Car dealers thrive in the MaaS ecosystem

A recent study shows how some European car dealer groups are successfully penetrating the growing car sharing and MaaS markets

Giuseppe Marotta – 18/02/2019

The increasing importance of e-commerce in people's daily habits, the innovative vehicle technology, and the fast-changing attitude of people towards individual mobility, are putting the automotive dealers' traditional business model - which is still highly reliant on selling vehicles and parts to individual customers and providing after-sales services based on a distribution/franchise contract with the automaker - under serious pressure.

Over the past years, many observers have often indicated carsharing and Mobility as a Service (MaaS), or, more generally, the provision of mobility services to the customer, as possible ways to reduce the dealer's dependency from the vehicle sales' weak margins.

More than just a few 'crazy' pioneers

The new study identifies, maps, observes and assesses some of the car sharing/MaaS-related initiatives (89 surveyed companies, which is a non-exhaustive sample) that have recently been launched and are currently run by automotive dealers in 4 different European countries (Belgium, Germany, the Netherlands, and Finland).

Different business models are possible!

… depending on the size, the ambition and the risk propensity of the company

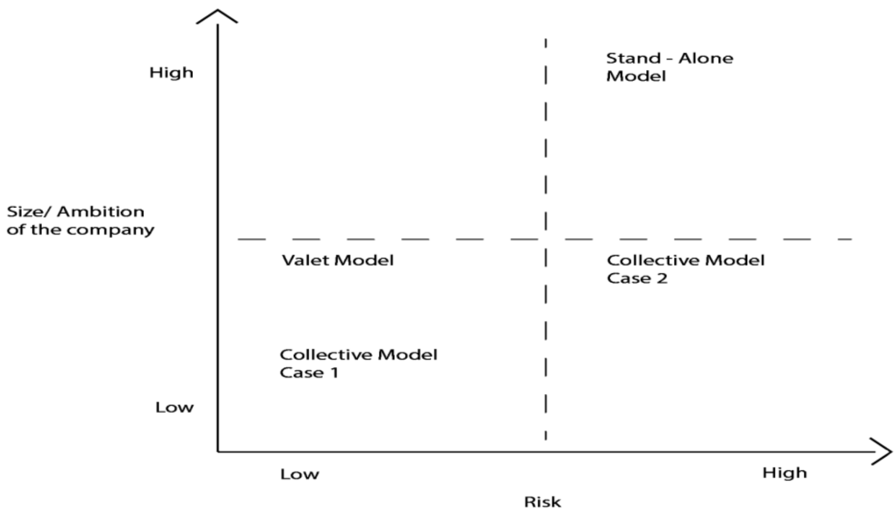
Based on the observation and the analysis of the surveyed companies, the study defines a typology of those business models that car dealers have been adopting, so far, in order to approach and successfully penetrate the car sharing and MaaS markets. As observed in the study, the adoption of one or the other model depends on the company's size, the scope of the company's activities, the ownership, but more generally on the ambition and the risk propensity of the company.

The business models identified are the following:

1) Stand-alone: these are large dealer groups with 1+ billion € turnover, which have enough financial power to endure he efforts required by a grassroot strategy aimed at the creation of a brand-new service, being it car sharing or MaaS. These companies typically have already a dominant position on their local/national automotive market and are trying to occupy space before others do and trying to raise as many barriers as they can, in a shared mobility market which has not crowned any clear winner yet. Key watchwords for those companies are economies of scale and the synergies that can be realized when expanding the same service offer to other cities within the same region.

2) Collective: smaller automotive dealers - typically based in smaller cities - who do not have enough financial strength to launch and run a stand-alone car sharing initiative, come together with other peers and create a (nation-wide or region-wide) network that allows each of them to provide their local customers with a station-based car sharing service. In some cases (see *case 1* in the figure below), the shared vehicles made available by the automotive dealers are plugged-into the network and use the same brand of a pre-existing large car sharing operator; in other cases (*case 2*), the automotive dealers have created a brand-new network which is totally independent from any pre-existing service. In both sorts of cases these initiatives have the merit to bring car sharing in smaller cities where such service was not available before.

3) Valet: these are often OEM-wholly-owned automotive dealers, which typically have little or no room for entrepreneurial autonomy, in that their business strategy is hetero-determined from the OEM's headquarter office and are badly positioned to undertake an atypical and ambitious initiative such as providing an own shared mobility service. Nevertheless, some of them have still found an opportunity to interact with the fast-growing car sharing market. The opportunity is represented by the fact that all of the big players who are currently leading the global market of car sharing (i.e. Zipcar, Car2Go, DriveNow, etc.) - who have made (and still make) significant financial efforts in order to rapidly increase their global footprint by placing their vehicles in as many cities as possible - at local level, typically own a fleet, they also employ some staff for the on-line or telephone customer service, but hardly conduct the fleet-management operations (i.e. vehicle preparation, repair, maintenance, etc.) in-house. They typically outsource these functions to third party operators through service level agreements, and these third-party operators are often automotive dealers, who take care of most of the vehicle-related services, and this is regardless the car-sharing operator is or is not a carmaker. From the point of view of the automotive dealer the opportunity is represented by the fact that shared cars, being public, are typically more exposed to vandalism and wear and tear. Maintenance and repair services performed on these cars generate on average 15% higher turnover than privately owned equivalents. In one of the surveyed cases, the car sharing-related activities accounted for 4% of the global workshop's turnover.



Shared mobility: a new game worth playing for car dealers!

... the pros list is long

The study also offers an interesting review of the main reasons why the interviewed car dealers decided to take up this new challenge.

Here's the list of the most frequent answers given:

1) Making the company ready for a future where access-to-mobility will have replaced car-ownership → sell less & rent more;
2) Reducing the company's dependency from low-margin vehicle sales by adding a new (recurring) revenue stream;
3) Attracting new customer segments → youngsters today, adults tomorrow;
4) Positive spill-over effects → more shared vehicles on the road = more turnover in the workshop;
5) Making the agile cultural shift → learning how to run an app-based mobility service will make also the traditional part of the business more agile;
6) Letting the company look and be greener → free-up the company from the negative environmental stigma typically associated with companies operating in the automotive industry;

... an encouraging business environment

7) Big potential for public-private partnerships → the public appreciation for MaaS and car sharing benefits, makes the case for political and financial support which can reduce the launching investment;
8) B2B synergies → a way to mitigate the start-up risks by spreading them over different players;
9) Expansion of shared mobility solutions to new locations → Small cities, remote and rural areas;

... dealers' competitive edge

10) Capillary presence on the territory → extensive network and proximity to the customer;
11) Brand awareness at local level → the possibility to tap on the existing customer base, avoiding expensive grassroots customer acquisition campaigns;
12) Service and fleet management know-how → long-standing experience in servicing cars at reasonable costs and with high-quality standards