Developing online sales channels while simplifying how consumers research cars and upgrading their interaction with cars is key to enhancing the online shopping experience.

Venkatesh Modi, Automotive Research Analyst, Germany
Developing online sales channels while simplifying how consumers research cars and upgrading their interaction with cars is key to enhancing the online shopping experience.

Although most consumers prefer to buy a car in person, nearly 30% of consumers who are personally or in a household that is planning to buy or lease a car in the next three years would do so online. A wide range of models and convenience are the main reasons for buying a car online.

Driven by the high cost of living, most buyers of new cars are likely to purchase cars from offline channels, as this allows them to experience the cars in-person and negotiate prices. Conversely, price-sensitive buyers of used cars may choose online channels, as this gives them access to a broader set of choices.
72% of consumers consider the ability to see or inspect the car in person or option to test drive the car as reasons to buy or lease a car in store/in person. The desire of consumers to experience a car in person before purchasing it is a significant challenge that must be overcome if online car shopping is to achieve widespread adoption. **Currently, a hybrid approach is key to meeting the needs of most car buyers.**

As a **hybrid approach to selling cars emerges**, brands are presented with opportunities to **provide more convenience and enhance customer experience** through the use of emerging technologies (AR, VR and AI).
EXECUTIVE SUMMARY

Key issues covered in this Report

- Overview
- The five-year outlook for shopping for a car online

Market context

- Graph 1: new car registrations, 2018-22
- Increasing smartphone usage and evolving technologies could ease the online car shopping process
- Artificial intelligence could transform the way consumers shop for cars online

Opportunities

- Opportunity for online retailers to enter the car market
- Let consumers be in the ‘driver’s seat’ while interacting with cars
- Support consumers through the online buying process
- Artificial intelligence (AI) shows potential to improve the online shopping experience

MARKET DRIVERS

The German economy

- Graph 2: key economic data, in real terms, 2019-24
- Continuously high inflation shapes consumers, brands and the economy...
- ...impacting financial wellbeing...
- ...confidence and consumer expenditure
- Economic concerns could hurt new online car sales...
- ...but benefit online sales of used cars

Overall car sales

- Graph 3: new car registrations, 2018-22

Smartphone usage/smartphone capabilities

- Increasing usage of smartphones to shop online and technological advances will aid online car shopping

Growth of AI

- Artificial intelligence shows the potential to change the way consumers research and buy products online
MARKET ACTIVITY

Sector size
• Online car sales increased in 2020...
• ... but a dip was expected in 2021, followed by slow growth as car dealerships and showrooms reopen

WHAT CONSUMERS WANT, AND WHY

Online activities done when purchasing a car
• Online is an important source of information
  - Graph 4: activities done online before purchasing a car, 2023
• Physical selling channels should focus on delivering memorable experiences
  - Graph 5: use of online car configurator, by time of last car purchase, 2023
• Examples of brands enhancing car configurators
• Highlight the lived experience of existing owners to reassure prospective buyers
• Highlight how car subscriptions can help manage car financing and costs of ownership

Online purchase intention
• Buyers still prefer to buy in person
  - Graph 6: intention to buy or lease a car online, by age, 2023

Channels to online purchase
• Online car marketplaces are the most popular among consumers
• Manufacturer websites could become important sales channels as the agency model is introduced

Reasons to buy or lease a car online
• Range and convenience are key to building an online sales platform
  - Graph 7: reasons to choose online channels to buy or lease a car, 2023
• Facilitate test drives and vehicle inspections in a relaxed environment
• Highlight ease of delivery and returns while promoting online car purchasing

Reasons to buy or lease a car in store or in person
• Interest in interacting with cars physically remains the top reason consumers choose to buy or lease a car in-store
• Opportunity to leverage consumer interest in negotiating car prices
• Deliver blended digital and physical experiences
• Examples of using VR in customer journey
• Support consumers through the online buying process

Attitudes towards online car shopping
  - Graph 8: attitude towards online car shopping, 2023
• Lynk & Co has enabled consumers to interact with car owners by forming a community and introducing physical spaces for them to interact
• Opportunity for online retailers to enter car market
• Integrate AI chatbots to help consumers in the purchasing process
• Areas of application of AI chatbots
• Preserve an element of in person experience when going virtual

LAUNCH ACTIVITY AND INNOVATION
• Mobile.de highlights its range of vehicles
• meinauto.de chat assistant helps consumers choose cars and compare prices easily
• Fiat launches a metaverse showroom in Italy
• BYD metaverse store

APPENDIX
Appendix - abbreviations and consumer research methodology and language usage
• Abbreviations
• Consumer research methodology
• A note on language
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