



“DEAR AUTO INDUSTRY: WE LOVE YOUR VEHICLES, BUT WE CAN’T AFFORD THEM.” – GEN Y.

Strategic Vision dispels myths about Millennials and new car purchases

Strategic Vision shares results from its New Vehicle Experience Study to shed light on the truths about Gen. Y and new vehicle purchases. There are many contributing factors to the issue of slumping new vehicle sales (from 10% of market share in 2007 to 8% in 2013) by younger buyers who are generally under the age of 30. However, there is also a common, persistent, and fairly dangerous misconception that has emerged as the automotive industry has looked for solutions. The myth is that younger buyers do not purchase new vehicles because they no longer care about them. It could not be further from the truth. In reality, they tend to feel a deep emotional connection to their vehicles and would love to buy a new one. The main reason why they do not is because they cannot afford to do so.

It has been well documented that today’s financial climate causes these younger buyers to struggle more than other young adults have in the past. They are also on track to have a lower standard of living than their parents. They are frequently under large amounts of student debt, and earn less income to pay it off thanks to a lack of high paying, full time jobs in many fields.

These younger buyers, frequently called Millennials or Gen Y, deal with modern expenses such as cell phone, internet and cable bills. Those are stacked upon the ever-present monthly expenses that include and are certainly not limited to: rent, food, utilities, and insurances such as health, property and life. Somewhere in here, they may be trying to start a family and save up enough money to buy a home.

The element of financial challenge increases as well because of the proliferation of credit card use. Making minor purchases has never been easier than today. Due to a lack of discipline or necessity, many are caught in this trap and have racked up massive amounts of credit card debt. And so, with a limited income and a vast array of expenses, these younger buyers are under pressure to find ways to cut back on spending.

Notice that the list of challenges includes nothing related to transportation! Fuel, auto insurance, maintenance costs, and a monthly car payment all get added to the financial burden of young adults today. Would a young man or young woman love to have a new car? Absolutely! Is it practical? No, nor is it feasible for countless others of the same general age who share a similar situation and sentiment.

However, it is definitely a misconception prevalent among many of the decision-makers in the automotive industry today that younger buyers are emotionally detached from vehicles in general.

At Strategic Vision, we have surveyed millions of new vehicle buyers since the mid-1990s through the New Vehicle Experience Study (NVES). We collect hundreds of data points for each person, including their emotional experiences. We track the strength of the emotional impact that a vehicle has on its buyer and also the specific emotions that result. This allows a glimpse inside the hearts, minds and motives of vehicle buyers, including those of younger adults.

Our research shows that younger buyers want much more emotion from their vehicles than the industry average. However, compared to those surveyed at the turn of the millennium, they are not looking as much for feelings of Freedom, Fun, or Power from their new vehicle. Their focus has instead shifted more toward Prestige and feeling that their needs are met. What their vehicle does *not* provide for them as strongly is the feeling that they have made a smart choice. They have purchased a vehicle they love, but at a price that now rears its ugly head and limits their options in life. They are hesitant to purchase partly because of less experience in the market place as well as how costs may impact their lives.

The news for manufacturers is really much better than they may realize. In time, these younger buyers will purchase more new vehicles. When they do, they will probably love their achievement even more than they would have if they had bought their vehicle at a younger age.

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For manufacturers, the best long-term solution to the problem is to develop an excellent brand reputation today so that they can catch a larger market share in five to ten years when these consumers are in a better financial position to buy. In the meantime, however, there are some younger people who are leaning toward getting a used vehicle but can be convinced to purchase a new vehicle instead. Here are a few of the relatively short-term solutions that can help to make that happen:

Focus on value: Value is what you receive in exchange for what you sacrifice. As the perceived value increases, so does the love that a first-time car buyer has for his vehicle. While it is important to have a low price tag for them, it is equally important for the vehicle to not be “cheap.” Millennials expect a quality vehicle that can deliver them a sense of Security for the amount that they are able to spend. If it is too hard to deliver quality at a low price, other methods can be used to increase the product’s perceived value. An attractive financing option, warranty, or service package can make the buyer feel that they are getting a great deal, even if the purchase price is a little too high for comfort.

(One significant point for manufacturers to recognize is that younger buyers become more loyal over time as they gain more experience. Give them a good deal and they will return.)

Easy versatility: Generation Y buyers want a vehicle that makes it easy to transport their friends and their belongings. They look for, and sometimes even demand, convenience. Show the vehicle in ways that are convenient, easy to use and hassle-free. That way they can see how it will help them to be more independent and to live their lives on their own terms.

Customization: Many younger buyers are looking to change their image, and a vehicle that is easy to personalize can help them to do just that. Color coordination, equipment and options along with performance, style and craftsmanship add personalization to the chosen vehicle. When they can express their own unique personalities, they can feel better about themselves and feel accepted by their peers. This gives them a little status, delivers fun and enjoyment, and reinforces one of the key emotions for this group: Pride.

These three ideas, among others hidden in the data, can make a positive difference in the short term to attract those younger buyers that can be convinced to purchase a new vehicle. There are many, however, that will not be able to purchase a new auto for a few years no matter what manufacturers do to lure them to a dealership. The good news is that the underlying desire is there. When the time is right, they will purchase new vehicles, and they will love them. Someday there may come a generation of young people that does not care about cars. That generation has not yet arrived.

About Strategic Vision:

Strategic Vision is a research-based consultancy with over thirty-five years of experience in understanding the consumers' and constituents' decision-making systems for a variety of Fortune 100 clients, including most automotive manufacturers. Its unique expertise is in identifying consumers' comprehensive, motivational hierarchies, including the product attributes, personal benefits, value/emotions and images that drive perceptions and behaviors. The ValueCentered® psychology and research methods were defined by Dr. Darrel Edwards in 1968, and enhanced by co-founders J. Susan Johnson (1972) and Sharon Shedroff (1975). For further information, contact Alexander Edwards or Christopher Chaney at (858) 576-7141 or visit www.strategicvision.com.