

RIDECELL

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.



“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 Motors¹

At-a-glance summary

Massive change is on the way in retail automotive. It’s no longer a matter of if, but when. How can dealers prepare? This white paper is designed to show a clear way forward as Shared Mobility becomes a reality. Experts say it is a \$5-7 trillion opportunity, and our goal is to help position dealers to take advantage of this opportunity — whenever it arrives.

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 Shared Mobility because they have the real estate, facilities, and specialised 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, maximising vehicle utilisation, improving operational efficiency and responding quickly to changing customer needs. It helps dealers extend their existing business lines and create new ones.

4. Shared Mobility platform delivers dealer’s choice

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

5. 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 when it comes to selecting a Shared 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 levels of customer satisfaction, making it a strong option.

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

Change can feel like it's a long way off. When it comes to new mobility, many dealers feel that their business model will essentially stay the same.

There are a few common misunderstandings at work here, 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 massive structural change in automotive and transportation *right now*. This will create disruption on a scale that dealers have never before experienced.

How can we be so sure disruption is coming?

The signs are all around us:

- The rise of ride hailing companies like Uber
- The massive success of Tesla and growth of EVs sold by other OEMs
- The ease of sharing cars or renting someone else's car with an app
- The rise of vehicle connectivity
- German OEMs set to spend \$68 billion in New Mobility technologies in the next 10 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 licensing)

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

Shared mobility is disrupting the automotive industry on many fronts



Technology advances



Customer expectations



Ownership alternatives

Technology will change everything. Not if, but when.

CASE (Connected, Autonomous, Shared, Electric) technologies operate in a co-dependent “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 changing business landscape when making large scale investment decisions today. 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?

CASE technologies in new vehicles by 2040

65%

Will be battery electric

55%

Will have level 4 or 5 autonomous systems

Source: Vision Mobility

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

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 prioritise 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?

Millennials and Gen Z love to drive but not to own

65%

Enjoy driving

48%

Would not own a car if they didn't have to

Source: Annual Mobility Study

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 — petrol, 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 tyres, 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. 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.

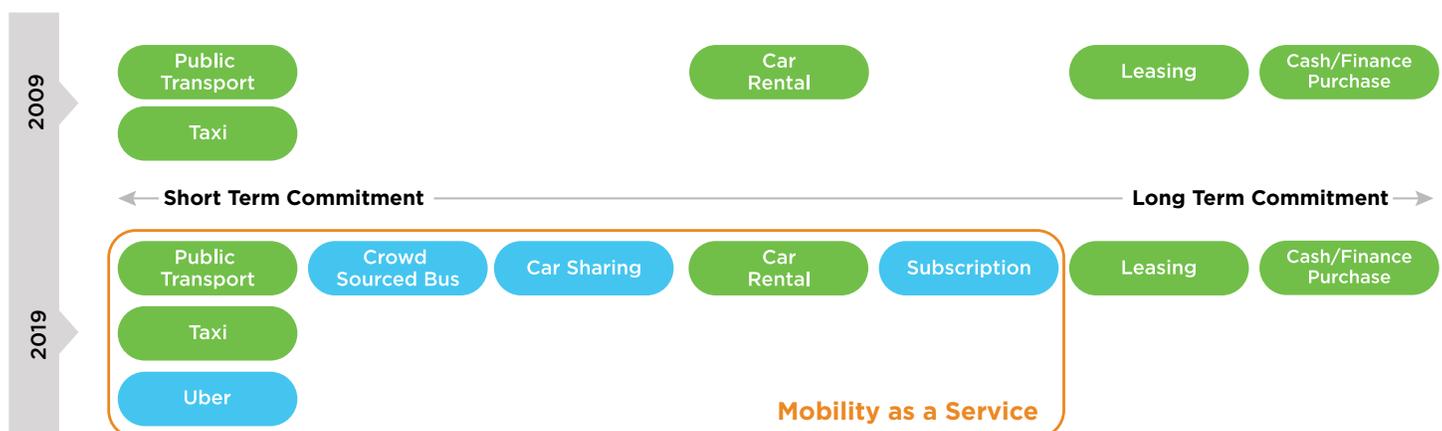


Dealer key takeaway #3

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? With change comes the potential for great opportunity for those dealers ready and able to adapt.

An explosion of options: The difference a decade makes



Source: Vision Mobility

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
- Declining need for customer visits to 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

Dealer Challenge Summary A perfect storm!



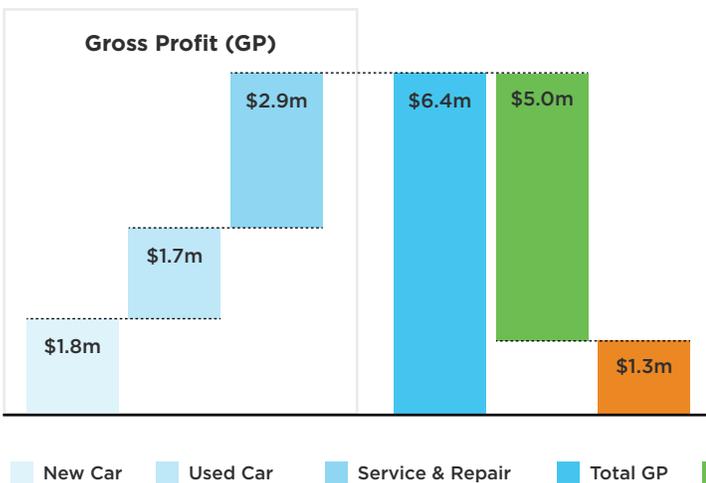
Source: Vision Mobility

Threat: The current dealer model is unsustainable

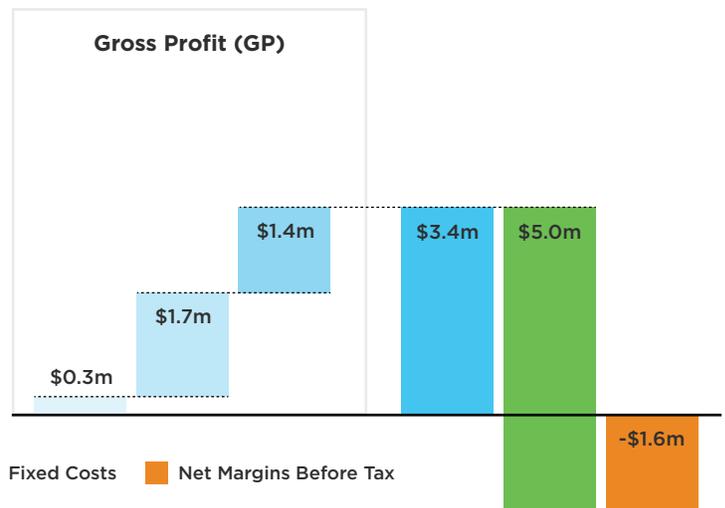
All of this could have dire consequences for profitability. KPMG⁶ and Vision Mobility⁷ data shows that the average US mainstream dealer generated around \$1.3 million in annual net profit in 2016, which

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, amongst 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.

Profitability 2016 (Average)



Profitability 2040 (Projected)



Source: KPMG and Vision Mobility

Opportunity: Dealers are uniquely positioned to capitalise on CaaS

As much as the emergent mobility options of the last decade pose a threat, they also create opportunity. Using a Car as a Service (CaaS) platform, dealers have the opportunity to extend their business with new car-, rental- and subscription-based services. Better yet, many of the essential elements are already in place –

a physical base of operations, service facilities and specialised staff, experience in managing fleets and, most importantly, customers.

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



[See our SWOT data sheet for a more detailed analysis.](#)

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 realises 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



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
- Complements 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

CaaS use cases: Extending current business lines

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

Sales

- Enable hassle-free extended test drives for customers, without needing to approach a sales associate
- 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 buy” 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 utilisation
- Build experience running a fleet operation that will be critical in the CaaS-enabled future

Parts and service

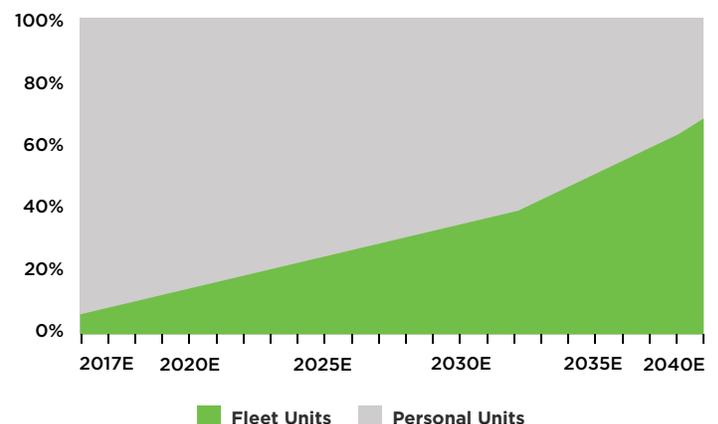
- As fleets expand, so does the need to service, maintain and clean vehicles.
- Improve the loaner pool vehicle customer experience for those who are bringing their cars in for service, allowing them to reserve vehicles ahead of time and drive away with no service associate interaction needed.

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 maximise 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

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 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 ride hailing services such as Uber. This model has many advantages:

- Profitable and easily achievable
- Repurpose used inventory to start earning rather than just sitting around
- Attract ride hailing buyers with lower cost used vehicles
- Help 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 trade it in for an SUV or pickup truck on the weekends.

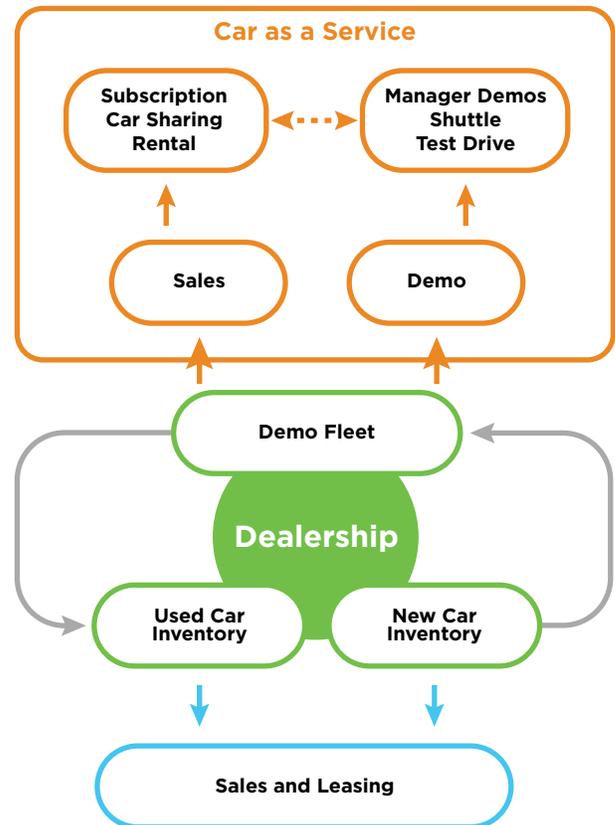
Repurpose the demo fleet

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 ride-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 underutilised 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



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)
- 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

Brick and mortar shops 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



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 customised 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 optimising fleet balancing, customised 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, customisable 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.

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 shared mobility business developing the world's only High-yield shared 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, and run effective marketing and advertising campaigns to help sell more cars.

Ridecell can help optimise inventory planning and fleet management. And, knowing that an engaged sales staff is critical to success, Ridecell provides compensation ideas to get them on-board, keep them motivated, and ensure that they are paid fairly for their contribution.

Most importantly, the Ridecell CaaS platform helps future-proof businesses against disruption. 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 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 maximise operational efficiency, fleet utilisation, and customer satisfaction.

Founded in 2009, Ridecell is headquartered in San Francisco, California, with more than 150 employees in offices across the globe. We proudly power 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.