

BMT – The New Automotive Acronym



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Ok, here is your acronym quiz for the day. How many can you define?

- V2V
- SOTA
- ADAS
- DSRC
- ITS
- LKA
- LDW
- CAS
- AR
- AV
- SA

The fact is, we live in an industry where the new acronyms of emerging technologies are defining the future of aftermarket service and we have two ways to think about them – we can harness the power they represent and use that power to build new sales opportunities, or we can ignore the acronyms and become victims of the change they are introducing.

All of the acronyms listed here are related to new technologies, but in this article we will introduce a new “non-technical” abbreviation that just might drive more change in our industry than any of the ones listed above. That acronym is BMT.

Now – for some readers the first thing that will come to mind when reading “BMT” is Subway’s Sub of the Day – a delicious Italian classic combination of Genoa salami, spicy pepperoni, and Black Forest Ham. That’s a great one, but not the one we are introducing here.

For those of you in Beaumont, Texas, BMT is the IATA code and FAA location identifier for Beaumont Municipal Airport, Beaumont, Texas. That’s also interesting, but a little too narrow cast for our use in this article.

The BMT we are introducing stands for Business Model Transformation and we think auto aftermarket channel players should pay very close attention to the changes it could drive in the very near future.

A few examples for your consideration:

Case Study 1 – Book by Cadillac

Vehicle manufacturers are on the run. They see hybrid powertrains moving to represent over 70% of new car builds. They are scrambling to be in the running when autonomous vehicles take over urban transportation. They have seen the CES Show take over from the nation’s auto shows as the way to introduce vehicles that are more computer than powertrain. They need a way to capture owner loyalty for longer than the warranty period and one way they are doing it is to introduce business model transformations for vehicle ownership – BMTs.

Earlier this year, Cadillac introduced [Book](#) as an app that allows access to a Cadillac vehicle anytime and anywhere you need it. You can keep the car for as long as you want as long as you pay the monthly subscription fee.

The fee is substantial – Book was first introduced at \$1500 per month but has already increased to \$1800 so you will need to understand the cost of all of your vehicle ownership costs and then place a value on the convenience of the vehicle swaps to justify the fees which include

- Car payment
- Insurance
- Full maintenance
- Vehicle registration fees
- Unlimited mileage
- Detailing
- Connectivity – OnStar
- Sirius XM, unlimited 4G LTE + Wi-Fi Hotspot
- Concierge drop-off and pick-up of the vehicle
- 18 vehicle swaps every 12 months (you can test a lot of Cadillac models that way!)
- And a swag bag with Cadillac umbrella and notepad the first time you have a car delivered (that would seal the deal for your author)

Book is exclusive. It is only available in New York, LA and Dallas at the moment and time will tell if it can scale to become a national program covering a lot of vehicle users (can't call them owners anymore). It might, however, represent a new front for vehicle manufacturers to redefine the way we think about vehicle ownership and vehicle service.

Case Study 2 – Nikola Truck

[Nikola Truck](#) is at the forefront of trucking technology. It is an all-new way to think about alternative power with a list of Class 8 tractor powertrain features that will make your head spin:

- 300 kW hydrogen fuel cell powering a 320kW battery pack
- Regenerative braking
- 800-1000 horsepower performance
- 1200 mile range

The feature that has the trucking industry's attention, however is Nikola's BMT. The Nikola folks understand that a critical factor in all truck purchases is the combination of Total Cost of Ownership, uptime and risk mitigation – truckers work on narrow margins and they want the lowest TOC, the highest vehicle availability and the lowest risk profile they can get. To meet that challenge, Nikola's BMT runs like this:

- \$4000 to \$5000 per month lease
- 72 month term
- Free hydrogen fuel
- Free full warranty
- Free scheduled maintenance at Ryder truck centers

While not opened ended like Cadillac's Book app, and not totally revolutionary (full service leasing has been a mainstay in trucking for many years), the Nikola BMT still hits a lot of hot buttons for truckers. For one monthly lease fee a truck owner's risks of spot fuel pricing, long term major powertrain failure costs and vehicle uptime are minimized. The Nikola One won't be available until 2020, but the Company claims to have over 7000 pre-orders booked representing \$2.3 Billion in commitments for the new truck. That suggests that BMTs have real market power.

Case Study 3 – FlexDrive and Clutch

Most people know Cox Automotive as the owner of AutoTrader, Kelly Blue Book, Manheim Auctions and many other brands that support OE dealers and used car buyers, but the Cox website shows that the company aspires to larger automotive impact. Under the banner "Transforming the way the world buys, sells and owns cars" Cox is positioning to be a leader in the Transportation as a Service future.

Cox's [FlexDrive](#) offers "cars on demand" through a subscription app that allows you to use a vehicle for a week, a month or longer and change vehicle types as your circumstances dictate. Need a pickup for a weekend project? Your local dealer has an off-lease vehicle available. Need a van for vacation? – you can get that too. For vehicle users, the app is about flexibility without commitment. For dealers, it is a new outlet for off-lease cars that would typically be sold off through auctions or the used car lot. With FlexDrive the service of those vehicles becomes a new revenue stream.

In many ways, FlexDrive is a "cake and eat it too" proposal for dealers. They see the sales and leases of new cars challenged by increased prices and a new generation of people more interested in social media than vehicle ownership. For vehicle users the subscription fee covers all facets of ownership – insurance, maintenance, cleaning, warranty etc.

FlexDrive is carefully positioned to support Cox's existing dealer clients, but it substitutes vehicle service revenues for new car sales. That may be a decent tradeoff for dealers

who can enjoy the service revenues but it is a real challenge to the independent service providers who would normally service those vehicles when they are sold after leases expire.

Note too that Cox Automotive is also invested in [Clutch](#) which is also working to scale up a similar service. Clutch has three levels of vehicles ranging from 1-2 year old used vehicles to new luxury brands with monthly subscriptions ranging from \$795 to \$1495.

Case Study 4 – Ride Sharing

Everyone is scrambling in the ride share space.

- Volkswagen and Gett <https://gett.com/>
- BMW and Scoop <https://www.takescoop.com/>
- GM and Lyft <https://www.lyft.com/>
- Toyota and Uber <https://www.uber.com/>
- Ford Smart Mobility and ZoomCar <https://www.zoomcar.com/mumbai/>

As alternatives to car ownership increase, the topics of vehicle availability and service become paramount. That's why GM is experimenting with full service leasing programs for Lyft drivers.

The automotive aftermarket is challenged to play in this game but it can certainly be done. Some carwash operators were very quick to build special packages for Uber and Lyft drivers to keep their vehicles clean and switched-on service shops are doing the same thing because they know that ride sharing converts a vehicle from a personal car to a business tool and their services then move from a B2C sale to a B2B connection with real ROI value generation. (Some more acronyms just for fun) We love the auto aftermarket's ingenuity and creativity and have no doubt that you will be working hard to create BMTs of your own to stay in the game.

Here is a thought on how to start your BMT journey -- Check out Toyota Connected. (<http://www.toyotaconnected.com/>) It might be an indication of how far BMTs can go.

You might also want to check out [TaaS Magazine](#). It is a true indication that real changes in vehicle purchasing and ownership are underway.

Oh... by the way –

- V2V – Vehicle-to-vehicle connectivity
- SOTA – Software-over-the-air updating of ECU's etc.
- ADAS – Advanced Driver Assistance Systems – safety tech
- DSRC – Dedicated Short Range Communications – key element of ITS
- ITS – Intelligence Transportation System
- LKA – Lane Keep Assist
- LDW – Lane Departure Warning
- CAS – Collision Avoidance System
- AR – Augmented Reality – the future of automotive service in SA's opinion
- AV – Autonomous Vehicles
- SA – Schwartz Advisors – we continuously track new technologies (and BMTs)

About Schwartz Advisors

Derek Kaufman is a Managing Partner at Schwartz Advisors. Schwartz Advisors (SA) is a team of highly experienced auto aftermarket experts working with clients in corporate growth projects and both buy-side and sell-side merger and acquisition activities. As part of its growth consulting work, SA keeps current with the emerging technologies and business models that will drive the future supply of automotive parts and service. Email Derek at dkaufman@schwartzadvisors.com