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# Are Generational Attitudes Toward Digital Marketing Technology Exhibited in Automobile Purchase Behaviors?

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Doctoral Dissertation Research

Submitted to the Graduate Faculty of

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In Partial Fulfillment

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**Abstract**

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This dissertation was focused on the current digital purchasing trend in the used automotive industry in order to understand which factors impacted the growth of this trend through the lens of generational cohort theory. The growth of consumer informedness in the automotive sector has created drastic changes in how consumers are able, and willing, to purchase vehicles. Used car dealerships who adopt successful internet marketing techniques can capture and engage potential customers and then convert that engagement into sales. Companies like Carvana, Vroom, and CarMax have seized this opportunity and created a digital marketing phenomenon with major impacts on consumer purchasing behavior throughout the durable goods sector. As consumer behavior trends toward an increase in digital shopping and purchasing, this research shows that the generations considered digital natives are mostly driving that trend, which has significant implications for the sales and marketing efforts of automobile dealers. While there was ample literature available regarding generational cohort theory and its impact on consumer behavior, there remained a noticeable gap in the academic body of knowledge examining this behavior in relation to large online purchases, such as automobiles. The research question under review was, to what extent do trust, social factors, and sales strategies impact online automobile purchase behaviors, and are the relationships among the constructs moderated by generational cohort theory? For this

dissertation, a survey simulation of 1361 respondents was conducted to understand which key factors impact a consumer's willingness to purchase an automobile online. The statistical testing revealed three variables that can help predict this behavior. Further, one of the hypotheses was rejected after testing, and the others were confirmed, but only with the moderation of certain generational cohorts. Future research should be considered that follows the trend of these cohorts in their high-involvement purchase decisions, particularly in the wake of Covid-19 and the impact from brick-and-mortar stores closing during the pandemic.

*Keywords:* generational cohort theory, used car, online automobiles, digital natives, trust

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## Chapter 1: Introduction

For a consumer to purchase a vehicle online for their family, without ever having laid eyes on it or negotiated the price, seemed like an unlikely proposition just a decade ago. Yet online automotive dealerships have enacted business plans for consumers to do just that by successfully creating a unique purchasing experience for consumers that drastically changes the way consumers can buy automobiles.

Digital technology has opened new avenues from which companies can connect with consumers in both a more direct and widespread manner (Campo et al., 2021; Muniz & O'Guinn, 2001; Reinartz et al., 2019). Large multinational corporations such as Amazon, Google, Facebook, Alibaba, Uber, and eBay, which were unheard of three decades ago, have revolutionized how companies and consumers relate to one another (Kannan, 2017). This is because the processes enabled by digital technology have created value through new customer experiences and interactions with firms (Chang et al., 2010; Kannan, 2017). This technology has led to an innovation in marketing techniques as the internet has grown to become both a part of our daily lives and a heavy influencer on our everyday consumer purchase decision-making (Grigoreva et al., 2021; Kim et al., 2019; Kiron & Shockey, 2011).

**How Innovation Has Impacted the Automobile Marketplace**

A new type of automobile retailer has emerged that primarily sells vehicles online rather than on local, traditional car lots. These new retailers have pioneered the online vehicle purchase experience by instilling consumer confidence in their online systems, arranging for easy delivery and pickup of the transacted vehicles, and offering "no-haggle fair pricing" with trusted product guarantees and warranties. The vehicles from online

companies such as CarMax, Carvana, AutoNation, and EchoPark are clean, have "no questions asked" return policies, and the companies have very large inventories available for consumers to shop (Santos, 2021). They have implemented modern digital marketing techniques and represent a new era of entrepreneurial innovation for the automotive industry.

Online used vehicle platforms are rapidly gaining market share and each retailer has their own competitive advantages (Korn, 2021). Carvana performs 150-point inspections on their vehicles, they do not sell cars that have been in any accidents, and they offer a 7-day return policy with no questions asked (Ferris, 2021; Simon, 2021). They are also well known for their delivery trucks that deliver a consumer's new purchase within 48 hours straight to their door and will even pick up their trade-in if the customer desires. Pricing is fixed and there are 360-degree photos to simulate the experience of seeing the car in person (Simon, 2021). CarMax also offers a 7-day return policy with "no-haggle" pricing with vehicle history reports provided by AutoCheck. Financing at CarMax only takes about 20 minutes, and they are well known for their strong customer service (Simon, 2021). DriveTime is another popular online dealer. Like CarMax, they have a large number of physical dealerships, but also sell much of their inventory online (Simon, 2021). AutoNation has a similar model to DriveTime and CarMax including fixed pricing, however they also sell new vehicles in addition to used ones. Vroom sells online-only and keeps a very large inventory of about 14,000 cars with no-haggle pricing (Ferris, 2021).

Upon seeing the success of used car sales online, some new car manufacturers have also decided to sell digitally. In 2019, many experts considered it foolish for Tesla

to exclusively sell cars online, arguing that despite the negative perceptions consumers had of car dealerships they were still essential for business (Stenquist, 2022). However, CEO Elon Musk showed the naysayers wrong, and now other young electric companies are following Tesla's model (Stenquist, 2022). Tesla succeeded in making the buying process efficient and user-friendly. Ford, Volkswagen, and Volvo are also considering a similar sales process for new vehicles (Stenquist, 2022).

This dissertation includes the delineation of automobile marketing in which the internet has become the primary alternative to the traditional marketing techniques employed by dealerships. Traditional techniques, which focus on visits to dealer showrooms and automobile lots, are being replaced as hundreds of thousands of vehicles are being purchased sight unseen through the internet (Sewell & Bodkin, 2009). In fact, nearly 1 out of every 3 vehicles purchases in 2020 were completed online (Cox Automotive, 2021; Korn, 2021). Additional research suggests that this was not just a result of the Covid-19 pandemic, as an October 2021 study revealed that 23% of U.S. consumers planned to make their next vehicle purchase online (Carlier, 2022). A 2022 report from Automotive News shows that 76% of car buyers are open to buying completely online, and 64% of car buyers want to handle at least part of the process online (da Silva, 2022). According to Cox Automotive, who owns the largest auto auction group in the United States (Manheim), data shows that customers want to go through most of the purchasing process online but are not ready yet to eliminate the dealership altogether (Cox Automotive, 2021; Stenquist, 2022). The recent study by Cox Automotive (2021) further indicates that buyer satisfaction in vehicle purchases has reached a new all-time high as buyers responded that the overall online car shopping

experience took less time and was more efficient. The phenomenal shift in automobile purchase behavior toward online platforms, after a century of customers interacting with salesmen on local car lots, warrants a deeper understanding of consumer behavior in the automobile market.

**Research Questions & Hypotheses**

This dissertation was focused on the current digital purchasing trend in the used automotive industry to understand which factors impact the growth of this trend through the lens of generational cohort theory. Essentially, to what extent do trust, social factors, and sales strategies impact online automobile purchase behaviors, and is their relationship moderated by generational cohort theory?

The research for this dissertation focused on whether consumer attitudes toward purchasing used automobiles online are influenced by three independent variables and one moderating variable. These variables include consumer trust, social factors, and dealer sales strategies, all of which may be influenced by the moderating variable of generational cohort theory. These variables were chosen from prior research that has shown their importance in the purchase decision-making process (Acar, 2014; Eastman et al., 2021; Grabner-Kraeuter, 2002; Hochstein et al., 2018; Wang et al., 2013).

Essentially, generations can be divided into those who are "digital natives" and those who are not (Johnson, 2011; Wang et al., 2013). Older generations, such as those labeled Baby Boomers and Generation X, tend to be more skeptical or unsure of how to complete large purchases online (Herrando et al., 2019; Wang et al., 2013; Wu et al., 2015). These generations, also called "digital adopters" tend to perceive online purchasing as a reduction in service whereas digital natives perceive them as a service

benefit (Dean, 2008; Kumar et al., 2016; Wu et al., 2015). The way in which users interact with technology is often connected to their generational cohort, a group that exhibits unique shopping behaviors, interests, and attitudes (Fukuda, 2010; Herrando et al., 2019; Wu et al., 2015).

The impact that respective generational cohort beliefs and values have on each of the three independent variables should not be understated. Trust in this context of consumer purchasing behavior is best defined as the perception of, and willingness to rely on, confidence in the exchange partner's reliability and integrity (Moorman et al., 1993; Morgan & Hunt, 1994). Social factors, which account for various social and environmental forces that affect an individual consumer purchasing decision, include the impact of social media and the product usage of family and friends. Sales strategies from both traditional and online dealerships impinge an escalation of competition upon the marketplace to capitalize on digital technology and this change in consumer behavior. These strategies can swing consumer attitudes in the purchasing process and provide important post-purchase evaluation emotions that could result in increased sales downstream.

The research focus of this dissertation is used cars only, primarily because most online dealerships currently only sell used vehicles, and those dealerships or channels selling new vehicles do not yet allow for an efficient side-by-side comparison that would clearly display consumer purchasing behaviors. For instance, many new car manufacturers do not provide online-only purchasing. Additional research focused on new vehicle sales should be done as technology advances and data is more readily obtainable.

Some associated subproblems with this research question were identified:

1) How does consumer trust impact online automobile purchase behavior?

2) Do social factors such as the use of a product by family and friends or social media positively impact online automobile purchase behavior?

3) Can dealership sales strategies such as product delivery or customer service impact their automobile sales?

4) Do generational characteristics impact a buyer's willingness to purchase a vehicle online, and how much does a consumer's early exposure to digital systems impact this willingness?

Each of the variables studied have underlying constructs that provide the theoretical framework as seen in Figure 1 below.

**Figure 1**

*Conceptual Model*
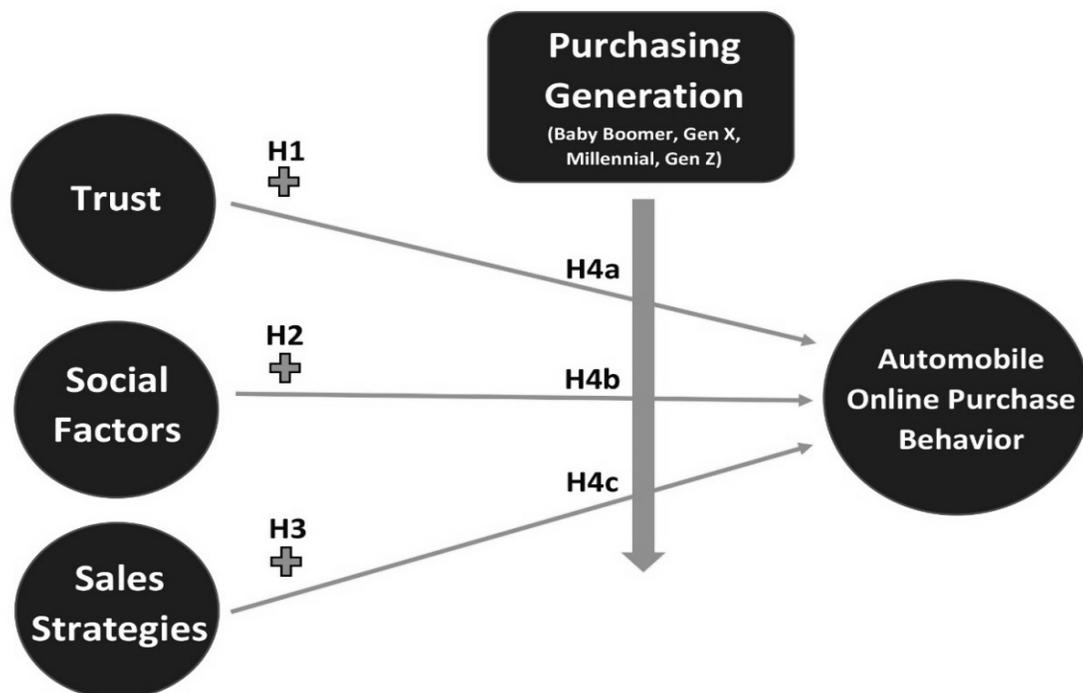
H1: Consumer trust positively impacts online automobile purchase behavior.

H2: Social factors, which include the product usage of family and friends and social media usage, significantly impact online automobile purchase behavior.

H3: Sales strategies, which embody the entire sales and service process including product, price, and placement strategies, significantly impact online automobile purchase behavior.

H4a: Generational cohort theory acts as a moderating variable to trust.

H4b: Generational cohort theory acts as a moderating variable to social factors.

H4c: Generational cohort theory acts as a moderating variable to sales strategies.

This dissertation helps to fill the gap of academic understanding in how generational cohorts approach large online purchase decisions. Additionally, the completion of this research likely aids in the future understanding of how automobile dealers can vary their marketing approach toward the unique needs of generational cohorts, and, more importantly, the understanding that the sales of online automobiles is trending upward in the marketplace, thus requiring a major shift in sales strategies from dealerships.

**An Overview of Methodology**

This dissertation includes an examination of each of these variables in depth from the literature and an evaluation of their impact on the overall automobile market via the use of quantitative research. Surveys were distributed to potential automotive consumers in the United States who then engaged in an interactive decision-tree to understand used car purchasing behaviors more fully. Respondents were asked a series of questions about the respondent's level of internet and mobile usage for consumer purchases, knowledge of traditional and online automobile processes and brands, and their comfort level with

making standard online purchases through sites like Amazon. The sample included

respondents from each of the four generational cohorts examined in this dissertation, who

also make up the vast majority of the automobile market – Baby Boomers, Generation X,

Millennials, and Generation Z.

**Presenting the Dissertation**

This dissertation includes a detailed analysis of relevant past research through the

literature review in Chapter 2. The methodology for this dissertational research is listed in

Chapter 3. A thorough examination of the data obtained in this research is discussed in

Chapter 4, with accompanying conclusions and recommendations for further research

explained in Chapter 5.

**Chapter 2: Review of the Literature**

**The Larger Retail Environment**

Retailing is central to all economies by connecting the varied needs of consumers with a specialized offering of producers (Reinartz et al., 2019). This provides functional value essential to brand manufacturers, retailers, and consumers (Reinartz et al., 2019). In today's marketplace, traditional retailing is now being challenged by online retail operations, pure plays (specialized product offerings and niches), and online social media and sales platforms which are all designed to sell to consumers more directly (Hernández-Ortega et al., 2022). The reasoning is often a pecuniary one as firms can increase profitability selling the same products and services, while increasing engagement and branding efforts by interacting with the customer directly.

In the general product marketplace, traditional brick-and-mortar retailers have provided consumers with all of their needed product information and retail functions, including product and variety, logistics, legal transactions, information about the products, communication, and any related services and warranties (Hong et al., 2004; Reinartz et al., 2019). Historically, there were other avenues that offered this functionality, such as mail-order operations or door-to-door sales, but nothing that seriously rivaled the supremacy of brick-and-mortar retailing until the advent of the internet (Reinartz et al., 2019).

The internet brought a tidal wave of changes to the marketplace (Jaworski et al., 2000; Kannan, 2017; Muniz & O'Guinn, 2001). This digital revolution began the erosion of institutional retailing as the primary interface with the customer and is becoming the shopping channel of choice as online sales grow every year (Jaworski et al., 2000;

Kannan, 2017; Nagar & Gandotra, 2016; Reinartz et al., 2019). This growth is due to powerful online forces, such as better information availability about a product, larger product assortments, greater transparency across vendors from the consumer's perspective, and potentially lower prices due in part to lower fixed-cost operations, completely disrupted the retail environment by instantly providing consumers with increased control, informedness, confidence, and product selection through increased competition (Campo et al., 2021; Kiron & Shockley, 2011; Slater & Narver, 1994). Further, the internet transcends geographical limitations and has opened the door to new competitors and market opportunities (Dharmesti et al., 2021; Jaworski et al., 2000; Muniz & O'Guinn, 2001). Yet, with an online channel, consumers cannot taste, touch, or feel the product they are buying (Dharmesti et al., 2021; Hong et al., 2004; Pappas, 2017). In online environments, consumers must base their decisions on the product information presented to them two-dimensionally (Hong et al., 2004). This is still a considerable advantage of traditional retailing that online-only vendors must overcome to remain competitive.

Indeed, marketers face major challenges as the digital world explodes (Jaworski et al., 2000; Kannan, 2017). Consumers are shifting behavior in obtaining their information, and from whom, when, where, and how they choose their brands and purchasing methods (Batra & Keller, 2016; Jaworski et al., 2000; Jin et al., 2008; Keller, 2021; Swaminathan et al., 2022). The internet connectivity and usage that have risen so dramatically in the past two decades provides consumers with easier means for obtaining information, engaging in social exchanges, social activities, and online communities (Kannan, 2017; Lissitsa & Kol, 2016). In fact, the primary means of obtaining product information and

completing purchases in today's retail environment are smartphones and tablets (Grigoreva et al., 2021). The automobile market is seeing changes from the "driving markets" approach of a conglomeration of online dealers in much the same way that Amazon forced bookstores such as Barnes & Noble to begin selling books online to stay relevant in the marketplace (Jaworski et al., 2000; Slater & Narver, 1994).

In the daily process of retailing, the functions of retailing itself must be performed regardless of the actual retail company (Reinartz et al., 2019). Thus, these functions have been picked up from the digital marketplace. The online shopping environment, unlike traditional physical ones, can integrate the entire sales process into a single platform (Dharmesti et al., 2021). This is illustrated in some industries where brands are starting to directly engage with customers, by cutting the retailer out altogether (Reinartz et al., 2019). We see this further in product delivery which, now readily available and affordable, is rendering physical storefronts far less necessary. Consider that in the automotive industry, a company such as Carvana can deliver a recently purchased vehicle directly to the buyer's front door with most of the paperwork having already been completed online in a streamlined fashion, while offering warranties and services that are as good or better than their traditional competitors (Santos, 2021). As these online dealerships continue to make vehicle purchasing more attractive and customer friendly, consumer commitment to traditional purchasing methods, whether it be brick-and-mortar car lots or neighbor-to-neighbor sales, will weaken (Bansal et al., 2004). This same phenomenon is showcased in the "Amazon effect" that plagues retailers (Vollero et al., 2021). Amazon's service standards have raised consumer expectations, leading to a

reduction in consumer satisfaction when they interact with other retailers (Vollero et al., 2021).

Consequently, it seems probable that traditional retailing through brick-and-mortar locations will continue to lose ground to the competitive forces that the digital marketplace not only provides, but often provides in a superior fashion (Jaworski et al., 2000; Reinartz et al., 2019; Vollero et al., 2021). As Oliver Samwer, CEO of Rocket Internet, once put it, "Stores only existed because the Internet hadn't been invented." Currently about 80% of the U.S. population already buys online almost instinctively in areas such as electronics and tourism (Lissitsa & Kol, 2016). Upon examination of the myriad of literature regarding the internet and its impact on consumer behavior, the overarching conclusion is that the digital marketplace is gradually replacing traditional retailing across all market sectors.

### *Examining Consumer Behavior in Online Purchasing*

A consumer decision journey begins with a need to solve a problem and ends with a resolution or reevaluation of that need or problem (Hamilton et al., 2019). This journey is an iterative process through which the consumer will consider alternatives to satisfy a want or a need, evaluate options available, selecting a product, and then consume the product (Hamilton et al., 2019). It is well known that consumers move through different stages in the purchase process: awareness, familiarity, consideration, evaluation, and purchase (Kannan, 2017). The entire decision processes of consumers, from pre-purchase to post-purchase evaluation, are changing as a function of new environments and devices (Kannan, 2017).

Campo et al. (2021) investigated consumer shopping behavior in online grocery stores and found that the data showed that consumers regularly shopped more than one retailer since prices at one location for certain items may be higher or lower in price than a secondary location. However, when purchasing online, they almost always started with the same retailer that they use when shopping in person (Campo et al., 2021). Also of note, the authors found that consumers may be willing to pay a higher price for items if there are compensating trade-offs in other areas of the transaction, such as convenience or risk prevention (Campo et al., 2021).

Degeratu et al. (2000) reveals that category-specific marketing mix decisions may impact consumer decision making in the grocery industry. Further, online national brand proliferation can also increase online sales for the retailer (Campo et al., 2021; Degeratu et al., 2000; Swaminathan et al., 2022). The study lends credence to the idea that consumers who purchase automobiles online would likely visit more than one online retailer, though perhaps they would start with the retailer that they are most familiar with (e.g., their local Ford dealer's online retail site). The study also indicates that price is not the only driving factor but rather one of several important factors that consumers consider when purchasing online.

Additionally, studies show that various digital marketing strategies, particularly regarding brand equity, could play a significant role in impacting online automobile sales (Campo et al., 2021; Homburg & Wielgos, 2022; Swaminathan et al., 2022). Brands are one of the most valuable assets that companies own since branding influences future cash flows (Keller, 2021; Swaminathan et al., 2022). Marketer's understanding of the attitudes

and sentiments toward their brand will lead to gains in market share (Swaminathan et al., 2022).

Additional research supports the idea that when consumers shop online, they search more extensively than previously understood (Bronnenberg et al., 2016; Campo et al., 2021; Dinner et al., 2014). However, this does not necessarily mean a lack of loyalty to a brand or company. In fact, in research related to consumers searching for cameras online, 42% of respondents indicated that they are loyal to one domain, and that 73% of a household's search volume is concentrated within the household's most visited domain (Bronnenberg et al., 2016). The study found that 70% of the consumers searched for the camera they intended to purchase, including cross-searching alternatives, at a single retailer rather than search for the one camera across multiple sellers (Bronnenberg et al., 2016).

While studies of camera purchases may appear to contrast with that of grocery stores, both examples show that consumers are generally more loyal to a brand and not simply driven by price, particularly in instances where less product information is available. This is further supported by literature elsewhere (Bart et al., 2005; Degeratu et al., 2000). These studies also suggest that consumers are willing to spend time shopping for alternative products and information on their own.

Consumer access to a variety of technologies and devices online is changing consumer behavior (Kannan, 2017). The consumer decision journey now oscillates between digital and traditional environments (Reinartz et al., 2019). In traditional environments, the journey is more extended in the consideration and evaluation stages in contrast to the digital environment where the stages can be compressed or even

eliminated (Edelman & Singer, 2015). Thus, because of digital technology, customers move through their decision journey in fundamentally new ways (Kannan, 2017).

**Variables Impacting Online Purchase Behavior**

Three independent variables are tested that are believed to be relevant to a consumer's willingness to purchase an automobile online - trust, social factors, and sales strategies (Aly, 2020; Dhanapal et al., 2015; Hochstein et al., 2018; Johnson, 2011; Vargo & Lusch, 2014). Trust includes the various barriers to adoption, including trust in the online systems, the concept of digital native versus adopter, and trust in online dealerships (Aly, 2020; Johnson, 2011; Wu et al., 2015). Family and friends also play an impactful role in social factors, which also includes influence from consumer uniqueness as well as the threats and emotions that accompany the purchasing process (Butcher et al., 2017). Sales strategies are developed based on pricing factors and the place and promotional factors involved in the marketing mix (Hochstein et al., 2018). These strategies also include ease of purchase and product delivery. Each of these three variables, which are discussed below in more detail, must be examined through the lens of generational cohort theory which acts as a moderating influence on all consumers when completing an automobile purchase online.

*Trust*

Consumer trust is a key underlying element of the buying process (Bianchi & Andrews, 2012; Garbarino & Johnson, 1999; Kumar et al., 2016). When examining if a consumer is willing to buy online instead of at a brick-and-mortar location, the factor of trust becomes even more important as consumers have a myriad of retailing alternatives

in the marketplace. (Bart et al., 2005; Grabner-Kraeuter, 2002; Herrando et al., 2019; Kumar et al., 2016).

The research of Morgan and Hunt (1994), as well as Moorman et al. (1993), define trust as the perception of, and willingness to rely on, confidence in the exchange partner's reliability and integrity. According to Grabner-Kraeuter (2002), trust acts as a "mental shortcut" for consumers when making decisions. Trust in a company, and in many cases a company's salesperson, can make or break a transaction (Garbarino & Johnson, 1999; Grabner-Kraeuter, 2002). It is also important to distinguish trust from both customer satisfaction and customer commitment, though the three factors certainly impact one another (Garbarino & Johnson, 1999; Palmatier et al., 2006). Customer satisfaction involves the evaluation of purchase and consumption experience with a product or service, often over time (Garbarino & Johnson, 1999; Palmatier et al., 2006). Commitment is an enduring desire to maintain a valued relationship, and it is an essential ingredient for any long-term relationship (Garbarino & Johnson, 1999; Moorman et al., 1993; Morgan & Hunt, 1994; Palmatier et al., 2006). For a car dealership, the end goal of trust is to develop an expectation of continuity of business, word of mouth promotion, extension of product and service relationships, and customer loyalty (Palmatier et al., 2006).

Research shows that online trust differs from traditional retailing trust in consumer purchasing behavior, in that online trust includes consumer perceptions of how the website would deliver on expectations, how believable the information is, and how much confidence the site commands (Bart et al. 2005; Jin et al., 2008). In addition, purchase and service satisfaction are also tied to trust in online systems, and the greater

the level of online shopping satisfaction, the greater the level of trust in online shopping itself (Bart et al., 2005; Jin et al., 2008). Bart et al. (2005) explains that online trust can partially mediate the relationship between a company's website and the purchasing intent of consumers. This relationship is particularly strong for sites oriented toward infrequently purchased, high-involvement items such as automobiles (Bart et al., 2005; Taylor-West & Saker, 2012).

Firms can manage customer engagement behaviors with their products and services by taking a slow and steady approach toward building trust (Van Doorn et al., 2010). Long-term, sustainable, competitive advantage in this area is tied to a firm's ability to retain, sustain, and nurture its customer base (Grabner-Kraeuter, 2002; Van Doorn et al., 2010). Trust plays a key role in areas such as organizational performance, service quality perceptions, post-purchase evaluation, and brand equity (Grabner-Kraeuter, 2002; Van Doorn et al., 2010).

**The Relationship of Purchasing Habit & Trust.** Trust can be a powerful factor in decision making, but as consumers shop online more for everyday goods through sites like Amazon and Wal-Mart, habitual online purchasing also functions as a moderating variable in the trust of online systems as a whole (Chiu et al., 2012; Herrando et al., 2019). Consumer purchasing habits can be formed by perceived value, satisfaction, and familiarity (Chiu et al., 2012; Thangavel et al., 2019). Research from Chiu et al. (2012), as well as Herrando et al. (2019), shows that consumers who are used to purchasing online through various companies and systems have an innate trust in them. In fact, in cases of consumer habitual purchasing online, trust has a lower effect than habit on repeat purchase intention (Chiu et al., 2012).

Past experiences for consumers influence their future online behavior (Rose et al., 2012). There is a strong link between customer satisfaction and brand loyalty, as well as trust in the company with brand loyalty (Bansal et al., 2004). Brand loyalty is essentially the repeated purchasing and referring of a company to other customers and ties directly to habit and trust (Gurau, 2012). This loyalty is important to companies in that loyal customers cost less and are less sensitive to factors such as price, thus establishing long-term profitability for companies (Gurau, 2012; Wolter et al., 2022). A customer's propensity to loyalty affects their responsiveness to a company's sales efforts (Wolter et al., 2022).

The literature shows that those with more experience and trust in online purchase systems with smaller transactions will transfer this trust toward purchasing larger items, such as an automobile (Herrando et al., 2019; Rose et al., 2012). Past research suggests that customers who are more comfortable with shopping online have a greater level of perceived control in the buying process (Cheung et al., 2005).

**A Predisposition to Trust.** Previous literature has shown that consumers often are impacted by a predisposition to trust, or not trust, a company or product-type in general (Bianchi & Andrews, 2012; McKnight et al., 2002). When consumers have a positive disposition to trust, it directly impacts their personal innovativeness and influences their ability to adapt and learn new things (McKnight et al., 2002).

This disposition to trust could be imperative when examining if someone from an older generation (a digital adopter) is willing to consider the internet as a viable source for their next automobile purchase. Early research on ecommerce suggested that trust would be a long-term significant barrier of adoption for consumers (Grabner-Kraeuter,

2002). Time and experience have led younger consumers, such as Millennials and Zoomers, toward a natural trust in ecommerce (Wang et al., 2013). Research now supports the idea that someone from a younger generation (digital native) may already have a predisposition to trust the internet and thus does not have to overcome that obstacle in the buying process (Kumar et al., 2016; Wang et al., 2013).

Literature brings to light other aspects of this predisposition to trust. For instance, if consumers believe themselves to be at some risk in purchasing online, then it directly and significantly impacts their willingness to buy regardless of other factors (Bart et al., 2005; Bianchi & Andrews, 2012). Conversely, if a consumer trusts the vendor itself, as in the case of a brick-and-mortar store that also has an online website, then the consumer is much more willing to purchase online from that store (Bart et al., 2005; Bianchi & Andrews, 2012; Herrando et al., 2019; Jin et al., 2008). In general, a firm with a good reputation is reluctant to jeopardize this key asset of consumer trust by failing to fulfill promises and obligations (Jin et al., 2008). Plus, the cost of earning trust for an online company could be even higher than a traditional store (Jin et al., 2008).

Research shows that brand strength is particularly important in high-involvement categories such as automobile purchases (Bart et al., 2005; Gunn, 2015; Herrando et al., 2019). The strength of a brand can be identified as an asset (He & Calder, 2020). Brands create value in the mind of consumers such that the consumer may purchase a particular brand of product because it is associated with positive values related to that brand, and thus is seen as more valuable overall (He & Calder, 2020). Thus, strong branding for online automobile dealers has intrinsic value added to the shopping experience of some consumers, which elevates their predisposition to trust. Research shows that brand

strength also impacts the results of online customer reviews in that companies with higher brand equity generally have more favorable online reviews (Ho-Dac et al., 2013).

This could be important to the automotive industry since current trade dealers and larger used car dealers could potentially capitalize on the predisposition to trust that some consumers have in their brick-and-mortar locations by funneling them to online channels, which can still provide the experience and efficiency of online purchasing but retain the customer at the dealership. Dinner et al. (2014) shows that many brick-and-mortar retailers have capitalized on this trust, opened online stores, and found them to be more profitable. In these cases, retailers had to consider the allocation of advertising budgets between online and traditional advertising more carefully (Dinner et al., 2014; Ratchford et al., 2003).

However, consumers may lack trust in these traditional dealerships (i.e., a negative predisposition to trust) and prefer to shop online at established predominantly online dealerships. Similarly, if a consumer has a general distrust in the culture of traditional used car dealerships, they may seek out online dealerships as a viable alternative marketplace (Bianchi & Andrews, 2012; Jin et al., 2008). A negative predisposition to trust is often based on prior beliefs and experiences, as well as negative word-of-mouth feedback from fellow consumers (Gunn, 2015; Wood et al., 2008).

Additionally, some consumers shop for automobiles online after first visiting a dealership. In this case, predisposition of trust could be a factor when consumers first encounter a salesperson from the physical dealership and leave feeling less trustworthy of the company or product brand being sold (Bianchi & Andrews, 2012; Jin et al., 2008). Wood et al. (2008) show that the initial encounters consumers have with salespeople are

often determined by the likeability of the salesperson, their expertise, tangible attributes (i.e., clothing, cleanliness), and a perceived capability of the business to meet their needs. If a customer is less trusting of a physical dealership, then they will be less inclined to trust that dealership's website as well (Dinner et al., 2014; Herrando et al., 2019; Ho-Dac et al., 2013; Wood et al., 2008).

**Word of Mouth & Online Communities.** Consumer word-of-mouth (WOM) is a derivative of trust that marketers have attempted to channel the raw power of for some time now (Palmatier et al., 2006). WOM is an important antecedent to consumer trust and, for the purposes of this dissertation, is measured in multiple sections of the methodology. Essentially, WOM is the expression of a customer's relationship with, and knowledge of, a company, product or service, its usage, experience, recommendations, and complaints (Gunn, 2015; Kannan, 2017). WOM is important to companies because it involves the likelihood of a customer positively referring the business to another potential customer (Palmatier et al., 2006).

WOM communication has influenced purchase decisions for centuries and is highly important to consumer attitudes and behaviors in the purchase decision process (Gunn, 2015; Herrando et al., 2017). Traditional WOM is done orally with a limited scope of receivers which usually have some type of connection with the communicator (Gunn, 2015). With digital technology, however, WOM's impact is much more powerful in its duration, depth, distribution, and dominance (Gunn, 2015). This electronic WOM, or "eWOM," communication is often from virtual strangers. It becomes almost limitless in its customer reach and may stay associated with a product or company indefinitely (Grigoreva et al., 2021; Gunn, 2015). eWOM may take the form of reviews, blogs,

contributing to message boards, comments, or simply posting pictures or videos (Brannon & Samper, 2018). This content is now available to a consumer upon product search almost effortlessly (Kannan, 2017). Initial demand to purchase could be created simply by customers reading other customer reviews or a post on a social network (Kannan, 2017). Social media is one key part of eWOM and gives a voice to users who are not often seen or have a limited audience the opportunity to express their words, ideas, and values without placing restrictions on the larger audience (Grigoreva et al., 2021; Toubia & Stephen, 2013).

The most common form of eWOM is customer reviews. Research has shown a direct causality between both positive and negative reviews on sales (Chevalier & Mayzlin, 2006; Herrando et al., 2017; Herrando et al., 2019; Kannan, 2017). In fact, negative reviews have a greater impact on sales reduction than positive ones have on increased revenue (Chevalier & Mayzlin, 2006). However, the number of reviews has been shown to have a greater impact on sales than negative reviews did to jeopardize those sales (Kannan, 2017). Even further, high variability in review scores for a product has been shown to negatively impact sales (Kannan, 2017).

With reviews, which are generally user-generated content (UGC), the communication posted is assumed to be free from company-elicited messaging and relies solely on content from the individual consumer (Gunn, 2015). UGC is often considered by consumers to be more trustworthy than the information shared by companies (Herrando et al., 2019). UGC has been shown to be a result of consumer passion about a product or service that they feel compelled to share with others (Herrando et al., 2017).

Consumers can now add their own Google Business Profile content in the Google Search area by posting reviews, photos, and company or product information from any company registered with Google. Most social media business sites also have places for reviews and organic consumer feedback. This type of feedback to consumers – from fellow consumers – provides innate trust in the content, despite it being from someone the viewer has never met (Gunn, 2015; Herrando et al., 2017; Herrando et al., 2019). Consumers consider eWOM generally trustworthy and reliable (Kannan, 2017). Thus, an improvement in review scores is positively correlated with an increase in sales (Chevalier & Mayzlin, 2006).

Consumers who see good company or product reviews regarding online automobile purchases and have positive WOM from someone who has previously purchased a car online, are more likely to buy a car online themselves (Chevalier & Mayzlin, 2006). This could potentially influence consumers in the digital adopter generations and encourage them to try online automobile shopping as a viable alternative to visiting a physical car lot.

### Social Factors

In this dissertation research, an examination was performed to see whether certain social factors influence a consumer of any age to consider purchasing a vehicle online. The broad expanse of consumer behavior research examines several social factors that impact purchasing behavior, including the product usage of family and friends, various threats and emotions involved with the product or company itself, variety seeking behavior among consumers, and the desire for consumer uniqueness that appears evident in certain generational cohorts (Brannon & Samper, 2018; Dhanapal et al., 2015).

However, for the purpose of this dissertation, social factors are limited to the effect of social media and family and friend influences.

      **Social Media.** At the beginning of 2020, 4.5 billion people used the internet worldwide, and 3.8 billion used at least one social media network (Grigoreva et al., 2021). When comparing social media to traditional media such as television and newspapers, social media has greater reach, interactivity, usability, and ubiquity (Grigoreva et al., 2021). Bayindir & Kavanagh (2018) showed that 98% of users spend 2.25 hours a day on social media. Over 1.5 billion users said they follow events through social brands, which accounts for 20% of the world's population (Curtis et al., 2019).

      Social media provides information for consumers about products and brands. As mentioned, social media is a popular ingredient in WOM information for consumers (Brannon & Samper, 2018; Curtis et al., 2019; Kannan, 2017). Furthermore, social media allows companies and consumers to connect (Batra & Keller, 2016; Eastman et al., 2021; Kannan, 2017; Thach et al., 2020). The ability for users to independently generate and publish content is a unique feature of social media (Grigoreva et al., 2021; Toubia & Stephen, 2013). They can create and share interesting texts, photos, selfies, and videos to attract followers or just share information with family and friends (Grigoreva et al., 2021). Through social media, each respective generation spreads trust and product information through these eWOM channels, which can impact online purchasing behavior (Batra & Keller, 2016; Gunn, 2015). The ease with which consumers can share WOM information with both friends and strangers alike through a social network is an important characteristic of social media that companies cannot ignore (Brannon & Samper, 2018; Kannan, 2017).

From a marketing standpoint, social media provides an important flow of information to, and from, the customer base (Curtis et al., 2019; Felix et al., 2017). From a consumer's standpoint, users have control over the information they receive about products and services because they have already agreed to allow other users to provide this communication to them (Felix et al., 2017; Gunn, 2015; Kannan, 2017).

In today's evolving marketplace, social networks are becoming a major channel for delivering advertising information to a young audience (Grigoreva et al., 2021). Social media ads focus on visual content that is short and efficiently consumed, usually in the form of video, written, or visual content (Grigoreva et al., 2021). Thus, companies must have the right employees in place to create this content and communicate with customers through social media channels (Felix et al., 2017). Various subjects of cultural content, political stances, or contested topics that impact society, such as corporate social responsibility (CSR), can influence the trust and connection that consumers have with businesses (Eastman et al., 2021; Felix et al., 2017).

Though social media threatens established business models, it also opens new ones (Hennig-Thurau et al., 2010; Hernández-Ortega et al., 2022; Stephen & Galak, 2012; Thach et al., 2020). For companies to make use of social media, they must first understand how these platforms influence and share information with consumers (Hennig-Thurau et al., 2010; Stephen & Galak, 2012). One positive attribute for businesses engaged with customers on social media is that it allows them to push product information to potential buyers, stakeholders, employees, and communities (Batra & Keller, 2016; Felix et al., 2017).

Social media also affects consumer price consciousness (Eastman et al., 2021). When researching the impact that personality traits and social media usage amongst various generational cohorts had on price consciousness, Eastman et al. (2021) found no generational cohort differences in price consciousness, aside from the use of social media. The study suggested that social media was the determining factor, with those spending more time on social media (Millennials using it the most, then Generation X, then Boomers the least) having much more price consciousness when shopping (Eastman et al., 2021). The study also showed that Millennials spent much more time on SnapChat, Twitter, and Instagram than the other two groups, with each group using Facebook about the same amount (Eastman et al., 2021).

The largest growing group on social media is Generation Z, who has adopted its own platforms apart from Millennials (Haenlein et al., 2020). Instagram is quickly replacing Facebook as the social platform of choice, and TikTok has emerged as a viable platform for short creative videos and influencers. On Instagram, 60% of users in the United States are younger than 34, and 40% of those on TikTok are just Generation Z teenagers between 10 and 19 years old (Haenlein et al., 2020). Social media provides a platform for Generation Z to easily connect with brands to explicitly praise or complain about the quality of a product or a service encounter (Goldring & Azab, 2021; Grigoreva et al., 2021).

**Personal Influences from Product Usage.** Just as consumers are impacted by WOM advertising, they are also highly influenced by social factors within their environment (Dhanapal et al., 2015). These factors include the product usage of their

family and friends, products endorsed by celebrities, and suppliers engaged in causes
such as corporate social responsibility (Dhanapal et al., 2015).

One of the most obvious examples of product usage influences are the
professional influencers in the marketplace today (Grigoreva et al., 2021). These are
endorsers who use social media to suggest particular brands or products (Haenlein et al.,
2020). They are often paid for their endorsement, but sometimes exert influence because
they are celebrities or simply by their ability to connect with fellow consumers
(Grigoreva et al., 2021). Essentially, paid influencers are virtual entrepreneurs (Ashman
et al., 2018; Grigoreva et al., 2021). For these influencers, social media is a key
communication platform to find information on brands and then share that information
with their personal networks (Goldring & Azab, 2021). Influencers communicate
frequently and directly, thus creating strong intimacy with their followers (Grigoreva et
al., 2021).

Each generation has product influencers. For instance, influencers targeting
Generation X are found more often on sites such as Facebook and Yelp, whereas those
targeting Generation Z are more represented on Instagram and Snapchat (Goldring &
Azab, 2021). Twitter, Pinterest, and Spotify have influencers targeting multiple
generations (Goldring & Ahaz, 2021). Generation Z has a distinct set of influencers and
market mavens (Huang & Copeland, 2020). This new group of mavens is seemingly
always connected to their social media networks and are committed to the pursuit of
credibility in promoting products and services in the marketplace (Goldring & Azab,
2021). They are characterized as savvy price shoppers who hunt variety and novelty in
their products and who understand their role as influencers (Huang & Copeland, 2020).

*Automotive Sales Strategies*

Sales strategies represent the final independent variable measured in this dissertation and embody the entire sales and service process for the firm and consumer. There is currently a clear distinction between traditional and online strategies as digital marketing presents a major adaptive change to the overall process. This is not the first time, however, that the automobile sales process has undergone major changes.

**Brief History of Previous Adaptive Changes in the Automobile Industry.** While the evolution of digital marketing and its drastic change to the automotive sector is clear, it is worth noting that this is certainly not the first time the industry has had to adapt to significant market changes. After World War II, the United States had a firm grasp on the global automotive market after they had developed the assembly line and other superior manufacturing techniques (Cummings et al., 2017). When Japan entered the automotive market, they made a series of strategic entrepreneurial changes that would eventually lead to their dominance in the industry just three decades later. With Japanese real estate being so expensive, the Japanese manufacturers were forced to build smaller factories and had little room for large inventories or rework areas (Heffernen, 2003). Further, raw materials were much more expensive. Thus, Toyota began experimenting with a different type of production system which would eventually become known as the Just-In-Time production model, which is now the operational blueprint for thousands of companies, including Honda and Nissan, in various industries (Heffernen, 2003).

Another adaptation came later in the 1980s as American automobile manufacturers had to survey their competitive environment and find new ways to sell vehicles (Barringer & Bluedorn, 1999). With foreign competition at an all-time high and

factories producing more vehicles than were in demand, companies like General Motors

began turning to fleet sales such as providing units for rental car companies or outfitting

large companies with vehicles for management or sales teams (Blackwell, 1994). This

created a group of vehicles that were then "remarketed" to various auto dealers using auto

auctions (Blackwell, 1994). Selling to rental car companies provided a way to increase

new car sales as well as put the latest models in front of traveling businessmen to aid in

brand and product awareness. The process quickly evolved, however, to major vehicle

manufacturers taking equity positions in rental car companies to ensure more units were

sold, such as General Motors' stake in National Rental Car or Ford's stake in Hertz and

Budget (Blackwell, 1994).

While the automotive industry is no stranger to adaptive changes in the

marketplace, the introduction of the internet, may demand the biggest change yet for

automobile retailers since it requires major changes in how traditional retailers will

attract, engage, and delight its customers, as well as a loss of product information control

of their customer base (Hennig-Thurau et al., 2010; Kannan, 2017; Reinartz et al., 2019).

As the internet grew rapidly at the turn of the millennium, innovative companies quickly

filled the lacuna with new methods for attracting, engaging, and selling to potential

customers (Jaworski et al., 2000).

**Background on Dealer Sales Strategies & Accompanying Consumer**

**Behavior.** There are over 20,000 vehicle manufacturer franchises (or "trade dealers") and

44,000 smaller, independent used-car dealers in the United States (Huang, 2020; Sewell

& Bodkin, 2009). Most of these are small family-owned businesses. Research conducted

about family-owned business motivations toward innovation and entrepreneurship, has

shown that family-owned businesses are generally more likely to enact policies and make

decisions that help maintain their control of the business, even at the expense of increased

risk of firm performance (Anderson & Reeb, 2003; Gomez-Mejia et al., 2007; Hitt et al.,

2001). As trade and independent dealerships tend to see traditional vehicle sales as their

raison d'etre, it is probable that these risk attitudes toward online vehicle sales are

holding back these smaller, used-car stores who are slow to adopt online inventory

systems or sales capabilities. Highly innovative corporations, such as CarMax, have

adopted management, sales, and pricing structures that are much more agile and

agreeable to the modern customer (Hu et al., 2014; Huang, 2020; Kalaignanam et al.,

2021; Kane et al., 2019; Powell, 2006).

The contrast in the sales strategies between online and traditional dealerships is

noticeable. Online dealers offer no-haggle pricing, which is more appealing to most

consumers in the United States, along with quick finance application and approval

processes, 150-point pre-inspection of vehicles, and huge inventory selections (Ferris,

2021; Simon, 2021). The rise in online dealerships continues, as Carvana, CarMax,

Vroom, EchoPark, AutoNation, DriveTime, and many others are increasing in number in

the automobile marketplace (Ferris, 2021).

Adjusting to changes in digital technology is extremely important to maintain

both profitability and relevance in the current automobile market (Kane et al., 2019; Kim

et al., 2019). Innovation is a driving factor in all of the traditional areas of the marketing

mix, including the products, packaging, placement, and pricing (Dominici, 2009; Kannan,

2017). The advancement of technology, and consumer willingness to adopt that

technology, led to enhancements in digital marketing promotion, which has largely

impacted that mix (Dominici, 2009; van der Lans et al., 2021). In the purchase decision process, customers will likely prefer to interact with sellers that best accomplish overall value creation across that mix (Kannan, 2017; Reinartz et al., 2019). Thus, if traditional dealerships are going to maintain long-term market share and relevance, there must be an adaptive understanding of consumer informedness and marketing strategy that accommodates the digital realm of consumer behavior and influence (Hochstein et al., 2018; Kannan, 2017; Kiron & Shockley, 2011; Reinartz et al., 2019). The most successful automotive dealerships will be the ones that use every tool available to move consumers more quickly through the purchase decision process (Batra & Keller, 2016; Kannan, 2017).

Early research in online vehicle sales showed that the internet shortened the consideration and evaluation stages of the decision process (Ratchford et al., 2003). A later study in this same automotive context revealed that customers use digital technology to do their own homework before negotiating prices in the purchasing stage (Ratchford et al., 2007). This essentially means that consumer informedness is enhanced through online information and substitutes for time spent at the dealership gathering that same information (Hochstein et al., 2018; Ratchford et al., 2007).

A crucial element of informedness in the digital age has been the sharp increase in the amount of information available to consumers before they make a purchase (Hochstein et al., 2018; Kannan, 2017). Digital technology has created better information and relationships between consumers and companies (Kannan, 2017). Further, the creation of online purchasing platforms has drastically changed how businesses interact with, and sell to, those consumers (Aly, 2020; Hochstein et al., 2018; Kalaignaman et al.,

2021; Kim et al., 2019). Traditionally, automotive dealerships have employed large sales staff to help inform buyers about their products. Now, consumers are largely self-informed prior to sales interactions and without the aid of a salesperson (Grabner-Kraeuter, 2002; Hochstein et al., 2018; Kim et al., 2019; Sewell & Bodkin, 2009). While some may argue that this spells the end for the traditional business-to-consumer (B2C) salesman, the fact remains that many consumers still engage with B2C salespeople for purchases that are high-involvement and typically higher in cost such as automobiles (Grabner-Kraeuter, 2002; Hu et al., 2014; Hochstein et al., 2018; Reinartz et al. 2019; Taylor-West & Saker, 2012). This is, perhaps, a result of older generations – notably Baby Boomers – seeking purchasing information and advice for these high involvement purchases and is one of the questions that this dissertation sought to answer.

The automobile market, perhaps more than any other durable good, has been impacted by digital technology and marketing techniques (Sewell & Bodkin, 2009). Purchasing a new vehicle is a large expenditure for consumers and requires a more extensive product search than simpler items (Sewell & Bodkin, 2009). Further, vehicles are generally tied to a complex accompaniment of product attributes, warranties, and finance options where online or mobile search capability can act as an aid to consumer informedness (Hochstein et al., 2018).

The internet undoubtedly provided a new way for consumers to search for products and changed their shopping behavior (Kannan, 2017; Peterson & Merino, 2003; Reinartz et al., 2019). While it was once thought that the internet would not become an information panacea for consumers, it has blossomed into an almost endless source of information (Peterson & Merino, 2003). Retailers across all industries have spent years

trying to establish digital purchasing platforms to capture this new buying behavior but moving consumers toward the "purchase click" has still been a work in progress (Grabner-Kraeuter, 2002; Peterson & Merino, 2003). Two decades ago, the prevailing reason behind slow adoption of digital purchasing was believed to a lack of faith, either in the security of the online buying platform or mistrust in the seller who is not directly in front of the consumer (Grabner-Kraeuter, 2002). In today's market, however, roughly one out of every three automobiles purchased are purchased online as online purchasing options have become the first alternative to the traditional purchasing process (Cox Automotive, 2021; Sewell & Bodkin, 2009).

With the increase in available product and company information, consumers are shopping online now for more complex products such as real estate, insurance, and financial planning (Hochstein et al., 2018; Kim et al., 2019; Ratchford et al., 2003; Sewell & Bodkin, 2009). The automobile industry is not immune to these digital marketing trends (Hochstein et al., 2018; Kim et al., 2019). In the case of automobiles, manufacturers and car dealers have engaged in intensified internet marketing which aids the consumer by reducing the cost and time it takes to gather vehicle information (Kim et al., 2019; Ratchford et al., 2003; Sewell & Bodkin, 2009).

With readily available information through their mobile devices on various makes, models, vehicle specifics, and even final price, consumers are willing to shop further away from home for vehicles, which further increases competition for dealerships (Grewal & Stephen, 2019; Kalaignanam et al., 2021; Kim et al., 2019). Mobile devices provide a new platform for existing digital marketing channels already in effect by firms and offer them more opportunities (Grewal & Stephen, 2019; Kannan, 2017). Upon

examination of the automotive industry, it is obvious that there has been a change in how consumers purchase vehicles for personal use (business-to-consumer, or B2C), and used car dealers (business-to-business, or B2B) shop for their vehicle inventory to sell to consumers (Ratchford et al., 2003).

On the consumer end, buyers are more informed than ever about vehicle types, options, and where to get the best pricing (Kim et al., 2019; Sewell & Bodkin, 2009). The new digital buyer has the upper hand when making decisions and is much more tech savvy, brand sophisticated, and wise to marketing tactics (Hu et al., 2014; Kim et al., 2019; Sewell & Bodkin, 2009). On the dealer end, dealerships are purchasing inventory through online auto auctions and other national inventory sites such as ACV, SmartAuction, and OVE, which all sell automobiles exclusively online.

This change in the consumer search area led to further competition from manufacturer franchises with each other as well (Ratchford et al., 2003). So, not only do the dealerships have to compete with other brands, they also must compete on an intra-brand level with other dealerships who sell the same new car product (Sewell & Bodkin, 2009). In the earlier stages of internet vehicle sales, Ford even attempted to bypass its franchisees altogether by operating a website where consumers could directly purchase off-lease vehicles before they were met with legal challenges from franchise owners in Texas and Arizona (Wernel, 2000).

Participants in the automobile industry have long argued about the need for managed competition in the sector (Ratchford et al., 2003). With too little competition, the franchise owners are more apt to sell vehicles for higher prices to consumers since it increases their local profits despite reducing overall vehicle sales for the manufacturer

and raising prices to consumers (Sewell & Bodkin, 2009). However, with too much competition, an argument can be made that retail prices, and their ensuring wholesale (and resale) pricing, would be negatively impacted (Sewell & Bodkin, 2009).

**Dealerships & Customer Relationships.** It is understood that one of the hallmarks of successful marketing is customer retention (Garbarino & Johnson, 1999; Palmatier et al., 2006). An important part of this retention for firms is the maintaining of customer relationships (Verhoef, 2003). Garbarino and Johnson (1999) show that often customer relationships with firms can be broken down into low involvement and high involvement relationships. They found that for low involvement customers overall satisfaction is the primary mediating construct between attitudes and future intentions (Garbarino & Johnson, 1999). Those with high-involvement relationships to the company, such as consumers with personal ties, social ties, or even nostalgic connections to a dealership, show trust and commitment, rather than satisfaction, as mediators between attitudes and future intentions (Garbarino & Johnson, 1999). According to Taylor-West & Saker (2012), the purchase of a car is usually considered a high-involvement process involving some form of company-consumer relationship as compared with other retail experiences. This is due to the amount of time and information utilized to find the right car, the high price of the product, and the high risk of a bad decision. Therefore, dealers should focus on nurturing relationships to their buyers to maintain regular sales, while capturing new customers and providing them with a satisfying experience to garnish positive WOM and potentially convert these into a more committed business relationship (Verhoef, 2003; Weitz, 1986).

Palmatier et al. (2006), conducted a meta-analysis of factors impacting relationship marketing and made some key observations that can extend to the automotive marketplace. First, relationships between companies and consumers are the strongest when consumers form relationships with an individual person rather than a selling firm (Palmatier et al., 2006). Second, relationship quality has the greatest influence on seller performance (Palmatier et al., 2006). Both findings support the idea that sales and service personnel at dealerships still have a major impact on the future success of the industry, but perhaps more for a relationship reason than the sales techniques they employ (Dean, 2008). The traditional automotive sales process, by which a potential customer walks onto a car lot and then interacts with sales and finance personnel, is often seen as highly adversarial (Taylor-West & Saker, 2012). It involves a high level of personal interaction and historically has remained largely unchanged in the industry (Taylor-West & Saker, 2012). Ultimately, consumers are both relational and transactional (Wolter et al., 2022).

Furthermore, dealerships must now wrestle with higher expectations from consumers in their overall shopping and purchasing experience (Leavy, 2019). The automobile sector is certainly feeling the winds of change to this new normal in consumer behavior as consumers expect them to keep seamless track of their vehicle shopping interests, along with their preferred communication methods (Leavy, 2019; Verhoef, 2003). This new type of digital buyer does not want to be harassed but does expect to be informed and even entertained – certainly never bored or irritated (Kalaignanam et al., 2021; Kane et al., 2019; Leavy, 2019). Further, dealers must keep the communication interesting and engaging with a steady stream of information in the right tone and the

right way (Taylor-West & Saker, 2012). Before buyers walk into the dealership to look at a car, they most likely have already shopped for that car on many other websites and venues and have spent time looking at the dealership social media pages to get a feel for the dealership (Hochstein et al., 2018; Kalaignanam et al., 2021; Kim et al., 2019; Sewell & Bodkin, 2009). It is worth noting that consumer informedness not only involves how much access to information consumers have, but also their relationship to that information and their beliefs about it (Hochstein et al., 2018; Hu et al., 2014; Huang, 2020). In fact, now consumers are so savvy about purchasing price and product expectations that dealerships realize they cannot make the bulk of their profits on the car price alone and have shifted their focus toward making it up on the finance and options end of the purchasing process (Sewell & Bodkin, 2009).

These changes mean that a more agile marketing approach is needed (Kalaignanam et al., 2021). Companies must be intentional in understanding digital marketing and executing innovative marketing decisions to survive (Homburg & Wielgos, 2022; Kalaignanam et al., 2021). One strategy that many dealerships have used successfully is the integration of a coordinated internet sales strategy with their traditional sales team on the ground at the dealership (Powell, 2006). These systems are designed to aid the salespeople rather than replace them. CarMax bucked the industry trend by creating a computerized inventory system to simplify customer searches and make the sales process more user friendly and efficient (Powell, 2006). In fact, CarMax has a goal for customers to choose, purchase, and drive the car away in just 90 minutes (Powell, 2006). Some traditional dealerships have had success with the introduction of computer assisted selling tools (Taylor-West & Saker, 2012). These tools are not designed to

replace salespeople, but rather enhance the sales process through product presentations, extensive vehicle photos or videos, and online chats between dealership employees and customers which can entice potential customers to walk onto the lot (Taylor-West & Saker, 2012). When these tools are used, customer perceptions of the buying experience are much higher (Taylor-West & Saker, 2012).

Another strategy is to utilize broader digital marketing techniques such as search engine optimization (SEO), Google analytics, and creating customer relationship management (CRM) databases from which to capture, target, and retarget automobile consumers (Hu et al., 2014; Kim et al., 2019; Kiron & Shockley, 2011). Various studies have been performed in the automobile sector to show the positive relationship between internet search patterns and consumer purchasing decisions (Hu et al., 2014; Kiron & Shockey, 2011). Dealerships who can effectively utilize this digital marketing data can reap the rewards of boosted sales and increased customer engagement (Kim et al., 2019; Swaminathan et al., 2022). With these strategic tools, having an internet marketing plan that increases consumer pre-purchase information and engagement, and then converts that engagement into sales, is a key entrepreneurial ingredient to success for automobile dealers in this new digital age (Hu et al., 2014; Kim et al., 2019; Kiron & Shockley, 2011).

As consumers continue the shift toward making purchases online for their everyday lives, they are now willing to make much more sizeable purchases, such as a vehicle, largely online without ever having laid eyes on it (Hochstein et al., 2018; Kalaignanam et al., 2021; Kane et al., 2019). In the automotive industry, dealerships are having to shift both their sales approach and their sales platforms. In the world of sales,

adaptive selling is nothing new (Hochstein et al., 2018; Weitz et al., 1986). As the typical

vehicle consumer has evolved, so has the automotive dealership. When consumers enter

the automotive buying process with more information, dealer sales teams must alter their

sales strategies to create opportunities to close the deal. As is the case with many

industries, dealerships are putting less emphasis on the traditional "work harder" sales

approach of chasing down shoppers on the lot and moving to a "work smarter" sales

approach of more targeted and researched lead generation (Hochstein et al., 2018; Kim et

al., 2019; Weitz et al., 1986).

**Researching the Two Competing Strategies.** For this dissertation, sales

strategies include the entire automotive sales and service process. This research compares

the two competing strategies of traditional and online dealerships in relation to three

areas of the marketing mix – product, price, and place – and their impact on the behavior

of the four generational cohorts in this study. The goal of any dealer marketing strategy

should be to create value for customers (brand equity, product value, positive

relationships, customer satisfaction), customer equity (increasing margin and retention

rates), and firm value (sales, profits, growth rate) (Kannan, 2017).

The "big picture" marketing strategy of dealerships includes their market research

and analysis as well as their input of resources into the marketing mix (Kannan, 2017).

Sales strategies are different for each model (Reinartz et al., 2019). For traditional

dealerships, the salesperson is the primary point of contact and source of product

information (Dean, 2008). Other personnel, however, play keys roles, including the

Finance Manager who is the decision maker on final vehicle price. For online dealers, the

website often acts as a surrogate salesperson and source of information, though most

online dealers do offer some form of personal contact via phone, e-mail, or direct chat

should the consumer desire (Kannan, 2017). Other service factors, such as product

delivery and readiness, play important roles as well. In traditional dealerships, consumers

usually drive their new car home on the day of purchase, and often expect the car to be

cleaned up and immediately available. Online dealerships often deliver vehicles directly

to a consumer's home within a fixed timeframe, or to a local pick-up location (Ferris,

2021; Simon, 2021). Again, consumers generally expect to find a clean vehicle which is

available for use almost immediately. Figure 2 illustrates the strategic differences in the

two current models.

**Figure 2**

*Competing Sales Strategies*

|  | **Traditional Dealerships** | **Online Dealerships** |
|---|---|---|
| **Product** | Local & Limited Inventory<br><br>Salesperson provides<br><br>Information | Online & Expansive Inventory<br><br>Customer Discovers their own<br><br>Information |
| **Pricing**<br><br>**Structure** | Negotiable - Must Bargain with<br><br>Dealership | No-Haggle Fixed Pricing |
| **Place** | Visit Dealership in Person to<br><br>Purchase<br><br>Immediate Vehicle Availability | Search & Purchase Online<br><br>Vehicle delivery within 48-72<br><br>hours |

**Product.** As the research of Sewell & Bodkin (2009) indicates, dealerships are increasingly competing with one another in the online marketplace. Both new car dealers (factory "trade" dealerships), who have franchise agreements and traditionally marketed a particular brand of vehicle and used car dealers who compete with myriads of similar dealerships in town across many brands, now face increased competition as a result of the online marketplace (da Silva, 2022). This includes intra-brand competition for new car dealerships due to the internet's disregard of geographical boundaries for consumer search behavior (Wernel, 2000).

Essentially, traditional used car dealers have on-site inventory that consumers can see, touch, and test drive on the spot. This inventory is limited to what the used car dealer can obtain through trade-ins, wholesale dealers, and auto auction purchases. In contrast, online dealers have an enormous selection of vehicles that extend well beyond the customer's local marketplace. Online dealerships showcase inventory across the country with the expectation that when consumers find their perfect vehicle the dealership will ship it directly to them in a few days (Ferris, 2021; Simon, 2021). The downside for consumers in the online model is that they very often must wait to see and drive the vehicle they have chosen.

**Pricing.** Large online dealerships are making an important shift in their vehicle pricing to consumers (Huang, 2020; Powell, 2006). As consumer informedness has grown, these companies have created either a "no-haggle pricing" business model that offer a fixed price for a used vehicle that is competitive with their independent dealer counterparts or an online haggle system that is devoid of face-to-face interaction (Hochstein et al., 2018; Huang, 2020; Powell, 2006). As a result of digital resources and

increased access to vehicle information, consumers have a much better idea what they should, and should not pay, for a used car (Kim et al., 2019).

Thus, when consumers shop online and find a car they like, they have less tolerance for traditional high markups from dealers and they are not interested in spending a lot of time haggling over the price (Huang, 2020). Some consumers prefer to bypass the haggling process altogether by shopping online. On the other hand, 70% of those who do visit used car dealers haggle over price, and as a result lower the price 83% of the time by an average of 8% (Rechtin, 2016). Research suggests that consumers tend to correctly value vehicles prices and their accompanying future costs (Busse et al., 2013). Customers are increasingly finding pricing information that is available from dealer websites through search results without ever having to visit the dealership location (Kannan, 2017). Google, for instance, embeds pricing directly in organic search results which could lead to customers bypassing websites where a price seems higher (Kannan, 2017). Almost half of all used car buyers also reference Kelley Blue Book or Black Book values before purchasing a vehicle (Rechtin, 2016). This increased level on consumer informedness is a daunting challenge for dealerships who prefer traditional "haggling" pricing structures but are then forced to consider price listings on search results and the pros and cons of opting-in to this function on Google (Hochstein et al., 2018; Kannan, 2017). In this way, online dealerships have correctly surveyed their customer environments. As Barringer and Bluedorn (1999) put it, they made the necessary changes to their business models. The survey in this dissertation research includes the term "haggle" instead of comparative words (e.g., "negotiate") since online retailers use this term in their advertising in hopes of capturing the negative association of the term.

**Place.** Not only have pricing and on-the-ground sales tactics changed, but product placement has drastically shifted in the automotive industry. Online automotive dealers now specialize in selling on the internet and delivering cars right to the buyer's doorstep before the customers even view them – a phenomenon that was considered nonsense just 10 years ago (Kalaignanam et al., 2021; Kane et al., 2019). With the development of online-only purchasing, as well as increasingly efficient alternative transportation options such as Uber, Lyft, and Zipcar, which are generally booked online, these digital automotive companies have developed new structures to their strategic management teams that allow them to remain innovative in such an agile marketplace (Kane et al., 2019).

In this way, the online dealerships act with a high level of innovation, choosing to undergo the increased risk-taking strategy in hopes of gaining higher rewards (Rauch et al., 2009). After all, the extra risk in utilizing their marketing and sales resources to be the frontrunners in providing secure, online vehicle purchase experiences can be very high. If they were to fail with online sales, it would cost them a great deal in advertising, operational, and software costs. Further, customer privacy (online information security) and timely order fulfillment are key risks that online dealers accept in their business model (Bart et al., 2005).

It is essential for these companies to know if their innovative online approach has positive or negative impacts on the overall bottom line (Rauch et al., 2009; Swaminathan et al., 2022). In the case of online dealerships, the higher rewards come in the form of additional vehicle sales which lead to increased market share and profitability (Kalaignanam et al., 2021). Further, as research suggests, more innovative businesses like

these can potentially target premium market segments, expand faster because of increased profitability and WOM, charge higher prices for products and services, and take market share from competitors rather quickly (Rauch et al., 2009; Zahra & Covin, 1995). This is, of course, the regular complaint of smaller independent car dealers who are constantly losing market share to companies like the larger online dealerships who employ more robust and effective sales techniques due to their innovative spirit (Kalaignanam et al., 2021).

Market research should be included in this strategy to understand customer behavior. When customers shop online for vehicles, dealerships need to understand the customer browsing behavior on their own websites (ex: Google analytics), search behavior and how it differs when the customer changes devices, social interactions, and the perception of the brand in the marketplace (Kannan, 2017). Automobile dealers can maximize sales efforts by combining traditional and digital marketing placement of products with coordinated strategic efforts (Homburg & Wielgos, 2022). However, some contingencies, whether organizational or environmental, prevent dealers from realizing the complementary capabilities of these strategies (Homburg & Wielgos, 2022).

**The Importance of Customer Service in Automobile Sales.** Traditional dealerships offer immediate test drives and a "take-home-today" offer to customers who purchase a vehicle on their lots, compared to online dealerships who can often deliver the vehicle directly to your doorstep within a few days of purchase (Simon, 2021). Online dealerships suggest that customers find them much easier to do business with and enjoy their streamlined and efficient purchasing process (Ferris, 2021). This is tested against traditional dealership models which make take a few hours to complete the sale,

financing arrangements, additional product or warranty additions, and vehicle clean-ups before the customer can take the car home. As stated, Carvana promises 48-hour delivery times and 7-day return policies, and CarMax is considered one of the best customer service dealers in the industry (Ferris, 2021; Simon, 2021).

The importance of service is shown in the "Amazon effect" that has led to increased customer dissatisfaction toward retailers who do not make it as easy to do business as the giant online retailer does (Vollero et al., 2021). Amazon's reputation for wide product selection, competitive pricing, ease of doing business, friendly return policy, and often free shipping has left their competitors looking outdated (Vollero et al., 2021). Therefore, the gains for online retailers often come at the expense of brick-and-mortar ones (Reinartz et al., 2019). The perceived customer benefits (low pricing, large product selection, strong customer service, extended geographical reach, efficient product delivery and return policies) of purchasing online are large mountains for traditional dealerships to climb (Vollero et al., 2021). With the increased satisfaction in online purchasing, consumers are increasingly dissatisfied with traditional options, which spills over to an increase in negative reviews (Gunn, 2015).

### Generational Cohort Theory

Cohorts are groups born in the same time period and who journey through their lives together with similar influences (Dharmesti et al., 2021; Fernández-Durán; 2016; Gurau, 2012; Parment, 2013; Reynolds & Rentz, 1981). Hence, generational cohort theory suggests that a generation of individuals which share the same political, economic, and social events during the early stages of life will develop a similar set of beliefs, values, and behaviors (Fernández-Durán; 2016; Kesselman, 1979; Lissitsa & Kol, 2016).

Karl Mannheim first drew attention to the influences of generations in his seminal work "Generations" which was published in 1927 (Mannheim, 1927; Markert, 2004). Ryder (1985) suggests that the idea of cohorts had long been used by historians of the arts before becoming more of a demographic distinction. Reynolds & Rentz (1981) then showed that cohort analysis can provide evidence of probable influences on the marketplace.

Cohorts also help researchers explain values such as acculturation, environmentalism, work ethic, and spending habits (Carpenter et al., 2012; Eastman et al., 2021; Felix et al., 2017). As the age and size of various cohorts increase and decrease, the demand for some products will be affected, though sometimes difficult to predict (Rentz & Reynolds, 1991). For instance, if a cohort is increasing in age as a whole, changes in forecasted purchasing behavior must be accounted for (Rentz & Reynolds, 1991). Further, the youth of future cohorts may consume much differently than the current cohort currently in the same age range due to the effects of cohort membership (Rentz & Reynolds, 1991).

Four distinct generational cohorts born in the United States are investigated in this dissertation – Baby Boomers, Generation Xers, Millennials, and Zoomers - and how the behaviors and values represented by these cohorts bear weight on their online purchasing behavior. While researchers and historians have used different names and dates to define these cohorts, the literature fundamentally agrees on the general attitudes and behaviors of these groups (Fukuda, 2010; Markert, 2004; Norum, 2003). Generational cohorts generally extend 20-25 years or as long as it takes one birth group to be born, age, and have children of their own (Lissitsa & Kol, 2016; Strauss & Howe, 1991). However,

there is a great deal of variance in how academic literature organizes individuals into cohorts.

For instance, Gurau (2012) and Lissitsa & Kol (2016) define Baby Boomers as those born between 1946 and 1960; Generation X as those born between 1961 and 1979; and Millennials as those born from 1980 to 1999. Strauss and Howe (1991) contend that the US population is divided by the Baby Boomers born between 1943 and 1960; Generation X, born between 1961 and 1981; and Generation Y, otherwise known as Millennials, born between 1982 and 2000. Goldring & Azab (2021) lists Generation X as born between 1965-1980, and Zoomers as 1997-2012. Further, Guerrero et al., (2021) list Baby Boomers from 1944-1964, Generation X from 1965-1980, and Millennials as 1981-1995. Meriac et al., (2010) list Baby Boomers from 1946-1964; Generation X from 1965-1980, and Millennials from 1981-1999. Finally, Eastman and Liu (2012) define Baby Boomers as those born from 1946-1964; Generation X from 1965-1976, and Millennials from 1977-1987.

A cohort is not just differentiated by birth timing but rather a number of factors related to its life experience (Ryder, 1985). Generational cohorts are heavily influenced by the external events happening within their "coming of age" period, including wars, technological developments, and economic changes, among others (Dharmesti et al., 2021; Parment, 2013). A nation's history and major events can shape differences in values and attitudes across the various cohorts. These create defining moments for people, which are strongest during the late teen and early adulthood years and are particularly impactful in creating values which remain stable for a lifetime (Dharmesti et al., 2021; Eisner, 2005; Parment, 2013). Thus, each cohort has a distinctive composition

of values which reflect the circumstances surrounding its unique place in history (Ryder, 1985).

Parment (2013) shows that generational cohorts have been found across numerous developed countries. A common example of how major events influence cohorts is seen in the impact that World War II had on its generation. US citizens who lived through the war became very patriotic as they saw America's accomplishments during the war. This stands in contrast with English citizens who survived World War II, perhaps more first-hand, such as those during the daily Battle of London air raids - and viewed patriotism and nationalism in a less favorable light (Dharmesti et al., 2021; Parment, 2013).

Further, age has been shown to be a determining factor in user acceptance of online shopping and the intention to purchase online (Eger et al., 2021; Lissitsa & Kol, 2016). However, it is important to note that in the literature, generational cohort theory is not always the same as age and a cohort may not necessarily span the entire full length of ages that are associated with a generation (Fukuda, 2010; Norum, 2003; Parment, 2013). Markert's thorough research (2004) on the use of generational cohorts in literature illuminates the lack of consistency within the academic community to agree upon generational dates as researchers often muddy the waters with varying date ranges to delineate a generation. A more traditional approach is taken in this dissertation and keeps the span of the various cohorts in line with the generational ages.

Of note, since there is a varying degree of common attributes between the earliest and last years represented in a cohort, some authors have attempted to subdivide those generational cohorts into smaller groups that have similar experiences (e.g., early boomers vs. late boomers) (Markert, 2004). However, this is rarely done in the literature

past the Baby Boomer cohort which presented a unique case to marketing professionals since the Boomer cohort was so much larger than any that had come before it and thus garnered a copious amount of marketing attention due to its robust purchasing power (Eisner, 2005; Markert, 2004; Parment 2013). Thus, the realization of a "mass market" that is due to a large distinguishing generational boom in population is unique to the second half of the 20th century (Markert, 2004).

For the purposes of this dissertation, cohorts will be based on the definition of both Atkins and Hyun (2016) and Reeves and Oh (2007), who list Baby Boomers as those born from 1946-1964; Generation X from 1965-1980; and Millennials from 1981-1996, and Zoomers from 1997-2012 (Goldring & Azab, 2021). These are listed in Table 1 below.

**Table 1**

*Generational Cohort Dates in Literature*

| | Generation Cohorts Defined in Literature | | | |
|---|---|---|---|---|
| | Boomers | Generation X | Millennials | Zoomers |
| Gurau | 1946-1960 | 1961-1979 | 1980-1999 | |
| Lissitsa & Kol | 1946-1960 | 1961-1979 | 1980-1999 | |
| Strauss & Howe | 1943-1960 | 1961-1981 | 1982-2000 | |
| Goldring | | **1965-1980** | | **1997-2012** |
| Guerrero et al. | 1944-1964 | **1965-1980** | 1981-1995 | |
| Meriac et al. | **1946-1964** | **1965-1980** | 1981-1999 | |
| Eastman & Liu | **1946-1964** | 1965-1976 | 1977-1987 | |

| Generation Cohorts Defined in Literature | | | |
|---|---|---|---|
| | Boomers | Generation X | Millennials | Zoomers |
| Atkins & Hyun | **1946-1964** | **1965-1980** | **1981-1996** | |
| Reeves & Oh | **1946-1964** | **1965-1980** | **1981-1996** | |

Generational cohort theory is utilized to understand the motivations of consumers in the marketplace that are associated with age (Fernández-Durán 2016; Fukuda, 2010; Guerrero et al., 2021; Gurau, 2012; Parment, 2013; Reynolds & Rentz, 1981). The unique characteristics of each cohort imprint specific and common behaviors in both their purchasing and consumption (Fernández-Durán; 2016; Gurau, 2012; Reynolds & Rentz, 1981). These traits also provide a general basis for consumer segmentation (Fukuda, 2010; Gurau, 2012). After all, marketers can break down their product markets into market segments, such as those related to age, for improved targeting results. Age can also be a determining factor in the size of a product market (Markert, 2004; Norum, 2003). Consequently, generational cohorts can provide a useful way to analyze buying patterns in various markets (Eger et al., 2021).

While researchers and historians have used different names and dates to define cohorts, the literature fundamentally agrees on the general attitudes and behaviors of these groups (Fukuda, 2010; Markert, 2004; Norum, 2003). Essentially, different cohorts result in differences in purchase behavior and the level of buyer involvement (Fukuda, 2010; Parment, 2013) which should greatly impact this dissertation's study on online automobile purchases. It is proposed that a consumer's motivations to make online

automobile purchase may lie beneath the surface of these cohort characteristics (Dharmesti et al., 2021; Norum, 2003; Parment, 2013).

Past literature which centered around the impact of generational cohort theory on consumer purchasing behavior has been lacking in its scope of study. Most studies have either focused only on smaller purchases such as groceries (Campo et al., 2021; Degeratu et al., 2000) or on consumer trends over time (Herrando et al., 2019), but almost none have expanded the research to truly incorporate major online purchases such as automobiles. Indeed, there is a paucity of research regarding online automobile purchasing at all, much less one that incorporates how market segments, such as a generational cohort, impact those sales.

**Boomers.** The first generation this study will focus on is the Baby Boomers (1946-1964). Boomers are typically characterized as optimistic and expecting the best from life (Barford & Hester, 2011). They are familiar with personal prosperity and grew up, like the Millennials that would come after them, as the center of their parents' world (Barford & Hester, 2011). This generation experienced rapid economic expansion, radical social changes, ample political unrest, and a constant threat of nuclear war (Stark & Poppler, 2018).

Baby Boomers are known to demonstrate a high job involvement and work ethic which has led them to career and financial success (Burnsed & Bickle, 2015; Eisner, 2005). They have little tolerance for laziness and are highly competitive (Barford & Hester, 2011; Eisner, 2005). They place great value on hard work and self-reliance, perhaps to a greater degree than the following generations in this study, and also possibly to the point of being workaholics (Stark & Poppler, 2018). Currently, most Boomers are

retired or exiting the job market. Being highly individualistic, they are essentially

competitive free agents in the marketplace with strong interests in self-fulfillment

(Burnsed & Bickle, 2015). For Boomers, consumption is a way of life. In fact, it is

estimated that this generation is responsible for half of all consumer spending in the

United States (Burnsed & Bickle, 2015). They desire self-fulfillment and they tend to

place a high value on the acquisition of material possessions, sometimes at the expense of

family relationships (Gentry et al., 2011; Stark & Poppler, 2018).

  **Boomer Purchasing Behaviors.** Boomers tend to value in-store service and the

physical retail experience when shopping (Dean, 2008; Eastman et al., 2021; Parment,

2013). For a Baby Boomer, their buying process is straightforward: first, consumers

choose a retailer they trust; second, that retailer gives them advice on the product or

service they are interested in (Parment, 2013). This is a tried-and-true method for

Boomers who emphasize relationships in retailing. It is not one they will easily deviate

from and these relationships with the retailer make them feel secure when shopping

(Eastman et al., 2021; Parment, 2013). This is in stark contrast with the method of

Millennials who first choose the product and then do their own homework before seeing

how that product can be purchased and delivered in the most efficient way (Gurau, 2012;

Parment, 2013). This is also an indication as to why Boomers are much more likely than

other generations to ask for assistance in a store (Parment, 2013).

  Past research, including a study from Dean (2008), shows that Boomers are far

less inclined to adopt technology that will add additional self-service to their shopping

experience (Dean, 2008; Wu et al., 2015). The research indicates four reasons for this

tendency, including the perceived lack of capability in using the technology to complete

their purchase; their perceived risk in relying on the technology; their perception of relative advantage to the process as to whether or not the technology is more convenient than a face-to-face encounter; and their preference for personal contact (Dean, 2008). Boomers prefer personal interaction with a human rather than a computer (Dean, 2008; Wang et al., 2013). This may be because this generation takes longer to functionally use, and be comfortable with, the technology of online vehicle purchasing (Dean, 2008; Wang et al., 2013; Wu et al., 2015).

While Millennials and Zoomers feel more comfortable not having to deal with an employee, Boomers show a strong desire for social exchange with an attendant (Dean, 2008). Even further, Boomers view personal interaction in the sales process as better customer service (Dean, 2008). Some Boomers would argue that buying a vehicle on a computer without consulting a salesperson illustrates a reduction in service from the company to the consumer (Wu et al., 2015). It is here where generational cohort theory may tie in with continuity theory, which would suggest that consumers make behavioral choices in the purchasing process in order to preserve ties to their own past experiences (Atchley, 1989).

**Generation X.** Sandwiched between the large populations of the Baby Boomers and the Millennials are those in Generation X (1965-1980). Members of Generation X (or Gen X) are known for their self-reliance, individualism, and skepticism (Lissitsa & Kol, 2016). They tend to be non-conformist as seen in their general rejection of the rules (Burnsed & Bickle, 2015; Goldring & Azab, 2021; Gursoy et al., 2008).

The collective experience of Generation X is marked by rapid technological change, recession, the erosion of job security, high divorce rates, and unsupervised home

environments (Stark & Poppler, 2018). They can be somewhat alienated from their parents who were often focused on careers, were less attentive, and were the general opposite of the modern day "helicopter parent" (Goldring & Azab, 2021). Many Gen Xers grew up with both parents working outside the home or in a divorced/single-parent household which lead them to become independent at a young age (Barford & Hester, 2011; Lissitsa & Kol, 2016). Thus, they tend to be socially insecure and lack the social skills of their parents, which is why they may be reluctant to network and instead are attracted more by ads and external forces (Barford & Hester, 2011; Eisner, 2005). Rather than social adeptness, they are extremely self-reliant and have strong technical skills (Lissitsa & Kol, 2016; Eisner, 2005). They believe in finding ways to get things done fast, smart, and with excellence, even if it means bending the rules (Acar, 2014; Eisner, 2005).

Generation X currently has the distinguishing mark of being the most educated in history (Lissitsa & Kol, 2016). Though this generation made an early adoption of technology, they are still characterized as digital adopters due to having to discard old technology and learn new digital technology (Goldring & Ahaz, 2021). Generation X isalso media-savvy and tech-savvy and believe strongly in a work-life balance (Barford & Hester, 2011; Burnsed & Bickle, 2015; Lissitsa & Kol, 2016; Stark & Poppler, 2018). It has been said that while Baby Boomers live to work, members of Generation X work to live (Gursoy et al., 2008). This cohort is not likely to sacrifice their personal lives for their employer (Eisner, 2005; Gursoy et al., 2008).

**Generation X Purchasing Behaviors.** Generation X is the first generation to confront reduced expectations in standard of living (Burnsed & Bickle, 2015). Gen Xers

are near the peak of their financial years but are expected to spend much less in consumption than Boomers did during the same age (45-55) in their lives (Burnsed & Bickle, 2015). Because they are smaller in overall population size compared to Boomers and Millennials, they are sometimes overlooked economically from both a research standpoint and even more so from a strategic standpoint among corporations vying for market share. Ironically, when they are targeted for advertising, they often ignore advertising efforts from companies (Eger et al., 2021).

Generally, Generation X is skeptical toward brands which results in lower brand loyalty (Goldring & Azab, 2021). They are also price sensitive with a short-term orientation, often preferring e-commerce sites or value-oriented retailers (Goldring & Azab, 2021). For this dissertation, however, Generation X is an important catalyst of change in the digital marketplace as they are much more willing to adopt digital purchasing technology and platforms despite not being true digital natives like the Millennials and the Zoomers that follow them (Wang et al., 2013).

**Millennials.** Following Generation X are the Millennials (1981-1996) – the last generation born before 2000 and those that were children during the turn of the millennium (Gurau, 2012). Sometimes called Generation Y (or Gen Y), Millennials pose a stark contrast to Generation X economically, socially, and in their desire to utilize digital technology (Burnsed & Bickle, 2015; Wang et al., 2013). In fact, they are considered the first high-tech generation (Lissitsa & Kol, 2016). This cohort is characterized by their technological competence, their casual and fun-loving attitude, and their ability to multi-task well due to their high energy levels (Gurau, 2012; Gursoy et al., 2008; Lissitsa & Kol, 2016). Millennials overflow with confidence and are highly self-

focused due to the extensive protection and praise given them throughout their formative years (Barford & Hester, 2011). They have been characterized as possessing an inflated sense of self, believing they can achieve anything while simultaneously not responding well to criticism (Deyoe & Fox, 2012; Stark & Poppler, 2018). At work, they often need clear directions and management assistance for tasks, while expecting freedom to get the job done, leading some to consider them high-maintenance and in constant need of approval (Barford & Hester, 2011; Martin, 2005). Millennials prefer to work in team-oriented environments, and they place high value on rewards for their work (Stark & Poppler, 2018).

Whereas Boomers and Xers are both individualistic and have a distrust of centralized authority, Millennials trust this authority and believe in collective action to accomplish their purposes (Eisner, 2005; Gursoy et al., 2008). However, Millennials still prefer to add their own reflections to the opinions of their authorities, explaining the loss of power for unions, churches, and political parties (Parment, 2013). Millennials grew up during the emergence of social media and reality television where traditional values disappeared in pop culture (Lissitsa & Kol, 2016).

Millennials are also highly status driven, very high-tech, and boast the largest population segment in the United States (Eastman et al., 2012; Gurau, 2012). The strong tendency to be status driven has been shown to be more related to their cohort, than other variables such as gender, income, or education level (Eastman et al., 2012). Millennials are more ethnically and racially diverse than previous generations (Dharmesti et al., 2021). They tend to have a more global perspective and consider themselves community-focused with a strong desire to change the world (Carpenter et al., 2012; Dharmesti et al.,

2021; Eisner, 2005). In fact, they feel empowered to take positive action, typically as a

group rather than individually, when they feel the world is not right (Eisner, 2005;

Lissitsa & Kol, 2016). Millennials are confident, optimistic, ambitious, and highly driven

by success (Dharmesti et al., 2021; Eisner, 2005; Lissitsa & Kol, 2016).

**Millennial Purchasing Behaviors.** Millennials possess strong buying power

(Munsch, 2021). They have an extensive social network and care, perhaps more than any

other generation, about how they are perceived as consumers (Butcher et al., 2017;

Dharmesti et al., 2021). These characteristics drive their social motivations in shopping

as well. Social motives include how much a person is driven to shop for certain items or

on certain platforms (such as buying a car online) out of a desire to earn approval from

others (Butcher et al., 2017; Dharmesti et al., 2021; Eastman et al., 2012).

Millennials are described as self-centered and display very low levels of brand

loyalty, although they may express some brand loyalty toward those sharing their social

and community values (Gurau, 2012). Their choice of new brands is often a result of peer

recommendation from WOM or via eWOM through social network channels (Gurau,

2012). Their purchasing patterns often are related to their self-expression of their values

or beliefs (Eastman et al., 2012; Gurau, 2012). Millennials have become experts at

avoiding digital advertising designed to influence purchasing behavior (Munsch, 2021).

Millennials are the most consumption oriented of all generations and are

accustomed to an abundance of goods and services (Burnsed & Bickle, 2015; Gurau,

2012; Lissitsa & Kol, 2016). This often makes them an extremely attractive market

segment for companies (Gurau, 2012). Having come of age during a time of economic

growth, Millennials have a "buy now and deal with it later" mentality toward purchasing

due to their expectation of strong economic conditions and abundance of personal cash

flow from both careers and family support (Burnsed & Bickle, 2015; Lissitsa & Kol,

2016). This is one reason why Millennials often have an abundance of debt (Eger et al.,

2017). However, in the study from Dharmesti et al., (2021), the research suggested that

older Millennials – those born before 1990 – were impacted by the financial crisis that

began in 2008 and tend to be thriftier than the younger part of the cohort (Dharmesti et

al., 2021).

Currently, Millennials are the dominant online shoppers in the United States

which is due in part to 98% of them being online daily (Dharmesti et al., 2021; Melton,

2019). They are digital natives and thus prefer to search for product information online

which leads to an increase in online purchase intentions (Dharmesti et al., 2021; Parment

2013). Thus, they are very comfortable and experienced with online purchasing and often

prefer online channels for the purpose of greater selection, product delivery, and saving

money (Dharmesti et al. 2021; Eger et al., 2021). This cohort wants the most benefit with

the least sacrifice. Finding good value (in price and convenience) leads to a strong value

motive for Millennials to shop online (Dharmesti et al., 2021).

In contrast to previous generations, shopping is a form of leisure for Millennials

and is expected to be enacted more heavily through digital platforms (Burnsed & Bickle,

2015). Online shops and social media (mostly Facebook and Instagram) influence this

cohort's buying behavior, including brand and product searches, purchase intention, and

sharing information after purchasing a product (Dharmesti et al., 2021; Eger et al., 2021).

Millennials put low effort into low-involvement purchase decisions (such as paying the

utility bill), but a lot of effort and emotion into high-involvement purchases like

automobiles (Parment, 2013). Millennials also tend to spend more money on electronic or

personal services rather than apparel (Eger et al., 2021). Additionally, this generation

tends to make more impulse purchases compared to their fellow cohorts (Pentecost &

Andrews, 2010).

Millennials exhibit a strong tendency to apply variety-seeking purchase behaviors

(Parment, 2013). This cohort has very little brand or store loyalty and would not hesitate

to consider an any avenue that provides them with the most value (Gurau, 2012; Parment,

2013). Parment's comparative study (2013) in Boomers and Millennials when purchasing

automobiles at a dealership illustrates the differences in the two generations regarding

their purchasing behaviors (see Figures 3 & 4).

**Figure 3**

*The Importance of Having a Relationship with Store for Purchases*
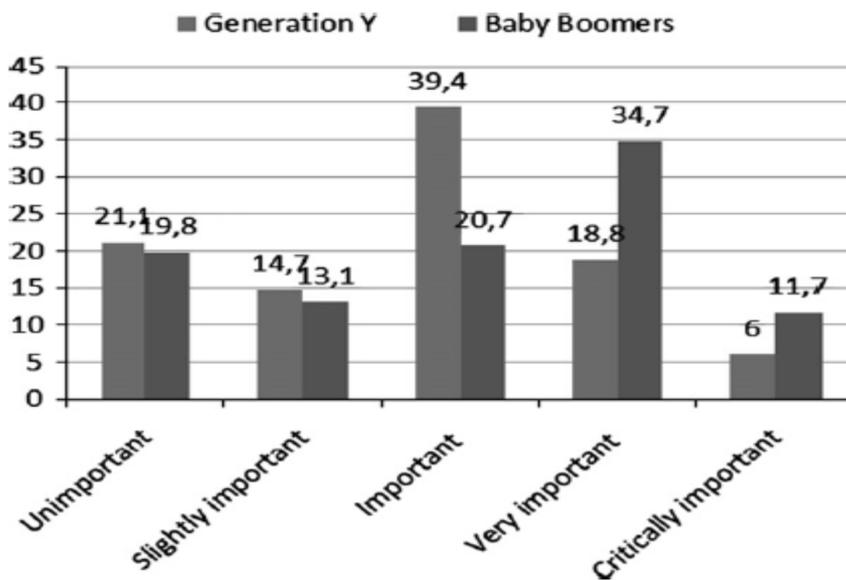


The contrast between Boomers and Millennials here shows that Boomers prefer

more traditional retail shopping methods for automobiles, while Millennials line up more

naturally with digital trends in the marketplace. Furthermore, Boomers have a much higher purchase involvement with automobiles than Millennials, with twice as many Millennials showing a "very low" purchase involvement than that of Boomers (Parment, 2013).

**Figure 4**

*Purchase Involvement for Automobiles*
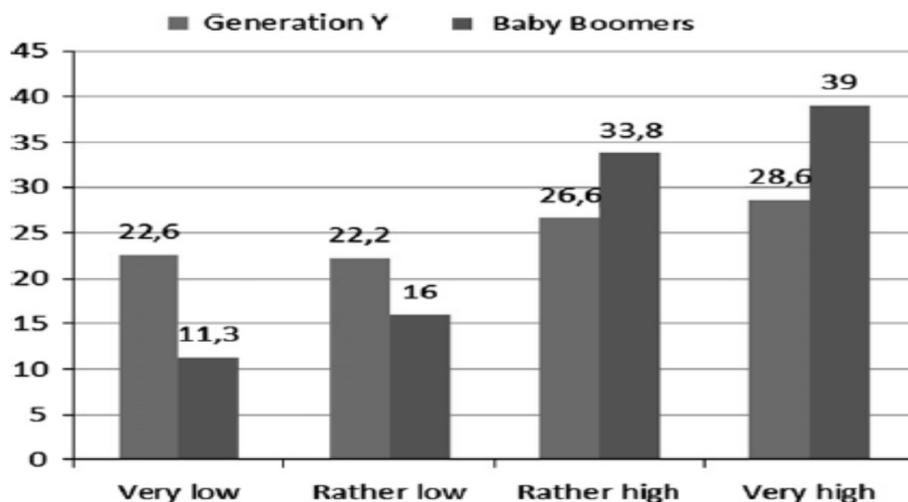


Millennials are currently leading the charge in online vehicle purchasing (Furchgott, 2021). They are twice as likely to purchase a new or used car online than Baby Boomers (Furchgott, 2021). Their disdain for traditional car buying processes that require consumers to deal with salesmen and finance department "rigmarole" has led them to Vroom, Shift, Carvana, and others as a much more efficient and user-friendly process (Furchgott, 2021).

**Zoomers.** The final generation in this study are Zoomers (1997-2012). They are also called Generation Z, Gen Z, or Centennials (Giray, 2022; Munsch, 2021). Zoomers, like Millennials, are considered digital natives and are highly attuned to the latest

technology and digital platforms (Grigoreva et al., 2021; Thangavel et al., 2021; Wang et al., 2013).

Like Millennials, Zoomers are natives of the internet era and have a much better understanding than previous generations of the risks and benefits of shopping online. It is important not to lump Zoomers and Millennials completely together, however, as they have distinguishing backgrounds and consumer characteristics (Goldring & Ahaz, 2021; Haenlein et al., 2020; Munsch, 2021; Thangavel et al., 2021). For instance, Zoomers tend to be more practical and realistic in their decision making, like their Generation X parents, than their Millennial predecessors (Dorsey, 2016; Giray, 2022; Thangavel et al., 2021). They can become obsessed with practical issues which help them make sound financial decisions in personal finances, diet, safety, and their careers (Giray, 2022; Thangavel et al., 2021). They are straightforward and open about who they are, who they want to be, and how they want people to perceive them (Giray, 2022).

Zoomers have major parts of their lives governed by digital technology, including social interactions, friendships, civic activities, and even their hobbies (Giray, 2022; Goldring & Azab, 2021; Lissitsa & Kol, 2016). They prefer to use their mobile phones for just about anything, including social networking, finding a job, garnering community information about products and services, schools, employers, and travel destinations (Curtis et al., 2019; Giray, 2022; Parment, 2013). In the world of Zoomers there has been an omnipresence of technology that has taken root in everyday work and play (Barford & Hester, 2011; Stark & Poppler, 2018). They are online almost incessantly as they study, access social media from 3-6 hours per day, work online, and watch movies and entertainment online (Turner, 2015). Perhaps it is no surprise then that Zoomers are

highly prone to suffer from attention deficit disorder, and it difficult to concentrate on what interests them even during important activities or on a date (Grigoreva et al., 2021).

The media consumption patterns of Generation Z are completely different than the generations that came before them (Haenlein et al., 2020; Thangavel et al., 2021). Instead of watching TV or listening to the radio, Zoomers stream nearly all of their electronic entertainment on-demand and are nearly always connected to their devices (Goldring & Ahaz, 2021; Haenlein et al., 2020; Sciandra et al., 2019).

When it comes to their careers, this generation expects to change jobs often during their lifetime and believe in lifelong learning and a healthy work-life balance (Barford & Hester, 2011; Giray, 2022). They are highly creative and innovative as well as highly risk-averse in their purchasing behaviors (Szymkowiak et al., 2021). They tend to want everything instantaneously and lack patience in obtaining their desires (Grigoreva et al., 2021). They are fluent in multitasking, need to know exactly what is expected of them, and believe they need instant feedback in the real world since they are used to getting it through social media (Turner, 2015). Zoomers also hate boundaries, instead desiring some level of flexibility in everything they do (Grigoreva et al., 2021).

Interestingly enough, Zoomers have helped some outdoor advertising methods regain momentum such as billboards while further boosting the online advertising business on social media platforms such as Instagram or TikTok (Haenlein et al., 2020). Zoomers have instant access to a plethora of sources of information and the ability to quickly spread their opinion, which can be both a plus and a minus for brands (Grigoreva et al., 2021).

**Zoomer Purchasing Behaviors.** Generation Z accounts for the largest consumer group in the world today (Grigoreva et al., 2021). Businesses cannot afford to overlook the Zoomer generation as they exhibit their own set of consumer values and preferences than earlier generations (Goldring & Ahaz, 2021; Thangavel et al., 2019). Herrando et al. (2019) compared generational cohort behaviors for Generations X, Y, and Z and showed that Generation X transfers trust to social commerce websites mainly from trust in information that is generated by companies. Surprisingly, Millennial trust was heavily influenced by company information as well, yet Zoomers did not fit the mold - instead they develop trust almost solely from information generated by users and are heavily influenced by social factors when purchasing products (Curtis et al., 2019; Herrando et al., 2019).

Thach et al. (2020) found that Generation Z uses digital technology to shop with no hesitation. When they prefer a different product than what is available, they are quicker to shop online or digitally connect with those products (usually through Instagram or SnapChat) than any other generation (Thach et al., 2020; Thangavel et al., 2021). With the primary means of product information and purchase completion being obtained through smartphones and tablets in today's marketplace, Zoomers are in the most comfortable position to complete these purchases as they are the most familiar with the technology (Turner, 2015). Due to this digital literate consumption, Zoomers make more highly informed, pragmatic, and analytical decisions than representatives of previous generations (Grigoreva et al., 2021; Thangavel et al., 2021).

In the marketplace, Zoomers, like Millennials, want to "be their own boss" within the purchase decision making process (Dharmesti et al. 2021; Giray, 2022). Their desire

for a sense of control when shopping impacts their buying behavior (Dharmesti et al.,

2021). As digital natives, they want to find information easily online. The more

information they access, the more it will assist their purchase decision process

(Dharmesti et al., 2021; Kumar et al., 2016; Parment 2013).

These digital natives are used to information overload from the internet, so they

are more familiar with sifting through their options without exiting the buying process

(Grigoreva et al., 2021; Munsch, 2021; Parment, 2013). Due to information overload

natives prefer to decide when, where, and how companies communicate with them

(Parment, 2013). To reach digital natives, advertisers should consider creating short ads

that include humor, music, or the use of social media influencers (Munsch, 2021).

Zoomers and Millennials both tend to be tech savvy in avoiding risks which leads

to a positive attitude, and thus more trust, toward making purchases online (Dharmesti et

al., 2021; Kumar et al., 2016). Whereas Boomers and Xers are individualistic, Millennials

and Zoomers are collaborative in nature – trusting heavily in peer reviews and word-of-

mouth product assessments (Gursoy et al., 2008; Kumar et al., 2016)

Social media is prime real estate for advertising toward digital natives (Grigoreva

et al., 2021). Zoomers, who often use several devices simultaneously, often consume this

marketing information fragmentarily (Grigoreva et al., 2021). This generation carefully

weighs their options from physical retail stores and digital storefronts, and nearly always

buys online since they perceive that virtual store benefits outweigh that of physical ones

(Thangavel et al., 2021). For this reason, they may be the most difficult group to market

to because of their media savviness and their aptitude to search and compare extensively

before purchasing (Thangavel et al., 2021).

When shopping, Generation Z expresses themselves through purchasing and consumption habits, preferring to engage in brands that reflect their current or even aspirational self-concepts (Goldring & Ahaz, 2021). Since much of what they encounter online is already branded and commercialized, Zoomers have extensive knowledge of various brands and the latest trends (Goldring & Ahaz, 2021). They also desire consumer uniqueness but are not as concerned about high-end luxury brands. Rather, Zoomers want to buy from brands who express a unique and authentic brand story and have proven themselves to be a reliable source of product information (Goldring & Ahaz, 2021).

**Summary**

The intent of this dissertation is to show that generational cohort beliefs and values directly impact each of the three independent variables. While prior research shows that trust, social factors, and sales strategies impact consumer purchasing behavior, these should be viewed through the lens of generation cohort theory when analyzing digital marketing techniques in the automotive marketplace (Eastman et al., 2021; Moorman et al., 1993; Wang et al., 2013).

## Chapter 3: Methodology

This dissertation was focused on examining the influence that trust, social factors, and sales strategies had on a consumer's willingness to purchase a vehicle online. These factors were then examined through the lens of generational cohort theory to measure how cohort membership affected the impact of each independent variable on online purchase behavior. Hypotheses were based on these constructs, and they were tested through a quantitative research process as shown in the conceptual model (Figure 1) that was introduced in the first chapter.

**Research Design**

The study was conducted using primary research in the form of consumer surveys. The surveys sought to measure the attitudes, knowledge, and behaviors of consumers when purchasing used automobiles. These surveys were delivered to consumers online through a SurveyMonkey link in March of 2023.

These surveys were sent via e-mail. An example of this e-mail is included in Appendix B. Respondents were encouraged to pass the survey on to their family and friends to create a snowball effect from which to extend the reach of my research. This research method is rooted in past research from authors such as Voicu & Babonea (1997). The objective was to obtain 384 respondents in order to achieve a 95% confidence interval (Krejcie & Morgan, 1970).

The three independent variables of trust, social factors, and sales strategies were measured from the response data. Trust is measured by a respondent's level of trust in the information received from both local and online dealerships. Social factors include the importance of social media and the product usage of family and friends on the purchase

decision process. Sales strategies were measured by a respondent's perceived importance of benefits and features from both traditional and online dealerships. These are listed in more detail in Appendix B.

Generational cohorts were measured by what year the respondent was born. Respondents were required to select from a range of birth years in section 1 of the survey, as seen in Appendix B. Baby Boomers included those born between 1946-1964; Generation X between 1965-1980; Millennials between 1981-1996; Zoomers between 1997-2005. Any respondent born after 2005 (under the age of 18 at the time of this survey) could not participate even if they were a member of the Zoomer cohort. Respondents outside of the birth years 1946-2005 were disqualified and not included in analytical results.

The dependent variable, "purchasing channel", was the manner in which a respondent's next vehicle, as determined by the decision tree, would be purchased (online or traditional means). For the purpose of this study, "online" channels would include major online automotive retail outlets where the purchase selection and decision process is completed online. This online process allows for the "test drive" and inspection of the vehicle after it is delivered to the customer or to a designated pickup location whereby the customer finalizes the purchase. For this study, "traditional" channels include used car dealerships. Neighbor-to-neighbor or family purchases were not included.

### Participants

The sample population was from adults in the United States who were a part of one of the four generational cohorts measured in this dissertation. Online surveys were sent to students, faculty, and staff of Anderson University in Anderson, South Carolina,

as well as students and faculty from Gardner Webb University. Respondents who completed the short survey were given the chance to enter to win a $100 Visa gift card drawing. Surveys were completed in March of 2023 over the course of twelve days. A random drawing was held in May of 2023 and a winner was awarded the prize. A random number generator from Google was used to produce a survey number, and then the number was matched to the e-mail address of the respondent who entered the drawing. This ensured that all other e-mail addresses were disregarded.

### *Instrumentation*

This survey for this dissertation was comprised of three sections. Simple instructions were included at the beginning of the survey on how to complete the survey itself, as well as brief instructions and appreciation upon completion of the survey. Clear instructions were given regarding continuum scale questions on which answers are "low" and which are "high," and included anchors to the questions with terms that describe the meanings of the ratings. A brief paragraph was used as a "cover letter" for both paper and online surveys explaining the purpose of the study, its use in academic research, a note of confidentiality, and an informed consent.

The first section was demographic information that included the respondent's age, gender, education level, and geographical location. All questions required an answer, although respondents could exit the survey at any time.

The second section was the interactive decision tree that sought to understand purchase decision intentions. Participants were asked to imagine a scenario where they were in immediate need of a vehicle and must "purchase" an automobile inside of the survey using the inventory and dealerships available to them within the survey. This

section of the survey intended to act as a simulation of a potential consumer automobile purchase process. Each respondent was asked a series of questions that prompted them to make a decision during the purchase process. In essence, the survey slightly varied by respondent since the questions were asked in such a way that guided consumers on a unique purchasing decision journey based on their decisions in each step of the process. An illustration of the decision tree is listed in Appendix B.

The first decision in section 2 of the survey asked each respondent "Where do you start your automobile search process?" Respondents had three options: 1) visit a physical used car dealership; 2) begin their search for vehicles online; 3) discuss their purchasing options with their social network of family and friends who may give them advice on where to begin their search process.

Respondents who began their search at a local dealership had five possible paths they could take before they had to make a purchase decision. These are illustrated in Figure 5 below. Those who began online had five possible paths as illustrated in Figure 6. Those who began by asking advice from family and friends had three initial paths they could take before being redirected either into the local or online search process. These are illustrated in Figure 7.

**Figure 5**

*Respondent Paths when Beginning at Local Dealership*

|  | PATH 1 | PATH 2 | PATH 3 | PATH 4 | PATH 5 |
|---|---|---|---|---|---|
| Step 1 | Start at Local Dealership | Start at Local Dealership | Start at Local Dealership | Start at Local Dealership | Start at Local Dealership |
| Step 2 | Haggle | Haggle | Haggle | Do not engage salesperson | Do not engage salesperson |
| Step 3 | **Buy Local** | Keep Shopping Online | Keep Shopping Online | **Buy Online** | **Buy Local** |
| Step 4 |  | **Buy Online** | **Buy Local** |  |  |

**Figure 6**

*Respondent Paths when Beginning at Online Dealership*

|  | PATH 6 | PATH 7 | PATH 8 | PATH 9 | PATH 10 |
|---|---|---|---|---|---|
| Step 1 | Start Online | Start Online | Start Online | Start Online | Start Online |
| Step 2 | Visit Carvana.com | Visit Carvana.com | Visit Carvana.com | Drive to Dealership | Drive to Dealership |
| Step 3 | **Buy Online** | Decide to visit dealership | Decide to visit dealership | **Buy Local (2 Price Opts)** | **Buy Online** |
| Step 4 |  | Haggle | Haggle |  |  |
| Step 5 |  | **Buy Local (2 Price Opts)** | **Buy Online** |  |  |

**Figure 7**

*Respondent Paths when Beginning with Family & Friends*

|  | PATH F1 | PATH F2 |
|---|---|---|
| Step 1 | Ask Advice from Family/Friends | Ask Advice from Family/Friends |
| Step 2 | Start at Local Dealership | Start Online |
|  | (Respondent then Enters the Local Dealer Decision Tree) | (Respondent then Enters the Online Decision Tree) |

Once respondents selected one of the three ways they intended to initiate their vehicle search, they followed the decision tree until they had either reached the point where they were ready to buy the vehicle presented to them or they would exit the purchasing process and move to another purchasing channel.

The decision tree sought to account for some crossing between the stages just as a customer would in their purchase decision journey. For instance, it was quite possible that a customer could begin a vehicle search online to gather information, and then complete the purchase at their local dealership where they felt more comfortable. The alternative could also be true, as the customer could visit a local dealership to visually examine inventory and options, only to then find and purchase their dream car online. However, the model attempted to limit the ability of a respondent to "loop" endlessly through the survey due to indecision and provided decision making points where the customer must eventually decide on the purchase of a vehicle.

Once a respondent had purchased a vehicle, they were directed to move on to section 3 of the survey. This third and final section of the survey included questions

regarding the variables of the study, which sought information regarding the respondent's trust levels in local and online automobile dealerships, the impact of social strategy components such as social media usage and recommendations of family and friends, and the importance of various sales strategies such as incentives in the automobile purchase process or the ability to talk to a salesperson. This section included questions intended to guide further understanding of the respondent's decision processes. These questions were centered on the three independent variables with multiple questions measuring each.

Four questions were asked related to the variable of trust. For instance, respondents were asked to rate how much they trusted the information shown to them about an automobile from an online dealership (Hochstein et al., 2018). Four questions were asked related to the variable of social factors. An example is "I consider the opinions of my family or friends the most reliable source of product information." This question is adopted from the work of Holmqvist et al. (2019). To measure sales strategies, respondents were asked to rate the importance of certain factors when buying a car, such as the ability to talk to a physical salesperson, or the ability to drive the car home the same day they purchased it.

All questions were adapted from previous literature and the marketing scales handbook from Bruner II (2021). The survey scales were listed in a 7-point Likert scale format as measured in previous literature. The survey instrumentation is listed in Appendix B.

Confidentiality of respondents was paramount, so names and any identifying markers were withheld from the instrumentation. Respondents were, upon completion of the survey, given an opportunity to enter to win a giveaway open to all respondents. This

was in the form of a final question of "do you want to enter your e-mail address to win at $100 Visa gift card?" To help secure confidentiality, respondents entering the drawing were directed to a separate survey link so that their e-mail addresses were not linked to their responses. These e-mail addresses were disregarded except for the random drawing of a winner. Any identifying information regarding respondents was destroyed after completion of the research.

Since multiple independent variables were measured against a single dependent non-continuous variable, logistic regression modeling was used to determine the statistical significance of each independent variable. The research data and analysis are discussed in depth in Chapter 4 of this dissertation. Before the survey began, the author secured IRB approval from both Anderson University and Gardner-Webb University.

**Chapter 4: Results**

The purpose of this dissertation was to research the current digital purchasing trend in the used automotive industry and seek to understand which factors impact its growth through the lens of generational cohort theory. To accomplish this, primary research was performed in the form of a short survey as described in Chapter 3. According to SurveyMonkey analytics, the average time to complete the survey was 5 minutes and 12 seconds. The results of this survey are described and analyzed in detail below.

**Demographic Results**

In total, there were 1,361 respondents to the survey which was conducted in a twelve-day period during March of 2023. All responses were gathered organically; none of the responses were purchased or paid respondents. Of these, 32 responses were disqualified, including 17 responses that were left incomplete and 15 responses where the respondent was outside of the age range of the survey. Thus, a total of 1,329 complete responses served as the basis for analysis of this dissertational study. Of the respondents, 693 of the 1,329 (52%) were male, and 636 (48%) were female. These numbers did not significantly deviate based on generational cohort.

Since respondents were required to list their current state of residence, survey results show that responses were from 44 of the 50 states in the United States, as well as the District of Columbia. South Carolina was the state with the largest number of responses across all regions, comprising of 36.8% of all respondents, which is not surprising since the epicenter of the research was from two college campuses – Anderson University, in upstate South Carolina, and Gardner-Webb University, in rural North

Carolina – near the border between North and South Carolina. A breakdown of respondent geographical regions is listed in Appendix C.

As listed in Appendix B, respondents were asked in section 1 of the survey about the area they currently lived in. Baby Boomer respondents in this survey tended to live in either rural (39%) or small city locations (36%). Gen Xers were slightly more balanced, as 24% lived in rural areas, 37% in a small city, and 27% in a suburb of a large city. Millennial respondents tended to live in more urban areas, as 15% were rural, compared to 33% in a small city, 29% in a suburb of a large city, and 22% in a large city. Zoomers, not surprisingly, had a sizeable number of respondents who lived in a university campus environment (21%). One third of Zoomers lived in a small city, and 20% lived in a suburb of a large city.

Respondents were also asked to list their level of completed education. In total, 15% of respondents had a high school or less educational level; 28% had an associate's degree or some college; 35% had a bachelor's degree; 17% had a master's degree; and 4% had a doctoral or terminal degree. The most educated generation in the survey was the Millennials. Not surprisingly, the least educated were Zoomers who are still predominantly in college now or have not had much opportunity to complete higher levels of education as of the year 2023. The large number of Zoomers with "high school or less" education is best explained as many of those respondents were currently enrolled college students who chose that selection since they had not yet completed their bachelor's degree.

*Respondents by Generational Cohort*

Baby Boomers comprised 139 of 1,329 respondents to the survey (10.29%). After the Boomers were Generation X, who comprised 273 respondents to the survey (20.54%) and were the third largest responding group. In this survey, 527 respondents (39.65 %) were Millennials, which created the largest group of respondents. Additionally, 390 respondents were Zoomers (29.35%), which contained the second largest group of respondents. In some cases, Zoomers were not able to complete the survey since they were under 18 years old, as all minors were excluded from the survey.

Fifteen total respondents (1.1%) were outside of the 18–77-year-old age range for the survey, and thus were excluded from being able to take the survey. Any respondent falling within this age bracket was immediately disqualified from the survey and not allowed to proceed any further. All respondents were prevented from going backwards in the survey, so it is not possible that any respondent could change their answers, including demographic ones once they were disqualified. Respondents are listed by generational cohorts in Figure 8.

**Figure 8**

*Responses by Generational Cohort*



Q1 In what YEAR were you born?
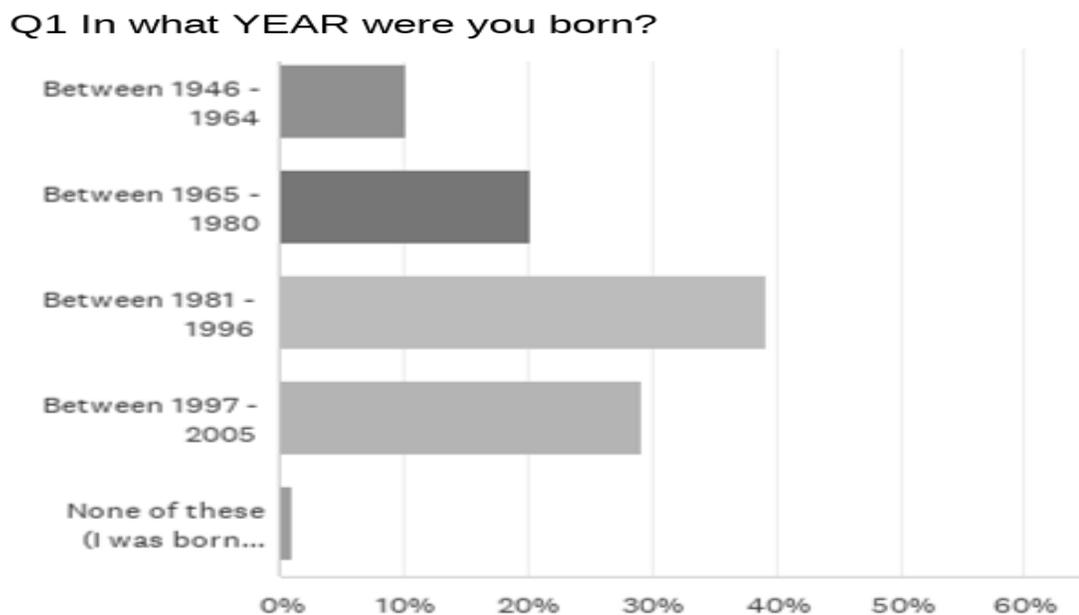
**Testing the Variables**

The three independent variables (trust, social factors, and sales strategies) were

tested in the survey. In sequence the results for each of the variables are reported. Scores

were calculated for each of the variables from the raw data, and a summary is listed in

Figure 10. The range of scores runs from 1 to 7. Various statistical tests, including

logistic regression, analysis of variance (ANOVA), and correlations, were run to compare

data for the purpose of determining the most accurate model for predicting online

purchase behavior.

To ensure that the trust variable was a genuine reflection of online trust, data was

collected regarding trust in local dealerships for comparison. After the data was collected,

it was apparent that respondents varied in their trust with local dealerships versus online

trust. So, in a better effort to understand and demonstrate the data, the trust scores were divided into local and online scores.

An ANOVA list of independent variables is included in Table 2. The use of ANOVA is necessary to assess whether there is a statistically significant difference between the averages observed in the study. The ANOVA analysis shows that, aside from trust in local dealerships and local sales strategies, the mean values between the groups is statistically significant. This suggests that the variables were perceived differently among the four generations.

**Table 2**

*Total Variable Measurement Scores*

| | TOTAL VARIABLE MEASUREMENT SCORES | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Trust Score | | Social Factors | | | Sales Strategies Score | | |
| | Trust Local Dealerships | **Trust Online** | Family & Friends | Social Media | **Total Social Factor Score** | Local Sales Strategies | Online Sales Strategies | **Total Sales Strategies** |
| Baby Boomers | 4.40 | **3.60** | 4.73 | 4.20 | **4.46** | 4.71 | 2.99 | **3.85** |
| Gen X | 4.16 | **4.16** | 4.79 | 4.88 | **4.83** | 4.46 | 2.91 | **3.69** |
| Millennials | 4.34 | **4.52** | 4.94 | 5.07 | **5.00** | 4.65 | 2.92 | **3.78** |
| Zoomers | 4.37 | **4.47** | 5.47 | 5.43 | **5.45** | 4.66 | 2.44 | **3.55** |

To understand which means were different, a post-hoc test showed that there were significant differences between generations regarding trust, social factors, and sales strategies, and each of these relationships warranted additional tests to fully determine the validity of their related hypotheses. (Values for Trust: $M_{Boomers} = 3.60$, $M_{GenX} = 4.16$, $M_{Millennials} = 4.52$, $M_{Zoomers} = 4.47$, $F = 27.083$, $p < .001$; Values for Social Factors:

$M_{Boomers} = 4.46$, $M_{GenX} = 4.83$, $M_{Millennials} = 5.00$, $M_{Zoomers} = 5.45$, $F = 38.879$, $p < .001$;

Values for Sales Strategies: $M_{Boomers} = 3.85$, $M_{GenX} = 3.69$, $M_{Millennials} = 3.78$, $M_{Zoomers} =$

$3.55$, $F = 14.291$, $p < .001$).

As a comparison, the test showed no significant differences between generations

regarding trust in local dealerships or local sales strategies. (Values for Local Trust:

$M_{Boomers} = 4.40$, $M_{GenX} = 4.16$, $M_{Millennials} = 4.34$, $M_{Zoomers} = 4.37$, $F = 1.658$, $p = .174$;

Values for Local Sales Strategies: $M_{Boomers} = 4.71$, $M_{GenX} = 4.46$, $M_{Millennials} = 4.65$,

$M_{Zoomers} = 4.66$, $F = 2.342$, $p = .072$).

Next, correlation tests were performed to ensure the three variables were

measuring different effects of the model, as seen in Table 3. This would be important to

build an effective model for online purchase behavior that prevented collinearity between

variables.

**Table 3**

*Correlations Between Variables*

|                  | Trust   | Social Factors | Sales Strategies |
|------------------|---------|----------------|------------------|
| Trust            | 1.000   |                |                  |
| Social Factors   | 0.4132  | 1.000          |                  |
| Sales Strategies | -0.1333 | -0.1938        | 1.000            |

***Testing H1***

H1 states that consumer trust positively impacts online automobile purchase

behavior. It is important to note that generations differed in their trust scores of local

dealership information compared to online dealership sales information as shown in

Figure 10 above. Digital natives (Millennials and Zoomers) have a greater trust in the information provided to them by online dealerships versus local dealerships, whereas Baby Boomers are more likely to trust local dealers. There is a clear distinction in trust here amongst Baby Boomers, who are the only group to show distrust (below a score of 4.0) in online dealership information. Generation X, as seen in other data from this survey, maintains a general low level of trust from both parties which fits with prior research regarding this generation.

The p-value on an analysis of variance test (ANOVA) shows that there is statistically significant difference in mean trust scores between the generations, as shown in Table 4. Though some generations do not show much variety in trust scores, there are pairwise differences.

**Table 4**

*ANOVA – Trust*

| Summary of Trust in Online Dealerships and Generational Cohorts | | | |
|---|---|---|---|
| Year born | Mean | Std. Dev. | Frequency |
| 1 | 3.891 | 1.438 | 138 |
| 2 | 4.203 | 1.319 | 271 |
| 3 | 4.59 | 1.249 | 525 |
| 4 | 4.866 | 1.375 | 380 |
| Total | 4.517 | 1.357 | 1,314 |

| Analysis of Variance | | | | | |
|---|---|---|---|---|---|
| Source | SS | df | MS | F | Prob>F |
| Btwn groups | 129.816811 | 3 | 43.2722705 | 24.79 | 0.0000 |
| Within groups | 2286.31485 | 1310 | 1.74527851 | | |

Bartlett's equal-variances test: chi2(3) = 6.5251

Prob>chi2 = 0.089

Next, a logistic regression test was run to see the impact of trust on online

purchase behavior – hypothesis H1 – as seen in Table 5 below. Logistic regression was

chosen because the dependent variable was not a continuous variable. With a p-value of

less than .001, trust was shown to have a significant and positive impact on online vehicle

purchase behavior.

**Table 5**

*Trust (H1)*

| Logistic Reg. - Trust in Online Dealerships to Purchasing Channel | | | | | | |
|---|---|---|---|---|---|---|
| *Variable* | *Odds Ratio* | *SE.* | *z* | *P > z* | *95% CI* | |
| TrustO | 0.55672 | 0.02984 | -10.93 | 0.000 | 0.501202 | 0.618387 |
| constant | 17.63493 | 4.330844 | 11.69 | 0.000 | 10.89765 | 28.53741 |

*Note.* Observations = 1314, LR chi2 = 137.27, Prob > Chi2 = .0000, Psuedo R2 = .0765

To further test H1, a logistic regression test was run for each generation to

compare the odds ratios and see if trust could stand alone as a predictor of online

purchase behavior (Table 6). These four tests show that trust indeed can stand alone as a

predictor as the odds ratios are all similar between the tests and p-values are less than

.001. Interestingly, it also shows that both Baby Boomers have a statistically significant

impact toward online purchase behavior on their own. Zoomers showed significance in some tests, but they did not in others, indicating that there was collinearity in the data results relating to Zoomers and that their impact was explained somewhat by other factors.

**Table 6**

*Trust, Test 2 (H1)*

Logistic Reg. - Trust in Online Dealerships to Purchasing Channel

| Variable | Odds Ratio | Std. Err. | z | P > z | 95% Conf Int | |
|---|---|---|---|---|---|---|
| TrustO | 0.567027 | 0.030817 | -10.44 | 0.000 | 0.509732 | 0.630761 |
| BabyBoomer | 1.541174 | 0.329065 | 2.03 | 0.043 | 1.014160 | 2.342052 |
| constant | 15.62743 | 3.940883 | 10.9 | 0.000 | 9.533096 | 25.61777 |

*Note.* Observations = 1314, LR chi2 = 137.27, Prob > Chi2 = .0000, Psuedo R2 = .0766

Logistic Reg. - Trust in Online Dealerships to Purchasing Channel

| Variable | Odds Ratio | Std. Err. | z | P > z | 95% Conf Int | |
|---|---|---|---|---|---|---|
| TrustO | 0.555608 | 0.029904 | -10.92 | 0.000 | 0.499984 | 0.617421 |
| GenX | 0.936287 | 0.136737 | -0.45 | 0.652 | 0.703232 | 1.246578 |
| constant | 18.0341 | 4.524109 | 11.53 | 0.000 | 11.02957 | 29.48699 |

*Note.* Observations = 1314, LR chi2 = 137.27, Prob > Chi2 = .0000, Psuedo R2 = .0767

Logistic Reg. - Trust in Online Dealerships to Purchasing Channel

| Variable | Odds Ratio | Std. Err. | z | P > z | 95% Conf Int | |
|---|---|---|---|---|---|---|
| TrustO | 0.552757 | 0.029848 | -10.98 | 0.000 | 0.497246 | 0.614461 |
| Millennial | 1.151226 | 0.138946 | 1.18 | 0.240 | 0.909721 | 1.459464 |
| constant | 17.17499 | 4.229048 | 11.55 | 0.000 | 10.59946 | 27.82811 |

*Note.* Observations = 1314, LR chi2 = 138.67, Prob > Chi2 = .0000, Psuedo R2 = .0773

Logistic Reg. - Trust in Online Dealerships to Purchasing Channel

| Variable | Odds Ratio | Std. Err. | z | P > z | 95% Conf Int | |
|---|---|---|---|---|---|---|
| TrustO | 0.560366 | 0.030085 | -10.79 | 0.000 | 0.504396 | 0.622546 |
| Zoomer | 0.753865 | 0.097767 | -2.18 | 0.029 | 0.584660 | 0.972039 |
| constant | 18.59203 | 4.598272 | 11.82 | 0.000 | 11.44995 | 30.1891 |

*Note.* Observations = 1314, LR chi2 = 138.66, Prob > Chi2 = .0000, Psuedo R2 = .0773

  An additional logistic regression test was performed to see if trust in online dealerships would influence a particular cohort's willingness to buy online. Table 7 shows that Boomers, Millennials, and Zoomers all show that trust in online dealerships affects their willingness to purchase a vehicle online.

**Table 7**

*Trust in Online Dealerships*

| Logistic Reg. - Trust in Online Dealerships to Purchasing Channel | | | | | | |
|---|---|---|---|---|---|---|
| *Variable* | *Odds Ratio* | *Std. Err.* | *z* | *P > z* | *95% Conf Int* | |
| TrustO | 0.5654662 | 0.0309602 | -10.41 | 0.000 | 0.5079277 | 0.6295226 |
| BabyBoomer | 1.809506 | 0.4193497 | 2.56 | 0.010 | 1.148936 | 2.849866 |
| GenX | 1.164277 | 0.197441 | 0.9 | 0.370 | 0.8350405 | 1.623324 |
| Millennial | 1.324592 | 0.1887365 | 1.97 | 0.049 | 1.001837 | 1.751325 |
| constant | 13.45539 | 3.62701 | 9.64 | 0.000 | 7.93319 | 22.82152 |

*Note.* Observations = 1314, LR chi2 = 138.66, Prob > Chi2 = .0000, Psuedo R2 = .0773

### Testing H2

H2 states that social factors, which include the product usage of family and friends and social media usage, significantly impact online automobile purchase behavior. Social factors were measured by a respondent's faith in advice from family and friends as well as their usage of social media. The p-value on an analysis of variance test (ANOVA) in Table 8 shows that there is statistically significant difference in mean social factor scores between the generations.

**Table 8**

*ANOVA – Social Factors*

| Summary of Social Factors and Generational Cohorts | | | |
|---|---|---|---|
| Year born | Mean | Std. Dev. | Frequency |
| 1 | 4.44 | 1.17 | 138 |
| 2 | 4.84 | 1.07 | 271 |
| 3 | 5.01 | 1.00 | 525 |
| 4 | 5.45 | 1.01 | 380 |
| Total | 5.04 | 1.08 | 1,314 |

| Analysis of Variance | | | | | |
|---|---|---|---|---|---|
| Source | SS | df | MS | F | Prob>F |
| Btwn groups | 125.873896 | 3 | 41.9579653 | 38.88 | 0.0000 |
| Within groups | 1413.74064 | 1310 | 107919133 | | |

Bartlett's equal-variances test: chi2(3) = 6.7899

Prob>chi2 = 0.079

Next, a logistic regression test was run to see the impact of social factors on online purchase behavior – hypothesis H2 – as seen in Table 9 below. With a p-value of .778, social factors were shown to have no significant impact on online vehicle purchase behavior, thus rejecting hypothesis H2.

**Table 9**

*Social Factors (H2)*

| Logistic Reg. - Social Factors to Purchasing Channel | | | | | | |
|---|---|---|---|---|---|---|
| *Variable* | *Odds Ratio* | *Std. Err.* | *z* | *P > z* | *95% Confidence Int* | |
| SocialFactors | 1.014629 | 0.523166 | 0.28 | 0.778 | 0.9171011 | 1.122528 |
| constant | 0.730582 | 0.056615 | -4.05 | 0.000 | 0.6276444 | 0.850403 |

*Note.* Observations = 1314, LR chi2 = .08, Prob > Chi2 = .7782, Psuedo R2 = .0000

### Testing H3

H3 states that sales strategies, which embody the entire sales and service process including product, price, and placement strategies, significantly impact online automobile purchase behavior. Sales strategies incorporated the search process, pricing model (e.g. haggle vs no-haggle), product selection, vehicle availability and delivery, and return policy. The p-value on an analysis of variance test (ANOVA) in Table 10 shows that there is statistically significant difference in mean sales strategy scores between the generations.

**Table 10**

*ANOVA – Sales Strategies*

| Summary of Sales Strategies and Generational Cohorts | | | |
|---|---|---|---|
| Year born | Mean | Std. Dev. | Frequency |
| 1 | 4.74 | 1.72 | 138 |
| 2 | 4.39 | 1.21 | 271 |
| 3 | 4.56 | 1.06 | 525 |
| 4 | 4.10 | 1.22 | 380 |
| Total | 4.41 | 1.24 | 1,314 |

| Analysis of Variance | | | | | |
|---|---|---|---|---|---|
| Source | SS | df | MS | F | Prob>F |
| Btwn groups | 63.966803 | 3 | 21.3222679 | 14.29 | 0.0000 |
| Within groups | 1954.5737 | 1310 | 1.49204099 | | |

Bartlett's equal-variances test: chi2(3) = 61.2757

Prob>chi2 = 0.000

Next, a logistic regression test was run to see the impact of sales strategies on online purchase behavior – hypothesis H3 – as seen in Table 11 below. With a p-value of less than .001, sales strategies were shown to have a significant impact on online vehicle purchase behavior, thus confirming hypothesis H3.

**Table 11**

*Sales Strategies, Test 2 (H3)*

| Logistic Reg. - Sales Strategies to Purchasing Channel | | | | | | |
|---|---|---|---|---|---|---|
| *Variable* | *Odds Ratio* | *Std. Err.* | *z* | *P > z* | *95% Conf Int* | |
| SalesStr | 0.6908787 | 0.338782 | -7.54 | 0.000 | 0.6275698 | 0.7605743 |
| constant | 0.5903424 | 0.038390 | -8.10 | 0.000 | 0.5196967 | 0.6705915 |

*Note.* Observations = 1314, LR chi2 = 62.1, Prob > Chi2 = .0000, Psuedo R2 = .0346

### Testing H4a

H4a states that generational cohort theory acts as a moderating variable to trust. To test generational cohort theory as a moderating variable to trust, an additional logistic regression test was performed. Table 12 shows that Boomers (p-value = .042) moderate the impact of trust when purchasing a vehicle online.

**Table 12**

*Trust & Generational Cohorts (H4a)*

| | | B | S.E. | Wald | df | Sig. | Exp(B) | 95% C.I.for EXP(B) | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | Lower | Upper |
| Step 1[a] | TrustO | -.586 | .054 | 119.405 | 1 | .000 | .557 | .501 | .618 |
| | Constant | 2.870 | .246 | 136.562 | 1 | .000 | 17.635 | | |
| | Yearborn | | | 8.027 | 3 | .045 | | | |
| | Yearborn(1) | .593 | .232 | 6.549 | 1 | .010 | 1.810 | 1.149 | 2.850 |
| | Yearborn(2) | .152 | .170 | .804 | 1 | .370 | 1.164 | .835 | 1.623 |
| | Yearborn(3) | .281 | .142 | 3.892 | 1 | .049 | 1.325 | 1.002 | 1.751 |
| | TrustO | -.570 | .055 | 108.421 | 1 | .000 | .565 | .508 | .630 |
| Step 2[b] | Constant | 2.599 | .270 | 92.990 | 1 | .000 | 13.455 | | |
| | Yearborn | | | 10.867 | 3 | .012 | | | |
| | Yearborn(1) | 2.604 | 1.057 | 6.073 | 1 | .014 | 13.514 | 1.704 | 107.195 |
| | Yearborn(2) | .665 | .708 | .882 | 1 | .348 | 1.945 | .485 | 7.791 |
| | Yearborn(3) | -.625 | .594 | 1.105 | 1 | .293 | .536 | .167 | 1.716 |
| | TrustO | -.582 | .092 | 40.043 | 1 | .000 | .559 | .467 | .669 |
| Step 3[c] | TrustO * Yearborn | | | 10.522 | 3 | .015 | | | |
| | TrustO by Yearborn(1) | -.498 | .245 | 4.124 | 1 | .042 | .608 | .376 | .983 |
| | TrustO by Yearborn(2) | -.121 | .158 | .586 | 1 | .444 | .886 | .650 | 1.207 |
| | TrustO by Yearborn(3) | .197 | .127 | 2.413 | 1 | .120 | 1.218 | .950 | 1.563 |
| | Constant | 2.653 | .428 | 38.345 | 1 | .000 | 14.200 | | |

These results also show that the odds for Baby Boomers purchasing online are close to half the odds for Zoomers to purchase online after adjusting for the impact of trust. The effect of trust on the outcome is accounted for and there is still an effect of

being a Baby Boomer regarding purchasing a vehicle online. There is also no significant

effect from Generation X or Millennials, when comparing to Zoomers in this test,

indicating that these three generations tend to act more alike in this test. Thus, once the

Baby Boomer generation passes on, trust will no longer be a significant predictor of

online purchase behavior according to this data.

### Testing H4b

H4b states that generational cohort theory acts as a moderating variable to social

factors. Since social factors are not shown to be a factor in online purchase behavior, as

seen in Figure 17 above, the generational impact on social factors was also not going to

be an impact on online purchase behavior, thus rejecting hypothesis 4b.

### Testing H4c

H4c states that generational cohort theory acts as a moderating variable to sales

strategies. A final test on sales strategies was done including the four generational cohorts

to see if the effect of sales strategies on online purchase behavior stood alone or was

impacted by generational cohort theory. This is shown in Table 13 and confirms

hypothesis 4c, but only in regard to the Baby Boomer generation.

**Table 13**

*Sales Strategies & Generational Cohorts (H4c)*

|  |  | B | S.E. | Wald | df | Sig. | Exp(B) | 95% C.I.for EXP(B) | |
|---|---|---|---|---|---|---|---|---|---|
|  |  |  |  |  |  |  |  | Lower | Upper |
| Step 1[a] | TotalSS | .738 | .098 | 56.712 | 1 | .000 | 2.093 | 1.727 | 2.536 |
|  | Constant | -2.428 | .366 | 44.114 | 1 | .000 | .088 |  |  |
| Step 2[b] | TotalSS | .675 | .107 | 39.949 | 1 | .000 | 1.963 | 1.593 | 2.420 |
|  | TotalSS * Yearborn |  |  | 15.188 | 3 | .002 |  |  |  |
|  | TotalSS by Yearborn(1) | .233 | .063 | 13.863 | 1 | .000 | 1.263 | 1.117 | 1.428 |
|  | TotalSS by Yearborn(2) | .049 | .045 | 1.198 | 1 | .274 | 1.050 | .962 | 1.146 |
|  | TotalSS by Yearborn(3) | .015 | .038 | .148 | 1 | .700 | 1.015 | .942 | 1.093 |
|  | Constant | -2.331 | .375 | 38.726 | 1 | .000 | .097 |  |  |

The effect of sales strategies on the outcome is accounted for and there is still an effect of being a Baby Boomer regarding purchasing a vehicle online (p-value < .001). There is also no statistically significant effect from Generation X or Millennials, when comparing to Zoomers in this test, indicating that these three generations tend to act more alike in this test.

**Additional Analyses of Data**

Aside from the hypotheses of this dissertation, the data provided other interesting points that impact online automobile purchase behavior. In order to better understand the

data collected, additional analysis was conducted. The following sections list these additional observations from the results of the survey.

### *The Initial Search Process*

Section 2 of the survey began identically for every respondent. Respondents were informed that they must purchase a used car vehicle within the next two weeks and given an option of three different areas where they would begin their search. The three options were driving to a local used car dealer, beginning their search online, or asking advice from family and friends.

Of the 1,329 qualified respondents, 344 (26%) began their search at a local dealership, 809 (61%) began their search online, and 176 (13%) began by asking family and friends for advice. Each of the four generational cohorts had a majority of respondents begin online. Also, each of the oldest three generations had 30% of respondents begin with a local dealership. Zoomers deviate from the other groups, as only 16% began at a local dealership. A regression test confirms the significance of this deviation amongst the cohorts. Conversely, 21% of Zoomers began by asking advice from their family and friends – more than twice that of both Millennials and Gen Xers, and still significantly higher than Baby Boomers. Respondents across all generations chose to start their search online more than twice as often as at a local dealership (61% to 26%). Table 14 illustrates these observations.

**Table 14**

*Initial Search by Cohort*

| | Initial Search (by % of Cohort) | | |
|---|---|---|---|
| | Drive to a Local Dealership | Begin Search Online | Ask Advice from Family & Friends |
| Baby Boomers | 30% | 57% | 13% |
| Gen X | 30% | 62% | 8% |
| Millennials | 30% | 60% | 10% |
| Zoomers | 16% | 63% | 21% |

Regression - Generational Cohort to Initial Search

| *Variable* | *Odds Ratio* | *Std. Err.* | *z* | *P > z* | *95% Conf Int* | |
|---|---|---|---|---|---|---|
| BabyBoomer | 0.0959496 | 0.0747052 | 1.28 | 0.199 | -0.0506038 | 0.2425031 |
| Millennial | 0.0395424 | 0.0534625 | 0.74 | 0.046 | -0.0653381 | 0.1444228 |
| Zoomer | 0.1117216 | 0.0565763 | 1.97 | 0.049 | 0.0007328 | 0.2227104 |
| constant | 1.4652010 | 0.043392 | 33.77 | 0.000 | 1.3800770 | 1.5503260 |

| *Source* | SS | df | MS | *No of Obs* | 1329 |
|---|---|---|---|---|---|
| *Model* | 2.42330815 | 3 | 0.807769 | *F (4, 542)* | 1.57 |
| *Residual* | 681.080078 | 1325 | 0.514023 | *Prob > F* | 0.1945 |
| *Total* | 683.503386 | 1328 | 0.514686 | *R-squared* | 0.0035 |
| | | | | *Adj R-sq* | 0.0013 |
| | | | | *Root MSE* | 0.7170 |

Thus, two general conclusions were reached – the majority of respondents across all generations began their search online, and Zoomers were a statistical outlier from the other three cohorts in the initial search process.

**Initial Search Implications.** The survey gathered data on two fronts regarding the initial search patterns of respondents. These included the respondents' perceived need to have an ability to initially shop online for vehicles before visiting a local dealership (based on the respondent's answers from section 3), and their actual use of this online ability (based on the respondent's actual decision to begin their search in section 2). Two logistic regression tests were run to see if either of these factors impacted the decision to purchase a vehicle online. Table 15 shows that the respondent's desired ability to search online was not an indicator of online purchase behavior, but that their actual behavior in beginning their search online, with a p-value of less than .001, was a strong predictor of online purchase behavior. Table 16 shows a chi-squared test for independence that tested the associative value between a respondent beginning their search online versus purchasing online. Here, the p-value of less than .001, along with a Cramer's V score of .2662, affirms that the starting point from which a respondent begins their search can be a predictor of whether or not they purchase online. Respondents who began their search online were much more likely to buy online, and visa-versa.

**Table 15**

*Initial Search Implications – Logistic Regression Test*

| Logistic Reg. - Search Implications to Online Purchase | | | | | | |
|---|---|---|---|---|---|---|
| *Variable* | *Odds Ratio* | *Std. Err.* | *z* | *P > z* | *95% Conf Int* | |
| AbilitySearch | 1.000872 | 0.0428611 | 0.02 | 0.984 | 0.920294 | 1.088504 |
| InitialSearch | 3.226427 | 0.4120446 | 9.17 | 0.000 | 2.511976 | 4.144080 |
| constant | 0.353661 | 0.0375996 | -9.78 | 0.000 | 0.287138 | 0.435594 |

*Note.* Observations = 1314, LR chi2 = 97.33, Prob > Chi2 = .0000, Psuedo R2 = .0543

**Table 16**

*Purchasing Channel-Initial Search Implications – Chi-Squared Test*

| | Local | Online | Total |
|---|---|---|---|
| Local | 383 | 136 | 519 |
| Online | 378 | 432 | 810 |
| Total | 761 | 568 | 1329 |

*Note:* Pearson Chi2 = 94.2232, Cramer's V=.2662, P-value = .0000

### Respondent Paths & Purchasing Channels

Due to the nature of section 2 of the survey being a decision tree, respondents often took varying paths toward a similar purchasing channel. In each section of the decision tree, respondents were naturally forced to make a purchase decision in order to prevent endless looping throughout the various parts of the tree. This would simulate a real-life situation since vehicle customers only have a limited amount of time and resources from which to research vehicles, visit dealerships, and purchase an automobile in order to have the transportation they need. That data shows that 44% of all respondents

never switched purchasing channels during their decision journey which was consistent

amongst all generational cohorts.

There were a total of 10 paths that respondents could take in the survey, with the

addition of two paths for those who chose to start with advice from family and friends

(paths F1 and F2), although these ultimately led back to one of the 10 major paths since

respondents then chose to shop online or at a local dealership in the decision tree after

asking advice. These 10 paths are illustrated in Table 17. In Paths 1, 3, 5, 7, and 9,

respondents ended up purchasing a vehicle at a local dealership. In Paths 2, 4, 6, 8, and

10 respondents purchased at an online dealership.

**Table 17**

*Respondents by Purchasing Paths*

| | Respondents by Purchasing Paths (by % of Cohort) | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Path 1 | Path 2 | Path 3 | Path 4 | Path 5 | Path 6 | Path 7 | Path 8 | Path 9 | Path 10 |
| Baby Boomers | 32% | 3% | 1% | 3% | 3% | 15% | 8% | 2% | 31% | 2% |
| Gen X | 22% | 7% | 4% | 3% | 2% | 20% | 5% | 3% | 27% | 7% |
| Millennials | 28% | 5% | 1% | 3% | 3% | 21% | 6% | 3% | 21% | 9% |
| Zoomers | 22% | 6% | 1% | 4% | 1% | 21% | 9% | 9% | 20% | 7% |
| TOTAL | 25% | 5% | 2% | 3% | 2% | 20% | 7% | 5% | 23% | 8% |

**Respondents Who Began at Local Dealerships.** For respondents who began

their search at a local dealership, there were five possible paths they could take before

they had to make a purchase decision as listed in Figure 6 in Chapter 3. The first decision

in this part of the survey was whether or not respondents were willing to engage an

approaching salesperson, which would then require them to haggle for pricing. If respondents chose to engage and haggle, then they must decide if the price was acceptable.

As shown in Figure 9, when respondents were faced with the initial decision to engage a physical salesperson, 86% of respondents engaged the salesperson to continue shopping on the physical car lot. These numbers were similar across every generational cohort.

**Figure 9**

*Engaging a Local Salesperson*

Q7 You visit one or more local dealers to find a car that matches your criteria. A local salesman approaches you, so you:
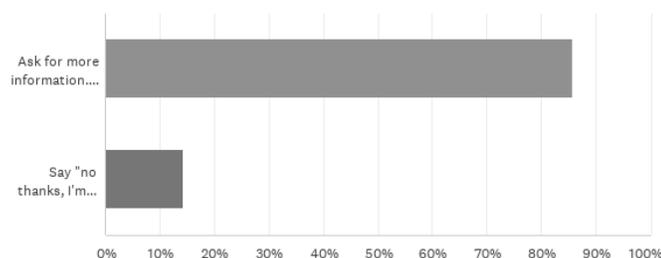


**Respondents Who Began at Online Dealerships.** For respondents who began their search online, there were five possible paths they could take before they had to make a purchase decision as illustrated in Figure 6 in Chapter 3. These respondents could complete the entire purchasing decision process online, or they also had the ability to change purchasing channels and visit a local dealership if they desired. If they chose to visit a local dealership, then the survey was able to test their willingness to haggle and their price sensitivity.

**Respondents Who Began Online.** A total of 809 respondents (61%) began their search online. This was meant to measure a customer's willingness to begin with a wide option of online searches, including a standard Google search, $3^{rd}$ party sites like Cars.com or Autotrader, or directly at an online dealership. This measurement speaks to consumer informedness and trust in online systems. In general, after beginning their search online, 53% of respondents chose to visit Carvana.com, and 47% chose to visit a local dealership. This varied, again, by generational cohort and is illustrated in Table 18.

**Table 18**

*Channel Decision after Initially Searching Online*

| | Channel Decision after Initially Searching Online (by % of Cohort) | |
|---|---|---|
| | Visit Carvana | Drive to Local Dealership and Haggle |
| Baby Boomers | 45% | 55% |
| Gen X | 47% | 53% |
| Millennials | 52% | 48% |
| Zoomers | 62% | 38% |

When it came time to purchase the online vehicle, respondents backed out of the deal and proceeded to visit a local dealership about half of the time, as seen in Table 19 below. There was no statistically significant change in the data across generations.

**Table 19**

*Purchase Channel Decision after Searching Online*

| | Online Dealership Purchase Decision (by % of Cohort) | |
| --- | --- | --- |
| | Buy the Car online | Visit Local Dealership, Haggle, then Buy Locally |
| Baby Boomers | 45% | 55% |
| Gen X | 47% | 53% |
| Millennials | 52% | 48% |
| Zoomers | 48% | 52% |

**Respondents Who Began with Family and Friends.** Some respondents (13%) began their search asking their family and friends for advice. Once selecting this route, respondents would be faced with a choice of beginning their search online or at a local dealership based on recommendations by their family and friends. This is illustrated in Figure 7 in Chapter 3.

Of the respondents who began by asking advice from family and friends, 80% of them chose to start at a local dealership instead of online, despite getting similar positive feedback from family and friends on both of the purchasing channels. Females (16%) were more likely than males (10%) to ask advice from their family and friends. However, when tested statistically, there was not a strong enough correlation to draw any definitive conclusions regarding gender's impact on asking advice from family and friends.

Educational levels, however, impacted the willingness of someone to ask advice. For instance, those with Doctoral and Master's degrees only asked advice 8% of the time.

Those with Bachelor's degrees asked 13% of the time; those with Associate's degree or some college asked 14% of the time, and those with high school or less asked 21%.

When examining the follow-up decision for these respondents regarding where they would begin their shopping (online or at a local dealer), there was no statistical significance in the decision relating to gender or educational level. Neither geographical region nor the type of area the respondent lived in were statistically significant in either of these tests.

**Price Sensitivity.** Respondents who haggled over the price of the vehicle were faced with higher pricing than desired in the survey and faced a decision. They could buy the car anyway, leave the dealership and decide to shop online, or continue to visit other local dealers until they found a car where the price was acceptable. If respondents chose to shop online after visiting a dealership, it is possible that they could end up back at a local dealership to complete their purchase, or they may have chosen to purchase online as the decision tree allowed for flexibility in their purchase decision process.

For respondents who chose not to buy the car anyway at the higher price point, responses still varied across cohorts regarding the next decision. Gen Xers, for example, were the most likely to leave the local car lot and go shop for a vehicle online – 33% of the time, compared to Boomers at just 12% of the time. Interestingly, Zoomers showed the highest price sensitivity. If the price was not right, they would exit the transaction 87% of the time and find somewhere else to purchase – generally showing no loyalty to a particular channel but shopping more on price.

The data was tested by a linear regression analysis for price sensitivity at this point to see how it would impact a cohort's purchasing channel decision. These data

points, illustrated in Tables 20, 21, and 22, could have important implications to future

dealership sales strategies as discussed later in this dissertation in the conclusions portion

of Chapter 5. Both Boomers and Zoomers showed statistical significance when faced

with pricing decisions in how it impacted their purchasing channel decision. Also worth

noting is that even though these Boomers began their search online, they only completed

their purchase at an online dealership 10% of the time once they returned to the

dealership to haggle over price.

**Table 20**

*The Effect of Haggling Price Sensitivity on Purchasing Channel*

| | Regression - Price Sensitivity to Purchasing Channel | | | | | |
|---|---|---|---|---|---|---|
| *Variable* | *Odds Ratio* | *Std. Err.* | *z* | *P > z* | *95% Conf Int* | |
| AtLocalDlrH | 0.39189 | 0.0250 | 15.71 | 0.000 | 0.3429 | 0.4409 |
| BabyBoomer | 0.1499 | 0.0604 | 2.48 | 0.013 | 0.0314 | 0.2685 |
| Millennial | -0.0774 | 0.0438 | -1.77 | 0.078 | -0.1634 | 0.0087 |
| Zoomer | -0.1196 | 0.0453 | -2.64 | 0.009 | -0.2087 | -0.0306 |
| constant | 0.7601 | 0.0732 | 10.38 | 0.000 | 0.6163 | 0.9040 |

| *Source* | SS | df | MS | *No of Obs* | 547 |
|---|---|---|---|---|---|
| *Model* | 37.7960 | 4 | 9.4490 | *F (4, 542)* | 67.92 |
| *Residual* | 75.4032 | 542 | 0.1391 | *Prob > F* | 0.0000 |
| *Total* | 113.1993 | 546 | 0.2073 | *R-squared* | 0.3339 |
| | | | | *Adj R-sq* | 0.3290 |
| | | | | *Root MSE* | 0.3730 |

**Table 21**

*Price Sensitivity after Starting at Local Dealership*

| Price Sensitivity after Haggling, When Starting at Local Dealership (by % of Cohort) | | |
| --- | --- | --- |
| | Buy the Car Anyway | Leave and Go Shop Online | Continue to Other Local Dealerships |
| Baby Boomers | 29% | 12% | 59% |
| Gen X | 20% | 33% | 47% |
| Millennials | 28% | 18% | 55% |
| Zoomers | 13% | 25% | 62% |

**Table 22**

*Price Sensitivity After Starting Online*

| Price Sensitivity after Haggling, When Starting Online  (by % of Cohort) | | |
| --- | --- | --- |
| | Buy the Car Anyway | Go back to Carvana and Buy Online | Continue to Other Local Dealerships |
| Baby Boomers | 19% | 10% | 70% |
| Gen X | 10% | 23% | 67% |
| Millennials | 7% | 32% | 62% |
| Zoomers | 4% | 36% | 59% |

**Completed Purchase Results.** One of the most important aspects of this study is where respondents ultimately decided to purchase their vehicle. Respondents either

purchased their vehicle at a local dealership or purchased it online, and the data is listed by generational cohort in Table 23 below.

**Table 23**

*Channel Used to Complete the Vehicle Purchase*

| | Purchasing Channel (by % of Cohort) | |
| --- | --- | --- |
| | Local Dealership | Online Dealership |
| Baby Boomers | 76% | 24% |
| Gen X | 59% | 41% |
| Millennials | 59% | 41% |
| Zoomers | 53% | 47% |

Upon examination of these descriptive statistics, younger respondents seemed to have a greater tendency to purchase their vehicles online rather than on a local dealership lot. Generation and Millennials were noticeably similar here – about 59% locally and 41% online. Baby Boomers purchased 76% of their vehicles locally and just 24% online, while Zoomers purchased 53% locally and 47% online. However, as seen in Figure 16, simply being a member of a generational cohort did not singularly statistically impact a respondent's likelihood to purchase from a particular channel, with the exception of Baby Boomers. For the other three cohorts, other factors impacted the predictability of purchase behavior.

**Summary of Findings & Predictive Model**

Hypotheses were based on the three major constructs and the impact that generational cohort theory would have on each construct. A summary of this research shows that some hypotheses were found to be supported, and others unsupported.

H1: Consumer trust was found to positively impact online automobile purchase behavior.

H2: Social factors were found to have no statistical impact on online automobile purchase behavior.

H3: Sales strategies were found to positively impact online automobile purchase behavior.

H4a: Generational cohort theory acted as a moderating variable to trust, but only regarding the Baby Boomer generation.

H4b: Generational cohort theory did not act as a moderating variable to social factors.

H4c: Generational cohort theory acted as a moderating variable to sales strategies, but only regarding the Baby Boomer generation.

Using the results from the tests on variables, a model can be constructed from the data that best predicts the likelihood that a consumer will purchase an automobile online rather than at a local dealership. Three major variables stand out – trust, sales strategies, and the Baby Boomer generation.

As the logistic regression model in Table 24 shows, p-values are less than .001 for both trust and sales strategies, and .008 for Baby Boomers, indicating that each has significant statistical impact on the model. These three variables are the most significant predictors for online purchasing, and the univariate models for each individual variable also supported this conclusion.

**Table 24**

Predictive Model for Purchasing Online

| | Logistic Reg. - Predictive Model | | | | | |
|---|---|---|---|---|---|---|
| *Variable* | *Odds Ratio* | *Std. Err.* | *z* | *P > z* | *95% Conf Int* | |
| TrustO | 1.5164590 | 0.0867995 | 7.27 | 0.000 | 1.3555310 | 1.696493 |
| SalesStr | 0.7121064 | 0.0363697 | -6.65 | 0.000 | 0.6442749 | 0.787080 |
| BabyBoomer | 0.5686843 | 0.1218185 | -2.63 | 0.008 | 0.3737097 | 0.865382 |
| constant | 0.5431193 | 0.0398579 | -8.32 | 0.000 | 0.4703575 | 0.627137 |

*Note.* Observations = 1314, LR chi2 = 132.78, Prob > Chi2 = .0000, Psuedo R2 = .0740

## Chapter 5: Discussion, Conclusions, and Recommendations

**Discussion**

A new type of automobile retailer has emerged that threatens the long-standing business model of vehicular sales. What seemed unlikely just a decade ago - selling cars online to customers who had never physically seen the vehicle – has become a viable alternative for consumers who prefer the benefits of shopping online and the avoidance of traditional automobile retail practices. Online retailers have created a unique purchase experience for consumers which changes the way consumers buy automobiles.

This dissertation included the delineation of the specific case of automobile marketing in which the internet has become the primary alternative to the traditional marketing techniques employed by local dealerships. As this research indicates, the fact that nearly 1 out of every 3 vehicles purchased in 2020 was completed online was not a fad, but rather a growing trend that must be handled wisely by traditional automotive retailers if they are going to maintain market share (Cox Automotive, 2021; Korn, 2021).

With the development of digital marketing, consumers have currently gained the upper hand in some product markets, forcing businesses to evolve their products and sales techniques yet again to stay profitable and relevant (Hochstein et al., 2018; Kim et al., 2019). The automotive industry provides a visible example of how shifts in consumer behavior can strongly impact the marketplace, and the companies who can best adapt and survive are often those with a willingness to both plan effectively and remain flexible all at the same time (Hochstein et al., 2018; Hu et al., 2014).

**Implications for Theory**

This research succeeded in addressing some gaps in the academic body of knowledge. For instance, this research sheds light on how various generational cohorts approach the purchase of used automobiles and the various factors that impact consumer decision making. The research also shows how automobile purchase attitudes and behaviors have shifted favorably for online dealerships.

**Implications for Practice**

As time passes, consumers are naturally becoming more tech-savvy and increasing their willingness to shop online for even the largest of purchases. Whereas it was once thought absurd to suggest someone make a $40,000 automobile purchase online without having laid eyes on it, consumers and entrepreneurial automobile dealers are showing a major shift in consumer behavior in the marketplace. This started with consumers being willing to purchase regular goods and services online through sites like Amazon, and it has developed to a much larger scale of behavior where consumers are making large durable goods purchases online just like they would purchase a toothbrush or children's toy.

A growing trust amongst consumers with online automobile dealerships is shown in this research. As seen in Table 21, consumers showed a greater trust in online dealerships compared to local ones. Online dealerships have been trailblazers with changing consumer behavior toward digitally purchasing vehicles, thus positioning themselves as potential leaders in the future of automobile retailing. If traditional automobile retailers are going to survive this trend, then they will need to modify their

existing marketing efforts and move toward digital friendly sales tactics that capture a wider audience which is more price and product savvy than ever before.

One possible solution for used car lots that are attached to franchise stores, such as local Ford dealerships, is a collaborative effort to compete nationally against online dealerships. For example, Ford Motor Company could create an online purchasing platform that houses used inventory from each of its franchise stores. Consumers could shop all used Ford inventory, similar to how they would shop at Carvana or CarMax online, and Ford could handle the transaction and distribution. This model could instantly gain market share and additional profitability for both Ford and its franchise locations. The two parties would have to reach an agreement on pricing for the service. The danger for franchisees is that it could further open the door for consumers to purchase new vehicles directly from Ford which has been a previous source of tension between the two groups (Wernel, 2000).

Smaller independent used car dealers, who may lack the resources or knowledge to put their inventory online, are at a growing disadvantage in the marketplace. This study showed that nearly 2 out of 3 respondents chose to begin their search for inventory online. Independent dealers must find ways to make their inventory visible to these customers. Potential solutions include investing in their individual store websites and keeping their inventory list current online, working through third party sites such as Cars.com or Autotrader.com, or finding other ways to increase collaboration at the possible expense of reduced margins.

There is a growing desire amongst consumers to avoid price haggling as indicated in this study. This allows for the possibility for local used car dealers to offer "no-haggle"

pricing as well in hopes of increased foot traffic and potential profitability. However, these dealerships must be careful not to alienate consumers who perceived haggling as a means of obtaining a lower overall price. Local dealers may consider targeting one of these particular consumer groups as their primary source of business.

**Limitations**

The broad nature of this observational survey was not intended to capture every facet of the purchase decision process or every option that consumers could potentially face when buying an automobile. When purchasing an automobile, consumers must make a plethora of choices. Varieties in trim levels, vehicle color, and engine options are all common decisions that consumers make during their automobile purchase process. Other consumer choices in financing options, interest rates, and the wide variety of warranties also impact the decision process. Even further, promotions (e.g., free oil changes, free tire rotations) could sway consumers and are outside the scope of this study. Future studies would be needed to determine if the availability of purchasing options such as these would impact a consumer's willingness to change their initial choice in purchasing channels.

This study was also limited to research in the used-car industry only. This research purposefully focused on used cars only and recognizes that the new car buying experience represents differences for consumers in several ways. The most prominent of these would be consumer trust in the reliability of the vehicle (e.g., consumers would likely trust the reliability of a new car more than a used car). New cars also have different warranty products such as factory warranties and dealership guarantees. New cars also could represent a change in pricing and financing, both of which would impact decision

making. Further, most online automobile dealers such as CarMax and Carvana do not typically offer new cars, and the availability of online vehicle purchasing from factory dealerships, or direct from manufacturers, is still a limited, yet growing, market. Focusing exclusively on used cars allowed this research to test a scenario that would be available to the majority of respondents.

Some purchasing channels were also omitted in this study, including consumer options to purchase a vehicle directly from family and friends or from a 3rd party (e.g., Facebook Marketplace, or Craigslist). It is not uncommon for consumers to purchase a vehicle from either of these channels, but isolating consumer choice in this survey allowed the research to focus on its primary objective of testing consumer attitudes toward online versus local automobile dealerships. It was believed that having additional choices in purchasing channels could dilute the data and research conclusions rather than enhance them.

An additional limitation to this study involves the geographic reach of the study. While respondents were gathered from 44 number of states, 37% of total survey responses came from one state (South Carolina) since that is where the research originated. More research should be done to examine how various regions of the United States, and indeed other international markets, are affected by these same variables. Additionally, a better understanding could possibly be reached based on unique cultures and language barriers. For instance, it is possible that Hispanic consumers in the United States are more inclined to purchase automobiles from a local dealership which speaks Spanish as a primary language and may act as an additional trust point for the Hispanic community.

Another limitation of the study was that there was no variance in online pricing in the survey. The survey was designed to test for the respondent's willingness to continue haggling as well as their willingness to change channels due to higher local price. It was never assumed, however, that online pricing would be higher than local dealership pricing which could have a different effect on consumers. This is because the sticker price at most physical dealerships is higher than the listed online pricing for comparative vehicles since these dealers assume price is negotiable at the physical dealership. Future research is needed to investigate changes in online pricing and how it affects consumer purchasing channels.

One further limitation was the lack of measurement of a respondent's expectation of both customer service and the overall purchasing experience. It is possible that consumers may have preconceived notions about customer service, the ease in which the transaction flows, and the comfortability in the purchase experience itself. These were outside of the scope of this study but could be worth investigating in future research.

**Recommendations for Research**

The most notable recommendation for research lies in measuring the effect that Covid-19 had on the online automobile market (Sheth, 2020). Though online dealerships existed prior to the outbreak of Covid-19, it was the vast and sudden closure of physical dealerships in the Spring of 2020 which forced many consumers of all ages to find alternative ways to shop (Korn, 2021; Szymkowiak et al., 2021). This may have led consumers to consider online automobile dealerships as a viable alternative purchasing channel. Data from the effect of Covid-19 on economic markets can help shed light on

the specific impacts to automobile markets, and future research should be considered to

follow up this observational study.

Another recommended study would be an examination of the effects of vehicle

price and vehicle age have on a consumer's willingness to purchase online. It is possible

that one or both of these components could impact online purchase behavior, particularly

in the area of trust.

Additionally, a study should be performed that considers the effect that personal

confidence has on a consumer's willingness to purchase a vehicle online. It is possible

that this factor could impact online purchase behavior as well.

**Conclusions**

Some notable conclusions can be drawn from this research that can provide

guidance to automobile retailers in today's marketplace. First, most consumers choose to

begin their search for vehicles online. This includes typical Google searches, 3rd party

websites such as Cars.com or Autotrader.com, or directly with online retailers. These

consumers begin their search online because it is both convenient and arms them with

valuable information about pricing and inventory selection from which to make their

purchase decision later. Thus, it is essential that dealerships of all kinds have their

inventory posted online and kept up to date. All of this speaks to the predictive model

mentioned in Table 24 where trust and sales strategies are key indicators of online

purchase behavior.

Second, consumers who begin their search online, and then choose to visit a local

dealership, will end up completing the purchase at the local dealership (about 70% of the

time) once they get the price right. However, only 8% of these consumers were willing to

accept a price over their desired price point. Once these consumers had shopped online and felt confident in the pricing, 92% of them insisted on getting the price right. These consumers utilize online retailers to gauge prices in the marketplace.

Third, according to this study, once a consumer visits an online automobile retailer, such as Carvana, CarMax, or Vroom, they are three times more likely to complete their purchase online verses those who only visit a local dealer. Further weight is added to this since 56% of respondents in the survey switched purchasing channels at some point during their purchase decision journey. While there are consumers who lack faith in online automobile retailing – most notably the Baby Boomer generation – digital natives have a greater trust for online dealerships than for local dealerships. Since trust has been found to be a significant factor in determining online vehicle purchase behavior, dealerships of all types should work hard to build and maintain an aura of trust in today's marketplace or risk losing consumers to a competing channel or dealership. Online dealerships have succeeded, at least for now, in creating trust amongst consumers by providing reliable websites and convenient service and delivery options.

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**Appendix A – Recruitment E-mail to Participants**

Hello! My name is Scott Whitaker and I am currently pursuing my Doctorate of Business Administration at Gardner-Webb University. Please consider completing this survey which provides academic research about online automobile purchasing.

As a participant in this study, you will complete 3 short sections of a survey that should take about 5 minutes of your time. All responses are completely anonymous.

At the end of the survey you may, if you wish, enter your e-mail address into a **random drawing for one $100 Visa gift card.** There will be one winner drawn from the full list of entries. Your e-mail address will be disregarded except in the event that you win the prize.

At the end, please consider forwarding this survey to your family and friends. We sincerely appreciate your time!

https://www.surveymonkey.com/r/Survey4Cars

*Disclosure: Participation in this study is voluntary. You have the right to withdraw from the research study at any time without penalty. You also have the right to refuse to answer any question(s) for any reason without penalty. The information that you give in the study will be handled confidentially. Your data will be anonymous which means that your name will not be collected or linked to the data. There are no anticipated risks in this study. You will receive no payment from participating in the study. Data from this study will not be distributed for future research studies. Clicking the link below to continue on to the survey indicates your consent to participate in the study. If you have questions about the study, contact Scott Whitaker at swhitaker2@gardner-webb.edu; Dr.*

*Ellen Sousa at esousa@gardner-webb.edu; or Dr. Sydney Brown (IRB Administrator) at skbrown@gardner-webb.edu. If you are not 18 years of age or older, then please close this window.*

## Appendix B – Survey Instrumentation

**Introduction and Disclosure**

Thank you for completing this 5 minute survey which provides academic research about online automobile purchasing. All responses are completely anonymous.

At the end of the survey you may, if you wish, enter your e-mail address into a **random drawing for a $100 Visa gift card.** Your e-mail address will be disregarded except in the event that you win the prize.

At the end, please consider forwarding this survey to your family and friends. We sincerely appreciate your time!

*Disclosure: Participation in this study is voluntary. You have the right to withdraw from the research study at any time without penalty. You also have the right to refuse to answer any question(s) for any reason without penalty. The information that you give in the study will be handled confidentially. Your data will be anonymous which means that your name will not be collected or linked to the data. There are no anticipated risks in this study. You will receive no payment from participating in the study. Data from this study will not be distributed for future research studies. Clicking the link below to continue on to the survey indicates your consent to participate in the study. If you have questions about the study, contact Scott Whitaker at swhitaker2@gardner-webb.edu; Dr. Ellen Sousa at esousa@gardner-webb.edu; or Dr. Sydney Brown (IRB Adminstrator) at skbrown@gardner-webb.edu. If you are not 18 years of age or older, then please close this window.*

**Section 1 of the Survey – Demographical Information**

In what YEAR were you born?

       Between 1946-1964

       Between 1965-1980

       Between 1981-1996

       Between 1997-2005

       None of these (I was born before 1946 or after 2005)

What is your gender? (Male/Female)

What is the highest level of education that you have completed?

       High School or Less

       Associates Degree or Some College

       Bachelor's Degree

       Master's Degree

       Doctoral or Terminal Degree

What state of the United States do you currently reside?

What is the most accurate description of the area you live in?

Rural area

Small City (fewer than 75,000 residents)

Suburb of a Large City

Large city (more than 75,000 residents)

University/Campus

**Section 2 of the Survey – Decision Tree**

Assume that you <u>must</u> purchase a vehicle <u>within the next two weeks</u> and you decide to purchase a used (previously owned) vehicle. Where do you start your automobile search process?

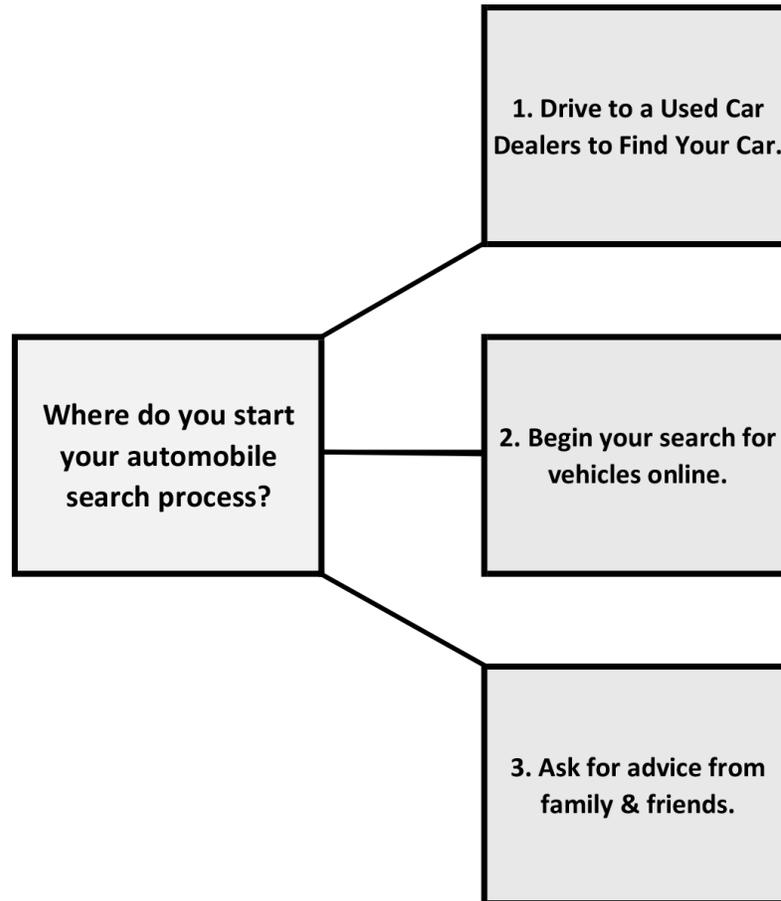**Figure B1**

*Decision Tree – Beginning of Search Process*

**Figure B2**

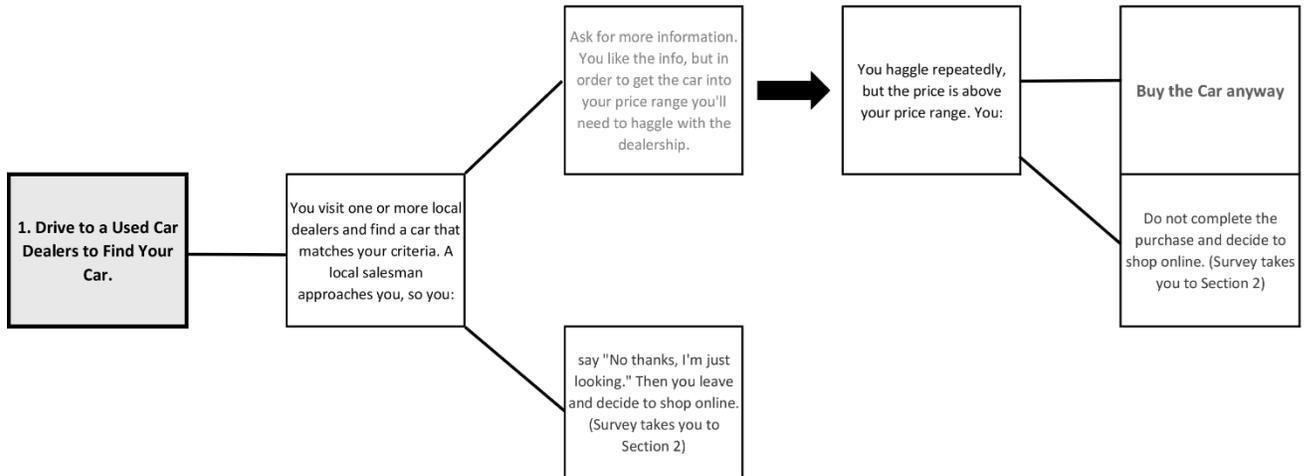*Decision Tree – Local Car Dealer*



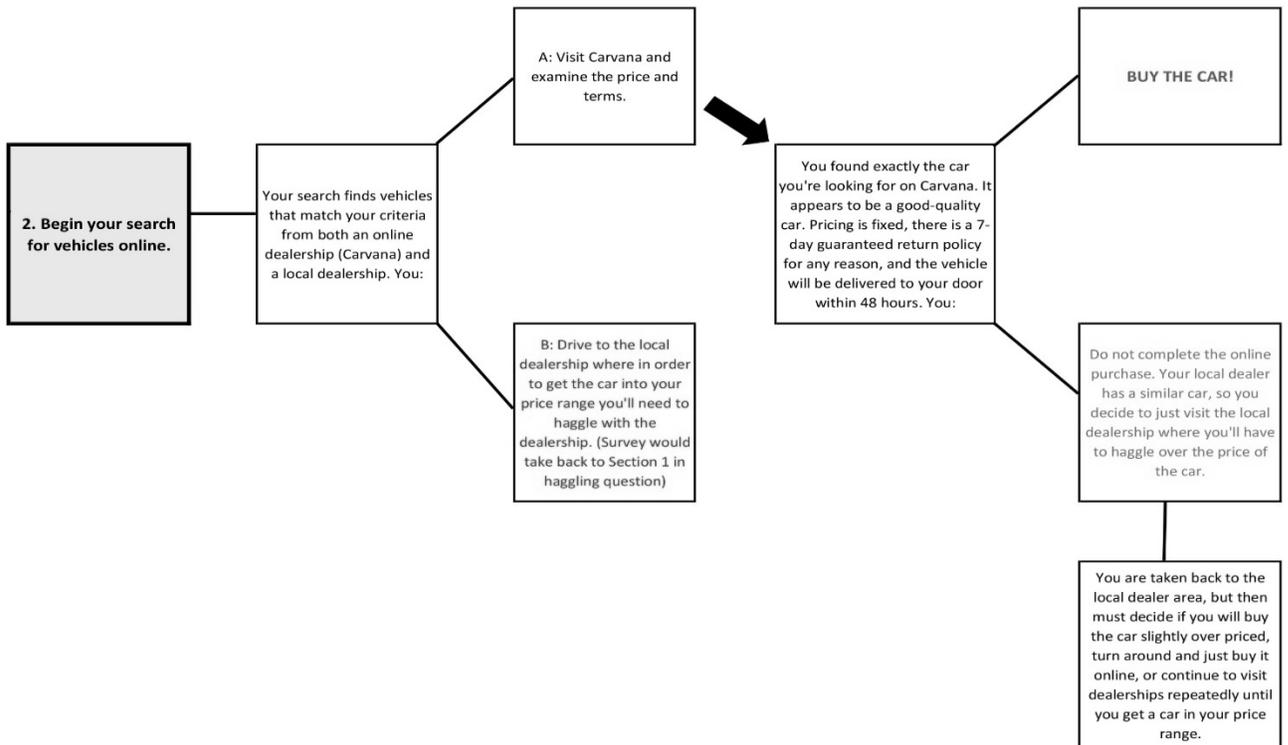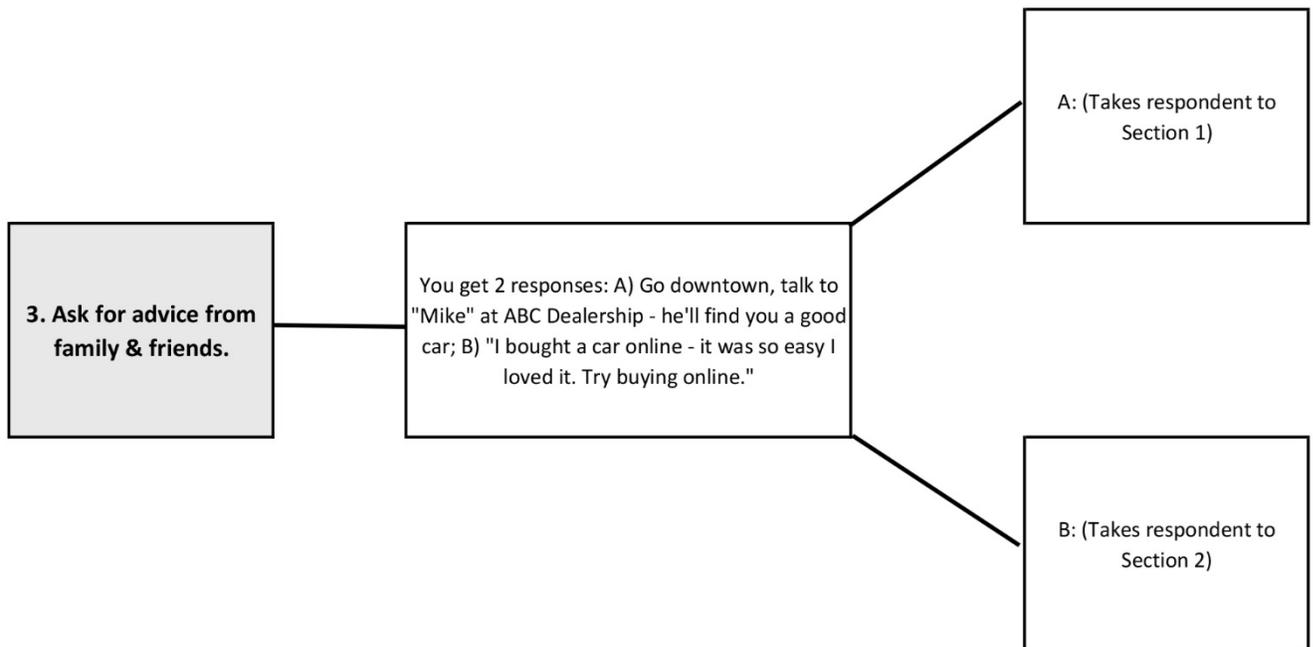**Figure B3**

*Decision Tree – Online Dealer*

**Figure B4**

*Decision Tree – Family & Friends*



**Section 3 of the Survey – Follow up Questions**

**Using the scale below, indicate to what extent you Disagree, or Agree, with the following statements.**

1. Strongly Disagree

2. Disagree

3. Somewhat Disagree

4. Neither Agree nor Disagree

5. Somewhat Disagree

6. Agree

7. Strongly Agree

**Trust**

- I would feel comfortable buying a car from an online-only dealer (Hochstein et al. 2018)

- Excluding groceries, I make the majority of my purchases online.

- I trust the information shown to me about an automobile from an online dealership (Hochstein et al. 2018)

- I trust the information told to me about an automobile from a physical salesperson. (Hochstein et al. 2018)

**Social Factors**

- I open my personal social media sites daily. (Holmqvist et al., 2019)

- I often see products I want to buy on social media. (Holmqvist et al., 2019)

- If my friends recommend a good place to purchase vehicles, I will likely start there (Holmqvist et al., 2019)

- I consider the opinions of my family or friends the most reliable source of product information. (Holmqvist et al., 2019)

**Sales Strategies**

**How important to you are each of these factors when buying a car?**

*Derived from: Atlas et al., 2018; Fernandes et al., 2014; Hochstein et al. 2018; Reich et al., 2018.*

- The ability to talk to a physical salesperson before completing my purchase.

- The ability to negotiate (haggle) over the price of the car.

- The ability to drive the car home the same day I purchased it.

- The ability to search for vehicles online before I visit a dealership lot or website.

- The amount of vehicles available for purchase.

- The guaranteed 7-day return policy for vehicles purchased online.

**Final Question**: Do you want to enter your e-mail address for a chance to win a drawing of one $100 Visa gift card? Your e-mail address will be disregarded except for the random drawing of a winner.

**Appendix C – Respondent Regions**

Survey results show that responses were from 44 of the 50 states in the United States, as well as the District of Columbia. States were grouped into geographical regions of the United States as listed in Figures C1 and C2 below.
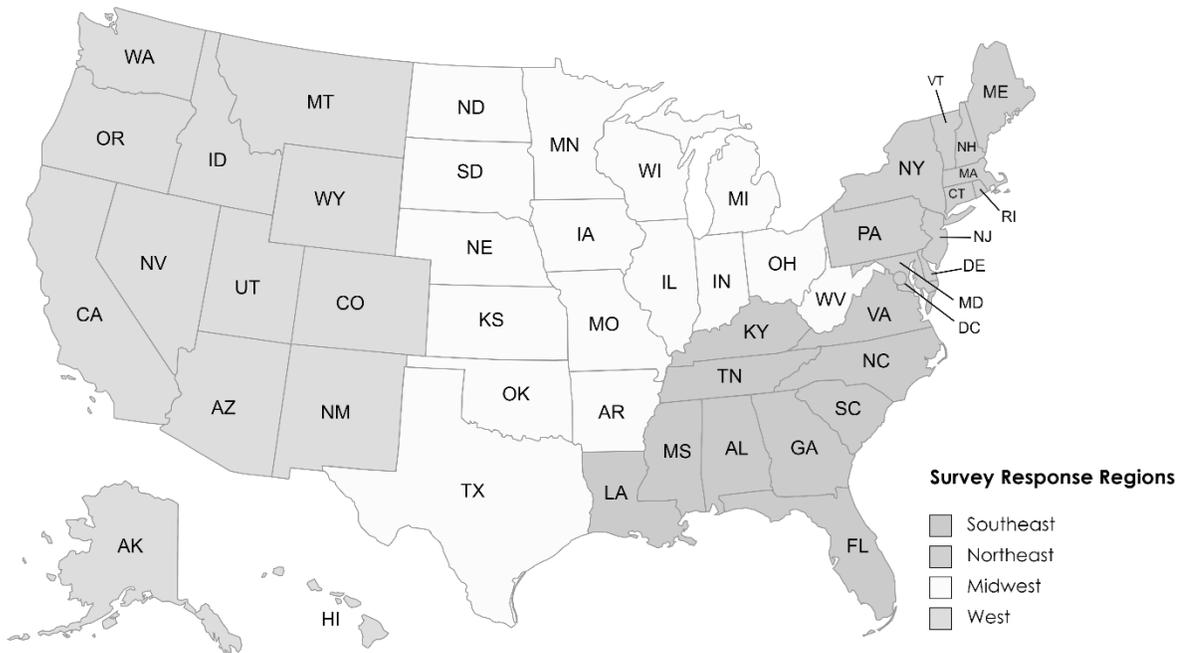
**Figure C1**

*Regional Breakdown by States*

**Figure C2**

*Survey Responses by Region*

| Geographical Region | States Included | Total # Respondents in Region | # Respondents by State (top 5 states per region) |
|---|---|---|---|
| **Southeast** | FL, GA, SC, NC, VA, AL, MS, LA, TN, KY | 783 | SC - 489<br>GA - 105<br>NC - 64<br>FL - 42<br>AL - 39 |
| **Northeast** | ME, VT, NH, MA, RI, CT, NY, NJ, PA, DE, MD, District of Columbia (DC) | 168 | CT - 44<br>DE - 37<br>DC - 29<br>NY - 20<br>PA - 20 |
| **Midwest** | ND, SD, NE, KS, OK, TX, MN, IA, MO, AR, WI, IL, IN, OH, MI, WV | 146 | AR - 49<br>IL - 23<br>TX - 18<br>IN - 17<br>OH - 11 |
| **West** | AZ, NM, UT, CA, NV, OR, WA, ID, MT, CO, WY, AK, HI | 232 | CA - 62<br>AZ - 60<br>CO - 39<br>AK - 22<br>WA - 15 |

The majority of respondents were from the Southeast region (59%). South Carolina was the state with the largest number of responses across all regions, comprising 36.8% of all respondents. Georgia, with 105 responses, was the second largest, comprising of 7.9% of all respondents. North Carolina (4.8%), Florida (3.2%), and Alabama (2.9%) were also home to a sizeable number of respondents.

The second largest region was the West, with 232 respondents amounting to 17.5% of all total responses. California (4.7%), Arizona (4.5%), and Colorado (2.9%) were the largest contributors in this region. Interestingly, 22 respondents were from Alaska (1.7%) which was unexpected and provides a good example of how the snowball effect of the survey was rolled across connections from other respondents.

The Northeast was the third largest region with 12.6% of all responses. Connecticut (3.3%), Delaware (2.8%), the District of Columbia (2.2%), New York (1.6%) and Pennsylvania (1.6) all had at least 20 respondents. All states in the Northeast had respondents, but many were not significantly represented, such as Vermont with just 1 respondent.

The Midwest had 146 respondents comprising 11.0% of total respondents. Arkansas was by far the largest, with 49 respondents (3.7%). Illinois (1.8%), Texas (1.4%), and Indiana (1.3%) were also home to many respondents.