



THE POTENTIAL AND PITFALLS OF AUTOMOTIVE SUBSCRIPTION SERVICES.

Scientific Insights with Mitch Phillips, Global Director of Data

For decades, vehicle ownership has represented a significant monetary outlay for the average consumer, second only to that of a home mortgage. Automotive Subscription Services are challenging the status quo with a new dynamic — one where, instead of owning, consumers get the use of a vehicle (or several) for an all-inclusive monthly fee that typically includes insurance, roadside assistance and maintenance.

We understand the automotive industry is undergoing significant changes in what it means to own a vehicle — changes that promise to be the most groundbreaking in decades. Automotive Subscription Services are just beginning to out in pilots in select markets, and their long-term viability is still up for debate — a debate that's likely to be decided in the marketplace.



The Sharing Economy migrating to the automotive industry.

A GLIMPSE INTO THE FUTURE...OR NOT.

Urban Science typically measures both brand effectiveness and dealership sales effectiveness with retail sales. Since vehicles that are offered to consumers for Automotive Subscription Services are not counted as retail sales, new metrics are needed that can be used to accurately take into account the impact of this new dynamic. It's important to note, however, that even the most aggressive estimates project that the vehicles in the Automotive Subscription Services fleet will become just a small percentage of total automotive sales.

THE MIGRATION OF THE SHARING ECONOMY INTO THE AUTOMOTIVE SECTOR.

Overall, Automotive Subscription Service vehicles are, quite literally, examples of the Sharing Economy migrating to the automotive industry. We do not expect Automotive Subscription Services to impact rural or thinly populated areas significantly since the business model for these services is more urban in nature, relying on major metros that can support the infrastructure (number of vehicles) needed for the exchange of vehicles the model requires.

WHO MIGHT BENEFIT BY THE PROPOSITION.

Dealers in major metro areas in general, and mega-dealers in particular, are well-suited to scale up to the demands of Automotive Subscription Services. Many of these Dealers, and especially those with luxury models, are already required to offer one form or another of pick-up and delivery, enhanced roadside assistance and a focus on the customer experience to help them differentiate from their competition. A traditional lease or finance contract with maintenance as part of the package provides Dealers with a limited amount of factory-paid services. Automotive Subscription Services — where subscribers can change the vehicle they're driving up to 18 times a year — exponentially increases the amount of service and maintenance a dealer can expect.

Automotive Subscription Services are a nascent business model, and it will take time to determine whether the consumer appetite for its benefits will outweigh the costs. It can be expected that there will be considerable experimentation with rates, terms, insurance and more before viability of the model will be determined. Automotive Subscription Services tied to OEMs could also — potentially — provide Dealers with a maintenance/service revenue stream.

We will continue to monitor where Automotive Subscription Services are headed, and how significant of an impact they may have regarding placement of automotive sales and service points.

WHAT'S SO DIFFERENT ABOUT URBAN SCIENCE?

Since our founding, we've been a force for change. Our process for examining dynamics within the automotive industry gives us the ability to reveal insights that make decision making both more objective and more informed. Our formula for success is one from which we have never deviated: we listen to our clients' most critical needs and find a solution.

If you would like to talk to someone about Urban Science and Automotive Subscription Services, call or email us. Let us show you how we can apply the power of science to your challenges.

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