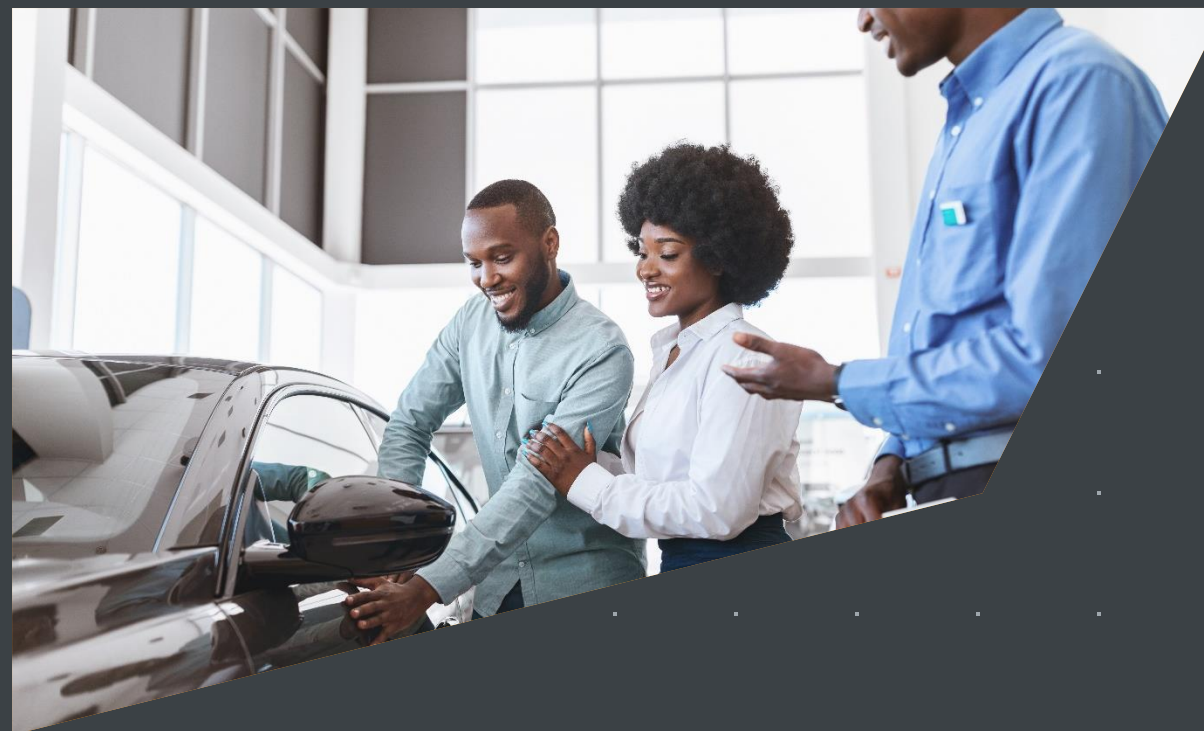

Pulse of the Auto Industry

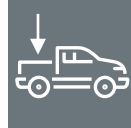
August 2022





Consumer Mood lowest since Great Recession

- New Vehicle Intentions lower than 2009



Full-size Pickup demand falls for the first time in 2+ years

- Pickups lose ground on share of industry and demand falls across near- and long-term intenders



Gen Y and X pull back the most

- Given pricing and availability, it's not surprising short-term demand is impacted, however, even those who intend to purchase 2 years from now are moving to the sideline



Some consumers are getting priced out of the new market

- \$50-\$100k households increasingly considering used as "only new" falls



\$100k+ households are waffling between new and used vehicles

- Over ¼ of \$100-\$150k household income 2-year intenders are equally considering new and used vehicles



Paying over MSRP is resulting in Bitter Buyers

- Recent buyers who paid over MSRP have strong negative feelings towards dealer and OEM reducing loyalty to both



Consumer mood and new vehicle demand

Consumer mood – a time to wait



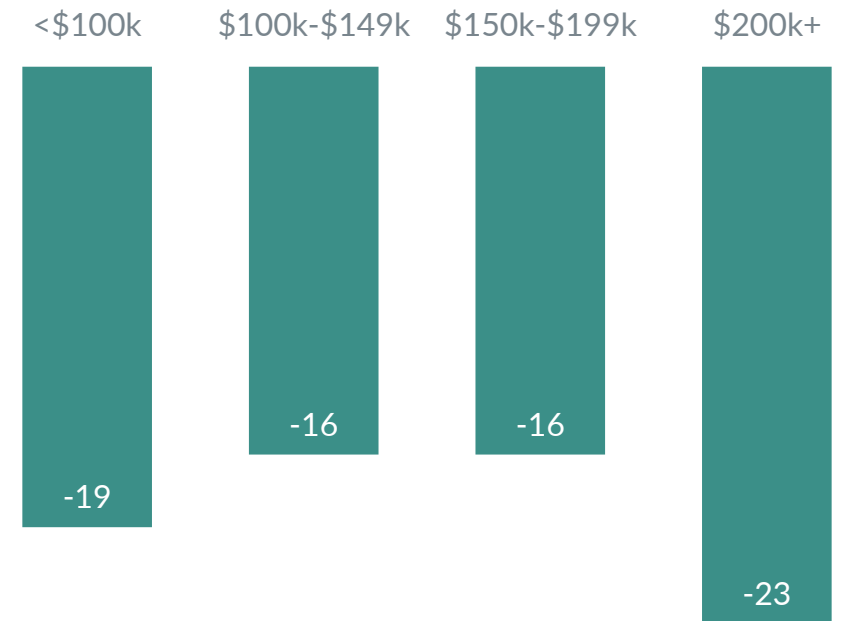
Only 1 in 5 consumers feel it is a good time to buy, a sharp drop from 2020 and comparable to Great Recession levels

Considering both the availability and cost of things today, as well as your present financial circumstances, do you think now is a...?



Affluent consumers are not spared, with the **highest income group showing the greatest drop in good time to buy**

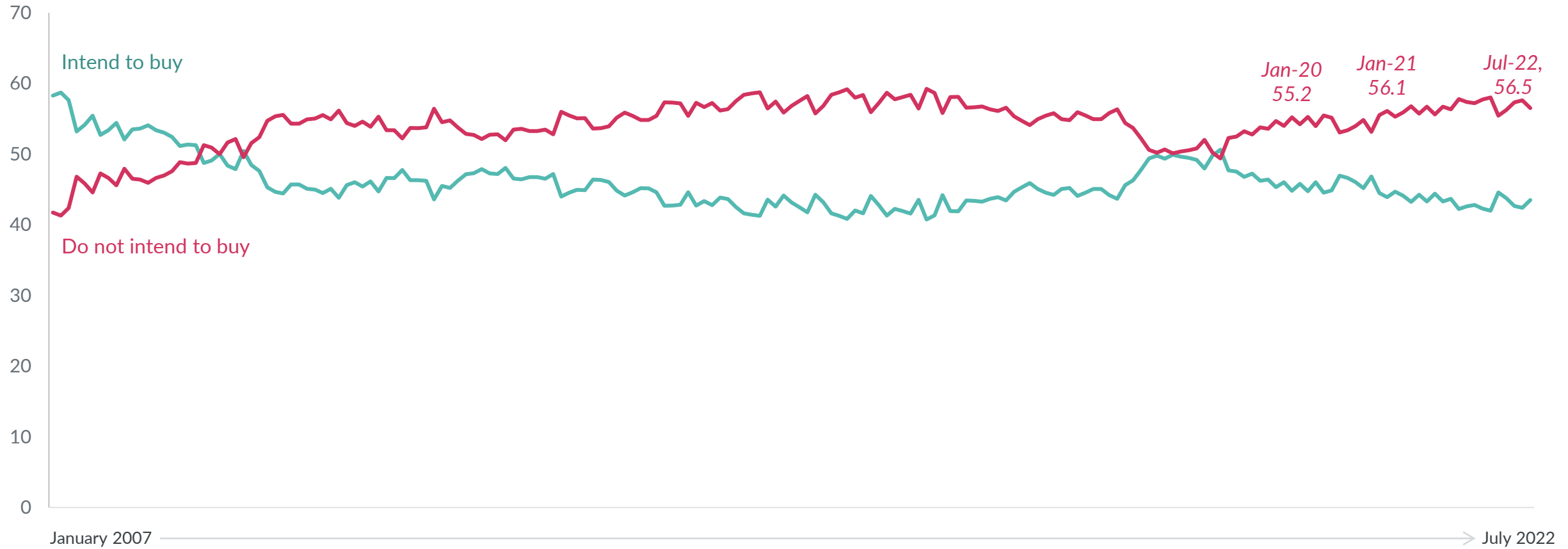
Δ 2018 in **Good time to buy**



New vehicle purchase intentions follow the mood of the country



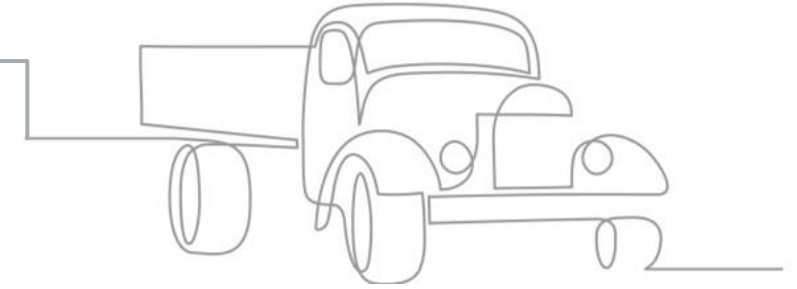
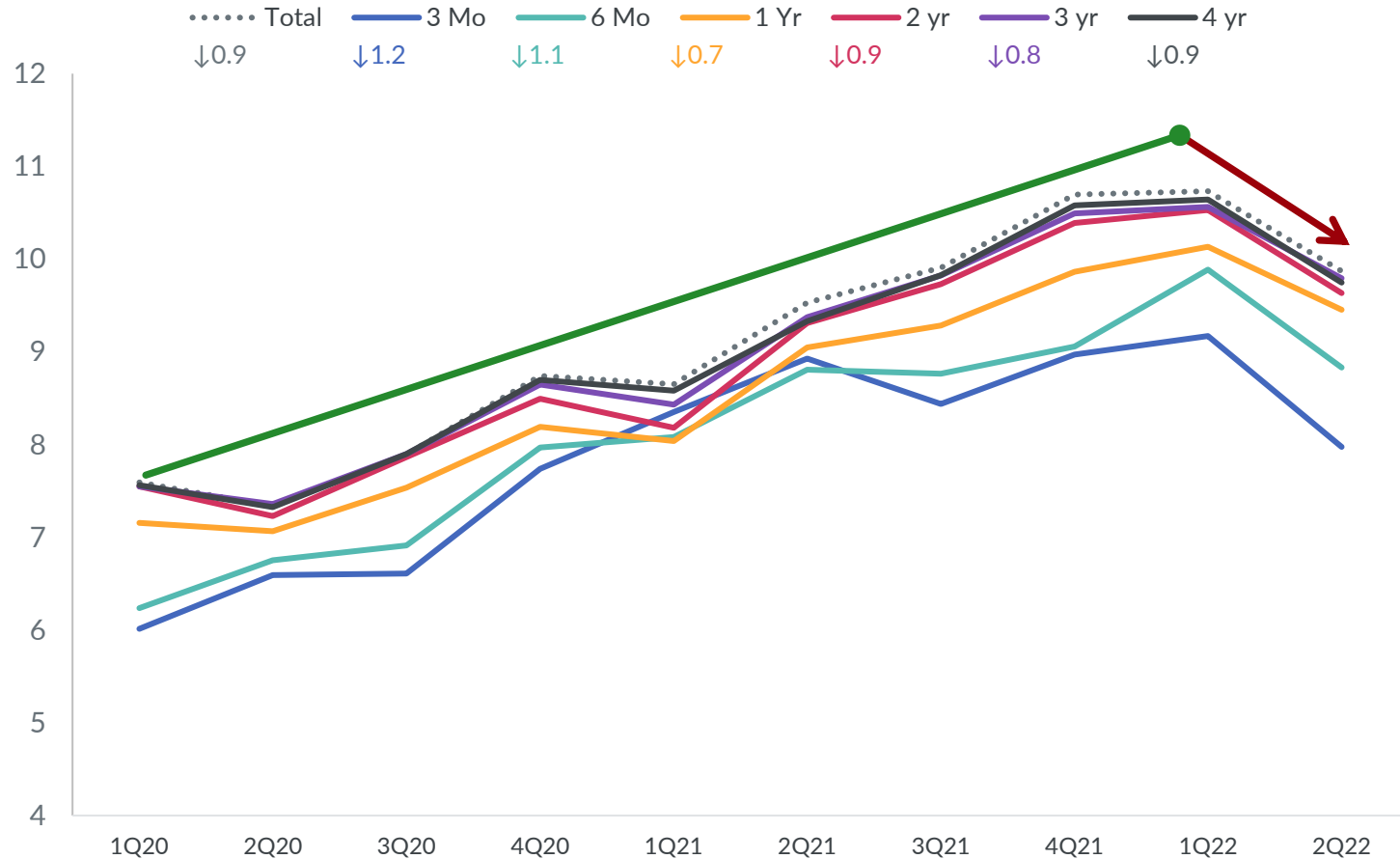
As future new vehicle demand falls lower than 2009



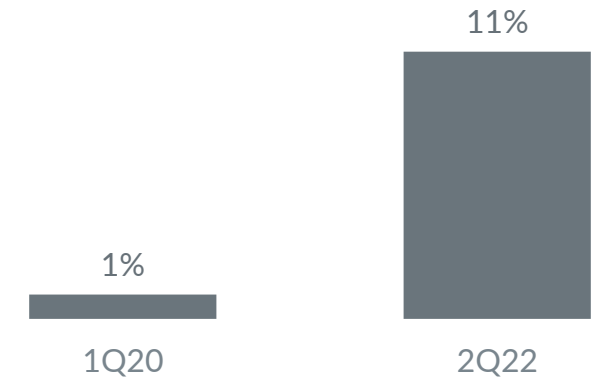
Full Size pick-up demand, the darling of the pandemic, shows signs of weakening across both near- and long-term intenders



Full-size pickup segment share of industry



EV mix of full-size pickup intentions
Fullsize Pickup Intentions fall even with EV launches propping up demand





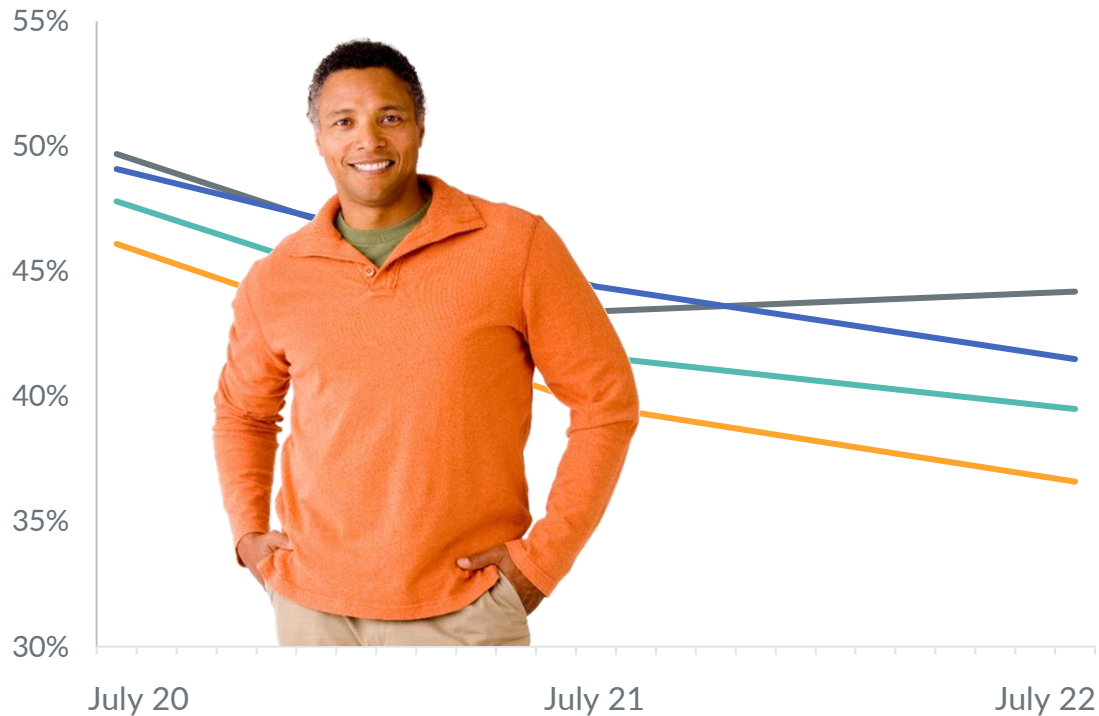
Who is driving the decline?

Gen Y and Gen X, 56% of new vehicle intenders, are pulling back the most



This is not just a near-term phenomenon as even those who don't intend to buy for 2 years are declining

Gen X



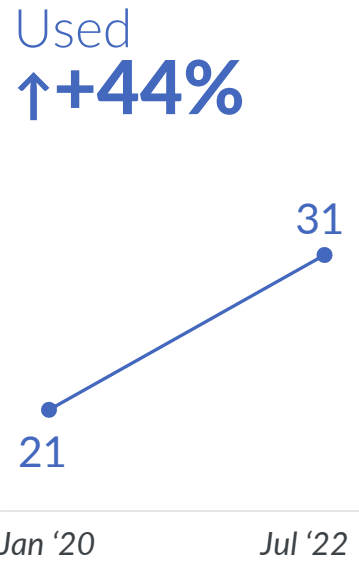
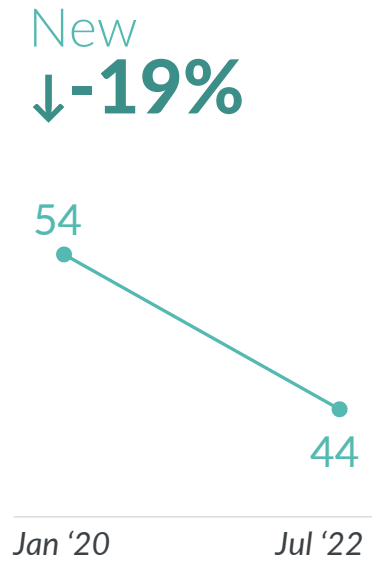
Gen Y



Households under \$100k are feeling the squeeze and shifting to used



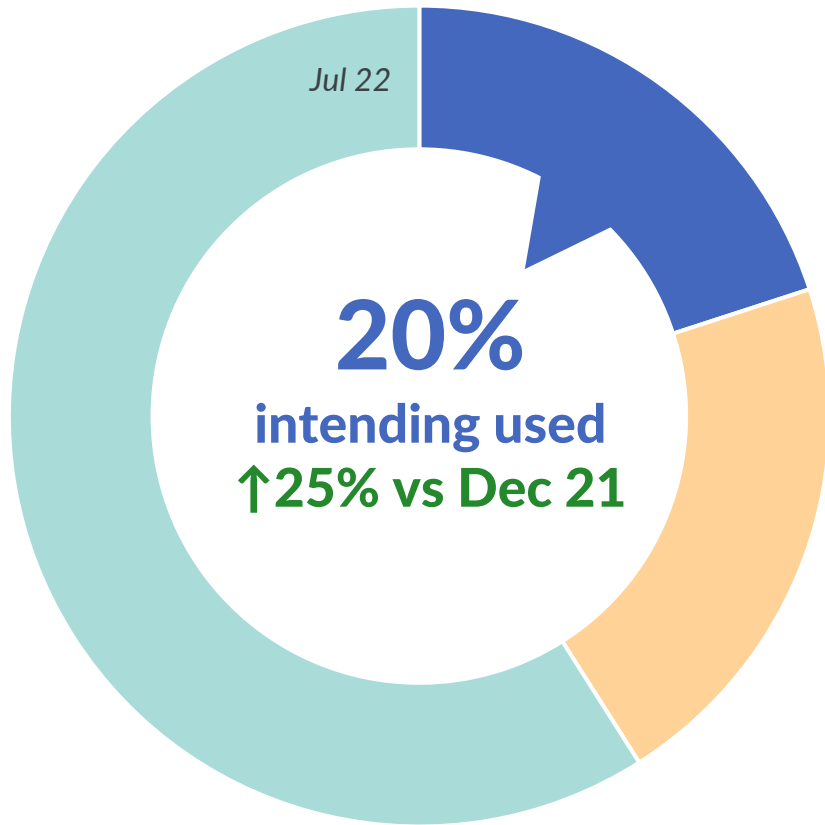
HHI \$50k-\$100k: 3 Month



Affluent households are becoming more open to used vehicles in the short-term, driving a decline in new vehicle intentions

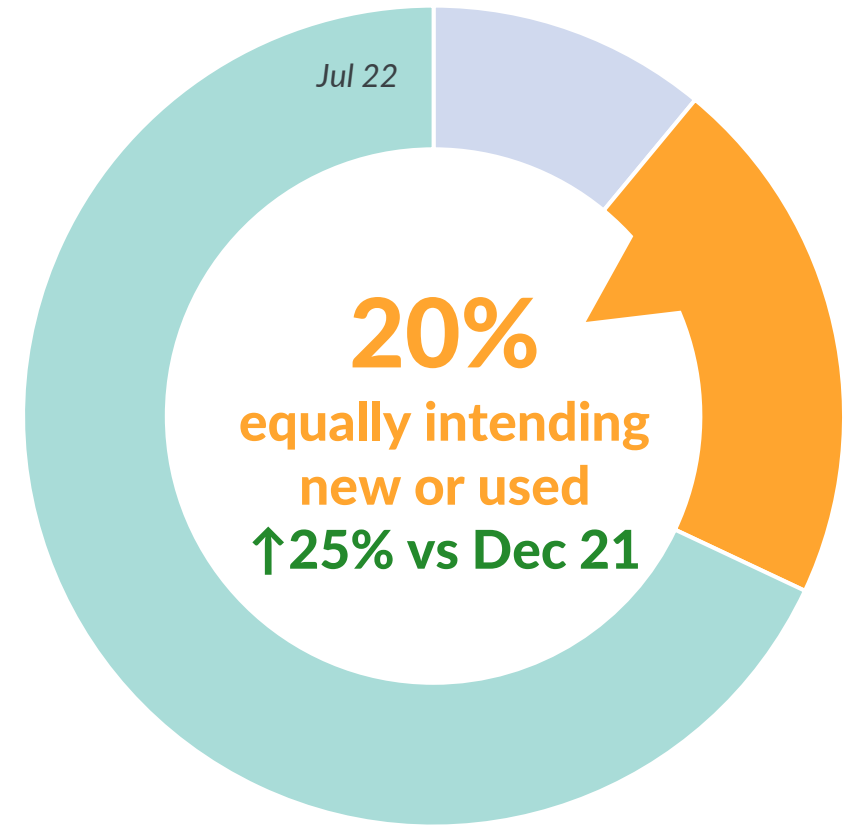


HHI \$100k-\$150k: 6 Month



- Used
- New, not previously owned
- Either new or used

HHI \$150k+: 6 Month



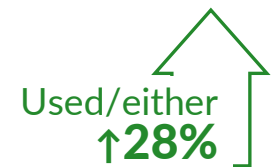


Even longer-term, some intenders are rethinking their need for a new vehicle

HHI \$50k-\$100k: 24 Month
% change July '20-July '22



HHI \$150k+: 24 Month
% change March '21-July '22





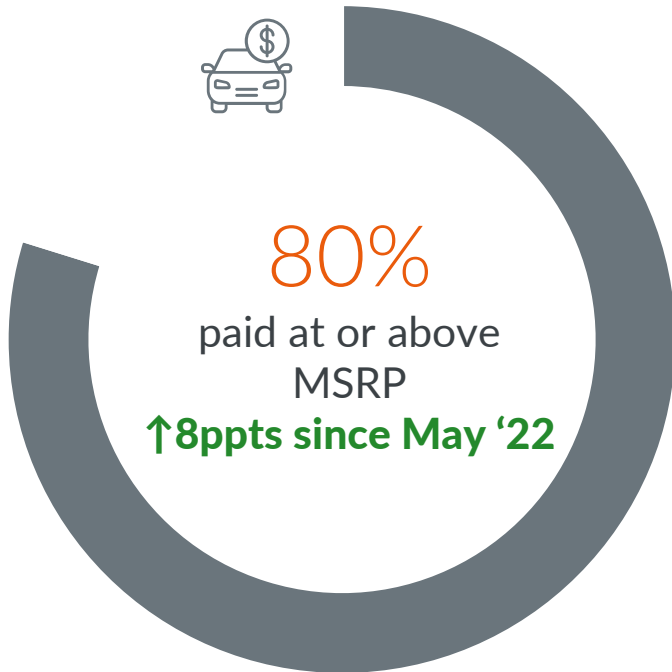
Bitter Buyers

Before interacting with the dealer, buyers have already made sacrifices

On the features, model, dealer, and brand they want – then many must pay over MSRP



Purchase Price (May-July 2022)



Purchase experience among those paying above MSRP (May-July 2022)

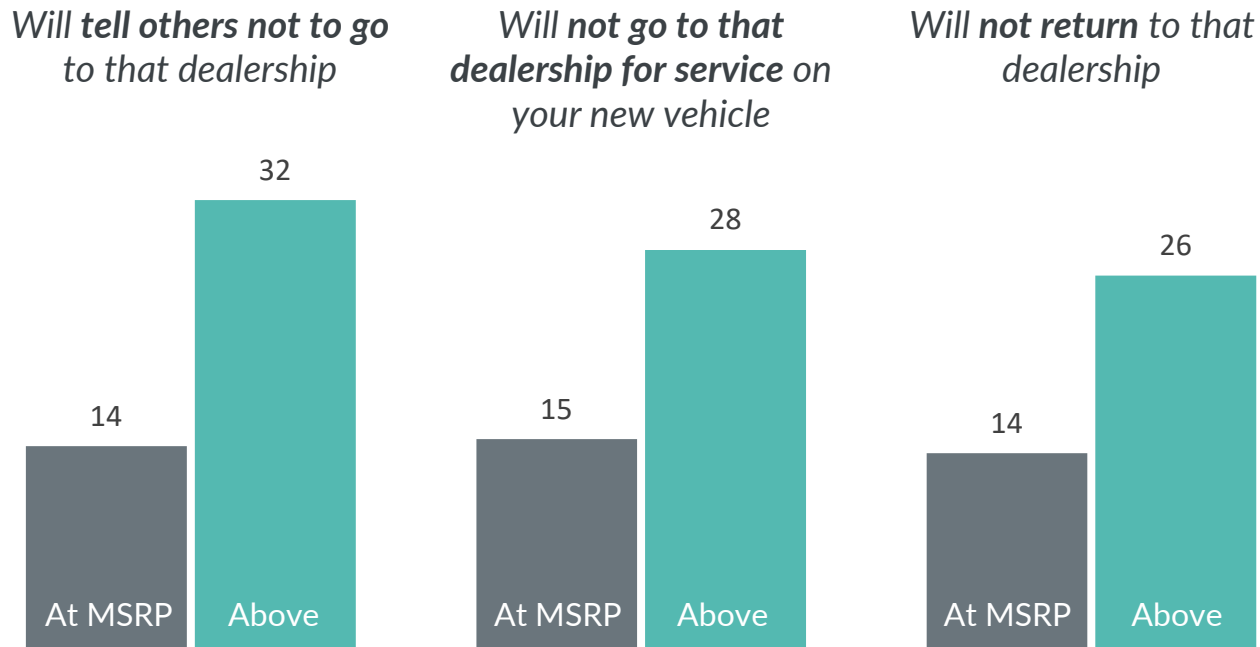


Buyers paying over MSRP are taking out frustrations on the dealer



Those who pay over MSRP are ~ twice as likely to not return to the dealer and spread negative word of mouth

Recent purchase experience – pricing impact on dealer (May-July 2022)



Impact among those charged above MSRP



Will not return to that dealer
+5pts since May



Will not go to that dealer for service
+6pts since May

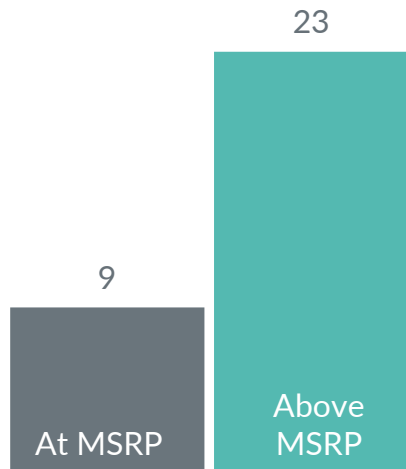
There are negative ramifications for manufacturers as well

Buyers who pay over MSRP are almost three times more likely to not buy the brand again than those who pay sticker price

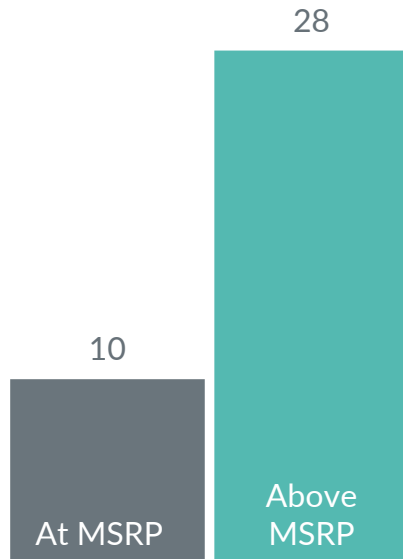


Recent purchase experience – pricing impact on brand (May-July 2022)

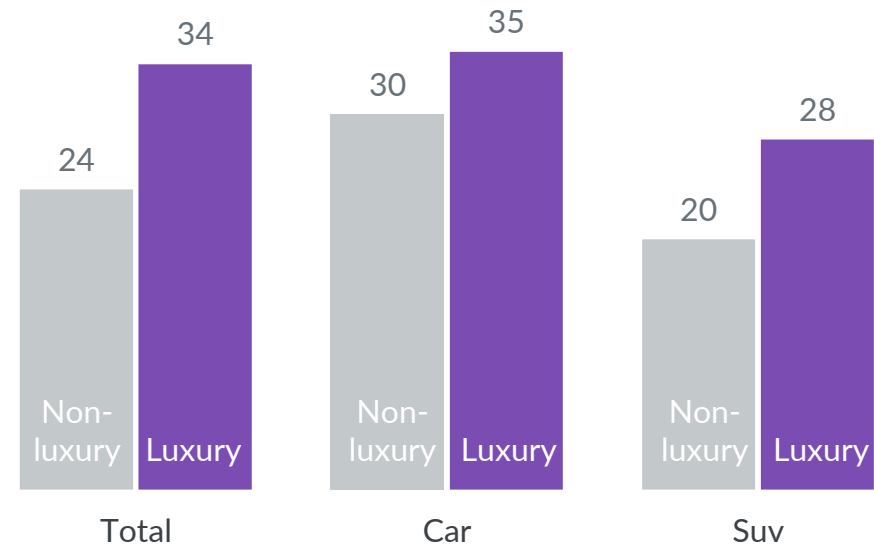
Negatively impacted opinion of the brand



Will definitely not buy that brand again



Luxury buyers are the most bitter



Implications



Inflation, high gas prices, and the seemingly unending ascent of new vehicle prices have consumers on edge to the point they are rethinking their “need” for a new vehicle



While popular convention may be to dismiss these as short-term headwinds, it is clear **affluent households are pulling back and more willing to sit on the sidelines** even though their purchase may be 2 years from now



Long-term, will lower income households rethink even aspiring to own a new vehicle?

Households under \$100k, are getting priced out of the market and longer-term intention declines among this group suggest this is a real possibility



Will Full-size Pickup intenders downsize, move to SUVs, or look at luxury brands instead?

The darling of the industry, Full-size Pickups, is not immune to falling demand, despite the announcement of recent EV launches



Is the short-term profit worth the long-term risk of losing a customer or suffering from negative word of mouth? Will negative equity in these premium-priced vehicles generate even more animosity a few years from now?

Dealers need to be cognizant of the fact many buyers have already sacrificed their first choice, brand, model, features, and the dealer they purchase from. Those who insist on charging over MSRP whether in the form of a “market adjustment”, unnecessary packages, required aftermarket items, or anything else that takes the price over MSRP are generating significant negative sentiment towards themselves and the OEM



Group
from
Knowledge

This report uses online survey research leveraging GfK's AutoMobility studies, the gold standard for keeping your pulse on the market

The longest running automotive studies in the US survey 20,000+ new vehicle intenders a month

Industry, powertrain, brand, model, and marketing communication insights are outputs of the GfK AutoMobility studies

Thank you

For more information please contact:
Julie Kenar julie.kenar@gfk.com
or your GfK AutoMobility representative

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