SEGMENT 5 of 5: The Emerging Mobility Ecosystem

**Frank Diana:** If I can stick with the thread real quick, you talk about the automotive and technology ecosystems and you’ve recently talked about a virtuous cycle involving electric vehicles, driverless cars and car sharing services and how that virtuous cycle could impact adoption rates of the driverless car or any of these for that matter. Can you talk a little about that virtuous cycle?

**Chunka Mui:** Sure absolutely. If you start with autonomous vehicles, one of the things that the pessimists say is that with all the advanced technology that’s required to go into an autonomous car, it will be too expensive for consumers to buy or at least consumers won’t want to pay all this money for this expensive gadgetry that is required. But if you look at it from the standpoint that I talked about earlier not individual sales, but about a service where the car is used in a taxi like arrangement.

- Analysis has shown that at the profit margins enabled by these mobility services, a fleet manager could pay up to $250K or $300K for the car and still make a good margin because rather than an individual who buys the car and leaves it parked 95% of the time, a mobility service can buy the car and utilize it 80 to 90% of the time. So therefore, they can afford to pay a lot more for the car.

- So, we can think about positive effects. When the technology is ready, you could have the buyers being able to afford 5, 6 times or more what individuals would be willing to pay. you could have a massive fleet–oriented adoption of this technology, as a real accelerator to it.

Now, extend that out one step further and think about electric vehicles. The knock against electric vehicles is things like driving range.

- But a mobility service could adopt electric vehicles very readily, because they know for each particular call which cars are within the range of requirements for that call. So they can optimize electric vehicles; and electric vehicles are cheaper to buy and easier to maintain so they would have an incentive to do so.

- So suddenly you have this Virtuous Cycle between:
  - **Driverless cars**, which would otherwise be too expensive to buy; but are affordable and enable high profits by car sharing services, so they accelerate that
  - **Car sharing services**, would buy electric vehicles that otherwise people would be hesitant to buy and to close the loop,
  - **Electric vehicles** are a much easier prototype and development platform for driverless cars, so the driverless car builders naturally want to build on them.
– So, they feed each other and any one component in that cycle might be disadvantaged in the world today, but actually are advantaged in this model that we’re talking about.

Frank Diana: Well fascinating stuff Chunka and unfortunately, we’re out of time. So, I want to thank you for joining us today with those great insights and look forward to working with you in the future. If you’d like to learn more about Chunka and his perspectives on the future, please visit Chunka Mui dot com. You can learn more about our work at TCS by visiting TCS dot com or additional perspectives from my blog at Frank Diana @ wordpress dot com.

Thanks all for joining.

For Additional Information

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