



By Prasad Satyavolu

Winning Formula For Automotive OEMs

The future of transportation will be radically different in the always-connected digital economy. The automotive industry is changing in terms of technology, which is on the rise, and ownership, which is declining, thanks to the benefits of the shared economy. The original equipment manufacturers (OEMs) of automobiles, to stay relevant in 2025 and beyond, should adapt to the evolving trends by focusing on in-transit innovation and purpose-driven design, while transitioning to a service-based business model.

Look Ma! No Hands!

Automobiles are going 'auto' very fast. Autonomous functionalities are not new, and many high-end carmakers have already brought in such functionalities as lane assist, adaptive cruise control and self-parking. Mass market companies such as Ford and Nissan have also begun to cascade these features in their vehicles. Going forward, more advanced features such as intelligent parking and other convenience-boosting features will differentiate leaders from laggards in the automobile manufacturing industry.

Customers will demand convenience and customisation in car design, which will force OEMs to become large-scale integrators of different self-contained modules with mechanical features with embedded intelligence. OEMs that do not have an evolving, high-quality offering of semi-autonomous capabilities in the pipeline will quickly lose even their loyal customers to competitors that do.

OEMs will also need to develop partnerships with entertainment subscription services to provide customised products and services for

specific customer segments. These third-party integrations should happen throughout the product lifecycle, from product development to delivery. Showrooms will also evolve to provide buyers with highly customised experiences directly contributing to a hyper personalised vehicle design for those who will still care to own a vehicle.

The Vehicle Propulsion

While mainstreaming of autonomous cars will force OEMs to rethink and redesign how they develop cars, there are aspects of an overall ecosystem and infrastructure that will have a significant impact on the adoption rates of fully autonomous features. These needs require OEMs to collaborate with traffic control, public services, infrastructure providers, telecom companies, as well as data analysis and machine-learning services to ensure that in-vehicle hardware and software integrate seamlessly with multiple systems and platforms. Another critical dimension of change is energy. We see a strong movement towards hybrid, pure electric and fuel cells-based propulsion technologies that are highly disruptive to the entire automotive ecosystem.

Shared Economy

Consumers worldwide have grown highly comfortable with the idea of sharing rather than owning vehicles. This trend is accelerating and affecting sales volumes. Shared cars on roads as a percentage of total cars will rise to as much as 20 percent, effectively flattening out vehicle production growth by 2025, according to Morgan Stanley.

Therefore, OEMs need to embrace flexible business and operating models, and form personal relationships with

their customers and partners. When cars become devices on wheels, OEMs should focus on building and participating in collaborative platforms in an increasingly API- (application programming interfaces) driven economy. The race will shift to securing industry partnerships and creation of a deep ecosystem to offer superior customer experiences.

The move to a shared economy will also increase the need for different segmentation schemes which, in turn, would make OEMs change their product portfolios. Also, subscription-based offerings could emerge strong, and by 2025, customers may expect OEMs to offer custom-made services to suit their changing needs.

The New Order

In the face of these trends, the daily commute is fast-changing into an end-to-end mobility experience conducted through a collaborative platform. The industry value chain will shift from the traditional supplier-OEM-dealer model, to an interconnected ecosystem of multiple players, including technology companies, infrastructure providers, mobility service providers, and utilities and traffic management entities. Players in this ecosystem will need to define their own value proposition and form partnerships to deliver differentiated products and services. OEMs will also need to shift the bulk of vehicle design and manufacturing to their top suppliers and differentiate themselves through their software and become OSP - Original Service Providers. [APA](#)

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