New kbb.com Study: 62 Percent of New-Vehicle Shoppers Prefer a Single, Set Price

In-Market Shoppers Want Vehicle-Purchasing Process Simplified

The latest study available today from Kelley Blue Book Marketing Research reveals that more than half of new-vehicle shoppers want a more simplified car-buying process, preferring pre-determined no-haggle pricing, such as the popular employee pricing programs, and easy-to-calculate incentives, such as zero-percent financing.

"Car-shopping seems less stressful and more enjoyable for most consumers when the process is simplified, and they know they are paying the same price other consumers are," said Jack R. Nerad, editorial director and executive market analyst for Kelley Blue Book. "GM's recent extension of its employee discount program and the industry-wide move to so-called value pricing -- suggested prices much closer to the actual prices at which cars are bought -- both move industry pricing policies in this consumer-friendly direction."

The August 2005 Kelley Blue Book New-Vehicle Buyer Attitudes Study on Purchasing and Pricing shows 62 percent of new-vehicle shoppers would rather go to a dealer with a single, set price than engage in negotiations. In addition, the most popular incentive continues to be zero-percent financing (which allows for easy-to-calculate monthly payments), with 26 percent of in-market car shoppers citing it as the most appealing offer.

But the appeal of zero-percent financing is slipping. The percentage of people citing zero-percent financing as most appealing has dropped significantly since Kelley Blue Book first conducted the New-Vehicle Buyer Attitudes Study on Purchasing and Pricing in April 2003, when 41 percent found it most appealing. This 15-point drop primarily is due to the employee pricing programs that now are available in 2005. Today, employee pricing programs are viewed as most appealing by 21 percent of shoppers.

Although the majority of new-vehicle shoppers would rather not engage in negotiations with dealers, most view the process as inevitable. When faced with the prospect of negotiation today, people are more likely to use dealer invoice price (a figure available to all consumers on kbb.com) as their basis for negotiation than in April 2003, when only 50 percent of consumers planned to start their negotiating strategy with invoice price. Today, 59 percent of consumers say they plan to start their negotiations with invoice price.

Additionally, only 21 percent of vehicle shoppers today plan to start negotiations with MSRP, and 76 percent of shoppers disagree that paying full MSRP is a "fair" price, up from 65 percent in 2003.

Nearly half (49 percent) of in-market vehicle shoppers feel that a "fair" dealer profit is between $500 - $1,000 per vehicle, similar to levels seen in 2003. Twenty-one percent currently think a "fair" dealer profit is less than $500, and 17 percent think that $1,001 - $1,500 is "fair."

The August 2005 study also found that younger shoppers tend to exhibit key differences in their desires related to pricing and negotiations. In-market vehicle shoppers age 29 and younger are more apt to prefer negotiating with the dealer and more likely to negotiate based on the price of their monthly payment, as they find low monthly payments the most appealing offer. They also are more likely to agree that paying MSRP is fair compared to their older counterparts.

This survey was administered via the Internet on kbb.com from August 16-19, 2005, to 516 in-market vehicle shoppers planning to purchase or lease a new

vehicle in the next 12 months. This same study was administered from April 10-13, 2003, to 454 in-market vehicle shoppers on kbb.com.

For the complete results of the New-Vehicle Buyer Attitude Study on Purchasing and Pricing, or more information on other Kelley Blue Book New- Vehicle Buyer Attitude Studies and AutoVIBES, please contact Rick Wainschel, vice president of marketing research for Kelley Blue Book at 949-268-3074, or Kelly Gim, account manager, marketing research services for Kelley Blue Book at 949-268-2756. All study results may be used for public and/or private use with clear attribution to Kelley Blue Book®. For all media inquiries, please contact Robyn Eckard at 949-268-3049 or Joanna McNally at 949-268-3079.

About Kelley Blue Book (kbb.com)

Kelley Blue Book's kbb.com is America's most used and trusted vehicle pricing, values and information resource. The top-rated Web site provides the most up-to-date pricing and values for thousands of new and used vehicles, including the Blue Book® New Car Value, which reveals what people actually are paying for new cars. Since 1926, car buyers and sellers have relied upon Kelley Blue Book for authoritative and unbiased information to make well- informed automotive decisions. The company also reports vehicle prices and values via products and services, including the famous Blue Book® Official Guide and software products. Car buyers have rated kbb.com No. 1 in overall customer satisfaction and experience, according to a survey by Keynote Systems. Kbb.com also has been named the No. 1 automotive information site by Nielsen//NetRatings and the most visited auto site by J.D. Power and Associates seven years in a row. No other medium reaches more in-market vehicle shoppers than kbb.com; one in every four American car buyers complete their research on kbb.com.

SOURCE: Kelley Blue Book

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