

From Apprehension to Anticipation

Subscription, the first leg transforming the dealership on a march toward mobility

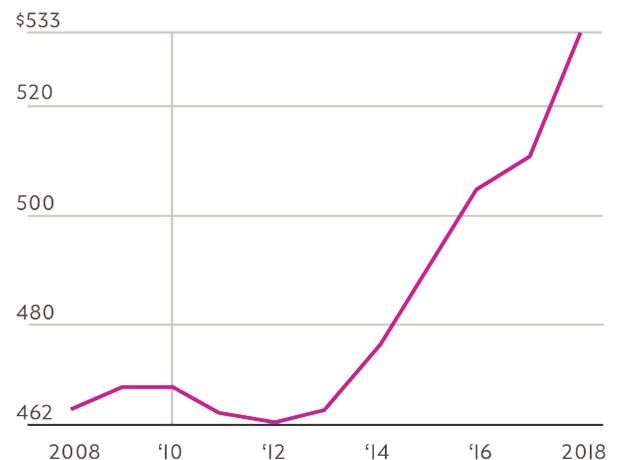
It's common knowledge that buying a car is a [less than favorable experience](#) for consumers. In fact, less than 1 percent like shopping or buying a car in its traditional fashion. It comes with a sense of apprehension. From researching for hours to find the right car to coming into a dealership prepared to negotiate and fill out significant paperwork ... it's a complicated, lengthy process.

Consumers feel a lack of control and ownership over the entire process. Paired with [record-breaking loan terms](#), steep financing and changing consumer mentalities on ownership in every aspect of life, there's an inherent consumer disconnect in traditional car buying and ownership.

Conversely, let's look at the dealer side. As a dealer, you have money invested in the bricks and mortar of your dealership and the inventory on your lot, and those investments make a whole lot more sense when they are providing as much return as possible.

But years past have shown lower sales, tightening margins, and the potential for hefty change with autonomous cars and rideshare. Just as consumers have their own apprehension when it comes to buying a car, dealerships face apprehension when it comes to the future of their businesses in a new age of mobility.

Monthly Car Loan Payments Reach Historic Highs



Source: Edmunds

Subscription as a conduit for transformation

Subscription holds the promise of change and freedom for consumer and dealer alike, but how?

The fundamental questions most dealers have when the subject turns to subscription services: Sure they have a lot of appeal to customers, but what's the ROI? Is this just another shiny new object, or is this a sustainable addition to a dealership's revenue stream?

Programs that stand the test of time will focus on the customer experience to meet consumer expectations, but equally, if not more, focus on the dealer's return on investment.

Attracting a new breed of customers

Like leasing before it, subscription is a financing model that opens a dealer's inventory to a new segment of the buying public – in this case, it caters to the nature of a new breed of car customers who are looking for no hassles with the purchase process, no hassles with ownership, and no hassles with selling/trading a car on the back end.

And the truth is, that's not **just** a description of millennial customers – it applies to a lot of baby boomers as well, and everybody in between.

Take Netflix, for example. If something doesn't capture your attention within less than a minute, you simply turn it off and move on to the next option. It provides a sense of freedom, control and immediate gratification. Owning and leasing a car are completely counter to that, as is the actual process of getting a new car.

Need vs. want

It's easy to assume subscription is costly when you read news around new programs from OEMs and different dealerships that center on the lifestyles of luxury consumers. But we look at it on a scale of need to want and we work with our partners to provide vehicle types and pricing that span all consumer segments.

**Don't assume
subscriptions are simply a
luxury, consumers span the
entire need vs. want**

— — — **continuum.**

Those who need a car may be credit-challenged, concerned about being locked into a six-year loan or myriad other things. When looking at the total cost of ownership compared to a weekly or monthly subscription payment, the prices often end up equaling out or sometimes being slightly higher with subscription.

If someone is considering subscription, cost is often not the most important factor they're considering. It may be the most affordable way for them to get a car, the least intimidating, the best to meet near-term needs or the safest for their current circumstances. Paying for the convenience and freedom doesn't present a barrier.

On the scale of want, subscription can certainly be a fun toy that affords a multi-car garage without the multi-car garage cost to an individual. But these subscribers expect a different level of care and touch that has diminishing returns for the dealer. Certainly there's a time and place for it, but what as the long-term business opportunity and value?

The ideal is finding the segment of customers who fall somewhere in the middle of the need vs. want scale, which equals a pretty large market when you think about it.

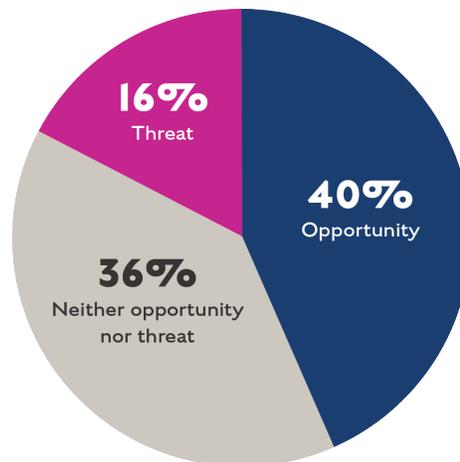
Becoming a 'mobility service center'

So, if you're a dealer, you are looking at a couple of things now that we better understand the consumer base. First, foot traffic at your dealership goes up because you have a customer who is coming back soon to look for their next vehicle. That's what those bricks and that mortar are all about. You also have a new method of moving vehicles out of inventory on a quicker turn.

In that way, your dealership takes on the characteristics of a ‘mobility service center,’ where the *experience* of the car rather than the *ownership* of the car is the basis of your interaction with the customer. It creates a significant market advantage as well as leg up in moving into the future of automotive.

Subscription isn’t meant to, nor does it have to, cannibalize sales. It also doesn’t have to require a new brand, which can take significant time and money. It’s one more tool in the dealer’s toolkit alongside buying and leasing. And this one’s turnkey. In other words, it’s not only a differentiator as a marketing tool, it also makes a huge difference in your dealership’s operational efficiency.

Dealer Perceptions on Subscriptions



Source: Cox Evolution of Mobility Survey, 2018

Customer loyalty is the natural byproduct

Percentage of Buyers who Previously Purchased/Leased from Same Dealership



Source: Cox Car Buyer Journey, 2018

Studies show that the number of people who purchase or lease a vehicle from a dealership where they had shopped before has [actually increased over the last three years](#). In other words, customer loyalty is enhanced by repeat visits to a dealership.

Subscription builds customer loyalty by increasing the opportunities dealers have to interact with customers and provide them with great customer service. It attracts customers who would walk away without a car, those who were never interested in purchasing a car and more that you otherwise wouldn’t catch.

Subscription companies are just getting started, and some are spending a whole lot of money selling the sizzle to their customers. But if you’re looking for a subscription option that puts your

business first – and offers some steak with that sizzle – look carefully, ask deeply, and seek to understand how it really works and what you are taking on. Subscription can be the key to turn dealer apprehension around the future to anticipation about the business opportunity it will bring.

But, what's ahead for this model?

Looking to the future and where the subscription model goes from here, it's difficult not to be excited. 2018 was, for all intents and purposes, the year of the car subscription. The industry now has major auto manufacturers, fleet managers and rideshare companies invested in subscription platforms.

That being said, the following 12 to 18 months will likely see some of these programs fall by the wayside, like Joule or more recently [Cadillac's 'Book' subscription service](#). As with any new business space, players jump in at the start and try to compete for as long as they can. Remember MySpace and Friendster? With so many new additions in 2018, some programs naturally will begin to sunset in the coming year.

The reasons will vary, as always; but in part this will be because the consumer will start to mature. If 2018 was the year subscriptions entered the public consciousness, 2019 will be the year consumers learn what they *want* in a subscription. As consumers mature, the market players will likely mature too.

Consumers in general are already becoming more accustomed to the concept of mobility's being more than just traditional car ownership. Take the rise of e-scooters, for example. Getting from point A to point B now comes with the same array of choices as people expect from any other service today.

[For more on changing consumer dynamics, check out our piece 'Why Subscriptions, Why Now?'](#)

As consumers mature from *learning* about subscriptions to *using* subscriptions, the demands placed on technology involved will have to grow too. Tech is in a constant state of evolution, and increasing consumer demand and expectations for the subscription model will continue to fuel this evolution in 2019 and beyond.

about flexdrive.

Launched in 2013 at the advent of car subscriptions, flexdrive is a joint venture between market leaders Cox Automotive and Holman Enterprises, a global fleet management company. Our mission is to create an alternative to traditional car buying and leasing that helps dealers on the path to mobility. Today, we have more than 20,000 subscribers globally across our strategic partners leveraging the flexdrive marketplace and private label. Visit www.flexdrive.com to learn more.

For more information, please email hello@flexdrive.com.

