



CAPITAL ONE 2021

CAR BUYING OUTLOOK

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INTRODUCTION



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At Capital One, we're committed to reimagining car ownership.

The experience of car ownership is both personal and pivotal. A car is more than just an asset — it symbolizes a cherished milestone that enables access, comfort and social mobility for individuals and families across America. This belief has been our north star since we first entered the auto finance landscape with a drive to challenge the market for the sake of our customers.

Today, the car-buying process is in need of change. Car buyers want transparency when making one of the biggest purchases of their lives and are seeking clarity through online research. Dealers are rushing to adapt to changing car buyer expectations and increased demand for innovation and digital tools.

Car buyers and dealers remain heavily interconnected within the ecosystem of car buying, and Capital One has long sought to deeply understand the challenges that they each are facing. That's why we commissioned the 2021 Car Buying Outlook, a first-ever study of these two key groups that examines the behaviors, preferences, and attitudes as it pertains to auto financing.

We are excited to share our insights in an effort to bridge the gap between car buyers and dealers, eliminate friction in the process and infuse joy within car buying. At Capital One, we feel privileged to play a role in this momentous event, by bringing humanity, simplicity and ingenuity to the lifecycle of car ownership.

A handwritten signature in black ink that reads "Sanjiv".

EXECUTIVE SUMMARY

Car buyers are using digital tools as part of their purchasing journey, even more than before COVID-19. Additionally, the data shows the in-person experience at dealerships remains crucial to finalizing the deal.

Buyers are seeking information online, but they look for expertise, clarity and validation from their dealer. If anything, the mass amounts of online information and research car buyers have access to may be overwhelming, and thus reinforce the importance of the dealer's perspective to buyers.

The financing discussion, which nearly half of future car buyers will have in person at the dealership, remains ripe for innovation.

The Car Buying Outlook will explore three key areas related to the car buying ecosystem:

1. Value of the in-person experience
2. Financing with transparency
3. Future-forward digital innovations

VALUE OF THE IN-PERSON EXPERIENCE

Despite increasingly using digital tools during COVID-19, car buyers still go to the dealership.

During the pandemic, consumers have increasingly turned to digital tools for car buying. But at the same time, they also overwhelmingly showed a desire to involve the dealer as an essential part of the car buying process. Only 6% of car buyers are most comfortable buying a car without a dealership. This reinforces the role of dealers as consultants and partners.

Car buying is a major purchase in a consumer's life, with an important financial impact. Car buyers want to have conversations about financing in person with their trusted dealer.

By the time future car buyers set foot in a dealership, more than half will have researched vehicles (69%), selected a vehicle make or model (52%) and researched local inventories (55%) mostly or entirely online. But even with all their research, they are likely to still have questions about financing.

Dealers can meet car buyers where they are in their journey and optimize their time spent at the dealership by focusing on what's most important to buyers in an in-person visit: the test drive and the financial discussions. This could help reduce friction in the car buying experience, build trust and confidence around financing and set up consumers and dealers to reach a deal that works for both parties.

Key Data Points

94% of car buyers plan to involve a dealership in their car-buying experience.^{1*}



92%

of car buyers say the test drive is an important part of the buying process.²



82%

of future car buyers say they will visit more than one dealership.³



76%

of dealers agree digital tools and staff's personal touch will enhance relationship building.

*Footnotes available on page 8.

FINANCING WITH TRANSPARENCY

Digital tools may help bridge the gap on financing.

After investing their time researching financing and identifying cars online, buyers are still visiting dealerships and dedicating in-person time to finalize their deal. This is often the turning point in the car-buying process, with two-thirds (68%) of deals falling through when finances enter the conversation.

99% of dealers state less than half of their customers have their financing figured out.⁵ More than half of dealers say they need to educate or provide car buyers additional information around financial terminology.

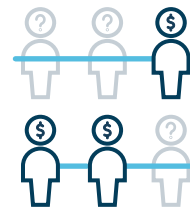
Transparency in financing options is key to helping both dealers and car buyers and may help them save time in reaching a deal. Digital tools that can provide transparency and reduce friction around financing conversations may alleviate the unease that can accompany this part of the car buying journey.

Key Data Points



68%

of deals fall through when finances enter the conversation, according to both dealers and car buyers.⁴



99%

of dealers state less than half of their customers have their financing figured out when they come to the dealership.⁵



54%

of car buyers state they think about financing after settling on a car⁶



60%

of car buyers agree car dealers have the necessary digital tools in place to self-educate on financing options at their dealership.



81%

of car buyers surveyed agree dealerships should provide more information upfront about pricing and financing.⁷

FUTURE-FORWARD DIGITAL INNOVATIONS

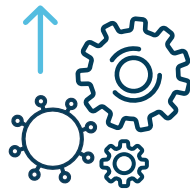
Dealers shift focus to digitizing operations in order to meet customer demand.

Car buyers are increasingly researching all aspects of car-buying online, and most dealers plan to permanently increase their digital offerings in the wake of COVID-19.

With 64% of car dealers agreeing the industry has changed forever, dealers are recognizing the importance of strong digital tools as a way to provide customers with empowering information they seek — especially around financing — during the initial phase of a car purchase.

Dealer tools that service customers at each phase of their online journey can empower both ends of the spectrum — from a website with real-time inventory to tools that help structure deals.

Key Data Points



56%
of car dealers have permanently increased their use of digital tools to combat business challenges brought on by the COVID-19 pandemic.



69%
of dealers say the role of technology and digitization in dealer operations will be more important post-COVID-19 pandemic.⁸



38%
of car dealers agree the need to improve customers' experience with technology has been accelerated by the COVID-19 pandemic.



42%
of car dealers say digitization will change their 'financing transparency' in the next five years.



33%
of car dealers report financing and 38% report their websites are aspects of their business most in need of innovation.

METHODOLOGY

Capital One's Car Buying Outlook comprises findings from two surveys targeted to consumers and dealers.

The consumer survey of 1,000* U.S. adults ages 18+ was conducted on behalf of Capital One Auto Finance using Ipsos.

*Of the 1,000 respondents, 348 have bought/leased a car in the last 6 months and 652 self-reported that they're planning to buy/lease a car within the next two years. The survey was fielded October 1-14, 2020, with a margin of error of +/- 3.1%.

The dealer survey of 401* current car dealers was conducted on behalf of Capital One Auto Finance using Beresford.

*Of the 401 respondents, 132 were self-reported as owners, 133 as general managers, 30 as F&I directors, 83 as sales managers and 23 as internet managers. The survey was fielded October 14-20, 2020, with the margin of error +/- 4.8%.

Key Data Points

1. Dealerships where negotiations are the norm (50%); set-price dealerships with no-haggle price (29%); online-only dealer with no-haggle policy (16%) (consumer sample: 1,000)
2. Very important (66%); somewhat important (27%) (consumer sample: 1,000)
3. Visit two dealers (37%); three dealers (27%); four+ dealers (18%) (consumer sample: 652)
4. Negotiations on car price (34%); discussions about financing (20%); negotiations on trade-in price (14%) (consumer sample: 1,000); Negotiations on car price (26%); discussions about financing (22%); negotiations on trade-in price (20%) (dealer sample: 401)
5. 26% - 50% financing figured out (46%); 1 - 25% financing figured out (51%); 0% financing figured out (2%) (dealer sample: 401)
6. When I've decided on the car (in person) (36%); when I've found the car (online) (18%) (consumer sample: 1,000)
7. Strongly agree (42%); somewhat agree (39%) (consumer sample: 1,000)
8. Much more important (27%); somewhat more important (42%) (dealer sample: 401)