

# GROWTH STRATEGY IN THE AUTOMOTIVE INDUSTRY

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# THE GLOBAL AUTOMOTIVE INDUSTRY IS READY FOR DISRUPTION

During the pandemic it became clear that the global automotive industry is ready for disruption. Traditional ways of doing business, non-flexible supply chains, cut-throat competition in product innovation and hanging on to the old business operating models will not lead to growth. Organizations who realize this early on and restructure their businesses models will stand tall beyond 2022.



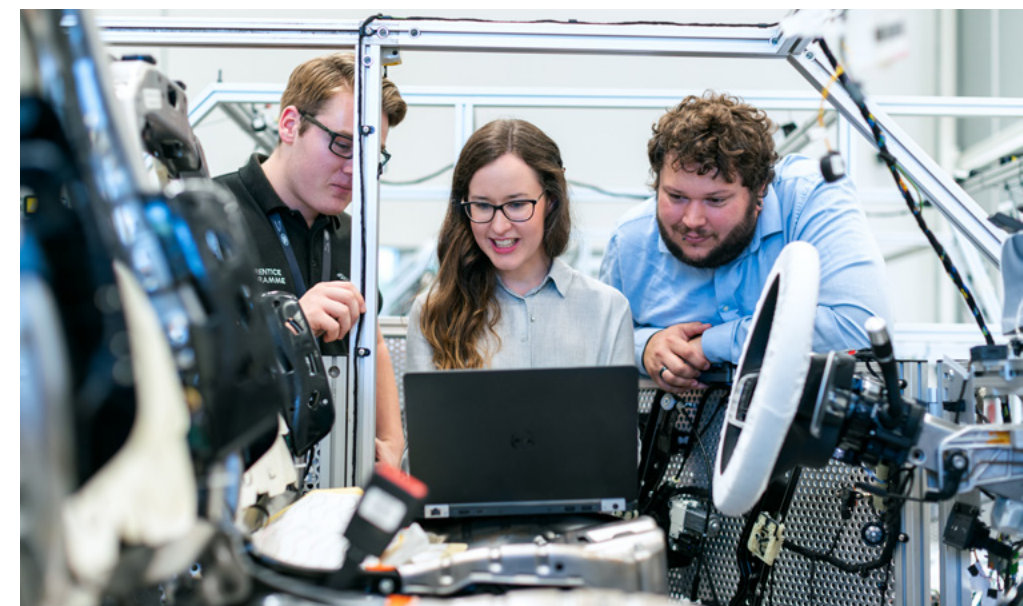
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## DIGITAL CUSTOMER ENGAGEMENT WITH CUSTOMERS IS KEY

By nature, the automotive industry has been a laggard when it comes adoption of digital technologies to engage with customers. The idea of having great innovative products and expecting customers to come to showrooms for a look and feel is slowly dying out. Look at the success of fashion retailers. Reaching out to customers digitally, engaging with them continuously over a digital platform will be a game changer for the automotive industry. A Forbes report states that automotive brands with a customer centric mindset drives 4-8% higher revenue compared to the rest of the industry players. This is the case for both B2B and B2C players. Engaging with customers digitally in every step from identification to onboarding to after sales support will be the key and automotive brands will need to aggressively move towards this. The mantra is to complete more and more sales process through digital means rather than physical methods.

### WORKING TOGETHER FOR PRODUCT INNOVATION

By nature, customers like to have innovative products. While the automotive industry places third in R&D spendings only beaten by the semiconductor and healthcare sectors, the challenge is coming up with sustainable innovation across product segments. It is a race to launch innovative products to market before competitors to avoid that investments are made in vain and ensure ROI. However, innovation is key to future growth, and customer acquisition and retention. New age technologies in autonomous mobility, auto-telematics, electrification, and shared mobility are some areas of rapid R&D investments in the automotive sector. But this is putting a lot of pressure on the suppliers and OEM to innovate production areas to meet the demands of their consumers. Hence it is important for auto manufacturers to support their supply chain downstream to speed up supply requirements. To meet the challenges of innovation, industry players could benefit from coming together instead of competing with one another. One great example is Ford and General Motors coming



together to develop new automatic transmission for their new cars to comply with tight fuel-economy regulations, which reduced the cost of hardware without affecting brand identities. Once the hardware was developed, the automotive brands independently developed the control software for the transmission. Hence, competitor collaboration done right can be a win-win situation for both parties. Not only can it reduce the burden of capital investments from individual automotive brands for product development, but also helps in cross sharing of technology between partners without raising issues of infringements and litigations.



# SUPPLY-CHAIN DIVERSIFICATION



Covid-19 and the changing geo-political scenario has made the loopholes in the current global supply chain visible. The global automotive sector is heavily centered around few geographical areas. China is rapidly growing its dominance in the auto-spare parts market. Not only is China dominating the manufacturing of essential chips which goes into making a modern vehicle, it is also already the largest manufacturer of Li-ion batteries and fuel-cells that run the EVs, the next generation green vehicles. McKinsey predicts that by 2030, around 25% cars will be EVs. However, any global event can disrupt this supply chain and the industry can be adversely impacted. The recent delay in the supply of automotive chips was an eye-opener for many manufacturers. Automotive brands, therefore will have to transform their supply chain and diversify for uninterrupted parts and spares supply. While China will remain a dominant supplier for EV for some time, automotive brands should start thinking around diversification of their supply-chain and create supplier footprints across other geographics. Digital transformation of the supply chain can also minimize supply risks. Investment in supply chain analytics, customer demand forecast and use of AI for better prediction of inventory needs will help auto manufacturers address much of the supply chain risks.

# RE-ENGINEERING BUSINESS MODELS

It is time auto manufacturers re-engineer their business models to meet the requirements of post-pandemic consumer behavior, changing geo-political scenarios and issues of global supply-chain, new age technologies and service disruption in the mobility & transportation sector. Covid-19 have forced many manufacturers to adopt hybrid models for their workforce. Dynamic resource allocation is now increasingly being adopted to cut on cost of labor. The tendency of supply-chain partners to support each other have largely increased. With new products, increased innovation, and increased use of software systems in automobiles, the existing business models will not be applicable anymore. The rising cost of R&D, raw-materials and increasing global oil prices is putting pressure on the bottom-line. Zero-based budgeting looks like a better option for financial planning

during growing uncertainty. This means “plan-once and consume-once” and budget again from scratch instead of carrying forward. This also means that there is a need to transform the operating models for most auto manufacturers and their suppliers. In the post covid world, automotive brands will have to revisit their supply chain strategy by adopting near shoring supplies, going for multiple vendor/geographical supply chains, greater use of AI for supply risk assessment, etc. OEMs should be focusing on deep and near-real time visibility across the supply chain tiers, advanced supply chain risk modeling, early event detection capability, component substitution and automation-ready processes. To ensure growth and remaining sustainable, automotive brands will need to re-engineer their business models.



# GEAR TOWARDS FASTER, DATA-DRIVEN DECISION MAKING

Strategy around scalability, business intelligence and concurrency of the automotive industry will have to be driven by data. The industry must quickly adopt to a data-driven decision support system in their business processes. Today there is more data available than ever related to consumer behavior, supply chain elements, impact of geo-political events and environmental impact of human activities. The main challenge would be how to mine the right information

at the right time from this data. With artificial intelligence and machine learning, industry participants are now in better position to predict the impact of ecosystem changes on their business environment. The advent of connected car features is creating more and more data related to driver behavior and health of vehicles, that too in real-time. Data related to insights about partners, dealers, sales cycle, vehicle pricing, inventory positions, and customer experience throughout a

company's ecosystem across platforms are getting added to the repositories of auto manufacturers every day. Automotive brands can make faster decisions related to the product, identify failure points in advance and make faster decisions related to product design, development, and safety. By backing decisions with data, automotive brands can manage business operations more efficiently and decrease the timelines for value realization from their operations.

# IN CONCLUSION

The automotive industry is set for a disruptive change after the pandemic. Remaining competitive and continuing to grow will require a strategic shift for manufacturers in the industry. With radical change in consumer behavior, the manner in which the automotive brands is engaging with its customers' needs to change. Automotive brands needs to strive to bring more of its sales journey processes onto the digital platform. Collaborating with competitors within the limits of a legal partnership can help automotive brands to innovate faster and gain economically in the market. Also supply-chain diversification will have to be done to cut down on supply risks. The changes in near-shore strategy, multiple vendor strategy, and faster adoption of new-age digital technologies would mean that OEM's will have to revisit their business operating models. Automotive brands should start using the huge data accumulated in their repositories to make better and faster business decisions related to operations.





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