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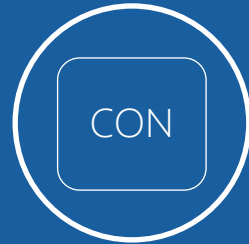
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Unlike traditional software updates, Over-The-Air (OTA) updates directly add to, or enhance, the functionality of a vehicle. As more OEMs adopt OTA, it can become more difficult to evaluate the competitiveness of its features and platforms.

This quarterly guide tracks the latest OEM activity around OTA to help product planners and engineers assess their strategies against competitors.

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Features-as-a-Service

A growing number of OEMs are now integrating a wider variety of software into their vehicles. As the reach of this software expands to further areas of the vehicle, more opportunities are emerging to shift feature monetization from point-of-sale to after-sales. If adopted successfully, this business model – called Features-as-a-Service (FaaS) – will provide legacy OEMs with new revenue streams and pave the way for new players.

However, the industry-wide adoption of FaaS will require a leap of faith from OEMs – many of whom will need to consider how best to recover hardware costs across the vehicle lifecycle. At the same time, they must also be well equipped to succeed in the competitive FaaS ecosystem. Not only does this mean staying ahead of other automakers, but also a variety of emerging players – including start-ups, suppliers, technology firms, and entertainment companies.

This report takes a deep dive into the FaaS eco-system, identifying which features are most likely to succeed while measuring the model's real-world success to date. It profiles the OEMs who have successfully commercialized features and analyzes the activity of other OEMs seeking to replicate this success. Further insights into consumer attitudes around the FaaS model are provided to help OEMs develop their own strategies.

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Key questions answered

- > What features are most likely to succeed in the transition to FaaS business models?
- > How successful has Tesla been in commercializing features like FSD?
- > What factors will influence the growth of FaaS?
- > How are consumers likely to respond to a change in pricing model?

This research supports

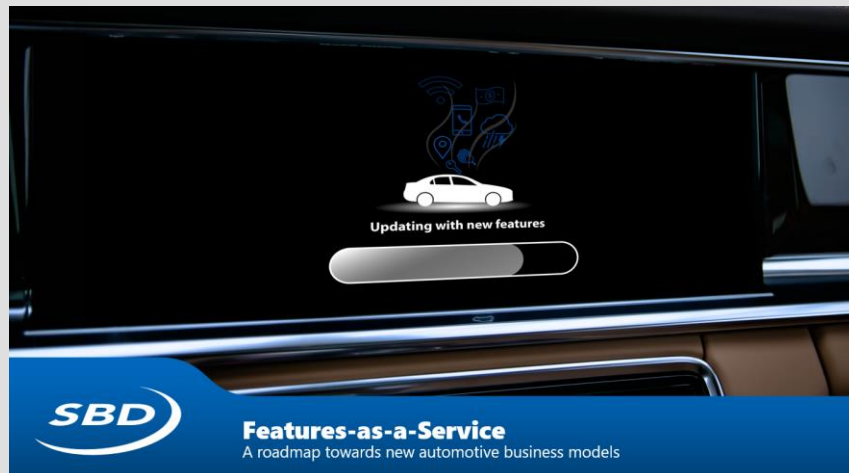
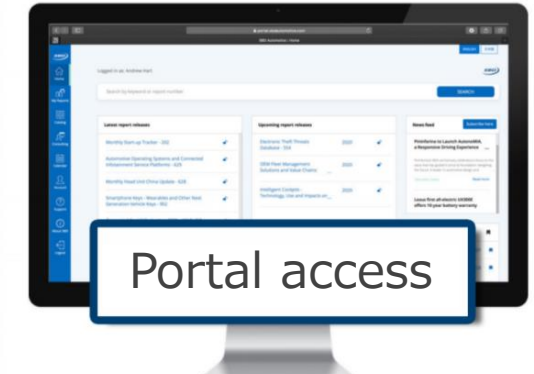


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Introduction




Introduction


// **Features-as-a-Service (FaaS)** is a strategy for **monetizing features** that gives consumers **greater flexibility** on feature upgrades and enables OEMs to diversify **revenue streams**.



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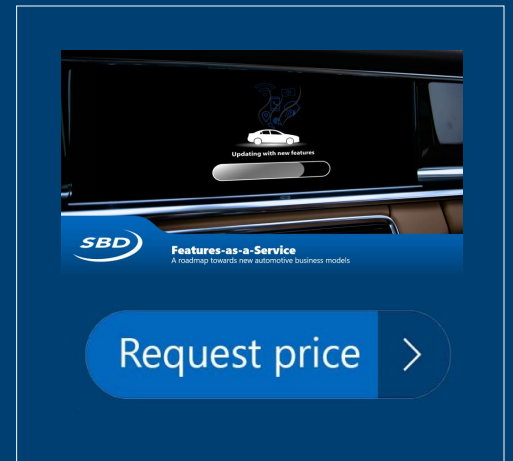
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Features-as-a-Service
A roadmap towards new automotive business models

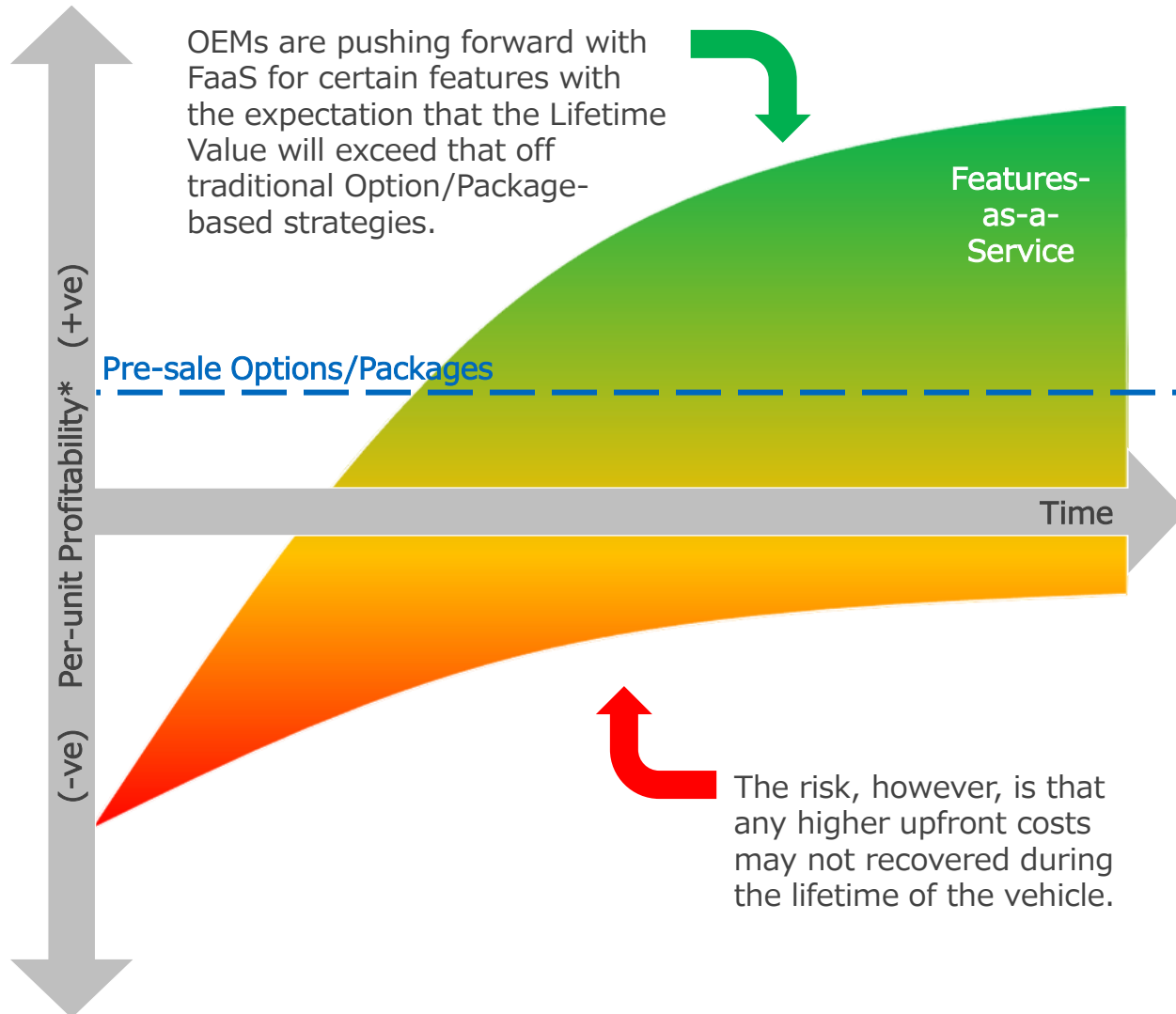
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Example slides from the report





The FaaS Dilemma



Ambitious forecasts from OEMs of large FaaS revenues by 2025/2030



Automakers looking to earn hard cash from software

Automaker Stellantis plans to generate \$22.5 billion in new software revenue by 2030

Top factors an OEM has to optimize in order to avoid FaaS becoming a costly mistake

Experience

Engagement

Retention

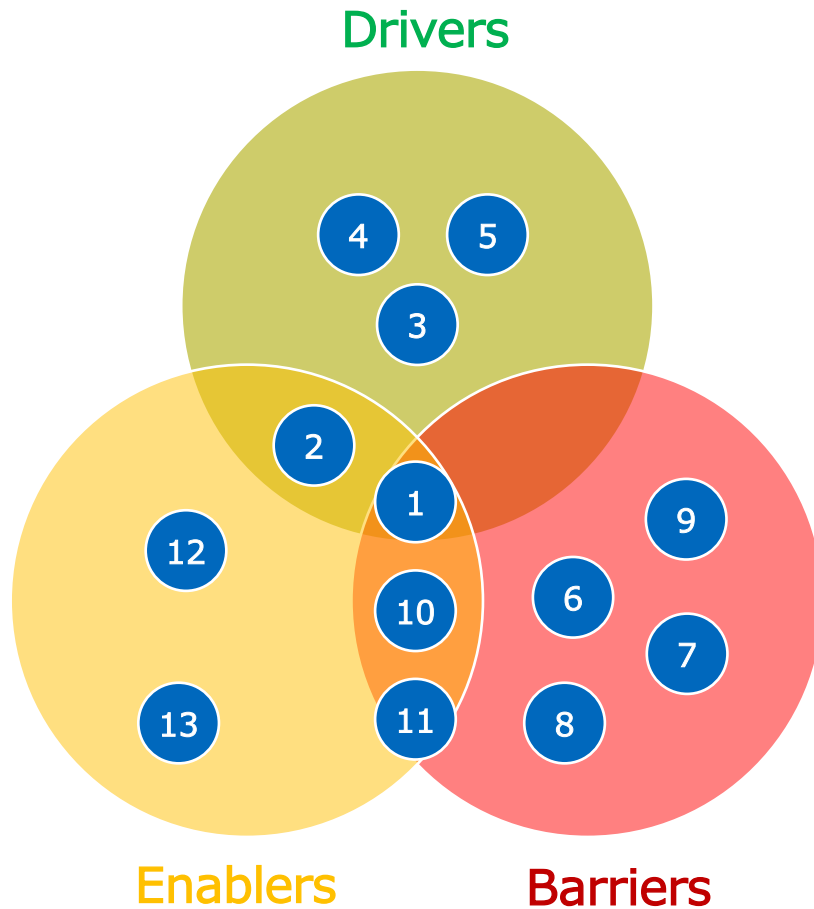
Availability

Cost/Pricing

Uptake




FaaS Influencers: Drivers, Enablers and Barriers




1	Consumer acceptance	Consumers want more flexibility and choice, but understanding of FaaS and willingness to pay may not be sufficient to deliver profit
2	Vehicle simplification	Pre-fitting common hardware across all vehicles makes FaaS more scalable, and also creates side-benefits for OEMs (e.g. less complexity)
3	Ongoing revenue streams	The main driver for OEMs is to generate a regular ongoing revenue stream throughout the life of the vehicle (rather than mostly upfront)
4	Faster go-to-market	OEMs are also able to launch vehicles even if individual features aren't yet ready for launch, knowing that they can be launched afterwards
5	Vehicle price reduction	With FaaS OEMs have an opportunity to reduce upfront vehicle prices by shifting some of the supplier costs associated with new features
6	Security breaches	As FaaS availability grows owners may seek ways to unlock features without paying for them, leading to a loss of revenue for OEMs
7	Certification/insurance	OEMs have raised concerns about the impact of upgrading vehicle functionality on certification and insurability
8	Dealer acceptance	Upselling trims and packages at the point of vehicle sale is a significant source of revenue from dealers, who may push back on FaaS
9	Regulation & Liability	Car taxation and product liability rules are closely linked to 'Day 1' features and would need to be updated to support FaaS
10	Pre-fitted Hardware	More valuable features require more hardware to be pre-fitted to vehicles, which increases the risk to a vehicle's lifetime profitability
11	E/E Architectures	The industry is shifting towards connected & updateable Software Defined E/E architectures, which is a key enabler to FaaS
12	Operational maturity	OEMs will need to have a highly sophisticated operation and agile organisational culture to maximise uptake/retention
13	Consumer engagement	High levels of engagement (including trials) to educate and attract consumers to feature upgrades will be required for FaaS to succeed



Switching off features to 2nd owners could create frictions


31%

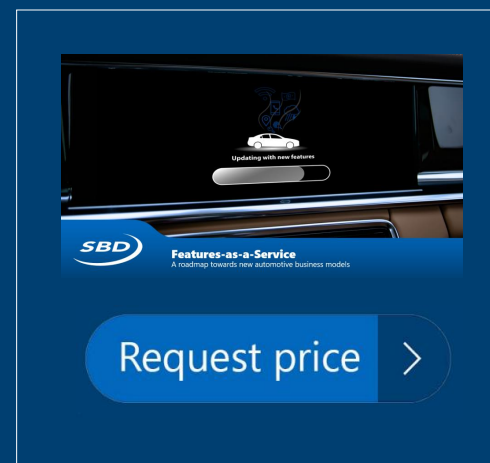
% of FaaS supporters
like the idea of **enabled**
features adding to the
re-sale price of the
vehicle
(n=759)


41%

% of FaaS detractors
are nervous about car
makers being able to
switch off features
(n=63)



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