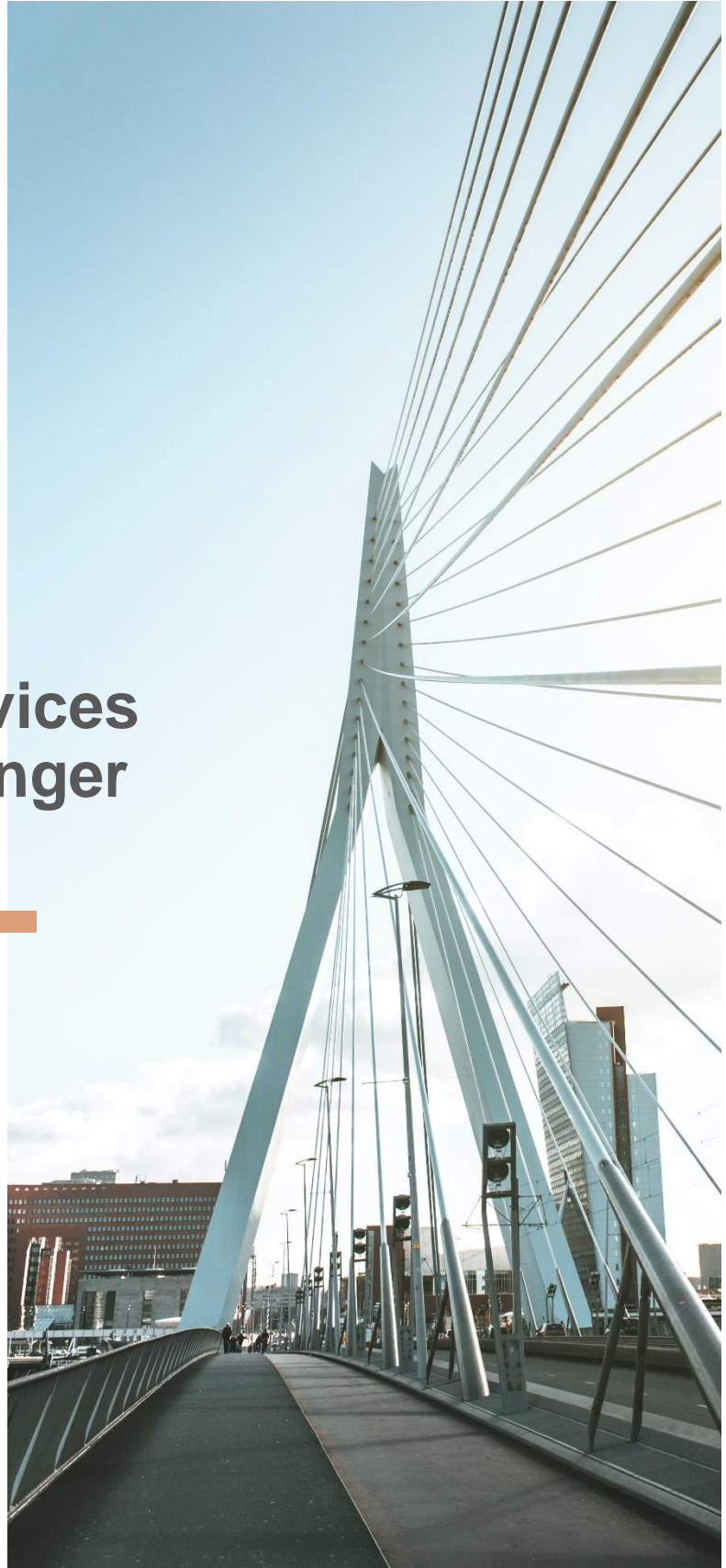
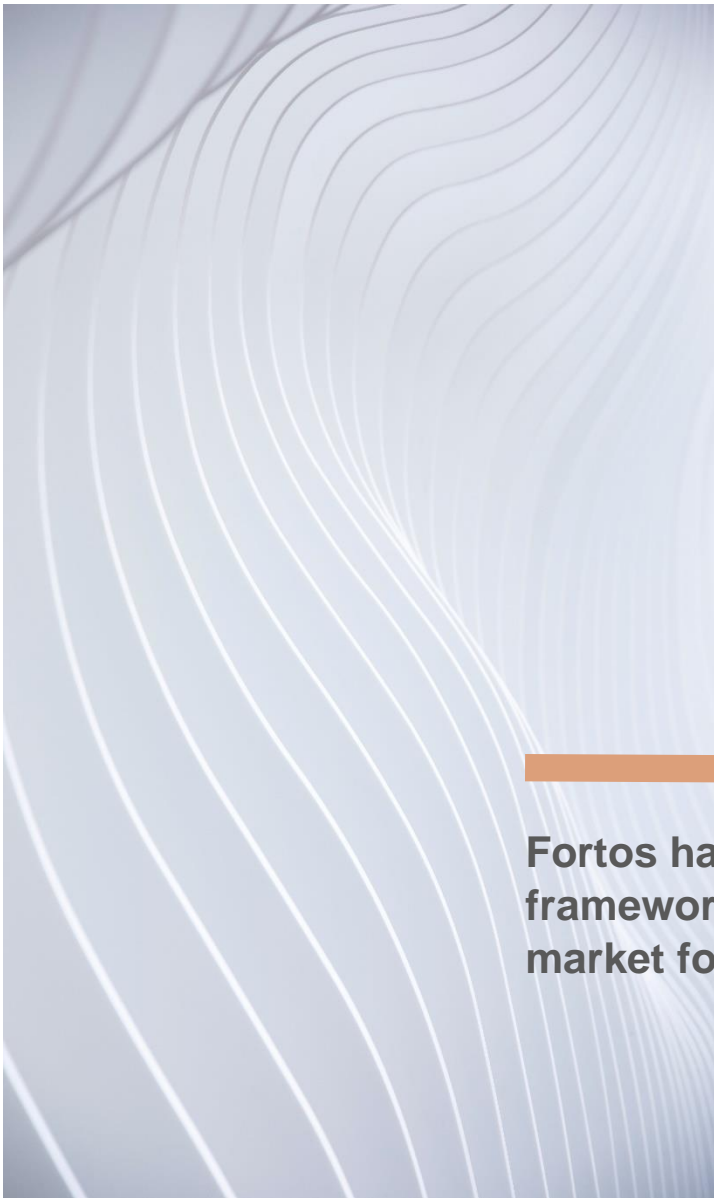




Review of Mobility Services in the Passenger Car Industry





Fortos have developed a framework for segmenting the market for Mobility Services

Car ownership is changing. Coming from a conventional ownership model where vehicles are traditionally bought or leased, mobility is now evolving from an ownership model to a service model.

A market analysis recently carried out by Fortos shows that new forms of ownership and car sharing services are emerging rapidly on the Swedish market where most actors aim to increase the level of fleet utilization while reaching new customer segments.

These mobility services are also gaining more and more attraction, to the point that the growth of car sales is expected to stagnate in the coming years, while mobility services are expected to grow significantly.

FORTOS FRAMEWORK FOR Mobility Services

There are several underlying factors driving both the current and expected growth in mobility services. Firstly, a new generation of customers puts more value on flexibility and sustainability, and less value on car ownership. Secondly, technology and digitalization are now enabling cars to be shared and utilized in a way which was not possible 15-20 years ago, and the emergence of autonomous vehicles will further exacerbate this trend. Finally, issues relating to urbanization such as traffic congestion and insufficient parking spaces are also leading consumers away from car ownership, and instead utilizing mobility services when needed.

To better understand this emerging space, Fortos have developed a framework to segment the market for mobility services. It is apparent that the further away you get from traditional car ownership, and into the Mobility services spectrum, you will find that:

- Vehicle utilization increases.
- The level of ownership decreases.
- Operational complexity increases, requiring additional capabilities to succeed as a player in the market.

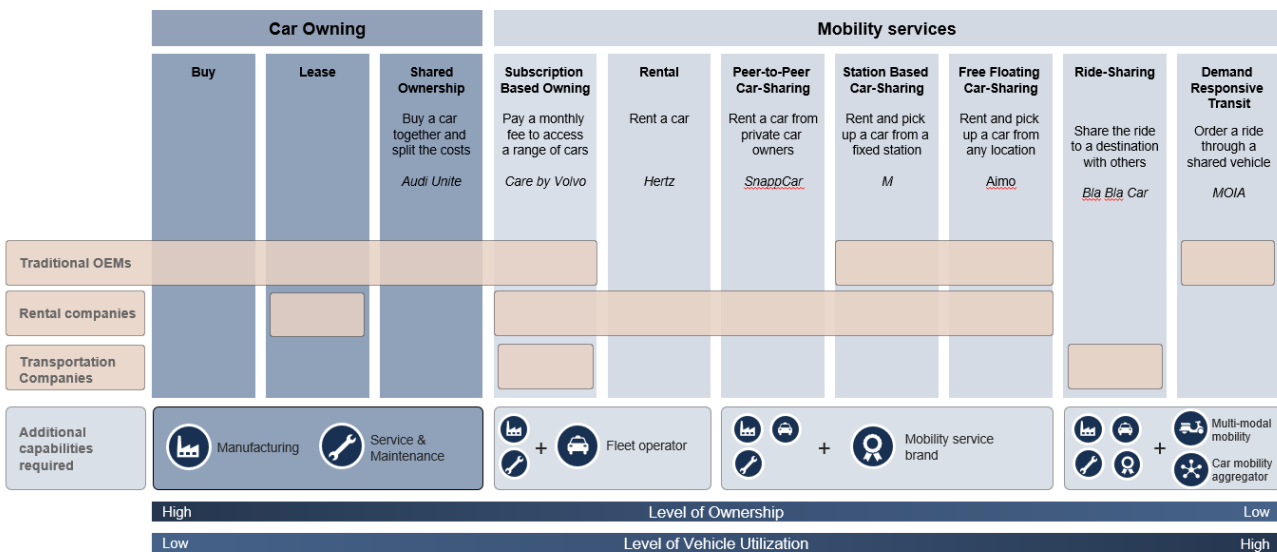


Exhibit 1: Fortos Mobility Services Framework

Fortos has conducted a study into the fastest growing segments of the Swedish market namely; Subscription Based Owning, Peer-to-Peer and Station based / free floating.

Subscription based owning

Subscription services is mainly characterized by a flexibility in what car to use, enabling users to switch cars within the subscription program within a short period of time, in general between 1-3 months.

The subscription space is highly contested and is constructed of a mix between OEM brands operating in their home market, e.g. Lynk & Co and Care by Volvo, and other players such as Aimo, Schysst and imove. For the OEMs this is a new way to finance car sales, however they lack many of the “Fleet operator” capabilities going into the market natural to Rental Companies, requiring the OEMs to set up whole new departments to handle everything from fleet management, customer care and managing the assets on the balance sheet. On the other hand, this presents a way to reach new customers with their existing brands.

The standard offer is monthly membership without cancellation period, making fleet management important to balance supply and demand. Most players have a fixed monthly price, and a km cap. Additionally industry standard is to offer insurance, tire, and service as standard. Some actors include vehicle tax. Uniquely, one player also offers free parking at hotspots at a premium rate.

Globally, subscription services were previously centered around the US market but has recently seen an increase in availability across Europe, moving from a home-market focus to a wider service availability in multiple markets. During the last 5 years, the available subscription programs launched globally have seen a substantial increase, especially during 2019 and 2020, indicating a growing confidence in the business model.



Exhibit 2: Players in the Subscription Market

Car Sharing – Peer-to-Peer (P2P)

P2P services enable car owners to share their cars with others for a pre-specified time range, where the fee is usually set directly between the car owner and the customer.

The P2P-market is dominated by international non-OEM players, with brands such as SnappCar and GoMore which have by far the largest customer base. In 2021 Lynk & Co made an entry as the first OEM-challenger in the market, trying to leverage the Lync & Co community. However, the market is challenging for OEMs to compete in since the offer is based on having a community platform for car sharing, where there is no obvious competitive advantage of being an OEM.

P2P is characterized by a complex pricing structure, where fees are usually divided up between the mobility service and other additional costs, making users' comparisons between different actors difficult. All Swedish actors offer included services such as RSA and insurance, indicating a market standard. Some actors also offer cancellation compensation. Additionally, all actors now offer EVs.

International experiences points to financial and operational partnerships as crucial, such as GoMore's partnership with Nordea to facilitate bank contacts during expansion and a joint payment solution across the Nordics.

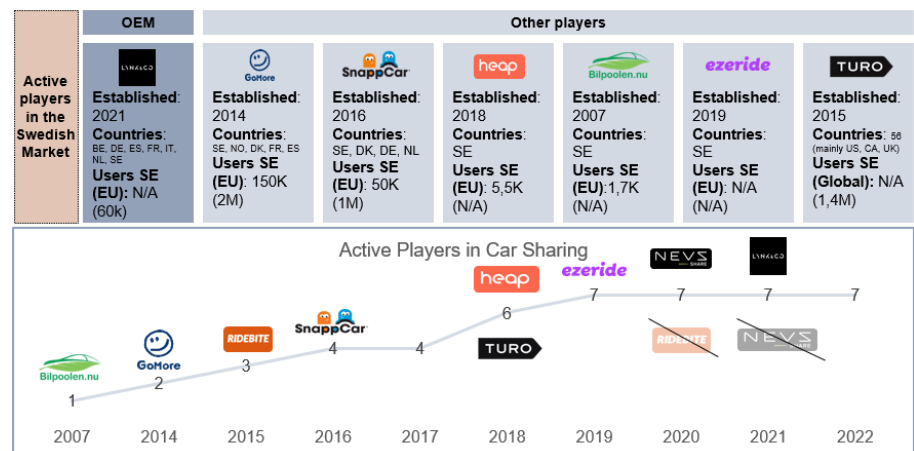


Exhibit 3: Players in the Peer-To-Peer car sharing Market

Car Sharing – Station based & Free floating

Car sharing can be divided into two segments; Station based where the cars are picked up and returned at the same parking space and Free floating where the car can be returned at a different location from where it was picked up, however usually within a specific geographical area.

The current market is constructed of a mix between OEM brands, such as Volvo on Demand and Kinto Share, and other players such as Aimo, Elbilio and Rulla. More and more actors are entering the Swedish market, going from 3 in 2017 to 8 in 2022, increasing the already tough competition but are also indicating high customer demand and some players have also expanded into new countries and have plans for further expansion.

Given currently high oil prices and an increasing consumer awareness on climate change, the trend is for new market players to focus on smaller and electric cars, perhaps as a way of reaching new customer segments and to achieve profitability in this historically difficult segment where several premium OEM brands entered the market early, only to exit after a few years (e.g. DriveNow and CAR2GO). Finding the right vehicle offer and price at locations with high adoption rates will be crucial to increase utilization and profitability as competition increases.

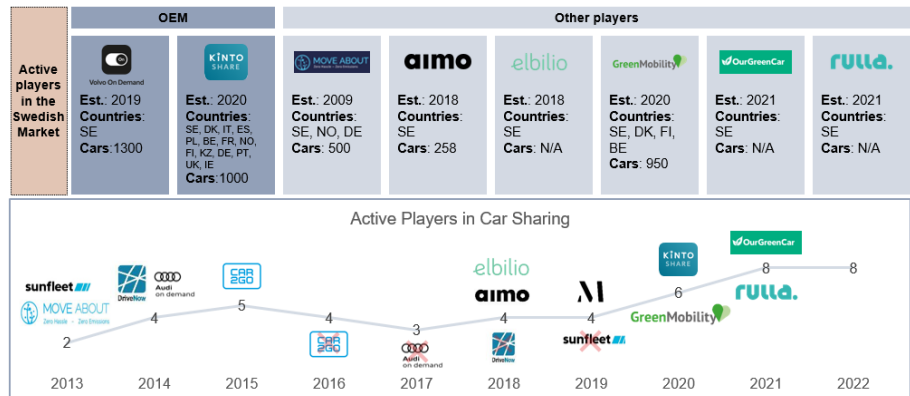


Exhibit 4: Players in the Station Based & Free Floating car sharing Market

Conclusion – looking forward

The race has only started

The automotive industry is going through an unprecedented transformation to a new mobility eco-system. We are still in the beginning of this race with different mobility services segments having reached different levels of maturity. What is clear is that the competitive landscape is bound to get tougher as more and more players are entering the space.

Finding the right business model will be the key to success

To reach a profitable business model within mobility services, the OEMs need to understand the customers' expectations and needs to better create a service that suits them. The OEMs need to be aware of the full ecosystem of mobility services to better evaluate the position they are in, what they have to bring to the table, and where they are less relevant. This might open the door for new partnerships outside the traditional automotive industry, such as tech-companies or cities, which will bring better and more competitive services to the customers. Collaborations like this will broaden the available capabilities but also strengthening the existing ones.

The market for mobility services is expected to grow fast, OEMs should act now

Even though the market for mobility services is still in an early phase, it is expected to grow exponentially the coming years. What is clear is that it will take time to develop the capabilities needed to be relevant in the emerging ecosystem. OEMs should therefore act now to ensure they have what it takes to compete, either through in-house competence or through strategic partnerships.



WANT TO KNOW MORE?

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