



Auto Bytes

India's new mobility market -
A changing landscape of service-led solutions

November 2020





The Indian automobile industry is in a constant state of evolution and COVID-19 pandemic has brought tech-enabled and personal mobility solutions into the limelight. The automobile industry presents significant untapped potential for innovative business models towards mobility solutions. One of the most significant trends that the globe is about to witness is the appreciable growth of the mobility-on-demand market.

In the post-COVID-19 world, people are avoiding the use of public transport, leading to a growing interest in vehicle subscription programmes, which is creating a demand for rental vehicles. The global automotive subscription services market is expected to grow by USD 9.15 billion during 2020-24.

The subscription model enables access to a fleet of vehicles to customers and comprehensively covers maintenance, insurance and roadside assistance as well as purchase of vehicle. With rising demand for economical and convenient alternatives for commuting and increase in micro-mobility, the two-wheeler rental market, particularly bikes and scooters, is also expected to see an uptick. Thus, rental firms are focussing on enabling state-of-the-art technology for customer support services, including on-ground fleet management, logistics support, vehicle scheduling and onboarding, to deliver seamless customer experience.

Moreover, like all forms of transport, flexible mobility on demand systems (FMoD), also known as demand-responsive transport (DRT), have undergone transformation due to the COVID-19 pandemic. Ride-hailing platforms are actively collaborating with public transport authorities/operators to offer services complementing public transport. These joint services plan to offer demand-responsive public transport on special routes or at certain times of the day. Instead of passengers adapting their itinerary around a set transport schedule, the transport service functions according to the passengers' schedule. Thus, the diffusion of smartphone and urban sprawl has

pushed both private and public bodies to revisit the concept of DRT wherein its uptake would be driven by smart city initiatives, governmental and mobility policies and a pivotal shift towards multimodal and intermodal transportation. DRT shuttles are predicted to account for 50% of the global shared mobility market by 2030.

As the DRT sector expands, the global DRT market is expected to reach



USD
551.60 billion
in 2030 from USD
2.8 billion in 2017

with an increase in fleet size



24,100 units to
5.8 million

Market potential from key mobility cluster in India

	Value (USD billion)	
	2018	2030
Corporate sharing	0	0.172
Dynamic shuttle	0.132	23.626
P2P carsharing	0.007	0.298
MaaS	0	3.356
Traditional carsharing	0.069	0.592
Taxi services	15.39	61.66
Total	15.598	89.704

Sources: SIAM & Frost and Sullivan



By 2030, India's new mobility market is expected to be worth USD 90 billion, with revenues generated by the taxi cluster alone likely to surpass USD 61 billion.

Additionally, by 2030, the total e-hailing trips are projected to increase to approximately 83 billion trips from over 16 million taking place daily across the globe (6 billion trips per year). A CAGR ranging between 15% and 28% is predicted that would lead to an increase in market size to USD 285 billion by 2030. This exponential growth would be driven by a lower rate of vehicle ownership among millennials and the expected progressive integration of ride-hailing into other shared mobility solutions. Such mobility solutions, including vehicle sharing, bike sharing, micro-mobility and the future development of mobility-as-a-service (MaaS) platforms, are expected to increase the appetite for on-demand mobility in the coming years. At present, the challenge for ride-hailing platforms in the situation of crisis is to keep abreast of regulation in a fast-changing environment.

On a new path

With increased interest in vehicle leasing, original equipment manufacturers (**OEMs**) have tied up with vehicle rental companies to offer vehicles on subscriptions. Moreover, OEMs and dealers leverage rental companies' APIs to directly sell vehicles on subscription to customers.

Auto companies have optimised the production strategies to maintain social distancing norms; thus, the production may decline.

Automobile brands plan to create platform for buyers to book, order test drive, customise the vehicles and enable online payments for the vehicle to be delivered at home.

As its companies tend to conserve working capital and prioritise their resources, the timeline for mass adoption of **Electric mobility** is still a topic for debate. With rise in personal mobility due to safety issues, **shared mobility and carpooling** may see a dip and is expected to relief with subsided virus in coming times.



OEMs, on the other hand, intend to make their business models more dynamic while catering to the needs of the millennial generation, especially in the current scenario. They aim to tap the vehicle leasing model by entering into partnerships with vehicle rental firms to further highlight the cutting-edge repertoire amongst the target audience and create the necessary future technology for personal mobility. Thus, OEMs realise the need to be part of the new mobility ecosystem, partly by developing their solutions and partly by investing in future mobility platforms and solutions, which would allow them to keep ownership of future distribution channels. Simultaneously, the rental firms too continue to focus on adding varied vehicle models towards mobility solutions.

Overall, the new mobility market is driven towards online retailing which is estimated to emerge as a critical channel both in terms of vehicle sales and vehicle servicing.

Revenues to be generated by online vehicle retail, after sales and services are expected to grow almost five times from about



USD
120 billion
in 2018 to about



USD
605 billion
in 2025

To be truly transformational, the new mobility market needs to balance a wide range of considerations wherein focus to people is central to the future of mobility. With a perfect blend of expertise and knowledge, the automobile industry is placed at the cutting edge of mobility innovation.

Our view

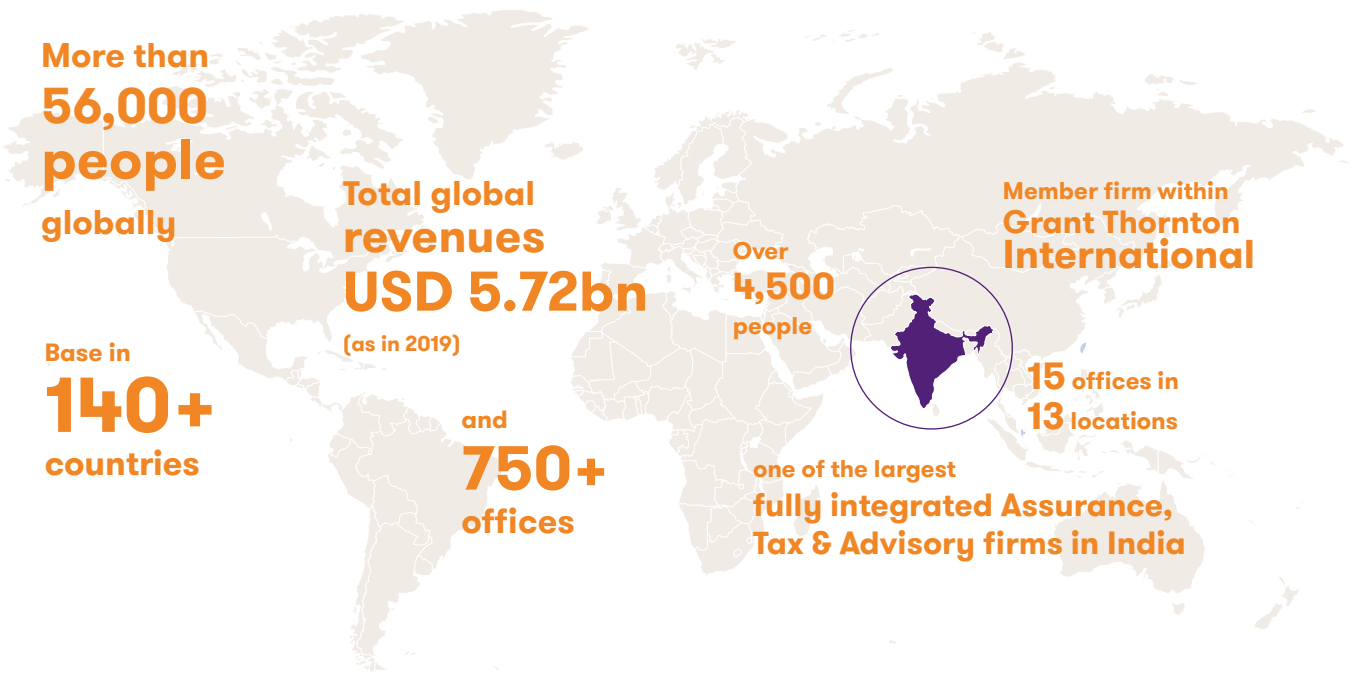
With a combination of customer demand, travel restrictions, lockdowns and fear of physical interactions, the industry expects a spike in demand vehicle subscriptions. Considering the current recession, the subscription model is likely to be preferred option than ride-hailing due to safety concerns. The demand may tend to rise for e-scooters and e-bikes, with increased awareness of emission less transportation and induced government initiatives to propel the e-mobility market. Thus, the entry of leading auto OEMs have created much needed thrust for higher vehicle subscription uptake in India wherein the industry simultaneously looks at the potential benefits of FMoD as a form of future urban mobility.

Following a MaaS logic, the integration of DRT solutions with other modes of transportation or mobility services, such as trip planners would make it possible to facilitate safer travel for all. Contrarily, electric vehicle development may remain on track due to government support, while connectivity services may receive a fillip from demand dynamics.

While all these business models really eliminate most reasons to own a private vehicle, the real challenge for the industry is yet to come. With autonomous driving, more than just the ownership of vehicles, the use of the time spent in them would entirely change. Thus, the future of mobility is being reinvented and needs to be offered to customers with a wide range of improvements in the number of service-led solutions.



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