

DX 2021

Daimler AG: Marching to a connected, electric and autonomous future

TWIMBIT DX RANKING 2

INSIGHTS FOR SUCCESS | IDEAS TO EXECUTE

April 2021

Twimbit DX Ranking 2



100%
Define



75%
Simplify



100%
Innovate



100%
Overall

DAIMLER

Industry: Automotive

Revenue (FY20): USD 183,542 million

HQ: Stuttgart, Germany

CEO: Ola Källenius

Purpose: Share the future of safe and sustainable mobility

Business model innovation:

From internal combustibile engines to an all-electric fleet, autonomous vehicles, and connected mobility services

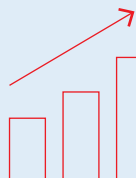


Outcome

At the end of 2019, more than 90 million customers were using the mobility services provided by the YOUR NOW venture, offering ride-hailing, multimodal platforms, car-sharing, parking as well as battery charging products and services. In the period from February until the end of 2019, 588 million transactions went through YOUR NOW.

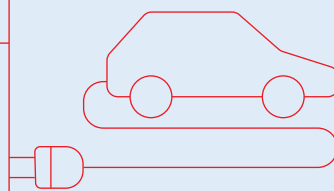
Key highlights

The Mercedes-Benz division at Daimler AG **tripled its global sales of electric vehicles and met the European CO2 targets for passenger cars in 2020.**



Mercedes-Benz fleet will reach **20 million fully-connected vehicles in total by 2025.**

More than 160,000 plug-in hybrids and all-electric vehicles were sold by Mercedes-Benz Cars worldwide (+228.8%), including about 87,000 units in the fourth quarter of 2020.



90 million customers transacted over 588 million times in 2019 to use mobility services offered by the Daimler and BMW joint venture (JV), YOUR NOW.

Mercedes-Benz has announced its proprietary MBOS operating system.

This system will be developed in-house and is due for launch in 2024.

Introduction

Daimler was established in 1926 by the merger of two German auto companies founded by Karl Benz and Gottlieb Daimler. Back then, both individuals claimed to have invented the gasoline-powered internal combustible engine. After 100 years, the industry once again stands at the brink of a once-in-a-lifetime disruption. The arrival of digitally connected electric and autonomous vehicles is reshaping the fundamentals of mobility.

Transformation

The ex-CEO for Daimler, Dieter Zetsche, removed the tie and allowed people to wear what they want in 2016. What might appear a slight change from the outside was the first step in the process of laying down the bedrock for more shake-ups in the way Daimler operates, innovates and grows.

Today, the global luxury car giant has launched initiatives across a new mobility; electric car manufacturing, autonomous vehicles and networked fleets.

In its latest strategic update, Daimler revealed its ambitions to go all-electric and capture 50% of the xEV market share by 2030.

In 2020, Mercedes sold 160,000 hybrid electric vehicles, recording a Y-o-Y growth of c.230%.

The mobility arm at Daimler has ventured into multiple new initiatives, including ride-hailing, multimodal platforms, car-sharing, parking and charging. These initiatives came via a partnership with global auto giant BMW through a new JV called YOUR NOW and have received a tremendous response in a brief time.

At the end of fiscal 2019, YOUR NOW had 90 million customers cumulatively making 588 million transactions through its platform.



We more than tripled sales of our plug-in hybrids and all-electric cars. Demand for these vehicles increased sharply, especially towards the end of the year. Our internal forecasts for 2020 indicate that we achieved the European CO2 targets for passenger cars last year. We will continue to push forward with our 'Electric first' strategy and the further expansion of our electric model initiative. Based on our current knowledge, we expect to meet the CO2 targets in Europe again in 2021.

Ola Källenius,

Chairman of the Board of Management,
Daimler AG and Mercedes-Benz AG.



Strategy

The digital strategy of Daimler leverages around exploring new business ventures in the area of mobility electric vehicles, connected mobility, autonomous vehicles and software.

On EV

Mercedes tripled the overall sales of electric vehicles and met European regulatory targets for 2020. The fourth quarter saw the firm sell over 80,000 units of its hybrid EVs. The company intends to double down its EV business and capture 50% of the xEV market share by 2025.

The company has also signed a JV with Chinese firm Zhejiang Geely to tap into the small and compact EV market segment.

On Autonomous vehicles

Daimler acquired TORC Robotics, the autonomous software maker, for an undisclosed amount to build its first set of autonomous trucks for the US markets.

The company has also signed a strategic partnership with Waymo of Google to add additional autonomous functionality to its quiver.

Mercedes is also working in close coordination with chipset maker Nvidia. There are plans to launch its first autonomous car built on the Nvidia autonomous platform in 2024.

The company is also currently testing its driving assistance systems in the S-Class. The car is slated for commercial release in Autumn 2021 and supports L3 self-driving capabilities.

On Networked Mobility

The JV between Daimler and BMW, YOUR NOW, is exploring opportunities in multiple areas such as ride-hailing, multimodal platforms, car-sharing, parking and the charging network. At the end of 2019, YOUR NOW services saw utilisation by over 90 million customers. From February through the end of 2019, 588 million transactions took place through the platform.

Daimler and BMW are also working together in a separate JV to jointly develop and commercialise the next-gen of driving assistant systems and automated driving on highways, as well as automated parking functions.

The first systems will become available for privately-owned cars in 2024.

More than 1,200 experts will probably work in this partnership, some of them in mixed teams.

Their tasks will comprise designing a scalable architecture for driver-assistance systems, including sensors, creating a joint computer centre for storage, the administration and processing of data, and the development of various functions and software.

New growth and performance

The new growth businesses have started showing early signs of traction for Daimler. The company has sold over 160,000 electric vehicles at the end of 2020 and over 87,000 EVs in the fourth quarter of 2020. Other mobility services provided through the company's JV with BMW have proved valuable. The newly-formed entity added 90 million customers who, in turn, did over 588 million transactions through the YOUR NOW platform.

Industrial Free Cash Flow, Daimler Group EBIT, Mercedes-Benz Cars and Vans Return on Sales adjusted, and Daimler Mobility Return on Equity adjusted are all significantly above the company's guidance or market expectations for the financial year 2020.




As per unaudited data released by Daimler on January 28, 2021, Industrial Free Cash Flow has its progress tracked to reach €8.2 billion (USD9.6 billion) (against the market consensus of €5.3 billion (USD6.2 billion), while group operating income is in the line to be c. €6.6 billion (USD7.7 billion) versus €5.2 billion (USD6.1 billion) consensus by market analysts. This strong performance is indicative of the cost optimisation measures taken by Daimler to pass off the pandemic impact.

The group revenues have increased from €97 billion (USD113.8 billion) in 2010 to €172 billion (USD201.8 billion) in 2019 over a 10-year period growing at a CAGR of 5.26%. One-year FWD revenue growth predicted by market analysts for the group is c.2.3%. This uptick in revenue growth from a 10% Y-o-Y decline in 2020 showcases how swiftly the market expects revenues from Daimler to bounce back.

Daimler AG DX Framework

Pillar | Define

Key question | Who we are?

Attributes	Score	Daimler AG
Clearly articulate purpose	100%	<p>The Daimler mission is to share the future of safe and sustainable mobility.</p> <p>Its purpose-driven statement lays the foundation for strategy, growth and technology initiatives at the company.</p>
Sharp focus on outcomes and impact	100%	<p>Strategic action plan: Daimler uses a combination of in-house, third-party technology partnerships and ecosystem relationships to achieve its mission.</p> <p>YOUR NOW is a JV between Daimler and BMW for launching new initiatives in mobility like ride-hailing, multimodal platforms, car-sharing, parking, and smart charging.</p> <p>The company's electric intelligence (EQ) strategy has aggressive plans to replace the traditional Internal Combustible engines with Electric Combustion engines, Hybrid electric vehicles and Full-tech tech-based vehicles.</p> <p>Daimler has also signed a strategic partnership with Waymo of Google to create and launch autonomous vehicles. The firms are working together to digitise and make trucks by Daimler automated.</p>
Culture is the key	100%	<div style="display: flex; justify-content: space-around; align-items: center; background-color: #f0f0f0; padding: 10px; border-radius: 10px;"> <div style="text-align: center;">  <p>86% CEO Approval</p> </div> <div style="text-align: center;">  <p>4.1 Glassdoor Ratings overall</p> </div> <div style="text-align: center;">  <p>86% Recommend to a friend</p> </div> </div> <p>Silicon Valley culture: Under the leadership of Deiter Zetsche, the former CEO of Daimler AG, the company took its first steps to create a Silicon Valley-like open culture.</p> <p>The company launched the Leadership 2020 program to slash corporate hierarchy and empower employees.</p> <p>The biggest problem in Germany is that corporate culture is too risk-averse, Mr Zetsche said. By significantly cutting red tape, Daimler aims to create space for employees to pursue bold new ideas, even at the risk of failure.</p>

Daimler AG DX Framework

Pillar | **Simplify**

Key question | **How we operate?**

Attributes	Score	Daimler AG
Flat organisational design	100%	<p>Streamlining the organisational structure: Daimler is optimising decision-making processes and streamlining organisational structure to fulfil the agenda of its Ambition 2039 program around products, digitisation and electrification.</p> <p>Some initiatives:</p> <ol style="list-style-type: none"> 1. Mercedes-Benz Cars Product Strategy and Steering consolidated into one position 2. Ola Källenius will also be responsible for the Mercedes-Benz Vans division. Consolidation of responsibilities in both boards ensures consistent control and faster implementation of decisions. 3. Merging the financial areas of Daimler AG and Mercedes-Benz AG under the direction of Harald Wilhelm, the Board Member of Daimler AG responsible for Finance & Controlling and Daimler Mobility. Through this merger, redundancies will drop, the efficiency of the organisation increased, and Daimler, as a whole, made more flexible.
Treat talent scarcer than capital	50%	<p>HR Strategy 2025: Daimler has put together a strategic roadmap to lay the foundations of the talent strategy to achieve its overall transformation objectives.</p> <p>Vision: To make each employee a member of an A-team to find inspiration from their peers and create groundbreaking innovation.</p> <p>Mission: Provide innovative HR solutions to:</p> <ol style="list-style-type: none"> 1. Create a competitive workforce 2. Forward-looking, skilled leadership 3. Become the employer of choice 4. Ensure profitability per employee <p>The critical pillar is digitising the core and enabling its 300k strong workforce to operate with agility at scale.</p> <p>Key initiatives:</p> <ol style="list-style-type: none"> 1. Employees have the right to organise a union. 2. Employees at Daimler AG, Mercedes-Benz AG, Daimler Truck AG, and Daimler Brand & IP Management GmbH & Co. KG have been given a job-security guarantee until 2029. 3. Modern work features like flexible working, child support, as well as learning and development at a personalised level are also part of this strategy. 4. Launched the Leadership 2020 program in 2016, which brought 150,000 Daimler employees together to challenge and re-write the company's culture statement. This launch led to the birth of the new culture document at Daimler. The initiative is now an open-ended one and will run continuously to further inform and inspire the company's work culture and nurture talent.

Daimler AG DX Framework

Pillar | **Simplify**

Key question | **How we operate?**

Attributes	Score	Daimler AG
Fast decision-making	100%	<p>The simplified organisational structures with limited decision-making levels in the hierarchy are an essential approach. Daimler has adopted to simplify decisions and keep the organisation moving.</p> <p>Key initiatives:</p> <ol style="list-style-type: none"> 1. Combining product strategy and steering team under a common leader. 2. Combining the financial function at Daimler and Mercedes to improve cross-team efficiencies and cut down double work.

Pillar | **Innovate**

Key question | **How we grow?**

Attributes	Score	Daimler AG
Explore ecosystems	100%	<p>Partnering with competitors: Daimler and BMW are pooling valuable resources and know-how in the development of driving assistance systems, automated driving functions at highways, and automated parking functions of the next technology generation, and also in the YOUR NOW joint venture for mobility services.</p> <p>Together with their Chinese joint venture partner Geely, the firm is developing smart cars into an all-electric fleet.</p> <p>The IONITY JV is expanding the comfortable and digitally payable high-power charging network for electric vehicles on European highways.</p>
Driven by tech	100%	<p>Car-to-x communication: Daimler is working with transport authorities of six European countries and automakers BMW, Ford and Volvo to build this technology system. The system aims to establish real-time communication between the car and transport infrastructure.</p> <p>All-electric/Hybrid/Full-cell technology: Daimler believes the transportation future is electric. It has targets to make EV-based models occupy 50% of the average annual car production by 2025.</p> <p>Autonomous: The company is working on its fleet of autonomous luxury cars. The F 015 autonomous vehicle is currently under development and will soon hit the market.</p> <p>Networked: The new fleet of trucks, vans, buses and passenger cars has internet connectivity. These vehicles help Daimler collect gigabytes of data, and the firm uses this data bank to create new personalised products and enterprise solutions.</p>

Daimler AG DX Framework

Pillar | **Innovate**

Key question | **How we grow?**

Attributes	Score	Daimler AG
Accelerate organisation learning	100%	<p>Lifelong learning and continuous personal development: The Daimler learning and development program focuses on enabling individuals to achieve their purpose. In 2019, it identified the strategic areas of action for professional education, which included:</p> <ol style="list-style-type: none">1. Transformation of mobility2. Agility in professional education3. Digital education projects4. Internationalisation <p>Key initiative: The Daimler Academy is in place to help the group develop a new management culture and a world of work.</p> <p>The portfolio includes courses in business skills, as well as initiatives that address trends such as the digital transformation of the group, agile work methods, and future skills for experts.</p> <p>The Corporate Academy offers Daimler Academic Programs, which enable employees to pursue a course of study while working.</p>



Insights **that find you**

How we think

Our aim is to produce exponential impact for every business and career through the power of research. We understand the industry to know that the way research is produced, personalized and consumed needs to change. We are the catalysts to bring a fresh and new perspective to you.

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