

DAN ZETU
Analytic Consultant
dan_zetu@polk.com

All Used Vehicle Buyers Are Not Alike

While there is always a market for used vehicles, current economic conditions have made used vehicles attractive to an increasing number of consumers. When shopping for a used vehicle, consumers can choose to purchase from many different sources, including dealerships. So, in order to capture as many used vehicle customers as possible, dealerships have to recognize an important fact: all used vehicle buyers are not created alike.

Used vehicle buyers can be segmented by shopping and purchase behavior, where they get their information, attitudes, lifestyles and a myriad of other factors that influence the purchase decision. Dealers that understand the primary consumer groups, and tailor their marketing messages and media appropriately, will be most successful in their sales efforts.

FOUR TYPES OF USED VEHICLE CONSUMERS

Research by Polk shows that used vehicle buyers can be divided into four segments as shown in Figure 1 below.

Figure 1
Used Vehicle Buyer Profiles

Used Vehicle Buyer Segment	Percentage of Used Vehicle Buyers	Average Age of Vehicle Purchased	Average Purchase Price
Budget-Conscious/Entry-Level Buyers	45%	3.0 years	\$13,900
Business/DIY Buyers	24%	3.0 years	\$15,700
Domestic Premium Aspirers	17%	2.7 years	\$19,400
Luxury Brand Import Buyers	14%	3.6 years	\$14,700

BUDGET-CONSCIOUS BUYERS MAKE UP ALMOST HALF OF USED VEHICLE CONSUMERS

The largest segment of used vehicle buyers, with 45 percent of the total, is made up of budget-conscious, entry-level buyers. These consumers tend to be female college students and others under age 25, with parents buying vehicles for their children also part of this group. Dodge and Pontiac are among the favored brands for these drivers, who tend to use their vehicles for everyday activities like errands and commuting to school.

Since entry-level buyers are concerned about price, the monthly vehicle payment is an important consideration in deciding to purchase, as is the availability of incentives and warranties. On average, this group reports an average monthly payment of \$297. Image is also important to this group of drivers, so highlighting the uniqueness of style and vehicle features may be as important as telling potential customers about reliability and quality.

Reaching these potential buyers can be accomplished through campus events and by advertising on social networking sites like Facebook, MySpace and SecondLife. The Kelley Blue Book website (www.kkb.com) is a favored source of information. "Word of mouth" from friends and relatives often plays a role in the purchase decision for the budget-conscious, entry-level buyer, so targeting influencers may be an effective strategy.

The group of budget-conscious buyers has tremendous long-term potential. A positive experience with the purchase of their first used vehicle could lead to future purchases of increasingly expensive and profitable new vehicles as they grow older and their income levels progress.

PRACTICAL VEHICLES APPEAL TO BUSINESS / "DO-IT-YOURSELF-ERS"

Approximately one-quarter (24 percent) of all used vehicle buyers fall into the business / "Do-It-Yourself (DIY)" segment, a group comprised of drivers who use their vehicles to haul materials, either for business purposes or for "do-it-yourself" projects.

Price and practical features, such as ample cargo space, are key drivers of the purchase decision for this consumer segment. Dodge, Toyota, Ford and Chevrolet are popular brands.

Marketing messages about vehicle features such as cargo space and towing capabilities will likely resonate with business/DIY used vehicle buyers. They typically finance their vehicle purchase and would be interested in learning about financing options as well as available small business incentives. Dealerships can reach these consumers through industry or trade publications and advertisements in Do-It-Yourself centers.

continued

Budget-conscious, entry-level buyers make up 45% of used vehicle buyers.



“The smallest segment of used vehicle buyers (14%) purchase luxury import brands.”

DOMESTIC PREMIUM ASPIRERS TEND TO “BUY AMERICAN”

Seventeen percent of used vehicle buyers can be classified as domestic premium aspirers, a segment that tends to buy the most expensive products they can afford. This group feels that buying American brands is their patriotic duty, with popular brands including Cadillac, Chevrolet and Jeep.

Domestic premium aspirers buy more recent used vehicles than other consumer segments and tend to spend more – both overall and per month – than other used vehicle buyers. Despite this, they are somewhat price sensitive and will respond to messages about incentives and warranties.

The domestic premium aspirers group includes a high proportion of African-Americans. This used vehicle buyer segment can be best reached through traditional media like TV, radio and newspapers.

Consumers who buy used domestic premium vehicles are good prospects for future sales of new luxury domestic vehicles, so dealerships have an opportunity to start to build a relationship with these buyers, especially as they tend to be more loyal to the manufacturer than other used vehicle purchasers.

DRIVING IS FUN FOR LUXURY IMPORT BUYERS

The smallest segment of the used vehicle consumer base is the 14 percent that are considered luxury import buyers. Brands purchased by this group include Acura, Audi, BMW, Mercedes-Benz, and Volvo. More so than other segments of used vehicle purchasers, these consumers tend to be influenced by sightings of the vehicle on the road and by others who own the vehicle.

For this group of used buyers, a defining attitude is that driving is for pleasure and relaxation. This “fun factor” mindset is consistent with attitudes observed in studies with buyers of new luxury vehicles. In short, it appears that it is not always about basic transportation needs for those buying a luxury vehicle – regardless of whether it is new or used.

Compared to other segments of used vehicle buyers, the luxury import buyers tend to be older and wealthier. Despite the expected higher level of affluence, they report having the lowest average monthly payment in the study (\$290), implying they are potentially frugal and smart used vehicle buyers.

This segment also actively uses the Internet during the vehicle research process and can be reached on a number of automotive websites. In fact, luxury buyers tend to be some of the most Internet savvy and active online information-gathering audiences in the automotive industry.

From a marketing effort, ride and drive events and private viewings can also be used to target these consumers. Brands such as BMW and Lexus frequently make efforts to conduct private showings of their product line-up while surrounding the events with other activities related to art and culture and other “fine living” atmospheres.

SUMMARY

As the current automotive and economic landscape presents significant challenges for dealers, automakers, and consumers themselves, having an appreciation of key selling points is critical. For dealers with profitable used vehicle operations, being relevant and targeting specific consumer niches will be far more effective than presenting a “one-size fits all” approach to buyers in the secondary vehicle market. ♦

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Findings for this Polk View come from a study of used vehicle buyers conducted in late 2007. From this research, reported profile attributes derive from a segmentation analysis conducted among 500 U.S. vehicle buyers.