

Detroit's automakers, sensing a threat, embrace mobility

May 16 2016, by By Dee-Ann Durbin



In this Wednesday, April 27, 2016, photo, a smartphone displaying the Maven app, a General Motors car-sharing service, is shown, in Ann Arbor, Mich. Automakers are reinventing themselves as "mobility" companies that can accommodate all the different ways people get around. Already this year, General Motors Co. has announced a long-term alliance with ride-hailing company Lyft and started Maven. (AP Photo/Paul Sancya)

For Detroit, the days of simply making cars are over.

Automakers are facing multiple threats to their business from nimble tech firms like Apple and Uber. In response, carmakers are reinventing themselves as "mobility" companies that can accommodate all the different ways people get around.

Already this year, General Motors Co. has announced a long-term alliance with ride-hailing company Lyft and started a car-sharing service called Maven. Ford created a technology-focused division based in Silicon Valley that will invest in promising transportation startups. It also launched FordPass, a smartphone app that helps users find parking or share their cars. Fiat Chrysler Automobiles is partnering with Google to test self-driving software in 100 of its minivans.

In congested and expensive cities, people are increasingly content to share cars or summon rides using their smartphones. In five years, 35 million people globally will be using car-sharing services, up from 5.8 million now, according to Boston Consulting Group. That means 550,000 fewer cars sold each year. Within another few decades, fleets of self-driving taxis could replace the need for personal car ownership altogether. Automakers that don't adapt risk being supplanted by high-tech competitors.

"We're investing in future-proofing," says Elena Ford, who led the development of FordPass and is the great-great-granddaughter of Ford's founder.



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There are dangers. Making vehicles is complicated and expensive, and car companies have stumbled when they've taken on new businesses. GM bought software maker Electronic Data Systems Inc. in 1984 but sold it 12 years later. Ford owned Hertz rental cars but sold it a decade ago. Chrysler owned airplane-maker Gulfstream in the mid-1980s. In each case, the companies sold those businesses to refocus on car-making.

There's also the open question of whether drivers want automakers to do more than make cars. Ford CEO Mark Fields is confident they do.

"It goes back to Henry Ford and one of his favorite quotes: 'If I asked people what they wanted, they'd say they wanted a faster horse,'" Fields told The Associated Press. "We want to transform, fundamentally, the relationship between an automaker and a customer."

Fields adds that the financial case is too compelling to ignore. Global revenue at traditional automakers totals \$2.3 trillion a year, he says; the transportation business, including taxis, buses and car-sharing, is worth \$5.4 trillion.

Companies are targeting people like Shannon Serenko, 32, who works at Johnson & Johnson and lives in downtown Ann Arbor, Michigan. Paying for parking, insurance and gas for a car she barely uses would be a hassle, she says. Instead, she rents a Chevrolet Volt from Maven for \$42 a day when she wants to run errands.



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Motors car-sharing service automobile, in Ann Arbor, Mich. Automakers are reinventing themselves as "mobility" companies that can accommodate all the different ways people get around. Already this year, General Motors Co. has announced a long-term alliance with ride-hailing company Lyft and started car-sharing service Maven. (AP Photo/Paul Sancya)

"I'd just rather be spending all that money on other things than parking a car for six out of seven days," she said.

Detroit carmakers aren't the first to offer mobility services to compete with the likes of ZipCar and Uber. German automaker Daimler AG launched Car2Go, a car-sharing service, in 2008; it now operates in 29 cities in Europe and North America. BMW started a New York-based mobility venture capital firm in 2011. Toyota has 70 tiny electric cars zipping around Grenoble, France, as part of its own car-sharing service.

But after surviving the recession, Detroit is enjoying record U.S. sales and plowing the profits into mobility experiments.

GM has been the most aggressive of the Detroit companies. In January, it invested \$500 million in Lyft and said it will co-develop a service that lets customers summon self-driving cars. Three months later, it paid a rumored \$1 billion for Cruise Automation, a startup that makes autonomous vehicle software. Around the same time, it launched Maven, a car-sharing service in Ann Arbor and Chicago.

GM President Dan Ammann said that when GM sees potential value, it can't afford to sit back and see where the market heads.



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"We believe in speed," Ammann said.

So far, Wall Street is on board. Colin Langan, an auto analyst with UBS, said investors understand the need to invest in new mobility, and expect companies to spend hundreds of millions of dollars a year doing so. But alarm bells may go off if they're routinely spending more.

"Historically, automakers have not been good allocators of cash," Langan said.

Fiat Chrysler CEO Sergio Marchionne says it's dangerous for automakers to place big bets on one solution. He stresses that FCA's partnership with Google is open-ended and not exclusive. If the companies decide to keep working together, they will eventually hammer out details like licensing fees for the software.

"Walking in a collaborative fashion with people who have historically been viewed as intruders and potential enemies of our business—walking with them at their speed—is the best possible solution for us in terms of determining what our future state will be," he said.



In this Friday, May 6, 2016, file photo, Fiat Chrysler Automobiles Chairman and CEO Sergio Marchionne, left, shakes hands with Dino Chiodo, president of Unifor Local 444 in front of a 2017 Pacifica minivan on the Windsor Assembly Plant line, in Windsor, Ontario. Fiat Chrysler and Google announced Tuesday, May 3, that they will work together to more than double the size of Google's self-driving vehicle fleet by adding 100 Chrysler Pacifica minivans. Carmakers are reinventing themselves as "mobility" companies that can accommodate all the

different ways people get around. (AP Photo/Carlos Osorio, File)

Ford has done much of its mobility work in-house. The company has run more than 30 global mobility experiments over the past 18 months, including a concept in India that lets multiple families or co-workers share a car and a ride-hailing van service for workers on its Dearborn campus.

But Fields says Ford is flexible and open to partnerships. The FordPass app was developed alongside Pivotal, a Silicon Valley software company in which it has invested \$182 million.

FordPass lets Ford owners remotely start their cars and make car payments. Users of the free app—who don't have to own Fords—can also reserve and pay for parking spots, get help from a live operator, rent their cars through FlightCar and earn points at partners like McDonald's.

Ford will continue adding features; one day, users might be able to summon a self-driving vehicle or borrow a Ford-made bike.

"People spend about 4.5 hours per year in a dealership, but they spend 900 hours per year being mobile. So how can we have an ongoing dialogue?" Elena Ford said.

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