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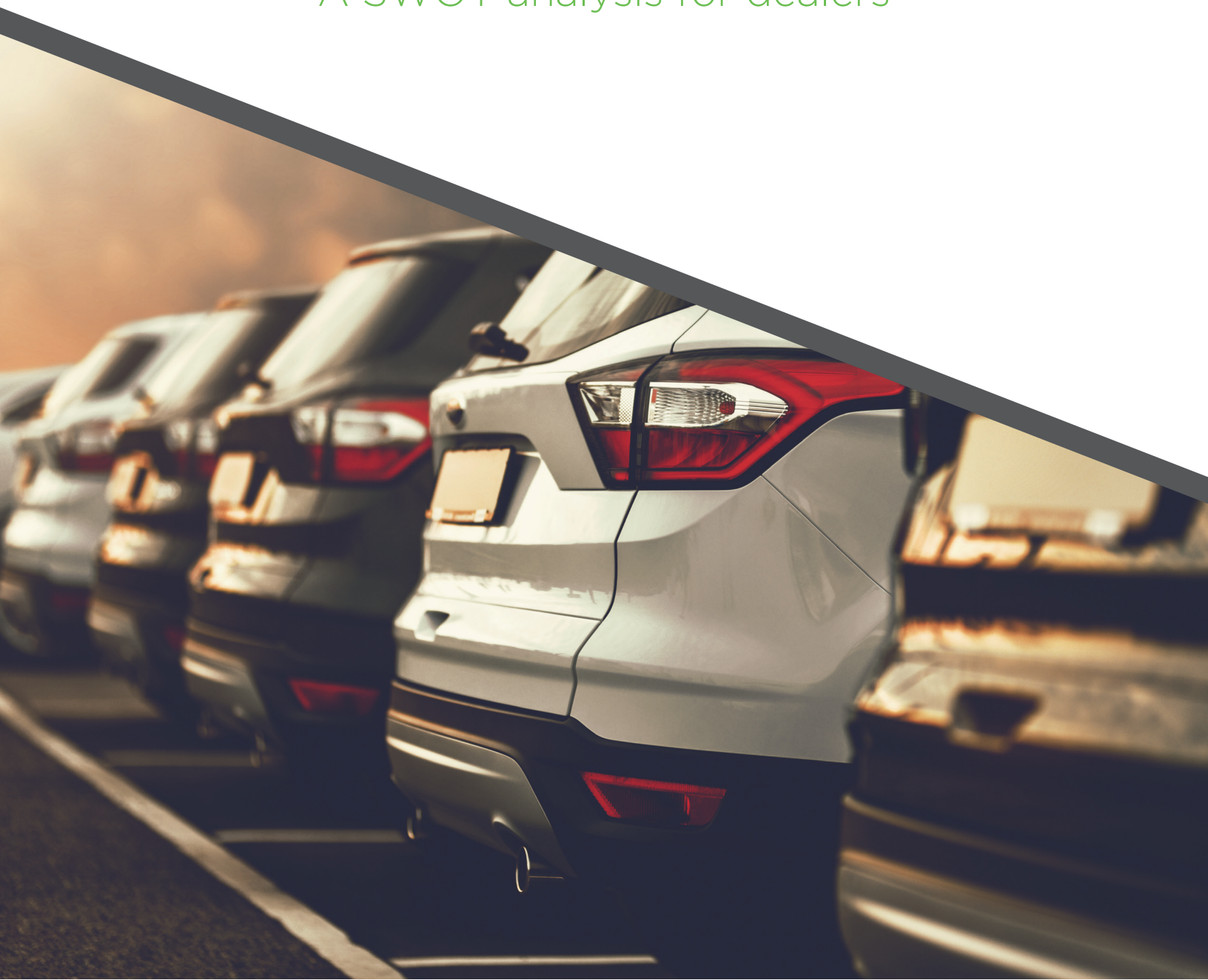
On the brink of New Mobility:

A SWOT analysis for dealers



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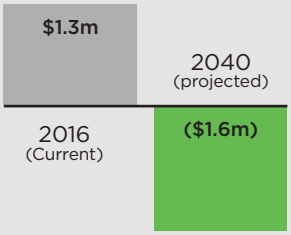
The dealership model has been very effective for a very long time — it has remained essentially uncontested for over a century. As a result, dealers have significant business strengths to leverage. However, it also puts dealers in the crosshairs of current industry change.

In the last few years, developments in sustainable CASE (Connected, Autonomous, Shared, Electric) technologies, shifting customer perceptions, and the increasing ease of access to mobility alternatives have pointed to a perfect storm of disruption headed directly for dealerships — and it could impact every part of their business.

All of this could have dire consequences for profitability. In the worst case, it will quickly turn a comfortably profitable business into one generating crippling losses. Reduced new car sales alongside a significant reduction in parts, service and repair needed for electric vs. internal combustion vehicle, plus a host of other factors, threaten to make the status quo unsustainable.

Average US dealership net profit (loss) for status quo businesses



Source: KPMG and Vision Mobility

Disruption will impact retail automotive on multiple fronts

- **Technology advances**
- **Customer expectations**
- **Ownership alternatives**

To avoid falling victim to the shifting New Mobility paradigm, dealers need be mindful of business weaknesses and industry threats while leveraging current strengths to take advantage of new market opportunities.

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Strengths

1. **Real estate** – Many dealerships are ideally located in desirable areas within easy reach of a significant customer base.
2. **Service facilities** – Dedicated facilities employing highly trained technicians with skills transferable to maintaining EV and autonomous vehicles.
3. **Vehicle prep and detail capability** – Clean and ready vehicles are critical to quality of experience for future Car as a Service operations.
4. **Fleet experience** – Most dealers have some experience in managing their fleet of demo and shuttle vehicles.
5. **Buy & sell sales channel** – Dealers already have established channels from which they can buy and sell new and used vehicles.
6. **Traditional automotive retail** – Some areas of future automotive retail, such as high end vehicles and classic cars, are not likely to see significant impact to the traditional sales process.

Disruption is set to bring sweeping changes to retail automotive, but dealers are well positioned in many ways with existing assets and experience to leverage.

Weaknesses

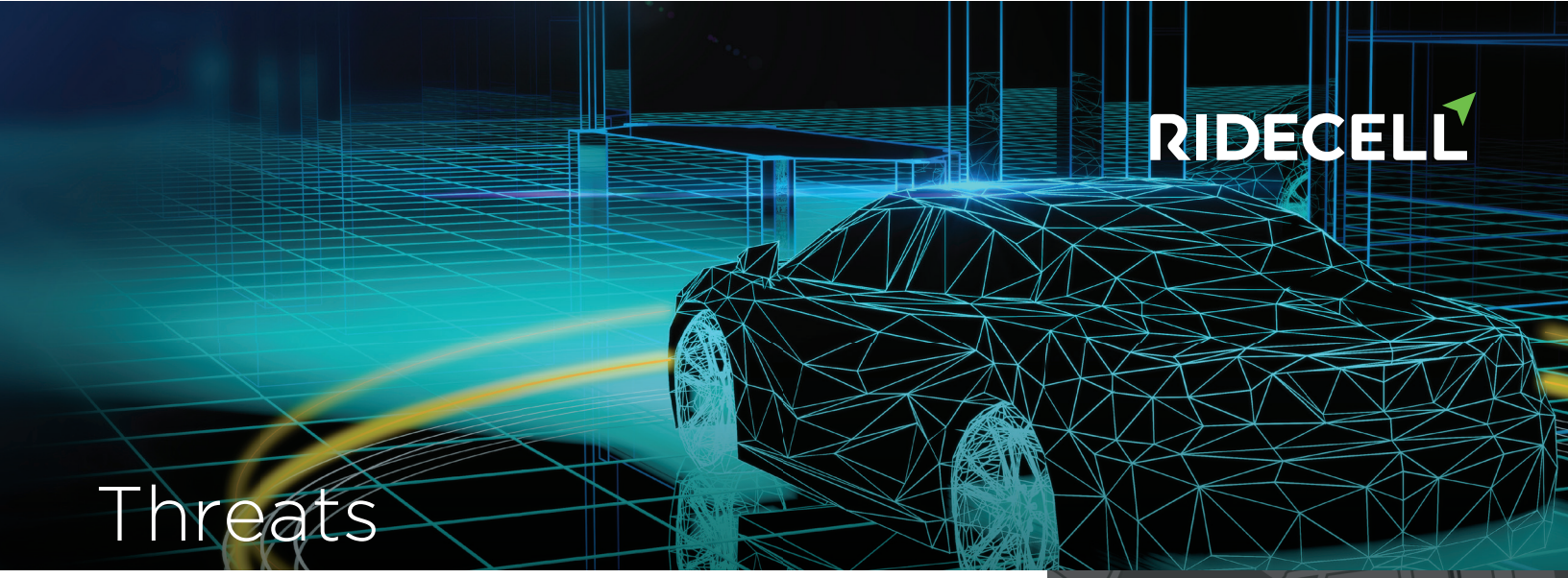
1. **Customer experience** – The traditional dealer sales process leads to customer dissatisfaction. Opaque and variable pricing, the need to negotiate, and upselling practices can feel inconsistent and unfair.
2. **Industry mindset** – As the dealership business model has not changed significantly in 100 years, few dealers are trained to think "out of the box" or understand how external forces and technologies can impact their business.
3. **"Peak Car" ownership** – Owning a car is often expensive and a hassle. Payments, fuel, repairs and maintenance, insurance and registration, and parking all add up. This is amplified as easier, more affordable options become available.
4. **Over capitalized real estate** – Dealers have been pushed to significantly upgrade facilities to high end standards set by OEMs. Depending on the business model, these premium facilities may be overkill and unsustainable under the shared mobility economic reality.

New variables and changes have begun to expose weaknesses in the century old retail automotive business model.

Opportunities

1. **First-mover advantage** – In any industry disruption event, those who identify the trends early and act decisively have a significant advantage.
2. **New customer channel** – CaaS business models can offer much smaller commitments for new customers, creating a low barrier to sale.
3. **Improved customer retention** – Leverage CaaS to offer improved user experience and quickly respond to shifting client needs.
4. **New F&I opportunities** – Upsell with CaaS short term usage plans to compliment the vehicle that they have purchased (e.g. buy a car, access an SUV)
5. **New sales opportunities** – Offer CaaS vehicles as an extended test drive. Even if they don't buy, they can be retained through CaaS for recurrent revenue.
6. **Greater service retention** – Improved service retention can be gained by routing dealership vehicles into dealership service.
7. **Improved fleet and inventory management** – Over the air updates and vehicle monitoring help dealers optimize fleet operations.
8. **Leverage connected cars** – Use new channels to significantly improve customer communication.

Car as a Service (CaaS) models generate a variety of opportunities to optimize existing and create new recurring revenue streams from a single platform.



Threats

1. **EVs are low maintenance** – They only require 50% of the maintenance of internal combustion vehicles. No oil changes mean a consumer habit disappears, along with the recurring revenue for dealers.
2. **Connected cars** – Over the air updates and vehicle monitoring mean vehicles no longer need to come into dealerships for most issues.
3. **Autonomous Vehicles** – Cars drive themselves for maintenance, so customers won't visit dealerships to be upsold on purchases or service. Less likely to crash, they also greatly reduce crash parts sales.
4. **Shared Vehicles** – When operated as part of a fleet, efficient lower-priced maintenance will be consistently sourced, meaning lower margins than retail customers pay.
5. **Dealer Profitability** – As all major dealer revenues streams are significantly impacted, the ability to generate profit using the current business model is greatly reduced.
6. **Brand** – Customers who don't drive themselves do not form attachments to brands in the same way.
7. **OEMs as competitors** – More and more OEMs want a piece of the growing New Mobility pie.
8. **Online shopping** – The Tesla sales model bypasses in-person negotiations completely.

CASE technologies are a significant threat to virtually every traditional dealer business line: sales, parts, service and F&I.

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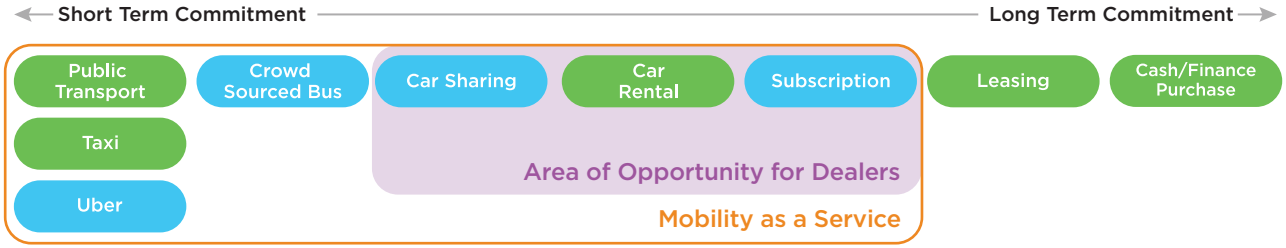
What does this all mean for dealers?

Car as a Service models offer a clear opportunity



Dealers can capture new customers by offering new services

Car sharing for individuals

- Customers who only need a car for a short time and cannot justify a rental
- Customers who need to rebuild their credit in a rent-to-own scenario
- Customers with changing circumstances or who don't want the hassle of ownership

Car sharing for ride hailing

- Credit challenged customers who want to drive for an Uber or Lyft style service.

Subscriptions and rentals

- Customers with a variety of vehicle requirements who don't want or cannot afford more than one vehicle.

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There is a clear path forward for dealers

Today

Buy/Lease and drive

- Current business model
- Majority of profit comes from parts & service
- Vehicles are customer-owned and driven

Tomorrow

Share and drive

- Add CaaS for car sharing and subscription
- Compliments current operations, attracts new clients
- Vehicles are dealer-owned and driven

Future

Shared and autonomous

- Focus on CaaS operations in a "taxi bot" environment
- Dealership becomes a mobility/ community hub
- Vehicles are dealer-owned and self-driven

Industry disruption and advancing technology will force dealers to adapt business models to remain profitable. Fortunately, they are well-positioned to transition into the Shared Mobility future.

See how it can be done. Download the whitepaper
A clear road ahead: The dealer's roadmap to Shared Mobility profitability.

About the authors

This analysis was developed as a collaboration between two industry thought leaders.

Ridecell

Ridecell helps companies build and operate High-yield shared mobility™ businesses that are fastest to profit, easiest to scale, and designed for demand. With a toolkit of intelligent software, services, and ecosystem partnerships, Ridecell customers are able to maximize operational efficiency, fleet utilization, and customer satisfaction.

Founded in 2009, Ridecell is headquartered in San Francisco, California, with more than 150 employees in offices across the globe. Ridecell proudly powers shared mobility services for the BMW Group, Ferrovial and Groupe Renault, AAA, and Karma Automotive.

James Carter

James Carter is Principal Consultant of Vision Mobility, and well known for his activities and thought leading discussion on the automotive and mobility retail environment in New Mobility.

Prior to founding Vision Mobility, James spent 19 years with Toyota in Australia, Japan and North America in a variety of sales, marketing, strategy and operations roles, and has significant experience with dealership activities and process.