

SPECIAL REPORT

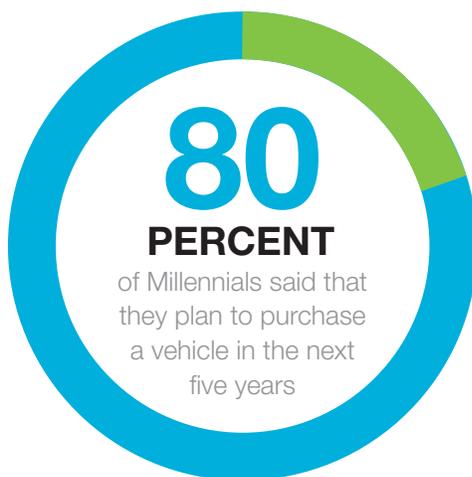
Millennial Car Shoppers

by Tess Karesky, Market Research Analyst



Why Millennials?

Between 2012 and 2013, there was a deluge of articles fretting over the Millennial car buyer, or rather the lack thereof. *Is America's Love Affair with the Car Over?*, *Why Don't Young Americans Buy Cars?*, and *Millennials Reject Cars* were only some of the handwringing articles written on the topic. Understandably, the auto industry gets concerned when such a huge portion of the buying public is not, well, buying. However, it was not lack of interest that was keeping this group out of the market. Millennials were hit particularly hard by the recession. High student debt and low job prospects made spending on anything difficult, let alone big-ticket items like cars. While these fretful articles were popping up, the youth unemployment rate hovered over 16%¹, and most employed Millennials had low-income jobs. A car just wasn't in the budget.



But, fear not! The economy is recovering, youth unemployment is at its lowest since 2008, and Millennials are buying cars. Eighty percent of Millennials said that they plan to purchase a vehicle in the next five years². At 80 million strong, and with more than \$200 billion in annual buying power³, there are plenty of sales to be generated from Millennials. In this piece we will tell you who Millennials are, what they want, how they buy, and most importantly, what you should do to reach them.

Who Are They?

We define Millennials (aka Generation Y) as people born from 1980-2000, but there is no definitive agreement on the age range. They are the most diverse generation in U.S. history at 60% White, 19% Hispanic, 14% Black, 4% Asian, and 3% mixed race or other³. Millennials are also the most educated, but this has come at the premium of holding the most student debt in U.S. history. This financial burden might correlate with their behavioral trends like getting married later, having kids later, and buying houses much later.

Don't let them know they're being lumped together by demographics though. Millennials place a high value on their individuality. Forty percent say that they like to show off their taste and style, as evidenced by their numerous social media profiles⁵. This same principle applies to their altruism. Despite the "Me Generation" label, Millennials volunteer more often than older generations, promote more causes online, and are more likely to aim their purchase power toward companies that support

causes they care about⁸. Millennials are the first of the digital natives, the tech-savvy kids brought up in the digital age. As a result, they are hyperconnected to their devices. More than 80% sleep with their mobile devices⁴. They adopt new technology earlier, spend significant parts of their day with digital media and produce more user-generated content online. When asked an open-ended question about what makes their generation unique, one in four answered technology use.

How Do They Buy?

Millennials use their tech skills to do some heavy research before buying. On average, they spend more than 17.6 hours shopping for cars online before ever stepping foot on the lot⁵. The top sources for research are third-party ratings and review sites, which ranked number one with a whopping 82%⁵. They consult Yelp before going to a restaurant, read reviews on Amazon before buying a product, and you'd better believe that they want to know the reputation of the car and dealership before they go in to buy. In keeping with that theme, their second most trusted source is word of mouth from friends and family. This is also how they are most likely to be introduced to a new car. Unlike older generations, Millennials are doing very little research at the dealership.

The dealer website is still incredibly important. Sixty-two percent say that they use the dealer site as a source of information, significantly higher than original equipment manufacturer (OEM) websites at 38%⁵. This is also the biggest opportunity for the dealer to influence the shopper. Almost three-quarters of Millennials end up purchasing the make/model they have in mind when they visit the



dealership⁵. In general, they have a higher opinion of dealers than their older counterparts, but still have reservations about the car buying process. According to MTV's research branch, 80% believe that buying or leasing a car should take less time, 71% say that ratings and comparisons among vehicles are unclear, and 87% say that the buying process should be more transparent¹⁴.

It is essential that dealers make their websites functional on mobile devices and desktops. Eighty-five percent of Millennials access the Internet via mobile devices. Eighteen percent of that group exclusively use mobile for browsing⁹. Smartphones are being used increasingly for shopping and car shopping is no exception. A poor mobile experience can turn shoppers away quickly. A majority of Millennials said they wouldn't wait more than five seconds for a page to load on a mobile device¹⁰. In addition to slow load times, lack of mobile optimization, interactive features, and quality photos were the top complaints about mobile shopping¹⁰. Essentially, Millennial shoppers expect to get the same quality shopping

experience no matter what device they are using.

What Do They Want?

Affordability cannot be emphasized enough. The top reasons Millennials say they don't own a car are purchase and maintenance costs⁵. After watching the economy nearly collapse, and being saddled with the weighty baggage of student loans, they're not looking to add to their debt. This doesn't just apply to cars; they are all around frugal shoppers. Deals account for 31% of their shopping dollar, and several of the top 20 apps they use are focused around discounts⁶. While all generations want less expensive, more fuel-efficient vehicles with more affordable payment or lease options, Millennials register these concerns as having particularly high importance². They are more likely to buy if it seems like a financially viable purchase with good value.

As mentioned before, individual identity is particularly important to Millennials. Everything from their latest meal to their 5k run gets put on social media in an effort to build their personal brand and reinforce their individuality.



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A car isn't just a resource to get from point A to point B, but a statement about who they are. Thirty-three percent of Millennials said that they want a car that stands out⁷ and 48% said that they want a car that reflects their personality⁵. Knowing that personalization and affordability don't always mesh, nearly half said that they would be willing to pay more for products that are consistent with their image⁵.

Being the digital-native, mobile-reliant bunch that they are, it's unsurprising that Millennials want advanced technology features in their cars. Nearly three-quarters say that infotainment features such as navigation or MP3 connection are must-haves⁵. Easy phone connectivity is also important. With phones being replaced considerably more often than cars, Millennials need a system that can adapt to new technology without too much difficulty. Safety technology is also significant for a majority of Millennials. Technology that recognizes the presence of other vehicles is ranked particularly high at 75%². In addition, there is a high interest in alternative powertrains because of the perception that it will save money on fuel (not because of environmental concerns, as some might assume). Sixty-five percent said they were willing to pay more for alternative powertrains, though only 47% are willing to pay over

\$2,000 more, showing that entry cost still rules².

How Do You Reach Them?

If you can't reach and connect with your audience, the right vehicle won't get you very far (figuratively, of course). Millennials are inundated with advertising everywhere they turn and it can be hard to stand out from the noise. First, it is important to reach them on the right platform. TV is moving to streaming and most Millennials haven't picked up a printed newspaper since they were kids looking for the comic section. On average, 18-34 year-olds spend four full days a month online and have the highest ad engagement on digital platforms⁹. Targeted marketing on websites, social media, streaming sites like Hulu, and mobile apps will be the most effective areas to reach Millennials.

How you're marketing is just as important as where you're marketing. Marketing strategies that incorporate participation and experiential campaigns have proven particularly effective with this demographic. Millennials want to engage with brands and create their own content. They outpace older generations by 40% in uploading online content, and user-generated content accounts for a quarter of the searches for the top 20 brands⁹. Ford combined participatory and experiential marketing to introduce the Ford Fiesta in the U.S. to great success. The campaign involved a contest for fans to submit video applications to become "Fiesta Agents". The winners drove Go-Pro mounted Fiestas for several months, completing missions and posting about it on social media along the way. In return for their creative efforts, from 2009 to 2013, Ford saw an 80% increase in sales for shoppers aged 18-34, compared to the industry overall increase of 35%¹¹. In a 2015 study of Millennials favorite brands,

Ford was the only automaker to break the top 20¹². With the right campaign, a significant portion of the marketing is actually done by the people you're marketing to. This increases peer recommendation, helps build brand identity and makes sales.

Another important factor that makes a company stand out to Millennials is affiliation with a cause. Since Millennials don't have a large disposable income to donate, they try to use their spending in socially conscious ways. Consumers 35 and under are more likely than their older counterparts to buy products when their purchase supports a cause, they have a better impression of companies that engage in cause marketing, and they consider it easier to donate to a cause through a company's program⁸. Promoting causes through social media is a great way to engage this group. Two-thirds of Millennials use social media to interact with companies around social and environmental issues, and one in five will leverage their social profiles to directly support and champion brands' social efforts¹³. Giving back can be good for the community as well as the bottom line.

Recap: What You Should Do

The 2015 headlines about the Millennial car shopper all say something along the lines of "Surprise! Millennials Do Want Cars", to which a Millennial might reply "duh." They will buy cars if you have something affordable that they like. Make sure you're highlighting value. Keep in mind that lower entry cost isn't the only way to create enticing pricing. Longer payment terms that lower the monthly cost are more likely to fit the Millennial budget and might

allow shoppers to opt for a higher priced vehicle. Service bundles will help alleviate concerns about maintenance costs and get the customer spending their service dollars at the dealership. Parts and accessories specials also give more opportunity for personalization.

Millennials are not likely to respond to the same marketing strategies that their parents respond to. This generation lives in the digital space. Make sure ads and websites are mobile adaptive, or better yet, have a separate mobile strategy. Consider “pull” marketing that invites the audience to engage with the product or brand. Don’t forget to

maintain online reputation or these heavy researchers will be driven away by poor reviews on third-party sites. Offer clear and easy to read information on your website. Not only does this build trust with the consumer, but it also keeps them from leaving your site to get information elsewhere.

With enough leg work done online, there should be little more to do once Millennial customers get to your dealership than hand them the keys and help them pick out an ironic air freshener.



About the Author

Tess Karesky is a Market Research Analyst with CDK Global specializing in automotive audience segmentation. She has researched the behavior and habits of luxury, Millennial, Hispanic and female shoppers, in addition to other consumer groups. Her findings include insights into optimizing web content, reputation, advertising, digital marketing, on-lot experience and customer retention. Her work has been presented to automotive executives with Audi, Lexus, Infiniti, Nissan, and GM. Tess can be reached at kareskt@cdk.com.

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