



HOW TO CONVERT USED CAR SHOPPERS TO BUYERS

March 2015

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As dealers, you want to match up the right car with the right customer as quickly as possible. It helps you move cars, and it helps turn shoppers into repeat, happy customers. But with more shopping and car research channels opening every day, it's difficult to know where to focus your energy. And even within one channel, there are so many levers you could pull. Where do you start? Online? With pricing changes? New advertising initiatives? Not to fear. CarStory's data science team is here to help.

Who is CarStory?

CarStory creates market-based analytics that help consumers quickly discover and decide on the right used car. The size, quality and completeness of our inventory and anonymous search data, generated from over 350 vehicle marketplaces, sets CarStory's insights apart. CarStory Market Reports give the whole story of each vehicle, allowing customers to discover the right vehicle and build buying confidence in their purchase, helping move online shoppers to on-the-lot buyers.

Whitepaper Highlights

CarStory is powered by seven million unique vehicle listings and 100 million monthly consumer searches. Analyzing all of this online activity helps customers as they buy a car, but it also can tell dealers a lot about the industry. In this report, we combine online analytics from our marketplaces and survey results to help answer questions such as:

- Who are used-vehicle shoppers? Why do they choose used vehicles over new ones? And what aspects of vehicles interest them most?
- How does the average used car shopper find the right car, and where does online fit into that process?
- How can you optimize your online presence to help convert shoppers to buyers?

Know Thy Customer

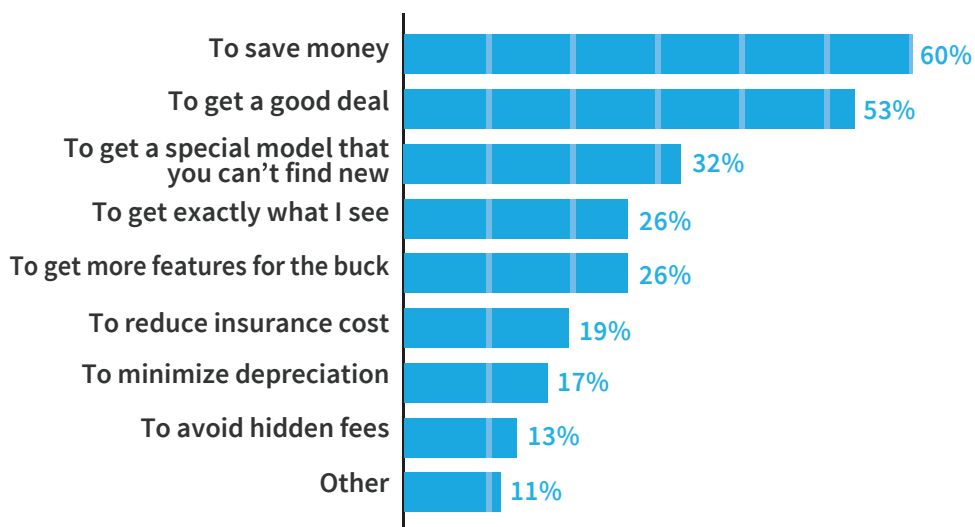
Let's start by better understanding our consumers. Who are they, and what does the average used car buying cycle look like today? We'll then use that information to better convert those shoppers into buyers.

Why Do Consumers Buy Used?

In an effort to better understand car shoppers' needs, CarStory conducted a three-week survey in January 2015 in which we asked shoppers currently buying a used car questions about their car-buying experience and motives. The first question: Why used?

REASONS TO BUY A USED CAR

% of Participants who listed a reason.
(Participants could give more than one reason)



While the 262 respondents could provide more than one reason, the economics of used cars stood out. 60% said they bought used in order “to save money,” and another 53% said it was “to get a good deal.” Many other respondents also expressed saving money as an ultimate goal. For example, 17% wanted “to minimize depreciation,” and 26% wanted “to get better features for the price.” In fact, only two answers did not generally reference saving money:

- 32% of respondents said they're buying used “to get a special model you can't buy new.”
- 26% of respondents wanted “to get exactly what I see.”

This shows the importance of competitive market pricing and highlighting the right features in your copy. Good pricing and accurate merchandising will cover most of the reasons shoppers buy used, but notice that the answers also highlight a niche market. Nearly a third of participants wanted “to get a special model you can’t buy new.” And used car customers also like the idea of “getting exactly what I see.”

What Do Consumers Want in a Used Vehicle?

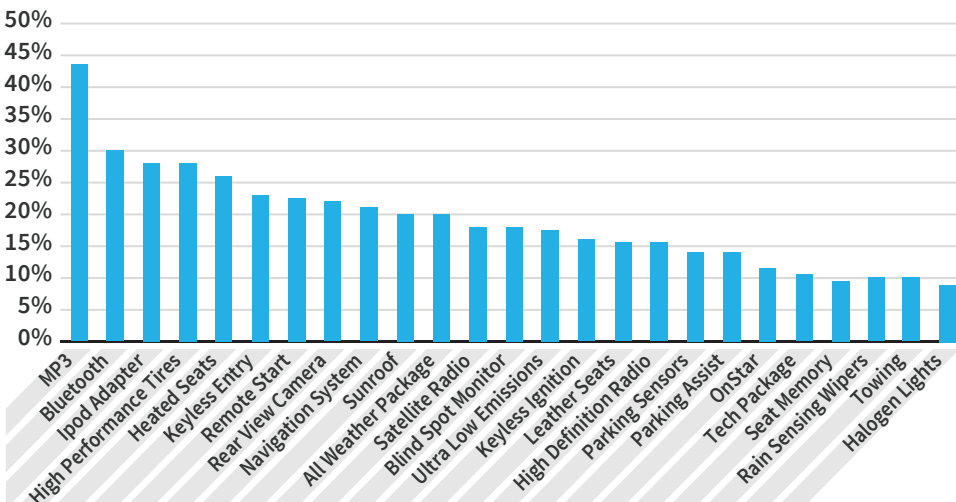
Given that 26% of the shoppers we surveyed listed “to get more features for the buck” as a reason to buy used, it’s important we understand which features shoppers value most.

Top Features

We gave a random pool of participants, ages 18 to 65 years, a list of the top 25 used car features as identified by our data science team as being high in consumer demand or influencing used car prices. Each participant selected their “must-haves” from among the list.

“MUST HAVE” USED CAR FEATURES

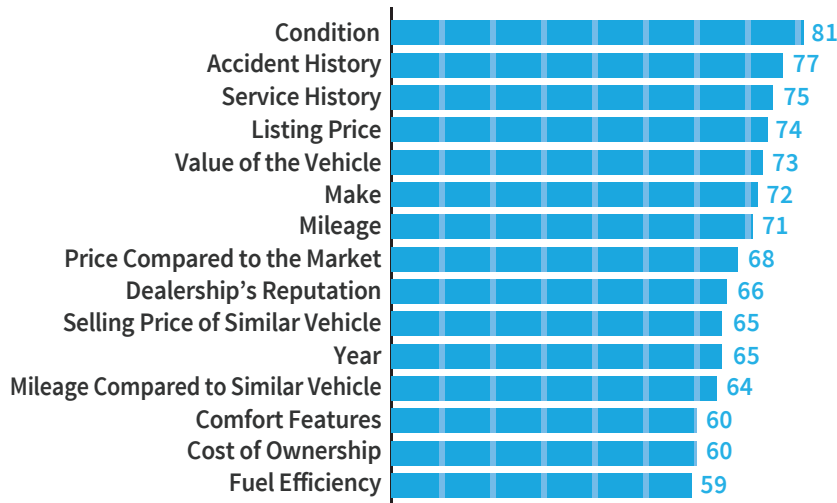
Percentage of respondents who chose a feature as being “must have” on a used car purchase.



Top Vehicle Detail Points

In addition to asking participants about features, we also asked about vehicle descriptions. For this exercise, we gave the survey participants a list of details that descriptions of used cars commonly include. We asked participants to rate the importance of each detail using a sliding scale. The chart below shows the 15 most important details according to the respondents.

WHAT DO BUYERS WANT TO KNOW?*



Understanding what information your customers need to make a purchasing decision can help move them along the buying process. In later sections, we'll talk about how to use the feature and details information here to improve online copy and marketing.

Who Buys Used Vehicles?

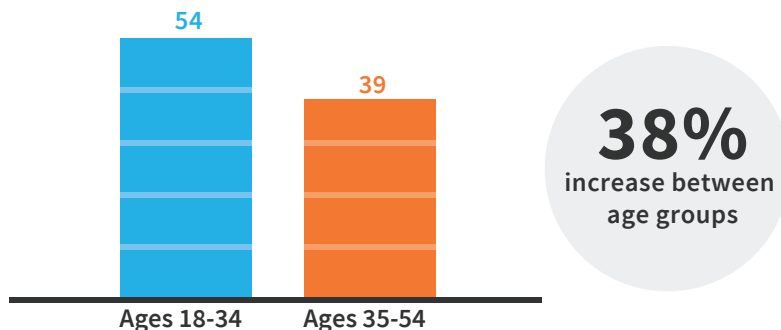
Demographics play a critical role in how shoppers buy. It is important to know as much as possible about the motivations driving the customer. In the survey, we identified several areas where demographics led to significant differences in how customers shopped.

Age Differences: Negotiating with Dealers and Perceived Value

Attitudes around price negotiating appear to be changing.

WHO LIKES TO NEGOTIATE?*

Negotiating the price of a used car with a dealer is an enjoyable experience.

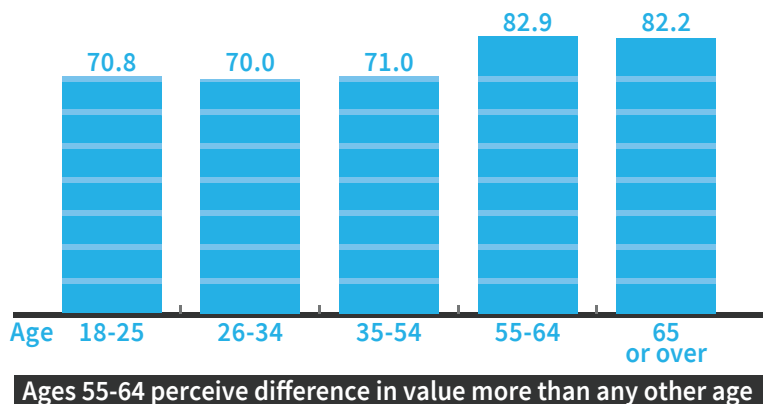


*Average score on a sliding scale of 0-100. CarStory January 2015 survey of online used car shoppers.

While 35- to 54-year-olds would rather not negotiate prices, younger shoppers are more inclined to haggle. Participants aged 18-34 scored an average of 53.5 on a scale of 100 when asked if they like to negotiate price. It is possible that younger buyers feel more equipped given their comfort levels around researching information online and arming themselves with the right data before a negotiation.

DIFFERENCE BETWEEN COST AND VALUE OF A USED CAR

There is a difference between the cost and the value of a used car. This graph shows average response on a scale of 0-100 according to age.



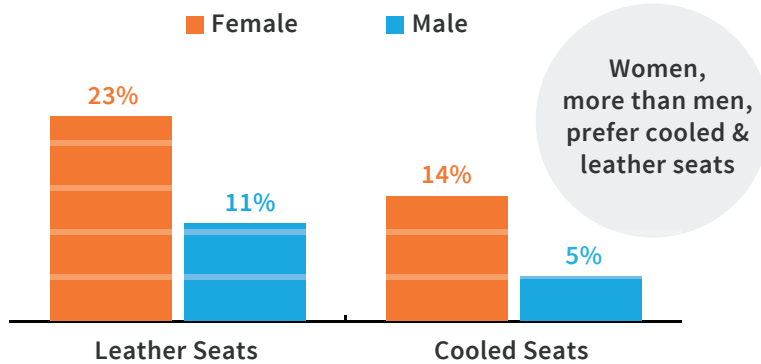
One other generational gap: Perceived value. Older shoppers report seeing a larger gap between the value of the vehicles and their prices. This suggests that an older buyer would be willing to pay more when they identify something of high value in the vehicle they are considering.

Gender Differences: Seats and Descriptions

From the research we were surprised to find that there were very few gender differences when it came to features that mattered in a used car, with one exception: seats.

WHO CARES ABOUT SEATS?

% of respondents who listed the feature as important

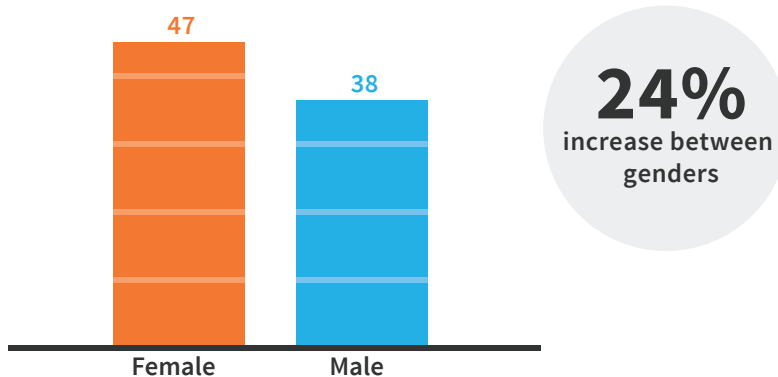


- 23% of women listed leather seats as important features, and 14% listed cooled seats.
- Only 11% of men valued leather seats highly, and 5% listed cooled seats as important.

When it comes to other features (most notably top features), most shoppers, regardless of gender, are looking for the same things.

DO I HAVE ENOUGH INFO TO DECIDE?*

Dealer vehicle descriptions have all the info I need to make a decision on buying a used car.



*Average score on a sliding scale of 0-100.

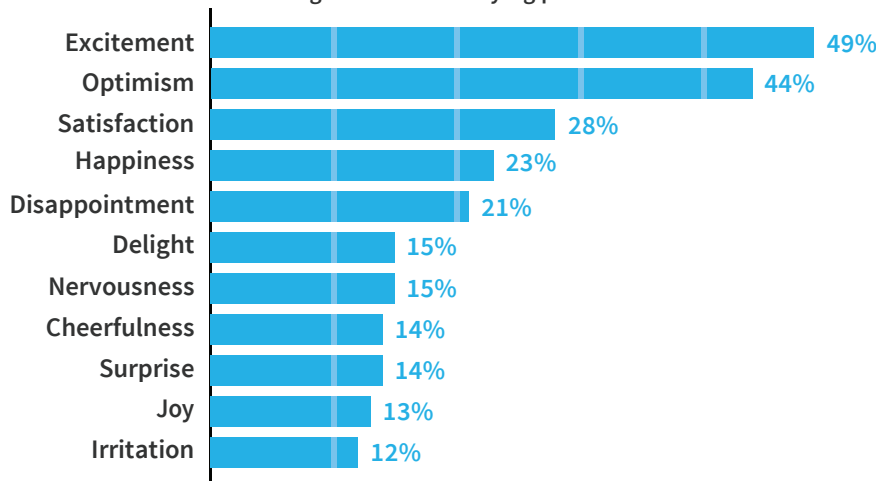
Second, when we asked about vehicle descriptions, only 38% of men said that descriptions contained enough information for purchasing consideration, while 47% of women found descriptions to contain enough information.

All Demographics: Overall Mind-Set

No matter who you are, big purchases likely produce at least some stress — and cars are one of the biggest purchases you will make (next to homes). We found a wide range of emotions in the process.

HOW ARE USED CAR BUYERS FEELING?

Percentage of respondents who indicated they felt particular emotion(s) during the used car buying process.



Of our surveyed shoppers:

- 49% were excited to be buying a vehicle.
- 44% expressed feeling optimistic.
- 28% felt satisfied.
- 23% felt happy.
- 21% were disappointed

As an industry, we can feel good about a lot of that. But what about the group who felt disappointed? And how can we raise the percentage rate of satisfied shoppers from a somewhat lackluster 21%?

In the next sections, we'll look at how consumers rate the different steps in the vehicle-buying process. We'll then outline how to use this survey data (a long with additional research) to improve the shopping experience for customers while improving conversion for dealers.

Buying a Used Vehicle: It's a Process

Today's auto shoppers use 24 research touch points in their car buying process¹. Every time a consumer leaves a dealer website to find more information, it is a lost opportunity.

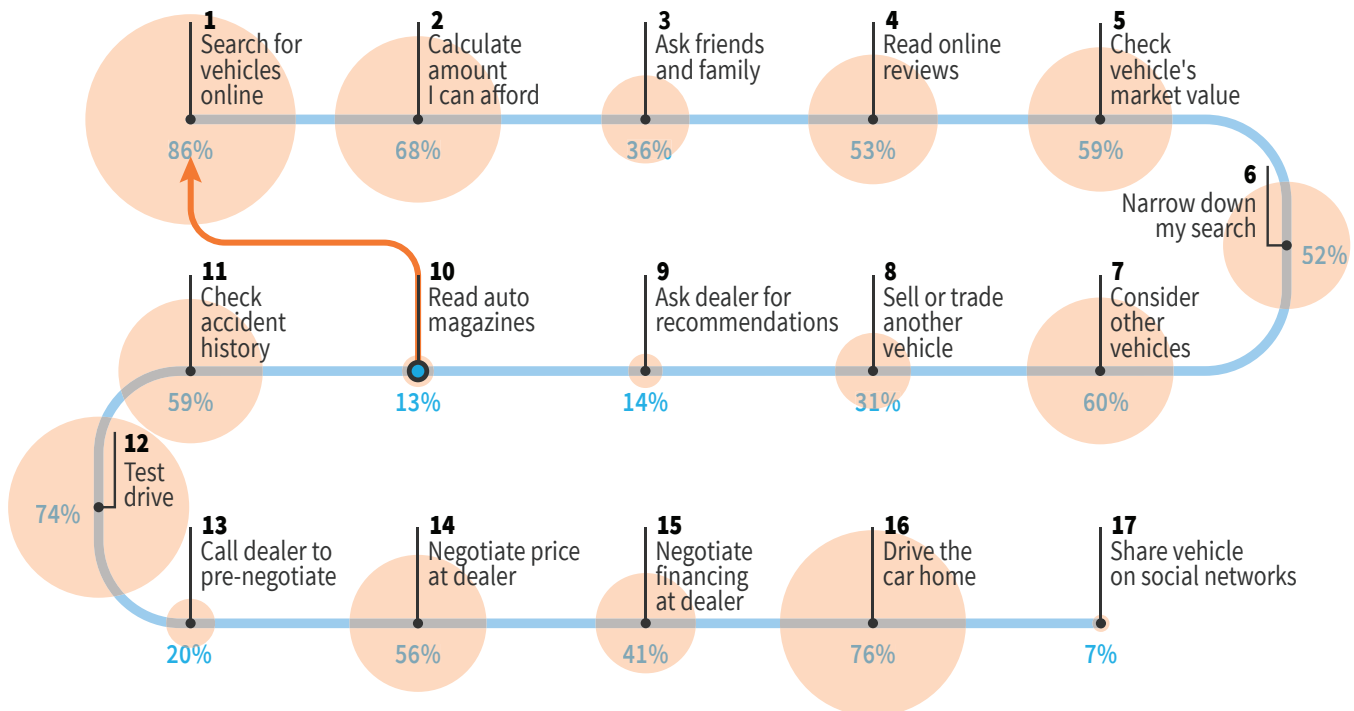
To better understand how a potential buyer ultimately finds and purchases the right vehicle, we asked our survey participants to tell us which of a list of common car shopping/purchasing activities they completed. We then asked them to clarify the order in which they completed each step.

The Most Common Path to Buying a Used Vehicle

The graph below shows the top car-buying activities our survey participants completed. It shows the percentage of participants who completed each step, and in what order.

MAPPING THE CAR BUYING PROCESS

Percentage of participants who completed each step, and in what order.



Our data confirms what most in the industry already know: the majority of used car shoppers start looking online. The second most common activity: budgeting. 68% of surveyed shoppers create a budget, most often right after researching online.

[1] <http://b2b.kbb.com/oem/insightsresearch/industry-intelligence/digital-trends/>

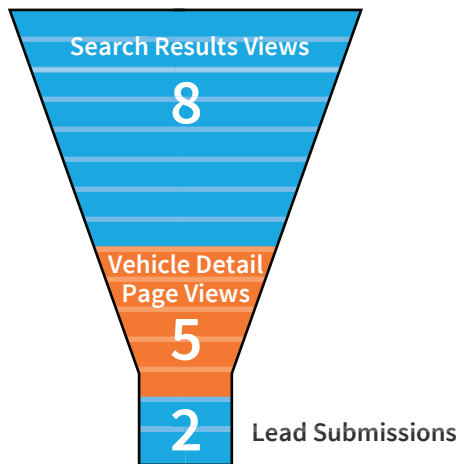
The First Step to Buying a Vehicle: Online Research

Our data confirms what most in the industry already know—the majority of used car shoppers start online. And it's far-and-away the most common activity among all shoppers. It even beats out test-drives, which only 74% of our polled buyers did. Compared to 86% who researched online.

The best way to capture most shoppers: engage them in the online research phase. But how long do dealers have to capture a buyer's attention before that buyer moves from the online research phase to, say, Step #6: Narrowing the search? Not long!

MOVING THROUGH THE SALES FUNNEL

Average number of times a shopper engaged with a used car marketplace.



Attention Span During the Online Research Phase

To better understand consumer attention span during the online research phase, we looked at the average number of search results pages (SRPs) and vehicle detail pages (VDPs) that consumers across our marketplaces view. And then, we looked at how many leads, on average, consumers submit.

From January 2015 to February 2015:

- 7.8 million unique consumers viewed SRPs across our marketplaces.
- 4.1 million made it to at least one VDP.
- 103,700 unique consumers submitted a total of 182,533 leads.*

From this we know that:

- The average shopper views about eight SRPs and five individual VDPs.
- Those that submit leads, generally submit just one or two.

This all implies that dealers have just a few opportunities to really wow potential buyers.

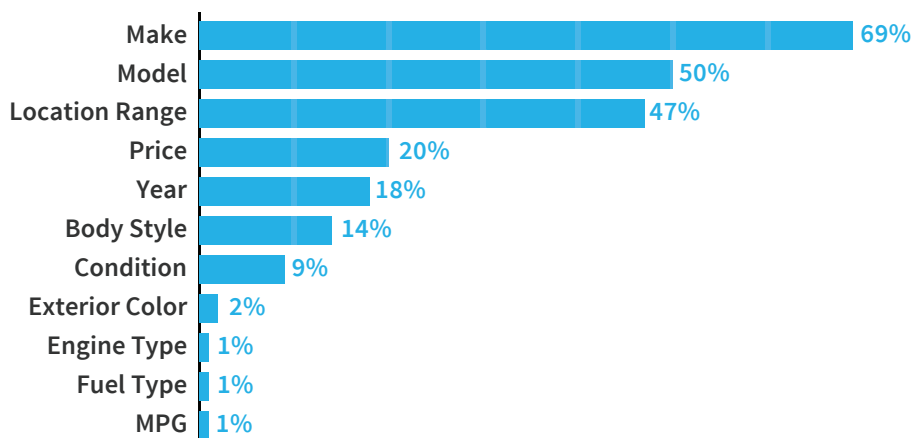
*A lead is considered a completed online form submission.

How Consumers Search For A Vehicle

To better understand the consumer mindset, we analyzed 326 million searches across our marketplaces from June 2014 to December 2014.

The data shows that outside of Make, Model and the distance the consumer has to travel, at the beginning of their research process they are fairly open to options. The typical terms you might expect to rank highly, all came in at 20% or below:

HOW DO SHOPPERS SEARCH ON A MARKETPLACE?



The data shows that outside of Make, Model and Location Range, customers are fairly open to options, at least at the beginning of their research process. Some search terms you might expect to drive behavior all came in at 20% or below:

- Search by Price: 20%
- Search by Year: 18%
- Search by Body Style: 14%
- Search by Color: 2%

Winning Consumers' Attention And Clicks

Using our survey and user behavior data collected from our marketplaces, we identified a few optimization opportunities that could help improve lead submission. They include:

- Proper pricing
- The correct use and number of images
- Highlighting the correct features

How to Properly Price

From our survey, we learned that most people who buy a used vehicle do so to save money, or at least to get more bang for their buck while minimizing depreciation. (60% of our survey participants said they're buying used "to save money," and another 53% said it was "to get a good deal.")

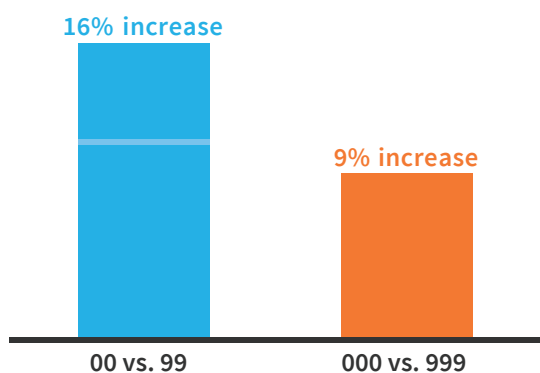
Based on this, we looked at ways that dealers could price vehicles to improve consumer interest. We started with an obvious question: what effect does ending a price in 9 have on consumer interest and conversion? This of course, is the oldest trick in the book and one that is detailed in the journal of Quantitative Marketing and Economics².

While we are focused on the used car shopper, we decided to first take a look at how manufacturers price leases for new cars. It came as no surprise that out of the 398 lease offers we examined, 98% of them end in "9." However, this practice has not trickled down to dealer pricing.

We started by looking at the impact the last digit had on converting shoppers. Surprisingly, it had no effect at all. But used car prices are different than, say a pair of jeans. They are significantly higher (and longer). So we decided to expand our analysis to look at the last two and last three digits.

SHOULD THE PRICE END IN 99?

Influence of Pricing on SRP to VDP Conversion

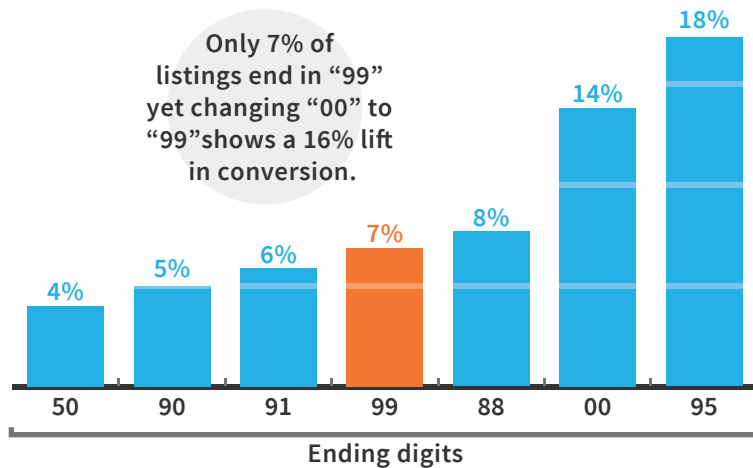


We found that dealers that end their prices in 99 convert shoppers from the SRP to VDP much more often. Prices that end in "99" vs. "00" showed a 16% lift in SRP-to-VDP conversion. Prices that end in "999" performed 9% better than those ending in "000." One other interesting item to note, most marketplaces sort

[2] <http://link.springer.com/article/10.1023%2FA%3A1023581927405>

their listings from low to high, meaning that consumers have to scroll through the lower priced vehicles to reach the higher priced ones! Take away: Always end your prices with multiple 9s.

CURRENT ENDING PRICE BY LAST TWO DIGITS



So how are dealers pricing their vehicles? We looked across 3.5 million listings and found that most do not end their prices in "9."

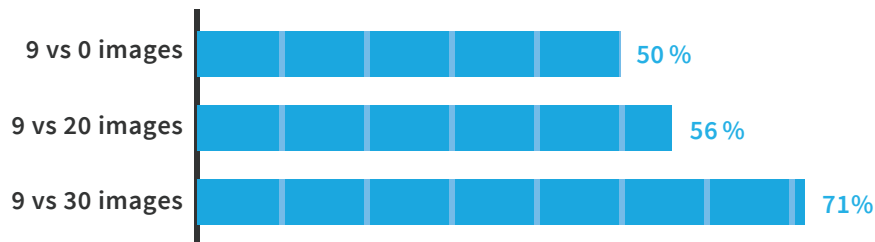
- 18% of current listings end in "95," and 14% end in "00."
- Only 7% of listings on our marketplaces currently end their prices with a "9."

Images – Too Much of a Good Thing?

When we asked our survey participants why they buy used, most said price. Those that didn't, gave two other answers: Either they were looking for a special model you can't find new, or they like that with used cars you "get exactly what you see." From this, we take the first best practice when it comes to images: Represent the car accurately. Shoppers will either be interested in a car with defects, or they won't. But misrepresenting the car online will just lead to disappointment and frustration in person.

Second best practice: Use fewer images that show the vehicle highlights including the hero shot, dashboard, seating configurations and key features.

WHAT'S THE RIGHT NUMBER OF PHOTOS TO SHOW ON A MARKETPLACE?



Using fewer photos may seem counterintuitive, but we looked at lead submission rates on vehicles based on the number of images the posting contained. We found that nine images offered optimal lead submission potential. Postings with nine images saw a:

- 50% higher lead submission rate than those without any images.
- 56% higher lead submission rate than those with 20 images.
- 71% higher lead submission rate than those with 30 images.

It appears that consumers are suffering from image fatigue. We see some listings with 40 images. At this stage of the research process, consumers are scanning multiple vehicles; they aren't deep diving just yet. When you share so many images it forces the consumer to navigate the picture carousel to find the ones that best tell the vehicle's story. Here is one test you can perform on your own vehicles: try placing a few of the key interior images after the hero shot. And remember, this analysis is based on marketplace activity, not dealer sites. We recommend using all available images on your own site as consumers will typically be further down the purchase funnel and will be interested in more details before deciding on a visit or test drive.

How to Improve Comments and Copy

From our survey we learned that most men (62%) and a little more than half of women (53%) do not find the information in vehicle descriptions adequate to make a purchasing decision. But simply lengthening descriptions with more information would likely backfire, as online shoppers often don't read long blocks of text. So how can you provide shoppers with the information they need without overwhelming the page with text?

Focus on The Features and Details That Matter

Earlier we presented the features that are in highest demand from consumers. When your vehicles have these "must haves" be sure to call this out. Features

can always be specified in the inventory feed you provide to your marketplace partners. But don't stop there.

As part of every listing dealers can also add seller comments to better merchandise the vehicle. We were surprised to find that 53% of listings DO NOT include seller comments. What's worse is that the top items mentioned in seller comments are items that are typically included in a standard listing, such as color, price, mpg and mileage.

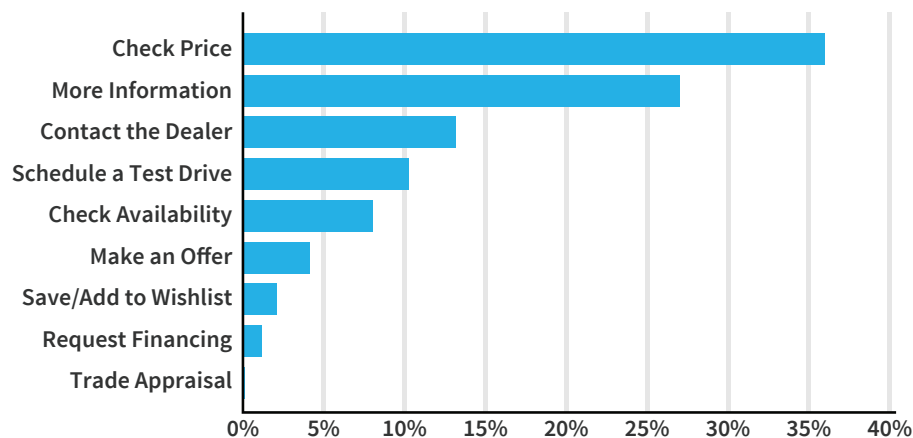
Furthermore, only 2.4% of comments included some reference to reconditioning information. This is a big opportunity for dealers. Consumers list condition as the number one factor when buying a used car and fewer than 3% of listings actually highlight when reconditioning work has been done.

Calls To Action – They Are Not All Created Equally

The first step towards acquiring a new customer: getting them to raise their hand and take an action. Providing the right call to action (CTA) is yet another way you can convert a shopper to a buyer by winning their attention and their clicks.

To understand which CTAs work best we presented survey participants with the top categories we see across marketplaces and dealer websites and asked them to choose what next step they would take if they were interested in purchasing a vehicle that they saw online. Here are the results:

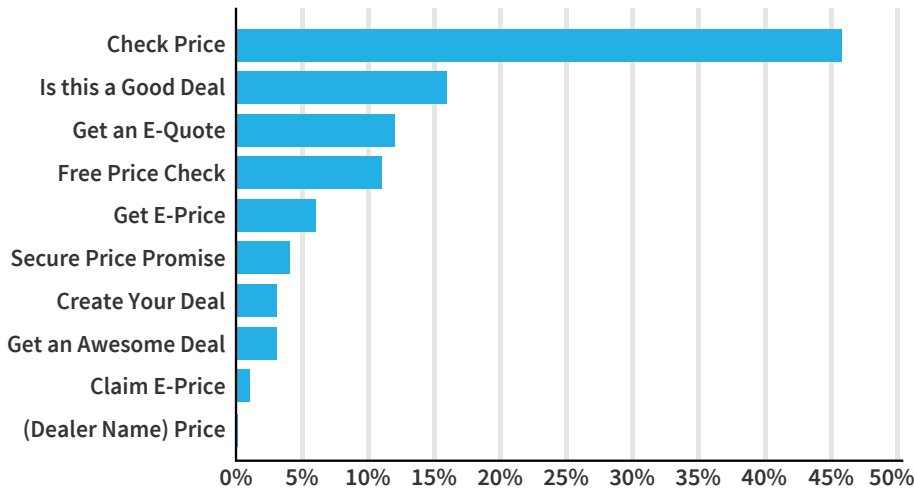
CALL TO ACTION BY CATEGORIES



Once we understood how the categories ranked, we then dug further. Within each category we tested specific CTA alternatives, all from the same category, to

see how users engage with the different terms. Here are the results from the top 4 categories:

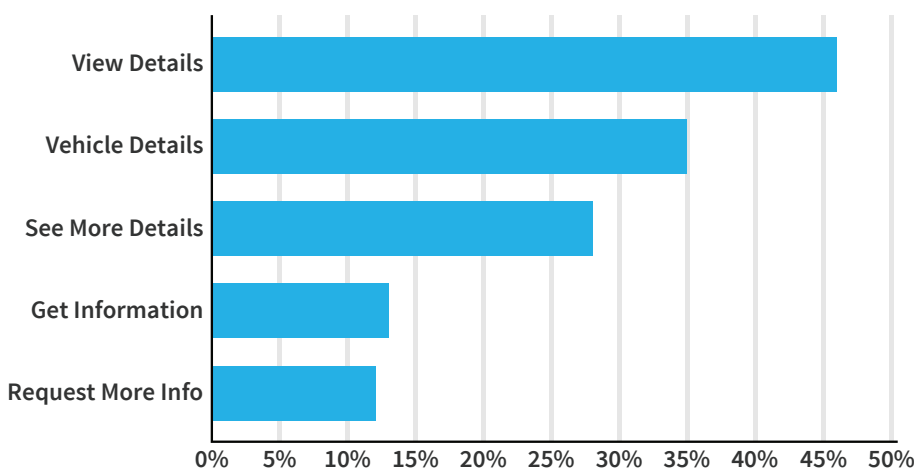
CALL TO ACTION: CHECK PRICE



In the price category the CTA “Check Price” outperformed every other option by 3-10 times! If you are using anything but “Check Price” now would be a good time to update your website.

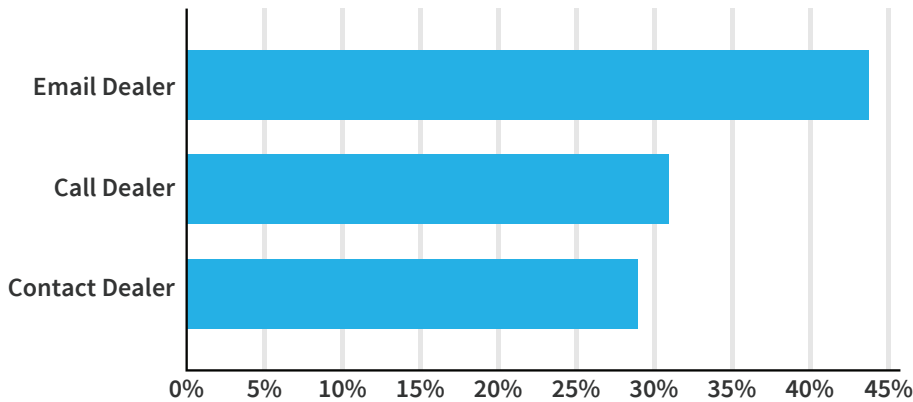
The “View Details” CTA performed 31% better than the similar “Vehicle Details.” The only significant difference is an active verb in the CTA.

CALL TO ACTION: MORE INFORMATION



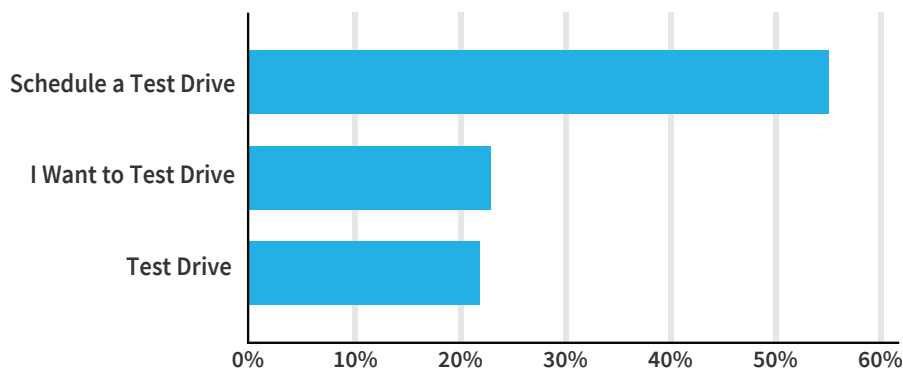
It is interesting to note that consumers flagged “Email Dealer” as the top CTA, when in fact, most sites don’t allow you to send an email, but rather have you submit a lead form.

CALL TO ACTION: CONTACT THE DEALER



Take away: CTAs from SRPs or VDPs should focus on pricing and vehicle details. Furthermore, the top-performing CTAs that focused on price, vehicle details and contacting the dealer all used similar wording: A verb + direct object construction. So, for example, a CTA that shows the visitor that the page will include pricing information is good. And a price-based CTA structured with a verb + direct object is even better. For example, instead of a button that reads “Detail Page,” consider “View Vehicle Details.”

CALL TO ACTION: SCHEDULE A TEST DRIVE



Best Practices Checklist

Overall, dealers can do a lot to improve the way they communicate to consumers with better information, pricing and merchandising. By doing so you will help consumers move through the sales process more efficiently, help your inventory stand apart and ultimately drive more sales.

We've shared a number of insights from our research in a checklist below to help ensure you don't miss a single opportunity to attract more buyers and close more sales.

Pricing

- Understand where each vehicle falls in the market and make sure you're highlighting the points consumers value most.
- Always end prices with a 99 or 999.

Value

- Never miss an opportunity to highlight "Must Have" features
- Always include seller comments and remember to highlight reconditioning details.
- Provide consumers as much of the information they need, otherwise they will leave your site or your lot and find it somewhere else.

Attention

- Always include the right images, but only 9 to ten at most for your marketplace partners. You should absolutely include all images directly on your website.
- Update your CTAs to include a strong verb + direct object construction.
- Don't overwhelm the user with too many CTAs – focus on the ones that will move buyers through the process.

Merchandising:

Focus your merchandising efforts on the areas that matter most to consumers.

The top five are:

- Vehicle condition
- Accident history
- Service history
- Listing price
- Value

CarStory Market Reports help consumers understand the whole story about your vehicles. Add them to your site today for free.

Visit www.CarStory.com to take a test drive.