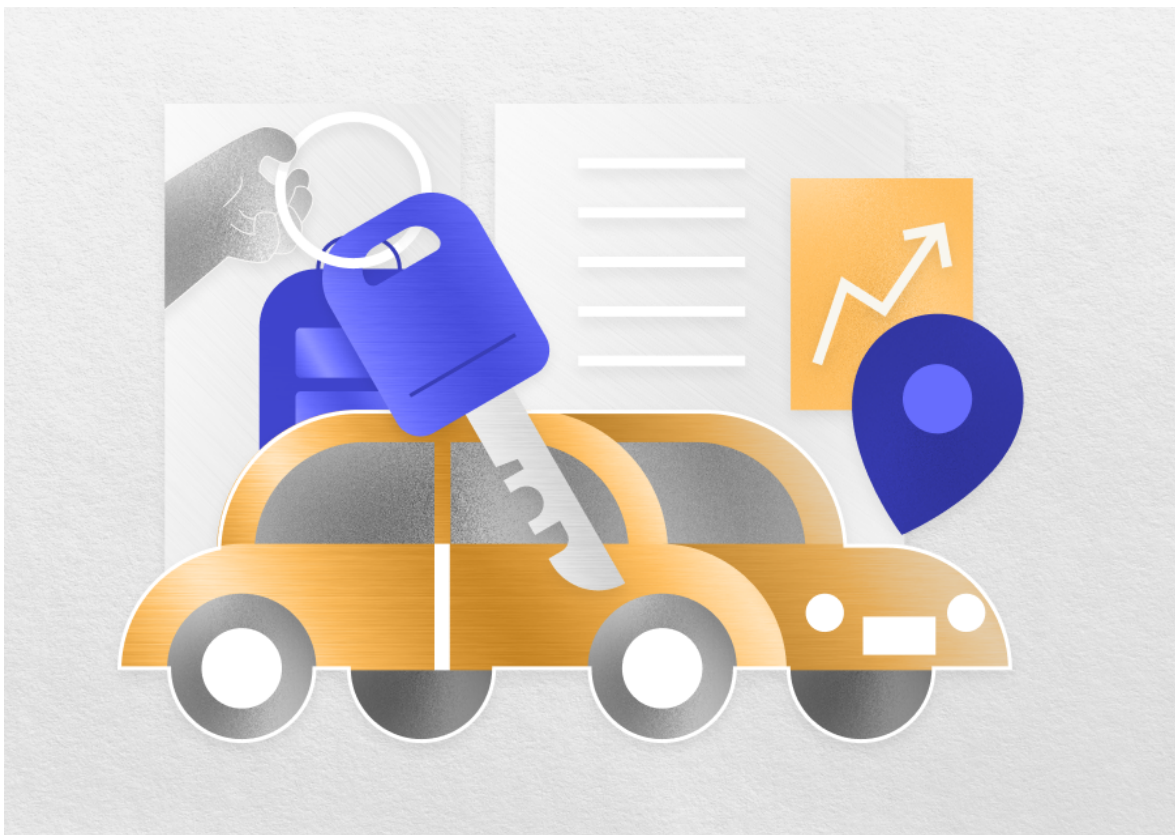


November 2023

# Exploring the Car Dealership Space

Dive into the foot traffic and audience segmentation data to find out where the new and used auto dealership space stands in 2023.



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## Overview

This report leverages location intelligence data to analyze the auto dealership market in the United States. By looking at visit trends to branded showrooms, used car lots, and mixed inventory dealerships – and analyzing the types of visitors that visit each category – this white paper sheds light on the state of car dealership space in 2023.

## Shifts in Auto Dealerships Visit Trends

Prior to the pandemic and throughout most of 2020, visits to both car brand and used-only dealerships followed relatively similar trends. But the two categories began to diverge in early 2021.

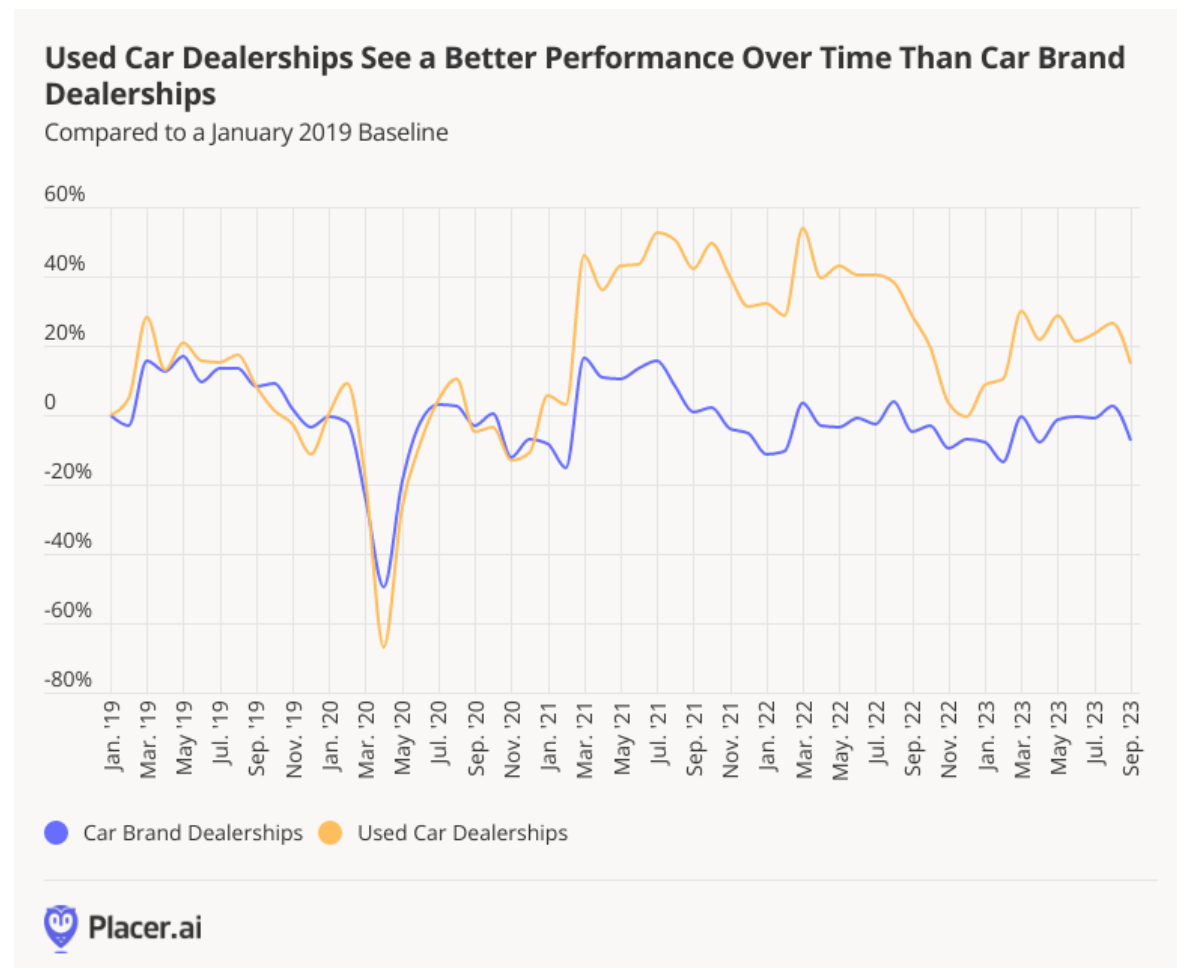
Visits to car brand dealerships briefly returned to pre-pandemic levels in mid-2021, but traffic fell consistently in the second half of the year as supply-chain issues drove consistent [price increases](#). So despite the brief mid-year bump, 2021 ended with overall new car [sales](#) – as well as overall foot traffic to car brand dealerships – below 2019 levels. Visits continued falling in 2022 as [low inventory and high prices](#) hampered growth.

Meanwhile, although the price for used cars rose even more (the average price for a [new](#) and [used](#) car was up 12.1% and 27.1% YoY, respectively, in September 2021), used cars still remained, on average, more affordable than new ones. So with [rising demand](#) for alternatives to public transportation – and with new cars now beyond the reach of many consumers – the used car market [took off](#) and visits to used car dealerships skyrocketed for much of 2021 and into 2022. But in the second half of last year, as gas prices remained elevated – tacking an additional cost onto operating a vehicle – visits to used car dealerships began falling dramatically.

Now, the price of both [used](#) and [new](#) cars has finally begun falling slightly. Foot traffic data indicates that the price drops appear to be impacting the two markets differently. So far this year, [sales](#) and visits to dealerships of pre-owned vehicles have slowed, while new car sales [grew](#) – perhaps due to the more significant [pent-up demand](#) in the new car market. The ongoing inflation, which has had a stronger

impact on lower-income households, may also be somewhat inhibiting used-car dealership visit growth. At the same time, foot traffic to used car dealerships did remain close to or slightly above 2019 levels for most of 2023, while visits to branded dealerships were significantly lower year-over-four-years.

The situation remains dynamic – with some reports of prices [creeping back up](#) – so the auto dealership landscape may well continue to shift going into 2024.



## Used Cars Appeal to a Range of Consumers

With car prices soaring, the demand for pre-owned vehicles has grown substantially. Analyzing the [trade area](#) composition of leading dealerships that sell used cars reveals the wide spectrum of consumers in this market.

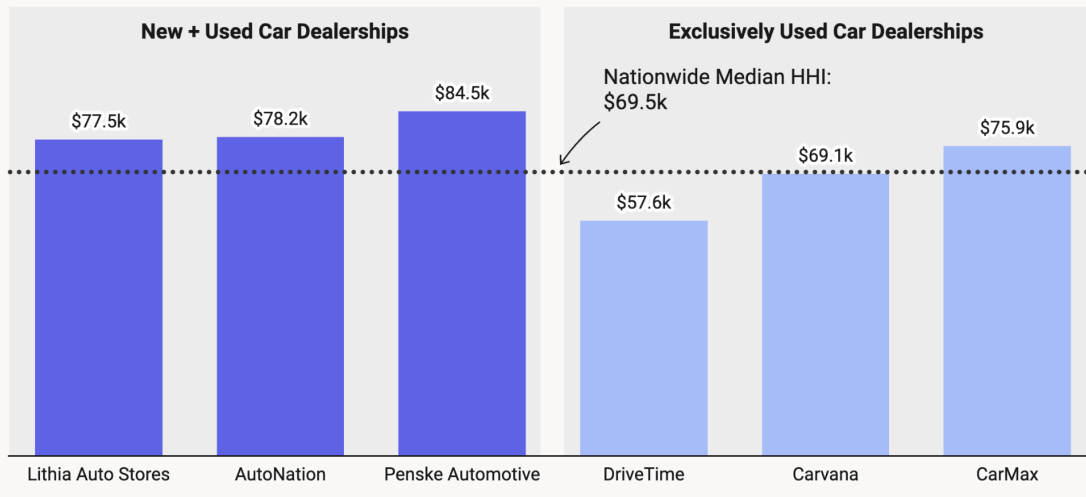
Dealerships carrying a mixed inventory of both new and used vehicles seem to attract relatively high-income consumers. Using the [STI: Popstats 2022](#) data set to analyze the trade areas of Penske Automotive, AutoNation, and Lithia Auto Stores – which all sell used and new cars – reveals that the HHI in the three dealerships' trade areas is higher than the nationwide median. Differences did emerge within the trade areas of the mixed inventory car dealerships, but the range was relatively narrow – between \$77.5K to \$84.5K trade area median HHI.

Meanwhile, the dealerships selling exclusively used cars – DriveTime, Carvana, and CarMax – exhibited a much wider range of trade area median HHIs. CarMax, the [largest](#) used-only car dealership in the United States, had a yearly median HHI of \$75.9K in its trade area – just slightly below the median HHI for mixed inventory dealerships Lithia Auto Stores and AutoNation and above the nationwide median of \$69.5K. Carvana, a used car dealership that operates according to a Buy Online, Pick Up in Store (BOPIS) model, served an audience with a median HHI of \$69.1K – more or less in-line with the nationwide median. And DriveTime's trade areas have a median HHI of \$57.6K – significantly below the nationwide median.

The variance in HHI among the audiences of the different used-only car dealerships may reflect the wide variety of offerings within the used-car market – from virtually new luxury vehicles to basic sedans with 150k+ miles on the odometer.

## Different Used Car Chains Serve Different Median Household Incomes While New + Used Car Dealerships All See Visits from Higher Income Households

January to September 2023 | Based on STI: Popstats Data for Captured Market of Trade Areas



## Tesla Leads the Car Brand Dealership Pack

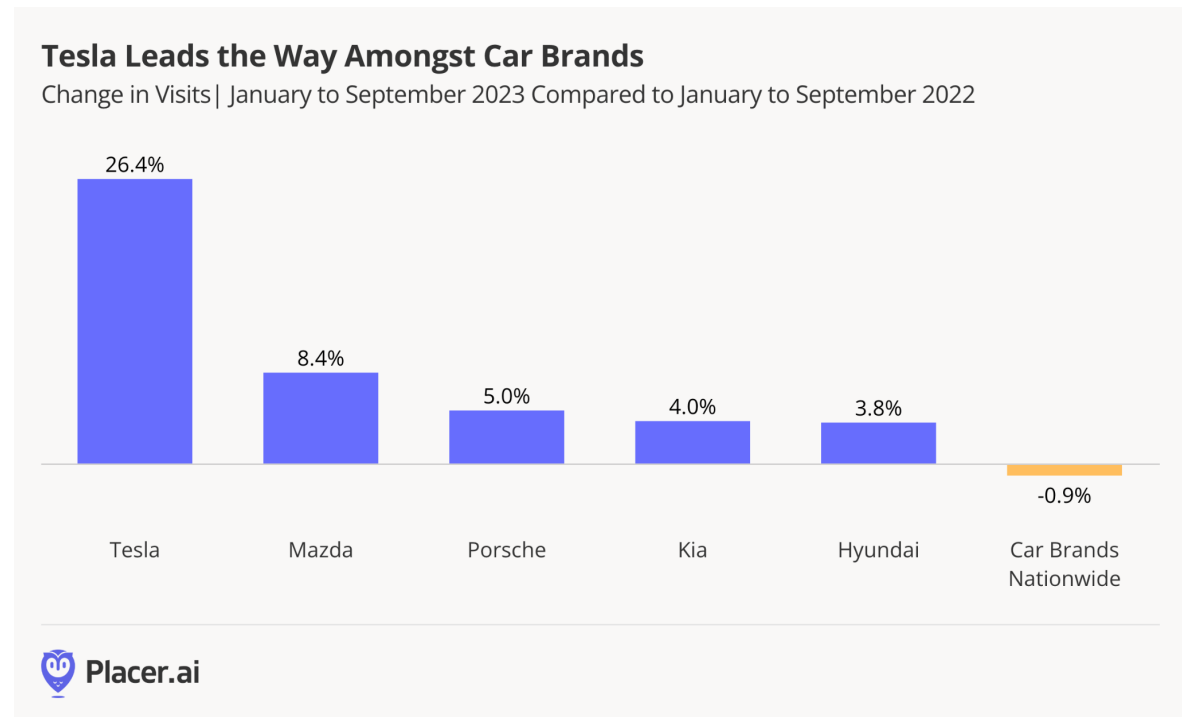
Visits to car brands nationwide between January and September 2023 dipped 0.9% YoY, although several outliers reveal the potential for success in the space even during times of economic headwinds.

Visits to Tesla's dealerships have skyrocketed recently, perhaps thanks to the company's frequent price cuts over the past year – between September 2022 and 2023, the average price for a new Tesla [fell](#) by 24.7%. And with the company's network of Superchargers [gearing up](#) to serve non-Tesla Electric Vehicles (EVs), Tesla is finding room for growth beyond its already successful core EV manufacturing business and positioning itself for a strong 2024.

Japan-based Mazda used the pandemic as an opportunity to [strengthen its standing](#) among U.S. consumers, and the company is now reaping the fruits of its labor as visits



rise YoY. Porsche, the [winner](#) of U.S New & World Report Best Luxury Car Brand for 2023, also outperformed the wider car dealership sector. [Kia](#) – owned in part by Hyundai – and [Hyundai](#) both saw their foot traffic increase YoY as well, thanks in part to the popularity of their SUV models.

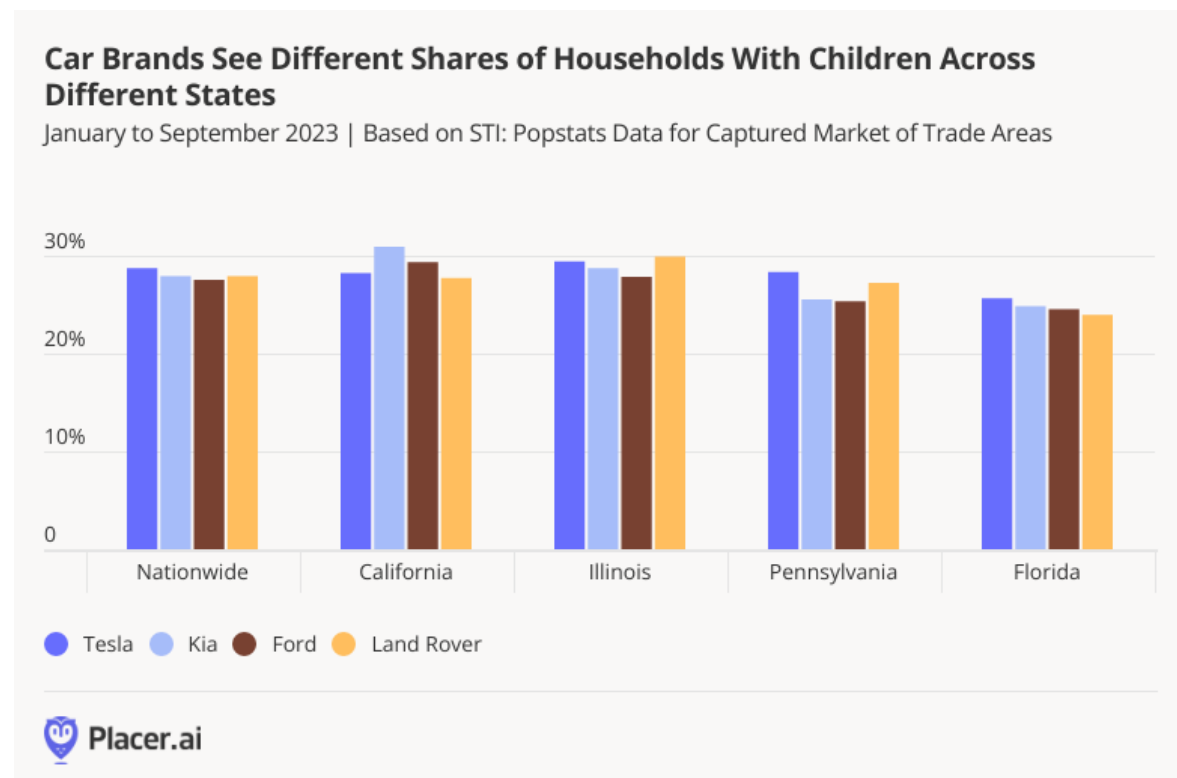


## Diving into Local Markets

Analyzing dealerships on a national level can help car manufacturers make macro-level decisions on marketing, product design, and brick-and-mortar fleet configurations. But diving deeper into the unique characteristics of each dealership's trade area on a state level reveals differences that can serve brands looking to optimize their offerings for their local audience.

For example, analyzing the share of households with children in the trade areas of four car brand dealership chains in four different states reveals significant variation across the regional markets.

Nationwide, Tesla served a larger share of households with children than Kia, Ford, or Land Rover. But focusing on California shows that in the Golden State, Kia's trade area population included the largest share of this segment than the other three brands, while Land Rover led this segment in Illinois. Meanwhile, Ford served the smallest share of households with children on a nationwide basis – but although the trend held in Illinois and Pennsylvania, California Ford dealerships served more households with children than either Tesla or Land Rover.



## Leveraging Location Intelligence for Car Dealerships

Leveraging [location intelligence](#) to analyze car dealerships adds a layer of consumer insights to industry provided sales numbers. Visit patterns and audience demographics reveal how foot traffic to used-car lots, mixed inventory dealerships, and manufacturers' showrooms change over time and who visits these businesses on a national or regional level. These insights allow auto industry stakeholders to assess



current demand, predict future trends, and keep a finger on the pulse of car-purchasing habits in the United States.

## Key Takeaways

1. **Auto dealerships have seen a tumultuous couple of years.** COVID, supply-chain woes, high gas prices, and inflation all brought frequent shifts in visit patterns to the auto dealership space.
2. **Visits to used-car dealerships remain higher than they were pre-COVID.** While the wider economic challenges have kept visits to car brand dealerships below pre-COVID levels, visits to used-only auto lots have remained at or above 2023 numbers for most of 2023.
3. **Used cars appeal to a range of consumers.** While branded dealerships generally attract visitors from relatively high-income areas, the trade areas of used-only car dealerships exhibit a much broader range of median HHIs.
4. **Tesla leads the branded car dealerships in terms of YoY visit growth.** Despite Tesla's recent stock turbulence, visits to the EV giant's dealerships grew by double digits between January and September 2023 compared to the same period in 2022.
5. **Analyzing a car brand's audience on a national level may obfuscate local differences.** Looking at the unique characteristics of each dealership's trade area on a state level can highlight segments that patronize the brand locally, even if this segment is not a significant portion of the brand's national audience.