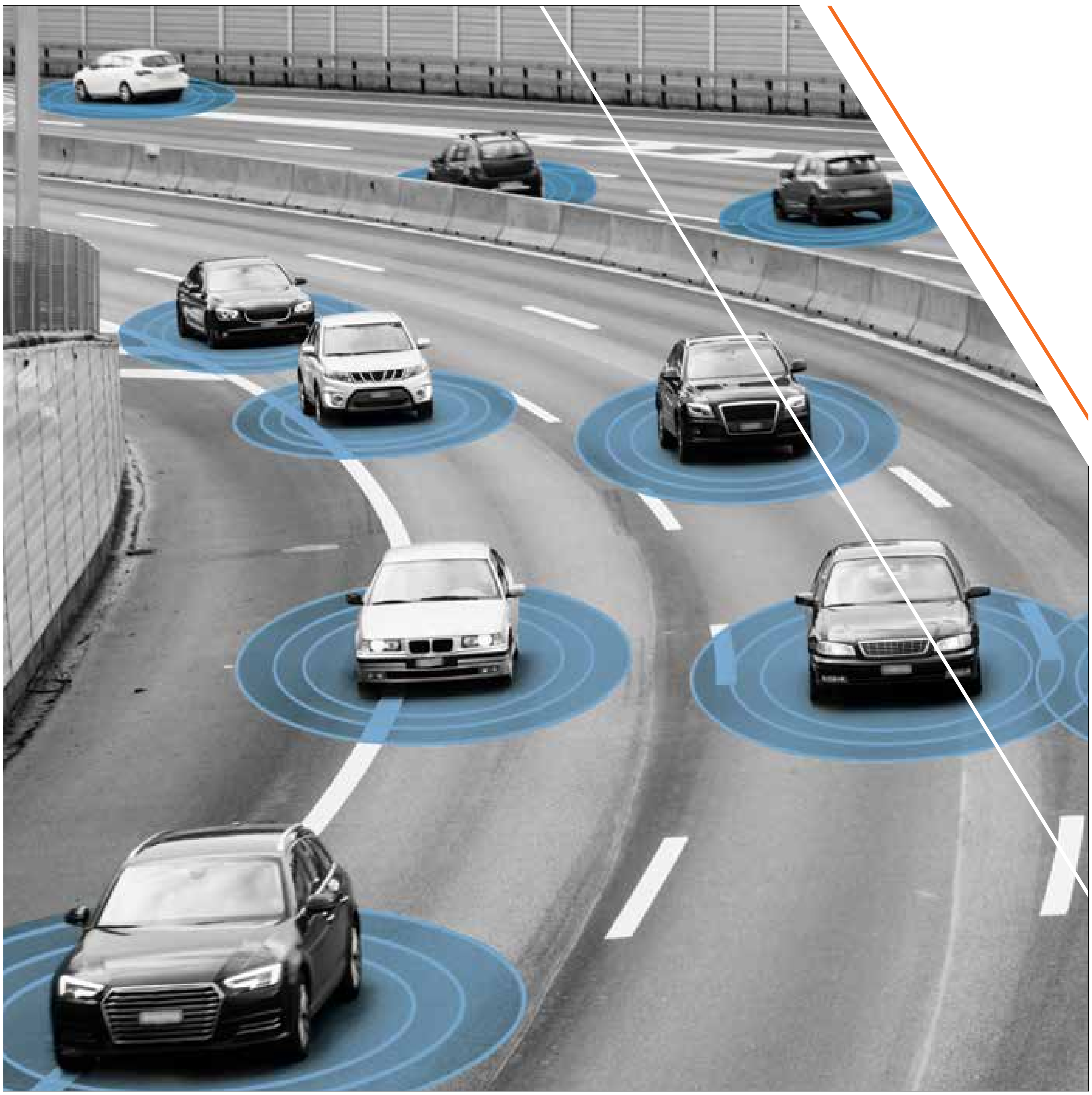
Raddon
A Fiserv Company

Self-Drive My Car

Buying and Financing in an Uber World



Contents

Executive Summary

Americans love their automobiles. They buy a lot of cars, they spend a lot of time behind the wheel, and they pay a lot of money to maintain them. To successfully offer products and services in this field, it's imperative that financial institutions understand the demographics of car ownership, how consumers pay for their automobiles, and how buying trends can be affected by everything from ride-hailing to self-driving cars.

Raddon Research Insights has studied the current economic environment and surveyed a cross-section of consumers to gauge their opinions about current trends in the automotive/transportation industry and their plans regarding auto purchases and financing. Topics covered in *Self-Drive My Car* include:

- Following a post-recession uptick, vehicle sales – particularly new car sales – have slowed thanks in part to higher quality vehicles and the higher cost of purchase and ownership. While the number of American households with a car sits at 91%, auto manufacturers are tempering sales forecasts.
- The demographics of car ownership show that car owners are wealthier than the general population and city-dwellers are less likely to have cars than suburbanites.
- The demographics of driving are also important considerations: Younger people appear to be getting their licenses later in life, and older people are significantly more likely to have one, which suggests a steady decline in the overall vehicle market will continue in the long term.
- New or used? Lease or buy? Standard, hybrid or electric? Consumers have more choices than ever when it comes to their next set of wheels.
- Franchised dealer, used dealer, private party, or online dealer? Consumers' buying methods vary dramatically with their demographics and the kind of car they purchase.
- Technology – including various forms of ride-hailing (also known as ride-sharing), car-sharing and subscription services – is impacting how people drive and whether they decide to own a car at all.
- Self-driving cars: How close are we, and how will they impact automobile purchases?
- When it comes to financing, data shows that consumers prefer to borrow indirectly at the dealership. What can banks and credit unions do to convince consumers to finance those purchases directly?
- Though faced with a contracting and congested market for vehicle loans, financial institutions can find a place in the space if they're willing to consider partnerships, a change in focus from indirect to direct lending, improved marketing, and strategies to connect with indirect borrowers.

Self-Drive My Car: Buying and Financing in an Uber World

Consumer loans for the purchase of passenger vehicles have long been a key component of financial institutions' lending portfolios. Changes in consumer behavior pose a threat to this usually reliable line of business, as consumers are driving less frequently, buying fewer vehicles, and increasingly relying on new modes of transportation such as Uber and Lyft.

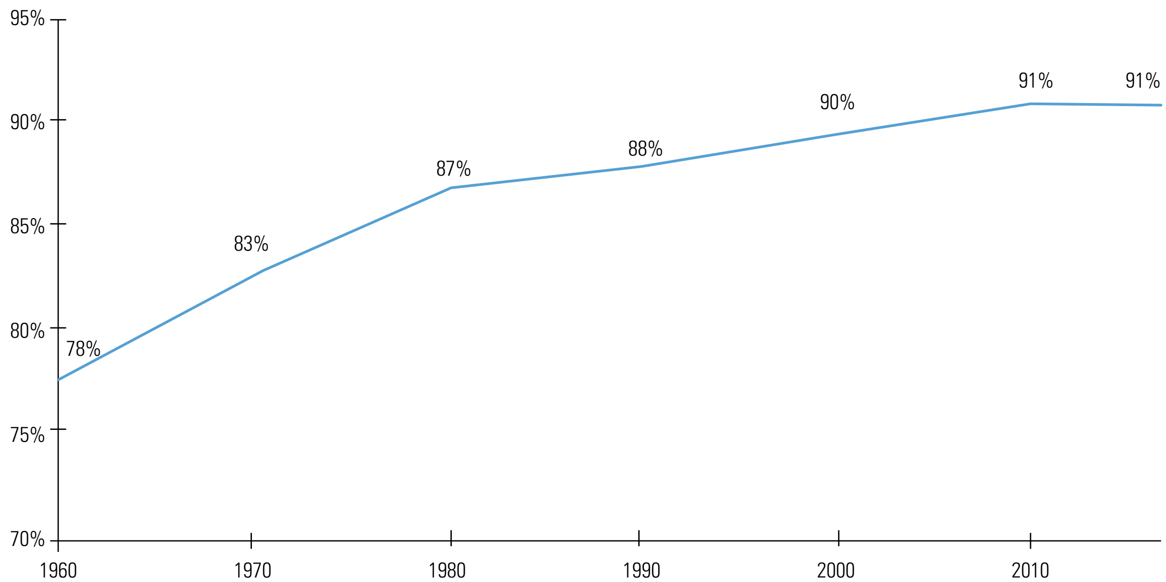
This study, based on a survey of 1,194 American consumers, seeks to understand which segments of the buying and financing population are changing their habits and to discover what the true impact to financial institutions might be. How many consumers will borrow differently? How will new technologies impact consumer preferences? How will the standard model of financing via dealerships change?

Publication Date: October 2018.

Car Ownership: Who Is on the Road?

Ever since Henry Ford first pushed the Model T off the assembly line, ownership of automobiles has been part of the American psyche. Over time, with the birth of the interstate highway system, the development of suburbs, and the growing inadequacy of many public transportation systems, car ownership has basically become ubiquitous. The U.S. Census Bureau began tracking car ownership in 1960, and since then, the percentage of American households with cars has risen to 91%.

Figure 1: Household Ownership of Vehicles Since 1960

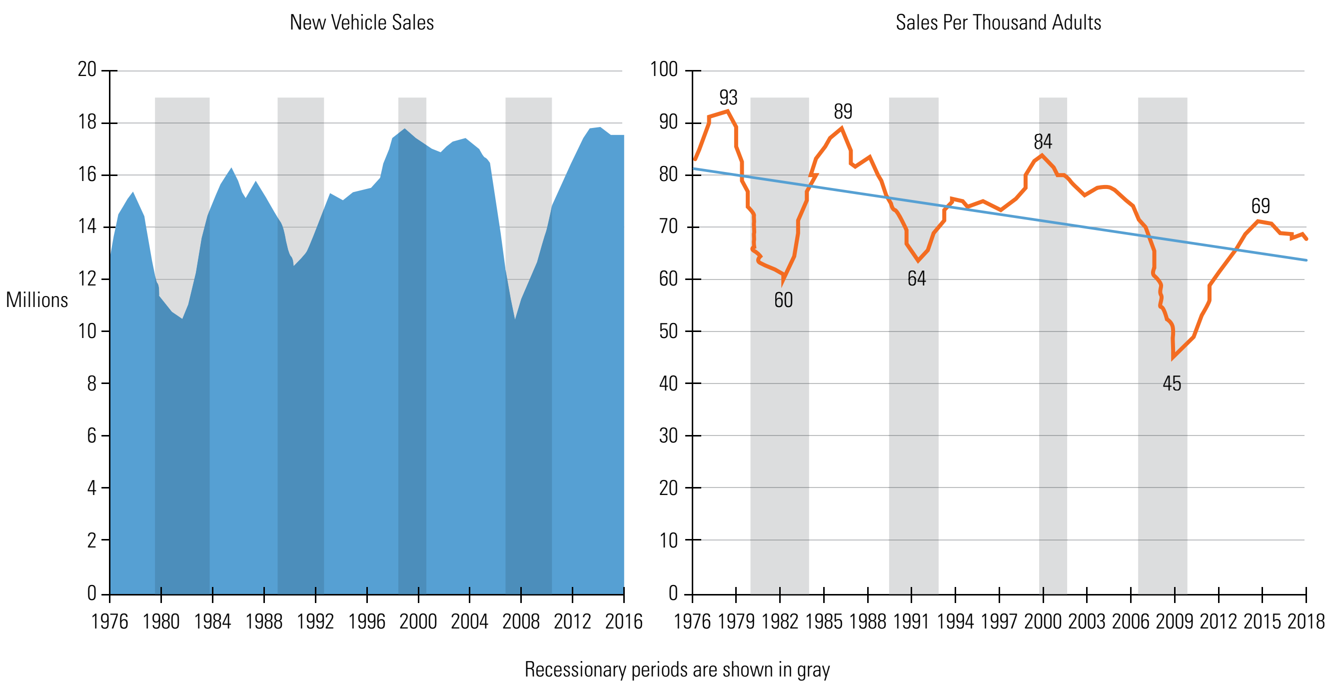


Source: U.S. Census Bureau, American Community Survey

While ownership has remained exceedingly strong, trends show that perhaps the inflection point has been reached. After the recession, new car sales grew markedly as suppliers met demand that had been awaiting an economic turnaround. From 2009 to 2015, total annual vehicle sales exhibited strong year-over-year growth, climbing from 10.4 million units to 17.4 million units, respectively. By 2016, the rate of vehicle sales growth exhibited a clear slowdown, but the year nonetheless ended with record annual volume – fueled by a record month of sales in December of that year.

Since 2017, however, vehicle sales growth is trending flat to negative and auto manufacturers are tempering sales forecasts. In addition, if one accounts for population, the picture of new sales growth looks even worse. In 2018, Americans bought 68 new cars for every 1,000 adults. While that is a significant improvement over the 45 purchased at the trough of the 2008 recession, it represents a large drop from the heights of the 1970s and ’80s.

Figure 2: New Vehicle Sales and New Vehicle Sales per Capita



Source: Bureau of Economic Analysis and Raddon calculations

The decline in sales can be linked to higher quality vehicles as well as the higher cost of purchase and ownership. An additional factor is the decline in the number of vehicles per household; from a peak of 2.05 in 2006, that ratio fell to 1.93 in 2013. While the number has risen recently, given the 126.22 million households in the U.S., the decline since 2006 represents 10 million fewer vehicles on the road than would have been expected.