Automotive industry strategy consulting

Strategy consulting helps companies transform the way they do business. We help our clients achieve competitive advantage through a fusion of business, customer and technology strategies and an explicit linkage of critical issues to actions and results. We bring our clients the resources of IBM Global Services, the largest services company in the world, and the first-hand operational experience the IBM Corporation has gained over the course of its ten-year transformation.

Below is an example of our insights and work in the automotive industry.

INNOVATION MANAGEMENT IN THE AUTOMOTIVE INDUSTRY

The Issue:

New product development in the automotive industry is becoming increasingly important and complex. The rise in reliance on electronics, the impact of speed on cost and global sourcing issues are creating a product development scenario that demands attention. Manufacturers are frequently shifting pieces of the product development value chain to suppliers but efficiency is inhibited by the dispersion (in various companies, divisions and geographies) of OEM and supplier development teams who need to interact and collaborate on schedules, designs, products, projects and programs.

Our Perspective:

By leveraging technology, the product development process can be improved to avoid late stage changes that arise from lack of coordination and disjointed information flow. In an economic downturn, the knee-jerk reaction is
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to cut costs and survive the storm. While effective in the short-term, this strategy does not position automotive companies for growth when the market rebounds.

Innovation management is essential for staying within the short-term constraints of a depressed economy while simultaneously giving a company the edge to jump ahead of the pack once the economy recovers. At issue is how to manage costs, quality, and cycle time more effectively by leveraging technology.

Case in Point:

A major automotive manufacturer was involved in a multi-stage initiative to e-enable its product creation process. A significant cross-functional program was launched to transform key elements of the product creation process including configuration management, financial roll-up, engineering change management and parts re-use systems. Emerging from the high level vision stage, the manufacturer was challenged with how to deliver on the complex initiative. The manufacturer needed a pragmatic strategy and roadmap, detailing an executable plan to deliver on the high level vision of the product creation program.

A joint IBM-auto manufacturer team first identified the product creation process’ fit within the organization, to verify that it met the manufacturer's current focus and strategic objectives. The team then prioritized the initiatives, based on strategic alignment, taking into account timing, project dependencies, and internal and external resource load. Finally, the team created an execution roadmap, articulating the project dependencies and general sequencing of projects.

The resulting roadmap was agreed upon by both the implementation team and executive management. Likewise, the roadmap proved to management that prior investments would deliver against their initial strategy and vision, and that the intended results would be realized.

SECURING EARLY COMPETITIVE ADVANTAGE WITH TELEMATICS

The Issue:

Automotive companies, under low-margin business pressures, need to find new ways to differentiate their vehicles to increase shareholder value, foster brand loyalty and establish customers for life. Telematics, or vehicle based
services that connect an auto company directly with users of their vehicles, offers just such an opportunity. These services range from emergency assistance to remote vehicle diagnosis to in-vehicle entertainment. However, many companies in industries with a vested interest in the auto industry - including telecommunications, media, insurance and petroleum companies - are in a competitive race to commercialize telematics services and develop the model that will finally succeed. In such a dynamic competitive environment, automotive companies need to secure early competitive advantage by exploring the optimal business case for their firm.

Our Perspective:

Automotive companies must develop and implement innovative and flexible business models that enable creative partnering, value pricing and tiered services. Initial models considered by automakers were based on revenues collected from consumer subscription services. These models are premature to solely justify the investment in telematics devices and infrastructure, due to the lack of personalized applications and services with high consumer appeal. Telematics should be used to extract data such as vehicle position, condition, service problems, as well as to apply software electronic upgrades. This provides an immediate return on investment for automakers, based on cost savings through process optimization, such as reducing warranty costs through real time problem analysis, and improved diagnostics to increase first time fixing of vehicles. Business models based on ROI provide an immediate incentive for automotive companies to continue rapid investment in telematics, as they position themselves for the eventual development of consumer revenue streams.

In addition, there are other industries interested in leveraging telematics data. For example, commercial fleet managers can reduce their costs for asset management and insurance, and increase productivity through real time vehicle monitoring to ensure optimized deliveries, load sharing, safety compliance and delivery tracking. Insurers can improve their risk management through field force automation, automatic crash notification, real-time claims management and reduced fraud through better data. Ultimately business models for telematics will consider all three of these sources of value, but the initial return on investments via cost saving and process optimization both within the automotive industry and across other vested-interest industries, will provide sufficient incentive to develop the telematics market quickly.

Case in Point:

A key manufacturer in the auto industry needed to improve the speed and flexibility of providing supply information and services to its drivers. The manufacturer wanted to understand the business potential for telematics and how they could gain competitive advantage through its use.

A joint IBM-auto manufacturer team was deployed, with the goal of developing a roadmap and implementation plan focused on the following objectives:
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- Confirmation and refinement of wants and needs
- Assessment of the competitive environment
- Identification and definition of technological directions
- Evaluation and refinement of product segmentation and service rollout plans
- Development of a high-level business case.

The team created a solution map detailing the telematics functions and processes to be handled by the firm and its partners. Centered on fleet and asset management, and improvements in processes achieved through real time information, the business case was built on detailed financial modeling including critical telematics cost modeling, segment analysis, and development costs based on data from customer surveys and stakeholder meetings.

The manufacturer's executive team reviewed the case study, and is expecting to adopt the telematics service with IBM's assistance.

Additional links

Multiplying business value: The fusion of business and technology
Consultants have long proclaimed the need for strategic alignment between business and IT: Set your business strategy, and then determine how technology can help. Unfortunately, traditional alignment approaches invite risk and leave opportunities untapped. Higher returns can be achieved through a higher degree of strategic alignment - the fusion of business and IT.

Closing the performance gap: Back to basics for the U.S. banking industry
Banking institutions across America show a striking dichotomy in terms of stock performance. Those that remain at the top of the charts display strategies and attributes that consistently garner shareholder value. A recent study by the IBM Institute for Business Value suggests that while their methods may vary, these leaders share three distinct strategies.

Weathering the economic downturn… while moving ahead
While the economic downturn has hit some sectors and geographies harder than others, almost every business has felt its impact. At the same time, economic uncertainty elicits different reactions from different firms. Some organizations simply tread water, while others move ahead of competitors. As executives rethink their business strategies, they should consider a variety of approaches -- including some that are not immediately obvious given today’s uncertain economic climate.