



Fourth annual Gen Y automotive survey
Executive summary of key themes and findings

U.S. Survey Results
January 2012

Overview

Gen Y represents the largest consumer segment since the Baby Boomers. Nearly 80 million strong, these young adults (ranging in age from 19-31) will be 27% of the population by 2015¹ and represent an important demographic for the automotive industry. 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.

It is estimated that Gen Y will buy one out of four new cars this year, and 40% in 10 years.² And, according to those responding to Deloitte's 2009 Gen Y survey, almost half, or some 35 million, will buy a new or used car in the next two years.³ 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. In fact, according to a recent study, 46% of 18 to 24-year-olds would choose internet access over owning a car.⁴ 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 approximately 1,500 Gen Y, Gen X, and Baby Boomer consumers in the United States, 250 Gen Y consumers in China and 300 Gen Y consumers in Western Europe
- 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 Powertrains** – 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. Starting in 2011, Gen X and Baby Boomer automotive consumers in the United States also participated in the survey. In 2012, survey respondents also included Gen Y consumers in China, Germany, France and the United Kingdom. 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 social and economic factors such as rising fuel prices and volatile economic climates in the United States and around the world have on automotive consumers. 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.

- **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 University
Tepper School of Business

UCLA Anderson
School of Management

Carnegie Mellon
Tepper
SCHOOL OF BUSINESS

UCLA Anderson
School of Management

Michigan State University
Eli Broad College of Business

MICHIGAN STATE
UNIVERSITY

The Broad School

Executive summary

Key themes and findings

Preference for hybrid vehicles could represent a tipping point in the mass adoption of alternative powertrains

According to the survey, a strong majority (59%) of Gen Y respondents would rather buy an “electrified vehicle than any other type of vehicle. Moreover, Gen Y consumers have a very strong preference for hybrid gasoline-electric vehicles (57%) over pure battery electric vehicles (a mere 2%) or ones with a traditional gasoline only powertrain (just 37%).

Survey results also show that the primary driver of their preference for hybrids is not a concern for the environment. When asked what type of vehicle they would be driving in five years, more than 27% of Gen Y respondents indicated either a full-size SUV or crossover, indicating that these consumers are not willing to forego lifestyle needs in order to address environmental concerns.

So what is driving this preference for alternative powertrains? We believe Gen Y’s desire for hybrid technology is linked to the fact that they see these vehicles as being more economical to operate than traditional gasoline-powered vehicles, especially in an environment with frequent swings in fuel prices. According to the survey, 89% of Gen Y buyers are going to consider buying a vehicle that gets better gas mileage.

“The bottom line is that Gen Y sees that they can get more miles per gallon from a hybrid vehicle than a traditional gasoline-powered vehicle.”

Craig Giffi

*Vice Chairman and U.S. Automotive Sector Leader
Deloitte LLP*

Gen Y consumers also view hybrid technology as proven and reliable. Almost 6 in 10 Gen Y respondents prefer a hybrid over any other type of vehicle, while a mere 2 in 100 prefer a pure battery electric vehicle – demonstrating that Gen Y is familiar and comfortable with hybrid technology, but not so much with battery-only technology.

Further, the survey shows that Gen Y respondents are married to the convenience of traditional gasoline-powered automobiles, strongly preferring powertrains that do not require plug-in recharging. And even with their overall preference for hybrids, Gen Y consumers still prefer a non-plug-in hybrid by a margin of more than two-to-one over a plug-in version.

According to survey results, it also appears Gen Y consumers are willing to pay a premium for additional miles per gallon. Just under half (49%) of Gen Y

consumers are willing to pay an additional \$300 for each additional MPG of improvement they can get out of a hybrid – only \$50 less than the \$350 mile-per-gallon premium that Deloitte estimates a hybrid vehicle costs compared to a traditional internal combustion engine vehicle.

It seems automakers are recognizing that the economics of owning a hybrid vehicle have a growing appeal to Gen Y consumers (and the potential this large population has for tipping the scales in favor of hybrid technology), with a number of different hybrid models expected to be on the market in 2013.

Connected and protected

Deloitte’s survey also indicates that Gen Y consumers want their cars to be an extension of their digital and social-media lifestyles, and are willing to pay more than \$3,000 for hardware that delivers connectivity. A majority (59%) of Gen Y respondents indicated that in-dash technology is the most important part of a vehicle’s interior, while 73% want touchscreen interfaces and 72% want their smartphone applications to be accessible in a new car. Gen Y consumers also want to be able to customize their car interiors after the initial purchase with embellishments that include technology features: 77% would like to buy additional accessories and upgrades for their cars on an ongoing basis.

“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*

Gen Y consumers also realize that this increased connectivity can create safety issues. Solution: a vehicle that may compensate for the distractions that result from increased connectivity with ramped-up safety features.

Gen Y consumers are willing to pay for technology that can help them better manage all the distractions created by connectivity. On average, they will shell out approximately \$2,000 for a bundle of safety features like collision-avoidance systems, blind spot detection and sleep alert systems. In fact, Gen Y respondents graded safety bundles as their second most important priority – right behind technology bundles – when ranking their desire to buy additional vehicle features.

Gen Y consumers are highly interested in post-purchase customization, especially when focused on customizing their “personal technology cocoons.” 77% of Gen Y survey respondents indicated they wish they could buy additional accessories following their purchase, and 76% wished it was easier to customize their vehicle interiors.

Other interesting findings

Luxury is all about image

Gen Y consumers are considerably more brand and image conscious than Gen X and Baby Boomers, and survey results suggest brand image drives which vehicles are permitted into the Gen Y consideration set. More than 67% of Gen Y respondents indicated “brand image” as critical when purchasing a luxury vehicle. Nearly half (47%) of Gen Y respondents agree that their impressions of other consumers that tend to drive a luxury vehicle would affect their purchase, compared to only 33% for Gen X and 24% for Baby Boomer consumers.

To gain access to luxury brands (and the status they convey), many Gen Y consumers are also willing to purchase used luxury vehicles versus new mass brand vehicles. According to the survey, 71% indicated they would buy a used vehicle to get access to premium features. Moreover, approximately 50% of Gen Y respondents indicated they would prefer to purchase a used luxury vehicle rather than a new mass brand.

But outside of brand image, what features define luxury for Gen Y? 2012 survey respondents were asked to rank the “top three” features they often associate with the luxury segment. Not surprisingly, in-dash technology was ranked as the top feature; however, as previously discussed, the demand for these features are pervasive across both luxury and mass segments and are not exclusive to luxury vehicles. Traditional luxury features that did rank high with Gen Y consumers include leather seats (second behind technology) and a premium sound system. Gen Y respondents ranked interior trim and plush interiors lower than other features and lower than both Gen X and Baby Boomer consumers.

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

Gen Y consumers continue to consider the most number of brands when deciding to purchase a vehicle. According to 2012 survey results, Gen Y on average shows initial interest in approximately six to seven brands – at least one more brand than Gen X consumers, and three more brands than Baby Boomers. Gen Y consumers also research more brands and conduct more dealer visits and test drives, suggesting research is a critical part of the decision-making process.

With respect to Gen Y’s approach to conducting vehicle research, the internet continues to be these consumers’ primary source of information, with vehicle manufacturer websites (88%) and product reference websites (87%) being the most popular. Interestingly, this trend is for the most part consistent across all generations. Even more interesting, however, is the sharp decline in the use of social media sites as a primary online source for Gen Y consumers, dropping to just 38% in 2012 compared to 67% in 2011.

In addition to online sources, dealers rank a close second for all generations as a primary source for vehicle information. For Gen Y consumers, these 2012 results are also in sharp contrast to 2011 survey results, where Gen Y consumers overwhelmingly noted their disinterest and dissatisfaction with the dealer experience. 2012 survey results show that for Gen Y, a good dealer experience can earn their loyalty in the long run, with 91% of respondents saying that if they had a great experience with a brand’s dealer, they would rebuy that same brand of vehicle the next time they were in market.

Finally, 2012 survey results show that Gen Y consistently recommends brands other than the one they ultimately purchase, once again suggesting that the overall shopping experience has an important impact on Gen Y consumers.

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End notes

¹ PEW Research Center

² Deloitte 2010 Gen Y Survey

³ Deloitte 2009 Gen Y Survey

⁴ “Disruptions: For Teenagers, a Car or a Smartphone?,” *New York Times*, November 20, 2011, <http://bits.blogs.nytimes.com/2011/11/20/a-teenage-question-a-car-or-a-smartphone/>