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BERYLLS POINT OF VIEW

# SNAPSHOT OF THE EUROPEAN AUTO SUBSCRIPTION MARKET



# AGENDA

- **1 Subscription with growing relevance**  
Customer demand moving from vehicle ownership to usage
- **2 Part of a Vehicle-as-a-Service model**  
Subscription closes offering gap between lease & rental
- **3 Disruption for incumbents by new players**  
Selected case studies per player archetype
- **4 Subscription is here to stay**  
Market still dynamic & re-shaping





# MANAGEMENT SUMMARY

- 1 The importance of vehicle subscription is growing – up to **4 million new vehicle subscription contracts** could be sold in **2030** in the EU-5 alone, leading to a **multi-billion Euro market**.
- 2 The success of subscription models is fundamentally driven by **changing customer demand** from **ownership to usage** and towards **direct & digitally** enabled online vehicle shopping experiences – especially with the advent of **electric vehicles**.
- 3 This **opens up** a market that has traditionally been protected by **high market entry barriers** based on an **indirect dealer model** for several **new challengers** from **different** industries.
- 4 Initially, **startups** have shaped and led this market. **Incumbent players** are moving from a **test-stage** via **white-label partnerships** to either fully-fledged **own products** or even **M&A** activities and are driving **market consolidation** throughout Europe.
- 5 **Subscription models are here to stay!** They provide a **key puzzle piece** for **mobility providers** in building **Vehicle-as-a-Service** models – if used as a strategic tool – to maximize **vehicle lifetime value (VLV)** by holding on to the vehicle for **multiple lifecycles**.

# CUSTOMER DEMAND FOR USAGE-MODELS WILL FUEL FURTHER GROWTH

**Vehicle subscriptions** have constantly been increasing in importance over the last years. Fueled by the overall trend towards subscription in the consumer goods industry and the respective expectations of generations Y and Z, up to four million new vehicle subscriptions could be sold in 2030 in the EU-5 markets alone. Considering active contracts and used car subscriptions in addition, this leads to a multi-billion Euro market.

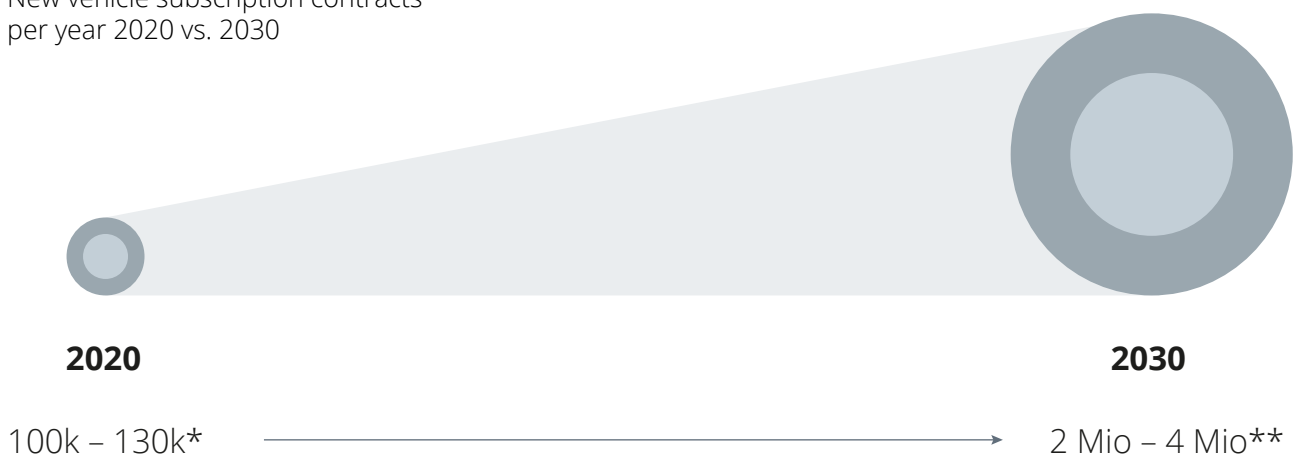
The predicted success of this new model is based on shifting customer demands. The need to own a car is changing towards a need for mobility and the willingness to sign long-term contracts has been replaced by a requirement for flexible and usage-based models. In contrast to other mobility services such as car sharing, vehicle subscriptions cater to all these changes while still offering access to a personal, non-shared car.

The five main reasons why customers choose subscription over more traditional forms of car ownership are as follows:

- » **Short-term commitments:** Instead of signing a multi-year leasing contract, customers can opt for minimum terms of as less as one month only.
- » **Low waiting times:** Particularly in times of chip shortage, waiting times for vehicles are long – subscription cars based on stock vehicles are oftentimes delivered right away.
- » **Peace of mind:** No license plate registration, no search for the right insurance, no worries about expensive repairs – customers only need to fuel up (or charge).
- » **Simple contracting:** While buying or leasing a car usually means lots of physical paperwork at the dealer, subscription vehicles can be ordered online in just a few minutes.
- » **Low-risk exploration:** Although consumers are increasingly curious about electric vehicles, many are not convinced enough to buy one yet. Subscriptions allow to test new technologies (or brands) with very little associated risk.

## VEHICLE SUBSCRIPTION MARKET EU-5

New vehicle subscription contracts per year 2020 vs. 2030



\* Berylls Strategy Advisors \*\* Prof. Dr. Ferdinand Dudenhöffer, CAR Institut scaled to EU-5 volumes

# SUBSCRIPTION MODELS CLOSING THE GAP BETWEEN LEASING, RENTAL & SHARING

Traditionally, customers acquired a vehicle from a dealer, either via cash, credit or financial leasing. While these sales models offer access to a personal car, they also come with long-term commitments and residual value risks for customers. The only classical option not to own a vehicle was (full-service) operating leasing. Yet, long-term contract durations of around three years still strictly limit flexibility.

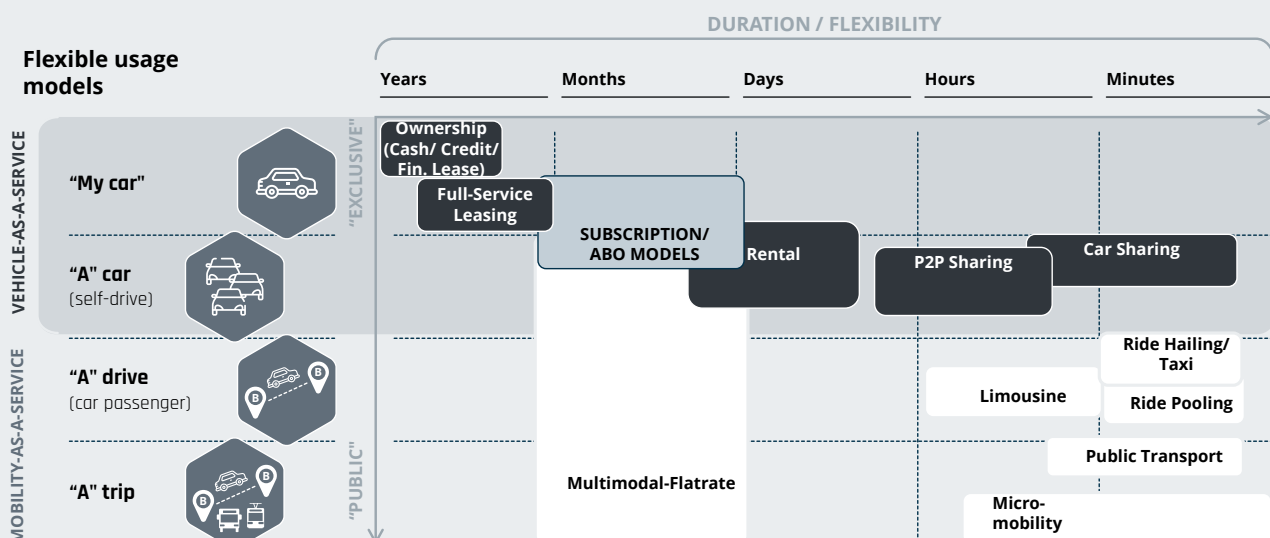
On the other hand, rental offerings are usually limited to a couple of days or weeks and come with high prices that are related to the high degrees of freedom that the model offers.

New subscription offerings are now closing the gap between multi-year leasing contracts and short-term rental offerings. This creates a new sweet spot that guarantees access to a personal car at lower costs than a rental contract and with more flexibility than a leasing contract.

However, successful subscription offerings are more than just long-term rentals or short leases – they are a completely new product. Hence, they have to be designed entirely from scratch focusing on the needs of a modern customer group.

While this means an extra effort for current leasing or rental companies when designing a subscription offering, they still might profit the most from it in the end. Implementing subscriptions as part of a larger VaaS portfolio not only offers the advantage of an additional sales channel but also comes with more flexibility in the internal asset management. Being able to shift one large fleet of vehicles between several offerings can reduce both idle time and associated cost and increase the vehicle lifetime value.

## SUBSCRIPTION AS ADDITIONAL VEHICLE-AS-A-SERVICE OFFERING



# TRADITIONAL AUTO PLAYERS ARE CHALLENGED BY NEW COMPETITORS

Vehicle subscriptions are almost exclusively sold and advertised digitally, making the current locations of provider and customer less important and rendering brick and mortar showrooms almost irrelevant. This significantly reduces the entry barriers for new competitors into a market that has been dominated by indirect sales via physical dealers for decades.

Yet, new entrants need to master certain capabilities to make actual use of these reduced hurdles. The most crucial and differentiating competencies in the subscription business are centered around digital sales, intelligent vehicle management and efficient service operations as well as logistics.

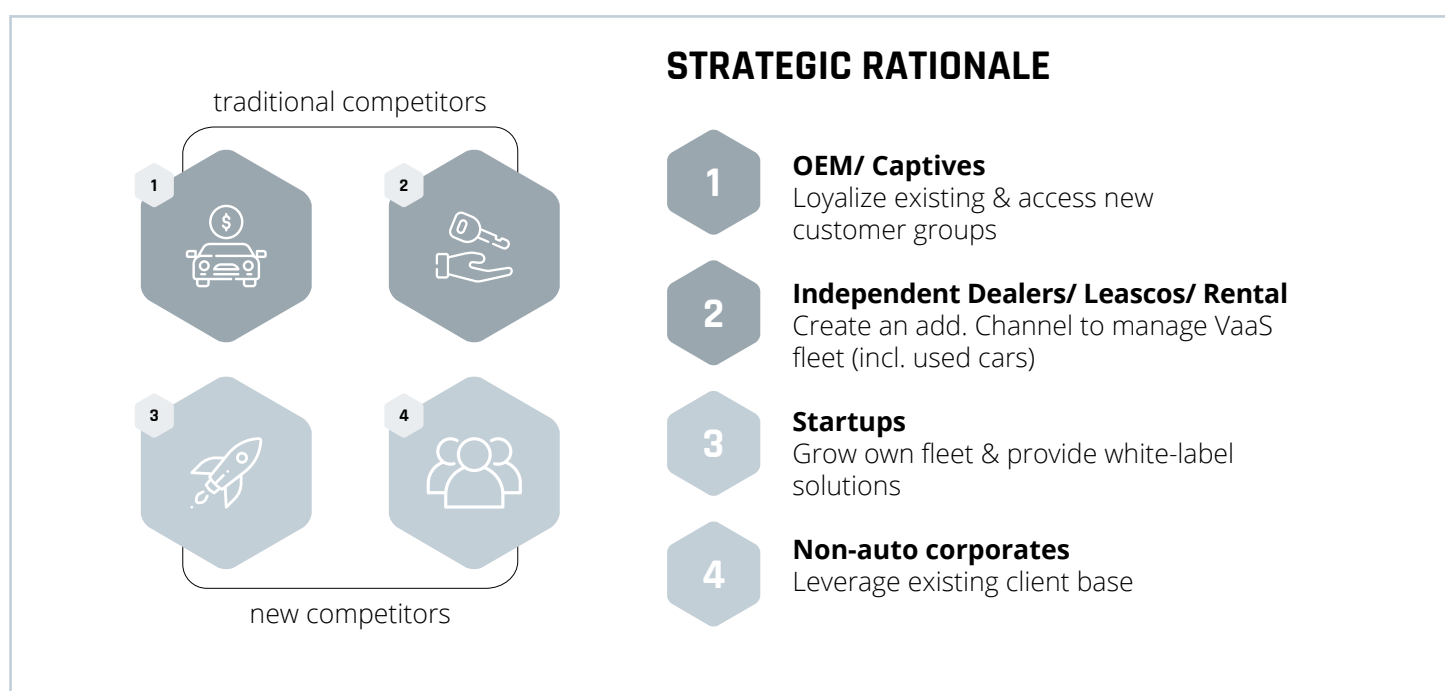
To be able to sell subscriptions in the first place, providers need to offer customer-centric and trustworthy digital platforms that allow simple contracting in only a few clicks.

To operate profitably, asset-related costs need to be as low as possible. This involves purchasing at low prices (e.g. bulk purchases), the reduction of idle time (e.g. in between two subscription cycles) and the intelligent rerouting of vehicles to their next lifecycle (e.g. other mobility services or cross-boarder remarketing).

Lastly, an efficient operating model (e.g. service handling, logistics) is essential in a business model that is based on national (or international) front-door delivery of vehicles.

While new players are currently leading, incumbents already have several assets and capabilities in place that they can leverage. Large dealer networks can be an advantage when it comes to availability of vehicles and logistics. Large fleets can simplify the access to (used) vehicles (particularly important in times of chip shortage) and usually go hand in hand with experiences in vehicle management.

Hence, different players can enter the playing field with different competitive advantages and different strategic rationales. This also means that the game in the subscription market has not been decided yet.



# OEM & CAPTIVES



1

## VW GROUP

- » VW Group's New Auto 2030 strategy foresees subscription offers as integral part of the mobility offering
- » VW's Captive VWFS to become central development center for car subscription offers for all Volkswagen Group brands



2

## RENAULT GROUP

- » RCI Bank & Services, Renault Group's Captive, acquired multi-brand subscription startup Bipi with a focus on used vehicles
- » Renault Group plans to scale Bipi jointly with its Captive and dealers to other markets, esp. for the new Mobilize brand



3

## GENESIS

- » Hyundai's premium brand Genesis has entered Europe based on a digital direct sales model without classical dealers
- » Genesis will use their own subscription offer as a key tool to test their brand and especially their future electric vehicles



4

## VOLVO

- » Volvo has been one of the early OEM adaptors of subscription offers as a key tool to sell all vehicles online by 2030 (direct & via dealers)
- » Published data after the first full year of operation in the UK: 15% of new car retail business was subscription-based, thereof 1/3 electrified models with 91% of customers being new to the brand



# INDEPENDENT DEALERS, LEASCOS & RENTAL



1

## SIXT

- » Sixt offers subscriptions for private & corporate customers (Sixt +) which can be booked via their One Platform App besides Ride hailing, car sharing and classical rental
- » With subscription, Sixt is closing the gap between leasing and rental, aiming at the optimization of the vehicle utilization of their fleet

2

## ALD (SOCIÉTÉ GÉNÉRALE)

- » TheTop 3 OEM-independent leasing company in Europe is focused on usage-based VaaS models, mainly for corporate customers
- » With the acquisition of Fleetpool and the planned EU scaling, ALD is further building its subscription offer also towards private customers

3

## AMAG

- » AMAG has built a subscription subsidiary (Clyde), offering young used cars to the customers via a direct digital channel enabled by Faaren
- » AMAG has identified subscription as one strategic lever to remove the hurdle for private & corporate customers to switch to electromobility

4

## BERESA

- » Beresa is one of the largest German Mercedes-Benz partner dealerships
- » Subscription offers for electric vehicles are provided via the platform "Carve8" of the previous Daimler innovation unit 1886 Ventures



# STARTUPS



1

## CAZOO (CLUNO, DROVER)

- » UK-based online used car retailer went public at NYSE via SPAC less than three years after foundation with a multi billion pounds valuation
- » Cazoo is driving market consolidation by recently acquiring subscription startups Drover (UK) and Cluno (Germany)

**CAZOO**  
**DROVER**  
**CLUNO**

2

## VIVELACAR

- » ViveLaCar is working very closely with dealerships to enable them to provide subscription services
- » Their new tool Valor analyzes residual value forecast data and suggests which car should be placed in a subscription offer to exploit RV curves and make a profit

**ViveLaCar**

3

## STARTUPS AS WHITE-LABEL-PARTNER FOR OEMS

- » ViveLaCar (BMW, Hyundai, Renault, dealer groups, etc.)
- » Fleetpool (Toyota/ Kinto Flex, Seat Conquar, etc.), recently been acquired by ALD

**ViveLaCar**  
**fleetpool**

4

## SELECTED OTHER STARTUPS

- » FINN received €20M in Series A funding end of 2020 and announced US market expansion in Summer 2021
- » FAAREN both runs an own branded subscription offer and provides a white-label platform to OEMs & dealer groups

**FINN**  
**FAAREN**

# “NON-AUTO CORPORATES”



1

## HUK-COBURG

- » Germany's largest vehicle insurance company has launched its own subscription offer via HUK-Coburg Autowelt
- » Next to supporting their own insurance sales, the goal is to enter the traditional OEM business areas similar as they have done by building their own Captive insurance companies



2

## LIDL

- » The retail giant has made news by offering its own subscription offer for FIAT and Kia brands at very competitive prices
- » So far, they relied on partners such as Sixt Leasing and Vehiculum – while Vehiculum recently needed to file for insolvency as they did not receive enough vehicle stock from OEMs due to chip shortages



3

## SHELL

- » Shell is partnering with Fleetpool to offer an own electric subscription offer next to its Recharge charging cards and charging infrastructure to become a key player in the EV ecosystem



# A MULTI-BILLION EURO MARKET IS BEING FORMED – TOMORROWS CHAMPIONS ARE BORN TODAY!

The current subscription market is characterized by a large number of different players that entered the game for very different reasons: Some providers occupy clear and distinct niches – others are just following an undifferentiated me-too strategy in a gold-rush mood. While the subscription market is certainly no “winner-takes-it-all” business, a clear strategic focus is indispensable for future champions.

Currently, it is mostly the new players that provide the market-leading offerings.

Incumbents have started to catch up leveraging their wide customer base to defend their current role and customer relationship.

Successful mobility providers will embed subscription as one of many offerings in their overall VaaS portfolio to efficiently manage their vehicle fleet across multiple cycles to maximize vehicle lifetime value.

Startups will need enough resources for pan-EU scaling and access to a large-enough vehicle fleet which is underlined by the consolidation that has already started.

The race for success in a multi billion euro market that is just taking shape will be decided by those who are able to serve customer needs best.

We are looking forward to discussing the specific fields of action for your company jointly with you!



# BERYLLS.

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