

# Carmakers' next problem: Generation Y

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People in their teens and twenties are more interested in gadgets than cars

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Meet Natalie McVeigh, the auto industry's latest headache.

At 25 years old, McVeigh lives in Denver and has two good jobs, as a research analyst and an adjunct professor of philosophy. What she doesn't have — or want — is a car.

A confluence of events — environmental worries, a preference for gadgets over wheels and the yearslong economic doldrums — is pushing some teens and twentysomethings to opt out of what has traditionally been considered an American rite of passage: Owning a car.

"There's kind of almost every force working against the young driver right now," said Karl Brauer, senior analyst and editor-at-large at Edmunds.com, an automotive research website.



Natalie McVeigh, 25, of Denver, reads while she rides a bus on her way to work earlier this week.

That could be a problem for automakers, which are still reeling from the Great Recession that sorely damaged their industry. Now, they may find that their youngest generation of potential customers will either purchase fewer cars, put off buying cars until later in life — or they won't end up buying cars at all.

"That's definitely a concern," said George Peterson, president of AutoPacific, an automotive market research firm that has been tracking young car buyers for 20 years. "They are not as engaged with cars and trucks as Gen X or Boomers before them."

The percentage of new cars sold to 21- to 34-year-olds hit a high of nearly 38 percent in 1985 but stands at around 27 percent today, according to CNW research. Over that same period, the percentage of new car buyers who are 55 or older has generally been trending up, according to the vehicle research group.

The prognosis isn't necessarily encouraging, either. In 2008, 82 percent of 20- to 24-year-olds had their driver's license, according to the Federal Highway Administration. Although that's gone up a tiny bit in the past few years, it's down from more than 87 percent in 1994.

People in their late twenties and early thirties are also slightly less likely to have a driver's license than in 1994, and it appears that more people are at least delaying getting their license. Just 31 percent of 16-year-olds had their license in 2008, down from about 42 percent in 1994, according to government data.

Brauer said one issue is economic: A combination of high unemployment among young people and economic troubles for their parents is making it harder for younger people to afford to drive.

But there are also other, longer-term issues at work, he said.

For one thing, many young consumers care more about new technologies, such as the latest phone, than about the latest car.

That may be for good reason — thanks to the Internet and social media, more people can connect with friends, work or even hand in schoolwork without ever leaving the house, potentially making them less dependent on cars but more dependent on gadgets.

Brauer said this generation also is thinking more than any other about the repercussions of driving, both in terms of the environment and our dependence on oil.

"They don't just wholeheartedly see a car as this cool thing to go get," he said. "There's actually some caveats."

**'I didn't need it'**

McVeigh didn't make a conscious plan not to drive. After living overseas as a teenager, she went to college in a small town and then moved to bigger cities for graduate school and work.

At first, a car seemed both prohibitively expensive and unnecessary, because she could walk or take public transportation. Then, she just decided she didn't want one.

"I just kind of came to the realization that I didn't need it," she said.

McVeigh uses public transportation to get to work and likes that she can spend her commute time reading or grading papers.

McVeigh also likes getting the extra exercise when she chooses to walk to work or to the grocery store, and is happy to be saving money and not adding any more pollution to the planet.

Although she knows other people in big East Coast cities who don't have cars, McVeigh said she remains unusual in Denver.

"It's still a Western town and everyone has a car," she said. "Everyone just thinks it's bizarre that I don't have a car."

But for now, she's happy with her decision. The only time not having a car is really inconvenient is when she wants to visit her sister in the mountain town of Breckenridge, about 80 miles away, or to go somewhere with her young nieces who live there.

**Gadgets and gas mileage**

Brauer, the Edmunds.com analyst, says carmakers are thinking about what it will take to get people like McVeigh into the showroom.

Many analysts credit Ford with doing the best job so far. The company recently released a new version of the Fiesta that has plenty to appeal to Generation Y: A sticker price starting at \$13,320, combined gas mileage of around 33 miles per gallon and, perhaps most important, up-to-date technology for things like voice-activated music search and audible text messages.

Peterson, of AutoPacific, said Hyundai and Kia also are starting to offer appealing gadgetry for young car buyers, while Chrysler, General Motors, Toyota and Honda are still playing catch-up.

But will incorporating such functions be enough to persuade a young person who is on the fence to take on car payments and associated costs?

**'I was afraid I would get laid off again'**

The weak economy and cost of car ownership is what pushed Kathryn Goffredi, 24, to give up her driving habit.

Like many suburban American teens, Goffredi got a license and a car at age 16. She drove regularly in high school but not college.

After college, she worked in the Washington, D.C. suburbs. She was considering replacing her high school car when she was laid off in January. One of her first thoughts was, "Well, thank God I didn't buy that car."

Even now that she has a new job doing marketing for nonprofits, Goffredi has no plans to buy a car and has left the old car for her brother to use.

Because she lives and works in the nation's capital, she says it would be cost-prohibitive to drive to work, and not worth paying for a car she only drove a couple times a week. The uncertain economy also left her nervous about taking the plunge.

"I was afraid I would get laid off again, you know, and I would buy this car and work for three or four months and then lose my job again and then be stuck with these car payments," she said.

One big question for carmakers — and these young not-drivers — is how far public transportation will take them. Americans can get by fairly well in large cities, where buses and subways can be combined with cabs and car loan services like Zipcar. But it's a tougher slog in parts of the country better known for long stretches of highways than gleaming rail lines.

Dave Cole, chairman emeritus of the Center for Automotive Research, said Generation Y may never be as excited about things like horsepower and styling as generations past. But he thinks that as this generation gets older and starts buying homes and having kids, they'll eventually buy a car, out of necessity if nothing else.

"The dependence on personal transportation in this country, outside of major urban areas, is still pretty profound, so there's really no alternative," he said.

Although Goffredi is happy with her decision not to own a car for now, she says she could definitely see herself buying a car in the future if she got a job that

was far away, or had kids.

But right now she has other priorities for her extra cash.

“You have all this money, you know, and you decide you could put it all toward the car or you can put it toward other things like clothes, or your social life,” she said.

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