

News

Transport



Car industry must remodel itself to exploit the connected future

First-of-its-kind report, Connected Car Industry 2013 details global challenges

20 June 2013 – [Telefónica Digital](#) today published the *Connected Car Industry 2013* report, featuring contributions from eight of the world's largest car manufacturers and Machina Research. The report provides first-of-its-kind insight into the car industry's biggest transformation in over a century, detailing the opportunity, challenges and critically, a blueprint of how car manufacturers and telcos need to work together in the form of a 10-point action plan.

[Read the report in English, Spanish and German here.](#)

The Connected Car market will achieve mass-market penetration in the next few years, seeing the number of vehicles with built-in connectivity increase from 10 per cent of the overall market today to 90 per cent by 2020. As this change takes place, the report identified four strategic themes: the transformation of the present-day dealership model, how these new services and connectivity will be paid for, concern over opening the car to third party providers, and the role of the mobile operator in powering this seismic change within the industry.

Redefining a century-old business model

Consumer demands around *Connected Car* services will require transforming a business model which has remained largely unchanged for over a century according to the report. With product lifecycles, payment interactions and customer service being traditionally measured in years, the *Connected Car* consumer will require a new service dynamic, more akin to the telecoms industry where such cycles are measured in months.

Service bundles, delivery channels, product pipelines, pricing and customer support will be heavily impacted, and in some cases new business models will need to be created from scratch as the dynamic between manufacturer, dealer and customer evolves.

1. Forecourt dynamics

Dealers have historically been able to get a car from sale agreement to delivery time in just 20 minutes. According to the report, the complexity of 'extras' and personalisation has increased this to an average of 1.5 hours and is only set to go up further as more connected services become available. This has implications on the dealers cost of sale per vehicle, as well as the type of sales and technical skills required,



That however, can be off-set by the advantages a Connected Car sale provides a dealer. For example, automatically alerting customers and service dealerships to poor and failing performance in vehicles, enabling proactive and preventative maintenance requests and longer-term maintenance agreements.

Additionally, the report identifies a new relationship between car manufacturer and owner once they have left the forecourt. Branded app stores, upgrades to software solutions over-the-air and, on and off-board vehicle solutions will provide them with opportunities engage directly with car-owners and maintain a deeper, longer term and more interactive relationship.

2. Paying the bills

Many of the questions raised in the report concern over who will pay for what in this new Connected Car universe. Consumers are used to a one-off payment when purchasing a car, however car manufacturers have realised selling 'just' cars is no longer profitable.

Traditional telematics services have had low data usage, however Connected Car services are set to see these levels increase exponentially. Audi announced in January that its 50,000 Audi connect® customers had used over 75 terabytes of data since launch in April 2011, four times the contents of the US Library of Congress.

Car manufacturers need to develop innovative pricing models that provide the flexibility and value that consumers demand from comparable services. General Motors has suggested that mobile operators could recognise vehicles as a second device on a customer's data plan for a low monthly fee, or advertising models could be introduced to part-fund connectivity.

Flexibility in pricing was high on many automotive OEMs' wish list, enabling tariffs to be developed around the unique uses of Connected Car services.

3. Collaboration is the key to success

The report found that the car manufacturing industry was looking to mobile operators as their partner of choice to not only enable connectivity, but to share their understanding and experience of building stronger and closer relationships with the hyper-connected consumer.

Collaborative teams from the car manufacturing industry and mobile operators need to be established to share knowledge and develop new innovative business models. With the report finding that not only will they be a key-enabler of the new business models required for the Connected Car industry to exist, but also to act as a catalyst for this change.



The report also highlights a number of areas that car manufacturers are looking to mobile operators to address. These include offering global connectivity arrangements, end-to-end services (incorporating software updates, data management etc) and data pricing.

4. Caution around app ecosystems

Although apps are expected to be part of the ecosystem, with manufacturers like Renault launching their own app stores, automotive manufacturers believe that issues of security and reliability mean Connected Cars are unlikely to become environments for open app development.

Overall, automotive OEMs believe that the potential market for apps in Connected Cars will be far smaller than has been experienced in the smartphone sector.

Quotes

Futurist Ian Pearson believes the Connected Car will have an almost unimaginable transformational impact on our driving experience:

“In the further future, cars will come to you. They will take you where you want, and then you can just abandon them to go off to serve someone else. They will in effect offer a comfortable and socially inclusive form of public transport. This could even lead to buses disappearing from our streets,” he says. “Personalisation of the car environment will also become common. As you get in, the seat will automatically move to your preferred position, instructed by your phone. Even fabrics and other interior surfaces will be able to adapt their appearance and textures electronically to your taste. This could reduce the demand for ownership even further. Why own your own car when every car feels like it’s yours?”

Carlos Morales, Global M2M Director at Telefónica Digital said, “The Connected Car is one of the most exciting innovations we have seen in over a century of automotive development. This report is the first of its kind, compiled in association with some of the world’s largest car manufactures and industry experts, providing practical advice on the steps we need to take at a global cross-industry level to realise the market potential and transform an industry.”



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