The Business of Innovation

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In-Depth Analysis  -  The State of the Automotive Industry
• Safety, Environment, Regulations, Connectivity and Mobility driving convergence of High Tech, Auto, Energy, Telco, and Public Sector

• Focus on alternative propulsion, connected and fully autonomous vehicles, new transportation & mobility solutions, and intelligent components.

• New innovations and revenues coming from CASE IoT and evolving digital eco-system

• Move away from traditional passenger vehicles driving massive restructuring (e.g. capacity, workforce)

• Customer engagement is paramount as value shifts from traditional vehicle ownership to alternative business models / shared mobility

• Marketing shifts from “product” to “brand & experience”

• Increased revenue/profit from additional services - apps, remote services, entertainment, etc.

• Growth in aftermarket opportunities from vehicle and customer behavior data (e.g. Connected Maintenance, Partner Marketing)

• Increasing partnership/competition with high tech, energy, telco, and startup companies.

• CASE driving an expansion of the eco-system to include public sector at all levels of federal, state, and local gov’t

• Convergence of auto and tech driving increased M&A/Divestiture/JV activities

• Software contribution to vehicles will likely grow to +30%

• CASE driving sweeping transformation of traditional Tier 1 suppliers

• New entrants from High Tech, Energy, and Telco

• Increasing role from tech startups

• Trade and tariff discussions continue to impact supplier and logistics costs and will do so into 2019 and possibly beyond
Detroit
+ Stable Business Model
+ Structured
+ Process Focused
+ Continuous, Incremental Improvement
  - Slow to innovate

Silicon Valley
+ New Business Models
+ Unstructured
+ Innovation / Tech Focused
+ Sea-Change
  - Disruptive
Order

+ Stable
+ Structured
+ Continuous, Incremental Improvement
  - Slow to innovate

Chaos (Potential)

+ Unstable
+ Unstructured
+ Sea-Change
  - Disruptive
Finding Dao

+ New / Sustainable Business Model
+ Structured + Flexible
+ Balanced Innovation
Success represents the 1% of your work which results from the 99% that is called failure.

Soichiro Honda
Founder, Honda Motor Company
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