

WHY SUBSCRIPTIONS? Why Now?

A look at how generational shifts, consumer behavior and technology are reinventing the car driving and shopping experience.

It's been the same for decades. A driver walks into a dealership. A dealer talks the driver through the available vehicle options and the negotiation process begins. One of two scenarios unfolds – the driver walks out of the dealership with or without a shiny new set of keys.

For generations, car shopping has been a need-based activity, and when a process is a necessity, it's easy for it to become stale. That's been the case in a number of industries (retail and the fall of the department store come to mind), and the automotive industry is no exception.

But things are changing. Car shopping is no longer simply about buying a car. Car subscription services like flexdrive have drastically altered the customer-supplier interaction, replacing an outdated and, as we'll soon cover, wildly unpopular process.

In order to fully understand this impact, first let's examine how the industry got here and how technological, generational and behavioral forces converged in a perfect storm that led to the rise of car subscriptions.

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The rise of technology

The rise of technology has created a desire to re-evaluate processes in every industry. Hate grocery shopping? Not only will someone else do that for you, but they'll also deliver them to your home. Don't have time to go to the bank? Simply take a picture of that check you need deposited, and it's in your account within the hour.

The automotive industry is no different, and the car buying process, by far the most unpopular aspect of the consumer side of the industry, was ripe for change. In fact, a recent study found that [less than 1 percent of consumers like the car shopping and buying process as it exists today.](#)



Auto-related technology is constantly improving and becoming increasingly ubiquitous. Ridesharing services have altered the car experience, possibly forever, by giving people the ability to quickly and affordably order a ride from their smartphone.

Technology has also changed the way dealerships do business. Consumers now expect dealers to be online: [53 percent of U.S. consumers would be either “extremely” or “very” likely to buy a car entirely online, and 59 percent said that they expect to be able to conduct purchases through dealership sites.](#) Even more concerning for dealers is that the same study found 86 percent of those surveyed said they’d choose to do business with dealerships that offered online sales over those that didn’t. The need for auto dealers, fleet owners and any invested party to be connected to their customers online has never been greater.



Auto tech has become both a proactive and reactive force in the industry. It changes behaviors by pushing people and businesses into new ways of interacting with one another, but also responds to the needs and desires of new, younger consumers.

Generational shifts

Generational shifts play clear roles in changing consumer behaviors, particularly as the purchasing power of millennials, the most prolific users of technology to date, increases. But adoption of technology isn’t the only generational factor at play. Millennials and Gen Xers have different attitudes toward cars, money and car ownership in general and, due to their size and power, are starting to shift broader cultural attitudes too.

Attitudes toward cars

The impact of driving and owning a car has never been greater than for younger generations.

Millennials care deeply about the environment and see driving in a different light than do other generations. The rise of climate change, poor infrastructure and the desire to live in more urban, accessible areas are all factors that shape a very different driving experience for emerging generations

Owning a car isn’t necessarily seen as part of the “American Dream” anymore. Instead you’re contributing to rising sea levels, driving your investment on crumbling roads and can’t find a place to park near your house. While the financial impact of buying and owning a car has also been part of the deal, the impact on and from the world outside of the vehicle is becoming just as important a consideration.

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— — **anymore.**

Attitudes toward money

That's not to say the financial impact isn't important. In fact, the financial side of buying a car is possibly greater for millennials and Gen Xers than for previous generations as well.

These two generations entered the labor force during the Great Recession, and both still battle unemployment and crippling student debt. For many of them, car buying is no longer seen as an investment, but as just another bill that they'll be paying.

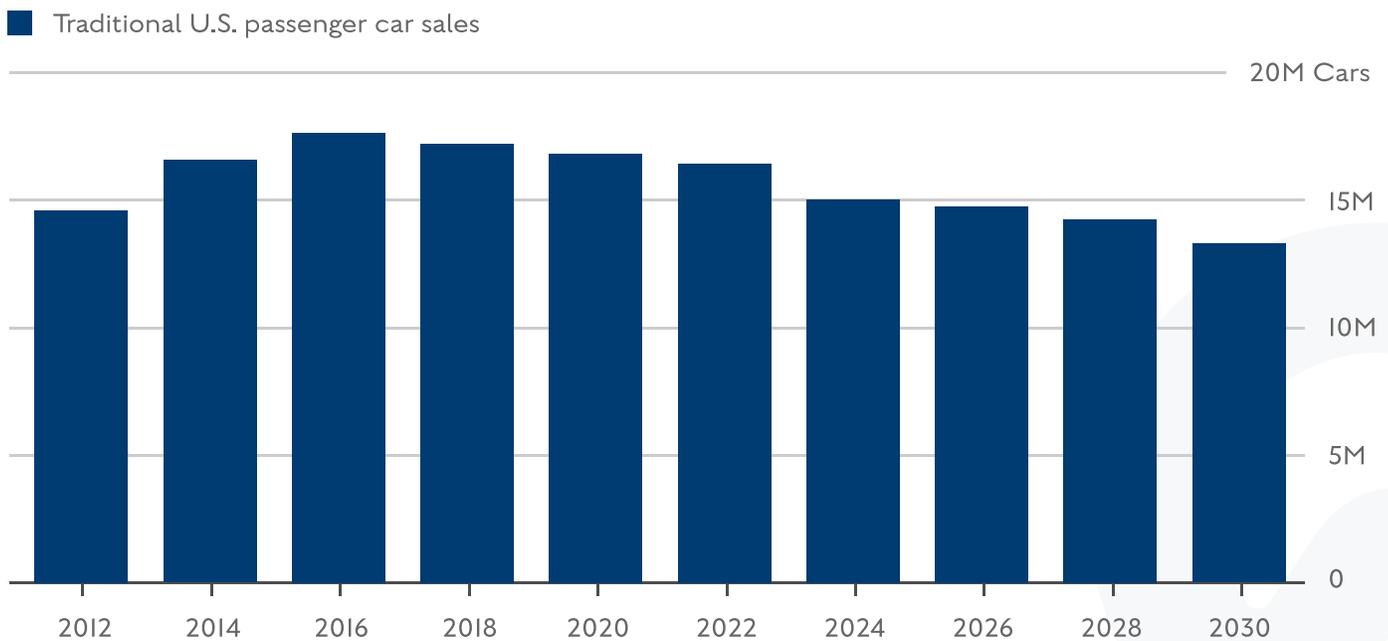
The buying power of these generations, while largely due to the populations of each, is still shaped by their general attitudes toward money and debt.

Attitudes toward car ownership

Access over ownership is a rising theme for consumers in general, so it undoubtedly impacts drivers as well.

In a recent study, 40 percent of respondents said that access to a vehicle – not ownership – is a necessity. Among urban respondents, 57 percent said they did not need a car to get from point A to point B.

These attitudes are starting to shape buying decisions: [By 2030 in the U.S., where data is most readily available, Berylls predicts that total sales of cars – individually owned and shared – will fall almost 12 percent to 15.1 million vehicles.](#)



Source: Berylls Strategy Advisors, Statista

Consider too the impact of even younger generations. Generation Z, those born in the mid-1990s and early 2000s, are growing up as digital natives in a world where mobility options are already available outside of traditional car ownership. And as autonomous cars continue their growth, Gen Zers and following generations will likely never even consider ownership as an option.

It's not just younger generations who are making these changes. Baby boomers are being influenced and exposed to the behaviors and opinions of their millennial and Gen Xer children, and are shifting attitudes as well. While circumstances are different, shifting attitudes toward cars, money and ownership as a concept apply to both those in the first decade of their careers and those entering retirement.

For some baby boomers, many of whom are hitting retirement or have been retired, dispensing with car ownership could be an effective way to save money. For snow birds, subscription provides an option to have a car in a location for just part of the year.

Subscriptions make sense

When you look at the automotive industry from a 10,000-foot perspective, many of these factors – technology, changing consumer behavior, downward trending sales, record high auto loans, longer loan terms and increased competition – come into focus. Now what? What is the answer for an industry so ripe for change? Subscriptions are emerging as the premier option for suppliers, like dealers and fleet owners, and customers. And, one that paves the way toward an era of autonomous cars that completely change the ownership paradigm.

What's NEXT



For the industry?

On the supplier side, subscriptions fill immediate and long-term needs. In the short term, subscription services create revenue on stale inventory, attract new customers and position dealerships as leaders in the market. The long-term benefits are equally attractive, setting dealers up for success by helping them evolve into mobility centers, which will become even more crucial with the prospect and promise of autonomous vehicles.

For customers, subscriptions provide immediate gratification in terms of selecting and picking up a vehicle. They also take the widely unpopular car shopping experience and move it into much more familiar terrain – simply selecting a vehicle in an app. Once a driver becomes a subscriber, they are further freed from loans, leases and constant maintenance.

There is no doubt that the auto industry, like many others, has been forever altered by the rise of the internet. This can be incredibly overwhelming, especially for dealers, but also for any business responsible for a large number of cars. Subscription services like flexdrive provide dealers with the tools necessary to navigate changing consumer attitudes and technology advancements while creating new revenue streams.

Car subscriptions satisfy the changing needs and demands of both sides of the auto industry. They fill a gap for suppliers, who see changing customer demands and motivations that are unsustainable for their core business, and for consumers, who have different attitudes from previous generations and expect things that are wildly different from those of previous generations.

So why subscriptions, and why now? Given everything, it was really the only solution the whole time.

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.

