CarGurus

UNITED STATES, Q3 2021

COVID-19 SENTIMENT STUDY

CarGurus COVID-19 Sentiment Study

In this report, we explore which effects from COVID-19 are temporary, and which are here to stay. Then we provide implications for the automotive industry and what this means for dealerships in particular.

About the study

In July 2021, CarGurus surveyed 600 U.S. shoppers on their sentiments toward car shopping during the COVID-19 pandemic as part of a benchmarking study. Throughout 2020, CarGurus surveyed over 2,000 respondents in earlier iterations of the study.

Long-term trends

- **Transportation & Mobility Habits** (page 4): Shared transportation services suffered a massive loss of users, and consumers are not eager to return. Only half (54%) of previous ride-share users expect to return to their pre-pandemic activity in the next year. Few more (+5ppt) plan to return in the long-term.
- **Digital Retail** (page 5): Now more than ever, buyers would love to do more from home. 60% of respondents say they'd prefer to do more of the car buying process from home for their next vehicle purchase.
- **Raised Expectations** (page 6): Some of the most popular contactless services that arose from the pandemic are here to stay– dealership appointments (46% of shoppers interested), solo test drive (42%), test drive at home (32%), and at-home delivery (30%).

Short-term trends

- **Demand Created from the COVID-19 Pandemic** (page 8): Buying confidence has recovered over the course of the pandemic with decreased spending and stimulus. And major changes like moving to a new house (29%), getting a new job (22%), and working from home (12%) made people more interested in buying a vehicle this year.

- **Shoppers' View of the Current Market** (page 9): The inventory shortage has hit US buyers the hardest. The majority (58%) of prospective buyers are aware of the high vehicle prices, up from 26% in November of 2020.
- **Near-term Expectations** (page 10): People are much more comfortable with shopping in stores this year, but dealers should continue to provide a safe experience. While fewer shoppers have concerns about the safety of retail activity, the majority (51%) still expect dealership employees to wear face masks.

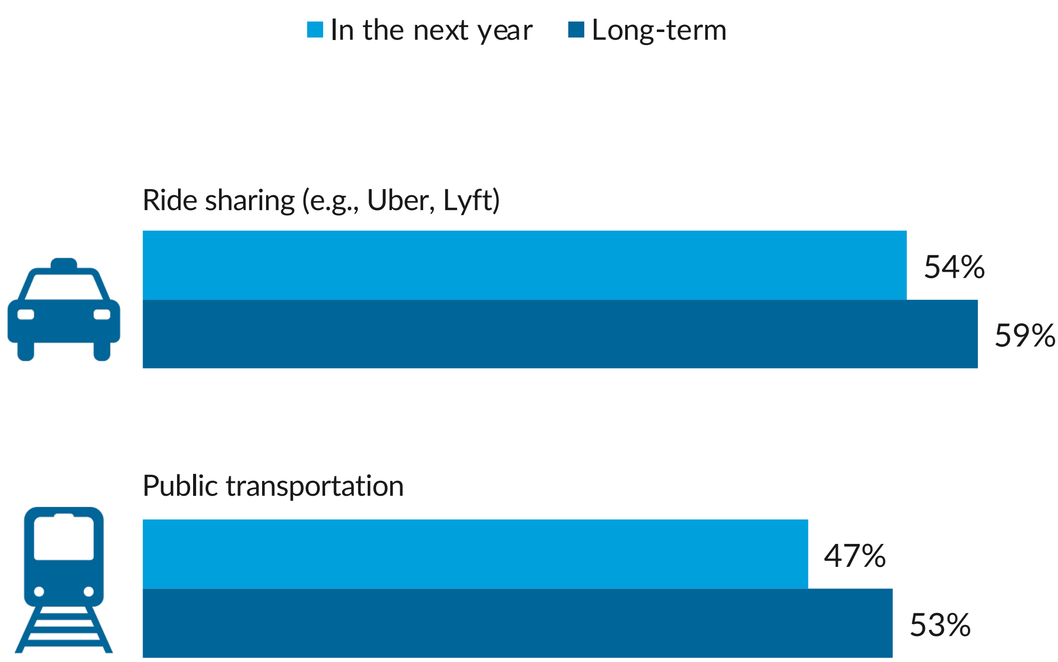
Long-term trends
(5-10 years)

Transportation & Mobility Habits
Digital Retail
Raised Expectations

Transportation & Mobility Habits

Consumers have stopped or reduced their use of shared transportation during the pandemic, and many do not plan to return to their pre-pandemic habits even in the long-term. People have grown accustomed to relying on personal vehicles to replace these services, and to offer an escape and sense of joy during the pandemic.

Share of Previous Users Planning to Resume Pre-Pandemic Activity[1]



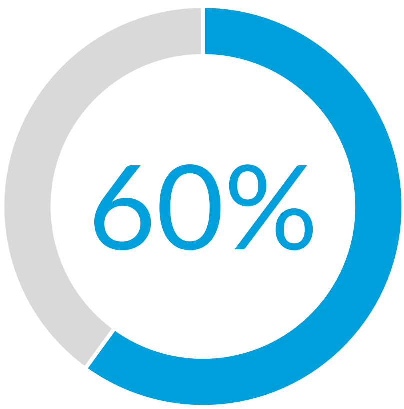
40% of respondents expect to use their personal vehicles **more overall** going forward
v. 33% in 2020

52% of respondents expect to go on **more road trips** going forward
v. 47% in 2020

[1]How often do you expect to use these methods of transportation compared to before the pandemic? Showing the sum of 'the same as before' and 'more than before' among previous users
CarGurus 2021 COVID-19 Sentiment Study, US (n = 600)

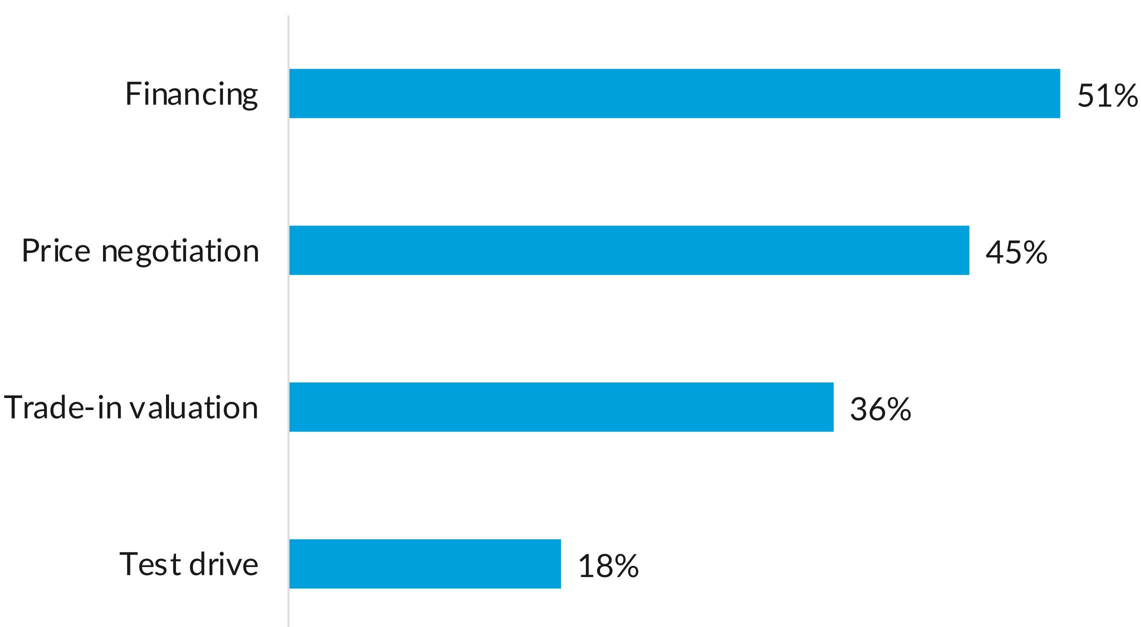
Digital Retail

Now more than ever, buyers would love to do more from home. The biggest barrier to buying online, however, remains the test drive. Expect shoppers to adopt digital retail gradually as they grow more comfortable with the idea, often starting with online financing.



of auto shoppers say they'd prefer to do **more** of the car buying process **from home** for their next purchase

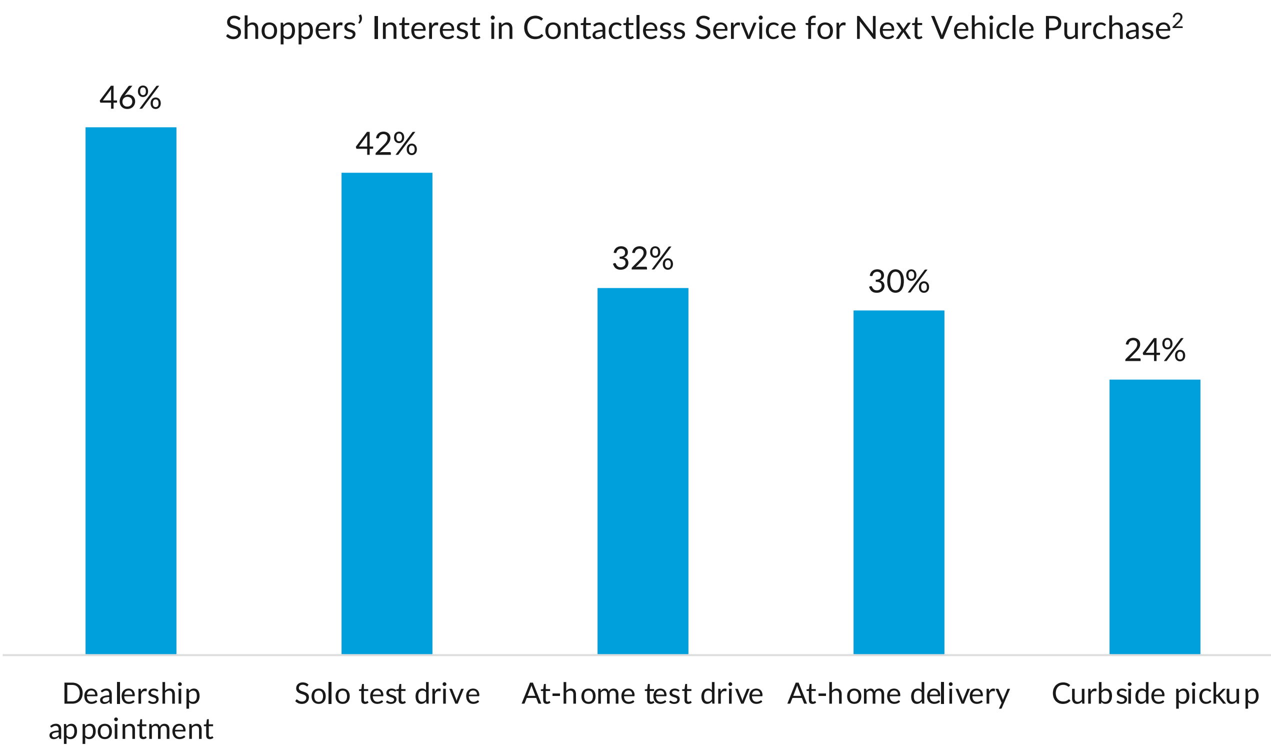
Shoppers' Preference To Do Activity Online



CarGurus 2021 COVID-19 Sentiment Study, US (n = 600)

Raised Expectations

Some of the most popular contactless services that arose from the pandemic are here to stay. Dealership appointments, solo test drives (either at home or at the dealer), and fulfillment options gave buyers a convenient and enjoyable way to shop, and they don't want to see these options disappear next time.



Dealership outreach & appointments

Recent CarGurus data[3] shows buyers today are much less likely to just walk-in to the dealer than in years past. Only 28% of dealership buyers walked in without notice in 2021, vs. nearly half (43%) in 2019. Some of this was fueled by the pandemic, but this trend has been emerging for years as shoppers have found success in reaching out ahead of time and securing a dedicated appointment. Now, dealership appointments are the most in-demand contactless service and we expect this behavior to stick around long after the pandemic.

[2]For your next vehicle purchase, would you be interested in any of the following contactless shopping options, assuming they were available and free of charge? Select all that apply.
[3]CarGurus 2021 Buyer Insight Report (n = 3,031)
CarGurus 2021 COVID-19 Sentiment Study, US (n = 600)

Short-term trends

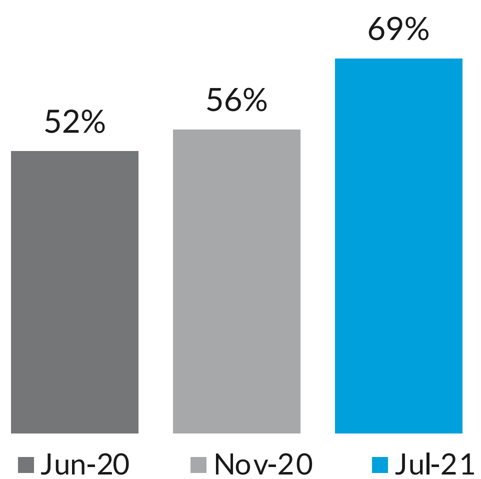
(1-2 years)

Demand Created from the COVID-19 Pandemic
Perceptions of the Inventory Shortage
Near-term Expectations

Demand Created from the COVID-19 Pandemic

While the pandemic caused a huge disruption to the auto industry in 2020, we quickly saw shopper demand for vehicles bounce back. Buying confidence returned due to recovery measures and decreased spending. And in 2021, many people moved, got new jobs, or began working from home– and these events sparked vehicle purchases.

Confidence in Ability to Afford a Vehicle[4]



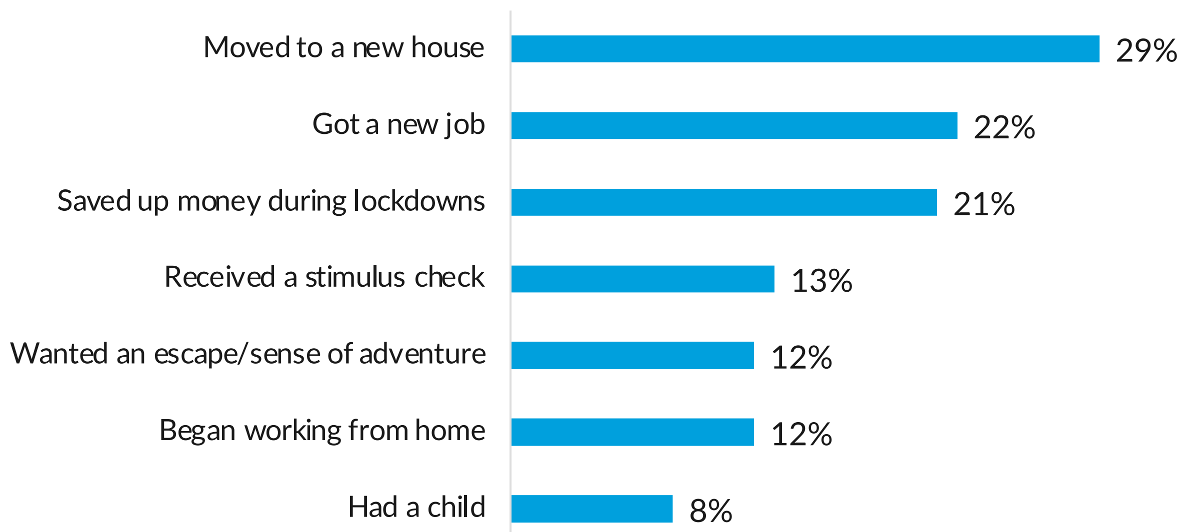
"The pandemic just made me want to **treat myself** more"
61-year-old female from New York

"I was planning to wait a few more years originally"
35-year-old female from Pennsylvania

"**Unemployment, reduced rent** is the reason I was able to afford [my car purchase]"
62-year-old female from California

"The **stimulus checks** came in clutch"
27-year-old male from Texas

Which of these scenarios, if any, made you more likely to buy a vehicle this year?
among 2021 buyers

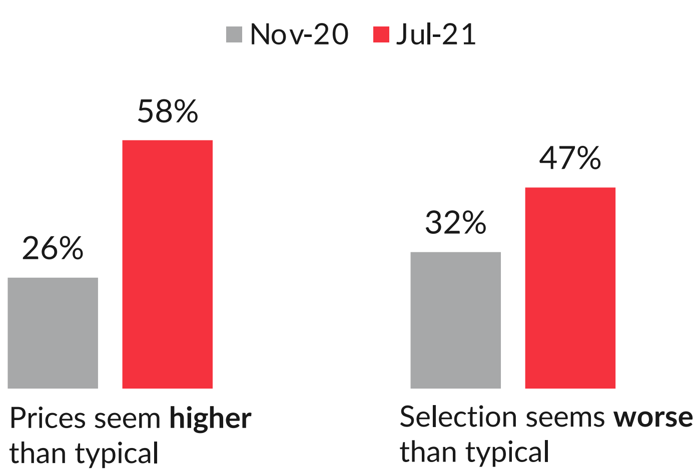


[4]How has/had COVID-19 impacted your confidence in your ability to afford a vehicle? Showing more confident/about the same
CarGurus 2021 COVID-19 Sentiment Study, US (n = 600)

Perceptions of the Inventory Shortage

The inventory shortage has hit US buyers the hardest. The majority (58%) are aware of the high vehicle prices, unlike earlier in the pandemic. And many have had their buying experience disrupted by ongoing issues of supply and demand.

Shopper Perceptions of Price and Inventory



58%
33%
24%

47%
25%
24%

30% of recent buyers say a vehicle they were planning to see in-person was **sold before they got there**

31% of current shoppers say they **delayed or pushed off shopping** for a vehicle since prices were/are so high

"I am waiting for the supply chain issue with the **chip supply to resolve** before I buy a new car…"
54-year-old female from New Jersey

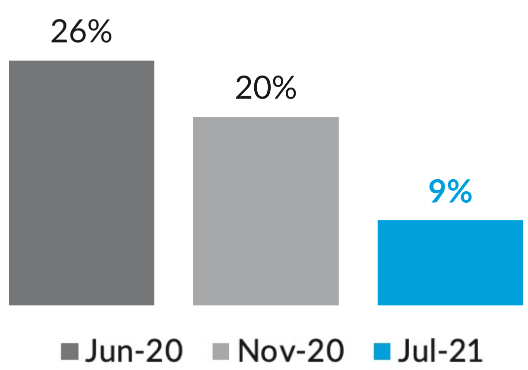
"Hopefully the dealerships will **acquire more vehicles** within a few months"
62-year-old female from Florida

CarGurus 2021 COVID-19 Sentiment Study, US n = (600), UK (n= 989), and CA (n=503)

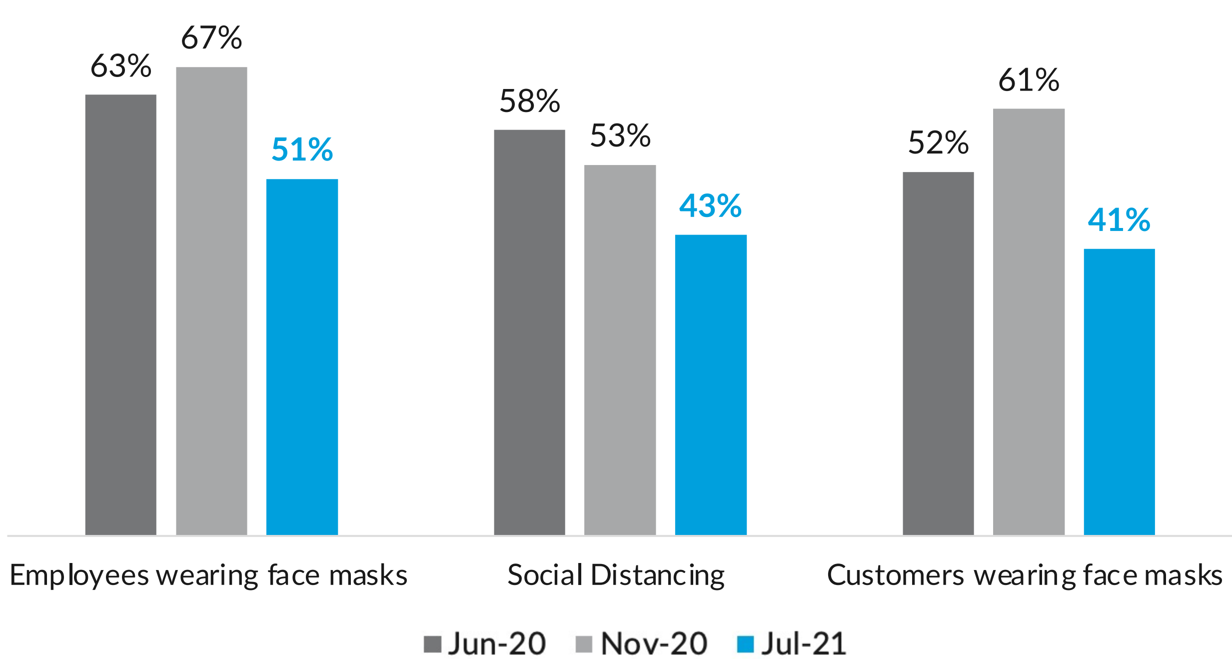
Near-term Expectations

People are much more comfortable with shopping in stores this year, but dealers should continue to provide a safe experience. While fewer shoppers have concerns about the safety of retail activity, the majority (51%) still expect dealership employees to wear face masks.

Belief that Retail Activity is Harmful[5]



Shoppers' Expectations for Dealership Visit[6]



[5]Agreement with the statement 'It is a bad time to buy, retail activity puts myself and others at health risk'
[6]Which of these would you expect from a dealership you would visit in order to purchase a vehicle or get one serviced?
CarGurus 2021 COVID-19 Sentiment Study, US (n = 600)

CarGurus 2021 COVID-19 Sentiment Study

Implications for the automotive industry:

1. **Demand for private mobility expected to remain high.** We should expect to see continued high demand for both new and used vehicles in the next year, in part due to decreased use of shared transportation. Only 59% of previous ride-share users and 53% of public transportation users expect to return to their pre-pandemic usage of these services in the long-term.
2. **There's no going back on digital retail.** Consumers continue to express a desire for digital retail, with 60% of respondents preferring to do more of their vehicle buying process from home. However, 82% would still prefer to do an in-person test drive, highlighting the need for omnichannel support.
3. **Historically high prices are starting to dissuade some consumers.** After multiple rounds of stimulus helped swell disposable income, we saw vehicle prices rise to historical heights; however, those high prices might have finally started to reduce demand as 31% of current shoppers say they delayed or pushed off shopping for a vehicle since prices were/are so high.

Recommendations for dealerships:

1. **Prioritize digital retail in your sales process.** With most shoppers wanting to do more of the process online, it's important that dealers are equipped to handle these preferences. Implement digital retail products that allow shoppers to take the transaction as far as they want – and make sure your staff is trained to handle this new online business.
2. **Test new ways of acquiring inventory.** You can't rely on auctions to keep your lot stocked anymore. Consider investing in technology that allows you to acquire in-demand vehicles more efficiently in your local market, and perfect your trade-in process to keep your supply of used vehicles up on your lot.
3. **Continue to provide a safe, convenient buying process.** The dealership experience is crucial to winning more sales, and many shoppers expect contactless services to stick around long term. Continue to offer services like dealership appointments, solo and at-home test drives, and at-home delivery to ensure consumers feel comfortable shopping at your dealership.

CarGurus 2021 COVID-19 Sentiment Study, US (n = 600)