emma auto trends and insights

August 2015

HIT THE ROAD!

Changing consumer attitudes and buying trends in the world's most competitive car market.

emma

On the road

New cars are roaring out of Australian showrooms. 1.1 million new vehicles were bought in calendar 2014, and the first five months of 2015 saw volumes up 2.5 per cent on the same period a year earlier.

While lower interest rates and increased affordability, along with increased choice are all driving consumer demand, the market's composition is changing too, as are the roads to purchase. Together these trends create interesting angles for advertisers targeting new car buyers.

This report considers recent Australian motor vehicle sales data alongside emma™ insights, which illustrate consumers' changing attitudes, preferences and behaviour, as well as their responses to emerging trends. Our analysis reveals key consumer segments[1] that are either considering buying a new car or have recently bought one; the attributes these buyers value most in a new vehicle; and how they determine which car best meets their needs within the context of the broader Australian new car sales market.

emma™ data shows four consumer segments – representing 37 per cent of Australia's adult population and 43 per cent of all new car buyers – who are particularly inclined to either buy a new car in the next year, or to have already done so.

[1] For the complete list of consumer segmentations, attitudinal and category data within emma™ please email support@emma.com.au.

Assertive Materialists
(12% of the surveyed population)

These middle/upper-middle class city metro families place great value on social mobility, status and lifestyle. Women and men in this group are among the top earners of all segments yet aspire to even greater social status and success. Slight pessimism about their own financial future could be because of over-commitment to high mortgages and high discretionary 'lifestyle' spending. Their car brands of choice include BMW, Lexus and Holden HSV.

Social Creatives
(6% of the surveyed population)

These affluent urbanites are skewed towards young (74 per cent under age 44) males, who place utmost importance on success and lifestyle. Among the top earners and most highly educated of all the segments, these young achievers are hyper engaged with technology and social media, sharing their opinions freely to anyone who'll listen both online and offline. Alfa Romeo, Range Rover and Smart are popular brands of car for this group.

Conscientious Consumption
(11% of the surveyed population)

These middle/upper middle class families are parented by highly educated, big earners who are strongly engaged with new technology and social media. They do not however place great importance on social status and consumption. Despite their high incomes they are financially conservative and more optimistic than average about their economic future and the economy in general. Mercedes-Benz, Audi, VW and Jeep are among their preferred car brands.

Lifes's Tough
(8% of the surveyed population)

These lower-middle class /low-income families and singles feel life has handed them a raw deal. They are the lowest (mid-life) earners of all the segments as well as the most stressed and pessimistic, not only about their own lives and finances but about the state of the national economy. 18 per cent are employed in the building/construction sector and trades. Typically closed-minded, internally focused and unmotivated they are the least engaged of all segments with social media. Their car brands include Kia, Great Wall and Isuzu.

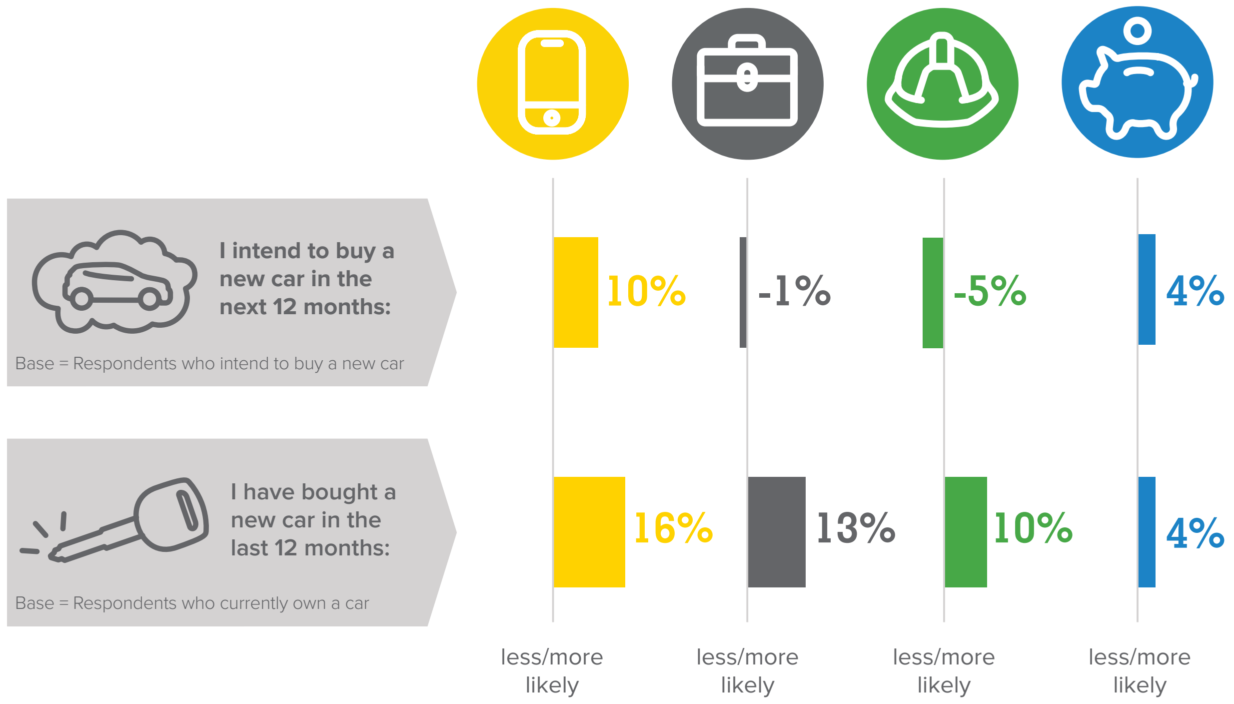
The world's most competitive market

This hyper-competitive market is putting downward pressure on prices and tempting consumers towards new cars whereas in the past they might have bought a used vehicle. emma™ data however reveals this highly competitive environment affects purchase intentions and behaviour differently for each car buying segment.

For example, Life Is Tough are 5 per cent less likely than the rest of the population to say they are considering a new car yet 10 per cent more likely to have actually bought one in the past 12 months. This is because they tend to rely heavily on their vehicles for work (their occupations skew heavily towards trades), or they need to drive some distance for work if they live in an area under-served by public transport. Self-employed Life Is Tough can also claim a tax deduction for using their vehicles for business, making a new car purchase relatively more affordable.

Assertive Materialists on the other hand probably own a 'nice' car already, and may well be in debt, but social status and the need to have the latest model see them more inclined to buy a new vehicle, making this group a prime advertising target (explored further in 'The road to purchase' later in this report.)

Social Creatives and Conscientious Consumption plan and make considered decisions before committing. They are most likely to consider buying a new car in the next year, with Social Creatives also most likely to have actually followed through.



Source: emma™ Conducted by Ipsos Connect (May 2014 – April 2015)
Sample of respondents within Scope10 segments: Conscientious Consumption, Life is Tough, Assertive Materialists, Social Creatives n=23,404

What consumers look for in a new car

Most new car buyers have the same priorities: safety, price and reliability/warranty, as the table below illustrates.

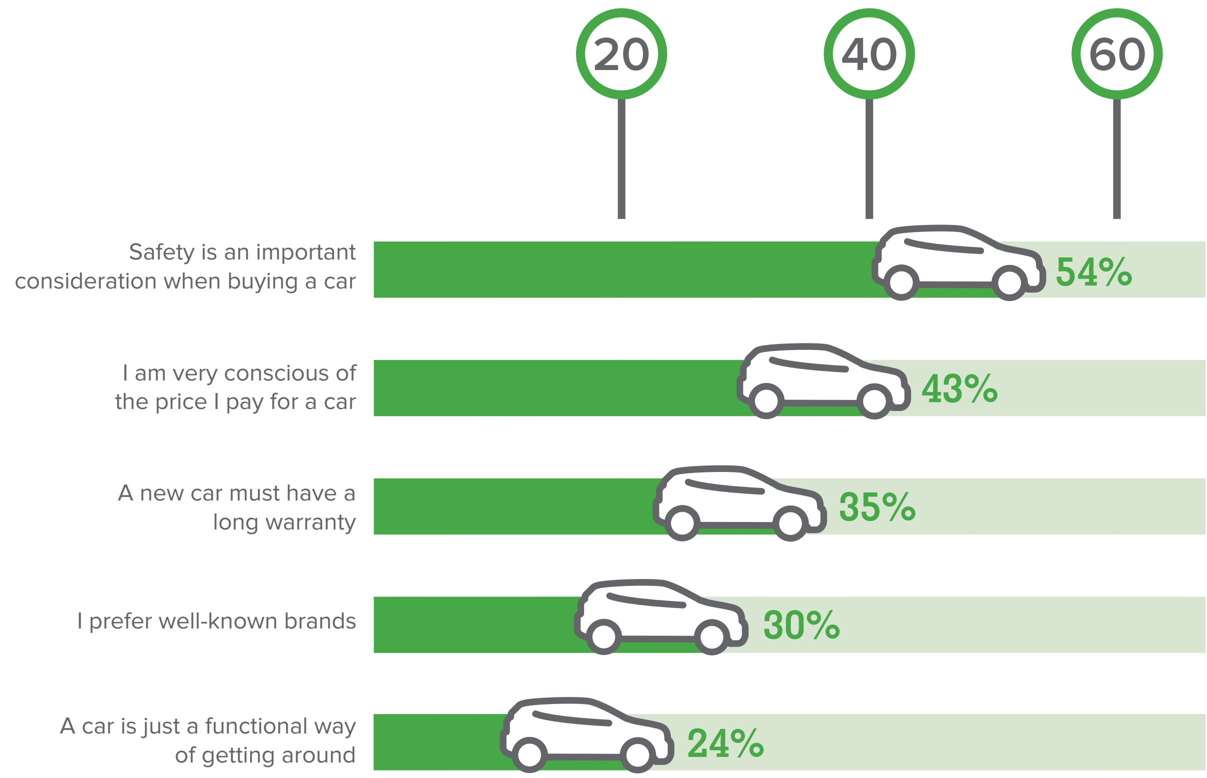
Beyond the 'must-haves' however the emotional nature of a new car purchase sees attitudes among the consumer segments vary greatly.

Social Creatives are most likely to strongly agree they like cars that are built for speed, are sporty- or stylish-looking, and profess to be 'fanatical about cars'.

Conscientious Consumption are least 'into' cars and relatively unconcerned with image and performance. They are also the most inclined of the key segments to agree 'a car is just a functional way of getting around.'

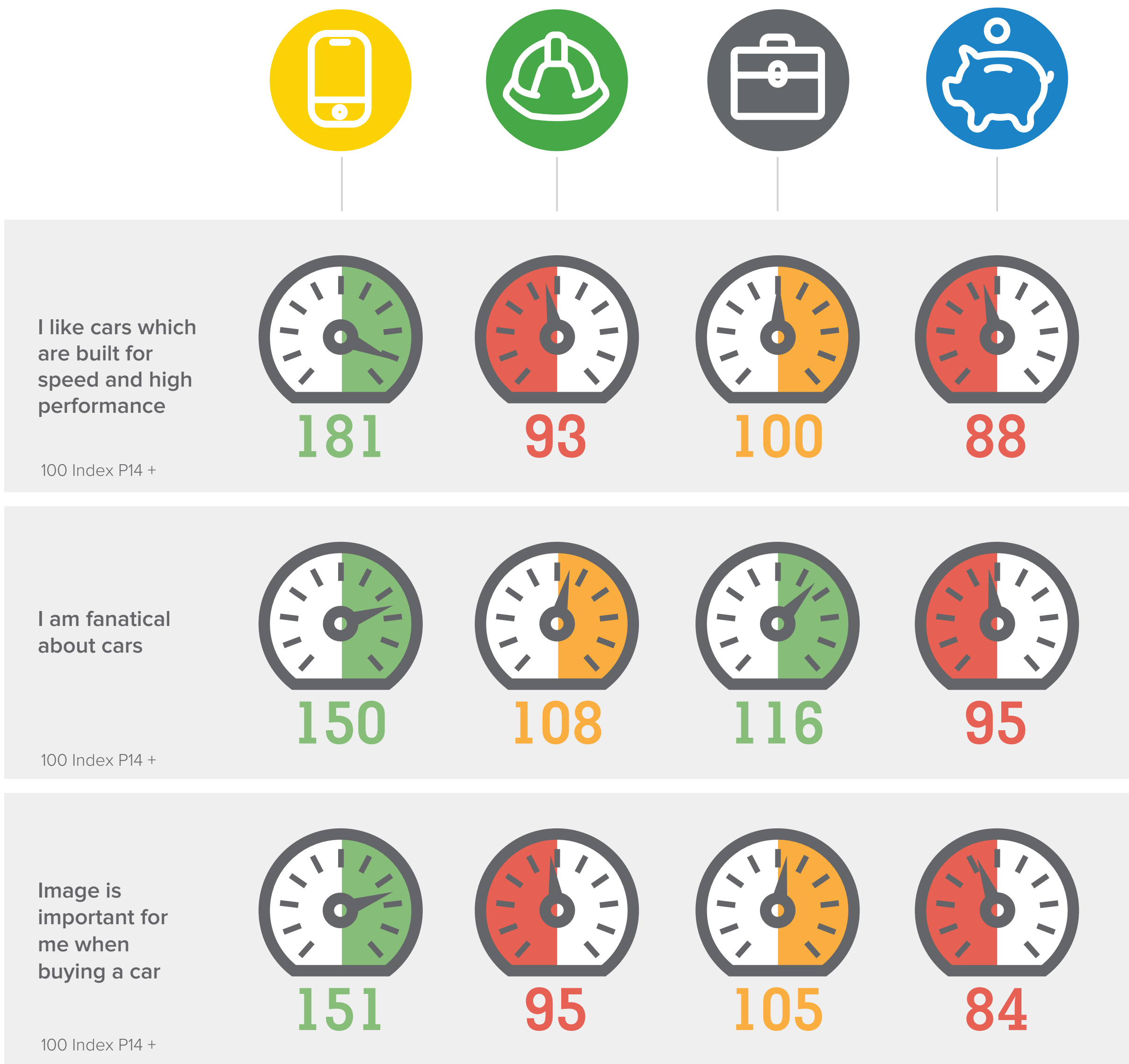
It may seem surprising that Life is Tough are most likely of the four consumer groups to agree 'money is no concern when I buy a car.' This is likely due to both the lower price-range they consider as well as the essential role their own vehicles play in their occupations.

Top 5 attitudes of all people who drive



Source: emma[TM] Conducted by Ipsos Connect (May 2014 – April 2015)
Sample of respondents who drive one a month or more often, n=58,242

'Into' cars scale



Source: emma[TM] Conducted by Ipsos Connect (May 2014 – April 2015)
Sample of respondents within Scope10 segments: Conscientious Consumption, Life is Tough, Assertive Materialists, Social Creatives, n=20,539

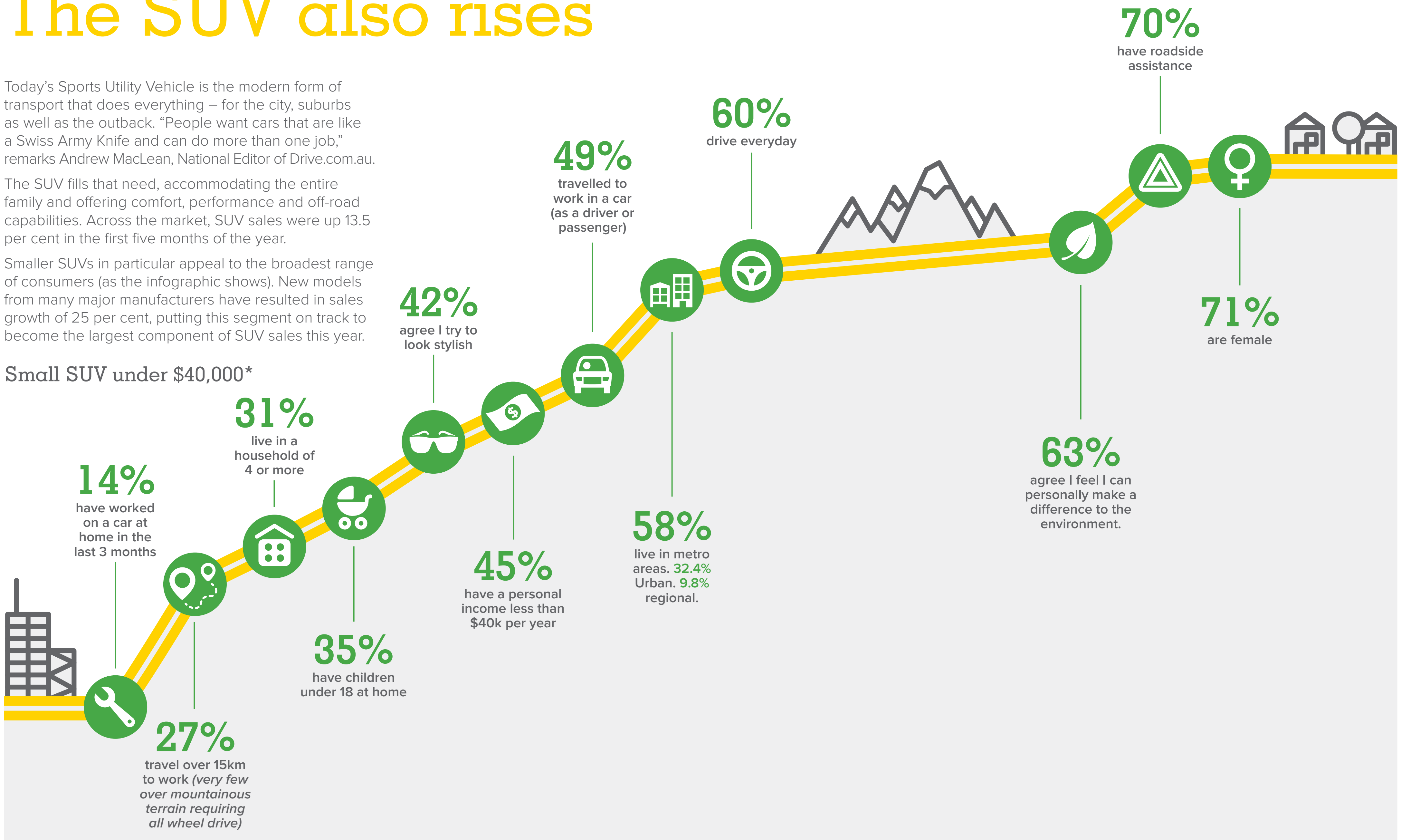
The SUV also rises

Today's Sports Utility Vehicle is the modern form of transport that does everything – for the city, suburbs as well as the outback. "People want cars that are like a Swiss Army Knife and can do more than one job," remarks Andrew MacLean, National Editor of Drive.com.au.

The SUV fills that need, accommodating the entire family and offering comfort, performance and off-road capabilities. Across the market, SUV sales were up 13.5 per cent in the first five months of the year.

Smaller SUVs in particular appeal to the broadest range of consumers (as the infographic shows). New models from many major manufacturers have resulted in sales growth of 25 per cent, putting this segment on track to become the largest component of SUV sales this year.

Small SUV under $40,000*



Source: emma™ Conducted by Ipsos Connect (May 2014 – April 2015)
Sample of respondents who drive a Small SUV (Main usage) <$40K , n=899 * Based on VFACTS segments

Going Green

As SUVs evolve to meet a variety of needs, hybrid vehicles (those using two or more different power sources, for example, a conventional internal combustion engine as well as an electric motor) are no longer 'space age' and now boast performance, comfort and fuel efficiency. Accordingly this is a growing category sub-segment.

Though still a relatively small proportion of the overall SUV market, sales of hybrid private SUVs rose 303 per cent year-on-year in the first five months of 2015.

This reflects the growing inclination – particularly among higher income groups and people in households with children aged 5 and above – to consider buying a hybrid or electric car.

There is also an obvious correlation between affluence and interest in the environment among hybrid car buyers, as these vehicles are still a luxury purchase and in some circles a status symbol. Consideration of hybrid vehicles has grown significantly among both wealthier Australians (up from 1 to 3 per cent in the past 12 months) and consumers who agree they 'can personally make a difference to the environment (up from 0.6 per cent to 2.1 per cent in the same period).

> "A decade ago people would test drive first and then research."

The road to purchase

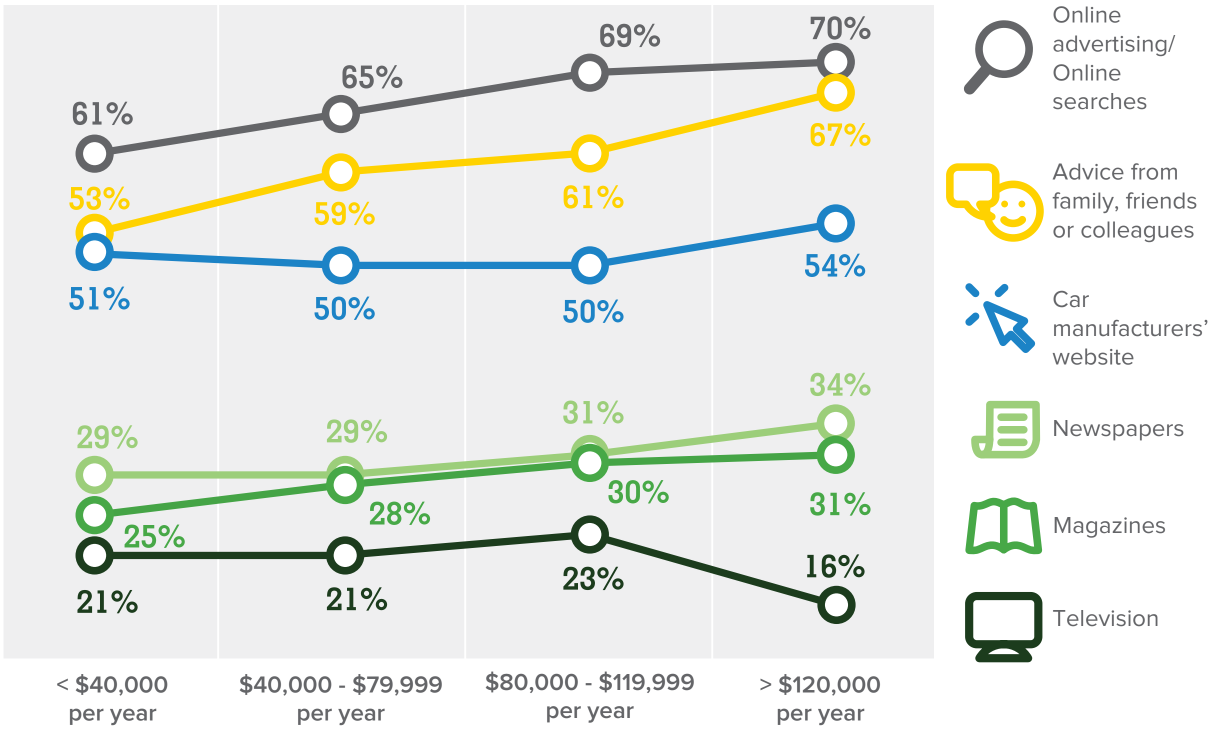
The range of choice makes the role of media and word-of-mouth reviews and information more important than ever in the purchase cycle.

Credible, third party reviews are essential. Says Andrew MacLean: "We see people going first to authoritative independent reviewers like Drive.com.au to do their initial research, determine the vehicle that's best in class and best suits their lifestyle and from there refine their choice. They then go out and test drive. This is the opposite to what they did a decade ago where they would first to go the showroom, test drive and then do research."

Across the population, emma™ data shows that in researching cars to buy, all income groups rely most heavily on online advertising and searches; advice from family and friends; car manufacturers' websites and dealer-supplied materials; followed by newspapers and magazines. As income levels increase traditional media - magazines in particular and newspapers - are seen to be more useful while television declines.

The extent to which key consumer segments rely on others' experiences and opinions, and share their own, also influences buying behaviour and the role of traditional advertising in their decision-making.

Media most useful



Source: emma™ Conducted by Ipsos Connect (May 2014 – April 2015)
Sample of respondents within Scope10 segments: Conscientious Consumption, Life is Tough, Assertive Materialists, Social Creatives, n=23,258

Social Creatives

discuss and want their opinions known on any subject

134% more likely to have posted or shared negative and 94% more likely to have posted or shared positive comments about automotive products, services and experiences

90% more likely to agree are often first to buy a new automotive product/service among their family and friends

43% more likely to say are often asked about their opinions and knowledge about automotive products/services

Life's Tough

lowest social media engagement, most receptive to traditional advertising

27% less likely to have posted or shared negative and 22% less likely to have posted or shared positive comments about automotive products, services and experiences

28% less likely to have been influenced by other buyers' automotive experiences

23% less likely to keep up to date on latest developments on automotive products/services

Assertive Materialists

more receptive to traditional advertising

29% more likely to be the first to buy a new automotive product/service among their family and friends

7% more likely to keep up-to-date on latest developments on automotive products/services

6% more likely to get information about automotive purchasing experiences of others before buying

Conscientious Consumption

Make informed decisions before buying

23% more likely to keep up to date on latest developments on automotive products/services

20% more likely to get information about automotive purchasing experiences of others before buying

22% more likely to have been influenced by other buyers' automotive experiences

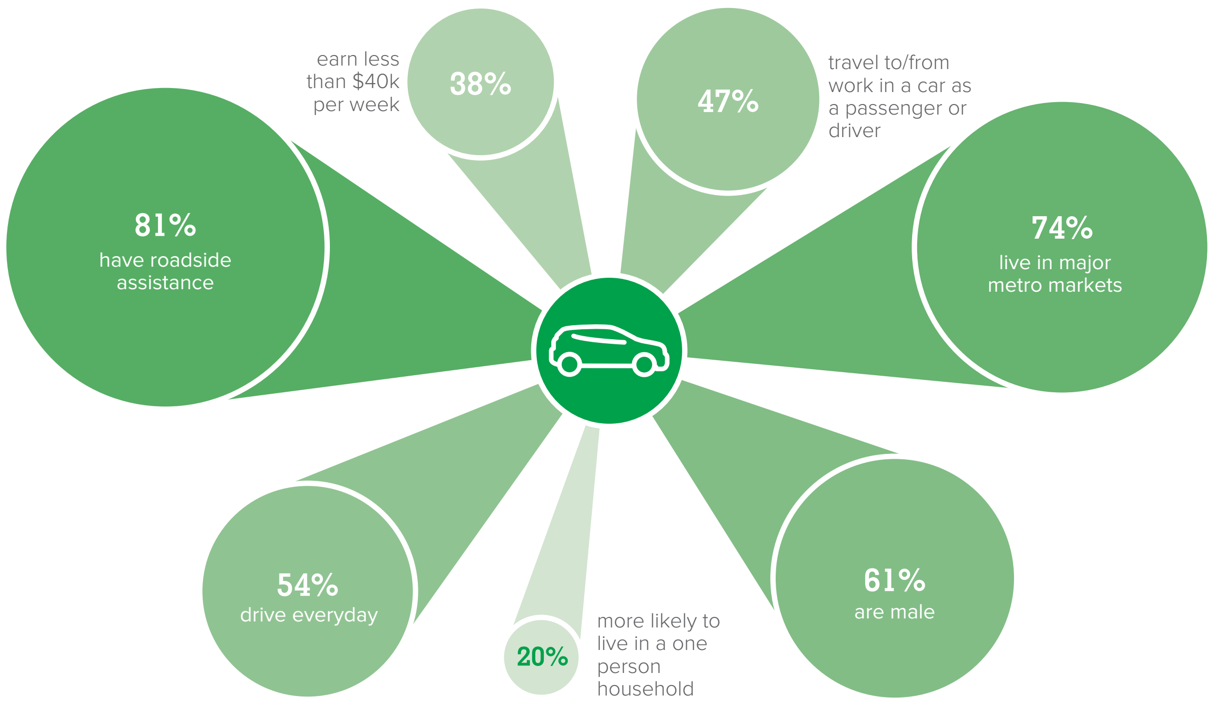
Trading up

Brands once unattainable for most consumers are now increasingly affordable.

Audi, BMW and Mercedes are seeing record sales growth due to their broader ranges and, especially, lower starting price points. For example, Mercedes-Benz C-Class is Australia's second-biggest selling medium-sized car at any price point, outsold only by Toyota Camry, with sales volume up 91 per cent year-on-year.

More broadly, 'Medium Luxury' cars (defined as those selling for $60,000+) grew sales by 29 per cent year-on-year to now represent almost four in ten of all mid-size cars and account for 38 per cent of the category in the first five months of 2015.

Interestingly emma™ data reveals 38 per cent of medium size luxury car drivers earn less than $40,000 per year. While a car with that sticker price might seem a stretch at that income level many owners are retirees or spouses of high income earners. emma™ data shows that 76.5 per cent are not working; 48.8 per cent are married or in de facto relationships; and 42.2 per cent are aged 65+.



Source: emma™ Conducted by Ipsos Connect (May 2014 – April 2015)
Sample of respondents who drive a Medium Luxury Vehicle (Main usage), n=591

Down the road

As our car market becomes even more sophisticated, and expecting Australia's energy-conscious mindset will persist, it's likely there will be more emphasis on alternative fuel options.

While electric cars are a minor part of the current market they are likely to become common in future, along with hybrid and hydrogen-powered vehicles. Consumers will accordingly need to navigate both the technology and its practical effects on their transport needs.

This will make the role of independent, authoritative reviews even more important, as will be access to the opinions and experiences of trusted family and friends.

emma™ data – with its rich insights on consumers' use of various media channels, their purchase behaviour and evolving social attitudes – will also continue to guide marketers looking to communicate with car buyers throughout their roads to purchase.

Explore and discover

The observations and analysis in this short report are based on data from Ipsos' emma™ survey. The emma™ survey is completed by 54,000 Australians per year and is accurately matched to total population across gender, location and demographic variables.

Detailed responses are collected across all aspects of consumers' behaviour online and offline.

To find out more or to arrange a tailored presentation for your brand please contact info@emma.com.au or visit emma.com.au

Sources:

VFACTS National Report © May 2015 (Federal Chamber of Automotive Industries)

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