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Aftersales will become part of a subscription service, say analysts

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Vehicle manufacturers are beginning to move away from pure vehicle sales towards offering more subscription based services to meet the growing needs of today's customer.

With the value of downstream services expected to rise to more than $2.9 trillion by 2025, the opportunities are almost limitless, according to the recent F&S Intelligent Mobility conference.

Once the preserve of premium brands such as Audi, JLR and Volvo, these services are now being rolled out across the mass market, generating an additional revenue stream for many smaller companies.

Driven by changing consumer habits, they are no longer limited to a particular model or sector but are multimodal, said Frost & Sullivan (F&S) senior partner Sarwant Singh, speaking at the F&S Intelligent Mobility event last Wednesday.

"At the moment the offering is typically built around things like warranty, servicing, delivery, insurance and administration, but in the future we expect things like tyres and refuelling to become part of the expanded subscription service offering," he said.

"JLR, for example, has said it will provide subscription services all over the UK and in the future it will also be extended all across the model line-up."

Bernhard Blattel, vice president mobility services at BMW Group, said that BMW has taken a more holistic approach to subscription services, looking at three factors: the customer's mobility needs, the space being used and the latest advances in mobility technology.

Linking all of these factors together, he said, is data.

"Not one company can solve all of these problems by themselves but by combining with industry partners we can shape the future of mobility," he said.

"Now OEMs are moving beyond the traditional car ownership model towards a subscription based approach where the customer can pay to use the car by the hour or by the minute.

"The next step is the evolution of the smart car that can park and drive by itself and avoid traffic jams. Then there is shared transportation and electrification of vehicles."

Blattel said that BMW's DriveNow, a car sharing subscription service launched in London in 2014, is now in 13 countries throughout Europe and has more than 6,000 cars, 15% of which are electric powered.

Tied in with this, the company's ChargeNow service provides access to more than 140,000 charging points and its ParkNow and Park Mobile service is throughout more than 1,000 cities with a customer base of 25 million, he said.

"More specifically, we have a product here in the UK called RingGo where you pay to reserve a parking spot," he said. "Twelve million people use it and there were more than 50 million parking sessions last year.

“We have been developing this range of Now services over the last seven to eight years. Now we need to give it more scale, so we have partnered with Mercedes to tap into Daimler’s expertise and to provide a more comprehensive portfolio with a greater level of capital investment.”

Blattel said that all of these subscriptions are designed to complement rather than compete with traditional vehicle sales.

He said that instead they offer an alternative to a new type of customer, albeit under a different brand.

“There will still be demand for car ownership,” he said. “But when it comes to the services part we need to differentiate it for a different breed of customer but still maintain the connection with the brand.”

Sebastian Peck, managing director at InMotion Ventures added: “Branding is a key aspect here.

"We need to move the discussion on from mobility solely as a commodity to providing the customer with the best choice that will appeal to them in an emotional way.”

By Alex Wright

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