

THE DEMOGRAPHIC STRUCTURE OF UK CAR MARKETS

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Introduction

This paper explores the relationship between the demographic structure of the population of the UK and the sales of new and used cars over the past 17 years. Clear trends emerge:

- Women are increasingly important as main drivers of cars and may even overtake men as main drivers of cars in the medium term
- Older drivers are also increasing in importance.
 - Over 55s will constitute over half the market for new cars by 2010
 - They are also increasing their share of the used car market

There are two reasons for these increases:

- There is an increasing number of old people in the total population
- They are buying cars more actively, while the young are buying less.

Both of these trends are important because both groups have different wants and needs from both manufacturers and dealers.

Some of the practical implications are discussed in this paper.

Sources

It is based on the analysis of a number of sources:

- Data prepared by the author for the BCA Used Car Report each year since 1988. This is based on the results of the Omnistar survey of 12,000 motorists. Each year it includes some 1,000 respondents who are main drivers of cars bought new by either themselves or their company in the previous 12 months and some 3,000 main drivers of recently acquired used cars.
- The figures may differ from those in other sources - such as the New Car Buyers Survey - as cars bought by husbands for use by wives (for example) are shown as female car buyers in this analysis, as are fleet cars driven by women. For the sake of brevity we will term them "car buyers" but this is, of course, an approximation.
- This approach may be more useful than the conventional method when trying to develop customer centred marketing.
- Demographic data from the Office of National Statistics

- Population projections by the Government Actuary – the data used is for 2003 and we understand that the latest forecasts may assume increased longevity and thus more older people.
- Licence and other data from the National Travel Survey which surveys some 8,000 households each year.

It will be appreciated that, as much of the data is based on surveys, they are subject to statistical error which will account for some of the year on year variations. Moreover, the beginning of the period included years (1988-1993) when the UK market suffered a sharp move from boom to bust which may also distort trends.

When reviewing the numbers a small caveat is required. We know that a relatively small proportion (perhaps 10%) of new cars go to rental companies and for use in car pools. We have no way of knowing who drives these cars so we have simply proportioned the buyer types across the total market volume. Particularly with regard to purchase influence, this is clearly an over-simplification.

The Results

Gender

Women are increasingly important as main drivers of cars:

- Relative to men, their importance is increasing steadily and strongly (Attachment 1). In the 2005 BCA Used Car Report we found that women new car buyers almost equalled men and did not lag far behind in used cars.
- All the growth in the new car market since 1988 can be attributed to the increasing number of women main drivers (Table 1). The National Travel Survey states that women drivers have accounted for 70% of the increase in traffic in recent years.

Table 1: 2004 sales volumes compared with 1988

	<u>2004 Volumes ('000s)</u>		<u>% +/- vs 1988</u>	
	New	Used	New	Used
Male	1290	3667	-8%	3%
Female	1275	3169	82%	45%

- From licence-holding data, it is probable that the bulk of the growth has come from increasing numbers of older women in the market. The key factor can be described as the dying out of the non-driving old woman.
- As there are more women than men in all adult age groups - and much more than men in the oldest groups – it can be expected that this growth will continue.
- It is possible that the number of women drivers will eventually exceed that of men. However, this is unlikely to happen for many decades as the level of licence holding amongst all age groups is lower for women than for men (Attachment 2).

Overall, women have very different patterns of vehicle usage from men, largely because of the different patterns of life and occupation – e.g. women in full time employment may behave quite similarly to full time employed men. Attitudes to motoring are also significantly different, especially amongst older women.

Clearly, it is essential that the well-publicised difficulties that some dealer personnel have with doing business with women must be remedied urgently.

The increased level of car buying amongst women mean that cars are now being sold to people with very different behaviour patterns from the traditional.

Age

The share of both new and used car markets bought by those in the 55+ age groups has increased substantially over 1988-2003 and is likely to continue to increase. Both the 55-64 and 65+ age groups are now close to being the most important single ten year segments in the new car market, taking over from the 35-44 group (Attachment 4).

As, in general terms, new cars are bought by richer people and people gather wealth and income as they age, it is not surprising these older age groups are less important to the used car market. Nonetheless they are growing in importance as can be seen from Attachment 5.

There are two main reasons for this shift towards the older age groups:

- These age groups form an increasing share of the population and will continue to do so

Table 2: Population of older age groups ('000s)

	1988	2003	2010
55-64	5956	6753	7363
65+	8890	9510	10288

- They are increasingly active in the car markets (expressed as sales per head in the age group) – see Attachment 3. Thus the proportion of both men and women over 60 with driving licences has grown sharply – though women have grown more sharply in recent years (Attachment 2: sourced from National Travel Survey).

The importance of the youngest age groups has fallen for several reasons:

- The proportion of 17-20 year olds with driving licences has fallen sharply in recent years for two reasons:
 - The increasing cost and difficulty involved in passing the driving test
 - The very high cost of insurance
 - The rising proportion of this group still in full time education
- We also suspect that, amongst the richest segments of this age group which is focused strongly in Central London (the richest area per capita of the whole EU) who might be expected to be new car buyers, car ownership is often considered impractical.

- The 25-34 age group has also diminished in importance particularly strongly. It is possible that this is due to increasing ownership duration driven by improved reliability and durability amongst older cars: motorisation would remain the same while purchasing falls

As both the share of population and the buying activity in the older age groups can be forecast to increase, we can project that the 55+ age groups will amount to nearly 50% of new car buyers by 2010 - on current trends, total sales by then should be around 2.65 million and sales to the 55+ age group some 1.3 million. This can be compared with equivalent sales of 0.6 million in 1988 and around 1.0 million now.

Only 55% of men aged 55-64 and 36% of women aged 50-59 are still in full time employment – figures which are falling – and nearly all those over 65 are retired. Astonishingly, therefore, it seems likely that the largest single segment of the new car market will be retired people.

Looking across Europe, "Social Trends" published in 2005 by the Office for National Statistics noted that the ageing population is a characteristic shared by other countries in the European Union (EU). The proportion of the UK population aged 65 and over increased by nearly a quarter between 1970 and 2003 compared with an increase of a third for the EU-25 as a whole. In 2003, 16 per cent of the UK population were aged 65 and over. This was the same as the EU average.

Germany, Sweden, Belgium, Spain and Portugal had the largest proportions of people aged 65 and over in 2003, at 17 per cent. The largest increases between 1970 and 2003, of around 7 to 8 percentage points, were in Portugal and Spain. The proportion of people aged 65 and over in Ireland remained stable up to 2001, at 11 per cent, which was also the lowest percentage.

Other sources indicate that the ageing of the population will be greater in the other large countries of Europe than in the UK.

Practical Implications

Women

The importance of having strategies and processes appropriate for doing business with women has been emphasised so often that it is not necessary to repeat the comments. What these figures emphasise is just how important this strategy is. We note:

- In the new car market, the bulk of the important growth amongst women buyers is likely to come from older, rather than younger, drivers
- Some marques should consider whether women are now their main target customers for retail sales, even though their male partners or children may be very closely involved in the purchase decision
- Any dealer principal that does not review his (or her) entire business to consider how "woman-friendly" it is, may well be putting the future of the business at risk.

Older Age Groups

Car choice: Many older buyers trade down on retirement, so the trend toward smaller cars across the market may be expected to continue irrespective of the impact of fuel prices and other taxation.

For some brands – notably domestic manufacturers in many markets - older customers may be of particular importance because of their loyalty was built in an earlier era when there was less competition from importers.

Driving patterns: Today, mature people's dependence upon the car continues – indeed, probably increases - until they are very old. It is not until drivers are over 80 that the number of journeys made by car each year starts to fall off significantly, though the average annual mileage falls off rather earlier. Thus they may not be prepared to travel so far to buy and service cars as younger people. This has implications for network planning.

Attitudes: It is often said that "60 is the new 50". Older people are much more active than they used to be, and today's older age groups retain many of the attitudes and opinions of their youth. So they will not want to buy what is perceived to be 'an old person's car' and, indeed, may deliberately choose a model with a youthful image. Nonetheless, attitudes and interests inevitably change as hormone production falls with age, with consequential effects on what messages will influence car choice.

Physical factors: While older people may well want to feel and drive "young" cars, the fact remains that some physical aspects of the ageing process are hard to avoid. Recent research shows that some 13million adults in the UK suffer from pain caused by arthritis and related conditions. The incidence of arthritis increases sharply with age – for every person attending their GP for arthritis aged 16-44, six people aged 45-64 attend and nine aged 65+. The product implications for door opening entry heights and other factors affecting access and egress are obvious, but it is worth noting that such issues as ideal chair heights in dealerships, font sizes on notices, lighting etc. are also affected.

Finance: Attitudes to financing change with age, the desire for certainty surmounting optimism. While younger people may be uncertain about their financial futures and worry about losing their jobs, they are more likely to expect their income to rise, so risks can be taken. For older people on fixed pensions, there is the certainty of that income but much less opportunity to subsequently recover from unexpected losses.

Low or 0% finance offers are therefore likely to appeal less to older buyers than other types of incentive.

Dealers: Older buyers must be disproportionately important to dealer profits. They are almost entirely retail buyers with a strong tendency to have their cars serviced properly and, being somewhat risk averse, will be loyal to good performers. Some dealers consider that older customers are easier to deal with being more realistic in their attitudes than younger car buyers.

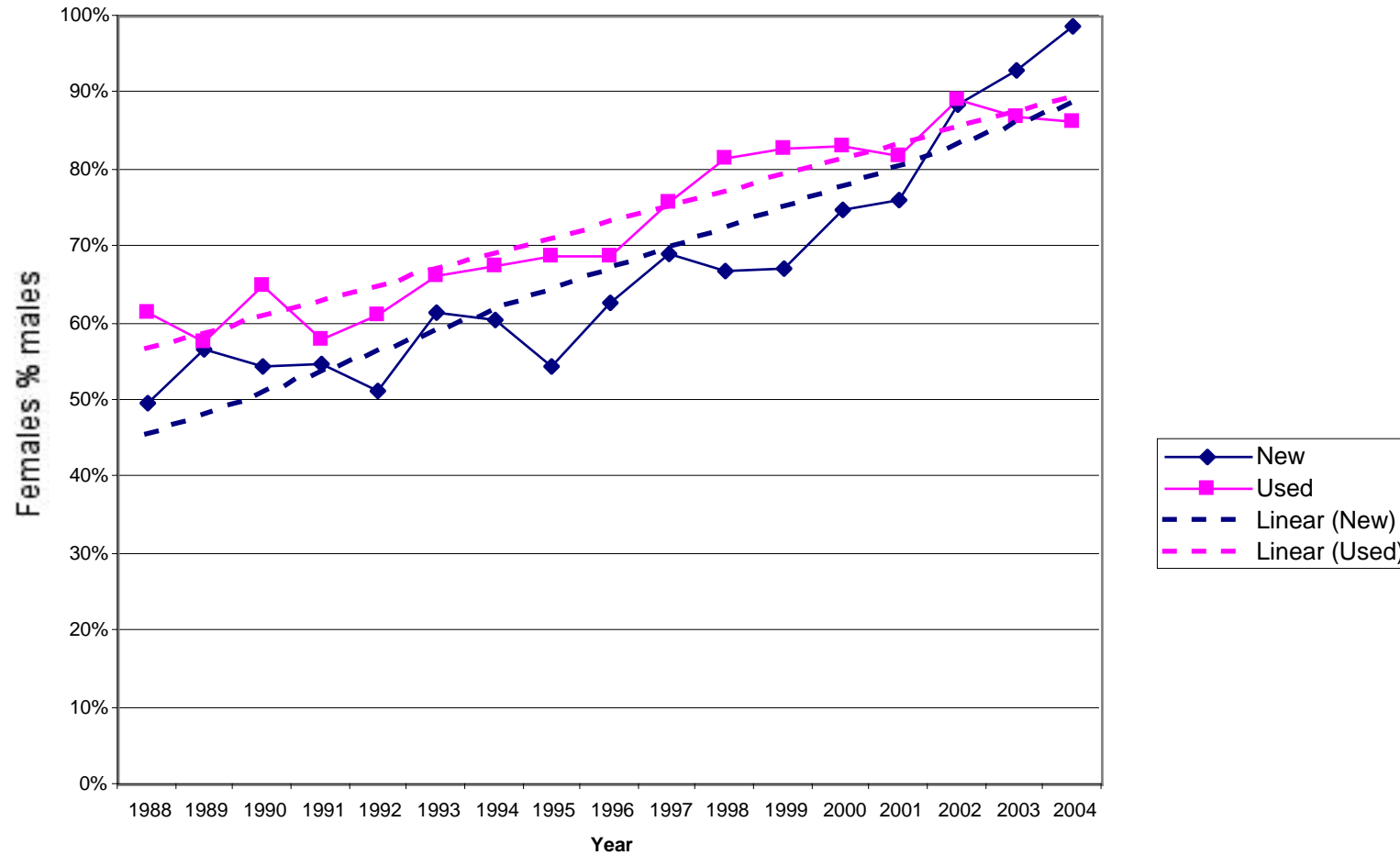
Selling versus Marketing

Car companies and dealers should recognise that in their targets for brand messages and selling are different:

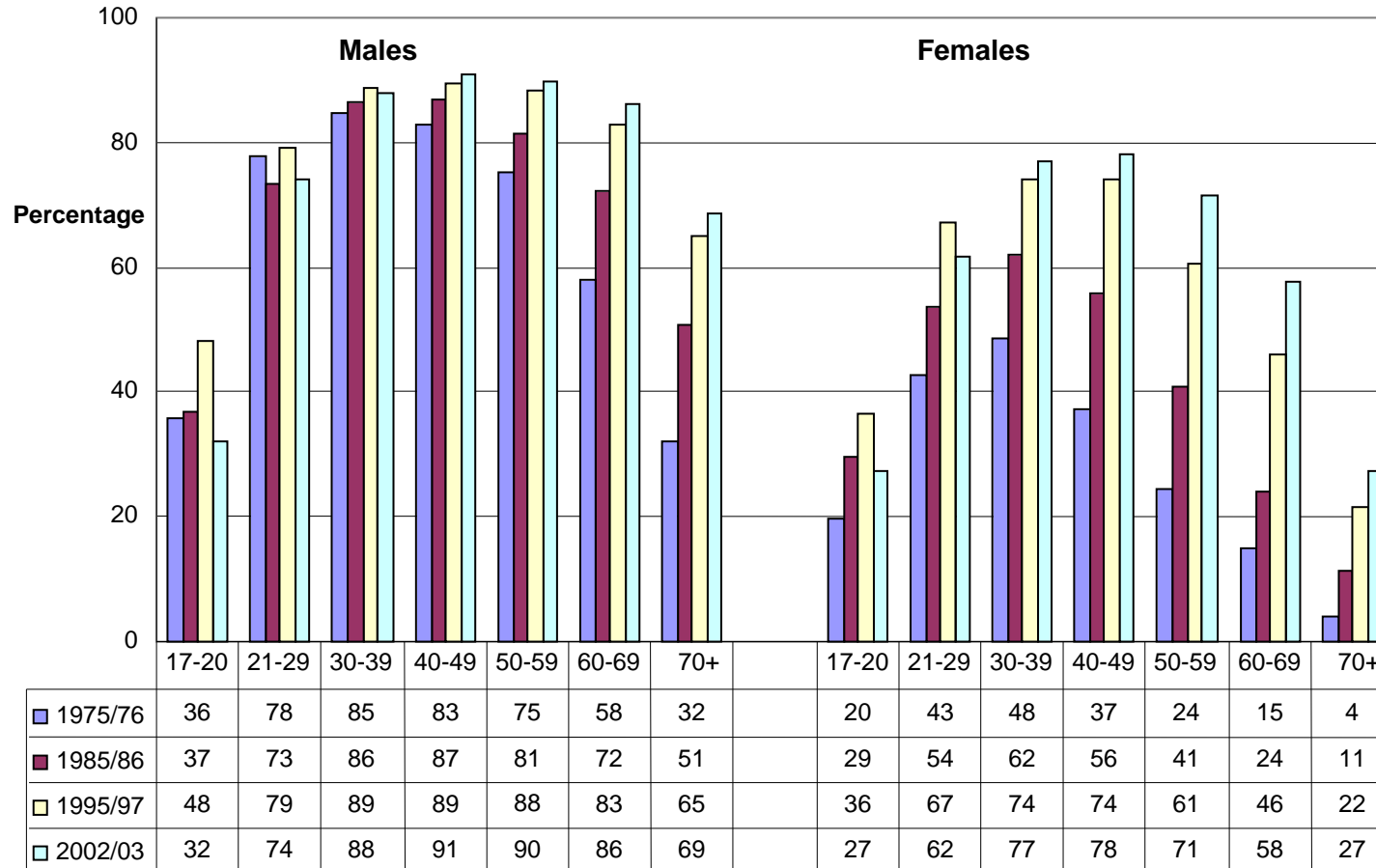
- Projecting a youthful image for a product may be as important for selling to 'youthful' older buyers (main volume target for new cars) as for selling to younger age groups (much lower volume target).
- Younger people may influence their parent's choice of car and, as potential buyers of the future, they are worthwhile targets for advertising messages.
- Nevertheless, showing that your car is great for taking your friends to a rave may not be a very productive message for 60-year-olds. Indeed it may be dysfunctional. If it convinces older drivers that the model is "not for us" it could be actively detrimental.

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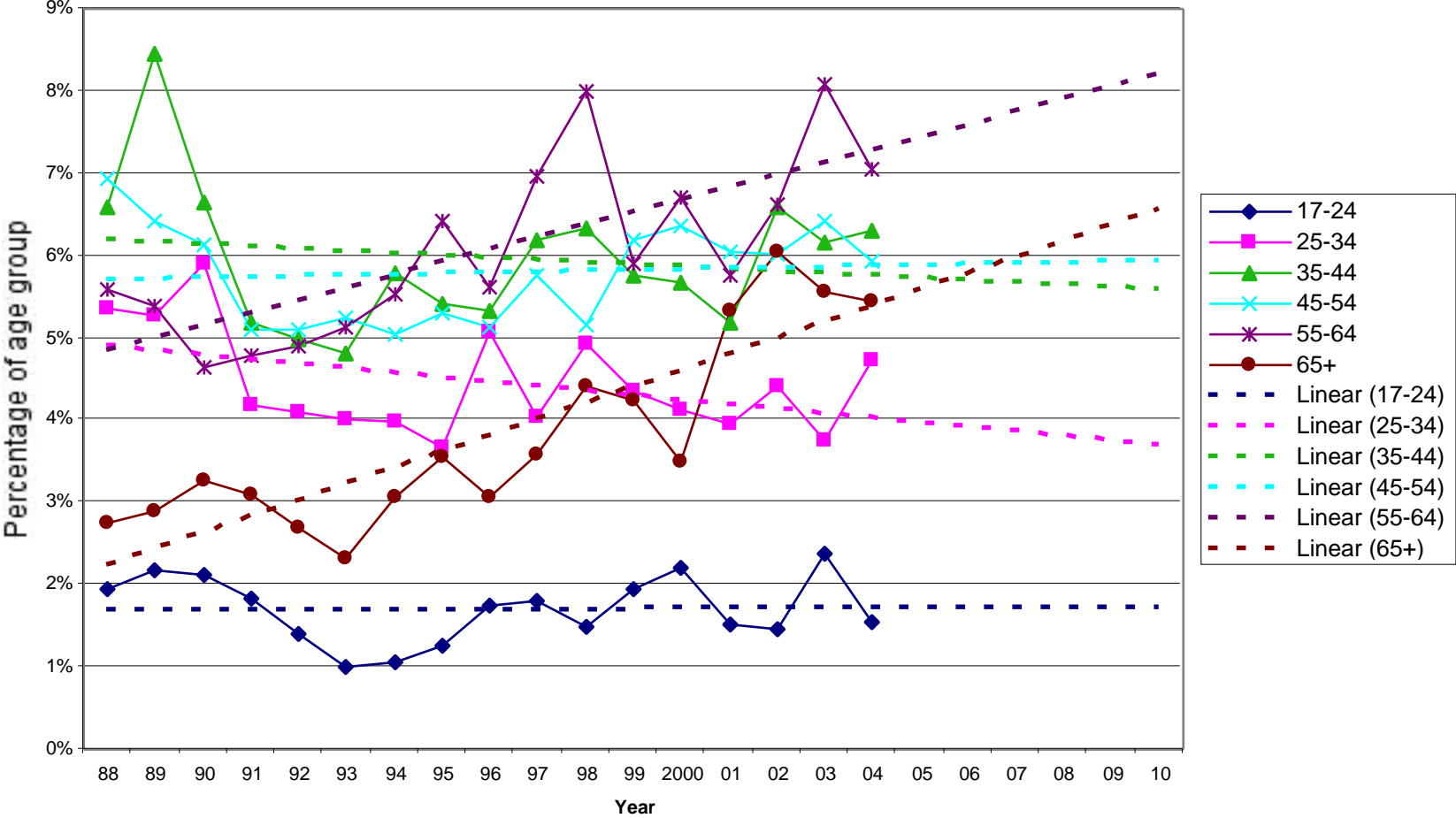
Attachment 1: Sales To Females Compared With Sales To Males



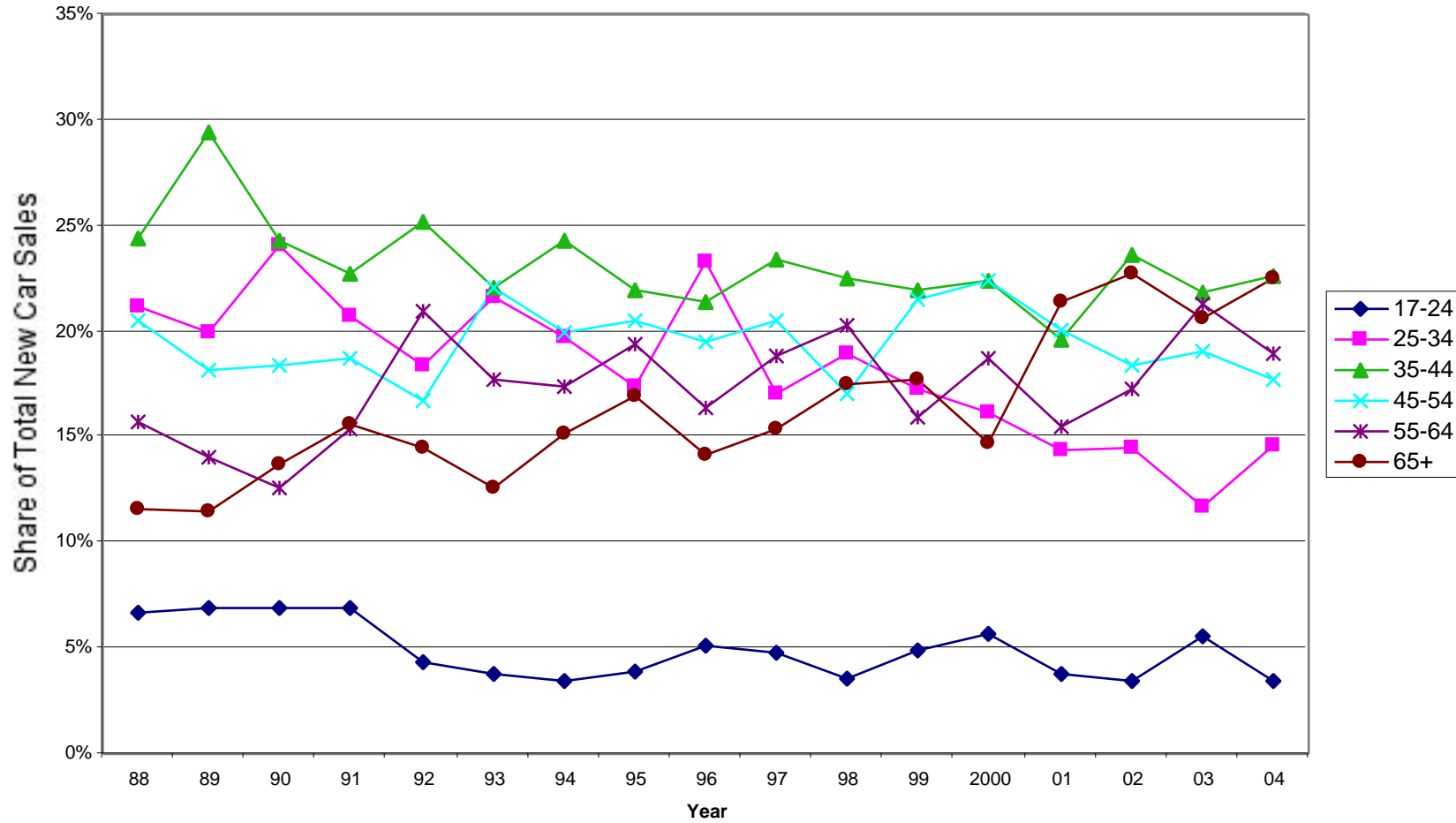
Attachment 2: Driving Licence Holders By Age And Gender



Attachment 3: New Car Sales By Age Group As Percentage Of Population Of Age Group



Attachment 4: UK New Car Sales To Age Groups As Share Of Total Sales



Attachment 5: UK Used Car Sales To Age Groups As Share Of Total Sales

