

# Vehicle subscriptions witness uptick on demand from Gen Z buyers

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The automobile industry is witnessing a demand uptick in consumers opting for vehicle subscriptions. Automakers are seeing growth in subscription models.

The vehicle subscription model allows the consumers to have a vehicle instead of buying the car at full price. They can subscribe to the vehicle for 1-4 years and pay monthly rent including vehicle cost, maintenance, insurance and roadside assistance. "India's car subscription market is at a nascent stage but growing. This segment is expected to proliferate due to the increase in household income of India's middle class, which is expected to be 45 per cent of the total population by 2030, urbanisation, increasing



**ALTERNATIVE MODEL.** The vehicles can be subscribed for 1-4 years and the subscribers can pay monthly rent including vehicle cost, maintenance, insurance and roadside assistance

financing options and the emergence of Gen Z buyers. We expect the subscription market to grow at 20-30 per cent in the coming 3 to 4 years albeit at a low base. This growth rate is expected to increase further owing to increasing penetration across categories including electric vehicles," said Rajat Mahajan, Partner at Deloitte India.

Automakers including Maruti Suzuki India, Tata Motors Ltd and Mahindra & Mahindra have introduced subscription models for their vehicle offerings.

**CUSTOMER CENTRICITY** Maruti Suzuki, which introduced its vehicle subscription model in 2020, has over 10,000 consumers subscribed

to its vehicles. "Maruti Suzuki Subscribe caters to a niche audience, especially young consumers, who seek asset-light ownership, and underscores our commitment to customer centricity. It recorded a growth of over 36 per cent in FY24. Our 53 per cent of the total sales have come from models such as the Brezza, Baleno, Grand Vitara, and Ertiga. Furthermore, the recently launched fourth-generation Swift is also garnering good response from the customers who want to experience the iconic brand without the extended commitments of traditional ownership," said Partho Banerjee, Senior Executive Officer, Marketing & Sales, Maruti Suzuki India, told *businessline*. According to a Global Automotive Consumer Study by Deloitte, 67 per cent of Indians between the ages 18 and 34 years stated

they would opt for vehicle subscriptions. "Against the backdrop of uncertain economic conditions causing concern for financial capacity, a significant number of younger consumers in many markets are at least somewhat interested in giving up vehicle ownership altogether in favour of a subscription model, but concerns about vehicle availability, total ownership cost and the perception of higher monthly fees persist," mentions the study.