



# 2022 Capital One Car Buying Outlook

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# Introduction

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The Car Buying Outlook allows our teams to innovate alongside the car buyer and in partnership with the dealer to maximize the experience for both and deliver on our commitment to reimagine car ownership for good.”

Over the last year, the automobile industry saw rapid changes and accelerated trends when it comes to buying and selling a car in a highly digitized world. Combined with the continued challenges brought on by the COVID-19 pandemic and supply chain shortages, the last 12 months may offer a glimpse into future car-buying experiences, according to the [2022 Car Buying Outlook](#), the annual study of car buyers’ and dealers’ perceptions of the car-buying experience.

Dealers made significant investments into digital car buying to meet customers in their preferred channels. Car buyers, meanwhile, continue to show up in person for moments that benefit from human interaction, including the all-important test drive and financial discussions. A “hybrid model” emerged and the results are promising: buyers report less frustration across every aspect of the experience as compared to the previous year.

Additionally, their perspectives differ on another very important part of the process: transparency. Dealers feel the car-buying process became more transparent, while buyers report feeling less so. This disparity seems to stem not from consumer perceptions about the ease and convenience of car buying, but from compounding factors related to the ongoing industry

disruptions. To help close the gap in transparency, dealers should continue to invest in innovation to deliver a truly omnichannel experience that is seamless and consistent from lead generation through the final drive-off.

Car ownership means more than just access to transportation—it’s an incredibly important milestone in people’s lives. A car provides freedom, safety, personal and economic well-being, and socioeconomic mobility. Owning a vehicle remains central to the American dream.

*Sanjiv*

# Executive Summary

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*The automotive industry has experienced two consecutive years of economic impacts, first starting in 2020 with the onset of the COVID-19 pandemic, and then in 2021 with the vehicle inventory shortage caused by increased demand and reduced parts availability. These ongoing macroeconomic impacts have significantly changed the way dealers and car buyers approach engaging in the car-buying process.*

While the U.S. economy opened partially and intermittently throughout 2021, chip shortages and other supply chain issues emerged within the **automotive industry**, significantly constraining the supply of new cars. With limited new car inventory at dealerships, car buyers have held on to their current vehicles longer, further **limiting used car inventory**.

In the **2021 Car Buying Outlook**, Capital One found that car buyers increasingly turned to digital tools for car buying during the pandemic. At the same time, they felt working with a dealer is an essential part of the car-buying process.

The **2022 Car Buying Outlook** captures buyers' and dealers' perceptions on two critical dimensions of car buying:

1. *Perceptions of transparency*
2. *Approaches to digital car buying*

# Perceptions of Transparency

**Over the past year, car buyers' and dealers' perceptions of transparency in the car-buying process have trended in opposite directions. Dealers report the process has become more transparent while buyers report it is less transparent.**

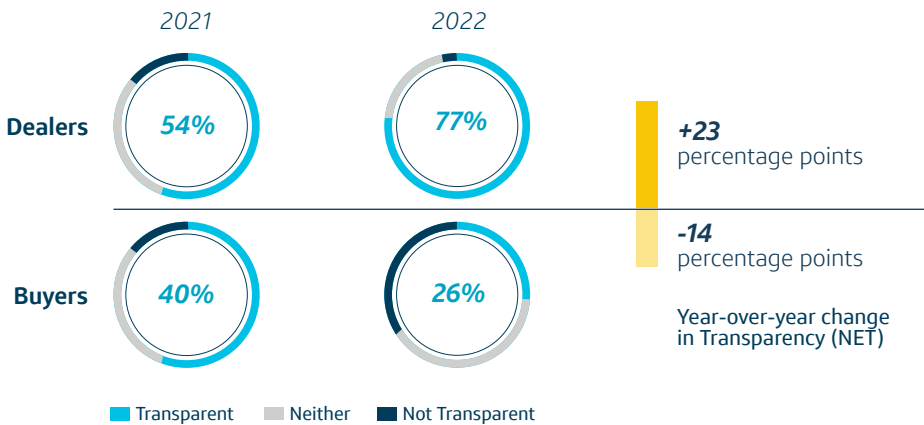
In the 2022 Car Buying Outlook, 77% of dealers describe the process as transparent<sup>1</sup>. That number increased by 23 percentage points from the 2021 survey where 54% of dealers reported that the car-buying process was transparent<sup>1</sup>.

Buyers, however, moved in the opposite direction. In 2022, 26% of car buyers report the car-buying process as transparent, a dip of 14 percentage points when compared to 40% in 2021<sup>1</sup>.

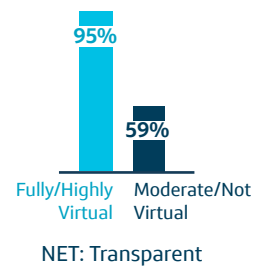
However, when asked about frustrations about various aspects of the car-buying process, car buyers rate every aspect as less frustrating compared to the 2021 findings<sup>2</sup>.

During this same period, dealers digitized operations, with 52% of dealers reporting they are highly or completely virtual, an eight percentage point increase from the 44% in 2021. This might be contributing to dealers' perception of the overall process as increasingly transparent, as 95% of dealers whose dealerships are completely or highly virtual see the car-buying process as transparent<sup>1</sup>.

## How transparent is the car-buying process today (for consumers)?



Dealers who indicated they were fully/highly virtual were much more likely to say the car-buying process is transparent.



## Improvements

When asked how frustrating certain parts of car buying can be, customers perceived nearly every single aspect as **less frustrating in 2022 compared to 2021**.



NET: Frustrating	2021	2022	YoY
Negotiating a fair price	42%	37%	-5 percentage point decrease
Going to dealers to shop around	30%	25%	-5 percentage point decrease
Finding a finance option	28%	23%	-5 percentage point decrease
Making a final decision	24%	18%	-6 percentage point decrease
Getting ample information about the car	21%	17%	-4 percentage point decrease

## Challenges

This decrease in transparency may be attributed to the difficulties induced from the **current economic/supply chain issues**:



**66%** of future car buyers say the part shortage has affected their car-buying plans

- 60%** Car prices have increased
- 29%** Used car options are too limited
- 26%** It's more difficult to find the kind of car I actually want

# Approaches to Digital Car Buying

## Within the 2022 Car Buying Outlook, dealers anticipate a more digital car-buying process while car buyers plan on a mix of in-person and online elements.

In the 2021 Car Buying Outlook, dealers underestimated how much of the car-buying process buyers were completing online. Compared to last year, twice as many dealers think their customers are conducting every aspect of the car-buying process online. Dealers perceive more than 65% of car buyers executed every aspect of the car-buying process online, each of these aspects saw an increase of over 30% compared to 2021<sup>3</sup>.

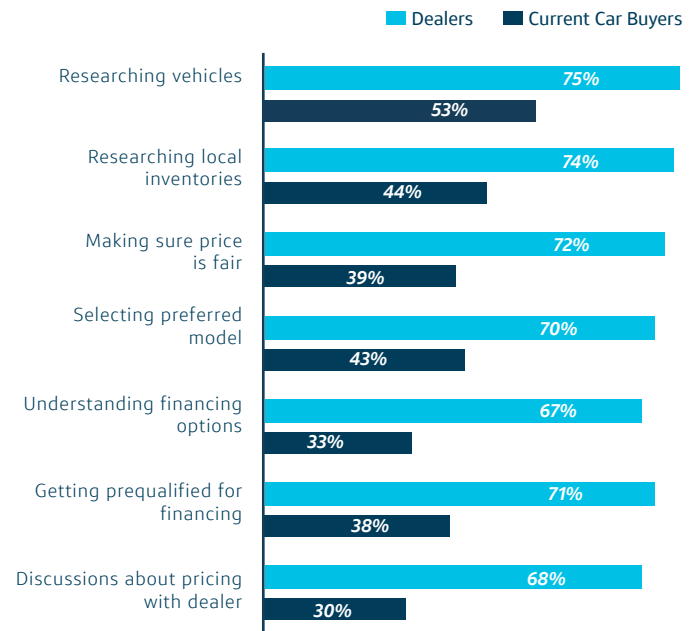
Now, it seems there's been a concerted effort from dealers to invest in digital tools as they anticipate more car buyers to engage digitally during the car-buying process. In 2022, 83% of dealers say digital tools are a necessary component of maintaining a competitive edge, a 21 percentage point increase from 61% in 2021.

- 87% of dealers say innovation is important to their dealership compared to 44% in 2021.
- 77% of today's dealers are familiar with the digital tools available to help manage their business, compared to just 56% of dealers one year ago<sup>4</sup>.

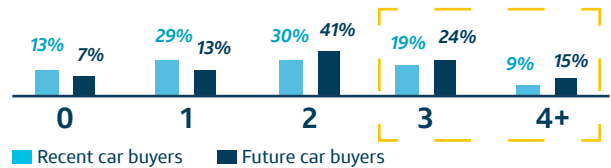
In contrast with dealers' perceptions, car buyers report they plan to visit the dealership, particularly as they get further into the car-buying process. Future car buyers are planning to visit more dealerships, compared to those who purchased a car in the last six months, with 39% planning to visit at least three dealerships when buying their next car<sup>5</sup>.

- Nearly half of car buyers walk into dealerships because they either want to browse options in person (31%) or are looking for more information they can't find online (13%).
- Compared to the 2021 Car Buying Outlook, there was a 12 percentage point increase in the number of future car buyers who say they plan to discuss pricing and financing completely in person<sup>6</sup>.

How much of the following aspects of your (customers') car purchase(s) are done online/mostly online?

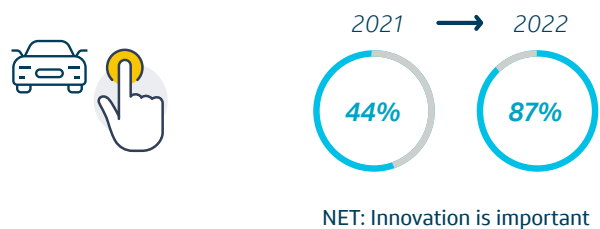


39% of future car buyers plan to visit at least three dealerships for their next car purchase



83% of dealers say digital tools are a necessary component of maintaining a competitive edge, a 22 percentage point increase from 2021

Over the past year, **innovation at the dealership has become substantially more important** to dealers.



# Methodology

*The Capital One Car Buying Outlook consists of findings from two surveys targeted to consumers and dealers.*

## **The consumer survey of 2,200 U.S. adults ages 18+ was conducted on behalf of Capital One Auto Finance using Morning Consult.**

Of the 2,200, 643 have purchased a car in the last 6 months and are considered “current buyers” and 1,557 self-reported that they’re planning to purchase a car within the next two years and are considered “future buyers”. The survey was fielded October 20-29, 2021, with a margin of error of +/- 2%.

## **The dealer survey of 530 current car dealers was conducted on behalf of Capital One Auto Finance through Morning Consult.**

The 530 respondents work for an automobile dealership as an owner, general manager, F&I director, sales manager, internet manager, or in the business development center at dealerships with an approximate annual sales volume of at least \$1M. The survey was fielded October 20-29, 2021, with the margin of error +/- 4%.

Year-over-year findings are compared to the [2021 Car Buying Outlook](#).

The 2021 Car Buying Outlook was fielded to 1,000 U.S. adults ages 18+ and 401 current car dealers between October 1-20, 2020.

1. Transparent indicates response selection of “completely” or “very” transparent
2. Preliminary background research on cars not at all frustrating in 2022 (34%), 2021 (29%); going to dealers to shop around in 2022 (26%), 2021 (19%); getting ample information on a car once interested in 2022 (30%), 2021 (26%); negotiating a fair price in 2022 (13%), 2021 (11%); finding a finance option that works for you in 2022 (25%), 2021 (23%); making a final decision once you have all the information in 2022 (32%), 2021 (26%) (2022 consumer sample: 2,200) (2021 consumer sample: 1,000)
3. Online = entirely or mostly online; researching vehicles in 2022 (75%), 2021 (36%); selecting preferred make/model in 2022 (70%), 2021 (36%); researching local inventories in 2022 (74%), 2021 (33%); making sure price is fair & competitive in 2022 (72%), 2021 (31%); understanding financing options in 2022 (67%), 2021 (29%); discussions about pricing & financing with dealer in 2022 (68%), 2021 (31%); getting prequalified for financing in 2022 (71%), 2021 (32%); knowing what their monthly payment will be in 2022 (67%), 2021 (-)
4. Familiarity indicates response selection of “highly familiar” or “considerably familiar”
5. Will visit 3 dealerships (24%), 4+ dealerships (15%) for next car purchase. (consumer sample: 1,557); Visited 3 dealerships (19%), 4+ dealerships (9%). (consumer sample: 348)
6. Discussions about pricing and financing with dealer entirely in person at the dealership 2022 (24%), 2021 (12%)