

The Future of Car Buying: How the Preferences of Gen Z will Impact Car Retail in Southeast Asia

17 May 2023



Knowledge Partner



Build Beyond As One.



Who are they, and why is it important to understand Gen Z?



What are Gen Z's expectations related to car ownership and car purchasing journey?



What the future of car retail will look like?

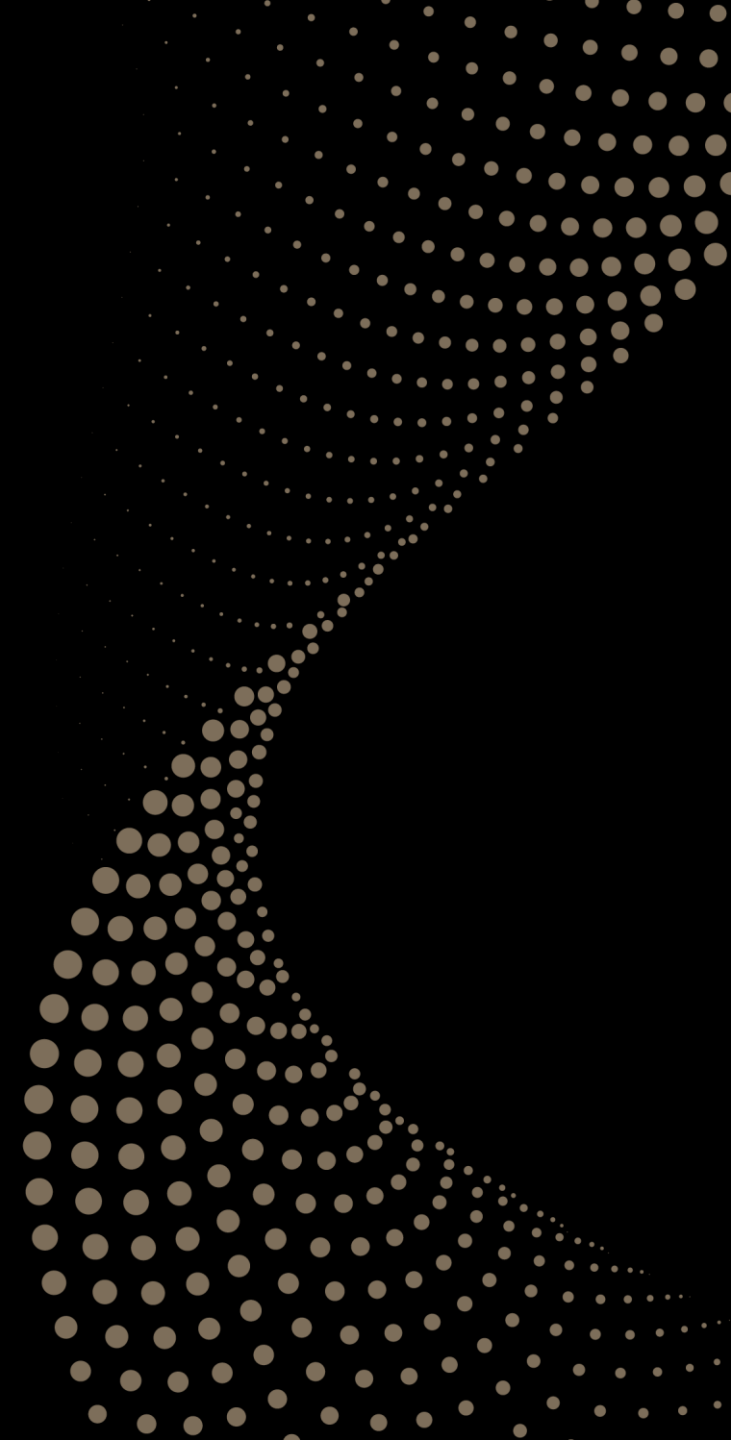
Who is Gen Z?

Boomers

Gen X

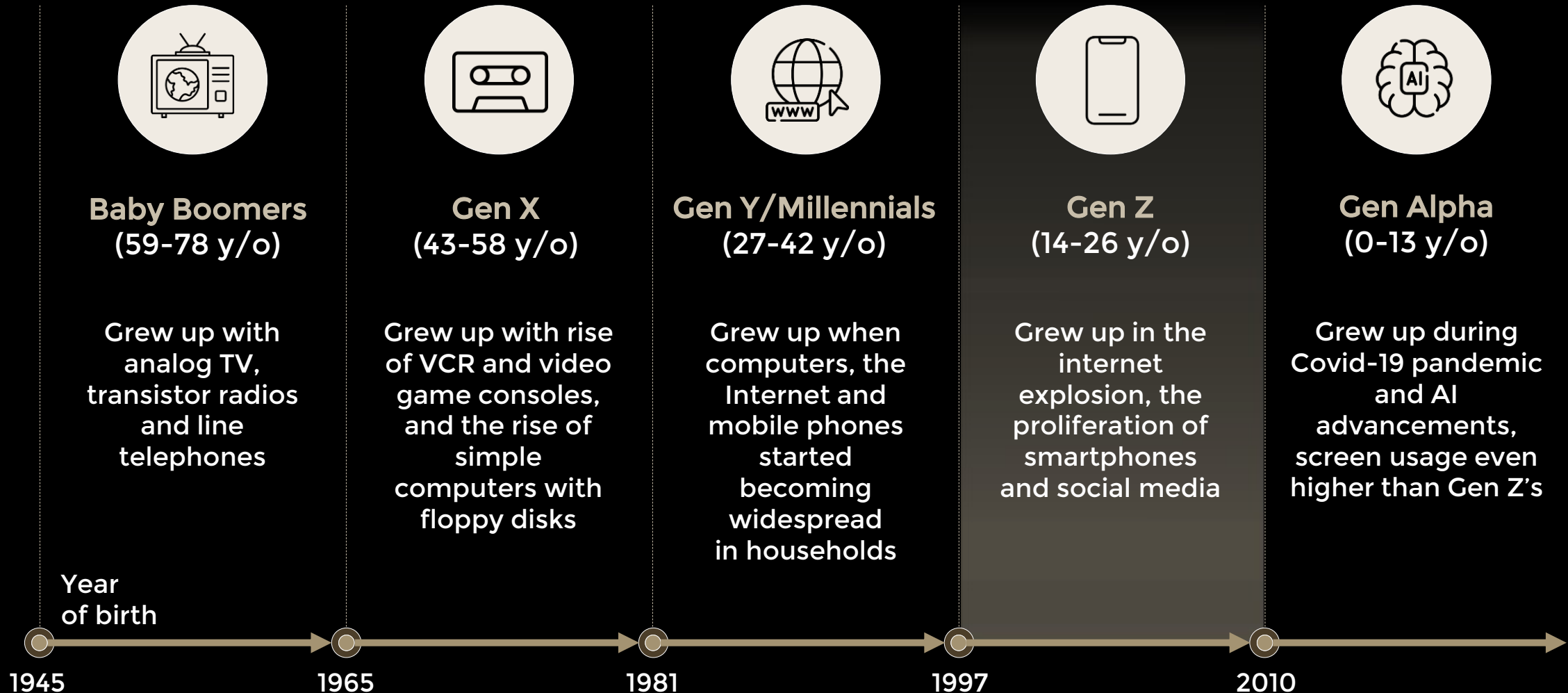
Millennials

Gen Z



Gen Z encompasses people aged 14 to 26 who grew up with omnipresent access to high-speed internet and smartphones



Generations and their key characteristics

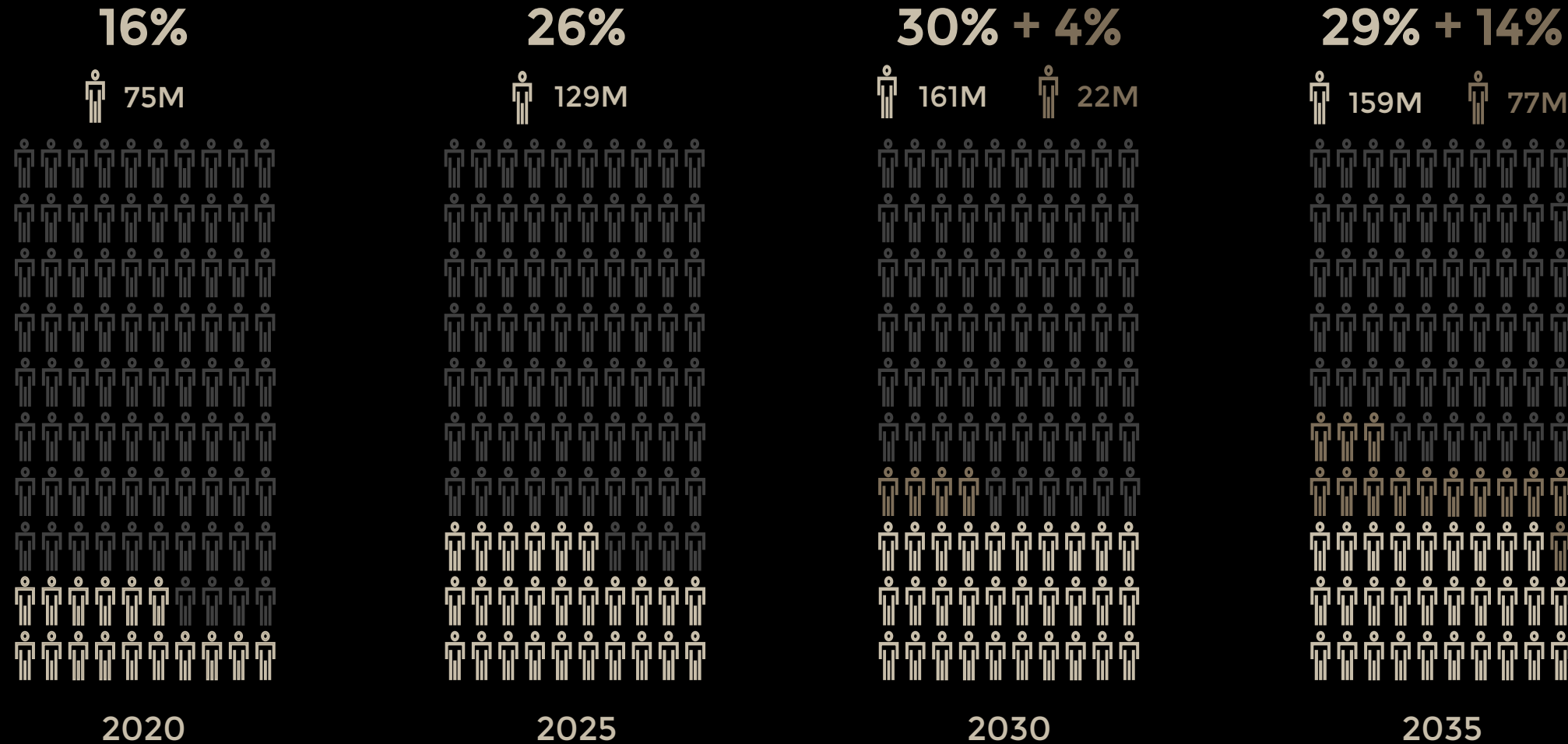


Note: Age as of 2023; Years shown on the timeline indicate the first year of birth of people within each generational cohort (age group)

Gen Z is rapidly growing its share of the adult population in Southeast Asia and is expected to represent 30% of the total demographic by 2030

Share of Generations Z and Alpha in Southeast Asian's adult population¹

 Generation Alpha
 Generation Z

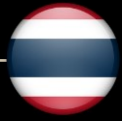


¹ Adult age population comprises all people of ages between 18 and 100+ years old

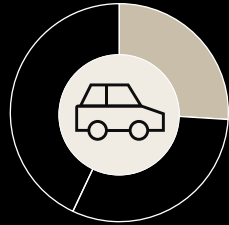


What are the expectations of Gen Z?

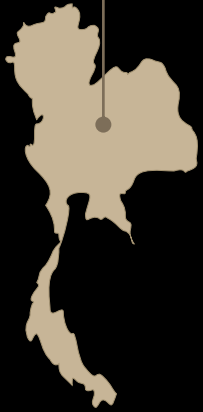
Sample and methodology



THAILAND



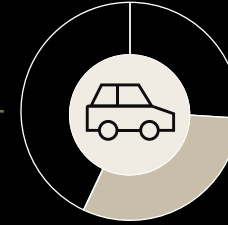
26%
of 4W sales
in SEA (2022)



1,157
respondents



INDONESIA



31%
of 4W sales
in SEA (2022)



1,095
respondents



GOAL

To assess how
the preferences
of Gen Z may
warrant changes
in car retail

- 2,200+ adults surveyed through a web-based tool
- The sample included people already owning a car as well as those without a car (either with the intention to buy one in the future or without it)

Key insights from the survey

Generation Z bears many similarities with other generational cohorts but also exhibits some noticeable differences



Interest
in car ownership
as a symbol of social
status

Generation Z indicates...

...**lower** importance
of owning a car for
their social status



Consideration
for purchasing
a particular car

...**higher** environmental
awareness and
a preference for Battery
Electric Vehicles
(but only in Thailand)



Buying
a new car

...**higher** preference for
online channels than Gen X
(but a similar preference to
Millennials)

Interest stage: Gen Z places less significance on car ownership as a status symbol, particularly in Thailand



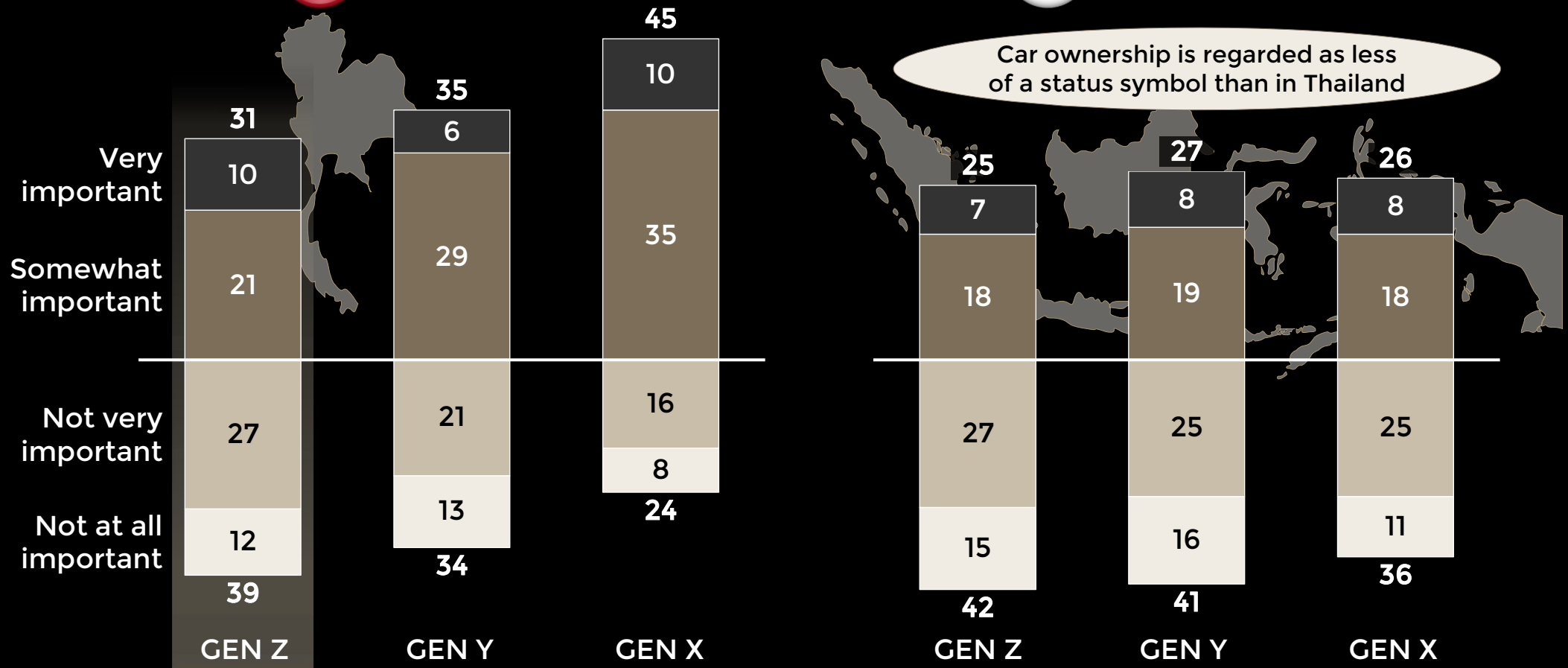
Q: How important is car ownership to your social status?
Percent of respondents



THAILAND
n = 1,157



INDONESIA
n = 1,095



Car ownership is regarded as less of a status symbol than in Thailand

Interest stage: There are variations in how car ownership enhances social status, both across age groups and between countries



Q: In what ways do you think owning a car can enhance your social status?
Percent of respondents, multiple answers

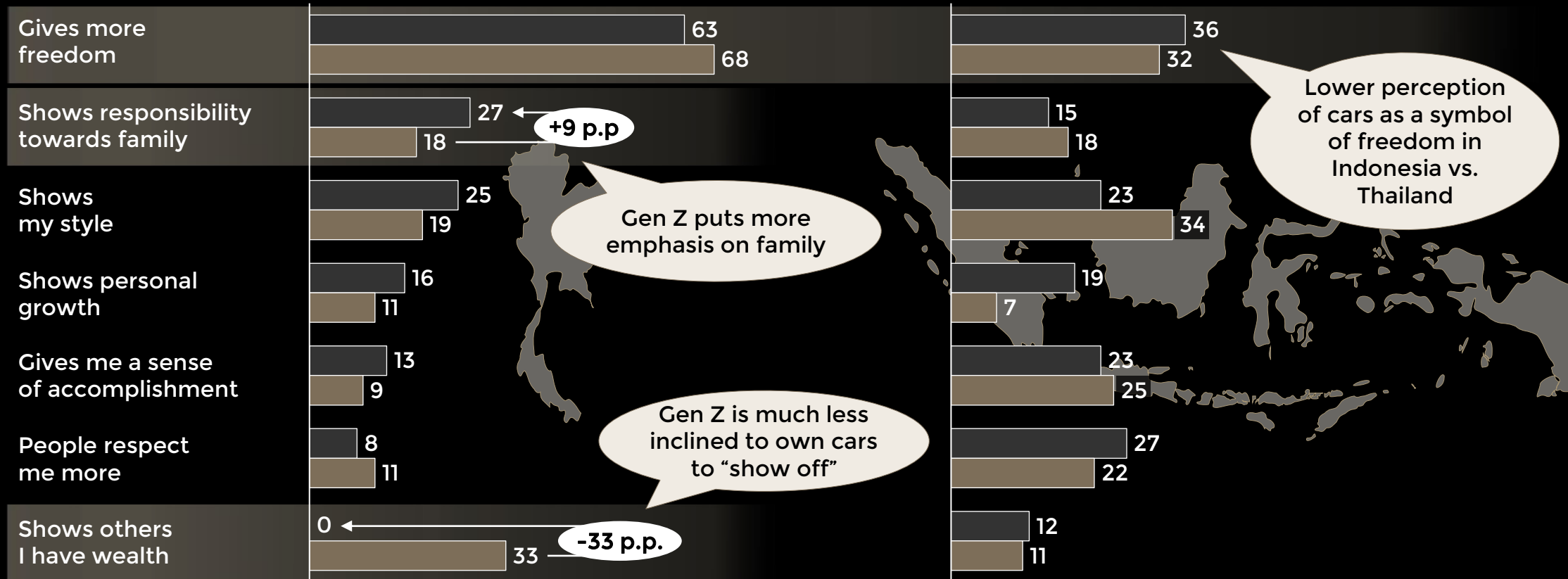
■ Gen Z
■ Others (Gen Y & Gen X)



THAILAND
n = 410



INDONESIA
n = 279



Interest stage: When contemplating car ownership, Gen Z demonstrates a greater inclination to include environmental factors



Q: Why do you think that car ownership is not important to your social status?
Percent of respondents, multiple answers

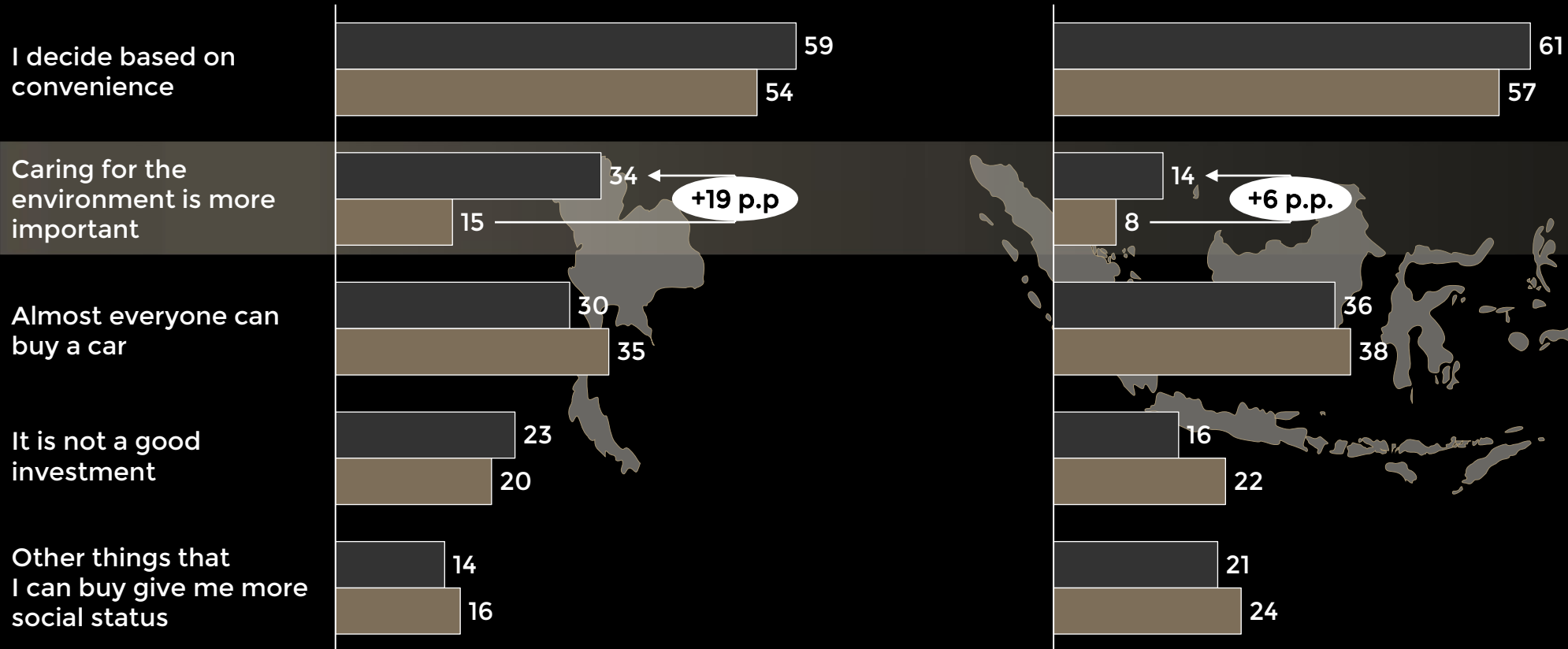
■ Gen Z
■ Others (Gen Y & Gen X)



THAILAND
n = 390



INDONESIA
n = 437

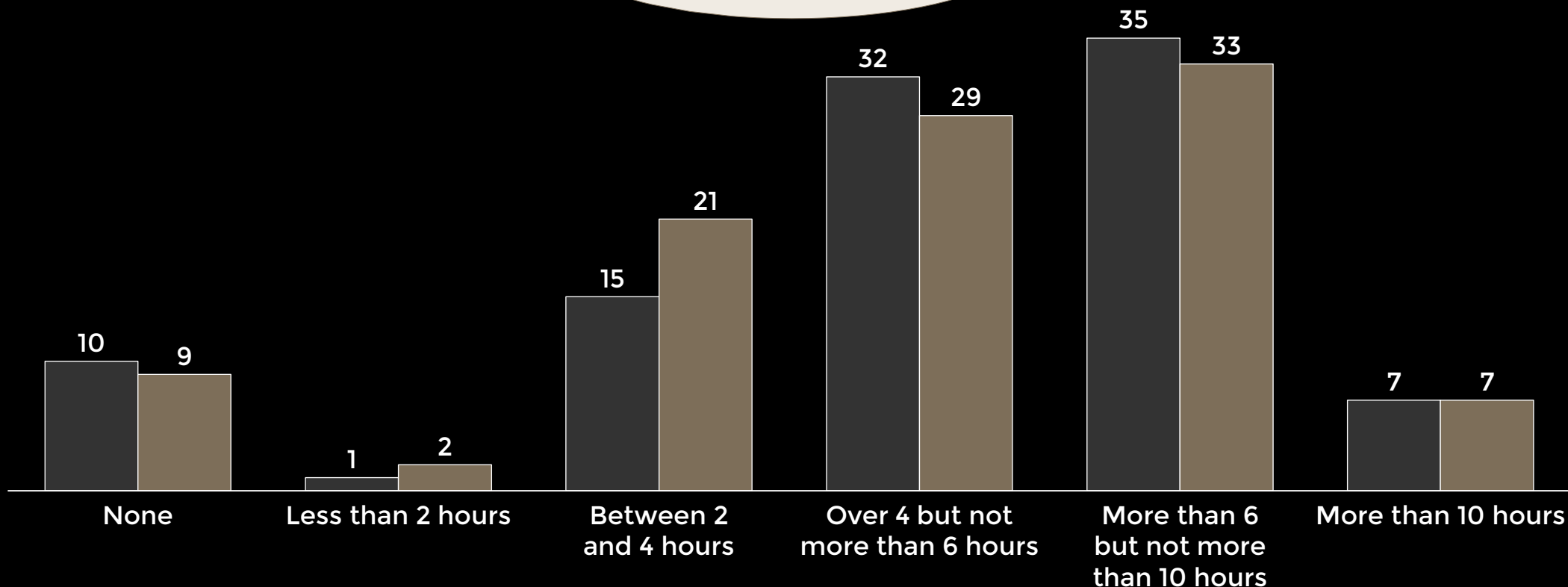


Consideration stage: Gen Z spends around as much time on online research as other generational cohorts

Q: How much time did you spend doing online research before deciding to buy your current car?
Percent of respondents, n = 1,222

■ Gen Z
■ Others (Gen Y & Gen X)

No significant differences between countries

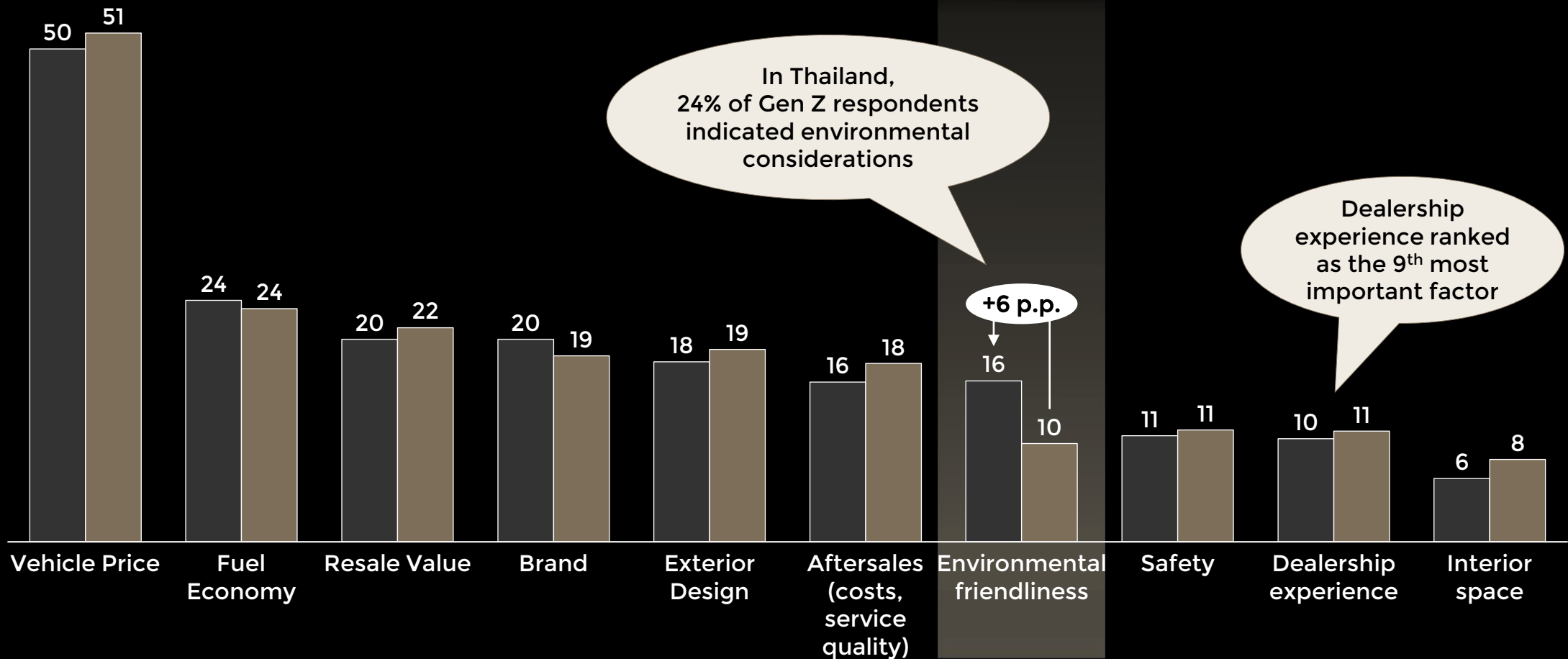


Consideration stage: When choosing a car, Gen Z places a greater emphasis on environmental considerations

Q: What factors do you consider for shortlisting the cars you would like to buy?
Percent of respondents, multiple answers, n = 1,037

■ Gen Z
■ Others (Gen Y & Gen X)

Top 10 factors:



Consideration stage: Gen Z in Thailand is more likely to choose Battery Electric Vehicles (BEVs), while this is not the case for their counterparts in Indonesia

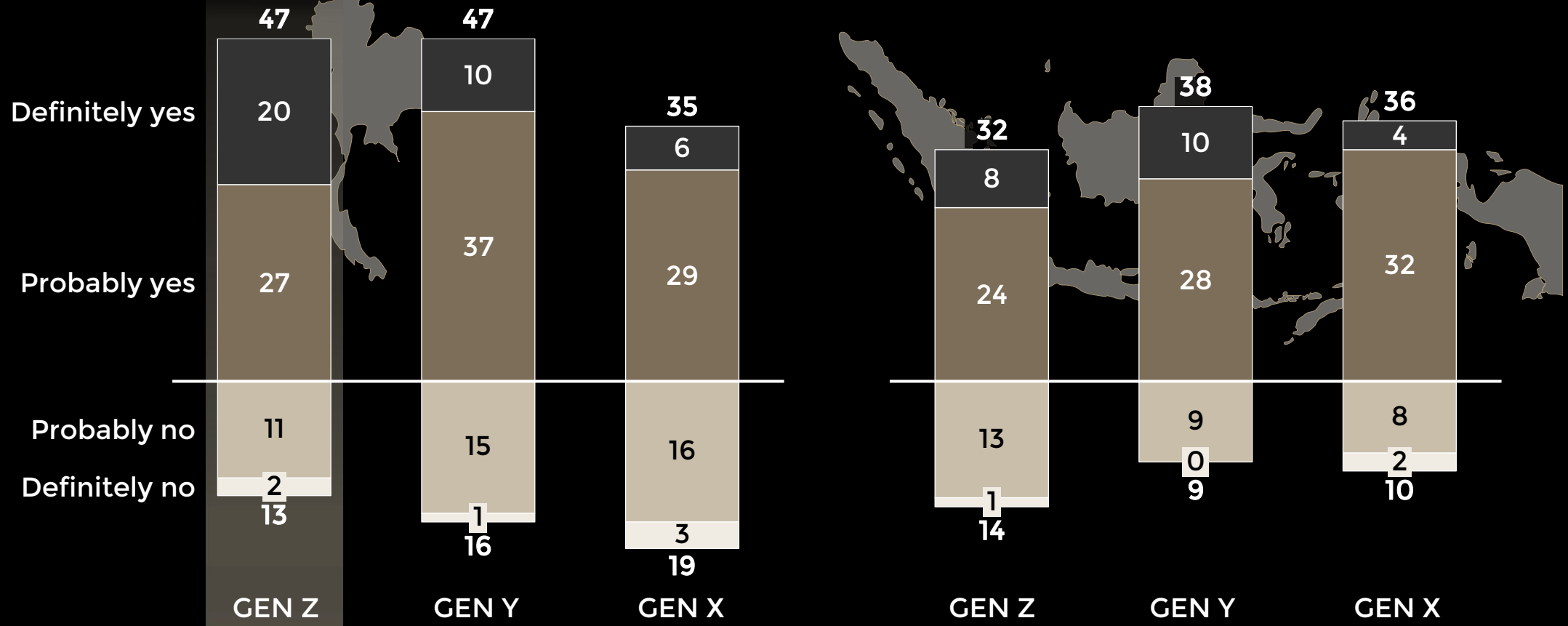
Q: For your next car purchase, would you consider buying a fully electric vehicle?
Percent of respondents (all respondents indicated an intention to buy a new car in the future)



THAILAND
n = 529



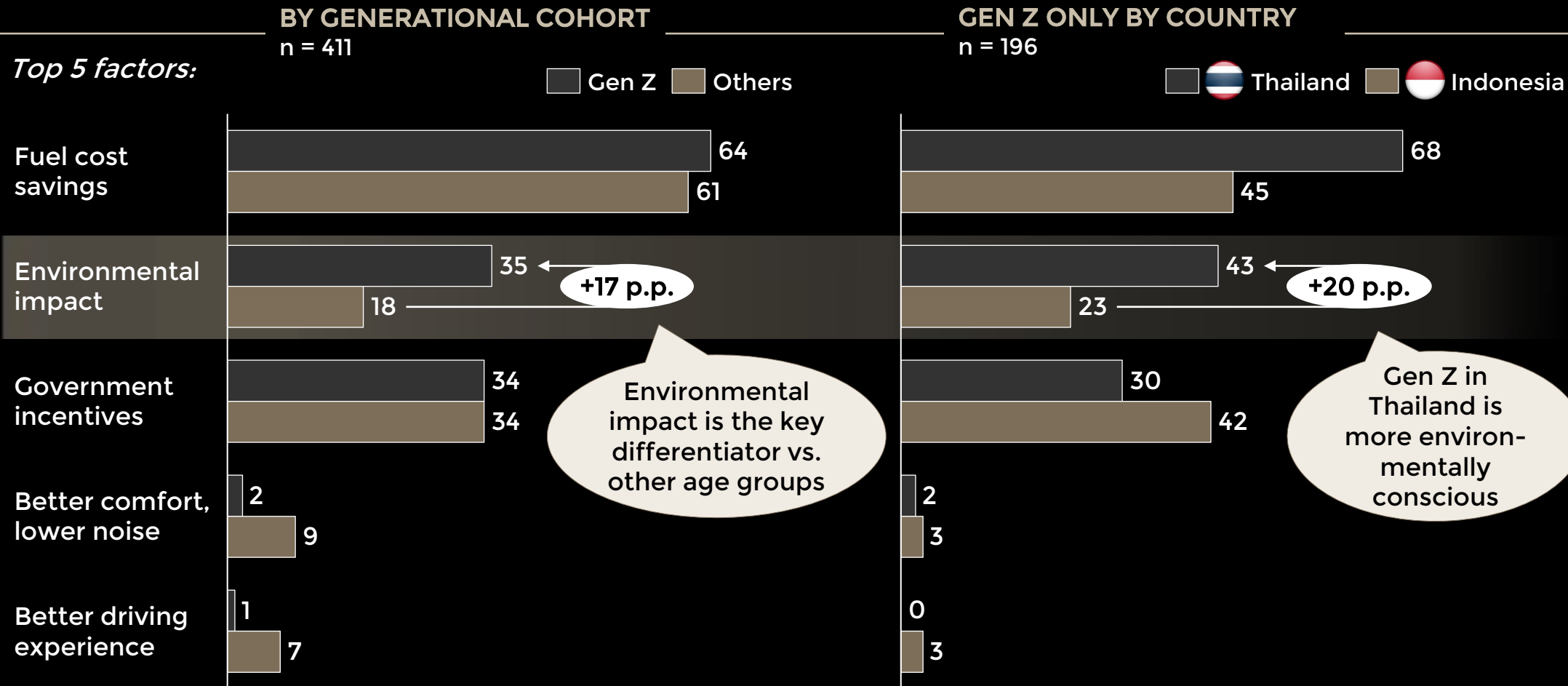
INDONESIA
n = 508



Consideration stage: In addition to monetary factors, lower environmental impact is why Gen Z would consider a Battery Electric Vehicle

Q: What are the key reasons for considering a fully electric vehicle?

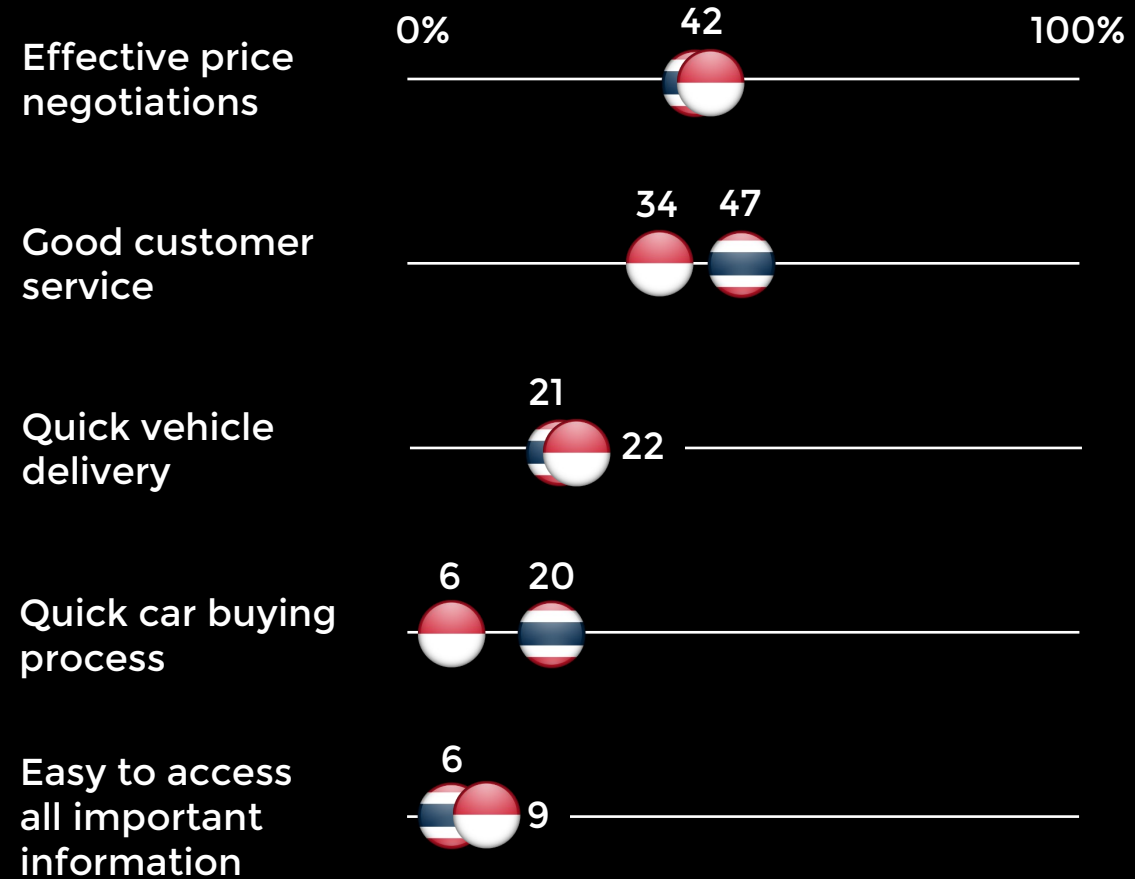
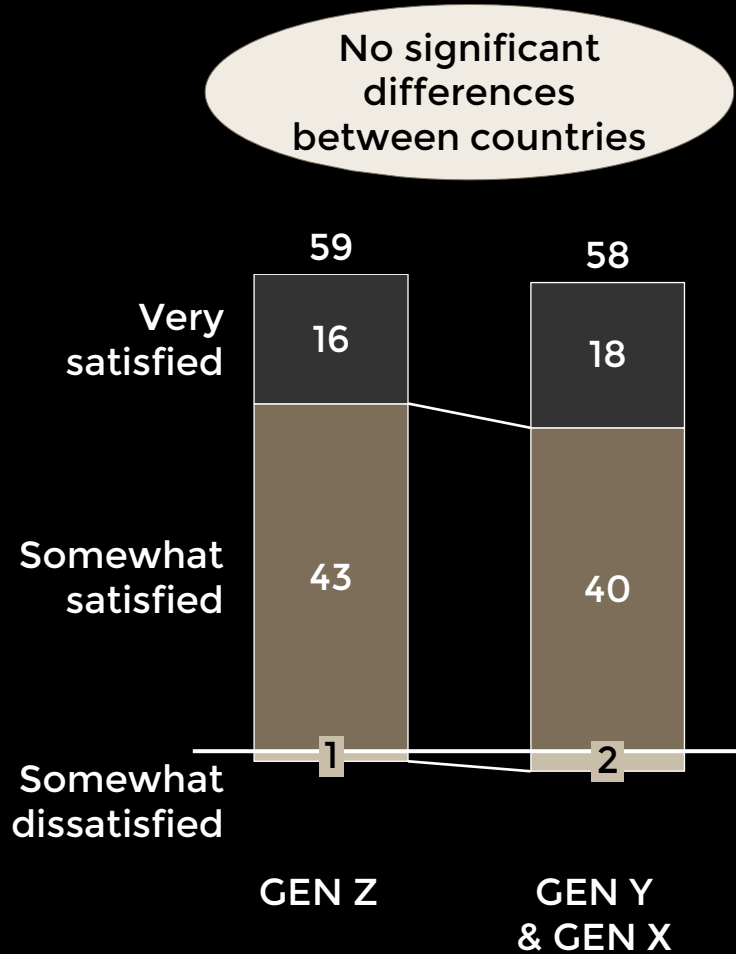
Percent of respondents, multiples answers, all respondents expressed consideration for buying a BEV



Buying stage: All generational cohorts were similarly satisfied with their last buying experience

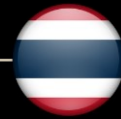
Q: How satisfied were you with your last car-buying process?
Percent of respondents, n = 1,222

Q: What did you like in your last car-buying process?
Percent of respondents across all ages, multiple answers, n = 1,222



Buying stage: Although the majority of Gen Z and Millennials still favor offline channels, some of them have a preference towards online ordering

Q: What is your preferred method for purchasing your next vehicle?
Percent of respondents



THAILAND
n = 529

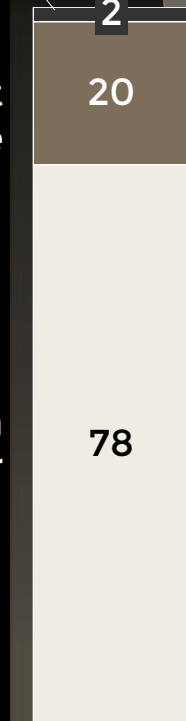


INDONESIA
n = 508

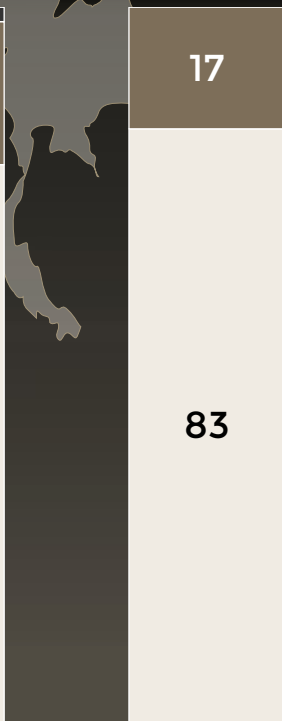
Conduct all processes online

Some physical touchpoints but order online

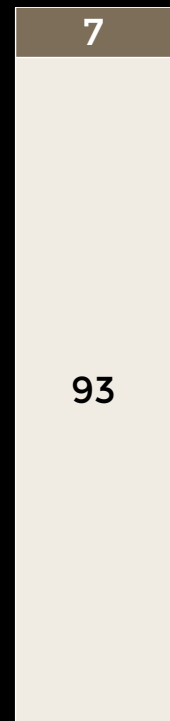
Order in-person at a dealer



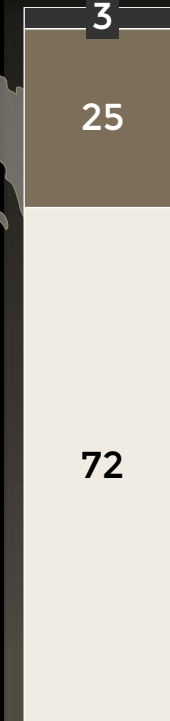
GEN Z



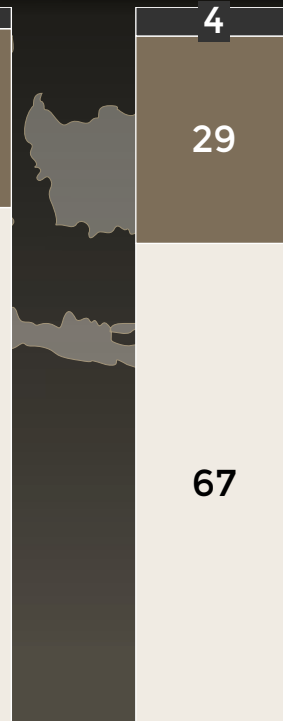
GEN Y



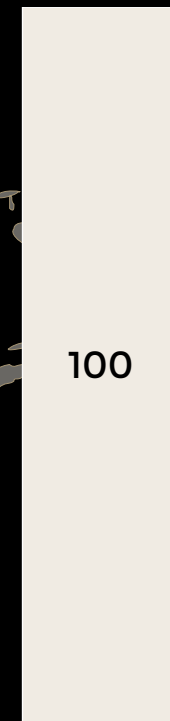
GEN X



GEN Z



GEN Y



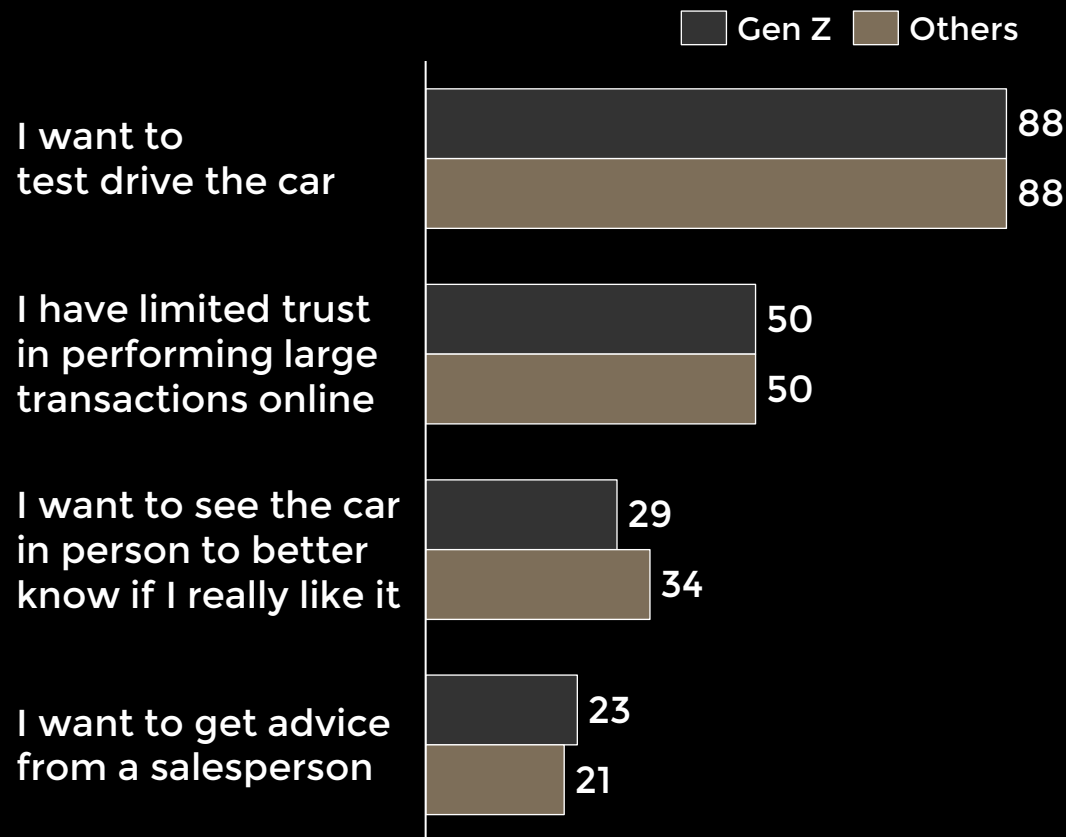
GEN X

Buying stage: Among those who prefer offline channels, Gen Z considerations are similar to those of other generational cohorts

Q: Why do you want to rely on offline touchpoints during the car purchase journey?
Percent of respondents

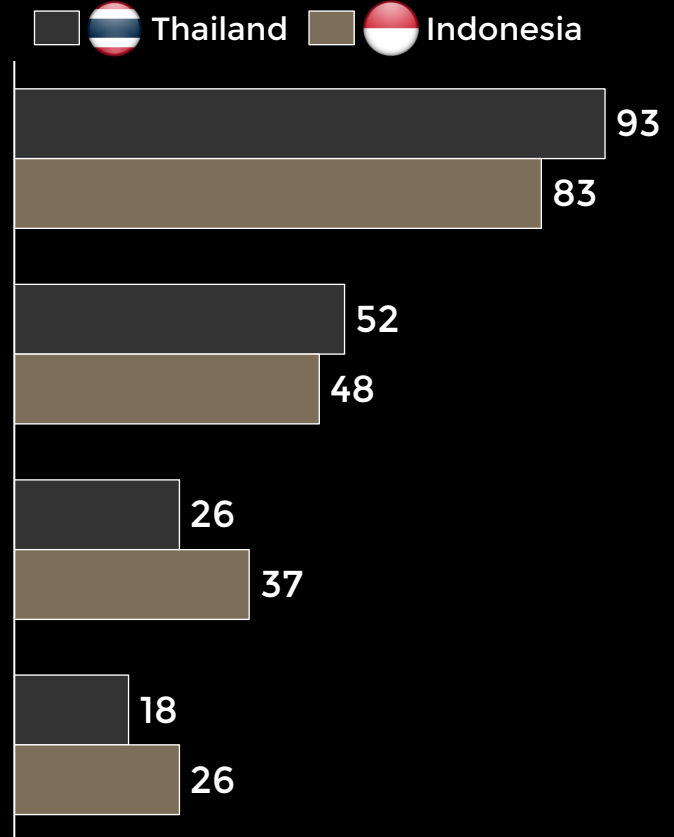
BY GENERATIONAL COHORT

n = 1,019



ALL COHORTS BY COUNTRY

n = 1,019



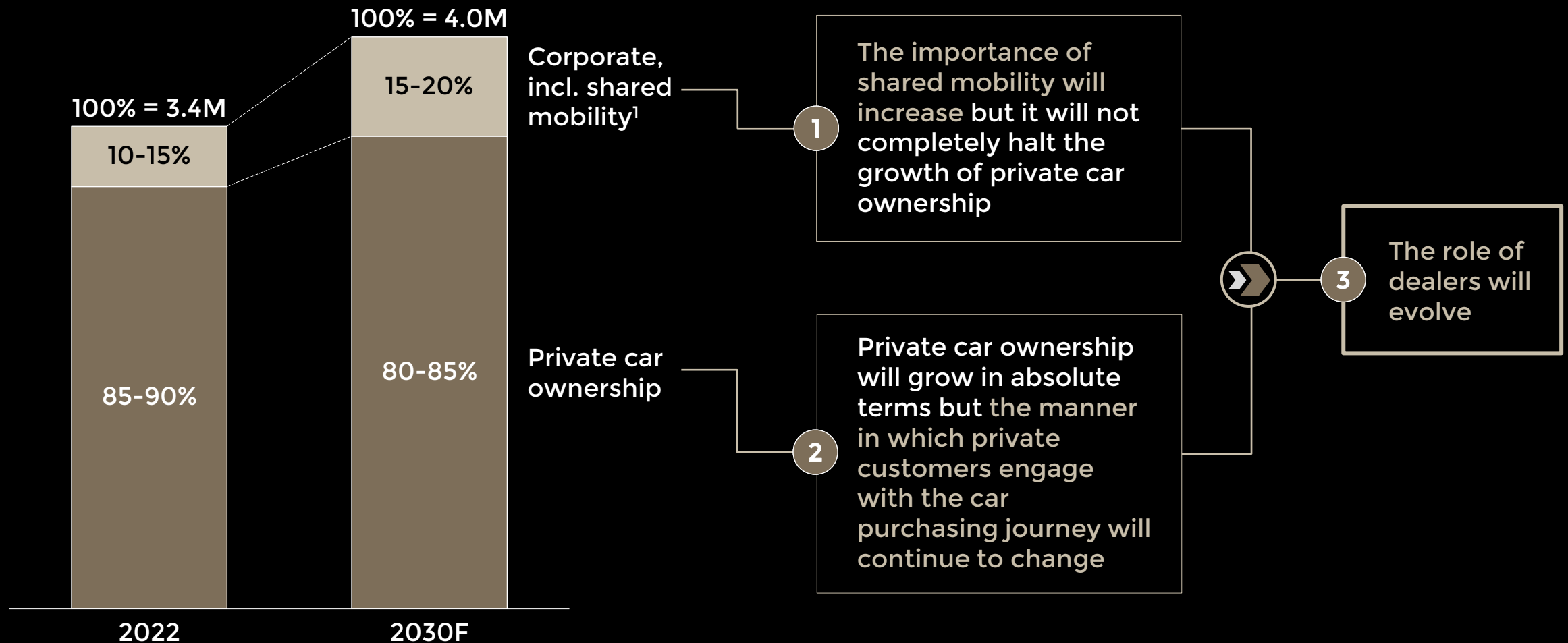
**What is the future
of car retail?**



We believe that Southeast Asia will experience an evolution, not revolution of car retail

New light vehicle (4-wheelers) sales in Southeast Asia
Percent of units sold

Key remarks (detailed next)

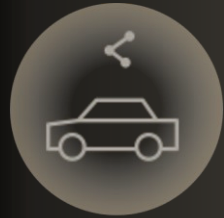


¹ Incl. vehicles purchased for operations related to car sharing, ride-hailing and taxi services, short and long-term rental vehicles, other vehicles used by corporate fleets

Ad 1: As shared mobility modes gain popularity, more and more cars may be procured directly, circumventing the traditional third-party dealer network

Examples of service providers

Examples of direct partnerships with OEM



Car sharing



Long-term car rental/subscription



Ride hailing/taxis



In Europe and USA, Finn builds direct partnerships with OEMs to procure vehicles at higher scale and lower prices



Short-term car rental



EV taxis



Long-term car rental

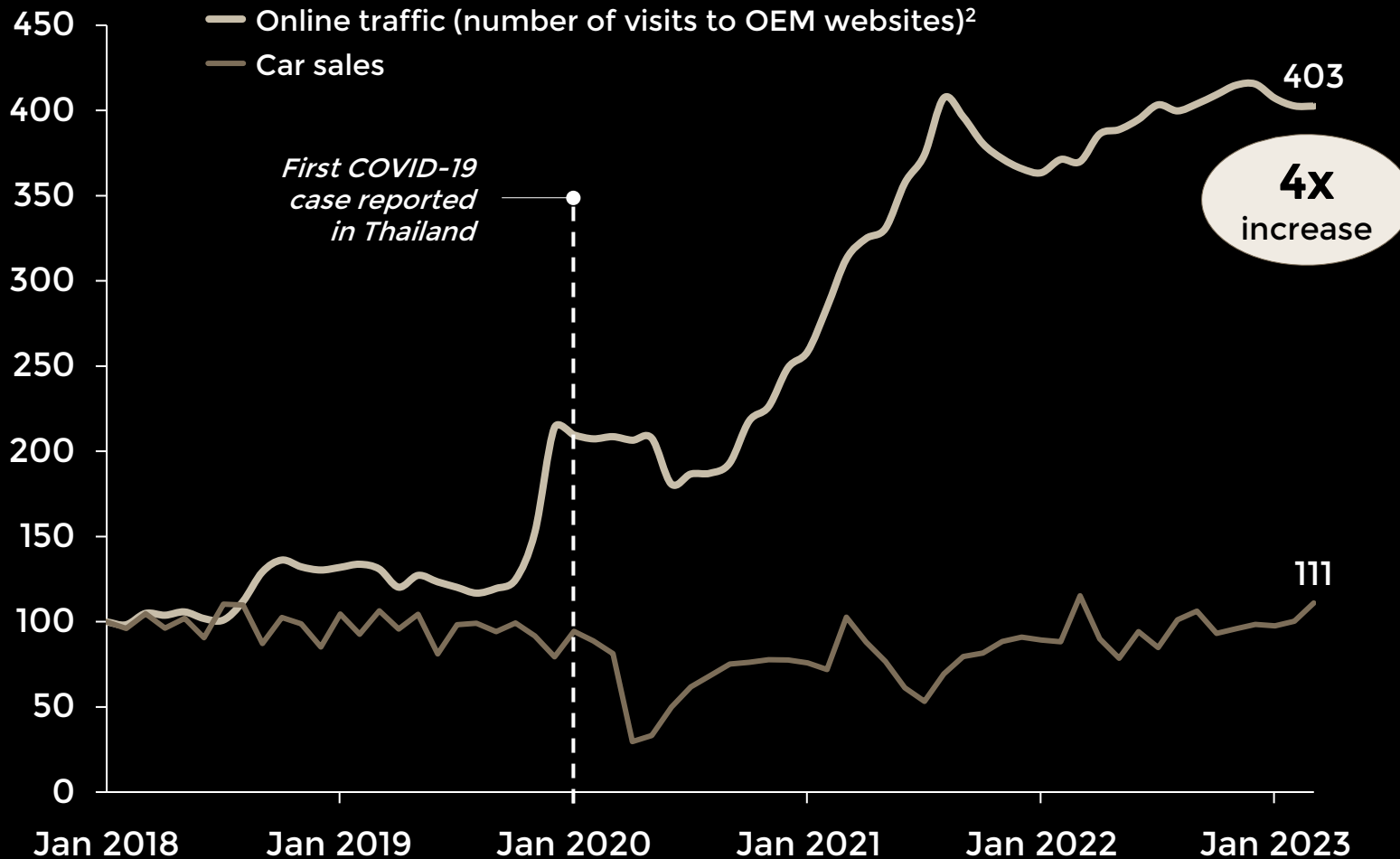


In Vietnam, Vinfast established Green and Smart Mobility (GSM) subsidiary which will provide taxi services using Vinfast vehicles

Ad 2: The relevance of digital channels in the car buying process is growing

Online traffic to car OEM websites vs. new car sales¹
Indexed, Jan 2018 = 100

Key remarks



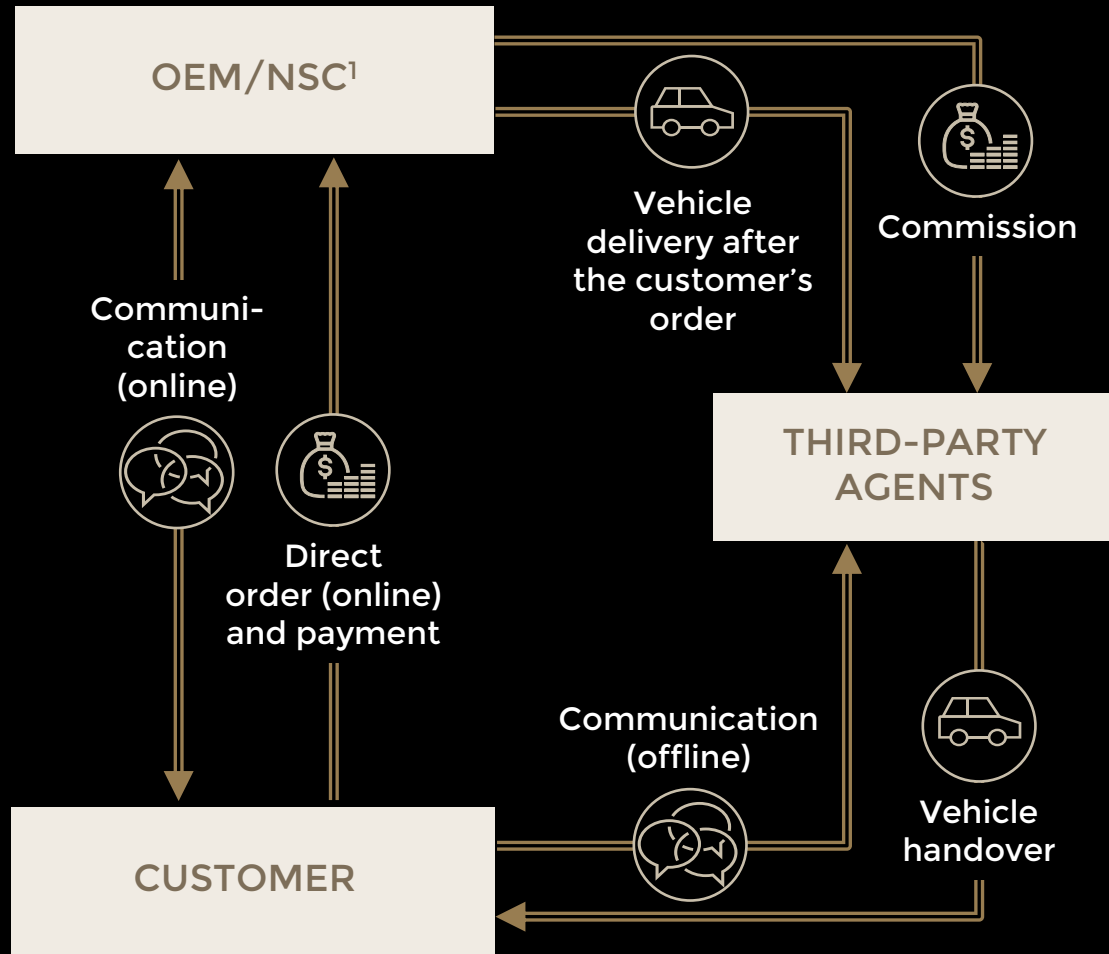
- More and more OEMs seek to provide customers with an omnichannel experience – a customer experience that is good regardless of the channel (online/offline)
- Achieving this requires developing a 360-degree customer view to personalize marketing messages and enhance engagement
- But, traditional sales and retail approaches make it challenging to gather sufficient customer data and integrate it with online data

¹ Comparison based on three countries: Thailand, Malaysia, Indonesia, and 11 brands: Honda, Isuzu, Mazda, Mitsubishi, Toyota, Nissan, Suzuki, Ford, Daihatsu, Proton, Perodua

² Online traffic based on desktop traffic data

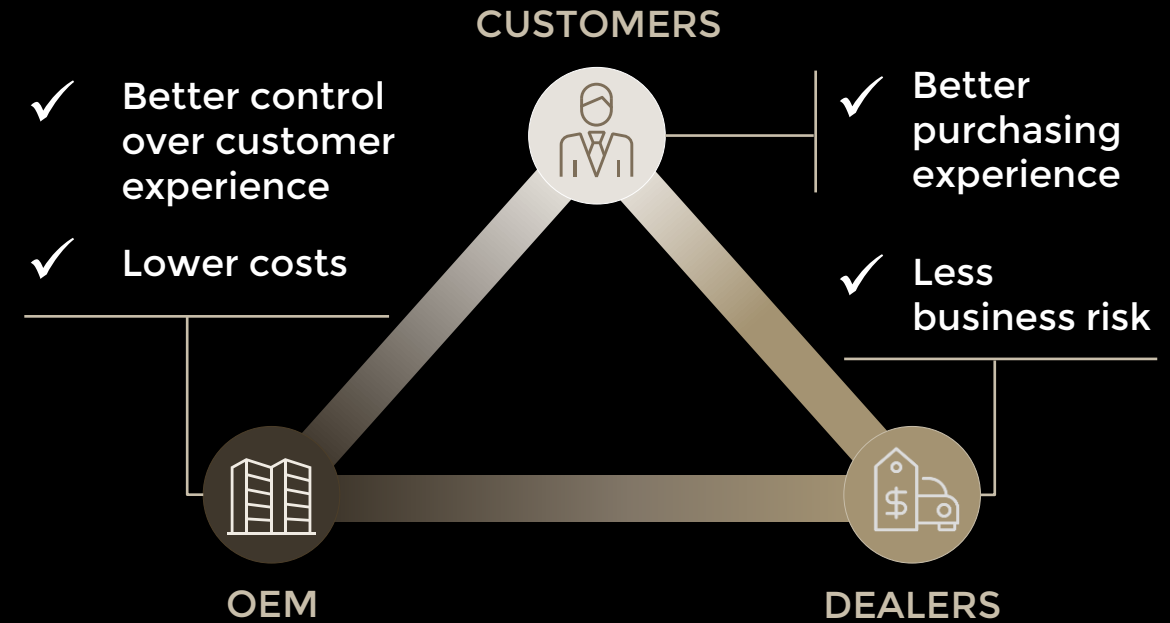
Ad 3: Recognizing the increased role of online channels, some companies have been responding by adopting the agency model

Agency model in a nutshell



¹ NSC = National Sales Company

Targeted long-term benefits



Examples of OEMs adopting the agency model



Ad 3: The future of car retail will be the outcome of three overarching factors



- Third-party retailers will continue to play a major role in the distribution process
- However, as some OEMs start to take on more responsibilities to engage with customers, the relative importance of third-party retailers will gradually diminish

Contacts



**Jonathan
Vargas Ruiz**
Senior Manager
Automotive &
Manufacturing



jovargasruiz@abeam.com

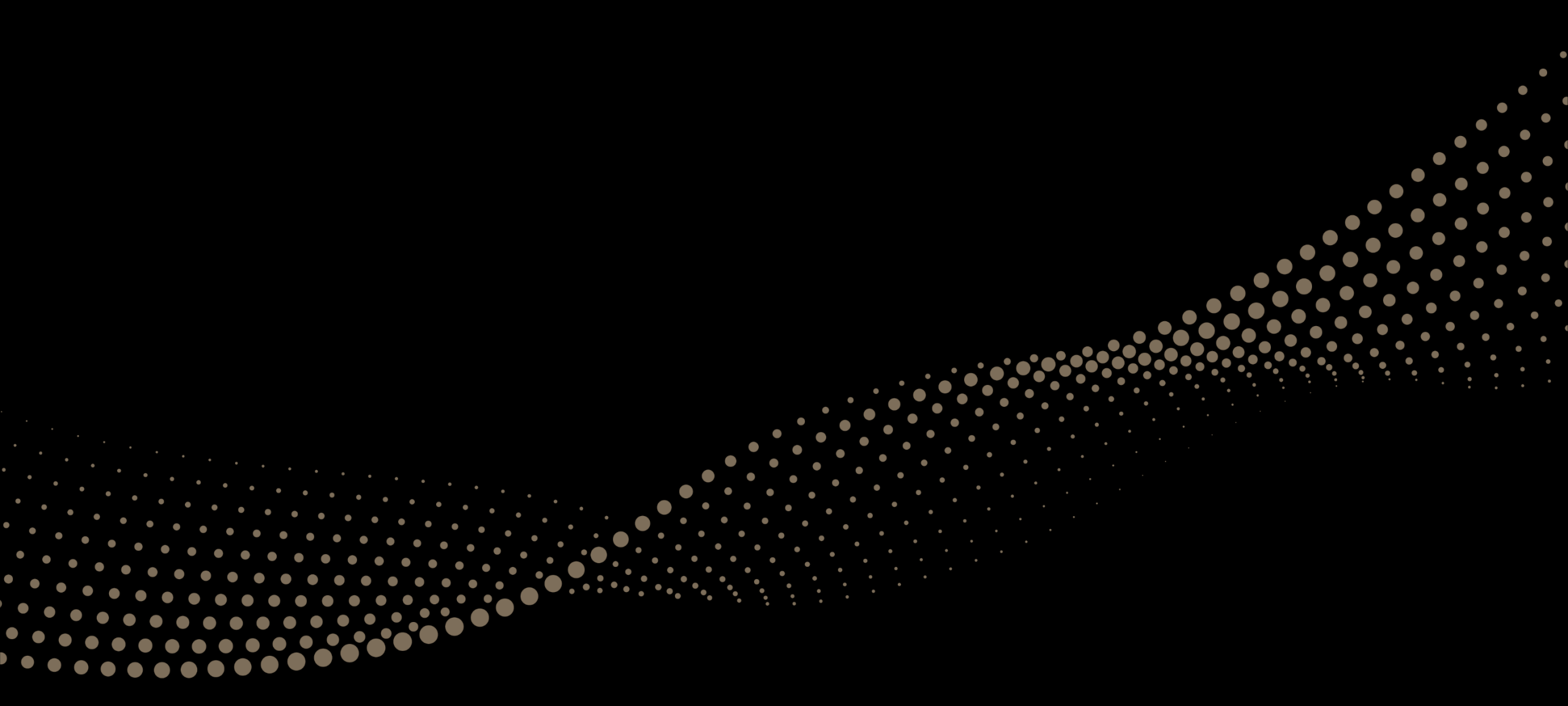


**Krzysztof
Tokarz**
Manager
Automotive &
Manufacturing



ktokarz@abeam.com





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