REPORT

Car-as-a-Service - The rise of flexible vehicle ownership

Shining light on a fragmented market

Roland Berger

Management summary

The automotive market is changing. With consumers increasingly demanding flexibility when it comes to personal mobility, the market for flexible ownership is expanding. New models of ownership, such as vehicle leasing and subscription schemes, have become a valid alternative to outright vehicle purchase. Indeed, in times of economic pressure and increased uncertainty with regard to residual values, these schemes are often a more attractive option for consumers – after all, why buy a car when, for the same price or less, you can lease one or subscribe to a service that gives you access to one whenever you need it?

According to Roland Berger projections, the flexible ownership market is set to grow by around eight percent a year through 2030 in the six core European markets of France, Germany, Italy, Spain, the Netherlands and the United Kingdom. Within this, leasing will grow by a forecast seven percent a year and subscription services by a massive 25 percent. The total market will thus be worth around EUR 94 billion by the end of the decade – an opportunity that automotive, banking & leasing players would be ill advised to ignore.

But the flexible ownership market remains an opaque one. It presents significant challenges for all types of players, from OEM captives (in other words, automotive banks) to financing companies. Market players are under pressure from the decline in residual values, especially for battery electric vehicles (BEVs), in many markets. At present, we see a variety of business models with no "one-size-fits-all" solution. Flexible ownership players need a tailored approach to both their offering and their growth strategy, depending on their original business model, core value proposition and established assets. Which business model will ultimately secure sustainable profitability at scale and which players will gain the biggest share of the market remains to be seen.

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Fast Facts

EUR 94 bn

forecast value of the flexible vehicle ownership market in 2030

25%

expected annual growth of subscription services

7%

predicted annual growth of leasing

1 It's all about flexibility

The rise of dynamic ownership models

When it comes to vehicle ownership, these days it's all about flexibility. Before the 1980s, the only option for people wanting true personal mobility was to purchase a vehicle, with the help of financing where necessary. The introduction of leasing in the 1980s was the first step towards greater flexibility, and it remains a popular choice today, especially in the business-to-business (B2B) sector. But it is now just one of the many dynamic ownership models making inroads into the market.

Today's consumers are increasingly looking for hassle-free service packages and a high level of flexibility, rather than tying up their capital in an expensive car. Yet they still want to enjoy the perception of the car being "theirs", even if only for a limited period of time. This has fueled the trend towards long-term rental and subscription services – solutions that combine flexibility with a feeling of ownership for consumers.

Flexible ownership models are not just enjoying increased popularity among consumers. The automotive industry has been pushing the development of these models for a couple of years, as discussed in our Roland Berger Automotive Disruption Radar series [Automotive Disruption Radar 13: Stability returns | Roland Berger]. Our research also reveals a blurring of the lines between different types of players – for example, companies offering automotive leasing and those providing subscription-based services.

How fast is flexible ownership growing, and what size could it reach by the end of the decade? For the purpose of this study, we developed a model that reflects the size of different automotive markets and current trends and developments. In the following chapters, we discuss the shape of the market today and how it is likely to develop in the future. We then look closely at the different types of players currently operating in the market and the challenges they will likely face over the next few years. Next, we zoom in on the European market and present a picture of how it is evolving. Finally, we offer our recommendations for how different types of players can ensure their place in this attractive and dynamic market.

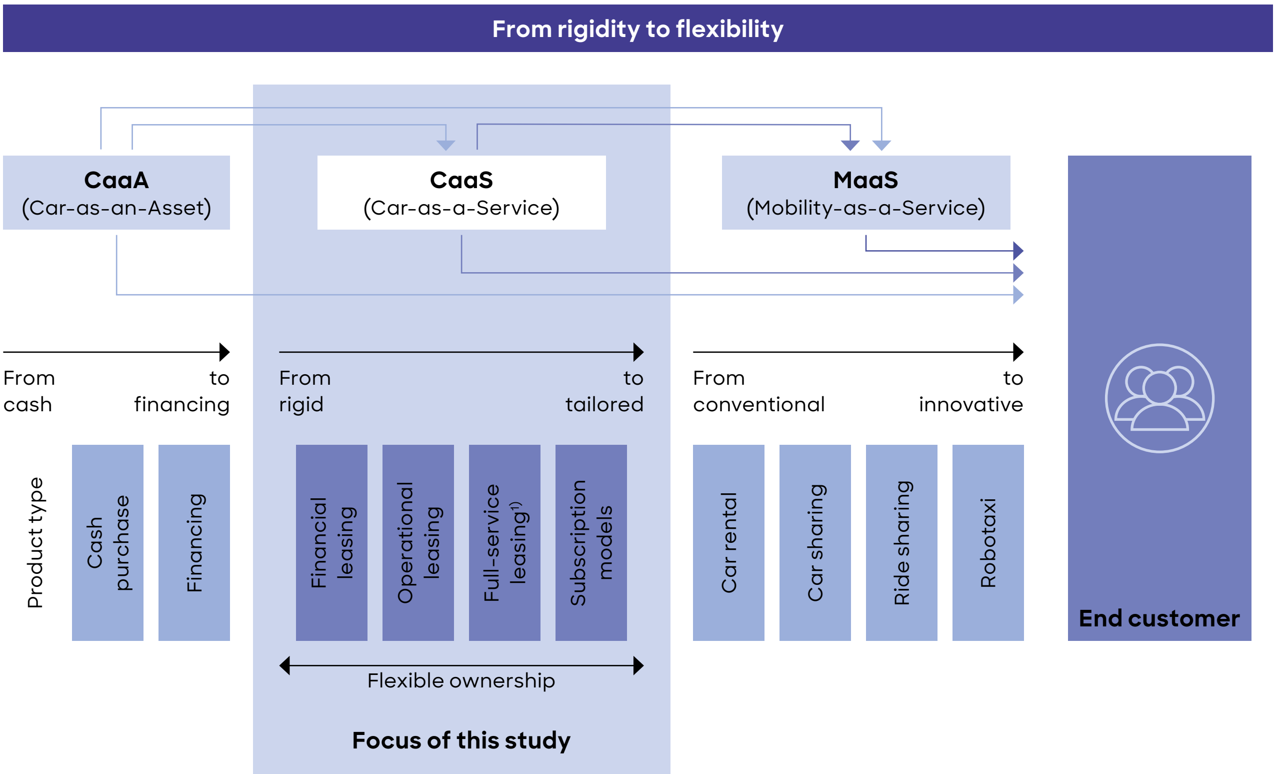
2 Many types of ownership

Understanding a complex landscape

Consumers can own vehicles, or at least enjoy a sense of ownership over them, in a variety of different ways. Over the years, traditional car ownership resulting from the outright purchase of a vehicle or its purchase with the aid of financing – what we might call the Car-as-an-Asset (CaaA) model – has undergone a transformative shift. Starting in the 1980s, with the introduction of leasing, customers could use a vehicle for a specific period of time, often 36 months or more, by paying monthly installments. Financial or operational leasing limited the upfront costs that the consumer needed to pay and marked the beginning of the Car-as-a-Service (CaaS) model. Additional services were later included in the lease plan, providing the customer with a comprehensive full-service solution. ▶ A

A From rigidity to flexibility

Types of vehicle ownership



1) We define full-service leasing as financial leasing or operational leasing combined with maintenance, tires or fuel services, etc.

Source: Roland Berger

The CaaS model represents a shift from capital expenditure (CAPEX) towards operational expenditure (OPEX). Supported by changing customer preferences, it had a major impact on the vehicle ownership landscape, paving the way for subscription models – the most flexible approach to car ownership. In vehicle subscription models, consumers still have constant access to a specific vehicle, but without the long-term commitment associated with leasing or purchasing. They pay a monthly fee that covers not only the vehicle itself but also various associated costs, such as insurance, maintenance and roadside assistance. This all-inclusive approach provides convenience and flexibility, as subscribers can choose different contract durations and switch vehicles after the agreed holding period.

Even more flexible is the Mobility-as-a-Service (MaaS) model, which includes options such as short-term vehicle rental and car sharing. While this model provides access to a vehicle, it does not provide any sense of ownership or the right to use the same vehicle for a longer period of time.

In the table below, we list the different types of vehicle ownership that currently exist and their characteristics in terms of payment type, legal ownership, average holding period, degree of vehicle configuration, purchase option, resell value and risk, and associated services. ▶ B

B A varied landscape

Definitions and characteristics

Type	Description	Payment type	Legal owner	Average duration/ holding period	Degree of individual car configuration	Purchase option	Resell value/ risk	Services
Cash purchase	Outright purchase in cash – ownership of vehicle directly transferred to buyer	One-time, upfront	User	5+ years	High	n/a	With user	No services
Financing	Outright purchase of vehicle with financing of the sales price or part of it via a loan – ownership of vehicle directly transferred to the buyer. Vehicle sometimes used as collateral for the loan	Combination of upfront payment and monthly fee	User	5+ years	High	n/a	With user	No services
Financial leasing (in some countries long-term rental or location longue durée)	User pays fixed leasing rate for use of vehicle, usually with a combination of term and mileage limit. At end of contract, user usually has option of taking over the vehicle. Early termination usually excluded	Monthly fee (+ upfront payment)	Provider	Usually 36-60 months	High	Yes	With provider	Individual
Operational leasing	Similar to financial leasing but with more flexibility and potentially shorter duration. Usually no option to take over vehicle at end of contract. Early termination usually possible	Monthly fee (+ upfront payment)	Provider	Usually 12-36 months	High	No	With provider	Individual
Full-service leasing	Combination of financial or operating leasing with service components, e.g. maintenance, repair, insurance	Monthly fee (+ upfront payment)	Provider	12-60 months	High	Yes/no	With provider	Included
Subscription models	Subscription service in which user receives vehicle and all services (excl. fuel) for a fixed monthly fee. Necessary repairs or inspections usually performed or at least organized by the provider	Monthly fee	Provider	1-12 months	Medium to low	No	With provider	Included
Car rental	Car rental from one of the provider's service stations – user selects vehicle class but has no influence on specific vehicle	Daily fee	Provider	Days to a few weeks	Low	No	With provider	Included
Car sharing	Individuals or organizations share access to fleet of vehicles	Minute/ km price	Provider	Minutes to a few days	Low	No	With provider	Included

Source: Roland Berger

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What's happening in the market?

Current trends and future developments

How is flexible vehicle ownership developing, and what is driving the future shape of the market? Our research reveals a notable shift in private vehicle ownership patterns, especially within Europe. Three years ago, in the survey underlying the Roland Berger Automotive Disruption Radar 12,[1] 57 percent of consumers already said they would consider flexible ownership in the future. This growing preference for flexible ownership is driven by multiple factors. One is the current economic situation in Europe with its recessionary tendencies, which puts consumers under increasing financial pressure. That makes paying a monthly fixed fee for a vehicle an increasingly attractive option compared to making a large, one-time purchase, with all the associated financial and asset risks. Subscription services such as Netflix and Spotify, with their short contract durations, have become part of younger generations' daily life, and this demographic also expects the same flexibility from other services, including mobility and vehicle ownership. The reality is that today's consumers are less likely to make a long-term financial commitment if they can get almost the same benefits – but with far greater flexibility and fewer risks – by paying a monthly fee.

Another trend that we observe is the rise of online channels. Data from the Automotive Disruption Radar shows that, 18% in average in the 6 core European markets have a preference for purchasing vehicles online on new or used car platforms, up to 25% in Germany. In tandem, brand affinity has fallen, with customers more and more open to purchasing vehicles from third-party online platforms that host a variety of brands and ownership models. Online channels offer transparency, enabling customers to quickly compare different packages, and they have become the primary avenue for subscription businesses. Indeed, online penetration will likely be a key success factor for players in the flexible ownership market, enabling them to approach customers directly and effectively build a strong customer base.

The increasing penetration of BEVs in some European countries (see our EV Charging Index for more data about this), especially the Nordics, is also a critical factor in the growth of flexible ownership. Flexible ownership models mean that consumers get to try out such vehicles in what is, in effect, an extended test drive, without having to worry about technology change risks and residual value – currently a real issue for people considering buying an electric vehicle outright. Flexible ownership also reduces the potential psychological barriers that customers have when it comes to adapting to new technology. In addition, the share of households with a second car is growing in a number of countries; in Germany it rose from 23.4 percent in 2011 to 27 percent in 2021, according to the German Federal Statistical Office. Subscription models are another option for households that feel the need for a second vehicle but are hesitant about taking on the potentially long-term burden of purchasing a major asset outright due to its impact on the household budget.

1 The online survey was carried out in September 2022 with 22,704 participants. Participants were distributed geographically as follows: Indonesia: 1,013; Brazil: 1,002; United Kingdom: 1,001; Japan: 1,000; Saudi Arabia: 1,000; Thailand: 1,000; Canada: 999; Germany: 999; India: 998; United Arab Emirates: 993; Netherlands: 988; China: 987; Israel: 984; United States: 983; Spain: 978; Sweden: 978; France: 977; Belgium: 976; Italy: 975; Norway: 964; Singapore: 961.

In parallel to these consumer-side factors, BEVs are growing due to efforts by car manufacturers, including both established and new players. Regulation is also playing an important role: Tighter regulatory requirements in Europe will require that automotive manufacturers are increasingly turning to BEVs to meet their CO_2 fleet goals.

The residual value question is a significant one. Flexible ownership means that the provider of the vehicle bears the burden of depreciation, rather than the user. That makes flexible ownership more appealing for users – but places greater financial pressure on providers. Currently, BEV residual values are falling sharply due to the end of subsidies in European countries such as France and Germany and the price drop for new BEVs. Uncertainty about the adoption of BEVs should also be reflected when forecasting residual values; in our recent study Boom, blip, or bust?, we forecast that the transition to BEVs will take longer than expected, slowing down penetration of BEVs by three to five years. In many cases, the calculated residual values do not match the market values for used cars.

As a result, car manufacturers, leasing companies and other market players are seeking solutions that minimize the negative effects of residual value on their BEV portfolios. Flexible ownership models such as used-car leasing or subscription provide a way to avoid realizing low market values via used-car sales. Indeed, some OEMs are already introducing a "vehicle lifecycle" concept, keeping the vehicles on their books via second and third cycle flexible ownership models. This enables them to increase the margins for BEVs over the entire vehicle lifecycle. The same concept can also be used for internal combustion engine (ICE) vehicles.

Looking at overall market development in Europe, we find that production capacity has returned to normal since the COVID-19 pandemic and semiconductor crisis. "Discount channels" – meaning the size of the discount that vehicle manufacturers grant leasing and subscription providers – are expected to stay stable. These discounts impact the pricing and margins of leasing and subscription rates substantially, and are therefore of utmost importance for leasing and subscription providers.

4

A varied landscape of players

Four key groups, each with distinct strengths

The flexible ownership market is characterized by a diversity of players. These can be bundled into four major groups, each with their own strengths and areas of expertise: OEM captives which are directly connected to the their OEMs; bank-affiliated leasing companies, which are directly connected to their parent bank; independent leasing companies; and pure subscription players. We discuss each type and their characteristics below. ▶ C

C Different players have different strengths

The leasing and subscription landscape

			OEM captives	Bank-related players	Independent companies	Pure subscription players
Market positioning	Corporate customers	Large companies and SMEs for fleet use	Neutral	Strong	Strong	Weak
Market positioning	Private customers	Private customers for personal use	Strong	Neutral	Strong	Strong
Key strengths	Cutting-edge digital solutions	Customer-centric digital solutions and fleet management tools to enhance customer service quality	Neutral	Weak	Neutral	Strong
Key strengths	Asset management know-how	Strong operational and remarketing capability that ensures cost efficiency and profit maximization	Neutral	Weak	Strong	Neutral
Key strengths	Flexible service portfolio	Comprehensive services in leasing and subscription, with different levels of flexibility	Weak	Neutral	Strong	Neutral
Key strengths	Multi-brand product portfolio	Diverse brands/product options for customers (especially companies) to choose from	Neutral	Strong	Strong	Neutral
Key strengths	Global brand reputation	Strong brand identity, perceived by customers as transparent, trustworthy and high quality	Strong	Strong	Neutral	Weak
Key strengths	Local distribution network	Competent local salesforce network to address corporate fleet managers, especially at SMEs	Strong	Strong	Neutral	Weak
Key strengths	Vehicle supply	Good vehicle availability and low purchase cost of vehicles	Strong	Neutral	Neutral	Weak

Strong Neutral Weak

Source: Roland Berger

> **"Strengths of flexible ownership players are related to their ownership structure - While OEM captives profit from the brand reputation & sales network of their parent company, independent players are often experts in selected niche markets with smart & digital processes."**
>
> **Jan-Philipp Hasenberg, Senior Partner Roland Berger**

OEM CAPTIVES

OEM captives are the banking subsidiaries of automotive manufacturers. They are strongly connected to their OEM and receive direct support and resources from them. They also benefit from the global reputation of the OEM's brand and access to their distribution network, including points of sale. This close relationship allows for an optimized alignment of the financial services they offer with the OEM's products and business strategies. OEM captives also benefit from a deep understanding of the OEM's products and customer base.

Originally, OEM captives were set up by vehicle manufacturers as sales support units. For this reason, they offer attractive financing deals to boost the OEM's sales. In addition, they help OEMs increase control of the different lifecycles of the vehicle, strengthening the OEM's market position and ensuring its access to customers and vehicle data.

Currently, some OEMs are tapping into the subscription market with their own offerings. Besides giving the OEM control of an additional lifecycle of the vehicle, this allows them to leverage overproduction and introduce extended test drives to the market, something that is especially relevant for BEVs.

BANK-RELATED LEASING COMPANIES

Bank-affiliated leasing companies have the same relationship to their bank as OEM captives do to their OEM. They form part of the banking group and can draw on the group's core strengths in financing solutions, access to capital, broad customer base and distribution network. Most of these players are well positioned with regard to business customers, can provide a good multi-brand offering and have a global brand and sales network. OEMs without their own captives often rely on partnerships or joint ventures with this type of leasing company. For new players entering European markets, cooperation with this type of player is crucial in order to be able to offer the full range of ownership options.

INDEPENDENT LEASING COMPANIES

Independent leasing companies mostly specialize in vehicle leasing and fleet management. They are well positioned with regard to business customers. In addition, they provide a good multi-brand offering, specialized services and excellent know-how in the area of fleet and asset management, including the remarketing of returned vehicles. Some have established sourcing agreements with OEMs. These companies offer expertise in managing risks, such as customer risk and residual value risk. They also have well-developed networks and partnerships, giving them an advantageous position in this evolving market.

PURE SUBSCRIPTION PLAYERS

A number of companies have started to disrupt the market with innovative digital solutions and new offerings, such as flexible contract lengths and all-inclusive packages. These pure subscription players are brand-agnostic and often have a business-to-consumer (B2C) focus. Most of them offer cutting-edge digital solutions via online channels.

A number of different business models exist for this type of player, from asset-heavy (where the provider has the vehicles on its own balance sheet) to asset-light approaches. Some players are more risk-averse than others. We also find players that act as white-label providers, sharing their technology and platform with OEMs and larger retail groups – although a key issue for such players is how to source vehicles at attractive prices.

In addition to the groups listed above, some other players, such as car dealers, have begun offering subscription services. Car rental companies also have all competencies required for a subscription model: They already manage large fleets and, in addition, have a broad network of service stations and partners, established sourcing agreements with OEMs, the know-how to manage risks and a strong brand reputation. For these players, offering subscription services is simply an expansion of their business – one that simultaneously helps optimize utilization of their fleet.

5

The size of the opportunity

Core European markets and their potential

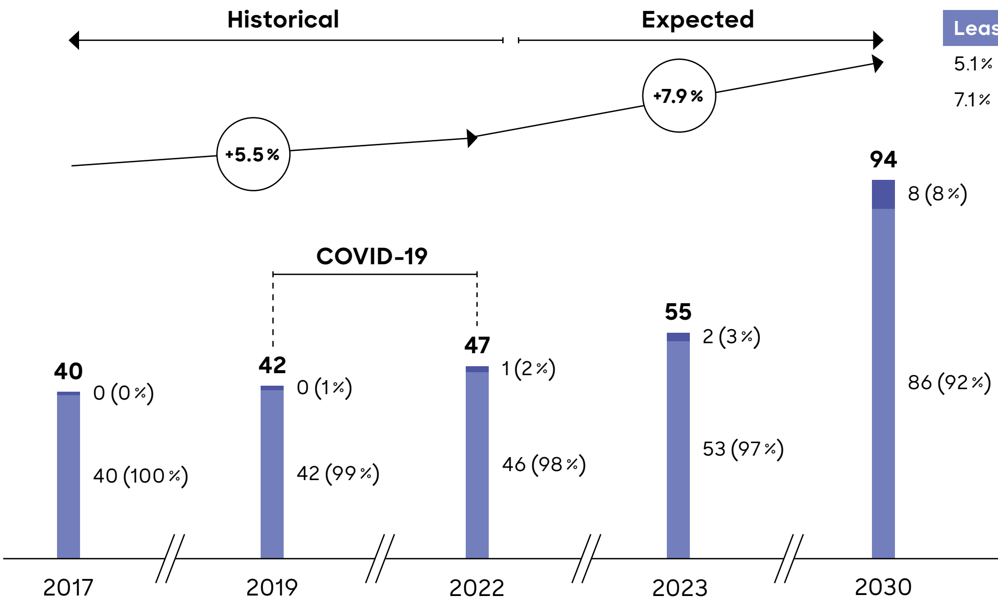
How large is the flexible ownership market, and what is its potential through the end of the decade? In this study, we focus on the six core European markets of France, Germany, Italy, Spain, the Netherlands and the United Kingdom. These are the most promising markets for CaaS, both from a customer perspective and in terms of market volume. Below, we define the market as referring strictly to leasing (long-term rental) and subscription services.

In our calculations we consider vehicle sales volumes, customer types, contract types, average revenue per vehicle and penetration rates. We draw on original research by Roland Berger and also public sources, such as the S&P Market sales forecast, KBA, ASF, SesamLLD, AER, VNA, Aniasa, Frost & Sullivan and Fleet News. In addition, we carried out several expert interviews and customer surveys, ensuring that our calculations reflect first-hand insights from market participants.

According to our calculations, the flexible ownership market as we define it is growing by almost eight percent a year, and will be worth an expected EUR 94 billion by 2030. Subscription will likely emerge as the contract type of choice for consumers in online transactions, with a forecast compound annual growth rate (CAGR) of approximately 25 percent between 2023 and 2030. By 2030, subscriptions will represent approximately eight percent of the European CaaS market. But while usership becomes more common, traditional concepts such as financial and operational leasing will continue to dominate the market, with a forecast growth rate of approximately seven percent. ▶ D

D How big is the opportunity?

Market development in six core European markets [EUR bn]

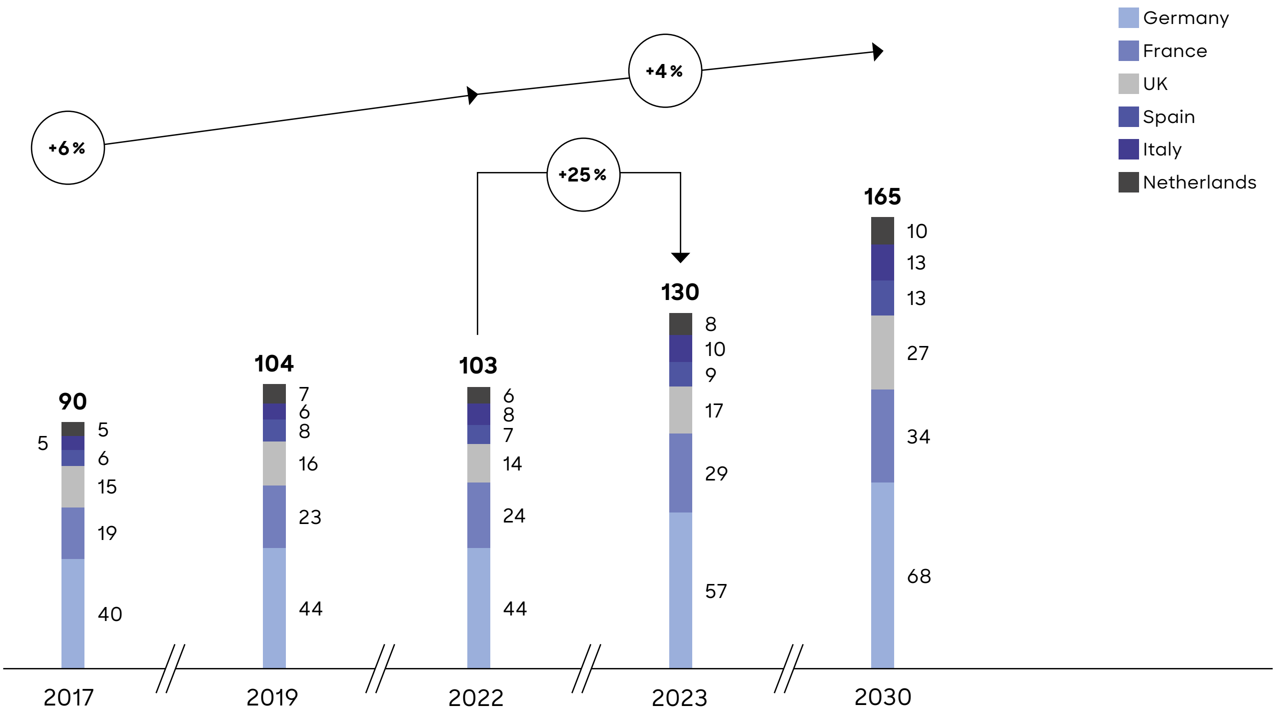


Leasing	Subscription	
5.1%	55.0%	CAGR '17-'23
7.1%	25.0%	CAGR '23-'30

Source: KBA, ASF, SesamLLD, AER, VNA, Aniasa, Fleet News, Frost & Sullivan, Fleet Europe, Euromonitor, Statista, expert interviews, Roland Berger

E An upwards trajectory

Investment value in six core European markets [EUR bn]



Source: KBA, ASF, SesamLLD, AER, VNA, Aniasa, Fleet News, Frost & Sullivan, Fleet Europe, Euromonitor, Statista, expert interviews, Roland Berger

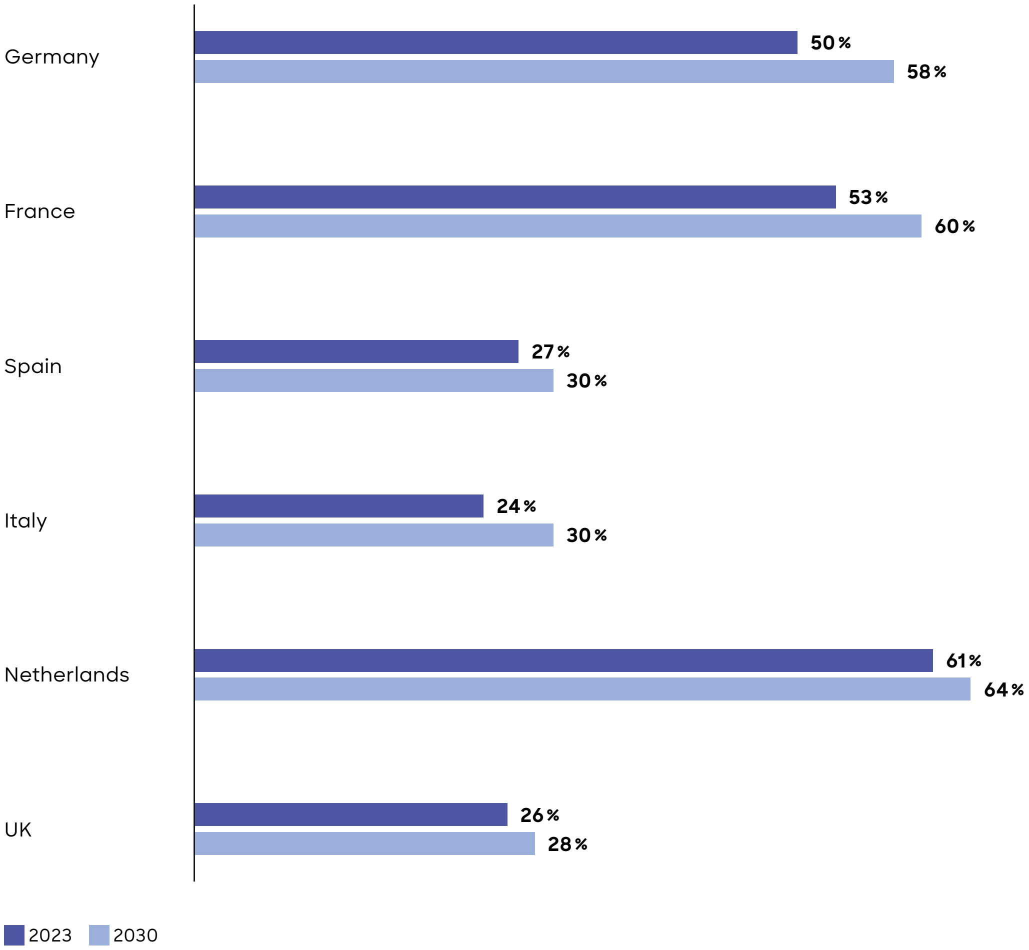
Penetration rates for leasing and subscription are significantly higher in France, Germany and the Netherlands than in Spain, Italy and the United Kingdom, indicating greater market maturity with regard to flexible ownership models in the former three countries. ▶ F

The vehicle leasing market in Europe has seen overall growth in investment values[2] since 2017. However, the onset of the COVID-19 pandemic led to a 13 percent decline in the market between 2019 and 2020. This drop was primarily due to uncertainty in the market and, later, the shortage of semiconductors. Since then, the market has successfully recovered, inflation and price increases for vehicles playing a crucial role in facilitating above-average growth. Looking ahead, the car leasing market is expected to continue its positive trajectory, with a moderate projected annual growth rate of four percent. ▶ E

2 Investment values calculated based on vehicle sales prices

F Maturity levels differ

New car leasing penetration (B2B and B2C) by country, 2023 and 2030 [%]



Source: KBA, ASF, SesamLLD, AER, VNA, Aniasa, Fleet News, Frost & Sullivan, Fleet Europe, Euromonitor, Statista, expert interviews, Roland Berger

6 Ensuring your slice of the pie

Recommendations for market players

For players in the automotive industry, having a flexible vehicle ownership offering is no longer optional, it is a hygiene factor. To operate profitably in this market, companies need a broad array of carefully coordinated capabilities, including sourcing, financing and insurance, maintenance, damage and claims management, remarketing and access to battery-charging infrastructure. Different types of players have different strengths, from asset management and operational efficiency to data analytics and customer access. No universally successful business model exists; instead, market players must identify their unique strengths and leverage them to establish a robust competitive position.

The subscription market is still evolving, with diverse maturity levels in different European countries. Most providers are not yet operating profitably and must continue to invest heavily in customer acquisition. Going forward, the boundaries between leasing, rental and subscription players will become increasingly blurred. For instance, some rental companies are already showing interest in the subscription market, where they can build on the back of their established operations. Pure subscription players are moving towards longer-term subscriptions – often around 12 months – and will likely explore adjacent segments in order to be able to operate profitably at scale. At the same time, traditional OEMs and bank-related players are expanding into the subscription area, primarily in order to enlarge their customer base, broaden their sales funnel and remain flexible despite fluctuating demand. For traditional OEMs, subscription offerings provide an opportunity to push cars into the market and participate in (and profit from) more vehicle lifecycles, giving them greater control over the vehicle, and ultimately over the customer.

One significant challenge for all players is managing residual values, as discussed above. Recent market value fluctuations for used electric vehicles have posed difficulties for those carrying residual value risk. Offering vehicles a second life through mechanisms such as the subscription model can help mitigate these challenges.

How can different types of players ensure their slice of the pie? OEM captives should capitalize on their close ties to their OEM, building on its brand reputation, sales network and direct access to vehicles. To expand their market presence, we recommend focusing on developing innovative, flexible digital solutions, working together with the manufacturer. As they own the customer and data interface, OEM captives are particularly well positioned to offer data-driven services, enhancing their strategic advantage. However, many such players still struggle with outdated IT systems, and replacing these systems and fostering cloud transformation will be crucial for further growth and digitalized offerings.

More flexible offerings such as subscription can complement existing financing and leasing options, presenting opportunities to exploit existing capabilities. OEMs and their captives can proactively develop innovative solutions for subscription packages through partnerships or strategic M&A/build activities, developing the necessary operational and digital capabilities. These measures will provide customers with additional opportunities to explore the OEM's brand, while allowing the OEM to control multiple vehicle cycles. Other important strategies include extending the customer base, optimizing stock utilization and promoting the use of BEVs. In combination with the OEM, captives are in a good position to manage residual values, thus enabling a profitable offering.

> **"There is no one-size-fits-all recommendation for all market players - However, smart sales models, flexible service packages, scalability and digital processes are all key drivers for success in the flexible ownership market"**
>
> **Dominik Löber, Senior Partner Roland Berger**

New OEMs that lack captives rely heavily on partnerships with bank-affiliated and independent leasing and subscription providers. They should carefully consider their sales financing strategy and organizational setup in each country where they operate, as regulatory requirements vary significantly across regions.

Leasing players are facing increased competition, as new players with flexible ownership offerings enter the market and consolidation gathers pace. Larger players that have engaged in M&A activities have already gained significant power, becoming strategic partners for OEMs and strengthening their sourcing ability, moving towards a multi-brand offering. Traditional leasing players can position themselves as indispensable partners for the growing number of new OEMs that lack captives, especially from the Asian market. Market coverage and a broad flexible ownership offering play a crucial role here, as new OEMs do not usually have the capacity to manage multiple leasing partners across Europe. Critical success factors in the coming years include an effective data-driven fleet management approach that allows for operational efficiency and the extension to personalized services, such as insurance and charging solutions. Bigger players in particular need to keep pace with emerging, digital-native competitors who have access to online customers.

Traditional leasing players must also consider the differing needs of business and private consumers. Developing and orchestrating an ecosystem will be crucial to securing a strong future position in the market. Services related to data, payment and charging are expected to show strong growth potential. Fleet management offers a wide range of use cases for data and charging-based services, as many companies aim to control the electrification of their fleets. Residual value risk management and remarketing capabilities, driven by recent developments in the BEV market, will remain critical topics. Establishing a robust vehicle lifecycle management system and exploring options for second lifecycles may help mitigate residual value risk. Currently, used car leasing for private as well as business customers is just a niche offering, but it may be worth exploring for some players.

Bank-related leasing companies can exploit cross-selling opportunities within the consumer finance segment, or partner with independent leasing companies. This will enable them to gain know-how about how to extend their business model to new specialized services, and pave the way towards digital offerings. They should also consider strengthening their expertise in the area of residual value management, either on their own or through new partnerships with OEMs or independent leasing companies; strong residual value management capability not only helps increase negotiation power, it helps internalize and optimize profit potentials. Subscription services will become highly relevant and existing knowledge from the car industry can easily be transferred to other asset classes within the non-car consumer finance space.

Independent leasing companies would be well advised to exploit their know-how in fleet management and remarketing. They need to ensure scaling and access to data. Where helpful, they can partner with other leasing companies or banks – for instance, if scale or additional refinancing channels are needed. When partnering with OEMs, they can make use of their IT capabilities and enrich their data-driven services with data owned by the OEM. Expanding their offering to include selected subscription offerings could also be an option for scaling their customer base.

Scalability and profitability are the most challenging topics for **pure subscription players,** many of whom are still relatively new on the market. Besides building on their digital capabilities, key levers for a profitable business model include optimizing customer acquisition costs, ensuring the efficient sourcing and operation of vehicles, and managing (or transferring) the residual value risk.

As customer acquisition costs remain relatively high, it is critical for pure subscription players to increase the average length of the subscription, maintaining strong customer loyalty and satisfaction through attentive service, personalized offerings and flexible terms. Companies will need to find and develop new target groups, especially in the B2B customer area. Going forward, they might consider building partnerships with OEMs and larger dealer groups in which they offer their expertise in innovative digital solutions – for example, through white label solutions – and in return receive benefits in the areas of vehicle supply, branding, increased customer base and recurring revenue. Enlarging their service portfolio to include multicycle subscription will help build a profitable business at scale for these companies, while professionalizing their operations will boost customer loyalty.

In conclusion, **companies of all types** need to take a proactive approach in order to unlock new opportunities and maximize potential in this rapidly developing market. In the fight to gain market share, increase profitability or simply remain competitive, understanding the market is important. But even more critical is taking action based on that understanding.

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Further reading

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