Urban Mobility – Market Trends & Learnings

A Discussion Document

Mega-trends and the Real World

Some of the relevant Mega-trends related to Urban Mobility

1 **Shift in Global Economic Power : Impact of Emerging Markets**

By 2030, the E7's purchasing power will overtake that of the G7. This will contribute an increasing share of the global middle class. In 2016, Asia Pacific will have a larger middle class than Europe and North America combined.

Innovation will increasingly take place in rapid-growth markets, with Asia surfacing as a major hub.

The economies of the world will remain highly interdependent through trade, investment and financial system linkages, driving the need for stronger global policy coordination among nations and resilient supply chains for companies operating in this environment.

2 **Rapid Urbanisation : The rise of Cities, is it sustainable?**

In 1800, only 2% of the world's population lived in cities – now it is 50%. 1.5 million people are added to this total every week.

And whilst cities occupy 0.5% of the world's land surface, they consume 75% of its natural resources.

Many of the fastest-growing urban economies over the next 15 years will be mid-sized cities, thus attracting global companies as potential new markets

Mega-trends and the Real World

3 **Technological Breakthroughs: What are the future waves of Digital?**

Technology is one of the largest disrupting forces in industries. The time it takes to go from breakthrough technology to mass market application is collapsing, and at the same time, re-shapes industries and economies

1ˢᵗ Wave   **2ⁿᵈ Wave**   **3ʳᵈ Wave**

An 'e-channel' to sell and communicate.

→ Facilitating an economy of outcomes, helping customers achieve the outcomes they care about.

→ Intelligence consumer platforms, facilitating consumer centric preferences/buying behaviour

➢ **Digital transformation is changing business models — including revenue models.**

➢ **Digital disruption is changing the market context and competitive landscape of most industries.**

➢ **Digital transformation and a proliferation of data is fundamentally changing the relationship between businesses and their customers.**

Urban Solutions Innovations in China

Initiatives…

1 **Urban China Initiative (UCI)**

- Is an initiative with the aim to establish a think-tank with the express mission of finding and implementing effective solutions to China's urbanization challenge. It is a joint initiative led by Columbia University, the School of Public Policy and Management at Tsinghua University, and McKinsey & Company.

- The Urban Sustainability Index is the first tool of its kind designed specifically for Chinese cities. The Index is meant to help urban leaders make informed policy decisions by pinpointing cities that would benefit most from sustainable development initiatives, and to highlight effective case studies by locating and examining cities that have made great strides in recent years.

2 **Guangzhou International Award for Urban Innovation**

- Co-hosted by UCLG, Metropolis, and Guangzhou Municipal Government, the Guangzhou Award aims to reward innovations to improve the socio-economic environments in cities and regions, promote sustainability, and hence advance the livelihood of their citizens. Presented biennially, the award will encourage and recognize outstanding innovative projects and practices in the public sector.

3 **Beijing Health Service Station**

- Beijing created a 24/7 **social community health service station** concept that elderly residents visit for health tests, sports activities, vocational training, elderly programs, home service and other needs.

Urban Solutions Innovations in China

Some Business Innovation examples...

1 | **The Rise of Electric Scooters**

➤ Former chief technology officer of China's largest internet search company, Baidu, has launched an electric scooter for high-end commuters. The bike includes a lithium battery that can last 100km without recharging and weighs just 10.1kg—"so women can easily lift it too"

➤ It is estimated that there are more <u>e-bikes than cars</u> on the road in China, where 90% of the world's e-bikes are sold.

2 | **Urban public bicycle sharing program (Hangzhou)**

➤ Serving some 280,000 passengers daily, the system (free for the first hour) complements the city's extensive bus system.

➤ This is run by a government-led enterprise, but doesn't require funding beyond the initial capital.

3 | **Big Data and traffic**

➤ SAP piloted a platform that helps urban transportation management organizations in China quickly understand traffic situations, accurately analyze passenger flow and taxi operations and get real-time insights to make fact-based decisions. SAP Labs China and the Research Institute of Highway Ministry of Transport (RIHMT) collaborated on a pilot of the Big Data comprehensive analysis and decision-making support platform powered by SAP HANA in Beijing, Kunming, Chongqing and Tianjin.

Urban Solutions Innovations in China

4 **Dominance of Didi Kuaidi in China**

➤ They have opened up its own platform up by releasing an SDK for developers and third-parties. WeChat, China's largest messaging app with over 500 million active users, already includes a feature that lets you book a Didi car from inside the messenger but now this functionality is likely to make its way into many more popular apps in China.

➤ Didi Kuaidi is completing some seven million rides each day in China, and did 1.43 billion rides across its seven businesses in 2015.

➤ Hitch, its ride-sharing service, will soon allow drivers and passengers to select each other based on their shared interests. It already has a deal with LinkedIn, to let people join up their accounts on the two networks.
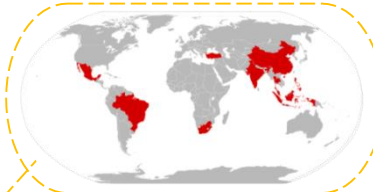
5 **Uber Cargo in HK**

➤ Uber Cargo has been in beta in HK, and have inspired several other startups and LSPs to run a similar model as well, both in HK as well as China.

Is there a Solution to Rule them all?

Emerging Markets

Asset/Resource Constraints

Emergence of Middle Class

Fulfillment Disaggregation

Siloed Logistics

Dominance of Local Market Players

E-Commerce

Retail Malls

Congestion

Growth Pressures

Deep Analytics

Payments

Mobile Proliferation

Urbanization

Space Constraints

Parcel Movement

Freight Movement

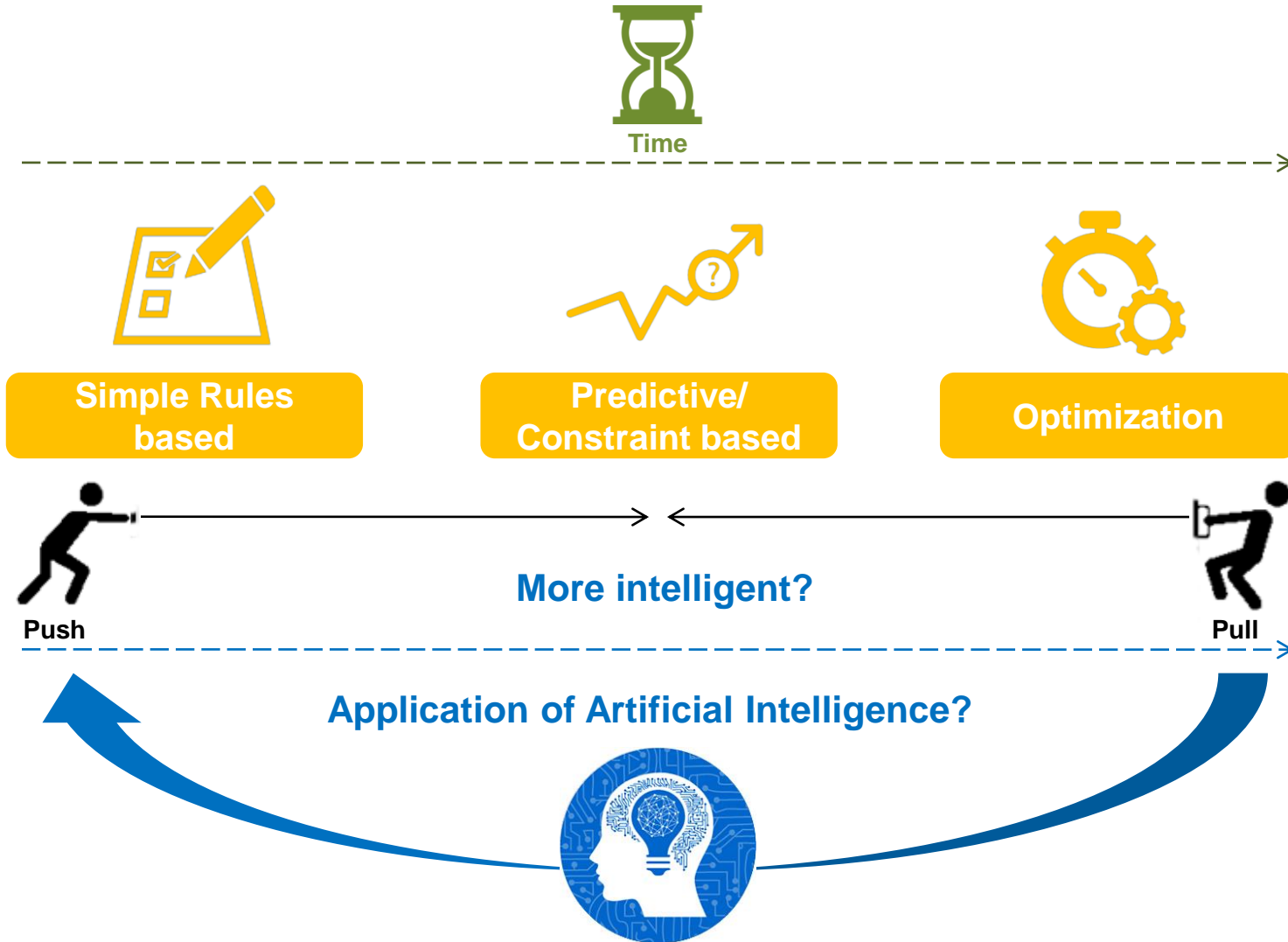Productivity Pressures

Same Day Delivery

Orchestrated Logistics

Technology

y3 Technologies®

Connecting you, Enabling you

The Question of Intelligence vs. Feasibility

How much Intelligence can be applied to increasingly smaller buckets of time?

Time

Simple Rules based

Predictive/ Constraint based

Optimization

More intelligent?

Push

Pull

Application of Artificial Intelligence?

The Cost vs Flexibility Dilemna

Is there really a trade-off between Cost & Flexibility?
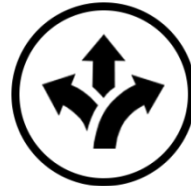
Traditional Models

Low Cost

- Physical Consolidation
- Owned Assets
- Single/Dual Vendor/Provider
- Long-term Contracts

vs.

Highly Flexible

- Dynamic Consolidation
- Leased Assets
- Multiple Vendors/Providers
- Spot Purchases

New/Future Business Models?

- Virtual Consolidation
- Borrowed Assets
- Single/Dual Vendor/Provider
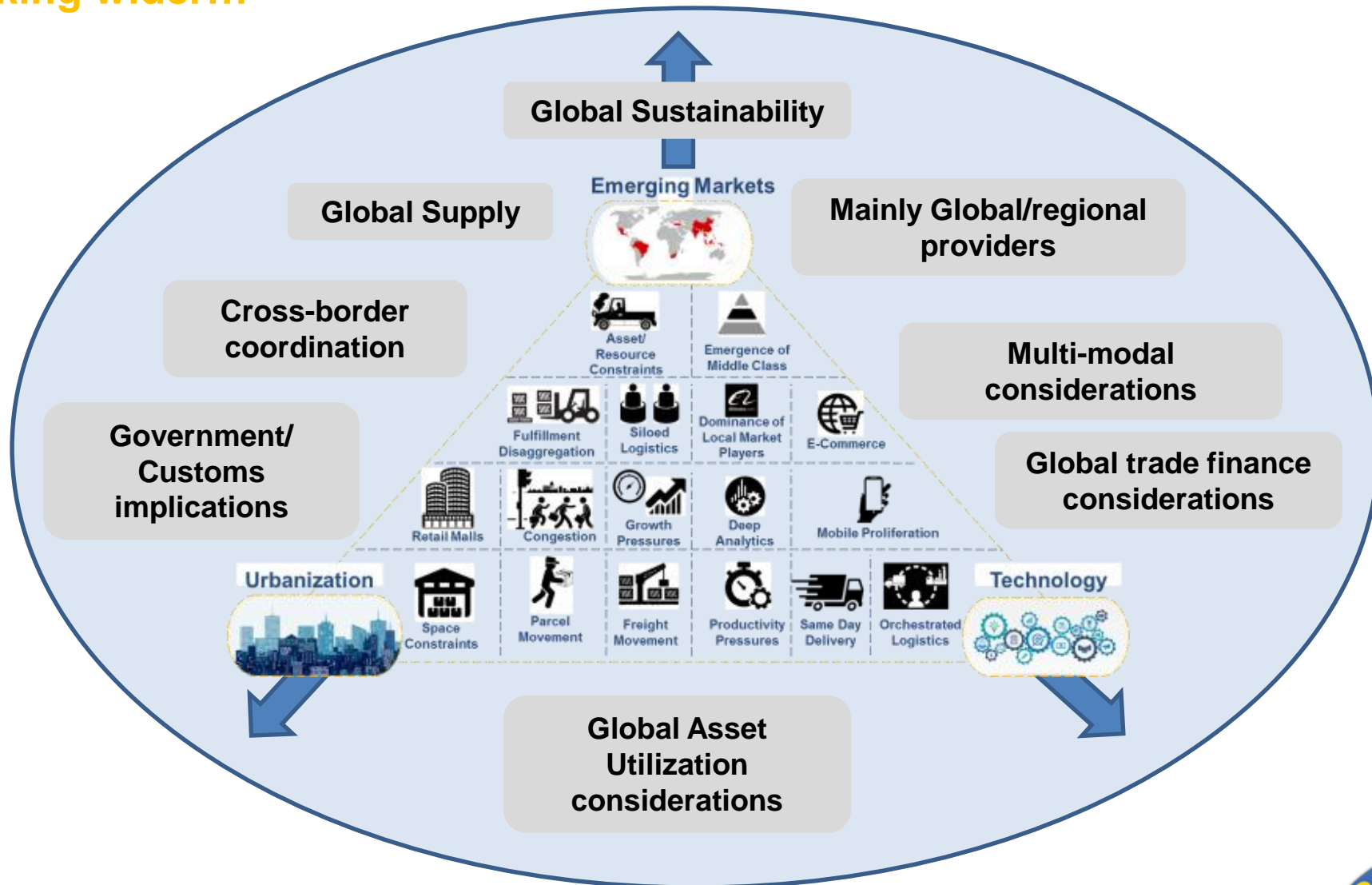- Alternate Monetization
- Scalability
- Orchestration

What happens to traditional businesses?

➢ **What is the future of traditional Logistics Service Providers?**

➢ **Is there an emergence of a new form of orchestration?**

➢ **Would traditional Retailers be too encumbered by traditional SC concepts to be able to transform on the Supply side?**
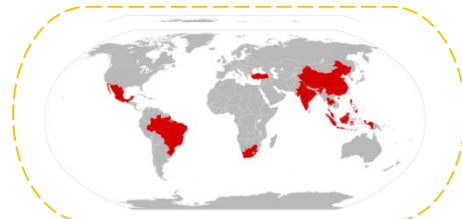
City Supply Chains & Cross-border e-Commerce

Thinking wider…

Global Sustainability

Global Supply

Cross-border coordination

Government/ Customs implications

Mainly Global/regional providers

Multi-modal considerations

Global trade finance considerations

Global Asset Utilization considerations

Emerging Markets

Asset/ Resource Constraints

Emergence of Middle Class

Fulfillment Disaggregation

Siloed Logistics

Dominance of Local Market Players

E-Commerce

Retail Malls

Congestion

Growth Pressures

Deep Analytics

Mobile Proliferation

Urbanization

Space Constraints

Parcel Movement

Freight Movement

Productivity Pressures

Same Day Delivery

Orchestrated Logistics

Technology

What's next?

Thank you!