Mobility Blog

Are we ready for new mobility? The answer is yes, sort of…

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Over the past few years, mobility has become a real buzz word, most probably in great part thanks to the spectacular development of ride hailing services emblematically represented by Uber. This has given rise to further initiatives around the sharing concept with shared cars and bikes and, more recently, mopeds and scooters.

As is often the case, however, the pace of consumer adoption seems to have been slow despite growing interest and providers' enthusiasm. It must be said that changes take time and are part of an evolutionary process. Electric Vehicle take up is a good example of this which consulting firm, McKinsey & Company, recently highlighted in an article "Expanding electric-vehicle adoption despite early growing pains", confirming that despite the obvious benefits of EVs, it hasn't quite generated the eagerness expected from consumers. A transition is clearly underway, but it will inevitably take time and the right conditions to pick-up speed.

The recent development of transport alternatives, whether in the US, Europe, Asia or Latin America, was largely made possible thanks to digitalization. Mobile technology has also simplified end users' lives by giving them the possibility to book and pay for almost anything they need with a phone and has become broadly accessible through the exponential growth of smartphone ownership. These developments have favoured the creation of concepts such as Mobility as a Service or MaaS which aim to harness digital

lifestyles and efficiently and seamlessly combine transportation services in a single journey. It is still early days for MaaS, but initiatives in this direction are already taking place in urban environments, for the most part in major metropoles or inner cities, given the presence of multiple mobility providers.

When looking at the various alternative transport options available, consulting firm, Frost & Sullivan, confirms that e-Scooter adoption rates have grown the fastest in recent months in comparison to any other shared mobility alternative. Bike sharing, as a popular alternative for covering short to middle distances thanks to attractive pricing and easy availability, is particularly helpful in closing an important gap between other types of transportation. As for carsharing, Germany and France alone account for around 50% of the overall carsharing memberships in Europe and, today, Germany is clearly in the lead with more than 2.5 million carsharing members. Vehicle ownership has in fact declined in favour of usership due to rising costs. While more than 85% of urban households owned a car in the 1990s, only 35% owned one in 2018 *(source: Frost & Sullivan*). It seems that ultimately one main factor influences consumer behaviour in their preference for transport: convenience. In a 2017 study, leading research and advisory firm, Gartner, confirmed that ultimately consumers are more influenced in their mobility decisions by convenience (and safety) than cost.

As a result of the growing consumer appetite for convenient transport alternatives, the market saw over the past few years the proliferation of a large diversity of alternative providers creating a "jungle" of options. Hopeful players varied from fledging start-ups to well-established OEMs, local transport authorities, cities, insurers and list goes on. Despite this rapid increase, one thing has become clear over the past few months, a gradual shift has been taking place resulting in mergers, buyouts, bankruptcies and drop outs. The main cause for this can primarily be found in the business models themselves which make economic sustainability difficult. This coupled with fierce competition creates a toxic mix. Recent announcements attest to this instability and include Bosch's decision to discontinue its moped service in Europe and the decision by carsharing provider, Zipcar, owned by the car-rental company Avis Budget Group, to withdraw from Brussels earlier last year. At the same time, BMW and Daimler mobility services clearly see potential in the mobility market and announced their decision to join forces two years ago to provide sustainable urban mobility services together to ensure the viability of their services. That being said they have since opted to discontinue their carsharing service in the US and several large European cities, such as London, Brussels and Florence, to focus their efforts on cities that they "believe show the greatest potential for profitable growth and mobility innovation".

Beyond the challenging economical equation, lies significant regulatory and technical constraints. As mobility is closely related to a city's structural organization, and largely considered as a public service, public authorities have the rule of the game and do not always warmly welcome new players. As guarantors of public services by providing reliable and secure services for their constituents, it is understandable that municipalities might find it difficult to put their trust in newly launched start-ups or newcomers… and even big players such as Uber. Take up will therefore be determined by local constraints and willingness with development progressing differently by region, according to Boston Consulting Group. Regional initiatives such as MaaS Alliance, a public-private partnership which aims at creating the foundations for a common approach to Mobility as a Service, will also be beneficial by bringing together players in the transport ecosystem to work together on what is required to make this transition happen.

Technology will also be pivotal in providing integrated mobility. The advantages afforded by tech players in terms of agility and advanced technologies, however, represent significant hurdles for municipalities due to the fact that many are not ready both in terms of IT infrastructure and the investment required.

"Mobility readiness indexes" have been introduced and a simple web search brings up multiple indexes which identify the cities that are potentially "ready" to take the step towards intelligent mobility. These indexes take into account multiple factors, from public transportation quality (frequency of services) to digital openness for ticketing or number of charging points for electric vehicles. What is clear is that transport infrastructure, IT maturity and governmental support are key elements in being "ready". Frost & Sullivan's recent Intelligent Mobility ranking revealed that Singapore, London and San Francisco, followed closely by Tokyo and Amsterdam, ranked amongst the top 5 cities out of 100 with the potential of becoming a smart city.

Understandably, the transition to intelligent mobility and MaaS will take time, but the need for alternative means for transportation is real. The imperatives of climate change are leading to stronger decisions by municipalities to protect their cities and constituents through future diesel bans which will directly affect vehicle transportation and how transportation is addressed. This, associated with the demographic concentration of populations in urban areas, calls for an efficient and responsible mix of transportation options.

So, the question remains, are we ready for new mobility? At this point, the movement has undeniably started and we expect the mobility industry to continue to evolve rapidly in the coming years towards aggregated digital mobility offerings and further consolidation. What is clear is that this will take time and require a collective effort to create the urban mobility ecosystems of tomorrow, shaped by providers, public authorities and the end users themselves.

For more information, please contact our **Business Intelligence Consultancy Department**:

Anne Chidiac - consultancy@aldautomotive.com