MARKET BRIEF

The Electric Vehicle Market: Plugging Into Growth Opportunities

After years of minimal change in the market, electric vehicle (EV) sales have grown throughout 2023 – even making up an over 8% share of all new vehicle registrations in the second quarter.[1] As more manufacturers (OEMs) release or plan to release new EV models, S&P Global Mobility forecasts EVs will make up the majority of new vehicle registrations by 2033.

This significant competitive shift indicates auto lenders must be prepared to finance this unique collateral which involves having a better understanding of the EV consumer. To that end, TransUnion conducted a study — The Electric Vehicle Market: Charged for Growth — examining the EV landscape and answering questions, such as:

- Which segments and geographies are experiencing the highest EV penetration?
- Do EV brands appeal more to those who currently own luxury or mainstream vehicles?
- What are EV buyers' relationships to credit, and how are they financing EVs?

The study looked at approximately 33M new light vehicle registrations in the US for EV and internal combustion engine (ICE) vehicles between 2019 and 2023. Combining TransUnion credit data with vehicle registration information and industry forecasting from S&P Global Mobility, the study explored EV market trends, future growth prospects and overall impact on household vehicle brand loyalty. With EVs no longer considered niche within the auto market, comparisons were also drawn between EV and ICE loans, consumer profiles and behavioral characteristics. Also considered was 60+ days past due (DPD) performance for 2021 and 2022 originations to assess risk.

Finally, we leveraged the Element One platform to look at demographic, behavioral and attitudinal data of EV consumers to better understand the driving force behind EV purchases.

[1] Source: AutoCreditInsightTM by S&P Global Mobility, TransUnion

What were the key findings?

New EV market share grew from 1.4%% in Q2 2020 to 8.3% in Q2 2023

Today, mainstream EV owners have nearly identical high-quality credit profiles as luxury vehicle owners

While Tesla continues to dominate the market, the competition is picking up as new models are released from OEMs on a seemingly weekly basis

On average, consumers who purchased EVs in 2022 were younger and earned more compared to the general public

How can auto lenders identify, target and capture EV consumers?

As the US auto market continues to evolve, meeting the unique demands of EV buyers will become a business imperative for lenders. Preordering EVs, subvented financing and direct-to-consumer captive business models may give captive lenders an edge against non-captive lenders. According to the study's findings, non-captive lenders may need to target consumers earlier in the sales funnel, and online prequalification at the start of the shopping process may help capture more EV buyers. Mainstream EV models will continue to see indirect financing through dealerships, making it critical for lenders to partner with dealers for end-to-end digital retailing. Plus, with inventories having grown in 2022 and during the first half of 2023, leasing is gaining market share in the EV space.

AutoCreditInsight® — a business intelligence tool powered by S&P Global Mobility and TransUnion — allows lenders to benchmark auto originations based on vehicle and fuel type, and identify EV financing opportunities. Lenders can further utilize S&P Global Mobility's Garage Loyalty BI tool (including a TransUnion credit data overlay) to research vehicle brands and models with growth potential. As mentioned, online prequalification early in the purchase journey may increase chances of capture.

As EVs become increasingly available through dealer and online channels, lenders can get ahead of the digital shopping curve with TransUnion's marketing solutions. By leveraging a variety of credit and non-credit-based consumer attributes, creating digital audiences can help identify potential, in-market EV purchasers. Additionally, the integration of prequalification offers reduces friction in the buying process while meeting evolving market needs.

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