



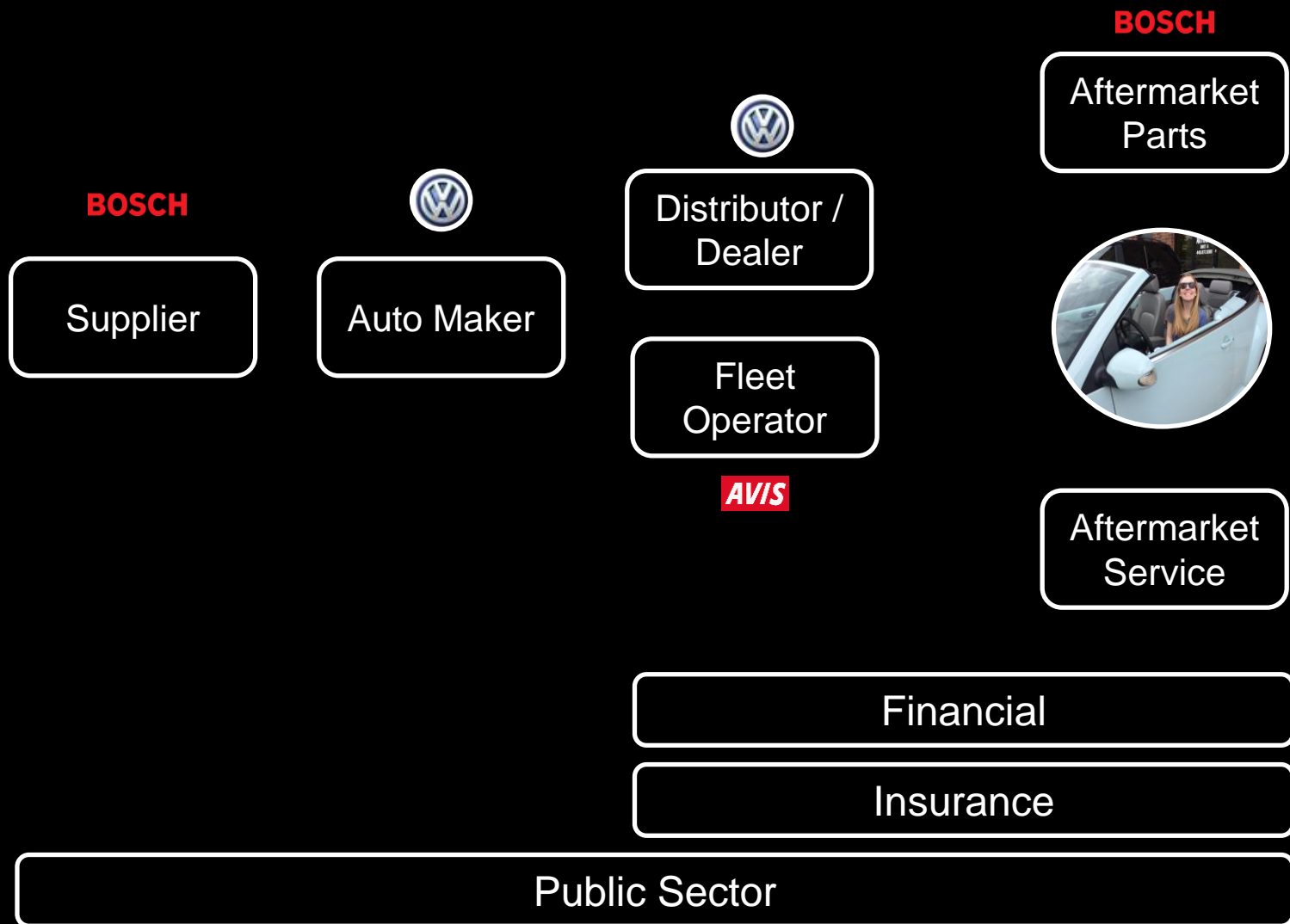
The Business of Innovation

Jim Davis,
Director – Automotive Industry Business Unit, SAP
March 5, 2019

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In-Depth Analysis - The State of the Automotive Industry



Product

- 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)

Customers

- 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)

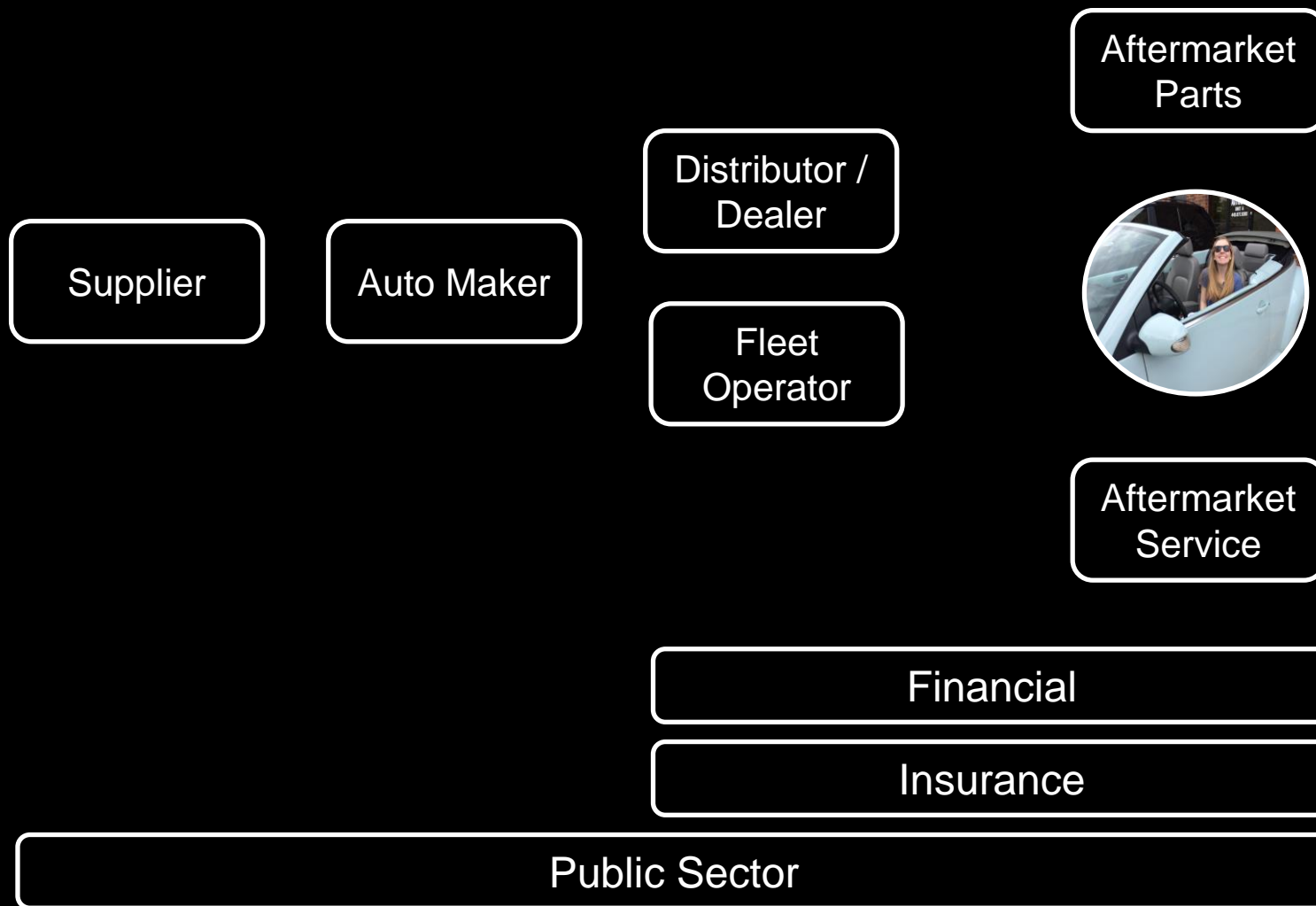
Industry Shift

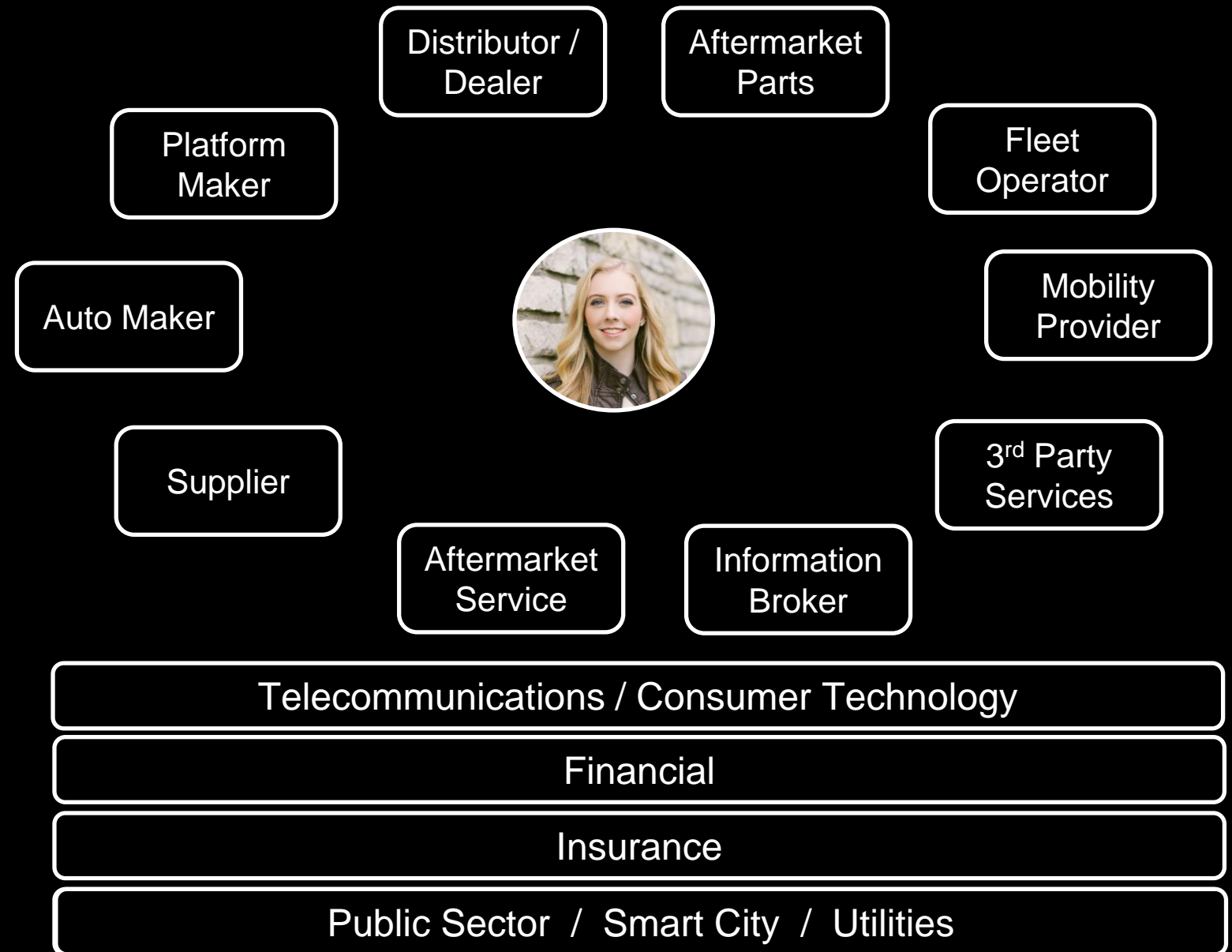
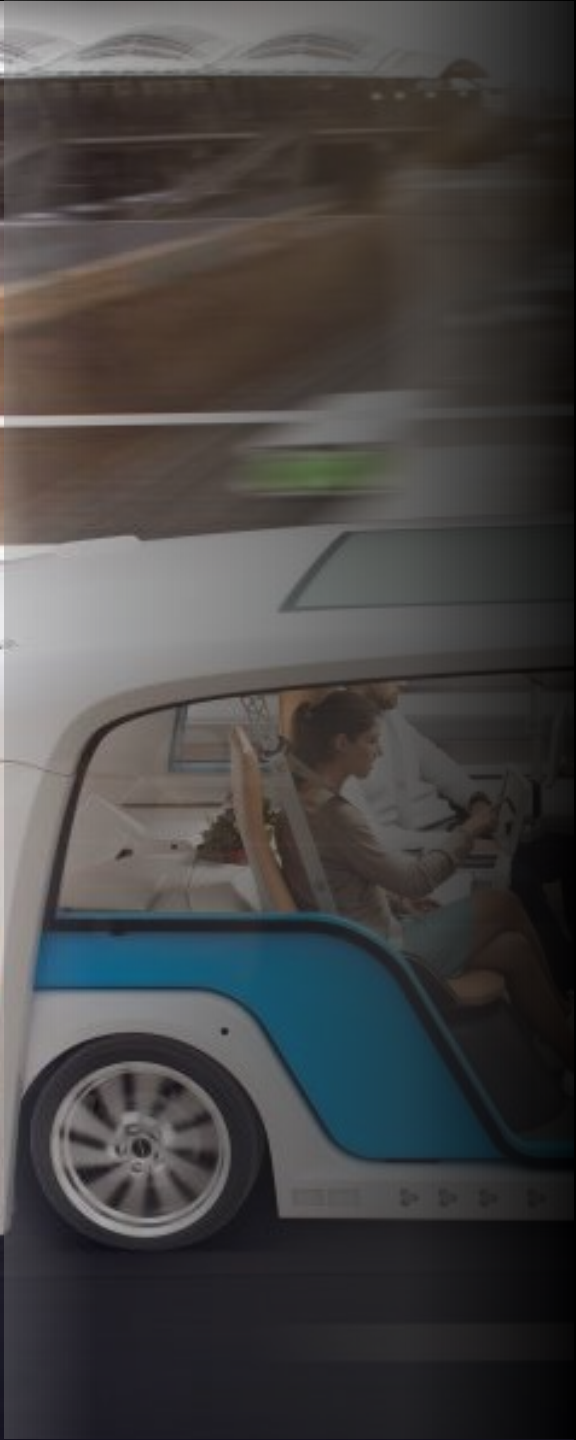
Partners

- 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

Suppliers

- 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

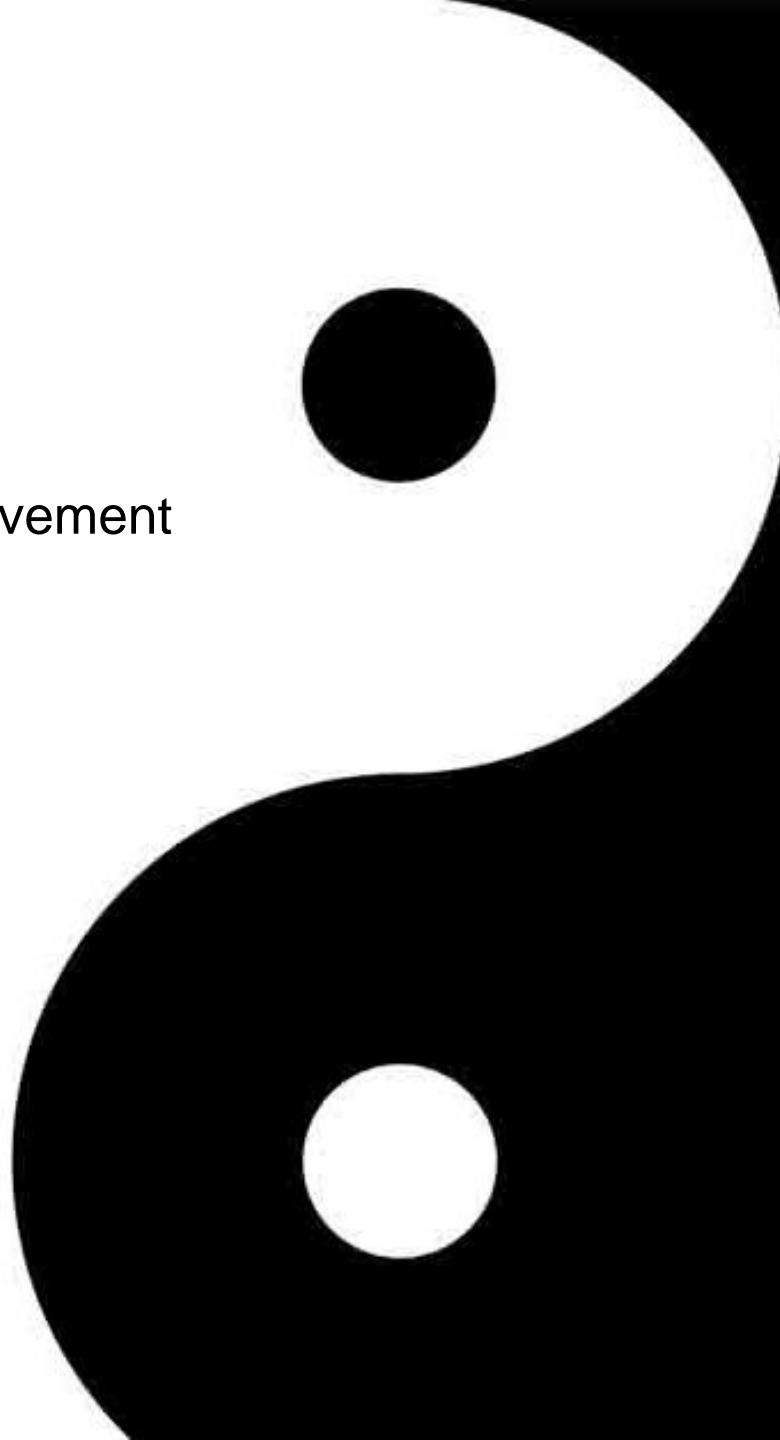
- + New Business Models
- + Unstructured
- + Innovation / Tech Focused
- + Sea-Change
- Disruptive

Order

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

Chaos (Potential)

- + Unstable
- + Unstructured
- + Sea-Change
- Disruptive





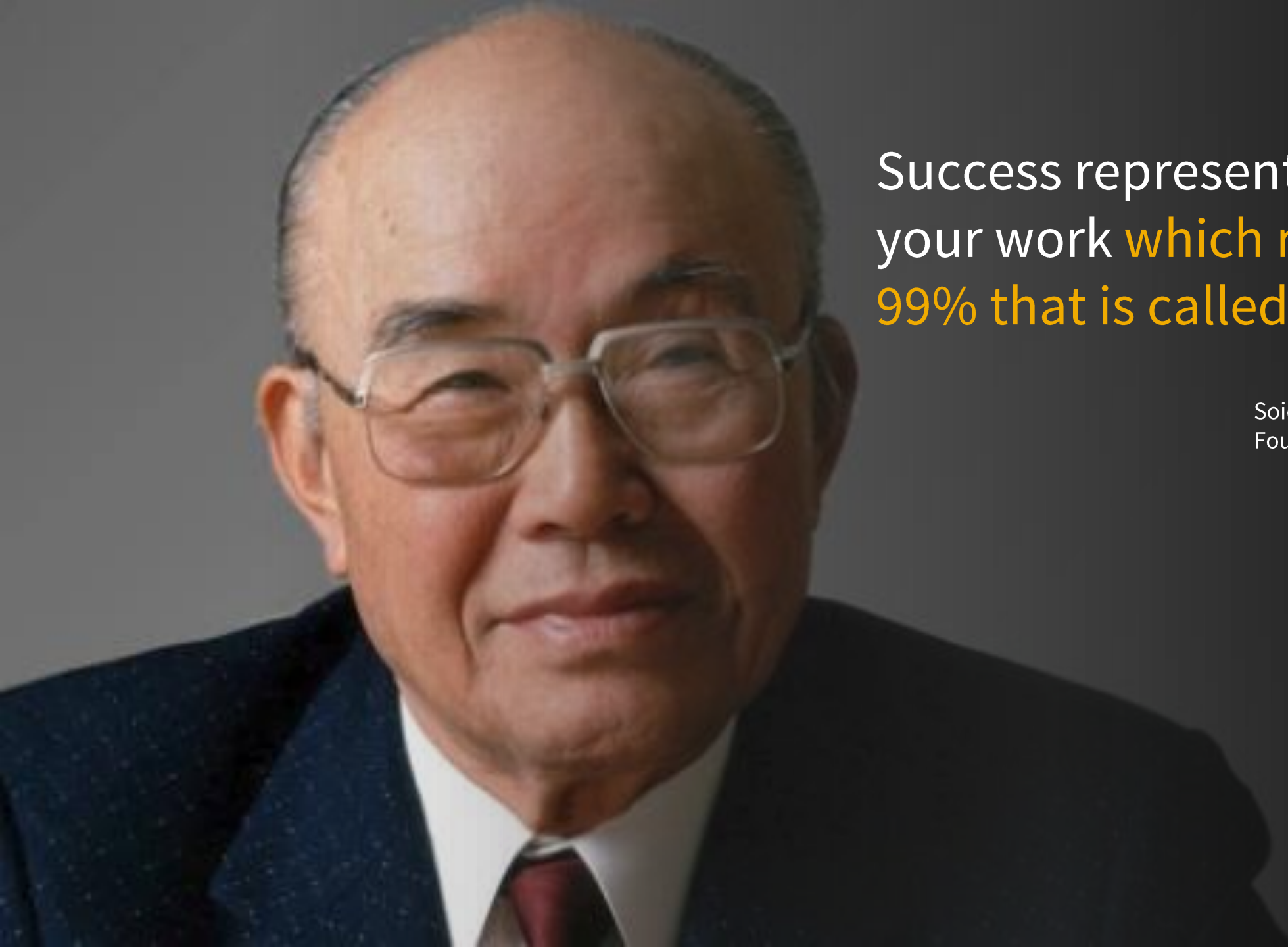
Finding Dao

- + New / Sustainable Business Model
 - + Structured + Flexible
 - + Balanced Innovation



REVERO





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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