

THE NEW AGE CONSUMER

Empowered by mobile technology and social media, auto buyers are the most informed consumers in history. Here's how these trendsetters are helping to reshape the industry

210HP
4 SEATS
25/33 MPG
3,050LBS
AWD
\$\$\$



REVIEWS



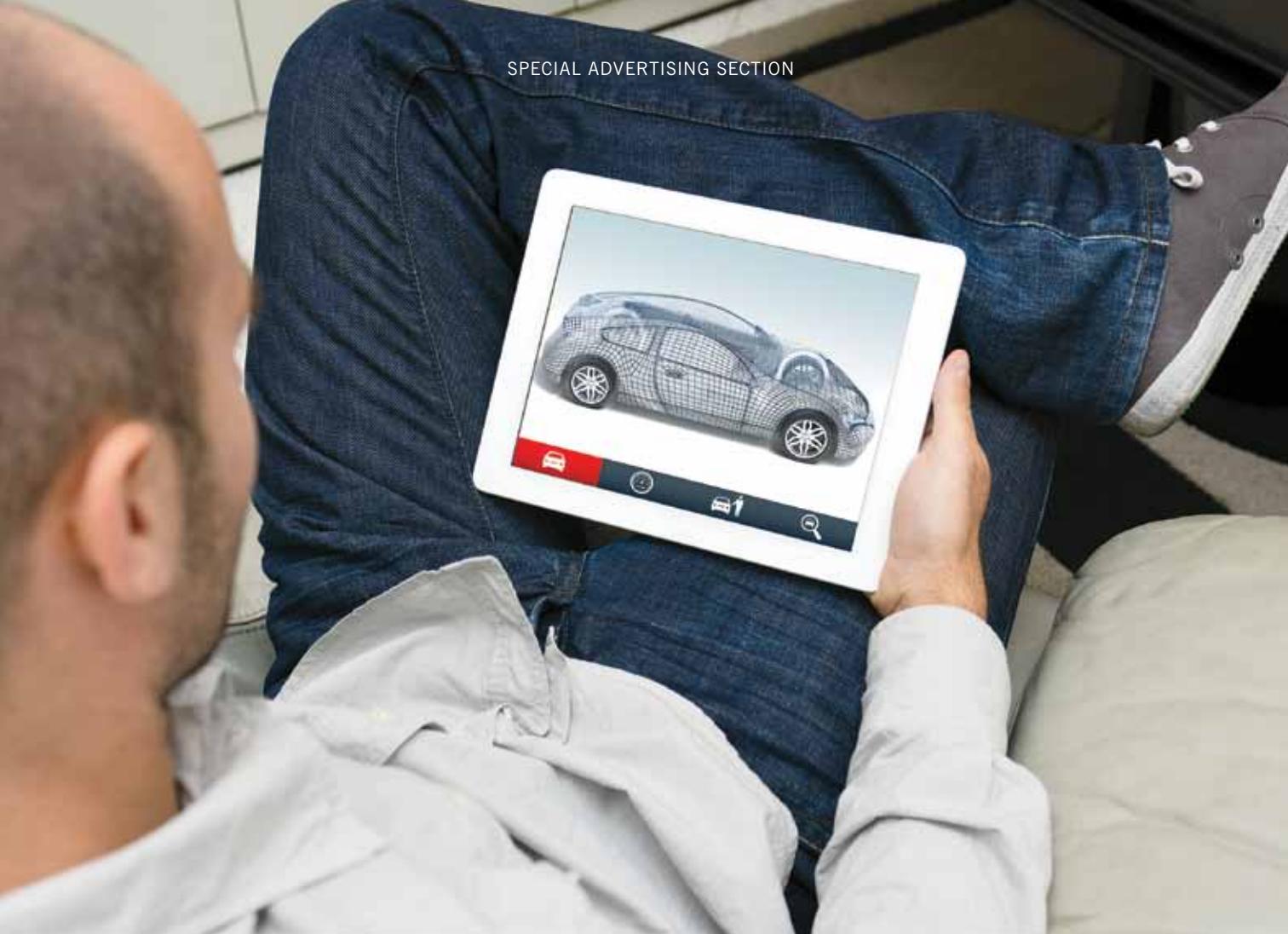
CAR SPECS



DEALERSHIPS



FIND CARS



YOU MIGHT NOT think of it this way, but we all live in a perpetual purchase funnel. It's a complex state of being for the new-car buyer. Armed with seemingly limitless megabytes of information, American consumers can research nearly anything—from car ratings and reviews to safety features and financing options—so when they get to the dealership, they're better equipped to test-drive and negotiate a sale than at any point in automotive history. "The consumer is more powerful today than ever before," says Nick Plakoris, an auto industry expert and executive director of research and insights at Time Inc. "They go into a dealership so well-armed, they could sell the cars themselves."

For the most part, the tools driving this consumer empowerment fit in the palm of your hand. Mobile devices with auto-specific apps that allow you to find dealers with the model

"ACCESS TO NEW-VEHICLE INFORMATION THROUGH THE INTERNET AND APPS ... IS HAVING A GREATER IMPACT ON MANY ASPECTS OF THE PURCHASE DECISION THAN EVER BEFORE."

Arianne Walker, J.D. Power and Associates

you want, and calculate retail and trade-in costs, are game-changers. So are social media sites, where the latest vehicle and dealership buzz spreads from affinity groups to Facebook pages to prospective buyers in a click or two. The sites have become an integral part of the purchase process. A recent global survey of 8,000 car buyers by Capgemini found that 71% of respondents likely would purchase a vehicle from an automaker or dealer if they found positive comments on social media sites.

In early October, two newly released studies showed we are all riding the mobile wave. According to the Pew Research Center's Project for Excellence in Journalism, half of all U.S. adults now have a mobile connection to the Web through either a smartphone or tablet. At the center of the recent growth in mobile, says Pew, is the rapid embrace by Americans of the tablet computer, with nearly a quarter of U.S. adults, 22%, now owning a tablet device, double the number from a year earlier. Even

more U.S. adults (44%) have smartphones, the survey said, up from 35% in May 2011.

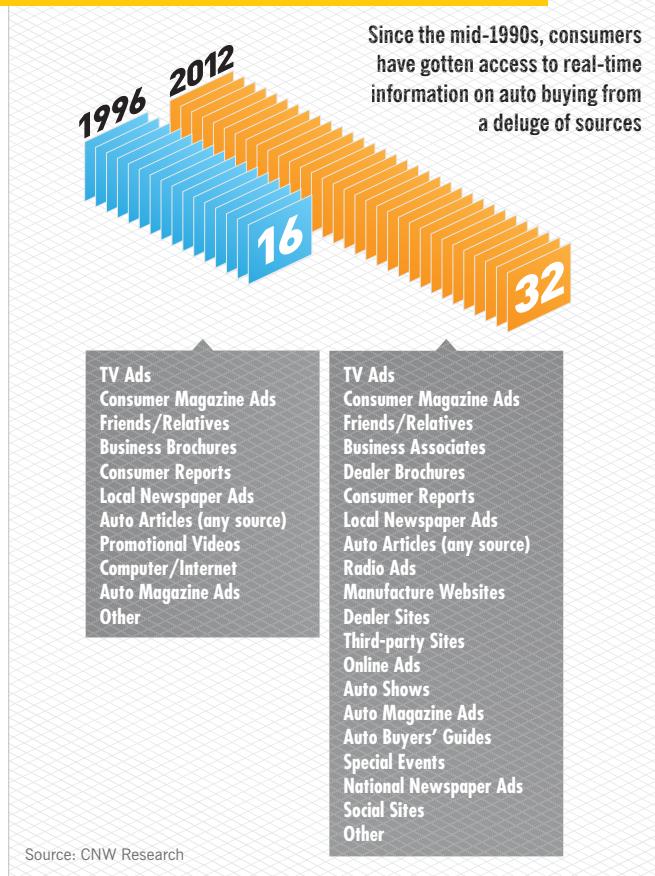
Against this backdrop of extraordinary growth in mobile devices, the *J.D. Power and Associates 2012 New Autoshopper Study* reports that one in five new-vehicle buyers who use the Internet in the automotive shopping process access the Internet with tablets and smartphones. The study analyzes how new-vehicle buyers use digital devices—computers, smartphones and tablets—and which websites and apps are used to gather information prior to purchase. Overall, the Autoshopper survey revealed, 79% of new-vehicle buyers use the Internet to research their vehicle purchase.

DIGITAL NOMADS

A variety of tech gear is being used by consumers to gather insights about the industry. While nearly all (99%) automotive Internet users use a desktop/laptop computer at some point in their shopping process, nearly 30% use multiple devices, including desktops, smartphones and/or tablets. "Access to new-vehicle information through the Internet and apps—obtained via personal computers, smartphones and tablets—is having a greater impact on many more aspects of the purchase decision than ever before," says Arianne Walker, senior director, automotive media and marketing solutions at J.D. Power and Associates. "It is important for brands and websites to provide consistency across their sites and apps, no matter what device is being used to access the information. The shopping experience should be equally usable and the shopping information equally complete, no matter the device."

While the J.D. Power survey shows

THE INFORMATION EXPLOSION



much of the Internet shopping was still occurring at home, among those using a smartphone, 59% said they do so at the dealership, accessing vehicle pricing, model and inventory information, as well as comparing vehicles. "This interplay between the dealership experience and digital information has become more intertwined with the availability of shopping content on mobile devices," says Walker. "Now that buyers can easily access information right from their pockets, it is essential that the dealers are as well versed as the shoppers in order to provide consistent information both online and in the dealership."

STEWARDS OF THE COMMUNITY

New-car dealers contribute selflessly each year, giving untold hours and millions of dollars to charitable and civic causes. Likewise, the National Automobile Dealers Charitable Foundation (NADCF) works tirelessly to support organizations involved in everything from higher education and road safety

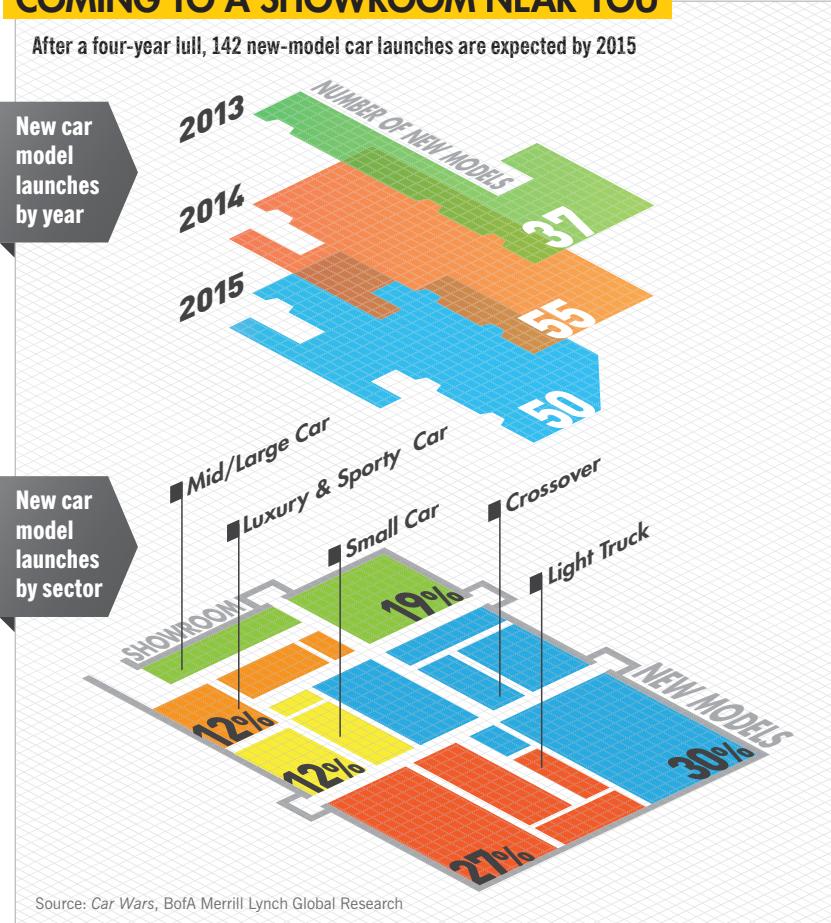
to emergency medical care. Established in 1975, the NADCF, with funds from new-car and -truck dealers and industry friends, has donated nearly \$13 million to causes and groups of all kinds. Three key initiatives are the Ambassadors program, the Survivors Relief Fund and the Frank E. McCarthy Memorial Fund.

Today, 580 Ambassadors give more than \$250,000 annually to organizations in both the public and private sectors, funding everything from health services and scholarships to job training for adults with disabilities. The Survivors Relief Fund provides assistance to family members of 9/11 victims and many others. The McCarthy Fund,

established in 2002 in memory of late NADA president Frank McCarthy, supports Canine Companions for Independence, which places trained assistance dogs with disabled children and wounded military veterans. The NADCF's ultimate goal: to provide meaningful support to grassroots organizations that make a difference.

COMING TO A SHOWROOM NEAR YOU

After a four-year lull, 142 new-model car launches are expected by 2015



AUTO DEALERSHIPS 2.0

How is this prodding auto dealers to reinvent the showroom experience? "With the increase of digital media, customers are able to access information 24/7, 365," says Judith Schumacher-Tilton, a finalist for the 2012 TIME Dealer of the Year award. "It becomes imperative for dealerships to stay ahead of the curve, focus on transparency and provide substantive answers to the customer's questions," she explains. In this customer-centric universe, Schumacher-Tilton says, "it is a key way to gain the customer's trust and an opportunity to earn their business."

Today dealers and their stores leverage social media (Facebook, Twitter, Tumblr and a host of apps) to build and engage communities through special promotions, couponing and sales events, by

IT'S THE MILLENNIALS—MASTERS OF MOBILE TECHNOLOGY—WHO WILL BE RESHAPING THE AUTO BUYERS' MARKET IN COMING YEARS. ALREADY, THEY'RE BUYING ONE IN FOUR CARS SOLD IN THE U.S.

reengineering websites for tablets and by adapting every consumer touch point for the mobile shopper. From booking showroom and service appointments online to soliciting feedback over the Web, to using apps like ClearMechanic, which lets dealers and service shops explain repairs with real-time photos and illustrations, the interaction between today's customers and dealers empowers both buyer and seller like never before.

CARS OF THE FUTURE

In the months ahead, all forms of market intelligence will become more vital than ever. That's because after a four-year lull, a record-breaking 142 new-model car launches are expected by 2015 (see chart). *Car Wars 2013–2016*, a report by John Murphy, an equity analyst for Bank of America's Merrill Lynch brokerage unit, estimates that 37 new models will hit showrooms next year, followed by 55 launches in 2014 and 50 more in 2015.

What'll those launches look like? Try small and green. The average fuel economy for new cars sold in the U.S. rose to its highest level ever in August, according to the WardsAuto Fuel Economy Index. That lifted the fuel-economy rating for all light vehicles to its fourth-highest to date; the improvement, reports WardsAuto, was spurred by an increase in small-car sales, which accounted for more than 20% of the market for the first time since March. Large cars made up just 1.38% of light-vehicle deliveries, the segment's lowest share ever.

Looking ahead, WardsAuto reports that over the next three years, the boost in U.S. new-vehicle sales, including models undergoing major redesigns, will come from midsize cars and crossover/utility vehicles. In fact, WardsAuto expects nearly 60% of all-new and revamped products introduced in the 2013 time frame to come from those two segments, despite high fuel prices and impending stricter Corporate Average Fuel Economy (CAFE) standards.

Experts say it's the millennials—masters of mobile technology—who will be reshaping the auto buyers' market in coming years. Already they're buying one in four new cars sold in the U.S., according to Deloitte's 2012 *Gen Y Automotive Survey*. Over time their clout will rise, as the survey



projects this group will represent 40% of all new-car buyers in 10 years. No surprise: "Gen Y consumers prefer automobiles that are an extension of their social media and digital lifestyles," reports Joe Vitale, global automotive sector leader, Deloitte Touche Tohmatsu Limited.

What's on Gen Y wish lists? Vitale says in-dash tech is the most important part of a vehicle's interior for 59% of millennial respondents, with almost three-quarters seeking touchscreen interfaces. Many of these consumers (72%) also rank smartphone applications as highly desirable in a new automobile. Notably, they also want to be able to customize interiors after purchase with embellishments like tech features. The marketplace offerings boggle the mind, as this sampling of in-car high-tech infotainment systems suggests: Toyota (Entune), Ford (MyFord Touch), Cadillac (CUE), Chevrolet (MyLink), Lexus (Enform), Chrysler (Uconnect) and Hyundai (Blue Link). In addition, says Vitale, "Gen Y consumers are willing to pay for technology that can help them better manage all the distractions created by connectivity." On average, "they will shell out approximately \$2,000 for a bundle of safety features like collision-avoidance systems, blind-spot detection and sleep-alert systems," he explains. "In fact, Gen Y respondents graded safety bundles as

their second most important priority, right behind technology bundles."

Regardless of age, according to recent GfK Automotive research, interest in small cars has increased for car buyers, but small isn't everything. Combined, generations Y and X accounted for 63% of new-vehicle purchase intenders in 2011. The research shows, however, that these car buyers aren't focused just on economy and fuel efficiency; they also place a high priority on things like fun-to-drive, safety, technology-enabled and whether the vehicle makes them feel successful. "If manufacturers are going to capture the hearts and wallets of this growing generation of younger consumers," says Jeff Campana, senior vice president at GfK, "they'll need to develop vehicles that appeal to their tastes and preferences."

SHOWS OF EMPOWERMENT

Despite consumers' tech obsession, there's nothing like the experience of seeing a car in living color to kick the tires, get behind the wheel and gauge if it is the right fit for one's tastes and needs. That's why the perennial auto show is gaining in popularity among consumers of all ages. Every year car dealers across America and their state and metro associations put on 60-plus auto shows for folks looking for a massive showroom to do comparison shopping. "Today the newest

TIME DEALER OF THE YEAR

In partnership with **ally**



THE REAL DEAL

Mike Shaw, head of the Mike Shaw Automotive Group, which operates seven dealerships across three states (Colorado, Louisiana and Texas), was named the national TIME Dealer of the Year for 2012 at the annual National Automobile Dealers Association (NADA) Convention & Exposition in February. "I tell people it's like the Heisman Trophy of the car business," says Shaw, who was chosen to represent the Colorado Automobile Dealers Association in the national competition presented in association with Ally Financial and in cooperation with NADA. Ally presents the national winner with a \$10,000 contribution to a nonprofit of his or her choice. Shaw picked the Denver area Boy Scouts. "I like supporting good gangs," he says, "instead of paying taxes for bad gangs in prisons." Shaw's donation went to an initiative dubbed Assistance Individuals, which ensures that no young person is denied the chance to be a Scout or go to Scout camp. Explains John Cabeza, scout executive/CEO, Boy Scouts of America Denver Area Council: "We earmark money for the assistance of individuals for any time there is a financial need; this summer, for example, 67 boys went to camp through this gift that Mike has designated." To spotlight contributions of dealers like Mike Shaw, Ally has launched a digital hub—allydealerheroes.com—featuring stories of dealers across America and their caring community works. They are the real deal.

cars are such high-quality vehicles, and so varied and technologically advanced, consumers come in droves for the same reasons they did in the early 1900s—to get to know the latest cars firsthand," explains Mark Schienberg, president of the Greater New York Automobile Dealers Association (GNYADA), which produces the New York International Auto Show each April.

"It's at an auto show where you fall in love," says Rod Alberts, executive director of both the Detroit Auto Dealers Association and the North American International Auto Show in Detroit's Cobo Center each January. Plenty of people agree: At the 2012 Detroit show, attendance topped 770,000, the highest since 2005. Similarly, at the 112th edition of the New York show in April, more than 1 million visitors meant a 12% year-over-year increase from 2011. The nation's largest publicly attended auto show featured every type of vehicle imaginable and included 62 unveilings.

Unlike shows of yesteryear, these attractions have morphed at an incredible pace. They are fully interactive experiences where attendees can use apps and mobile devices to do tactical research. At the Detroit show, people use a new mobile site tailored to on-the-go audiences to navigate the floor with a detailed map, learn more about manufacturers and sponsors, and connect with other enthusiasts via social media. Similarly, the New York show catered to mobile consumers and pushed out 196 million social communications, an increase of four-and-a-half times over the year before, according to Schienberg. As he explains, the goal is to connect with

consumers all the time, by talking to them before, during and after the show, giving them updates on just about everything—from featured events and exhibits to car models and updates on the industry.

According to attendee research, Schienberg says, the show experience really drives the purchase process and showroom visits. "Some 78% of people who came to the New York show in 2011 said they're interested in buying a car in the next two years, with 44% saying the next 12 months," he says. "And a huge 63% said the auto show helped them make the decision of the model to put in their consideration set."

THE ROAD AHEAD

Is all this empowerment, portability and personalization making a difference in the marketplace? You bet it is. As summer turned to fall, eight carmakers were approaching North American production records. Despite a sputtering economy, general consumer queasiness and rising gas prices, Paul Taylor, chief economist for the National Automobile Dealers Association (NADA), credited old standbys—like consumer-friendly low interest rates, ample inventories and healthy incentives—for an overall U.S. car market well on the rise for 2012, with 2013 expected to continue the trend. So look up from the glowing screen in your hand and shake hands with a dealer. You may soon be in the driver's seat in this newly empowered world. ●

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