

Appraiser Blog

Challenges Ahead: Automakers and Subscription-based Features



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The automotive industry is embracing subscription-based features, also known as Features on Demand (FoD), as a potential revenue source. However, a recent consumer research study conducted by Cox Automotive raises concerns about the challenges automakers may face in generating substantial revenue from these offerings. This comprehensive study, titled "Software Monetization: The Emergence of Vehicle Features on Demand," highlights the importance of consumer awareness and perception in shaping the success of subscription-based features in the automotive industry.

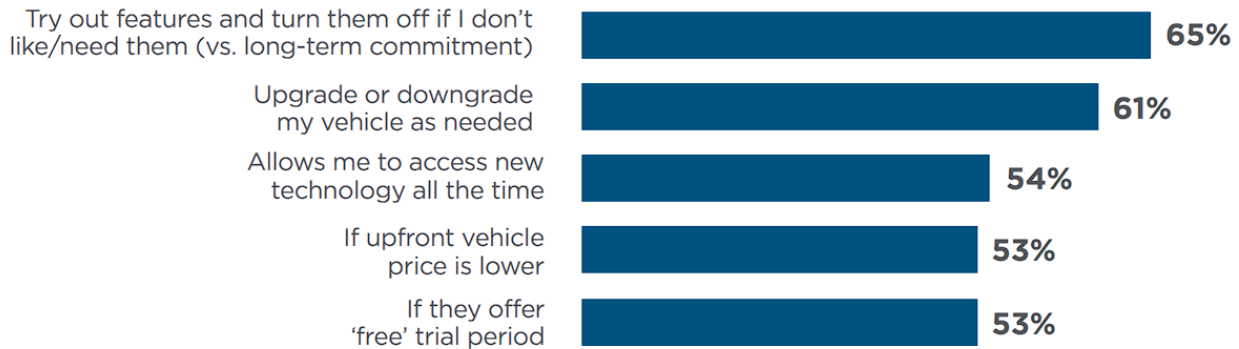
Low Consumer Awareness and Skepticism

The research highlights a notable disparity in consumer awareness regarding Features on Demand, with just 21% of in-market shoppers familiar with the concept. However, an encouraging 41% express a genuine interest in exploring subscription-based features. For many consumers, FoD represents an enticing opportunity to test unfamiliar features without the need for long-term ownership commitments. This freedom to upgrade vehicles and experiment with new technologies is highly valued. Moreover, a significant number of shoppers recognize the potential of FoD to lower the initial vehicle price, further enhancing its appeal.

Challenges to Overcome

The study reveals that automakers must navigate several challenges to gain consumer acceptance of subscription-based features. Among these challenges are concerns about cost, data security, and privacy. A majority of shoppers (58%) initially perceive FoD as too expensive, while also expressing skepticism about the automakers' motives in implementing these features. Additionally, 69% of respondents indicated that if certain features were exclusively available through subscription, they would seek alternative options.

Top benefits of features on demand among shoppers



Source: 2023 Features On Demand Subscription Research

Approaching the Issue Strategically

To address these challenges and increase consumer acceptance, automakers should carefully present their FoD strategies. The research suggests that offering free trial periods could be an effective approach. Sixty-five percent of respondents considered a free on-demand subscription as a positive selling point, making them more likely to consider a brand. Furthermore, nearly half of the shoppers expressed a willingness to keep a vehicle longer if they could upgrade it with additional features during its lifecycle.

Promising Revenue Opportunities

The study uncovers a range of specific FoD offerings that hold significant revenue potential for automakers. These encompass features such as stolen vehicle location and recovery systems, parking-assist functionalities, smartphone-based digital keys, in-vehicle Wi-Fi, streaming services, virtual assistants, and advanced driver monitoring or self-driving capabilities. By strategically capitalizing on these opportunities and delivering compelling value propositions, automakers have the power to elevate consumer perception and embrace the full potential of FoD.

The Future of Subscription-based Features

As automakers continue to explore subscription-based features, it is important to strike a balance between generating revenue and delivering value to consumers. With the rise of electric vehicles (EVs), subscription fees may become increasingly prevalent to offset production costs or maintain revenue from sold cars. However, consumer awareness and satisfaction should remain a top priority to ensure long-term success.

The introduction of subscription-based features presents both opportunities and challenges for automakers. While consumer awareness remains relatively low, there is a significant interest in exploring FoD offerings. Automakers must navigate skepticism, cost concerns, and data privacy issues to gain consumer acceptance. By strategically approaching the issue, offering free trials, and focusing on delivering compelling value propositions, automakers can overcome these challenges and tap into the promising revenue potential of subscription-based features. As the automotive industry evolves, striking the right balance between revenue generation and consumer satisfaction will be crucial to driving the success of subscription-based vehicle features.