Annual Gen Y automotive survey

Executive summary of key themes and findings

Overview

Gen Y represents a large and highly important consumer segment. In Germany, Gen Y (ranging in age from 19-31) has a purchasing power of nearly 7.5 billion EUR today.[1] By 2020 these young adults will represent a share of up to 15% of the market and will be worth 14 billion EUR in purchasing power.[2] However, the characteristics of Gen Y are unlike previous generations. For example, being a relatively young generation, Gen Y's characteristics and buying behaviors are still maturing. Gen Y consumers may also be skeptical and aspirational, and may feel more entitled than previous generations while also displaying social and environmental consciousness. Finally, they are also more connected than any other previous generation and, as a result, have large social networks.

Worldwide the significant majority of Gen Y is planning on purchasing or leasing a new vehicle within the next two years, offering significant chances for the automotive manufacturers to win Gen Y. At the same time – and perhaps most concerning to automotive manufacturers – recent research suggests the basic desire for personal mobility is changing for Gen Y and cars may not have as much appeal to this generation when compared to older generations. These characteristics and trends create both challenges and opportunities for automotive companies, as they seek to capture their fair share of this important market.

2012 Gen Y survey at-a-glance

- Comprised of more than 2,000 Gen Y consumers in Germany, France, the United Kingdom, the United States and China
- The 2012 survey has a margin of error of +/- three percentage points
- The survey was conducted online between September 19 and October 14, 2011
- Graduate MBA students conducted additional research in the following areas:
  - How Gen Y Values Alternative Power Trains – Michigan State University Eli Broad College of Business
  - Gen Y's Preferences for Interior Styling and "Cockpit" Technology – Carnegie Mellon University Tepper School of Business
  - How Gen Y Defines Luxury – UCLA Anderson School of Management

About Deloitte's annual Gen Y survey

Since 2009, Deloitte has surveyed Gen Y consumers in an effort to understand their vehicle preferences and buying behaviors. For the first time in 2012, survey respondents also included Gen Y consumers in Germany, France, the United Kingdom and China. Since its inception, approximately 4,500 consumers have participated in Deloitte's annual survey.

In addition to the annual survey, Deloitte also collaborates with graduate MBA students from universities across the United States. Student teams are assigned themes to investigate further by conducting additional primary research and analyzing Deloitte's survey responses.

In selecting the annual themes for the survey, consideration is given to recent and emerging issues, as well as the impact of social and economic factors such as rising fuel prices and volatile economic climates. To keep pace with this rapid and ongoing change, the survey has focused on different themes each year we have conducted the study. Key findings and leading purchase considerations have changed each year; however, previous years' differentiators are considered "must haves" for Gen Y consumers (please note that the following key findings of the previous years are derived from US data):

- 2009 – Vehicle safety ranked as the top priority for Gen Y
- 2010 – Overall value emerged as the leading factor for Gen Y
- 2011 – "Cockpit" technology and the shopping experience were leading criteria for Gen Y

More information about Deloitte's Gen Y program and results of previous years' surveys can be found online at **www.deloitte.com/us/geny**.

Universities participating in the 2012 Gen Y survey

Carnegie Mellon Tepper School of Business

UCLA Anderson School of Management

Michigan State University | The Broad School

[1] KBA 2011; MPS 2011, Deloitte Analysis.
[2] KBA 2011; MPS 2011, Deloitte Analysis.

Executive summary

Key themes and findings

Gen Y: Pioneers for alternative power trains

According to the survey, a strong majority (62%) of the German Gen Y respondents would rather buy an "electrified vehicle" than any other type of car in the future. Furthermore, with nearly every fourth German Gen Y consumer preferring a pure battery electric vehicle over conventional or even hybrid technology, the Germans take the role of the international pioneer when it comes to the willingness to adopt to and implement future technologies. With exception of the UK (46%), an overall strong preference for "electrified" power trains is identifiable for all participants around the world.

Survey results also show that preference for "electrified vehicles" is not predominantly driven by environmental concerns. Even though the trend to decrease engine in size and upgrade ecologically can be identified among German Gen Y, when asked what type of vehicle they will be driving in five years, the same percentage of people named compact car and SUV. This indicates that some consumers are not willing to forego lifestyle and tastes in order to address environmental concerns.

So, besides ecological considerations, what is driving this preference for alternative power trains? Gen Y's desire for this new technology is linked to the fact that they see these vehicles becoming more economical than traditional gasoline-powered vehicles in the long run. Concerns about total cost of ownership get especially important in an environment with frequent swings in fuel prices. Nevertheless, nowadays the high initial purchase price of pure battery electric vehicles is still mentioned as major obstacle to a faster market penetration.

However, while 24% of German Gen Y would prefer a pure battery electric vehicle as their next car, only half see themselves actually buying such a vehicle in five years from now – demonstrating that the German Gen Y is still critical about the practical implementation of alternative power trains.

In comparison to Germany, pure battery electric vehicle is only preferred by one in ten Gen Ys in France, the United Kingdom, USA and China. Consumers in those countries are more familiar and comfortable with hybrid gasoline-electric technology than with pure battery electric technology.

With regard to the general willingness to pay a premium for an environmentally friendly power train with the same range as a comparable vehicle with a combustion engine, the findings differ significantly between the different countries. Whereas American Gen Y on average is willing to pay a premium of 2,500 EUR, Gen Y in Germany is only willing to pay a premium of about 1,700 EUR. Furthermore, only about 50% of them are willing to spend a premium of more than 1000 EUR for an environmentally friendly power train.

It seems automakers are recognizing that the ecological and especially economic considerations of purchasing an "electrified vehicle" have a growing appeal to Gen Y consumers (and the potential this large population has for tipping the scales in favor of alternative power trains) with a number of different hybrid and pure battery electric models expected to be on the market in 2013.

> "Gen Y's preference for 'electrified vehicles' could represent a tipping point in the establishment of alternative power trains in Germany."

Dr. Thomas Schiller
Head of Deloitte Germany's Automotive Industry Practice
Deloitte Consulting GmbH

"Traditional" Quality and Technology

Deloitte's survey also showed that especially the German Gen Y expects excellent quality and workmanship in their vehicle, while also expecting state of the art technology. With respect to the technology features, especially the navigation system, touch screen interfaces, sound systems and smartphone applications are seen as most important features. The latter in particular representing the trend among Gen Y to be connected at all time and all places. In general the willingness to pay for additional technology features is given. However, it varies significantly with respect to feature and country.

Gen Y consumers also want to be able to customize their car interiors after the initial purchase with embellishments that include technology features: 77%[3] would like to buy additional accessories and upgrades for their cars on an ongoing basis – allowing Gen Y to spread the costs for the desired technological equipment over a period of time, while giving the automotive manufacturers the opportunity to increase their revenue through additional purchases during the product lifecycle.

Nevertheless, Gen Y realizes that their connected lifestyle can create safety issues while driving. This issue needs to be addressed with additional safety features. Therefore Gen Y consumers are willing to pay serious extra money for additional safety features, if the features are already widely perceived as reliable and accepted. Hence, the key to increase the willingness to pay for safety technologies is creating trust in and acceptance of these technologies.

"Auto manufacturers have an opportunity to develop innovative and low-cost personalization options for this powerful consumer segment."

Joe Vitale
Global Automotive Sector Leader
Deloitte Touche Tohmatsu Limited

3 Figure based on US survey results.

Other interesting findings

Luxury is all about image

Gen Y consumers are brand and image conscious, and survey results suggest that brand image drives which vehicles are permitted into the Gen Y consideration set. The majority of global Gen Y respondents indicated "brand image" as critical when purchasing a luxury vehicle. This fact represents a chance for German OEMs, since the study additionally showed that four out of the top five luxury brands considered among Gen Y are of German origin.

The decline of the pure vehicle as status symbol is also identifiable for Gen Y customers. Nonetheless with special regard to luxury vehicles, Gen Y consumers prefer purchasing used luxury vehicles over new non-luxury vehicles to gain access to premium features and the status these luxury brands convey.

Even though brand is regarded very important, it is not the only decisive luxury feature. Among Gen Y worldwide plush, exclusivity, technology as well as leather seats ranked highest when asked for top luxury features. However, the demand for these features (in particular the latter two mentioned) are pervasive across both luxury and mass segments and are not exclusive to luxury vehicles. In comparison to the other countries surveyed, only Chinese Gen Y rated safety as the most important luxury feature.

Gen Y is still up for grabs and want automakers to arm them with knowledge

Gen Y consumers continue to consider a significant number of brands when deciding to purchase a vehicle. According to 2012 survey results, Gen Y on average shows initial interest in more than eight different brands – especially the German and Chinese consider up to twice as many brands as the French and UK Gen Y, leading to a very informed purchasing decision. This is underlined by the clear correlation between the number of brands initially considered and the satisfaction with the choice made: the more brands that have been considered initially, the more often customers recommend the brand they bought for themselves.

With respect to German Gen Y's approach to conducting vehicle research, the internet continues to be these consumers' primary source of information, with vehicle manufacturer websites (91%) and product reference websites (91%) being the most popular. Only about 33% use social media websites as source of information.

In addition to online sources, dealers rank a close second for all generations as a primary source for vehicle information. In contrast to 2011, where Gen Y consumers noted their disinterest and dissatisfaction with the dealer experience, the 2012 survey results show that for Gen Y, a good dealer experience can earn their loyalty in the long run, with about 80% of respondents saying that if they had a great experience with a brand's dealer, they would buy that same brand of vehicle again the next time they were in market. However, the survey furthermore showed that about 40% (USA 57%) of participants in Germany are interested in proceeding with their dealership from sales conversation up to the final purchase only via the Internet.

Concluding it should be stated that in addition to the above mentioned findings, the influence Gen Y has on other generations will increase significantly in time, giving the preferences and attitudes of Gen Y importance beyond their actual market share. Hence, convincing Gen Y of one's capability of fulfilling their specific requirements today, facilitates success in the long run.

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