5 Ways Mobility Will Look Different in a Post Coronavirus World
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COVID-19 has delivered a gut punch to the automotive industry, the likes of which we haven't seen before, including to mobility. (We define mobility as the movement of people and things.) And while there's universal agreement the future is still fleets and ACES (Autonomous and Aerial, Connected, Electric and Shared), the path will be different than what we projected even six months or a year ago.

Here are the ways I believe mobility will change – or stay the same – in the next 12 to 18 months.

Ride-hailing and car-sharing isn't making a big comeback any time soon
When's the last time you got into a Lyft or an Uber? If you're like me and most of America, it's been nearly four months. Our April research indicated 31% of consumers planned to wait at least four months – or until a vaccine is available – before getting in a Lyft or Uber, with another 19% unsure. With cases ticking up again, I imagine current research would have similar findings.

According to an April earnings report, Uber reported a Q1 net loss of $2.9 billion on $3.54 billion revenue. Rides fell 5% in Q1 from a year ago; April was down 80% from a year ago, but the company said ride volume is on the rise. For the same timeframe, Lyft reported rides being down 75%.

People are slowly returning to work, which means business will start to pick up slightly for ride hailing companies. To meet changing consumer expectations, they'll have to continue adjusting policies and procedures. In May, Uber announced that drivers must wear face masks, riders must upload real-time pictures of themselves in masks in advance of the ride, sit in the back seat to create as much distance as possible and keep their mask on for the duration of the ride. I also expect to see more and deeper ride hailing/public transit partnerships as that will likely help both parties reach commuters at scale.

Even when virus fears subside, Lyft and Uber will continue to feel the impacts of many companies adopting generous, new work-from-home policies and of the tourism market having a long road to recovery.

While ride hailing is down significantly, bookings for Uber Eats were up 54% year-over-year (up to $4.7B billion) as of April 2020, which brings me to my next point.

High volume of delivered goods will continue growing
With more people working from home and nervous about the coronavirus, restaurant takeout, grocery deliveries and Amazon deliveries are soaring. The convenience is addicting. I know at my house, my teenage daughter and wife are keeping the Amazon, UPS and Uber Eats delivery people busy.

Takeout delivery app Grub Hub announced that its first-quarter revenue rose 12%, to $363 million, and the number of active diners rose 24%, to 23.9 million. Total (gross) food sales increased 8%, to $1.6 billion. The company has been acquired by a European food delivery giant for $7.3 billion. Uber Eats is taking a cue from grocery store delivery leader Instacart, and is looking to grow its online grocery ordering presence.

“2020 is setting up to be an e-commerce inflection year as the combination of shelter-in-place, lower spend on experiences (dining out, bars, travel, etc.) and [government] stimulus have driven dollars online,” analysts from Morgan Stanley analysts shared via a June 1 letter to clients.
Thanks in part to the pandemic and explosive growth in online ordering, Amazon is the fourth largest delivery service in the US, and growing. Wal-Mart also announced a 74% increase in online sales during the pandemic and record overall revenue growth of 10%.

What does all this mean for mobility, and Cox Automotive? We’re going to continue to see declining personal vehicle use and increasing fleet vehicle use, whether those fleet vehicles are personally or commercially owned. And those fleet vehicles, as they incur more miles and wear and tear inside and out, are going to need to be serviced more frequently. We can provide great value to clients in coordinating service and repair across large fleets, providing insights and decisioning, all in the name of maximizing the uptime and minimizing total cost of ownership. This includes infleeting, cleaning and detailing, maintenance, sensor calibration, reconditioning, fueling and charging, rebalancing and logistics, storage and parking and defleeting. Our Pivet network – with our fleet hubs, RideKleen mobile service vehicles, Manheim auctions, and eventually service shop and dealership partnerships – leads in performing these services and is poised for massive growth. We already have deep relationships with some of the top online retailers.

Consumers will continue to demand sanitization, and convenience
Many of us are dousing our hands, phones and/or credit cards with sanitizer at least once a day. The idea of having a vendor in our homes or cars creates anxiety and uncertainty. This anxiety will be engrained in our subconscious for years to come, in a similar way to experts projecting less hand shaking and hugging for the foreseeable future. Not surprisingly, via our 2020 Cox Automotive COVID-19 Consumer & Impact Study, we found 83% of US consumers polled say it’s extremely/very important for the dealership to disinfect vehicle surfaces after a service or test drive.

Beyond dealerships, automobile, bus, train and air fleet owners/operators and ride-share providers also recognize the need to disinfect (not just clean) their vehicles and cabins regularly, especially now. RideKleen and its PureProtect solution is positioned well to lead in the market. RideKleen-performed services and product solutions use an EPA-registered approved antimicrobial product approved for use on hard and soft surfaces, our solution kills up to 99.9% of germs, bacteria, mold, mildew and emerging viruses. Moreover, unlike most solutions offering temporary protection, PureProtect by RideKleen provides an ongoing residual effect to inhibit the growth of harmful odor causing germs, mold and mildew for up to 30 days post-treatment – keeping vehicles protected for an extended period of time.

In addition to disinfecting vehicles, dealerships who implement “touchless interactions,” such as valet pickup and drop-off programs drive sales and service revenue while safely meeting customers’ needs. Clutch Technologies offers a Service Pickup & Delivery solution that allows consumers to have their vehicle picked up by the dealership and returned with the work completed. Similarly, with Retail Delivery, the dealership delivers a vehicle a consumer has purchased or would like to test drive. With these offerings, Clutch also enables more efficient use of loaner vehicles, which can often sit unused or underutilized.

Consumers will continue to appreciate the safety aspects of at-home service pickup and delivery or retail delivery but will come to really appreciate the convenience. Dealers who cancel these services when the pandemic subsides will be shooting themselves in the foot. According to Cox Automotive's COVID-19 US Consumer and Automotive Dealer Sentiment research, five out of 10 vehicle owners prefer to use service pickup and delivery the next time they need to service their vehicle at the dealership. The same internal research revealed that, despite high consumer demand and preference, many dealers plan to discontinue offerings like digital retailing and service pick-up and delivery once things get back to "normal". Dealers who elect to continue offering these solutions post COVID-19 will develop a clear competitive advantage over others with seven out of 10 vehicle owners are likely to choose one dealership over another based on the availability of service pick-up and delivery.

Credit challenges will drive increase in vehicle subscriptions over traditional buying or leasing – especially in the sub-prime market

A subprime auto loan is a type of financing for a car purchase that's offered to people with low credit scores or limited credit histories. Subprime loans carry higher interest rates than prime loans and may also come with penalties if the loan holder chooses to pay off the loan ahead of schedule. Over the last few years, new car prices have risen higher and higher, making it harder for consumers to afford new cars (aka an affordability crisis).

To counter this trend, the industry has responded by extending the average loan duration and subsidizing the financing costs. And now COVID has caused additional financial strain across America. Despite efforts such as stimulus packages, lots of responsible people have experienced unexpected financial hardships. Earlier this month, Wells Fargo announced they were halting new car loan applications from most independent dealerships, a move that confirmed building pressures and dangers in the subprime market.

I expect credit challenges to drive consumers to the subscription model, which also provides more flexibility (i.e., month-to-month payments vs. long-term commitment). This hunch is validated by our research, which indicates half of shoppers now say they are interested in single vehicle subscription. Why would subscription work for some consumers who struggle to get reasonable interest rates with traditional ownership? Traditional credit underwriting focuses on predicting the likelihood of a consumer to make years of payments in a row. Subscription, which in most cases is a month to month commitment, doesn't require a multi-year underwriting decision. Instead, it relies more on the likelihood of the consumer taking care of a vehicle and returning it in good shape.

Many of us know people that have historically been responsible but have recently taken hits to their financial situation. These individuals may not score well on traditional credit models, but these consumers are likely to drive safely and take good care of their vehicle. Clutch has spent years building a consumer screening technology that helps identify consumers that will be responsible behind the wheel and take care of a vehicle. While the screening technologies leverage many of the same datasets as traditional credit models, Clutch focuses on the elements that measure asset "stewardship" and less on the ability for a customer to make 60 payments in a row.

By owning a fleet of subscription vehicles, the industry (e.g., dealers) can take advantage of a low cost of commercial borrowing, and "lend this low cost of capital" to consumers that are likely to take care of the vehicle, but don't qualify for favorable financing rates.

Electric growth will hit the brakes, but not stop

No, it doesn't take a rocket scientist to surmise that electric vehicles (EVs) aren't a pressing priority for automakers, or that consumers are pushing out vehicle purchases amid economic uncertainty (approximately one in three shoppers is currently delaying purchase). *Autonomous vehicle technology is even less of a priority, though we're still seeing movement and consolidation in that space – e.g., Amazon purchasing Zoox.*

How long an EV stallout will last is the big question mark. The reality is that the future is/will be electric as carmakers must work toward meeting strict emissions targets in Europe and in California. Many manufacturers have spent billions of dollars in research on EV technology, which has been underway for years. Despite the pandemic, 2020 will see Volkswagen debut the ID Croxx. Polestar – a joint venture between Volvo and Geely – is manufacturing its Polestar 2 sedan now. Volvo will launch the SC40 P8 Recharge utility vehicle and Audi will add the e-tron Sportback to its line. Rivian has delayed its EV truck and SUV models until next year. GM has delayed the refresh of the Chevrolet Bolt EV to the 2022 model year from 2021, but insists other EVs remain.

Although the vast majority of Americans agree that if we all drove electric vehicles we could reduce oil consumption and pollution, only a third would consider buying one anytime soon. And it's largely due to the fact that the industry is still early in when it comes to educating and delivering proof points about the real or perceived consumer pain points of cost, access to charging and battery health. Don't forget, too, that historically low gas prices making combustible engines more attractive than EVs to many consumers.

I encourage everyone reading this to keep an eye on the EV market and be open-minded when it comes to purchasing your next vehicle and encourage your friends and family to do the same. In terms of total cost of operation, Kelley Blue Book tells us the average 5-Year Cost-to-Operate savings is significant for some EVs versus their gas-powered counterparts – 58% overall, with 60% in fuel savings and 25% in service cost savings over five years – so EV costs less.

If you're worried about charging, as many consumers are, keep in mind that 80% of charging takes place at home or at work … if you have that luxury. As it relates to batteries, it's reasonable to be concerned about battery health. Afterall, 51% of an electric vehicle's value is tied to the EV powertrain versus the powertrain of an internal combustible engine being 18%. That's one of the reasons Cox Automotive is working to roll out battery health scoring that can be used by consumers and dealers alike (e.g., battery health baked into Kelley Blue Book values, testing capabilities at auctions). It's also promising to know that most EVs come with 100,000-mile warranties and that battery enhancements get introduced every year to improve range, safety and cost.

As the world of electric vehicles evolves and becomes more mainstream, Cox Automotive will continue to collaborate with industry partners to ensure EV adoption occurs sooner rather than later. These efforts are also in line with Cox's commitment to leave the communities we live in and operate in better than we found them.

Thank you for reading. In Cox Automotive Mobility, we're honored to drive the transportation fleets of the future by helping fleets be their best. By caring for fleets – and ensuring they are accessible and highly utilized – we're powering transportation today and tomorrow that is safer, more flexible and better for the world around us.