



## FOR IMMEDIATE RELEASE

### **New Research Shows Automakers Face Consumer Skepticism Toward Vehicle Feature Subscriptions**

- A new Cox Automotive study finds that a lack of knowledge and perceived high prices hold back consumer enthusiasm for vehicle Features on Demand.
- Free-trial periods are seen as a positive selling point for Features on Demand and could increase consumer consideration.
- The value proposition is key to automakers' success when offering subscription-based vehicle features.

**ATLANTA, May 15, 2023** – According to consumer research from Cox Automotive, automakers may face challenges if they expect to generate significant revenue from subscription-type features, also known as Features on Demand (FoD).

In a new study titled "Software Monetization: The Emergence of Vehicle Features on Demand," the Cox Automotive Research and Market Intelligence team explores the trend toward offering vehicle features through subscription-type services.

"Our initial research indicates that the transition to Features on Demand will be an uphill battle for many automakers," said Vanessa Ton, senior manager of market and customer research at Cox Automotive, who helped lead the research project. "In the market right now, there is low consumer awareness and some skepticism on the part of shoppers. To gain consumer acceptance, automakers must ensure consumers perceive subscription-based features as a good value and not just a money-grab."

### **Study Finds Low Consumer Awareness, Need for Strong Value Proposition and Desire for Free Trials**

The research showed consumer skepticism, as three out of four respondents agreed with the statement, 'Features on Demand will allow automakers to make more money.' Further, 69% of respondents indicated that they would likely shop elsewhere if certain features were available only via subscription.

The study revealed areas automakers should address when developing a Features on Demand strategy.

- 1. Low awareness:** The study suggests that understanding of Features on Demand is still very low among shoppers, with only 21% of in-market shoppers familiar with the concept. However, 41% indicate that they are interested in Features on Demand.
- 2. Perceived high price:** The research also shows that, at least initially, most shoppers (58%) expect an FoD approach to be too expensive, and there are concerns about data security and privacy.
- 3. Free trial periods:** Sixty-five percent of survey respondents suggested that a free on-demand subscription – a free-trial period – would be a positive selling point and make them more likely to consider a brand.

"As consumer familiarity is low, automakers will have to be careful in how they present an FoD strategy and make sure not to turn off shoppers from the start," added Ton. "Our research suggests that free trial periods might be one way to approach the issue."



## Shoppers See Potential Upside in Features on Demand Subscriptions if Done Right

Automakers can develop a win-win Features on Demand strategy that creates a new revenue stream and provides the perceived value for money that consumers desire.

1. **Base models:** Importantly, most shoppers believe a top benefit of FoD would be a lower starting price for the vehicle. Features on Demand could be a way for some automakers to offer a more affordable base model vehicle that could evolve.
2. **Future upgrades:** Shoppers view FoD as an opportunity to upgrade their vehicles and try new technology. Nearly half of the shoppers surveyed felt FoD features would be a reason to retain a vehicle longer, as new capabilities or options could be added well after purchase.
3. **Try before you buy:** Most shoppers see some benefit in the strategy, as an FoD approach will allow vehicle buyers to try out unfamiliar features without requiring a long-term commitment (i.e., buying something they don't like or need.)

"As with everything in the auto business, the value proposition has to be front-and-center for the consumer," Ton concluded. "Automakers will need to steer away from mandates and instead ease consumers into features they can access by offering free trials on safety and convenience options."

## Security and Safety Features Provide the Greatest Revenue Opportunity

The Cox Automotive research indicates that FoD with the greatest revenue opportunity for the automakers would be stolen vehicle location and recovery systems, parking-assist features, digital keys via smartphone applications, and in-vehicle Wi-Fi. According to the new report, the greatest longer-term revenue opportunities for FoD would be through streaming services, virtual assistants, and driver monitoring or self-driving capabilities.

[Download an infographic of key report findings.](#)

## About the Study

The Cox Automotive Research and Market Intelligence team surveyed over 2,000 in-market vehicle shoppers in late December and early January to determine their interest in vehicle features through subscription-type services. Additionally, the study explored the consumer benefits and barriers to Features on Demand.

## About Cox Automotive

Cox Automotive is the world's largest automotive services and technology provider. Fueled by the largest breadth of first-party data fed by 2.3 billion online interactions a year, Cox Automotive tailors leading solutions for car shoppers, automakers, dealers, retailers, lenders and fleet owners. The company has 25,000+ employees on five continents and a family of trusted brands that includes Autotrader®, Dealertrack®, Kelley Blue Book®, Manheim®, NextGear Capital™ and vAuto®. Cox Automotive is a subsidiary of Cox Enterprises Inc., a privately-owned, Atlanta-based company with \$22 billion in annual revenue. Visit [coxautoinc.com](http://coxautoinc.com) or connect via [@CoxAutomotive](https://twitter.com/CoxAutomotive) on Twitter, [CoxAutoInc](https://www.facebook.com/CoxAutoInc) on Facebook or [Cox-Automotive-Inc](https://www.linkedin.com/company/Cox-Automotive-Inc) on LinkedIn.

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