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How carmakers can compete for the connected consumer

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Connectivity and automation are transforming the car industry. Our new report, based on an extensive consumer survey, provides a road map for success.

Connectivity and automation are more and more a part of today's cars, from vehicles that offer dashboard interfaces for accessing email to those that parallel park all on their own. And as customers' expectations for these features grow—along with their willingness to pay—so will the value pool that's being created. The big question? Exactly which players along the automotive value chain will reap the rewards.

Our latest survey underlines the need for automakers to adapt to a rapidly changing consumer environment.[1] In just the past year,[2] the number of customers declaring they are willing to switch brands for better connectivity features has almost doubled, to 37 percent. Nearly a third of customers are now willing to pay for connected services in a subscription-based model, up from 21 percent a year ago (exhibit). Perhaps surprisingly, only 25 percent of consumers categorically refuse to let automakers potentially use their position data for connectivity services. And not all customers are created equal: attitudes about connectivity features and their associated issues—especially data privacy—differ significantly by age, market, and brand preference, as well as by country. Customers in China, for example, are particularly enthusiastic about connected cars; 60 percent of respondents there are willing to switch their car brand for improved connectivity services.

So how can the industry both understand this changing environment and capitalize on the growing appetite for car connectivity? Our new report, *Competing for the connected customer: Perspectives on the opportunities created by car connectivity and automation*, details potential strategies. For all players—incumbents and newcomers alike—the first step is to recognize that the landscape is evolving quickly. Connectivity and autonomous-driving functionalities are creating a multitude of new business models and monetization opportunities, especially as consumers prioritize driving-related applications, such as connected navigation and networked parking, above those unrelated to driving, such as email and music streaming.

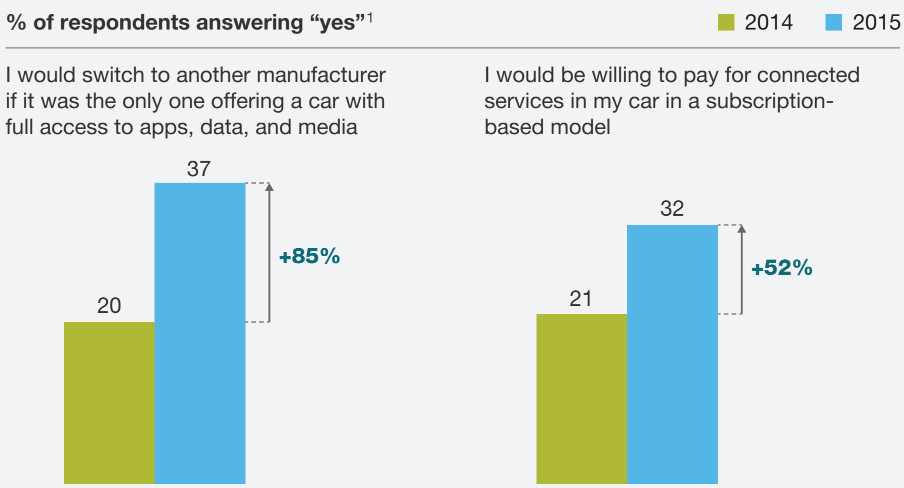
Capturing these opportunities requires scale, speed, and agility—and that likely means today's world of competing original-equipment manufacturers (OEMs) will evolve. To provide the connectivity consumers are increasingly demanding, we believe OEMs will need to collaborate

[1] A McKinsey consumer survey on connectivity and autonomous driving was conducted in July and August 2015, covering 3,184 recent car customers in Germany (1,123 respondents), the United States (1,051 respondents), and China (1,010 respondents). It examined preferences for car purchases, interest in data-based services, privacy behavior and concerns, and views on autonomous vehicles.

[2] For more on our 2014 survey, see "What's driving the connected car," September 2014, mckinsey.com.

Exhibit

Consumers are increasingly willing to switch manufacturers and pay for connected-car services.



[1]The 2015 survey involved >3,000 recent car consumers and the 2014 survey >2,000 recent car consumers.

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in a common ecosystem, for instance, by adopting a communication protocol to share real-time information such as road, weather, and traffic conditions gathered from sensors on their connected cars. Such cooperation would allow OEMs to reach sufficient scale to reap benefits from network effects but still allow them to keep brand-specific differentiating factors in their quest for customers. □

Download the full report on which this article is based, *Competing for the connected customer: Perspectives on the opportunities created by car connectivity and automation*, on mckinsey.com.

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