INTRODUCTION

By Bailey Overman, Senior Analyst, AASA

Many facts, myths, and legends have been reported on the mysterious millennial generation. The media typically paints the typical millennial as unemployed and carefree, fully enjoying the lifestyle of living with their parents and buming rides to the few destinations they need to go (because when in doubt, walk!).

As a millennial myself, I have to say I do not find this to be the “norm” for my generation. I work for several Boomers and even a few Gen X-ers. They are fond of quoting figures and sweeping generalizations about my generation. Seemingly what they fail to realize is that there still remains a few common threads amongst our generations.

One, the majority of millennials do not want to live at home with mom and dad. There always are a few exceptions (as with every generation), but this is common amongst any generation as it “comes of age.”

Two, public transit will always be just that…public transit. In some cities, it works. New York, Chicago, and Boston, to name a few, have excellent public transportation, and the benefits of taking the subway or bus to work outweigh the cost and negatives that come from car ownership and driving. However, for the majority of America, public transit is simply not a feasible or popular option. For example, if I was to take the bus versus drive to work every morning, it would add 45 min each way to my commute. It’s just not practical.

Three, millennials want to buy things (cars, homes, vacations to Hawaii…). They want to participate in American consumerism. However, the crippling amount of student loan debt and high unemployment rate common in the millennial generation stunts buying power. That is not to say it will be stunted forever ….
What does this means for Automotive Aftermarket Suppliers?

The automotive aftermarket is most concerned with millennials’ driving and buying habits (specifically cars). Aftermarket suppliers want to know how miles driven (one of the key market drivers) will be affected when this driving-reluctant generation becomes their key demographic.

The good news is that although the millennial generation has been sluggish in the past to obtain their driver’s licenses, buy a new car and drive as much as previous generations, there is still a good chance that millennials will be as car-centric if not more car-centric than previous generations.

The Generational Landscape of America


Millennials currently account for ~25 percent of the population. In 2012, about one fourth of all new vehicles sold in the United States were purchased by millennials. Within the next decade, it is estimated that millennials will purchase half of all new vehicles sold. Still, the question remains: will miles driven decrease, given this generation is less car centric than previous generations?

Source: Deloitte’s Global Automotive Consumer Study
Millennials as End Consumers

Millennials, so far, have been proven less likely than other generations to obtain their license at 16 and wait longer to purchase a car. Many believe that the reason millennials choose not to drive is a desire to live in an urban environment where they can walk or use public transportation.

However, according “Deloitte’s Global Automotive Consumer Study,” the top reason millennials don’t purchase a car is the same as everyone else: affordability with operational / maintenance costs coming in second. High levels of unemployment among millennials as well as increased debt due to student loans are the primary factors that millennials are unable to afford car ownership.

Technology, however, may be a tipping point for many millennials. The “iPhone generation” tends to be swayed by the latest and greatest electronics. More than 70 percent of younger millennials say that infotainment features are “must-haves” when shopping for their new car. With the influx of autonomous features, telematics, and the promise of a future driverless car, perhaps millennials may have a love affair with the automobile after all.
Delaying Car Ownership

So far, millennials have been proven to drive less than previous generations. With the invention of the Internet and smart phones, it is much easier for millennials to feel “connected” to friends via social media, texting and even video chat. For previous generations, the only way to connect with your friends was to drive to them. The car represented a sense of freedom and was a bridge to adulthood. Now, the iPhone represents that similar sense of freedom.

The key with millennials is not that they do not want to get their license; it is that they are delaying obtaining their license. Many milestones besides driving have been pushed back for this generation. Many millennials wait longer to get married, buy a house and have kids. In 1970, the median age of marriage for males and females respectively was 23 and 20. Today, the median age is 28 and 26. Clearly there is some shift with millennials today that affects major purchase decisions. With more millennials obtaining post high school education and degrees, it is not unexpected that milestones are delayed and become a lower priority.

Despite the iPhone, Internet and other factors, the key reason millennials delay driving is cost. It is much more expensive to own and drive a car today than it was 10 years ago.

According to The New Generation Car Buyer Study, only half of millennials will obtain their license by age 18. When we look at these numbers by social demographics such as family income, one would see what is expected. Nearly 90 percent millennials who belong to families with incomes of 100K or more per year obtain their license before age 18, but only a quarter of millennials whose family incomes are less than 20K per year get their license.

With the great recession, it is easy to see where the cost of vehicle is a contributing factor to delaying obtaining a license and car ownership.

Further impacting millennials’ licensing and driving habits is the Graduated Driver’s License Law, enacted in 49 U.S. states in 2006. This law affects conditions in which teenage drivers can obtain a license and drive. It also has some impact on miles driven by millennials.

Why the Recession Was Harder on Millennials

Millennials have been struck harder by the “Great Recession” than any other living generation. In 2011, the unemployment rate for younger millennials (18-24) was 16.3 percent. This was much higher than the overall unemployment rate. Lack of experience and tough times led many millennials to move home after college or seek jobs at levels that were below their degrees.
Although recently the economy has been turning around, this issue is something that continues to plague this generation. CNN estimated that of the Class of 2014 20 percent were unemployed upon graduation with no post education plans.
As the economy rebounds for millennials and other generations, the aftermarket could see a lift in one of the key drivers for growth: miles driven. Miles driven has remained stagnant over the past five years and many believe this is due to the slow economic recovery. As unemployment continues to decline, there is still some potential for miles driven to continue on its original trajectory.

Looking Forward

There is still hope that millennials could still have a love affair with the car. The majority say they plan on purchasing or leasing a car within the next five years. Although these milestones (getting a car,
getting married, and having kids) have been pushed back, that does not mean that they will never happen.

Given that millennials have been the hardest hit by the recession and are more likely to wait to get married and have kids, there is a higher probability that they could potentially keep their car longer than previous generations. This creates an increase in another key aftermarket driver: average age of vehicle.

Another silver lining is the increased automation of vehicles. As the car increasingly becomes consumers’ largest electronic device, it has potential to attract this younger generation. Increased technology such as hybrid vehicles and telematics (infotainment and diagnostics) could all play a potential role in the “automotive renaissance”.

Millennials have been talked about among aftermarket executives for a few years now. As with any new generation, it remains to be seen what their true buying habits will become and what will shape their generation. There is enormous potential through increased technology and purchasing habits that millennials could still prove to be as car centric as other generations.

Produced and edited by:
- Curtis Draper, vice president of industry analysis, programs and member services, AASA
- Bailey Overman, senior analyst of industry analysis, AASA
- Krysta Messier, junior analyst of industry analysis, AASA

For more information about AASA Industry Analysis, please contact Curtis Draper, cdraper@aasa.mema.org or 919-406-8846, Bailey Overman, boverman@aasa.mema.org or 919-406-8823 or Krysta Messier, kmessier@aasa.mema.org or 919-406-8825.