

IBM Institute for Business Value

Truck 2020

Transcending turbulence



Overview

The truck industry faces the dawn of a new era. The changes surrounding it are daunting, the need for transformation immediate and the challenges multidimensional. Brand faces the risk of a slow death, sustainability concerns have brought hybridization front and center, and increased urban development is driving ever-increasing regulation. The industry is at a crossroads, unsure of its next steps toward globalization. Tomorrow's winners must take decisive actions today in the areas of globalization, brand development, technology integration, partnerships and workforce transformation.

Change breeds change

Facing unprecedented change, the truck industry is in for an interesting ride over the next ten years. Globalization is affecting industries worldwide, and the truck industry is no exception. In addition, urban growth and development will increasingly challenge industry leaders, as will sustainability issues. Regulations impacting the movement of goods and people continue to mount, while technological advances continue at breakneck speeds.

To adapt to these changes and emerge victorious in 2020, tomorrow's winners must act today. Five industry imperatives define the path to prosperity:

- **Resolve the globalization dilemma.** Globalization is not the only strategy. Companies must pick a path to profitable growth – comprehensive global integration or regional specialization – and recognize that either path requires major transformation.
- **Redefine the brand.** Identify future brand characteristics and develop a framework to support them.
- **Enable technology.** Innovation in technology is redefining all facets of the industry. Leaders must assess, prioritize and integrate technologies across the value chain.
- **Enrich partnerships.** Companies must evaluate and embrace partnerships both within and outside the industry.
- **Transform the workforce.** Assess the workforce, identify gaps and prepare the organization for the transformation ahead.



Resolving globalization

To succeed in 2020, today's truck manufacturers must first realize that comprehensive globalization is not the only path to profitable growth. Two discrete options exist: global integration or regional specialization.

The expense and efforts required to become a global enterprise are enormous. However, a truly globally integrated organization can potentially cut costs while optimizing resources and capital productivity on a global basis. Not every participant in the industry has the resources to iterate through expensive forays into globalization. Those who forego global integration can follow the regional specialization path. This approach enables OEMs to integrate vertically in select markets and allows them to develop decided regional advantages over global companies. By concentrating efforts toward vertical integration with select suppliers, strategic bodybuilders, dealers and other value-added service providers, manufacturers could obtain a distinct advantage in specific areas.

Redefining the brand

As today's trucks become increasingly commoditized, the importance of brand is drastically decreasing. As a result, truck manufacturers must transition from a brand image centered on the vehicle to one centered on customer solutions.

Because telematics will be an indispensable element of 2020's truck, OEMs must effectively integrate telematics to build customer solutions. In addition, as increased use of technology in the vehicle is creating serviceability challenges, OEMs need to build their service competencies and become service outsourcers. Finally, tomorrow's OEMs need to creatively bundle other services into comprehensive solution offerings (e.g., consulting, retrofitting, leasing, aligned products, telematics data, etc.).

Enabling technology

With the substantial role technology increasingly plays in the truck industry, it is somewhat obvious that enabling technology is an industry imperative. The use of telematics undoubtedly requires technological innovation, as do areas relating to sustainability, such as alternative fuel and hybridization. In the march toward reduction of carbon emissions, it is clear that hybridization is here to stay. Truck OEMs must continue to work aggressively on hybrid integration and other rising demands for environmental accountability – and technology will enable this.

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Enriching partnerships

Truck industry executives identify emerging markets and ecosystem partnering as the top two future growth opportunities. However, most emerging markets face infrastructure challenges that could limit the growth of trucking. In addition, because most emerging market countries don't have high levels of regulation, their buyers have no desire for the more expensive trucks required elsewhere. While truck manufacturers should by no means ignore emerging markets, they can't necessarily depend on them to drive their major growth. As such, ecosystem partnering will be extremely important. Truck OEMs must tap into the innovations that exist in other industries to enable new business models and revenue streams.

Transforming the workforce

The major changes organizations must undergo to succeed in 2020 will require complimentary changes in workforce. Perhaps most important, organizations need strong leadership to guide a successful strategic transformation. In addition, they need software development talent to create flexible architectures, align their applications appropriately and keep pace with the evolving applications required to produce the truck of the future.

An eye to the future

These are unprecedented times for the truck industry – managing change across all dimensions is not a matter of choice. In addition to resolving the globalization dilemma, industry leaders must address gaps in brand, technology, partnerships and workforce transformation. An industry that has long struggled with both its image and recognition for its contributions to economic growth stands to transform itself. Opportunity must not be lost; the time for reinvention is now.

How can IBM help?

- **Strategy and change:** Evaluate and deploy strategies for globalization, solution development, service transformation and organizational change.
- **Industry solutions:** Solutions to address innovation in product lifecycle, production, supply chain management, parts optimization, marketing, sales and service.
- **Innovation Initiatives:** Development of strategy and development of integrated telematics and collaborative business models.

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