

CAR BUYING UNFOLDED
A DEEP DIVE INTO TODAY'S
BUYING BEHAVIORS AND
PREFERENCES

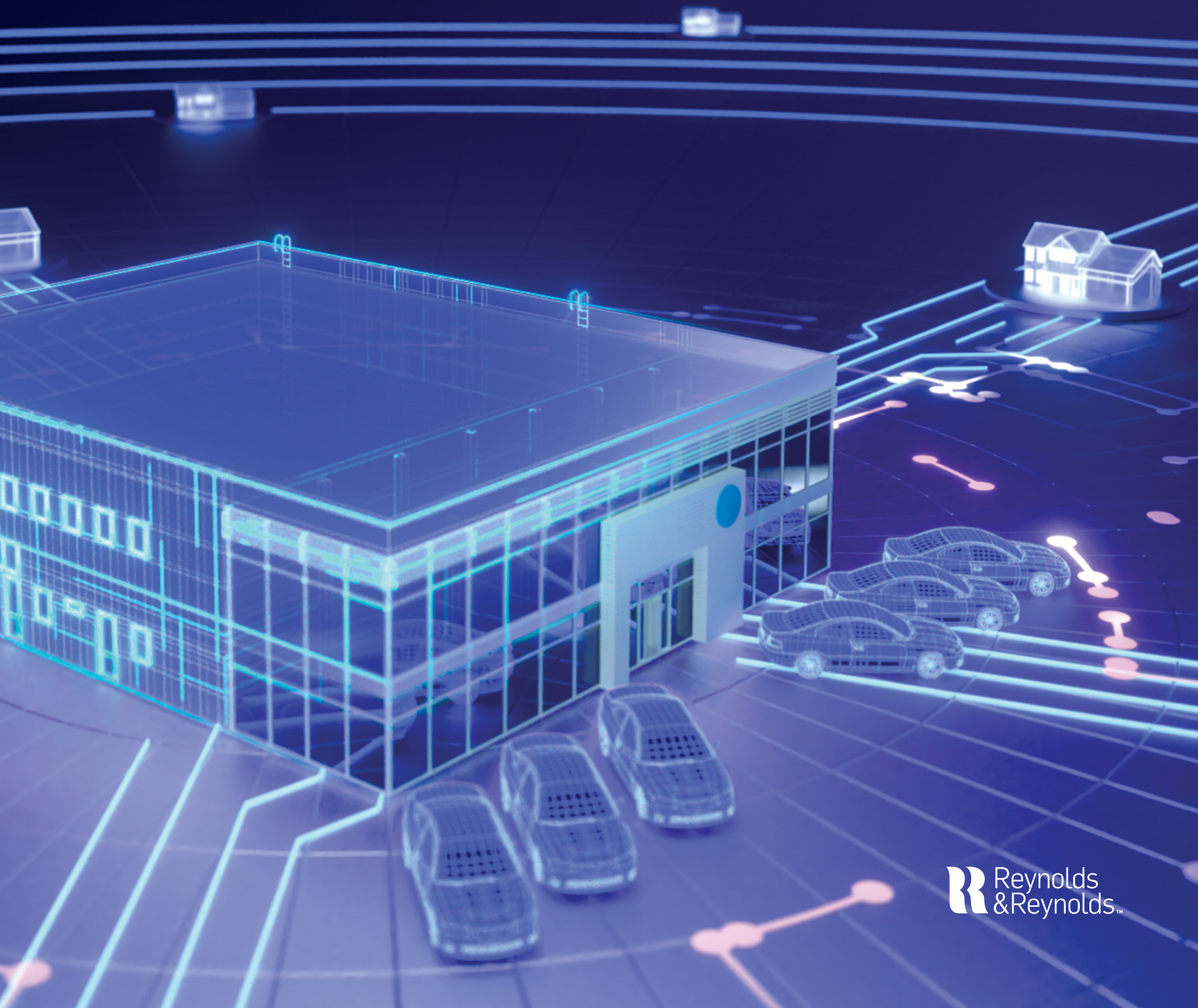


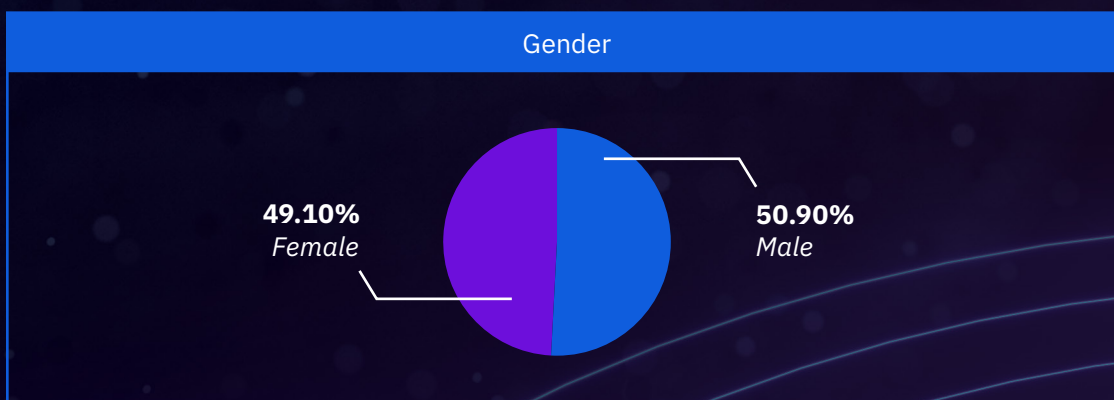
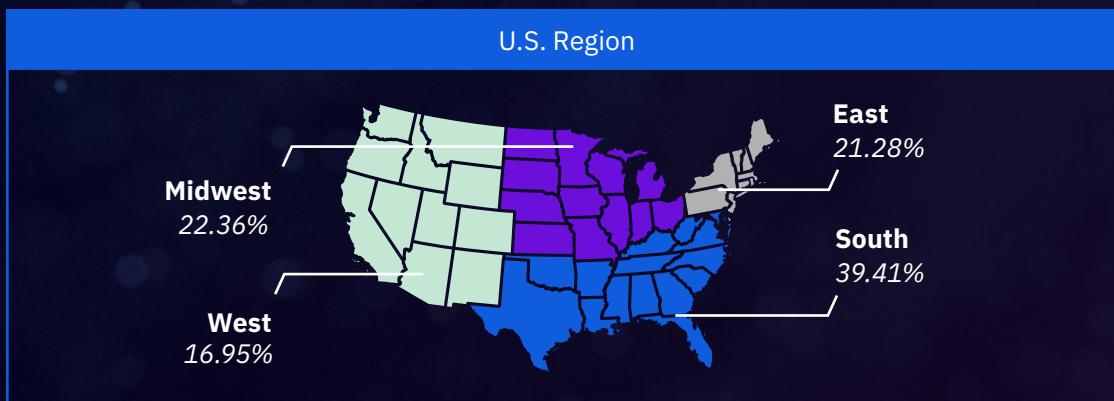
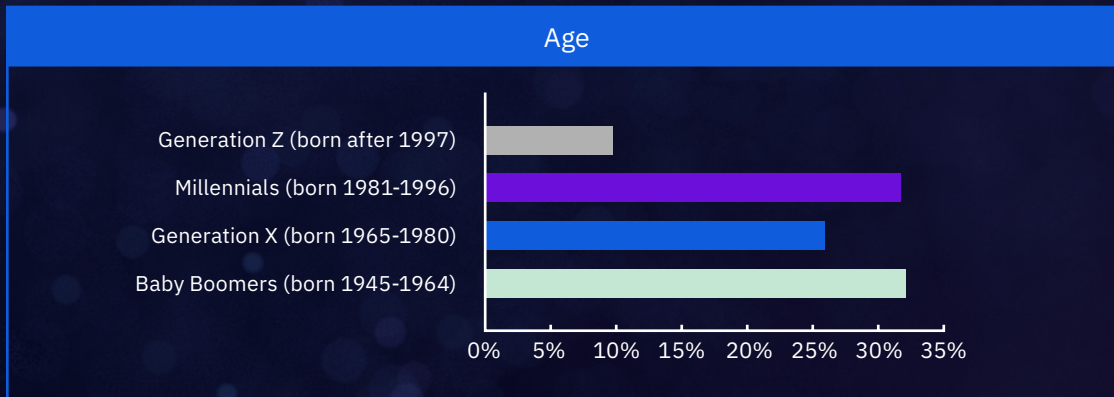
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ABOUT THIS STUDY

This report includes survey responses from 1,015 U.S. consumers. The goal of this report is to identify what consumers see as the most valuable pieces of the car buying process, whether in-store or online, as well as explore how they perceive the experience. Based on these preferences and needs, you'll be able to understand what this means for the current state and future of your store.

The age, location, and gender of consumers surveyed were evenly dispersed:



SETTING THE STAGE FOR CAR BUYING

No matter how consumers ultimately complete their purchase, nearly all start their research online. What's interesting is the time spent in the research phase is shrinking. Nearly a quarter of respondents spent less than three hours researching.

How many hours did you spend researching online before you purchased your last vehicle?

Hours Spent	
Less than 3 hours	22.66%
3-5 hours	17.54%
6-9 hours	14.98%
10-12 hours	16.65%
13-15 hours	8.97%
16-18 hours	3.55%
Over 18 hours	15.67%

What portions of research were completed online?

Online Research	
Researched different vehicle makes and models	54.98%
Researched dealerships	50.74%
Researched available inventory at specific dealerships	37.64%
Calculated estimated payment	33.40%
Calculated estimated trade-in value	26.31%
Filled out the credit application	15.96%
Submitted a lead for desired vehicle	10.25%

Fewer and fewer respondents completed each subsequent phase of the research process online. After submitting a lead form, the shopper either continues the process online or moves in-store.

Time spent researching isn't the only timeline shrinking.

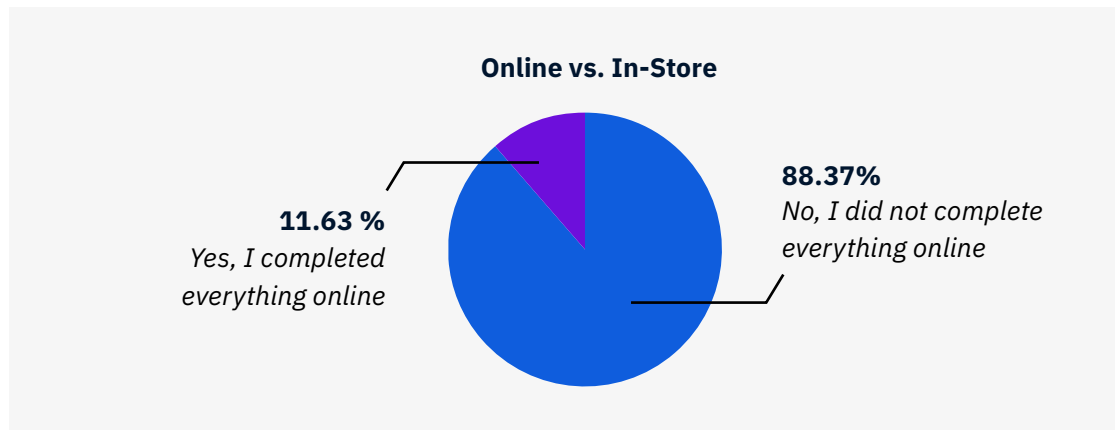
Nearly 40% of purchases are made within one week of initial research.

How much time passed from the time you started researching to the time you actually purchased?

Time Spent	
Same day	7.19%
Within a few days	15.07%
Within one week	17.44%
2-3 weeks	23.74%
One month	13.40%
2-3 months	9.36%
More than 3 months	13.79%

A quick purchase would lend itself to buying online; but when asked, most respondents visited the store to complete their transaction.

Did you complete your entire vehicle purchase online?



Applying this to your dealership:

You have a short window of opportunity, about seven days, to provide the right amount of information and convenience to consumers as they're engaging in one of the most important parts of the car buying process: online research.

There's a lot that goes into this phase of the process. Consumers want to find the right vehicle, calculate payment estimates, and even start the credit application. If you can't supply these offerings during the "research" phase, you won't see those customers when it comes time to finally purchase – whether online or in-store.

MAKING THE SALE ONLINE

Let's look at how car buyers interact with dealerships and how they value their experiences. We'll break this down into two types of buyers: the online buyer and the in-store buyer.

UNDERSTANDING THE ONLINE BUYER

11.63% of respondents said they completed their last vehicle purchase online. This subset of customers was asked again if they visited the dealership for any reason at all, and 77.59% still had to visit the dealership for one reason or another. Meaning of the total survey respondents, a mere 2.56% purchased 100% online.

When asked about their online purchase experience, their satisfaction level was above average, with a score of 7.97 on a 10-point scale. 39% said convenience was the driving factor.

Purchase Time

53% of respondents said their online purchase took one to two hours, and **19%** said it took less than one hour.

We also asked respondents how long they felt each portion of the buying process should take. Surprisingly, buyers don't expect a quick online experience. In fact, they have lower expectations than in-store buyers.

What is your perception of how long each phase of the car buying experience should take?

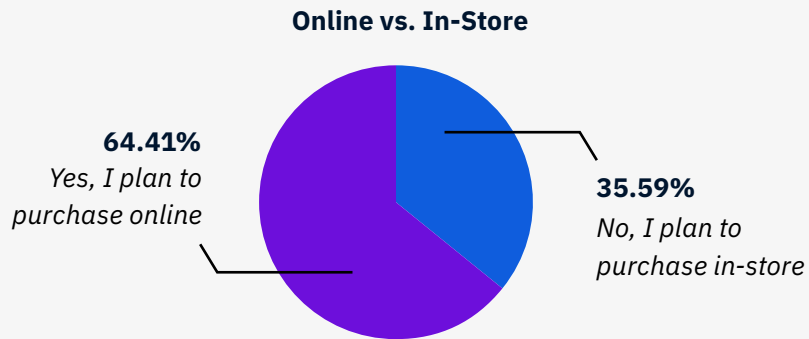
Portion of the sale	Less than 20 minutes	30-59 minutes	60-89 minutes	90-119 minutes	More than 120 minutes
Receiving a trade valuation	20.69%	33.62%	25.00%	12.07%	8.62%
Negotiating price	28.70%	26.09%	26.09%	13.91%	5.52%
Evaluating and selecting add-on F&I products	22.61%	33.91%	28.70%	10.43%	4.35%
Signing paperwork and completing F&I	18.26%	33.04%	28.70%	14.78%	5.52%

❖❖ Pit Stop ❖❖

Communication is key when buyers are shopping online. You need to educate your potential customers on what they can expect doing business with you, including being upfront about a time commitment and providing as much information as possible. Consumers appreciate direct and straightforward communication; and with the hefty price tag of a new vehicle, they will appreciate you for it too.

We then wanted to understand whether or not these online buyers would continue with the online buying experience for their next vehicle purchase. 35.59% will not repeat the experience.

If available to you, do you plan to purchase your next vehicle online, without going to the dealership?



The Value of Online Buying

The good news is consumers are willing to pay more for their vehicle if the dealership offers the following portions of the deal online:

How likely are you to pay more for a vehicle if the following services are offered online?

Portion of the Sale Completed Online	Extremely Likley
Filling out the credit application	48.93%
Selecting applicable rebates, discounts, or incentives	56.10%
Working with the dealership to come up with your exact payment/price	60.68%
Providing a down payment	57.63%
Reviewing and selecting aftermarket F&I products, like GAP, service maintenance, etc	59.49%
Signing all paperwork	58.48%

There are three driving factors contributing to the perceived value of these options:

Convenience
31.27%

“The idea of looking at all options available.”
“Not having to commute to dealership from rural area.”

Less Pressure
29.07%

“I can look at the vehicle as long as I want, without feeling any pressure to buy it right now.”

Safety
9.25%

“I like the fact that I do not have to take the risk of going to a showroom during a pandemic.”
“Not having to come in contact with strangers.”

Applying this to your dealership:

Despite being in the minority, online buyers are out there and acceptance will continue to grow as our world becomes more digital in general. You need a sales process that meets these consumers wherever they are, providing them the convenience and safety they expect. Though these buyers are patient, your website should have accurate and detailed information regarding the process and how it will work. Be upfront with them on this piece and they'll thank you later. And don't forget about the reason why they came to your virtual showroom to begin with – to buy a car. All vehicle listings should have relevant information such as pictures and videos, mileage, and discounts available. And the customer needs to be able to structure their deal on the website. All the while, allow your sales and F&I staff to be involved during the process, whether that's through texting, chat, or a virtual presentation experience.

MAKING THE SALE IN-STORE

UNDERSTANDING THE IN-STORE BUYER

You might be in a rush to cater to your online buyers, but traditional, in-store buyers still make up the vast majority. 88.37% of respondents purchased their last vehicle in-store, and 74.29% plan to stick with the in-store experience for their next purchase. Let's digest this segment a little deeper.

It's important to note that just because these are classified as in-store buyers, meaning they ended their buying journey in the dealership, doesn't mean they didn't have a blended experience.

What portions of your vehicle purchase did you complete online or without going to the dealership?

The Buying Journey From Start to Finish	
Researched different vehicle makes and models	56.08%
Researched dealerships	53.51%
Researched available inventory	37.79%
Calculated estimated payment	33.11%
Calculated estimated trade-in value	25.98%
Submitted a lead for a desired vehicle	8.92%
Filled out the credit application	13.94%
Selected applicable rebates, discounts, and incentives	10.81%
Worked with the dealership to come up with exact payment or price	12.93%
Paid a down payment	7.59%
Reviewed aftermarket F&I products	8.03%
Signed all paperwork	4.24%

A lot of in-store buyers are starting their journey online, but the further they get into the buying process, they start to drop off and make the switch to in-store.

What brings buyers into the store? Not surprisingly, the number one reason respondents choose to purchase in-store was to test drive their vehicle before making a decision.

What was the main reason you chose not to purchase your vehicle online and instead visited the dealership?

In-Store Purchasing Reasons	
I wanted to test drive the vehicle	52.48%
The dealership didn't offer an online purchase option	13.66%
I wanted to see if I could get a better deal in-person	11.29%
I had car-related questions and wanted to talk with someone in person	9.14%
I had deal-related questions and wanted to talk with someone in-person	9.03%
Other	4.40%

❖❖ Pit Stop ❖❖

The test drive has proved to be a main factor for those wanting to do business the “old fashioned way”. With such a big purchase on the line, consumers don't like the idea of making a purchase decision without having the touch and feel experience, verifying the vehicle's quality, and understanding its features. This is where the tried and true dealership model truly succeeds.

We took this one step further to identify how many in-store buyers have pieces of the transaction that absolutely must be completed in-person, and 59.09% said yes, there are. Top responses were:

- The Test Drive: **39.43%**
- The Trade In Inspection: **11.70%**
- The Signing Ceremony: **10.37%**

Reasons for wanting these aspects available in-store included:

BUILD TRUST
A HUMAN INTERACTION
BEING ABLE TO GAUGE BODY LANGUAGE

SECURITY
ASK QUESTIONS
Some consumers simply don't feel comfortable working through a large purchase in an online environment.

In-store Satisfaction

Much like online buyers, overall satisfaction for the in-store experience landed a 7.59 on a 10-point scale, mainly because of the human interaction and having the test drive to confirm their purchase decision.

Of course, the in-store experience has a few gaps to fill. When asked what respondents did not like or what could be improved about the in-store purchase experience, top answers were:

- 1** *How long the process took / how long they had to wait*
- 2** *Pressure from salespeople*
- 3** *Inaccurate or changing offers*

Speaking of time, we asked respondents how long they thought the in-store car buying process should take.

What is your perception of how long each phase of the car buying experience should take?

Portion of the sale	Less than 20 minutes	30-59 minutes	60-89 minutes	90-119 minutes	More than 120 minutes
Receiving a trade valuation	40.20%	39.64%	13.74%	3.49%	2.93%
Negotiating price	41.31%	37.81%	13.32%	5.08%	2.48%
Evaluating and selecting add-on F&I products	44.88%	35.77%	13.61%	4.27%	1.46%
Signing paperwork and completing F&I	39.80%	39.80%	13.75%	3.95%	2.71%

In-store buyers are less forgiving compared to online buyers. They expect a faster experience, and their comments on the overall wait time were apparent; it’s simply unenjoyable.

No Man’s Land

“It should not take hours.”
“Lots of sitting around, just waiting.”

The Work in Paperwork

“The paperwork took forever.”
“Waiting on F&I to be available for signing.”

Back and Forth

“The back and forth could have been prevented if the salesman had his information together.”
“I did not like being shuffled from one person to the next.”

Applying this to your dealership:

Even with growing demand for online experiences, the vast majority of consumers still want to visit your dealership for one reason or another. You have to tailor the buying experience to each customer and maximize the value you are providing. If you are providing value, customers will pay for the experience. The key is knowing what portions of the vehicle sale the customer values having online vs. in-store and then being able to meet that need with a hybrid experience that is consistent no matter where the customer is.

THE ROLE OF FINANCE AND INSURANCE

The finance and insurance department has been one of the most challenging areas to move to an online environment. We wanted to understand how buyers value and perceive F&I, and the impact F&I has on the overall purchase experience.

How familiar are you with the F&I department and traditional products such as GAP Insurance, Service Maintenance Packages, and Extended Warranties?

Familiarity	
Not at all familiar	12.22%
Not so familiar	19.80%
Somewhat familiar	39.90%
Very familiar	16.95%
Extremely familiar	11.13%

28.08% of respondents were very or extremely familiar with traditional F&I products while a combined 71.92% fell between somewhat and not at all familiar.

When asked how important it was to speak with an F&I expert about the available products, 40.15% said it was extremely important to speak to someone while they were shopping online.

Almost half of respondents feel a poor sales and F&I experience will have a strong impact on whether or not they decide to do any type of business with you in the future, from purchasing additional F&I products, another vehicle down the road, or even bringing their vehicle in for service.

How likely would a poor sales and F&I experience affect your decision to:

	Purchase Additional Finance Products	Purchase a Future Vehicle at Same Dealership	Service Your Vehicle at Same Dealership
Not At All Likely	20.77%	18.77%	18.37%
Somewhat Likely	36.40%	35.46%	37.13%
Extremely Likely	42.83%	45.78%	44.49%

Applying this to your dealership:

Over 70% of consumers do not fully understand the products sold in F&I; which is likely why they find value in speaking with an expert. Maintaining this connection is important to selling aftermarket products, no matter where the customer is.

F&I managers simply need to be present for the buyer, regardless if they're online or in-store. Without the guidance from an F&I manager who can explain the value and educate customers on the products, consumers are not confident in what they're buying. Layer that with a perceived bad experience and you've dramatically lowered the likelihood of the customer returning for service or their next vehicle purchase.

BALANCING TODAY'S CAR BUYER

There really isn't an online buyer or an in-store buyer. 11% of consumers said they purchased online, but this was their perception. A much smaller percentage, only about two percent, actually completed the entire purchase 100% online, leaving the majority of consumers as "hybrid" buyers. Online buyers complete as much of the transaction online as they can, but they ultimately find themselves going through the motions for the test drive and signing paperwork in-person. And for in-store buyers, nearly all went through a meaningful portion of the buying process online before stepping foot on the lot.

You need to provide a seamless transition from one point of the buying process – online – to the other – in-store. You must be prepared for an online customer to move in-store at any point. No matter where your customers are, it's up to you to provide the consistent experience they expect.

Even for the 2.56% of consumers buying completely online, human interaction is critical. 40.15% of respondents want to speak with an F&I manager about available products, mainly because they're simply not familiar with what suites them best. Providing engagement during this portion of the process is largely founded on the tools you give your F&I managers. You may be virtual, but you can still be interactive and present, and the customer can still be engaged. This type of interaction is what feeds into long-term business.

At the end of the day, dealerships must find a balance between online and in-store buyers without sacrificing what's important to you... control and profitability, accuracy, and efficiency.

To learn more about how you can achieve this balance, visit reyrey.com/retailanywhere.

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