

Tuesday, 24 November

State of the Nation 27: Booming Australian Automotive Industry accelerates towards ‘Decade of Upheaval’

Roy Morgan Research CEO Michele Levine today presented the latest State of the Nation Report in Melbourne with a special Spotlight on the Australian Automotive Industry.

The State of the Nation Report looks at the changes underway in the Australian automotive industry and the even bigger changes that are set to impact on every part of the industry throughout the 2020s.

2025 has been identified as a tipping point for the industry as a whole as it faces digital disruption – any automotive players that fail to plan fully for the future involving increased car-sharing, driverless cars, and purely online sales will find it far too hard to catch up to ‘first-movers’ by the time 2025 rolls around.

Key findings of this in-depth industry spotlight include:

- The automotive industry is facing immense technological disruption in the near future following the well-worn path taken by booksellers, music vendors, retailers and media companies in recent years.
- Car sharing is set to take off in the 2020s in preference to outright ownership of cars as changing attitudes to cars, led by Generation Y, begin to permeate a larger proportion of the population.
- The automotive revolution which ultimately leads to automotive fleets of driverless cars will result in thousands of lives saved, carbon emissions slashed as technology drives the uptake of fully electric vehicles, the suppression of auto-related crime and faster travel times as autonomous cars communicate with each other to allow for more efficient routing.
- **Quest to Zero Emissions:** A majority of Australians (62%) would pay more for a car with ‘Zero Emissions’ today compared to 38% that wouldn’t. 17% would pay 0-5% more, 25% would pay 6-10% more, 12% would pay 11-20% more and 9% would pay 20%+ more. Splitting by Generations shows 75% of Millennials would be prepared to pay more compared to 51% of Boomers.
- **Driverless Cars:** A slim majority of Australians (54%) are not yet ready for traveling in driverless cars compared to 46% that are. However, looking at demographic breakdowns shows more Men (51%) are ready for driverless compared to 41% of Women. In addition, a clear majority of Millennials (62%) are ready for Driverless compared to only 26% of Boomers.
- **Urban Mobility/ Re-thinking Ownership:** A majority of Australians (64%) aren’t aware of car-sharing services compared to 36% that are, however over 200,000 already use car-sharing services like Go-Get and Flexi-car. Men (43%) are more likely than Women (29%) to know of car-sharing and Millennials (35%) are more aware of car-sharing than Boomers (26%).

- **Digital Disruption:** Buying cars entirely online is just around the corner and already 34% of Australians are ready to buy a car entirely online compared to 66% that aren't. Once again, Men (42%) lead Women (25%) and Millennials (37%) lead Boomers (23%).
- Despite the imminent closure of the Australian automotive manufacturing industry later this year (Holden & Toyota cease local manufacturing in October 2017) Australians are buying more cars than ever before – record sales in 2016 of well over a million new cars could well be repeated in 2017.
- The Australian automotive industry is far larger than the headline manufacturing – Automotive financing (\$20 billion+), Automotive insurance (\$13 billion+), Servicing & Repairs (\$14 billion+), Roadside assist (\$6 billion+), Fuel (\$3 billion+), Media & Publishing (\$1.9 billion+) and Parking are all larger industries that aren't impacted by the closure of local manufacturing.
- Annual transportation costs in Australia equal \$117 billion (7% of Australia's GDP). This includes car loans, registration/ licensing, insurance, servicing, fuel, public transport, roadside assistance and tolls.
- Average Australian family spends \$17,147 per annum on transport, equal to 13.6% of average household income. The potential savings as we move to shared ownership and driverless cars are clearly massive.
- Total new sales in 2016 equalled \$41 billion+ which equated to sales of 1,178,133 new cars and in addition around 2.1 million used cars were also sold. Thus total vehicle sales (new and used) in 2016 were worth an estimated \$80 billion+.
- Australia's top selling new cars in 2016 were: 1. Toyota Hilux 4x4s; 2. Toyota Corolla; 3. Hyundai i30; 4. Ford Ranger; 5. Mazda3 – none of which are locally manufactured.
- Australia is one of the world's most competitive auto markets with 54 brands selling passenger vehicles, Sports Utility Vehicles (SUVs) and Light Commercial (LC) vehicles. All-in-all over 430 new models for Australians to choose from. In comparison – the US has only 40 brands selling passenger, SUVs and LCs.
- Australia's quickly growing population will ensure car sales remain strong over the next few years even though technological advancements will begin to significantly alter the way we consume 'transport' in the 2020s and beyond.
- More Australians are comfortable with Technology than ever before and this impacts the way Australians buy cars – almost 75% of potential new car buyers now go online to undertake car research before purchasing. The Early Adopters of technology are also the most drawn to new services like driverless cars and other urban mobility services.
- 1 million Millennials (18%) have Uber on their phone or tablet and two-thirds have used the Uber app in the last 4 weeks compared to only 1% of Boomers that have downloaded Uber, and only half of those have used Uber in the past 4 weeks.
- 200,000 Australians are now using car-sharing services. Of these, almost half, 96,000, are Millennials compared to only 20,000 Boomers.

- Millennials are drawn to new technologies – 32.4% would consider buying an electric vehicle and 50.3% would consider buying a hybrid compared to 22.6% of Boomers that would consider an electric vehicle and 40.5% that would consider a hybrid.
- 16.3 million Australians drive a car; an increase of 2.5 million (+19%) over the last decade. The percentage of Australians aged 14+ that drive a car has increased from 81.8% of the population to 82.4%.
- Over 7 million Australians now drive new cars (+2.3 million) compared to 9.2 million that drive used cars (+ 600,000). The usage of new cars is clearly catching up to used cars.
- Average age of the Australian car fleet has dropped to 10 years (down from 10.3 in 2006). This is still higher than comparable countries – the average age of a car in Germany is 6.9 years and 8.3 years in Japan.
- SUVs are taking off but still trail well behind passenger cars. Now 10.5 million Australians drive passenger cars (down from a peak of over 11.2 million in 2010), 4 million drive SUVs (up by 2.4 million since 2006) and 1.4 million drive Light Commercial vehicles.
- Looking more closely at the passenger car segment shows small passenger cars – now at 4.1 million drivers overtook large passenger cars (2 million drivers) in 2010 - when both were just under 3.5 million drivers. Clearly the drop-off in large passenger vehicle sales has contributed to the shifts to SUVs in recent years.
- All segments of SUVs have taken off in recent years – Medium SUVs (1.6 million) are now just ahead of Large SUVs (1.5 million) although Small SUVs (570,000) are the fastest growing part of the market in recent years although still well behind.
- Toyota (3.5 million) is still Australia's most popular brand despite the imminent closure of its local manufacturing facilities ahead of Holden (2.1 million), Ford (1.7 million) – both of which have dropped in size significantly over the past decade when both American brands rivalled Toyota, now just ahead of Honda (1.4 million) and Hyundai (1.1 million).
- Volkswagen is Australia's fastest growing brand – up a huge 302% over the past decade to over 500,000, ahead of Audi (up 217%), Kia (up 142%) and Mercedes-Benz (up 102%). All four of these brands have more than doubled their road presence over the last decade.
- Baby Boomers are a growing part of the automotive market going forward. The number of Boomers in the market for a new car is up 112% since 2006 while Millennials in the market for a new car is up 49% in the same period.
- Boomers are driving the increase in SUV sales. Now 37.6% of Boomers looking to buy a new car are in the market for an SUV compared to only 15.8% a decade ago.

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