

# The Auto Industry's Key to New Mobility Services

**Assembling a digital ecosystem to support the “third living room.”**

*In our first paper, It's the Beginning of a New Age, we discussed how New Mobility begins with integration with the individual's digital life.*

## The Rise of the Smart City

New Mobility is the current focus of the auto industry, but the ultimate goal is the Smart City. Where today's cities seem purpose-built to host cars with wide streets and acres of dedicated parking, tomorrow's urban centers will follow the needs of people. Much higher car utilization rates will reduce traffic, emissions, and parking; autonomous cars can remain in lower-density areas until summoned, or drive to the next charging point before picking up the next passenger.

As both consumers and companies undergo this dramatic transformation, critical success factors will include trust, convenience, and user experience.

- » Trust must be earned for technology (things always work), safety (proven cybersecurity), and data privacy (I always know and control what I'm sharing).
- » Convenience depends on full personalization to

each user's preferences and requirements across the features, services, and settings of the shared car.

- » User experience must be transparent and intuitive, with New Mobility services available at the click of a single button, managed in a single app.

A car used in the context of New Mobility will ultimately need to become the so called “third living room,” a convenient space outside the home and office where all is as you expect it and you feel completely safe. Building the third living room goes beyond sharing or renting cars of a particular type or make. It's also about services extending across the entire journey, including energy, connectivity, intermodal transportation, payment, entertainment, and more, all personalized to help the user's time en route feel more like relaxing at home or getting work done at the office. Smart mobile devices will play a crucial role in this future, used to manage and operate the entire lifecycle from service discovery to payment.

## More to Love for Car-lovers

Of course, some people will always be passionate about owning and driving their cars—but even for them, there's ample room for improvement. Why shouldn't the digital services they access through desktop and mobile channels blend seamlessly into their in-vehicle experience? How can they interact more effectively with the vehicles they share the road with and the places they navigate? While the vision for New Mobility highlights a transition away from individual ownership for many drivers, it has plenty to offer for traditionalists as well, linking the car to its owner to unlock a world of enhanced mobility experiences.

***“The vision for New Mobility highlights a transition away from individual ownership for many drivers.”***

## Integration, Interaction, and Interdependencies Between Automotive and New Mobility

As the emphasis of consumer life shifts from products to services, cars serve as an important element of those services, but they're no longer the center of gravity. This transformation poses challenges for carmakers in two key domains: business models and digital technology.

## Mastering New Business Models

As of today, the automotive business is hierarchically organized and siloed, with tiered suppliers doing what they are asked by the respective next hierarchical layer. OEMs specify to Tier Ones, who specify to Tier Twos, and so on. This has worked well enough to date, considering that carmakers are doing B2B business with their distribution channels, rather than B2C business directly with consumers. Carmakers don't know much, if anything, about their end customers, whether individuals or fleet-wide leaseholders. Only a small number of customers are currently enrolled in state-of-the-art telematics service offerings, which they perceive as complex to enable or use and lacking clear benefits.

Now carmakers must build and execute an entire suite of B2C services with an entirely different set of business models, from the traditional one-time B2B sell to pay-as-you-go New Mobility service offerings. This is a massive challenge for any carmaker, but some have already taken initial steps in this direction, including car-sharing services such as DriveNow from BMW and Sixt, Daimler's Car2Go, GM's Maven, and Volkswagen's MOIA. Major automakers are projecting that by 2025, 25 – 50 percent of their business will be based on digital services (though without specifying exactly what they mean by this). And the competition extends beyond the usual suspects. The fiercest entrants will be digital natives like Apple, Google, Amazon, and Facebook seeking to take over the experience inside the car and in the cloud as a user interface for their own services. If they are successful, carmakers will be downgraded to hardware providers taking a massive risk on margin and brand recognition. Clearly, there is much at stake and much to lose.

## Assembling a Digital Technology Ecosystem

Digital technology is far from the traditional core competency of an automotive OEM. This includes not just the technical enablement of the connected car, but also its relevant services platforms and KPIs, as well as the entire commercial and technical framework for New Mobility services (car, payment, connectivity, media, etc.) For an OEM undergoing transformation, the question is: Shall I rebuild my entire ecosystem with all the needed services infrastructure and build an OEM-specific walled garden? Or shall I focus on my own core competencies and experiences, and build the APIs needed to interface with third-party services already existing on the customer side? In either case, a perfect, seamless user experience requires several services categories to be combined:

- » Connectivity to bring connected cars online—not the traditional connectivity of telematics, but the customer-focused connectivity to enable user services from voice calling to video streaming that turn the car into the third living room.
- » Payment to activate m- and e-commerce services to pay for everything from onboard digital content to tolls, energy, parking, and drive-through food.
- » Public services to seamlessly allow a consumer to drive or use a specific category of vehicles at a given moment, including public transport.

- » Energy to recharge or refuel a car, or let the car recharge or refuel itself.
- » Travel- and event-related services beyond pure mobility that integrate seamlessly into the purpose of the trip, such as digital event tickets, digital hotel keys, and digital ambient tour services.

Services in all of these categories are already available, accessed through digital, user-specific service credentials or logins—and they’re already used and paid for by consumers in their daily lives.

## Competition vs. Collaboration and Co-creation

As we have discussed, the transition to the people- and service-centric world of New Mobility services will involve not only providing various forms of vehicle access and usage, but also linking the consumer’s existing digital services with additional services offered through connected and, ultimately, autonomous vehicles. Smoothly integrated, these services will provide a fully personalized, convenient, and secure New Mobility experience.

There are two ways to realize this vision:

- 1. Competition.** New Mobility providers race to develop all-in-one offerings covering the entire portfolio of mobility services.
- 2. Collaboration and co-creation.** New Mobility providers co-create mobility services in collaboration with established companies that already offer similar digital services to users.

The first model shows obvious drawbacks, beginning with the need to re-invent so many wheels. It’s simply not reasonable to expect that a company formed in one domain will be able to extend itself rapidly into every other relevant domain, and build services of a quality on par with established specialists. Efficiency and user costs are also an issue; services created and sold by New Mobility providers would be duplicative to many of the digital services already being used by the consumer. A person could end up paying separate bills for everything from connectivity to media to m-commerce services.

Collaboration and co-creation offer a more promising way forward. Each digital service provider continues to focus on its respective core competency to create the

best possible services, and digital service providers work with New Mobility companies to co-create the best possible New Mobility experiences. Instead of taking a winner-take-all approach to the customer relationship, each provider can own the customer relationship within its own domain and leverage the full value of the data generated through the usage of its service. As a win-win for both service providers and users, collaboration on and co-creation may well be the essential concept to enable seamless, convenient, trusted, and secure New Mobility services.

From a technical perspective, this collaborative, co-creative model amounts to nothing more or less than linking existing digital service identities from different business domains into a single, virtual New Mobility identity. By bringing established customer identities and relationships into the context of New Mobility rather than starting from scratch, this approach makes it possible to deliver on its vision more quickly, efficiently, and successfully. In the next section, we’ll discuss how to make it work.

*Next up: Digital Identity: The Vehicle for New Mobility Success posits a six-point foundation built on digital identity.*

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