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Automotive & Assembly Practice

European mobility finance: A €25 billion growth opportunity

New analysis on European mobility offers insights on new, fast-growing revenue pools and opportunities for financial-services providers.

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Mobility is changing. Consumers increasingly seek more-flexible mobility ownership options. At the same time, micromobility and electrification are on the rise.[1] For mobility finance—the area of financial services that provides solutions (such as loans and leases) to support access to mobility—these changes create new opportunities to evolve and grow. Mobility start-ups, rental companies, and banks that offer targeted financial products and services for the automotive industry are already entering the mobility financial-services market to stake their claims in areas such as car subscriptions with their customer-centric, digital offerings.

Traditional mobility financial-services providers, captive-financing providers, universal banks (which provide a wide range of services), and specialized players looking to move into mobility finance have a significant opportunity to capture these opportunities and grow their overall businesses. The question is where revenue will move and how stakeholders should think about strategically engaging, particularly if they're stepping outside their core businesses.

This article uses new, comprehensive McKinsey analyses of mobility-market dynamics in five major European countries (France, Germany, Italy, Spain, and the United Kingdom) that together represent 50 to 60 percent of the total European market. The insights illustrate the way critical revenue pools will shift and help us better understand the main sources of high growth. We then talk about opportunities to optimize efficiency, enter markets of outsize growth, achieve hypergrowth in niche areas, commit to specialized plays, and consolidate. We conclude by describing how decision makers could think about their next steps. These insights can illuminate opportunities in mobility-finance markets in Europe as a whole. Incumbents that act now can capture new areas in growth as the mobility mix changes.

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[1] Kersten Heineke, Nicholas Laverty, Timo Möller, and Felix Ziegler "The future of mobility," *McKinsey Quarterly*, April 19, 2023.

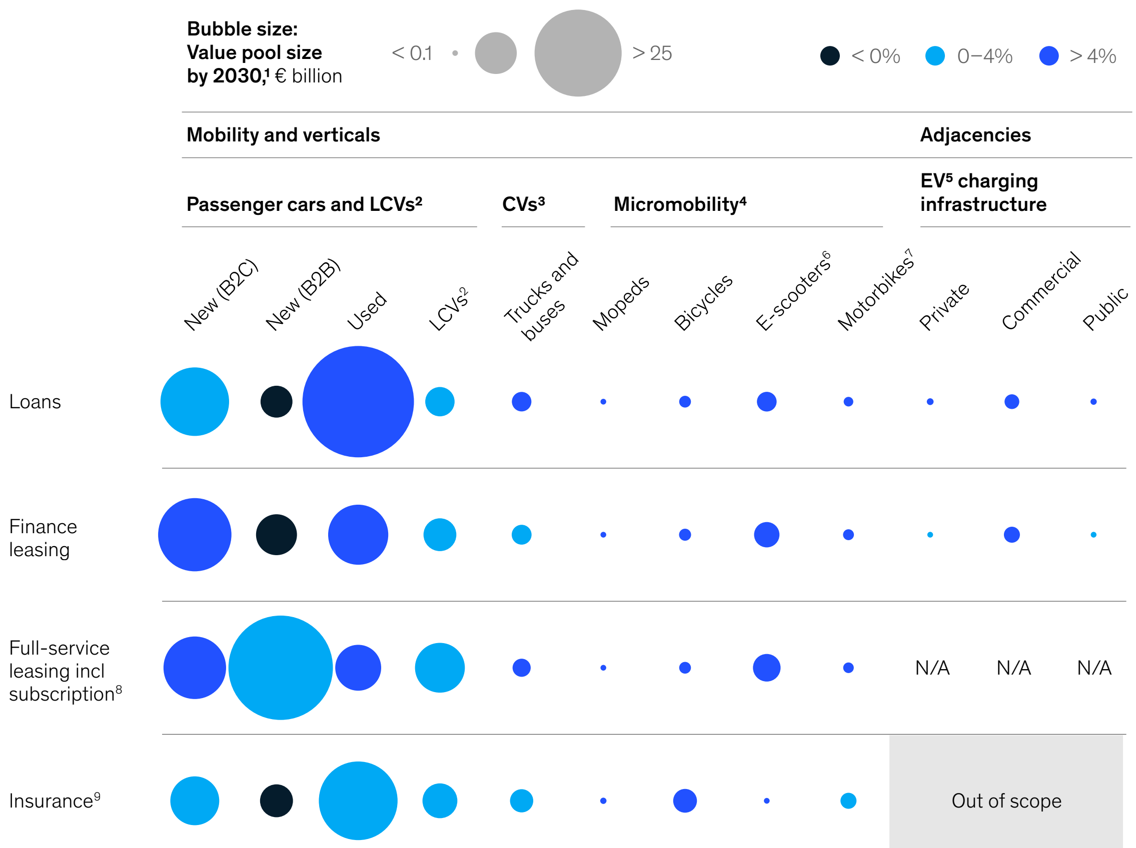
Mobility trends and new revenue pools

We conducted in-depth analyses of mobility trends to estimate their effects on the industry's revenue pools. This effort and the resulting insights represent the first systematic view of how mobility trends—such as increased demand for used-car financing, micromobility, and EV-adjacent charging infrastructure growing out of Europe's electrification—affect the European mobility-finance ecosystem. We estimate that those trends will create about €25 billion of new annual revenue for mobility-finance providers by 2030 in the countries we analyzed, which represents a 4 percent compound annual growth rate for the market (Exhibit 1).

According to our assessment of the market through 2030, mobility finance for passenger vehicles and light commercial vehicles will remain the largest revenue pool, accounting for more than 90 percent of the total revenue.

Exhibit 1

Shifts in the mobility market are projected to create €25 billion in new value from 2023 to 2030.



[1]Value pool size of 5 analyzed countries: France, Germany, Italy, Spain, and the United Kingdom.
[2]Light commercial vehicles.
[3]Commercial vehicles.
[4]Including manual and electric.
[5]Electric vehicle.
[6](Electric) scooters with engines < 50cc or battery-electric-vehicle equivalent.
[7](Electric) motorbikes and (electric) scooters with engines ≥ 50cc or battery-electric-vehicle equivalent.
[8]Including aftermarket and insurance revenues.
[9]Across all financing options; also including insurance revenues from full-service leasing and subscription.
Source: McKinsey Center for Future Mobility

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But our analysis suggests that growth potential will differ by market segment. While growth expectations are positive overall—more than 10 percent per year in some segments—the market for financial services and products for new B2B passenger vehicles is projected to decline by 1 to 2 percent per year. Micromobility, driven by strong growth across all market segments, will likely contribute about 5 percent of total revenue in 2030, compared with about 1 percent in 2023. EV charging infrastructure, the newest market segment for mobility-finance providers, will remain a relatively niche segment, contributing about 1 percent of total 2030 revenue. But beyond 2030, continued momentum could make EV charging infrastructure a key revenue driver.

Our analysis of financial-services offerings suggests that finance leasing could increase as a share of total mobility-finance revenue from 16 percent in 2023 to 20 percent by 2030. But financing is projected to grow steadily, at less than 5 percent per year, primarily because the growing preference of consumers and companies for more-flexible ownership options creates above-average growth for full-service leasing (leasing that includes other services, such as insurance or subscriptions). Finally, we project that insurance will grow steadily at about 1 percent per year.

Diving deeper into specific segments, our analysis shows that growth in key segments such as new B2C financing will likely stabilize after reaching high levels in recent years (which is also linked to the growing preference for more-flexible ownership options). We expect demand for used-car financing and leasing to grow rapidly: according to our projections, the used-car leasing market alone (including finance and full-service leasing) will have a CAGR of about 15 percent from 2023 to 2030, growing from about €3.0 billion in 2023 to €8.7 billion in 2030.

In niche segments such as motorbike-related segments, with a potential revenue of nearly €1 billion per year by 2030, we expect financial-services value pools to remain small. This may make these market niches a good fit for specialized financial-services providers.

Many incumbents have reacted to these developments by examining opportunities to operate more efficiently and to grow inorganically, through M&A. But financial-services providers in the mobility ecosystem should also consider other strategies—and other value pools—to grow further.

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Different value pools, different strategic approaches

We have structured the mobility-finance value pools into five categories, each of which requires a distinct strategic approach for successful growth (Exhibit 2).

Efficiency optimization

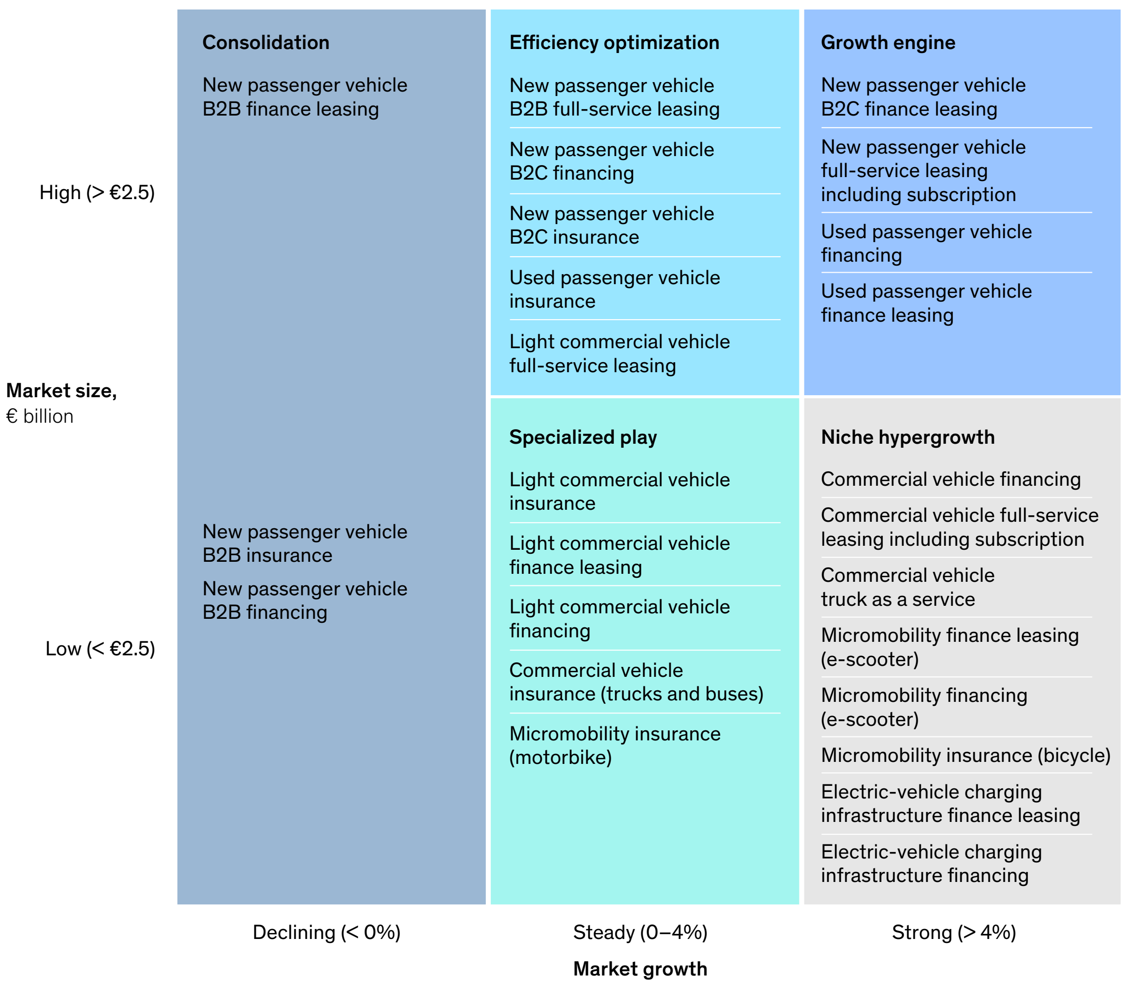
Providers of mobility financing in mature markets with limited growth potential should focus on optimizing the efficiency of their operations and managing costs. The most relevant areas are insurance for both passenger cars and commercial vehicles, commercial full-service leasing, and traditional financing for new B2C passenger cars, with a total annual revenue potential of €40 billion by 2030.

Providers would need to provide affordable, convenient product offerings that are easy for customers to understand and for providers to administer. They will also need to use advanced technologies such as the cloud and AI to meet these

Exhibit 2

Each mobility finance value pool fits into one of five categories.

Mobility finance value pools, illustration using selected examples[1]



[1]Nonexhaustive. Pools are listed in order of market size (from largest to smallest).
Source: McKinsey Center for Future Mobility; McKinsey analysis

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product requirements, save on costs, and distribute the offerings effectively. For instance, cloud and generative AI tools can help manage risk more accurately by making it easier to gather insights from large data sets on areas such as the likelihood of defaults. M&A could also help create scale and unlock efficiencies as long as teams can execute effectively on postmerger integration.

Some financial-services institutions are proactively using technology to boost efficiency, particularly by controlling costs. For example, tools that incorporate generative AI tools are using real-time information from the web to update bank models that generate estimates of vehicles' residual value. This up-to-date information can help institutions optimize their operating models and costs—for example, by avoiding or minimizing write-offs. These tools and others like them are quickly becoming more important.

Growth engine

According to our analysis, some parts of the mobility financial-services market are significantly outgrowing the overall market, achieving growth rates of 5 to 18 percent. These market segments will have substantial revenue pools by 2030 and will be able to power growth for entire companies across the value chain. By selecting revenue pools with outsize growth, institutions can boost their overall growth. Our analysis suggests that full-service leasing, new-car subscriptions, and financing for used cars are all promising businesses with the potential to become core mobility-finance segments by 2030.

This strategy requires significant investments in capabilities across the value chain that would allow providers to successfully use the built-in growth of a thoughtfully chosen market. An analytics-based approach that uses digital sales channels and existing networks can optimize sales.[2] For example, the user experience throughout the customer journey is one critical differentiator in this mobility market category. A lender could seamlessly integrate approval for a predetermined loan value into the shopping and purchasing process, and customers could then select a vehicle within their loan budget.

Niche hypergrowth

The niche hypergrowth strategy involves seizing market opportunities to develop and market innovative products. Consider how solutions around micromobility and charging infrastructure have been rapidly scaling in response to customer demand. We project that those categories will experience hypergrowth, with annual growth rates of more than 50 percent in some segments. However, the total revenue potential of these market segments is still small enough to make them niche markets—until 2030, at least. We also expect demand for new full-service and flexible offerings such as X-as-a-service business models to emerge, especially for commercial vehicles.

For instance, a number of start-ups have gone to market with truck-as-a-service offerings. These comprehensive packages often include trucks, associated services, charging infrastructure, energy at a fixed rate, and enhanced offerings such as connectivity, obtained through partnerships with established companies.

Because these markets and the underlying technologies are still developing, customers' needs are also likely still unsettled. Financial-services providers will therefore have to be agile in formulating and adapting their value propositions. A test-and-learn approach can help institutions enter these markets, starting with a focused pilot—a limited initial investment—that can be scaled if it proves successful or canceled if it does not.

To be sure, getting involved with the charging market would require a higher appetite and tolerance for risk as well as a long-term investment orientation to match. Decision makers would need to closely monitor the unit economics in these markets and critically examine their business plans often so they can make adjustments.

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[2] For more, see Volker Grüntges, Alexander Matthey, Florian Peter, and Jakob Stöber, "The new key to automotive success: Put customer experience in the driver's seat," McKinsey, November 19, 2021.

Specialized play
Characterized by small to medium-size markets with steady growth, the areas of specialized play would most likely be existing niche markets such as motorbikes and financing and leasing for light commercial vehicles. Compared with the other strategies we identify, the quality of financial institutions' offerings—such as a broad product portfolio centered around customer needs that allows for a high level of customization—is more important here. Pursuing this strategy requires a focus on the chosen markets.

One way to enter the market is to launch a fast-moving, responsive digital attacker to gain market share quickly. The focus on the product portfolio in these markets may mean limited synergies with adjacent markets, which also limits the potential to expand. Commercial excellence would be the main fuel for further growth and for ensuring that customer needs are consistently met.

Consolidation
Consolidation—inorganic growth through M&A—is best suited to mature markets whose growth is declining as revenue shifts to new pockets of the market. These kinds of markets tend to involve traditional financial-services offerings for new passenger cars for B2B customers. Prime examples include finance leasing (in which a finance company legally owns an asset for the duration of the lease) and financing and insurance for new commercial passenger cars.

Because these markets are mature and growth opportunities are thin, the commercial focus would be on keeping market share steady while institutions reap the cost and efficiency benefits of consolidation.

Getting started: Identify and tap into opportunities

Tapping into emerging growth opportunities in mobility finance involves five critical steps:

Assess opportunities to identify which categories to enter. At this stage, decision makers should focus on evaluating their organizations' strategic strengths and the potential for top-line synergies such as cross-selling.

Evaluate existing capabilities to identify which capabilities can help a company enter new parts of the market and whether the company should double down on those capabilities.

Identify resource requirements for a successful launch. Leaders could assemble a team focused on building a minimal viable product for the launch and set a clear timeline and KPIs for the launch.

Enter the market with a clear immediate go-to-market approach and medium-term strategy. This step should focus on efficient sales channels that can help offerings quickly gain traction among target customers.

Monitor the opportunity with predefined KPIs to adjust the approach as needed and to maximize the odds of success.

The evolving mobility market offers new opportunities for financial-services providers to evolve and grow. A combination of strategies can help these companies win a share of €25 billion of revenue. The key is to move quickly.

About the McKinsey Center for Future Mobility

These insights were developed by the McKinsey Center for Future Mobility (MCFM). Since 2011, the MCFM has worked with stakeholders across the mobility ecosystem by providing independent and integrated evidence about possible future-mobility scenarios. With our unique, bottom-up modeling approach, our insights enable an end-to-end analytics journey through the future of mobility—from consumer needs to modal mix across urban and rural areas, sales, value pools, and lifecycle sustainability. Find out more about the McKinsey Center for Future Mobility on McKinsey.com.

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