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Intelligence from the car
industry with Håkan
Samuelsson



Keys to Intelligent Industry

with Caroline Segerstéen Runervik
and Fredrik Gunnarsson

Capgemini 



E01

Intelligence from the car industry with Håkan Samuelsson

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[Guest] **Håkan Samuelsson**

[00:00:00] There's a very tough challenge now for the existing brands. They need to shape up and be leading in this transformation that is now happening.

[music]

[Host] **Caroline Segerstéen Runervik**

Great to have you with us in our first podcast, which we call Keys to Intelligent Industry. My name is Caroline Segerstéen Runverik, MD for Capgemini in Sweden. I have the pleasure to have with me Fredrik Gunnarsson, who is leading Intelligent Industry in the Nordics. Hi Fredrik!

[Host] **Fredrik Gunnarsson**

Hello, Caroline. Great to be here in this podcast to get with you.

[Host] **Caroline Segerstéen Runervik**

And now it's time for us to engage in the intelligent industry topic and see how we can make the industry even more intelligent. So welcome to Capgemini's podcast, Keys to Intelligent Industry.

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[Host] **Caroline Segerstéen Runervik**

So, Fredrik, can you explain a bit further what is intelligent industry?

[Host] **Fredrik Gunnarsson**

[00:01:07] Well, intelligent industry is on the one hand about building better and more intelligent product and services, delivering more value to customers, on the other hand, to improve internal operations such as supply chain factories, digital assets, et cetera. We can do this by truly leveraging full potential of synergies between the digital engineering worlds. It's truly amazing to see what we can achieve now with new disruptive technologies. For example, autonomous electrical vehicles in mines from AB Volvo, Scania, and Epiroc. New software enabled tools from Atlas Copco, MedTech companies, ball bearings from SKF, powered with intelligence and AI. Super exciting developments.

[Host] **Caroline Segerstéen Runervik**

And it's of course very encouraging to see also so many things that clearly have sustainability focus. So, with the new renewable energy generation. We of course also see a big need and acceleration for intelligent industry, and when we are now going to discuss the pod, we decided we of course want to invite industry leaders to share their perspectives on the market, but also when it comes to new technology and how to stay ahead of the game. So, of course it's a great privilege to start our podcast, the Keys to Intelligent Industry with you, Håkan, Håkan Samuelsson. So welcome.

[Guest] **Håkan Samuelsson**



Thank you.

[Host] **Caroline Segerstéen Runervik**

And today you are chairman of Polestar, and you have a very long background of board assignment management assignment in the largest global is Swedish companies. So, I think a lot of us are a bit curious. How, how are you spending your days nowadays?

[Guest] **Håkan Samuelsson**

Now I have a more relaxed jobs. I am in some boards, Polestar of course, and also charging company, ABB mobility. I have focused a bit around the electrification. And then I'm also investing in advising startup companies, one in wind power, offshore wind power. One in company making inverters for electric cars and, and also startup in electric truck companies. Very stimulating being with young peoples in startup companies, and the rest of the time, I'm enjoying life.

[Host] **Caroline Segerstéen Runervik**

That sounds good. I read, actually today in New York Times, China built bid, it's the Tesla killer. And you know, if go 10 years back, people were actually laughing about bid. And today I don't think anyone is laughing. And, and the big question people asking ourselves is what will happen to the European brands? Will they survive? Will we actually also see some consolidation in the market?

[Guest] **Håkan Samuelsson**

I believe we will see consolidation in the market and there is a new player coming into the market. Not only build your own dreams, which is now the biggest electric car maker in the world in volume. There are also dozen of other Chinese coming in. So, with new technology you will always see a consolidation because there's a very tough challenge now for the existing brands. It's not just putting in an electric engine into the vehicle and at the end it'll be new competitors I think is very positive for the customers at the end, it is very unpleasant for the car makers. Because they, they need to shape up and of course and be leading in this transformation that is now happening.

[Host] **Caroline Segerstéen Runervik**

Do you think that we will see more consolidation specifically in Europe?

[Guest] **Håkan Samuelsson**

Yeah, but also of course in China, I mean now there is a, a dozen of, of new players, all of them will not be global brands. So, so I mean, typically they have to consolidate, but also the present in Europe. So, I think in the transition, into electromobility, there will be consolidation also here.

[Host] **Caroline Segerstéen Runervik**

And I agree. I think it's will come a lot of positive outcomes of this and especially for, for the consumers themselves.



[Guest] **Håkan Samuelsson**

And, at the end of course, it's a consumers and it's general. Business cycle that drives everything when it's ongoing business. But then there, of course, there is a surprise element and that is new business. And, and the consumers have no idea about new business. So that market could very well, of course to follow another curve, not the, not the normal business cycle curve. And, and that's of course, one example I think is now in the car business, the electrification. Because, I mean, even if the market develops generally with a certain percent, is quite likely that electric cars will still have another growth rate.

[Host] **Caroline Segerstéen Runervik**

And then I, I need to, to ask immediately then, so isn't the electrification too slow?

[Guest] **Håkan Samuelsson**

Of course, if you are selling electric cars, you, you always think the market is too slow. I think it's not just for electric cars. All producers think that the market is too slow. So, and, and you hear this about over capacity and so on. I mean, I've heard that for, for many, many years. It's always the same story. And the electrification will come. I'm quite sure about that. But I mean, you shouldn't believe that it's always the same growth rate, five years in a row. Still the electric part of the car market, if we talk about that, is a growing segment. And the conventional cars is a shrinking segment, but it'll not be free from fluctuations. And, and, and then you should not, believe that, now the market will not electrify, no. Electric cars will come, you can discuss a bit exactly how fast will it come, but it'll come a very simple reason. One is that billions have been invested in electrification, and the second is, it is a better car for the consumers. And, and the third element is also, but that's, I don't think, unfortunately not driving the market, but it's also good for the climate.

[music]

[Host] **Caroline Segerstéen Runervik**

So, Fredrik, we've just been in Las Vegas. At this big CES event, which is sort of one of the world's largest tech events for entrepreneurs, innovations across industries. Anything you want to share?

[Host] **Fredrik Gunnarsson**

[00:08:10] I mean, there's a very strong drive towards, for example, the in-car experience is slow mic looks like spaceships. The cars nowadays, what they are demoing in the future, powered with AI. AI powered in car insistence. Honda revealed the first acquired with very strong folks on gaming out in Porsche. Owners had the first access to the Emerge Haul ride experience and et cetera, et cetera. I can go on. It's so many new features and technologies coming and what I think what's interesting is the growing commonality between the software defined electric cars on one side and the consumer electronics and consumer devices on the other side. The barriers are truly getting blurred between the different players and, and we also, on top of that, have the hyperscale's, like the AWS, Microsoft, Google coming heavily into the whole software side of the vehicle. So, I mean, in this whole context and environment, I mean, what's your view on this development and the opportunity or the headache it brings to the core manufacturers?

[Guest] **Håkan Samuelsson**



I think you are putting here focus on exactly what's coming, especially in China because I think in Europe, we believe that electrification will be just changing the propulsion unit in the car. But what consumers are expecting is really what in China call the smart car. It's not just a lot of new apps or something. It's a much better integration between your phone and your car. And I, I think the phone will be your own data and you would like that. All of that data should seamless be, just appear in your car. So, I mean, a car should be very personal in the future, but there will be a nightmare. How will I get this experience as that has to be much more simple and seamless. So, so that you, when you are in the car, you can call, you can mess, but you can also find parking, should be able to pay parking; my experience just 10 minutes ago and, and of course navigation could be even better than today. So, I mean, you, you really would have a very personal experience of your car and immediately if you change car. You get a new model; it'll immediately turn into your personal car because your phone is totally integrated in the car. I think that is what you saw there in Las Vegas that is really needed. And then you will have a car of the future.

[Host] **Fredrik Gunnarsson**

Are we going in the right direction or the car manufacturer is developing that way?

[Guest] **Håkan Samuelsson**

Yes, I think so. And the competition will challenge. All of the established brands, because here, of course, if you start from scratch, it's easier. You, you have a totally different architecture in the car, and you have no luggage that drags you down or drags your back.

[Host] **Fredrik Gunnarsson**

How do you, as an established car maker, then manage this situation? How do you cope with the development?

[Guest] **Håkan Samuelsson**

Now it's a very difficult thing to try to think out of the box when it comes to electrification and, and the new digital systems you need and do that inside the company. And I think as at Volvo, we had that thinking and that was one of the reasons we established Polestar as having people that would be more free to think into the new world and not bother about, about the conventional business, which is of course so important for, for a company.

[Host] **Caroline Segerstéen Runervik**

One thing is, as you say, start a greenfield operations at the site because of course it's, it demands a lot when it comes to new competencies and so how have you during your years? Being able to really secure that you are on top of what will come that is new and given enough freedom in the organization. To try out what is new.

[Guest] **Håkan Samuelsson**

You need new, new people of course, coming from other businesses and it's really two challenges. The car industry. One is digital development in the car today. That is driven and made by suppliers. So, the development also follows the supply chain, and the gearbox has its own control. The climate control has its control unit and so on, and they come all from very competent and, and good suppliers, and that they, and you end up with a hundred or up to 200 CPUs in the car and, and in the future, I think you need to integrate



that and develop much more by yourself. And this is, of course, a challenge. You don't have these people on board. The other is coming closer to the consumer is also a challenge for the established car makers because they are factories and wholesalers. The real competence to, to meet, customers you have in dealerships, and then often they want to, now let's do direct sales and then reach out to the customers directly. I think that challenge has been underestimated. That is something that the dealers know and you need to build up that competence. Then inside the company, you need to invest. New people and a lot of money to learn this, but that is exactly what is needed to remain in business in the future.

[Host] **Caroline Segerstéen Runervik**

But maybe a question to you, Fredrik, working in the sort of middle field between IT and OT. So, what is the competence and the capabilities you are seeing are so key when we work with, with the different industry players?

[Host] **Fredrik Gunnarsson**

For this transformation, as we were saying, Håkan, you are unboxing things which are coming from others, so you need end-to-end competence almost down into silicon engineering level, down on the chip level, down to the architecture, the software development, up to the customer experience in car experience. And we've seen that in so many other industries building that end-to-end competence and your own development capability is so key, but it's hard. And as you say, there's a lot of people needed. There's a rumor saying there are thousands of people working just with silicon engineering at Tesla, and will the car makers have that bandwidth and the muscles to build that kind of competencies in house?

[Guest] **Håkan Samuelsson**

I think they need to do that. If you take it a bit more general, I think not just the car industry. A lot of, we discuss this a lot also in, in ABB and charging is you are focused around the product and hardware. You are very good. You have your factories; you can build that. If you now see the supply chain, I think the development will be, you have to go upstream. To know about the consumers and, and work with consumers directly. And then you need also to go in the other direction and really develop some core competence of your own. And you mentioned one software, but it's also batteries. Also, you need to have competence because if you are, stay in the middle and then continue. Which I call a bit yesterday's strategy outsourcing in both directions. You will find that in the car, okay, your old, old competence was combustion engine is not there anymore, and then suddenly you're just an assembler and that will not be enough to survive in the new electric sector.

[Host] **Fredrik Gunnarsson**

We did a, a study at Capgemini Research Institute recently where we interviewed hundreds of supply chain leaders in the auto industry specifically, and the value procured from offshore location has fallen by 22% in just. Past two years and it's not just a COVID or effect of the turbulence. We see the project, it will continue with the 20% for the next two years, which is a quite radical shift deglobalization. So, is the pace even surprising you?

[Guest] **Håkan Samuelsson**

It has happened for, for many years, I think in the car industry. Start talking about producing where you are selling at least five years ago. It is driven, of course, by political things, technology limitation for technology is driven by trade restrictions. I think another driving force is also; you need more flexibility to come closer to customers to be really be fast in digital development. You see this in China, it's very difficult



to come with infotainment solutions made in Europe, which will fit in China, so global products will be difficult on the fast moving consumer markets. I think you need to think more flexible, more independence in the regions when it comes to development. You need to produce the hardware closer to where you sell. I think that's already ongoing. Customer data, cloud solutions, technology, digital technology. cannot be global, of political and trade reasons.

[music]

[Host] **Caroline Segerstéen Runervik**

But you always come back to the customer experience and that finally this will probably be something positive for the end consumer in the end. What's your view on this? Will we have a hybrid model? Any reflection on the sort of relationship to the consumer in the end.

[Guest] **Håkan Samuelsson**

[00:17:59] We have in the business simplified it or focused on the wrong thing. We talked about is its direct sale or over, indirect sales, that that is not important. I think consumers have no interest in if we have a dealer partnership or the consumers are interested in knowing the price of the product. I don't think it is very positive for a consumer to have local bargaining and different prices in all dealerships. So, I think set prices, nationally set prices is something that consumers want. And then the product specification also need to be more transparent and easy. You need to understand the product and, and thirdly, you need to deliver fast. That's what the customers want. How does a product look? What is the price? When can I get it? Those are the three questions we should focus on and not focus on what type of relationship we have with our partners. And, and then I think we should realize the end consumer knowhow. We need to pick up from the dealers. They are the only ones that have that and integrate that into the product offering to the end customer.

[music]

[Host] **Caroline Segerstéen Runervik**

Coming back to technology. We understand you're a very curious person. You constantly want to learn new things, but how do you today yourself keep yourself up to date with what's happening in the market? But also when it comes to new technology.

[Guest] **Håkan Samuelsson**

First, I think you, you need to be a bit from nature, curious, and always, um, be a bit annoyed when you see something you don't understand, and you do some googling immediately to find out; what is this? So, I mean, that is helping you, but then I think you need to read and listen to pods and of course talk to people. If you're a bit curious, you see something you could figure out here, this is really what's happening. I mean, for example, I'm firm believer that consumers would like to have a set price and price transparency. And, and that is based on just very anecdotal conversations, but you are strengthening that belief every day.

[Host] **Caroline Segerstéen Runervik**

But today it is, as we said, quite an unstable world. It'll continue to be quite unstable for a. That's what we, we believe when we look at our different market and industry segment. So, what's I can...



[Guest] **Håkan Samuelsson**

Yes, I totally agree with you. But the same way, um, I've heard this before. The world was never very stable and, and maybe that. Is if you believe the world is stable and then you believe you have all answers. So, I can just sit down and relax. So, I think it's good to understand. No, it's unstable and, and it becomes a positive development out of this. Yeah. And if you have experienced the unstable markets before, then you have learned, then you need to adapt. It'll also, of course, define who are the strong ones.

[Host] **Caroline Segerstén Runervik**

So, any advice to, to leaders in the organization as we speak?

[Guest] **Håkan Samuelsson**

One very important thing, and that I always say to people, have a passionate picture of what you want to achieve. Because I think it's very important for a company to do the right things. Normally we focus on doing things right. Companies that will have problems are the ones that are doing the wrong things or doing yesterday's things. And, and that's why it's so important to have really understanding what should this company be in five years' time? You need as a leader to think about that and, and read, discuss with the colleagues, listen and, and build up such passionate. To believe with what I want to achieve. That is also something that is not necessarily done in a committee. So, I think a leader should be a bit careful and not believing that. Now I give this challenge to my team, and they can sit and talk. As a leader, you need to do that yourself.

[music]

[Host] **Fredrik Gunnarsson**

Now, a question on the market development, some of the Yukon car brands are experiencing significantly lower evaluation than American Chinese player. How do you manage that? The evaluation and the, from the capital market?

[Guest] **Håkan Samuelsson**

[00:22:52] It depends, of course, who you are trying to attract. You try to sell out your company as an industrial company and focus on volume and profit margins and quarterly results, then you will get, valuation as an industrial company. Nothing wrong with that, but if you are in the business of transformation and creating new products that will be very important for the company in five years' time from now. Then of course you need to focus on those investors. Take Tesla. I mean, they had no operational performance at all, but they targeted investors that believed in the company. As a company of the future, and they had a fantastic valuation based on that, professional KPIs, but I think that's important for, for Sweden as well. If we want to be part of the future, we think, I think we need to also maybe be bit more open for investing into the future. But maybe you will not be guided by quarterly merchants and quarterly results.

[Host] **Caroline Segerstén Runervik**

Coming back to Tesla. There is of course a discussion about price erosion. So, what's your view when it comes to how much will this be a price game in the end, and will it actually go too far?



[Guest] **Håkan Samuelsson**

Yeah, if you ask the manufacturer, especially once, losing market share, they will definitely think it's going too far. But, I mean, this is competition. I think it would be naive to believe the prices will not go down. The volumes are going up. Battery prices going down, so of course prices to the consumers will go down and should go down because at the end, nobody wants to pay more for an electric car than a conventional car. So, this is what's happening, but it's also showing that you need to have a broader base. Because if you are only assembling a car that you have no merchants to take from, but I mean, Tesla, of course, they have to justify their own decisions, but they have merchants from assembly, from battery production, from insurance, from distribution. So, they add up this, have a broader supply chain, and then of course you could be a bit more aggressive. So, I'm not surprised that they are using that to put pressure on the others. I think that's unpleasant for all of us. It will actually continue, but it will probably continue in the benefit to the benefit of the consumers too. To try to see this positive.

[Host] **Caroline Segerstéen Runervik**

Absolutely. Maybe one market question, connected to China. So, um, we are very dependent on China, and China is of course doing a lot of investments in, in our region itself, and there's a lot of debate. What should our sort of way of working China be? And you are engaged. And you've been engaged in many of the global Swedish companies who, who have a lot of business with China. So, what's your own personal view on this?

[Guest] **Håkan Samuelsson**

I think we should be a bit careful and not just down talking China and seeing them as a total threat, and we should have nothing to do with them and isolate them. I mean, the only loser from that will be a small country like Sweden. Of course, we should not be naive when it comes to politics and, and human rights and so on. But we also have an interest to, to trade with countries where we maybe don't like everything they are doing. Cause it's good for, for global stability and at the end to peace and, I think also we should be a bit more positive looking into what China is doing now, what is happening very fast, moving a very. Young market also when it comes to development, I mean, almost everywhere where you look into people who develop course, at least 10, 15 years younger than in the west, you can see in a bit more fast in developing, a bit more open and more curious too, to technical development. And I think you should really follow that and have a connection with China partners because you will also pick up good ideas and it'll help you also being stronger.

[music]

[Host] **Fredrik Gunnarsson**

Now, we spoke about the, the car, the car development, and the market development. So, if you put yourself in this industry five to 10 years from now, what do you see?

[Guest] **Håkan Samuelsson**

I see a car industry, you have a volume segment, and you have a more premium segment. I think that will remain. All cars will basically be electric, maybe some very few exceptions for less developed markets. And the industry will also have built up their new core competencies on the digital side, maybe on the battery side. I mean, replacing the core competence we had with the combustion engine. But then the industry will be much better of having the consumer offering defined, centrally and transparent today, that is really often done at the desk with the dealer, where you put together financing, maintenance, contract, winter



tires, everything that has to be defined as a brand product and brought out in a transparent way to the consumer. And that will happen 10 years from now. And then I think you would have what you could call the electrification 2.0. really brought out to consumers.

[Host] **Fredrik Gunnarsson**

Will we own our own car or leasing? Car sharing?

[Guest] **Håkan Samuelsson**

Very important point. But because today in the car industry, we still think of owning as a sort of financial term, but I think we need to realize that owning will be a much more an emotional term that you want my car will be the car that has all of my infotainment as total integration of my phone in the car. If you lease it or if you buy it, totally relevant. Exactly as with our telephones today, we don't own them financially, but they are definitely our telephones. I think you could say we will have cars. You could pay us a lab as today, or you will pay per month and paying per month. We will be more and more common and that will be part of the offering that the car manufacturers need to have will also be part of the future.

[Host] **Fredrik Gunnarsson**

Interesting. You make parallel to phones because there we have the split between actual hardware and the software, where 95% of experiences in the software and the, in the services. So, if you would have a similar situation with the car. Do you see the experience part coming from, from the architecture, which can be easily adapted to you as a user, regardless who actually owns the car?

[Guest] **Håkan Samuelsson**

Absolutely. I think that's a good parallel because if you now take your phone, even if you get it per month on some schedule, or you go in an app store and buy it, that phone is not very usable day one. You have to sit down a whole day to download all of your things exactly into it. And then you have your personal phone and then you, and I think that's exactly what happened with the car. So, when you have gotten the car there, it needs to be programmed for you. And that's what that should happen. Then very seamless and very fast. So basically you, you have your car, it will be individualized immediately. So, you feel, this is my car.

[Host] **Caroline Segerstéen Runervik**

So, when I get my new car next week, it'll actually be the Caroline personalized car immediately because the absolutely software is just coming directly with what I like and what I've chosen before.

[Guest] **Håkan Samuelsson**

That will happen, unfortunately not tomorrow, but maybe in some years' time. And that's of course opens up also for much more maybe car sharing. You don't need to have a car three years, maybe have it one year or six months or whatever, but it'll always be your individual private car.

[Host] **Fredrik Gunnarsson**



But is there still risk then associated to that with the car manufacturers being the hardware platform and then someone else take the whole software variance part of the value chain?

[Guest] **Håkan Samuelsson**

But that is the challenge for the industry because it's very difficult to let somebody from outside just do that. Then the experience will not be good. That's why the car manufacturers need to invest and build up new competence when it comes to digitalization of the car and the whole infotainment in the car.

[music]

[Host] **Caroline Segerstéen Runervik**

Thank you, Håkan. It was great to have you in our first podcast of Keys to Intelligent Industry and to hear about your perspectives and reflections, but also about the importance of never stop being curious, learning about the new. And finally, I could hear a lot of positive coming from you that there is all these changes. The instability that we have around us is finally also a driving force for change and a positive one.

[Guest] **Håkan Samuelsson**

For consumers, but also for people working in, in all of these companies and partners to the companies. Interesting jobs for the future, which is of course the base for. The economy and for the future growth. So, thanks a lot for having me here. I think we had a very interesting discussions.

[Host] **Caroline Segerstéen Runervik**

Thank you. And thank you, Fredrik. Thank you

[Guest] **Håkan Samuelsson**

No, thank you.

[Host] **Fredrik Gunnarsson**

Really inspiring.

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