

MANAGEMENT SUMMARY

**Oliver Wyman study on urban mobility concepts of the future
Partner networks will determine tomorrow's
urban mobility**

- **The mobility requirements of urban populations are markedly changing**
- **New concepts are bringing different industries together**
- **Teaming up with attractive partners secures a good starting position**

All urban mobility indicators are pointing to change. The number of megacities with ever-increasing populations is rising. IT technologies and consumer electronics are becoming more and more intelligent and easier to use. At the same time, the mobility requirements of urban populations are markedly changing. New concepts need to be developed, leading to intensive interaction between different industries. Partnerships and acquisitions are becoming par for the course. Companies wanting to survive in this converging world of urban mobility services in the future have to secure their positions as the customer interface in their role as mobility mediators and lay the foundations for this now. These are the findings of the Oliver Wyman study “Urban Mobility Concepts of the Future.”

In the coming years, urban mobility will drastically change. One of the main drivers of this change is the ongoing international trend toward urbanization that is resulting in an increasing number of megacities with constantly rising populations. In 2025, more than 60 percent of the global population will be living in cities. While the urban population in 2010 totaled 3.5 billion people, this number will have reached around 4.5 billion by then. In light of the increasingly larger and denser cities around the globe, the traffic problems of today – more and more traffic jams and the lack of available parking spaces – will reach new dimensions. Intelligent communication technologies, which are being systematically refined, are both the second key driver of this change and the prerequisite for innovative mobility services.

Users of increasingly higher performing and easy-to-use smartphones will be able to access mobility services anytime and from any location. In addition, the number of smartphone users will continue to markedly rise in coming years, increasing to approximately 1.2 billion in 2015 from some 500 million at present. As a result, the mobile internet will increasingly develop into a linchpin in the new world of urban mobility. The first attempts at creating the appropriate applications are already taking shape. Users of the American car-sharing provider Zipcar and Daimler's Car2Go can find and reserve available vehicles using an app. The smartphone then directs the customer to the car using a route planner. Another example can be found in the city of Toulouse: an innovative traffic management system was introduced there to direct automobile drivers to the nearest open parking space using a smartphone application.

Established players need to reposition themselves

At the same time, the attitude of many urban residents toward their own car is changing. Although the car will still remain the ultimate status symbol in emerging countries for many years to come, people in large western cities with well-developed public transport networks are increasingly finding their own car too expensive and unappealing. For the under-30 generation in Europe today, owning a car is already unpopular. They prioritize other things, rate usage higher than ownership and are paving the way for alternative mobility models. According to estimates, the market volume for car sharing in the United States and the 10 largest western European countries will total some €4 billion by 2015. Today, it is still well under €1 billion.

This model will therefore be a key driver for the market penetration of further, completely new urban mobility services. By 2015, these services alone will reach a market volume of €2.5 billion in the United States and the 10 largest western European countries. A veritable hype has already engulfed this market. Burgeoning start-ups with diverse and innovative business models for all aspects of mobility are providing enormous momentum there. In a reflection of this, such peer-to-peer providers as RelayRides and tamica no longer operate their own vehicle fleets. Instead, they are tapping unused resources and facilitating motorized neighbor-to-neighbor car sharing. Start-up TaxiPal offers a mobile application that lets users receive information on taxi companies, compare prices and customer reviews and order a taxi – and all of this without having to make a single phone call. There are other interesting business models in the parking industry. For example, American provider ParkWhiz has launched an application that helps customers to find and reserve available parking spaces. At the same time, established companies in different industries are also striving to strategically position themselves in this still-complex market environment.

Securing customer access

None of the players, be it automakers, IT and telecommunications providers, car-rental companies or conventional passenger transportation companies and start-ups, will be able to implement the urban mobility concepts of the future single-handedly. Instead, a joint effort will be required to be able to stay in the running and create an integrated range of services in the face of the ongoing convergence of various industries. Sustainable partnerships help companies acquire the expertise needed for successful mobility concepts and thus boost companies' own brands. Both these factors are decisive in the battle for market shares. The new converging market environment is highly dynamic, and a broad range of concepts are competing for customers.

Mobility providers have to win over the mobility customers of the future with their solutions and retain these customers. To do this, local business models that take into account both the regional infrastructure and the needs of the urban population are required. People living in Los Angeles have other mobility requirements than the inhabitants of Berlin or Paris. In addition, door-to-door mobility concepts must be made available to customers. Individual packages are of little use. Integration is the recipe for enabling customer access to various services. Lone wolves no longer stand a chance in the convergence arena of the future. At the same time, however, all players within the partnerships have to clearly stake their claims and make themselves indispensable to customers in their role as mobility providers.

Scoring points through cooperation agreements

Such new technologies as the electric car; modern, intelligent power networks; and in particular innovative communication solutions like location-based services will drive the merging process. Particularly the established companies will come under pressure to act. For example, the core business of OEMs will continue to be in the development and production of vehicles. However, they will also have to increasingly focus on operating vehicle fleets in flexible usage models,

link their vehicle-based core business to other mobility services and sell appropriate packages to customers on a commission basis, just as an agent would. Far-reaching strategic partnerships and targeted acquisitions will become key factors for success in order to be able to survive in the mobility scenario of the future.

As a result, considerable movement in the form of cooperation agreements, joint ventures and acquisitions can be expected in this market environment from now on. In the coming years, particularly established companies in individual sectors will be competing for the best cooperation partners and innovative start-ups. Only those who succeed in quickly hooking up with attractive players will be able to secure a good starting position. Mobility must be examined from a holistic viewpoint in the future. In the convergent scenario of the future, the borders between the various worlds will become blurred. The existing business models are threatened.

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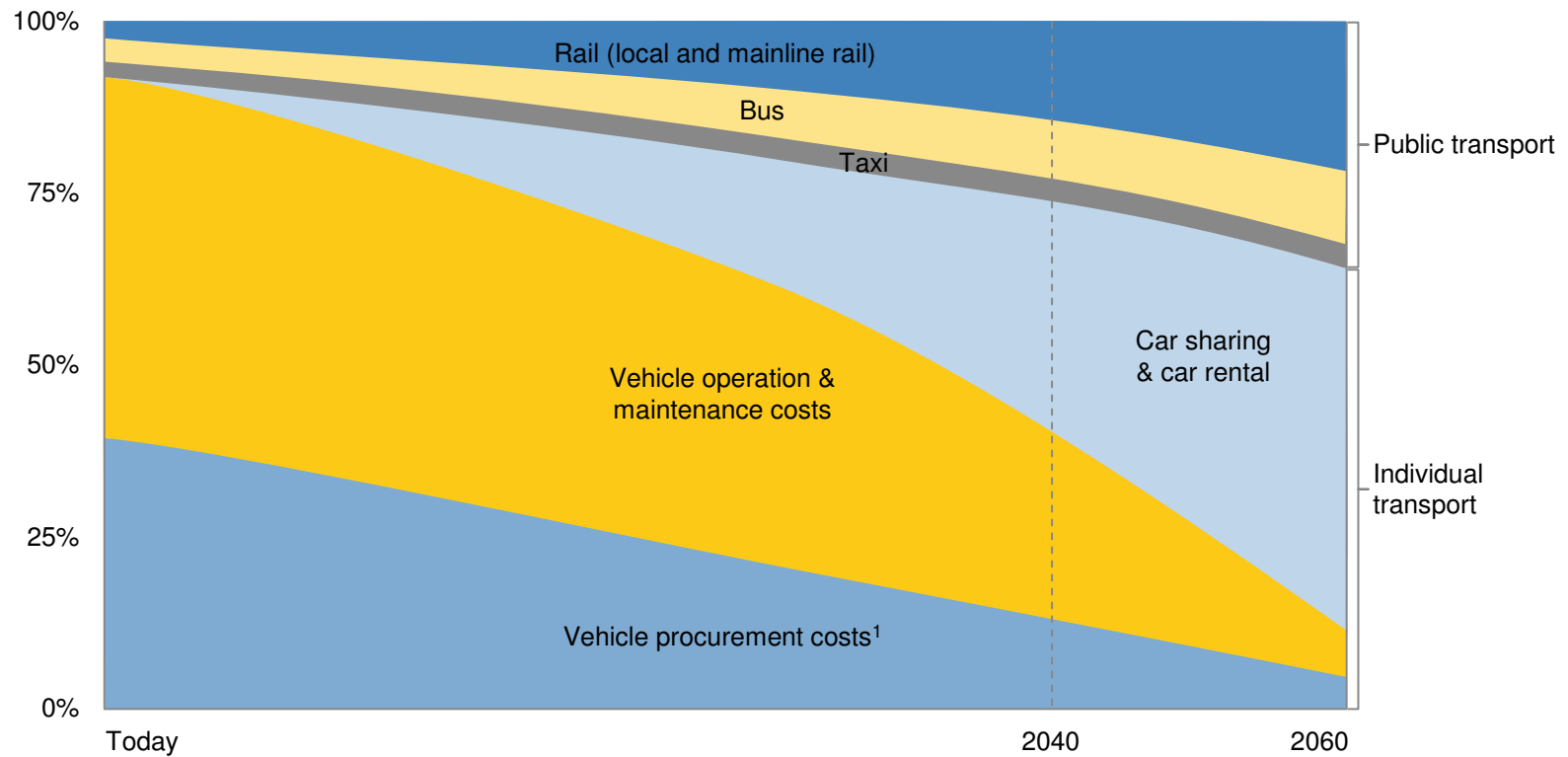
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In the coming decades, the trend will shift increasingly toward usage-based models, both in individual transport as well as for public transport.

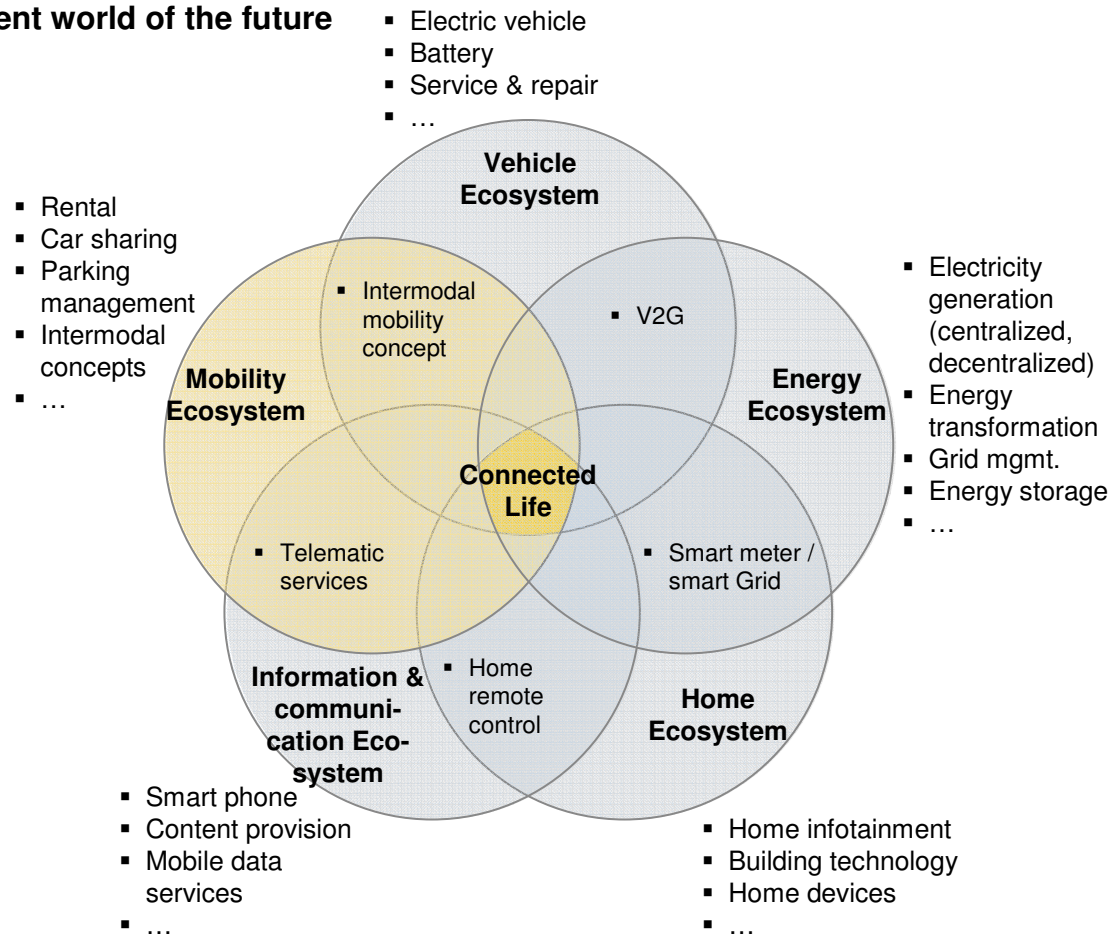
Budget expenditure for transportation in Europe
(illustrative)



1. Incl. purchase price, depreciation within leasing contracts
Source: World Business Council for Sustainable Development, Oliver Wyman

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The convergent world of the future
(illustrative)



Source: Oliver Wyman