

Reimagining automotive operations

Insights from PwC's 2015 Global Operations Survey

Automotive companies are confident their operations are designed to achieve cost and margin targets. Yet with demand patterns shifting and increased pressure to tailor products to different customer segments, how well prepared are automotive companies to realise long-term value from their operations?

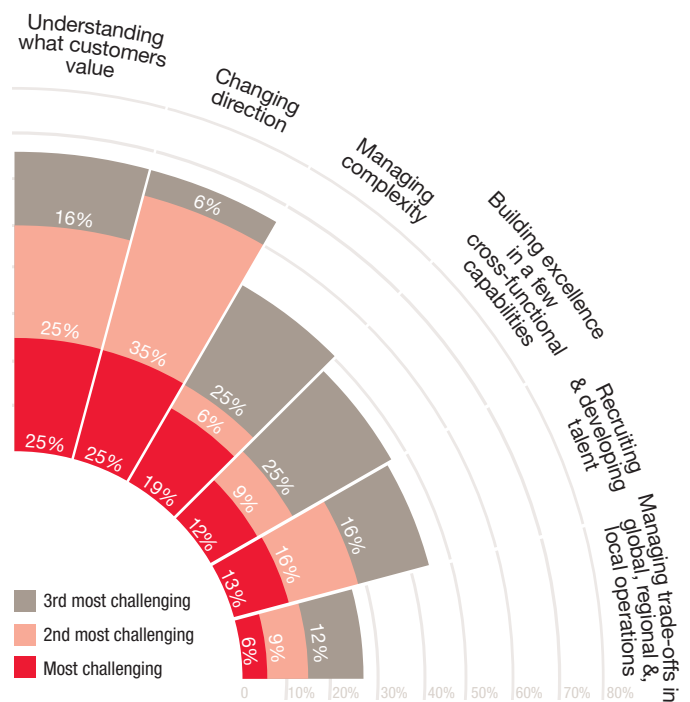
What the survey says

Changing direction in light of changing customers is key operational challenge.

Two-thirds (66%) of operations executives in the automotive industry say changing direction as markets change is a key challenge, with a quarter (25%) highlighting this as their leading operational challenge. An uneven global automotive market – with markets functioning at different levels of maturity – makes it difficult for OEMs to anticipate future demand patterns.

Related to this is the challenge of understanding exactly what customers value, which is also cited by 66% as challenging. Automotive companies require an agile and responsive supply chain to tailor their operations to meet changing demand. A growing demand to customise products according to local needs and preferences intensifies the need for agility.

Automotive companies rate changing direction and understanding what customers value as challenges.



Q: Which of the following are operations challenges for your company? I will read out six statements. Please tell me which is first, second, and third most challenging for your company.

Base: 32 automotive respondents

Source: PwC's 2015 Global Operations Survey, October 2015.



Contacts

Rick Hanna
Global automotive leader
+1 313 878 8754
richard.hanna@us.pwc.com

Felix Kuhnert
Global automotive advisory leader
+49 711 25034 3309
felix.kuhnert@de.pwc.com

Customers will be major a source of disruption.

When asked about the external factors shaping the automotive industry 81% of automotive operations executives say changing demand patterns will be a source of major disruption. A further 63% say changing customer needs will be disruptive.

The pressure for automotive businesses to react to dynamic customer demand has direct implications for operations leaders. While three quarters (72%) say their operations are designed to achieve cost and margin targets, only half (50%) agree their operations are currently designed to adapt to changing customer needs.

Flexibility considered a core operational capability.

Reimagining their operations offers one possible way forward for automotive companies. A majority (60%) of COOs acknowledge that building a set of cross-functional capabilities has the greatest potential to help them reach their strategic goals. They correctly recognise that focusing on a core set of differentiating capabilities achieves greater alignment between business strategy and operational effort.

When asked which best represents their primary approach to operations, a majority of automotive COOs (62%) say they tailor operations processes to adapt their product offerings to the needs of customer groups in different markets, for example customising vehicles to meet the needs of buyers in different geographic segments. Only one in six (16%) say they design operational processes with the primary goal of standardisation across their global portfolio. The remainder characterise their approach as an equal split of product customisation and standardisation.

What steps are automotive companies taking to build cross-functional capabilities? 63%

say their primary focus is on rewarding collaboration across functions; only 34% say they reward excellence within function (the rest say they take a balanced approach).

41% require operations leaders to participate in strategic decisions about products and services. Greater involvement here should help achieve alignment between product offerings and the operational capabilities required to deliver them.

However, only 19% say they regularly develop future executive talent by asking them to lead an operations project involving multiple functional areas.

Leading companies prioritise capability building at the enterprise level to ensure that their operations are designed to react to dynamic customer demand.

Next steps, next questions

It's an exciting time for operations leaders, who can drive their companies' destiny like never before. In our view, the more strategic companies are more likely to focus their efforts on building a few differentiating capabilities that drive competitive advantage. At the same time they work to deemphasise other activities. When thinking about how your company will transform operations to meet the needs of your customers, consider these questions:

- Given your company's business and market strategy, what capabilities does your company need to win in its chosen markets? Are these capabilities in place today? If not, how will they be developed?
- What does your assessment say about the operations capabilities you already have? Will your management team and your day-to-day operations teams agree that these are the right priorities?
- Do financial parameters, such as cost, working capital, and capital expenditures, work to support the operational capabilities your company needs to win? What may need to change for how resources are allocated to these priorities?

View all the survey data at www.pwc.com/reimagineops

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