



## "On the mobility side, North America is still the Wild West"



PSA Group, which retreated from North America in 1992, announced three years ago that it was coming back. The first phase of a 10-year plan started late last year and the French automotive group is getting ready for the next step.

PSA didn't opt for a traditional market-entry strategy, which would involve establishing a dealer network, homologating its vehicles and setting a date for sales to officially start. Instead, the carmaker soft-launched a car-sharing app in Washington, D.C. last year and has since been on a learning trajectory that will, at some point in the future, return PSA-brand cars to North American roads.

PSA started with 200 cars, using Chevrolet Cruze and Equinox models rather than its own Peugeot, Citroen or DS brand vehicles. That's because homologation for the US is still in progress. By now,



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PSA has 600 cars in operation. Users of PSA's Free2Move app total 1,500 and the carmaker is getting ready to expand into other cities. In the second phase of its re-entry plan, PSA will start sharing its own models, but it won't say yet whether these will be Peugeot, Citroen or DS branded cars.

In the third phase of the plan, PSA wants to actually start selling cars in North America. But Larry Dominique, the veteran automotive executive running North American operations, says there is no time pressure on him to move fast. "We want to learn and be very sure and prove that we can operate profitably," he says. "Once we have a successful formula, we will scale."

Dominique spoke to automotiveIT International in a phone interview about the various aspects of PSA's North American return strategy.

You started very small in just one city. Are you ready now to ramp up?

We have been growing the business in Washington, D.C., starting with 200 cars. Until we get our user base up, it's ridiculous to throw 600 cars out there. But we have 600 cars now and around 1,500 users, of which 800 are consistent users of the service.

Is the next step to expand to other cities and start introducing Peugeot, Citroen or DS brand vehicles to the market?

We've identified additional cities and we've done some preparatory work in those cities. But we won't move until we have learned how to achieve customer satisfaction, have reached operational efficiency and are confident that we have a profitable business. The nice thing about North America is that there are lots of cities with the right size population for us. We are in the process of homologating vehicles.

And can we expect an announcement soon on which PSA vehicles will be introduced to the North American market?

You're going to be hearing some things from us pretty soon. Homologation takes a few years and we're looking at multiple vehicle segments with multiple tophats. We're not just homologating vehicles but are thinking in terms of platforms.

Are you also already planning the third phase of the strategy, where you will actually start selling or leasing PSA vehicles?

We're deep into planning our retail phase. When you want to be a national player and don't want to



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spend all your marketing money on legal bills, you need to come up with a modern franchise solution. Franchise laws exist and they are not going away, but we believe the law is about fairness and it's not prohibitive. We have a greenfield opportunity to develop a totally new retail environment that is both legally compliant and very innovative.

Are you considering a subscription model, too?

Dealers are worried that automakers are doing an end run around them with subscription models. Volvo, for example is facing a legal challenge from its dealer body in California. I believe there is a future for car subscriptions, but we will have to work through the whole legal process to define what they are and how they will be operated. There's definitely a market for such services.

Will you partner with one or more of the major dealer groups in the US?

That is still to be determined. There are some very strong dealer groups that have strong brands. We want to grow our brand organically and adopt a scalable approach. Whomever we will partner with needs to be very progressive and very innovative and not just focus on a fixed-cost absorption model. Customer satisfaction is key. There are some dealers that do a great job in this area, but as an industry we're pretty bad at this. That's why we are taking our time to find the right solution to offer a great experience and customer satisfaction that's off the scales.

Once you start using your own vehicles in North America, would you consider going all-electric?

We haven't locked down what I call our techno-strategy, primarily because things are evolving so rapidly in Europe. We're homologating platforms with multiple powertrains ranging from internal combustion engines to battery-electric powertrains. It's great for me that we have choices. We're paying close attention to the market for pure battery-electric vehicles and take note of the fact that most automotive companies make no profit with them today.

You talk a lot about being innovative. Please give us some examples of the innovation in your Free2Move program in Washington.

We think we have a unique front end, developed by Berlin startup Carjump, which PSA acquired in 2016. We also have telematics built into all of our cars, so you can use your smartphone to unlock or start the car, pause or continue your journey. We offer a very good experience for consumers and do very well in customer satisfaction ratings. People really like our app.



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And you mentioned a new insurance scheme.

We work with a high-tech insurance company called Trov so we can offer user-based insurance. When the vehicle is static we pay one rate and when it is dynamic we pay another. We get a 30 percent saving over traditional insurance, so from an operational point of view we are learning to be very efficient. We have to be innovative because car sharing is an expensive business. When the assets are not utilized and aren't generating revenue, they are expensive to have sit around. We also have a very lean staff, six people.

You've been on the job for almost two years now. What have you learnt so far?

On the mobility side, one thing we've learned is that the North American market is still the Wild West. Different auto manufacturers are trying different strategies. Some are spending large amounts of money, only to write off investments a couple of years later. Mobility is clearly still finding its way in North America. We are staying on top of the developments and area learning. We also see that, although some people really want mobility, there will be a need for private car ownership for decades to come. One of the challenges is that the speed at which technology is changing the digital economy is just faster than the auto industry knows how to react to. We are a lethargic industry from a speed-of-change point of view. That's at least in part because of the regulatory environment.

And how is PSA positioned to deal with this fast-changing environment?

We need to understand how, as a greenfield operation, we can leverage technology. We can define the user experience from the beginning, which is really important. We may not yet know exactly how this will play out, but we have some pretty cool stuff to try out with consumers. We're testing different versions of customer journeys to understand what will really drive consumers in the automotive space in a highly digital economy. There's an evolving customer mindset around mobility usage. We need to make sure we provide the right solutions. We need to address issues such as whether we can still offer mobility choices if customers own our branded vehicle. The two are closely tied together and not separate.

Interview by Arjen Bongard