



ON-DEMAND
MOBILITY

Questions Carmakers
Must Answer To
Create Sensible
Strategy

- Received wisdom amongst carmakers is that on-demand mobility will be “big”
 - Several have announced standalone brands or special organisations
 - CEOs charming investors with talk of the “billions in earnings” to be made

So far, so convincing...

- However, these carmakers (OEMs) provide few practical details about how they believe on-demand mobility will work
- “The future is uncertain” they will say... that’s fine... but they give few details about how they are planning for those uncertain times
- This presentation outlines the pitfalls of bad strategy and suggests ten questions to help identify how robust the approach of a particular OEM is

- On-demand mobility is a trend, the growth rate and ultimate market size are highly uncertain -- robust planning needs to include multiple outcomes
- On-demand mobility will change the way people travel -- it has implications for vehicle design, ownership and utilisation that affect today's paradigm
- On-demand covers multiple sectors, technologies and processes that are new to carmakers -- OEMs could easily overspend and under-hedge
- The on-demand business model is immature and new to carmakers -- without the right organisational structures they will execute strategy poorly
- Although on-demand mobility is new and exciting, transport of people is not and investors have a history of losing their shirts
 - The existence of revenue does not ensure profits -- companies need to have a clear view why they believe their offering will generate returns

By The Way...

It's unlikely OEMs would be prepared to answer our questions on the record (some of them simply don't have the answers)

1. How are you creating scenarios for mobility growth? What do they look like?
2. What will your financials look like if you do not participate in on-demand?
3. What IP, skills and assets will be made redundant by a shift to on-demand?
4. How are you planning for the cannibalisation of retail sales by on-demand?
5. How are you creating ROI forecasts for immature business segments?
6. How are you choosing your investment portfolio with so much uncertainty?
7. How are you training executives in businesses they know little about?
8. Why should you invest in new segments instead of returning the cash to me?
9. What industries/companies are your on-demand mobility forecasts based on?
10. How does on-demand mobility make money where public transport fails?

**We can learn about each
OEM's approach by what
they either say or do**

Question 1:

How are you creating scenarios for mobility growth? What do they look like?

Bad Answer:

We are constantly assessing the market -- we are very interested in the emerging trends and we consult frequently and widely with a number of industry experts to align internal forecasts to the latest available information.

Reading Between The Lines -- What To Look For:

- Do the executive team articulate any feel for important factors?
- Can they identify any recent news that changed their thinking?
- If they are silent -- how is having high, mid & low growth scenarios a secret?
- Do their scenarios reflect different growth rates as well as ultimate demand?

Question 2:

What will your financials look like if you do not participate in on-demand?

Bad Answer:

We believe that on-demand mobility will be an important engine for growth in the transport sector in coming years that is incremental to our existing business. We want to be able to unlock that value for our shareholders.

Reading Between The Lines -- What To Look For:

- They see no reason why on-demand mobility growth will impact vehicle sales
- Haven't created a scenario where they stick to their core as market shifts
- Can't explain why carmakers know how to be transport providers and focus on the continued existence of the business more than customer need

Question 3:

What IP, skills and assets will be made redundant by a shift to on-demand?

Bad Answer:

We believe that our team, know-how and plants provide a fantastic platform to meet the new challenges of transportation on-demand and we are excited about helping customers in new ways.

Reading Between The Lines -- What To Look For:

- Do they display awareness of the structure and skills of technology companies?
- Do they see a benefit in exiting some business lines whilst they still have value?
- Can they articulate the competences most and least relevant to on-demand?
- Do they keep insisting on-demand is incremental but fail to explain how?

Question 4:

How are you planning for the cannibalisation of retail sales by on-demand?

Bad Answer:

Our retail network will keep us local to, and in touch with, new and existing customers. The rise of on-demand mobility will be a great opportunity to help new customer groups who haven't always had access to our products in the past.

Reading Between The Lines -- What To Look For:

- Who do they think will be buying the on-demand vehicles (many of which are expected to be driverless)? Does this seem like a B2B or B2C transaction?
- Do they think on-demand mobility won't reduce private ownership levels when studies conclude existing ride-hailing and car sharing schemes already have?*

Question 5:

How are you creating ROI forecasts for immature business segments?

Bad Answer:

We have a rigorous investment decision making process using the latest methods and this includes professional advice from some of the leading experts in the technology investment industry.

Reading Between The Lines -- What To Look For:

- Do they seem to talk freely about scenarios here when they wouldn't earlier?
- Can they give any real-world examples of ROI analysis?
- Can they explain how they are tracking the progress of existing investments?
- Has this led to any changes in how they think about core investments?

Question 6:

How are you choosing your investment portfolio with so much uncertainty?

Bad Answer:

We are building a balanced portfolio of investments to compliment our existing in-house competences and assets. We are committed to having access to the best talent and technology as we serve our customers over the coming decades.

Reading Between The Lines -- What To Look For:

- Can they explain how they decide between full ownership and an equity stake?
- Where do they see sense in making more than one investment in the same sector because of the danger of backing the wrong company?
- Can they explain an exit strategy for investments later deemed non-core?

Question 7:

How are you training executives in businesses they know little about?

Bad Answer:

Our executive team is the best in the industry and leverages collective experience gained in a variety of environments. At the same time, they are still learning! We also have a world-class Board with their own diverse experiences.

Reading Between The Lines -- What To Look For:

- It is a truism that some executives can't do "the visionary thing" do they acknowledge this? Can they give examples of how responsibilities reflect this?
- What is their training program? Do the executives act as if they've taken it in?
- Do they say that everyone "gets it" but always offer up the same two execs to do all the talking?

Question 8:

Why should you invest in new segments instead of returning the cash to me?

Bad Answer:

We are, and have always been, a transport and technology company. We are developing end-to-end solutions for the next generation of customers by leveraging decades of experience about how people travel in comfort and safety.

Reading Between The Lines -- What To Look For:

- Refusal to accept that in any scenario OEMs should stick to what they know, even if it means decline -- they insist non-participation is not an option
- Constant “this time is different” refrain about previous investment failures
- Won’t set objectives that hold them clearly accountable for wise investment in on-demand environment -- can only “consider business as a whole”

Question 9:

What industries/companies are your on-demand mobility forecasts based on?

Bad Answer:

The on-demand mobility market is an exciting opportunity with little parallel in human history. It will enable travel in ways not conceived of today. We update our assessment continuously through both our own studies and expert input.

Reading Between The Lines -- What To Look For:

- Do they see parallels with existing air, rail, fleet and (non-robo) taxi operators?
- Do they have examples that to cover both ramp-up and ultimate returns?
- Have they identified different revenue streams* underneath “mobility”?
- Do their plans assume winning in many categories of on-demand service?

* For instance: selling the service, infrastructure, fleet management, targeted marketing

Question 10:

How does on-demand mobility make money where public transport fails?

Bad Answer:

The on-demand mobility market serves those who today use public transport but the methods and economics are completely different. We are going to bring those same customers a product and service far beyond what they expect today.

Reading Between The Lines -- What To Look For:

- An explanation of how mobility services enhance revenue over buses / trains
- How are they dealing with of peak/off-peak travel and surplus capacity?
- Answers indicate a monopolistic business model, free of government action
- Confused looks, as though this is the first time they've been asked

**The future is whatever you
make of it...**

So make it a good one

Question:
**Are OEMs following this
advice?**

Answer:

Some are.

**For those that aren't, here
is what it means...**

- **Little evidence that they have developed different on-demand scenarios**
 - Planning will be reactive
- **Limited insight into trade-offs between legacy and on-demand businesses**
 - OEM likely to fail to eliminate burdens of legacy business in a timely manner
- **Can't explain their processes for making speculative investment decisions**
 - Purchases likely to be based on fashion, over-priced & provide little hedging
- **Don't seem to have developed skills to run businesses OEMs know little about**
 - OEMs that don't know what they are doing will fail to execute well
- **Unable to explain how they have created the forecast returns**
 - Investors may be better allocating their capital to multiple start-ups than high fixed-cost OEM bureaucracies that can't explain their goals

- OEMs are already investing substantial sums in on-demand mobility and expect to earn “billions” from it, yet they are light on specifics
- It is unclear to what extent (and at what rate) on-demand mobility will replace the current model -- OEMs aren’t talking about how they plan around this
- OEMs are not the only potential service providers and they must justify their capital spending -- their advantage of incumbency has a finite value
- Unless all OEMs can make the transition to mobility providers, some would be better off concentrating on running the existing business as a cash cow
 - Plenty of extra value to be found in running the core business better before on-demand sweeps all before it
 - Core-only OEMs may do better than those distracted by new markets

- Consultancy and research firm founded by an ex-automotive OEM insider
- Ad Punctum researches emerging trends and key issues ranging from the disruptive impact of on-demand mobility to Brexit
- Ad Punctum likes to make some of its research freely available to drive understanding and debate on interesting topics
- Please contact sales@adpunctum.co.uk or visit www.adpunctum.co.uk to learn more about us and discuss any specific queries you might have



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