

Mercedes-Benz Cars strategy

The basis of our car strategy is our purpose – the spirit and aspiration that guides all of our decisions and actions. What makes us who we are, why are we present on the market as a company? The answer to this question is our purpose: “First Move the World.” We invented the automobile, and we also want to take a leading role in its reinvention.

Our company’s successful transformation to electric mobility and comprehensive digitalization is crucial for our future competitive position. At Mercedes-Benz, we focus on our strengths. Our brand originated in the luxury segment, where we continue to be anchored and outstanding. We will continue to concentrate on this segment in the future and we think that it provides us with the greatest growth opportunities. Our goal is to build the world’s most desirable cars.

The Mercedes-Benz strategy encompasses six pillars. The core aim is to increase structural profitability and enable us to outpace our competitors in the transformation to electric mobility and comprehensive digitalization. Sustainability is a key guiding principle of the Mercedes-Benz strategy and an integral part of it. Our highly qualified and motivated team forms the basis for our new strategy’s success.

Think and act like a luxury brand

Luxury has always been part of Mercedes-Benz’ DNA. However, the brand will focus even more strongly on luxury in the future. It will be an integral part of all products, customer interactions and digital technologies. Mercedes-Benz will concentrate its product portfolio, brand communication and sales network even more strongly on luxury so as to create a thoroughly luxurious experience – luxury that is to be holistic, intuitive and sustainable.

The new S-Class exemplifies our already outstanding range of products in the luxury segment. To name just a few examples,

it is made more intuitive and smarter by MBUX and a new augmented reality head-up display, safer thanks to 16 airbags and optional E-ACTIVE BODY CONTROL, and more comfortable and agile in its suspension and steering system. The new S-Class will also set a new milestone on our road to automated driving. Beginning in the second half of 2021, we expect S-Class cars that are equipped with the new DRIVE PILOT to drive with conditional automation (SAE Level 3) in Germany under certain preconditions and at speeds of up to the permitted 60 km/h. This will give drivers more time, comfort and safety.

Focus on profitable growth

We want to grow wherever we can achieve the best results. To do so, we will initiate measures that will realign our market strategy. The focus on an optimal balance between sales volume, price and sales channel mix will help to ensure higher contribution margins for our current and future product portfolios. At the same time, development resources and funding will flow into the most profitable market segments in order to achieve higher structural profitability.

Expand customer base by growing sub-brands

According to Interbrand, Mercedes-Benz is the world’s most valuable luxury automobile brand. This brand will always take center stage in our array of car brands. In addition, Mercedes-Benz includes several extraordinary sub-brands: Mercedes-AMG, Mercedes-Maybach and Mercedes-EQ as well as the G-Class. We will further strengthen these brands so that we can address customer groups in an even more targeted manner and thereby contribute substantially to our growth and earnings. Mercedes-AMG is ready for the next stage, when it will begin to electrify its portfolio in 2021.

The sub-brand Mercedes-AMG’s link with Formula 1 will be intensified further next year in order to reinforce its identity as a high-performance brand. Mercedes-Maybach is focusing on global growth opportunities, intending to double its sales volume and also to offer electric models.

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We want to build the world’s most desirable cars

Think	Focus	Expand	Embrace	Lead	Lower
and act like a luxury brand	on profitable growth	customer base by growing sub-brands	customers and grow recurrent revenues	in electric drive and car software	cost base and improve industrial footprint

Sustainability as a guiding principle

Driven by a highly qualified and motivated team



Demand for the legendary G-Class currently exceeds the available production capacity. We also want this model series to grow and be electrified. The Mercedes-EQ sub-brand is using new high-tech products to address new customer groups.

Embrace customers and grow recurrent revenues

Mercedes-Benz wants to intensify and reinforce its long-term customer relationships. Stronger customer loyalty enables us to generate recurring revenue by means of services and spare parts, for example, as well as with increasing numbers of over-the-air updates (OTAs) and digital service subscriptions. We expect this to open up considerable revenue potential because the Mercedes-Benz car fleet shall encompass a total of 20 million interconnected vehicles by 2025.

Lead in electric drive and car software

Mercedes-Benz wants to become the leader for electric mobility and vehicle software. To this end, we have defined ambitious product development targets and decided to accelerate the market launch of new technologies. This means that whenever we develop a new vehicle architecture, we will first design the automobile as an all-electric vehicle. We will then plan modifications such as plug-in hybrid drive systems. Within the framework of this Electric First strategy, we will begin in 2021 to introduce four new electric models. These will be based on the Electric Vehicle Architecture (EVA), which is designed exclusively for battery-electric drive systems. The EQS luxury sedan will be the first model on this independent new platform and be launched on the market in 2021. It will be followed by the EQE, the EQS SUV and the EQE SUV. In addition, Mercedes-AMG, Mercedes-Maybach and the G-Class will also be electrified. Other models will round out the electric vehicle portfolio beginning in 2025. Both the new S-Class and the C-Class will get a plug-in hybrid drive that is expected to have purely electric ranges of around 100 kilometers (WLTP) as early as 2021. Compact-class customers can look forward to two all-electric compact SUVs in 2021 – the EQA (combined electricity consumption: 15.7 kWh/100 km; combined CO₂ emissions: 0 g/km)¹ and the EQB. As a result, we will already offer our customers more than 25 plug-in hybrids and purely battery-electric models in 2021. This portfolio will be successively expanded over various segments by the addition of further attractive electrified models. In this way we plan to offer more than 40 plug-in hybrid and purely battery-electric models by 2030.

Mercedes-Benz will shift even more resources into product development and the accumulation of electric drive system expertise as well as investing in new technologies and concepts for improving range and efficiency. The next generation of electric motors is being developed independently by the brand and will include advanced inverter and high-voltage technologies. The company is making big leaps in battery technology by means of its own research and development work as well as in strategic partnerships with partners such as CATL, Farasis and Sila Nano. Our goal is to own the entire battery technology chain and rely on partnerships where we think it is beneficial.

While plug-in hybrids and purely battery-electric vehicles are expected to account for more than 50% of global sales in 2030, we plan to reduce our investments in combustion engines, cut the number of variants by 70% between now and 2030 and cease offering manual transmissions in our car portfolio in the medium term. The elimination of manual transmissions is to take place in the context of a successive adaptation as we move to new vehicle generations in the course of specific models.

In the vehicle software segment, Mercedes-Benz is relying on a proprietary operating system. It is being developed by us and is scheduled for market launch in 2024. It will enable us to respond flexibly and quickly to new customer requirements. We see this as an important precondition for increasing customer utility across a vehicle's entire life cycle and for developing new digital business models. This software is being developed for all scalable platforms in order to make development more cost-efficient.

Lower cost base and improve industrial footprint

Mercedes-Benz intends to further improve its profitability and cash flow and at the same time safeguard its investments in the future as well as the accelerated transition to electric drive systems. To do that, we want to lower the break-even point, further reduce the cost base, and continue to improve the industrial footprint between now and 2025.

By 2025, capacity adjustments and lower personnel expenses are expected to reduce fixed costs by a total of more than 20% overall compared to the values for 2019. By 2025, we also plan to reduce capital expenditures and investments in research and development by more than 20% compared to 2019. Plans call for the variable costs relative to 2019 to be reduced by 1% per year until 2025.

As a result of its realignment, the Mercedes-Benz strategy aims to improve profitability by creating a more advantageous product mix, improving pricing, enhancing the product portfolio and boosting the amount of recurring revenue. By 2025, Mercedes-Benz AG intends to achieve a return on sales of at least between a mid-level and a high single-digit percentage. However, the company's long-term goal is to achieve a double-digit return on sales in a competitive market environment.

Our actions are based on our values and principles as well as on our view of how and with what attitude we want to operate as a company. We provide orientation even in times of change with our Leadership 20X program, which defines our leadership and partnership principles, and with integrity as our main corporate value.

¹ Electricity consumption and range have been calculated on the basis of Commission Regulation (EC) No. 692/2008. Electricity consumption and range depend on the vehicle configuration. The actual range also depends on the individual driving style, road and traffic conditions, outside temperature, use of air conditioning/heating etc., and may vary.