

S\_HIFT\_TO\_FUTURE OF AUTOMOTIVE

# THE NEXT FRONTIER IN THE AUTOMOTIVE INDUSTRY

Creating ecosystem-driven customer experiences

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# AN INDUSTRY REVOLUTION IS IN THE MAKING

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## WHERE ARE THE OPPORTUNITIES?

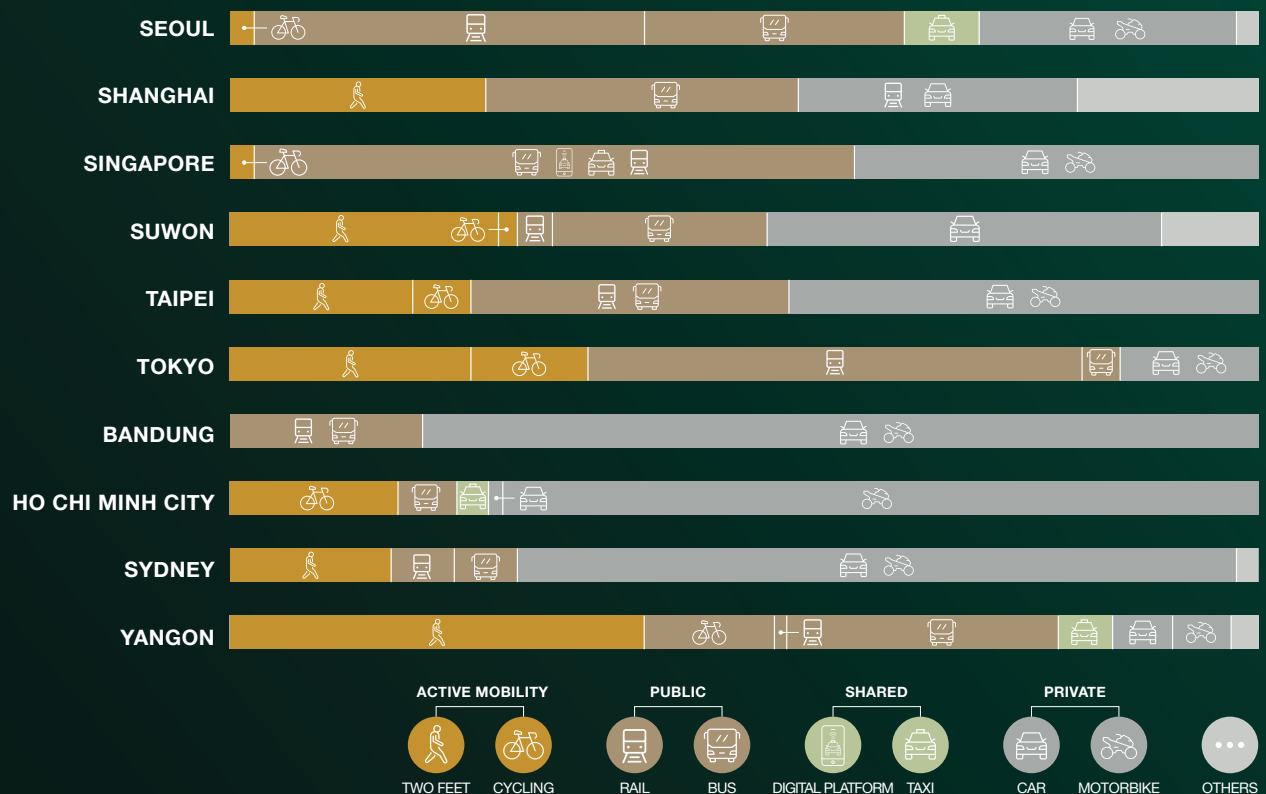
Between homes and offices most of us spend large amounts of time commuting but a growing awareness of transportation's ecological impact has triggered a shift towards public and shared transport. Automobiles continue to play a significant role in society, but one that is changing.

The entire automotive industry is witnessing massive disruption throughout the value chain. Digital technology in particular is proving the lever that is shifting the gears of transformation and driving ever more innovative customer experiences. With the car being used less for simple transport, that experience is now arguably more important than performance for the automotive industry.

A comparison of ten major cities across Asia Pacific by the Centre for LiveableCities, Singapore, in collaboration with the Urban Land Institute, Asia Pacific, corroborates this trend<sup>1</sup>.



## MODE SHARE ACROSS TEN CITIES



**Figure 1** Share of major transportation modes across ten major APAC cities  
 (Source: Centre for LiveableCities, Singapore, in collaboration with the Urban Land Institute, Asia Pacific)

The automotive industry has traditionally been a vertically integrated one. The industry faces challenges which can be translated to opportunities with a significant upturn, but this is dependent on the industry stakeholders rallying together.

The key challenges we see are:

1. Consumers are shifting from car ownership towards shared mobility models
2. Urban infrastructure in emerging economies is, of necessity, encouraging growing awareness and adoption of eco-friendly practices amongst consumers
3. Emerging digital technologies and business models are rapidly disrupting the automotive industry, driven in equal measures by incumbents, start-ups and technology players with access to inexpensive capital

Ride-sharing alone is projected to be a \$53.8 billion market by 2023 in Asia-Pacific<sup>2</sup>.

Automotive incumbents are responding, as they always have, with innovation. Previously, innovation revolved around the physical asset - the automobile itself. Increasingly automotive manufacturers have introduced layers of comfort for the drivers and passengers through ergonomic design, better controls, sensors to react to the mood of the passengers and ever-multiplying accessories. Original equipment manufacturers (OEMs) and suppliers alike, especially tier one suppliers, have faced the need to constantly innovate. Collaboration has long been understood as key to innovation.



As much as manufacturing design and process have always been and continue to be a rich potential area for collaboration there is the possibility of looking at collaboration through a new lens even earlier in the design process.

Customers are discerning. The appeal of the automobile itself, continues to play a central role in the purchase process, but as we see it the next wave of innovation will stem from digital touchpoints and technologies. Together this will deliver a mix of low-touch and no-touch experiences around the physical asset and the journey. The transformation based on digital technologies will go beyond the automobile and embed itself in the **larger day-to-day experiences** of an individual's life with frictionless movement from one aspect of the individual's daily routine to another. Fitting into and finding a place in that daily flow, demands **open communications with partners, competitors and customers** alike. Above all, it will mean a close look at new ways and means of collaborating with a whole new sector of partners.

The industry will have to adapt and complement its vertical integration with horizontal collaborations through ecosystems and partnerships. For the consumer, it is the experience that matters. The automotive industry and its stakeholders including OEMs, multi-tier suppliers, providers of allied services and mega dealers have to rethink, innovate and deliver new experiences in line with those evolving consumer expectations.

Our view is backed by expertise in working with leading players of the industry in APAC over the last few years, and our study of the trends that are emerging. What we have seen is that those learnings from the automotive sector, come in as many shapes and sizes as automobile models themselves.

In this paper, we have set out **a framework** to partner, collaborate, and innovate so as to effectively drive transformative experiences for your customers.

# ECOSYSTEMS AND EXPERIENCE CREATION

## WHAT CONSTITUTES AN ECOSYSTEM?

New business models are emerging faster than the next models of cars are being designed.

Ecosystems are major components of the emerging business models and go-to-market strategy:

- An ecosystem is a formal or informal environment where customers can move from one service or product to another seamlessly.
- Ecosystems are driven by a network effect, where more customers lead to more providers and vice-versa, creating a virtuous cycle.
- They are characterised either by formal and contractual partnerships between individual participants or informally through a platform play where all participants are equally present. In both cases, the customer gains the combined value of the ecosystem which is greater than the value provided by individual participants.

For example the travel and hospitality industry has found fertile common ground with banking.

DBS bank has partnered with Singapore Airlines, Expedia Partner Solutions and Chubb Insurance in Singapore to create one of Singapore's first travel marketplace<sup>3</sup>. The use of application programming interface (API) to integrate the different systems, and create complementary value for the customers of the bank resonates well with the bank's customers.



Figure 2 DBS Travel Marketplace

Apart from the travel marketplace, DBS has also created ecosystems around Property, Car and Electricity. In the **DBS Travel Marketplace** illustrated above, the strategic differentiation in the ecosystem build is around the ease of travel. The result is to smooth the challenges involved in travel and simplify the vast choices of destinations and properties.

# A FRAMEWORK TO DEFINE YOUR ECOSYSTEM

The first step in building an ecosystem is to identify the over-arching experience(s) that your target customers seek, which your brand can complement by fulfilling through the right partners.

Our framework to envision an ecosystem involves:

1. Identifying partners that provide strategic differentiation, market outreach, and foundational needs
2. A platform to bring all the partners together, with your brand in the central role as conductor to this orchestra

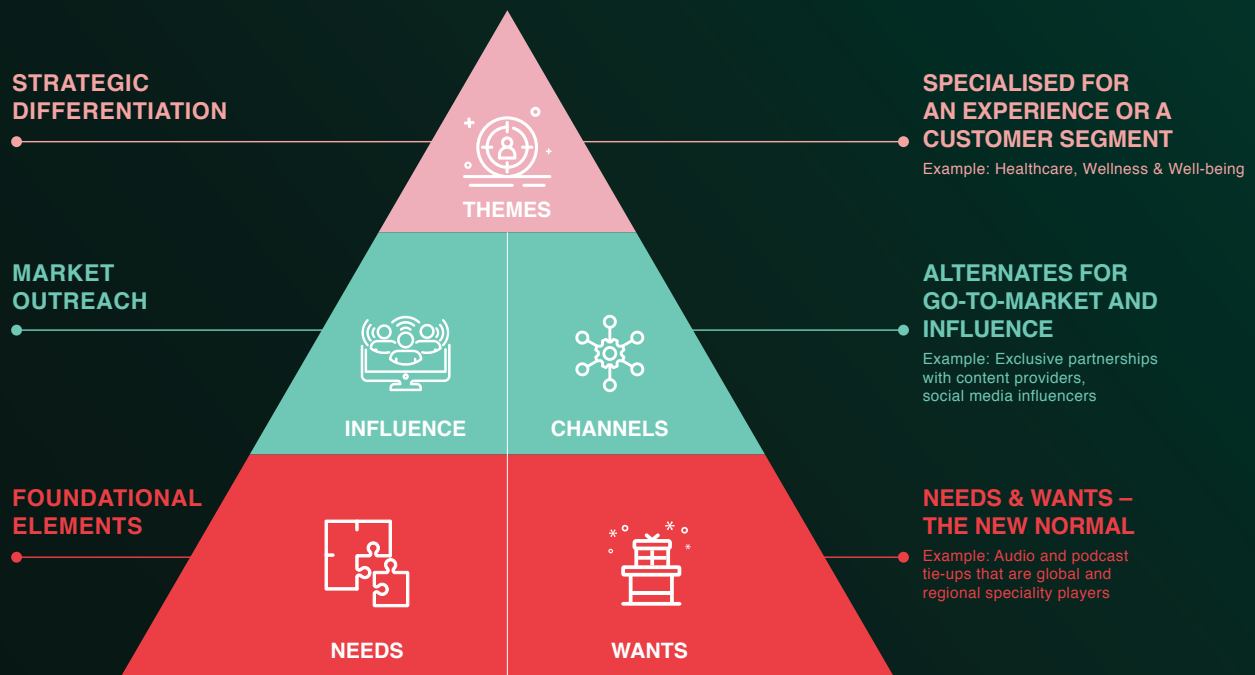


Figure 3 Ogilvy's framework for Ecosystem Partnerships

Through a combination of demographic and behavioural data analyses, an experience frame needs to be drawn out, followed by a partner search to find the exact match to fulfil it. The shared value in the ecosystem and partnerships needs to be developed for the benefit of all concerned.

The framework calls for partnerships that are strategic, and tactical. It provides market outreach and a platform for execution. Let's dive into each of those factors a little more deeply.

## STRATEGIC DIFFERENTIATION

Your brand proposition caters to the customer segments that you want to address. Customers are increasingly seeking holistic experiences that aren't always met by a single product or brand in isolation. It is imperative that you identify the extension to your brand proposition that resonates with the "themes" that your customers are interested in and aligned with. Strategic differentiation partners form the core of your ecosystem in creating that holistic offering customers are looking for.

Customer "themes" are often both complex and subtle which means that identifying them requires primary research and a profound understanding of shifting consumer trends. Primary research can be built around traditional pointers such as demographic data points but addressing the modern consumer means we also have to go beyond that to incorporate behavioural and psychographic insights.

In a world where the customer's economic firepower is on the rise, luxury is both a product and an experience to be sought out. Brands that have a luxury positioning in the automotive world are extending the theme of luxury through an ecosystem of partners. **BMW's** launch of BMW i8 in 2014 saw the brand engaging in a partnership with **Louis Vuitton** to create a tailor-made set of luggage<sup>4</sup>. Both brands capitalised on **commonalities of luxury craftsmanship and innovation**.





Mercedes-Benz believes that the power of inspired minds can shape excellence. **'She's Mercedes'** was launched as a canvas for this idea: an Inspiration Circle<sup>5</sup>. Mercedes has created an ecosystem reflective of its luxury brand, with the theme of **empowering and connecting women** to share experiences and learn from each other. To bring it to life 'She's Mercedes', the platform, was launched as a digital hub, augmented by networking events and a print magazine. The primary aim of the hub was to create a conversation. Exceptional women from different industries, inside and outside the automotive world offer insights into their personal and professional lives through a mix of formats. Recent and upcoming engagements include solo percussionist Evelyn Glennie, and racer Sophia Flörsch, who never quit despite an accident that threatened to leave her paralysed.

The strategic differentiation or theme that Mercedes-Benz worked around was female empowerment and dialogue through inspirational leaders. The theme brought this to life through customer interactions with the platform guests, a digital hub, and a physical magazine.



Pioneering brands are going beyond single moments and looking at holistic, continuous experiences for the customer. **Rolls Royce**, the iconic brand, has used lifestyle experiences as the strategic differentiation for its ecosystem. Rolls Royce's new app, Whispers<sup>6</sup>, unlocks an entire world of once-in-a-lifetime experiences that is highly personalised to each individual customer. Unlocked only when car ownership is confirmed, the app is tailored to the individual's lifestyle with a private travel concierge service that sets the standard in **customisation, privacy and exclusivity**. This combines aspirational lifestyle, status, and an ever-closer bond between the brand and the individual customer.



## MARKET OUTREACH

The traditional go-to-market in the automotive world has been through dealerships or brand-owned showrooms. Online channels both mobile and web have played a role in the digital outreach of your brand to your customers. Brand owners need to create and leverage the power of an ecosystem to find new ways to market, and that's where market outreach comes in. Market outreach's objective is not limited to commerce but focuses on the entire marketing funnel, with a larger play currently seen at the top of the funnel. An alternative approach is to be a part of a complementary ecosystem instead of investing in one's own ecosystem.

**Maserati China**<sup>7</sup> has leveraged ecosystems to engage consumers through a market outreach approach, playing where the discerning Chinese consumers are often present - Taobao and Tmall. Through this, Maserati created a seamless online to offline (O2O) experience.

On Taobao, Maserati created a gaming experience that automatically drives customers into their loyalty program, encouraging them to visit Maserati's dealerships in Shanghai and Beijing. Maserati's smart dealership recognises potential consumers from the game. Receptionist kiosks use Alibaba artificial intelligence (AI) from the game, combined with facial recognition technology to have avatars provide a personalised greeting to the consumer. The sales team are simultaneously delivered a detailed profile of the potential buyer who just walked through the door.

Using this market outreach component of the ecosystem, Maserati has found ways of moving potential customers along the marketing funnel.



## FOUNDATIONAL NEEDS

As self-driving cars steadily become more viable, automakers are also tapping into AI to transform the road trip into a wellness pod or spa experience. Part of this new automotive category of health, wellness, and well-being (HWW) includes cars that detect passengers' emotions, making timely adjustments to their environment to soothe and relax them en-route.

Following years of collaborating with tech and car manufacturers to embed its Alexa voice assistant into ecosystems, Amazon has launched Echo Auto<sup>9</sup> – its first own-brand aftermarket car accessory. It allows users to take Echo functionalities on the road, providing location-based features and connecting with compatible Echo devices at home.

The popular voice assistant will be available for download on models from the year 2018 and newer **General Motors (GM)** vehicles in the first half of next year<sup>9</sup>. With Alexa, drivers will be able to control smart home devices as well as in-vehicle features such as their phone, radio and navigation. The partnership is another step for both the automotive and tech industries to better integrate new technologies into cars to meet the demand from consumers. Data produced from the voice commands will be shared between both companies, providing another bridge to understanding the consumer and their needs.

Google, not to be left behind, has brought its assistant technology to Google Maps, and announced a new car accessory: the Roav Bolt by global tech manufacturer Anker. It makes the pairing experience between phone and car more seamless and incorporates two microphones to improve voice interaction. GM announced it was partnering with Google to install the tech giant's voice assistant and apps, including Google Maps, into GM vehicles beginning in 2021<sup>10</sup>.



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*There is justifiably a huge focus on transforming the customers driving experience through technology, but technological advances only give a limited time competitive advantage before they are replicated or leap-frogged by the competition. To truly differentiate technology needs to be in the service of your brand and strengthen the distinctive consumer proposition. It is still strong brands that outperform the market.*

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# ECOSYSTEM MACRO TRENDS IN THE INDUSTRY

## 01 IF YOU CAN'T BEAT THEM ACQUIRE THEM

Automotive OEMs and suppliers have not held back in technological leaps and experiments. The incumbents, however, cannot outpace disruption from external players. OEMs need start-ups to innovate and build on engagement through the transformation of experience.

Start-ups need access to capital and the large marketing budgets and customer base that OEMs and suppliers have. It is a win-win situation with holistic benefits for the customer that can be realised by creating an experience-driven ecosystem.

The last few years have seen automotive OEMs and suppliers proactively engage with start-ups through multiple models. These include incubators, exclusive partnerships, and of course acquisitions but also hackathons and collaborative zones. All of which populate the ecosystems we are looking to establish.



AUTOMOTIVE OEM	COMPANY INVESTED IN OR ACQUIRED	MOBILITY AREA	PARTNERS	YEAR
Toyota	MONET Technologies	Autonomous vehicles	Investments from Isuzu, Suzuki, Subaru, Daihatsu, Mazda, Honda	2019
Hyundai	Car Next Door	Ride-sharing	Steve Baxter (Shark Tank) and Caltex	2019
Hyundai	Ola Electric Mobility	Electric vehicles and charging infrastructure	Kia Motors	2019
Daimler	Flinc	Ride-sharing	–	2017
Toyota	EV Common Architecture Spirit Co.	Electric Vehicles	Mazda	2017
BMW Group, Daimler AG, Ford Motor Company, and Volkswagen Group with Audi and Porsche	Ionity	E-mobility for long distance travel	Joint Venture	2017
Daimler	Hailo	Ride-sharing	Merged with myTaxi (now called FreeNow)	2016
BMW iVentures	Zendrive	Road safety with data and analytics, Insuretech	ACME Capital, BMW iVentures, NYCA, SignalFire	2014

Figure 4 Representative view of investment activities by Automotive OEMs in the last six years

When brands can't buy the advances they seek they can set up their own innovation labs. The **Porsche Digital Lab** is an ideas factory, operational since 2016, which fosters creativity and contact with innovative potential partners, start-ups, and scientific institutions.



**ASK YOURSELF** Are there themes, experiences that specific segments of your customers are seeking, stated or unstated? Are you able to fulfil them all?

## 02 LEVERAGE SENSORS AND IOT TO CREATE NEW EXPERIENCES

Sensors have become all-pervasive. As the experiences within the car becomes more of a differentiator in the purchase process, OEMs and suppliers are multiplying the sensors in the manufacturing process.

After sales service is as critical to the car owner's experience as the ride. Planned and unplanned maintenance happens and customers welcome the opportunity for OEMs to enhance the experience. In 2016, **Jaguar Land Rover (JLR)** was part of a seed round investment in CARFIT, a start-up that combines automotive sciences, noise, vibration and harshness (NVH), and machine learning (ML). CARFIT was also part of the JLR incubator, and developed puck-shaped devices that attach to the steering wheel, brakes and wheels among other parts within the car, analysing NVH information and sending the diagnosis to an app.



*Figure 5<sup>11</sup> Partners like CARFIT in the ecosystem, help increase the vehicle's efficiency, optimise maintenance, and reduce unnecessary costs*

Suppliers have started the journey of integrating sensors and data-collection devices into their components. The capability and technology can and should be expanded to influence the driver/passenger experiences.

Integral to this is identifying how and where data originating from supplier components can be leveraged to enhance the experience. Increasingly, automakers are providing centralised control over an ever-growing set of features. The car's dashboard is the primary interface during the driving experience, with mobile apps connecting to the user's life beyond the car. Suppliers need to forge a strategy for this through discovery discussions with their OEMs.



**ASK YOURSELF** Can you find ways of collaboration with your customers, internal design teams, and those of your suppliers, for a virtuous circle for in-car experience building?

# 03 THE EXPERIENCE JOURNEY GOES BEYOND THE DRIVE – THINK END-TO-END

Increasing commute times are creating opportunities to enhance the in-car ambience, linking it to the mood of the driver and passengers. From personalisation in seat posture for ergonomics based on sensing the driver, to Emotional AI that reacts and adjusts to non-verbal cues, auto makers are leaving no stone unturned in creating the best-in-class experiences.

**Affectiva**, which was voted into the Startup Autobahn program in 2018, is one such start-up pioneering emotional AI. A demo with **Porsche** as part of Porsche's Magic Moments<sup>12</sup> concept saw cameras in the car detect the driver's positive emotional state and snap a photo or record a brief video. After the ride, the user can relive this moment through an app on her phone, allowing the Magic Moments to be shared on social media.

The innovation does not interfere with the drive, and hence addresses in-car safety issues, but does positively reinforce the experience and pleasure association through Porsche's Magic Moments.

In an autonomous driving environment - a reality in the near future - these post-drive experiences can be brought to life to create a new experience, one that is shareable with friends and a like-minded community by the user.

This is the start of a journey, where the car transforms into a wellness pod, with many more complementary experiences and services to be delivered. OEMs need to proactively partner with, or acquire such start-ups, for their intellectual property and the experience landscape they create.

**ShareNow** is another example of global partnerships.

ShareNow is the product of the merger between car2go (originally a Daimler car sharing service) and DriveNow (a BMW/Sixt car sharing service). As of 2019, ShareNow offers 20,500 cars (of which 3,200 are electric) in thirty one cities across fourteen countries, all accessible via a smartphone app<sup>13</sup>.





The partnership was further developed by creating an ecosystem in four other categories:

**FreeNow:** A ride-hailing service to compete with services like Uber, based on Daimler's former asset myTaxi

**ReachNow:** A one-stop solution for mobility, developed on an existing Daimler asset moovel.

ReachNow supports multiple modes of mobility ensuring an end-to-end journey without the hassle of ticketing, including public transport

**ParkNow:** Cashless mobile payment for public parking in cities in Germany and Austria

**ChargeNow:** A service to locate charging stations for electric cars and easy handling of payment, with access to 123,000 charging stations in Europe and Japan

All these five solutions come under the new umbrella brand YourNow<sup>14</sup>, creating the world's biggest provider of free-float car-sharing services and end-to-end urban mobility solutions.

Automotive suppliers need to re-evaluate their role in the end-to-end customer experience, and as part of a collaborative approach, they need to engage and encourage OEMs in playing a larger role. The OEMs hold the customer permission today, as the pivotal part of the experience journey. Suppliers, especially tier one, can support OEMs through better content which is seamlessly integrated into the overall OEM's conversation with the customers. To achieve that there has to be a culture of openness and trust, going beyond contractual needs, with digital content platforms easing the flow of content across corporate boundaries.



**ASK YOURSELF** What is the end-to-end customer journey that you want to build for your customers? How long before the journey and how long after the journey does it last? Do you know the moments of truth on the way?

# 04 ALLIANCES WILL SET THE PACE FOR TECHNICAL PROTOCOLS AND DATA EXCHANGE

Issues such as low network connectivity in rural areas, and by contrast high-density data in inner city roads, mean that the industry needs an easy, standard way of handling network traffic issues for the data being produced by automobiles. Simply put, the car must continue to be connected wherever the user goes in it.

This presents great opportunities:

- Availability of data creates a venue through which additional services through ecosystem partners can be delivered
- Personalisation is possible for each individual driver and passenger
- Monetisation of services on the move

Being able to offer the services with real-time or high response times either when triggered by the user, or initiated by the vehicle, is critical.

There are large alliances at play here including Volkswagen AG, Fiat-Chrysler in the United States and Toyota in Japan working to build mobility ecosystems.

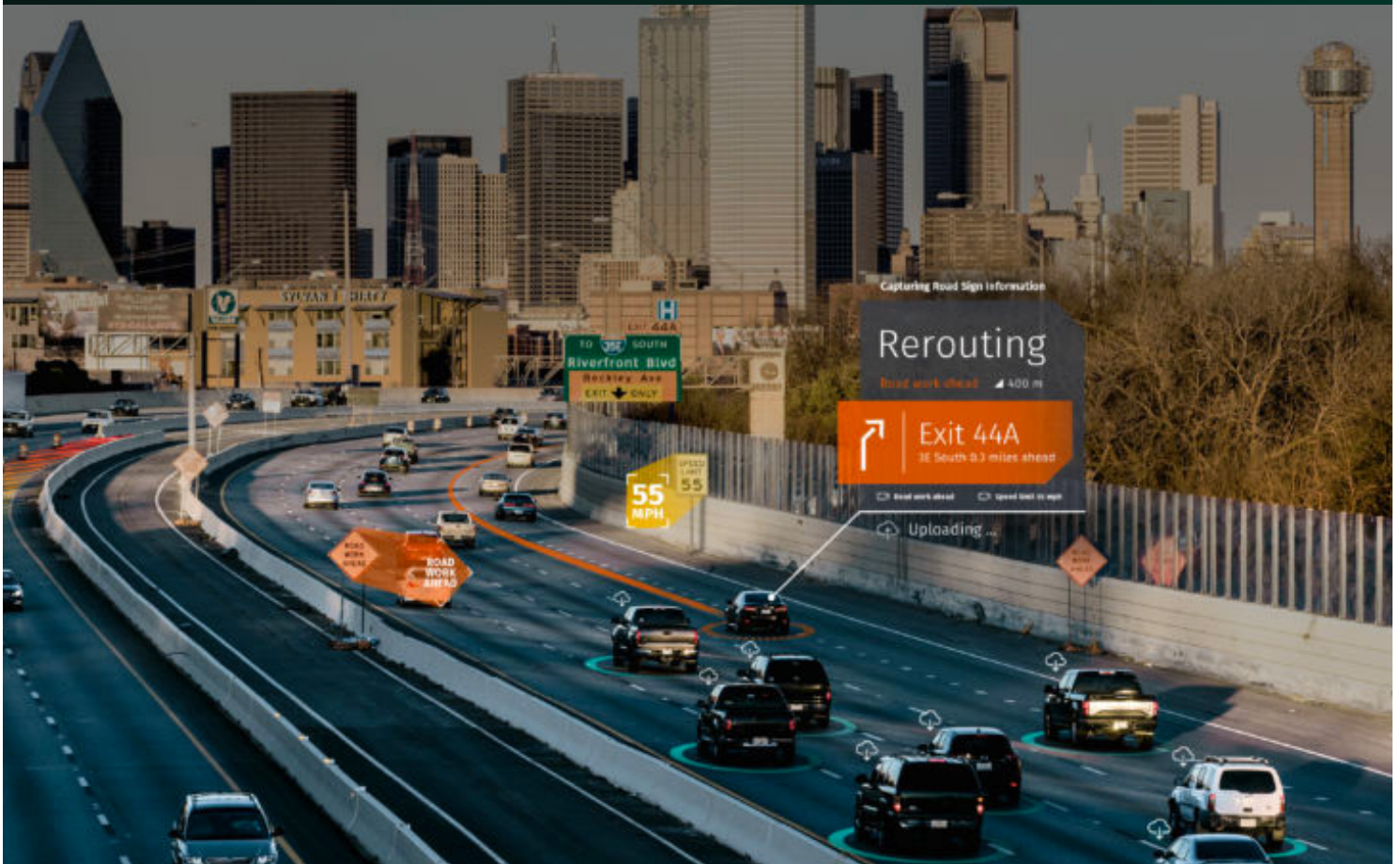
The automotive industry will face disruption unless it can cooperate with competition to create technical standards and protocols. The prize is worth the effort. Establishing these protocols will help drive new experiences based on data that other services can tap into and which will further fuel innovation in the industry.

An analogy is the telecom industry which has seen incumbents being upstaged in recent times by Over The Top (OTT) players, often leaving the incumbent as infrastructure on which true services are provided. This marks a shift in value from the telecom service provider to the OTTs who leverage the provider. The industry's response has been to acquire, or enter adjacent spaces through content, and other value-added services.

Since a majority of the experiences in the automotive industry are provided when the car is on the move the precise awareness of the location and location history is key.

The German automotive OEMs BMW, Daimler and Audi<sup>15</sup> as a consortium, are majority owners in **HERE Open Location Platform (OLP)** that provides mapping and location data, which in turn are used by companies like Garmin and Facebook to provide consumer services. Suppliers like Bosch and Pioneer are also invested in HERE, which competes with location platforms such as Google, TomTom and ESRI.

By data exchange through compatible platforms, the automotive industry can play a role in creating experiences that go beyond its industry and the car journey.



**ASK YOURSELF** Are your experiences and ecosystems, designed by data?  
How can you introduce data into the picture, if it's not already in there?

# 05 DATA MONETISATION WILL BE THE NEXT DRIVER OF REVENUE

With autonomous vehicles set to go mainstream, cars become a place for delivery and consumption of niche services that are highly personalised, and on demand. We will see more and more of the digital services that we are accustomed to at our homes and offices, being uniquely built or configured to the car environment.

Imagine Alexa, video conference capabilities, dynamic weather updates, entertainment and health & wellness. OEMs will not be able to innovate or execute all of these services unaided. They will have to identify the right set of partners, incubate, acquire or partner with them through industry standards or proprietary means, creating a new source of revenue.

Data will drive personalisation and customisation of these services, on the move. The new revenue will have to be processed through a shared value system, either real-time, or through pre-defined commercial partnership models.

With the emergence of another game-changer, 5G, cheaper edge-computing sensors will further proliferate data. As owners of the asset that the customers drive, auto OEMs are in the best position to capitalise on the new data that will be generated.

The suppliers to OEMs need not worry about their share. By incorporating sensors into their products, and partnering more closely during the vehicle design stage, suppliers will play a critical role in contributing to the data paradigm. The partnerships between suppliers and OEMs have shown signs of moving from that of a vendor relationship to one of equals, driven partially by the democratisation of data. Through OEMs, suppliers will be able to provide data-driven services to the end-customers, taking their fair slice of the shared value pie.





Figure 6 Honda Dream Drive<sup>16</sup>

Enabling payments within the car, leading to a Driving Commerce economy is soon to be a reality. Gartner<sup>17</sup> estimates there will be 250 million connected cars by 2020. Visa announced an in-car purchase feature powered by Visa Token Service. This means drivers will be able to pay for fuel and parking through smart pumps and meters from their Honda consoles in the very near future.

Voice assistants like Alexa may show the way for OEMs and suppliers, the customer journey with driving commerce in mind. Conversational commerce could mean ordering a Starbucks or a McDonald's or concierge functions such as making reservations at the driver's favourite restaurant.

**Honda** created an early integrated driver and passenger infotainment system – Honda Dream Drive<sup>18</sup> showcasing it in CES 2019. The experience was in turn based on the in-vehicle payment and Dream Drive concepts showcased by Honda in CES 2017. The experience is delivered through two apps – Honda Dream Driver: Passenger, and Honda Dream Drive: Driver. The former provides mixed reality games and movies from the passenger's mobile device. The latter makes it easy for the driver to make hands-free restaurant reservations, payments for movies, fuel and parking from the car's navigation system.

Honda enabled this part of their ecosystem through Visa and Connected Travel along with brand partnerships including Atom Tickets, Chevron, Phillips 66 and GrubHub.



**ASK YOURSELF** What is the shared economic value that you are creating through the ecosystem? Is there an easy way to measure it and attribute it to the partners? Can you measure the incremental quantified benefits it creates for your customers?

# DON'T FORGET YOUR EMPLOYEES

It's not just cars and components. Automotive players, suppliers and distributors, face some major hurdles when developing ecosystems and infusing new technology not just into cars but also into their day-to-day operations and customer experiences.

The new breed of 'Connected' executives are a younger generation aged 25-50 with a passion for making a difference, and constantly looking for improvements with an appetite for disruptive missions. They have the agility and flexibility to challenge norms and delight customers by innovating and developing next generation products. Their multifaceted capabilities are crucial for unlocking growth in technology and customer experiences.

Organisations face several options for integrating the transformation talent required to lead these initiatives. We looked at the initiative through two dimensions:

- Locus of Control - internal vs. external
- Concentration of Talent – centralised vs. distributed

The combinations lead to four potential strategies:



## ISOLATE

Something of a Skunk Works approach, this creates a digital organisation within the company and offers the chance of fresh thinking from external hires. There is a potential downside since isolated divisions can be divisive and be resented, especially over the issue of allocating resources.



## INTEGRATE

Training and redevelopment transform the entire organisation's way of working. This is a profound long-term approach which requires carefully planned change management and is dependent on the level of willingness of employees. It may be hard to marry new ways with existing culture.



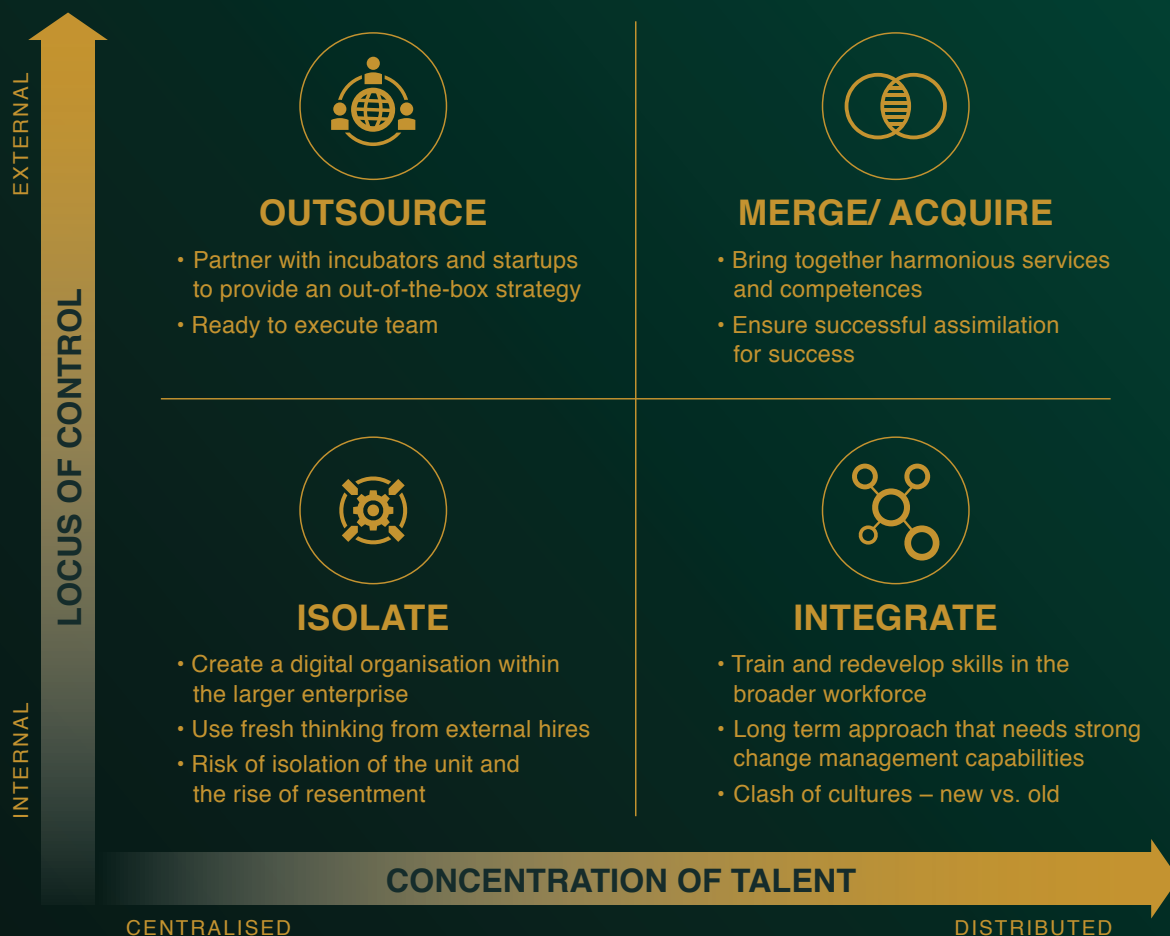
## OUTSOURCE

Partnering with incubators and start-ups provides an out-of-the-box approach with a new team ready to execute new strategy. It's a leap of faith but one that has been chosen by Renault Nissan and Mitsubishi who partnered with Microsoft Azure and many others.



## MERGE, ACQUIRE

Merging with harmonious competencies and services is a popular choice. BMW invested in Zendrive via its iVentures to bring in new competencies. Care must be taken, however, to ensure successful assimilation if the cross-fertilisation is to work.



**Figure 7** Potential strategies to incorporate new capabilities into the enterprise

There is a dearth of AI skills outside of autonomous driving and ridesharing in the automotive industry. Current employees need to upskill. Data sets aggregated by OEMs can feed algorithms to produce better results but attention must be paid to the areas of data anonymity and collaboration to get the most from AI and ML.

Leadership must imperatively understand the impact of AI on their operations and customer experiences.



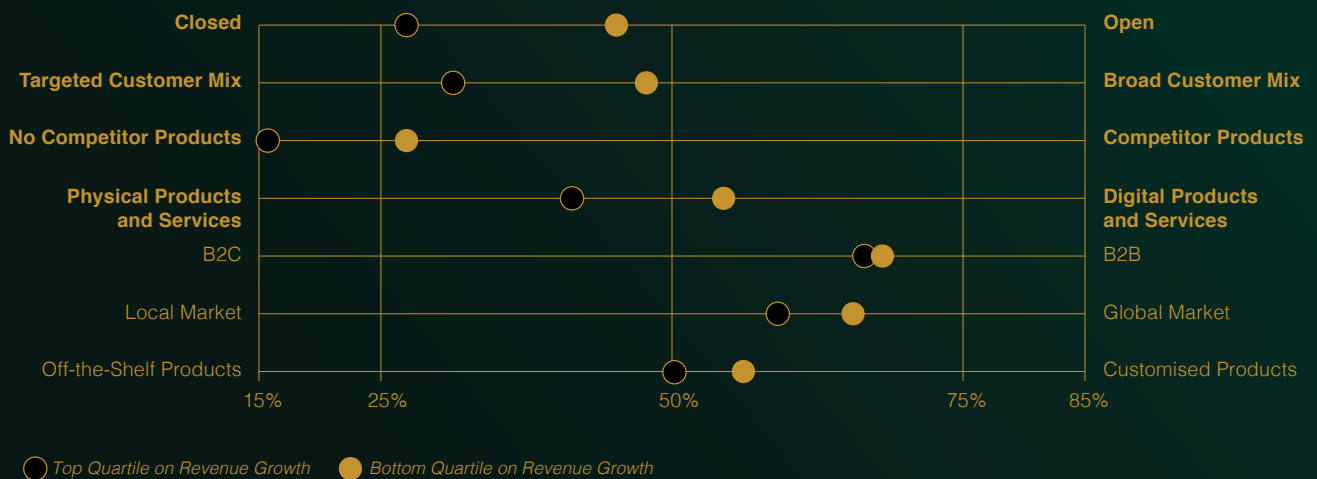
**ASK YOURSELF** What is your strategy to cope with and thrive from a never-ending cycle of change? Do you have a talent map of your existing landscape and a roadmap of where you want to get to? Are you well placed to attract new talent, upskill current talent, and retain critical skills and staff?

# A CALL TO ACTION

Building an ecosystem is complex. It involves identifying the right elements based on ever-changing consumer demands and behaviour, adding the technology that not only delivers but delights, and assembling it so that all parts of the system benefit from being in it. The rewards, however, outweigh the challenges.

Ecosystems are proven to drive higher revenue growth than those that do not adopt ecosystems and partnership models.

According to the 2017 Ecosystem<sup>19</sup> Survey, conducted by MIT CISR, there are seven key design dimensions of ecosystems. Four of these (the top four in the schematic below) play a significant role in the revenue growth of their respective companies.



**Figure 8** MIT-CISR Ecosystem Survey, n=158, 15%-85% of response scale shown

With proven economic value creation for your brand, your customers and the ecosystem, and with sufficient action in the world of automotive incumbents, start-ups and value-chain players, it's imperative to start on a path of action, at a pace that draws on your ambition, strengths & capabilities, and customer direction setting. There are paths to action and a combination of these are an ideal start.



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## KNOW AND ENHANCE YOUR CUSTOMER'S JOURNEY

Know the journey that you want your brand to take, and the themes that resonate with your target audiences.

While starting small with exclusive partnerships or commercial shared value exchanges with your initial partners is advisable, it is equally important to think of a long-term play with scalability and flexibility as supporting pillars. A good platform facilitates the long-term play, the curation of partners, and the personalisation of experiences for the customer.

Define the rules of engagement in advance and the attribution of the shared value between the partners. Most of all focus on the value being created for the customers. Designing with data, at the start of building the platform will help address the shared value issues that emerge later.

Ecosystems can be built around your brand, where you curate the partners and the customer experiences you want. Alternatively, join an ecosystem. A hybrid model must be explored too, to maximise value, while exercising caution around brand trust and the risk of dilution.

Brands should not fixate on established partners to create ecosystems or experiences. They should also look at the small players and start-ups, where many of the innovative ideas first originate.

IFTTT<sup>20</sup> (If This, Then That), a free web-based service allows the creation of chains of conditional statements, true to its name. It triggers applets based on changes that occur in other web services or apps like Gmail, Instagram, among others. IFTTT has seen success in the home automation industry and if the car is a transient home, there is no doubt of its applicability in the automotive industry.



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## ESTABLISH AND NURTURE A CULTURE THAT EMBRACES CHANGE

Technological advances are transforming the industry which means leadership teams must focus on building a strong culture of innovation across all areas of operation. This in turn raises the issue of how best to manage existing company culture to avoid friction in what has become an ever-evolving transition.

Encouraging experimentation will help ensure that teams can work seamlessly at the highest levels in both traditional divisions and new ones.

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*Many companies adopt a dual track to filling talent gaps by developing existing team members and bringing in talent from the outside. Organisations best keeping pace with the unprecedented level of change recognise that some failure in new ways of thinking is inevitable. They view this as a feature, not a bug, and actively support and reward passion for innovation and adopting new ways of thinking – from existing and new executives alike.*

”

**DAVID NAGY**

*Managing Partner, Asia Pacific,  
Industrial Practice, DHR International.*

# MEASURE SHARED VALUE AND ATTRIBUTE IT RIGHT

Data and its exchange play a critical role in the ecosystem. While the experience demanded by your customers increase in scale and scope the flow of data is restricted by inward looking policies around data and privacy in many countries. Shared value is created between any two ecosystem players, pivoting around your brand, or where you are a part of a large ecosystem.

A McKinsey<sup>21</sup> study estimates that driven by shared mobility, connectivity services, and feature upgrades, new business models could expand automotive revenue pools by about thirty percent, adding up to **\$1.5 trillion** by 2030.

In our view, the ecosystem-driven experiences contribute to all three drivers of the estimated addition to the automotive market.

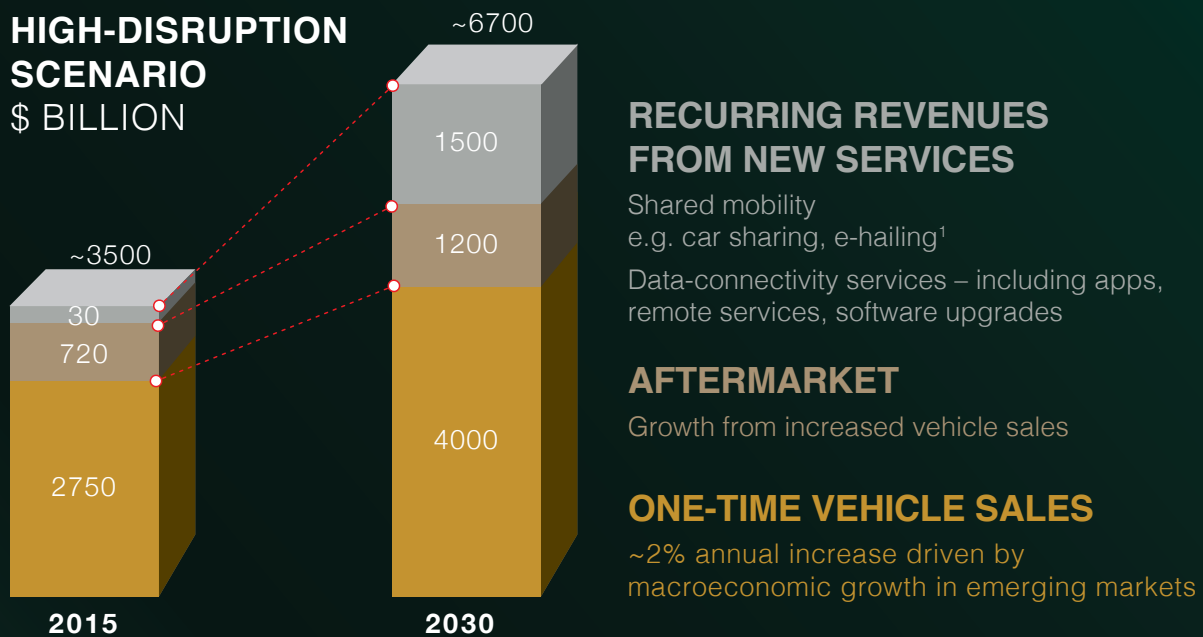


Figure 9 Automotive market revenue increase by 2030, in a high disruption scenario<sup>21</sup>

# CREATE AN API EXPERIENCE LAYER

An API and microservices strategy is fundamental for the creation of your ecosystem strategy, helping with long-term flexibility and scalability. APIs are not a technical detail but have a powerful role to play in experience creation. An API Experience Management layer helps **create personalisation in content**, form factor, and context between the consumers of the API and the providers of the services. Creating that layer makes it easier for developers to build new circuits within the customer journey with relative ease. This exponentially increases the number of experiences within the ecosystem.

Technology disruption by incumbents, players from adjacent industries and start-ups, and changing consumer behaviours in the automotive sector, have created new opportunities.

Current players have the option to build from scratch, which will be slow and capital intensive, or be a part of an environment where niche players and industry outsiders augment the value created by OEMs and suppliers.

This environment will be defined by an ecosystem play accessed by customers using low-touch and no-touch services through 'things' in the automobile, smart phones and extensions to the customer journey, like your customer's favourite coffee shop and home.



Figure 10 API Experience Layer<sup>22</sup>



With so much personal, even intimate data at play, there is also the challenge of safeguarding data privacy in a way that reassures the consumer and broadens their trust in the brand. Aside from the obvious regulatory compliance issues it is in everyone's interest to build and maintain that trust.

Extending the automobile experience into mood sensors and personal experience, not to mention driving commerce and in-car payment will only succeed if customers are entirely comfortable doing it and this includes the way their data is stored and shared.

Technology enables spectacular leaps, such as 5G networks allowing autonomous vehicles will be able to link in a peer-to-peer mode running on mesh networks providing a detailed picture of their behaviour and that of their passengers. But the human factor of ensuring consumers continue to be delighted with the experience and the brand is as important as ever and implies human sensitivity to concerns as well as needs and desires.

Innovation is as exhilarating as it is risky, but the risk can be mitigated and managed within the right framework of partnerships and platforms. The open road has never offered so much freedom and adventure, although that now takes forms far beyond the simple thrill of putting your foot down. Time to take the wheel, where you go from here is up to you.

# ABOUT

# Ogilvy Consulting

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We are the global strategy and innovation arm of the world's greatest creative network, The Ogilvy Group.

At Ogilvy Consulting, we believe in the power of brand, customer experience, data and technology to transform businesses, and drive growth. In an era of great fragmentation, brands are the connective tissue for complex organisations and global economies.

We provide Digital Transformation, Innovation and Marketing Transformation consulting, with an approach that puts your customer at the center to deliver transformation that strengthens your brand and drives growth.

# ABOUT



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Founded in 1989, DHR International is one of the largest, privately held providers of executive search solutions with over 50 wholly-owned offices spanning the globe.

DHR International's renowned consultants specialise in all industries and functions in order to provide unparalleled senior-level executive search, management assessment and succession planning services tailored to the unique qualities and specifications of our select client base. DHR International are leaders within the digital and innovation space providing strategic insight and expertise to many of the worlds largest MNCs and across Asia to some of the best known brands and organisations.

At DHR International, our mission and values are to create the best possible partnerships between our clients and candidates guided by the collaboration among our industry experts. Our success is based on the satisfaction of our clients and the growth of our candidates. We do not work on searches, we solve them.

# ABOUT S\_HIFT

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Everyone is talking about the convergence of changing technology, consumer behaviours, and workforce talent that is pushing tried and tested business models to the edge of extinction.

But what hasn't been so immediate is clarity in the boardroom. Who "owns" the technology? How do you reinvigorate, transform and rally the troops? How do you sell product in a fragmented world? How do you change a business model before it's too late? How can you plan for growth?

The digital transformation of any organisation must start in the boardroom. It is a shared responsibility that transcends functions and departments. Collaboration holds the key, and S\_HIFT is the product of two respective industry leaders doing just that.

With expertise in customer insight and brand building (Ogilvy), and talent transformation (DHR); S\_HIFT is a unique collaboration to help businesses tackle a holistic approach to digital transformation.

Our research papers and events are designed to help the C-suite clarify and simplify in a world of digital disruption. And our bespoke consulting offering helps to unify the boardroom through structured assessments and tools, which ultimately help organisations plan, implement, and deliver short, medium, and long term strategic growth.



# ABOUT OUR PATRONSHIP WITH MIT-CISR

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The MIT Center for Information Systems Research is a research center at the MIT Sloan School of Management founded in 1974.

Ogilvy is the only Creative Agency that is a research patron of MIT CISR. This patronage provides Ogilvy with a distinct advantage in helping businesses: understand, strategise, design and execute organisational, marketing and technology transformation.

Through our patronship, Ogilvy will be working with MIT CISR to develop research and strategies that defines the role and requirements of brand building in Digital Transformation. This unique research will be available to Ogilvy clients.

# APPENDIX

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- 1 <https://www.clc.gov.sg/docs/default-source/books/mobile-friendly-10-cities.pdf>
- 2 Research & Markets – Asia-Pacific Ride Hailing Market, 2017-2023
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