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PRESS RELEASE

Car sharing – the major breakthrough is yet to come

End customer study by mm customer strategy and Berylls Strategy Advisors on the car sharing situation from the customer perspective

- German drivers are aware of car sharing – more than 60% of driving license holders know at least one provider and about 1 million are registered already
- Car sharing today is largely limited to sporadic and spontaneous use. It is used intensively by just 6% of those registered and covers less than 0.05% of the mobility demand in Germany
- Market awareness, user satisfaction and concrete interest reveal a potential for multiplying the demand
- Car hire agencies, taxi companies and public transit companies in particular have to expect a significant decrease in demand – 15% of users are driving less with their own passenger car
- Market potential of more than EUR 35 billion per year in Germany at just 10% market penetration

Munich, 16 February 2015 – Car sharing is one of the most important trends in the automobile industry. Fewer vehicles are intended to offer more mobility in the future, providing relief for cities and citizens alike. The number of car sharing providers has increased sharply around the world in the last few years with the market entry of automobile manufacturers, mobility service providers, regional car sharing organisations, private agencies and brokerage platforms for multiple means of transport. This has helped car sharing to emerge from the ecological niche. Even though awareness is high, car sharing in Germany is only just beginning to unfold its potential with market penetration of a mere 1.7%. Awareness,

satisfaction and user expectations as well as changes in the intended uses reveal potential for a significant increase in demand. However, the offerings and public law framework have to change greatly to accomplish this. In any case, the market potential of car sharing is tremendous and it will have a major impact on all mobility providers. This was illustrated by a comprehensive survey of driving license holders in Germany.

Car sharing has been around for decades. However, it has developed into one of the most discussed topics in the automobile industry only in recent years. This was caused in particular by the rapid growth of free-floating providers, whose number of users has exceeded that of the “classic” stationary offers since 2013 already. Automobile manufacturers, car hire agencies and leasing companies in particular are examining the question of how mobility will change in the future and what impact this will have on their established business models. This is why the representative “Mobility Compass” customer study conducted annually by the Munich-based strategy consulting firms Berylls Strategy Advisors and mm customer strategy asked 1,900 driving license holders in Germany about their experiences and wishes regarding car and ride sharing. Forecasts for the future of the industry were then developed under consideration of current industry research and expert interviews.



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Niche topic notwithstanding high awareness and rapid growth

The public is aware of car sharing: 63% of the respondents know at least one provider. In cities with more than 500,000 residents where the free-floating providers such as Car2Go and DriveNow operate, the figure is over 75%. However, most of the approximately 150 providers in Germany are only active and known locally.

The number of registered users on the other hand is still low. Based on the most recent estimates of the Bundesverband Carsharing (Federal Car Sharing Association) and the latest growth rates of approximately 67%, the total number of registrations should have increased to about 1.3 million by the turn of the year. The study shows that each user maintains 1.3 memberships on average, which means that about 1 million unique users in Germany can be assumed today.

Peer-to-peer car sharing, that is the non-commercial sharing of private passenger cars between private individuals, is developing steadily as well. Fully 12% of the respondents know a provider in Germany. Tamyca and autonetzer as the two market leaders in Germany have about 150,000 registrations.

The user groups for the various car sharing formats are by no means homogenous. While car sharing (stationary, association based) historically appealed mostly to ecologically motivated people, a new group of demanding and well motorised users is developing with the growth of the new concept. "Environmental protection" as the original driving force behind car sharing now only takes third place as a motive for using car sharing, superseded by the reasons of "comfort" and "cost reduction". In the meantime, the penetration of car sharing is greatest among users who own a medium or luxury-class vehicle themselves.

Cannibalisation effects on a broad front

Since the "mobility budget" of Germans, that is the total number of kilometres travelled per

person, has seen only moderate increases for years, it is no wonder that the growth of car sharing is to the detriment of other means of transport. While 7% of the car sharing respondents state, for example, that they use public transit services more intensively, 22% use public transit services less or not at all anymore because of car sharing. Taxi companies and car hire agencies have to brace themselves for the deepest cuts: Here the net effect with a 29% or 28% reduction is the most severe. These effects are even more pronounced for heavy users. "Discussions at the municipal level are potentially explosive: Is it really desirable to increase the volume of motorised individual traffic, what impact will this have on the transportation infrastructure, and how can one ensure that the expected benefits, such as the reduction in stationary traffic, are actually realised?" so the co-author of the study, Dr. Matthias Kempf, partner at Berylls Strategy Advisors. While the net decrease for the car is only 14% overall, it is the leading means of transport for 56% of the respondents and therefore most severely affected on the bottom line which can be a driver for the reduction of the vehicle fleet.

Clear differences between stationary and free-floating offerings are revealed here: While the former primarily replace public means of transport in regional and long distance transit, the latter are used instead of taxis and hire cars. Here the change in the mobility ratio on a case-by-case basis is highly dependent on the concrete initial situation and the specific offering.

Are offers missing the demand?

In the meantime there are many different models for offers with a wide variety of focal points. Stationary offers, e.g. from Flinkster, Stadtmobil or Cambio, count on long-term planning ability, a diversified fleet with cars of different sizes for various purposes and pricing models aimed more at longer booking periods. The free-floating offers of Car2Go and DriveNow count on a uniform fleet for more short-term use with maximum flexibility. Then



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there are versions such as Citeecar, where each car is managed at an individual station by a private “Citeehost”.

But according to the study, car sharing users and prospects have heterogeneous demands that differ according to the situation and cannot be digitally assigned to the various offer formats. Short-term flexibility is just as important as long-term planning ability and competitive long-distance rates. Furthermore, most users and prospects want to see the geographical availability of the offers expanded and 68% are asking for seamless integration with public transit services. “The various offers have to be converged in order to present a consistent, intuitively usable, broadly available mobility offering with everyday reliability to the customer, and to enable providers to operate economically,” notes Dr. Markus Müller-Martini, partner at mm customer strategy and co-author of the study.

80% of the respondents also prefer different vehicle types in the portfolio of their provider and only 11% think it is important to use vehicles of just one brand. In regards to vehicle features, the users have clear preferences: Fleet vehicles should have a good design, progressive technology, sporty driving characteristics and contemporary connectivity options.

Realising market potential is barely scratching the surface

Notwithstanding the strong growth, the authors calculated that car sharing is currently covering less than 0.05% out of around 120 million total daily trips in motorised private transport today. There are two causes for this niche existence: Even though the growth rate is high, 1 million users correspond to a mere 1.7% of around 60 million driving license holders in Germany. In addition, car sharing is merely a secondary aspect in the mobility mix even for the active users. Only 30% of the users who were surveyed use the offerings several times a month, and a mere 6% use car sharing several times per week. “Car sharing is mainly used by

persons who already enjoy above-average mobility and regularly use a broad mix of different means of transport”, explains Dr. Müller-Martini.

The study indicates that the market potential is enormous. 9% of the respondents currently believe that joining in the next 24 months is conceivable, which would equal a fivefold increase in the number of users. In addition, the sceptics could also be convinced by improving the offerings. More intensive use is conceivable as well. While car sharing is mainly used for trips related to sporadic (e.g. recreation, excursions) or spontaneous (e.g. transportation, shopping) occasions today, users are fundamentally interested in more intensive use as well: 32% would also consider car sharing for travelling to work and 24% expect an overall increase in use.

But major obstacles stand in the way of realising this potential. For one thing, the offerings are not sufficiently tailored to customer needs. “*The current car sharing offerings are fragmented, without full coverage. This means customers cannot fully rely on them and only use car sharing sporadically. Providers in turn are waiting for demand to increase before they expand the offering. It is a chicken-and-egg problem,*” says to Dr. Müller-Martini. The economic development of the full potential also requires linking what are largely isolated business models today. The legal framework is inadequate as well. Parking space management regulations in particular are restricting providers and the applicable road traffic laws leave only limited leeway for municipalities. Ultimately however, major investments with a long horizon are also required to develop a full-coverage offering.

Mobility transformation “on a grand scale” only a matter of time

The study still characterises car sharing as a niche phenomenon that faces high operational and strategic hurdles. Yet the authors are convinced that a major breakthrough is coming in the next 5-10 years. “*The offers are*



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becoming increasingly cohesive and new participants are entering the market. At the latest, autonomous driving will cause mobility services and car sharing in particular to grow by several magnitudes,” Dr. Kempf is convinced. Furthermore, providers like Moovel (Daimler) Quixxit (Deutsche Bahn), Allryder and Citymapper are already working on integrating the various offerings under a uniform platform.

The market potential is enormous. If 10% of motorised private transportation could be shifted to car sharing, the authors estimate this would correspond to potential proceeds of more than EUR 35 billion in Germany. Consequently, investors who have put billions

into innovative concepts over the last few years are increasingly coming to the forefront. Companies such as Google and Amazon are getting into the game as well, for example through participation in Uber. *“In order for the investor’s expectations to be met, the market for the new mobility concepts has to grow by a factor of 50-100. Then all previously released estimates of the market potential would be much too conservative.”* So the conclusion of Dr. Kempf. Automobile manufacturers in particular cannot afford to ignore this change and have to proactively shape the developments in order to secure their market position.



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About mm customer strategy

The owner-managed strategy consulting firm “mm customer strategy GmbH” supports top management of international companies with the development of segment-specific company and marketing strategies on the basis of proprietary market research studies and data analyses. According to the motto “customer science meets strategy”, mm customer strategy as one of the few professional services companies is a corporate member of the Bundesverband Deutscher Unternehmensberater (BDU) (Federal Association of German Consultants) and the Berufsverband Deutscher Markt- und Sozialforscher (BVM) (Professional Association of German Market and Social Researchers).

About Berylls Strategy Advisors

Berylls Strategy Advisors is a top management consulting firm specialising in the automobile industry. The company has offices in Munich, Zurich, Detroit and Shanghai. In cooperation with automobile manufacturers, automobile industry suppliers, engineering service providers, outfitters and investors, the strategy consultants develop solutions for the key challenges facing the automobile industry. Here the focus is on innovation and growth strategies, supporting mergers & acquisitions, and measures to improve results along the entire value chain. The Berylls consulting teams set themselves apart with many years of experience, substantiated knowledge and innovative solution expertise. Together with its powerful cooperation partners, Berylls has in-depth technology know-how, a broad understanding of the market and effective networks for the development of action-oriented solutions.

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