

AutoOne first in Canada with car subscription service

Care by Volvo, the first OEM offering here, not ready yet

▲ Lawrence Papoff

TORONTO – AutoOne was first on the Canadian subscription scene, having launched on July 1.

AutoOne customers choose from one of three different mileage packages: 800 km, 1,200 km and 1,500 km. Then after paying a small application fee of \$25, an initiation fee of \$175 and proving they have a clean driving record, a valid driver's license, credit card and good credit, they get to drive off with one of AutoOne's late-model, mostly premium sedans, crossovers and SUVs for 30 days. At the end of each month, they can renew and keep on driving or cancel.

For a monthly fee, they get the vehicle of their choice, free maintenance and emergency services.

If they have a hankering for another ride, it's theirs at the end of the month. All they have to do is turn in their old one and pay a \$125 swap fee.

The monthly fee doesn't cover insurance as it does in the U.S., but Rozmin Patel, AutoOne's senior vice-president, said a number of sympathetic insurance companies are lobbying the regulators to find a way to permit her company to offer insurance.

Subscription versus lease rates

Patel pointed to a 2013 Acura TL on her lot. The TL has over 61,000 km on the clock. It leases for \$295, but there is the deposit and a four-year commitment. By comparison, the customer can subscribe to the same Acura for \$540 a month with no money down and no commitment.

She said that since there's no commitment, the subscription price is no-haggle.

Types of customers a surprise

Patel is optimistic about the success of the service – also known as car as a service (CaaS) – which is getting a lot of attention from millennials, who enjoy the flexible ownership CaaS provides, and the fact the service is plugged into the Internet. But the service is attracting older customers as well.

"Although I thought the product would appeal to younger customers, a lot of the inquiries have come from older customers – a lot from snowbirds who spend winters south of the border. They don't want to keep a car full time," said Patel. "They like the convenience of part-time ownership."

In fact, Patel added, most of the initial interest has come from the over-50 crowd.

Besides convenience, they tell her they can't afford leasing because of the down payment and the long-term commitment. Or they haven't decided on a particular car yet. So she said they rent. Now, AutoOne is offering them an alternative: CaaS.

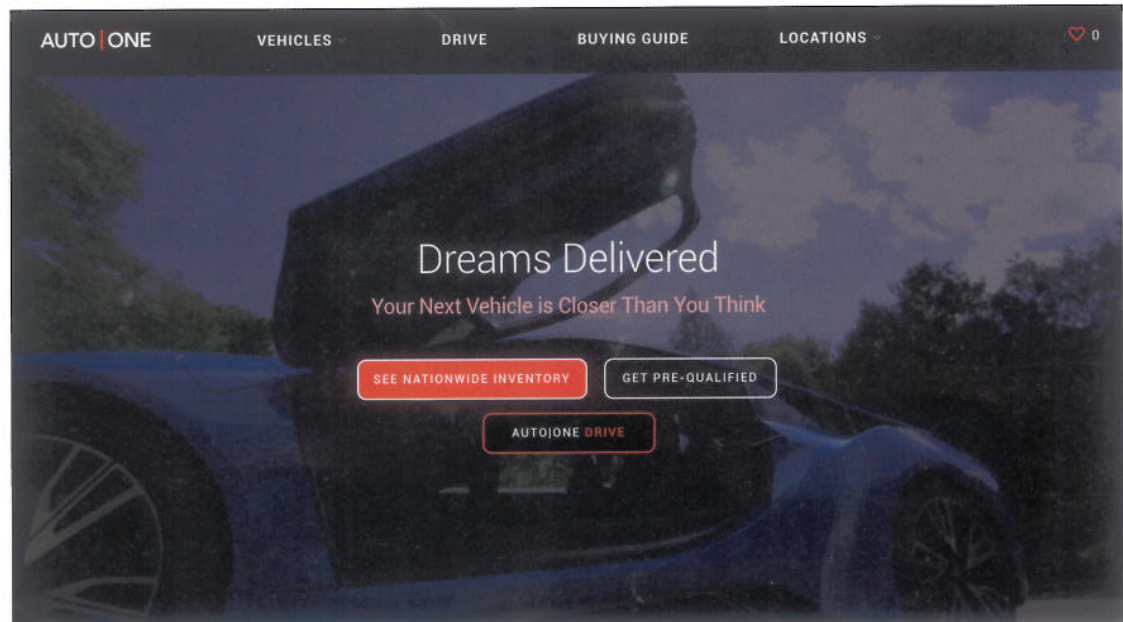
Patel said AutoOne's research tells them to expect subscriptions to run six to seven months the way they do in the U.S. "But we think that once our customers get comfortable with subscription, they will transition to a long-term lease, which we offer along with sales under one roof."

Quick from research to market

Patel said the inspiration for the offering came from conferences she attended in London, England in January and in San Francisco in March. The main theme was subscription and the millennial customer.

"All the talk was subscription," she said. "That's where the market was going because young people were not comfortable committing to three- to five-year leases and weren't sure what car they wanted. And the purchase of a \$30,000 car was a lot for them."

She reasoned subscription was a natural for AutoOne since it augments the company's core business of long-term leasing



and sales. "They wanted to commit to 30 days and this was a complement to our business."

Patel said AutoOne then turned to Carma Technology, which has a turnkey car subscription platform ready for dealerships and OEMs to use. It features a telematics device that controls mileage-based billing and restriction enforcement as well as software that lets AutoOne manage chores like reservations and vehicle maintenance at its three locations in Toronto, Vancouver and Halifax.

"That's why we were able to transition from an idea in March to entering the market in July," she said.

Other features

Patel said AutoOne's website has features that make it easy for customers looking to subscribe or lease to get pre-qualified online. All the customer has to do is punch in their name, address and date of birth and other information into iDecision, the site's credit adjudication tool developed in co-operation with Equifax, returning the results to the customer in a matter of seconds.

Coming soon is an Affordability Index. Patel explained that AutoOne is currently working with another party that has developed a financial data platform that – with the customer's consent – gets access to the customer's financials accounts and transactions and uses the data to compile an affordability scorecard.

She said the tool is particularly helpful in the Vancouver area where many newcomers who can afford a car haven't been in Canada long enough to qualify for credit.

Subscription USA

Having access to a vehicle by subscription has been around since 2014 south of the border.

OEMs offering subscription services run the gamut from Ford (Canvas) Hyundai (PLUS) to Cadillac (Book), Porsche (Passport) and Volvo (Care by Volvo). Others, such as Mercedes-Benz, are testing the waters.

Fees cover services such as insurance, maintenance, roadside assistance and the right to switch vehicles. An initiation fee of \$500 lets you Book a Cadillac for \$1,800 a month with no minimum term in New York, Los Angeles and Dallas. Care by Volvo lets someone get behind the wheel of an XC40 starting at \$600 to \$700 a month. There's a required subscription period of 24 months; after 12 months the customer can

change their vehicle. Some dealer groups such as the Jeff Wyler Group offer their own subscription services.

Not all dealers are enthusiastic

Volvo dealer Ray Ciccolo, president of the Massachusetts Village Automotive Group, told *F&I* and *Showroom Magazine* he didn't like the idea of not knowing when a subscription car is coming back. He also wondered what happens to the vehicle when it is returned. The group sells Hyundai and Volvo products.

"Do they go in a pool or does the dealer get it back?" he asked. "If the dealer doesn't get it back, that's another reason [the program] isn't particularly attractive to us."

But what was most worrisome was that the service's one-fee-covers-all feature leaves no room for F&I product sales. "If you took away the F&I income from the dealers all over the country, half of them would be in the red," Ciccolo added.

Still, Ciccolo said dealers are resilient and will adapt.

Care by Volvo in holding pattern

Volvo announced that Canadian car buyers will be able to subscribe to a 2019 XC40 this year. The announcement came with the unveiling of the compact CUV at the 2017 Los Angeles Auto Show in December.

One of the participating Volvo dealerships is John Scotti Volvo. A note on the store's website calls the offering a "new form of vehicle leasing" with winter and summer tires, maintenance, parts and other services, all for one monthly payment.

And in a move to woo millennials, Volvo said, "you will be able to get your shopping delivered in your Volvo during your working hours or the possibility that someone comes to refuel your vehicle." The service will be offered on the 2019 XC40, but the OEM promises that the service will be available on the entire range of Volvos "in the following months." But, the note added, "We do not have any information yet regarding the prices set by Volvo for this service, but we will keep you informed as soon as we receive them."

Calls and emails to Volvo Canada and John Scotti Volvo for information as to the cost of a subscription and when it would be available went unanswered.

AutoOne's subscription service is available at the used car sales and leasing company's locations in Halifax, Toronto and Vancouver. **CAW**