

CARVANA - NEW ZEALAND

Team #3

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What is Carvana?

According to Wikipedia, “Carvana is an online used car retailer based in Tempe, Arizona. The company is the fastest growing online used car dealer in the United States and is known for its multi-story car vending machines. Carvana was recently named to the 2021 Fortune 500 List, one of the youngest companies to be added to the list. As of January 2022, Carvana employs close to 20,000 team members.” (Carvana, 2022)

What is its service?

Carvana is an online used car retailer that allows customers to shop, sell, finance, or trade in cars through its website.

What are the benefits for the customers?

- 7 Days Test to own
- Delivery or Pick Up
- Highest quality cars
- Finance with Us
- Online equals Savings

SWOT analysis

Strengths

- New Zealand has one of the highest car ownership ratios in the world. Introducing this service would create an ease and instill a convenience factor in car purchasing
- Has grown exponentially fast in the US market, it is likely that it would do well in foreign countries
- Proven high rate of customer satisfaction, Carvana has a very high customer satisfaction rate, and their customer service is very accessible and punctual
- Customers can both buy and sell vehicles easily, which eliminates stress of needing to find a place to buy and a place to sell
- High likelihood of consumers buying and selling their cars due to ease of service

Weakness

- The economic hardships of Covid-19 took a toll on the car economy, causing the rest of the few car assembly plants to shut down.
- Could take time for locals to catch on, change can intimidate people
- Cost for company to expand internationally, must budget expenses to see if it is feasible
- Cost to import facilities (car) and vehicle

Opportunities

- Expand Carvana on the international level
- Offering a wide variety of cars brands increases likelihood of success
- Place facilities in southern parts of NZ where people do not have as much access to car dealerships as well as the more populated urban areas
- Spreading to this part of the world may interest neighboring countries

Threats

- The impact of Covid-19 may discourage individuals from purchasing new vehicles (must choose correct market entry timeline)
- The already existing car dealerships that are NZ are comfortable to locals
- Material scarcity: Lack of car assembly plants may make for a difficult expansion

Culture

- The culture of NZ is predominantly Māori and European. The country is known for its outdoor adventures and scenery.
- The Māori keep many of their traditions alive. They are deeply spiritual and friendly to newcomers.
- Their culture loves the outdoors and sports.
- Their land is a mixed terrain of rocky hills, beaches, and other surfaces. This naturally indicates a higher vehicle turnover rate than that of a more flat country.
- They are up to speed with technology and would fair well with online car purchasing

Research Plan- Questions to Ask

- What products will New Zealand customers use to access Carvana?
- What locations will be utilized?
- Where to advertise/ market?
- Are we allocating the right amount of effort and resources?

Key Elements

- Customers
- Locations
- Services
- Products

Considerations

Types of Cars:

- Tesla Model 3

- Ford Ranger (#1)
- Toyota Hilux (#2)
- Toyota RAV4
- SUVs and Trucks are popular
- New Zealand primarily imports cars from The United States and Japan (see next slide).

Success Measurements

Key Performance Indicators (KPIs):

- Inputs
- Process
- Outputs
- Outcomes
- Project

Additional KPIs:

- Marketing Revenue
- Customer Acquisition
- Customer Value
- Digital Marketing ROI
- Organic Traffic and Top Entries
- Social Media Traffic
- Mobile Traffic

People

- The target audience for this market are independent young adults or adults with young children, which is also the main target audience for Carvana (millennials), which makes up 54% of New Zealand's serious buyer category.
- They live mostly in metro areas such as Auckland, Wellington, Christchurch, and Hamilton.
- Their Top five buyer professions are Senior Govt officials, business manager or exec, technical/skilled worker, business proprietor/self-employed, clerical/sales employee.
- Their serious car buyers are also more likely to be heavy internet users with 42% of them spending more than 20+ hours a week online.
- A similar amount are highly exposed to outdoor media. Which plays into Carvanas favor since their dealership is online because they're constantly running creative ads via social media and TV.

Price

- The product should be priced at its typical price, as sold in the United States which averages around \$20,000.
- NZ stats show that the average car prices range between \$20,000-\$40,000 depending on the size of the vehicle. With 4.4 million vehicles in 2020, with fleet size increasing.
- Most of the Cars from NZ are imported from Japan with some from Europe
- They are expensive because NZ is a small limited market which makes for high tariffs and Taxes with the traditional Car dealership.
- By Carvana cutting out the middleman (car dealership) they eliminate high taxes.

Placement

- It would be best to keep the Carvana process the same in New Zealand, because Carvana's online car purchasing process differentiates it from other dealerships in the market. Online car shopping has been brought to a new level with Carvana's towering vending machines becoming the new popular option for pick-up. Carvana has all of the same operations as a physical dealership would offer, including buying and selling cars, trade-ins, and financing purchases. They also add features to the car buying path to purchase process by providing delivery options, as well as pick up through the car vending machine process.
- According to Autofile, New Zealand is known to have one of the highest percentages of car ownership in the world with 92.1% of households owning at least one vehicle. Which makes it a great fit for Carvana's expansion. When it comes to car vending machine placement, car vending machine's aren't your normal brick-and-mortar experience where as it is for the experience after you decide to purchase, but also to hold inventory which means placement should be secure where outside damages will not be as much as a liability, but still in locations that are populous and frequently traveled to. Great locations would include in Wellington, the capital; Auckland, the most populated city; and near their most popular malls like Sylvia Park.

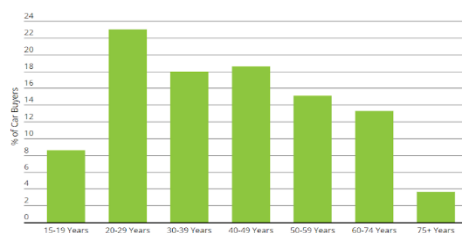
Is nz's car ownership the highest worldwide? Auto24. (2017, May 31). Retrieved March 20, 2022, from <https://autofile.co.nz/nz-car-ownership-tops-global-ranking-#:~:text=The%20latest%20New%20Zealand%20census,common%2C%20at%2038.4%20per%20cent.>

Promotion/Sales Strategy

1. Create an ideal customer

- According to this article Sales In The Fast Lane: Meet New Zealand's Car Buyers: "In New Zealand, 43% (1,632,000) of the 15+ population are considering purchasing a new or used car in the next year. By understanding who they are, what they are looking for, and how much they are willing to spend, the automotive industry can better reach the car buyer" (Maurer, 2018).
- "One in five (743,000) Kiwis over the age of 15 are serious car buyers who are 'very likely' to purchase a car in the next 12 months. On average, this group is looking to spend about \$20,000 on a car. However, 7% of Kiwis are looking to spend and spend over \$50,000 on their next vehicle purchase" (Maurer, 2018).
- "Reliability, safety, price, fuel economy and how easy they are to fix are the top five considerations that buyers value when looking to purchase their next car. With Kiwis increasingly concerned about the environment, another factor for sellers to consider is the availability of electric/hybrid options. Over half of the serious car buyers believe that there is not enough done to protect the environment and a similar amount are at least open to buying an electric or hybrid car in the future" (Maurer, 2018)

SERIOUS CAR BUYERS - AGE PROFILE



Source: Nielsen Consumer Media Insights (CMI), Q1 17 - Q4 17

Base: Those who are 15+ years old and are very likely or extremely likely to buy a car in the next 12 months.

THE SERIOUS CAR BUYER: WHAT'S THEIR LIFE LIKE?



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THE SERIOUS CAR BUYER : WHO ARE THEY?



743,000

PEOPLE SAY THEY ARE LIKELY TO BUY A CAR IN THE NEXT 12 MONTHS

55% MALE

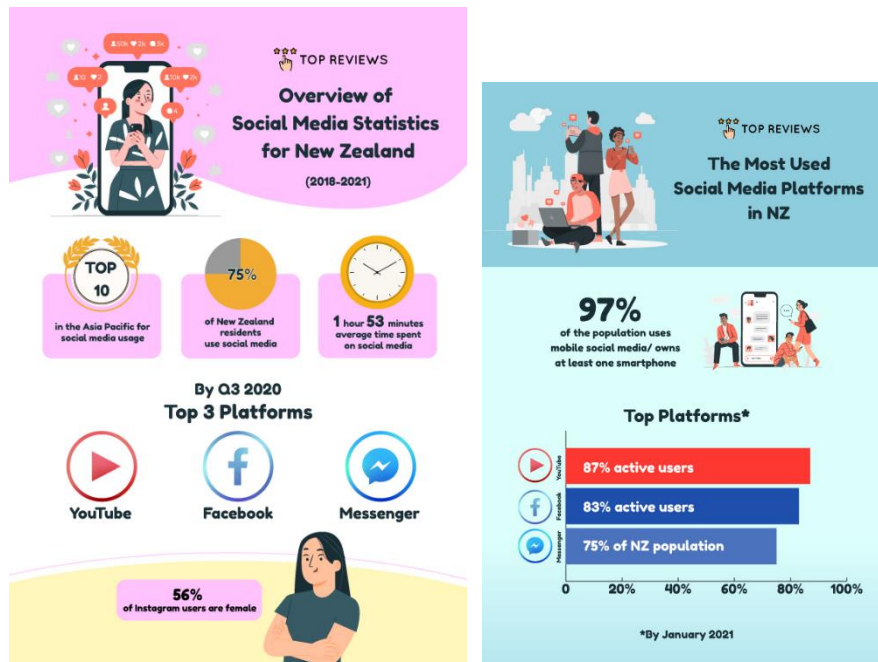
45% FEMALE

AVERAGE
HOUSEHOLD INCOME

\$114,900

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2. Social Media



Thompson, Isla. "A Complete Guide to Social Media Statistics in New Zealand [2022]."

Topreviews, 12 Nov. 2021, www.topreviews.co.nz/social-media-statistics-new-zealand/.

3. Email Marketing.

"What Is an Email Marketing Strategy? - Guide." SendPulse, 15 Feb. 2022,

<https://sendpulse.com/support/glossary/email-marketing-strategy#:~:text=An%20email%20marketing%20strategy%20is,and%20customers%20for%20brand%20promotion.>

4. Branding Activation

"People try their luck at winning a car from the Carvana vending machine at SXSW festival in Austin, Texas on March 12, 2016." (Lovelace, 2017)

Process

- When it comes to buying a car the path to purchase process takes extensive time and research, because it is an investment. Especially with Carvana specializing in used cars, buyers will want to see Carfax reports, visuals of the car, and be provided with extensive detail. Carvana makes it easily accessible to get the information you need on the website by cutting dealerships out of the car buying process.
- How to find and buy a car with Carvana?

- When going to carvana's homepage the potential customer will see options at the top of the home page including search cars, sell/trade, financing, and car finder. Below they will find drop downs that will help filter the customers options to what they are looking for, including price, make & model, mileage, and more features.
- Vehicles are sourced from auctions, dealer partners, trade-ins, and cars Carvana buys from private sellers.
- Clicking on a vehicle shows the potential buyer the car's detail page. Potential buyers can save cars to their "Favorites". There is also a graphic that reads "Pending Purchases" if a car is not available, because it's in the process of being purchased, but you can sign up for emails to see if cars return to the available pool to purchase from.
- Each detail page has a 360 tour of the vehicle, a photo gallery, and a free Carfax report.
- Carvana says every vehicle is Carvana Certified, meaning it has passed a 150-point inspection, has a clean title, no reported accidents, and no fire, frame, or flood damage.
- When potential buyers click on "Delivery & Pickup Options" it will show the multiple options and the rate. If the customer is within the distance of their free delivery area for select vehicles that option will be available to the customer. If the customer is outside the free delivery radius the company can work out finding and meeting in a mutual location. Some vehicles may still have shipping costs. Then, the third option is a pick up at the Carvana Car Vending Machine location.
- Clicking "Get Started" initiates the buying process. The price listed is not negotiable, nor is it the final price, certain extras will be added like registration fees and optional extras (like extended warranty). They may also finance a car through Carvana, however the requirements include the potential buyer must be at least 18 years old, make at least 10,000 per year, and have no bankruptcies. Carvana doesn't accept co-signers.

Ramsey, J. (2021, November 29). How does Carvana Work? Car and Driver. Retrieved March 28, 2022, from <https://www.caranddriver.com/features/a34061661/how-does-carvana-work/>

Physical Evidence

- New Zealand has been known to have one of the world's highest car ownership rates.
- The country has 2.5 million cars registered out of a total population of just over 4 million people. Establishing a Carvana in NZ will evidently be successful.

NZ's car ownership culture can't be our future. NZ's car ownership culture can't be our future - The University of Auckland. (n.d.). Retrieved March 28, 2022, from <https://www.auckland.ac.nz/en/news/2021/02/18/nz-car-ownership-culture-cant-be-future.html>

According to (<https://www.newzealandnow.govt.nz/work-in-new-zealand/job-market-key-industries/information-technology>) New Zealand is very technologically advanced and is a breeding ground for innovation. By introducing Carvana, an online used car retailer, we are confident that we will be successful in that area because NZ is technologically advanced. Carvana's car vending machine and the ability to purchase online will add to or enhance the technological advancement that NZ is known for and will increase attraction.

Information technology. New Zealand Now. (n.d.). Retrieved March 28, 2022, from <https://www.newzealandnow.govt.nz/work-in-new-zealand/job-market-key-industries/information-technology>

Potential Concerns

- Carvana is an online based used car retailer in the United States. Establishing a
- Carvana location in New Zealand would be its first global location. There is an automatic risk of expanding a business globally, especially for the first time. The marketing strategy in New Zealand may be very different than the marketing strategy in the U.S.
- It is said that majority of people in New Zealand drive or prefer trucks. Of course,
- Carvana offers a variety of different makes and models of cars besides trucks, so we'd have to ensure that we offer a greater ratio of trucks to cars to accommodate NZ natives.

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