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**Case Starting a new
Relationship, by
EQ Smart -
Mercedes-Benz
Valencia**

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There is a teacher's manual intended as a pedagogical complement.
It is available to teachers who use this document as teaching material.
editorial@esic.edu



March, 2022

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28223 Pozuelo de Alarcón (Madrid)

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www.esic.edu/editorial

@EsicEditorial

ISBN: 978-84-18944-62-8

Cover design: ESIC

Layout: Nueva Maqueta

Reading: Balloon Comunicación

Printed by Gráficas Dehon

A notebook of



Printed in Spain

This notebook has been printed with organic ink and sustainable paper.

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1. MERCEDES BENZ... MEANS MUCH MORE THAN CARS.....	9
1.1. Mercedes-Benz Cars.....	10
1.2. Daimler Financial Service as a key to innovation and customer experience	10
2. CASE STRATEGY: CONNECTED + AUTONOMOUS + SHARED + ELECTRIC ...	11
2.1. Connected.....	11
2.2. Autonomous	12
2.3. Shared	12
2.4. Electric	13
3. MERCEDES BENZ-DAIMLER IN THE MARKET.....	14
4. ELECTRIC CARS IN SPAIN, THE DILEMMA OF THE LEGISLATIVE FRAMEWORK, CHARGING POINTS AND THE CUSTOMER	15
4.1. The decarbonization of Transport.....	15
4.2. Charging Infrastructure	16
4.3. Consumer Preferences	19
4.4. The Reality of Electric Vehicles in Figures.....	20
4.5. Limitations and opportunities in electric mobility in Valencia	21
5. THE ROLE OF THE PUBLIC SECTOR IN THE USE OF ELECTRIC VEHICLES.....	22
6. SETTING UP A CHARGING POINT NETWORK.....	23
6.1. The charging model.....	23
6.2. Needs and opportunities in the business model.....	23
7. PROBLEM TO SOLVE.....	24
8. ANNEXES.....	25
8.1. Mercedes Benz-Structure in a graphic Synthesis.....	25
8.2. European Union's 20-20-20 goals as a strategy in sustainable energy.....	25
8.3. Clean energy for all by the European Commission	26
8.4. Market Penetration Percentage of Electric Vehicles by countries and on the basis of GDP	26
8.5. Incentive plans for electric mobility in Spain.....	27
8.6. Movalt Plan and VEA Plan	30
8.7. Description of charging points model.....	30
8.8. Estimation of electric car charging costs	31



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Original case written by José Carlos Ballester Miquel, Fernando Gómez Ribelles, Araceli Maseda Moreno and Cristina Santos Rojo, under the supervision of Ximena Muñoz-Vivas, as a basis for class discussion and not as an illustrative example of effective or ineffective management of an administrative situation.

The data used in this case is based on public information about the company obtained through its website and other sources of information and supplemented with information obtained in personal interviews. The characters and situations expressed are fictitious, except for the public statements

Original June 20, 2020 - Last revised September 7, 2020

In 2014, Eduardo García-Oliveros was appointed CEO of the subsidiary *Comercial Mercedes-Benz* and general director of Subsidiaries for Spain. Then, he was facing the beginning of a disruptive change in the automotive industry. In June 2018, at the end of his speech as the sponsor of the ESIC Business & Marketing School Valencia 2018 class, he noticed that those youngsters had new insights to understand problems and propose different solutions.

That afternoon, Eduardo found the solution to the problem of charging points in Valencia and made EQ Smart the market leader... he breathed a sigh of relief, *«the best or nothing»*.

1. Mercedes Benz... means much more than cars

Gottlieb Daimler and Karl Benz founded the company we know today as Mercedes-Benz Daimler, one of the world's largest producers of luxury cars and a world leader in commercial vehicles that operates through the business units: Mercedes-Benz Cars, Daimler Trucks & Buses, Mercedes-Benz Vans and Daimler Financial Services. In 1886, Gottlieb Daimler promised that his vehicles would be *«the best or nothing»*, a motto that became the company's formula for success.

For over a century, Mercedes-Benz-Daimler products have lived up to Gottlieb Daimler's promise of quality, thanks to its commitment to excellence in engineering, and its passion for safety and innovation.

Today, the emphasis is placed on laying the foundations for the future of urban mobility, conceived as a «holistic ecosystem» where products are enhanced with a wide range of services with high added value for the customer with a clear aim: to design intelligent, ecological and connected mobility solutions.

1.1. Mercedes-Benz Cars

The Mercedes-Benz Cars division consists of the Mercedes-Benz brand with the sub-brands Mercedes-AMG, Mercedes-Maybach, Mercedes Me, Smart and the new EQ brand for electric mobility. The worldwide division is growing steadily and in 2017 it achieved record sales of 2,373,500 vehicles with a 94.7-billion-euro revenue.

In 2016, Mercedes-Benz consolidates all electric mobility activities for all vehicles and models under the brand Concept EQ - Electrical Intelligence. Back then too, it announced that Smart plans to sell only electric models in Europe and North America from 2020, gradually incorporating the other regions. The electric models for Smart will be EQ Smartfortwo, Smartfortwo convertible and Smartfourfour.

Introduced as a showpiece in 2016, *EQ Smart Vision for two* is the firm's commitment to the mobility of the future. Here, for the first time, one vehicle was introduced as self-driven, connected, shared, and 100% electric.

In Spain, Eduardo García-Oliveros has been responsible for the merger of the former *Comercial Mercedes-Benz* and *Mercedes-Benz Comercial Valencia* into the current Mercedes-Benz Retail SAU, which since 2014 operates under the commercial names of Mercedes-Benz Madrid and Mercedes-Benz Valencia. Mercedes-Benz Retail is the only subsidiary of Mercedes-Benz Spain and is the largest single-brand retail distributor in the country, with a sales volume of approximately 19,000 cars in 2017, over 700 employees and 160,000 m² of surface area in facilities (Daimler Annual Report & Full Year Results 2017).

1.2. Daimler Financial Service as a key to innovation and customer experience

Daimler Financial Services is a key element in Mercedes-Benz's strategy in the area of financing, leasing, assistance and insurance. In 2017, approximately half of Mercedes-Benz-Daimler vehicles (4.8 million cars and commercial vehicles) worldwide have been financed or leased through Daimler Financial Service.

Daimler Financial Service also includes a range of services focused on mobility innovation, distancing from the traditional individual vehicle, thus embracing shared services, fleet management, insurance and assistance, including digital solutions for payment processing and digital services such as Mercedes Me, Mercedes PRO and Uptime, which offer comprehensive access to

a wide range of brands and mobility services such as CAR2GO, Moovel, Mytaxi or the shared travel service ViaVan.¹

2. Case Strategy: Connected + Autonomous + Shared + Electric

The CASE Strategy synthesizes the four pillars of future mobility from the perspective and vision of Mercedes-Benz-Daimler: connected, autonomous, shared and electric. Its objective is to be the leader in the use of digital technologies, both in products and services, in the entire value chain that links Mercedes-Benz with the customers. The key to this strategy is to enhance vehicle connectivity, adapting it to different needs according to each customer profile.

2.1. Connected

Mercedes Me is Mercedes-Benz's digital brand that connects the customer with the brand through its digital platform and app, enabling access to mobility and assistance services nearby. Customers can access their vehicles online at any time everywhere.

Mercedes Me Connect transforms vehicles into mobile assistants, providing them with connectivity and assisted parking services, vehicle control, digital key, vehicle monitoring, among other functionalities. For example, the Digital Anticipation service connects the customer from the moment they buy a car until its delivery. In Germany, customers can even monitor production in real time. It is an exclusive interactive service that provides a completely new brand experience. In addition, *Mercedes Me* is integrated with Moovel, Mytaxi and CAR2GO to provide the customer with different mobility options (public transport, taxi or car sharing), in a pilot phase in 2019.

Other outstanding connectivity initiatives that include In-Car Office, which allows customers to use certain productivity functions, as well as their own phone data and calendar while driving. *In Score*, an insurance solution, offers discounts of up to 20% off of premiums, depending on customers' personal driving styles. The next launch in 2019 will be the *Ask Mercedes* app, consisting of a digital user manual with an augmented reality function and additional online services.

In the case of Smart, a range of digital services is offered for urban mobility with *Smart ready to drop*. This is a package delivery service developed in collaboration with DHL for online shopping, in which the boot of a Smart becomes a mailbox for package delivery and returns. This project was launched in 2016 in its beta phase in Stuttgart and is currently being implemented in Cologne, Berlin and Bonn.

¹ Source: Where and How It Succeeds. Adam Millard Ball. United States. Federal Transit Administration. National Research Council (U.S.). Transportations Research Board. ISBN: 9780309088381.

2.2. Autonomous

Self-driving is the big bet for the mobility of the future and is based on the use of integrated safety and assistance systems, combined with vehicle connectivity technology and digital maps in real time.

Car autonomy will evolve into fully automated systems that will completely dispense with the driver and that can be used individually or in a shared fashion. To accelerate the development of autonomous driving, Mercedes-Benz has signed agreements with partners to fill its product range with high value-added services for the customer. An example of this is the agreements reached with *Here*, which provides a high-resolution digital map solution, and with Bosch, for the joint development of technology for highly automated, driverless driving. These new technologies can only be implemented in the future if changes are made to the current regulatory framework.

2.3. Shared

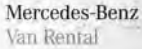
Daimler Financial Services is a pioneer in shared mobility services and is laying the foundation for the self-driving experience.

Carsharing² consists of the user renting a private car for short periods of time, usually for one hour. Leaders in the European market are CAR2GO with 3 million users and a fleet of 14,000 *SmartforTwo*, DriveNow with 500,000 partners and 3,800 cars². On the other hand, Zipcar, the leader in the United States, has a fleet of 10,000 cars all over the world, and in Spain since 2011 with Avancar, which mainly serves Barcelona.

Daimler Financial Services offers a wide range of affordances for carpooling that adapt to different needs according to the profile of the client, which include:

	<p>World leader present in 26 cities, 8 countries in Europe, North America and Asia with 3 million customers and a fleet of more than 14,000 Smart, 10% are fully electric.</p>
	<p>European leader in taxi ordering via an app. Present in Spain since 2013 with 7,600 taxi drivers affiliated to its network in Madrid, Barcelona, Seville and Valencia, comprising 10% of licenses in Spain and estimates to grow 32% in 2018 (reaching 10,000 drivers).</p>
	<p>High-end taxi service with professional drivers and a fleet of Mercedes-Benz vehicles that are requested through a platform. Focused on luxury service.</p>
	<p>German brand of intercity buses in Europe and the United States. It was established in 2013 for carpooling and Deutsche Bahn (German state railway).</p>
	<p>Identifies the optimal way (time and cost) to travel between two points by combining different means of transport (public, taxi, shared, bicycle rental and Deutsche Bahn rail network) in Germany with over 3.7 million users. In the United States, Moovel Transit is the market leader with more than 22.3 million transactions completed in 2017.</p>

² Only in Germany, the United Kingdom, Sweden, Denmark and Austria.

	Offers customers flexible rental services for vans and high-end commercial vehicles for passenger mobility with an emphasis on luxury.
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Additionally, in 2018, shares were acquired in Turo, as a further step to enhance carsharing. Turo is a peer- to-peer car sharing company whereby private car owners rent their cars through an online and mobile interface. Another example is the investment in ViaVen, currently in testing phase, making Mercedes-Benz Vans a new player in the field of on-demand carpooling.

In all these solutions, the Daimler Financial Services’ formula is to enhance the connectivity of smartphones applied to mobility concepts to promote the optimal use of existing transport infrastructures.

2.4. Electric

Mercedes-Benz Cars is committed to creating a «revolution in electric mobility». All its electric vehicles and electric mobility services have been fused under the EQ Electric Intelligence brand. EQ is understood as *«...we really want to start the electronic car revolution. That’s why we’ve not only stopped at the vehicles, we’re also expanding our offering to include specific products, services and innovations that go beyond driving. The way we travel, how we use energy, how we intuitively interact with our vehicles, all that will change. The name of our revolution is EQ, and it means «Mercedes-Benz Electrical Intelligence» and the process is already underway».*

In 2022, over 10 all-electric vehicle models will be launched in the automobile and passenger segment alone, from the *Smart* to the large SUV, with an investment of approximately 10 billion euros.

One of the key points to enhance electric mobility is to have charging solutions in its different modalities, and for this, Mercedes-Daimler was strategically positioned with two actions:

1. In March 2017, Mercedes-Benz Daimler acquired a stake in ChargePoint Inc., a leading U.S. provider of charging solutions for every segment of the electric mobility charging ecosystem: business, retail, public institutions, fleet customers and households. ChargePoint uses Europe’s standardized Combined Charging System (CCS), compatible with multi-brand electric vehicle models.
2. In September the same year, it joined BMW, Daimler AG, Ford Motor Company and the Volkswagen Group for the creation of *Ionity* with the mission to build a pan-European high-power charging network for electric vehicles to facilitate long-distance travel. It aims to set in motion a fast-charging network with 400 fast charging stations on Europe’s main routes by 2020.



At the end of 2018, *Ionity* teamed up with *Cepsa* to provide Spain and Portugal with ultra-fast chargers. In two years, 100 recharging points will be installed at

Cepsa Service Stations located on motorways and highways. The main objective of the alliance is to provide a solution to mitigate consumer uncertainty regarding the autonomy of the electric car. The proposal consists on creating charging points compatible with most electric vehicles using the Combined European Standard (CCS), with a capacity of 350 kW and a sevenfold faster charging time seven times faster than a standard charger (50 kW).

Through *Mercedes Me*, an app is being developed that will permit users to locate the nearest charging points, recharge their vehicles, and pay anywhere. These advances are being made through strategic alliances with companies such as *ChargePoint* and other start-ups that propose different solutions.

The developments of charging solutions are aimed at innovating in solutions for different scenarios, such as emergency public spaces, at home or shared recharging, as well as new products and devices, such as wall boxes, domestic energy storage units or continuous charging solutions in cargo and in public spaces.

From a strategic point of view, the priority is to expand mobility services through Daimler Mobility Services with a clear objective, to develop an ecosystem of products and services to offer the best electric vehicles on the market and to position itself as the industry leader.

3. Mercedes Benz-Daimler in the Market³

World demand for automobiles performed favorably in 2017, with an increase in volume for the eighth consecutive year for Mercedes-Daimler. Total unit sales increased 9% (3.3 million vehicles), surpassing its growth target.

Mercedes-Benz Cars reached a record 2,373,500 vehicles sold (+8%) and, once again, was the top-selling luxury brand in the automobile industry and the leading manufacturer in the luxury segment in Germany, Central Europe, the United States, Canada, South Korea, Japan and China.

In Europe, sales increased 5% (911,700 vehicles) with significant growth in France (+9%), Italy (+9%), Spain (+8%) and the United Kingdom (+4%), driven mainly by the new E-Class (with record sales of 398,200 units, +31%), the SUV segment, which increased 16% (823,000 vehicles), and the C-Class with sales of 492,700 units. The *Smart* brand sold a total of 135,500 vehicles in 46 countries throughout 2017, the biggest boost being generated by China, which is currently the third largest sales market after Germany and Italy.

Daimler Financial Services achieved a world record revenue of 139.9 billion euros (+6%) in 2017. New business lines increased 14% reaching 70.7 billion euros, with 17.8 million registered users in the mobility services and 3 million registered users in Car2go, thus strengthening its position as a world leader in the carsharing service.

Mytaxi, an app-based taxi service, has consolidated its growth with an 85% increase in the number of registered users, reaching 11.1 million. *Moovel*, a

³ Source: Daimler Annual Report & Full Year Results 2017.