

Automotive eStrategy

The business and technological evolution of the automotive industry is driven by Internet-based innovations and related eBusiness applications. The challenge for automotive companies is to develop and implement eStrategies that capitalize on these new technological developments to develop more efficient relationships among customers, suppliers, and distributors in ways that encourage long-term loyalty and commitment.

The Network Outperforms the Supply Chain

Traditionally, the automotive industry was comprised of a series of linear relationships beginning with the manufacturer down through to the parts supplier to the transportation and distribution channels to the customer and subsequent aftermarket services. This is the typical supply chain model in which a series of pre-defined relationships are largely dictated at the start of the chain, i.e., the manufacturer.

That model is about as relevant to the reality of today's business demands as the Model T is to the minivan. What replaces the value chain is the network, a hub characterized by its ability to accommodate multiple relationships originating from any point on the traditional value chain. The Internet-enabled, interactive capabilities of the network have transformed traditional business practices by enabling:

- ❑ Personalized portals to access information on an as-needed basis (as well as the ability to restrict information on a personalized basis)
- ❑ Ability to track and build shared relationships among customers, suppliers, partners, dealers, third parties
- ❑ Better channel management of enterprise relationships via eMail inquiry/response systems, and personalized user profiles
- ❑ Diversity of access options – anyone, anytime, anywhere.

Moreover, any point in that chain can be accessible to every other point. The result is more interactive and instantaneous exchange of pertinent information that improves and speeds up the effectiveness of contingent relationships and processes.

Also radically different from the traditional supply chain is that instead of being driven from the top (i.e., the manufacturer) down, the processes performed throughout the automotive enterprise are aimed at continually determining and satisfying evolving customer-defined needs.

The Internet is driving major change in every industry, and the automotive business is certainly no exception.

Today's Automotive Network -- It's Not Your Father's Oldsmobile

Henry Ford's famous remark that you can have one of his cars in any color as long as its black exemplifies how the linear value chain used to work, with the manufacturer more or less defining the marketplace. Today, empowered by the information resources available to anyone with Internet access, consumers define not only color selection, but also features and pricing. Consumer dissatisfaction with the traditional dealer distribution system is behind the growing popularity of on-line ordering and feature customization. Companies such as Toyota are experimenting with applying the Dell computer model of building to order over the Internet to car manufacturing. Even the car itself is on-line with global navigational systems and computer relays that not only detect when a vehicle requires roadside assistance, but dispatches roadside service with a repair diagnosis in hand.

Convergence of Value and Technology

Beginning in the 1980s, the automotive industry began deploying Information Technology solutions for the same reason everyone else was: to reduce the costs of manufacturing, supply chain, overhead and inventory processes. These were for the most part, standalone systems that did not "speak" to one another.

During the 1990s, the industry capitalized upon emerging technologies – and the capabilities of the Internet in particular – to establish brand identity and distribute product information via easily navigable Web sites.

Currently, the automotive industry is increasingly relying on Internet-based technologies for:

- Pricing and Promotion
- "Personalize" the customer experience in getting product information and ordering
- Provide multiple level access to information among various components of the value change, i.e., customers, suppliers, partners, distributors
- Obtain customer feedback

The automotive industry must move from a top-down supply value chain to a customer-driven network that can nimbly identify and respond to customer needs.

