Press contact:
Marishka Martins
Tel.: +91 9930835325
Email: marishka.martins@capgemini.com

Connected services are vital for automotive manufacturers to regain lost ground

Sustainability is becoming an increasingly important aspect of the connected services portfolio for consumers

Paris, September 09, 2020 – Original equipment manufacturers (OEMs) have an opportunity to exploit the full potential of connected services, but must act quickly as the gap between them and digital players widens. This is according to a new research report from Capgemini Invent exploring the road towards profitability for automotive connected services.

The 'Connected Vehicle Trend Radar 2', which surveyed over 3,000 customers worldwide, found that close to half (44%) of global customers do not yet have any connected services in their cars and only 51% of those that do are frequent users, meaning OEMs have yet to penetrate the connected services market effectively.

The findings suggest, that opening up the connected services portfolio to include third-party applications would be a way for manufacturers to regain pole position against their digital native counter parts: according to the report, people are already using third-party applications from major tech players, so making these accessible through their vehicle's interface is key to bringing customers, and their data, back into the fold.

Dr. Rainer Mehl, Managing Director of Manufacturing, Automotive, and Life Sciences at Capgemini Invent, explains: "Manufacturers today are burdened by legacy and tend to assume that connected services can be delivered in exactly the same way that cars are produced — by simply assembling elements from suppliers instead of working as part of an ecosystem with best-in-class partners. But losing market share in connected services means missed revenue, or worse, potentially becoming a supplier to tech companies."

Key findings of the report include:

The value of connected services

The number of connected cars is set to increase to 352 million by 2023, compared with 119.4 million connected vehicles in 2018[1]. This growth will come to be associated with a rapid proliferation of data that can be monetized to help reduce costs, optimize R&D, products and services, and limit emissions. However, to gather enough data to stay ahead, OEMs need a sizeable customer base in comparison with their tech competitors, and at present, usage levels are insufficient. Traditional manufacturers need to ensure they are targeting consumers with the services they want: out of 23 use case categories investigated in the report, safety and security-related services are valued most while in-car delivery and commerce the least. Current consumer willingness to pay for these connected services is relatively low in all categories – 39% of consumers stated that services are useful but not sufficiently developed, while another 23% were unaware of their benefits. Education will therefore play a big role in making connected tools a unique selling point.

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[1] Capgemini Invent, "Connected Vehicle Trend Radar," September 2019.

Press Release

Connectivity is a green enabler

Sustainability is becoming an increasingly important aspect of the connected services portfolio for consumers. Overall, 60% of respondents believe connected services can have a positive impact on the environment: in China specifically, 77% of people are willing to pay more for connected services targeting sustainability, while in Europe, 42% of car owners say they'd be willing to change their car brand if they knew that other brands offered sustainable connected services.

According to the report, connected services don't just offer a wide range of untapped opportunities for traditional auto players — they're critical. Digital players have recognized that a car is just another entity in a consumer's digital environment. In order to boost customer loyalty, the driving experience needs to merge seamlessly into a person's digital life. Before, the relationship between manufacturer and consumer was rarely as strong post-purchase, but now users are increasingly becoming a manufacturer's strongest asset for the future. This requires OEMs to act quickly to provide services that customers value and use.

OEMs must establish their place in the connectivity ecosystem

OEMs typically outsource activities that are beyond their core competencies and have applied a similar approach to connectivity. While these connected services have been given a seamless look and feel over time, they cannot usually be updated once the car is on the road; worse, the services currently available vary widely from model to model within a given OEM's range.

Rainer concludes, *"In the past, drivers had to make do with what they were given by manufacturers, but this monopoly no longer exists. Tech companies successfully entered the space with smartphone services and easy connections towards the car. Now OEMs need to work harder to stay relevant — especially as customers become increasingly unwilling to accept connected services that are not current or fall short of the premium."*

To read a full copy of the report and its recommendations, click here.

Research methodology

Capgemini Invent set out to explore how OEMs can make the most of connected services in terms of monetization. It surveyed more than 3,000 customers worldwide to find out their views on current services. A series of expert interviews then helped to interpret the findings.

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