

# Landscape Analysis: Evaluation of New Business Models for Automotive Suppliers



Tier 1 automotive suppliers (Tier 1s) need more than just innovative ideas – it's also essential to be able to identify the best business models for implementing them. Moving to a new business model is a non-trivial task, which should only be undertaken when the model is known to be viable. Landscape Analysis is a robust and proven approach to comparing different ways of using an innovation by considering how much value it can provide in each context, and assessing the capabilities it can offer in each case against requirements identified by market research. This enables Tier 1s to choose viable business models to leverage innovations and move forward with comprehensive knowledge of the conditions for success.

## Automotive suppliers need new business models

To increase margins and win new business as automotive suppliers, Tier 1s need to change to take advantage of innovation. Many suppliers are already good at thinking ahead about how to sustain competitive advantage, and are likely to have developed processes that will take a new idea from concept to product as fast as possible following a traditional business model.

However, some of today's technological concepts, such as Industry 4.0 and the Internet of Things (IoT), can best be leveraged via completely new business models. Digital trends are creating fresh opportunities for automotive suppliers – opportunities that can be a long way from the current core business. These include business-to-business-to-consumer (B2B2C) collaboration. In the future, too, suppliers may sell services in addition to products, and even sell directly to that consumer – something that will require a close understanding of the consumer. The latter change is already starting to happen, with Tier 1s like Bosch and Delphi already retailing to the aftermarket, and others hoping to get in touch with consumers via involvement in multimodal mobility solutions.

## How to make the right choice

Innovation is about more than just having an idea for a new product or service. It's necessary to identify the business

model within which it will be launched, and then plan to transform the organization effectively to mobilize around the new model.



For example, there are different ways in which suppliers can think about the future, including the vehicle-focused and passenger/driver-focused visions shown below. These do not represent alternative views of the market; rather, they are different visions of how products and services could be used. Which vision is more relevant depends on the specific product or service that a stakeholder wants to provide – and a given supplier or other stakeholder could be interested in both visions.

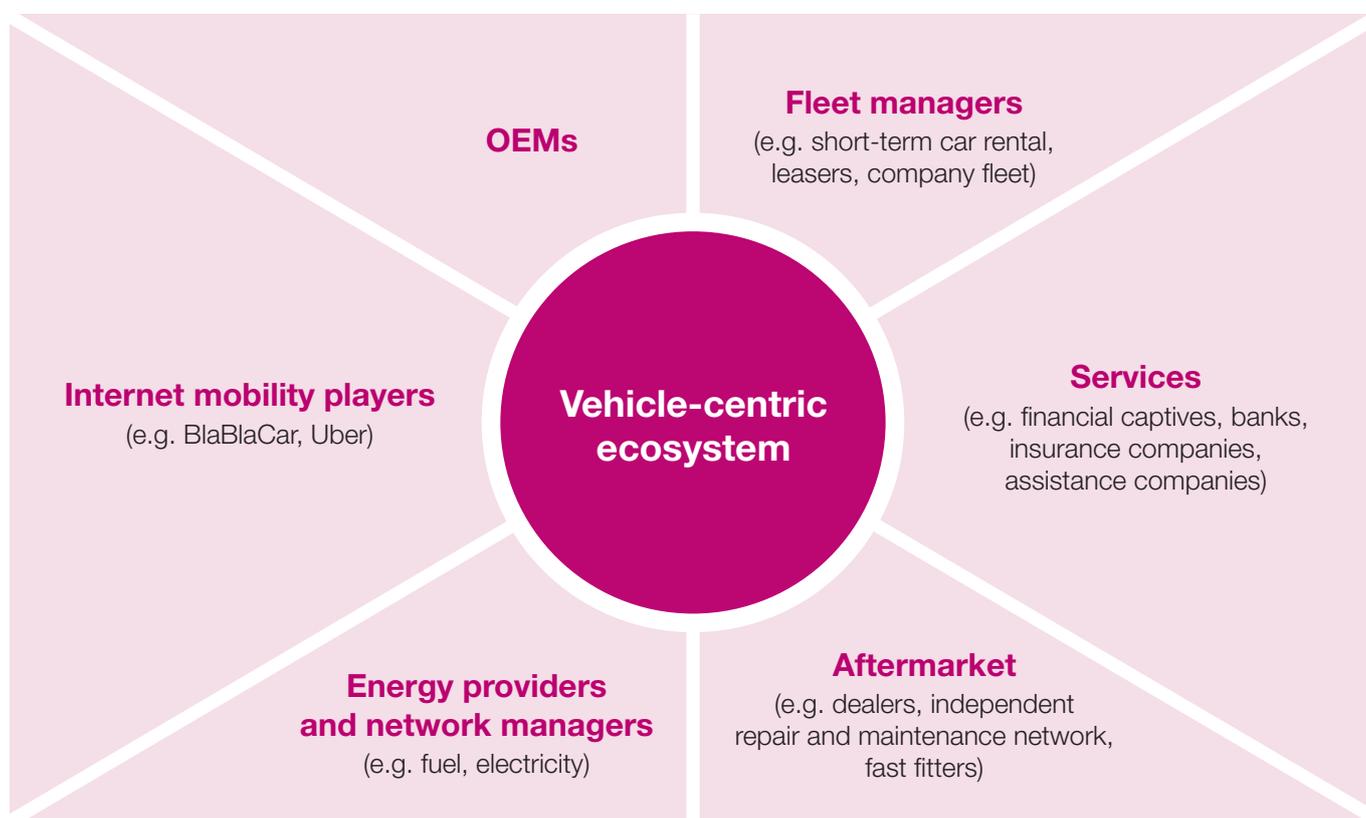
The vehicle-focused vision (figure 1) implies a need for information about the vehicle to provide a given product or service. Stakeholders who are interested in this vision include OEMs, businesses dealing with fleet management, banks and insurance companies, and those offering maintenance services – for example, Carglass in France, which offers

customers a comprehensive service that locates a convenient workshop, books an appointment, and texts them the details.

By contrast, the passenger/driver-focused vision (figure 2) is important for services that are linked to consumers rather than cars. Many automotive suppliers are very interested in this vision because they want to have direct contact with the

end-customer in order to sell them new services. At the same time, the vehicle-focused vision is also relevant for some more traditional Tier 1 offers.

Figure 1: Vehicle-focused vision



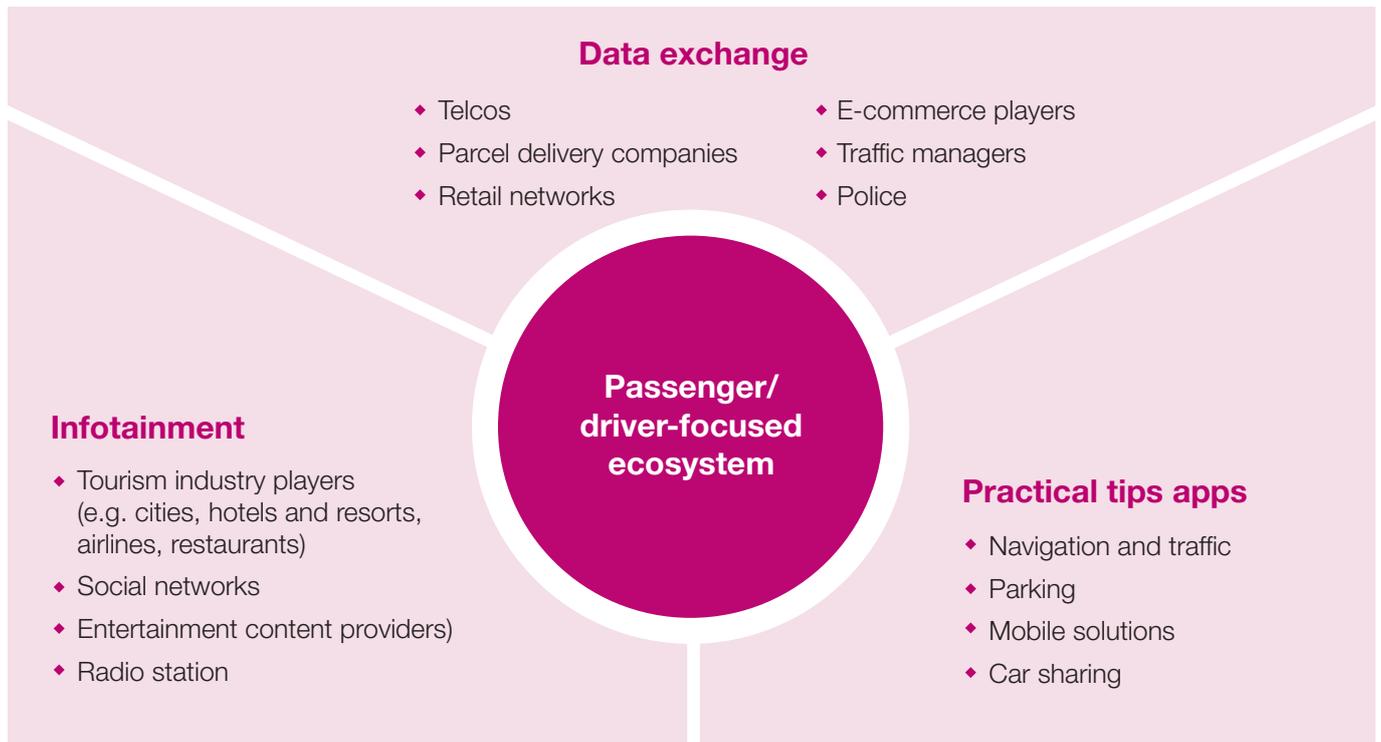
Source: Capgemini Consulting

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*Digital technologies will change the business models”*

Alex Molinaroli, CEO Johnson Controls Inc.

Figure 2: Passenger/driver-focused vision



Source: Capgemini Consulting

The choice of vehicle-centric versus passenger/driver-focused vision is just one aspect of choosing the right business model within which to launch a new product or service. There are many other choices to be made, such as the market segment and specific application.

Developing and adopting new business models is a significant undertaking. It is important to obtain stakeholder alignment and investment and to maintain momentum while dealing with a future that is constantly evolving. For these reasons it's important to make sure that the right model has been chosen before starting to move towards it.

To identify the right business model within which to exploit the new idea, it's helpful to answer questions such as:

- Does this model match macro trends in the industry?
- Is it a genuine innovation or a "me too" proposition?
- In what areas of the market could we gain a dominant position?
- What does our ecosystem say?
- What exactly is the value of this model?
- How does it compare with other potential models?

A robust, proven approach for answering these questions is needed.

## The solution: Landscape Analysis

We recommend an approach called Landscape Analysis. Its goal is to identify and qualify potential “hotspots”, i.e. possible ways in which an automotive supplier can apply an innovative product or service. The result is a shortlist of business models that can be investigated further before starting to develop them.

The typical starting point of Landscape Analysis is that a supplier has developed a new technology and is considering how to commercialize it. The supplier may have a few thoughts about how it could be applied, but not yet have determined which applications are viable, or which are the most commercially attractive.

The first step in Landscape Analysis is to research the market, including any comparable initiatives by competitors, to discover related trends, customer expectations, and unmet needs. In addition, it's important to look at the high-level industry trends currently disrupting the relevant area of the business environment. This process typically takes around three weeks. It usually identifies a number of promising segments, for each of which overall growth, turnover and profitability are analyzed. It also generates a list of hotspots – each hotspot is a potential service that applies the technology within a specified segment, and that is “hot” in the sense that it is both economically viable and a good match for market demands.

For example, one hotspot for a virtual key (see case study) could be using it within the mobility services segment to provide drivers with access to a shared vehicle. Another hotspot could be the use of the key by private citizens wanting to own and share a car jointly. These hotspots are qualified by considering whether the relevant segment has sufficient potential – i.e. whether customers would see the service as worth paying for and whether the volume of sales is sufficient to make the proposition viable in the short and long term. Having identified and qualified the hotspots, the next step is to develop a “heat map” for those that are still under consideration. This process evaluates each hotspot's value contribution and calculates its market potential based on trends, and on the size and growth of market segments. This allows an automotive supplier to understand how much value a proposed product or service would bring to each specific market. It also compares the products and services that could be offered with the consumer requirements identified earlier by interviews and market scans.

As well as characterizing each hotspot in terms of its value, impact and growth potential, the heat map identifies other conditions for success. For example, some services will only work if geolocation features are available and enabled by the consumer, while others require the consumer's consent to share information about driver behavior or vehicle characteristics.

## Case study: Valeo

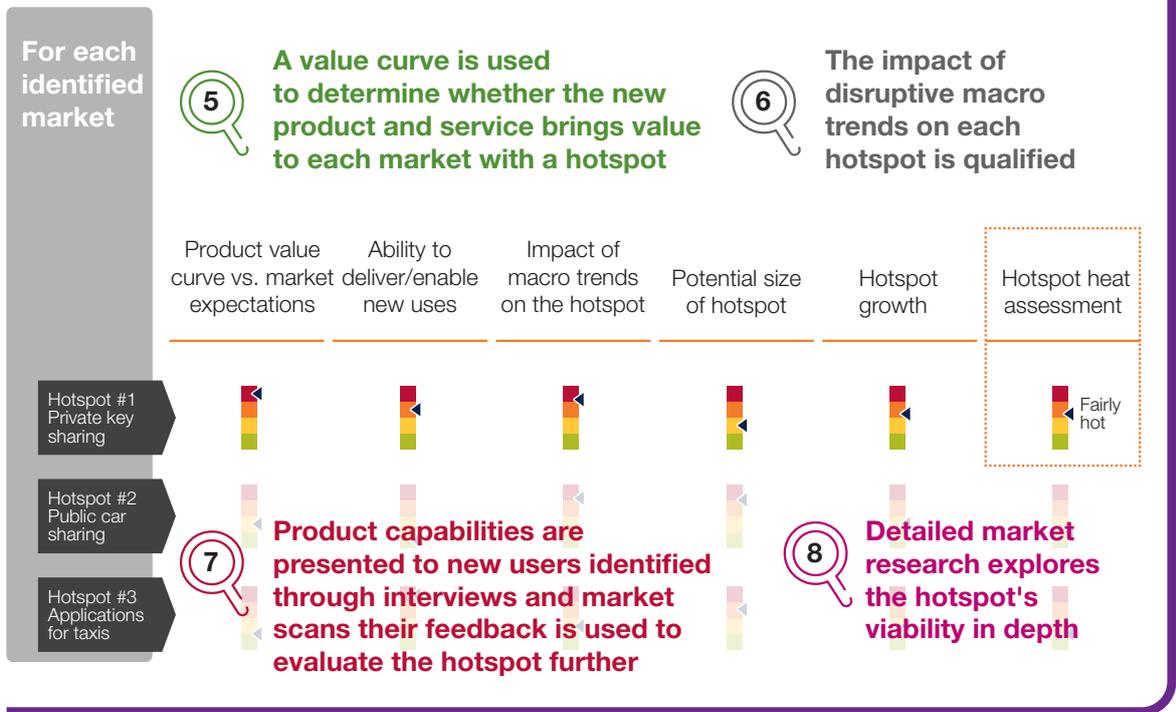
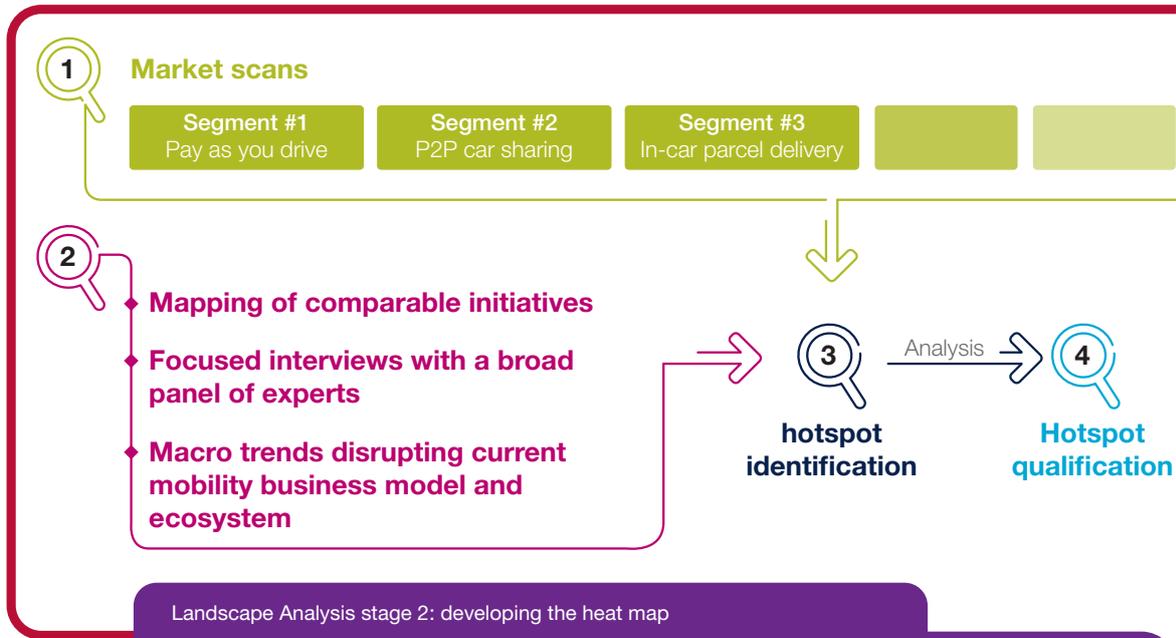
Today, drivers expect closer, easier connections with their vehicles. In response to this demand, Valeo is developing InBlue, a virtual key-sharing system that makes it possible to use a smartphone or smartwatch as a car key, and benefit from multiple remote features. This facilitates car sharing (for both private and corporate cars) while also allowing the supplier, and its partners such as fleet managers or rental companies, to collect customer information and to automate and streamline processes.

Initial analysis showed that Valeo could choose from around eight market segments (such as pay as you drive, P2P car sharing, and in-car parcel delivery) and 15 value propositions (including private use of key sharing, public car sharing, and applications for taxis.) Further analysis reduced this to seven hotspots and finally four detailed business models, on which Valeo can now focus.

As a result of Landscape Analysis, the company now knows what it needs to do to make the models viable – for example, some require location-based information to succeed. It also understands the overall value proposition better – that InBlue is the easiest way to share a vehicle without a physical key.

Valeo is now confidently adopting new business models that it knows will deliver benefits, having eliminated the risk of false starts. Thanks to Landscape Analysis, the company fully understands the business case for each model from both its own perspective and that of its customers. It also understands the conditions for success. This means it is positioned to maximize the revenue and other benefits of InBlue.

Figure 3: Landscape Analysis stage 1: identifying and qualifying hotspots



Source: Capgemini Consulting

## Benefits of Landscape Analysis

Landscape Analysis (figure 3) identifies the possible applications of a technological innovation within specific market segments, qualifies them for commercial viability, and ranks them on the basis of their value, impact and other key characteristics. This enables an automotive supplier to compare potential applications for new products objectively and select the new business models that are most commercially viable, and most attractive to the market.

Once Landscape Analysis is completed, a prioritized shortlist of the most promising business models is created. This list is supported by quantitative data about costs and benefits to obtain senior management buy-in and keep development on track by informing the wider organization about the potential business value of the new business model.

The Landscape Analysis process ensures you are aware of the conditions for success – for example, any resources required or other capabilities that need to be in place before a given business model can succeed.

Capgemini is already applying Landscape Analysis successfully with Tier 1 automotive clients. Contact us to find out more about how Landscape Analysis can help your business choose the best new business models for commercializing your technological innovations.

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