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**UNDERSTANDING LEGAL
COMPLEXITY IN THE FUTURE
MOBILITY ECOSYSTEM**

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Changing consumer demands and growing environmental concerns are disrupting the traditional car manufacturing industry. Today, automakers are on a rapid journey of transformation to become mobility providers — shifting away from the traditional build-and-sell model to reimagine the movement of people and products. This series of articles from our industry expert lawyers will investigate how companies in the sector can leverage the law for success as they adapt to the new environment.

has also intensified amid geopolitical uncertainty and increasing competition from digital native brands.

Managing new business models, operations, partnerships and approaches, and keeping pace with the rapid rate of change in global regulation poses a significant challenge. This first article will raise several key questions that we will answer in the Forward Thinking series, and introduce the fundamental capabilities that underpin automakers' transformation — data, sustainability and delivery.

Case in point: The shift to mobility

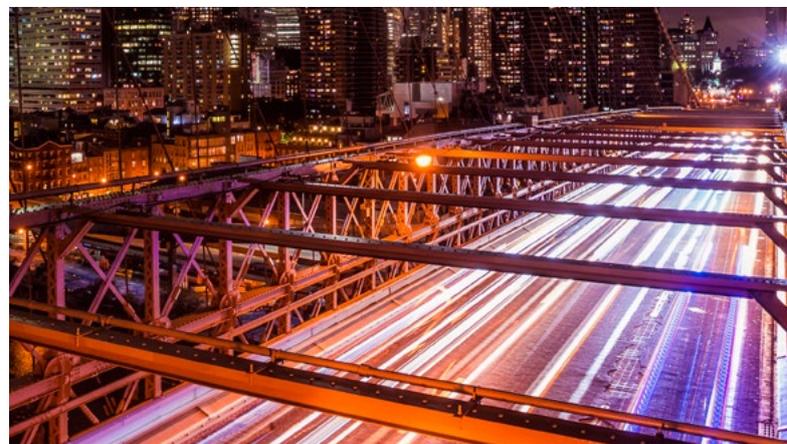
Accenture predicts profits from car sales will shrink by 2030, but revenues from mobility services are set to soar with profits reaching EUR 220 billion!¹

Case in point: The struggle to mobilize

Recent research commissioned by Baker McKenzie among industrials in Asia shows that just 18% of companies see themselves as "disruptors" and 35% admit that they are only "just about keeping pace" with the market.

A number of factors are combining to define "mobility" as an emerging category. As traditional vehicle ownership declines, consumers are completely changing the way they think about mobility, particularly in urban areas. Travellers are looking for increasingly flexible and personalized options, with sustainability and connectivity becoming key considerations for choosing how to get from point A to point B. We want convenience — seamless in-app payment across all modes of transport, tailored preferences in any car we drive, on-demand ride-hailing — and are increasingly prepared to trade personal data for ease of experience.

To get ahead of the curve automakers will need to pre-empt and act on legal complexity. But pressure to succeed and maintain profitability in this environment



¹Information on car sales revenue referenced from Accenture's report, "Mobility as a Service: Mapping a route toward future success in the new automotive ecosystem", which can be found at <https://www.accenture.com/gb-en/insight-mobility-automotive-ecosystem>

WHAT ARE THE FUNDAMENTALS OF TRANSFORMATION?

DATA: MANAGING A DELUGE OF HIGHLY REGULATED ASSETS

While historically, in-vehicle data collection was limited to maintenance and performance issues, vehicles now need to be able to process and share huge amounts of data. For example, autonomous cars require complex information on road signs, crash prevention and pedestrian behaviour and more, from across multiple jurisdictions. Connected cars, which use smart data to “talk” to multiple devices, also process significant amounts of personal data on duration, destination and driving trends.

This increase in the volume, value and potential sensitivity of data represents a new standard of compliance for automakers. Collecting, storing and sharing data gives rise to myriad issues around privacy, data flow between products, platforms and jurisdictions, and data security.

It is also important to recognize and protect the commercial value of data — monetizing data sources to create better, more connected products and services will deliver competitive advantage.

Will automakers be able to capitalize on the opportunities presented by data, without being overwhelmed by their new legal obligations?

SUSTAINABILITY: INTEGRATING PROFIT AND THE GREEN AGENDA

Electric vehicles could reduce CO2 emissions by up to 60% compared with a traditional internal combustion engine,² drone technology is set to revolutionize the environmental impact of transportation and hybrid rail travel is gaining ground. Along with a seismic shift to greener vehicles, automakers’ performance against other environmental, social and governance criteria are an increasingly important benchmark of sustainability for both investors and consumers alike.

However, “going green” may come with a cost. Automakers need a robust and clearly defined strategy to stay ahead of the patchwork of different and shifting regulation across the globe, including the European Union’s Green New Deal, a new “climate law” that will formally require the EU to be a zero-carbon economy by 2050, and to cut its CO2 by 50-55% by 2030 compared to 1990 levels.

Key to success will be understanding how best to integrate trends such as the circular economy and product and asset obsolescence into manufacturing production, as well as tackling more specific issues like recycling and component procurement to reduce environmental impact.

How can automakers “go green” whilst maintaining and even growing profitability?

DELIVERY: THE RACE TO OPERATIONALIZE MOBILITY INNOVATION

Increasing demand from consumers for mobility as a service (MaaS) demands a radical new approach to integrate technology and bring new products and services to market. The current boom in technology-focused M&A is testament to this race among traditional Industrials to acquire the platforms and people needed for success.

With nimble start-up tech firms leading innovation and new players along the length of the supply chain, successfully identifying, structuring and integrating the various acquisitions, partnerships and collaborations is essential to transformation.

But the imperative to build new revenue streams is a careful balancing act for Industrials. Innovation for the sake of innovation risks losing sight of commercial reality — going too far, too soon and leaving key stakeholders behind. But failing to evolve and meet the changing demands of customers, regulators and shareholders is also not a viable option.

Can automakers create the partnerships and networks that will accelerate success?

Case in point: Creating new delivery ecosystems

The supply chain is a particular focus for companies in this volatile environment. According to Baker McKenzie research, over half of Industrials are actively seeking to identify new partners, renegotiate with existing suppliers and digitize wherever possible.

This series will help automakers see what is coming round the bend, enabling them to take a global view and accelerate their transformation to mobility providers wherever their starting point. Understanding the complex and intertwined issues around delivery, sustainability and data through a legal lens will be the difference between surviving and thriving in future.

With a thorough understanding of the strategic and operational business challenges in the automotive sector and a wealth of experience across all relevant areas of law, Baker McKenzie helps major global organizations implement their strategy by developing commercially effective and innovative solutions. Combining our global reach with decades of industry experience, we deal with their corporate, transactional, employment, tax, IT, IP, regulatory and compliance, and dispute resolution matters. ■

²This statistic was authored by Bain & Company in their article “Three benefits of electric vehicles, and how to unlock them”, published on the World Economic Forum, which can be found at <https://www.weforum.org/agenda/2018/02/three-benefits-of-electric-vehicles-and-how-to-unlock-them/>

A nighttime photograph of a city street scene. In the foreground, a multi-lane highway shows long-exposure light trails from cars, with red trails for taillights and white trails for headlights. The highway is bordered by a brick-paved sidewalk and a concrete barrier. In the background, several modern skyscrapers with glass facades are illuminated from within, their lights reflecting on the building surfaces. A pedestrian bridge or overpass structure is visible in the middle ground, supported by concrete pillars. Streetlights with warm yellow glow are scattered throughout the scene, creating a bokeh effect. The sky is a deep twilight blue.

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