

## 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 are more open to 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 has a broad shopping continuum

“OEMs should improve CRM capabilities in online channels to provide integrated customer experience for Gen Y customers.”

*Po Hou  
China Automotive Industry Practice  
Deloitte Consulting China*

Gen Y consumers continue to consider a significant number of brands when deciding to purchase a vehicle. According to 2012 survey results, Chinese Gen Y on average shows initial interest in more than twelve different brands – this is the highest among all the markets, 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. And the result also shows that Chinese customers are more likely to recommend his current vehicle brand to others

Another distinct feature about Chinese Gen Y – they collect information from almost every channel, including manufacturer websites, dealership, friends & relatives, reference website and social media. In mature market, the last channel is rarely mentioned. The fact is proved in another research we conducted in China, the user-generated contents online have tremendous influence over potential customers

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% of participants in China are interested in proceeding with their dealership 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.

## Contacts

**Po HOU**  
Partner, Deloitte Consulting  
China Automotive Industry Practice  
pohou@deloitte.com.cn

**Congjian WU**  
Director, Deloitte Consulting  
China Automotive Industry Practice  
congwu@deloitte.com.cn

**Benjamin CHANG**  
Associate Director, Deloitte Consulting  
China Automotive Industry Practice  
benjchang@deloitte.com.cn

## End notes

<sup>1</sup> Figure based on US survey results

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## Annual Gen Y automotive survey Executive summary of key themes and findings

April 2012

## Overview

Gen Y represents a large and highly important consumer segment. In China, Gen Y (ranging in age from 19-31) has been an important customer group by today. And till 2020, Gen Y customers will grow to 28-40 and become the dominant customer group in the market. 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. Based on these findings, we also compare the Chinese Gen Y customer with other mature market, to obtain geographical customer insights.

## 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](http://www.deloitte.com/us/geny).

## Universities participating in the 2012 Gen Y survey

Carnegie Mellon University  
Tepper School of Business



UCLA Anderson  
School of Management



Michigan State University  
Eli Broad College of Business



## Executive summary

### Key themes and findings

#### Gen Y represents the tipping point for alternative powertrains

According to the survey, about half of the Chinese Gen Y respondents would rather buy an "eco-friendly vehicle" than a traditional combustion powertrain in the future. Furthermore, Chinese customers are willing to pay premium for a for eco-friendly car of same fuel efficiency. Although the absolute amount customers would pay is lower than mature markets, considering the difference in disposable income, the Chinese Gen Y customers have clearly stated their devotion for new technology and environment-protection.

Survey results also show that preference for "electrified vehicles" is not the only predominant trend among the new generation. Even though the trend to decrease engine in size and upgrade ecologically can be identified among Chinese Gen Y, when asked what type of vehicle they will be driving in five years, 27% of respondents' choice is shifting from compact car to larger vehicles, and the percentage of people who prefer SUV/Cross over up 22%. 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 gets 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.

#### "Gen Y's preference for hybrids could represent a tipping point in the establishment of alternative power trains in China."

*Dr. Thomas Schiller  
Head of Germany's Automotive Industry Practice and  
Senior Advisor of China Automotive Sector  
Deloitte Consulting GmbH*

However, while 50% of Chinese Gen Y would prefer an eco-friendly vehicle as their next car, only 7% see themselves actually buying a pure electric vehicle in five years from now – demonstrating that the Chinese Gen Y is still critical about the practical implementation of alternative power trains.

In Germany, customers are more confident with the development of EV – more than 10% already expect to drive such car in 5 years. While Gen Y customers from UK, France and US are more conservative – the ratio is only 3%, 6% and 4%.

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 soon.

#### Gen Y expects technology that offers connection and protection

Deloitte's survey also showed that especially the Chinese Gen Y expects safety functions in their vehicle, while also expecting state of the art technology.

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.

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#### "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*

With respect to the technology features, especially the sound systems, navigation system, touch screen interfaces and smartphone applications are seen as most important features.

Gen Y consumers also want to be able to customize their car interiors after the initial purchase with embellishments that include technology features: 78%<sup>1</sup> 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.