

Consumer research examining the importance of total cost of ownership during the car buying process



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Date of summary report: September 2019

Overarching Aims of Study

- To demonstrate the importance of total cost of ownership (TCO) during the car purchase process thereby raising awareness of the affordability of zero emission vehicles.
- To provide evidence, with the Finance and Leasing Association (FLA), to encourage the Financial Conduct Authority to produce guidance recommending the presentation of total cost of ownership figures in car leasing and financing.
- To provide evidence in support of future amendments to the Consumer Finance Act to mandate the provision of TCO figures.

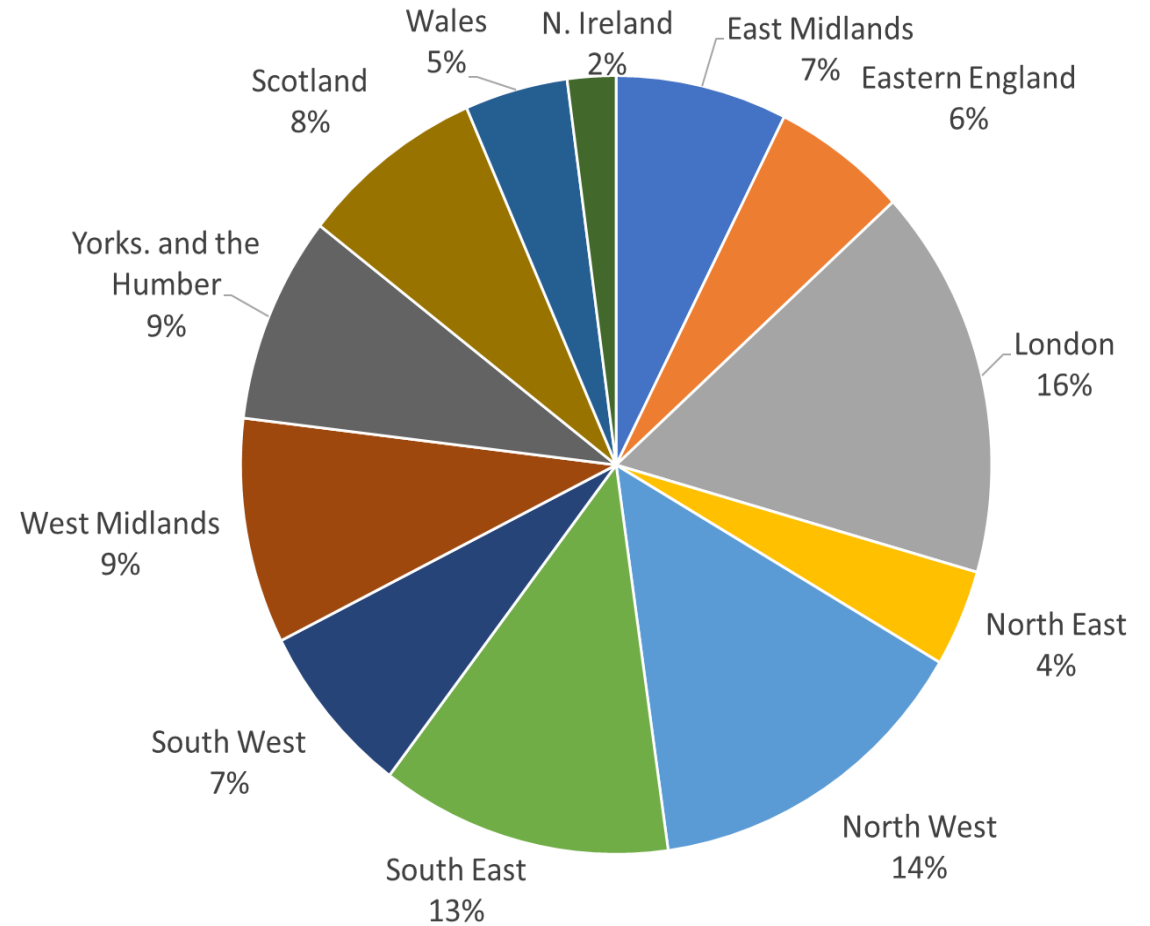
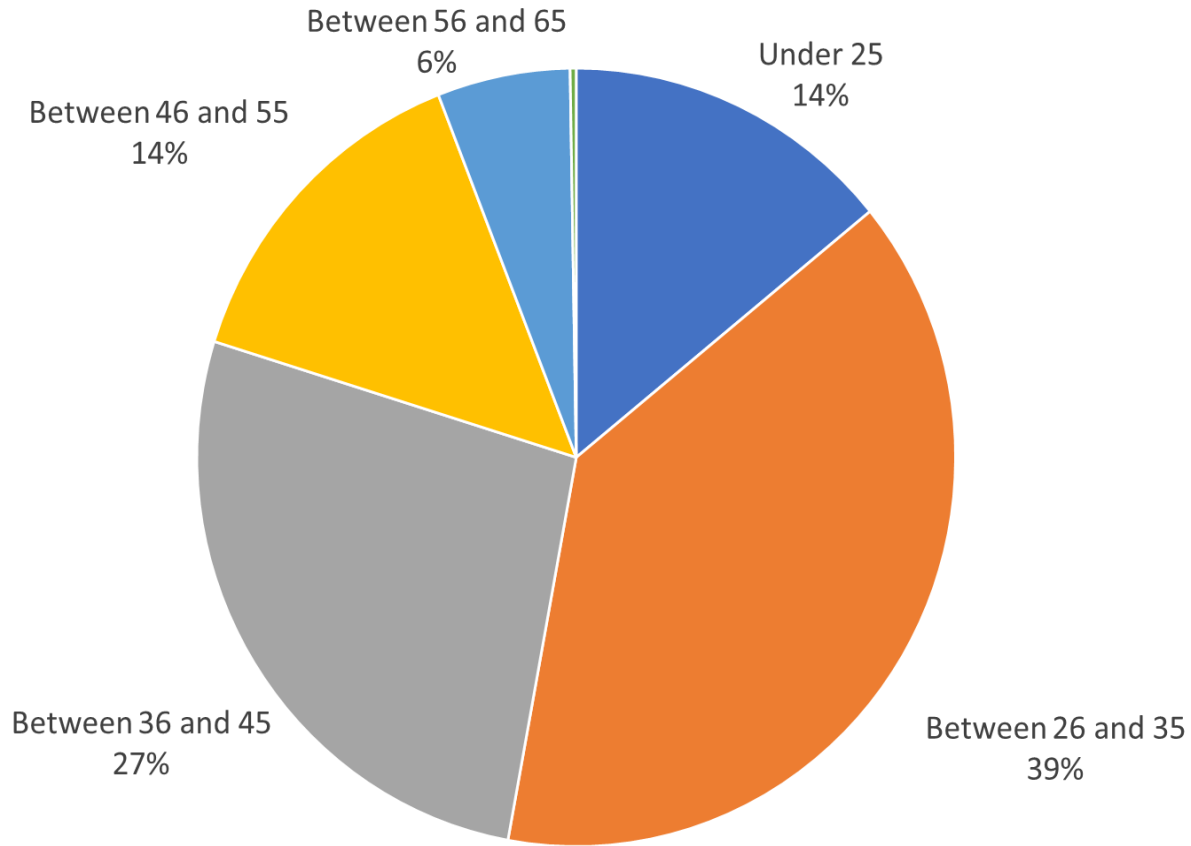
Objectives

- To identify what financial information consumers find most important
- To identify consumer preference for presentation of financial information, in particular total cost of ownership
- To investigate what incentives consumers would favour with regards to purchasing an electric car

Methodology

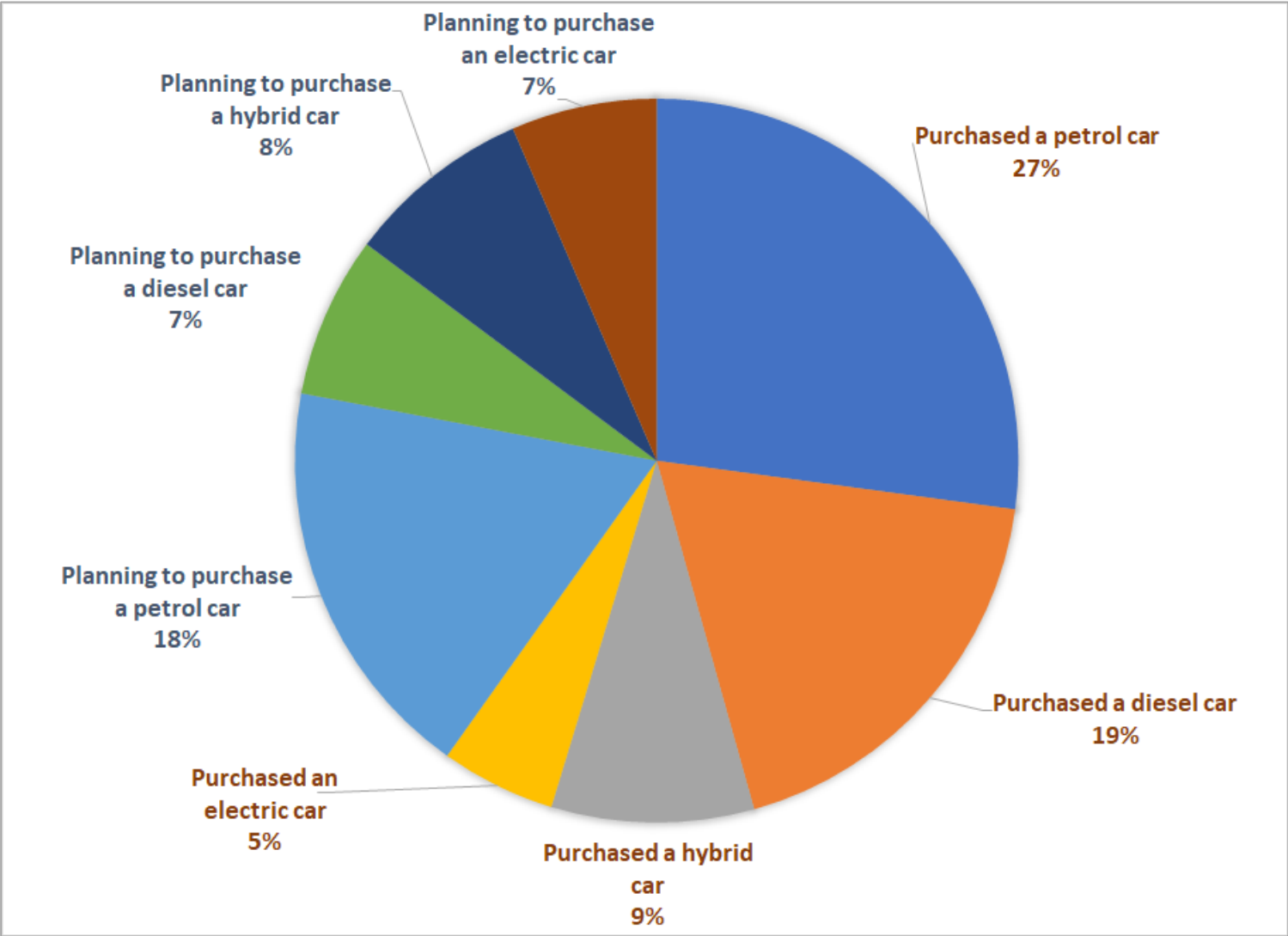
- Consumers recruited by a market research company, (Sample of consumers who had or were planning to purchase a new car on a lease or finance package within the last 12 months, including all powertrains and fuels.)
- Part 1: Car buyer survey 2000 consumers Part 2: Focus group of 10 consumers
- Questions prepared by LowCVP with input from FLA. LowCVP members engaged on this project included Energy Saving Trust, PSA Groupe and EV fleet consultancy CleanCar.

Respondents Demographics



55% female and 45% male

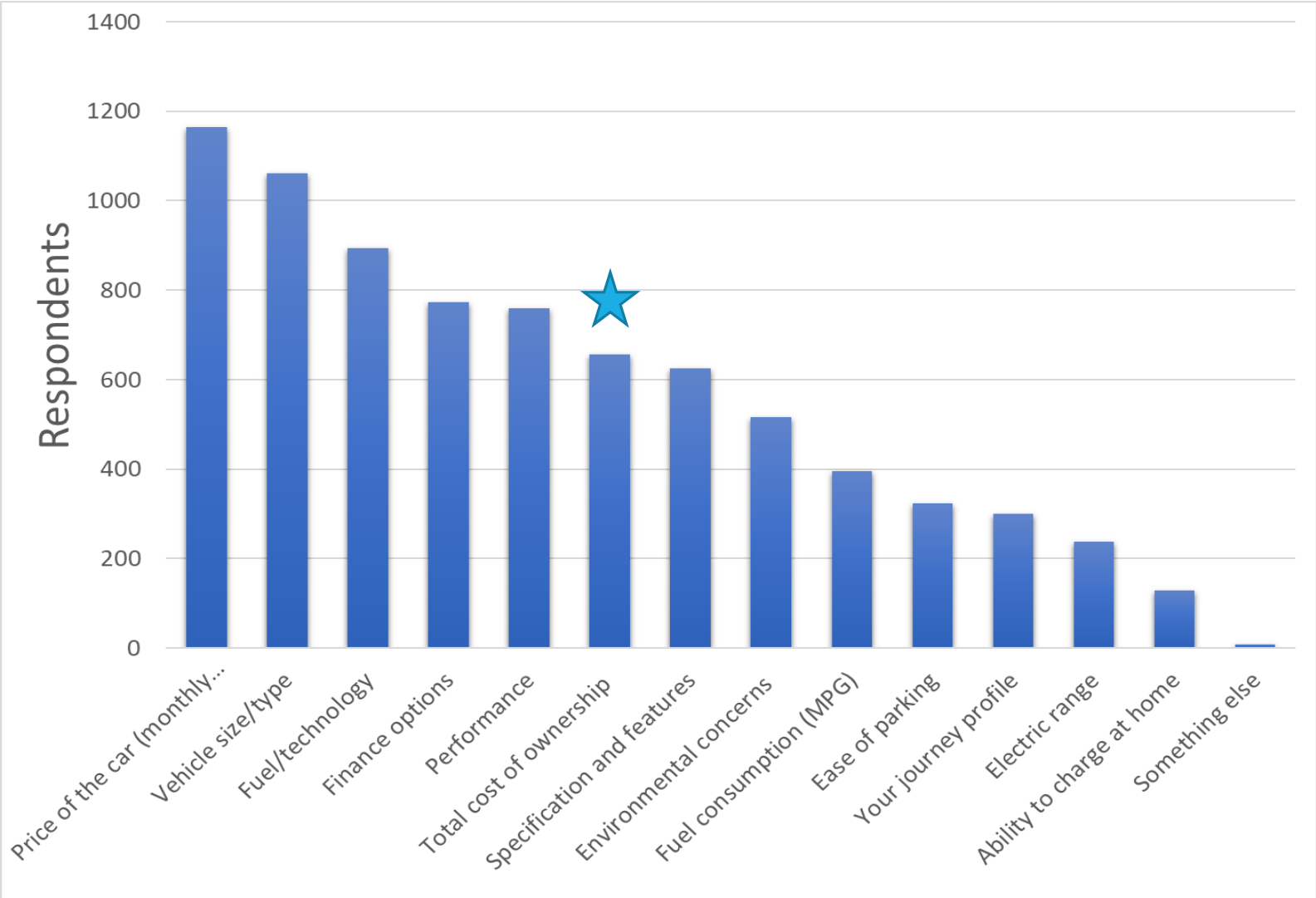
Q1- Identify the car technology/fuel you have, or plan to purchase?



Note:
Petrol cars are the most popular powertrain.
Diesel, Hybrid and Electric all show similar consideration levels for future purchase

Purchase using a lease or finance package

Q2. What did, or will you, think about when researching your next car?

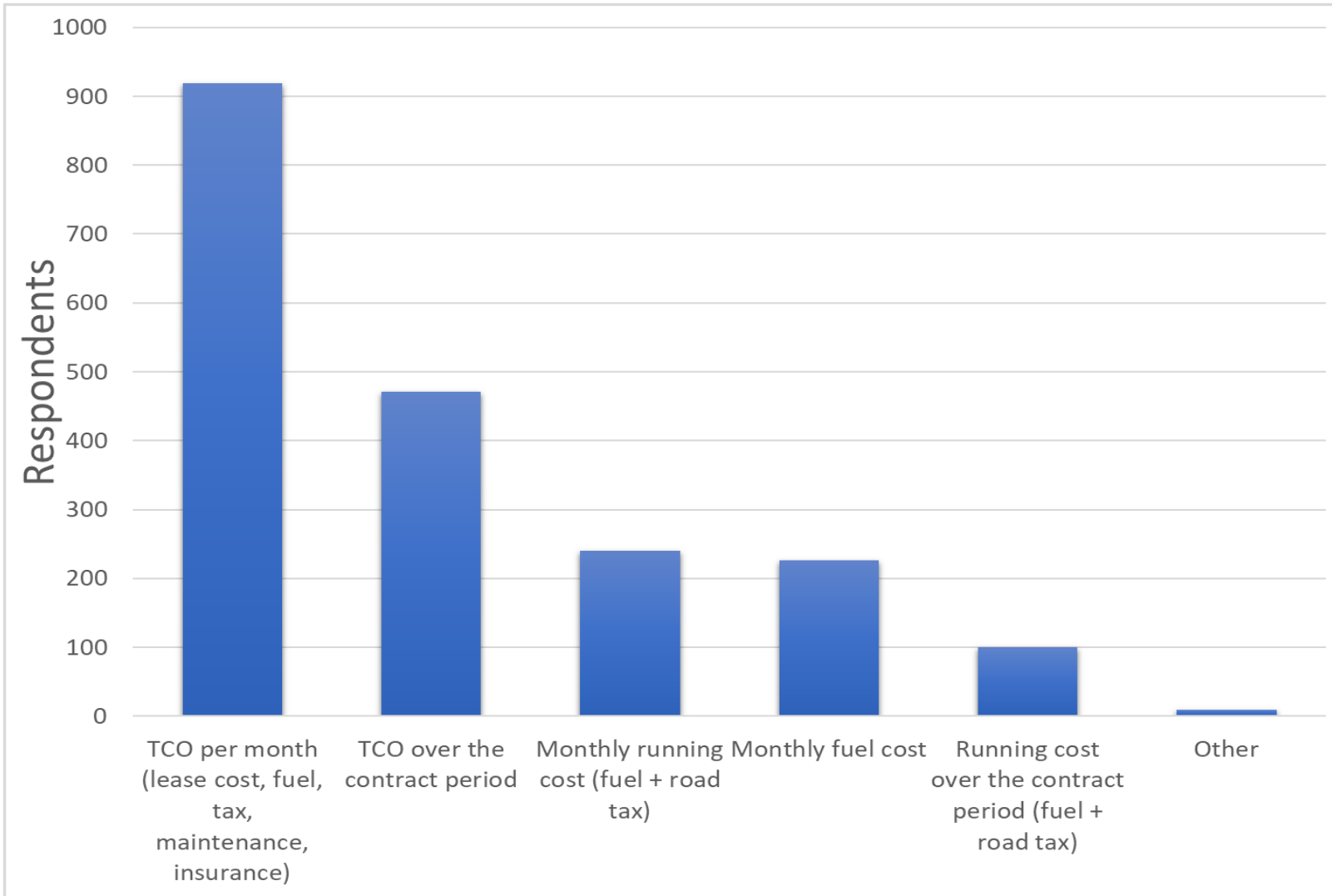


Price is most important
TCO is the 6th most important factor.
Fuel consumption 9th

Presenting TCO can help demonstrate affordability especially with regards to lending.

For electric cars, electric range and charging at home were the fourth highest factors of importance.

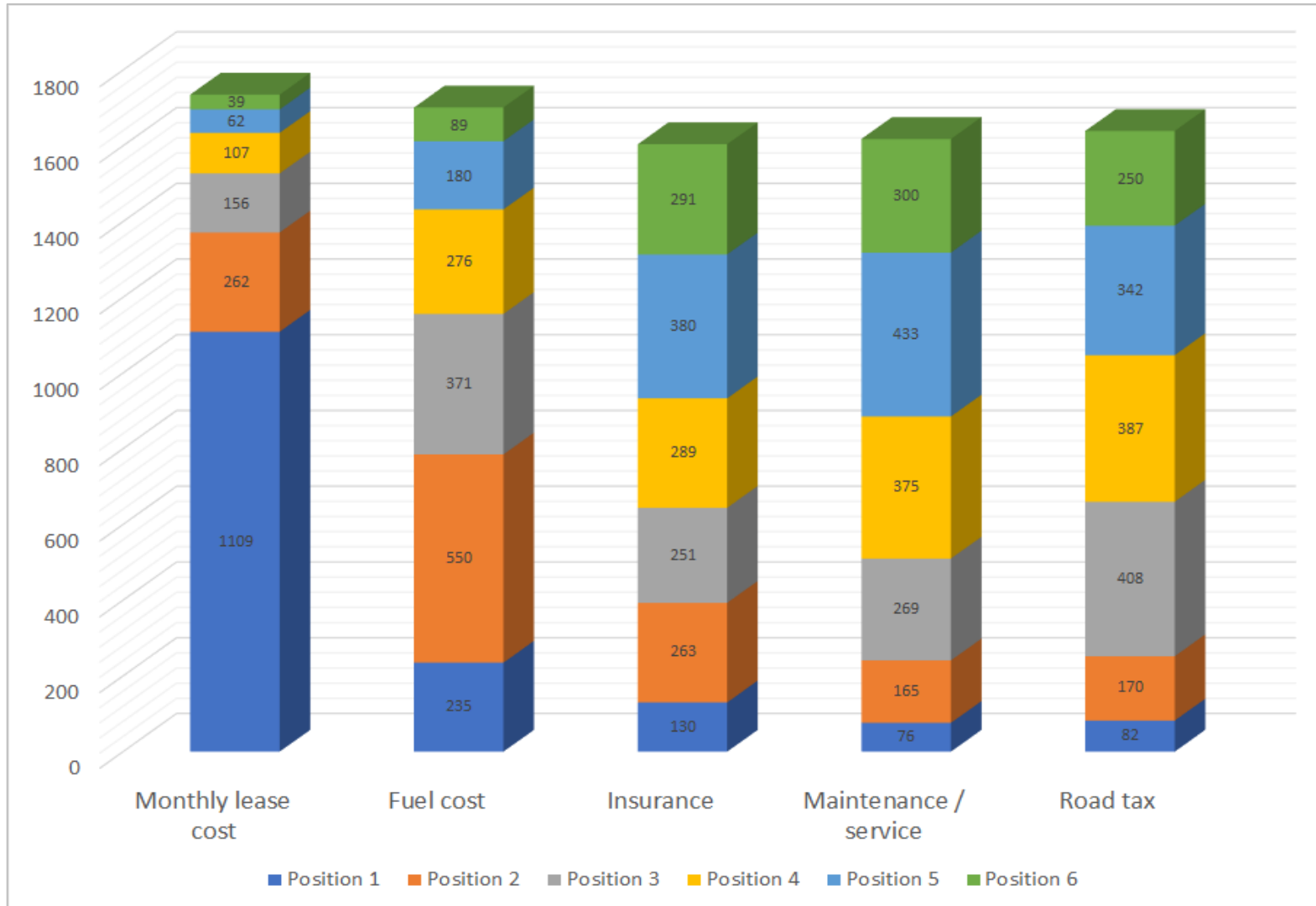
Q3. If car retailers provided additional cost information which of the following would you find most useful to your decision making ?



TCO/month is perceived as the most useful metric to present in consumer information.

Consumers are interested in having more detailed motoring cost information to aid decision making.

Q4. Considering TCO, what factors are of most importance?



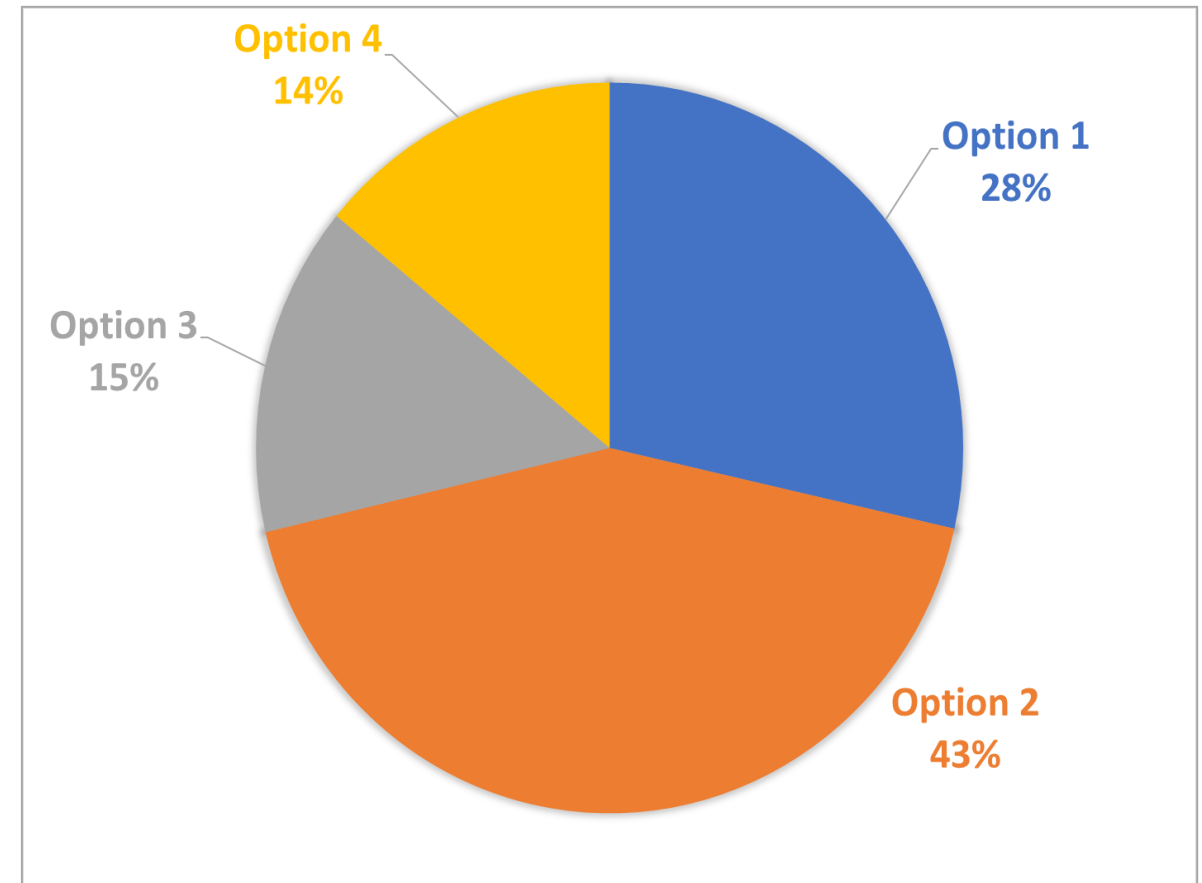
Clearly demonstrates importance of monthly lease cost, followed by fuel cost.

Colour coding could work well in showing a break down of TCO. This could become recognised 'car finance icon' to help compare cars, in particular ICE v EV.

Useful to show TCO for 'my car' and potential 'new' for comparison.

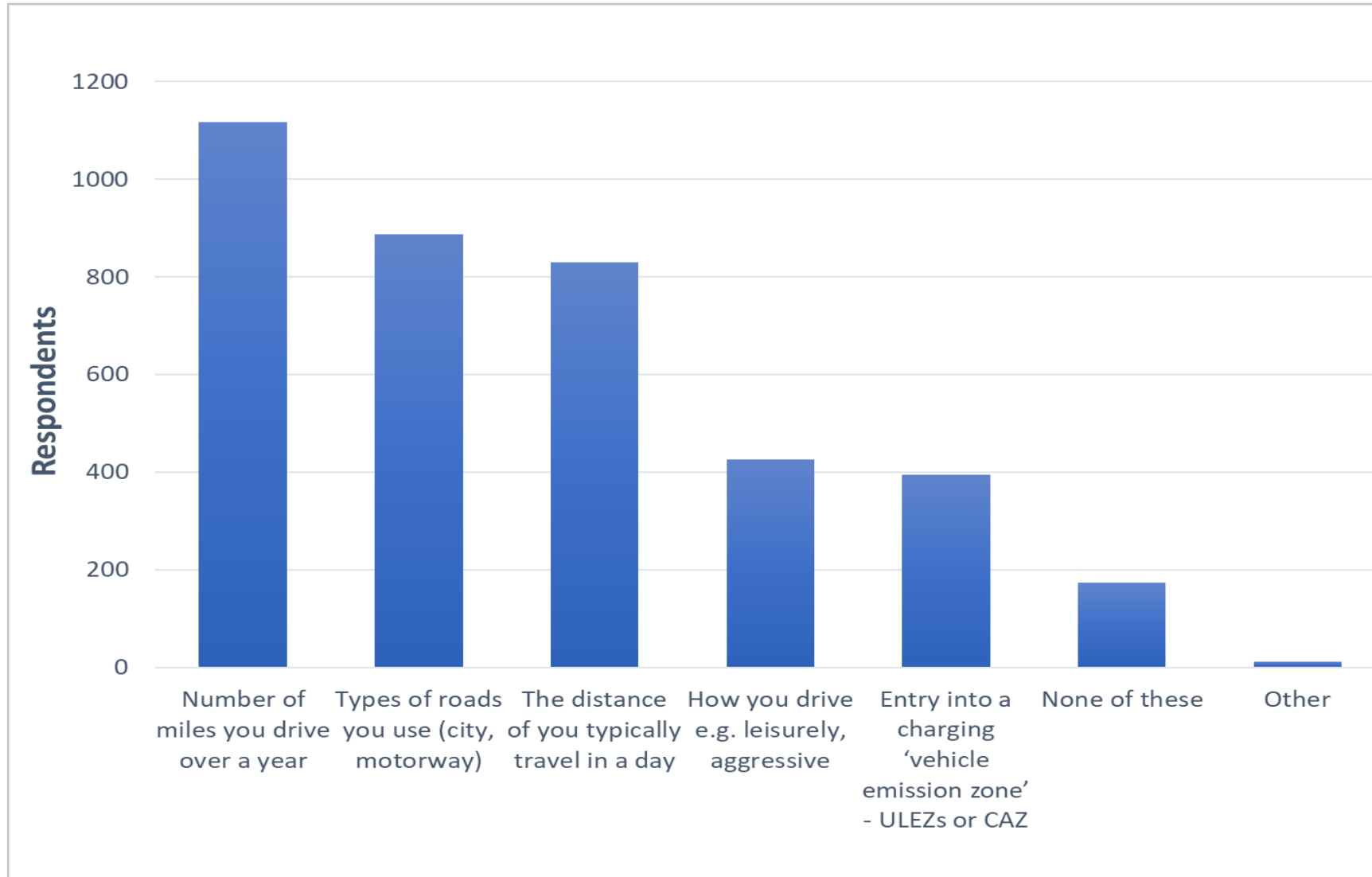
Q5. Below are options describing the costs of owning a car. Which would most likely influence your decision towards an electric car?

ILLUSTRATION ONLY - NOT ACTUAL FIGURES		
Make, Model + Fuel	Ford - Focus	Nissan - Leaf
	Petrol	Electric
Option 1		
Purchase cost including plug-in car grant	£24,530	£31,440
Operating period	4 years	4 years
Fuel over 4 yrs	£4,400	£2,000
Road tax over 4 yrs	£565	0
Total running cost over 4yrs	£4,965	£2,000
Running cost savings		£2,965
Option 2		
Purchase cost including plug-in car grant	£24,530	£31,440
Insurance group	16	21
Monthly lease cost/mile	23p	30p
Service, maintenance per mile	4p	2p
Road Tax / yr	£140	0
Fuel per mile	11p	5p
Monthly total cost of ownership	£650	£630
Option 3		
Purchase cost including plug-in car grant	£24,530	£31,440
Road Tax / yr	£120	£0
Monthly lease cost	£180	£338
Initial payment	£1,620	£3,042
Running cost (fuel & road tax) over 4 yrs	£4,440	£2,000
Option 4		
Monthly lease cost	£180	£338
Initial payment	£1,620	£3,042
Running cost (fuel & road tax) over 4 yrs	£4,400	£2,000



Evidence supports earlier question.

Q6. Which of these factors do you consider when choosing a new car?



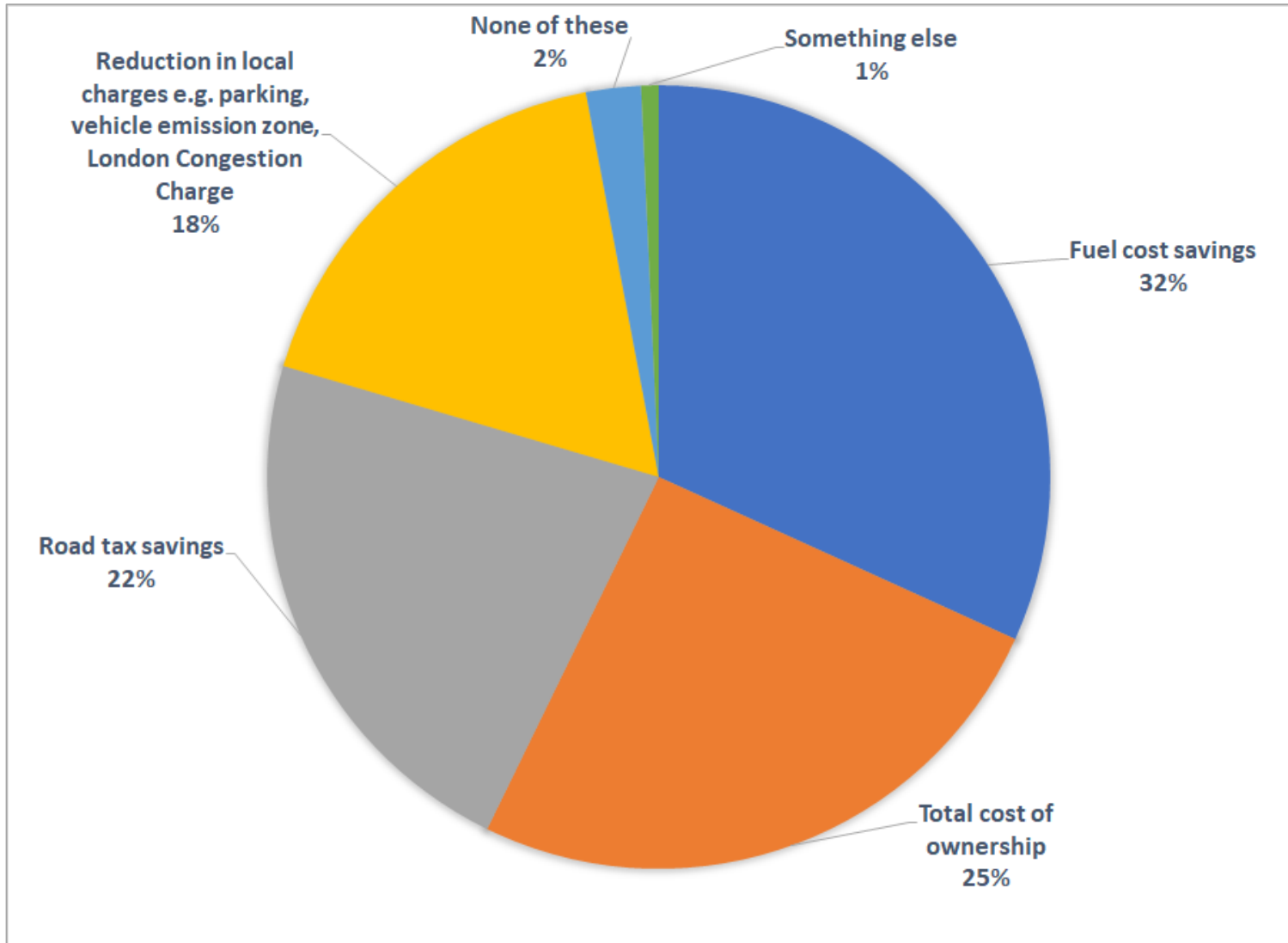
Demonstrates lack of knowledge of 'Clean Air Zones'.

'Type of roads' give credence to using specific WLTP MPG data in calculations, matched to individuals' journey type. This will enable more accurate fuel cost figures to be presented.

Previous research by the LowCVP has indicated consumers preference for using their own mileage figure to calculate running cost.

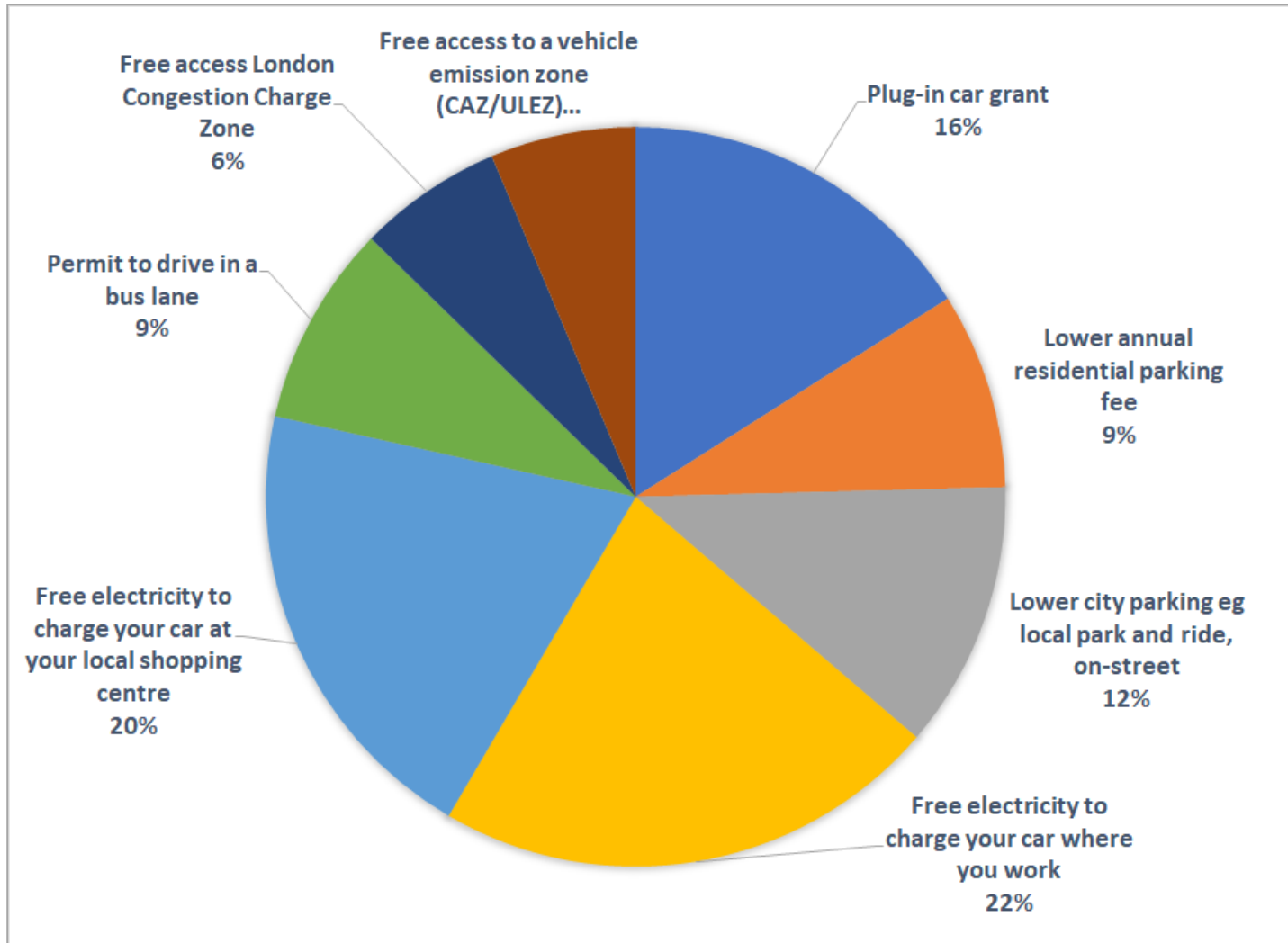
WLTP is the official test procedure for measuring fuel consumption and energy consumption, CO2 emissions for new cars

Q7. When thinking about choosing a new car what cost information is most likely to influence you to purchase an electric vehicle?



Demonstrates the importance of fuel cost to consumers and total cost of ownership. Road Tax seen as key parameter despite recent changes (flat rate)

Q8. Which of the following incentives could encourage you to consider purchasing an electric car?

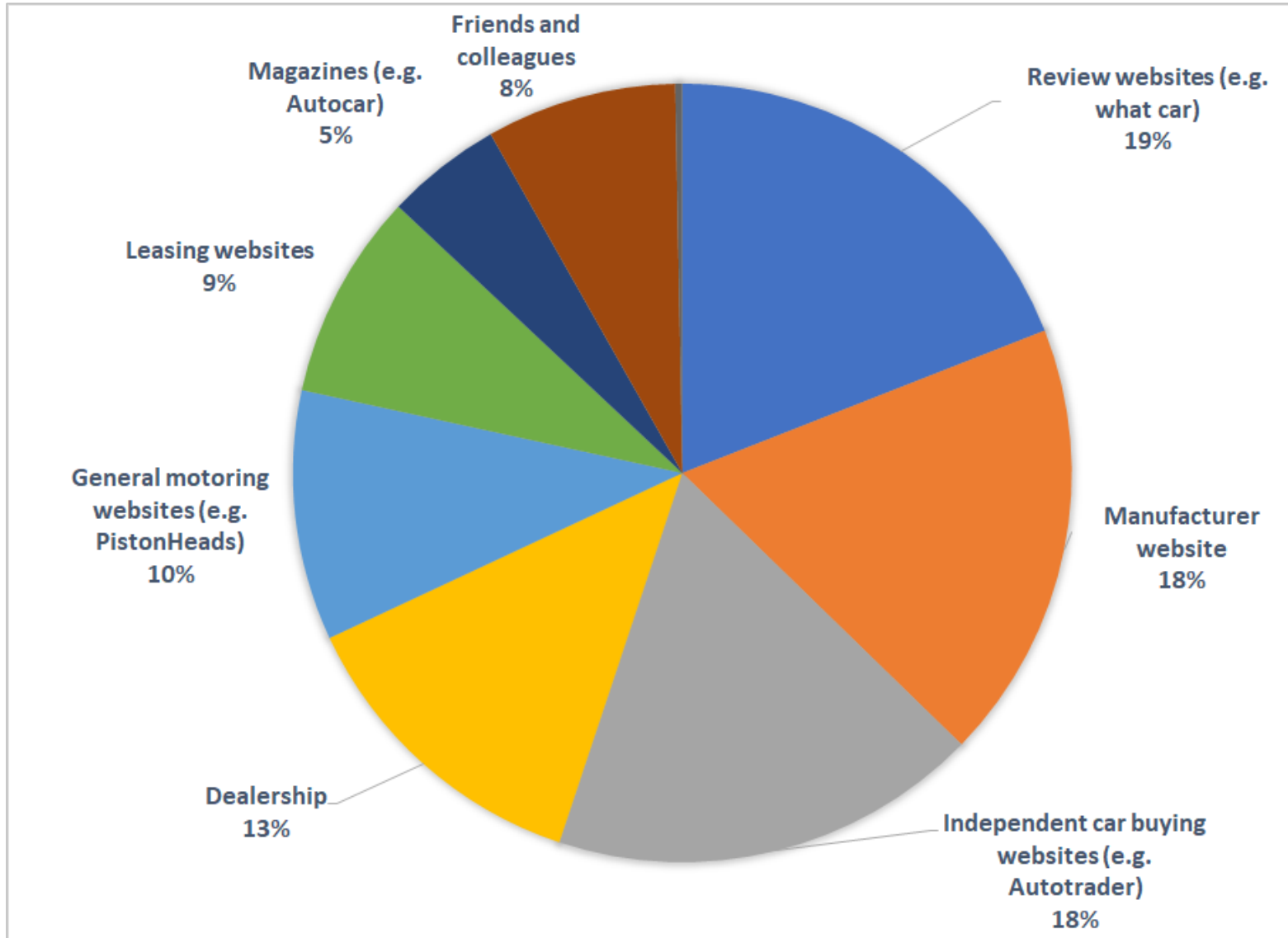


Note how free electricity at work and local shopping centres scores highly – indicates what additional local information consumers should be made aware of to make EVs more affordable.

Shows the relevance of ‘local’ incentives.

CAZ- Clean Air Zone
ULEZ – Ultra Low Emission Zone

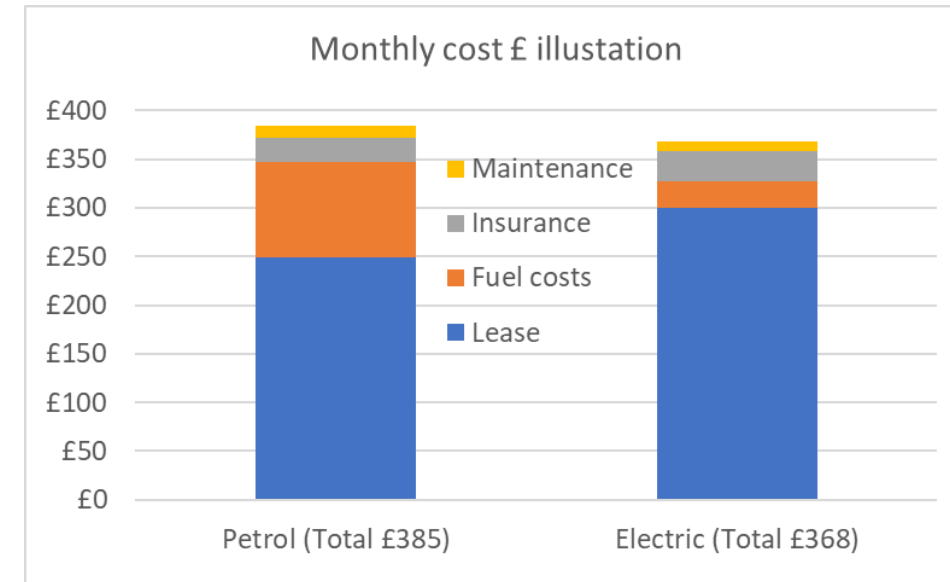
Q9. When choosing a new car where do you go for information?



Provides evidence of which 'communication' channels we should work with more closely regarding improving car buyer information. Influence of Dealership to car choice has diminished.

Focus Group Results – 10 people (9 ICE/1 hybrid owners)

- Opening discussion about the most recent car model purchased and why. EVs were not considered as seen as too costly and concerns about insufficient public charger units. One respondent could not install a charger at home as they lived in a flat.
- Group failed to appreciate the variety of EV models on the market and longer electric range of the newest models.
- When discussing factors that influence purchasing decision TCO came up several times, group felt there was a lack of this information in the public domain, especially on manufacturers' websites and general automotive websites.
- When presented with examples of TCO figures the group agreed this was beneficial and helped demonstrate a better picture of affordability for an EV.
- Presenting a breakdown of monthly TCO as coloured stacked bar chart was considered very useful, and visually assisted comparing cars.
- Consumers found it difficult to compare an ICE with BEV using fuel consumption (MPG) v energy consumption (m/kwh) metrics – agreement that running costs/month provides a useful 'cost' metric for comparison.



Illustrative customer cost/month comparison

Focus Group Results – 10 people (9 ICE/1 hybrid owners)

- **Insurance potentially difficult** parameter, given the number factors influencing insurance. It was suggested this could be simplified such as using a proxy figure (with caveats in small print) or presenting insurance group.
- Deep discussion about **assumptions behind TCO figures**. Considered highly important and should be made visible in quotes.
- One factor that still presented a slight hinderance for **BEVs** was the **higher initial down payment** for PCP
- When asked about broad cost factors several members of the group supported the idea of **bundling up the home charger** with an electric car when offering a lease package.
- Nine people in the group were **unaware of the existence of EV tariffs** offered by energy suppliers in the UK. The list of current tariffs and offers where presented. It was agreed that if this information was available it would further support the lower TCO of a BEV and demonstrate fuel cost savings.
- It was highlighted that **'local' incentives could influence the TCO** in particular the London Congestion Charge exemption for EVs, free electricity at supermarkets. Dealers should be cognisant of such incentives and communicate these to prospective car buyers. It was considered difficult to include these factors in a standard set of figures to calculate TCO.
- The group was shown various **on-line TCO comparative tools** presented on business fleet and 'green' car buying websites. These were **considered highly informative and useful for comparing cars**, especially those with different powertrains. It was agreed that such tools should be more prevalent on consumer websites.

TCO was identified an important factor in car purchasing process but is lacking in the consumer domain.

- Presenting a breakdown of TCO/month as a colour-coded bar chart could enable visual comparison of cars/powertrains.
- Presentation of TCO/month had strong support for demonstrating affordability of electric vehicles.
- Providing a figure for insurance was considered difficult, a simplistic approach could be considered.
- Saving money seen as a key incentive to buy an EV. Fuel cost savings are considered particularly important.
- Two of the most attractive fiscal incentives are free electricity to charge an EV at shopping centres and at work.
- Consumers see the value of packaging up a home electric charger unit with an electric car as part of a lease or finance package.

Consumers were generally unaware of the range of EV tariffs on the markets and felt this information would be useful in influencing their decision and showing the affordability on an EV – ie lower running costs.

On-line TCO comparative tools were considered highly useful in the buying process, ideally shown on automotive websites.

LowCVP and FLA intend to create an industry standard outlining how running costs and ultimately TCO could be calculated and presented by the finance and leasing sector.

Working with the industry sectors to establish the data sources and core assumptions

A monthly running costs standard will be developed plus guidelines for presenting TCO figures to consumers.