

# Deloitte: Generation Y Is Key for Auto Recovery

By Auto Remarketing Staff

Created 01/17/2011 - 09:00

January 17, 2011 | DETROIT

By Auto Remarketing Staff



[2]

They exhibit more enthusiasm toward car shopping than their Generation X and baby boomer counterparts and show great loyalty to automotive brands. However, they often show apprehension about visiting dealers, and if treated poorly by a salesperson, Generation Y shoppers are also quick to turn away.

And more importantly, a year from now, they will likely compose two-fifths of America's auto shoppers and could very well be what the industry needs in its revitalization, according to a recent study from Deloitte.

These were just some of the trends spotted by Deloitte in its latest study, "Gaining Speed: Gen Y in the Driver's Seat," which set out to determine what makes this emerging population of car buyers tick.

What Deloitte discovered is that the Generation Y group has complex characteristics. The company refers to them as "independent, tech-savvy, engaged, demanding" as well as "confident." Furthermore, these buyers were found to be quite different than previous generations.

For instance, today's youngest auto buyers put more emphasis on technological features in vehicles than do other generations.

"Our analysis of the survey findings points to technology as a key generational differentiator," explained Craig Giffi, Deloitte vice chairman and automotive practice leader.

"For baby boomers, technology is largely utilitarian and defined by safety features, whereas Gen Y views technology as a more personal feature," Giffi added. "They see their cars as personal technology cocoons, and expect so-called 'cockpit technology,' where they can continue to run their lives uninterrupted, from messaging to music to the latest smartphone apps, 24/7."

In some good news for the auto world, these young shoppers have a more positive outlook on the industry, the study indicated.

In fact, more than 82 percent expressed excitement about vehicle shopping. Just 71.3 percent of Generation X buyers showed enthusiasm and 66.3 percent of baby boomers did the same.

Loyalty is also strong in this group. Almost half (48 percent) plan to own a vehicle of the same brand as their current ride five years down the road. A year ago, loyalty was at 42 percent.

That said, many are quick to shy away from a brand if treated bad by a salesperson. Specifically, more than half (52.4 percent) said they believed the following statement about themselves: “A bad experience with a salesperson would cause me never to consider that brand of car again.”

“One area we found very interesting is Michigan State University’s analysis that the actual car shopping experience is three times more important to Gen Y than vehicle design,” stated Joe Vitale, the leader of Deloitte’s North Central region automotive practice and Generation Y research program.

“This shows that much like their demand for technology, the shopping experience for Gen Y must be experiential, as well as connect and integrate to their 'personal technology cocoons' across the evaluation, sales and post-sales cycles,” he added.

Many Gen Y shoppers weren’t satisfied with dealership visits and expressed anxiety about going again. In fact, many apparently believe the purpose of visiting a store is simply to take a vehicle for a test drive, Deloitte found.

Interestingly enough, when it comes to test drives, a substantial portion (just a bit north of 82 percent) would rather keep a vehicle for an entire day (24 hours) to try it out. This was significantly higher than last year, when 69 percent said the same.

Well over half (57 percent) said they would rather work with dealers via the Web and not have to meet face-to-face.

“These findings suggest that dealers could benefit from increasing transparency with consumers by making basic product information more readily available,” Deloitte pointed out.

The aforementioned preference for the Web is reflected in how important an automaker's “buzz in the virtual world” is in Gen Y buyers’ shopping process.

Social-media sites and blogs are major communication channels for these shoppers and can often influence their auto purchasing decisions, according to the company. Gen Y shoppers also conduct more expansive and varied research.

Compared to the behavior of their elders, there is a greater chance that these young buyers turn to friends, websites and blogs to learn about vehicles.

In fact, about two-thirds utilize blogs and social media for vehicle research or seeking advice prior to purchase. This is certainly an emerging trend, as just 25 percent of Gen Y buyers did so the previous year.

Continuing along, Gen Y buyers tend to be more influential than Gen X and baby boomer buyers. However, they are also easily influenced by one another.

About seven out of 10 say there's a good chance they could influence what a friend buys. Sixty percent of Gen X buyers said they have that power and just half of baby boomers felt they had that kind of influence.

And not only do Gen Y shoppers claim to be able to influence their peers, many (just over 61 percent) say they have some direct pull in their parents' vehicle-buying decisions.

An overwhelming majority (88.7 percent) of Gen Y shoppers at least pick the brains of friends prior to purchase. And it seems their opinions count, as 79.6 percent of that group claim to be strongly influenced by their friends when buying a vehicle.

In an interesting twist, Deloitte found that Gen Y buyers are energetic promoters of brands, regardless of whether they make a purchase from the company.

“Authentic, direct and personal engagements with Gen Y consumers are even more important than advertising campaigns for reaching Gen Y,” Giffi shared. “According to the survey, Gen Y consumers actively share opinions and exert their influence far more than older generations, using the virtual world of social media to reach a never-ending audience.”

Moreover, as many can attest, recall issues have been rather problematic for the industry as of late. However, it doesn't appear these problems will keep young buyers from purchasing from brands with recalls down the road.

Roughly two-thirds said they were a bit concerned about the recalls. However, over 67 percent of those surveyed claimed they wouldn't scratch a brand off their consideration list because of a recall.

Hence, vehicle trustworthiness ranks among the three most vital factors to this group, Deloitte noted. The two other key factors are quality and safety.

That said, Gen Y felt any “base package” includes this trio. Such an outlook reflects the generation's need for dealers and automakers to be transparent and genuine, Deloitte noted.

“Automotive companies that can gain Gen Y's trust by providing superior vehicle safety while capitalizing on their desire for the latest technology are more likely to capture the purchasing power of this important demographic,” Vitale stated.

Deloitte wrapped up the report by stressing the importance of providing Gen Y buyers with a good experience at the store and beyond, and offering them the proper “innovation, dedication and information.”

“By providing Gen Y with an ongoing, positive customer experience that has the same amount of innovation, dedication and information found in the cars that drew them to the brand initially, manufacturers will be able to take advantage of the influence this generation has over other consumer segments,” the company stressed.

