

Connected Insights: Transforming data into competitive advantage



Challenges and opportunities

The automotive industry is undergoing a fundamental change that makes it imperative to innovate in order to improve customer experience and achieve profitable growth. Major enablers of innovation include data and analytics.

A central aspect of this industry change is that communication between OEMs and consumers is undergoing a digital revolution, which brings two major areas of challenge and opportunity:

- Connected Customer – the internet, social media, and mobile technologies are dramatically changing the way consumers interact with automotive companies
- Connected Vehicle – the connection between the vehicle, the driver, and the environment creates new opportunities for all market players

We believe that these challenges must be tackled through:

- Connected Insights – the use of data science and analytics to achieve fundamental change in the way OEMs interact with customers and drive their business

The thinking behind Connected Insights is that automotive companies need to start treating data like the new oil powering their industry. Like oil, data can be difficult to find and expensive to extract, but becomes a hugely valuable asset once refined. The industry currently collects little usable customer and vehicle data, but this will change dramatically in the years to come.

A lot of work needs to be done to agree issues around data management, data ownership, analytics and exploitation. Leading OEMs are already starting to create an advantage for themselves through the intelligent combination of data about the vehicle (especially connected vehicle data), customer and environment. As they move from limited customer contact to a behavior-oriented approach focusing on customer experience, and from transaction-oriented ways of working to continuous processing, these leaders know that insights are all-important.

Business value first: a strategic approach for transforming into a data-driven business

Companies can gain competitive advantage by applying analytics to customer, vehicle and environment data in order to produce insights that will help them address the changing needs of the consumer and offer relevant products and services. Doing this makes it possible to optimize existing revenue streams and identify new ones, while improving efficiency.

In order to gain the necessary insights, the companies need to consider the “big picture”, focusing strongly on business value. They should apply data science and best-practice analytics to explore the relationships between their strategic value drivers and a wide range of data from all available sources (internal and external). It makes sense to draw on best practices both from inside the automotive industry and from other sectors.

To respond effectively to disruptive changes in worldwide consumer behavior and expectations, OEMs need an innovative, technology-enabled approach. Within this new approach, the concepts of Connected Customer, Connected Vehicle and Connected Insights play essential roles, helping companies to improve customer experience and achieve profitable growth.

Connected Insights is about OEMs' need to create insights from data in order to be able to give consumers the personalized experience that they increasingly expect. To grow their business in the future, they need to use data science and analytics to transform the way they interact with their customers and drive their business.

This transformation must be strongly business-focused, and is best initiated through small-scale pilots that apply best-practice analytics to explore the relationship between data and strategic value drivers. After the pilots have proven successful and mobilized the organization, a more strategic approach to transforming to a data-driven enterprise must be developed, together with appropriate capabilities and governance. A range of accelerators and shortcuts can help with this transformation.

The first step in achieving Connected Insights should be to develop a big data and analytics strategy that is directly linked to corporate strategy. This strategy must be supported by a target technology architecture, plus a roadmap for transformation.

After defining the strategy, the next step is the careful selection of use cases to implement. This selection needs to be made based on value: i.e. the portfolio of use cases must create measurable business impact.

The third step is to establish big data and analytics capabilities. Key elements here include:

- Big data management
- Analytical techniques
- Skills and people

The last, but in some ways most important, step is to put in place the organization, operating model, and data foundations required for effective governance. Appointment of a chief data officer, definition of an overall data codex, and the establishment of an analytics insights unit are important elements here. The diagram below summarizes one such approach.

Start small, scale up: pilots that create action-oriented insights

The best way to start understanding the relationships between strategic value drivers and data is to conduct a pilot on a subset of the business's data or in a specific area. Pilots can cover customer experience, operational processes, and the business model – the three aspects that the data-driven business must focus on.

Experience shows that a pilot can quickly mobilize the business by demonstrating tangible benefits from business-led analysis generating innovative ideas. For example, by applying data science and analytics companies can discover how to improve customer loyalty (reducing the likelihood of defection to another brand), predict demand, optimize pricing, and reduce warranty claims, among other potential benefits.

From pilots, companies have gained insights into the potential for:

- Per-campaign revenue increases through targeting that is around four times more effective than before
- Cost reductions of 10% through smaller target group sizes

- Warranty claims predictions that are more than twice as accurate
- Conversion doubled or trebled due to up-sell and cross-sell

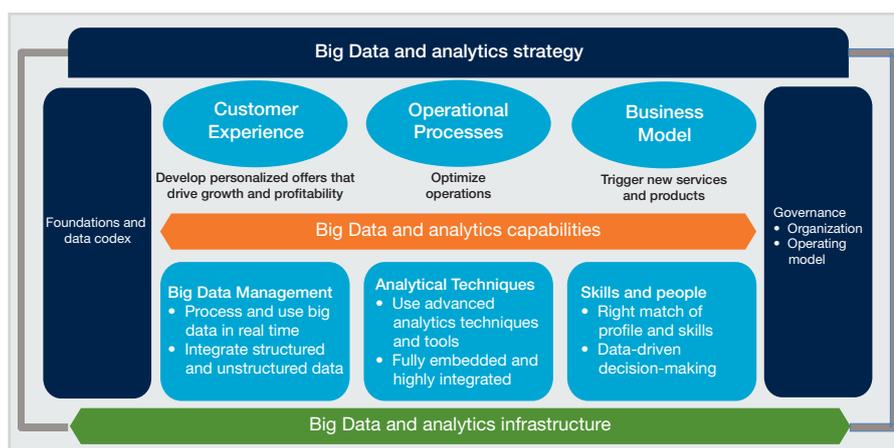
Companies can gain additional value by sharing the insights gained with importers and dealers, so that everyone in the value chain improves their performance and becomes willing to share data across traditional silos.

Despite the “quick wins” described above, pilot projects should primarily be viewed not as analytical initiatives but as business projects to prove the value of Connected Insights. Every step of a pilot should be carefully evaluated, from data discovery to live testing in the market. By building on this evaluation, pilots can be turned into scalable solutions that can enable data-driven innovation right across the company.

Capgemini and Connected Insights accelerate the journey

Through extensive industry experience, Capgemini has developed strong and unique assets to help clients achieve Connected Insights. For example, our Automotive Insights Lab supports the realization of innovative pilots with minimal IT startup costs, and enables companies to act quickly and demonstrate early successes. Our Automotive Data Hub provides additional data (e.g. market, macroeconomic, social media) that can enrich a client's internal data to create the crude oil that will power their business.

To back up these assets, we have also developed – and applied – an approach, and a range of propositions, to help clients accelerate each step of the transformation journey: first the creation and running of pilots, and then the development of the strategy and



capabilities needed to become a truly data-driven business. We help clients approach the journey to Connected Insights in three stages:

1. **Ignite:** achieve fast impact through agile realization of innovative pilots
2. **Envision:** develop a big data strategy directly linked with business strategy
3. **Enable:** establish big data and analytics capabilities



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