

## Third Annual Deloitte Automotive Generation Y Survey

### “Gaining speed: Gen Y in the Driver’s Seat”

#### Introduction

The Baby Boomers’ kids are all grown up, and they have the economic clout to prove it. More than 75 million strong, comprising 20 percent of the U.S. population, independent and tech-savvy, engaged and demanding — Generation Y (19-31 year-olds) is a new breed of consumer. By 2012, Gen Y will account for 40 percent of the car buying population, and according to Deloitte’s Gen Y survey participants, 54 percent say they anticipate replacing their current vehicle over the next two years.

#### About the survey

Deloitte’s Automotive practice teamed with the Eli Broad College of Business, Michigan State University, to develop the third annual study of Gen Y and the automotive industry. This year’s survey respondents fell into three groups:

- 1,024 from Gen Y (average age, 23)
- 233 from Gen X (average age, 38)
- 249 Baby Boomers (average age, 54)

By including representative data from the two older generations, we’ve enhanced the survey findings from 2009 and 2010. The survey has a margin of error of +/- three percentage points.

Other universities participating this year include UCLA Anderson School of Management, Carnegie Mellon University Tepper School of Business, Columbia Business School, and Clemson University.

Since its inception, more than 3,000 Gen Y consumers have responded to Deloitte’s Automotive Generation Y Survey.

#### What is most important to Gen Y in 2011 when selecting an automobile?

Interestingly, what is most important to Gen Y has changed each year Deloitte has fielded this survey. In 2009, a premium was placed on safety. In 2010, more emphasis was placed on value. According to 2011 survey results, “cockpit” technology and the shopping experience have emerged as the leading differentiators

for Gen Y when considering and purchasing an automobile. However, survey results also show that those features noted as primary differentiators in 2009 and 2010 are now required “must haves” for any brand or model under consideration.

#### The “cockpit” technology quotient

**What are the key differences across generations?**  
Technology is defined differently across generations. For Baby Boomers, technology is utilitarian and is defined by safety features (e.g., blind spot and crash detection, ABS, stability and traction control, etc.). In contrast, these safety technologies are required for Gen Y and technology is primarily defined by more personal and experiential cockpit features that integrate with these individuals’ “personal technology cocoons” — technologies such as mobile messaging and connectivity to portable music players and mobile phones. Furthermore, the cockpit technologies Gen Y demands cannot be disruptive and must seamlessly integrate and connect to their lives outside of the vehicle.

Analysis of the results shows that Gen X desires utilitarian safety and experiential cockpit technologies, yet the importance of cockpit technologies is less personal to Gen X given a higher preponderance of families within this generation.

#### The shopping experience

##### What does Gen Y want from the shopping experience?

For Gen Y, the shopping experience extends beyond the sale. It is a broader, integrated continuum inclusive of pre-purchase evaluation (manufacturer and dealer websites, other online sources, referrals, product reviews, etc.), the dealership sales experience, and post-purchase service. Moreover, impressions made throughout the process are more important to Gen Y consumers vs. other generations for a number of reasons.

Baby Boomers and Gen X consumers do not view the pre- and post-purchasing cycles as part of the extended shopping experience. For these generations, the shopping experience is more narrowly defined and evaluated by the dealership experience. Baby Boomers and Gen X consumers, however, also have low

expectations of the dealership experience based on previous negative interactions. As a result, enthusiasm amongst these generations for purchasing a vehicle has waned. Survey results show only 66 percent of Baby Boomers and 71 percent of Gen X consumers get excited when shopping for a car.

In contrast, Gen Y is excited and enthusiastic about the shopping experience. More than 82 percent of Gen Y participants indicated they get excited about the idea of shopping for a new vehicle. However, unlike Baby Boomers and Gen X, they expect a good experience and are more negatively impacted by bad experiences anywhere across their shopping continuum.

Furthermore, much like their demand for technology, the shopping experience for Gen Y must be experiential, as well as connect and integrate to their “personal technology cocoons” across the evaluation, sales, and post-sales cycles.

**“The shopping experience is three times more important than vehicle design for Gen Y.”**

— *Eli Broad College of Business, Michigan State University*

#### **Key challenges**

We see three big challenges for the automotive industry in attracting Gen Y consumers.

#### **The safety-technology paradox**

Reconciling an increasingly complex safety regulatory environment with Gen Y's cockpit technology expectations represents an interesting paradox for manufacturers. How do manufacturers deliver the technologies that connect with Gen Y consumers' “personal technology cocoons” in a way that is not disruptive and integrates with their lives outside of the vehicle? Further, how do manufacturers respond to and address real and perceived safety issues associated with distracted driving?

**“Regulation keeps trying to say texting is distracting to driving, but for the consumer it is really the driving that is distracting to texting.”**

— *Tepper School of Business project team research, Carnegie Mellon University*

The most successful companies will be those that navigate this paradox. Not doing so will cause some companies to fall behind their competitors. At the same time, regulators continue to establish policies that address distracted driving as one of the most serious driving safety issues today. The burden is squarely on the automaker to resolve the paradox. Survey results suggest Gen Y is not going to change its expectations. In fact, the pace at which new technologies are expected will only increase.

#### **The Moore's Law challenge for automakers**

For manufacturers, the speed at which Gen Y adopts new technologies presents a challenge unlike previous generations where primary differentiators such as quality were stable for longer periods of time.

With cockpit technology increasingly being a key brand differentiator for Gen Y, the challenge for automakers is to offer new, in-car features at the same pace as the technology industry, where innovations are introduced and adopted in weeks and months vs. years. While automotive product development cycles have improved, they are still much longer than technology development cycles. To take a competitive advantage, automotive manufacturers must be in lock-step with the technology world so that new technologies (e.g., new mobile phone features) are immediately available in vehicles.

#### **Creating a positive experience across the shopping continuum**

As discussed, Gen Y consumers expect a seamless experience across their broad shopping continuum. However, manufacturers today only have control over a small portion of the continuum and are increasingly impacted — either positively or negatively — by outside influencers.

The challenge for automakers is creating a positive experience across the broad shopping continuum in the areas that have been traditionally weak and negatively impacted the shopping experience (e.g., dealers, non-integrated online environments, etc.).

Survey results show more than 65 percent of Gen Y consumers would prefer to purchase a car without negotiating with a sales person. In addition, more than 50 percent would never consider a brand again if they have a bad experience with a salesperson.

The ability to integrate and connect all areas of Gen Y consumers' shopping continuum is paramount to delivering a positive shopping experience.

#### **Conclusion**

In closing, we believe the automotive manufacturer that best addresses and tackles these challenges will be in the best position to be a market leader with Gen Y consumers. The opportunities to improve product develop cycles and the shopping experience may also signal a transformational shift in how manufacturers go to market, connect with, and sell to Gen Y consumers.

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