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Ins and outs, and ups and downs of the vehicle market

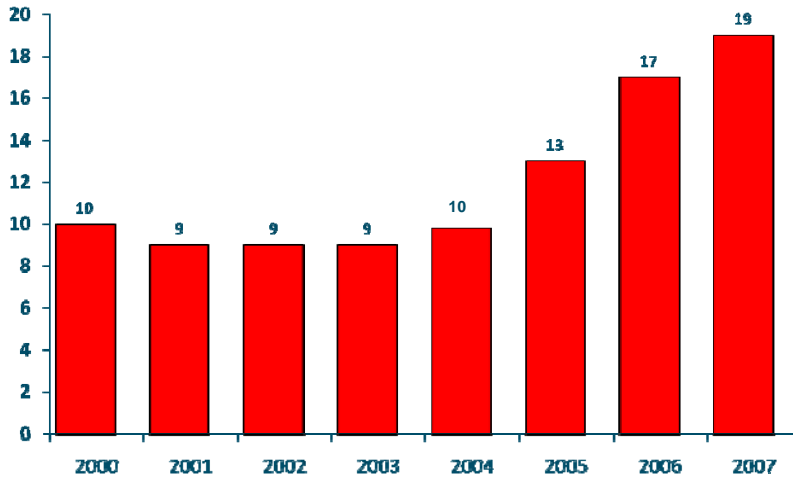
The vehicle market has been through its ups and downs over the last few years with the last 18 months being some of the most difficult times ever encountered. In addition to this, the industry has also had a new customer base to familiarise itself with on top of increasing competition because of new brands and ever-expanding dealership networks. This year holds particular challenges and changes for our automotive manufacturers and turbulent times and structural changes are certain. Based on the latest results of Synovate's Buyer Study research, it is obvious that there have been a variety of *other* changes in the vehicle market stretch all the way back to 2000. In this study we look at who is buying what, profile of vehicle owners and shoppers, how vehicles are financed and what channels are used when investigating and finally purchasing a car.

Out with the old. In with the new

At first glance, the good news is there are a lot of new vehicle owners in the market, evidenced by a significant increase of 'this is my first vehicle' responses. With the broader background of demographic and economic changes in South Africa, a clear shift in buyer profile has emerged given that there are far more consumers in the market who are now able to buy a vehicle for the first time. This presents a brand new customer base to dealers and very different trends are now obvious with regard to what is desirable in a motor vehicle. In 2000 only 10% of respondents stated that the vehicle they had just purchased was the first they owned. In 2007, this figure was at 19 % - almost a fifth of the market are the proud owners of their very first vehicle. The biggest jump occurred between 2005 and 2006.

Is this your first vehicle?

Percentage of respondents that answered yes



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In 2000, only **8%** of respondents reported that there were **no other vehicles** in their household. This has grown by more than 4 times to **36%** in 2007.

Corresponding to this figure is the fact that there are far more 'one vehicle' households than before, also depicting the growth in spending power in lower ends of the market that has occurred over the last few years. In the past, most cars were parked in the garages of bigger households and larger families, the rise of the single person household as a self-sufficient and mobile unit is an increasing trend.

What's in your boot?

Two changes have been noted with regards to the types of cars that are being purchased.

Preference for *body shape* has migrated to the 5-door hatch as opposed to a 4-door Sedan. This is very probably due to the increased number of models in this shape that have been released in recent years. Added to this is the practicality and better appearance of these cars, naturally making them a more popular choice. In 2007, 45% of respondents indicated that they drove 5-door hatch models.

Another notable change is the switch from *petrol to diesel* engines, a very positive change for the environment. While petrol models still dominate the market, this has dropped from a 94% majority in 2000 to 84% in 2007. This places new demands on vehicle manufacturers as they are obliged to alter their model mixes.

I love [insert car brand here]


Approximately 36% of vehicle owners will replace their vehicle with the same brand. This ranges between the brands however. Some boast a far higher loyalty figure of up to 57% while others lose a large portion of their market to other brands and only enjoy a loyalty percentage of 18%. Basically what this means is that these dealers have a much more difficult job of selling to maintain their sales volumes. Only 18% of their target can be relied on as repeat business compared to 57% of the brands with more loyal customers.

Loyalty to dealers? This has dropped slightly since 2000. This is possibly due to the fact that most dealer networks have grown over the last few years - shoppers can use a dealer that is closer or more convenient for them

About a third of respondents who have two vehicles in their household are extremely loyal to the brand and both vehicles will be of the same make.

Shopping around

Dealer loyalty is not a high priority when shopping for a vehicle. 62% state that they went to more than one dealership. This has risen sharply from 40% in 2000. The dealer experience is therefore extremely important because customers are spoiled for choice and are happy to move between dealers until they find a dealer that meets their needs. Further, due to the rise in Internet browsing, dealerships are also losing out on the opportunity to impress potential clients face-to-face. While only 14% of vehicle shoppers utilised the Internet to shop for their vehicles in 2000, this figure is now at 22%. And this browsing is not limited to dealer websites.

Vehicle Shopping and Internet Usage 2007	
Visit a vehicle manufacturer's website	85%
Visit a dealer website	56%
Visit an on-line buying service website	27%
Visit vehicle-related websites to obtain product / price information	73%
Obtain vehicle pricing information on the Internet	77%
Apply for credit / financing of new vehicles via the Internet	5%
Set up a service appointment with a dealer via the Internet	19%
Request a price quote for a vehicle via the Internet	33%
Correspond with either a dealer or a manufacturer via email	6%
© Synovate Buyer Study	 synovate <small>Research reinvented</small>

Show me the money

When it comes to actually paying for the vehicle, a host of options is available to the vehicle-buying public. There has been a marked drop in the percentage of people arranging their own finance, allowing the dealership to organise it instead. In 2000, only 18% of financing was arranged through the dealership. This jumped to 56% in 2007.

The majority of respondents (88%) state that they are happy with the financing on their car - good news for the dealerships because this makes vehicle purchases less stressful and easier for the car-buying market, definitely a positive in the trying economic conditions they are facing this year.

About Synovate

Synovate, the market research arm of Aegis Group plc, generates consumer insights that drive competitive marketing solutions. The network provides clients with cohesive global support and a comprehensive suite of research solutions. Synovate employs over 6, 000 staff in 121 cities across 62 countries.

More information on Synovate can be found at www.synovate.com and www.synovate.com/southafrica.