



**AutoChoice**

**Costco Auto Program Research  
Executive Summary**

# Methodology

A 20-minute online survey was fielded with 1600 consumers age 18 to 65, between May 15 and May 24, 2018. Qualifying respondents...

- 1 Are Costco Members who are not employed in a sensitive industry, including marketing or market research, automotive (dealership or manufacturer) or for a club store.
- 2 Have purchased a new or certified/select pre-owned vehicle within the past 24 months or intend to purchase a new or certified/select pre-owned a car or truck within the next 12 months.
- 3 Depending on which cohort the respondent fell into, must have either a) used the current Costco Auto Program (CAP) to purchase their most recent vehicle, b) have attempted but ultimately failed to use the current CAP to purchase their most recent vehicle, or c) must have neither attempted nor used the current CAP in the purchase of their most recent vehicle.

## Four Costco Member Cohorts (Groups) Evaluated

<b>CAP USERS</b> Used the current Costco Auto Program to purchase a vehicle within the past 24 months. (N=311)	<b>CAP ATTEMPTERS</b> Attempted to use (but ultimately did NOT use) the current Costco Auto Program to purchase a vehicle within the past 24 months. (N=489)
<b>CAP NON-USERS</b> Purchased a vehicle within the past 12 months, but did NOT use the current Costco Auto Program. May or may not be aware of CAP. (N=450)	<b>CAP PROSPECTS</b> <i>Intend to purchase a vehicle within the next 12 months. May or may not be aware of CAP.</i> (N=350)

## Current Costco Auto Program Shortcomings (9 out of 10 Attempters purchase at a non-CAP dealership)

- Among Attempters, completion of the CAP purchasing process and satisfaction of those steps drop off as they get further along in the car-buying process - the biggest drop off point is at the “handoff” stage, from Costco website to the dealership.
- **The biggest barriers to CAP usage among Attempters are:**
  - Issues with the dealership, including lack of participating dealerships/inconvenient dealership location
  - Lack of selection/inventory offered on the current CAP website
  - Equal or better pricing available from a non-CAP dealership (and, in some cases, from a CAP-authorized dealership).
- **Likewise, the biggest pain points among current CAP Users relate to dealership involvement in the process, including:**
  - Lack of participating dealerships
  - Numerous follow-up calls from dealers
  - Extended interactions with dealership representatives for trade-in valuation, options/add-ons, financing, warranty, etc.
  - Post-sale uncertainty around whether they got the Costco price and, ultimately, the best price for their vehicle
- **Finally, among Non-Users and Prospects, the later steps taking place at the dealership – completing the dealer handoff, selecting a car at the dealership, and completing the purchase at the dealership – are significantly less appealing than prior steps**

## How AutoChoice Addresses These Issues/Optimizes CAP

- **The most appealing steps of the car-buying process through AutoChoice are those that minimize dealership involvement, optimize the online process, and increase transparency**
  - Get the Costco member price and payment upfront – without engaging a dealer (**83% overall found very or extremely appealing**)
  - Get a guaranteed trade-in value or an instant cash offer from Costco on your current car, even if you’re not buying a new one and without visiting the dealership (**78% overall found very or extremely appealing**)
  - Review and complete the purchase paperwork online (**79% overall found very or extremely appealing**)
- **AutoChoice is positioned to improve the current Costco Auto Program by solving key pain points and issues with the current CAP, including:**
  - Increased inventory: Providing access to inventory located on local dealer lots
  - Increased dealership participation: Solving for CAP User frustrations with inconvenient dealership location and lack of dealership options
  - Optionally allowing consumers to complete the entire process online – Eliminating sales follow up calls, lengthy sales interactions, and hours spent at the dealership
  - Increased transparency– Program users receive their pricing upfront and get a guaranteed offer for their trade-in

“

Not sure I am getting the best price

When I mentioned to the dealer, I had the Costco Program for my auto purchase, they said they are already giving me that price...you never know if you got the deal or not.

”

Like it all especially, with the ability to look [and] get a price for my car

If I do not have to interact with a dealer that would be great. I do most of my shopping online now. I would love to buy my next car this way and also get the Costco pre-negotiated price.

3

Does not actually work. Just gives my personal info to salesmen, who then call incessantly. No price given over phone or email.

[Number of] dealers limited

”

Does not actually work. Just gives my personal info to salesmen, who then call incessantly. No price given over phone or email.

I like getting the Costco price upfront without engaging a dealer and I like to see different financing options available to me

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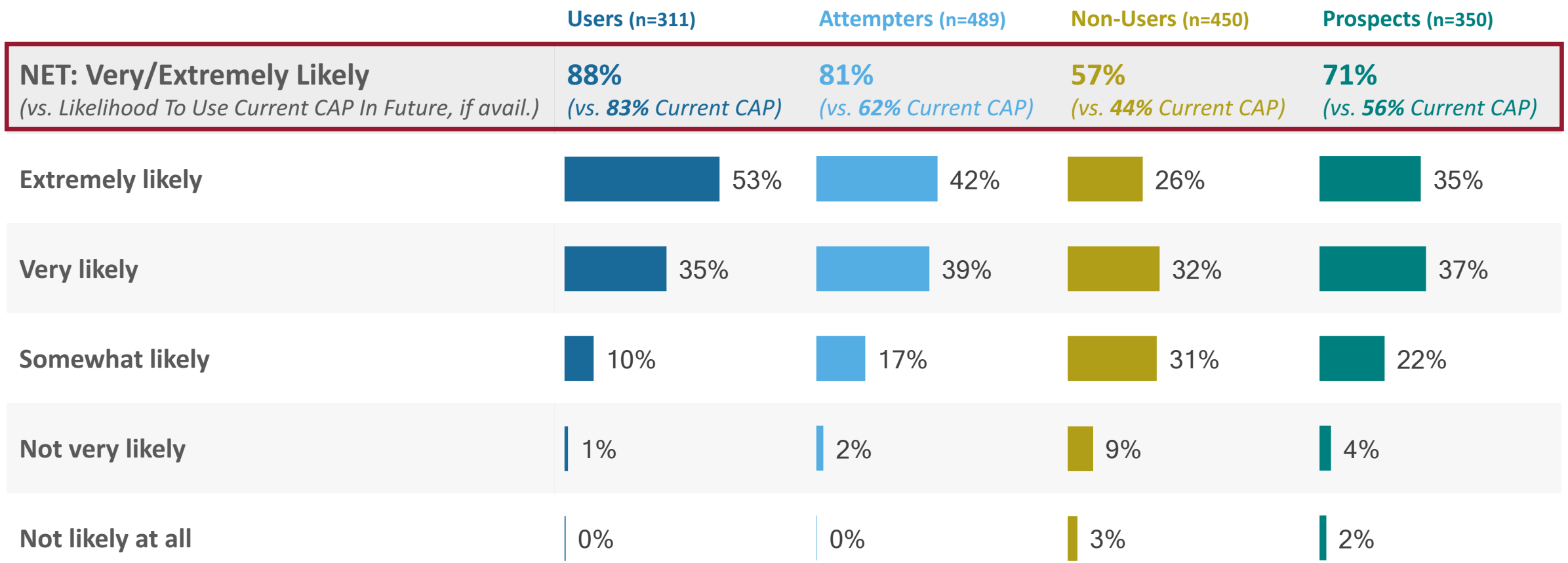
# Overall Evaluation of AutoChoice

Costco members' impressions of the AutoChoice solution are strongly positive – between 78% and 94% of all groups surveyed say they like or love the program.

- Current Costco Auto Program (CAP) **Users** and **Attempters evaluate** AutoChoice the most positively, with **Attempters** giving AutoChoice a **significantly higher evaluation** than the current CAP.
- While **Non-Users** and **Prospects** give AutoChoice slightly lower ratings than Cap Users and Attempters, both of these groups **evaluate** AutoChoice more positively than they evaluate the current CAP.
- The likelihood for **Attempters** to **use** AutoChoice is significantly higher than their likelihood to use current CAP (42% are extremely likely to use AutoChoice, vs. 29% who are extremely likely to use current CAP). This is notable because **Attempters** have context; they experienced some of the issues with Current CAP. They see where AutoChoice will address some of the Current CAP pain points.
- When asked specifically which auto program they would **choose** (if the choice were theirs), all groups overwhelmingly prefer AutoChoice over the current Costco Auto Program.

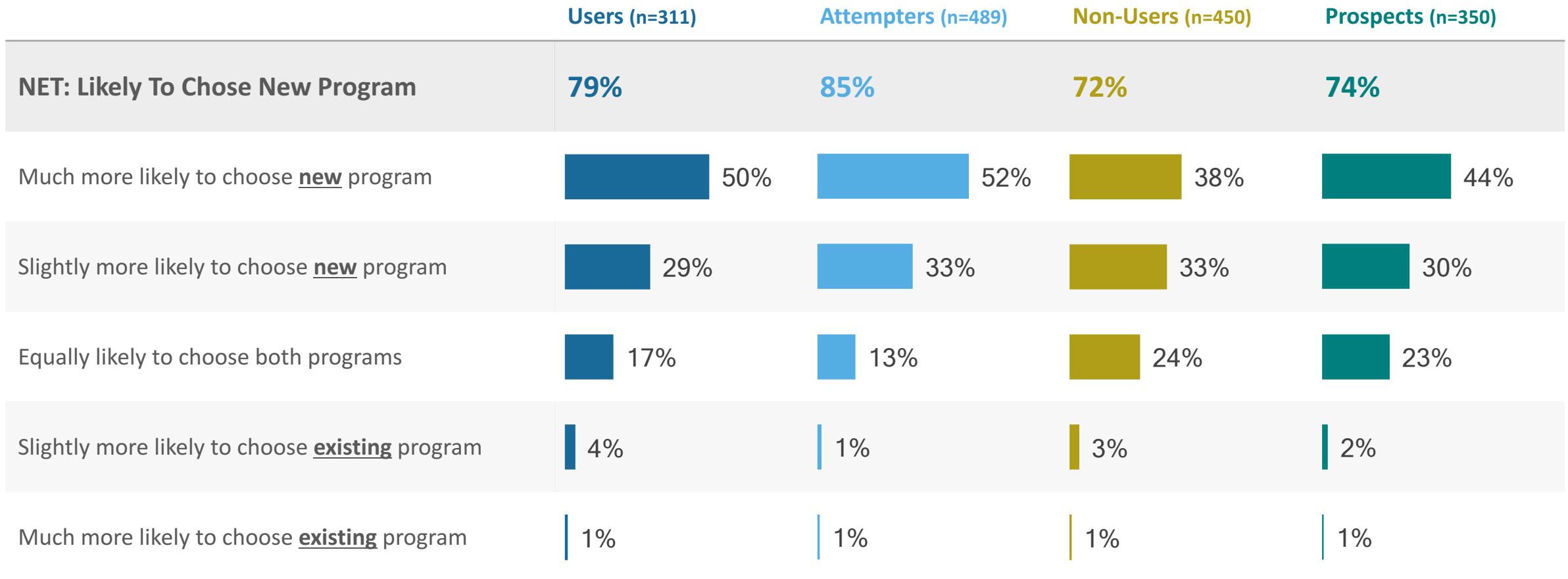
Costco members report being very likely to use AutoChoice to purchase their next car, assuming it were implemented. Likelihood to use is highest among current CAP Users and Attempters, slightly lower among Prospects, and lowest among Non-Users. Among every group surveyed, likelihood to use AutoChoice is higher than likelihood to use the current CAP, and this difference is largest for Attempters and Prospects.

### AutoChoice: Likelihood To Use AutoChoice For Next/Upcoming Purchase If Implemented



When asked to choose between the current CAP and AutoChoice, Costco members overwhelmingly prefer AutoChoice.

**AutoChoice: Would Choose New Program OR Existing Program (If Choice Available)**



Q33 - If you had a choice between this new Costco Auto Program and the existing Costco Auto Program, which would you be more likely to choose?

# Overall Evaluation of AutoChoice

The AutoChoice features with the strongest appeal among Costco members are:

- Getting the Costco member price and payment upfront – without engaging a dealer – has the strongest appeal.
- Followed by getting a guaranteed trade-in value/instant cash offer and reviewing and completing paperwork online (nearly equally appealing).

## ***AutoChoice: Very or Extremely Appealing Features***

	Users (n=311)	Attempters (n=489)	Non-Users (n=450)	Prospects (n=350)
Research, compare, and buy new and Costco Certified used vehicles located on local dealer lots	84%	80%	64%	71%
Get the Costco member price and payment upfront – without engaging a dealer	91%	87%	74%	82%
See multiple finance and lease options available from multiple lenders	79%	76%	70%	71%
Securely get approved for financing online	76%	73%	66%	69%
Review and purchase desired additional products online, such as extended warranty plans, protection packages, and accessories	78%	73%	66%	73%
Get a guaranteed trade-in value or an instant cash offer from Costco on your current car, even if you're not buying a new one and without visiting the dealership	84%	82%	72%	76%
Review and complete the purchase paperwork online	85%	83%	73%	76%

When asked to describe in their own words what they like most about AutoChoice, those who positively evaluated the program (liked or loved it) were most likely to mention features of the program that minimized and removed dealership interaction from the process.

## AutoChoice: What Consumers Like Most

All cohorts mention they like the time savings and reduced stress that AutoChoice provides by removing the dealer from the process, which allows them to:

- Receive Costco pricing upfront
- Compare makes/models/options and financing
- Get a guaranteed offer for their trade-in
- Complete transaction paperwork online

Users (n=293)	Attempters (n=448)	Non-Users (n=352)	Prospects (n=297)
<p><i>" If I do not have to interact with a dealer that would be great. I do most of my shopping online now. I would love to buy my next car this way and also get the Costco pre-negotiated price."</i></p> <p><b><i>" Completely online would save time. I spent a lot of time at the dealer when I picked up the car due to admin paperwork."</i></b></p> <p><i>" The possibility of choosing your own dealership, as the one I got was a terrible experience!"</i></p> <p><b><i>" I really like the ability to get a guaranteed trade in value and that they will deliver the vehicle to your home."</i></b></p> <p><i>" Saving the hassle of going thru many places for financing and getting a discount thru Costco"</i></p>	<p><b><i>" Ability to shop without the hassle of salesman and take my time to think about the purchase decision rather than feeling pressured."</i></b></p> <p><i>" Convenience of doing things online"</i></p> <p><b><i>" Ease of researching cars, no dealers, finance options."</i></b></p> <p><i>" Get a great price, fill everything out in the comfort of my own home, don't have to deal with sleazy car sales people who want to rip you off and sell unnecessary extras."</i></p> <p><b><i>" Like it all especially, with the ability to look [and] get a price for my car"</i></b></p> <p><i>" Removing negotiations for price and trade-in value"</i></p>	<p><i>" Not having to engage with the actual dealership - because they push you to purchase so many additional things, and often have a preferred financing company that they work with."</i></p> <p><b><i>" Being able to customize your vehicle search and receive extra incentives through the program."</i></b></p> <p><i>" Can do everything online instead of spending hours in a dealership"</i></p> <p><b><i>" Comparing prices and Leasing without visiting dealers."</i></b></p> <p><i>" I like having visibility to the cost and the potential trade in value. I like having the information upfront instead of later in the process. Low pressure."</i></p>	<p><b><i>" Not having to deal with an outside party (e.g. dealership or individual) regarding the trade-in of my existing vehicle. All taken care of with this program!"</i></b></p> <p><i>" Knowing exactly what it will cost especially with financing option before purchase."</i></p> <p><b><i>" Less interaction with car dealers- makes the process more efficient."</i></b></p> <p><i>" Don't have to haggle or go through frustrating dealer experience to buy a car."</i></p> <p><b><i>" Being able to apply and qualify for a car loan in the comfort of my home without spending 8 hours at a dealer."</i></b></p> <p><i>" I like that i don't have to go to a dealership and try negotiating with them for the best price."</i></p>



# Survey Content Areas

## Overall Car Buying Experience (All Cohorts)

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Purchase vs. Lease; Brand(s) considered and brand purchased; Overall evaluation of the car buying experience

## Current Cap Evaluation (Non-Users and Prospects)

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Awareness; Overall impression, perceptions, and evaluation of features/steps; Likes, dislikes; Likelihood to use in future

## Experience of Current CAP (CAP Users and Attempters)

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How became aware of current CAP; Reasons used/ attempted; Overall impression and experience of current CAP; Likes, dislikes; Likelihood to use in future

## AutoChoice Evaluation (All Cohorts)

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Overall impression, perceptions, and evaluation of features/steps; Likes, dislikes; Likelihood to use in future; Interest in Costco-branded warranty; Car delivery preferences; Online vs. In dealership preferences; Costco brand lift; Head-to-head preference test with Current CAP

## Why Didn't Purchase Through CAP (Attempters)

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What step dropped off at; How ultimately purchased; Why didn't complete purchase through CAP

## Demographics and Classifiers (All Cohorts)

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Vehicles owned in lifetime; vehicles purchased outright; Demographics, including gender, age, income, marital and parental status, etc.

# Screening Summary

	USERS (n=311)	ATTEMPTERS (n=489)	NON-USERS (n=450)	PROSPECTS (n=350)
<b>Sensitive Industry</b>	Not employed in Market research, marketing, advertising; An automotive company or dealership; A warehouse club store such as Costco, Sam's or B.J's			
<b>Warehouse Membership</b>	Must Have Current Membership To Costco			
Recently Purchased New Car, Truck	Past 12 Months: 61% Past 24 Months: 100%	Past 12 Months: 64% Past 24 Months: 100%	Past 12 Months: 100% Past 24 Months: 100%	Past 12 Months: 0% Past 24 Months: 0%
Intend To Purchase New Car, Truck	–	–	–	Next 6 Months: 49% Next 12 Months: 100%
 Used For Recent Vehicle	 100%	0%	0%	0%
Attempted To Use	0%	 100%	0%	0%
Familiar With, Not Used	0%	0%	 71%	 77%
Not Heard Of	0%	0%	 29%	 23%
<b><i>New Vehicle Was/Will Likely Be...</i></b>				
New	 91%	 83%	 77%	 80%
Certified, Select Pre-Owned	 9%	 17%	 23%	 20%
Purchase	 87%	 88%	 79%	 89%
Lease	 13%	 12%	 21%	 11%

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**Sample Client Engagements:**

Consumer product support: Audi USA,  
Hyundai, Innocean USA

Retail product solution evaluations: CDK  
Global, Cox Automotive

Retail product advisory: CDK Global, PERQ,  
Marchex, Contact at Once!



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