2022

Car Subscription and New Mobility Insights

Photo by Precious Madubuike

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Welcome

In a world where everything is available at the touch of a button, it's no surprise that consumer behaviour is changing. We live in a society in which convenience trumps almost every other human desire. From having dinner ordered, prepared and delivered in under an hour, to refilling prescriptions through a QR code, it has never been easier to get what we want, when we want it.

In the shadow of the pandemic, more and more people are moving towards solutions that are flexible and fitting for their lifestyle. A rise in 'work from home' arrangements and a widespread appreciation of quality time with loved ones has resulted in flexibility becoming the new normal.

Subscription models suit this new way of living. Though the concept is not new, take-up is on the rise. As this report will highlight, car subscription services are gaining momentum on a global scale. The market share is growing exponentially, for both consumers and businesses.

A move away from vehicle ownership and growing awareness of subscription models are leading to a shift in demand for the latter. Research - that is further detailed in this paper - shows that a staggering 81 per cent of the people surveyed would consider a car subscription over purchasing a new vehicle.

Global uncertainty - through pandemic, war and economic downturn - has seen cost of living prices soar. Fuel is getting more expensive, and supply chain issues have led to a shortage of available new vehicles and parts. But it's not all doom and gloom.

Through subscription models, the power is put back in the hands of the consumer. The burden associated with the outlay of cash when purchasing a car is removed, and flexibility is guaranteed.

A move towards more sustainable consumption is also changing the way we view car ownership. More people are moving to alternative forms of transport for environmental reasons, and interest in electric vehicles (EVs) is on the rise. It's estimated that 73 per cent of drivers agree that moving to EVs is an important move to curb climate change.

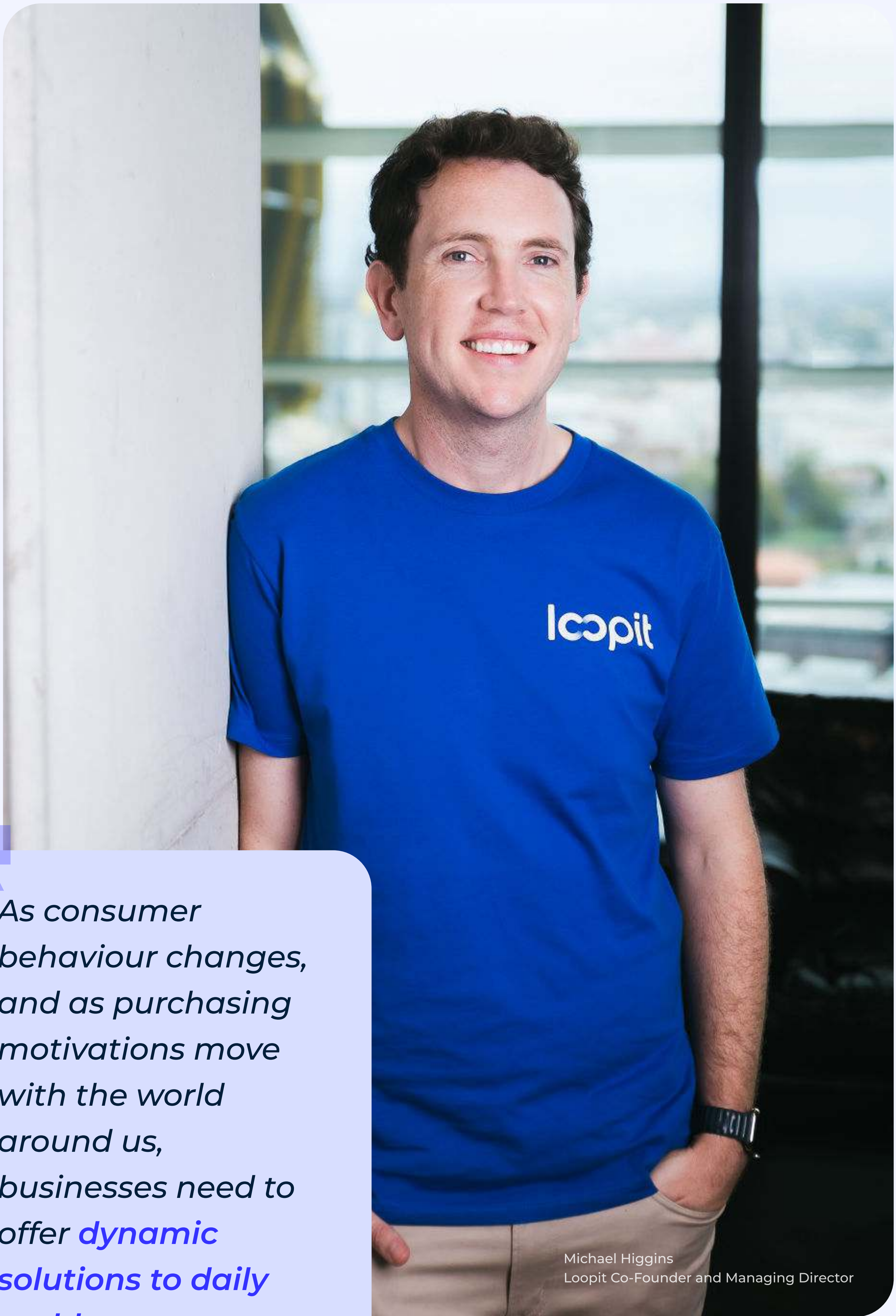
Vehicle subscription services are providing a way forward. Individuals and businesses alike can access environmentally sustainable vehicles, like EVs, for a portion of the cost, and even opt to 'try before they buy' a new vehicle.

As consumer behaviour changes, and as purchasing motivations move with the world around us, businesses need to offer dynamic solutions to daily problems.

After all, moving with the times is what keeps us all moving.

MHiggins

Michael Higgins
Managing Director, Loopit.co



Michael Higgins
Loopit Co-Founder and Managing Director

As consumer behaviour changes, and as purchasing motivations move with the world around us, businesses need to offer ***dynamic solutions to daily problems.***

A PERFECT STORM FOR

New Mobility To Thrive

The year 2022 has been marked by significant change that has accelerated the uptake of new mobility offerings.

The year 2022 has been marked by significant change, from the growth in remote working to the demand for products and services that allow for easier contract changes and cancellations. Alongside this, there has been an increased awareness of climate change, and a trend towards sustainable solutions.

These changes have had an unprecedented impact on the automotive industry. There has been a rise in usage-based 'vehicle-as-a-service' models such as ridesharing and car subscription, alongside a decline in car ownership.

Our data shows that the number of people who use their car every day has dropped by 14% due to COVID-19.

This highlights that drivers are increasingly preferring the more convenient pay-per-use options, rather than traditional models of car ownership such as buying or leasing.

Alongside this, the cost of living is increasing, with petrol prices, interest rates and energy prices all continuing to rise.

According to the World Economic Forum's Chief Economists Outlook survey, released in September 2022, we are in the midst of a severe cost of living crisis, with at least 80% of economists surveyed predicting wages will fail to keep pace with rising prices through 2023.

This is contributing to the consumer demand for flexible options to avoid unnecessary financial burdens.

The Market Factors Driving Car Subscription

- ongoing covid impact
- electric vehicle adoption
- new car supply issues
- inflated used car market
- rising interest rates
- cost of living pressures

AN INTRODUCTION TO

Car Subscription

In simple terms, car subscription is an alternative model to traditional car ownership, providing drivers with exclusive access to a car through regular payments.

This is similar to other forms of subscription - customers sign up to subscription services for access to music and movies, and can now sign up to a subscription service for their vehicle.

The subscription model is often compared with car-sharing or a car rental, however these solutions are designed for temporary use of a vehicle over a short period of time. Subscribing is more akin to owning a car.

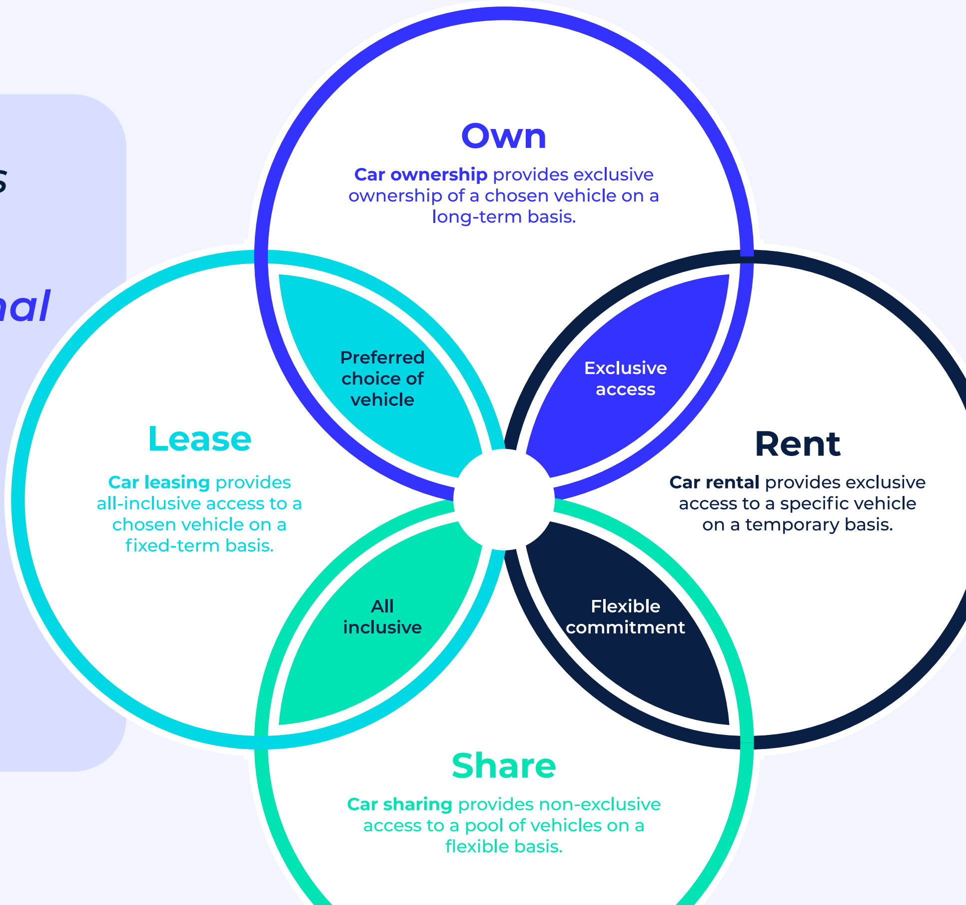
The subscription customer resembles someone who would otherwise buy a car, but does not want the commitment or financial burden of owning one.

There is no lock-in contract, and the driver can keep the car as long as needed through a small payment, every week or month.

This means the car can be returned when no longer needed, or swapped for a different car if their needs change, for example—upgrading to a larger vehicle as the family grows.

A significant differentiating factor compared to buying or leasing is that car insurance and registration are covered in the cost of the subscription payments, alongside repairs or maintenance. This ensures that fuel costs are the only additional cost to the customer.

> *Car subscription is an **alternative model to traditional car ownership,** providing drivers with exclusive access to a car through regular payments.*



AN EMERGING

$80 Billion Opportunity

Car subscription is rapidly gaining momentum around the world. According to Straits Research, the global car subscription market size had a share of USD $2.952 Billion in 2021, with conservative estimates from Boston Consulting Group seeing this value balloon to USD $40 Billion in Europe and the US by 2030—or around 15% of new car sales.

Loopit estimates that subscription-based mobility services will account for closer to 30% of new car sales by 2030—or double the current estimates—representing a USD $80 Billion opportunity by the end of the decade.

To put these figures into context, streaming services in the US are projected to reach USD $34.10 Billion in 2022. Netflix revealed that its average monthly revenue per paying streaming customer in the US amounted to USD $16.37 in Q3 2022.

In comparison, the monthly ARPU of an active vehicle subscriber on the Loopit platform was USD $809.53.

Automakers are already making significant investments in new mobility options, and this is especially evident in Volkswagen's acquisition of Europcar in July 2022 for €2.9 Billion with Volkswagen Group CEO, Herbert Diess, highlighting the demand for new mobility solutions, such as subscription and sharing models to complement car ownership.

Why is this? The car industry more broadly is undergoing a significant transformation, with a compelling case emerging for car subscription as a viable alternative traditional ownership.

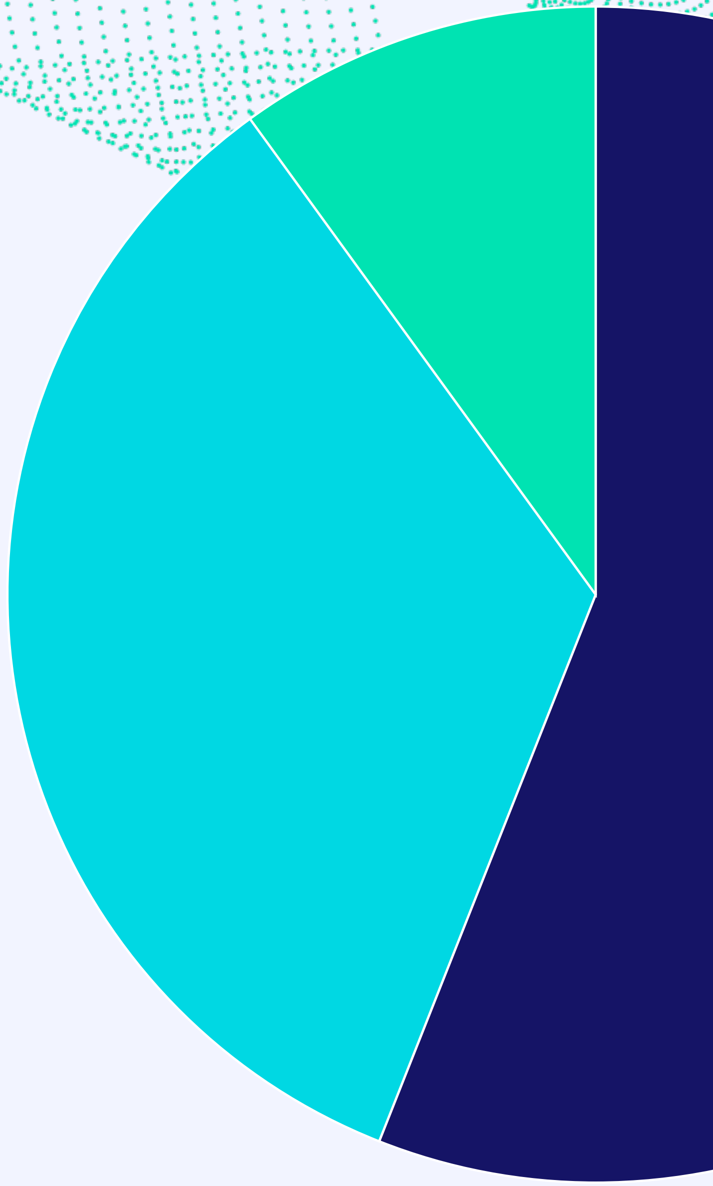
The proliferation of the sharing economy in recent years has led to consumers becoming accustomed to mobility options such as ridesharing and car sharing, which provide a short-term solution to getting from A to B.

Monthly Average Revenue per User
Q3 2022 (USD)

The subscription model combines the flexibility of these temporary solutions with the advantages of owning a personal car - which would otherwise come from buying or leasing - without the added responsibility or commitment of car ownership.

Subscription plays a key role in the automotive market, providing the middle ground between a personal vehicle and a shared vehicle. It is positioned as the ideal solution for those who want to avoid owning a car, while preferring the ease of having access to their 'own' vehicle as needed.

It is worth noting that there is still a gap in understanding of the subscription model among the wider public, and a need for further education in the market. Our research shows that the majority of people (56%) have never heard of car subscription, with 34% saying they have heard of it but don't know what it is, and only 10% having an understanding of the service.



- 56% of people have never heard of car subscription
- 34% of people have heard of car subscription but don't know what it is
- Only 10% understand what car subscription is

A PARADIGM SHIFT IN

Car Ownership

Across the automotive industry, customer demand is shifting from ownership to usage-based models. The shift is being driven by changing behaviour, with consumers increasingly seeking greater convenience.

Younger generations in particular are pursuing more flexible and personalised experiences, and consequently moving away from the burdens of car ownership.

This is reflected in our latest consumer research, which revealed almost a quarter (24%) of people today no longer own a car, and 81 per cent would consider a car subscription for their next car over purchasing a vehicle outright.

As a greater portion of the market gravitates away from the traditional model of car ownership, the opportunity for subscriptions continues to expand.

'Early tech adopters' are a key consumer segment who are increasingly rejecting the concept of owning a car in conventional terms.

Predominantly (91%), people who upgrade to the latest phone each year - considered as early adopters - would consider subscribing to their next car rather than buying it. In comparison, only 48 per cent of people who only upgrade their phones when their current one breaks, would subscribe to their next car rather than buy it.

Early adopters often predict trends in the market, so we expect this to be reflected in car subscription rapidly becoming more mainstream.

The consumer trend away from vehicle ownership aligns with findings that there is a strong demand for subscription once people are aware of the solution.

A significant majority (81%) of people would consider a car subscription for their next car over buying one.

*Additionally, 89 per cent believe that subscription should be offered as **a standard option alongside leasing and financing** at the dealership.*

81%

of people would consider a car subscription for their next car

24%

of people today no longer own a car

75%

of early tech adopters have heard of car subscription

91%

of early tech adopters would consider subscribing to their next car

Photo by Precious Madubuike

VSU INDEX

The Cars Being Driven On Subscription

Earlier this year, Loopit published the first Vehicle Subscription Utilisation (VSU) Index, introducing a new monthly report which highlights the opportunities present for the automotive industry within the car subscription space, providing transparency around the makes, models and age of vehicles utilised on subscription.

A Mainstream Mobility Proposition

Perhaps the most telling trend derived from the VSU Index is that the types of vehicles being utilised on car subscription largely reflect the most popular models on sale today.

These results support the idea that car subscription is fast emerging as a genuine mainstream alternative to traditional car ownership as buyers seek out more flexible and innovative ownership models beyond leasing or finance.

This is emphasised by the fact that 68% of all vehicles subscribed in the month of October through Loopit were less than two years old, representing a significant overlap with new car buyers.

There is also evidence to support the growing demand for subscription-based fleet solutions for business clients, with commercial vehicles occupying eight places in the top 20 subscribed models above USD $30,000.

The Case For Subscription Business Fleets

These utilisation trends among commercial vehicles highlights that car subscription is quickly establishing itself as a viable solution for business fleets to operate effectively without any fixed or long-term financial commitments.

This is especially important with the current financial uncertainty as it allows businesses to react swiftly to changing market conditions with their immediate fleet requirements.

For more information on the VSU Index, visit loopit.co/car-subscription-market-index

2022

Top Subscribed Vehicles

Top Subscribed Vehicle Makes

1	MG
2	Toyota
3	Kia
4	Hyundai
5	Mitsubishi
6	Mazda
7	Jeep
8	Nissan
9	Land Rover
10	Volkswagen

Top Subscribed Vehicle Models

1	MG MG3
2	MG ZS
3	Kia Sportage
4	Toyota Corolla
5	Kia Cerato
6	Mitsubishi ASX
7	MG HS
8	Hyundai i30
9	Hyundai Accent
10	Mitsubishi Outlander

Top Subscribed Vehicle Models >$30,000

1	Mazda BT-50
2	Jeep Grand Cherokee
3	Land Rover Defender
4	Ford Ranger
5	Seat Tarraco
6	Isuzu D-MAX
7	Land Rover Discovery
8	Range Rover Sport
9	Toyota Hilux
10	Cupra Formentor

Top Subscribed Luxury Vehicles

1	Land Rover Defender
2	Range Rover Sport
3	Mercedes-Benz GLE
4	Land Rover Discovery
5	Range Rover
6	Mercedes-Benz GLC
7	Range Rover Vogue
8	Audi E-Tron
9	Audi Q5
10	Range Rover Velar

Based on vehicles subscribed via Loopit from January 2022 to November 2022.

All prices in USD.

Top Subscribed Electric Vehicles

1	Polestar 2
2	Audi E-Tron
3	MG ZS EV
4	Mercedes-Benz EQA
5	Tesla Model Y
6	Tesla Model 3

Consumer Demand by Country

1	Australia
2	United States
3	United Kingdom
4	New Zealand
5	Germany
6	Switzerland

Top Subscribed Vehicles by Model Year

2022	16%
2021	37%
2020	11%
2019	5%
2018	6%
2017	5%
2016	7%
2015	7%
2014	4%
2013	1%

> *Perhaps the most telling trend is that the types of vehicles being utilised on car subscription largely reflect* ***the most popular models on sale*** *today.*

Most Popular Model
MG MG3

Most Popular EV
Polestar 2

Most Popular Commercial
Mazda BT-50

Most Popular Luxury
Land Rover Defender

Consumer demand by enquiries received via Loopit.

Photo by Elton Sa on Unsplash

WHO WILL PAVE

The Road To Car Subscription

Automakers, car dealerships, leasing and rental companies have the home ground advantage, but new tech entrants and startups have the disruptive mindset.

A major factor in the adoption of car subscription is the availability of the solution. As flexible car ownership alternatives continue to gain momentum, two key provider segments are emerging.

Automotive incumbents. The home ground advantage for car subscription services is held by automakers, car dealerships, and existing rental and leasing companies.

These companies have existing infrastructure, operations, logistics and experience to succeed with car subscription, however are slow to react and adopt new innovations.

Mobility startups. Early demand for car subscription is largely being met by new mobility startups which possess a disruptive mindset and technical ability.

These companies have the edge in the technology stakes, as well in their online presence and branding.

As key competencies improve and new resources such as dedicated turnkey software solutions such as Loopit become available to help level the technical playing field, players across different mobility services are now entering the space.

The are four key players emerging in the car subscription space:

1. OEM / Automakers
2. New and Used Car Dealerships
3. Lease and Rental Providers
4. Subscription Startups

Why are more businesses entering the subscription space?
Vehicle subscription offers a lucrative recurring revenue business model for providers who implement the service. These businesses are not only catering to increasing consumer demand for flexibility, but also creating a recurring weekly revenue stream.

Rather than selling a car direct to a customer as a one-off sales asset, dealerships and manufacturers can extend the lifecycle of vehicles by making them available for subscription. This allows for better asset utilisation by increasing the revenue from each car.

01 OEM Automakers

Automakers are already exploring direct-to-consumer car subscription brands—including Porsche Drive and Care by Volvo programs—with the advantages of existing access to customers and vehicle supply.

Earlier this year, Volvo Cars' subscription service reported that subscription accounted for almost 15% of the brand's new car retail business in its first year of business in the UK. This comfortably exceeded the initial 5% total targeted for the service at the end of its first year.

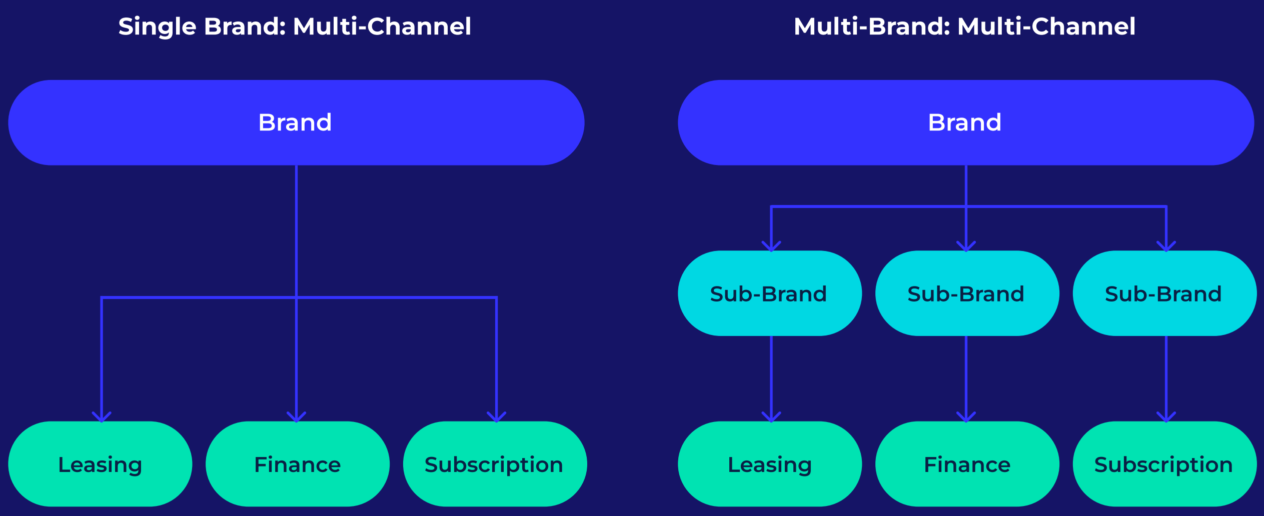
While OEMs can leverage their existing customer segments and loyal brand advocates attracted to the idea of accessing the latest vehicle model, most have not had any prior experience in directly operating fleets and have traditionally outsourced vehicle maintenance and customer support tasks.

Many OEM and dealership providers that attempt to launch their own internal solutions don't anticipate the nuances of car subscription and the level of administration that is required. This includes setting up their fleet composition, optimising vehicle utilisation and the logistics of vehicle pickup and returns as well as the maintenance and servicing of these vehicles.

To succeed, they need an experienced partner who can simplify the administration process so OEMs can concentrate on delivering an exceptional customer experience.

To date, we have seen OEM Automakers adopt one of two approaches when structuring their subscription offering within their wider business:

- **Single Brand: Multi-Channel** such as Porsche and its service Porsche Drive
- **Multi-Brand: Mulit-Channel** such as Jaguar Land Rover and its service Pivotal



02 Car Dealerships

For dealerships in particular, it's far more valuable to offer an omnichannel sales and subscription model approach rather than the traditional standalone sales model.

With existing customers (including those who fail to qualify for finance) dealerships—with their brand recognition and excellence in customer success—can funnel these customers to car subscription offerings as an alternative.

Dealers also have the advantage of offering their existing inventory and expertise on remarketing vehicles where they have experience in selling turned-in lease vehicles, used and trade-in vehicles.

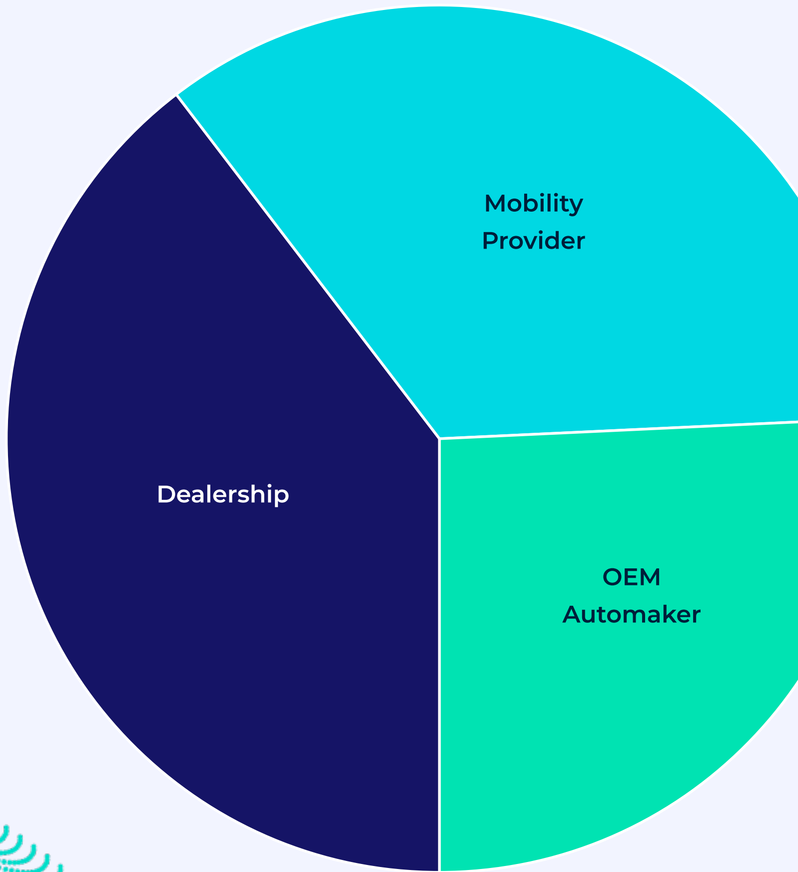
Dealerships are also in a position to leverage existing relationships within their networks such as service and maintenance operations which can translate to higher operational efficiencies and cost-effective practices.

More importantly, dealerships have an existing foundation to get started with subscription by utilising existing leads without any additional marketing whatsoever.

As their subscription business begins to scale, dealerships can then take a 'bricks and clicks approach' where they maximise their in-showroom opportunity and expand with an online subscription sales strategy.

Our research shows the preferred method of subscribing for drivers is through a car dealer, closely followed by online subscription platforms, with car manufacturers being the least preferred option. This highlights that car dealerships are integral to the wider uptake of car subscription across the automotive industry.

- 40% of consumers would prefer to subscribe through their local dealership
- 35% of consumers would prefer to subscribe through an online subscription startup
- 26% would prefer to subscribe directly with an OEM / Automaker



03 Rental & Leasing

Rental and leasing companies have three specific advantages when implementing the subscription model:

1. Experience in managing vehicle logistics including the procurement, maintenance, servicing of vehicles as well as the know-how when it comes to delivering customer experience for pickup and drop-off.
2. Attracting an audience and customer segment with the ability to quickly manage the movement of vehicles
3. Delivering a great customer experience that leads to habit and brand loyalty where the digital savviness has led to seamless rental bookings

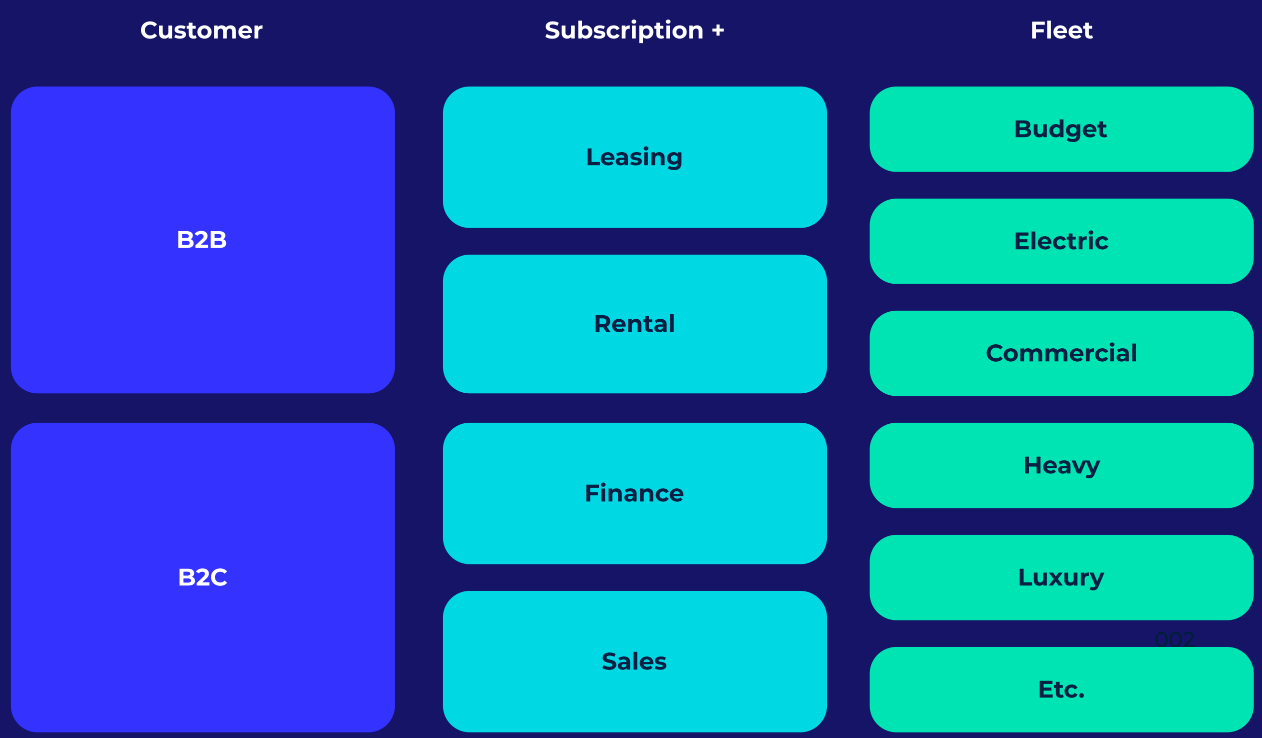
Car subscription should not be considered in isolation, but rather as part of an omnichannel strategy for fleet and rental providers, either as a means to increase fleet utilisation or extend the lifecycle opportunity for fleet vehicles.

No two car subscription providers are alike

It's important the fleet and rental providers play to their existing strengths to build a unique customer journey and experience for their intended market and business objectives.

As the chart below demonstrates, there are three core areas of consideration for defining your subscription market segment: customer, product offering and fleet type.

The 3 Pillars of a Subscription GTM Strategy



04 Subscription Startups

There are many specialised car subscription providers such as Autonomy, HelloCars and Onto who solely offer vehicles for subscription.

These businesses are independent startups who position themselves as being digital-first and have developed the technological infrastructure needed to deliver a user-friendly experience where subscribers can browse vehicles and book their car subscription instantly.

Second to this, due to their lean structure these providers have been prompted to build their customer success teams in-house, translating to a more robust understanding of how to optimise ongoing customer relationships and engagement to ensure retention.

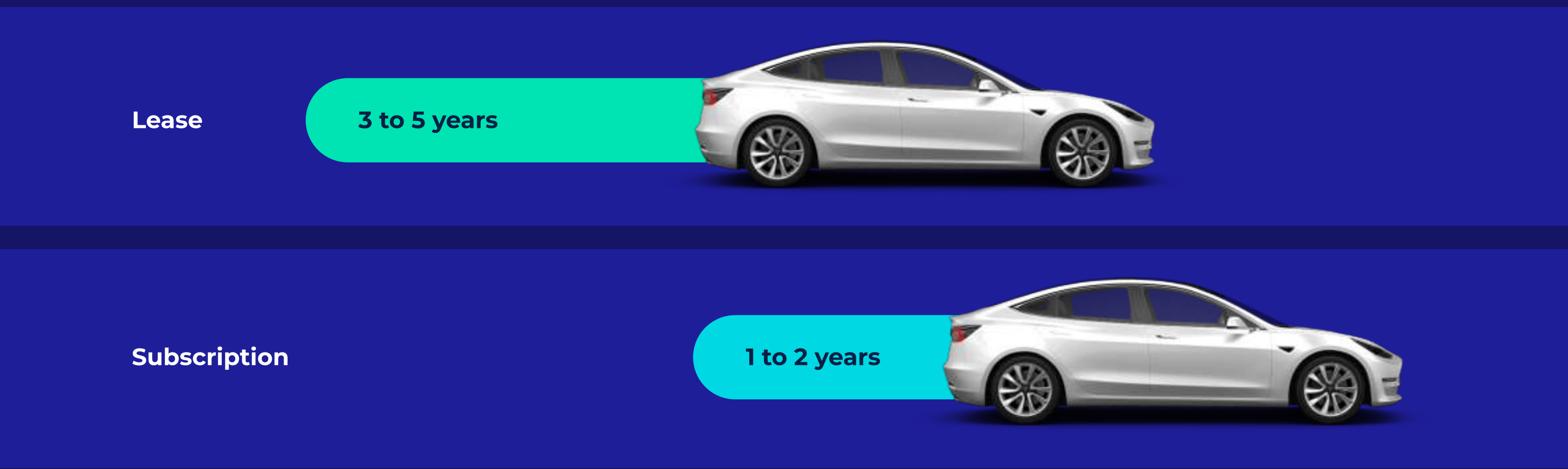
In this segment we have already witnessed the spectacular rise-and-fall of the world's first billion-dollar car subscription service.

Earlier this year, online car retailer and market disruptor Cazoo announced it would be exiting from car subscription as part of a major cost-cutting strategy to save £200m to help reverse heavy losses after a hefty 95% collapse of its shares.

This exit has left enormous unmet consumer demand for car subscription in the UK, with AAM Group's Mycardirect announcing in September 2022 that it had reached its profit targets more than 18 months ahead of schedule after only two years in business.

In recent times, pure subscription providers have targeted specific segments by offering niche car subscription services through single categories such as electric vehicles or luxury vehicles.

Increasing The Fleet Lifecycle With Subscription



ENTERING THE

New Era For Automotive Retail

The automotive industry has been affected by an unprecedented period of disruption. In the early days of the pandemic, dealers and fleet providers were quick to jettison stock into the consumer market fearing a looming global recession.

Automakers in response slowed production volumes, only for the market to respond with extraordinary new car demand spurred by the low interest rate environment.

This outcome was one that few would have predicted, with a global semiconductor shortage and ongoing supply chain delays leading to a shortage in new cars and a booming used car market.

Cashing in on high used car values
Many drivers have taken advantage of rising used car prices by choosing to sell their current car while residual values remain at an all-time high, resulting in even longer wait times for new car buyers.

As a result, the current market conditions have led to a rise in car subscriptions. For many new car buyers who decide to sell their current car, subscription is an ideal interim solution while waiting for their new vehicle to arrive.

Adapting to the changing automotive retail
It's not difficult to comprehend that such an extraordinary period of disruption will ultimately lead to long-term change.

Many dealers are reaping the benefits of the supply shortage by introducing exorbitant markups on the little stock that is arriving onto showroom floors. However, there are already signs that the sun is about to set on this boom period as inflation and rising interest rates stifle consumer spending.

Looking ahead, the stabilisation of used car pricing will in turn lead to more automotive businesses adopting subscription as a future-facing viable business model.

Growing consumer financial concerns and desire for flexibility will see subscription continue to gain momentum as a dealer staple alongside traditional sales and finance models.

As the percentage of drivers subscribing increases, it will be imperative for other businesses within the automotive ecosystem, such as maintenance and insurance providers, to adapt their services to suit subscription.

*66 per cent of drivers would consider **selling their current car and subscribing** while they wait for their new car to arrive.*

MEETING THE DEMAND FOR

Flexible Fleet Insurance

Traditional car insurance does not work for the emerging models of flexible car ownership.

Traditional car insurance operates under the framework of the owner of the asset being the primary driver. When we look at new mobility models such as car subscriptions, the owner of the asset is not the primary driver, but the person subscribing to the asset.

This point of difference means that traditional car insurance does not work for the emerging models of car ownership, and they require a completely different type of insurance. Most major insurers are not progressing their retail insurance models to appropriately manage a change to car subscription, or other newer forms of mobility.

For drivers who access their cars through an alternative 'ownership' model, the cost of insurance is included.

In the case of subscription, it means responsibility of insuring the vehicle remains with the car subscription company, manufacturer or dealership that is offering the service.

The insurance is based on the fact that there are multiple contacts which need to be considered, more similar to rental car fleet insurance, to protect the asset owner. So, insurers need to provide tailored services that suit these businesses, and make it easy for drivers to access claims if necessary.

As an example, specialist insurance company Insuret has created an integrated car insurance and claims management for subscription fleet operators as an integrated solution with the Loopit platform.

This provides businesses who are seeking to enter the car subscription space with a turnkey solution that incorporates all aspects of future mobility services, including vehicle insurance.

The Insuret subscription model for insurance caters to all newer forms of car usership, such as peer-to-peer fleets, rental car fleets, rideshare fleets and car subscription fleets. The company has experienced increasing demand from businesses for insurance products that suit new car usership models, with 30 per cent of new customer opportunities coming from emerging markets such as car subscription, peer-to-peer and rideshare.

At this stage, many insurers are resistant to developing technologies that will allow them to manage alternative ownership models.

However, with rapid growth predicted in these segments across the next five years, it will soon become a necessity to cater for this demand.

CASE STUDY

How Cazoo's exit creates the perfect opportunity for 'fast-followers'

The early bird gets the worm, but the second mouse gets the cheese.

Despite the relative infancy of car subscription services, the world has already witnessed the spectacular rise-and-fall of the first billion-dollar car subscription service.

In June this year, online car retailer and market disruptor Cazoo announced it would be exiting from car subscription as part of a major cost-cutting strategy to save £200m to help reverse heavy losses after a hefty 95% collapse of its shares.

Cazoo reportedly had, "over £90m of cash tied up in subscription inventory that will reduce to zero over time as existing subscription cars come back to us to become retail vehicles, increasing the cash balance significantly".

At the same time, Cazoo also announced a 15% reduction in its workforce, and that it would be exiting all markets but Britain in an attempt to reverse its financial situation.

While car subscription has ended in the case of Cazoo, demand for such a service is fast increasing on a global level, with much scope for growth in the UK.

Cazoo certainly had the foresight to see the potential in subscriptions when they acquired Drover's car subscription service in 2020, with aspirations to expand in this field.

Cazoo identified the benefits subscription brings consumers: a brand-new car, inclusive of insurance, maintenance, servicing and tax with a single monthly payment and no up-front deposit. Cazoo's own research revealed that a third (30%) of UK consumers were interested in subscribing to a car, rather than purchasing it outright, or financing it.

And here lies the opportunity for the fast-followers to flourish.

The outcome is that ***Cazoo's departure has left a gaping hole*** *in the burgeoning car subscription market.*

Loopit, as a B2B car subscription provider, strongly believes that Cazoo's exit presents a timely opportunity for car dealers to fill the gap in the emerging UK market.

A UK study from PureProfile and commissioned by Loopit involving 1,500 participants reveals that 71% of consumers aged 21-55 would consider car subscription for their next car and a further 90% agree that car subscription should be offered as a standard alternative alongside leasing and financing options.

The new study also demonstrates a strong link between electric vehicle adoption and car subscription, with 87% of respondents who currently drive an electric vehicle saying they would consider car subscription over other forms of car ownership.

Even those unfamiliar with Cazoo's business model would be familiar with its brand, having developed a somewhat notorious reputation for splashing millions in global sponsorship deals with the likes of Aston Villa Football Club and the Rugby League World Cup.

The outcome is that Cazoo's departure has left a gaping hole in the burgeoning car subscription market. In this way, Cazoo has laid the foundations for new market entrants such as dealers to thrive with car subscription with strong consumer demand for subscription-based mobility solutions significantly outstripping access and supply.

Car subscription is still in its infancy in the UK and not readily available. It is an interesting, fast-evolving space with consumer demand increasing, especially in younger age groups and at a time when electric car adoption is growing at pace.

This is against a backdrop of technological and economic uncertainty where long-term commitment and contractual obligations from loans, leases and PCP schemes present financial burden, making the flexible car subscription option a more affordable and appealing alternative to a growing number of savvy customers.

This mood reflects the rapid change in consumer habits over the last 10 years, with consumers becoming ever more used to subscription services, such as TV channel subscriptions, music platforms, and so on. They are also looking for more affordable and flexible means of mobility with car subscription providing the ideal solution.

Entering The Electric Age Of Automotive

Electric vehicles (EVs) have been available for decades, however they have largely remained inaccessible for the majority of the population from both a price and practicality perspective, only gaining traction in recent years largely thanks to Tesla. Despite petrol-powered cars still dominating the roads, the tide is quickly turning, with rising fuel costs and increasingly affordable electric options pushing EVs into the mainstream.

An Electric Promise

A major influencing factor in this growth is the commitment from several automotive brands to manufacture fewer Internal Combustion Engine (ICE) vehicles, with some aiming to go fully electric into the future. Ford's European arm is committing to an all-electric lineup by 2030, and Volvo is planning to phase out internal combustion engines by the same year —including hybrids.

Several countries have created their own targets to eliminate petrol-powered cars, encouraging more people to switch to electric. Earlier this year, the European Union agreed to ban the sale of new cars and vans powered by petrol and diesel engines by 2035. In addition, Uber has announced it will require all drivers in the US to switch to an electric vehicle by 2030, and by 2040 in Australia.

The increased availability and affordability of EV models, alongside various government incentives have created a significant shift in adoption of the technology. As an example, data released in September 2022 revealed the US hit a new record, with EVs accounting for 5.6 per cent of the total auto market in Q2 2022, more than double the previous year (2.7% in Q2 of 2021).

This trend is expected to continue with Bloomberg's latest Electric Vehicle Outlook predicting global sales of EVs to account for 16 per cent of all passenger-vehicle sales in 2025 (increasing from 3.1 million units in 2020 to 14 million in 2025). ResearchAndMarkets.com's recent Electric Vehicle Outlook is more ambitious, predicting that EVs will represent 48 per cent of all new cars sold globally in 2030.

Increased uptake in electric vehicles will translate into further government incentives and developments in technology both in-car and in-app that will enhance the customer experience.

57%

of people

either already own an EV or expect to own one in the next five years

99%

of tech adopters

plan to drive an EV in the next five years

saving money

was ranked as the biggest motivating factor for people to switch to electric

An iPhone With Wheels

Advancements in EV technology will result in EVs that charge faster, drive further, are smarter, more reliable and cheaper to manufacture. Thanks to that mobile phone in your pocket, consumers have been conditioned to expect concerns over battery degradation, charge limiting and performance throttling as their electric vehicles begin to age.

The consequence of this rapid innovation and learned behaviour is the desire for consumers to experience the latest in EV technology more often, thereby introducing a degree of planned obsolescence into the EV lifecycle.

It's not unreasonable to anticipate that the peculiar phenomenon of consumers camping outside Apple stores in late September for the release of the latest iPhone will be echoed across the automotive industry with the release of each new electric model.

Indeed, examples of this can already be seen with the recent launch of the BYD ATTO 3 in Australia which attracted a queue of hundreds to a local shopping mall (notably not a car lot) to get a peek at the newest EV model.

> *Electric vehicles will have more in common with the **phone in your pocket** than other cars on the road.*

WHY CAR SUBSCRIPTION WILL

Reap The Rewards Of The EV Boom

EVs And Subscription Will Go Hand-In-Hand
There is a powerful case to be made that as electric vehicles become ubiquitous, the preference for more flexible ownership alternatives such as car subscription will become even greater. The EV segment is already proving to be popular among subscribers, with several specialist electric car subscription players entering the market.

One such provider is Onto in the UK, which has seen tremendous success since launching in 2018 and recently raised $60 million to support an expansion across Europe.

Additionally, in August 2022, US car subscription startup Autonomy placed an unprecedented $1.2 Billion worth of orders for a fleet of 23,000 EVs, marking a significant endorsement for car subscription and its role in EV adoption.

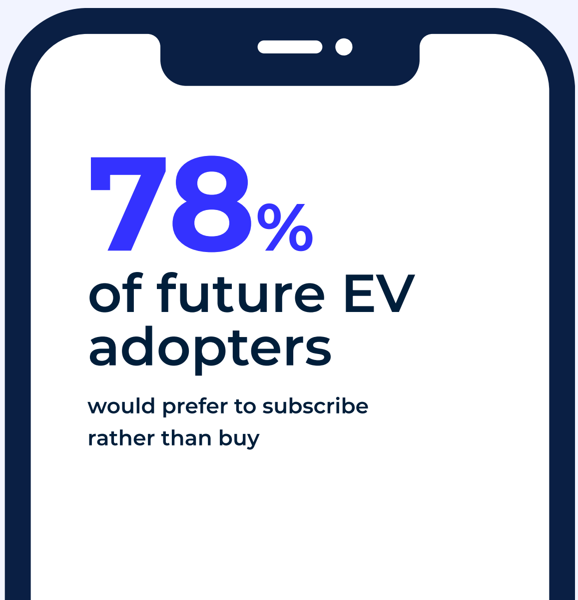
This has been backed up by our latest research, which shows that 78 per cent of future EV adopters would prefer to subscribe rather than buy.

Electric Vehicles And The 'iPhone Effect'
This 'iPhone effect' on electric vehicle adoption will see car subscription become the preferred means for consumers to get behind the wheel of an electric car as technology becomes the key consideration, and they seek to upgrade their vehicles more often.

Early tech adopters, who tend to be more open to new innovations in the market, expect innovation from the ownership experience as much as the vehicle itself.

Similar to upgrading to the latest phone every year, these drivers will be looking to upgrade to the latest model EV more frequently, and subscription allows for this. Not only do 99 per cent of early tech adopters plan to drive an electric vehicle in the next five years, but a massive 83 per cent of those would prefer to subscribe to the car than buy it outright.

Tech-driven customers also appreciate the ease of booking a subscription. With a soft credit check and eligibility criteria compared to traditional leasing and rental, that are conducted in a fully digital experience, customers can book their car with ease and convenience.



> *Loopit predicts **EVs will make up 90 per cent** of all subscribed vehicles on the platform by 2030*

Making EVs More Affordable

Unlike an iPhone, not even the most affluent motorists would be in the financial position to purchase a new EV each year. According to Autonomy, the $1.2 Billion EV order was triggered by consumer interest in EVs, but their resistance to purchase - the company noted the subscription model makes it easier and more affordable to go electric.

As a standard offering for all vehicle subscriptions, customers receive the benefit of an all-inclusive plan. EV subscribers essentially only have to pay for toll usage on top of their affordable recurring payment, as there is no cost for fuel. This supports research from Loopit that showed 90 per cent of drivers believe car subscription will make EVs more accessible.

The "Try Before You Buy" Approach

For the vast majority of motorists, electric vehicles remain a relative unknown and there is an understandable hesitancy to adopt a new technology that may not be suited to their lifestyle.

The concerns around range anxiety, lack of charging infrastructure and long-term battery degradation may be unfounded, however as such a significant investment it makes sense that consumers would be wary.

In this way, subscription provides a risk-free way to experience what it's like to own an EV without the significant upfront cost and commitment of purchasing one outright.

In fact, 77 per cent of our survey respondents said car subscription will make EVs more popular by removing the long-term commitment of buying one outright.

Subscription EV Uptake

As manufacturers make known their commitment toward introducing all-electric models across the range, there will be a flow-on effect leading to an increased uptake in subscription-based mobility services.

Loopit predicts EVs will make up 90 per cent of all subscribed vehicles on the platform by 2030. This is due in part to the automotive industry's overall transition toward electric vehicles, but also as subscription inherently complements the nature of electric vehicles.

AUTOMOTIVE RETAIL FOR

The Next Generation of Motorists

It was inevitable that millennials and Gen Z would rapidly supersede older generations and become the largest demographic to influence the way we live, work and play. These younger generations are driving the growth of more personalised, on-demand products and services, seeking flexibility and convenience.

This has led to the normalisation of usage-based models such as subscription and the sharing economy, rather than 'ownership' or actual purchase of goods across industries such as food and entertainment.

This generational shift has largely come about with a fundamental change in values, leading to younger generations preferring to spend their income on "experiences" over "things".

Current economic factors have required millennials to be more savvy with their incomes than previous generations. As cost of living concerns grow, young people are intent on making their money work harder, simply because they have no other choice.

The idea of car ownership is now at odds with the dream of home ownership. As a result, younger generations prefer to put their money to work in investments such as the stock market and cryptocurrencies as a means to get ahead financially, at increasingly higher rates than older generations.

Past

Car ownership is status symbol and long-term commitment. The financial burden that comes with car ownership is accepted as the norm.

Present

Access to a vehicle is more important than ownership. The financial status quo of paying interest on a depreciating asset is being questioned.

Future

Vehicles will be treated like any other piece of technology. Consumers will expect the ability to upgrade to the newest model more often, like their mobile phone.

*According to the new research, **68 per cent of young people** would consider subscribing to their next car, compared to just 46 per cent of older respondents.*

Millennials driving subscriptions forward

Having already endured their third "once-in-a-lifetime" global economic meltdown, this trend in younger generations more actively managing their money is changing the way they get behind the wheel of a new car as well, with many considering more financially viable alternatives such as car subscription rather than falling for the negative equity trap that often comes from financing a new car.

For many young people, cars are no longer seen as a status symbol, but rather an unnecessary cost and responsibility. They see no value in putting their financial savings into paying interest on a depreciating asset, unlike their parents and grandparents.

According to the new research, 68 per cent of young people would consider subscribing to their next car, compared to just 46 per cent of older respondents.

Towards A Greener Future

Millennials and Gen Z have increasingly been at the forefront of the climate conversation, and leading the shift towards sustainability in all aspects of our lives. As part of this, the younger generations are also driving the electric vehicle industry forward.

EVs represent a greener, more renewable future for mobility. Once out of reach for many young people due to the high prices, they are now becoming more affordable, leading to more millennials gravitating towards them as a sustainable option over petrol-powered cars. According to our research, 66 per cent of under 35s plan to have an electric car in the next five years, with 10 per cent already owning an electric car.

With flexible ownership alternatives like subscription improving access and affordability of EV technologies, 86 per cent of millennials believe subscribing to an electric car will be easier than buying one. Alongside this, with the cost of living continuing to become more unpredictable, 87 per cent of millennials say they are keen to drive an electric car due to rising fuel prices.

We firmly believe mobility services technology will go hand-in-hand with electric vehicle availability and infrastructure to support the adoption of low-emissions vehicles across the country.

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EMERGING OPPORTUNITIES FOR

Women In Automotive

As an organisation, Women in Automotive (WinA) seeks to support women working across all sectors of the automotive industry. Over the last 12 months, we have seen a spike in interest towards women in automotive as an initiative, possibly due to COVID-19 and the related skills shortages many businesses are experiencing.

Organisations across the industry have also shifted how they do business, in particular, moving towards greater flexibility for employees. Automotive businesses are now offering greater support for women, allowing them to work from home, part-time, or varied hours.

This means there is greater opportunity for women to not just enter the automotive industry, but to reach senior positions. Having more women in leadership will ensure this attitude towards flexibility is ingrained in the culture across automotive companies.

Alongside the shift towards increased flexibility, we are seeing new and emerging industry sectors providing more opportunities for women. For example, with the rise of alternative ownership models such as car subscription comes growing employment opportunities, which will make it easier for women to succeed in the industry.

Other macro and micro environmental changes have signalled that women in automotive is an area that more organisations should start thinking about.

Our community is constantly growing and, in the last four years alone, WinA has more than doubled its membership to become the largest and most representative automotive specific initiative for women in Australia. Our membership base covers every state and territory in Australia and even stretches out internationally, with members from various career levels and sectors.

Despite the growing membership numbers, we still have some way to go in Australia and internationally, to lift female participation rates across the board. In Australia, the number of women working in automotive has remained at around 20 percent for the last 20 years, with the majority of those being in sales and administration.

Internationally, female representation at a senior level also remains low, with over half of the top 20 companies in the automotive industry having no women on their executive teams.

To further encourage young women to get involved, WinA launched a new apprenticeship program in 2021 titled Accelerating Women into Automotive (AWA). The program seeks to lift female participation rates for automotive apprenticeships and provides an opportunity for candidates to 'taste' what an automotive apprenticeship may be like by including a work placement at a fully vetted and supported automotive business.

*Having more women in leadership will ensure this **attitude towards flexibility** is ingrained in the culture across automotive companies.*

WinA's mandate is not only to attract, recruit and retain women working across the industry, but also raise their profile and celebrate exceptional women making enormous, and often overlooked, contributions to the industry.

With time, the message that more diverse workplaces produce better results is getting through. WinA remains firmly focused on the future - one in which women in the automotive industry have a notable voice and platform to connect.

About Women in Automotive

Women in Automotive (WinA) seeks to support women working across all sectors of the automotive industry. WinA supports women in the industry by providing access to resources, opportunities, and innovative programs.

Everything WinA does, from its networking events to its mentoring program, monthly newsletters, social media presence and active job board, helps to create an inclusive and like-minded community of automotive professionals.

Established in 1999 by the Victorian Automotive Chamber of Commerce (VACC), WinA has grown its vibrant, supportive community over the last 23 years. Today, WinA has over 1,600 members and is led by a steering committee of industry leaders.

By Dr Imogen Reid, Manager at Women in Automotive and Lead, Policy and Strategy at the Victorian Automotive Chamber of Commerce

Dr Imogen Reid

A NEW SOLUTION FOR

More Flexible Business Fleets

It's not just consumers who are demanding more flexibility than ever before, but also businesses. Current inflation concerns are seeing businesses become more conscious about their fleet utilisation, which for many includes re-evaluating their vehicle needs.

Businesses today want shorter terms and less commitment. They are looking for an option that can adapt to their evolving staff vehicle needs. This provides the fleet industry with the chance to enter the subscription ecosystem, and reap the rewards.

Fleet and leasing providers are ideally positioned to add a subscription product to their mix, as they have the tools to accommodate business clients. Based on end-use, we expect up to 40 per cent of the subscription market will be represented by business users.

Vehicle subscription is not a replacement for leasing. Instead, it is an additional service that fleet companies can integrate into their business to increase revenue.

01.

Reducing Costs

The latest data from the Australian Corporate Fleet Insights report showed that the top priority for fleet managers currently is reducing running costs.

With the subscription model, costs such as insurance and registration are covered, making the entire process streamlined. The weekly payments are appealing to businesses because there is no need to spend big upfront, and they can easily fit within monthly and quarterly budgets.

It removes a burden for them as the vehicles are no longer on their balance sheet.

02.

A Customer-Centric Approach

The flexibility of subscription enables businesses to understand the ideal time duration for vehicle usage, and the types of vehicles their business needs, offering a more customer-centric approach to long-term leases.

Additionally, businesses aren't locked into the vehicles they choose, and can upgrade or downgrade them as their needs change.

Subscriptions provide the freedom to scale up or down, meaning companies can handle an increase in sales, work or output in a cost-effective manner and can handle growth without suffering in other parts of their business.

*Fleet and leasing providers are ideally positioned to **add a subscription product to their mix** to better serve business clients.*

03.

Accelerate EV Adoption
Many organisations are considering electrifying their fleets, but won't take the leap given the current market risks.

They may be uncertain of whether EVs are suitable for their fleet requirements, whether their business can support the infrastructure requirements of an EV fleet, or which EV model is right for them.

Subscription allows these organisations to trial an EV, and better understand their emission reduction strategies. It offers them the same 'try before you buy' solution as it does for consumers - so they can make a more informed decision before committing to going electric.

04.

Extend The Fleet Vehicle Lifecycle
A subscription arm will extend the useful lifecycle of each asset.

Subscribers are less sensitive to vehicle age and condition, so after the lease period on a vehicle ends, it can be subscribed by another customer before disposing. This means fleet companies can earn additional revenue prior to vehicle disposal each time.

Additionally, it allows fleet and leasing companies to dispose of a vehicle when market conditions are ideal, rather than needing to sell it right after leasing.

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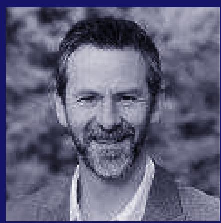

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About Loopit

In 2015, brothers Michael and Paul Higgins launched HelloCars as Australia's first online-only car dealership, buying and selling preloved cars exclusively through its website.

In early 2019, HelloCars launched its subscription service after identifying a change toward flexible and affordable alternatives to traditional car ownership. Demand for the car subscription service quickly increased not only from consumers, but from fellow dealerships who wanted to offer their own subscription service. Through Loopit, the award-winning car subscription platform developed in-house for HelloCars Subscription is available to car dealerships for the very first time as a complete end-to-end solution for subscribing and managing a vehicle fleet.

Loopit is based in Sydney and currently serves dealerships and related industries across Australia, New Zealand and the United Kingdom.

About the Loopit VSU Index Methodology

The VSU Index measures vehicle utilisation on subscription rather than individual vehicle volume. Due to the inherent flexible nature of car subscription, vehicle utilisation is measured by considering the cumulative number of days in which any given vehicle is utilised within an active subscription during the monthly reporting period. In this way, we equally consider utilisation for individual vehicles being utilised across multiple subscribers, as well as individual vehicles that remain with the same subscriber for longer periods.