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A clear road ahead:

The dealer's roadmap to Shared Mobility profitability

See how dealers are ideally positioned to succeed in the face of change.

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"We are in the midst of seeing more change in automotive in the next five years than we've seen in the last 50 years."

— Mary Barra, CEO, General Motors[1]

At-a-glance summary

The COVID-19 pandemic has significantly impacted the retail automotive industry and has exposed dealer's vulnerability like never before.

With the current state of the economy, the car-buying public is becoming more hesitant to commit to a vehicle purchase or even to a multi-year lease. But at the same time, there is a growing need for the control and safety of private vehicle use versus the perceived risks involved with public transit. Automotive dealerships need to embrace new opportunities and business models in this evolving age of transportation to adapt to changing customer behaviors.

What can dealers do to recover from the impact of COVID-19? And how can they be better prepared for the continued prevalence of the virus?

This white paper is designed to show a clear way forward as Shared Mobility becomes a reality. Experts say that the new opportunity is a $5—7 trillion opportunity, and our goal is to help position dealers to take advantage of this the changing consumer landscape.

Each of the following subjects tackled in greater depth inside.

1. Disruption is happening.

Because they require less maintenance, repair, and direct contact with sales departments, there is solid evidence demonstrating that CASE (Connected, Autonomous, Shared, Electric) Technologies are a threat to the current dealer business model. In addition, younger consumers have changing attitudes towards driving, and the idea of ownership is losing traction to simply having access to transportation.

2. There is opportunity in change.

Those who are ready to adapt can achieve success. Dealers are well positioned to take advantage of new mobility technologies because they have the real estate, facilities, and specialized staff already in place, plus fleet service and management experience and importantly, existing customer relationships.

3. Car as a Service is a clear path forward.

The Car as a Service model has many benefits, including building consistent recurring revenue, maximizing vehicle utilization, improving operational efficiency and responding quickly to changing customer needs. It helps dealers extend their existing business lines and create new ones.

4. A mobility platform delivers dealer's choice.

Dealers can provide short term rentals to ride hailing or delivery drivers (e.g., Uber or Instacart drivers), add a car-sharing business, create a subscription model for customers, offer extended test drives, help customers re-establish credit through rent-to-own models — all using their existing facilities and a single app.

5. A contactless experience.

As dealers already have access to vehicle cleaning and sanitizing facilities, a vehicle can be completely prepared for a customer to drive — either for a test drive, service loaner, or shared mobility/rental — in a safe sanitized way with a no-contact experience.

6. The right platform is key to a thriving and profitable business.

Ease of use, flexibility, data analytics, smart automation, and operations and CRM capability are all important features for selecting a mobility platform. The included checklist helps ensure that dealers identify the right vendor for their business. The Ridecell platform provides dealers with the right mix of capabilities to increase revenue, lower costs, and achieve high customer satisfaction levels, making it a strong option.

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Table of contents

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Disruption is on the way. This is not a drill.

Change can feel like it's a long way off. Many dealers have felt that their business model will essentially stay the same, yet COVID-19 has shown just how vulnerable this way of thinking can be. That's why we urge dealers to be prepared for the next industry disruption — Short-term Mobility.

There are a few common misunderstandings, including how far off disruption actually is, how severely dealers will be impacted, and how much the dealer business model will need to adapt to survive.

The reality is that industry players are working toward a structural change in the automotive and transportation industry *right now*. This will create a business disruption on a scale that dealers have never experienced.

We're also seeing COVID-19 impacting many industries, particularly automotive and energy with new, low emission technologies becoming faster than forecast.

This means that the time to act towards future-proofing your dealership is now.

Shared mobility is disrupting the automotive industry on many fronts

Technology advances

Customer expectations

Ownership alternatives

How can we be so sure disruption is coming?

The signs are all around us:

- The rise of ride hailing and delivery companies like Uber, Lyft and Instacart
- The massive success of Tesla and the growth of EVs sold by other OEMs
- The ease of sharing cars or renting someone else's car with an app
- The rapid growth of cycling during COVID-19
- The rise of vehicle connectivity
- The rise of app and internet usage in the vehicle purchase process
- German OEMs set to spend $68 billion in Mobility technologies in the next ten years
- The changes in the way customers research, shop for, purchase and finance cars
- Cities proposing and legislating bans on internal combustion vehicles
- The rapid pace of change in automotive mirroring that of other industries
- Changes in how young people view mobility (e.g., reliance on Uber, drop in personal driver's licensing)

COVID-19 has significantly increased the speed in which these changes are taking place, particularly on the side of government and legislative initiatives and how people value cleaner air.

Disruption is indeed coming, and as the next section illustrates, it's being driven by technology. *Is the industry ready?*

Technology will change everything. Not if, but when.

CASE (Connected, Autonomous, Shared, Electric) technologies operate in a co-dependant "Virtuous Cycle"[2] — supporting each other to create a system greater than the sum of its parts. Both car sharing and ride hailing, for example, already combine connected and shared technologies. In the future, adding autonomous and electric vehicles will greatly reduce costs and improve the shared mobility service offerings.

This coalescing and reinforcing is a powerful force. But where is the Shared Mobility promised land?

Predictions vary. However, by 2050 transportation will look completely different from what it does today. Significant changes will happen in the industry well before then, with incremental change between now and 2025, and a dramatic increase in growth and adoption between 2025 and 2040. There will be steep adoption in EV from 2025 onwards and Level 4 autonomy (full automation within mapped areas) from 2030 onwards.[3]

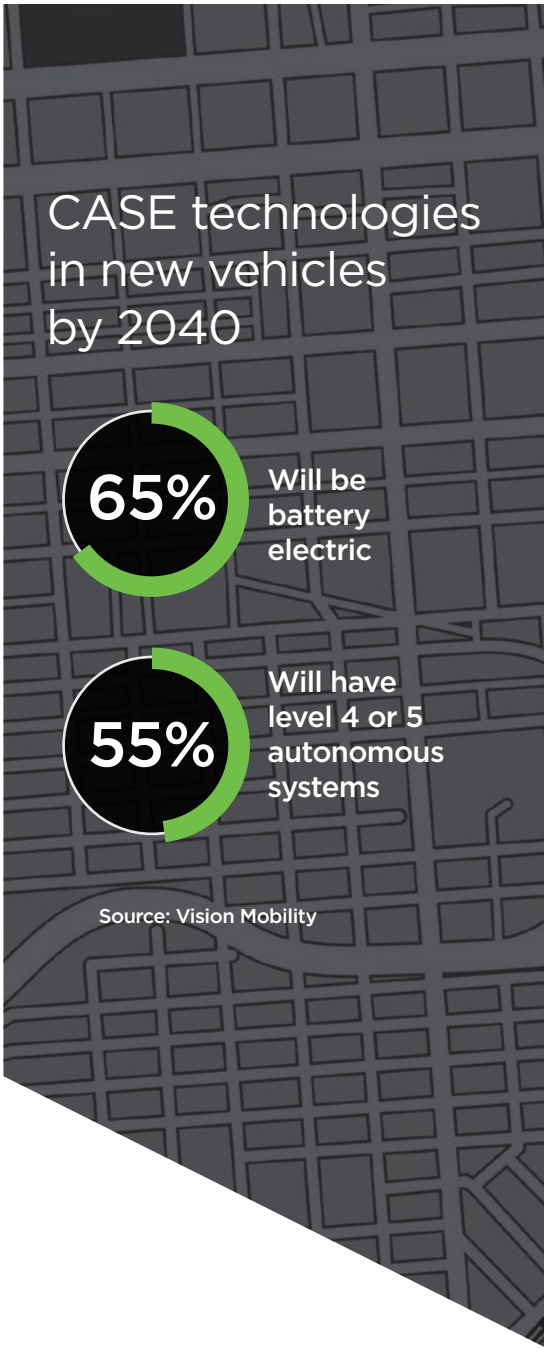
These rapid advancements are being driven by a combination of:

- City bans on internal combustion engines
- Tightening emission requirements
- Maturing technology
- Significant cost reductions and efficiency improvements

Dealer key takeaway #1

Dealers need to consider a changing business landscape when making large scale investment decisions today, especially in light of COVID-19 highlighting a dealer's cash flow vulnerability. Dealers need to prepare for Shared Mobility sooner rather than later. Those reacting too late may fall victim to the industry disruption. For dealers investing in new facilities, the urgency is real, as decisions must be made now to help ensure the facility achieves a useful life expectancy of 20—25 years.

But Shared Mobility means more than just new technology and infrastructure. It also means new attitudes and new priorities: do Millennials and Gen Z consumers even *want* a car?



There's been a shift in customer expectations. And not in the dealer's favor.

For the Baby Boomer and Gen X generations, teenage freedom went hand-in-hand with owning a car, and car ownership requires a driver licence. That perception is changing.

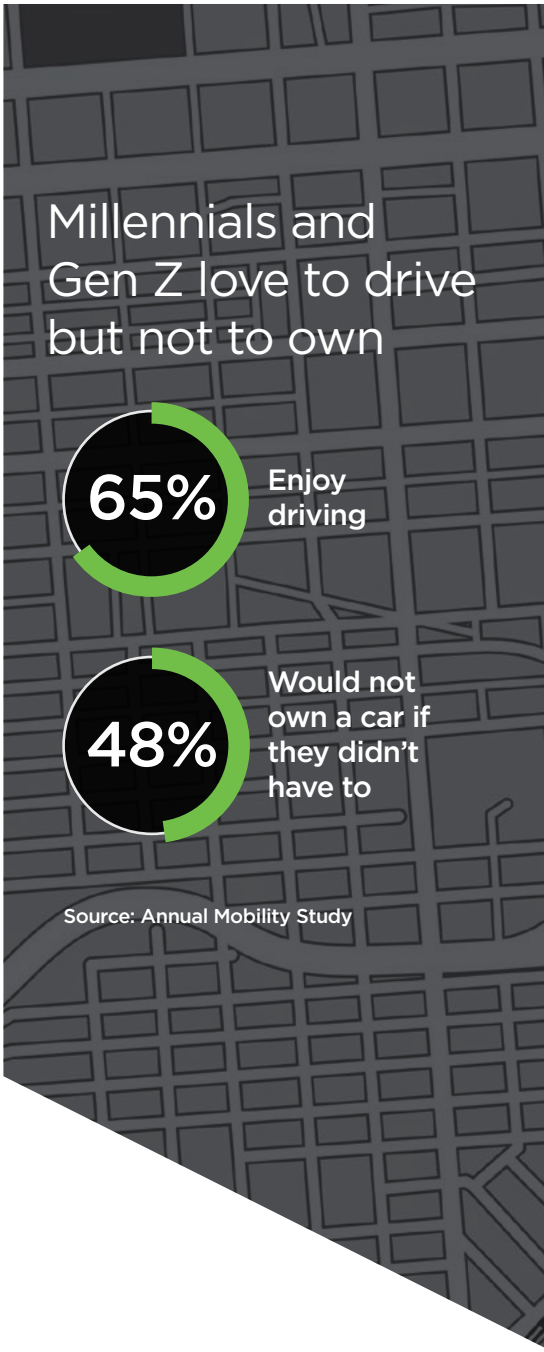
Dealers' future customers, Millennials and Gen Z, are widely known to be less focused on major purchases and more focused on life experiences. A shift from ownership to usage-based transportation makes sense in this context. Between 1983 and 2014, the number of 16-year-olds obtaining their driver's licence almost halved. It's now common to hear about people in their 20s and 30s without a driver's licence and no desire to get one — their needs are typically fulfilled by ride hailing, micro mobility and public transportation.[4]

That's not the only shift. These cohorts are also 'digital natives' having grown up with connected technology, and are much more likely to prioritize purchasing with a conscience by choosing products or services that are low or no emissions, are safe and align with their values.[5]

Dealer key takeaway #2

Dealers need to anticipate the impact of changing attitude towards car ownership. There is growing societal pressure to move away from owning a vehicle. Younger people as a whole, especially those in urban areas, are not as interested in purchasing a vehicle as they were 30 years ago. Dealers servicing these geographic areas will be the first that are required to revisit their business model to survive.

What are customer alternatives to vehicle ownership, and how should dealers adapt to these new options?



The astonishing growth of ownership alternatives

For many people, car ownership is expensive. Typically, it is the second largest purchase and monthly expense after housing. The costs that go along with vehicle ownership can add up quickly — gas, insurance, maintenance, tolls, parking and licensing often come close to doubling the cost of a vehicle payment.

Add to that dealing with the unexpected — flat tires, mechanical failure, accidents — and it's no wonder more and more people don't want to own.

Ten years ago the transportation landscape looked very different than it does today. If you wanted transportation, you bought or leased a car, took public transport, called a taxi, or went to a rental agency. You might occasionally see a Zipcar downtown.

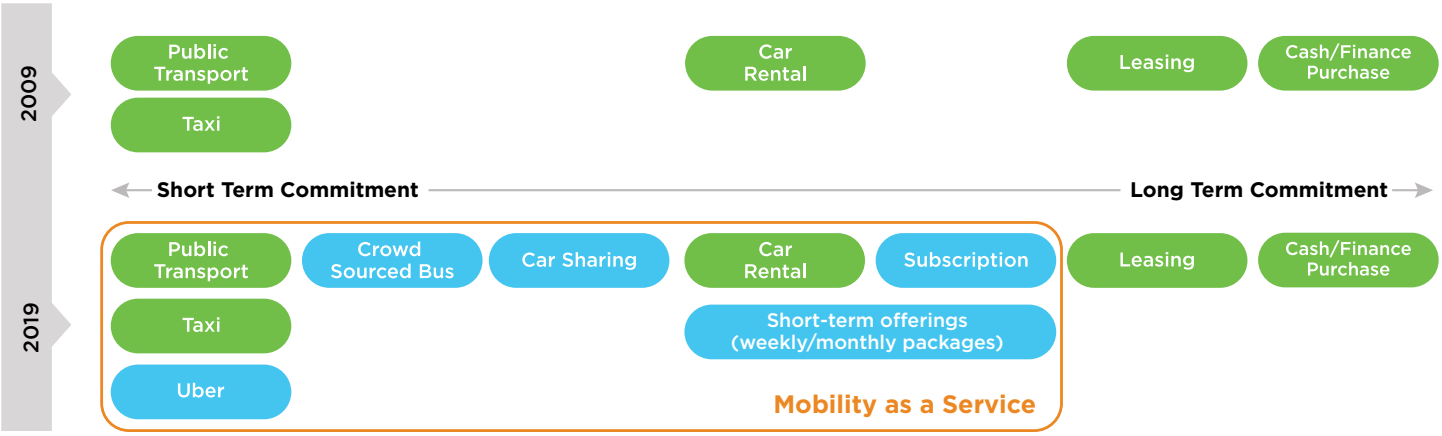
Since that time, there has been an influx of new mobility options: carsharing and ridesharing, crowd-sourcing and subscription models, micro-mobility alternatives. And COVID-19 has brought in demand for newer short-term commitment (weekly or monthly package) vehicle offerings. These services come with inherently simple, transparent processes and consistent pricing that create a customer-friendly sales solution. They offer real advantages over traditional ownership and are easily accessible almost instantly via smartphone.

Dealer key takeaway #3

Dealers need to identify and adopt suitable business models to compete. The future of vehicle ownership is beginning to undergo the process of change. It will be a long journey, but changing business models will be considerably more difficult once it's well underway. As there are increasingly more choices for a convenient, cost effective mobility options, adoption will continue to rise. To succeed, dealers must be in a position to offer these alternative solutions as they gain popularity, and be able to pivot their businesses to deliver.

The good news? As with Covid-19, with change comes the potential for a great opportunity for those dealers ready and able to adapt.

An explosion of options: The difference a decade makes



Source: Vision Mobility

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Disruption is a true threat to dealers. And a real opportunity.

Between developments in sustainable CASE technologies, shifting customer perceptions, and the increasing ease of access to mobility alternatives, there's a perfect storm headed directly for dealerships — and it could impact every part of their business.

Let's examine a dealer's revenue streams and how they might be impacted by Shared Mobility:

Sales

- Significant change in business model away from sales to Car as a Service model including subscriptions, leases, short-term commitment offerings (weekly/monthly packages), and carsharing
- Declining need for customer visits to a dealership
- The threat of OEM sponsored, non-dealer alternatives

Finance & Insurance

- Less opportunities for F&I sales and upsell, particularly for 'protection' products

Parts

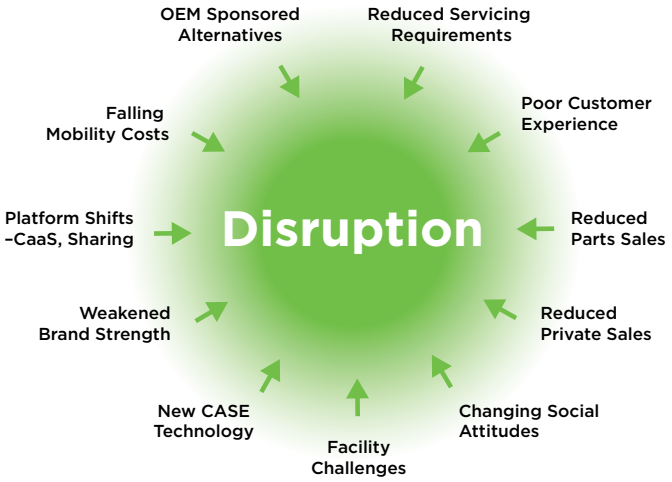
- Greatly reduced crash parts sales due to autonomous and advanced driver-assistance system (ADAS) technologies — KPMG forecast a drop of 48% by 2030
- Greatly reduced wear parts, particularly engine and transmission

Service

- EVs require 50% of the maintenance of a traditional internal combustion vehicle
- No regular oil changes and greatly increased brake life with regenerative braking
- Over the air (OTA) updates and fixes reduce shop labour time

Covid-19 has brought about a new, unexpected opportunity — people are now more averse to using public transit, and would rather drive. Yet, in these difficult economic times, it is hard for many to afford to purchase or lease a car. Car as a Service provides an alternative, and dealers have the detailing facilities to ensure these cars are clean and sanitized before the use by the next customer.

Dealer Challenge Summary
A perfect storm!



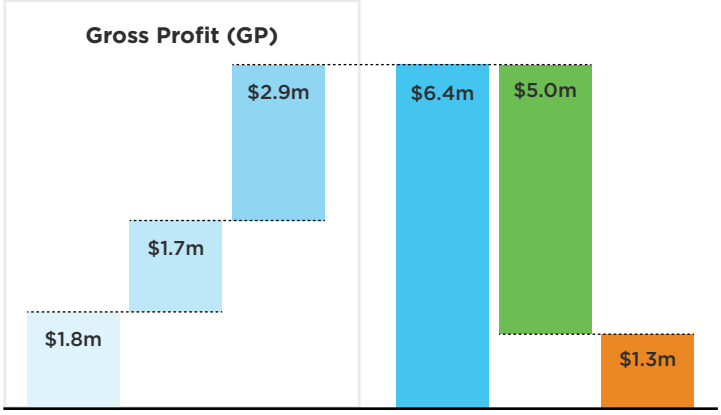
Source: Vision Mobility

Threat: The current dealer model is unsustainable

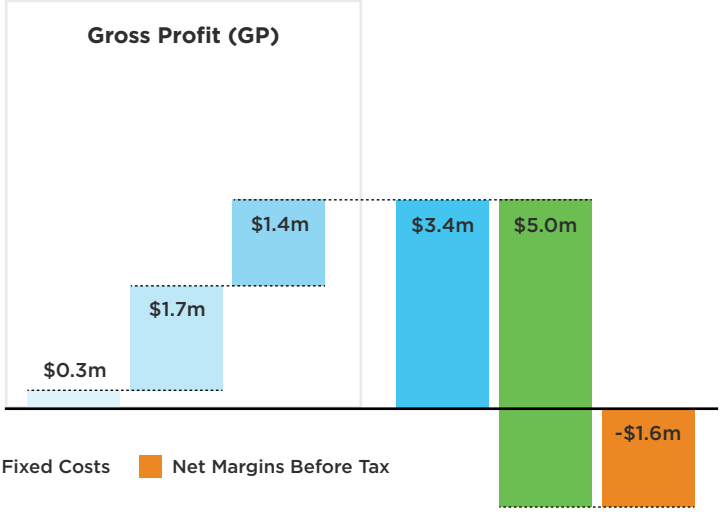
All of this could have dire consequences for profitability. KPMG[6] and Vision Mobility[7] data shows that the average US mainstream dealer generated around $1.3 million in annual net profit in 2016, which was a recent peak year for vehicle sales. With reduced new car sales alongside a significant reduction in parts, service and repair needed for electric vs. internal combustion engine vehicles, among other factors, this profit will transform into a $1.6M loss in 2040.[8,9] This will likely lead to massive consolidation and downsizing in the retail automotive industry.

Not only that, but COVID-19 has also shown dealers how vulnerable they can be to non-technology market shocks.

Profitability 2016 (Average)



Profitability 2040 (Projected)



New Car | Used Car | Service & Repair | Total GP | Fixed Costs | Net Margins Before Tax

Source: KPMG and Vision Mobility

Opportunity: Dealers are uniquely positioned to capitalize on CaaS

As much as the emergent mobility options of the last decade pose a threat, they also create opportunities. Using a Car as a Service (CaaS) platform, dealers have the opportunity to extend their business with new car rental, short-term commitment offerings like weekly or monthly rentals, and subscription-based services. Better yet, many of the essential elements are already in place — a physical base of operations, service facilities and specialized staff, experience in managing fleets, and most importantly, customers.

It's a brave new world for dealers, and those able to maximize the value of the CaaS model have the potential to lead the way.

COVID-19 has given dealers a rare preview of disruption. Alert dealers will take advantage of the disruption that has been brought by providing offerings that meet the market need — cheap affordable, sanitized transportation offerings.

See our SWOT data sheet for a more detailed analysis.

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The case for CaaS: The value of "X as a Service" models

There is a clear and far-reaching trend as industries move from a one-off sale to an "X as a Service" recurring revenue model. This creates many benefits including:

- More accurate revenue forecasting and planning
- Low cost of entry and easy exit for customers
- A tendency toward habitual use and customer loyalty
- The ability to easily adjust to changing customer needs

The Car as a Service (CaaS) model realizes all of these advantages for dealers. Pursuing CaaS not only helps dealers improve operational efficiency and extend their existing business lines, it opens up entirely new opportunities to build and extend customer relationships while diversifying revenue streams.

A dealer action plan

Today

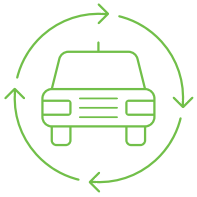
Adapt and respond to Covid-19 disruptions

Buy/Lease and offer test drives

- Current business model — no contact test drives
- Majority of profit comes from parts & service
- Vehicles are customer-owned and driven

Tomorrow

Prepare for the next disruption — technology



Share and drive

- Expand to short-term commitment offerings like weekly or monthly vehicle packages, subscriptions, and micro leases
- Compliments current operations, attracts new clients
- Vehicles are dealer-owned and driven

Future

Dealers are ready

Shared and autonomous

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

Taking advantage of the situation that COVID-19 brings, dealers can offer low-cost vehicles to customers with little or no credit checks, and then grow them towards a vehicle purchase. Assisting customers to get back on their feet often creates a customer for life.

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CaaS use cases: Extending current business lines

The introduction of a Car as a Service operation opens up new ways to maximize revenue per vehicle. Here are a few opportunities listed by dealer focus area.

Sales

- Enable hassle-free contact-less extended test drives for customers, without needing to approach a sales associate
- Enable short term transportation for those who can't or won't take public transit due to Covid-19
- Establish ongoing relationships with those who did a test drive but did not buy, by offering incentives for them to use shared vehicles
- Offer pathways to ownership by re-establishing credit in a "rent to own" style model
- Offer rentals for customers who need a certain vehicle for a short period of time

Finance and insurance

- Offer a CaaS package as part of a vehicle sale, giving them access to different vehicles two days a month, for example

Fleet management

- Use a CaaS platform to use vehicles as test drives, loaner cars, manager demos and customer shuttles during periods of low vehicle utilization
- Build experience running a fleet operation that will be critical in the CaaS-enabled future

Parts and service

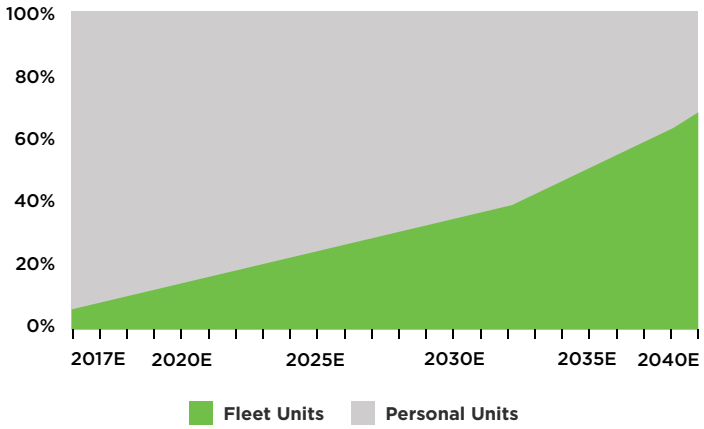
- As fleets expand, so does the need to service, maintain, and clean vehicles. Covid-19 reinforces and highlights the need for clean, sanitized vehicles.
- Improve the loaner pool vehicle customer experience for those who are bringing their cars in for service, allowing them to reserve a loaner vehicle ahead of time and drive away without interacting with a service associate.

Customer experience

- Constantly deliver joy to customers by allowing them to experience that picking up a new car feeling repeatedly through a CaaS operation

These are just a few examples of extending dealer business lines to maximize revenue per vehicle, but it's the tip of the iceberg. More opportunities for entirely new business lines are ripe for the picking. Read on.

CaaS models expected to drive dealer-owned fleet growth



Source: Loup Ventures

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New opportunities for dealers

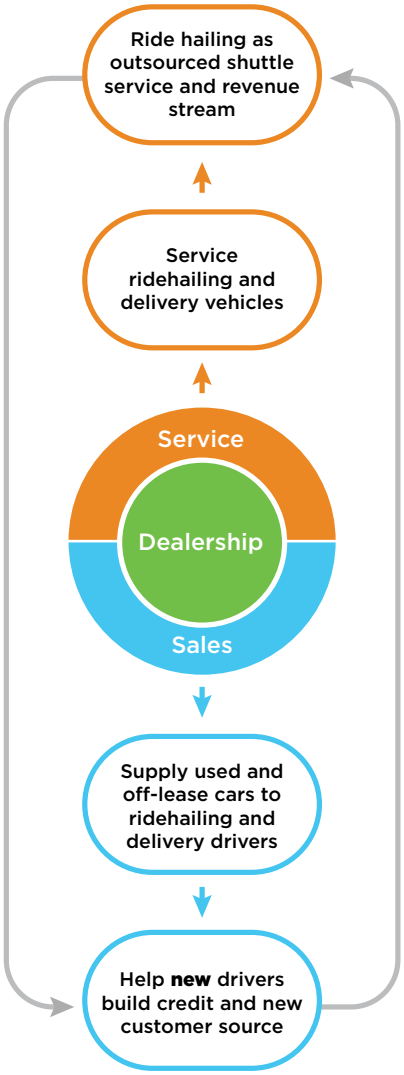
A Car as a Service model opens up many new opportunities for dealers — all driven by a single platform. Here are a few that have already been successfully adopted by dealers.

Car sharing for delivery driving and ride hailing

Dealers can open up a new revenue stream by offering fleet vehicles, including depreciated off-lease units, to customers looking to drive for delivery or ride hailing services such as Uber or Instacart. This model has many advantages:

- Profitable and easily achievable
- Repurpose used inventory to start earning rather than just sitting around
- Attract ride hailing and delivery driver customers with lower-cost used vehicles
- Help new drivers build credit, strengthening customer loyalty
- Ride hailing can replace customer shuttles in service
- Fleet vehicles act as additional used car inventory bank for sales

The virtuous cycle for dealers



Car sharing for personal use

Car sharing helps you engage new customers by allowing them to use cars from just a few minutes to months at a time. There are several distinct models for fleet owners to consider:

Station based:	Cars are available at a dealership or high-traffic area and must be returned to that same spot.
Free floating:	Customers locate cars on nearby streets and cars can be parked anywhere within certain boundaries.

Subscription services

Using a CaaS platform, customers can join to gain access to a variety of vehicles from the dealer's fleet. They might choose an efficient commuter car for the week, but take an SUV or pickup truck on the weekends.

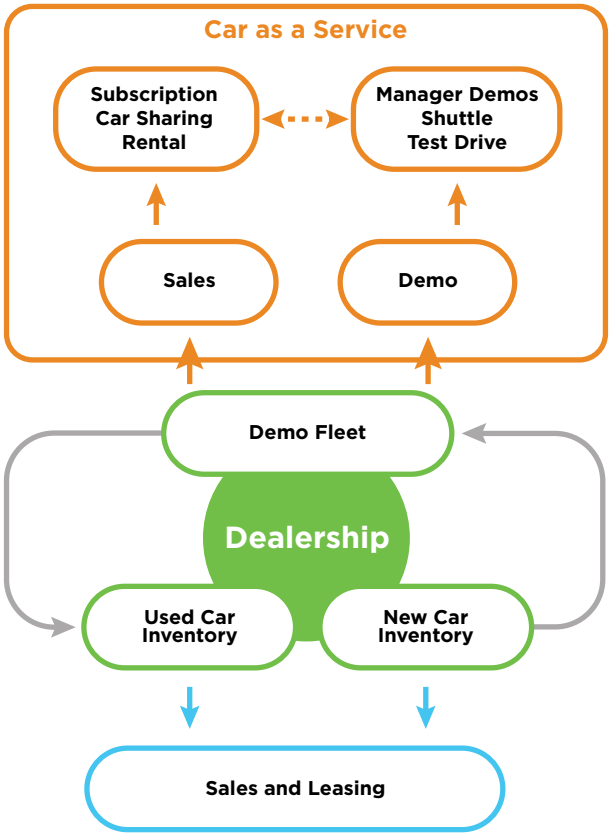
Repurpose the demo fleet

Some dealers have as much as a month's worth of sales tied up in demos and company cars. Rolling it into a CaaS operation helps them access a whole new group of customers while maximizing usage and revenue. Dealers can:

- Enable or grow car-sharing or subscription services
- Rotate slow-selling inventory into CaaS operations to cost effectively depreciate the vehicle to a lower selling price
- Pull vehicles from the CaaS fleet when a buyer is found or pre-determined mileage limit reached
- Quickly identify underutilized demos and put them to use as manager demos, shuttles or test drives
- Showcase vehicles to customers in what is essentially an extended test drive

In addition to new service opportunities, there's another real advantage that dealers have: their dealership. How can it be used to greatest effect in the Shared Mobility paradigm?

Getting the most out of the demo fleet



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At the center of change: The dealer as a mobility hub

What is the role of the physical location in all of this? One possibility is for dealerships to act as a community mobility hub, with access to different services accommodated at a single location and on a single app. This space could fulfill multiple roles, including:

- Pick up and drop off points for CaaS
- Access point for micro-mobility assets (e.g., scooters or bikes)
- Ride hailing pick-up point (e.g., Uber or Lyft)
- Transit and micro-transit stops (e.g., buses)
- Amenities such as coffee shops and retail outlets
- Service and repairs for vehicles in "as a service" roles
- Traditional automotive sales and service

Bricks and mortar can still be a real asset in the Shared Mobility reality, despite the growing focus on digital technologies. What's the next step for dealers who choose to pursue a CaaS model?

Repurposing the dealership for Shared Mobility

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CaaS platform selection checklist

This paper has explored the industry disruption ahead, and how embracing CaaS models can give dealers a significant advantage moving forward. If a dealer has decided to leverage their existing business and open new revenue streams, how should they prepare to make it happen?

8 things to look for in a CaaS platform

1. An outsourced solution platform	Outsourced software platforms are less costly, more stable and faster to implement than developing one in-house.
2. Platform ease of use	An intuitive user interface that allows quick operation of the most used activities.
3. Software flexibility and extensibility	Platforms should be easily customized for specific needs. Ensure there are multiple mobility service business models supported in the platform Will it integrate with existing CRM and the dealer module? Do existing industry leaders support the CaaS platform?
4. Updates and continuous improvement	Ensure that the provider is committed to continuous improvement so that the platform stays up to date and as efficient as possible.
5. Data capture and analysis and machine learning	Check that the platform delivers all the data and analysis tools needed. With access to data and modelling capability, advanced machine learning plays a role optimizing fleet balancing, customized customer engagement and operations management. This can be the difference between profit and loss.
6. App ease of use	Make sure the primary customer touchpoint is easy to use, customizable and gives customers control and convenience.
7. Hardware considerations	What is required on the vehicle side? Hardware that is easy to install and remove, without lasting damage, is a huge positive.
8. A robust, well-tested platform	Choose a platform that is operationally robust, well-supported and has been tried and tested by others. Be sure to check reviews and feedback from other customers.

The bottom line: dealers should choose a CaaS platform carefully with thought given to their specific business needs. This will position them well to anticipate disruption and take advantage of the possibilities Shared Mobility brings their way.

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Ridecell is a good choice for dealers. Here's why.

Ridecell strongly believes that dealers are very well positioned in future mobility. For the past 10 years, Ridecell has been in the mobility business developing the world's only High-yield mobility™ platform.

As a dealer, you're likely to ask two key questions:
Do the numbers work?
Is it the right fit for my dealership?

The bottom line is that dealers are running a business. Ridecell offers a pathway to profit that ensures that the platform contributes financially as soon as possible. The platform allows dealers to improve sales processes, target new customers, and run effective marketing and advertising campaigns to help sell more cars.

Ridecell can help optimize inventory planning and fleet management. Knowing that an engaged sales staff is critical to success, Ridecell provides compensation ideas to get them on-board, keeps them motivated, and ensures that they are paid fairly for their contribution.

Most importantly, the Ridecell CaaS platform helps future-proof businesses against disruption, such as we've seen from COVID-19. No matter how or when it happens, Ridecell customers are covered.

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About the authors

This white paper was developed as a collaboration between Ridecell, the leading platform provider for shared mobility operators and James Carter, Principal Consultant of Vision Mobility

Ridecell

Ridecell helps companies build and operate profitable mobility businesses. With our High yield Mobility™ SaaS platform, business services, and ecosystem partners, Ridecell customers are able to maximize three key profit drivers: customer experience, fleet utilization, and operational efficiency.

Founded in 2009, today Ridecell powers some of the most successful shared mobility services in cities across Europe and North America. These services include ZITY from Ferrovial and Groupe Renault, and Gig Car Share from AAA.

Ridecell is headquartered in San Francisco, California, and has more than 150 employees in offices across the globe.

Deepti Tiku, Senior Director, Corporate Marketing, Ridecell

Deepti is the Senior Director of Corporate Marketing at Ridecell, the leading platform for shared and autonomous mobility operators. She is responsible for all aspects of Corporate Marketing, including marketing communications, account based marketing, demand generation and PR. Deepti has a 15+ year track record of turning marketing into a powerful revenue-driving force for enterprise and startups. Prior to Ridecell, she served as the Head of Marketing Services at Standard Chartered Bank where she was responsible for marketing the consumer business of the bank. In addition, Deepti has served in sales, marketing, and market research roles at HDFC Bank and with the WPP Group. Deepti holds a Masters in Management from the Stanford University Graduate School of Business and a Bachelors in Pharmacy from the University of Mumbai.

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.