

THE NEXT GENERATION CAR BUYER MILLENNIALS

WHAT YOU NEED TO KNOW

ABOUT THE STUDY

Born after 1980¹, the 75-million-strong Millennial generation is nearly as large as their Boomer parents. This group is so large that Autotrader broke it into two sub-groups: **Young Millennials** (ages 16–24, 92% single) and **Older Millennials** (ages 25–32, 53% married). And as a total group, Millennials are the most diverse, most educated, most socially conscious and most tech-savvy group the world has ever known. As more and more hit their career stride, their shopping needs and preferences will drive the market and make-or-break car manufacturers.

Despite that, Millennials are not ideal customers today — many carry college debt, and unemployment among them is currently high compared

to other demographics — tomorrow, however, this generation is projected to be the wealthiest ever. They will wield a buying power that eclipses Boomers' wallets by nearly a third (\$3.4 trillion vs. \$2.8 trillion).² In the next 10 years, **40%** of all new vehicles will be sold to Millennials, and they'll be buying cars for the rest of the 21st century.³

The **Next Generation Car Buyer** reveals Millennials' relationship with automotive brands and their car-shopping process. More importantly, it provides implications for what manufacturers should be doing now to lay the foundation that will support the relationship between this important contingent of car buyers and automotive brands for decades to come.

MILLENNIAL TRAITS

OPTIMISTIC (despite coming of age in the Great Recession)

51% Think their personal economic situation will be better in a year⁴

42% Think they will be better off than their parents⁵

INDIVIDUALISM

32% Like to impress people with their lifestyle (Gen X 20%, Boomers 6%)⁶

40% Show off their taste & style (Gen X 29%, Boomers 13%)⁶

DEEPLY TRUST THE EXPERIENCE OF OTHERS

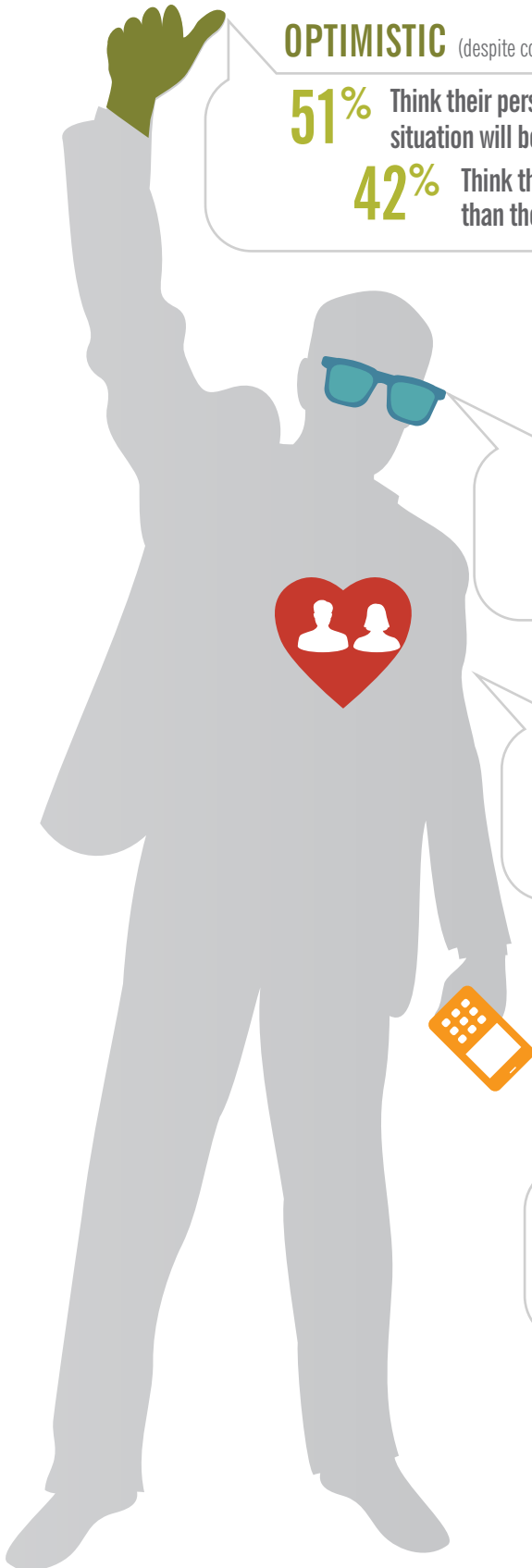
46% Rely on word-of-mouth (WOM) when making purchases (Gen X 39%, Boomers 24%)⁷

41% Read customer reviews weekly (Gen X 40%, Boomers 25%)⁷

TECH-SAVVY & HYPER-CONNECTED

80% Texted in the past 24 hours (Gen X 63%, Boomers 35%)⁷

83% Sleep with their mobile device (Gen X 68%, Boomers 50%)⁷



CARS ARE IMPORTANT TO MILLENNIALS

Today, Millennials are mostly purchasing a car out of need, rather than want, and they are more likely to do so than older generations because of a lifestyle change such as getting married, having children, buying a home, graduating college or getting a job. Indeed, there's a perception that cars aren't important to Millennials, but that's not the case. They simply aren't buying cars right now because of their current economic situation and not for lack of interest. In fact,

84% of Older Millennials own a car; and while half of Young Millennials don't currently own a car, **73%** say they intend to purchase a car within a year or more.⁹

And just like previous generations at this same age, cars play a key role in supporting Millennials' need to stay connected, with **72%** of Young Millennials indicating that a car is important to their social life.⁹

TOP 5 DESIRED FEATURES WHEN SHOPPING FOR A CAR⁹



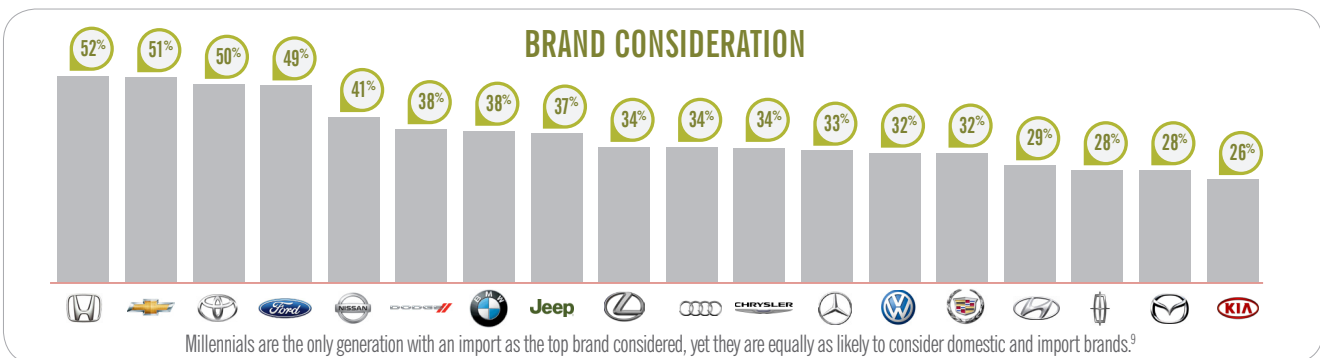
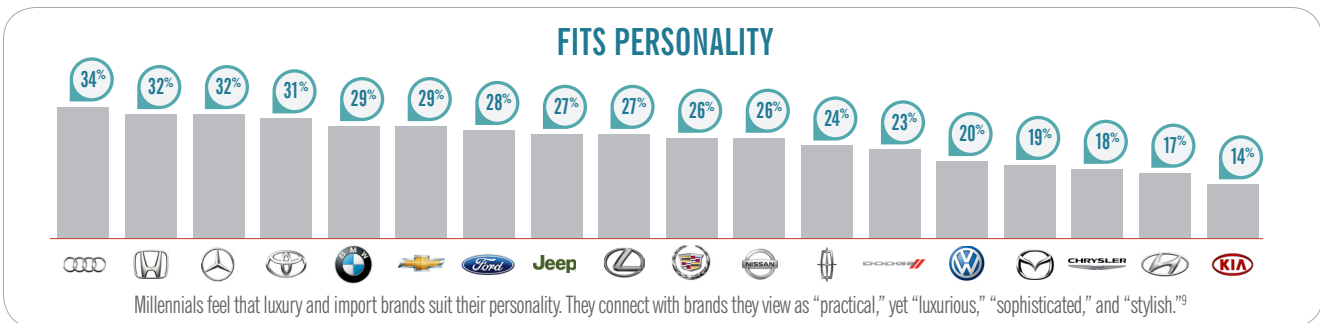
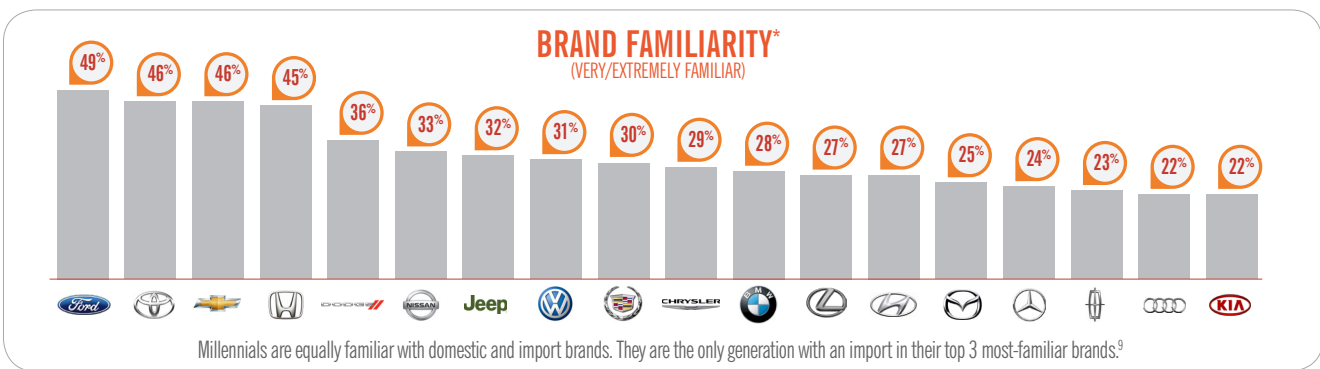
BRANDS & BUILDING CONNECTIONS

Millennials deeply value brands and **owning the best brand is important to them**. Nearly half (46%) are willing to pay more for products that are consistent with their image (vs. Boomers at 20%).⁶ When this generation fully enters into the car-buying market, their expectations of the experience will be quite different than previous generations. Car brands, especially those that cater to what Millennials believe are their unique and individualistic characteristics, will end up at the top of their list. So it's important for manufacturers to understand what those brand perceptions are and invest in brand-building now.

Millennials, especially Young Millennials, are more likely to connect with luxury brands, yet are equally as likely to consider non-luxury domestic and import brands. In other words, they **consider** what they identify as “practical” vehicles,

yet they **aspire** to brands they describe as “sophisticated,” “innovative” and “stylish.” This reveals a lot about who they believe they are and what they can realistically afford. It also levels the playing field for every brand.

Notably, Millennials are just as brand-loyal in general as other generations. However, they are more dissatisfied with their current car and less likely to stay loyal to that brand. Style and features, especially **technology**, are critically important to them. For example, more than **70%** of Young Millennials cite technology and infotainment features as “must-haves” when purchasing a car. Manufacturers that offer these features at a price Millennials can afford may very well enter into their consideration set.



*Brands with “familiarity” below 22% not shown

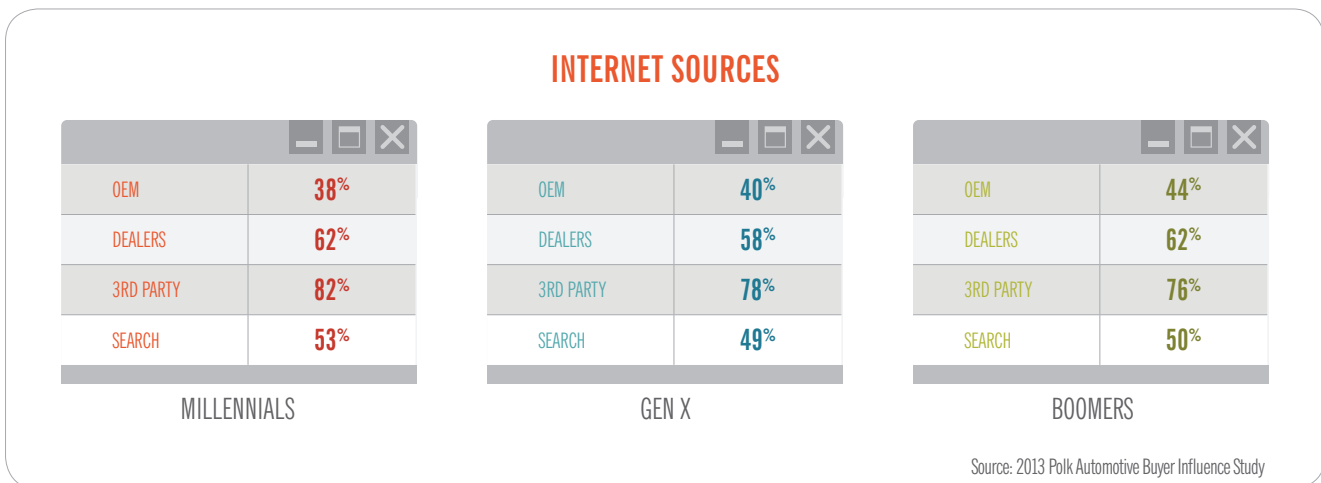
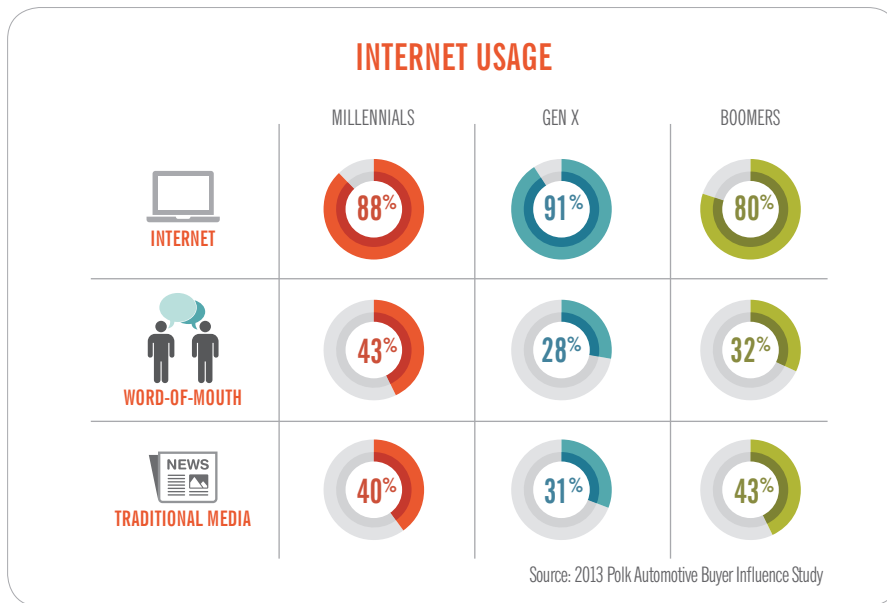
HOW MILLENNIALS RESEARCH & SHOP FOR A CAR

Millennials approach the research process cautiously and pragmatically. They spend more than **17 hours⁸** researching their vehicle before purchase, and **71%⁹** say they need to be aware of all possible vehicle choices — more than Gen Xers or Baby Boomers.

What differentiates Millennials from other generations, too, is their use of referrals and their influence on each other regarding purchase decisions. Despite their preference for technology (social media, blogs & text messaging), face-to-face conversation plays a large role in their research as well, and they

are more likely to become aware of their vehicle choice through friends and family or seeing cars on the road.

While friends and family largely influence their purchase decision, the Internet is even more influential, with third-party sites being the top source for **82%** of Millennials shopping online.⁸ Not surprisingly, Millennials are more likely than any other generation to use mobile devices. Already, **45%** use a tablet or smartphone during the car-shopping process.⁸ But like older generations, a computer is still the primary device for conducting their initial research.



IMPLICATIONS

Millennials haven't even begun to hit their stride in terms of economic influence, but their influence with technology usage has turned the car-buying process upside down and will continue to do so. Manufacturers and marketers need to plan now for this next generation of car buyers by investing in brand-building for the future — understanding what brands appeal to Millennials, why those brands are appealing, and what brands will need to do to earn their loyalty so appropriate and adequate investments can be made.

Millennials view their car as an extension of their unique personality and their accomplishments. They want to personally connect with the brands they own. Therefore, traditional “push” models of advertising may not be as effective. Instead, manufacturers will need to complement traditional advertising with

“pull” marketing, such as experiential campaigns (“Experience the Brand”), car clubs and made-to-order, customized/personalized features that are affordable and provide a satisfying user experience.

Manufacturers also need to ensure a strong brand presence across multiple sites. Millennials are not impulse buyers and typically rely on numerous sources. Since referrals play such an important role, there is enormous opportunity to leverage other satisfied customers to better connect with Millennials and build brand loyalty.

Finally, a mobile strategy is essential. Mobile devices are Millennials' lifeblood, carrying over into virtually everything they do.

METHODOLOGY

Autotrader conducted a study of Millennial car shoppers and car buyers to better understand how this generation shops for vehicles and how they perceive automotive brands. The study, **Millennials: The Next Generation Car Buyer**, is comprised of data from an online survey that was conducted from January 7–25, 2013, among

1,657 Millennials, 993 Gen Xers and 1,062 Baby Boomers, as well as information from various syndicated sources. The information included here reflects some of the key, topline findings and their implications of this very large demographic whose impact on the automotive industry will be as significant as the Baby Boomer generation.

1. Source: Population Reference Bureau, 2. Source: Pew Research, 2011, 3. Source: Deloitte, 4. Source: Autotrader Site Survey, 5. Source: Millennial Values Survey (Public Religion Research Institute & Georgetown University), 2012, 6. Source: Forrester Research, 2013, 7. Source: Pew Research, 2013, 8. 2013 Polk Automotive Buyer Influence Study, 9. Source: Autotrader Millennials Research, 2013

© 2015 Autotrader, Inc., All Rights Reserved. "Autotrader," "Autotrader Classics," "AutotraderClassics.com," and the Autotrader Classics logo are trademarks or registered trademarks of TPI Holdings, Inc., all used under exclusive