IBM Institute for Business Value

Automotive 2025: Industry without borders

Engage with consumers, embrace mobility and exploit the ecosystem

For decades, the auto industry was a very structured and tight ecosystem with clearly defined boundaries. The auto manufacturers ruled and very few "outsiders" were allowed in — even consumers didn't have much of a voice. But all of that began to change with the growth of digital technologies.

Based on their digital experiences with other industries, today's consumers now expect seamless, omni-channel and customized auto-related experiences and they are increasingly willing to contribute to product and services innovation. Consumers know how to get information online and circumvent the standard processes that used to restrict their involvement with industry participants.

As personal mobility expectations grow, non-traditional enterprises are offering technologies to help consumers with driving, including getting directions, dealing with traffic or parking, and integrating with other forms of transportation. Even new business models such as car sharing threaten the need to own a vehicle.

Industry ecosystems continue to intersect and overlap. In the future, this disruption will affect major industry processes as traditional roles change and industry borders fade.
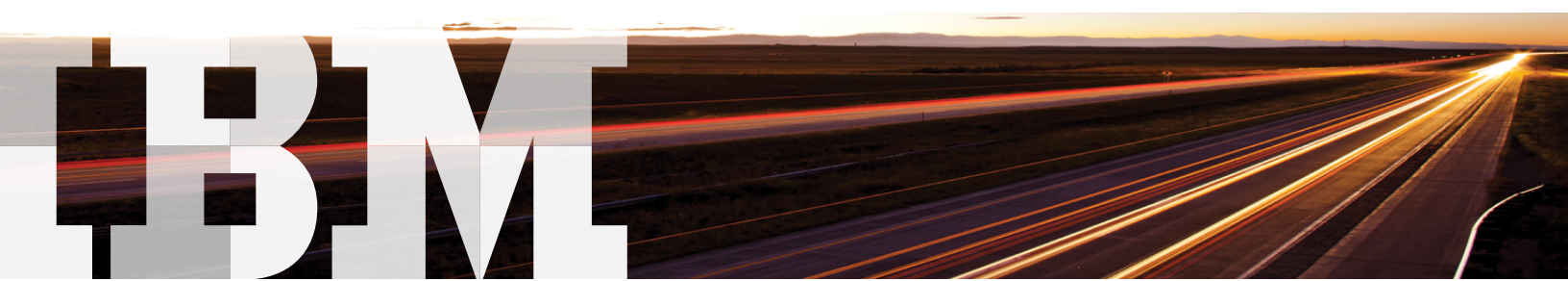
Overview

Our newest study shows that the dynamics of the consumer-vehicle-enterprise relationship are starting to change drastically as traditional industry boundaries disappear. Automotive (auto) enterprises must adapt to how consumers can access vehicles in new ways and use them in their digital lives — and how cars now fit into an increasingly complex web of transportation options. Interconnectedness is the essence of the creative disruption ahead: between consumers and automakers; between consumers and vehicles; and among traditional and non-traditional participants in the industry ecosystem. Looking toward 2025, the enterprises that welcome openness are setting the stage for success.

Six years ago, we published our last major auto industry perspective, "Automotive 2020: Clarity beyond the chaos."[1] To update our understanding of the future landscape, we shifted the lens out for this "Auto 2025" report. We asked 175 executives from 21 countries in a variety of leadership roles how they expect the industry to change over the next decade and how they plan to deal with those changes.

As always, enterprises and industries alike must deal with certain unavoidable external forces. In both "Auto 2020" and "Auto 2025," executives ranked technology progress as the most important external force they face, among the nine that we asked about. Our new study also reveals three primary disruptors whose associated "disruption" sets the stage for innovation and new value rather than being a negative influence. These primary disruptors — consumers, mobility and the ecosystem — are causing traditional industry borders to be redrawn or even disappear (see Figure 1).

Consumers are more engaged than ever — they not only want to use cars, they can be compelled to co-create them. Vehicles are increasingly intelligent, which is changing the concept of mobility including consumer-driven changes beyond the vehicle itself. This expanding ecosystem means learning to thrive under disruption as auto industry lines blur, especially as those in other industries join the mix, such as electronics and telecommunications enterprises.

Figure 1
Three primary disruptors – consumers, mobility and the ecosystem – are fueled by external forces, causing industry boundaries to blur and even disappear
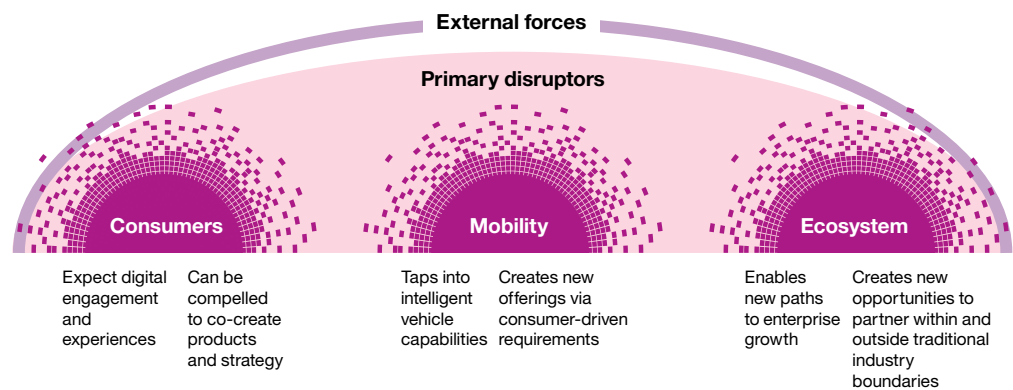
Source: IBM Institute for Business Value analysis.

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To read the full version of this paper, visit **ibm.com**/gbs/auto2025. To learn more about this IBM Institute for Business Value study, please contact us at iibv@us.ibm.com

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Primary disruptors: Consumers, mobility and the ecosystem

Consumers are disrupting the relationship in two ways. First, they want auto organizations to rapidly accommodate their expectations for digital engagement. Second, they can be compelled both to co-create products and services, and to influence corporate strategy.

Mobility is disrupting both industry products and services. Self-enabling vehicles will become more sophisticated and far exceed their transportation function. And consumer-driven mobility is making it possible to deliver personalized experiences beyond the vehicle itself.

The *ecosystem* is disrupting individual enterprise growth and leading to industry expansion. Auto organizations are looking for new paths to growth, taking advantage of both new consumer expectations and new technologies while dealing with new participants and fluid industry boundaries.

Recommendations: Engaging with consumers
- Embrace the wisdom of the customer
- Deliver lifestyle choices
- Exploit your crowd

Recommendations: Embracing mobility
- Create an integrated, personalized, in-vehicle experience
- Reap value from intelligent vehicles
- Move from mobility concepts to generating revenue: Stake a claim

Recommendations: Exploiting the ecosystem
- Partner to disrupt
- Address workforce challenges through new ways to collaborate
- Profit from ecosystem changes

How can IBM help?

As a global manufacturer, IBM understands the issues that automotive enterprises face. Our automotive industry solution portfolio for product and complex system development, advanced mobility, manufacturing productivity and service excellence has been developed and continuously refined through implementations with clients around the world. It ranges from secure chip assurance to top-level business consulting. IBM has partnered with the automotive industry for many years, helping transform its organizations and create new business opportunities while satisfying customer expectations.

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Reference

1   Rishi, Sanjay, Benjamin Stanley and Kalman Gyimesi. "Automotive 2020:
    Clarity beyond the chaos." IBM Institute for Business Value. August
    2008. http://www-304.ibm.com/easyaccess/fileserve?contentid=
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