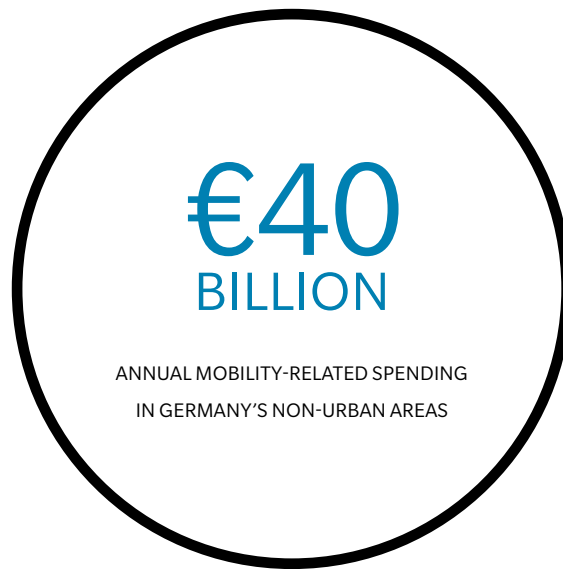




AN UNREALIZED OPPORTUNITY FOR NON-URBAN MOBILITY

New mobility concepts are established almost daily. Services such as car-sharing are already common in most big cities, where high population density helps make them attractive. The same cannot be said for non-urban areas, but by using existing knowledge and the current infrastructure, mobility service providers can tap into this attractive value space by adapting their offer structures.

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Today, mobility services such as car-sharing, ride-hailing or intermodal commuting have evolved from being a hot topic in the startup community to an established commodity, often provided by big players. Many automakers and transportation companies have launched a variety of mobility solutions either directly or via spinoffs. Smartphone apps have been created for these programs, making them easy to use. As a result, an influx of brightly branded vehicles from the different car-sharing programs can be seen operating in many big cities.

While there are a variety of services as well as a fast-changing portfolio of solutions and ideas, these mobility schemes have one thing in common: They all target large metropolitan areas. Most mobility concepts require a specific infrastructure. Areas with a high population density, a mature public transportation system as well as the possibility to interconnect different mobility options are preferred. There needs to be sufficient short-term interaction between users, modes and providers for most mobility-sharing business models to succeed.

TOO FOCUSED ON METROPOLITAN AREAS

The countries currently targeted by mobility solution providers have a huge percentage of untapped non-urban areas. For instance, 70 percent of Germany is considered rural. In the U.S., 97 percent of the country's surface is classified non-urban territory. When population density is taken into account, 30 percent of Germany – about 24 million people – currently don't have access

to car-sharing schemes and other non-traditional mobility services. The U.S. population outside this scope is 60 million people. This is the case despite data showing that people in rural areas make roughly the same number of trips a day as city dwellers – 3.4 on average – and they are less likely to walk or rely on public transportation because they travel longer distances (42 kilometers a day compared with 36 kilometers for people in urban areas).

When quantifying the potential for the non-urban market, mobility service providers need to consider that the typical user has a lower average income than a person living in a city. In the U.S., the wage discrepancy is 30 percent. However, a significant portion of this disadvantage is neutralized by the substantially lower cost of living in non-urban areas. In addition, up to 80 percent of individual transport spending by people in non-urban areas goes toward vehicles and automotive-related services. These factors make non-urban areas an attractive value space for mobility service providers. In Germany, the market value for individual mobility solutions in urban areas is roughly €40 billion a year. Even if substitution rates for intermodal mobility services cannot be assumed to be very high, the big question that emerges is: Can mobility service providers afford to ignore the potential provided by non-urban areas?

NON-URBAN MOBILITY SOLUTIONS

The untapped opportunity in Germany and the U.S.



Source: German federal institute for construction, municipal and city research, Oliver Wyman analysis

FLEXIBILITY AND CROWD-BASED BUSINESS MODELS AS KEY LEVERS

To reach these new customers, mobility service providers must adapt their current business models. First, they have to optimize their overall system utilization to overcome the fragmented marketplace. The non-urban mobility system must integrate all travel modes available in the target community as well as adjacent communities. Only by creating a truly diverse, multifaceted intermodal platform can a mobility solution provider satisfy the needs of a large enough portion of the target area to succeed. A major challenge here is developing a solution that links different services in non-urban areas, where there is little to no commonality or cooperation between the existing players. Consequently, new providers will encounter resistance but those with an appealing, intuitive offer have the potential to emerge as true differentiators in the market.

Second, since the prevailing mobility infrastructure lacks sufficient coverage or frequency, it is pivotal for mobility service providers to embrace crowd-based solutions. Covering spacious non-urban areas with one's own car-sharing fleets would be too asset intensive. Consequently, offering a platform that connects individual demand and supply is essential. This means that ride-hailing or car-pooling will be integral parts of any provider's value proposition. The question is: How does the provider become a key player in deciding on a private commuter's travel arrangements? To remain attractive to users, the provider will need to rely on secondary services or

extra activities for its profits. And, it will be essential to connect peer-to-peer mobility solutions with other travel modes available to create a truly intermodal mobility service that is best tailored to meet the demands of customers in rural areas.

Third, an optimized cost structure and an even more flexible service offer will be needed to offset the anticipated lower usage rates compared with densely populated cities. Instead of providing a continuous mobility offering, it is better to offer demand responsive transportation (DRT), which helps minimize assets, reducing costs while still being able to meet customer demand. Using DRT, the services can be optimized to address demand during peak times and minimized when demand ceases. Public-private partnerships are commonly formed to leverage the existing public infrastructure, creating a flexible and attractive offering that in many cases provides door-to-door service.

The bottom line is that existing, well-established mobility solutions can be adapted to address the needs of non-urban areas. Although additional challenges will need to be overcome, crowd-based business models as well as demand responsive transportation are efficient approaches that can be used to meet the largely untapped demand for new mobility solutions in rural areas. ●