Deloitte.

2014
Global Automotive Consumer Study
Exploring consumer preferences and mobility choices in Europe

Introduction

Forces are changing the mobility landscape, affording consumers more choices than ever before in meeting their transportation needs. For automotive companies, these shifting consumer demands result in a number of complex questions that may ultimately impact their products and how they engage with their customers.

To explore consumers' mobility choices and transportation decisions, Deloitte Touche Tohmatsu Limited (DTTL) fielded a survey in 19 countries. In total, more than 23,000 individuals representing a broad range of cross generational Baby Boomers, Generation X (Gen X), and Generation Y (Gen Y) automotive consumers responded to the survey. This broad and diverse consumer demographic allowed for in-depth analysis through multiple lenses, including generational, socio-economic, gender, and many others.

The objectives of the study centered on understanding the factors influencing consumers' mobility decisions as new transportation models (e.g., car-sharing, etc.) emerge. The study also analyzed the different tradeoffs consumers are willing to accept to own a vehicle, and examined how preferences for powertrains, technology (inside and outside of the vehicle), and lifestyle needs impact consumers' choice in the purchase or lease decision. The study also sought to assess the customer experience and the factors influencing the final vehicle purchase decision.

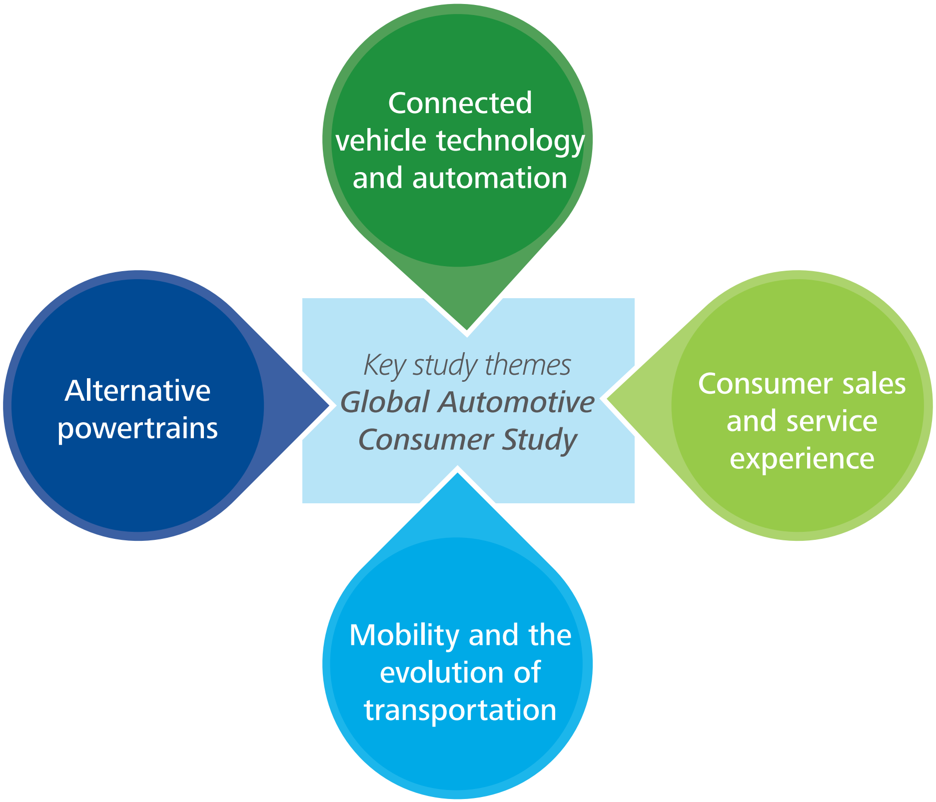
The following pages highlight the key findings for eight of the 19 countries covered in the study, providing perspectives on the consumer mobility trends in the European markets of Belgium, Czech Republic, France, Italy, Germany, Netherlands, Turkey, and the United Kingdom. These findings form the foundation for an informed dialogue between automakers, dealers, and non-automotive companies working within the industry about the factors that will increasingly impact how consumers around the world choose to get from one place to another.

Contents

About the *2014 Global Consumer Study*

The study, initiated in 2013 by the Deloitte Touche Tohmatsu (DTTL) Limited Global Manufacturing Industry group, focused on "the changing nature of mobility" and how the consumption of mobility affects various aspects of the automobile buying and ownership experience

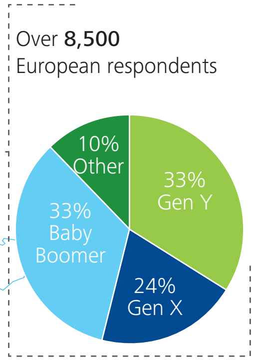
Within the mobility theme, the survey also covered questions around alternative powertrains,[1]



The *2014 Global Automotive Consumer Study* is based on a survey of over 23,000 consumers in 19 countries.

The key findings and insights in this publication are based on responses in Europe* to the survey.

Participating countries



European respondents			
Belgium	1,666	Italy	1,019
Czech Republic	1,014	Netherlands	847
France	1,003	Turkey	979
Germany	1,004	UK	1,066

* Europe in the 2014 Global Automotive Consumer Study consist of the following countries: Belgium, Czech Republic, France, Italy, Germany, Netherlands, Turkey, and UK.

Key findings about Gen Y consumers in Europe[1]

Gen Y consumers in Europe[1] are **interested in owning or leasing vehicles** with around **75% planning to purchase or lease** a vehicle **within the next five years**

44% of consumers think they will be **driving an alternative fuel vehicle five years from now,** and **they are willing to pay more for it**[2]

Consumer interest decreases as autonomy increases, but Gen Y consumers are **more comfortable with advanced levels of autonomy**

Reasons for Gen Y not buying: **high costs** and **affordability** are the primary factors

Factors that will motivate Gen Y to buy a vehicle: **Cheaper vehicles** that are **more fuel efficient**

Consumers see the ***greatest benefits of vehicle technology*** in improved safety and increased fuel efficiency

Over 50% of Gen Y consumers are influenced the most by friends and family during the purchase process

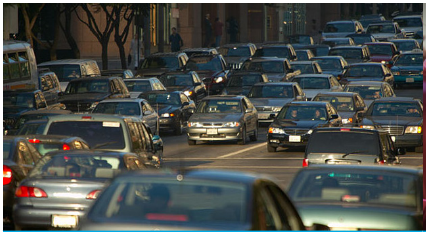
Gen Y consumers want ***vehicle technologies*** that protects them from themselves, including technologies that:

- Recognize the presence of other vehicles on the road
- Automatically block them from engaging in dangerous driving situations

[1] Europe in the 2014 Global Automotive Consumer Study consist of the following countries: Belgium, Czech Republic, France, Italy, Germany, Netherlands, Turkey, and UK.
[2] Although cost is still a primary motivation.

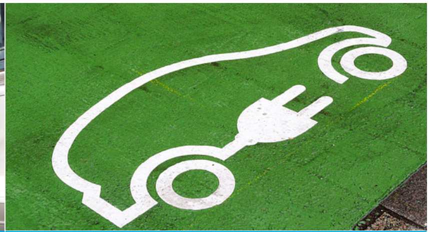
Why conduct a global automotive study?

As these powerful and dynamic forces continue to take shape, consumer mobility preferences are rapidly evolving.



	Hyper-urbanization	Generational views	Connected technology and software
Description	• In 2006, the world reached a critical midpoint with over half of the world's population was living in a city. The trend is expected to accelerate, with approximately 70% of the world's population expected to live in cities by 2050.[3]	• Baby Boomers, Gen X, and Gen Y consumers view their mobility needs and preferences differently. • While Baby Boomers tend to gravitate toward traditional vehicle ownership models, younger generations are highly interested in models that provide access to mobility, allow them to remain connected (and productive), at a reduced cost.	• Innovations in Vehicle to Vehicle (V2V) and Vehicle to Infrastructure (V2I) connectivity, mobile phones, apps, and smart card technology are disrupting the automotive industry. • Consumers will likely expect experiences that go beyond the sales or service transaction and leverage technology to integrate with their connected lifestyles—both inside and outside of the vehicle.
Impact	• Overcrowding, the realities of traffic, and new capabilities enabled by technology are leading to more collaborative approaches to transport. For example, the "sharing economy," driverless cars, and improved public transportation. • This trend has the potential to threaten vehicle sales, particularly in developed economies where profit margins are higher today.	• These differing expectations of mobility, along with disruptions of traditional ownership models, will change how original equipment manufacturers (OEMs) engage their customers. • This fundamental shift in buying behavior with a new generation of consumers present significant opportunities and challenges for OEMs.	• The formerly clear lines—between humans and machines, between ownership and non-ownership, between goods and services—will blur as a result of connectivity and the information generated and used interchangeably by people and machines.

[3] United Nations Department of Economic and Social Affairs – *Population Division, World Urbanization Prospects, The 2011 Revision,* March 2012.



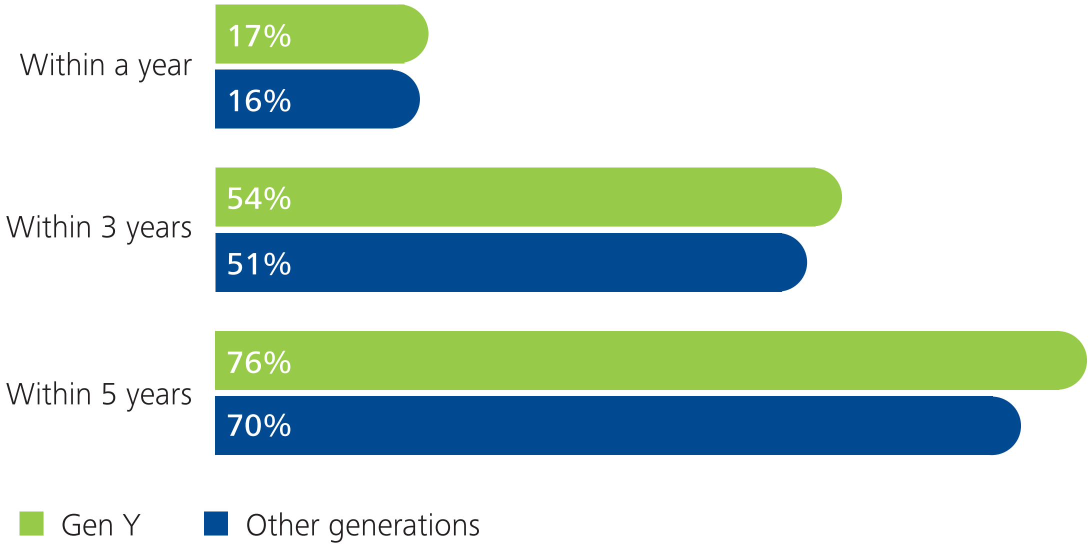
	Digital exhaust	Convergence of the public and private sectors	Sustainability and environmental concerns
Description	• Automobiles and infrastructure will generate a large amount of digital exhaust that will create both opportunities and challenges for consumers, manufacturers, government, and businesses. Every action taken can be measured and quantified in the connected vehicle of the future. • This data provides opportunities for a more integrated and seamless mobility system.	• Government will likely not be able to fully fund nor take primary responsibility for the requirements supporting tomorrow's transportation systems. • The sheer complexity of transportation systems of the future will likely require many players to be involved.	• Continued concerns regarding environmental sustainability and a focus on improving fuel efficiency are leading to ever increasing government targets and expectations in countries around the world such as EU 2020: 60.6 miles per gallon, Japan 2020: 55.1 miles per gallon, and U.S. 2025: 54.5 miles per gallon.[4] • Automakers are being challenged to develop more fuel efficient engines and alternative powertrains to comply with the evolving standards.
Impact	• If used correctly, this data could allow for automotive and non-automotive companies to gain insight on the consumer behavior and vehicle performance, as well as identify new potential growth opportunities and/or business models. • Because data will be produced across disparate sources, management and integration of the data will be the barrier to optimizing the use of the data.	• The mass adoption and use of new public transportation, electric cars, and autonomous/driverless cars, and the supporting infrastructure requirements is likely to require increased public-private collaborations to address both development costs and ongoing operations.	• In the future, consumers will have the ability to choose from a mix of proven powertrain options that best meet their lifestyle needs and are competitively priced – including more efficient internal combustion engines, electric vehicles (EVs), hybrid electric, and vehicles powered by natural gas.

[4] The International Council on Clean Transportation, Global Comparison of Light-Duty Vehicle Fuel Economy/GHG Emissions Standards, June 2012.

Gen Y market potential

Over *75%* of Gen Y consumers in Europe plan to purchase or lease a vehicle **within the next five years**

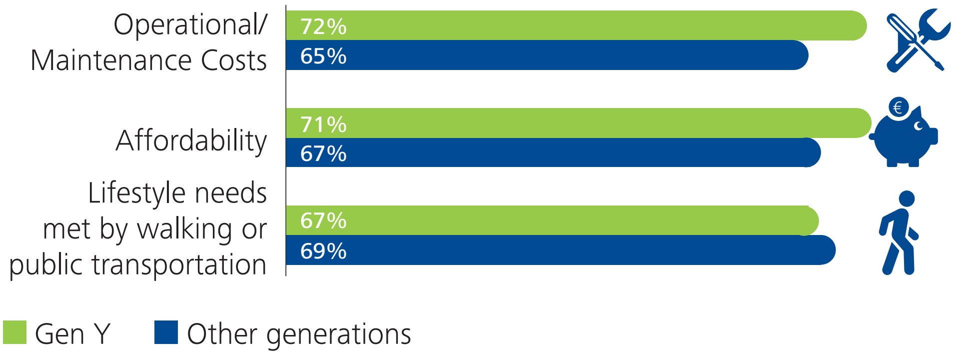
When do you expect to purchase or lease a vehicle?



Decision Criteria

Affordability and *cost* were cited as the top reasons for Gen Y not owning a vehicle. Most consumers also feel that their *lifestyle needs can be met by walking or public transportation.*

Top three reasons Gen Y consumers in Europe don't buy (versus everyone else)



But are consumers interested* in buying?

(*in current models)

Note: “Strongly Agree” and “Agree” responses have been summed up together.

Top three things that would get Gen Y consumers in Europe into a vehicle

Note: “Much more likely” and “accore likely” responses have been summed up together.

Driver Profiles

Gen Y loves to drive,

provided **cost is low and it fits the demands** of their lifestyle.

Eco-friendly	Low cost	Convenience	Utility	Luxury	Technology	Love to drive
I make green choices in my life. When going somewhere, I want to do so in an eco-friendly manner, even if that means more time and money.	My total cost when going somewhere needs to be low, and I will choose a transportation option that is cheapest.	When going somewhere, I want to do so in the fastest and easiest way and am willing to use any transportation option to achieve this.	I have things to do and getting somewhere needs to fit the demands of my lifestyle. My transportation option must have the functionality to meet these demands (e.g., I require a truck to haul my equipment/ tools).	I value luxury and want to be noticed when I go somewhere. I feel a sense of pride driving a luxury vehicle and am willing to pay more for the features and the brand name.	Connected technology is important to me when going somewhere. To do this, my transportation choice needs to be integrated with my electronic devices, and it needs to access, consume, and create information.	I look forward to driving because getting there is half the fun.

How would you describe yourself as a commuter?

Driver Profile Generational Comparison

"Low cost" is not a primary factor in China and India

Note: "Eco-Friendly" and "Luxury" are tied for 5th for other generations

Vehicle Loyalty

Gen Y consumers in Europe are interested in driving, with more than half of them choosing their personal car as their preferred mode of transportation

57%
of Gen Y consumers love their cars

but are
40%
more likely to abandon their vehicles if costs increase

Other generations
13%

Gen Y
18%

"I would be willing to give up driving my car even if I had to pay more to get where I need to go."

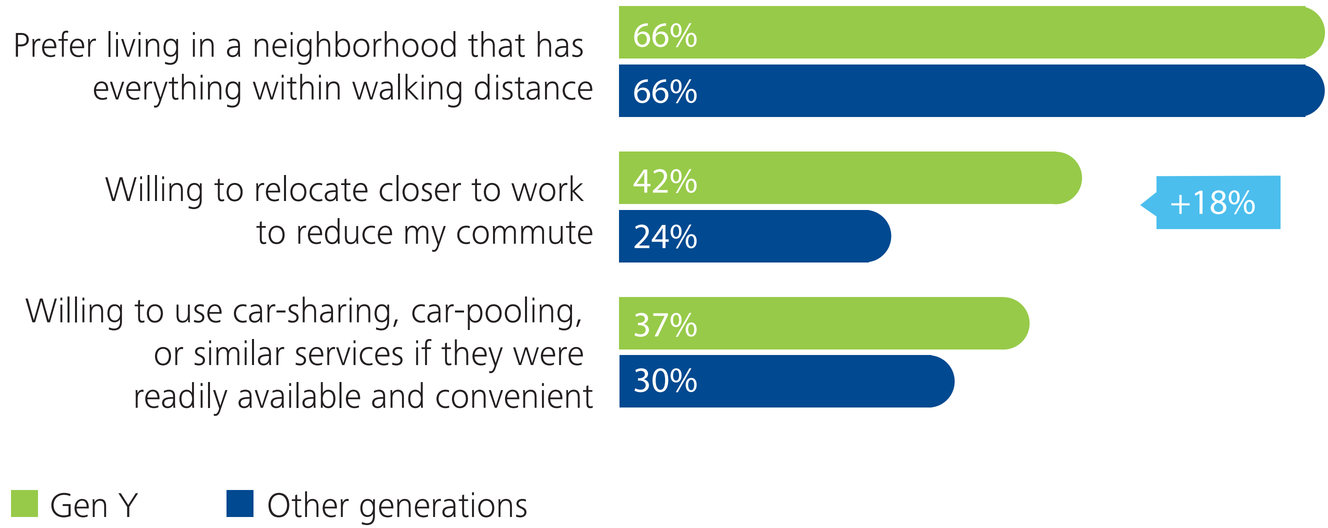
Lifestyle

Factors that may influence

consumers' decision to abandon vehicle ownership

Lifestyle is the primary reason.

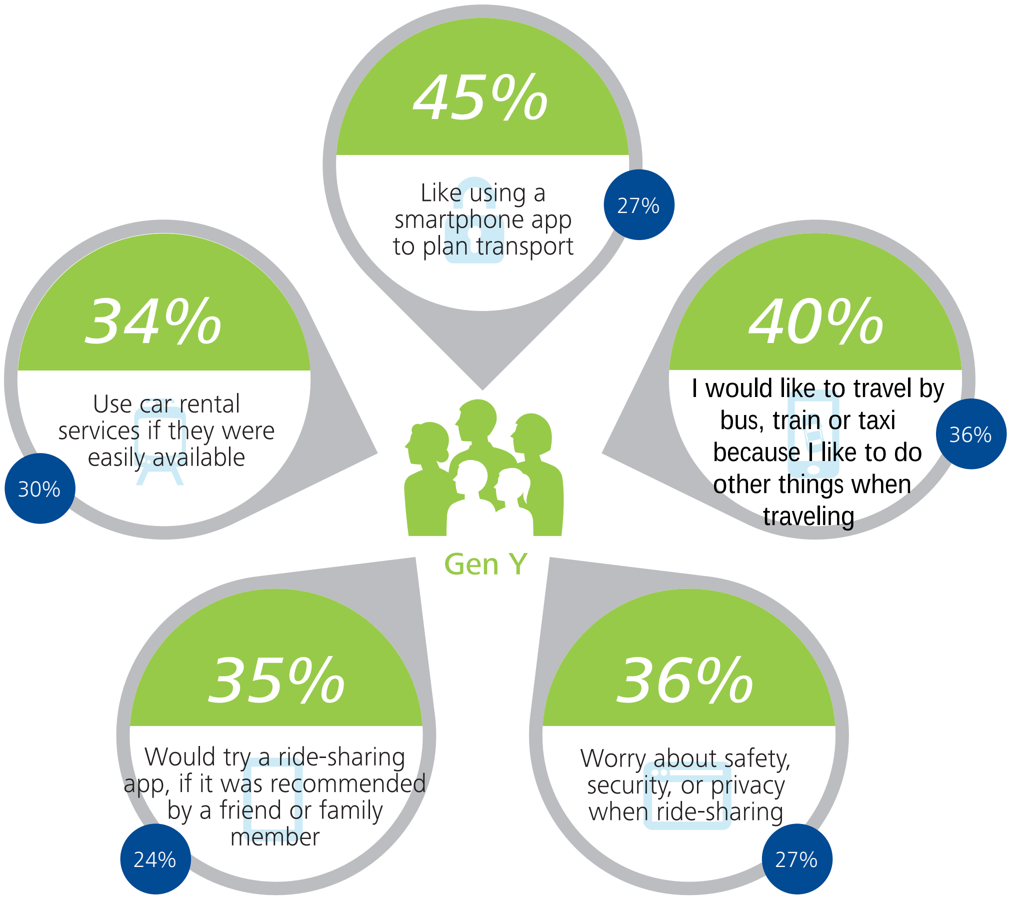
How much do you agree with each of the following statements?



Note: "Strongly Agree" and "Agree" responses have been summed up together.

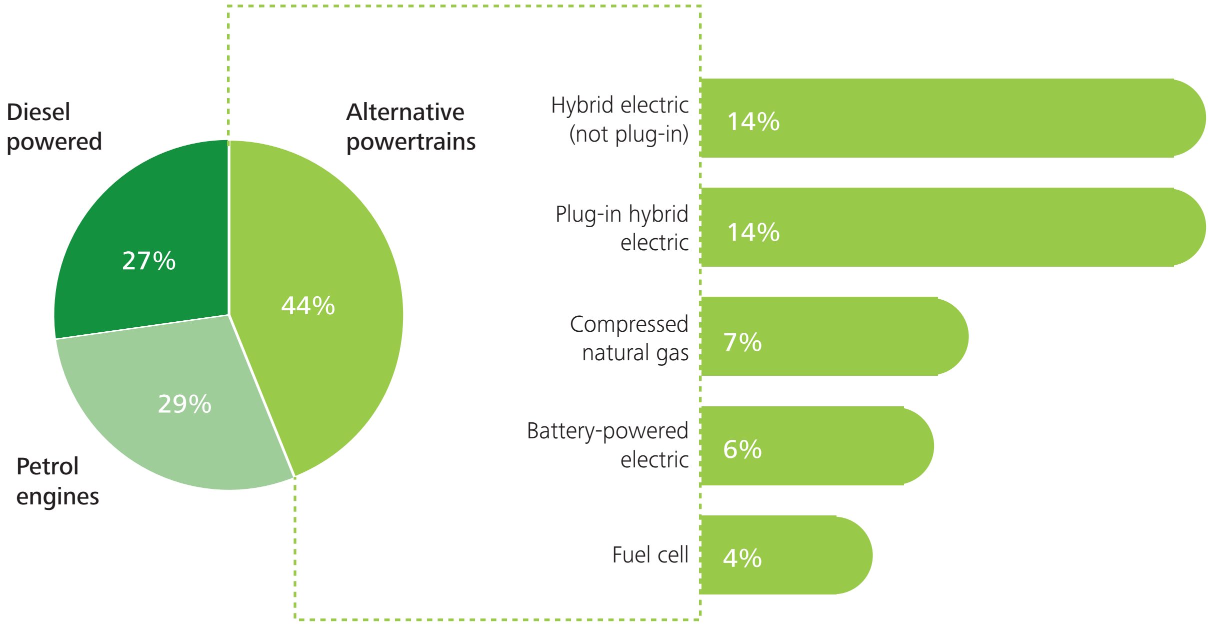
Consumers in Europe are interested in *alternative mobility options* that **reduce costs, and offer convenience as well as safety,** causing concern for automakers.

Percentage of Gen Y respondents that agree with the following statement:



Alternative engines and fuels

Less than half of the consumers in Europe would prefer to be driving an alternative vehicle five years from now



Today *58%* of consumers in Europe drive *petrol engine* vehicles and *39%* drive *diesel* operated vehicles.

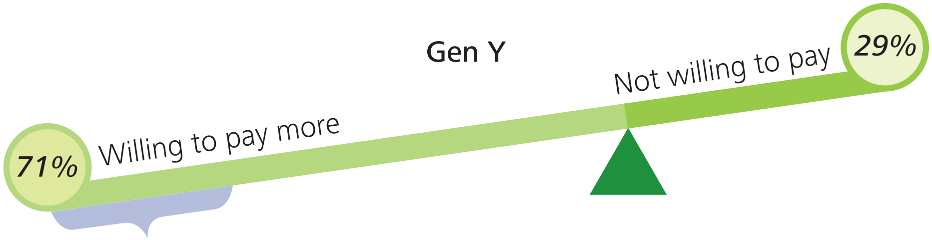
Note: There was no statistical difference between Gen Y and other generation consumers

Gen Y is

willing to pay more

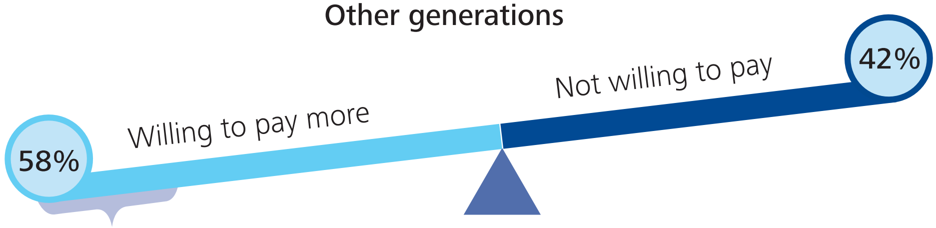
for an alternative powertrain…

Gen Y



39%
are willing to pay
US $2,000 or more

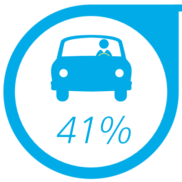
Other generations



30%
are willing to pay
US $2,000 or more

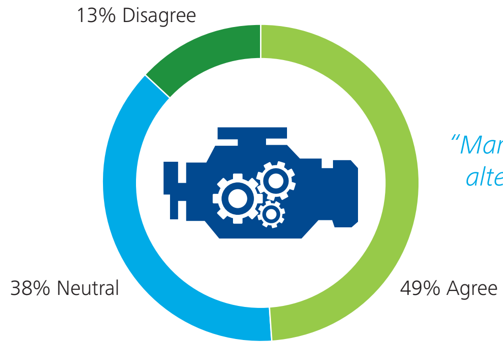
…but cost is still a motivating factor

Of Gen Y consumers say "My motivation to purchase/lease an alternative powertrain would be driven more by my desire to save money on fuel rather than to save the environment."



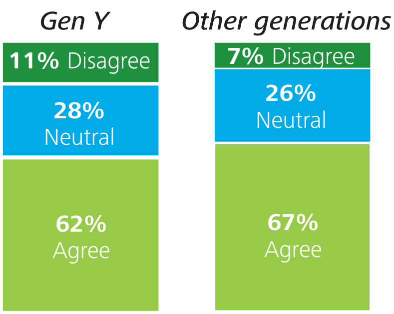
Of Gen Y consumers would prefer to drive a traditional vehicle if it could provide comparable fuel efficiency to vehicles with alternative powertrains.

About half of the consumers in Europe feel that there *are not enough alternative powertrain options* in the market, with around *two-thirds* **preferring a broad range of powertrain options** in each vehicle model



"Manufacturers don't offer enough alternative powertrains in vehicles I would actually want to drive."

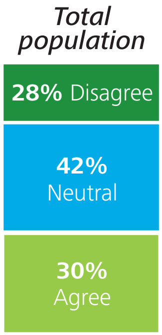
Alternative engine preference



Majority of the consumers prefer a range of engine options……

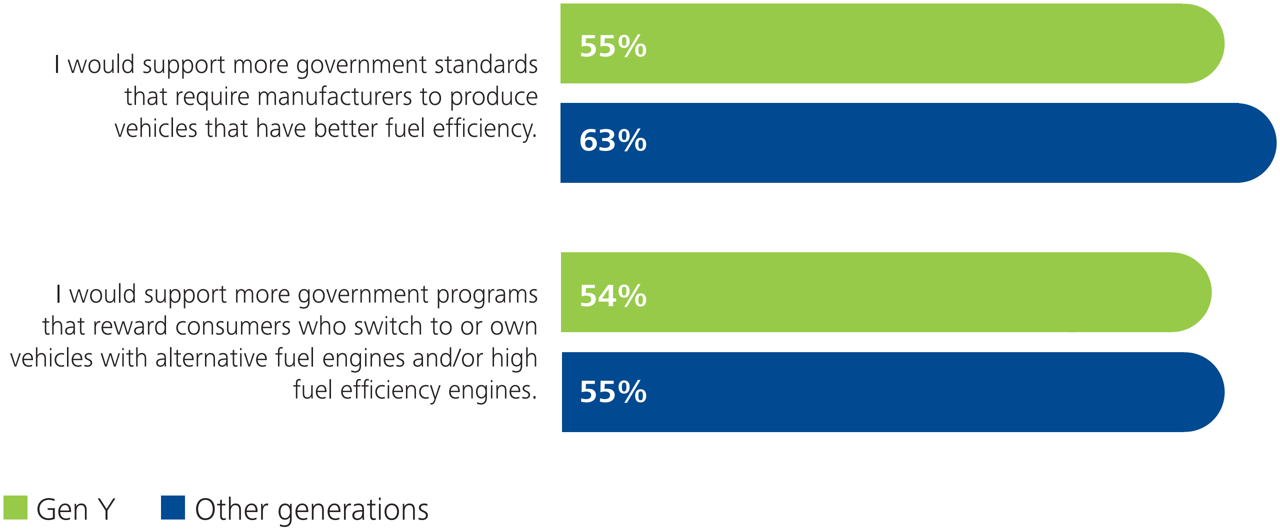
"I would prefer that manufacturers offer a *range of engine options* for each model that they produce."

…..but show less interest in specialized lines of vehicles that only have alternative engines



"I would prefer that manufacturers offer a *specialized line of vehicles* that only have alternative engines."

Majority of the consumers in Europe are supportive of government incentives or standards to switch to alternative powertrains



Percentage of respondents that agreed with the statements above

Vehicle Technology

Consumers in Europe believe that

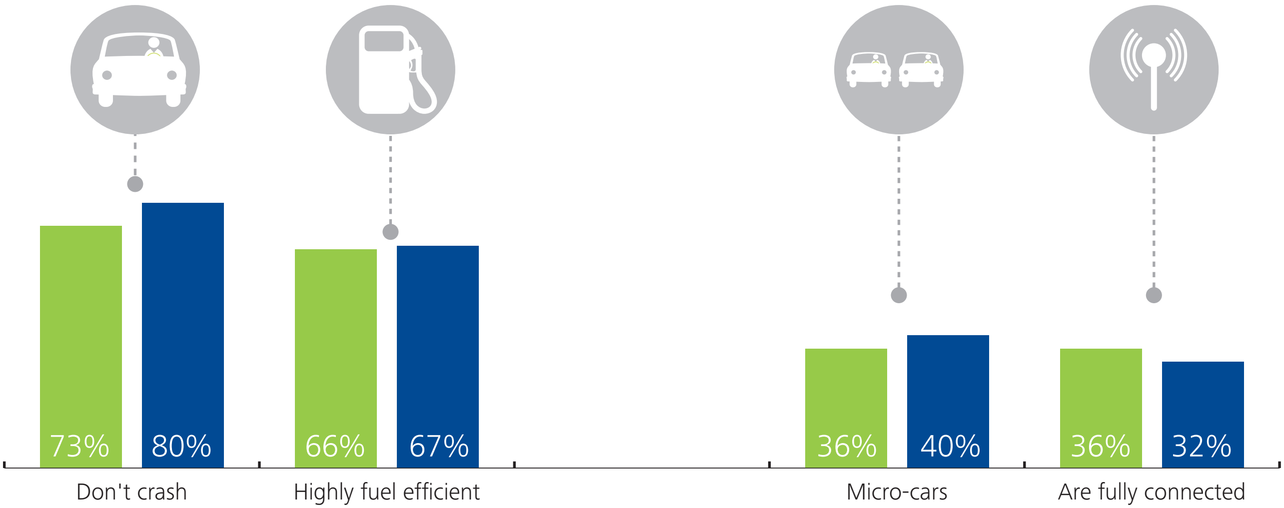
there are significant benefits from new vehicle technologies and advancements, including vehicles that…

Greatest Benefits*

*% of respondents indicating they expect significant benefits from these automotive technologies

Other Benefits*

*% of respondents indicating they expect significant benefits from these automotive technologies



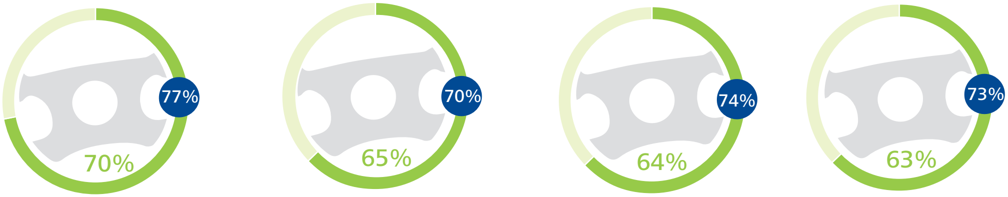
Gen Y wants:

- Technology that recognizes the presence of other vehicles on the road
- In-vehicle technologies that could help coach them to be a safer driver
- Technology that will let them know when they exceed the speed limit
- In-vehicle technologies that would automatically block them from engaging in dangerous driving situations

Gen Y Other generations

Consumers desire safety technologies more than **cockpit technologies...**

Safety Technologies



Technology that recognizes the presence of other vehicles on the road

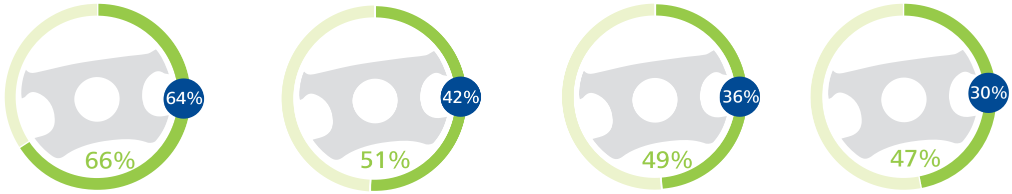
Technologies that help coach them to be a safe driver

Technology that will let them know when they exceed the speed limit

Technologies that block them from engaging in dangerous driving situations

.. with Gen Y showing higher desire for cockpit technologies than other generations

Cockpit Technologies



Features that help or make tasks more convenient (e.g. assisted parking, adaptive cruise control, etc.).

Easier customization of a vehicle's technology after purchase or lease

In-vehicle technology that helps them manage daily activities

To connect their smartphone to use all its applications from the vehicle's dashboard interface

■ Gen Y ■ Other generations

Percentage of respondents indicating they expect significant benefits from these automotive technologies

..and over 40% are willing to pay more than $1,000, with **almost a quarter** *willing to pay* **over $2,500**

Consumers' willingness to pay

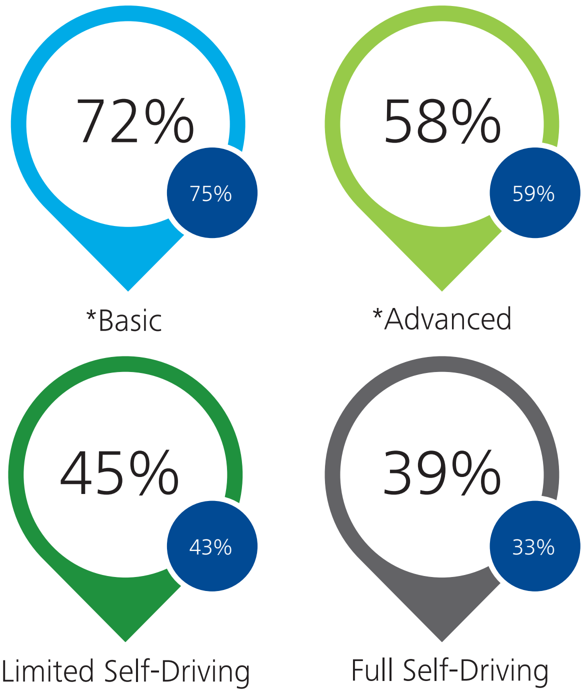
▶ 80/% Gen Y
vs 69% Other generations
Willing to pay

▶ 20% Gen Y
vs 30% Other generations
NOT willing to pay

■ $2,500 or more ■ $1,000 ■ $500 ■ $250 ■ $100 ■ I wouldn't pay more

Autonomous Vehicles

Today, most consumers in Europe are more interested in basic levels of automation but show declining interest in the more advanced levels of autonomy



*% of respondents in Europe indicating they would find the following levels of autonomy desirable

Definitions for autonomous (driverless) vehicles

- **Basic**: Allows the vehicle to assist the driver by performing specific tasks like anti-lock braking (prevent from skidding) and/or traction control (to prevent loss of grip with the road).
- **Advanced**: Combines at least two functions such as adaptive cruise control and lane centering technology in unison to relieve the driver of control of those functions.
- **Limited:** Allows the vehicle to take over all driving functions under certain traffic and environmental conditions. If conditions changed, the vehicle would recognize this and the driver would then be expected to be available to take back control of the vehicle.
- **Full:** Allows the vehicle to take over all driving functions for an entire trip. The driver would simply need to provide an address and the vehicle would take over and require no other involvement from the driver.

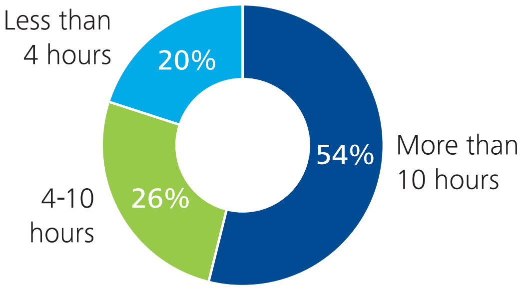
Source: Based on U.S. Department of Transportation's National Highway Traffic Safety Administration (NHTSA)

The Customer Experience

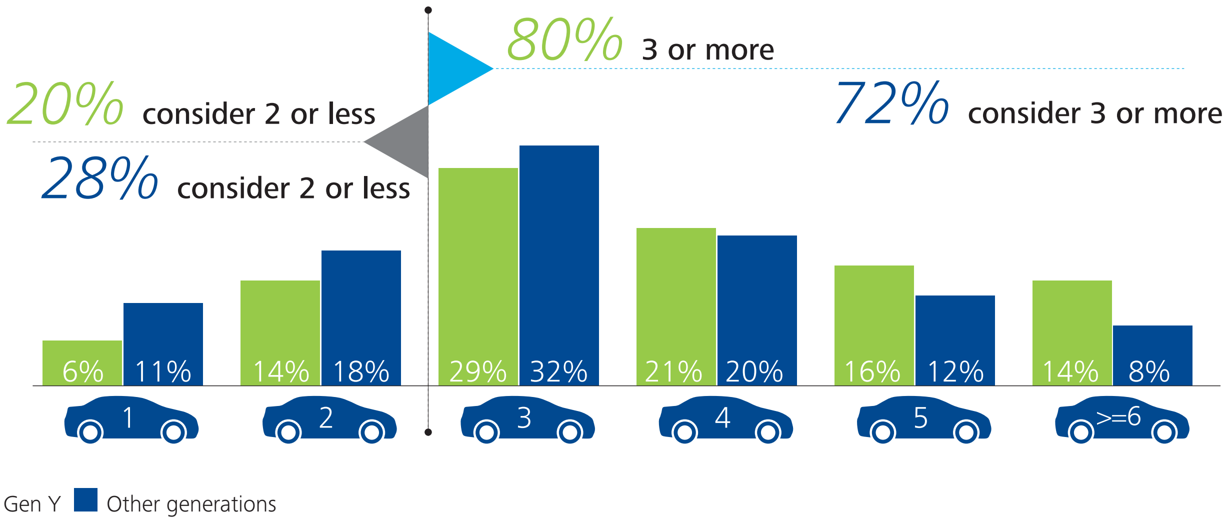
Research is key

More than half of the consumers spend *10 hours or more researching* and nearly three-quarters consider *3 or more brands* before they purchase or lease a vehicle.

Time consumers in Europe spent researching possible vehicles



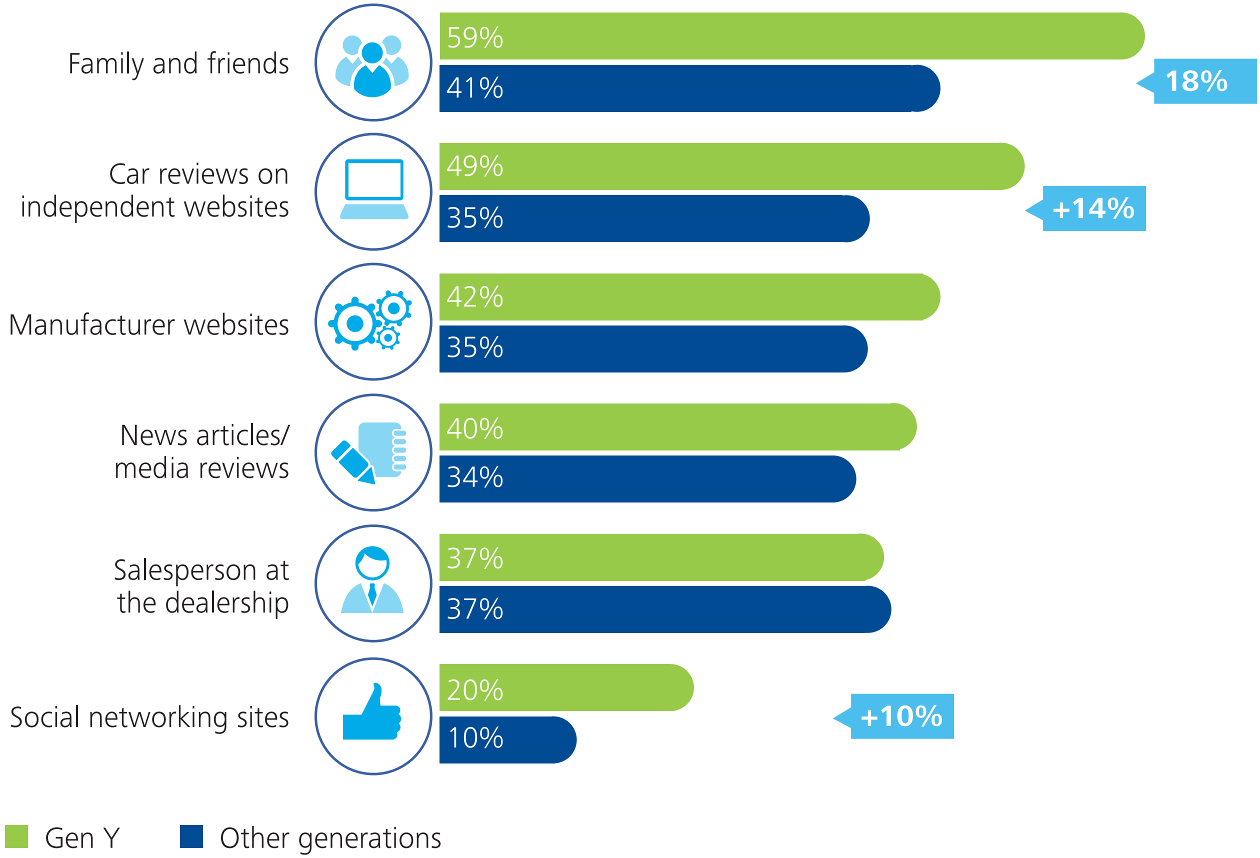
Number of brands considered by consumers in Europe when purchasing or leasing



Influencing the purchase decision

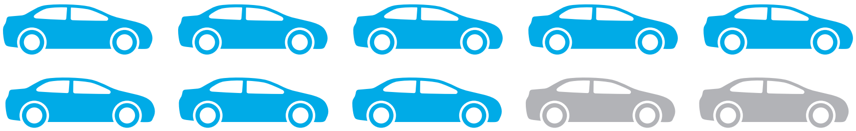
More than half of the Gen Y consumers in Europe are influenced the most by family and friends when making their purchase decision

How much of an impact does information from each of the following sources have on your ultimate decision on which vehicle you choose



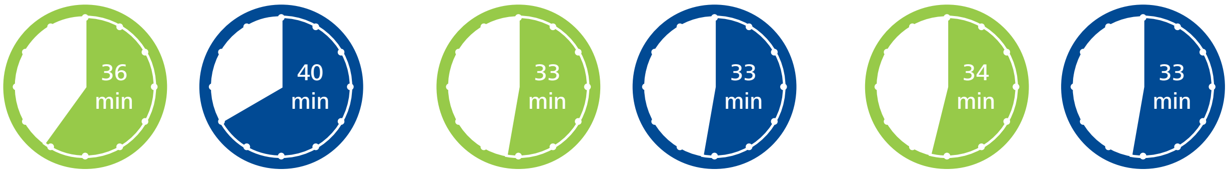
Percent of respondents in Europe indicating this source is a significant influence on the purchase decision

8 out of 10



Consumers want an *extremely efficient* purchase process...

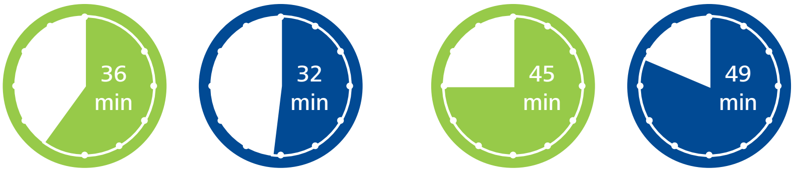
Average acceptable time per phase for Gen Y and Other Generations consumers in Europe



Getting info from dealerships

Waiting to test drive a vehicle

Processing paperwork and registration

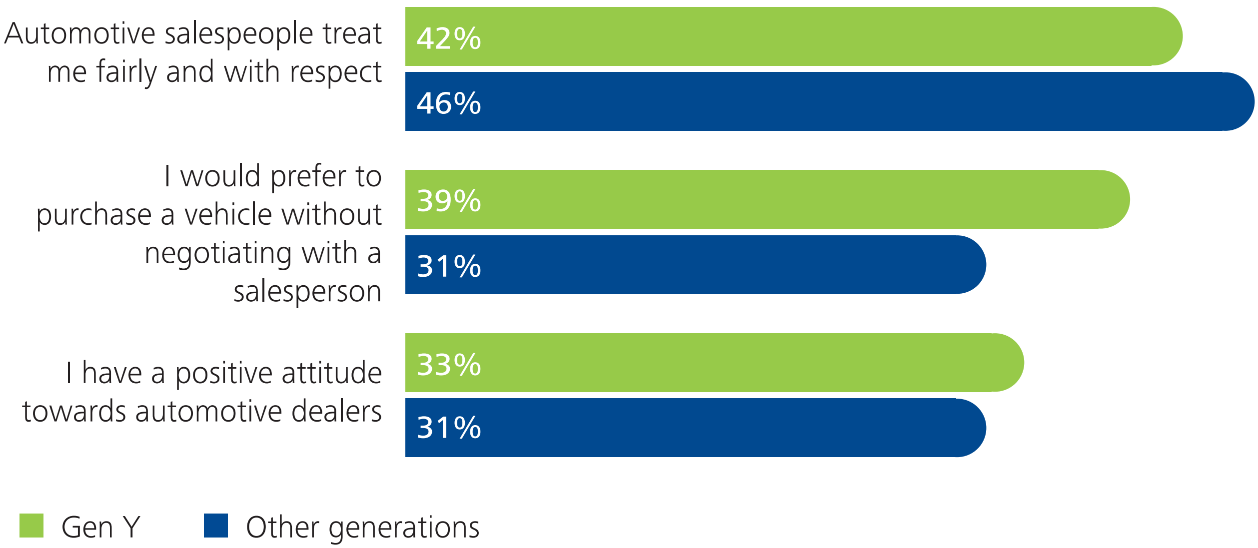


Processing financing

Performing simple maintenance service

Gen Y Other generations

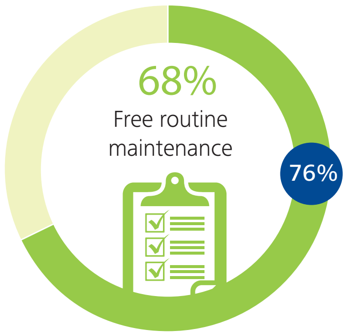
Only about a third of the consumers have *a positive image of automotive dealers* and **less than half** feel that **they are treated fairly and with respect by automotive sales people**

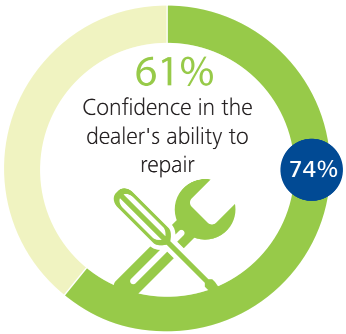


Service impacts vehicle sales

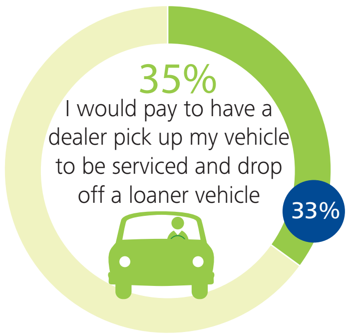
The *cost* and *quality* of the service bundle **influences over *70%*** of consumers' purchase decision.

When choosing a vehicle to purchase or lease, how important are each of the following attributes?





But only a third **of Gen Y are** *willing to pay for services*
that make their lives easier



Gen Y   Other generations

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