transparent experience.

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 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.

For more information, please visit:
<http://about-us.autotrader.co.uk>



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