Advisory Insights

Strategic insights and analysis on various topics impacting the automotive industry

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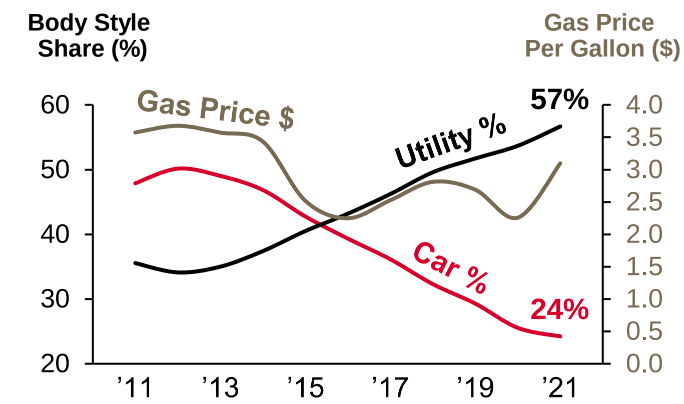
The Shift to Utility: Part I

Utility share reaches new high, despite increasing gas prices

The rise of the utility sector is no surprise. The trend started nearly a decade ago and ramped up as gas prices plummeted from 2014 to 2016 (Fig. 1). Even as gas prices began to increase, utility share continued to climb due to the introduction of smaller and more fuel-efficient utility nameplates.

Fig. 1: Body Style Share vs. Gas Price
Industry



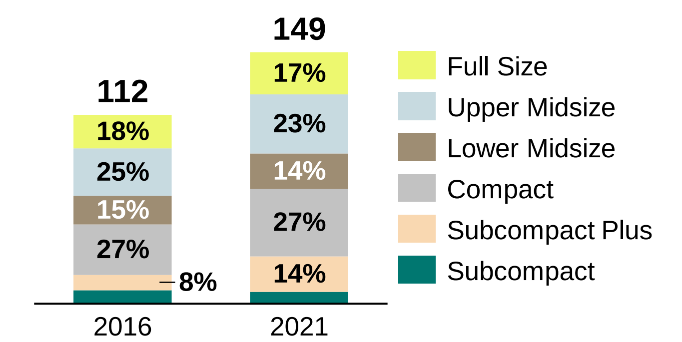
Note: Personal registrations; Other body style shares not shown; Gas price is for all grades
Source: IHS Markit/U.S. Energy Information Administration (Gas price)

Industrywide, utility model count grew by 33% in five years (Fig. 2), led by growth in the Subcompact Plus* size class. As the utility landscape changed, a segment whose models were referred to as "gas guzzlers" now offers a utility vehicle for everyone.

*For reference, the following are volume models for mainstream/luxury in 2021 in their respective segments:

Subcompact: Kia Soul, (n/a for luxury)
Subcompact Plus: Honda HR-V, Audi Q3
Compact: Toyota RAV4, BMW X3
Lower Midsize: Ford Edge, Mercedes-Benz GLE
Upper Midsize: Toyota Highlander, Cadillac XT6
Full Size: Chevrolet Tahoe, Land Rover Range Rover

Fig. 2: Model Count by Utility Size Class
Utility Segments Only - Industry

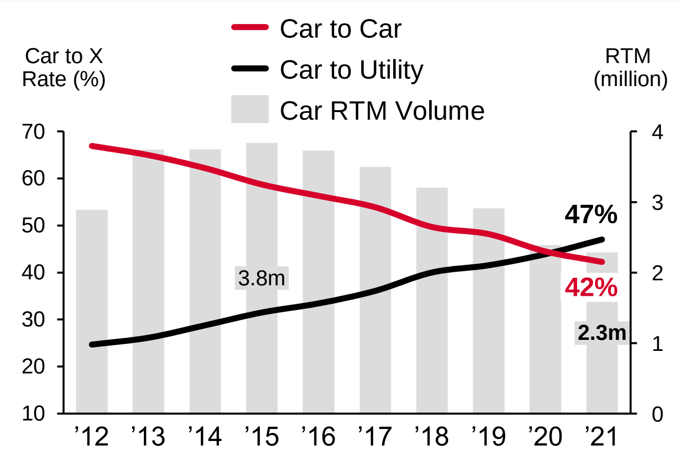


Note: Count based on models with >100 new vehicle registrations (personal)
Source: IHS Markit

For the first time, more car owners moved to utility than another car

As more consumers move to SUV, fewer return to market households are car owners, and they are increasingly going to utility. In 2021, 47% of car households acquired a utility vehicle, while 42% acquired a car (Fig. 3). This is the first time more car owners acquired utility over car.

Fig. 3: Car Return-to-market (RTM) Behavior
Industry



Note: Household new to new methodology; Car to other body styles not shown
Source: IHS Markit

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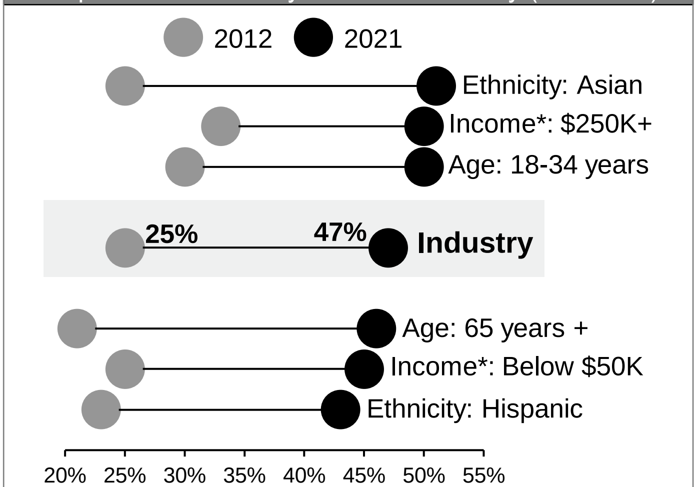
The rate at which consumers move from car to utility varies among demographic groups, as well as how much that rate has increased over the past decade (Fig. 4). Younger consumers (18-34 years old) have historically shown a higher propensity to convert from car to utility than older consumers (65+). This was still the case in 2021. However, the gap between the two has narrowed, as the rate for older consumers increased faster. The same is true for higher income vs. lower income consumers.

Asian consumers are most likely to move from car to utility, while Hispanics are least likely. Demographic groups with the largest jumps in car-to-utility rate were low to begin with and likely pushed into utility as cars were harder to come by.

One factor in the lower car-to-utility rate for some groups is the added cost in jumping from car to utility. In 2021, average monthly loan payment premium was $110 (+27%) for mainstream and $74 (+10%) for luxury.

Fig. 4: Car-to-Utility Rate by Demographic Groups
Groups most/least likely to convert to utility ('12 vs '21)

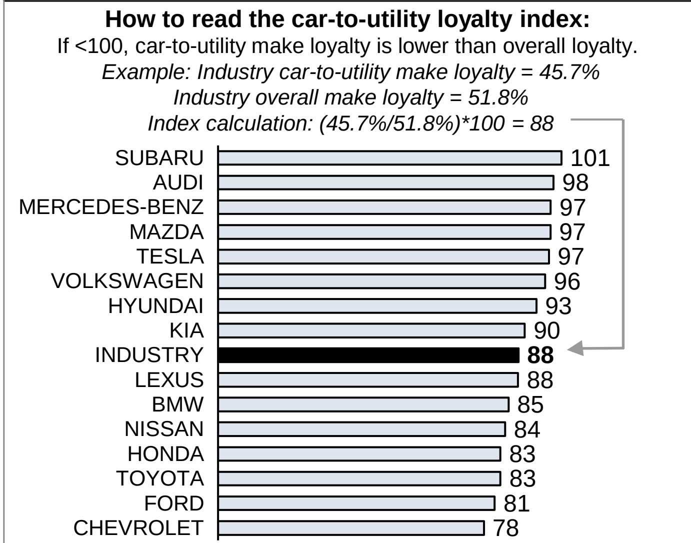


Note: Household new to new methodology; *income is 2014 vs. 2021 due to income data source change
Source: IHS Markit

Car-to-utility make loyalty is lower than overall make loyalty

In 2021, make loyalty for the industry was 51.8%. Make loyalty among car-to-utility households was 45.7%, under indexing overall loyalty. Despite Ford and Chevrolet having wide utility portfolios, they show the lowest results (Fig. 5). They have been the most aggressive in discontinuing sedans. Brands with a lower car-to-utility loyalty index have an opportunity to focus loyalty efforts on moving their car customers up to utility.

Fig. 5: Car-to-Utility Loyalty Index
2021 - Top 15 Brands based on car RTM volume



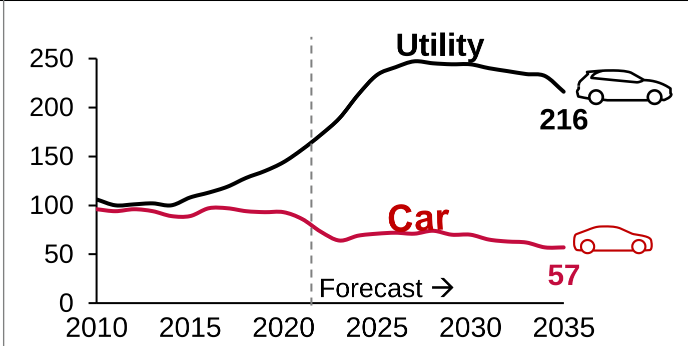
Note: Household new to new methodology
Source: IHS Markit

The #1 car-to-utility movement is from Compact Car to Compact Utility, and it makes up 13% of the whole car-to-utility movement. Luxury car owners moving to mainstream utility has been increasing gradually over the past decade. In 2021, 15% of luxury car RTM households acquired a mainstream utility. While fewer went to Jeep, the increase was to Hyundai, Volkswagen and Kia — all launched utility vehicles in the past few years.

More growth in utility to come

The growth in utility offerings has only just begun. There are currently almost two times as many utility nameplates as there are car nameplates. IHS Markit, now part of S&P Global, forecasts by 2034, utility offerings will be four times greater than car (Fig. 6).

Fig. 6: Nameplate count by body style
Industry



Source: IHS Markit Forecasting

Stay tuned for **Part II of 'The Shift to Utility'** where we explore the movement among utility segments and the rise of electric utility vehicles.