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# Drivers of Change in Automotive Industry



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**T**he automotive industry globally has now started getting the feel of disruptive technologies and emergent changes in mobility. While digitization, increasing automation, and new business models have revolutionized other industries, the automotive industry has no exception to such a revolution. With 30% components getting eliminated in e-vehicles vis-à-vis conventional ICE, the market for ICE components like engine and transmission will shrink over a period of time and key components/systems for EV motors and battery, charging technology, power electronics and EV software, will witness good growth. Key Drivers of Change, as a consequence, is enumerated in the trailing analysis.

Pace of disruption will be at accelerated pace, driven by new entrants, competition and collaborations. Proliferation in digitalization and innovation has empowered new competitors challenging



traditional business models leading to automakers collaborating at multiple levels – not just with suppliers and competitors, but also with players outside the ecosystem. The pace of innovation will pose challenges to the traditional automotive value chain - from value proposition to cost drivers and product life cycles.

There will be battling of own relationships amongst incumbents and disruptors across the automotive ecosystem in a digital marketplace. The pace of adoption of various mobility solutions will raise the risks for the auto industry losing its visibility of consumers, igniting discussions on customer relationship and life cycle management among automakers and retailers. While loyalty will be on growing acceptance of collaborative consumption, digital lifestyle changing preferred channels for researching, buying and consumption, will dominate attention and engagement.

Digitalization and seamless connectivity overwhelms the automotive industry's data management and process transformation capabilities, which will eventually drive Value Chain. Increasing volumes of data and sophistication of connectivity across the value chain are impacting the entire industry



ecosystem. From exploring the monetizing opportunities at the consumer end of the value chain, to transforming the workplaces by applying robotics, the potential for harnessing the power of digitalization within the auto industry is substantial. If unmanaged, this data threatens to overwhelm the automotive industry's systems and processes. Managed, it can be a major source of competitive edge.

Business plans will be on peril unless automotive companies across the ecosystem secure vital strategic resources. Innovation will be driven by non-traditional activities and disruptive market entrants will be moving in to stake their claims in emerging automotive and mobility ecosystems. Against this scenario, the strategic acquisition and management of talent, knowledge and IP are imperative in an increasingly competitive and resource-driven industry.

Global footprint will expose the automotive industry to diverse sources of unpredictability that will challenge ability to deliver results. Having established global footprint across major markets, companies across the automotive ecosystem will be challenged by local volatilities of economic uncertainty and trade dynamics. The net effect will result in a global marketplace where it is harder than ever to see around corners and plan ahead.

There will be unprecedented scrutiny from regulators like trust, compliance, governance and transparency, besides environmental challenges, Corporate Social Responsibility and Security from advocacy groups.

Digitization and disruptive technology, in its wake, will pose challenges and we have to live with it through continual innovative approach and strategy in order to survive and cherish, lest, bottom line is clear, we "perish".

