

Capgemini

SAP
Global
Partner



Automotive suppliers:

Adapting to volatile business environments through the power of digital

A Capgemini point of view



Summary

Market disruption in the automotive industry is presenting major challenges to everyone, including automotive suppliers. To respond adequately, those businesses should become renewable enterprises, continually rethinking their business from a customer perspective and adapting to satisfy the evolving requirements of existing and new customers. Renewable enterprises enjoy best-in-class agility, plus intelligence and proactivity, together with smart approaches to innovation.

Digital platforms plus traditional disciplines can put suppliers in the lead

The uncertainty faced by automotive suppliers in recent years shows no signs of going away. In fact, with ongoing disruptions such as semiconductor shortages and exploding raw material prices, planning is more difficult than ever.

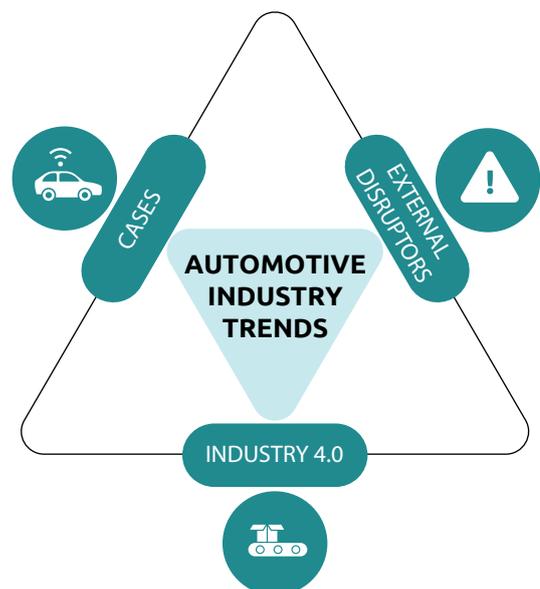
In the slightly longer term, the challenges are even greater. Major OEMs are redefining their business models around concepts such as software excellence, appropriate vehicle technology, customer centricity, and sustainability, with electric vehicles (EVs) increasingly at the heart of their strategies. Suppliers need to re-align rapidly to support the OEMs' new objectives, which means accelerating their own digitization journey.

In addition, suppliers need to get ready to serve a new type of customer exemplified by Tesla, Lucid, and Rivian. Having built their whole businesses around EVs, these relative newcomers already have completely different development cycles from traditional OEMs, and are far more agile. These differences pose huge challenges for suppliers, who need to adjust their own business models in order to be able to keep up.

These uncertainties and emerging models challenge suppliers in various ways, but most of all they highlight the need for speed, both in entering new markets and in reacting to change. Without sufficient agility, companies will simply no longer be able to compete.

Cloud technologies are essential enablers for achieving that agility. The fastest and least risky way to transition to the new business models may be via scalable Software-as-a-Service solutions that feature preconfigured, industry-specific

business processes. The winning suppliers will be those who successfully combine these new technology platforms with their traditional strengths, such as their ability to fulfil orders with consistently high quality while maintaining output levels. Achieving this alchemy will also require careful prioritization of digitization requirements, alongside continued pursuit of existing objectives such as automation and optimization of logistics and production processes.



Experience the renewable enterprise

To cope with these requirements, leading automotive suppliers are looking to become “renewable enterprises”: organizations that can constantly grow and adapt to new and changing business environments by unleashing the power of new digital technologies. For automotive suppliers, this means continually rethinking the business from a customer perspective and adjusting fast to changing business requirements by leveraging simple cloud-based processes that reduce complexity and cost.

As a renewable enterprise, you'll have the following characteristics:

01 **Best-in-class agility so you can transform when required**

You want to be able to reconfigure processes rapidly to deal with changing customer demands and market conditions. For example, you should be able to start buying supplies from a different region if your usual suppliers are temporarily shut down because of an epidemic or other disruption. In the event of mergers and acquisitions, you need a rapid way to harmonize multiple organizations' ways of working. The more easily a company can adjust its processes, the better it can weather change and, wherever possible, seize competitive advantage.

02 **Intelligence and proactivity**

You should be able to spot problems before your customers do via automated procedures that constantly monitor your business environment and flag up what you ought to know. It could be something as simple as

alerting you to a late shipment or invoice, but it could also be something more subtle.

For example, if an OEM is not going to require the predicted volume of parts, perhaps because it's changed its production plans, the system should detect early signs of divergence from the schedule and warn you so that you and your own suppliers can adjust your plans. If data anomalies or inconsistencies are arising between you and a customer or supplier, the system should highlight them before they lead to a dispute. And if one of your suppliers repeatedly misses its scheduled delivery dates, a warning from the system should prompt you to adjust your data about transit times. Your tools should be intelligent enough to identify anomalies that may require action without being told what to look for.

03 **A smart approach to innovation**

To stay ahead, it's vital to innovate around competitive aspects of your business while taking advantage of best-in-class processes and software for the non-competitive aspects. An important principle here is to “keep the core clean”, leveraging standard technology wherever possible so that you can effortlessly stay abreast of best practices. But you can also take advantage of existing technology in the areas where you must innovate by working with an ecosystem of excellent partners plus an integrator to help you combine their products into novel solutions. This approach gives you the innovative capabilities you want at a fraction of the cost you expect – all without changing the core.

How Capgemini and SAP® can help

SAP and Capgemini are collaborating to help automotive suppliers meet all these requirements, leveraging the benefits of cloud technology. Accelerators such as systems preconfigured for automotive suppliers enable you to get up and running in just a few months, while Software-as-a-Service (SaaS) delivery greatly reduces the ongoing IT burden with no sacrifice of the rich functionality of SAP S/4HANA®. As SAP's strategic partner for Capgemini Intelligent Assistant for Automotive (CIA4Auto), in discrete industries, Capgemini is collaborating with SAP to realize the vision of providing the #1 cloud solution for automotive suppliers of all sizes. Our two companies are co-developing industry-specific functionality for delivering SAP S/4HANA Cloud for Automotive Suppliers. Within Capgemini, we're repackaging services so that we can affordably offer smaller

and less complex businesses the same experience that our traditional client base receives. And we are co-innovating on the SAP Business Technology Platform so that we will be able to offer many more apps there, in addition to integrating third-party ones and developing bespoke software if needed. An example of this is our Capgemini Intelligent Assistant for Automotive (CIA4Auto), AI-enabled software that constantly monitors for events happening (or not happening) within SAP, and notifies users when something needs attention, providing the allimportant intelligence and proactivity they need. For example, in the next two years, most major businesses will redefine their processes and products to deliver enhanced customer experiences with AI-based technologies. These will have derived courses of action from vast data sets of customer interaction.



For more details contact:

Markus Winkler

EVP, Global Automotive
markus.winkler@capgemini.com

Markus Scherbaum

Program Director, Automotive
markus.scherbaum@capgemini.com

Fernando Alvarez

Member of Group Executive Committee,
Strategy & Development, Alliances
fernando.alvarez@capgemini.com

Maid Jakubović

Industry Expert Automotive
maid.jakubovic@capgemini.com

Josean Mendez

Global SAP Alliance Head,
Solution Architect
josean.mendez@capgemini.com

About Capgemini

Capgemini is a global leader in partnering with companies to transform and manage their business by harnessing the power of technology. The Group is guided everyday by its purpose of unleashing human energy through technology for an inclusive and sustainable future. It is a responsible and diverse organization of over 300,000 team members in nearly 50 countries. With its strong 50-year heritage and deep industry expertise, Capgemini is trusted by its clients to address the entire breadth of their business needs, from strategy and design to operations, fueled by the fast evolving and innovative world of cloud, data, AI, connectivity, software, digital engineering and platforms. The Group reported in 2020 global revenues of €16 billion.

Get the Future You Want | www.capgemini.com

www.capgemini.com/service/s4hc-for-automotive-suppliers/

www.capgemini.com/sap