The shift from ownership to access

How will the automotive industry respond to new consumption models in China?
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Have you booked your summer holiday using Airbnb? Do you use Uber to get about town? Do you listen to Spotify rather than purchase music? Well you’ve participated in what’s frequently termed the “sharing economy” – a dynamic collection of sectors which rely on access over ownership, on digital platforms that connect demand with spare capacity and on models of “collaborative consumption”. This concept prioritises providing consumers with access to a particular product over ownership of the product.

With car sharing alone growing at double the rate of new car sales in general¹, we predict that car sharing will become one of the prominent sharing economy sectors globally by 2025. In China, however, the concept is relatively unheard of and consumers have a strong preference for ownership over any other model of consumption.

Automotive leasing is another consumption model that provides access over ownership. In China, leasing is on the rise but faces significant challenges from Chinese consumers who are often misinformed on the topic and usually prefer to own their car. There is hope, however, as the benefits of leasing make sense – it puts consumers behind the wheel of a vehicle with more features than one they could otherwise afford to own and allows them to upgrade to a new model more frequently.

This report draws on research from PwC’s global thought leadership on the ‘sharing economy’, automotive leasing and our 2014 survey of 209 car buyers and potential car buyers in 4 major cities across China to discuss:

- What’s driving the shift away from traditional vehicle ownership, including the social, regulatory, technological and environmental drivers of car sharing and the benefits provided by leasing;
- Chinese car buyers’ awareness and willingness to use leasing and car sharing and how they want to be engaged by companies in this sector; and finally
- How businesses can respond to the challenges presented by this disruptive trend, including the advantages of having a well-designed customer experience strategy and how this can help persuade Chinese consumers to see the benefits of leasing and car sharing.

¹ Innovative Mobility Carsharing Outlook, University of California Berkley, 2013 and OICA
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Note: In addition to drawing insights for our 2014 customer survey of over 209 car buyers and potential car buyers in 4 major cities across China, this report draws upon selected chapters of a number of other studies performed by PwC globally including, PwC US – Automotive leasing insight –Increasing lease penetration and avoiding the customer experience off-ramp (2013) and PwC UK’s ongoing research on the “sharing economy”. These publications and research are available for download at www.pwc.com/auto and www.pwc.com/megatrends, respectively.
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The environment was high on the agenda of the 2014 Governmental Report at the 12th National People's Congress (NPC) meeting in China. Government representatives discussed the success of previous initiatives “to conserve energy, reduce emissions and prevent and control pollution” and future plans for “carrying out a new type of people-centered urbanisation”. The NPC meeting highlighted the trends that will drive the growth of car sharing in China:

What’s driving the shift away from traditional ownership?

Car sharing

Our analysis shows that by 2025, five prominent sharing economy sectors will emerge, one of which will be car sharing. Automotive leasing is also on the rise with increasing popularity globally and in China. There are several factors driving this shift from traditional car ownership towards concepts such as car sharing and leasing, which prioritise access to a vehicle over ownership of a vehicle.

The NPC meeting highlighted the trends that will drive the growth of car sharing in China:

What’s driving the growth of car sharing in China and around the world?

Urbanisation

Regulation

Customers

Technology

Pollution

Our analysis shows that by 2025, five prominent sharing economy sectors will emerge, one of which will be car sharing. Automotive leasing is also on the rise with increasing popularity globally and in China. There are several factors driving this shift from traditional car ownership towards concepts such as car sharing and leasing, which prioritise access to a vehicle over ownership of a vehicle.

Urbanisation – Urbanisation is creating more congestion within inner city areas, increasing waiting time, pollution and infrastructure costs.

Regulation – Most municipal authorities (including Beijing, Shanghai and Tianjin) have launched initiatives aimed at reducing congestion and fighting air pollution, such as restricting inner city driving and parking, encouraging public transport and promoting bicycles and electric vehicles.

<table>
<thead>
<tr>
<th>Shanghai</th>
<th>Beijing</th>
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<tbody>
<tr>
<td><strong>Objective</strong></td>
<td><strong>Objective</strong></td>
</tr>
<tr>
<td>• Reduce congestion</td>
<td>• Reduce congestion</td>
</tr>
<tr>
<td>• Decrease air pollution</td>
<td>• Decrease air pollution</td>
</tr>
<tr>
<td>• Facilitate link between Shanghai and nearby cities</td>
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</table>

<table>
<thead>
<tr>
<th>Shanghai</th>
<th>Beijing</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Measures</strong></td>
<td><strong>Measures</strong></td>
</tr>
<tr>
<td>• Higher registration fee: ~6,000 USD license plate</td>
<td>• Private vehicles are forbidden from driving during certain periods (“ban days”)</td>
</tr>
<tr>
<td>• 60% of new public buses will be energy-saving or EV buses</td>
<td>• License plates are issued via a lottery system to limit the number of new license registrations</td>
</tr>
<tr>
<td>• Intelligent traffic management and telematics solutions</td>
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</table>

Source: PwC desktop research
The shift from ownership to access

Customers – There is a shift from ownership to pay-per-use concepts such as car sharing, which are convenient for customers and also help OEMs promote new models and build brand image.

Technology – New technology such as smartphones, mobile navigation, telematics, car sharing apps and mobile payment ensures that customers are able to easily reserve the car, find it, drive it and return it.

Pollution – Air pollution in China is a major concern for consumers and it is also on top of the Government’s agenda. The Yangtze River Delta, Pearl River Delta and Beijing-Tianjin-Hebei regions experience over 100 days with PM2.5 concentrations 2-4 times above WHO guidelines each year. A fully utilised share car is capable of substituting approximately 17 private cars on average – car sharing is an effective way of reducing carbon emissions.

Automotive leasing

Leasing is on the rise in China
The Chinese government has encouraged efforts to promote the development of the used car and automotive leasing markets in China. It is expected that China’s automotive leasing market will grow at an annual rate of approximately 25% over the next 5 years.

25% CAGR

While short-term rental is driven by similar factors to that of car sharing, automotive leasing is becoming more popular in China because it allows consumers to drive a more expensive vehicle with more features than if they were to buy a vehicle and own it.

Also consider the following – vehicles are becoming more technologically sophisticated. Options that used to include power windows, central locking and cruise control have given way to keyless entry and ignition systems, navigation technology and integrated ports for mobile devices. Recent developments in technology have gone well beyond gadgets, however – consider the more practical developments of an automatic start/stop function that improves fuel economy or semi-autonomous driving that assists parking and improves safety. These functional advances are occurring with increasing frequency and, similarly to the smartphone industry, contribute to shorter cycle times between new product purchases for many consumers. Automobile technology developments are only likely to accelerate and leasing provides consumers with the means to drive a new car, more frequently, with leading-edge technology. This can be particularly appealing to consumers in China, where having the latest and greatest gadget or car is seen as a status symbol.

Of course, a potential downside of technology is an increase in the probability that more things could go wrong as the vehicle matures. Potential repair bills further underscore the value proposition associated with leasing.

Despite the obvious value proposition, automotive leasing faces significant challenges in the Chinese market, including lower taxi fares compared to mature markets, an increasingly difficult registration process, a strong preference for vehicle ownership and generally misinformed consumers. These consumer-related challenges are explored further in the following pages of this report.

One fully utilised share car takes an average of 17 privately-owned cars from the streets

Source: Car Lite London

2 PwC desktop research
3 Car Lite London
This section of the report summarises the key findings and implications of our survey of 209 recent car buyers and near-future car buyers across 4 major Chinese cities on the topic of consumer attitudes and preferences towards automotive leasing and car sharing in China.

Respondents were evenly spread across 4 major cities in China – Beijing, Shanghai, Guangzhou and Chengdu. Ages ranged from 20 – 60 years with 3 out of 4 respondents aged between 25 and 40. Occupations of those surveyed were predominantly professionals (i.e. accountants, doctors, lawyers, engineers etc.), managerial staff, administration staff and self-employed.

86% of respondents had purchased a new car in the past 3 years or planned to purchase a new car in the next 2 years. The most common reason for not owning a car was cost (47%), followed by lack of need (20%) and traffic congestion (17%). The license plate lottery systems in Beijing, Shanghai and Guangzhou did not appear to be a major hurdle towards ownership for survey respondents with only 10% of non-buyers stating this as the main reason for not owning a car.

91% of respondents were currently aware of car leasing or aware at the time they purchased their car but while awareness of leasing was high, the vast majority of respondents bought or planned to buy their vehicle using cash. Only 3% of respondents had leased or planned to lease their car.

When asked why they had not considered leasing instead of ownership, 47% of respondents stated that they wanted to own their car or they had no need to lease a car. Vehicle ownership in China is still considered to be a status symbol and there is a strong preference for ownership over leasing – generally, if consumers can afford to buy a car with cash, they will.

**What do Chinese consumers think of car sharing and leasing?**

**Awareness of leasing in China is high but consumers are generally misinformed and have a strong preference for ownership**

91% of respondents were currently aware of car leasing or aware at the time they purchased their car but while awareness of leasing was high, the vast majority of respondents bought or planned to buy their vehicle using cash. Only 3% of respondents had leased or planned to lease their car.

**Too expensive**

The number 1 reason given by survey respondents for not owning a car

**How did you purchase (or plan to purchase) your car?**

<table>
<thead>
<tr>
<th>Method</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>76%</td>
</tr>
<tr>
<td>Finance</td>
<td>21%</td>
</tr>
<tr>
<td>Lease</td>
<td>3%</td>
</tr>
</tbody>
</table>

**“Too expensive”**

The number 1 reason given by survey respondents for not owning a car
Responses also suggested that ownership brought with it a sense of security with some respondents comparing car ownership to the preference for Chinese consumers to buy property rather than rent. One respondent from Shanghai explained, “If I can afford a new car, I will definitely buy it, rather than lease it. Emotionally, I feel safe from owning my car. If I lease a car, the worry is that one day they may no longer want to lease it to me. After all, it is not my own car.”

Interestingly, all other responses (not pertaining to a sense of ownership) demonstrated a degree of misunderstanding and a misinformed, negative perception of leasing amongst Chinese consumers. Other reasons given for not considering leasing included: “leasing is inconvenient”; “the leasing procedure is complicated”; “leasing is too expensive”; and “I don’t want to get into trouble” (because the car does not belong to them). When these “misinformed” respondents were given a short “sales pitch” on the benefits of leasing, 41% changed their mind – a huge shift given that one of the reasons for not considering leasing previously was “leasing is too expensive”. Of the 59% who were still not willing to change their mind on leasing, the most common reason again, came back to a strong desire for owning a vehicle. When pushed to give a reason that would change their mind, the most common response was price.

Chinese consumers are driven by price and a sense of ownership. Given that one of the key benefits of leasing is the opportunity to get behind the wheel of a vehicle without capital outlay, leasing should make sense in China. The fact that survey respondents cited cost as the number one reason for not owning a car also underscores the potential of leasing in China. Leasing providers need to invest in the “research” phase of the customer journey to improve understanding of the benefits of leasing amongst consumers and combat misinformation. Leasing providers must also overcome the strong emotional attachment that many consumers have to vehicle ownership by focusing on price and emphasising the cost savings.

If I can afford a new car, I will definitely buy it, rather than lease it. Emotionally, I feel safe from owning my car

Shanghai survey respondent
The shift from ownership to access

Awareness of car sharing in China is low but most people can be persuaded to consider it in the future

While awareness of leasing amongst respondents was high, on the other hand, only 20% of respondents were aware of the concept of car sharing. Despite low awareness, over half (59%) of those that were not aware of car sharing were willing to consider it after being given a basic explanation of the concept.

47%

The percentage of survey respondents who changed their mind on car sharing after a short “sales pitch”

When the remaining respondents (who were still unwilling to consider car sharing) were given a short “sales pitch” on the benefits of car sharing, 47% changed their mind, with the major reasons being convenience and price. For those that could still not be persuaded, key reasons included a preference for car ownership and no need to share due to already owning a car.

The most popular reasons for using or considering car sharing were “ban-day” replacement (Beijing respondents only) (84%), leisure travel (65%), price (55%) and business travel (48%). Despite strong support of car sharing by some local governments in China to help reduce pollution levels, only 10% of respondents considered car sharing because it was environmentally friendly.

What are your main reasons for using or considering car sharing (select all that apply)?

“Ban-day” replacement (Beijing only)

<table>
<thead>
<tr>
<th>Leisure Travel</th>
<th>Price</th>
<th>Business Travel</th>
</tr>
</thead>
<tbody>
<tr>
<td>65%</td>
<td>53%</td>
<td>48%</td>
</tr>
</tbody>
</table>

The underlying concern amongst respondents relating to car sharing was “getting in trouble” if the share car was scratched or damaged while in use. Many respondents expressed concern over the potentially high financial costs involved or legal issues if there was an accident involving the vehicle. Of the respondents who could not be persuaded on car sharing, over half of them stated that they would rather borrow a friend’s car than use car sharing because this option is free and reduces the risk of financial and/or legal consequences.

Unaware of car sharing as a concept

20%

Willing to consider car sharing in the future

59%

4 In Beijing, private vehicles are forbidden from driving during certain periods and/or days depending on their registration number. A “ban day” would occur for an individual consumer when they are forbidden to use their vehicle on any specific day.
Despite a general lack of awareness, Chinese consumers have a positive attitude towards the concept of car sharing. Strong growth potential exists and consumers appear to be persuaded by the benefits of car sharing, particularly its convenience and potential cost savings. In addition to price, survey respondents indicated that leisure travel and business travel were key reasons for considering car sharing and Beijing respondents overwhelmingly responded to the idea of using car sharing on “ban days”. The culture of ownership in China, however, is still a major hurdle to be overcome. Given car sharing in China is still in the early stages of development and not expected to substitute car ownership in China any time soon, companies need to consider how this concept can complement traditional car ownership – car sharing for leisure travel and business travel both achieve this, in addition to car replacement for “ban days” (which cause numerous headaches for drivers in Beijing). Companies must focus on price and educate potential customers on the convenience and cost saving benefits of car sharing.

**Customer experience matters in China**

Today’s customers are more than consumers. They want a role in helping to both create and champion the entire customer experience. For them, everything about a company is a source of that experience—not just the product or service they’re buying at the moment. They’re also vocal in making their needs and preferences known. They embrace transparency, are digitally plugged into powerful social networks, and have come to expect unique, high-touch experiences that keep pace with their constantly evolving needs.

In China, today’s car buyers are empowered and demanding. Only 4% said they did not care about quality of service and only 11% of our survey respondents were willing to buy again from a company following a bad customer experience. Further increasing the likelihood of customer churn, 92% said they would tell friends or family on social media following a bad customer experience.

**Percentage of survey respondents who agree with the following statements regarding customer experience**

- **98%** I will tell friends or family on social media following a good customer experience
- **92%** I will tell friends or family on social media following a bad customer experience
- **97%** I will buy again from a company after a good customer experience
- **11%** I will buy again from a company following a bad customer experience
- **92%** I am willing to pay more for good customer experience
- **4%** I do not care about quality of service

On the other hand, companies have the opportunity to capitalise on good customer experience and the ubiquitous use of social media in China. 97% of survey respondents said they would buy again from a company after a good customer experience and 98% said they would tell their friends and family on social media. Figures like this really emphasise the importance of social media for brands in China – practically everyone is sharing their experience with brands online.
Improving customer experience along the entire customer journey is the next frontier of competitive advantage. In fact, 92% of our survey respondents said they were willing to pay a higher price for good customer experience – in a market of price-conscious consumers, this is a striking figure and one that companies should take note of. Combining customer experience with the power of social media in China is the key to convincing the car-buying population to switch to leasing or other alternative consumption models and stay there.

92% The percentage of survey respondents who were willing to pay a higher price for good customer experience

Chinese consumers want to be engaged through digital channels

China is the world’s largest smartphone market and users want to be digitally engaged throughout the customer journey, from research through to payment and customer service. Social media also plays a major role in Chinese netizens’ lives and is increasingly playing a significant role in the buying decisions of Chinese consumers. Potential buyers of new cars and potential leasing customers are no different, as our survey results demonstrate.

When it comes to leasing, customers want to be engaged via digital channels at every step along the customer journey, however, there are a few key touch points that stand out above the rest. Mobile payment was the most desired app functionality with 62% of survey respondents expressing a desire for this. 60% of respondents wanted app functionality for wear-and-use reviews and 59% wanted to discover leasing options via their mobile device. This highlights the importance of using mobile to engage potential leasing customers early in the customer journey to educate them on the leasing process and its benefits.

Whether it is personalised mobile apps, mobile payments, telematics, service and support or offers and promotions via WeChat or Weibo, Chinese consumers want it all. Companies that fail to keep up with the digital revolution will inevitably lose customers to those who are meeting customer demand for digital engagement.

<table>
<thead>
<tr>
<th>Desired mobile app functionality along the auto leasing customer journey</th>
<th>% of survey respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mobile app functionality</td>
<td></td>
</tr>
<tr>
<td>Research leasing options (including payment estimator tools)</td>
<td>59%</td>
</tr>
<tr>
<td>Mileage tracking (analyse and manage mileage over life of the lease)</td>
<td>47%</td>
</tr>
<tr>
<td>Reviewing lease-end options (notify lease-end and provide information on process options, find nearest dealer, book test drive, consider financing options etc.)</td>
<td>42%</td>
</tr>
<tr>
<td>Wear and use review (detailed info to perform own wear and use review. Online assessment)</td>
<td>60%</td>
</tr>
<tr>
<td>Schedule vehicle inspection (online booking)</td>
<td>35%</td>
</tr>
<tr>
<td>Mobile payment (Alipay etc.)</td>
<td>62%</td>
</tr>
<tr>
<td>Other</td>
<td>3%</td>
</tr>
</tbody>
</table>

Percentage of survey respondents who agree with the following statements regarding digital channels

- I want automotive companies to provide personalised services through mobile sites or apps 92%
- I want to interact with companies through social media channels (Weibo, WeChat etc.) for service and support 92%
- I want financial services companies to provide personalised services through mobile sites or apps 88%
- I want to see companies’ offers and promotions through social media channels (Weibo, WeChat etc.) 87%
How can companies respond to customer-related challenges in China?

Despite the challenges, the number of consumers choosing to lease in China is growing. Companies must ensure they have a well-designed customer experience strategy throughout the entire customer journey to help support long-term customer retention and loyalty and serve as a springboard to capture additional market share. This will be key to persuading Chinese consumers to switch from car ownership to leasing and encourage their friends and family to do the same.

The automotive leasing customer journey

The first step in any customer experience strategy is understanding the customer journey and the “moments of truth” along that journey – the touch points that matter most to customers and where their loyalty is won and lost.

Help prospective customers “research” a lease

As consumers’ lives become busier with increasing demands on their time, many rely on internet sites and web-based resources for everyday purchases. The use of a laptop, tablet or mobile device to research and, in some cases even complete, an automobile purchase or lease is growing by leaps and bounds in China compared to the rest of the world. For this reason, leasing companies should be actively involved with the leasing transaction at the “research” stage of the customer leasing journey to help educate potential customers on the value of leasing.

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### The leasing customer journey

<table>
<thead>
<tr>
<th>Research Experience</th>
<th>Purchase Experience</th>
<th>Ownership Experience</th>
<th>Lease-End Experience</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vehicle</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Vehicle make/model</td>
<td>• Dealership visits to shop, review vehicle options</td>
<td>• Follow-up questions/ issues with vehicle</td>
<td>• Next vehicle option</td>
</tr>
<tr>
<td>• Dealership selection(s)</td>
<td>• Test drive vehicle</td>
<td>• Schedule/complete routine maintenance</td>
<td>• Vehicle return location</td>
</tr>
<tr>
<td>• Vehicle options/trim</td>
<td>• Consider after-market product purchases</td>
<td>• Troubleshoot vehicle problems</td>
<td>• Final vehicle inspection</td>
</tr>
<tr>
<td>• Vehicle price/payment</td>
<td>• Dealer tour of leased vehicle</td>
<td>• Manage mileage</td>
<td>• Vehicle purchase/ refinance experience</td>
</tr>
<tr>
<td>• Buy/lease decision</td>
<td>• Buy/lease decision</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lease</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Understanding lease terminology and contract details</td>
<td>• Negotiate sales price and lease terms</td>
<td>• Convenient lease payment options (mobile, web, etc.)</td>
<td>• Final billing statement</td>
</tr>
<tr>
<td>• Review and compare lease rates/ down payments/ residuals/terms</td>
<td>• Complete lease application</td>
<td></td>
<td>• End of term charges and collections</td>
</tr>
<tr>
<td>• Manufacturer lease incentives</td>
<td>• Await credit decision</td>
<td>• Service alert re: payment due/maintenance due</td>
<td>• Loyalty incentive offer for next lease</td>
</tr>
<tr>
<td>• Payment calculation/ budget</td>
<td>• Fulfill stipulation requirements</td>
<td>• Customer support line/web</td>
<td>• Lease to retail rollover offers</td>
</tr>
<tr>
<td></td>
<td>• Lease contracting</td>
<td>• Lease term preparation (sales, excess fees/charges)</td>
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</table>
Potential buyers are using online resources to educate themselves, not just on which vehicle to buy, but also on leasing options. The reasonableness of lease terms, rates, residuals and customer loyalty incentives are among the common questions asked in many online blogs. The decision to lease a car adds an additional level of complexity to the consumer’s buying experience and, as evidenced by our recent survey results, many consumers in China are not familiar with the leasing process and standard leasing nomenclature. Lease terminology such as money factor, capitalised cost and residual value can be confusing and intimidating. Mileage limitations, excess wear-and-use charges and the lease-end process can also be confusing. Too many people find the lease transaction too complex when compared to an outright purchase and that, if not properly managed, could result in unnecessary customer anxiety and lead to potential downstream dissatisfaction with the manufacturer, dealer or lender. Helping prospective customers to cut through this complexity is vital to shifting the strong mindset of vehicle ownership in China.

For these reasons, companies involved with automotive leasing should make certain their customer experience strategy begins early in the customer journey when the prospective customer is conducting their research. To be effective, customer resources do not have to be complicated but they should be informative, straight forward and relatively easy to use and can include:

- **Lease guide** – a complete resource covering the basic lease terminology, loan versus lease questions and lease-end options in a user friendly format

- **Lease agreement** – a sample copy of the lease contract or agreement would allow the customer to become familiar with the “fine print” and their responsibilities and prepare any questions for the dealer

- **Tutorials** – short, educational videos that provide a tour of the lease process and address common questions and concerns can help demystify the process

- **Q&A forums** – provide an outlet for potential customers to ask questions about the vehicle and leasing process and receive immediate feedback from a trustworthy source

- **Current deals** – updated rates, residuals and promotions that provide a side-by-side comparison of loan and lease options with the terms, conditions and restrictions clearly described

- **Social media** – a cost effective way to begin the research conversation with potential customers is to engage with them via WeChat about lease promotions and new car models, encourage sharing on Weibo after test drives or leasing a new car and to build user awareness on product review websites

Lenders should take advantage of the opportunity to provide potential customers an interactive resource to make the lease origination process clear and transparent. If properly executed, the trusted relationship developed with the customer may circumvent the “research” stage of their customer journey on future transactions. In the end, consumers are going to get their information from somewhere and at present, it appears Chinese consumers are misinformed on the leasing process and the associated benefits. Since leasing customers often view the manufacturer, dealer and lender as one entity, such misinformation could adversely impact future customer loyalty on several fronts.
**Actively engage customers throughout the customer lifecycle**

Engaging customers during the “research” stage may help persuade them towards leasing over ownership but the customer journey strategy cannot end once the vehicle is driven off the dealer’s lot. Maintaining a personal relationship and communicating with the customer throughout the term of the lease is essential, however, the connection should be on the customer’s terms. For example, outreach efforts to keep customers aware of their mileage use and provide options to avoid a surprise at lease-end should be balanced in frequency and timing. Similarly, loyalty sales efforts to roll a customer into their next vehicle near lease-end should not be overwhelming or intrusive.

Perhaps more important though are the options made available to customers to reach out and contact the lender. Although most lenders provide several alternatives for customers to make their lease payment and manage their monthly billing statement, people want a similar set of options available on-demand so they can communicate with their lender regarding questions on their minds. Telephone options with limited menu selections and minimal delays to reach a live representative, self-directed web and mobile online chat functions and the ability for a customer to SMS an inquiry that triggers a return call from an informed, knowledgeable professional are a few such basic options. Additionally, once a representative is reached, customers want that individual to be knowledgeable and have the authority to satisfactorily resolve their question, not only about the lease but about the vehicle as well.

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**Get traditional car-buying customers onto the leasing lifecycle by engaging them early and keep them there by maintaining a strong relationship throughout the term of the lease**

**Research Experience**

Be actively involved in the research stage to help customers onto the leasing customer lifecycle

**Leasing Customer Lifecycle**

**Purchase Experience**

Develop a trusting relationship by making the lease origination process clear and transparent

**Lease-End Experience**

Craft a distinctive customer experience strategy to help drive stronger lease loyalty, reduce investment during subsequent research stages and, most importantly, retain the customer on a new lease

**Ownership Experience**

Stay engaged throughout the ownership experience by maintaining a real-time customer feedback platform
The first step in understanding customer experience

Drafting a customer journey map unique to the leasing process can be a good first step in understanding the current state of customer experience. The results of the effort will identify the process that a customer goes through and the “moments of truth” that drive satisfaction or potential frustration and can serve as the starting point to design or enhance a customer experience strategy.

Obtaining real-time feedback from customers will then prove useful in identifying frustrating bottlenecks that adversely impact satisfaction.

A properly crafted real-time customer feedback platform can drive even stronger lease loyalty by allowing the lender to “hear the voice” of the growing base of leasing customers throughout the ownership experience. This insight, combined with robust data analytics, will support the lender’s strategy to offer lease-end options that are aligned with customers’ needs.

Furthermore, a well-orchestrated real-time feedback platform can provide the foundation for a sound complaints management program. A real-time complaints management system allows the lender to build a customer-centric culture by analysing feedback immediately after a customer interaction and taking corrective action to not only improve the customer experience but also retain that customer following a bad experience. The ability to respond to customers’ negative feedback before they go to a competitor and spread the word of their bad experience on social media is an invaluable tool that will improve customer experience, prevent customer attrition and increase long-term customer loyalty.

Real-time customer feedback and complaints management
The shift from ownership to access

Capitalise on the mobile and social revolution in China and take customer experience to the next level

The mass market introduction of the smartphone in China in 2009 has come to characterise the digital landscape of the country – the internet in China is mobile. Compared to other forms of technology, smartphone adoption in China has been rapid. The device has taken just 3 years to eclipse 100 million users. To put this into perspective, it took feature phones 15 years to reach the same mark. China is now the world’s largest smartphone market, with 466 million smartphone users expected by the end of 2014, up from 416 million in 2013. This number is expected to exceed 600 million by 2017. Today, China has a smartphone penetration rate of over 30% and the country accounts for nearly a third of the 1.4 billion smartphone users globally.

466 million

The number of smartphone users in China

Social media also plays a major role in the lives of Chinese netizens and again, the overall scale is unparalleled – 6 of the world’s top 15 social networks are Chinese and successful social media businesses are being rapidly adopted by users at a rate unseen before in Chinese technological history.

Social media sites ranked by Monthly Active Users (MAU)

<table>
<thead>
<tr>
<th>Social Media</th>
<th>MAU</th>
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<tbody>
<tr>
<td>Facebook</td>
<td>1,200</td>
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<tr>
<td>Youtube</td>
<td>1,000</td>
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<tr>
<td>Qzone</td>
<td>623</td>
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<tr>
<td>Google+</td>
<td>540</td>
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<tr>
<td>Whatsapp</td>
<td>400</td>
</tr>
<tr>
<td>Sina Weibo</td>
<td>340</td>
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<tr>
<td>Tumblr</td>
<td>300</td>
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<tr>
<td>Line</td>
<td>300</td>
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<tr>
<td>WeChat</td>
<td>271</td>
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<tr>
<td>LinkedIn</td>
<td>259</td>
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<td>Twitter</td>
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<td>Instagram</td>
<td>150</td>
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<td>Renren</td>
<td>110</td>
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<tr>
<td>Youku</td>
<td>100</td>
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<tr>
<td>Tencent Weibo</td>
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</tbody>
</table>

6 of the world’s top 15 social networks are Chinese

Recent PwC research also shows that no other country displays the same level of engagement and interaction that Chinese users have with their brands on social media. In the “research” stage, 87% use social media to research a brand and 86% have then gone on to buy products through social media. Most striking, however, is that 98% of respondents to our recent survey of new car buyers said they would tell their friends and family on social media following a good customer experience. Peer-to-peer recommendations over social networks are a critical part of brand building and the customer experience in China.

Use mobile and social to improve the experience across multiple touch points

There are endless opportunities for companies to capitalise on these rapidly evolving digital channels in China. Mobile and social has the potential to radically change how organisations engage with leasing customers, improving the experience across multiple touch-points, including:

Research leasing options – Engage with customers via mobile and social media and cross-sell other services such as financing and insurance, including providing payment estimator tools. 59% of our survey respondents said they wanted to research leasing options on their mobile device.

59%

Wanted to research leasing options on their mobile device

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Footnotes:
1 China Internet Network Information Center (CNNIC) – http://www1.cnnic.cn/IDR/BasicData
2 http://www.amarketer.com/article/mobile-ad-boom-reaches-china/1010293
3 PwC desktop research
The shift from ownership to access

Mileage tracking – Telematics (or data entry via a mobile app) allows customers to manage their mileage over the life of the lease.

Review lease-end options – Notify customers of impending lease-end and provide information on new lease options. Customers can find the nearest dealer, book a test drive and consider financing options.

Wear and use review – Provide detailed information for customers to perform their own wear and use review. Allow customers to submit photos for online assessment.

Schedule vehicle inspection – Customers can view available times and make a booking.

Mobile payment – Mobile payment functionality (e.g. Alipay) is in demand from customers and improves customer experience. Mobile payment was the most desired app functionality amongst respondents to our recent survey with 62% expressing a desire for it.

Statement and account management – Self-service management of accounts and statements not only improves customer experience but also reduces administration costs.

With Chinese consumers adopting mobile at a rate unseen globally, organisations have a unique opportunity to engage their customers

- Collect customer feedback: Collect targeted customer feedback to improve engagement and overall experience.
- Detailed customer analytics: Telematics allow for detailed customer analysis and specific proposition targeting.
- Cross-selling: Cross-sell other services such as financing and insurance. Provide targeted marketing.
- Provide genuine benefits to consumers: A B2C app could provide various types of information to consumers to improve their experience of the brand and in turn, improve loyalty.
- Increased revenue: An app could prompt consumers when servicing should be expected and allow consumers to book directly with a 4S shop.

The ultimate goal should be to get potential customers onto the leasing customer lifecycle and keep them there

Once Chinese consumers have been persuaded to use leasing over ownership, the likelihood of converting them into another lease increases if the customer has been engaged proactively throughout the existing lease and communication isn’t limited to only sales opportunities. Equally important are the long-term cost advantages that can ultimately result from a consistent customer experience throughout the life of the lease. Incremental customer loyalty resulting from a strong customer experience proposition will translate into stronger capture rates and fewer lost opportunities as a result of misinformation and confusion regarding the leasing process. Furthermore, being closer to the customer will allow for a more proactive approach to address issues and complaints which will reduce the indirect costs that often accompany reputational damage caused by customer complaints. Finally, taking a mobile and social approach to customer engagement will enhance the overall experience for Chinese customers.
The shift from ownership to access

Globally, new models of facilitating car use are proliferating alongside traditional ownership and rental options. Companies like Zipcar have pioneered carpooling where centrally-owned cars can be accessed through bays in built-up cities. Others allow car owners the opportunity to earn money – either by renting out their idle cars (through car sharing companies like RelayRides) or offering empty seats in their cars on journeys (through ride sharing companies like Uber and BlaBlaCar). The traditional car market structure has been expanded as consumers demand greater access and more flexibility in the way they drive. Car sharing alone is growing at double the rate of car sales in general. The worldwide car sharing membership growth rate was 20% from 2010-2012, whereas worldwide personal car sales grew by only 9%. Unlike the music, TV, and more recently the hotels sector, the automotive industry spotted the trend early and got ahead of it. Most car manufacturers now run their own car sharing schemes and others have made strategic investments in new entrants. The concept is still relatively unheard of in China, however, as evidenced by our survey results where only 20% of respondents were aware of the concept.

Car sharing in China is still in a stage of early development but despite the lack of awareness, Chinese consumers have a positive attitude towards the concept. The majority of our survey respondents were willing to consider car sharing once they were made aware of the concept and of those that were still unwilling to consider it, nearly half of them could be persuaded by a short “sales pitch”.

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*Innovative Mobility Carsharing Outlook, University of California Berkley, 2013 and OFCA*
First movers in the Chinese market have experienced different interim outcomes. CCClubs, for example, which was founded in Hangzhou in 2011, now has over 50 outlets and over 4,000 members. Duducars, on the other hand, another car sharing company founded in 2011, opted to change their business model due to lack of commercial success. Duducars changed their business model in 2012 to an online platform which creates a link between automotive leasing companies and consumers, their co-founder stating that “at present auto sharing is still a business model, not a business”.

The first major OEM to enter the car sharing market in China was Daimler with its Car2Share concept in December 2013. Car2Share uses a station-based business model and targets company employees working in industrial parks in Shenzhen. While still in the pilot stage, Daimler has plans to expand the concept to other cities in China if the Shenzhen pilot proves to be a success.

Although car sharing is not expected to substitute vehicle ownership in China in the short-term, strong growth potential exists and it is important for established companies to be aware of the potential disruption posed by car sharing. For incumbents, the first challenge is to avoid being disrupted. Organisations should start by identifying the potential for sharing economy disruptors to breakthrough as serious competitors in the market.

At present auto sharing is still a business model, not a business

Co-founder of Duducars

Once the risk of disruption from the sharing economy has been assessed, the next step is to develop a mitigation strategy. The right mitigation strategy will differ across organisations but could include acquiring a new entrant, partnering with them, investing in them or differentiating products to continue to justify the existing pricing structure. There’s also an opportunity to develop new sharing economy concepts – and in this space, innovation often starts with imitation. For example, taking a tried-and-tested approach that has worked in one industry and transferring the concept to the automotive industry (such as developing “access” options alongside traditional sales channels) – or taking a C2C concept in to a B2C or B2B environment.

Forward-looking companies must consider the customer outcome that their business model is geared towards and ask themselves whether ownership is the only method to deliver this outcome. For instance, is an automotive company a manufacturer of vehicles or, more fundamentally, a provider of mobility services for its customers? This shift in mindset often means redefining how you do business.

Whatever an organisation looks like today, car sharing is too big an opportunity to miss out on, or too big a risk not to mitigate. Beyond the hype and the newspaper headlines, there’s a big opportunity for car sharing to play an even more pronounced role in the commercial landscape of the automotive industry over the next decade and in a market like China where change is happening faster than anywhere else, organisations should be prepared for this shift.
About PwC

Automotive Practice

Automotive clients utilise the wide array of Advisory services that PwC provides to help solve strategic and day-to-day problems. We achieve this by creating unique, value-added solutions based on a combination of industry knowledge, subject matter expertise in consulting and deals, as well as collective experience from all areas of our global network of firms. Additionally, PwC and Strategy& (formerly Booz & Company) have come together to form a new kind of Advisory business. As part of the PwC network, Strategy& is a leading strategy firm in its own right and helps PwC as a whole to be the pre-eminent strategy-through-execution firm. We work side by side with our automotive clients to meet, anticipate, and mitigate issues in your value chain.

Customer, Digital & Analytics Practice

Today’s customer is empowered, demanding, and a deep well of innovation. Improving their experience with your organisation is the next frontier of competitive advantage. PwC’s Customer, Digital & Analytics Practice helps companies in China to develop a customer-centred corporate strategy and build a customer-focused organisation. This may include helping clients to: capitalise on mobile, social and other digital technologies; draw customer insights from data analytics; design differentiated customer experiences; improve customer advocacy and loyalty; develop a profitable pricing strategy; design and implement a CRM strategy; and fast-track strategy development, decision-making and alignment by facilitating “Catalyst” workshops (www.pwccatalyst.com).
Let’s continue the conversation

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