



# Automotive Trends 2015

## Changing Lanes

Understanding consumer attitudes and future trends in the UK motoring industry

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# Executive summary



Understanding customer attitudes is essential for the success of any business-to-consumer industry, but few industries devote as much energy, time and investment towards improving brand recognition, enhancing customer loyalty and learning about consumers' tastes as the automotive industry.

For organisations trying to sell the latest hatchback, soft-top roadster or environmentally-friendly car, the customer is king. In a highly competitive market with an abundance of makes and models, trying to predict how motorists will spend their money can be very difficult. Understanding what will be the motoring trends and tastes of the future can be virtually impossible.

This is why SPA Future Thinking has produced Automotive Trends 2015, an inaugural study of the UK motoring industry, taking into account the sentiments and attitudes of 1,200 consumers that either own (56%) or are intending to purchase (44%) a car. The following study looks at three key areas:

- Motorists' purchasing trends
- Attitudes towards electric vehicles
- Sentiments around driverless, or self-driven, vehicles

Richard Barton, Group Managing Director of Future Thinking

## About the report

Automotive Trends 2015 was funded by Future Thinking and uses market intelligence to determine future trends in the motoring industry. The independent study focused on the following core areas:

- Role of digital in purchasing a new car
- Virtual test drives & showrooms
- Car financing
- Buying patterns & influences

The survey fieldwork was conducted in November 2014 to over 1,200 respondents.

## About Future Thinking

Future Thinking is a business intelligence research consultancy. As an expert in cutting through data, Future Thinking presents user-friendly findings that enable clients to identify industry insights that are critical to the success of their growing businesses.

For over a decade Future Thinking has been providing strategic research and actionable insights to a number of leading automotive manufacturers and related companies to support their business decisions and planning processes.

With more than 180 employees working globally across offices in the UK, France and Italy, Future Thinking is one of the fastest growing and largest independent market research companies in Europe.

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# Changing gears:

## Motorists' purchasing trends

### Moving away from uncertainty

Following several years of financial uncertainty, it is not surprising that the Automotive Trends 2015 report revealed a number of interesting findings in relation to motorists' personal finance habits.

More than half of respondents (51%) plan to spend, or have spent, up to £10,000 on the purchase of their car (either new or used). The average price spent on a new car was £20,528, whilst those purchasing a used car spent an average of £8,125. For those acquiring a new company car where they were able to select the model, expenditure was higher at £26,413.

Dipping into personal savings appears to be the most popular method used by motorists to finance the purchase of a new car (40%). Over a third (34%) of those who look to purchase a car would also take advantage of the opportunity of low finance deals from manufacturers and dealers.

Significantly, once buyers of new cars become committed to the purchasing process, their actual spend is over £5,000 more than what they expected (see Figure 1). As a result, car buyers have to dig deeper into their savings or commit to additional financing schemes in order to get the car they want.

The unprecedented interest rate environment is having a dramatic impact on UK car sales, providing the knock-on effect of helping consumers purchase more expensive models than they think they can afford.

Fig. 1

Average expect to spend on a new car in the next six months (new & used buyers)	<b>£10,909</b>
Average spend on car in the last six months (new & used buyers)	<b>£16,778</b>

The unprecedented interest rate environment is having a dramatic impact on UK car sales. One in four (26%) of those who had purchased a car took advantage of the availability of low interest rates, indicating that car repayments have become more affordable as repayment rates have declined over the last four years. This has the added knock-on effect of helping consumers purchase more expensive models than they think they can afford. The extended purchase process that car buyers go through offers all manufacturers multiple opportunities to communicate, increasingly through digital marketing.

Despite the rise of digital and online marketing, having a physical presence through dealerships is clearly important for motoring companies: the majority of motorists use manufacturer-franchised dealers to research their car purchase. A third (30%) of motorists will visit dealerships as soon as they have decided to purchase a car, whilst 20% of used car purchases will be through a franchised dealer. By contrast, 17% opted for a local independent car dealer.



# Changing gears:

## Motorists' purchasing trends

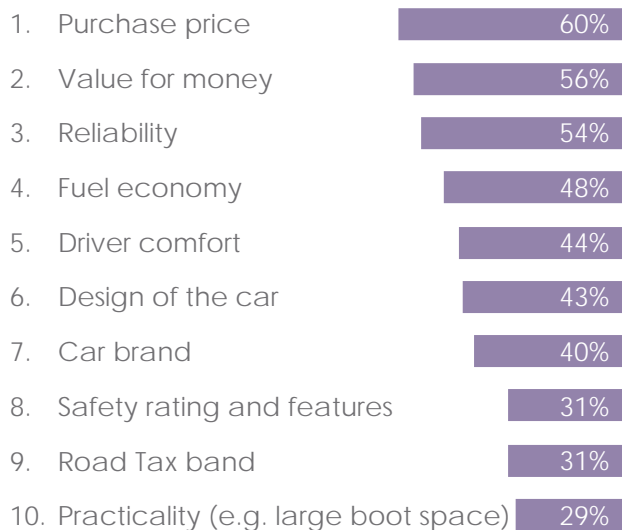
### Understanding the purchasing funnel

Whilst the consideration process can frequently be as long as 12 months, once the need for a new vehicle is identified, 70% of private new buyers purchased their car within three months of actually deciding to buy that model. This illustrates there is an extended purchase funnel which manufacturers should seek to use for communications purposes.

When buying a car, UK motorists place the greatest importance on the vehicle's price (see Figure 2). After all buying a car is, for most consumers, a considerable purchase. It is understandable that drivers are becoming increasingly discerning, wanting to ensure that what they are purchasing not only suits their needs but also gives them the best value for money. Again, the low interest rate environment has fuelled lease deals, helping consumers further and providing manufacturers with a strong UK revenue base to compensate from comparatively softer sales on the Continent.

Fig. 2

#### Top ten considerations that consumers make when they either purchase or plan to purchase a new car:



#### Richard Barton comments:

"The motoring industry can benefit from insightful market intelligence to better understand their customers constantly evolving habits.

By acknowledging the purchasing trends of motorists, companies can adjust their pricing models accordingly and penetrate the market effectively."

# Plugging in:

## Attitudes towards electric vehicles

Sales of Electric Vehicles (EV) saw a strong start in 2015, and, according to figures from the Society for Motor Manufacturers and Traders (SMMT), 2014 saw a fourfold increase in sales of both electric and plug-in hybrid vehicles<sup>1</sup>.

This industry data marries well with the findings of the Automotive Trends report, which reveals that two thirds (64%) of motorists would consider purchasing an electric or hybrid car in the future, or already own one. As Figure 3 indicates, fuel economy and reduced running costs (56%) is the most persuading factor that would encourage motorists to buy an electric or hybrid car, followed by the vehicle's purchase price (52%) and miles per full charge (44%). Interestingly the first environmental reason given relates to impact on the environment at 27%; indicating that going green needs to be balanced against a host of factors including reliability, technology and, crucially, price.

**Fig. 3**



### Encouraging factors:

1. Fuel economy (running costs)	56%
2. Purchase price	52%
3. Miles per full charge	44%
4. Reliability	43%
5. Reassurance on battery life	39%



### Discouraging factors:

1. Not enough charging points	42%
2. Purchase price	37%
3. Range (miles per charge)	36%
4. Speed of recharging	35%
5. Limited distribution of recharging points	32%

However, over a third (37%) of respondents would not consider purchasing an electric or hybrid vehicle, principally because of dissuading factors such as not enough charging points (42%), the range of the car (36%) and the infancy of the technology (31%).

As the table shows, price is a fundamental barrier to entry. Over a third of motorists believe electric cars are too expensive, thereby restricting the number of new customers entering the market.

The research also found that 23% of motorists are concerned about the lack of choice available when looking to purchase an electric car. There is a clear need for desirable, aesthetically-pleasing models to enter the market in order to appeal to a wider audience.

### Richard Barton comments:

"Given the widespread media attention around environmentally-friendly technological advances within the industry, it is clear that this excitement has not yet filtered down to consumers' purchase intentions."



# Plugging in:

## Attitudes towards electric vehicles

One of the largest hurdles to overcome is motorists' perception that the recharging infrastructure is insufficient, and that there are not enough charging points on UK roads. However, latest industry data shows that there are over 3,000 charging locations in the UK<sup>2</sup>, a figure that is likely to grow in the coming years in the face of increased EV demand.

The report also reveals an apparent lack of awareness around Government grants for electric and plug-in hybrid vehicles. At present, motorists buying new electric cars can claim a grant of 25% off the cost of the car – up to a maximum of £5,000 – a scheme that has recently been extended to 2017. Only a quarter of respondents (25%) had heard of the £200 million scheme, indicating a lack of communication around the policy. Upon learning about the scheme, 35% said they would be more encouraged to purchase an electric car.

### The Government's plug-in vehicle grant scheme

The UK Government offers a grant towards the cost of each new electric (plug-in) car or van, provided it meets certain conditions. Grants are available for 25% off the cost of a car, up to a maximum of £5,000.



The term 'plug-in' applies to any vehicle which can be charged by electricity. These include:

- **Electric Vehicles (EVs)**, which run completely on batteries and are plugged into the mains to be recharged
  - **Plug-in Hybrid Electric Vehicles (PHEVs)**, which use a petrol or diesel engine combined with a battery that plugs into the mains
- hydrogen fuel cell vehicles and other technologies

For a full list of cars eligible for the grant, visit <https://www.gov.uk/plug-in-car-van-grants/overview>

<sup>1</sup> Source: <http://www.smm.co.uk/2015/02/january-2015-ev-registrations/>

<sup>2</sup> Source: 3,175 UK locations (as of 17 February 2015), Zap Map <https://www.zap-map.com/statistics/>

# Future trends:

## Will driverless cars hit the road?

Following the recent publication of a major regulatory review, which outlined the current situation for testing, producing and marketing driverless and self-driving vehicles, the UK Government announced it will provide £19 million of funding in order to fast-track driverless and self-driving car projects.

### Richard Barton comments:

“The UK has a strong heritage of being at the forefront of transport development, and it is very encouraging to see the Government’s progressive attitude to technological innovation in the industry with tremendous potential for reducing accidents and making traffic flow more smoothly.”



Automotive Trends 2015 finds that the majority of British motorists (60%) have heard about driverless or self-driving cars and, of these, a quarter (24%) said they would consider purchasing the technology in the future.

However, almost half of all respondents (48%) said they will not consider purchasing a driverless vehicle in the future, with a third (33%) saying they will not even be a passenger in such a vehicle. Drivers, on the whole, are sceptical about the technology; there is a perception that computers are less trustworthy than humans. For instance, 80% of motorists believe driverless cars should include controls such as a steering wheel to allow passengers to take control if necessary. By contrast, just 6% do not see the need for this. This is a surprising statistic, particularly when considering that 94% of traffic accidents and road injury collisions involve human error.

It is difficult to envisage policy makers and manufacturers ignoring the fact that the majority of motorists would prefer to have some form of control or steering apparatus in the driverless car. However, doing so presents a number of ethical and legal implications. It is an issue that will certainly raise complexities around liability in accidents that legislator insurers and the high way code will need to clearly address before these vehicles hit the road. Significantly, only 17% of respondents believe that driverless cars will remove the need for Driving Tests in the future, which suggests that the UK’s drivers are reluctant to fully embrace the technology.

<sup>3</sup> Source: Department for Transport: The Pathway to Driverless Cars Summary report and action plan (pg 24) [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/401562/pathway-driverless-cars-summary.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/401562/pathway-driverless-cars-summary.pdf)



# Future trends:

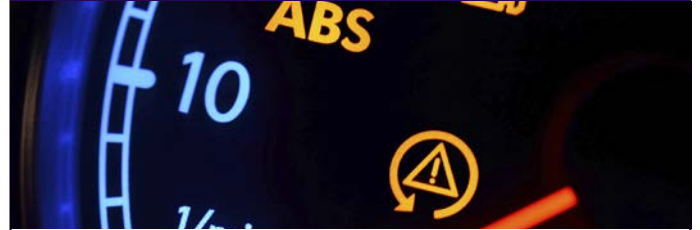
## Will driverless cars hit the road?

Fig. 4



### Key perceived benefits of driverless cars:

- Increased safety on the roads 18%
- Fewer accidents 8%
- Ability to do other activities, such as reading or working, whilst travelling 6%



### Key perceived detriments of driverless cars:

- Technological malfunctions and the threat of hacking or viruses 18%
- Danger to the public 15%
- Lack of control 11%

Motorists believe that the main benefits of driverless technology are increased safety on the roads (18%), fewer accidents (8%) and the ability to do other activities, such as reading or working, whilst travelling (6%). However, respondents cited a number of negative implications, including technological malfunctions and the threat of hacking or viruses (18%), danger to the public (15%), lack of control (11%) and unproven technology (8%).

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### About SPA Future Thinking

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