



Not so fast

US Automotive Disruption Tracker 2019



**OC&C**  
Strategy consultants

uncommon sense

# US Automotive Disruption Tracker 2019

The world of automotive is in a period of unprecedented change: subscription models, car sharing, electric and autonomous collectively will transform the landscape for all companies in the auto value chain.

But how fast is the hype turning into reality? To find out, OC&C have conducted an "Automotive Disruption Tracker" to understand how consumer attitudes and behavior are changing. The results bust some myths ("Generation Rent" are still interested in owning cars) but also show some clear shifts in driver behavior that will have implications for all businesses in the market. Now is the time to reassess strategy to seize the opportunities.

## Autonomous

70% of consumers do not trust autonomous vehicles.

70% of drivers want their own private vehicles, rather than access to a pool of vehicles or "robotaxis".



## The future of personal car ownership

The personal car will remain an important part of the future - 89% of consumers see having their own car as essential, and 65% of today's non-owners expect to get a car.

"Generation Rent" / Millennials still want cars: 85% of 18-29 year olds see a car as essential, 66% of 18-29 year olds see a car as an important part of growing up and 53% see a car as a status symbol.

Over 40% want to bundle insurance and servicing into monthly payments.

55% of consumers under 40 are open to leasing, but only 18% are open to replacing their vehicle with a "mobility" alternative like rental.

28% of consumers would consider car sharing instead of, or in addition to car ownership, particularly amongst younger drivers. 56% of those who don't drive today will consider car sharing instead of acquiring a vehicle.



## Electric

Electric/hybrid is gaining acceptance - 53% will consider a car with an electric engine (inc. hybrids) and 19% think they are likely to buy one.

However, the switch won't happen overnight: alternative fuel vehicles (including hybrid) could achieve 10% of new sales in the next 3-5 years (versus 3% today) before overlaying any further government action.



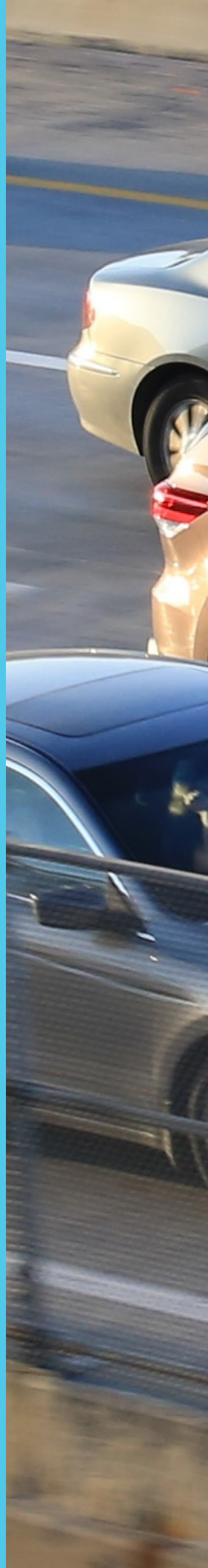
# What do consumers use cars for? And what are their attitudes to motoring?

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Today's driver matches the stereotype - half of trips (50%) are for commuting or school drop off. Almost all drivers are committed to car use, with 89% seeing access to a car as essential, even in major urban areas (84%).

The car is a vital part of their life for practicality, but is also a lifestyle choice for most: 57% enjoy driving and/or see themselves as passionate about cars, particularly younger and more affluent drivers.

There is continued commitment to the car amongst "Generation Rent". The car remains a passport to freedom: 53% of 18-29 year olds see the car as a status symbol and 66% see a car as an important part of growing up. 85% of this age group expect to get a car at some stage, when they can afford it or work commitments require it. 69% of 18-29 year olds without a license expect to learn to drive.



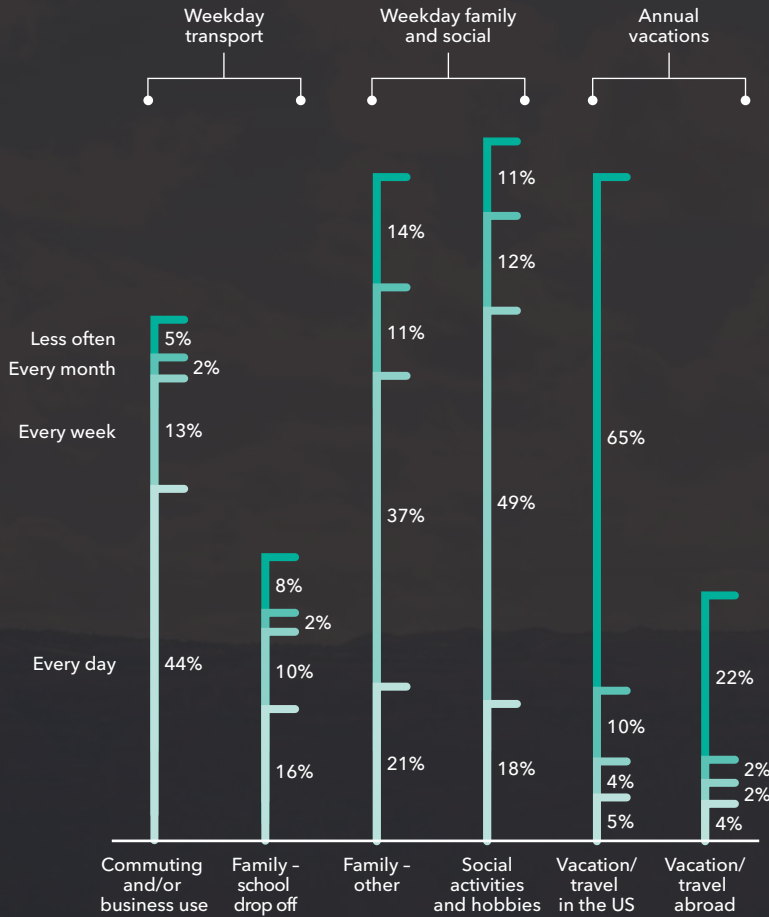


There is continued  
commitment to the car  
amongst "Generation Rent"

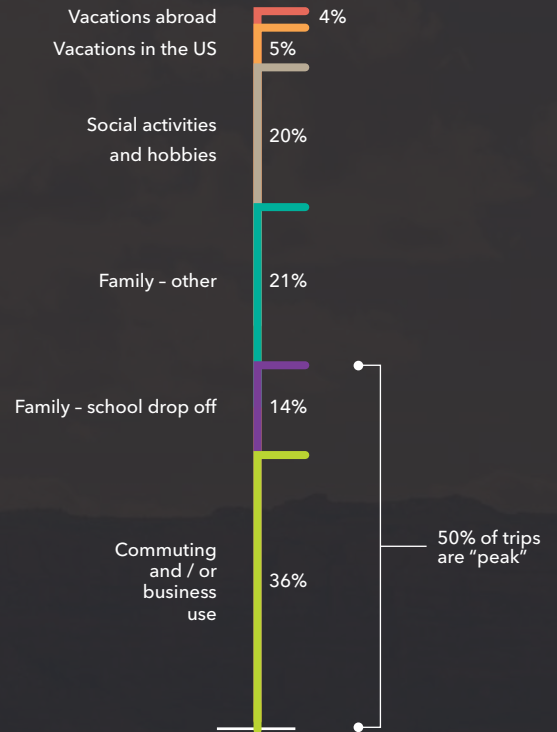
# COMMUTING AND FAMILY DOMINATE TRIP REASONS WITH 50% OF TRIPS AT RUSH HOUR

How frequently do you drive a car for each of the following purposes?

Driving frequency by mission<sup>1</sup>  
N=1,627

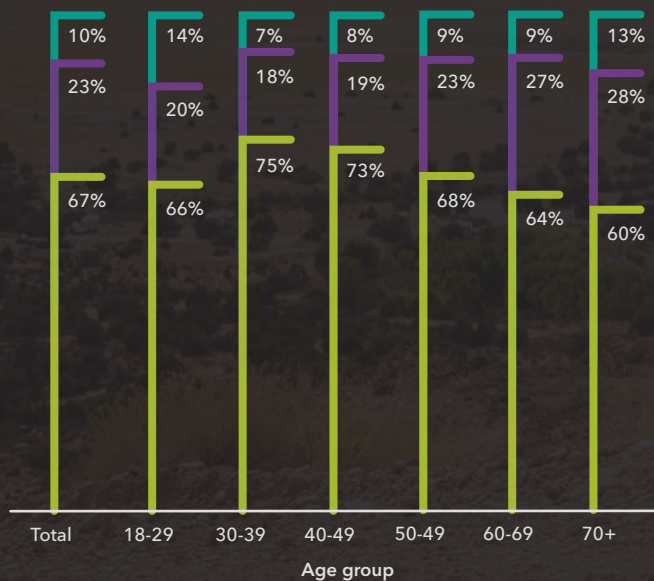


Driving trips by mission<sup>1</sup>  
N=1,627

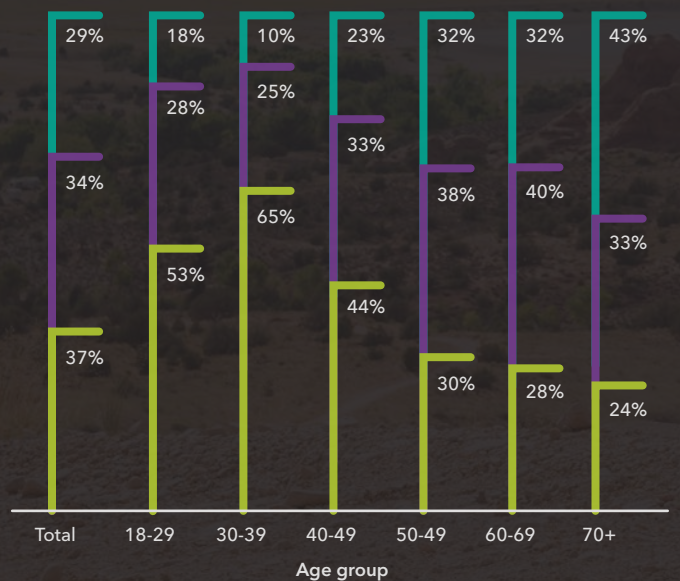


50% of trips are "peak"

"Owning your own car is an important part of growing up".  
(% respondents agreeing, split by age group)



"A car is an important status symbol".  
(% respondents agreeing, split by age group)



Disagree Neither agree nor disagree Agree

「 The car is a vital part of life for practicality,  
but also a lifestyle choice for most 」



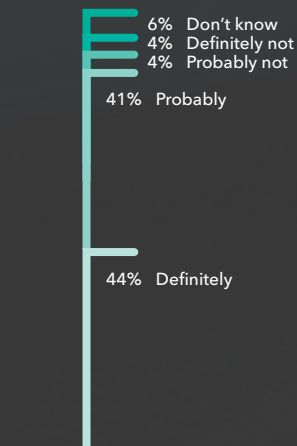


**YOUNG PEOPLE PREDOMINANTLY DON'T OWN CARS BECAUSE THEY DON'T LIKE DRIVING, BUT 85% EXPECT TO GET A CAR IN THE FUTURE**

Attitude of all 18-29 year olds

85% of young people expect to one day own their own car...

*Do you expect to have your own vehicle in the future?*  
N=70



Attitudes of 18-29 year old non-owners

...triggered by new work commitments and when they can afford it

*Which of the following might make you consider getting your own vehicle in the future?*  
N=60







「 The car remains a passport to freedom: 53% of 18-29 year olds see a car as a status symbol and 66% see a car as an important part of growing up 」



# Will consumers own, lease or subscribe to vehicles?

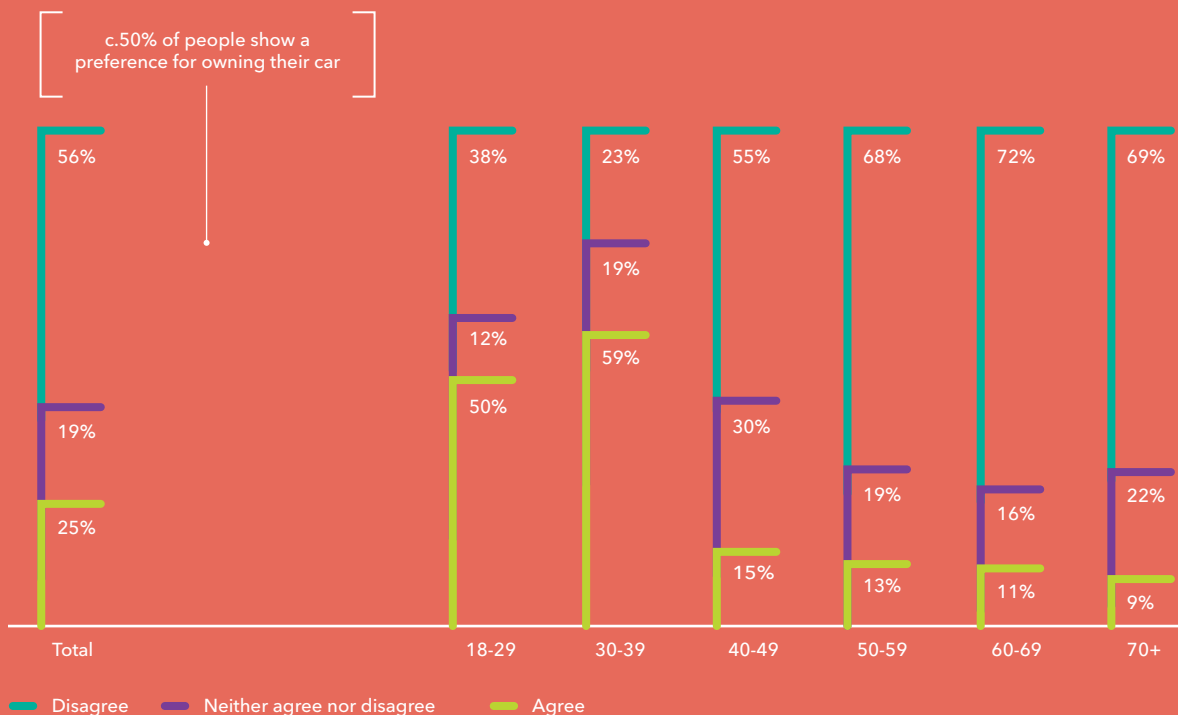
There is considerable openness to alternative ways to own/fund a private vehicle, especially among the young, with 55% of those under 40 open to leasing.

## THE UNDER 40'S SHOW GREATER PROPENSITY TO CONSIDER LEASING THAN OLDER GENERATIONS

Attitudes to leasing by age group

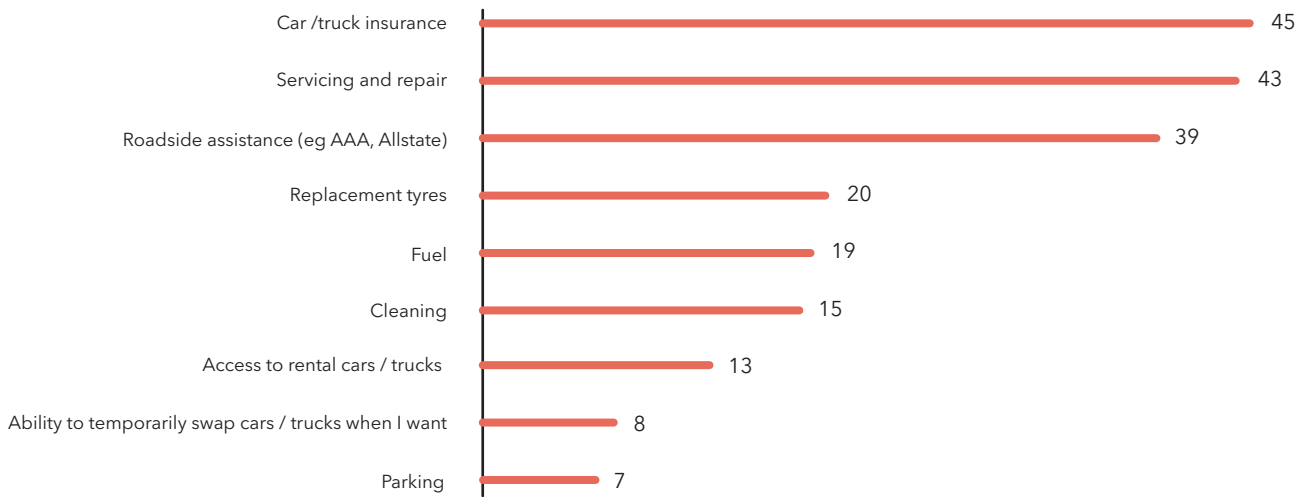
Those who bought a car in last 3 years only

Do you agree with the following: "I don't mind if I lease or own my vehicle?"  
N=477



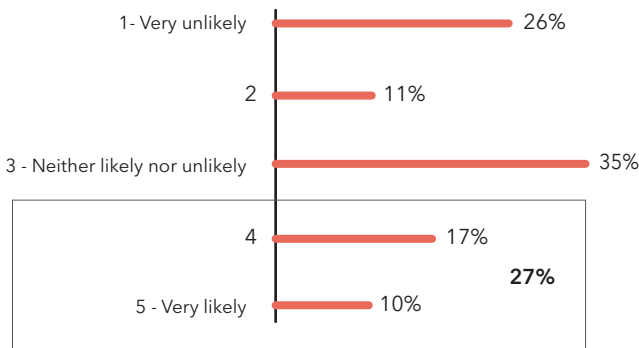
## THERE IS RELATIVELY STRONG APPETITE FOR BUNDLING WITH >40% OF DRIVERS KEEN TO INCLUDE ROADSIDE ASSISTANCE, SERVICING AND CAR INSURANCE IN A MONTHLY PAYMENT

If you paid for a car with a monthly payment, which of the following would you ideally like to be able to include? (% of respondents, N=1,503)

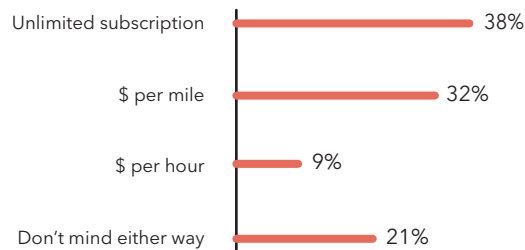


## 27% ARE INTERESTED IN SUBSCRIPTIONS INCLUDING CAR SWAPPING, AND 32% COULD CONSIDER A PAY-PER-MILE SUBSCRIPTION

If you were able to pay a monthly subscription for the vehicle of your choice (including insurance, maintenance and the ability to swap the vehicle if you wish) - and it was within your monthly budget, how likely would you be to buy this offer?



If you were paying for a car on a subscription, what kind of deal would you prefer?



However, there is a remaining preference for outright purchase, with 77% of new car buyers and 82% of used car buyers agreeing that "it is much better to fully own your car than to have it on a lease".

There is strong appetite for monthly payment to evolve into bundled models with >40% of drivers keen to include roadside assistance, regular maintenance and even insurance in their monthly payment. An overall bundle with fully inclusive costs and ability to switch cars appears to have some latent demand at the right price, with 27% of drivers saying they are likely to buy such a model if it was within their monthly budget.

The challenge is price point. The average price consumers are willing to pay for an all-in monthly subscription is \$503, while the current average payment "just for the car" is \$523, on top of which consumers bear the costs of insurance, servicing, etc. Convincing consumers that a highly visible monthly price is good value versus more opaque and irregular costs will be a challenge. Practices from other consumer-facing industries including menu pricing will be key.



# How fast is the market moving to 'mobility as a service'

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Across all segments, the traction of shared versions of car use (ride hailing, car sharing, peer-to-peer) is limited. 81% of drivers have never used any form of car sharing or clubs. More top-up with daily rental (35%) and taxis (37%). Only 4% of regular car drivers use flexible driving alternatives rather than their own car.

However, there is some emerging momentum: 28% of consumers would consider rental/mobility instead of, or in addition to car ownership when they next come to replace their vehicle. Among those who don't drive today, 67% will consider these models when they come to get their own car.

Daily rental is still one of the key options consumers use as a replacement or top-up to car ownership. There is some mileage in the traditional business model if it can be made easier to access.

The barriers to adoption of innovative options are the reliability, speed and hassle of getting hold of a vehicle when and where needed (62% of respondents). This will erode over time as propositions and vehicle availability increases, but there are structural barriers to full sharing, as 50% of drivers regularly do at least one of the "peak" missions (commute or school drop off), when most vehicles will be in use, and 42% want to keep belongings or equipment in the vehicle.

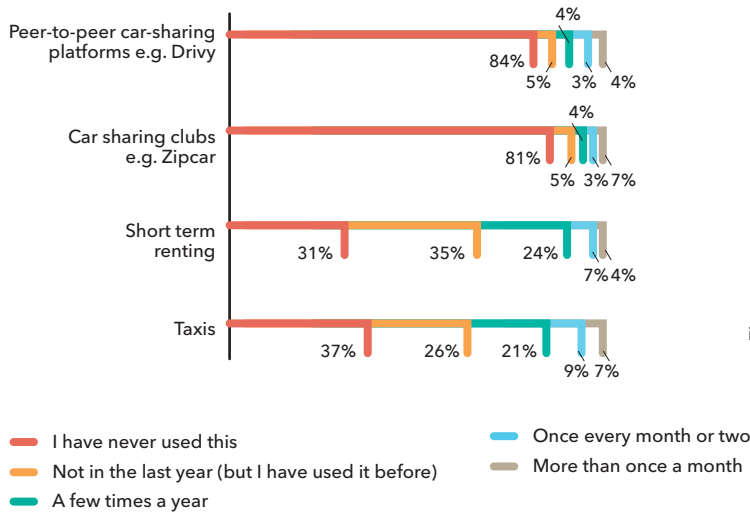


A photograph of a woman in the foreground, smiling and looking towards the camera. She is wearing a grey, ribbed, short-sleeved top and large hoop earrings. In the background, a man is driving a car, looking forward. The car's interior, including the steering wheel and dashboard, is visible. The lighting is soft, and the overall mood is positive and casual.

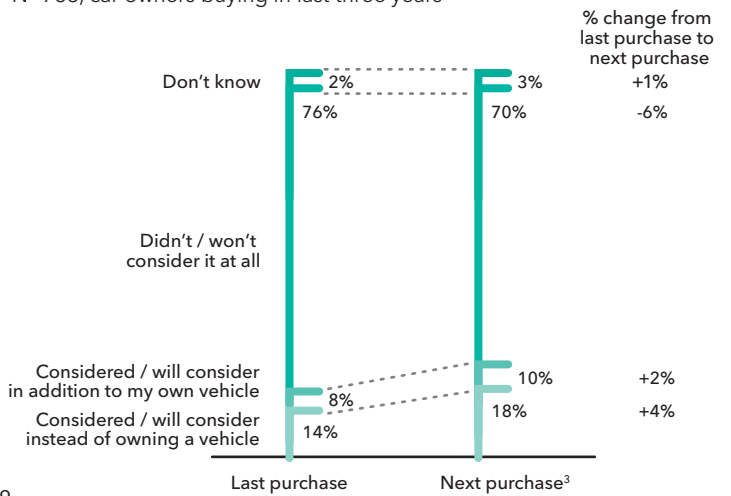
Across all segments, the traction of shared versions of car use (ride hailing, car sharing, peer to peer) is limited. 81% of drivers have never used any form of car sharing or clubs

## LESS THAN 5% OF DRIVERS USE CAR SHARING PLATFORMS OR SHORT TERM RENTAL MORE THAN ONCE A MONTH, HOWEVER CAR OWNERS ARE INCREASINGLY CONSIDERING IT

Usage of car sharing alternatives<sup>1</sup>  
N=1,792, car owners



Consideration of car sharing alternatives<sup>2</sup>  
N=766, car owners buying in last three years



How often do you use any of the following services?

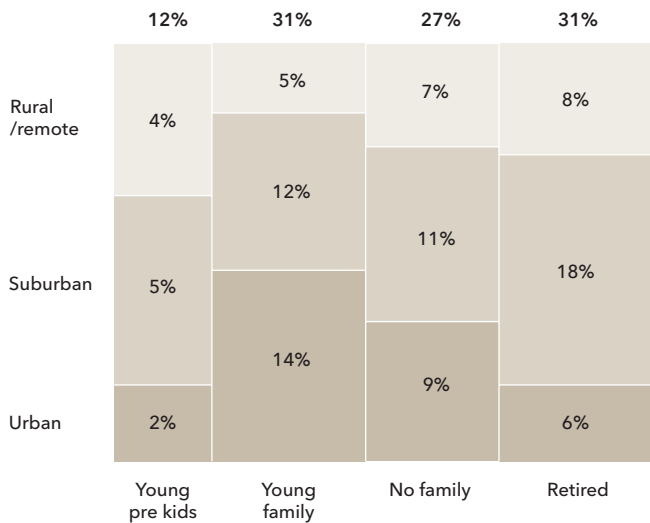
1. Car sharing clubs, short term renting, peer-to-peer lending, or taxis

2. Did you consider any of the following alternatives to having your own vehicle?

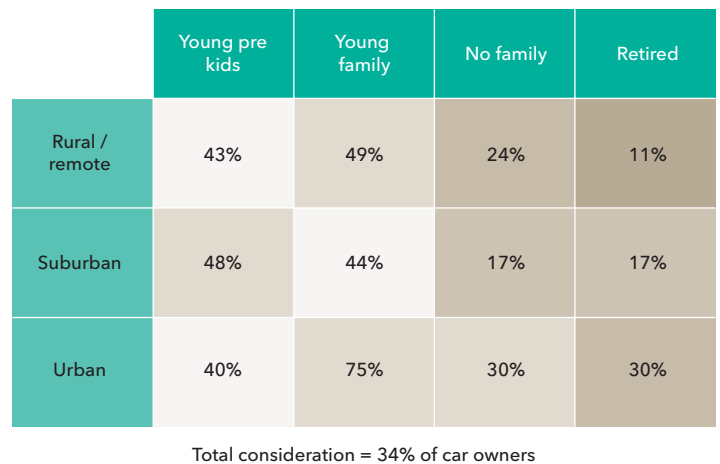
3. Next time you swap your vehicle, would you consider any of the following alternatives to having your own vehicle?

## THE CONSIDERATION OF NEW FORMS OF CAR USERSHIP ARE HIGHEST AMONGST YOUNG URBAN DWELLERS, AND YOUNG PEOPLE WITHOUT CHILDREN

Split of car owners by location and lifestage  
(% of car owners)  
N = 818



Consideration of car sharing alternatives<sup>1,2</sup>, by location and lifestage<sup>3</sup>  
(% of car owners who would consider car sharing alternatives)  
N = 1,530



1. Car-sharing clubs, short term renting, peer2peer lending, or taxis

2. Next time you swap your vehicle, would you consider any of the following alternatives to having your own vehicle?

3. Young pre kids are aged 18-29 with no kids. Young family are aged 18-59 with kids under 18. No family are aged 30-59 with no kids. Retired are aged 60+

Source: OC&C Survey, CDC, Pew Research Centre

# Growth in car sharing in North America has slowed to 6% pa

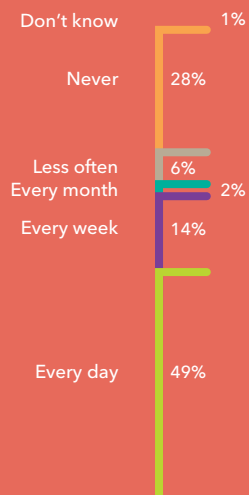
Zipcar now offer a weekday commuting option with a dedicated car and parking space in their area to address this mission, but growth in car sharing in North America has slowed to 6% pa, and utilization of car club vehicles is rarely better than 10-15% versus 60-70%+ for a traditional daily rental vehicle. Hardly the signs of an imminent disruption to traditional ownership.

Flexible models may work better as a “top-up” to subscription ownership: 28% of consumers would consider this. Would you be more likely to buy that new workhorse mini-van if you got bundled rental access to a sports car in the summer?

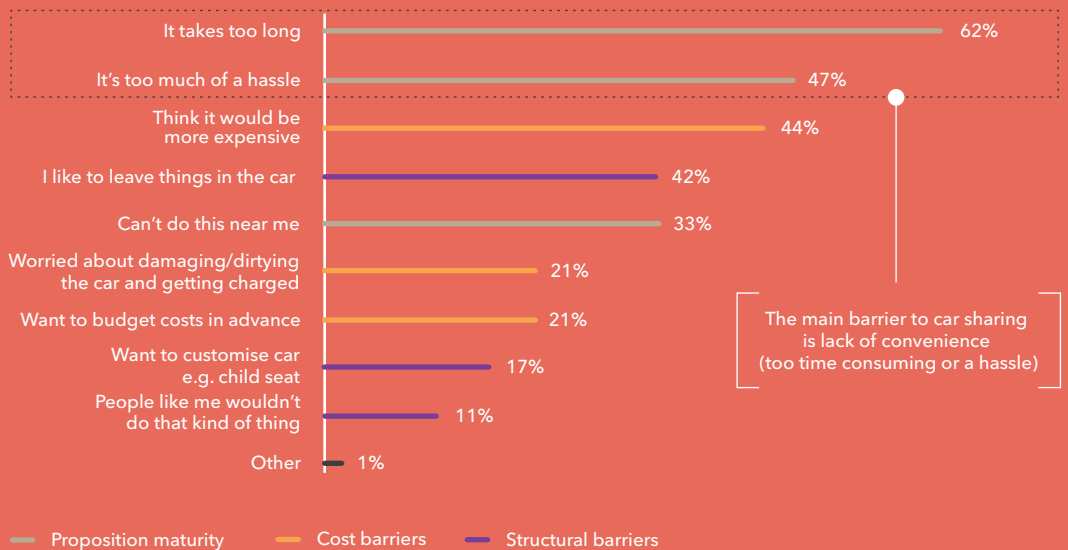
## VEHICLE SHARING IS IMPRACTICAL FOR CUSTOMER NEEDS GIVEN C.50% TEND TO DRIVE AT RUSH HOUR EVERY DAY AND VEHICLE SHARING IS CURRENTLY TOO TIME CONSUMING

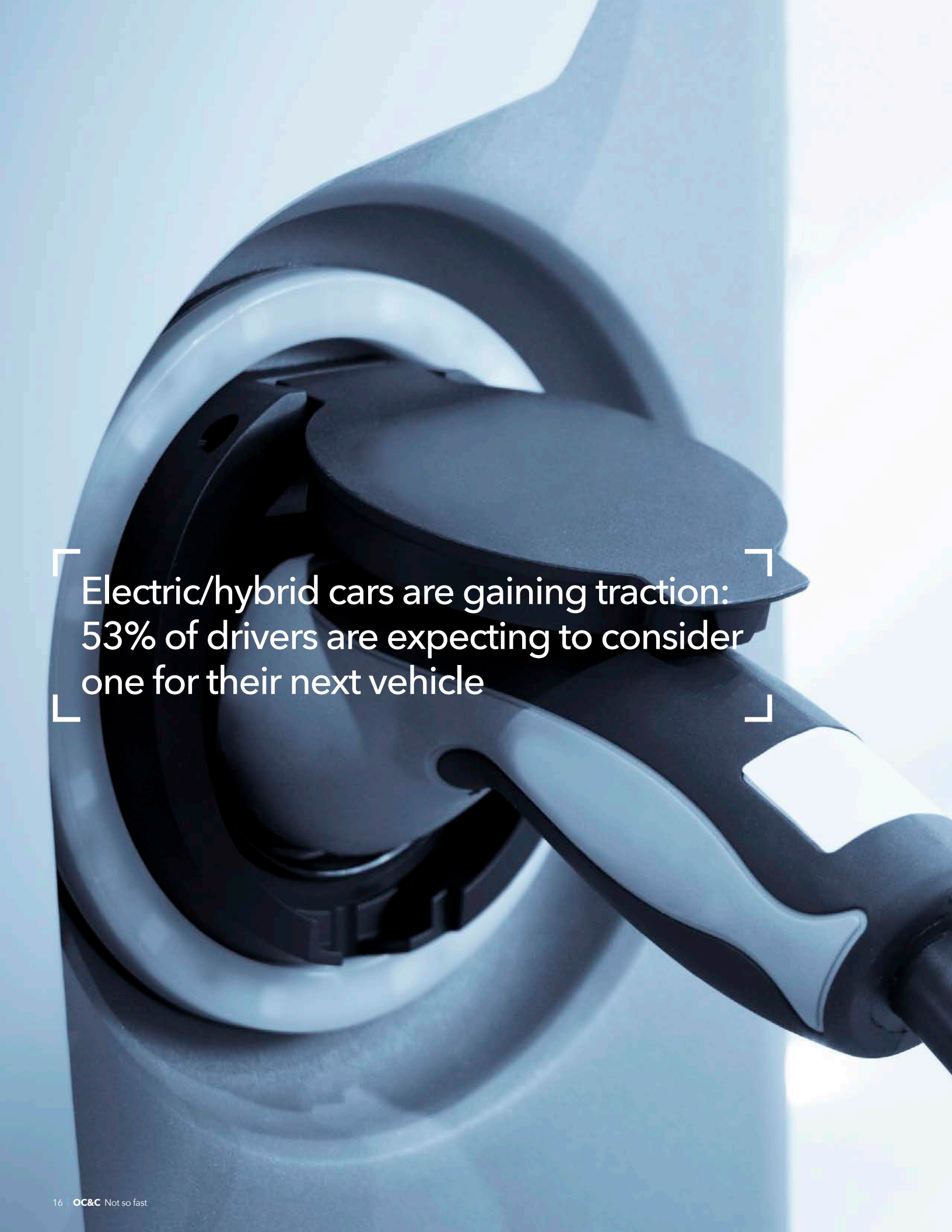
### Barriers to car sharing

How frequently do you drive a car for each of the following purposes: commuting or school run?  
N=1,639



What would make it difficult for you to pursue car sharing, short term renting, or taxis instead of using your own car? (% in top 3 reasons)  
N=782 (owners only)



A close-up, high-angle shot of an electric vehicle's charging port. The port is a circular opening in a light blue-grey body panel. A black charging cable with a white stripe is plugged into the port. The cable's handle is visible on the right side. The background is a bright, out-of-focus light blue. The text is overlaid on the left side of the image, enclosed in white brackets.

Electric/hybrid cars are gaining traction:  
53% of drivers are expecting to consider  
one for their next vehicle



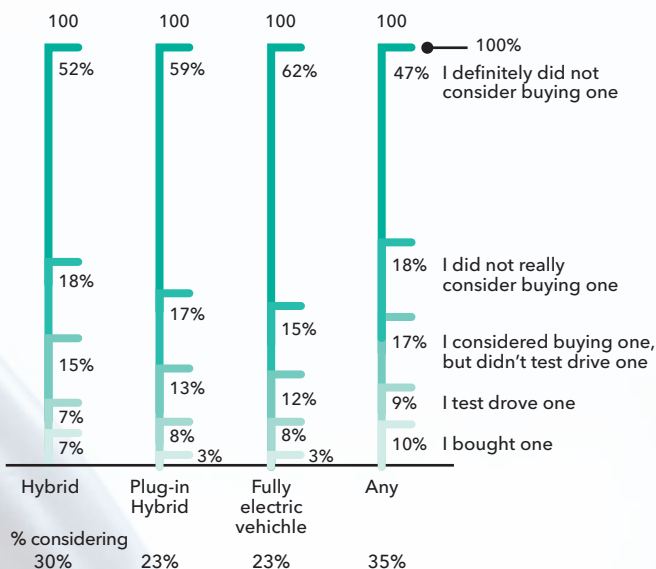


# What do consumers think about electric and autonomous?

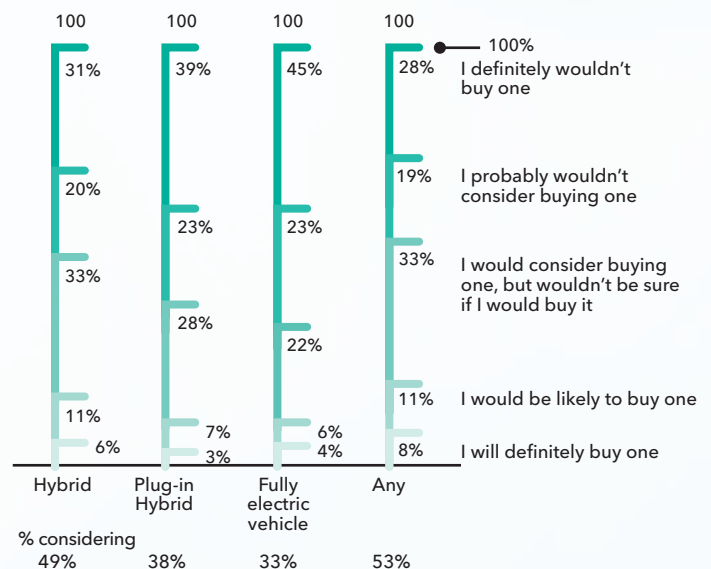
Electric/hybrid vehicles are gaining traction: 35% considered for their last purchase and 53% will consider next time.

THERE IS SOME MOMENTUM BUILDING FOR ELECTRIC/HYBRID CARS WITH 53% EXPECTING TO CONSIDER AN ELECTRIC/HYBRID NEXT TIME, AND 32% FOR FULLY ELECTRIC

Did you consider an Electric or Hybrid vehicle? Did you buy one? (% of respondents)  
N=766



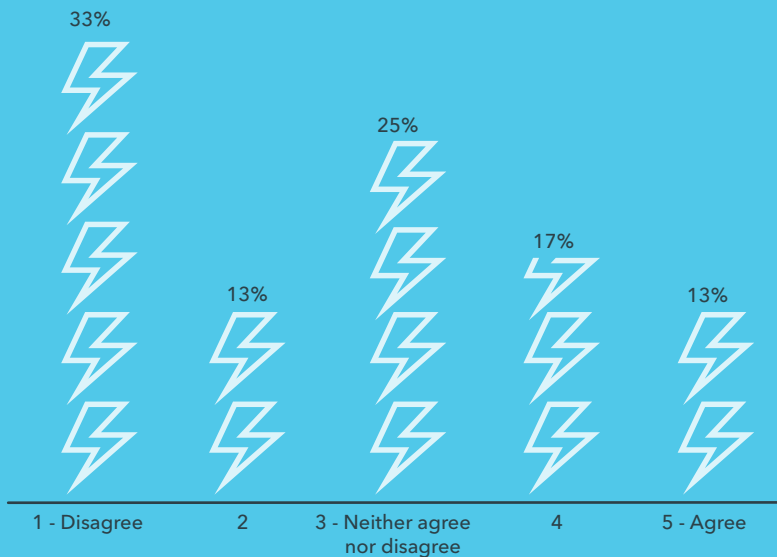
When considering your next car, how likely are you to consider an Electric/Hybrid vehicle? (% of respondents)  
N=1530



# Consumers are skeptical: 70% state they would be unlikely to try a driverless car

## HOWEVER ENTHUSIASM FOR ELECTRIC REMAINS MUTED - C.46% OF DRIVERS DON'T EXPECT TO EVER DRIVE AN ELECTRIC VEHICLE

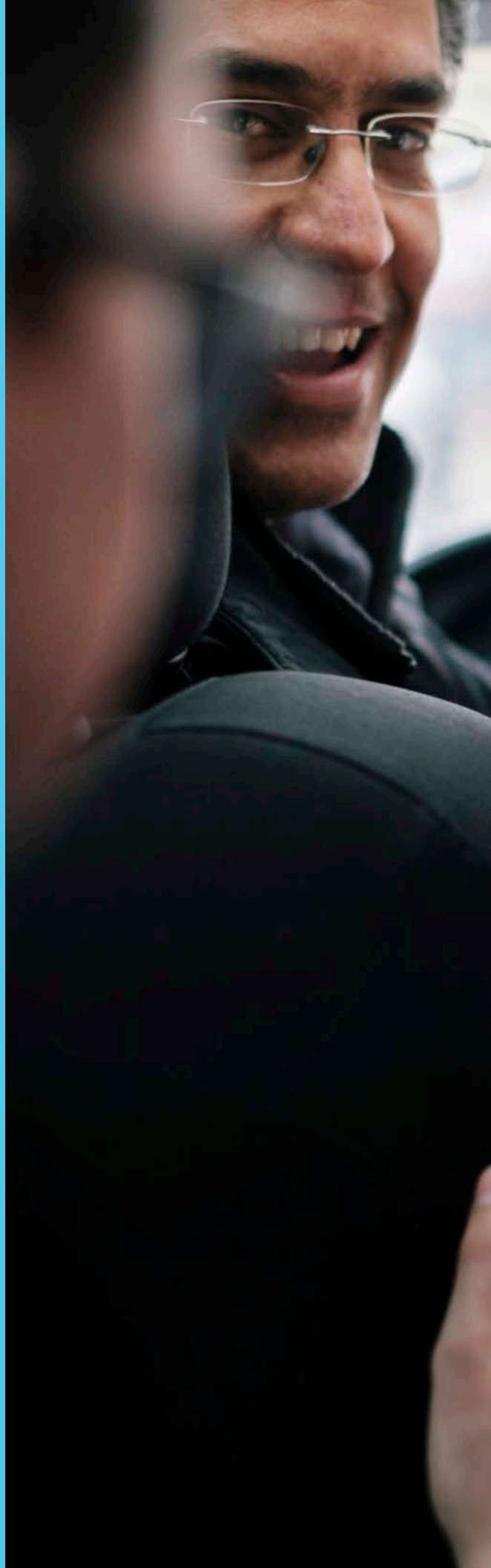
Agreement with "I expect to have an electric car eventually"  
(Rated out of 5, % of respondents, N=1,166)



However, 46% of respondents indicate that they don't ever expect to drive a fully electric vehicle. The main concerns, predictably, are range and access to charging infrastructure.

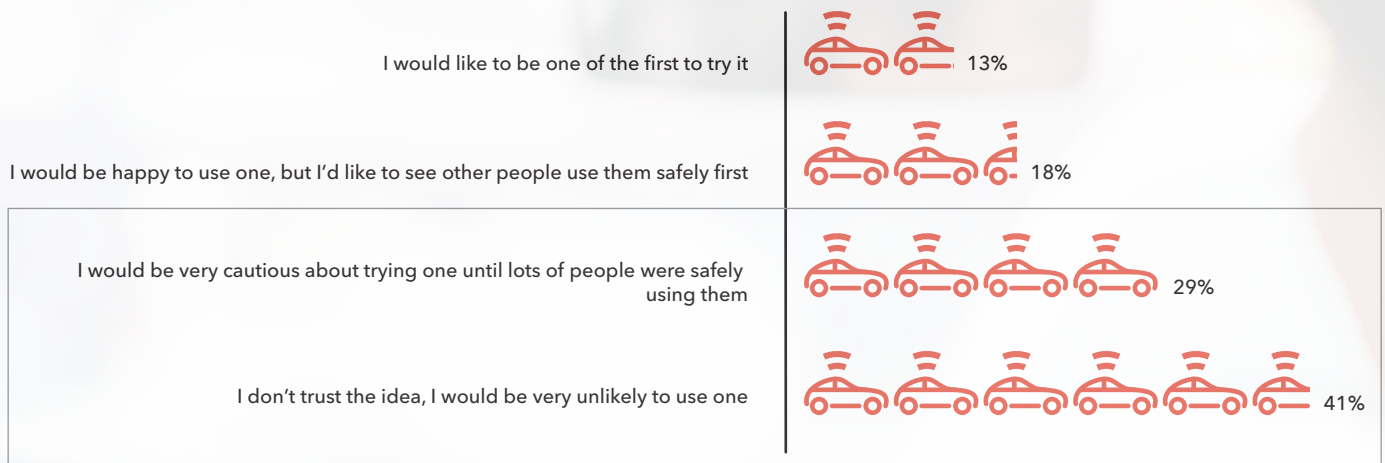
Range perception remains a problem. Although daily mileage is usually well under typical ranges, consumers are likely to want similar range to a tank of fuel i.e. >>200 miles, which today is only available on relatively expensive electric vehicles. Government incentives can partially close the gap but differ wildly by state e.g. Colorado offers the most generous incentive in the country with a \$6000 dollar credit locally in addition to Federal tax credits of \$2,500-\$7,500. Eleven states also give access to car pool lanes and/or free parking - which might be just as persuasive.

True autonomous technology (i.e. level 4 and above, where the driver can go to sleep) is some way off. Consumers are skeptical: 70% state they would be unlikely to try a driverless car. When driverless technology does come, 70% of consumers remain attached to their own dedicated vehicle rather than a shared pool, which only 10% of consumers actively prefer.



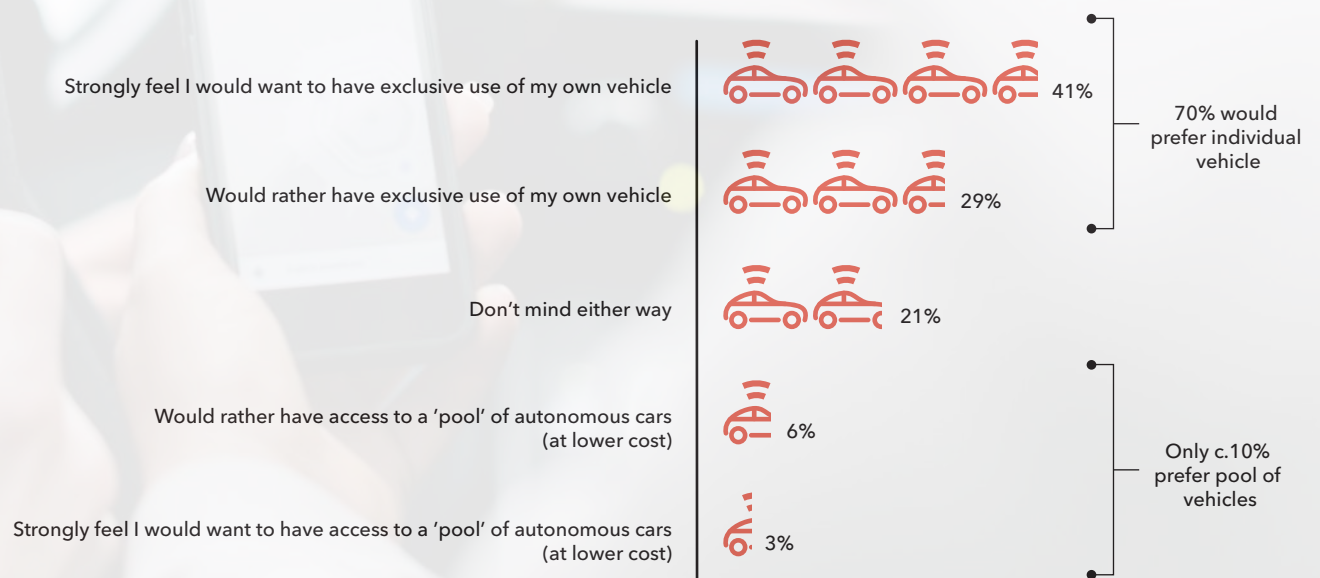
## CONSUMERS REMAIN CAUTIOUS ABOUT AUTONOMOUS VEHICLES, 70% WOULD BE UNLIKELY TO TRY ONE

Cars may be able to drive themselves in the future. How would you feel about this kind of vehicle? (N=2,008)



## WHERE CONSUMERS DO TRY AUTONOMOUS, 70% WOULD PREFER AN INDIVIDUAL CAR RATHER THAN A POOL OF SHARED VEHICLES/TAXIS

If you were to use these 'autonomous' vehicles as your primary form of transport, would you want to have exclusive use of your own vehicle, or would you be happy to pay for use from a pool of autonomous cars? (N=2,008)





# What does it mean for the industry?

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These trends should be reassuring for most of the providers in the automotive value chain with more continuity than disruption. The trend for bundled leases is the most near-term.



Now is the time to future-proof your position and lay bets to win in the future.

## Dealerships

- Don't write off the young - the spirit of independence is still important, but needs to be affordable. The right (probably used) vehicle, with attractive in-car technology and access to affordable insurance and servicing will unlock this segment
- For the mainstream, crafting new driving "bundles" will be the future, with the service components and extras as important as the vehicle - think of a mobile phone shop rather than a car dealership
- There is growing interest in new models of usership but reticence to switch away entirely. Zipcar, Daily Rental or Uber could be interesting deal sweeteners in car leases

## Finance/leasing

- The future remains bright for providers of capital, as leasing is the new norm, although short-term vigilance is required around lending criteria and resale values, to avoid Sub Prime 2.0
- The leasing opportunity in used vehicles is not fully-penetrated - this could be a way to bridge the affordability gap for the young
- Service levels, quality of "bundle" and technology to access it are worthwhile investments
- Access to B2C distribution is still a challenge: OEM dealerships will retain an advantage. A key question will be whether to compete on direct consumer acquisition, use indirect sales routes e.g. to employees, or aim to offer white-label services to other motoring brands

## Rental/mobility

- More flexible propositions from finance and leasing cos will inevitably create competition in mid-duration rental
- The blurring of the lines between traditional B2B leasing and B2C sales will open up new opportunities for some, and create new competition for others

## Service businesses

- Demand will remain stable: dramatically fewer cars or lower mileage are not on the horizon
- Sales will switch from B2C to B2B, bundled as part of a just-add-fuel proposition. This will put pressure on pricing and margins
- The winning factors in this environment will be unmatched physical scale, density and efficiency to serve large contracts profitably

## Insurance/Insurance distribution

- The outlook is quite stable for now with likely high rates of individual car ownership and limited immediate threat from autonomous vehicles
- Telematics growth will be focused on the young/high risk segments, and good white label providers will help insurers build these propositions
- Brokers and comparison/aggregators may find themselves less critical for distribution if underwriters can go directly via leasing cos offering all-inclusive subscriptions

## Data/software/technology providers

- Significant ongoing opportunities for software and data providers, telematics, connectivity, analytics and other services that drive efficiency and enable new propositions
- Incumbents risk letting innovative providers lead on new functionality, sold as a bolt-on, and harming their ability to increase prices

The winning factors in this environment will be unmatched physical scale, density and efficiency to serve large contracts profitably



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### OC&C's Automotive Practice

We support clients across the entire automotive value chain from distribution/financing through in-life servicing and remarketing. We work with global clients to support strategic decisions and growth. We also support private equity with due diligence and value creation.

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