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U.S. New-Vehicle Shoppers Expect Limited Choices, High Prices

- New research from Kelley Blue Book, a Cox Automotive company, indicates consumers are acutely aware of the global microchip shortage impacting new-vehicle production.
- 42% of in-market consumers expect to pay over sticker price for a new vehicle.
- Despite low inventory and high prices, U.S. new-vehicle sales hit a new record in April.

ATLANTA, May 11, 2021 – New consumer research conducted by Kelley Blue Book indicates consumers in-market for a new automobile are expecting to be greeted by limited choices and high prices. The research, which involved surveying consumers during the final full week of April, found that three out of four in-market shoppers—those likely to purchase within a year—are familiar with the global microchip shortage and its impact on the new-vehicle market. The good news for auto dealers: More than 60% of consumers are not planning on delaying their vehicle purchase.

“The global shortage of microchips is one of the top stories right now in the automobile business, and if you are a consumer looking for a new vehicle, you don’t have to search hard to see the reports,” notes Vanessa Ton, senior industry intelligence manager at Kelley Blue Book, a Cox Automotive company. “Shoppers are expecting high prices and limited choices, and that’s exactly what they are finding.”

The fact that in-market consumers are acutely aware of market conditions is likely energizing the automobile market. Indeed, last month was a record for April vehicle sales by volume, with 1.52 million vehicles sold. Retail sales in April were particularly strong. “Consumers are clearly in buy-now mode,” adds Ton, “likely fearing even less choice and higher prices in the months ahead. The new-vehicle market, like the housing market, is very competitive. Heading to Memorial Day weekend and the start of summer, when popular SUVs and pickups are in high demand, it will only get more competitive in the near term.”

The Kelley Blue Book research shows that 87% of consumers recognize the issue is impacting both domestic and import nameplates. As the issue is industry-wide, 73% of consumers are expecting to face higher prices at the dealerships, and nearly 60% believe they will find lower incentives. Four out of ten consumers are willing to pay above the manufacturer’s suggested retail price (MSRP), and those willing to pay over MSRP are willing to accept a 12% premium. In April, according to Kelley Blue Book estimates, the average MSRP for a new vehicle in the U.S. was \$41,950. In other words, many consumers are willing to pay \$5,000 over sticker price.

Awareness of what has become a “seller’s market” has steered some consumers to the sidelines. The research shows that 37% of in-market consumers are now planning to postpone their purchase. Of those consumers deciding to delay, 70% will step back for three months or more. Only 23% of new-vehicle intenders are willing to switch their purchase intention to a used vehicle. Fewer are willing to shift segments.

At the end of April, new-vehicle inventory on dealership lots across the U.S. was less than 2 million units, down 42% from April 2020. The Cox Automotive Industry Insights team is forecasting tight inventory to remain a challenge for both consumers and automakers through the remainder of 2021.

For more information: <https://www.coxautoinc.com/market-insights/eyes-wide-open-new-study-shows-car-shoppers-expect-higher-prices-low-inventory/>



About Cox Automotive

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