IT Perspective on Indian Auto Industry

20th Apr, 2011
Agenda

1. Our Perspective on the Indian Auto Industry
2. IT in Indian Auto Industry
3. Future Outlook
4. Q & A
India has a robust automotive industry that is growing strongly across segments…

Sustaining the growth momentum is the key concern for Industry players.
The industry has strong fundamental drivers, at the same time faces key competitive pressures...

**Key Drivers for growth**
- Favorable demographics
- Increasing income levels and consumerism
- Stable financial markets
- Focus on infrastructure development
- Manufacturing, IT capabilities

**Industry Trends and Challenges**
- Increasing competition in domestic market
- Evolving customer aspirations & needs
- Increasing global footprint of Indian players
- Urban congestion
- Stricter emission & safety norms

**Key Imperatives**
- Managing costs and protecting margins
- Maintaining customer loyalty and relationship across the vehicle usage cycle
- Tapping new geographies in domestic and global markets
- Developing agile and lean supply chains
- Developing a pipeline of new products aligned with evolving customer needs

IT is a critical enabler for automotive players to address these imperatives
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### Impact of Industry Evolution on IT

<table>
<thead>
<tr>
<th>Mature Market</th>
<th>Indian Auto Companies</th>
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<tbody>
<tr>
<td>Evolution over century – IT Processes and, Systems development before modern technologies were available.</td>
<td>Most of growth and IT implementation happened in last 20-25 years</td>
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<tr>
<td>OEMs, Dealers and Suppliers grew in parallel - focusing on their own processes &amp; systems.</td>
<td>OEMs have significant influence over suppliers and dealers</td>
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<td>Significant use of legacy and “one of a kind” technologies</td>
<td>Most OEMs/Tier1 have adopted ERP from inception leading to standard applications and simpler interfaces among various systems</td>
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<tr>
<td>Most of IT portfolio is built in-house and highly customized</td>
<td>Limited M&amp;A and Consolidation</td>
</tr>
<tr>
<td>M&amp;A and wider product lines – leading to increased complexities</td>
<td>Smaller product portfolios</td>
</tr>
<tr>
<td>IT Portfolio with large number platforms / applications with complex integration between disparate legacy systems.</td>
<td>Fewer applications based on modern technologies which can be supported easily</td>
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</tbody>
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### Conclusion

- IT portfolio for Indian Auto companies is leaner, standardized and modern leading to less maintenance challenges and cost.
- Small short term consulting IT engagements in the Indian Auto industry against large multi-million dollar long term IT outsourcing engagements in mature markets.
Conclusion

- IT spending of Indian Auto Industries is lower than auto industries in mature markets
- In Indian auto industry higher % of IT budget goes towards new solutions to support growth and transformation
## Current Developments and Trends

### Current Industry Developments
- Focus on increasing productivity and supply chain agility to cash in on domestic market growth
- OEMs are driving improved integration with dealers and focus on customer loyalty
- Focus on entering Mature markets - leading to M&A
- Greater collaboration & integration between OEMs & Tier 1
- Captive Finance Companies being set up by OEMs
- OEMs and Tier1 are increasing focus on Product development
- Improve productivity and sustainable quality

### IT Trends
- Business Intelligence and analytics being implemented riding on ERP technology
- Increasing investments SCM solutions
- Centralized Dealer Management System and CRM systems
- Acquisitions are increasing the IT system integration needs
- Investment in supply chain visibility solutions
- Implementations of captive finance solutions
- Implementations/Transformations of Design solutions, Engineering and PLM
- Implementation of MES solutions

## Conclusion
- Strong growth and current market developments are driving new IT investments: Supply Chain, Analytics, DMS/CRM, Warranty, Captive Finance Solutions, PLM, MES
But companies are in different level of organizational maturity and have different needs

Companies are in different level of organizational maturity

Leading to different focus areas and imperatives

Source: IBM Analysis
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IT will continue to play a major role in transforming the Indian automotive Industry in the future...

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<th>Challenges</th>
<th>Trends</th>
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<tbody>
<tr>
<td>Reaching rural / smaller towns - lack of infrastructure, cost constraints</td>
<td>Supply Chain Optimization and Real-time diagnostics</td>
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<tr>
<td>Many dealers / suppliers are still at low level of IT capability</td>
<td>Proliferation of new products and variants with increasing electronic content</td>
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<td>Power / network availability issues</td>
<td>Telematics and Telematics based services</td>
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<td>Lack of supply chain visibility – Suppliers and Distributors</td>
<td>Progress in V2X space will be limited to few specific areas e.g. ambulance interacting with traffic signals</td>
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<tr>
<td>Lack of one customer view</td>
<td>Limited progress in advance mobility and electric vehicles</td>
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<td>OEMs and Suppliers will face increasing pressure on R&amp;D,</td>
<td>M&amp;A will continue to drive integration needs</td>
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<td></td>
<td>Higher cell phone penetration will drive Mobile marketing and services</td>
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</table>
IBM’s recent studies on the Automotive industry provide a perspective on the expected industry transformation over the next 10 years…

Priority issues of today will undergo a shift by 2020

- Globalization concerns
- Economies and Markets
- Government Influences
- New Consumer

...Will Decrease in Significance

- Sustainability concerns
- Personal Mobility
- Corporate Social Responsibility
- Technology Progress

...Will Increase in Significance

…and automotive players will need to focus on new capabilities

5 Key Dimensions will shape the industry:

1. Intelligent Vehicle
2. Sophisticated Consumer
3. Dynamic Operations
4. Interdependent Ecosystems
5. Integrated Enterprise

Key Focus Areas for the Industry

1. Mobility solutions
2. Retail Innovation
3. Sales & Service Transformation
4. Partnerships across extended ecosystem
5. Seamless global execution

These trends will influence the Indian industry also as it enlarges its global footprint…
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