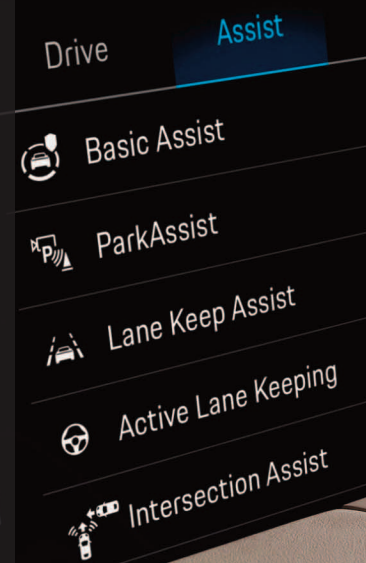


Subscribe here: are vehicle feature add-ons in demand?

Elle Farrell-Kingsley explores where subscription-based features stand in the market



“Car manufacturers are always exploring new ideas for ownership models, and I am confident we will see more concepts emerge in the years to come,” says Scott Kunes, Chief Operating Officer at Kunes Auto Group. However, he notes that “subscription models, are not new. They’ve been around for at least ten years, from flex buy to car-sharing and upselling features.”

Private vehicle ownership is on the decline, with [car-sharing](#) and [subscription-based models](#) on the rise. Subscription-based features have similarly flourished. Automakers are now looking to profit by charging customers monthly or annual

subscription fees to access certain features within the vehicle. Instead of immediately committing to a product, consumers can try out different technologies and services to discover what they prefer.

This has been made possible by an increase in car internet connectivity, which enables over-the-air (OTA) software updates such as those [pioneered by Tesla](#) in 2012. Car companies can now add new capabilities and tweak vehicle software from a distance.

OEMs that have rolled out a feature subscription model include Audi, BMW, Cadillac, Porsche, and Tesla. “Next up for the automotive industry



are microtransactions—software subscriptions added to monthly car payments for services like heated seats, Netflix and more,” says Joe Fuca, Chief Executive of Software-as-a-Service (SaaS) growth company Reputation. Fuca has spent more than 30 years in the tech sector.

Feature-based market

Porsche’s Function on Demand (FoD) subscription plan—currently only available in the all-electric Taycan Cross Turismo—gives owners two options: upfront purchase of a car feature or a monthly subscription fee for its use. This is possible for Porsche Intelligent Range Manager

(PIRM), Power Steering Plus, Active Lane Keeping, and Porsche InnoDrive features. The PIRM optimises the car’s navigation system to maximise range and minimise charging stops. The outright purchase of this feature would cost US\$474, while a monthly subscription is US\$12 after a three-month free trial period.

Tesla also made its full self-driving (FSD) feature available as a subscription to North American customers on 24 November 2022. Owners with Basic Autopilot can access FSD for US\$199 per month, while those with Enhanced Autopilot can enjoy the feature for US\$99 per month. Tesla notes: “These features are designed to become more capable



A glimpse into Tesla's FSD programme

over time; however, the currently enabled features do not make the vehicle autonomous.”

Similarly, Cadillac offers Super Cruise active driving assistance for a monthly subscription fee, which promises hands-free driving and automated lane changes. After a three-year free trial expires, customers in the US can purchase a stand-alone Super Cruise plan for US\$25 per month that facilitates the hands-free driving. They can also add further bundles such as OnStar and Connected Services—which provides access to in-vehicle apps, a remote key fob, and diagnostic notifications—for a collective US\$15 per month.

Lexus, Toyota, and Subaru have begun to charge owners for the ability to lock or start their cars remotely through an app. In some BMW car models, automatic high-beam headlights can be unlocked OTA with a subscription payment.

Furthermore, BMW has released a subscription for features in addition to autopilot driving, such as real-time traffic alerts, navigation map updates, and Amazon Alexa car integration. One service that has drawn much attention includes a [subscription service for heated seats](#), available in the UK, Germany, South Korea, New Zealand, and South Africa for approximately US\$18 per month. Many BMW owners oppose the idea of paying extra for something that's already installed in their vehicles, causing some drivers to resort to grey-market type services which unlock paywalled features for a one-time fee.

Not quite there?

The subscription feature approach has not always been favourable amongst consumers. Reputation's analysis of more than five million customer reviews in its 2022 Automotive Report found that pricing

is a significant driver of negative consumer sentiment, and microtransactions are seen as another unnecessary monthly charge. In fact, according to an April 2022 Cox Automotive survey, 75% of consumers said they were not willing to pay an annual or monthly subscription fee for most items on their next vehicle.

“It is not surprising that the public has reacted negatively to subscription services,” says Fuca. Specifically, 92% said heated and cooled seats should be part of the purchase price; 89% said remote start should be as well. As for safety features, the response was equally instructive: 89% said lane-keeping assist should be included, and 87% said automatic emergency braking should be too.

Consequently, Fuca believes manufacturers and dealers must stay more in touch with what their customers do and don’t want. Kunes acknowledges this pitfall: “Some ownership models have more success than others, but most concepts fall short,” he says. “Many subscription packages put forward have resulted in a dip in consumer confidence. Car prices continue to rise, and people want to own what they are paying for, especially if the features are already built into the vehicle.”

An investment

Nevertheless, “subscription-based models make sense for automakers because the cars can be customisable, allowing car owners to change their mind on various features once they see the value,” Fuca tells *Automotive World*. Indeed, Stellantis announced in 2022 that it plans to generate US\$22.5bn in incremental annual revenue from software

services and subscriptions by 2030. As such, the automaker said it expected “a majority” of its new vehicles to be capable of OTA updates as soon as 2024. Similarly, General Motors expects its in-car subscription services to reach US\$25bn by the end of 2030.

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It is not surprising that the public has reacted negatively to subscription services

However, Fuca notes that the perception of subscription models presents an ongoing challenge for manufacturers. “Automakers should monitor feedback across all channels—from reviews and ratings to comments on social media—to understand consumer sentiment and the reasons behind it.”

Part of the issue is timing: “With [record inflation](#) and [supply chain shortages](#), the [price of a car](#) is already at an all-time high,” he concludes. “Clear, articulate details around the value added by a subscription model will go a long way.”