

## Automotive 2020

*Clarity beyond the chaos*

*The automotive ecosystem is in the midst of significant change, with increasing challenges in consumer demands, technology development, globalization, integration and collaboration. Automotive companies are racing to develop new business models to help them maintain responsible growth. In this dynamic new age, we believe, a focus on the development of compelling personal mobility solutions, retail transformation, global execution and extensive partnering will be the keys to success in 2020.*

### Introduction

The automotive industry is in a state of flux. Automakers, along with their partners, must respond to the changing dynamics of how automobiles will be manufactured, purchased, distributed and serviced.

- Consumers will be more empowered and sophisticated. They will also become increasingly watchful and wary about how companies perform outside the manufacturing and distribution processes. Corporate social responsibility will become markedly more important to the consumer.
- A global infrastructure will essentially be in place. Collaboration throughout the automotive value net will be a necessity.

- The impact of external forces on the industry will continue to be significant, but the leading influencers will be radically different from those that affect the industry today. Technology will continue to lead, but other issues, such as sustainability, will migrate to near the top of the list.

Ultimately, automotive companies must anticipate a new competitive landscape, rapidly evolving technologies, a departure from the traditional ecosystem, fresh attitudes about mobility and, above all, a very different consumer.

### Change abounds

As industry priorities shift, success will manifest itself through five key dimensions.

1. *Sophisticated consumer* – Automotive consumers of 2020 will be highly informed, demanding, impatient and environmentally conscious. They will redefine mobility as we now know it. Ownership models will change and consumers will want comprehensive “transportation services”.
2. *The intelligent vehicle* – Electronics will bring new capabilities to every part of the vehicle. New technologies will provide for greater assistance in navigation, enhanced driver information about the vehicle, its environment and vehicle connectivity.
3. *Dynamic operations* – Emerging as a winner in 2020 will require an innovation-led approach to multiple factors, including growth strategies, the workforce, redefinition of “core” businesses and proactive flexibility.
4. *The integrated enterprise* – The pursuit of the sophisticated consumer, development of intelligent vehicles and the transformation to dynamic operations will be wrapped in a new integrated enterprise that breaks from the past and is appealing to new talent the industry is seeking to attract.



5. *Interdependent ecosystem* – Winning in the marketplace starts with the ability to work with other industry ecosystems to identify innovative solutions quickly. The relentless push to work with other industries will bring differentiating mobility solutions to consumers

## Five imperatives will guide

Automotive executives must accurately, effectively and quickly assess the level of commitment required by their respective companies to succeed. With the pace of change accelerating, time could be running out. We believe five imperatives will separate the outperformers from the rest in the automotive world of 2020.

1. *Advance mobility* – Auto companies must embrace new mobility models and use them as profit generators. They should stake a claim in new ownership and usage models, develop cost of transportation options (including innovative pricing models) and integrate various modes of transportation

2. *Transform retail* – The automotive industry should transform its retail model by finding new ways to connect with sophisticated consumers and developing a new value proposition for dealerships.

3. *Simplify complexity* – Companies must standardize processes and architecture to allow for innovation to proliferate across and beyond the traditional automotive industry.

4. *Partner extensively* – The successful company of 2020 will need to extend outside the industry for innovation and will work with others to solve common issues. To do so will require the industry to reevaluate what is core and find

business partners that complement them. Automakers will need to engage in collective partnering to solve such issues as vehicle energy consumption.

5. *Execute globally* – Effective global execution requires harnessing the power of a workforce throughout its geographically dispersed footprint to bring innovation in products and services faster than ever before. The key drivers include adapting to the multiplex workforce, balancing and flexing operations and harmonizing with local economies.

## The time is now

In just a dozen years, the automotive industry will be remarkably different from today – perhaps, even, unrecognizably so. Time is of the essence. Organizations must act – aggressively, actively and with immediacy – to create clarity beyond the chaos within their respective worlds.

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## How can IBM help?

- **Strategy and Change:** Help to address changing business models and partnering
- **Selected Industry Solutions:** Solutions to address issues in product lifecycle management, manufacturing, supply chain, service, diagnostics, part optimization and CRM
- **IBM products:** Innovative products to support the automotive industry

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