

So, what's going on with automotive?

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Change is the new normal (again)

The automotive industry has always been highly dynamic but today it is being disrupted as never before:

- Technology is changing.
- Consumer attitudes are changing.
- Government policy is changing.
- Economic business models are changing.
- Legislation is changing.

It sounds like a perfect business case for an MBA strategy course!

This changing environment brings many questions:

- How are the traditional automotive companies reacting to these changes?
- How can new players enter the market?
- What in fact, is the market?
- Where are the best investment opportunities for financiers?
- Who will be the winners and who will be the losers?

This uncertainty has created a huge market opportunity for consultants, advisors and pressure groups, who are all trying to help companies to find answers to these questions or to push their own agendas. It also makes it an exciting time to be associated with this sector of the economy, especially in France.

The French connection

The INSEAD Alumni Auto+Mobility Club is based in France, a country which is in the forefront of testing urban mobility solutions and which also has a strong indigenous traditional automotive industry.

Paris was one of the first cities to launch bicycle and car sharing, with Velib and Autolib. As a first mover it has been able to learn lessons as to what works well and what needs improving with these services.

The city is also experimenting with private mobility sharing ventures like OFO (bicycles), Lime (push scooters/trottinettes), Cityscoot (electric scooters) and of course, Uber.

Public transport agencies and data management companies are also getting in on the act, with the opportunity to provide Mobility as a Service (MaaS), which will enable a user to move seamlessly from one form of transport to another, depending on the type of journey and the transport conditions (weather, congestion, strikes, etc)

Paris, along with London, Los Angeles and Copenhagen, is a leading member of the C40 coalition of major cities across the world, who are committed to transforming their cities into greener, healthier, and more prosperous places to live.

However with a tagline that says “people (and clean air) over profit” it remains to be seen how many of these cities will pay for this transformation.

In 2024 Paris will welcome the Olympic Games and it has made a commitment that transport for spectators and participants to the games will be carbon neutral.

The Mayor of Paris has also said that 2024 will be the first year that all diesel cars will be banned from the city.

The fall and fall of the Diesel empire

Since the Volkswagen “Dieselgate” scandal, the diesel car has been subject to vicious attacks across the board, many of which are more emotional than fact based.

This has caused uncertainty and concern for many owners of diesel vehicles, who bought them because they gave better fuel consumption and lower CO2 emissions than gasoline cars.

It has also created huge difficulties for the French auto industry, which along with Germany, is one of the leaders in diesel technology and which has made significant investments in the diesel supply chain.

In the face of this industry disruption, the two major players in France, the Renault-Nissan-Mitsubishi Alliance and Groupe PSA, have not been inactive.

Both companies have introduced electric and hybrid versions on their cars and both have reduced their investments in diesel.

In addition, both have launched car sharing platforms in several cities, which will enable users to rent cars for single trips or for longer, without the need to own the car.

In doing this, Renault and PSA are following almost all major car companies in moving their business models further away from the physical product towards services.

Given that services are often more profitable than selling cars, this may help their share price but they will face plenty of competition in the car sharing space and their points of differentiation are not yet so obvious.

Auto-mobile or Auto-nomous?

The decline in diesel, the rise of electro-mobility and of shared mobility for cars, bicycles and other forms of transport are all part of the disruption in the industry but the real changes could come with the arrival of the autonomous car.

The autonomous car is currently the holy grail for both the traditional and the new players in the mobility space.

Its proponents say that it will reduce traffic accidents by over 90%, as these are mostly caused by human error.

Its offers a business model where car utilisation over lifetime rises from 5% for privately owned cars to over 70% for shared cars and where in the case of taxis, the major cost of the driver is simply removed.

In an ageing society it offers older people the opportunity to continue to benefit from the freedom of driving whenever and wherever they choose, well after they have surrendered their driving licences.

However the technology and the infrastructure required for autonomous cars will take time to implement.

In the near term, one can imagine:

Full autonomy for some cars

Partial autonomy for all cars

but not full autonomy for all cars..

...or at least not for a very long time.

About the INSEAD Alumni Auto+Mobility Club

The INSEAD Alumni Auto Club was created 20 years ago to bring together alumni in France interested in the automotive industry, by organising events and networking sessions.

A major step forward in providing this service to the alumni was reached when the club started its affiliation to the Groupe Professionnel d'Automobile run by alumni of the Arts et Métiers.

This gave access to events organised by the GPA and by many of the other Grandes Ecoles in France, who are also part of this group.

The change of focus from purely automotive to Auto+Mobility will enable the club to offer a service to alumni from many different areas, including mobility related start-ups, private and public sector transport providers, urban planning agencies and mobility related financing.

In this context, the INSEAD Alumni Auto+Mobility Club and our partners will be organising events that will look at the key issues mentioned above, in particular from a business perspective.

These will include issues like:

- the business models of urban mobility providers
- co-existence of public and private mobility in cities through MaaS
- urban versus rural mobility solutions
- a European mobility model versus China and the US
- the impact of the decline of diesel in Europe
- the real advantages of the autonomous car

The next event will take place in Paris on 27 November 2018.

La mobilité urbaine à Paris en 2024 – Ses acteurs seront-ils encore français?

Quels business models?

