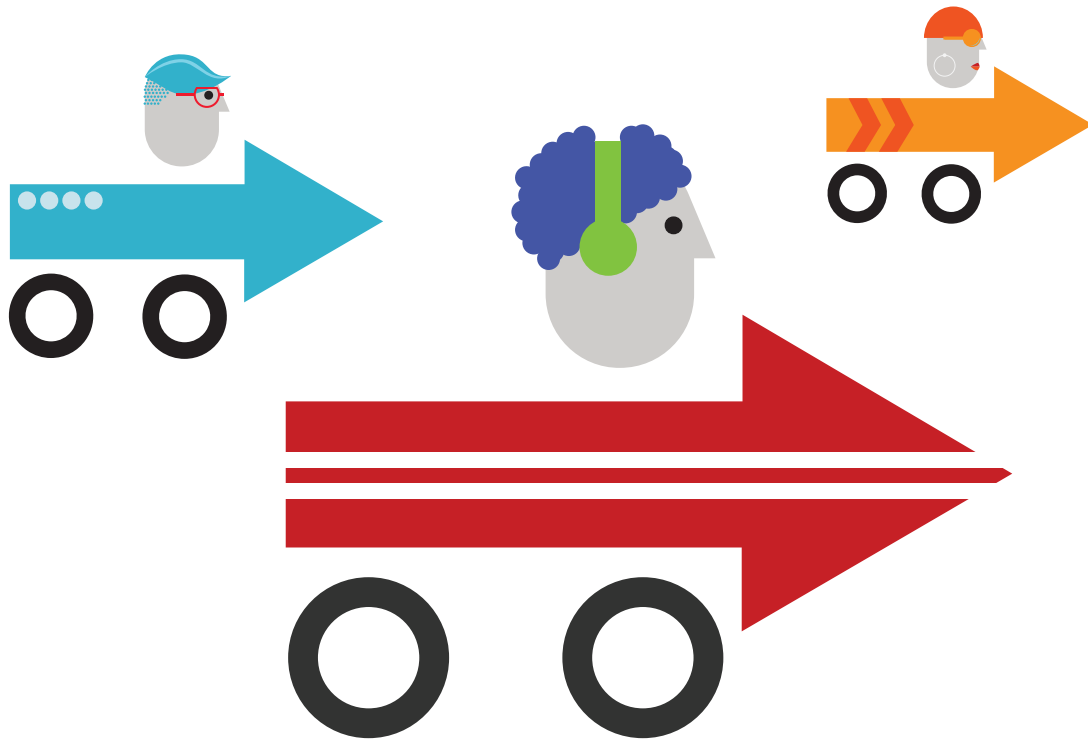


Are the wheels coming off  
for Generation Y?



TNS UK Automotive Study. TNS undertook research among a sample of 2168, split across Generation X and Generation Y. Fieldwork took place in June 2013.

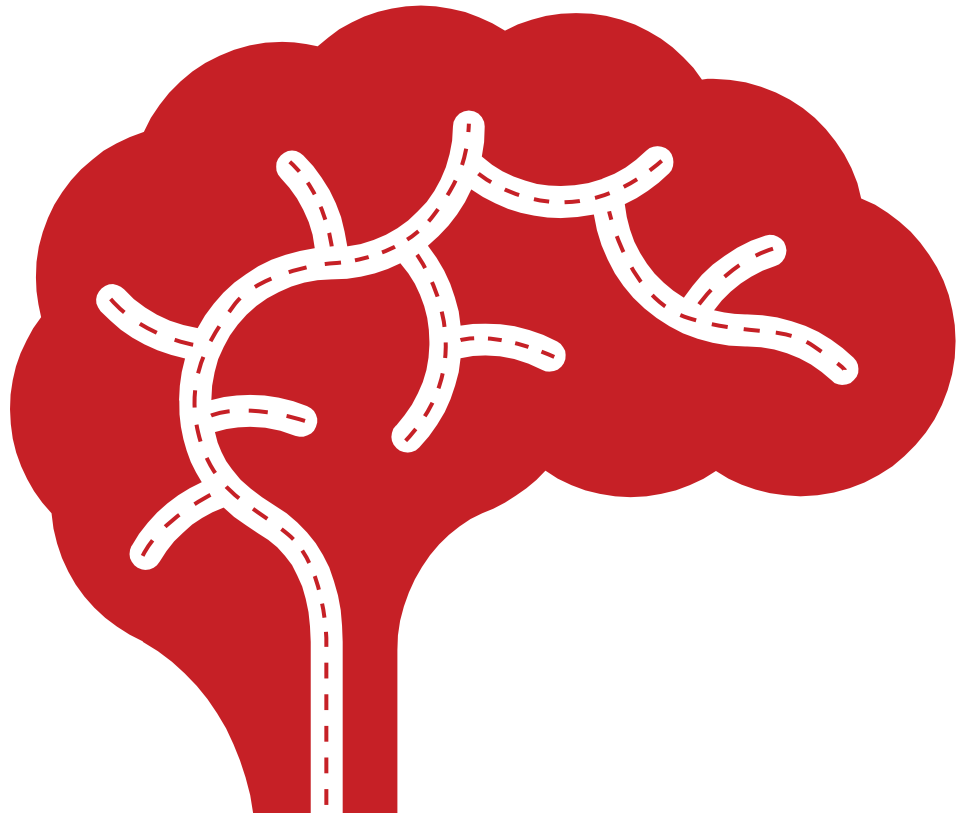
**For this study we have defined Generation X and Y as follows:**

Generation Y: UK consumers aged 18-29 years

Generation X: UK consumers aged 30-45 years

# High performance thinking

TNS – the market leader in auto industry research worldwide – set out to explore the future of car ownership in a UK research programme, covering over 2000 consumers; around half each from Generation X and Generation Y. The results are encouraging for the industry, fuelling debate around where future growth lies.



# Does the auto industry need to worry about Generation Y?

In previous decades, millions of young people expected that their progress through life and their careers would be accompanied by the ownership of a car; starting with an old banger, then each subsequent car being a cut above the one before.

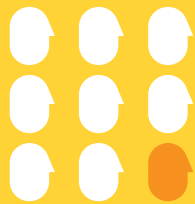
Generation Y seems set to have a different experience of life. Rapid youth unemployment, more debts following university, a more competitive job market and a sharper decline in incomes compared to the rest

of the population, has created a generation that fears and expects to be worse off than their parents.

This has the potential to lead to a different set of requirements from the auto industry.

But are these requirements fundamentally different to those of Generation X? And if they are, what does this mean for the future of car ownership and use?

Generation Y seems set to have a different experience of life, potentially leading to a different set of requirements from the auto industry.



### Youth unemployment

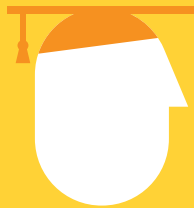
2007

2013

14%



21%



### Recent graduates (previous six years) in lower-skilled jobs

2001

Q4 2011

27%



36%



### Fall in average incomes 2008-2012

All adults

Generation Y

7%



12%

It is hardly surprising that a significant proportion of Generation Y are pessimistic about their future and are much more focused on the present and 'living for today'.

# Cars are no longer seen as 'the' status symbol

For the young, incomes have been held or even fallen since the banking crash.

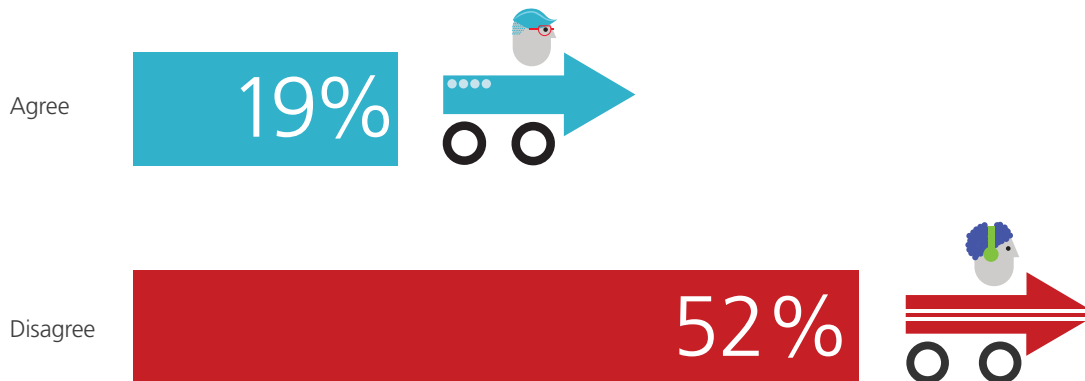
Just as the tough economic situation is making life harder for Generation Y and depressing their prospects, the cost of running a car has soared, and is now estimated to be £129 a week, over £6,500 a year.

For Generation Y the cost of running a car now accounts for a much bigger slice of their

personal budgets, potentially putting them in debt. But Generation Y are more prudent with money, and being debt free is today's signal of success.

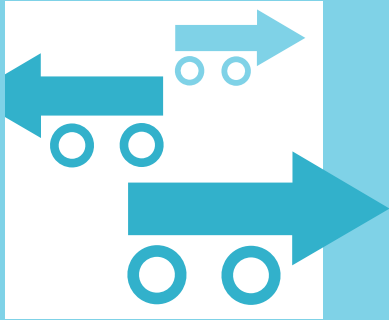
The consequence is that, unfortunately for the auto industry, while once the car you owned was seen as a direct reflection of your personal success, fewer than one in five people now take that view.

## Cars are still an important measure of success?



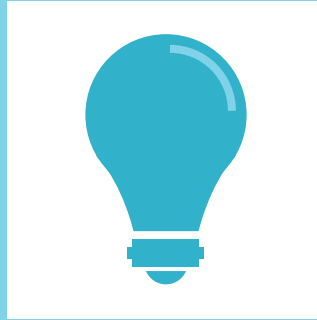
Source: The Futures Company: The Future of Sustainable Transport based on Ford statistics

## Three increasingly important influences on purchase decisions



### **Traffic congestion**

In a world with more congestion, frustration and occasional gridlock, the experience and romanticism around 'driving' often being sold to the consumer is contradicted by the reality of city driving.



### **Clever consumers**

Making the 'smart choice' is increasingly prioritised over getting the cheapest or latest model – people want to get the ideal mix of practicality and affordability.



### **Improved alternatives**

On increasingly crowded roads (especially in urban areas) consumers are finding it harder to justify car journeys, when cheaper, healthier and more sustainable options like public transport, walking and cycling are seen as becoming more convenient.

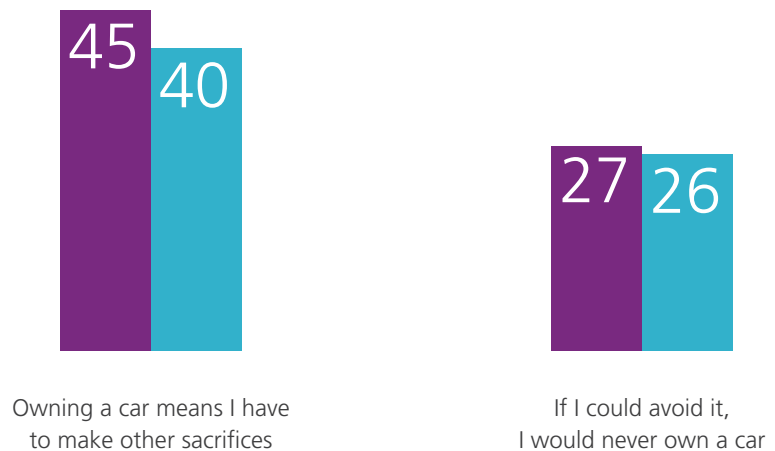
# Does Generation Y have a different view of 'ownership'?

Given the high cost of motoring, consumers naturally take into account the fact that such a major expenditure involves – or would involve – sacrifices

in other areas. Around a quarter of all respondents said that if they could manage without owning a car, they would happily do so.

## Attitudes to car ownership %

■ Generation Y    ■ Generation X



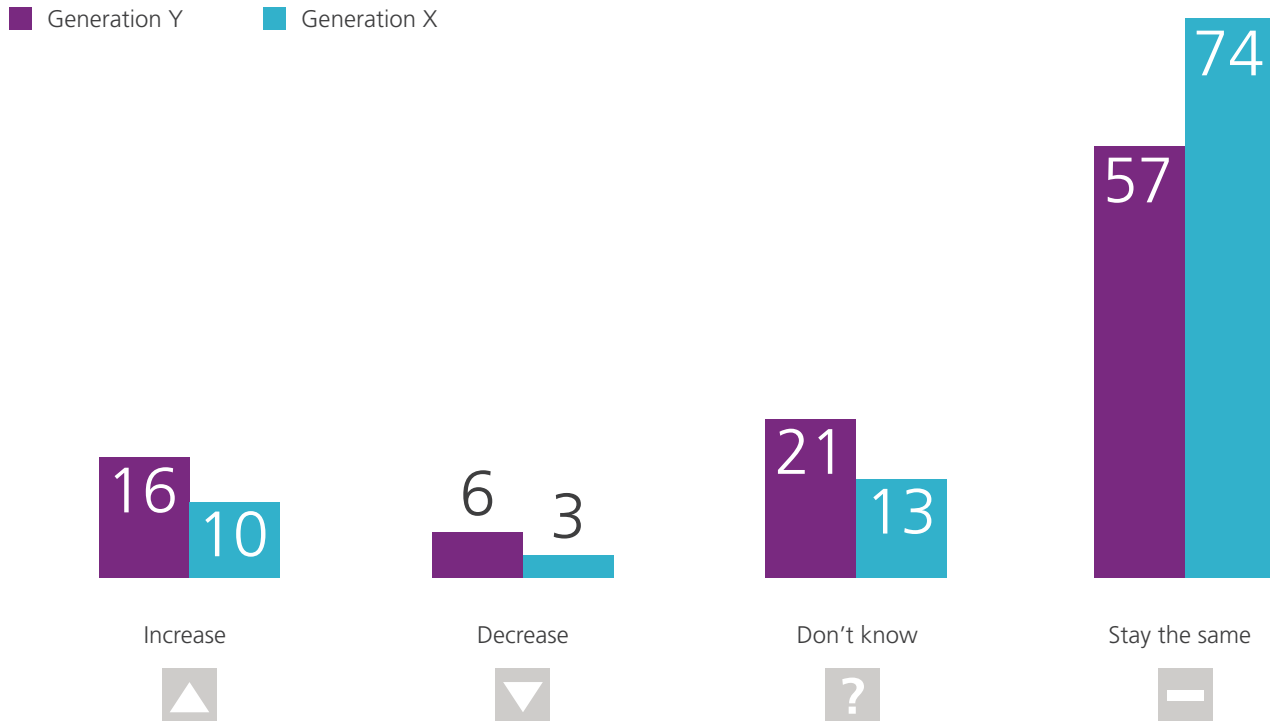
Base: 2168, TNS Automotive Generation Y study, June 2013



When we look at future ownership expectations, we find more people from both Generation X and Y who anticipate increasing the number of cars they own than who anticipate reducing their family 'fleet' size.

But the industry cannot afford to be complacent, because the second largest group of individuals are those who are undecided. These people need convincing of the continued value of (multiple) car ownership.

### Anticipated change in number of cars owned over next 2 years %



Base: 2168, TNS Automotive Generation Y study, June 2013

# So is our love affair with the car ending with Generation Y?

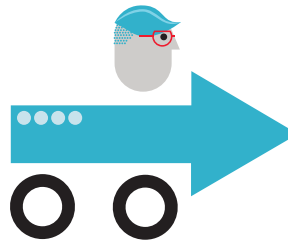
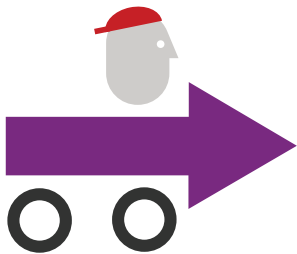
With the economic and social situation as it is, how will this impact the role of the car for Generation Y? Do younger consumers see cars as more of a functional purchase or are they really considering alternative transport modes?

The good news is that Generation Y still wants to drive. But attitudes are changing and this is not just to do with a new generation coming through – it is also driven by issues around residential location and lifestyles.

## Car ownership %

Generation Y

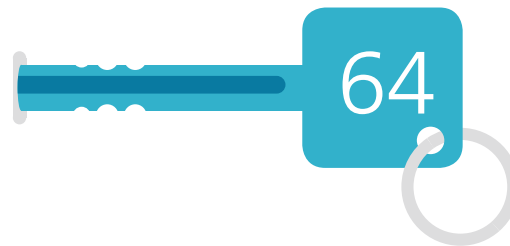
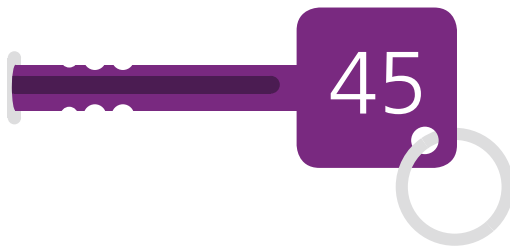
Generation X



## Share of journeys by car %

Generation Y

Generation X



Base: 2168, TNS Automotive Generation Y study, June 2013

## The two generations are not all that different...

Some industry worries about Generation Y have centred on the presently lower level of car ownership and use. It is certainly true that these younger consumers are less likely to own a car than their elders and that cars have a lower share of their journeys.

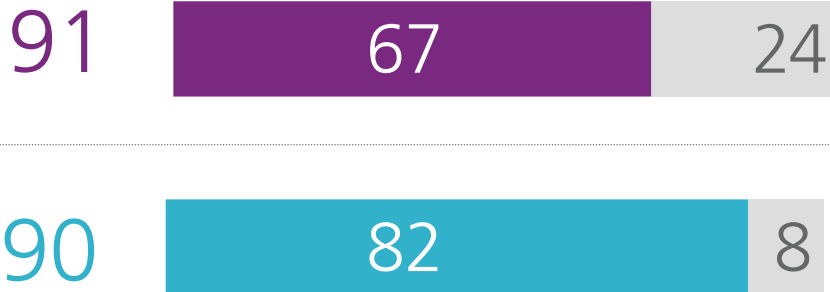
But the car is still their main mode of transport. It represents almost half of all journeys – nearly two thirds when walking is excluded.

Although the proportion of those in Generation Y with a driving licence is

smaller than for Generation X, this does not necessarily signal a move away from cars in principal. When we add in those who intend to get a licence the numbers of potential drivers is almost identical for Generation Y and Generation X.

## Ownership of driving licences %

■ Have licence    ■ Intend to get one in the future



The intention to keep 'cars' as part of their transport portfolio is clear. But why is that?

Base: 2168, TNS Automotive Generation Y study, June 2013

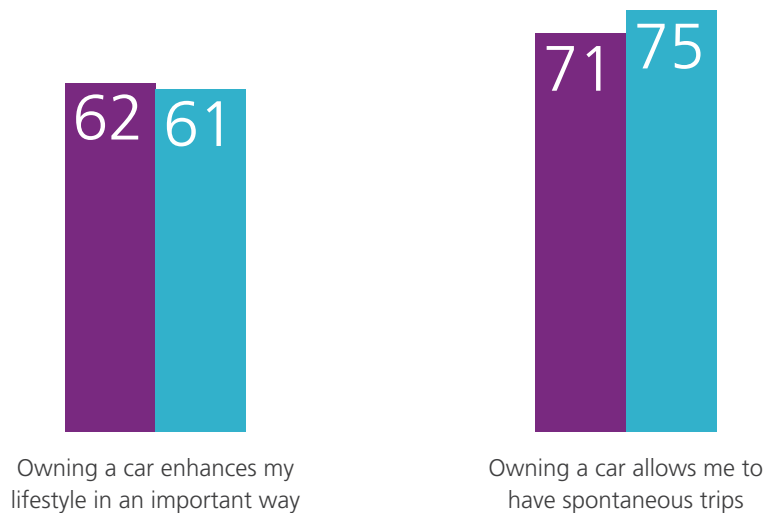
# Cars aren't just about getting from 'a to b'

Generation Y seem to be just as well disposed as Generation X towards having a car, with roughly equal numbers saying that it "enhances my lifestyle in an important way" and that it "allows me to have spontaneous trips".

Both groups see that car ownership brings real and valued benefits beyond simple transportation.

## Attitudes to owning a car %

■ Generation Y    ■ Generation X



Base: 2168, TNS Automotive Generation Y study, June 2013

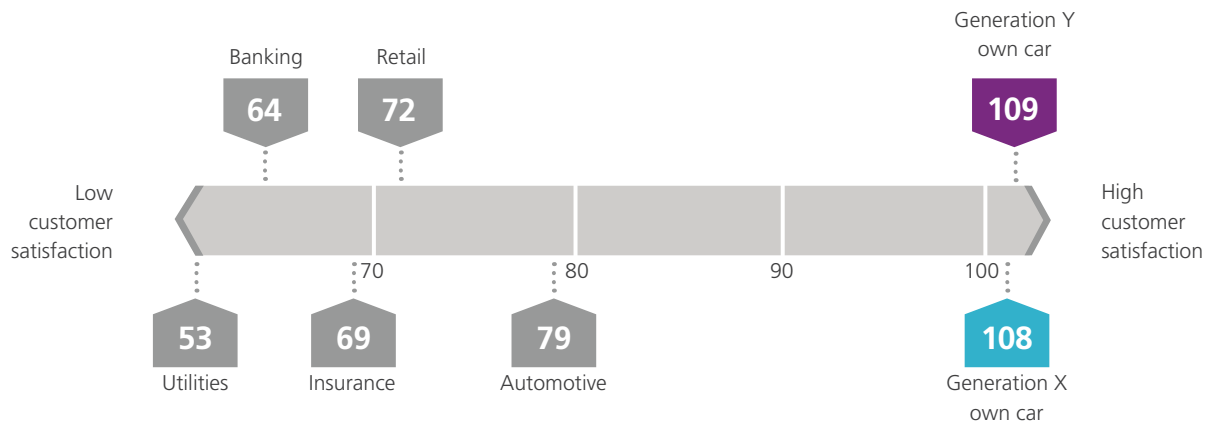
TNS applied its TRI\*M satisfaction\* methodology to measure the respondents' 'appreciation' of, and satisfaction with, cars as a method of transport.

The TRI\*M index confirms that Generation Y values having their car just as much as Generation X. The appreciation of 'cars' is much higher than for the

automotive industry as a whole, demonstrating that the car itself really delivers against consumer needs.

With Generation Y showing such a strong affinity to their vehicles, if there is any threat to the car market, it is not from a lack of desirability. So we need to look at what other factors are at play.

## Appreciation of cars



Note: The TRI\*M index places the average UK brand at 72. The index of more than 100 for one's own car places it within the top performing 10% of all brands and products.


\* Definition of TRI\*M see page 24


# So where is the threat coming from?

As part of the study, TNS also employed another leading methodology – TNS ConversionModel\* – which measures how secure the customer base is for any given brand or category. This looks at a brand's Power in the Mind (the desire for it) and its Power in the Market.

When we apply this to car journeys we see that the Power in the Mind (the desire to make a car journey) is actually lower than the number of car journeys we make (Power in the Market). This suggests that some of those travelling in cars are prepared to consider an alternative transport method – in effect, that the utility of the car is declining.

## Risk of defection: petrol and diesel cars %

 **Power in the Market**  
Share of journeys

 **Power in the Mind**  
Desired share of journeys



Generation Y



Generation X

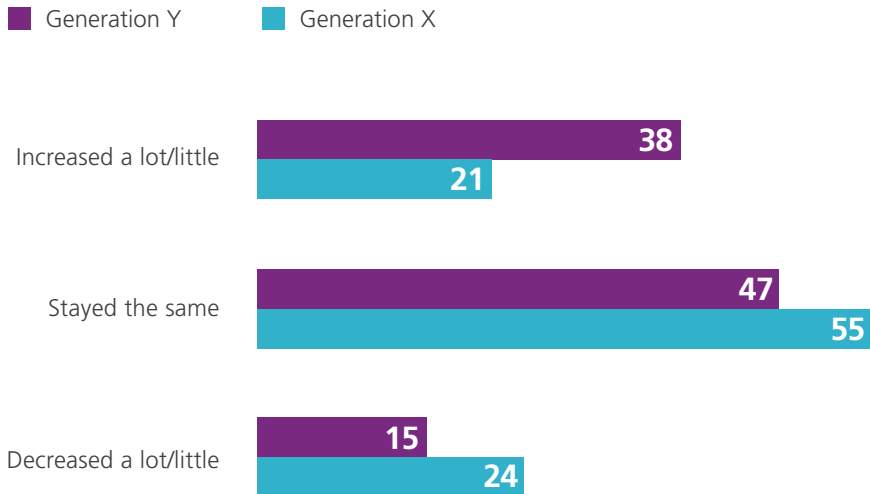
\*Definition of ConversionModel see page 24

Nevertheless, the average mileage for a Generation Y car driver is on the increase, as they try to make the most of their investment.

By contrast, and more worryingly for the industry, among Generation X we are seeing a drop in annual mileage.

Overall, we know from the qualitative research we carried out at the same time, that people generally are making fewer short trips, and this is where the car is most vulnerable. It is the utility for short trips which is in decline, and which is posing the biggest threat to the industry.

### Change in annual mileage in last 12 months %



Base: 2168, TNS Automotive Generation Y study, June 2013

# Is it a generational divide or one of lifestage?

If we look beyond the generational gap and at other contributory factors that are important when making a decision about transport, we see a clearer picture emerging.

We identified three significant factors:

- **Location:** where people live and work
- **Money:** how much they earn
- **Family:** whether they have dependent children

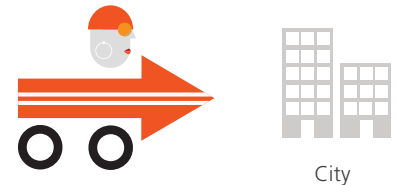
Income is outside the industry's control, so we carried out an analysis of the survey results among respondents who have a car or who can afford one.

The two significant differentiators that largely define these four groups is where they live (city vs suburban vs rural) and whether they have children. Although lifestage (and income) is correlated with these factors, Generation X and Generation Y individuals appear in each segment.

## Four consumer segments\*

### More Generation Y

Quicker by Public Transport 16%



- 16% of respondents
- 0.3 cars per household
- Own a new car: 38%
- Make 12% of journeys by car

Mainly city dwellers, strongly biased to Generation Y, these singles and couples say public transport is quicker and travelling that way gives them thinking time. A car is not important or cost-effective.

\* Four segments depicted represent 88% of consumers who own a car or who can afford one, remaining 12% who cannot afford a car are excluded



**Metro Managers**

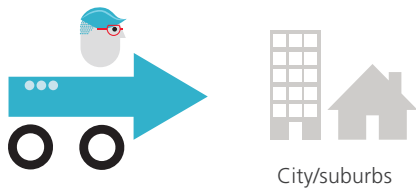
20%

**Family Necessity**

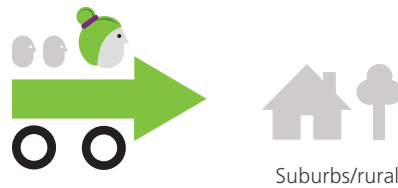
31%

**No Alternative**

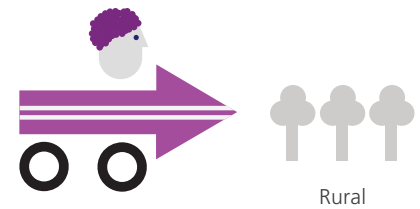
21%



City/suburbs



Suburbs/rural



Rural

- 20% of respondents
- 1.3 cars per household
- Own a new car: 47%
- Make 59% of journeys by car

Mainly city dwellers with a roughly even split between the generations, heavily biased towards those with children and more likely to own high-status, expensive marques. They are open to the alternatives that the city offers, but have safety worries about their children on public transport.

- 31% of respondents
- 1.3 cars per household
- Own a new car: 34%
- Make 77% of journeys by car

Families with children, living mainly in the suburbs, also more from Generation X than Y. They see the car as quick, safe transport, keeping them in control of when and where they leave home and arrive where they are going.

- 21% of respondents
- 1.3 cars per household
- Own a new car: 31%
- Make 83% of journeys by car

Mainly from Generation X they live in the suburbs or the country and have a low incidence of children living at home. They simply need a car; it is a utility, not a status symbol.

Base: 2168, TNS Automotive Generation Y study, June 2013

# City living takes the shine off the car

The decline in the utility of the car is at its most significant among the two consumer segments comprising mainly city dwellers.

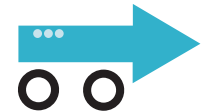
Even 'Metro Managers', with their high level of ownership of high-quality cars, have a strong preference for public transport as a quicker way to get to work. And they are just as positive as the 'Quicker by Public Transport' segment about the thinking time that public transport provides.

The 'Quicker by Public Transport' group are highly likely to see a car as neither important nor cost-effective, ('Metro Managers' also score relatively highly here). And there is less inclination to believe that owning a car is part of growing up, or that there is no practical alternative to driving – this is one of the few areas where there is a generational effect.

## Car utility in the city – indexed vs all respondents



Quicker by  
Public Transport



Metro  
Managers

Quicker for me to get to work by public transport than by car	130		133
I like travelling by public transport as I get time to think	113		112
It's not cost effective for me to own a car	134		110
Owning a car is just not important to me	130		111
Owning a car is part of growing up	<b>86</b>	▶	<b>108</b>
For me, there is no practical alternative to driving a car	<b>76</b>	▶	<b>106</b>

Base: 2168, TNS Automotive Generation Y study, June 2013

Both of these groups are looking for alternatives and are the most open to car sharing. Among 'Metro Managers', 18% of their car journeys are at risk. This is a vitally important segment for the auto industry to retain, as 'Metro Managers' are the biggest spenders on new cars.

The 'Quicker by Public Transport' group has a smaller proportion of journeys at risk, but these younger consumers would traditionally be expected to be increasing their car journeys. Hopefully, for the industry these groups will grow into the other segments as they age and their lifestyles or locations alter. However, it is important that the auto market engages with these groups to prevent further decline.

## Car journeys at risk %



Quicker by Public Transport

16



Metro Managers

18



Family Necessity

13



No Alternative

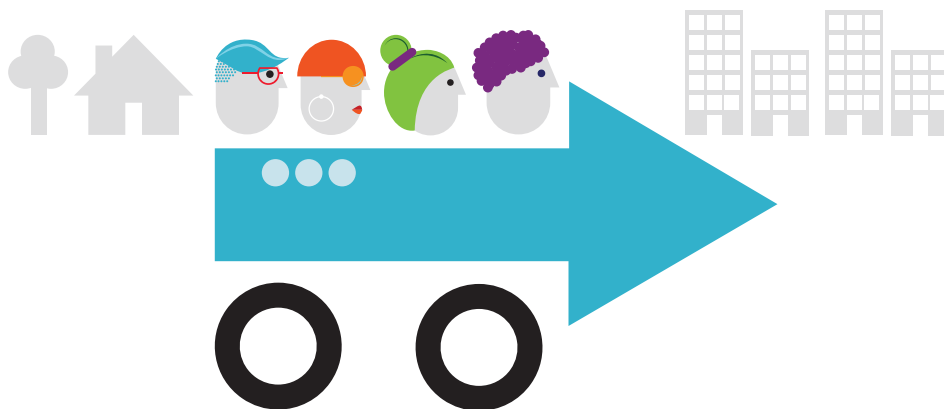
10

Base: 2168, TNS Automotive Generation Y study, June 2013

# Evolving demand creates threats and opportunities

Declining utility and rising costs appear likely to depress demand to buy cars among city dwellers of all ages, with Generation Y particularly under pressure. Still having a desire to drive, these customers are likely to look at car marques that offer to serve their needs in other ways.

For example, we are seeing growth in car sharing – especially through car clubs. These alternatives to the traditional ownership model fuel both potential increased threat and opportunity (as a way of ‘trailing’ a product) – depending on how the industry responds.

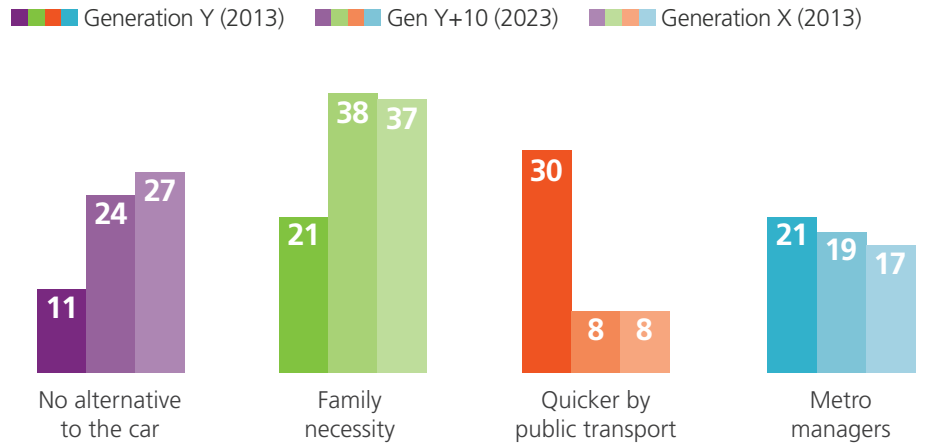


As yet car clubs have not been widely adopted across the country. Although awareness is high, especially among Generation X, a significant minority say that car clubs are not available in their area. However, we know that distribution is wider than people realise, so it appears that marketing messaging around these schemes is failing to cut through.

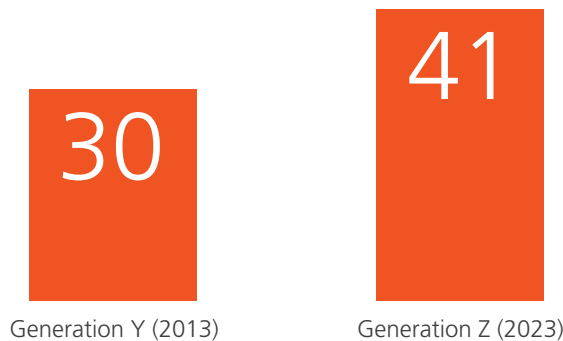
And let's not forget electric cars, which 'Metro Managers' will see as a viable option for greener, cheaper travel. They have not yet achieved the critical mass needed to be a serious alternative for most, but as technology progresses we could easily see this change.

Of keen interest to the auto industry is the question – what will happen to this generation as they go through different lifestyles? What will Generation Y be like in 10 years time? (We'll call them Gen Y+10). Based on scenario planning, we see that as they age, today's Generation Y will become very similar to today's Generation X, as they deal with the practical realities of having a family. So perhaps the industry is right not to worry too much about this generation. It looks like desire and necessity will bring them back to car ownership.

### As they age, Generation Y are likely to behave like today's Generation X



### Size of 'Quicker by public transport' segment among 18-29 year-olds



However, the generation following Generation Y (Generation Z) could be radically different. Whilst the overall pattern of needs and socio-economic factors may remain similar, support for public transport from today's Generation X and Generation Y may create a virtuous cycle for buses and trains – and a vicious cycle for cars. In 10 years time, when Generation Z become 18-29 year olds, public transport will come to dominate the next generation's travel behaviour.

# Creative solutions are required

Clearly, new solutions are needed to meet the needs of those city dwellers who are looking for alternatives to car ownership and who could drop out of the market.

Access to a car remains important for both Generation X and Generation Y, even in cities, though actual ownership may be less important. And 'long-term ownership' of any commodity is out of vogue across most industries, with consumers regularly wanting to have access to the latest, most personal services and products.

One option for future growth could lie in marketing and finance propositions that focus on delivering mobility to the consumer rather than hardware. Solutions that are built around the customer and deliver high levels of utility and flexibility – personalisation will be attractive as well as financially 'smart'.

# A couple of approaches for the car industry...

“A little car would be great for during the week – but when we go on holiday we need the space of the estate car”

## **Approach 1: “Our range is your garage”**

The insight is about recognising that the same car does not meet all consumer needs.

Potential solution: Customers sign a contract with a dealer. At the core is a particular model, but for 30 days a year, they can switch to a different model in the range which better meets their needs for that time. The dealer has agreements with leading insurance companies that no change is required to the policy.

“Car sharing with people I know would be appealing if the costs and administration were manageable”

## **Approach 2: The Flatshare Carshare**

Sometimes a car is too big a commitment for Generation Y

Potential solution: Customers collectively buy a dealer-approved used car. Usage and running costs are managed through built in telematics, which identifies who uses how much. The appeal is both financial and based on clever technology as a facilitator giving a certain ‘coolness’ and street cred.

### **An evolving relationship**

The auto industry has proved for many years that it can respond imaginatively and successfully to customer demand. Companies that succeed in meeting the changing needs of city dwellers – and especially Generation Y – will reap rich rewards.

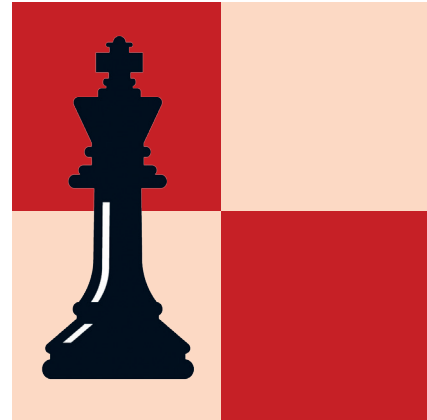
The love affair can certainly continue – it might just take a slightly different form.

# Driving growth

## TRI\*M

TRI\*M Customer Experience is our world-leading solution for strategic Customer Experience Management. It pinpoints the touchpoints and changes that will have most direct impact on customer retention and growth, and the TRI\*M Index provides a powerful indicator of long-term business success. We link our key metrics to external business measures to ensure that they drive growth and provide return on investment, and our extensive database of over 17,500 studies provides a wealth of information to give context to our results.

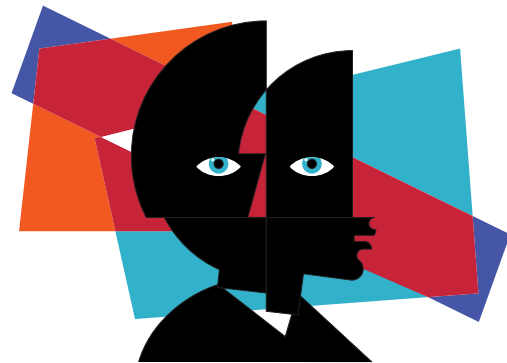
The core TRI\*M methodology can also be used to look at Corporate Reputation and Product Experience.



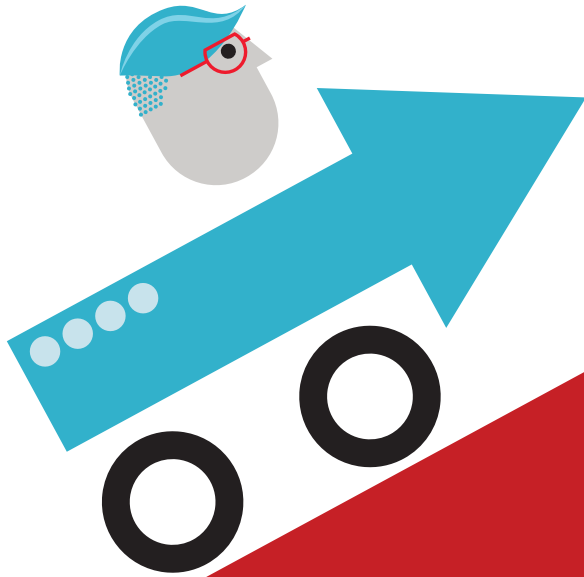
## ConversionModel

To help brands thrive, ConversionModel thoroughly evaluates the two critical factors affecting brand choice: Power in the Mind (how people feel about a brand) and Power in the Market (the situational factors such as price and availability which also influence decisions).

It understands individual consumers to provide detailed insights into category dynamics and spending patterns, pinpointing opportunities to attract new consumers, re-win existing ones and to optimise their spending. It uses a precise understanding of today's market to predict tomorrow and help our clients build brands for growth.







# About TNS

With a presence in over 80 countries, TNS has more conversations with the world's consumers than anyone else and understands individual human behaviours and attitudes across every cultural, economic and political region of the world.

At TNS, our Precision Growth approach is driven by the commercial needs of our clients. As such, our people and tools are focused on providing research that helps business identify how to deliver:

1. Loyalty and new spend
2. New customers
3. New products and services
4. New markets

## **TNS Automotive**

The automotive industry is changing faster than ever, with increasing competition, complexity from media fragmentation and growing pressure to develop greener vehicles and new mobility solutions. Traditional research is now too slow and often fails to capture the voice of the consumer fully.

At TNS, we constantly develop innovative services to help our clients unlock growth in this complex, ever-changing environment.

With over 50 years' experience, TNS is the world's leading provider of automotive marketing information and insights. Our 600 dedicated consultants around the world are uniquely placed to provide precise strategic direction: deepening customer relationships, developing new products, targeting new markets and illuminating the road to growth through the entire customer-brand relationship journey.

**For automotive enquiries please call:**

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# About TNS UK

TNS UK is part of TNS Global, the world's biggest research company.

TNS delivers precise plans to help our clients grow.

Whatever your challenge TNS UK can help:

- Innovation & Product Development
- Brand & Communications
- Retail & Shopper
- Customer, Employee & Reputation
- Qualitative
- Automotive

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