

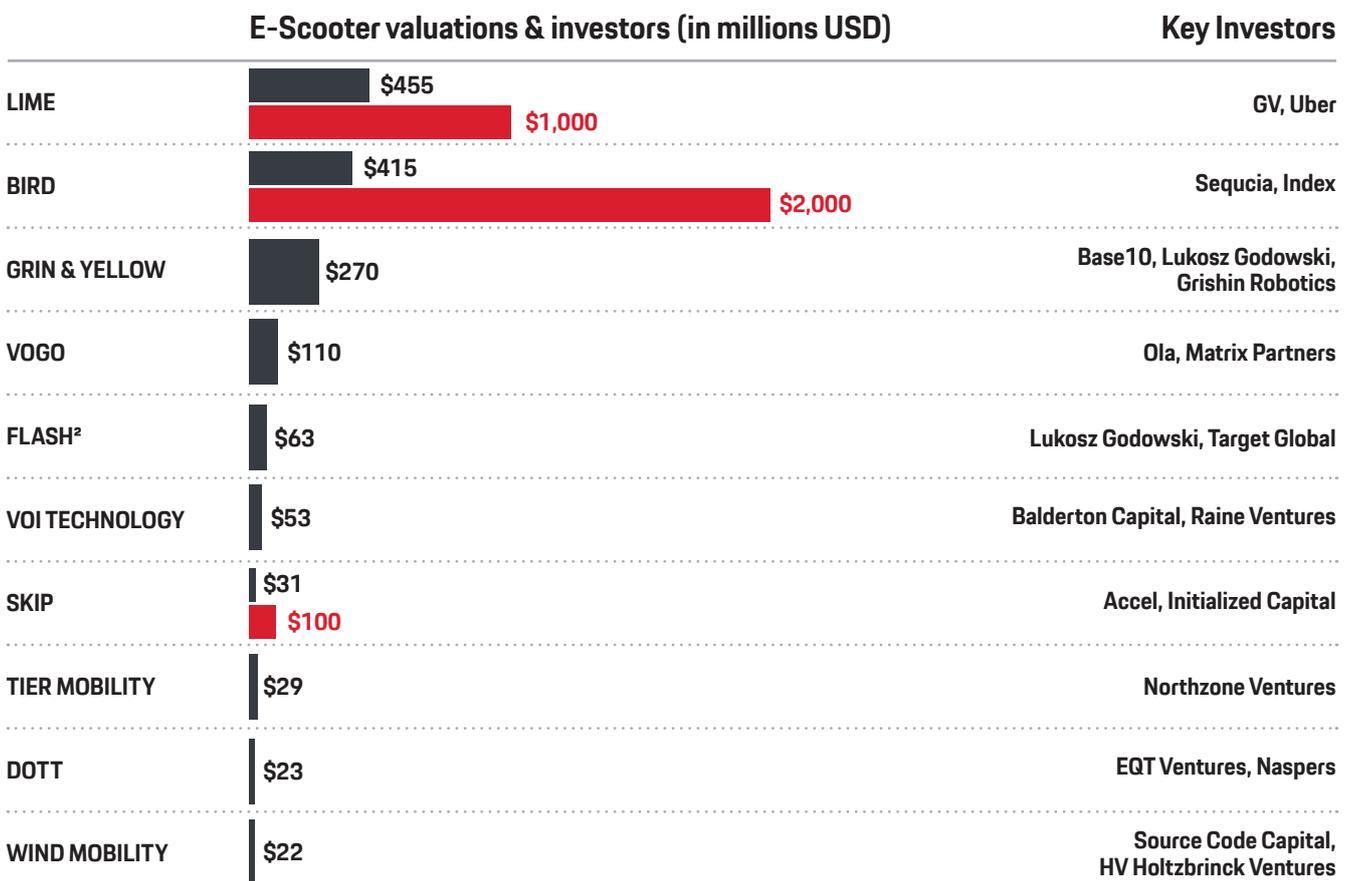


► A Story about Growth

The 5-Step Expansion Formula of Micromobility

Introduction

The race for market share in the micromobility sector is on. Multinational micromobility start-ups such as Lime and Bird or their European and Asian counterparts Tier Mobility and Wind have been booming tremendously, garnering the attention of investors and incumbent mobility companies alike (Figure 1). Electric scooter service provider Bird, for instance, became a unicorn¹ within six months. The unforeseen growth of micromobility raises the question of how these firms were able to accomplish this unparalleled global expansion and acquire world domination in their sector so quickly.



■ Capital Raised ■ Valuation

Fig.1 Top 10 valuations of e-scooter companies (in millions of USD) | 2019
Source: Base 10

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¹ The term unicorn refers to a startup that has surpassed a company valuation of more than one billion US dollars.

² FLASH rebranded to CIRC

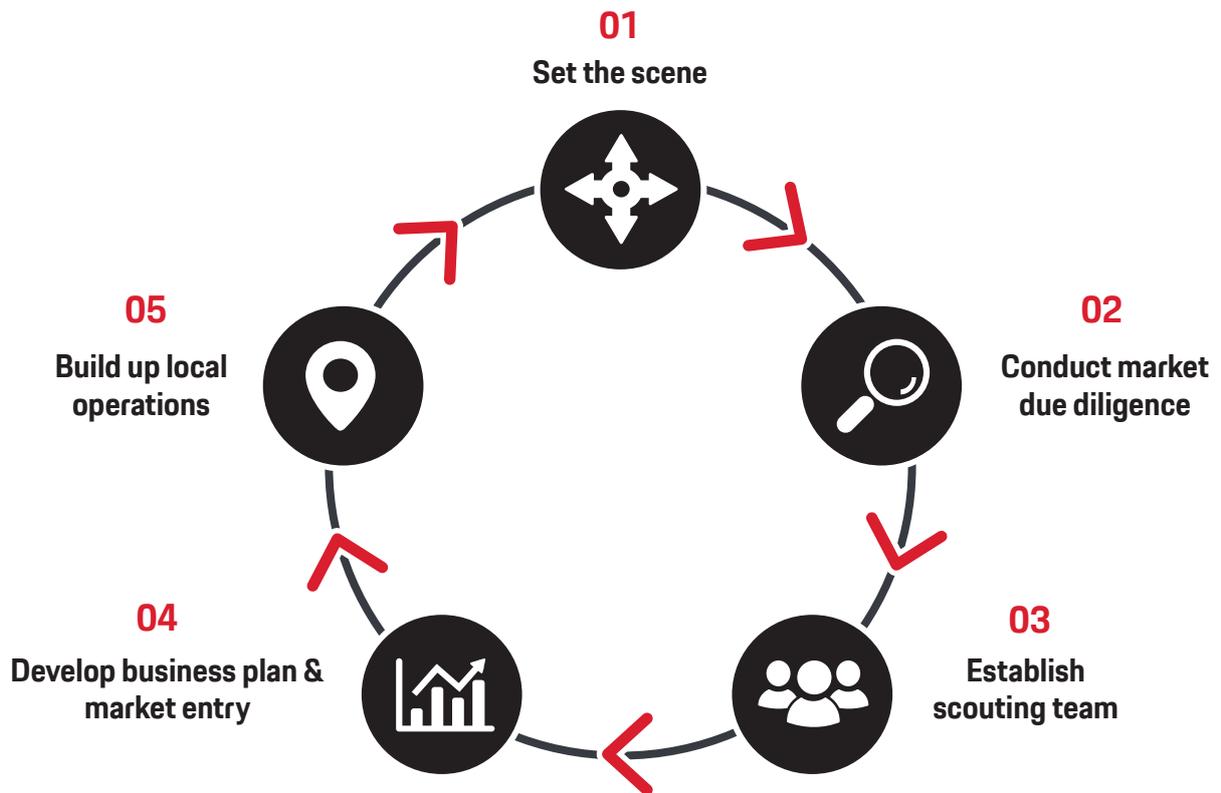
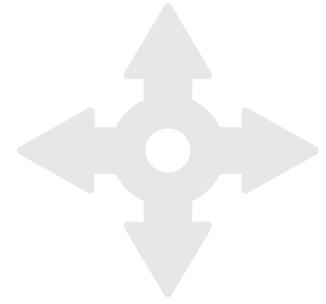


Fig.2 The five-step approach for successful expansion of micromobility services
Source: Porsche Consulting

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Porsche Consulting pursues this question in their white paper “A Story about Growth: The five-step expansion formula of micromobility” to equip current and prospective service providers with a playbook to grow micromobility services successfully on a global scale (Figure 2).

The insights are based on 15 in-depth interviews with leading mobility experts that have a proven track record in expanding mobility service offerings across foreign geographies as well as on supplementary research on mobility service operations.



01 | Set the Scene

The expansion journey starts now! For starters, companies need to lay the groundwork for what lies ahead of them. Does the firm already have a clear picture of where it sees its micromobility service in the future? If so, great: then a mission for the service already exists. If not, there is no need to worry: simply consider the company's goal with the micromobility service offering. How can the service be differentiated and what "high-level" quantifiable target can be set? For instance, the e-scooter company Lime expresses their mission as the "simple idea that all communities deserve access to smart, affordable mobility," thereby conveying their ambitious goal and differentiating characteristics. It is advisable to write out the mission statement to motivate the team and stakeholders in the company.

As the international expansion of a micromobility service is a complex endeavor, it is sensible to be concrete about the scope and objectives. What service offering should be expanded, in which geographies, and until when? It is particularly important to keep potential resource restrictions in mind. Answering these questions is not easy and may take some consideration but will ensure focus and correct prioritization among the team members' efforts at a later stage.

Ambitious objectives are one thing, effective key performance indicators (KPIs) another. The importance of having

KPIs that suit a service expansion cannot be overemphasized: first, it creates undeniable transparency during the expansion, and second, it is the foundation for becoming a data-driven organization over time. When determining relevant KPIs, it is advisable to make sure these numbers are memorable so that the team can relate to the associated targets, and everyone in the organization knows how to contribute. Ratios are a good for comparing progress across different time periods, as they are inherently comparative. For example, a common growth metric among successful micromobility providers is the net customer growth, which subtracts the number of new customers from those lost over a specific period of time. This makes sustainable service growth measurable. Be aware that the relevance of KPIs may vary according to the growth phase.

Another task is to build an expansion team that will ideally have already worked on the initial development of the micromobility service, although this is not a necessity. The most crucial factors for the team selection are twofold: On the one hand, the team needs to have the right mindset. "Right mindset" essentially refers to the mindset that the team leader thinks is required to expand the service to a new location. On the other hand, an interdisciplinary team setup should be ensured, which enables the team to effectively tackle any problem that arises during the expansion.



02 | Conduct market due diligence

Market due diligence for micromobility services is tricky. The reason is simple: nowadays virtually everywhere in the world, some kind of mobility service exists. Early studies on e-scooters show, for example, that they have the potential to replace car rides (Figure 3). This in itself may be a good thing, but it might also usurp existing offerings such as bike-sharing programs or public transport.

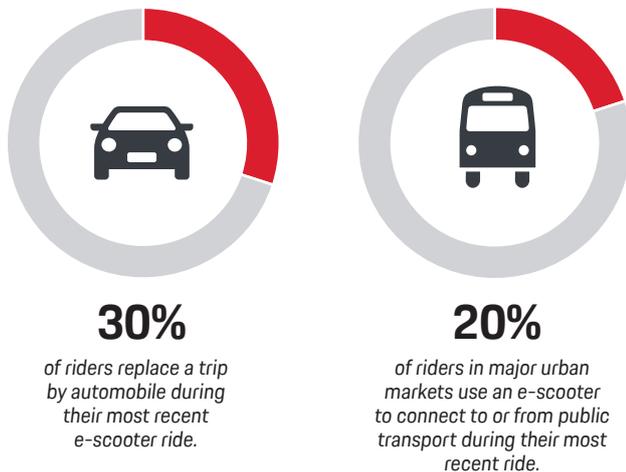


Fig.3 Reasons why riders use e-scooters in the United States
Source: Lime Year End Report 2018

The first step is to conduct a market analysis for a particular geography. It will probably be necessary to dive into mobility data, population data, or transport mix. Some startups, such as Passport (www.passportinc.com) or Coord (www.coord.com), are already specializing in making this kind of data available to cities or mobility companies. A good method for breaking down collected data into sensible layers utilizes the TAM, SAM, and SOM framework (Figure 4). It enables the team to assess the total available market (TAM), the serviceable available market (SAM), which is the TAM segment relevant to the service, and the serviceable obtainable market (SOM) or the share of SAM the service offering can obtain. Combining these insights from supply and demand reveals unexploited white spots and unmet customer needs.

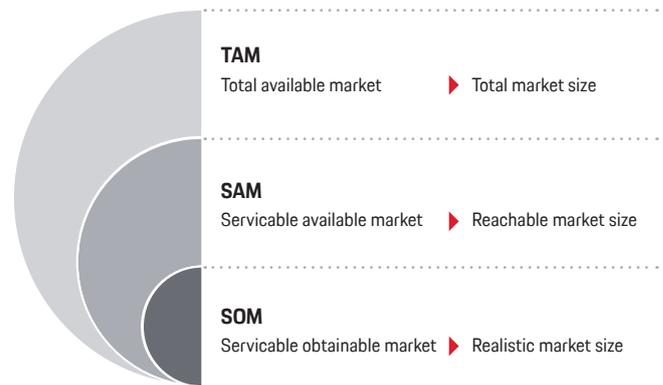


Fig.4 Market assessment framework (TAM-SAM-SOM Tool)
Source: <https://medium.com/@artem.albul/start-up-your-startup-properly-tam-sam-som-133d4d5a8eaa>

In a second step, the market position needs to be defined. What can the service offer to customers that competitors cannot (e.g., for micromobility services that may be any form of software, hardware/utility, safety, operating platform, or technology advantage)? This reality check helps to understand where emphasis should be placed on when entering and developing the new market with the service offering.

What German citizens think about e-scooters

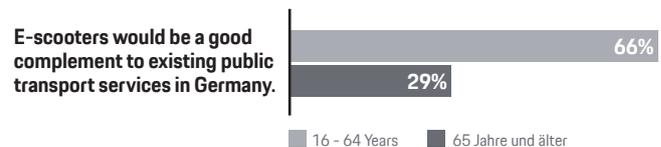


Fig.5 General sentiment of German citizens towards e-scooters
Source: Bitkom Research | 2019

Finally, gathering customer insights in the target market helps to understand specific local needs and offers a sense of how some of the competing services in the market perform. This is particularly fruitful when bringing an entirely new service to market. A recent study conducted by Bitkom in Germany, for example, shows that the younger customer group in particular favors micromobility solutions such as e-scooters (Figure 5).



03 | Establish a scouting team

Everything one knows about a market changes when in the field, talking to customers, partners, and government officials. Hence, a small, interdisciplinary, and highly dynamic scouting team needs to be established that can be sent into a new market to explore and identify any particularities like transport habits, local traditions, or regional legislation that may have an impact on the launch of the service offering. Information needs to be collected and channeled back to the service owner to make the proper decisions with regard to the project. Missing out on this opportunity may lead to costly mistakes or holdups at the beginning or later on, during the expansion phase. One great example of this is the German e-scooter market. Many companies stored a large number of e-scooters in warehouses to be able to rapidly scale operations on the day after legal permission was granted. What companies did not consider was that, according to the planned German e-scooter regulation, all scooters must have an operating license and fulfill technical requirements like two independent brakes, lamps in front and back, and a rear reflector. Many companies had purchased their e-scooters before the law passed, resulting in high costs to upgrade or exchange their e-scooters.

Companies are well-advised to send a team with diverse backgrounds to gain different perspectives of the local market (Figure 6). The scouting team should include a business development specialist who will be in charge of understanding the market, getting a feel for potential customers, and evaluating whether the market can be entered by implementing the business and operating model used in the domestic market. The core competencies required for this job are sales, business modeling skills, and a profound understanding of the service offering.

Another team member should be an operations specialist who can handle and adapt operations according to local particularities like mobile coverage, skilled workforce, or even poor road conditions that could affect service operations. The insights of the operations specialist are especially relevant to the operating model in the target market, as value creation's distribution should be strongly guided by conditions observed in the field.

The third member is ideally an IT specialist. As with most micromobility services nowadays, companies will be using a common IT infrastructure and technology. In order to scale faster, a company should ensure that new markets utilize the existing IT infrastructure to save costs and time during the rollout phase, while keeping adaptations to the IT to a minimum. At the same time, it is the IT specialist's job to discover any relevant information needed to run and adapt the technology in the service's background. This could include topics such as local currencies and local technical requirements (e.g., number plates and lights, local speed limits, and ZIP code formats).

A local expert can be a particularly helpful team member when the target region for expansion is very different from the company's domestic market. The expert can raise awareness of local customs and regulations, arrange meetings, challenge ideas from an insider perspective, or reveal issues that may not be easily observable to outsiders but highly important for a successful service rollout. Furthermore, this local expert could be a potential future partner.



Business Development



Operations Specialist



IT Specialist



Local Expert

 Compulsory  Optional

Fig.6 Members of a scouting team
Source: Porsche Consulting



04 | Develop business plan & market entry

To develop a comprehensive business plan, including a market entry strategy with regional focus, a number of critical items need to be prepared. Expanding into a new geography makes it essential to reevaluate the business model through the eyes of the target market. The business model describes how the value-adding micromobility service of a company can be delivered to local customers. A good market-specific business model should consider the regulatory environment, partner capabilities, structural economics, and country risks. Follow these four questions to assess the business model³:

A | Is government regulation conducive for your business model? If not, how can you adapt?

B | Will your customers gain an advantage by collaborating with local partners?

C | Is the market large enough to support your own operations in the field?

D | Does the country face political instability or economic uncertainty?

In addition to a localized business model, it is crucial to develop a strategy that is cut out for the target market. The most elementary part of the strategy addresses how to enter the new geography with the micromobility service offering of a company, thereby determining the position within the market according to the company's value proposition and competitive pricing strategy. Moreover, companies are well-advised to pursue a holistic approach that lures customers into its comprehensive mobility service offering. Uber Jump, for instance, combines multiple micromobility services such as e-scooters and e-bikes that can be accessed through the Uber app. This is especially important for increasing the customer lifetime value (CLV) in business. Lastly, companies need to be in touch with legal advisors, because every market requires a thorough legal assessment for their micromobility service before getting the green light for the rollout. The current discussion on e-scooter registrations in Germany⁴ is a vivid example of how challenging and dynamic the regulatory environment can be.

Lastly, no rollout of a new micromobility service is successful without adequate marketing. A service may have a great value proposition for potential customers; however, in the midst of uncountable micromobility services a company will need to create awareness for its particular offering. It is recommendable to turn to digital marketing strategies for two reasons: First, digital marketing is usually cost-effective in comparison to other marketing initiatives and enables a company to identify and probe its customer base using different kinds of campaigns. Second, it is much easier for first-time users of the service to sign up and access the service via a digital channel than an analogue one. Companies should keep these things in mind when developing their marketing campaigns.

³ Althea Peng, Catherine Ransone, and James Laureys, "A Playbook for International Expansion," The Robin Report, September 1, 2015, <https://www.therobinreport.com/a-playbook-for-international-expansions/>

⁴ With regard to the Ordinance on the Participation of Small Electric Vehicles in Road Traffic (PLEVs)



05 | Build up local operations

In order to establish local operations companies must fulfill the prerequisites for their service offering to enter a new geography. First, a company should set up an operations team whose task is to launch the service, establish an initial customer base, and scale the offering as quickly as possible. Ideally, the team is incentivized to achieve a successful launch and develop the service according to predefined KPIs. The central role in a mobility service's operations team is played by the city or key account manager, who is responsible for making a service successful in a city or particular region. Moreover, the operations team should have a sales manager that acquires customers and an operations manager with experience in running a service. Although specialized, each team member should also bring a generalist perspective to tackle any issue that suddenly arises.

Before companies begin scaling the service, a test run will ensure that everything functions reliably, customers are content with the service quality, and insights are generated on ways to improve the service for local market requirements. The chosen IT platform should allow a breakdown of value-chain activities into tickets that can then be allocated to the service assets. This enables tracking the profitability of each asset and offers insights into what the cost drivers are in service operations. Companies can experiment with combining multiple activities into an asset's downtime, which means that charging, cleaning, relocating, and minor repairs all happen simultaneously. For more details, refer to Porsche Consulting's strategy paper "Deconstructing the Micromobility Phenomenon."⁵

Conducting test runs also provides an opportunity to explore collaborating with local partners and to gain experience that can be useful in selecting a partner, for example, for charging

or relocating. We recommend keeping strategically important activities within the company and delegating the rest to partners, although only after thoroughly analyzing whether quality and price justify their outsourcing. It is interesting to observe some of the main players in the e-scooter market following different strategies regarding charging and relocating: Bird and Lime collaborate with independent contractors to collect and recharge e-scooters on a nightly basis, while Uber Jump engages full-time employees to manage its ground operations.

In addition to operating partners, companies need to establish and foster relationships with local government officials, whether municipalities, mayors, or public (utility) companies. Government relations can go a long way and help achieve goals later on in the expansion, including preferred partnerships, official permits, access to local multimodal apps and infrastructure, and opportunities to experiment with mobility offerings in collaboration with the city or region.

Finally, service providers must keep the local ecosystem in mind at all times. A stand-alone mobility service may not generate as much value for customers as one integrated into an entire mobility ecosystem. Cities that have invested heavily in the existing infrastructure and have long-term contracts with public transit service providers do not want mobility services competing within their portfolio, but rather complementing or improving the present options for citizens. A great role model in this is Tier Mobility, which integrated itself into the Berlin ecosystem by connecting its service with the Berlin mobility app Jelbi. In short, service providers are advised to work with the ecosystem, not against it, because this will most likely lead to the failure of the service expansion.

⁵ <https://www.porsche-consulting.com/de/medien/publikationen/detail/strategy-paper-erfolgskriterien-von-mikromobilitaet/>

Conclusion

This white paper provides a structured approach for expanding micromobility services internationally. It is also a guideline to scope an expansion plan effectively and become aware of potential pitfalls. Furthermore, it provides a framework for conducting a focused market analysis that will help companies assess the appeal of a prospective target market. It gives an overview of how to staff and deploy a scouting team to assess

the preconditions for a micromobility service in a particular market. The paper also outlines how to develop an effective business plan and go-to-market strategy. Finally, a guideline for selecting partners, building government relationships, and creating a local ecosystem is presented. The following checklist ensures comprehensive coverage of the key aspects of a micromobility provider's service expansion.

Checklist

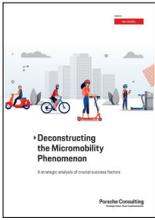


Set the scene	Conduct market due diligence	Establish scouting team	Develop Business Plan & market entry	Build up local operations
Mission <input type="checkbox"/>	Market analysis <input type="checkbox"/>	Business Development Specialist <input type="checkbox"/>	Business model <input type="checkbox"/>	Operations <input type="checkbox"/>
Scope & objectives <input type="checkbox"/>	Market position <input type="checkbox"/>	Operations Specialist <input type="checkbox"/>	Strategy <input type="checkbox"/>	Test run <input type="checkbox"/>
Key Performance Indicators (KPIs) <input type="checkbox"/>	Customer insights <input type="checkbox"/>	IT Specialist <input type="checkbox"/>	Marketing <input type="checkbox"/>	Local partners <input type="checkbox"/>
Team <input type="checkbox"/>		Local Expert <input type="checkbox"/>		Local government <input type="checkbox"/>
				Local ecosystem <input type="checkbox"/>

Fig.7 The five-step expansion checklist
Source: Porsche Consulting

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Further reading



Deconstructing the Micromobility Phenomenon



The future of vertical mobility

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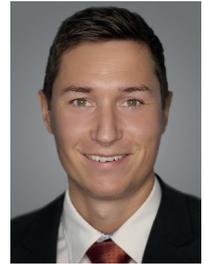
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