



2015 MILLENNIAL OUTLOOK

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INTRODUCTION: ABOLISHING STEREOTYPES

Like all emerging generations, Millennials tend to be misunderstood by their older counterparts. Auto dealers and manufacturers have their own preconceived notions about this group — assumptions that they need to toss aside if they want to successfully connect with this generation. Millennials — generally speaking, those born between 1980 and 1995 — comprise a powerful demographic. They're set to become the most populous generation in the U.S., eclipsing Baby Boomers, and they have tremendous spending power. According to Javelin Strategy & Research, Millennials' income will surpass that of Baby Boomers and Gen X'ers by 2020. By 2025, Millennials will account for 46 percent of total personal income in the U.S., according to Accenture. And compared to previous generations, they're also more connected, more diverse, more media savvy — and more aware of what they want and how to get it.

Figure 1

WHY MILLENNIALS MATTER

Age 20-37 in 2015	Est. spending power \$1.6 trillion
Market size 80 million	Est. discretionary nonessential spending \$430 billion

CEB Iconoclature Consumer Insights

One of the main misconceptions about Millennials are that they're either not interested in or do not have the means to purchase vehicles. But there's plenty of data available to contradict the notion that this applies to all Millennials. In fact, Millennial consumers now account for a larger percentage of U.S. new-vehicle retail sales than their Gen X counterparts.

Millennials accounted for 26% of new-vehicle retail sales. For the first time, that puts them ahead of Gen X'ers. That group bought 24% of new vehicles (Fig. 2).

Figure 2



J.D. Power Information Network (PIN) for the period of January - July 2014

Furthermore, according to a Cars.com Nielsen Omnibus study, Millennials are significantly more likely to indicate they will purchase a car in the next 12 months, compared with U.S. adults overall. 35% of millennials indicated they will purchase a vehicle in the next 12 months compared to 25% of total U.S. adults. And their importance will only continue to grow: According to the Deloitte 2014 Global Automotive Consumer Study, almost two thirds of Millennials plan to buy or lease a car within the next three years, and more than three quarters plan to purchase or lease within the next five years.

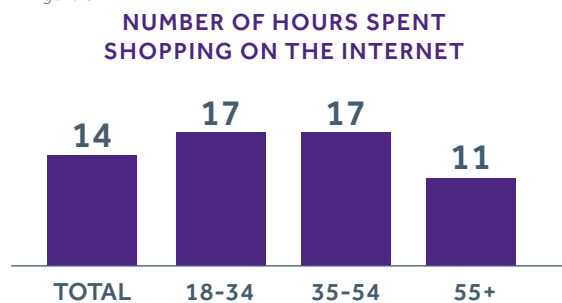
It's also important to note that diversity is a defining characteristic of Millennials, and they include a wide range of ages and lifestyles. While the younger end of the generation is just entering adulthood and may delay car purchases, the older members are in their mid-30s — a time when many are starting families and may be in the market for a second family car. And given the variety of lifestyles and life stages Millennials represent, it's clear that this group is relevant to dealers of all types of vehicles, from entry-level compacts to minivans to luxury sedans.

So if the old marketing assumptions don't apply to this generation, how should auto marketers respond?

CAR SHOPPING: A DIFFERENT APPROACH

What is true is that Millennials differ both in how they approach shopping for a car and how they approach car ownership in general. This is a generation of digital natives who are accustomed to having a wealth of information at their fingertips (Fig. 3). As a result, this is a group that is use to getting not only what they want, but when and how they want it as well.

Figure 3



J.D. Power New Autosopper Study, 2014

Millennials are information seekers who are willing to commit the time necessary to evaluate their options and make educated decisions. According to a Placed, Inc. study, Millennial shoppers are more likely to use mobile devices for research — and conduct research on multiple device types — than older generations.

- **65 PERCENT** use a smartphone to research prior to visiting a dealership, compared with 53 percent of those 35 and older.
- **41 PERCENT** of Millennials use multiple devices for research, while 32 percent of those 35 and older do so.
- **85 PERCENT** of Millennials use the Internet for vehicle shopping, and they use more digital sources of information than shoppers 35 and older.

Placed Inc., January 2014

Millennials are willing to make the effort in part because they're wary of marketing messages. Like their older counterparts, their go-to research sources are the ones they consider both helpful and trustworthy.

Millennials turn to independent research sites more often than manufacturer and dealer websites:

- **49 PERCENT** use independent research websites
- **44 PERCENT** use OEM websites
- **38 PERCENT** use dealership websites

C + R, Digital Influence Study

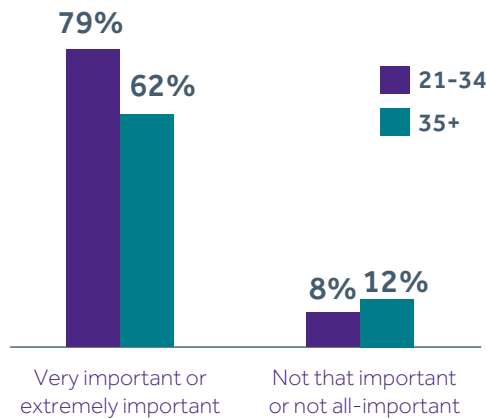
And given this generation's skepticism about marketing messages, it's no surprise that Millennials are more likely than their older counterparts to cite family and friends as their top offline go-to resource.

CAR SHOPPING: A DIFFERENT APPROACH *(cont'd)*

Perhaps most telling, compared to consumers 35 and older, Millennials also place a greater value on the opinions of their peers (Fig. 4).

Figure 4

How important are online reviews of dealerships (written by consumers) in helping you select a dealer to visit and ultimately purchase from?



Source: Cars.com C+R Digital Influence Study

IMPLICATIONS

To reach this audience, dealers and OEMs must have a presence on the sites that influence Millennials' purchase decisions. According to a C+R Research Digital Influence study of the top go-to digital resources, those most often cited as helpful and trustworthy include independent vehicle websites and independent research sites as two of the top three.

Furthermore, it's important for advertisers to ensure their messages are aligned across the various touchpoints Millennials use. That means making sure you deliver a consistent message across mobile and wired platforms.

And given the degree to which millennials rely on friends and family, as well as expert and consumer reviews in their car shopping process, it is important for dealers and manufacturers to have a process for building up and promoting positive word of mouth online.

CAR OWNERSHIP: PRACTICAL CONCERNS

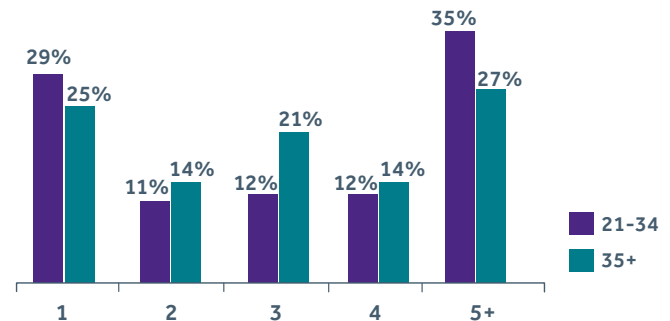
Millennials tend to view cars as more of a practical need than an emotional want. But that doesn't mean they don't see the value in brands. On the contrary, Millennials are aspirational, particularly as they mature and start their own families. Nonetheless, their relationship with brands is always a work in progress.

- *Half of Millennial car shoppers are open to any brand, indicating that they're open to influence.*
- *Millennial car shoppers start out with a larger consideration set than shoppers 35 and older, but the brands they consider are largely the same (Fig. 5).*

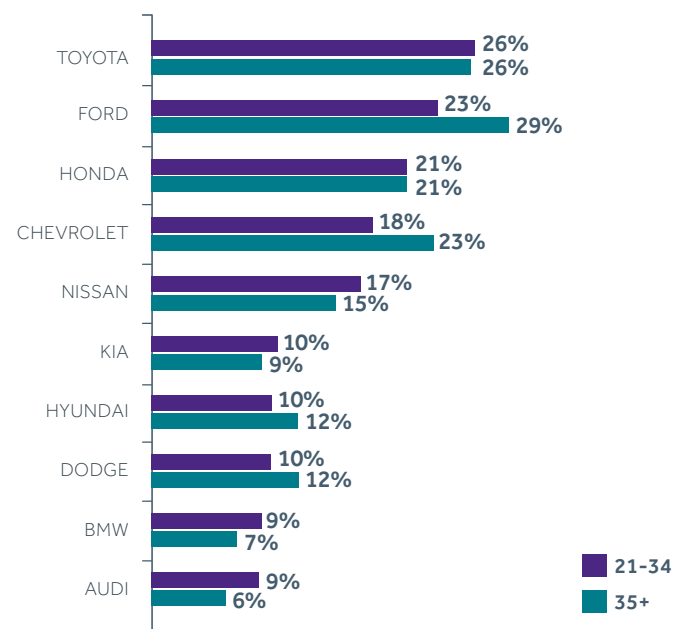
Millennials enter the process with an open mind, but a cookie-cutter approach won't appeal to this diverse group. More than anything, Millennials demand relevancy from the brands they identify with. For marketers, that means erring on the side of hyper-specificity. Messages that appeal or are relatable to specific individuals and experiences deliver the authenticity Millennials demand.

The desire for relevancy also means that Millennials are not interested in luxury for luxury's sake. Instead, they tend to appreciate features and functions — particularly in-car technologies such as navigation, infotainment, Bluetooth and mobile integration — that act as an extension of their connected lifestyles away from the car. Appeal to this audience by calling out these features in messaging aimed at Millennials.

Figure 5
NUMBER OF MAKES UNDER CONSIDERATION FOR IN-MARKET SHOPPERS



TOP 10 MAKES UNDER CONSIDERATION FOR IN-MARKET SHOPPERS



Source: Cars.com C+R Digital Influence Study

IMPLICATIONS

Millennials are as brand-conscious as any other generation. But auto marketers have to work continuously to earn their loyalty. Brands that continue to meet the Millennials' demands throughout the ownership cycle will find themselves at the top of those shoppers' consideration lists for the next purchase.

That means making sure your brand and dealerships live up to the initial promises made, in everything from the sales process to vehicle performance to ongoing service.

Given the value Millennials place on word of mouth and peer reviews, marketers who build a positive online reputation and maintain a strong presence on third-party sites are in a position to deliver the messages that appeal to this group.

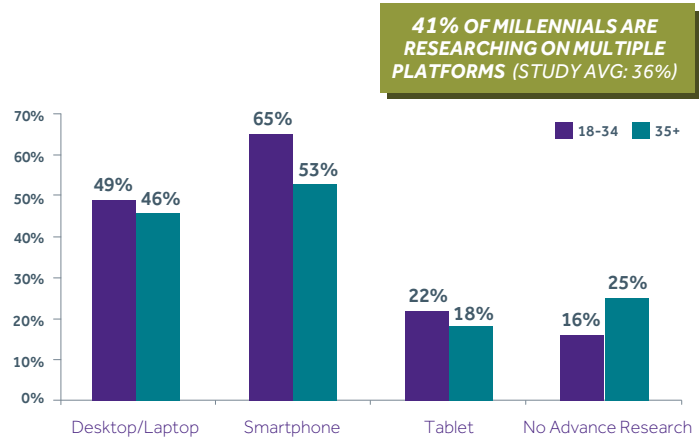
THE DEALERSHIP VISIT: NEW INFLUENCES

A larger percentage of Millennial shoppers indicate digital research had a substantial impact on both which car to buy and where to buy it than the average new-car shopper.

- **56 PERCENT** of Millennials say digital research had big impact on what to buy, vs. 50 percent of average new-car shoppers.
- **36 PERCENT** of Millennials said digital research had a big impact on where to buy, compared to 32 percent of average new-car shoppers.

Figure 6

DEVICES USED FOR RESEARCH BY IN-MARKET SHOPPERS



Source: Placed Inc., January 2014

Given Millennials' deliberate, research-intensive nature, it's not surprising that they're more likely than older shoppers to visit five or more dealerships. But more than any other generation, Millennials are acutely aware of the possibility of getting a better deal elsewhere, which is why they're more likely to use their smartphones for research prior to visiting a dealership (Fig. 6), and why they're likely to continue their mobile research while on the lot. According to Placed, Inc., Millennials are significantly more likely than older generations to search for vehicles at other dealers, compare pricing and read vehicle reviews during a dealership visit.

IMPLICATIONS

Millennials are willing to visit multiple dealerships before making a purchase, in part because the research process doesn't stop when they step onto the lot. More than older generations, Millennials are likely to use their smartphones to research other dealerships while in your showroom.

This group is keenly aware of how to find a better offer, and they won't hesitate to walk away from a deal to do so. That's why it's critical for dealers to make the process as straightforward and transparent as possible, from pricing to financing to service.

55% of Millennials visited additional dealerships as a direct result of researching vehicles or dealerships on their mobile devices, compared to 48% of shoppers 35 and older.

Furthermore, you can't depend on your own websites or sales staff to draw traffic into your showroom. Millennials are less likely to be influenced by contact with the dealer and more likely to depend on online research and social media for guidance. They're also more likely to rely on word of mouth for dealer research. That's why a strong presence on the resources that Millennials trust — particularly independent research sites — provides dealers with an opportunity to compete on more than price.

SERVICE: IN FOR THE LONG HAUL

All signs indicate that ongoing service and maintenance is an important consideration for Millennials during the car buying process. According to the GfK Service Intender research, 29 million Millennials have had a qualifying vehicle repair in past 12 months. Millennials currently represent 25 percent of all consumers getting vehicle repair or service, a figure that will likely rise as this generation ages and the number of vehicles in their households increase. They also have a higher proportion of vehicles with extended warranties, and owners with extended warranties are typically more likely to use dealerships for service.

Although Millennials are more likely to use independents and chains, they are open to considering dealers, and 70 percent say they are willing to pay more for quality vehicle maintenance/service.

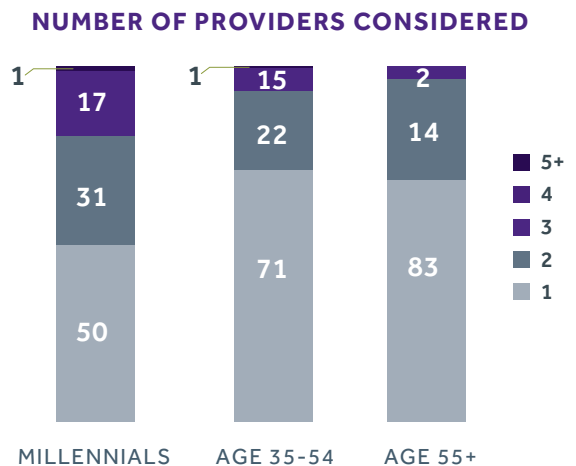
Furthermore, this generation likes to know they have options and will look for a better provider if they believe one is available. The GfK report also indicated that Millennials are likely to use independent online service comparison tools to help with the decision making process, with six out of 10 respondents considering such a tool as a solution to a current problem.

IMPLICATIONS

As a group, Millennials consider a greater number of service providers than their older counterparts (Fig. 7). Make sure your service department has a presence online where these shoppers go to research — particularly independent research sites that highlight customer reviews and online tools that simplify the process of comparing and finding a service provider.

Figure 7

Millennials consider a significantly higher number of providers for vehicle service



Source: GfK Service Intender Study

CONCLUSION: CULTIVATING LONG-TERM CUSTOMERS

Dealers and OEMs must take Millennials seriously. Given the generation's size and purchasing power, marketers have to take the long-term view into account, not just focus on current trends. That is, if you don't lay the groundwork now by providing a straightforward, transparent experience, you'll lose out on possible future customers.

Take the Millennial who walks into a luxury brand showroom. Even if she isn't ready to buy today, she's clearly interested in your brand. A good experience today could put your brand near the top of her consideration set when she's ready to purchase in a few years.

Knowing where Millennials seek information, the types of information they seek and what they value in the shopping and ownership experience is critical for reaching this audience. Also, Millennials are extremely influential within their peer group. Many write customer reviews and they actively seek out the opinions of others, both digitally and offline through word of mouth. That's why building your brand and encouraging Millennials to advocate on your behalf is a critical tactic for engaging this audience.

The traditional marketing tactics won't work. Millennials are too savvy and too diverse for a cookie-cutter approach. And given that the generation's purchasing power will exceed that of Baby Boomers within the next three years, this is an audience auto marketers can't afford to miss out on.

HOW CARS.COM IS WINNING WITH MILLENNIALS

Cars.com connects with Millennials through our relevant messaging, effective media placements and innovative social and mobile programs.

 ***AND BECAUSE CARS.COM TAKES A CONSUMER-FOCUSED APPROACH TO CAR SHOPPING, WE DELIVER AN EXPERIENCE THAT RESONATES WITH THE MILLENNIAL AUDIENCE.***

Millennials are research intensive, digital shoppers. They are skeptical of being marketed to, preferring instead to gather their own information. Cars.com offers them all the content and tools, they need including expert and consumer reviews, comparison tools and video, to help them find the right car to suit their lifestyles, as well as the right place to buy it.

As digital natives, Millennials are accustomed to getting what they want when they want it. Cars.com makes our valuable research and content available across mobile and wired platforms so shoppers can research anytime, anywhere.

As a result, we're excelling with this audience. Today, two out of three Millennials are aware of Cars.com. We've seen an 8 percent year over year increase in brand awareness among Millennials since 2013. And, Millennials account for nearly 30 percent of our audience, 14 percent higher than competitive independent research sites.