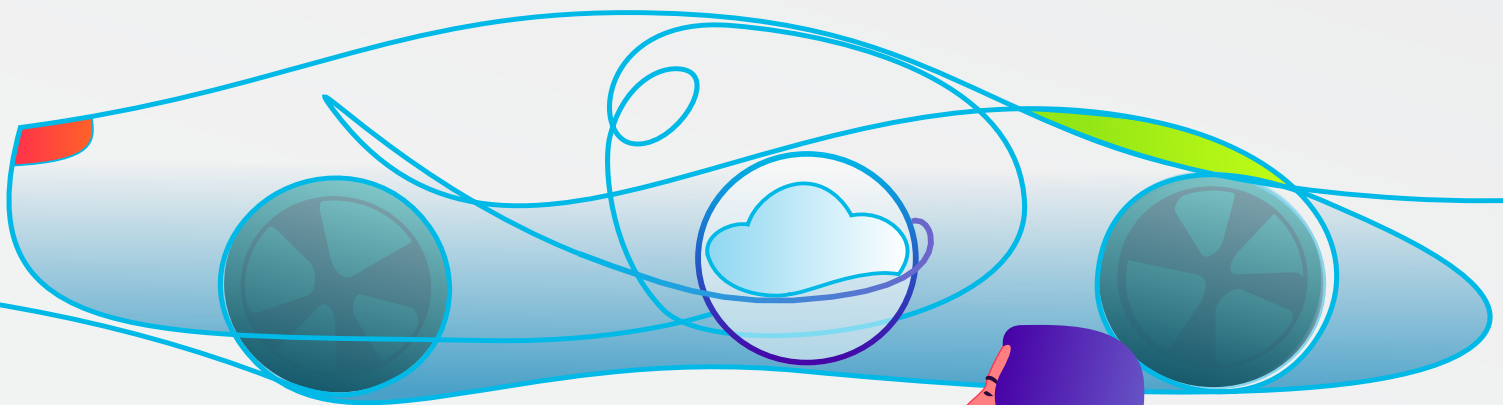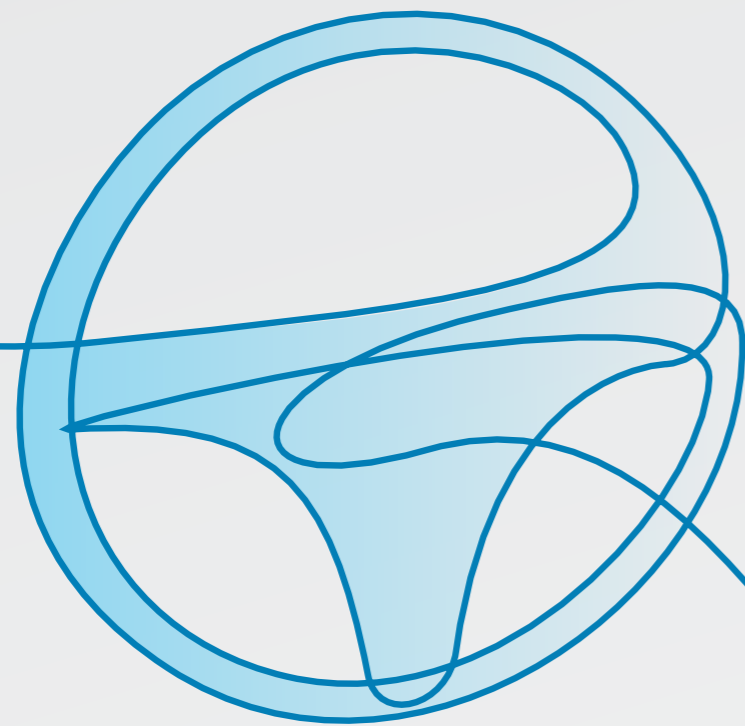# Automotive suppliers:
Driving the agenda for the connected economy

A Capgemini point of view

Summary

Market disruption in the automotive industry is presenting major challenges to everyone, including automotive suppliers. To respond adequately, those businesses should become renewable enterprises, continually rethinking their business from a customer perspective and adapting to satisfy the evolving requirements of existing and new customers. Renewable enterprises enjoy best-in-class agility, plus intelligence and proactivity, together with smart approaches to innovation.

Our industry in the 2020s:
A growing need for agility and speed

Automotive suppliers today face uncertainty in many different aspects of their business. Might any external disruptor (e.g., a pandemic) force rapid change to the supply chain? Will your company decide to acquire or merge with a competitor? Could an OEM shut down a line without notice, leaving you and your own suppliers with unwanted inventory on your hands? The possible disruptors are limitless, which is, of course, part of the challenge.

Megatrends such as connectivity, autonomy, sharing/mobility, electric vehicles, and sustainability (CASES) are jointly shaping today's industry, with an increasing emphasis on sustainability. Radical reinvention of business models, open collaboration, and sustainability-driven technology choices are urgently sought to stem the destructive impact of carbon emissions on our planet.

Technology will provide answers to many of these issues while also bringing some new ones. We are about to witness a new industrial revolution – "Industry 4.0" – fueled by the advancement of digital technologies. For manufacturing companies, the fusion of the physical and the virtual world into cyber-physical systems will disrupt every business domain, necessitating profound organizational transformation.

CASES

EXTERNAL DISRUPTORS

AUTOMOTIVE INDUSTRY TRENDS

INDUSTRY 4.0
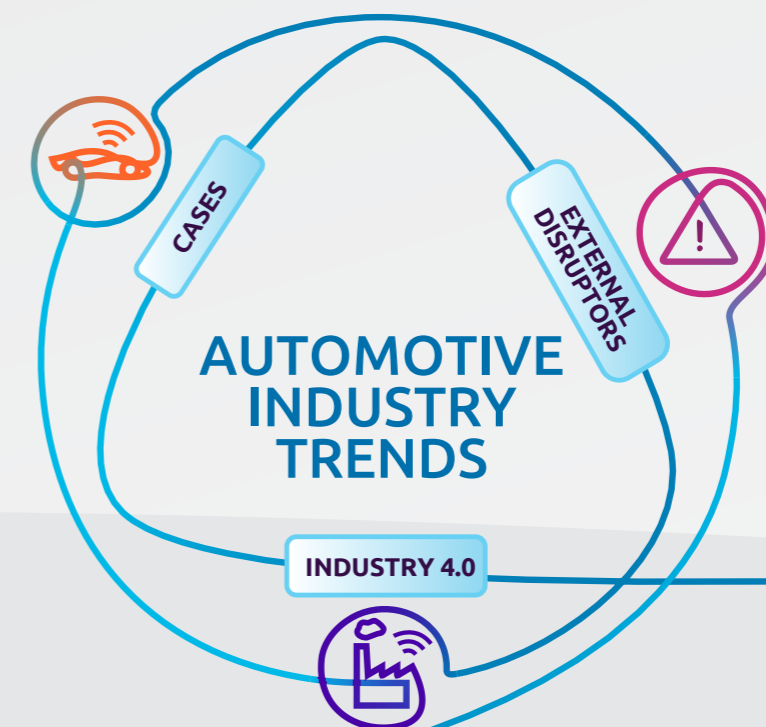
All these pressures will force extensive changes to suppliers' ways of doing business. These changes will include embracing new business models such as those relevant to connected and autonomous vehicles, serving new OEMs, and coping with new competitors, some of whom have been growing at a startling rate.

Adapting to uncertainty and megatrends brings a range of challenges for suppliers, but most of all it highlights the need for speed, both in entering new markets and in reacting to change. Without this, companies will simply no longer be able to compete. Traditionally, suppliers linked their strategic planning processes to OEM programs – typically involving two years' engineering and design of a vehicle followed by seven years of production. Now, however, they have to continuously evaluate and prioritize their opportunities to innovate, and act swiftly enough to maximize the bottom-line benefits.

Experience the renewable enterprise

To cope with these requirements, leading automotive suppliers are looking to become "renewable enterprises": organizations that can constantly grow and adapt to new and changing business environments by unleashing the power of new digital technologies. For automotive suppliers, this means continually rethinking the business from a customer perspective and adjusting fast to changing business requirements by leveraging simple cloud-based processes that reduce complexity and cost.

As a renewable enterprise, you'll have the following characteristics:

01 | Best-in-class agility so you can transform when required

You want to be able to reconfigure processes rapidly to deal with changing customer demands and market conditions. For example, you should be able to start buying supplies from a different region if your usual suppliers are temporarily shut down because of an epidemic or other disruption. In the event of mergers and acquisitions, you need a rapid way to harmonize multiple organizations' ways of working.

The more easily a company can adjust its processes, the better it can weather change and, wherever possible, seize competitive advantage.

02 | Intelligence and proactivity

You should be able to spot problems before your customers do via automated procedures that constantly monitor your business environment and flag up what you ought to know. It could be something as simple as alerting you to a late shipment or invoice, but it could also be something more subtle.

For example, if an OEM is not going to require the predicted volume of parts, perhaps because it's changed its production plans, the system should detect early signs of divergence from the schedule and warn you so that you and your own suppliers can adjust your plans. If data anomalies or inconsistencies are arising between you and a customer or supplier, the system should highlight them before they lead to a dispute. And if one of your suppliers repeatedly misses its scheduled delivery dates, a warning from the system should prompt you to adjust your data about transit times. Your tools should be intelligent enough to identify anomalies that may require action without being told what to look for.

03 | A smart approach to innovation

To stay ahead, it's vital to innovate around competitive aspects of your business while taking advantage of best-in-class processes and software for the non-competitive aspects.

An important principle here is to "keep the core clean", leveraging standard technology wherever possible so that you can effortlessly stay abreast of best practices. But you can also take advantage of existing technology in the areas where you must innovate by working with an ecosystem of excellent partners plus an integrator to help you combine their products into novel solutions. This approach gives you the innovative capabilities you want at a fraction of the cost you expect – all without changing the core.

How Capgemini and SAP can help

SAP and Capgemini are collaborating to help automotive suppliers meet all these requirements, leveraging the benefits of cloud technology. Accelerators such as systems preconfigured for automotive suppliers enable you to get up and running in just a few months, while Software-as-a-Service (SaaS) delivery greatly reduces the ongoing IT burden with no sacrifice of the rich functionality of SAP S/4HANA®.

As SAP's strategic partner for Capgemini Intelligent Assistant for Automotive (CIA4Auto), in discrete industries, Capgemini is collaborating with SAP to realize the vision of providing the #1 cloud solution for automotive suppliers of all sizes. Our two companies are co-developing industry-specific functionality for delivering SAP S/4HANA® Cloud for Automotive Suppliers. Within Capgemini, we're repackaging services so that we can affordably offer smaller and less complex businesses the same experience that our traditional client base receives.

And we are co-innovating on the SAP Business Technology Platform so that we will be able to offer many more apps there, in addition to integrating third-party ones and developing bespoke software if needed. An example of this is our Capgemini Intelligent Assistant for Automotive (CIA4Auto), AI-enabled software that constantly monitors for events happening (or not happening) within SAP, and notifies users when something needs attention, providing the all-important intelligence and proactivity they need.

For example, in the next two years, most major businesses will redefine their processes and products to deliver enhanced customer experiences with AI-based technologies. These will have derived courses of action from vast data sets of customer interaction.
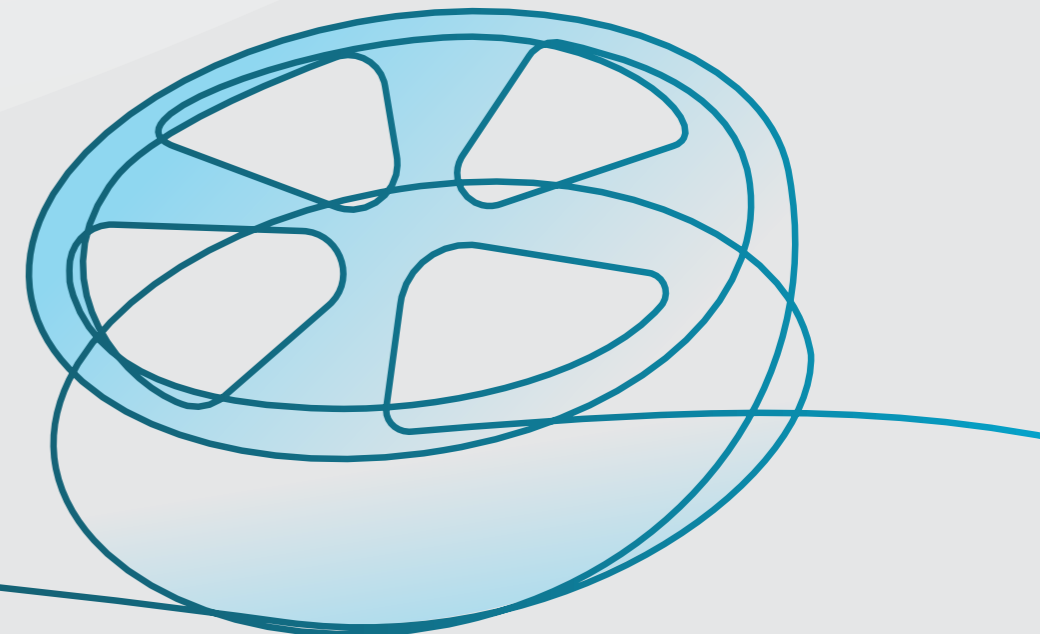
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Capgemini

Capgemini is a global leader in partnering with companies to transform and manage their business by harnessing the power of technology. The Group is guided everyday by its purpose of unleashing human energy through technology for an inclusive and sustainable future. It is a responsible and diverse organization of 270,000 team members in nearly 50 countries. With its strong 50 year heritage and deep industry expertise, Capgemini is trusted by its clients to address the entire breadth of their business needs, from strategy and design to operations, fuelled by the fast evolving and innovative world of cloud, data, AI, connectivity, software, digital engineering and platforms. The Group reported in 2020 global revenues of €16 billion.

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