



MAS Second Hand Car Costs

Research Findings

Hazel Fletcher
May 2014



BACKGROUND AND METHOD

Background and Method

BACKGROUND

- MAS wished to undertake some research to inform marketing, PR and social media campaigns due to take place in early June
- The area of focus was the running costs associated with owning a second hand car, specifically those that owners may not have considered at the time of purchase and which have proved problematic subsequently

METHOD

- An online survey was undertaken using a specialist panel of used car owners, targeting those on the panel who have purchased a second hand car within the last two years
- 3000 online interviews were completed
- The research targeted a broadly nationally representative sample based on age, gender, SEG, region and nation. Northern Ireland was slightly over-represented in the targeted sample to ensure a minimum achieved sample of 100 interviews
- No quotas were set on the returns; the achieved sample was allowed to 'fall out'
- The absolute profile of second hand car buyers is not know, but it is assumed that the approach taken will have resulted in an achieved sample that is broadly representative of that population

OVERVIEW

Overview; Buying a 2nd Hand Car

Purchase price is the single biggest consideration when deciding what second hand car to buy

- The potential costs of fuel, insurance and maintenance/repairs also taken into consideration by most
- MOT costs and depreciation are the costs given least consideration when buying a 2nd hand car
- Those aged 65+ give less consideration to fuel costs, MOT costs and car tax; possibly indicating that they have more experience of these costs and so have less need to think about them as part of the purchase process
- Younger people (aged 44 or younger) give more consideration to the cost of insurance
- Those living in London give more consideration to fuel costs and the possible costs of maintenance and repairs

The average amount spent on a 2nd hand car was £5,736; unsurprisingly spend was higher amongst the more affluent groups

- Spend was higher amongst men, those in the AB SEG and those aged 65+
- Spend was also higher amongst those living in Scotland
- Spend was lower amongst young people aged 18-24 and those in the DE SEG

18% of those buying a 2nd hand car in the last 2 years spent more than their budget. The average overspend was £1,815

- Younger people (those aged 18-44 years) and those living in London were more likely to exceed their budget
- The main reasons people gave for over spending indicated that people over spending occurred largely because people were tempted into buying a better car than their original budget allowed:
 - Just really liking the car
 - Not being able to get what they wanted for their budget
 - Wanting a better car with better features

Overview; Buying a 2nd Hand Car

The majority (68%) bought their 2nd hand car from a dealer

- Those living in London, younger people (aged 44 years or less) and those with children living at home were more likely to go for a private purchase
- Those aged 65+ and those in the AB SEG were more likely to buy from a dealer, which possibly goes some way to explaining their above average spend

80% of those buying a 2nd hand car tried to negotiate a discount. 64% did get some money off.

- Men tended to be more successful than women in this respect
- Those living in Scotland and Northern Ireland were more successful than those living in London in negotiating a discount

The majority (70%) paid for their second hand car in cash

- Those aged 45 years or over were more likely to pay in cash; it seems likely that they are more likely to have reached a stage in life where they have amassed savings to draw upon when necessary
- Those with children living at home were more likely to have to obtain some form of finance to pay for the car; the research highlights this group as one where finances are generally more stretched and where car costs have a greater impact than for some of the other segments

Overview; Owning a 2nd Hand Car II

Over half (56%) of those buying a 2nd hand car in the last 2 years have experienced higher than expected car bills over that time

- Those living in London, younger people (aged 44 years or less) and those with children living at home were more likely to have experienced higher than expected car bills
- 32% of those who have had higher than expected car bills described the unexpected costs as a lot more than expected
- 52% of those who have had any unexpected car bills had higher than expected costs in more than one area

The average total cost, over and above what was expected, of higher than expected car bills over the last 12 months amongst those who experienced these was £568

- Those living in London and those in the AB SEG had experienced higher unexpected costs than other groups

The largest unexpected costs were	Proportion of those buying a 2 nd hand car in last two years who had higher than expected cost ...	Average cost (over last 12 months) over and above what was expected amongst those who'd experienced it
Maintenance and Repairs	15%	£458
Fuel	15%	£295
Insurance	13%	£293

Overview; Owning a 2nd Hand Car II

Over one quarter (27%) of those who have experienced higher than expected car costs have found the unexpected costs hard to cover

- Those with children living at home were more likely to have found the unexpected car costs harder to cover
- Women also found the unexpected car costs harder to cover

61% of those who had had unexpected car bills have had to cut back in other areas to meet these bills;

- The most common areas were by cutting back on treats like eating out, going to the cinema and/or cutting spending on things like clothes/shoes, DVDs, etc.
- Cutting back in other areas to meet higher than expected car bills was more common amongst those aged 44 or less, those with children living at home, those living in London, women and those in SEG DE

Almost 1 in 4 (23%) of those buying a 2nd hand car in last 2 years feel unexpected car bills have had a big impact on household finances

- This was more common amongst young people aged 18-24 years

1 in 5 (20%) of those buying a 2nd hand car in last 2 years have had to go into debt/increase debit to pay for these

- This was more common amongst younger people aged up to 44 years, those living in London and those with children living at home

Overview; key figures from across 2nd hand car owning population

18% of those buying a 2nd hand car in the last 2 years spent more than their budget. The average overspend was £1,815

Over half (56%) of those buying a 2nd hand car in the last 2 years have had higher than expected car bills.

18% of those buying a 2nd hand car in last 2 years had car bills that were a lot more than expected

29% of those buying a 2nd hand car in last 2 years had higher than expected car bills in more than one area

15% of those buying a 2nd hand car in last 2 years had unexpected costs they found hard to cover

34% of those buying a 2nd hand car in last 2 years having had to cut spending in other ways to cover unexpected car bills

Almost 1 in 4 (23%) of those buying a 2nd hand car in last 2 years feel unexpected car bills have had a big impact on household finances

1 in 5 (20%) of those buying a 2nd hand car in last 2 years have had to go into debt/increase debit to pay for these

Base: Total Sample n=3001

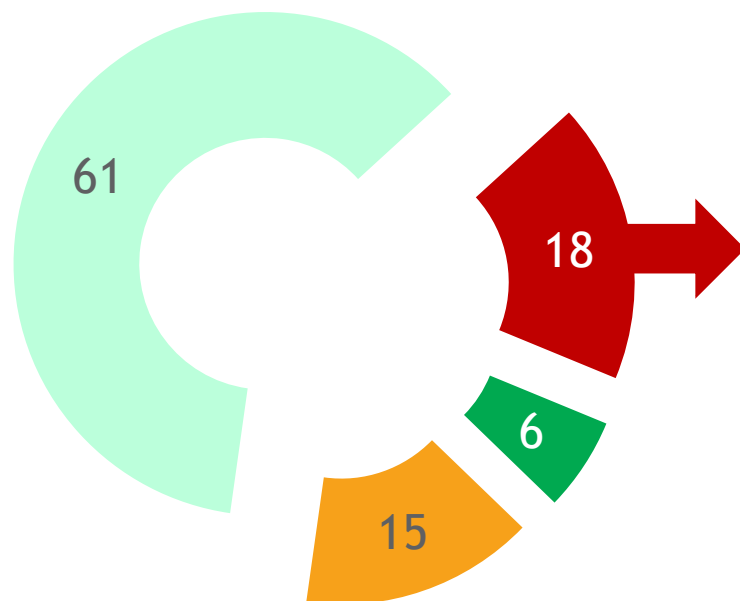
BUYING A SECOND HAND CAR

The majority (85%) had a budget in mind when they bought their car. Just under a fifth (18%) spent more than they intended

Budget in mind when bought the car?

%

- No budget in mind
- Yes and stuck to it
- Yes but spent more than intended
- Yes and spent less



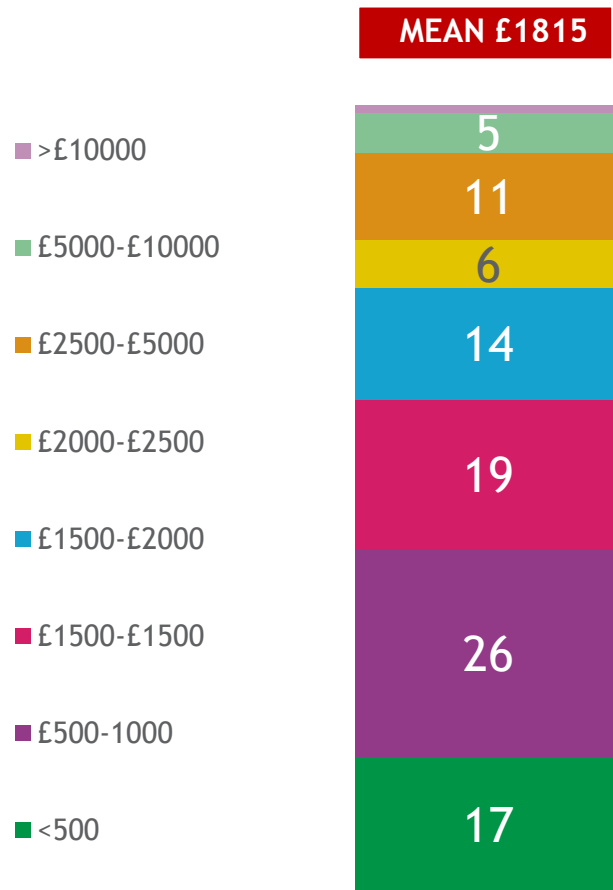
Younger people and those living in London more likely to exceed their budget:

- 18-44 year olds - 23%
- London - 27%

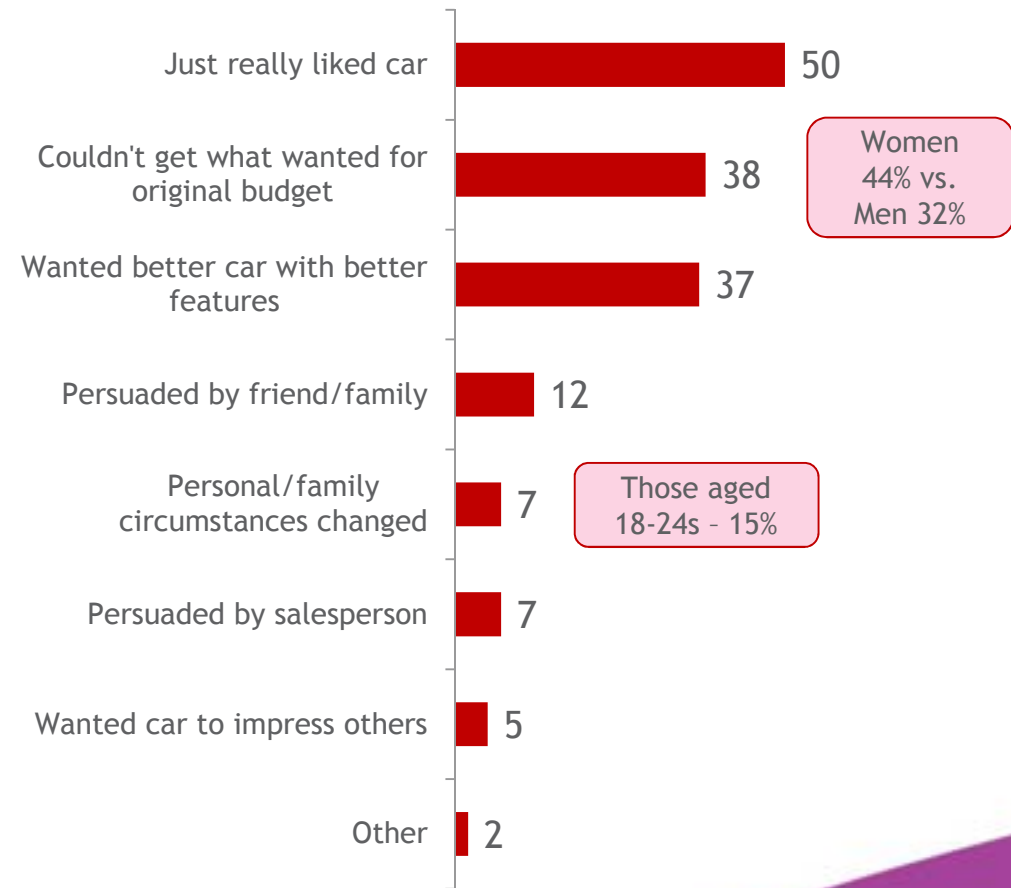
The average unintended spend was £1,815; half just liked the car and around a third couldn't get what they wanted or wanted something better than original budget allowed



How much MORE than your original budget did you spend?



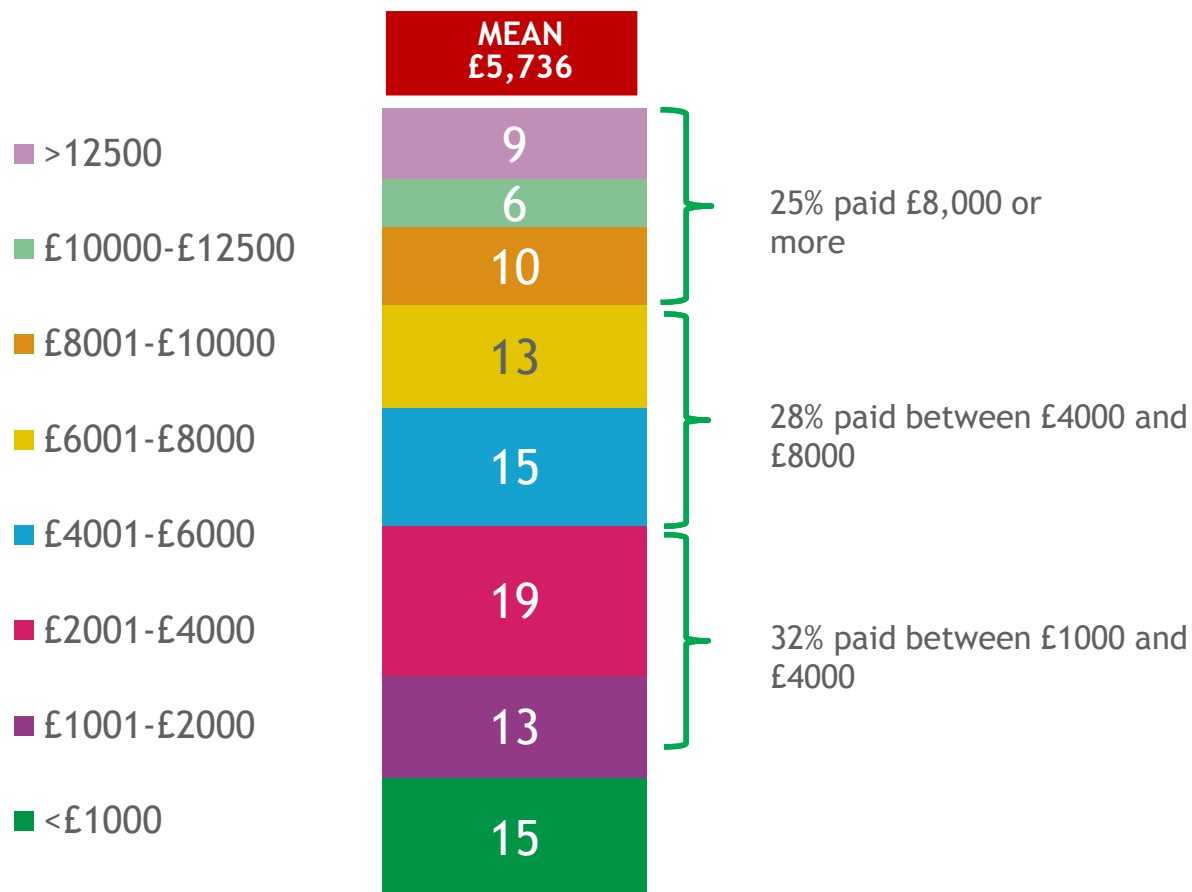
Why spend more than intended?



The average spend on a second hand car is £5,736

How much did you pay for the car?

%



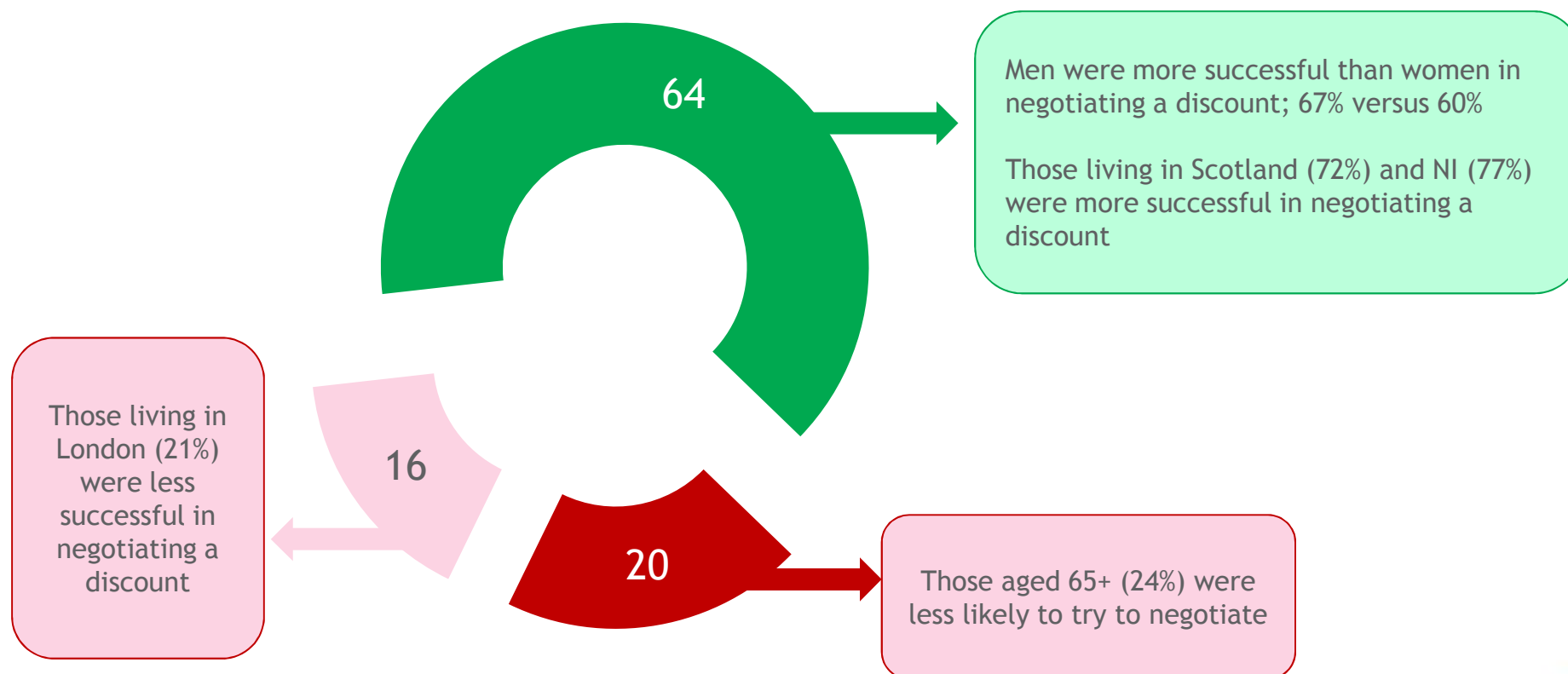
Average spend was higher amongst:
 Males £6191
 Those living in Scotland £6519
 Those in the AB SEG £7693
 Those aged 65+ £7649

Average spend was lower amongst:
 Those in DE SEG £3926
 Those aged 18-24 £4197

The majority (80%) tried to negotiate a discount. More than 6 in 10 did negotiate some money off the cost

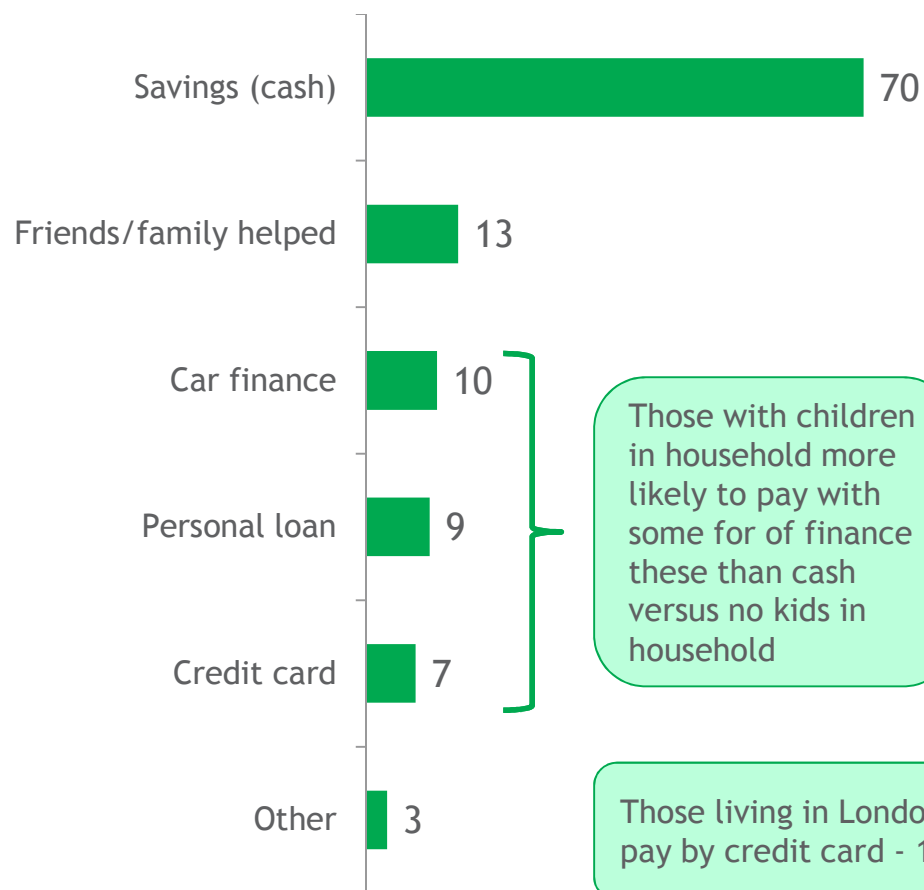
Try to negotiate on cost?

■ No ■ Yes but got no money off ■ Yes and got some money off



7 in 10 paid cash for the car and the majority (68%) bought it from a dealer

How did you pay for the car?



Older people were more likely to pay in cash

- 45-64 - 76%
- 65+ 77%

Those in NI also more likely to pay in cash- 79%

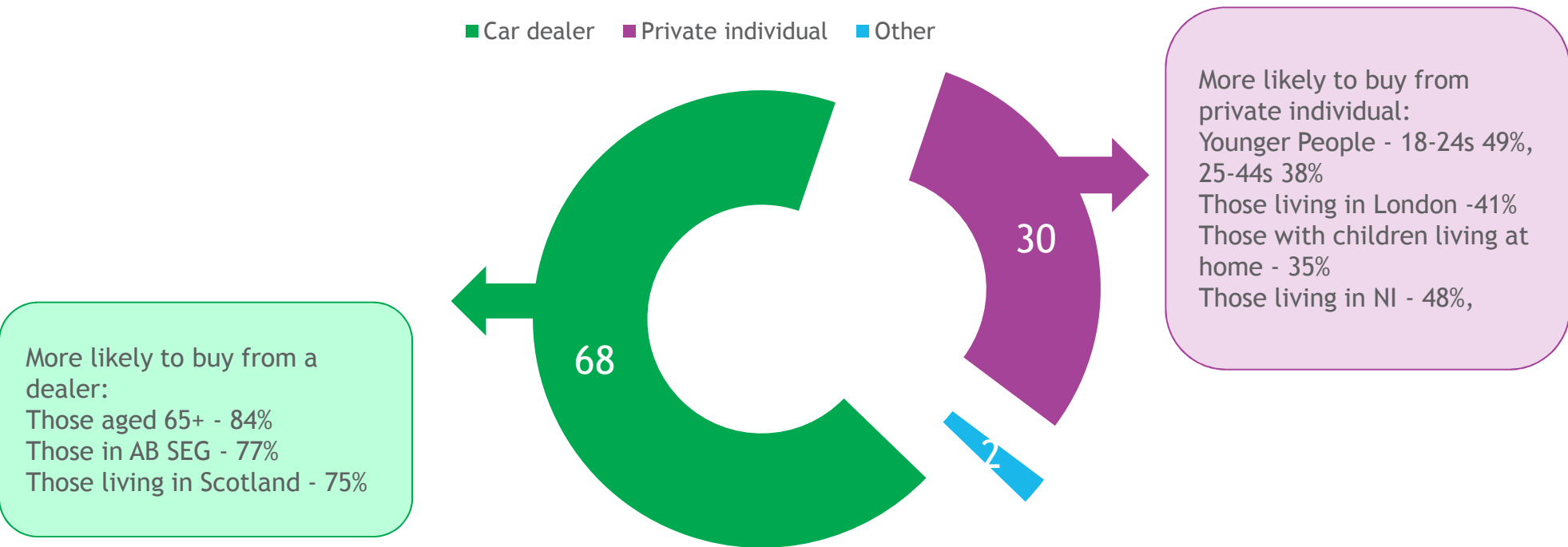
Those with children in household more likely to pay with some form of finance these than cash versus no kids in household

Those living in London more likely to pay by credit card - 12%

Two-thirds bought their car from a dealer

Where did you purchase your car?

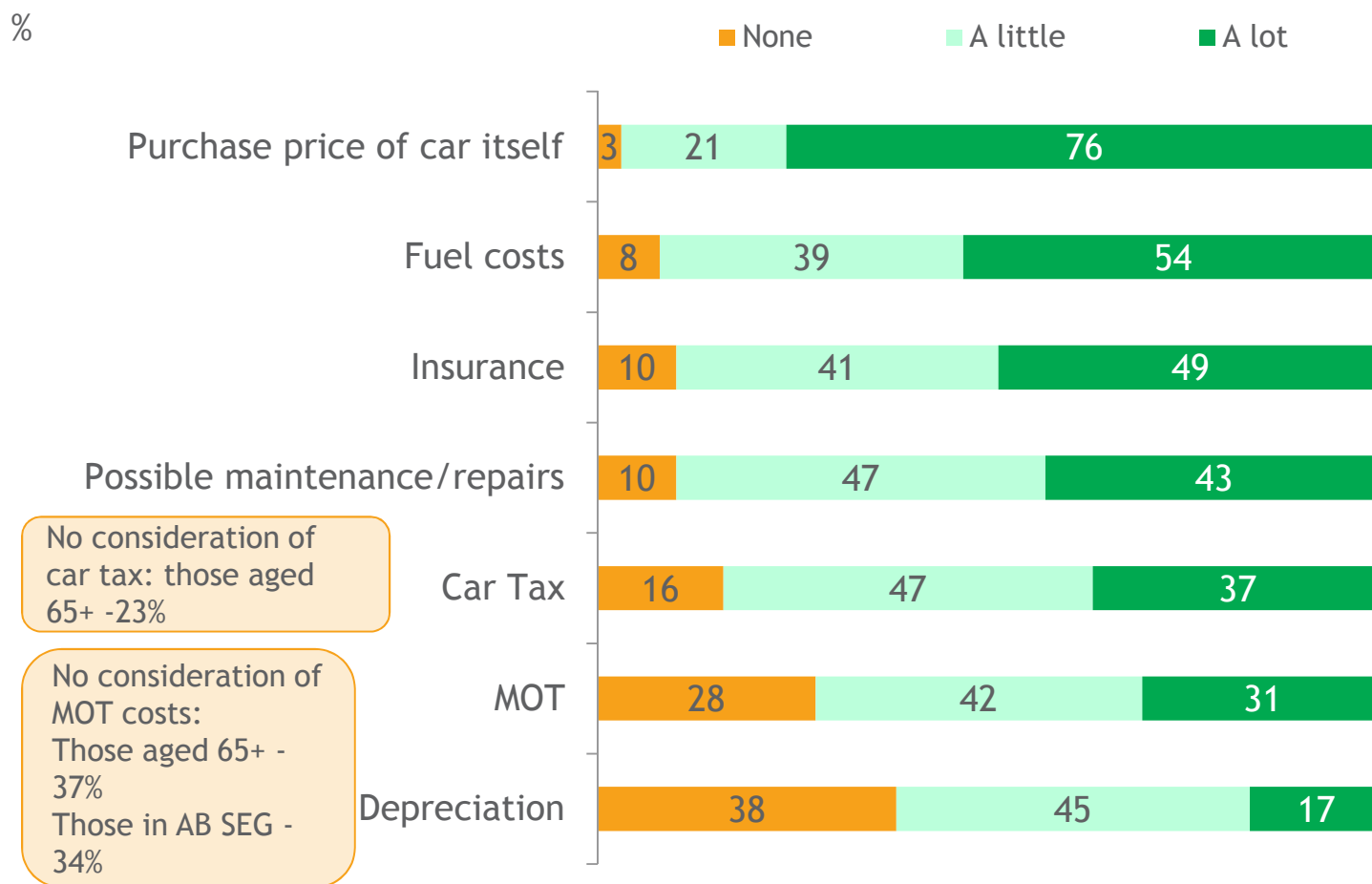
%



OWNING A SECOND HAND CAR

Purchase price is the main consideration when buying a 2nd hand car, although fuel, insurance and maintenance/repairs also considered by most. The least considered costs are depreciation and MOT.

How much consideration did you give to the costs of...



More consideration of fuel costs:
 Those living in London - 57%
 Those in DE SEG - 57%
 Less consideration of fuel costs:
 Those aged 65+ - 39%
 Those living in Scotland - 39%

More consideration of insurance:
 Those aged 18-24 - 73% and 25-44 - 56%

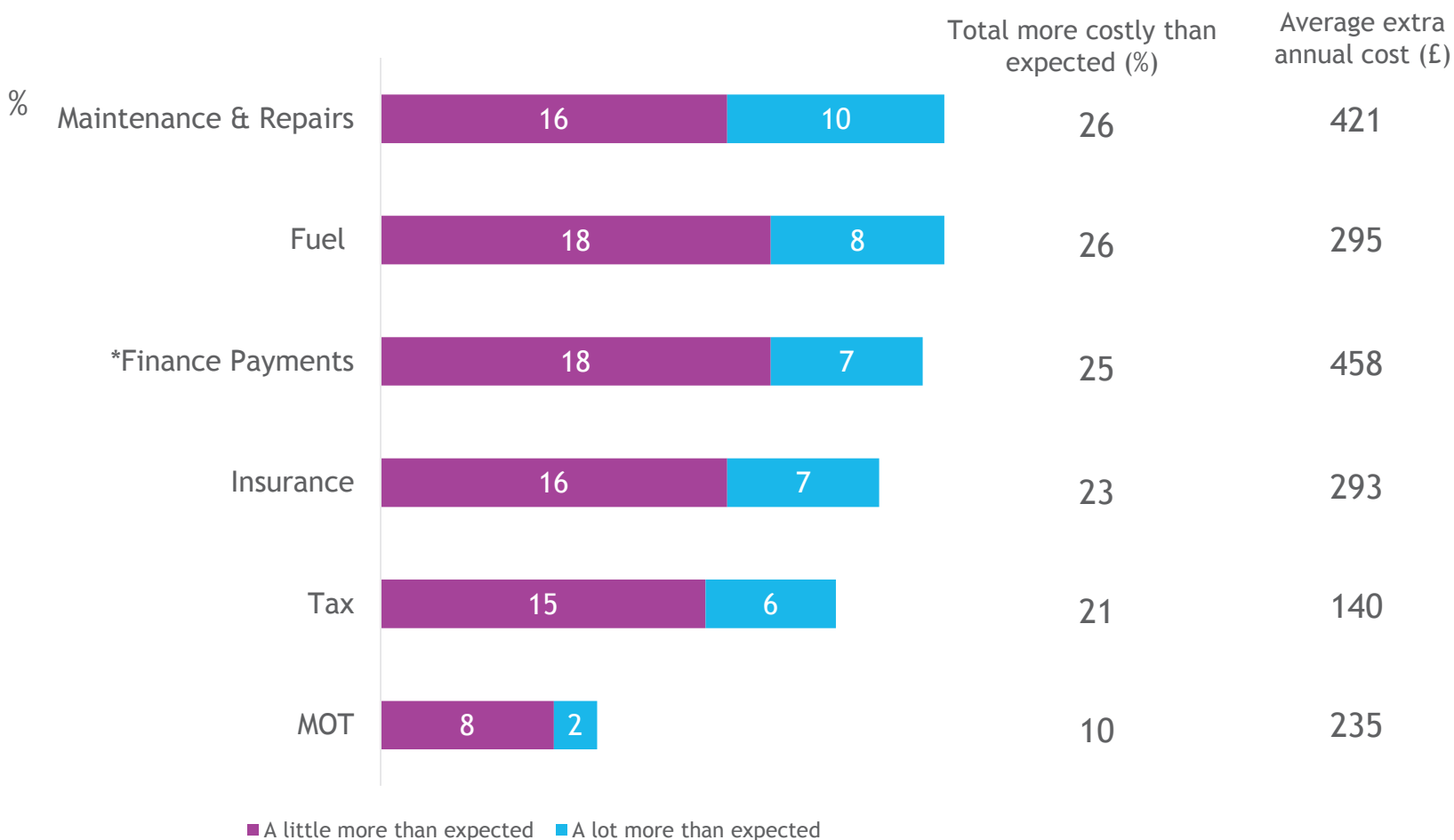
More consideration of possible maintenance/repairs
 Those living in London - 52%

No consideration of car tax: those aged 65+ - 23%

No consideration of MOT costs:
 Those aged 65+ - 37%
 Those in AB SEG - 34%

More than half (56%) have experienced any unexpected costs with aspects of running the second hand car; 1 in 3 experiencing any unexpected costs with any aspect of running their car found this to be a lot more than expected

Which have been more costly than you expected?



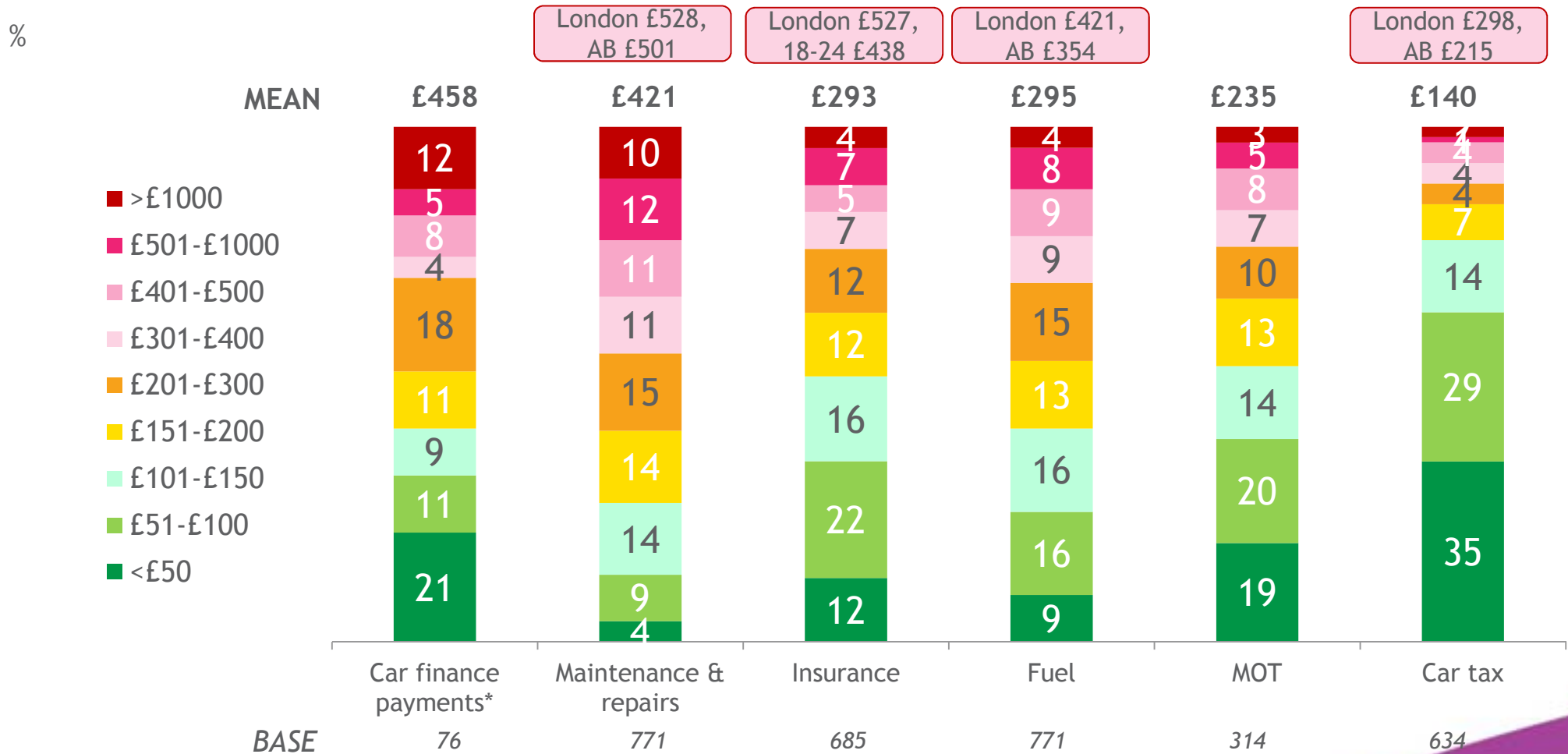
56% experienced higher than expected car bills.

Those more likely to have higher than expected car bills are:

- Younger people; 18-24 - 80%, 25-44 - 64%
- Those living in London - 73%
- Those with children in HH - 62%

Car finance payments (where applicable) and maintenance/repairs have the highest levels of unexpected cost

How much MORE in total has cost been versus that expected?



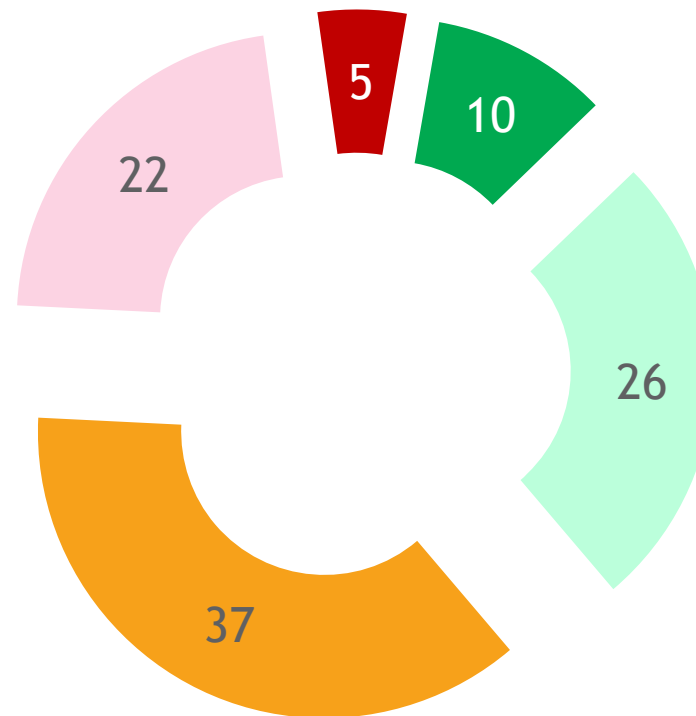
More than a quarter have found it difficult to cover these unexpected costs (which have averaged at £568 over last year amongst those who have experienced higher than expected costs)

How easy has it been to cover these unexpected costs?

A total of 27% have found the unexpected costs difficult to cover. This is higher amongst:

Women than men - 32% vs 21%
Those with children in HH vs those with none - 31% vs 23%

%



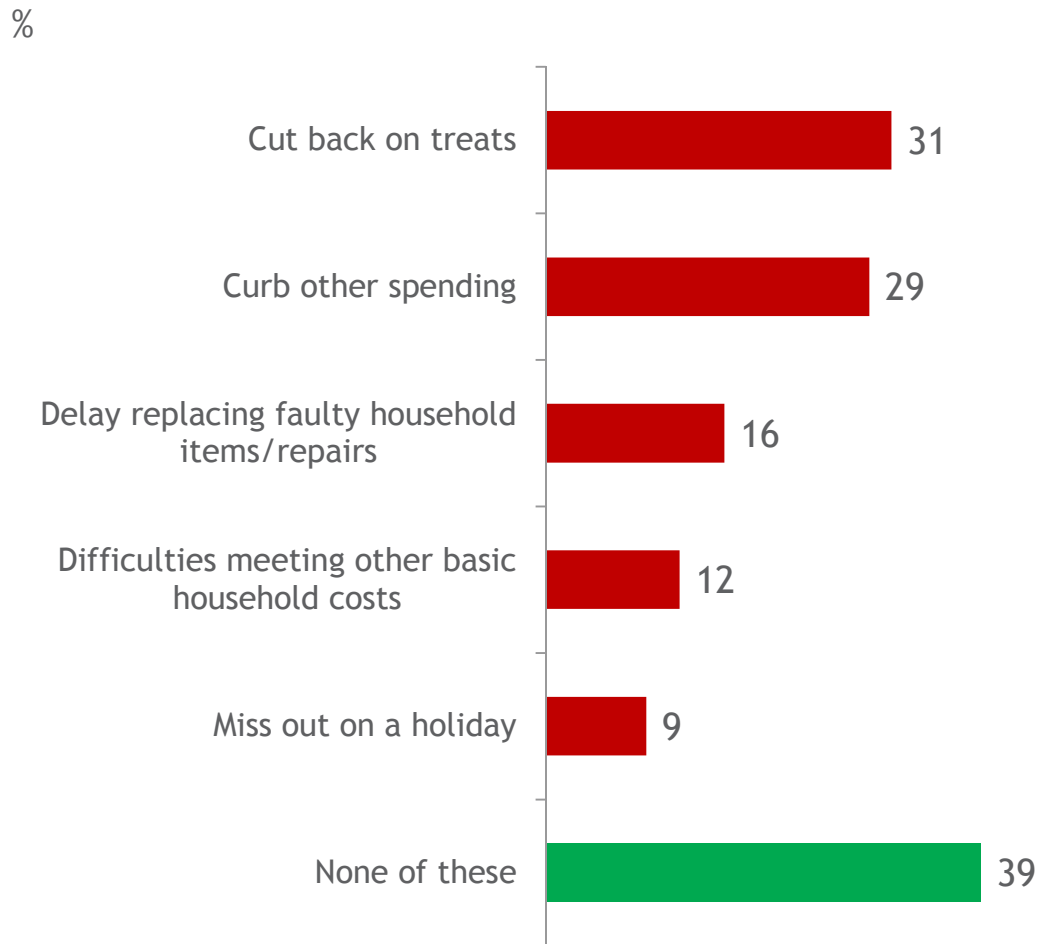
A total of 36% have found the unexpected costs easy to cover. This is higher amongst:

Those in AB SEG than those in DE SEG; 44% vs. 27%
Men than women; 42% vs. 30%

■ Very easy ■ Quite easy ■ Neither ■ Quite difficult ■ Very difficult

61% have had cut spending in at least one area to pay for unexpected car bills, most commonly cutting on treats or curbing other spending

Which have happened as a result of unexpected costs?

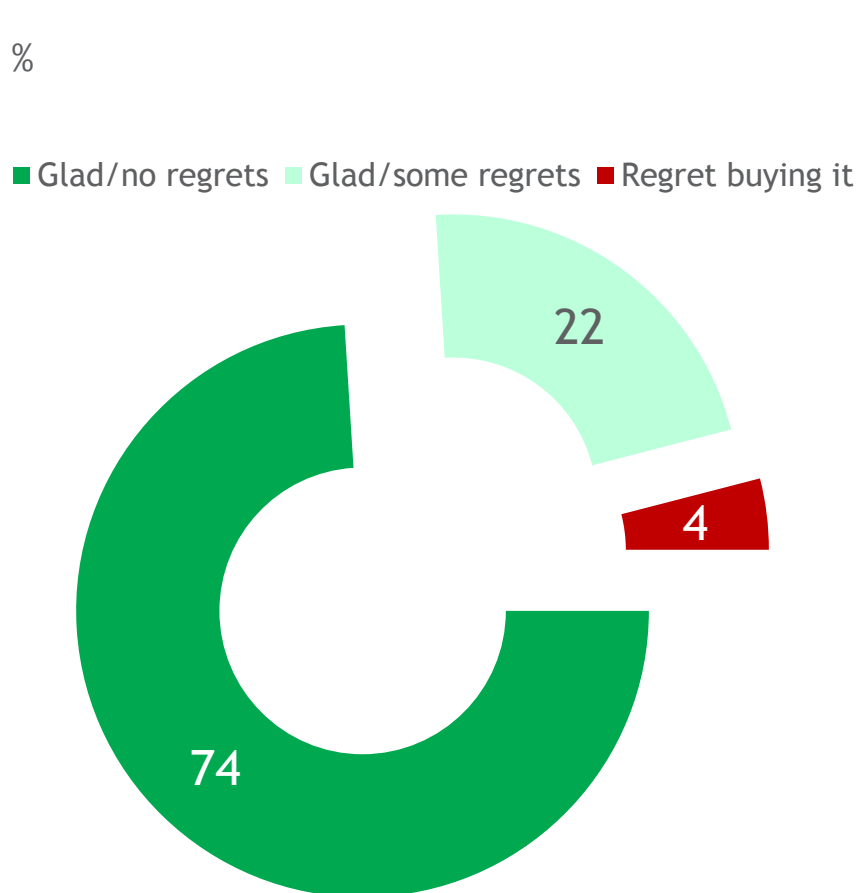


61% have had to cut back spending in at least one area. This is higher amongst:

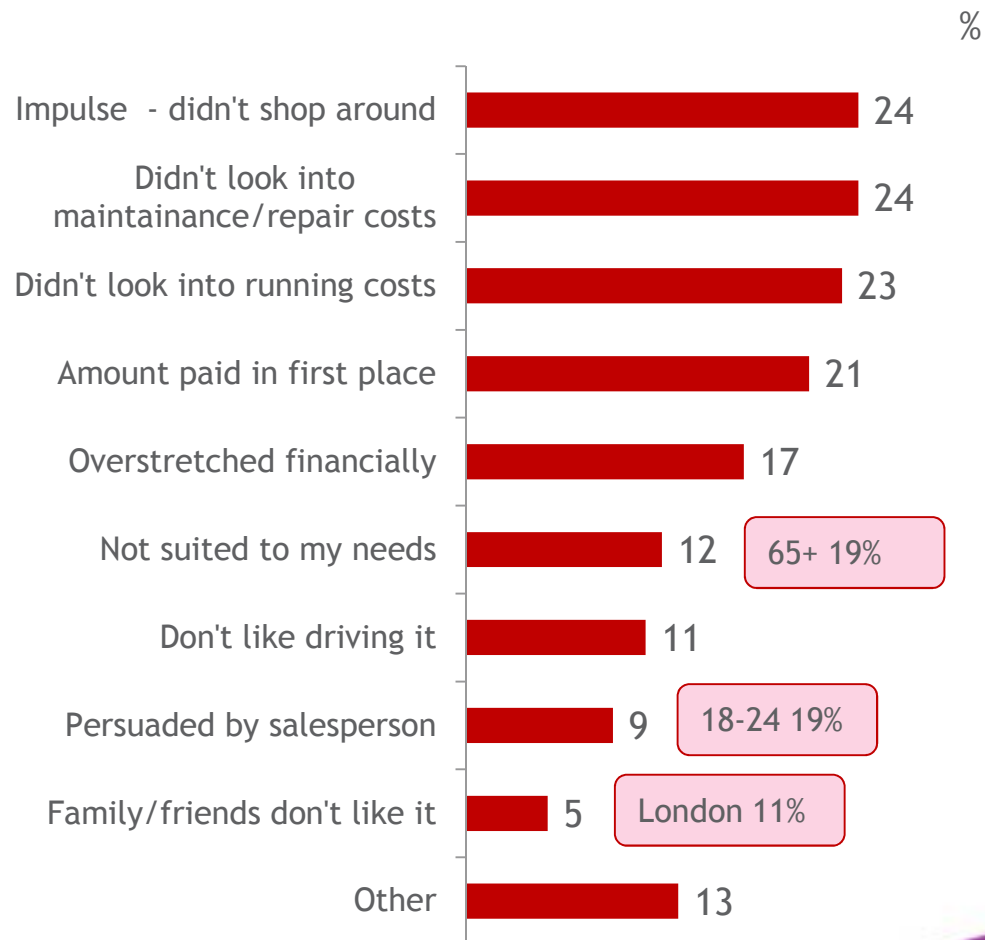
- Younger people; 18-24 - 75%, 25-44 - 73%
- Women - 67%
- Those living in London - 69%
- Those with children in HH - 71%
- Those in DE SEG - 68%

The majority have no regrets about the car they bought; those who do, wish they had shopped around or looked further into running/ maintenance costs

How feel about having bought the car?



Which regrets do you have?

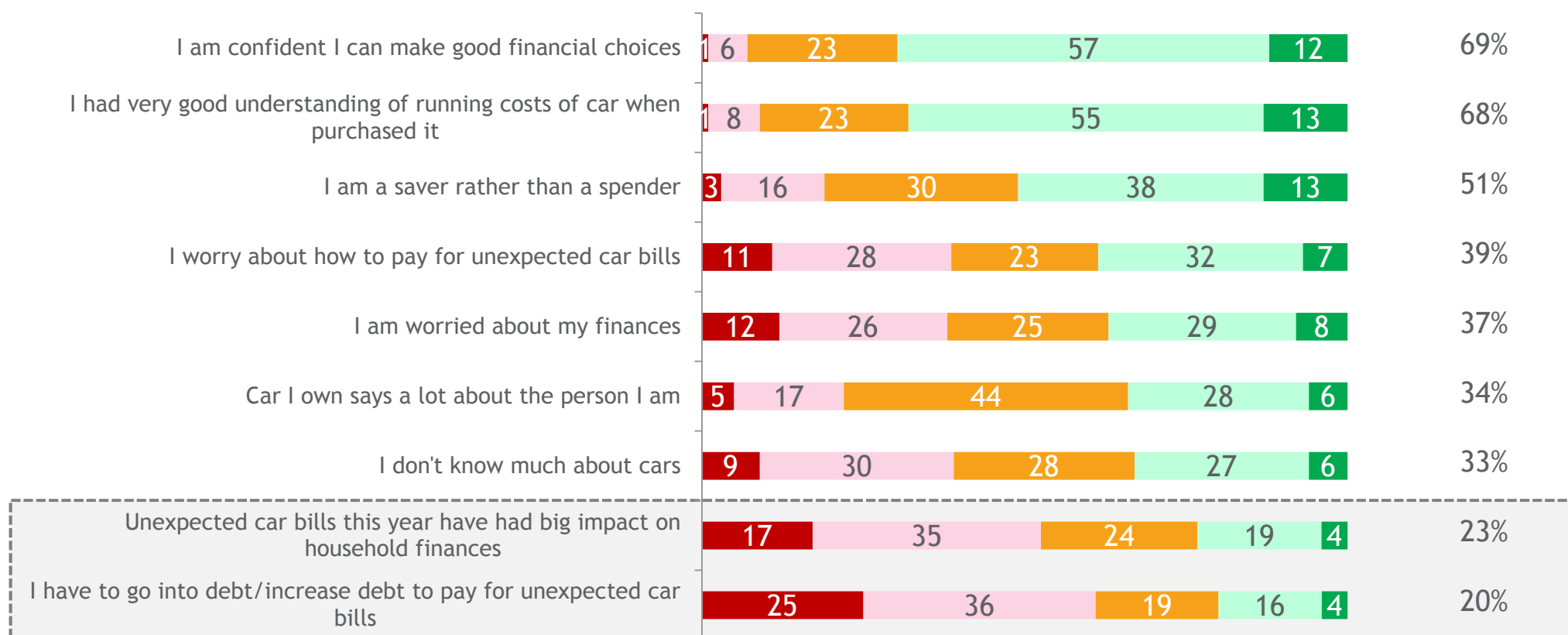


Almost 1 in 4 feel unexpected car bills have had a big impact on household finances and 1 in 5 have had to go into debt/increase debit to pay for these

Agreement with statements:

%

■ Strongly disagree ■ Disagree ■ Neither ■ Agree ■ Strongly agree



Age impacts attitudes and behaviours ...

Younger people more likely to feel the car they own says a lot about the person they are:

- 18-24 48%, 25-44 39% (vs 34% for Total)
- But also to feel they don't know much about cars
- 18-24 40%, 25-44 39% (vs 33% for Total)

Younger people more likely to worry:

- About their finances - 18-24 46%, 25-44 50% (vs 37% for Total)
- About how to pay for unexpected car bills - 18-24 48%, 25-44 54%, (vs 39% for Total)

Younger people more likely to have been impacted by unexpected car bills and so:

- To feel that unexpected car bills have had a big impact on household finances - 18-24 35% (vs 23% for Total)
- To have had to go into debt/increase debt to pay for unexpected car bills 18-24 26%, 25-44 31% (vs 20% for Total)

Older people have more experience and so:

- Are more confident they can make good financial choices About their finances - 65+ 78%, (vs 76% for Total)
- Are more likely to feel they have a good understanding of the running costs of the car when they purchased it - 65+ 76% (vs 68% for Total)

Women seem to feel a bit more exposed to unexpected car costs...

Women more likely to feel they don't know much about cars:

- 43% (vs 33% for Total)

Women more likely to worry about finances:

- 42% (vs 37% for Total)

Women more likely to worry about how to pay for unexpected car bills:

- 44% (vs 39% for Total)

Those with children living at home have been impacted by unexpected car bills ...

More to have had to go into debt to pay for unexpected car bills:

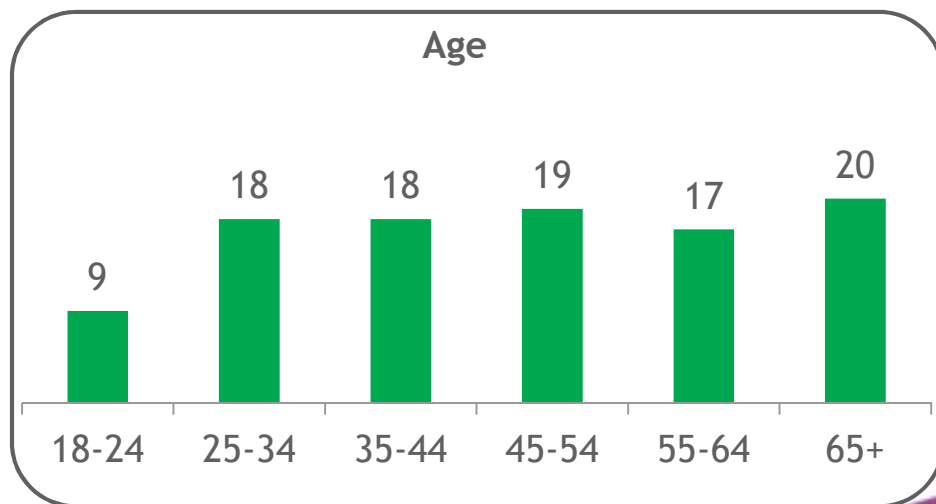
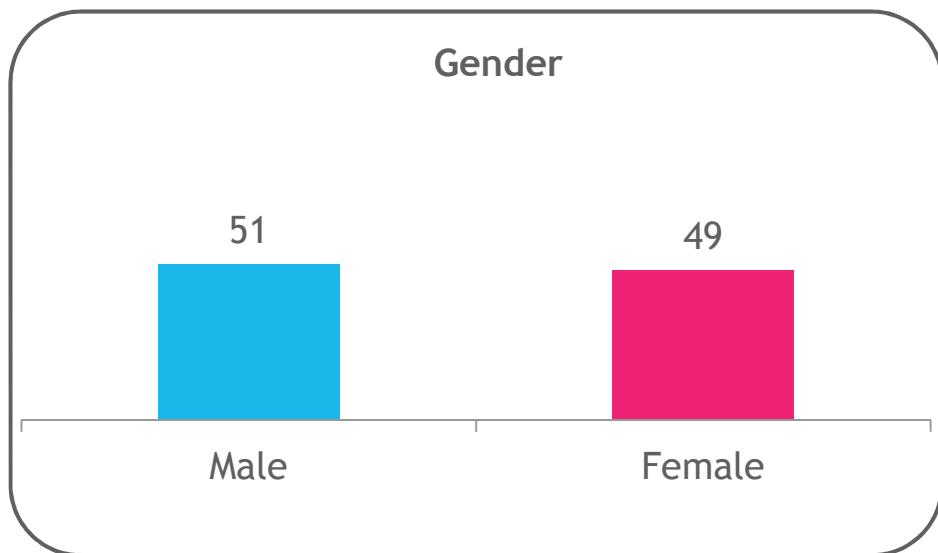
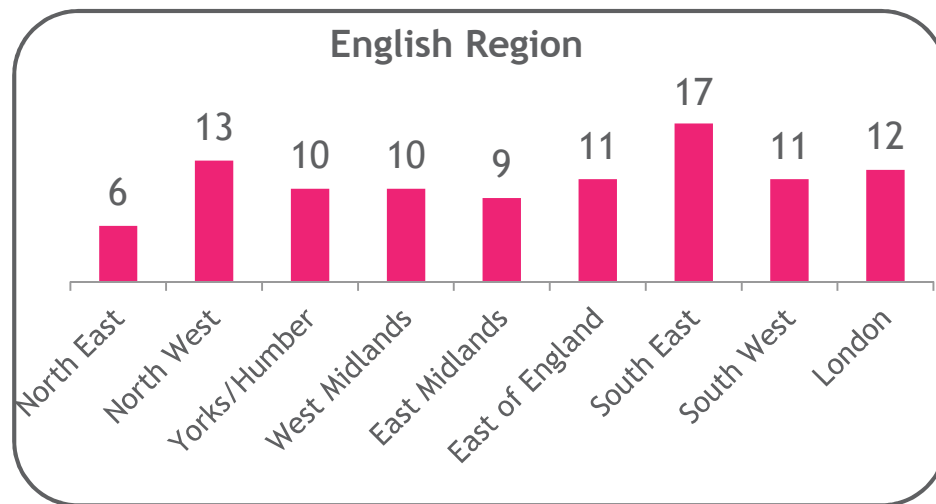
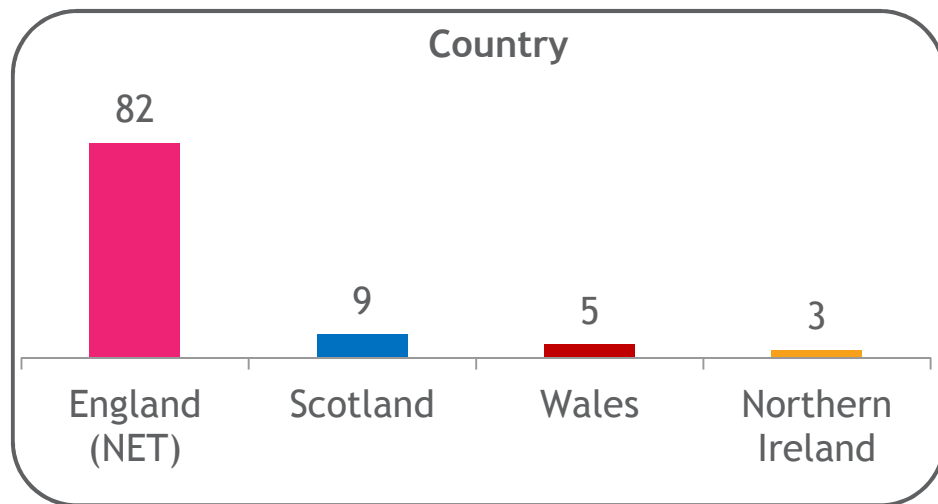
- 27% (vs 20% for Total)

More likely to worry about how to pay for unexpected car bills:

- 50% (vs 39% for Total)

PROFILING

Sample Profile #1



Sample Profile #2

