Automotive Association
Middle East & North Africa

مؤتمر دبي العالمي
للتنقل ذاتي القيادة
DUBAI WORLD CONGRESS
FOR SELF-DRIVING TRANSPORT

The Future of The Regional Automotive Industry

TRENDS, INSIGHTS, EXPERIENCES

alanwhaley

Automotive Association
Middle East & North Africa

AMENA is the Automotive Association for Middle East and North Africa

100% Independent

Raising Industry Standards

The purpose of AMENA is to enable prosperity and success for the automotive industry in the region.

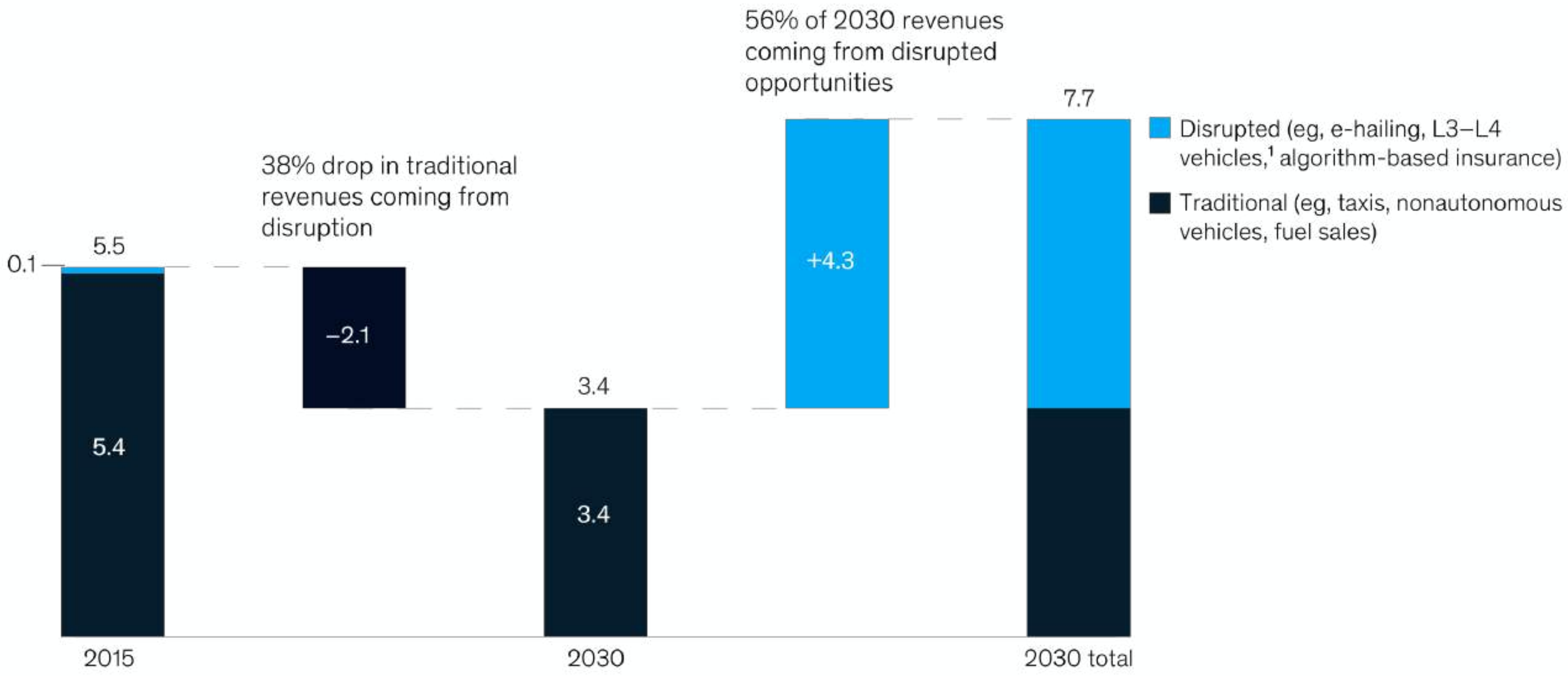
The association delivers on this promise through insights and intelligence, collaboration, professional development, knowledge sharing, networking opportunities, and advocacy.

The association is for Manufacturers, Importers and Dealers, Suppliers and Partners, and Professionals.

Today, the automotive industry is going through its biggest CHANGE since its inception...

More than 50 percent of the mobility industry's revenue is likely to be in "disrupted" business areas by 2030.

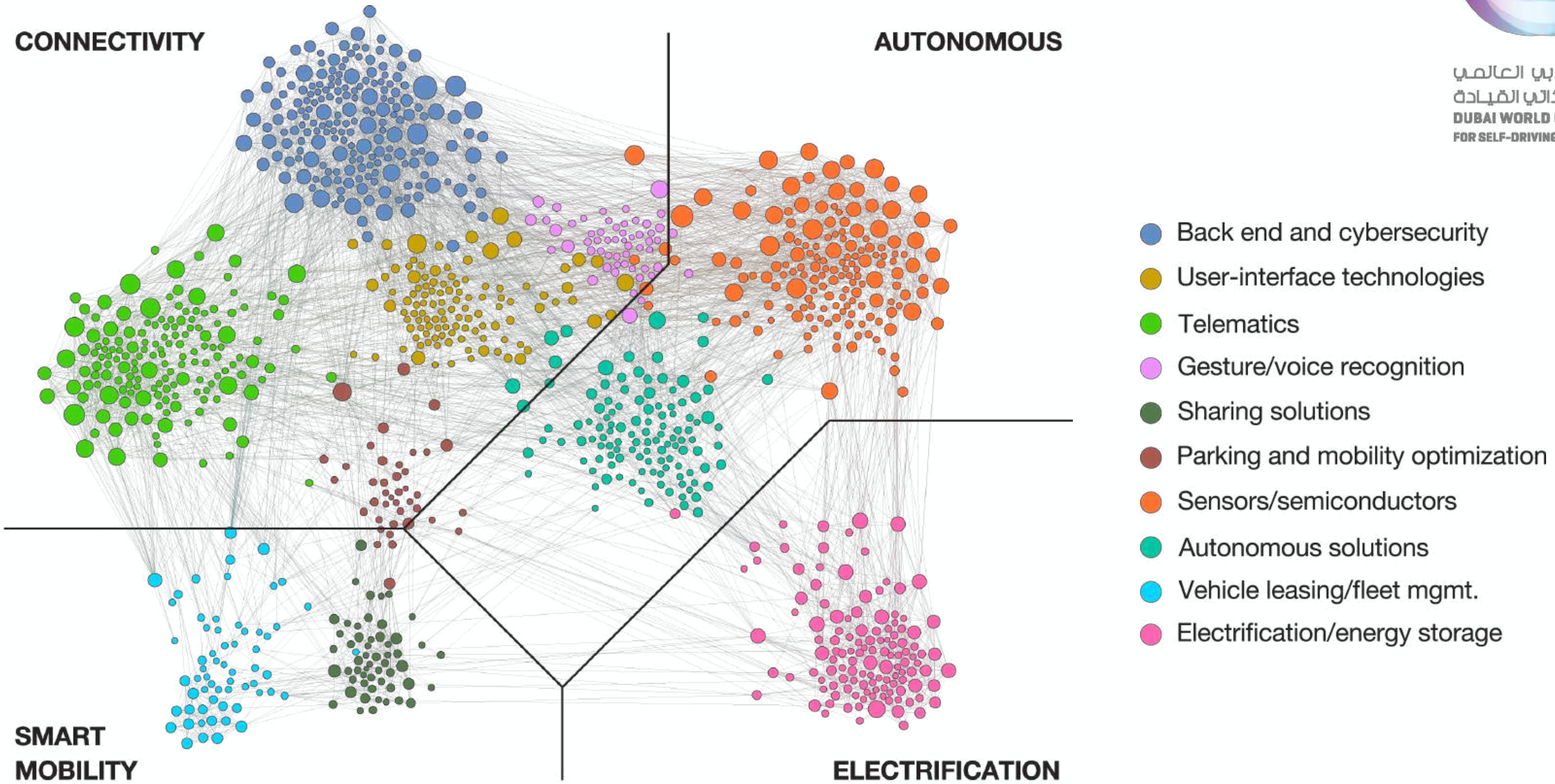
Global automotive ecosystem revenues, $ trillion



[1]Level of autonomy as defined by Society of Automotive Engineers, ranging from level 0 (full driver control at all times) to level 5 (full-time performance by automated driving system under all roadway conditions).

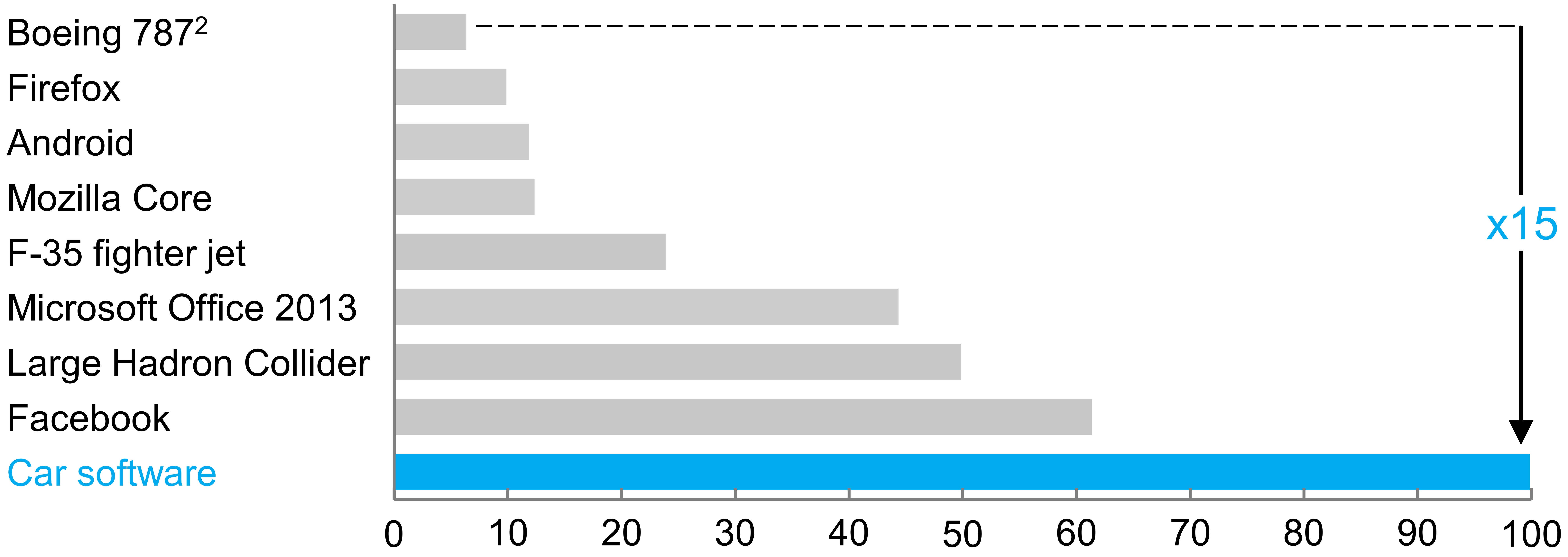
Total disclosed investment amount since 2010[1]

Technology cluster	Investment, $ billion	Average annual investment, $ billion: 2010–13	Average annual investment, $ billion: 2014–Feb 2019
E-hailing	56.2	0.2	11.4
Semiconductors	38.1	0.8	7.4
AV[2] sensors and ADAS[3] components	29.9	0.6	5.6
Connectivity/ infotainment	20.8	0.6	3.9
Electric vehicles and charging	19.0	0.6	3.0
Batteries	14.3	0.8	2.1
AV software and mapping	13.5	0.3	2.3
Telematics and intelligent traffic	12.4	0.5	1.9
Back end/ cybersecurity	9.0	0.2	1.4
HMI[4] and voice recognition	7.4	1.2	0.6
Total	220.6	5.9	39.5

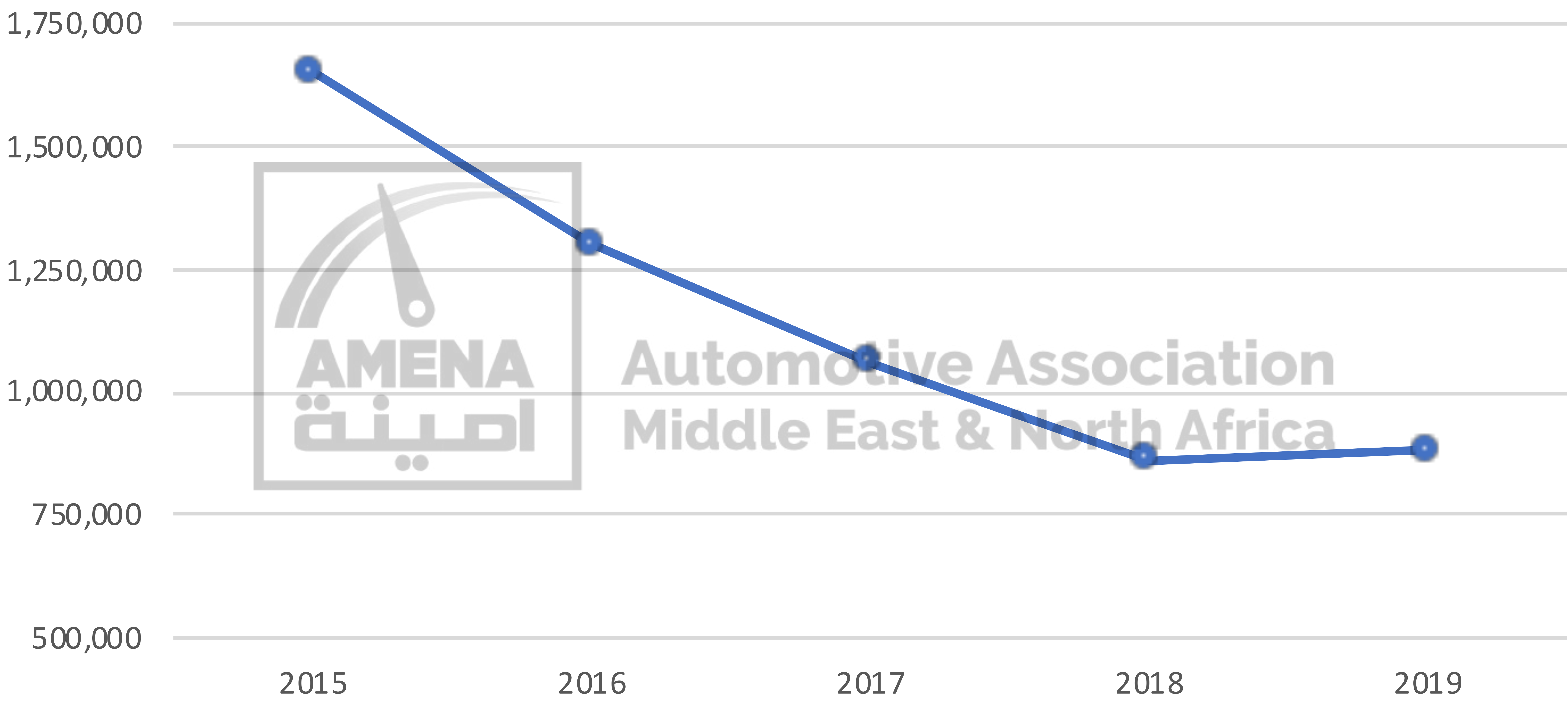

CONNECTIVITY
AUTONOMOUS
SMART
MOBILITY
ELECTRIFICATION
Back end and cybersecurity
User-interface technologies
Telematics
Gesture/voice recognition
Sharing solutions
Parking and mobility optimization
Sensors/semiconductors
Autonomous solutions
Vehicle leasing/fleet mgmt.
Electrification/energy storage

Software complexity

Lines of code, millions



Source: www.visualcapitalist.com



GCC New Car Sales Data
Source: AMENA Automotive Association

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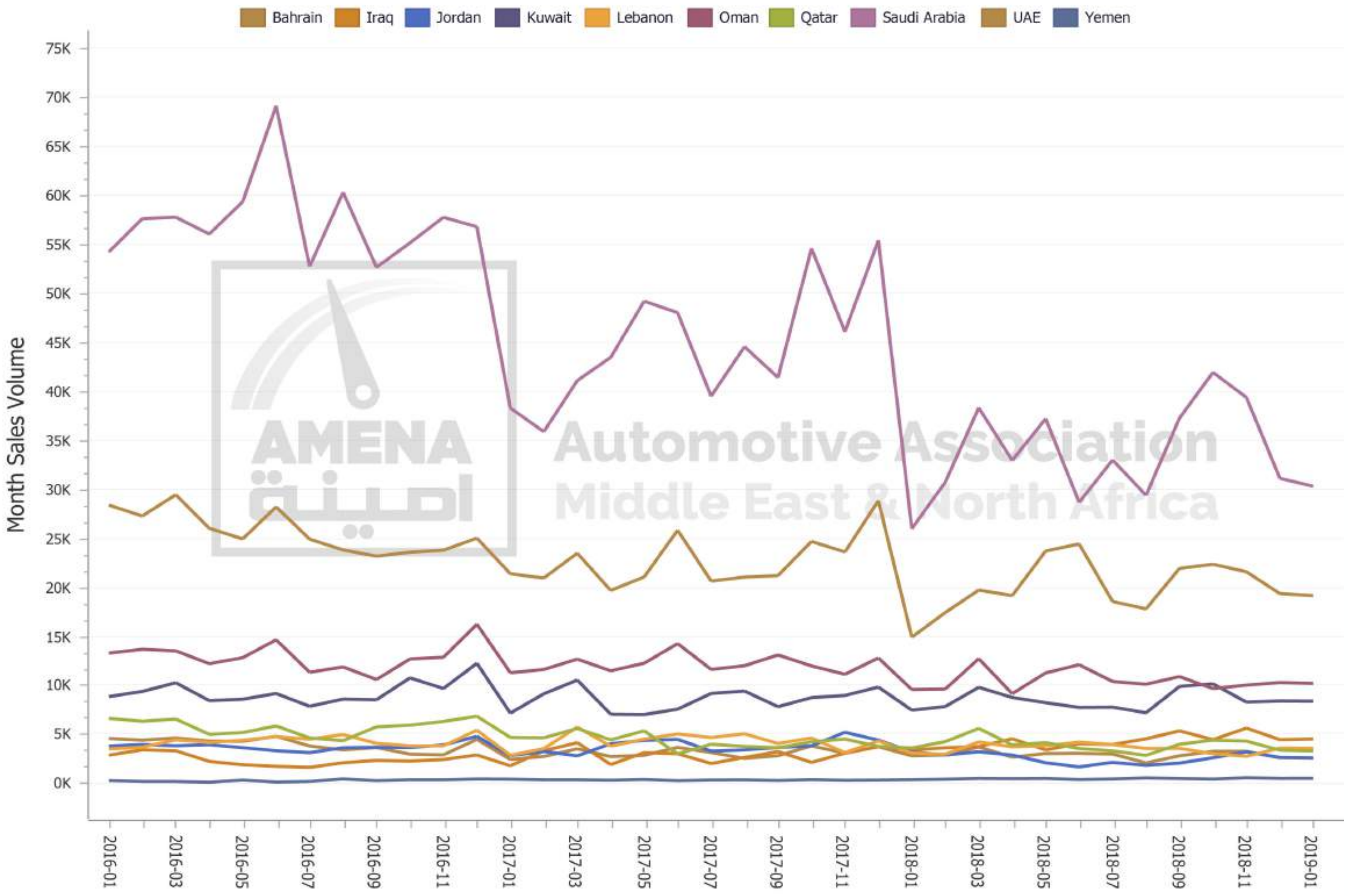
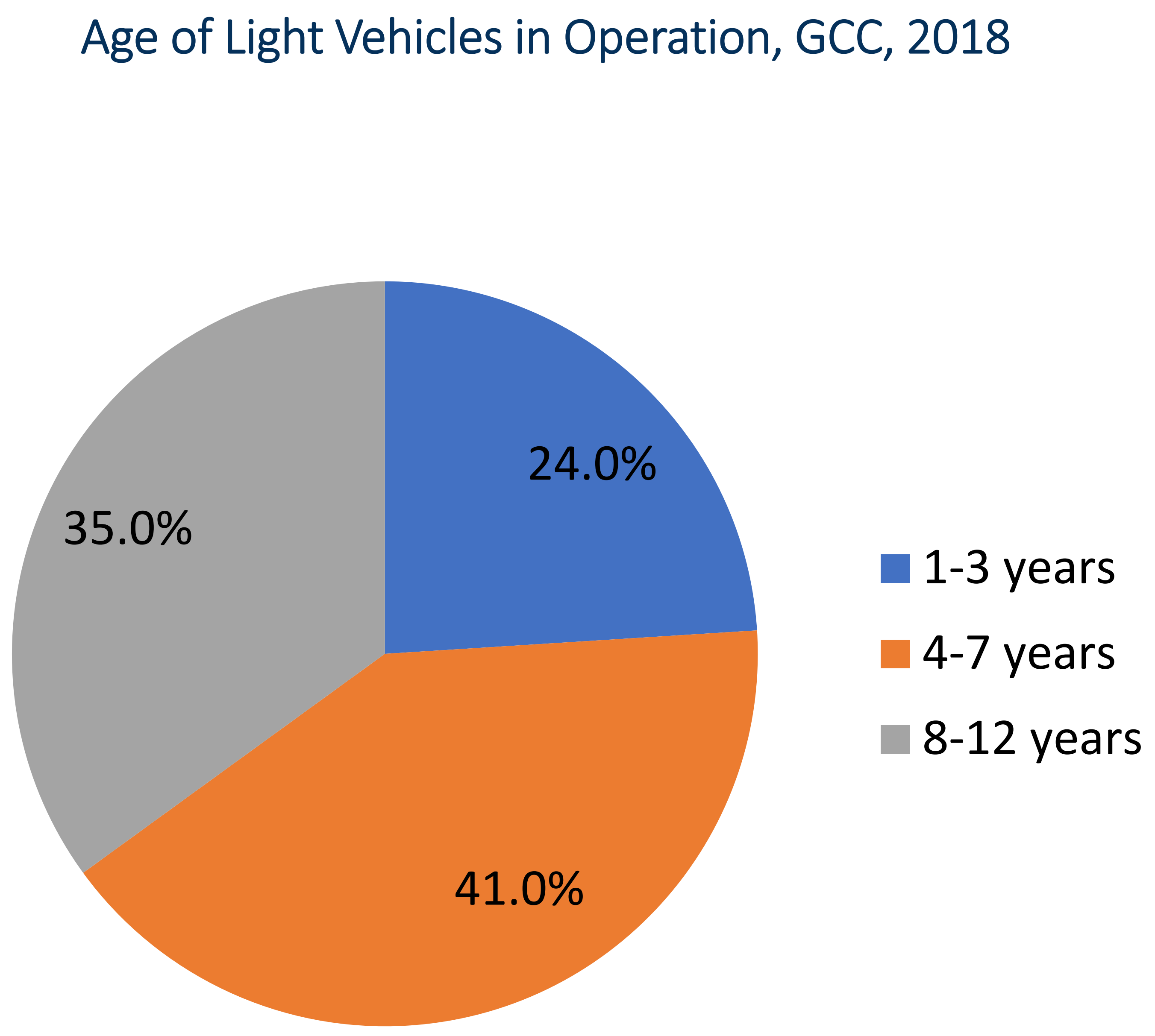
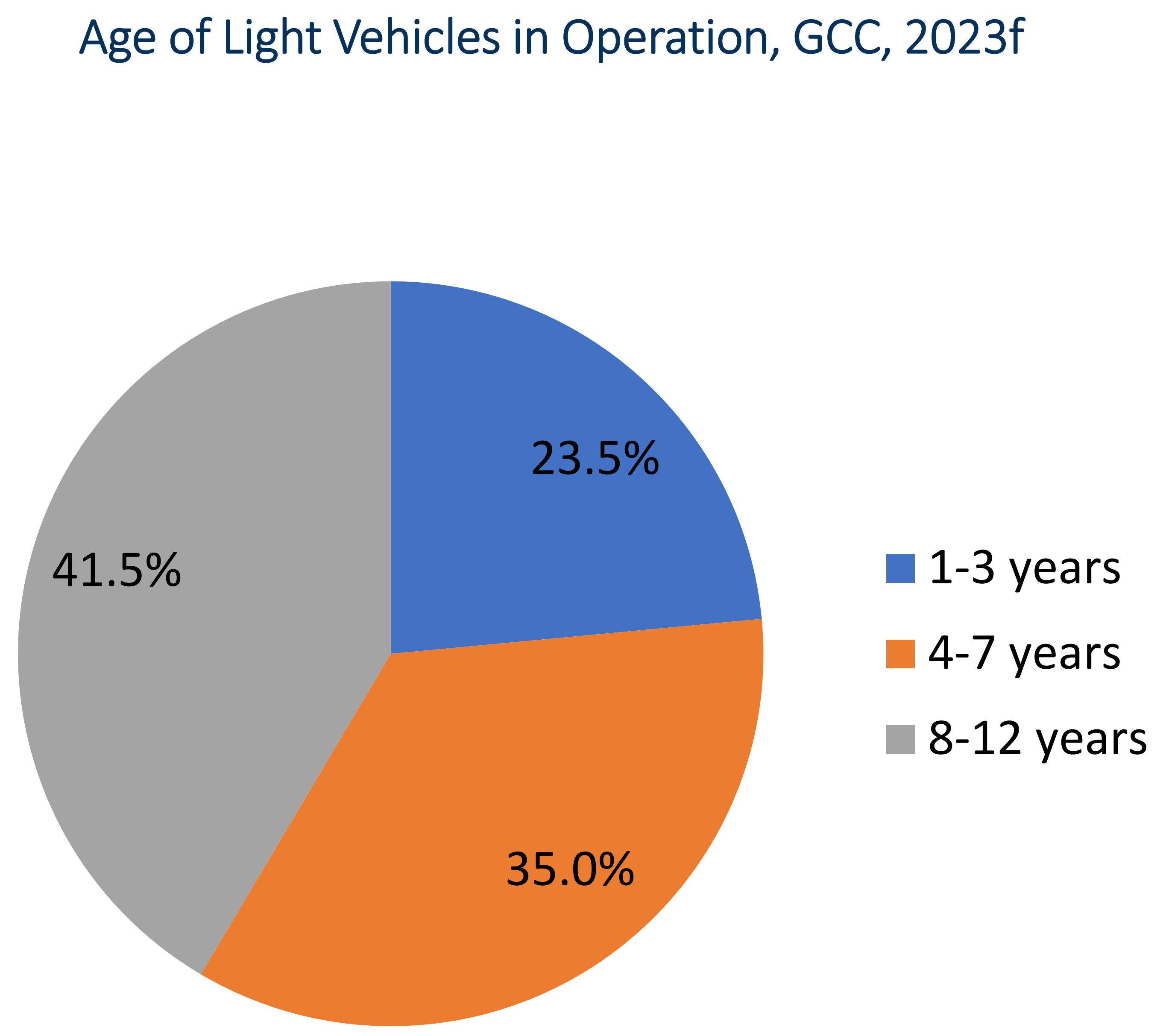
Sales by Country | AMENA Insights



THE CAR PARC "MIX" IS CHANGING





Source: Frost & Sullivan

INDUSTRY “HOT TOPICS”

People

- *How might we* ***attract top talent*** *with* ***skills to succeed tomorrow****?*
- *How might we* ***position our organization*** *and our industry as an* ***exciting*** *one?*

Processes

- *How might we optimize to enable* ***better intelligence*** *and* ***faster decision making****?*
- *How might we develop* ***new processes*** *in line with* ***new profitable business models****?*

Profitability

- *How might we use our* ***existing infrastructure*** *and assets to make* ***more profits****?*
- *How might we* ***innovate*** *and* ***build new profit centers****?*

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What is the industry doing to adapt to the changes?

SIX APPROACHES TO CHANGE

GRAVEYARD

I. **The Avoidant Approach** *Stick head in the sand.*

II. **The Apathetic Approach** *Sit and watch the change.*

III. **The Resistant Approach** *Fight the change.*

SURVIVAL

IV. **The Reactive Approach** *React to the change.*

V. **The Anticipatory Approach** *Anticipate and adapt to change.*

DOM

VI. **The Creative Approach** *Create the change.*

REGIONAL AUTOMOTIVE INDUSTRY

How will our region adapt to change?

Unlike Europe, North America, India and China, the Middle East plays a smaller role in the manufacturing part of the value chain, and a greater role in sales and distribution.

Those who are wide awake and firing on all cylinders are exploring:

- Digital Transformation
- Reimagined Customer Experiences
- Business Model Innovation
- Hiring for New Talent and New Skills

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Digital Transformation

- Sorting and Organizing Data to Extract Insights and New Value
- Integration of Systems between OEMs and Dealers
- Marketing - Sales - Bodyshop - Showroom - Global Partners

Office of The Future

- Building Business Units that Peer Into the Future - Business of Tomorrow
- Prototype New Business Models

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New Customer Experiences

- OEM and Dealer Led
- Mercedes *MAR 2020*
- Al Masaood E-Commerce

Hiring A New Kind of Talent

- *Women In Automotive* Initiative
- Non-Traditional Talent
- Hiring for Skillsets of Tomorrow

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Direction 1:
From Customer-Focused to Customer-Centric

1. THE NEW CUSTOMER

Trends

- Vehicle rental and leasing outgrowing purchase by 1.5-2.0% since 2015.
- Consumers becoming less attached to ownership-based transportation models, reducing ownership commitments to 2-3 year leasing and monthly renewal rentals.
- A higher level of customer service and convenience is expected and those who can’t offer it will be excluded from the market of tomorrow.
- People are becoming more savvy about pricing and total ownership costs.

1. THE NEW CUSTOMER

Actions

- Dealers are exploring and offering new options for ownership (purchase —> leasing —> rental —> mobility as a service)
- A lot of data is collected in this connected world, and many players are trying to create more intimate and personalized experiences.
- Vehicles will be likely be owned and operated by large fleet operators, leasing and finance companies hence demanding further discounts and favourable payment terms.
- Higher asset utilization will create more opportunities: Private vehicles are stationary approximately 20 hours a day (on average). With shared ownership, ride hailing etc, vehicles will be on road significantly more which means quicker service intervals, more maintenance and increased parts requirements.

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Direction 2:
From selling cars to managing mobility assets.

2. MANAGING MOBILITY ASSETS

Trends

- Move from individual sales —> large sales —> lease / rent —> utilization
- Consumers don’t have to maintain, insure or worry about selling vehicles when they no longer own them. Layers and platforms will do it for them.

Actions

- Just like OEMs, Dealers are looking at their role when they no longer just sell vehicles.
- There is a variety of services and asset utilization infrastructure in the pipeline.

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Direction 3:
From past successes to future profit centers.

3. NEW PROFIT CENTERS

Trends

- Profits have been steadily declining in new car sales across the world.
- People's attitudes towards and relationships with mobility is changing.
- With lean approaches, and no sunk costs in traditional assets and structures, the disruptors stand to take a much larger share of the profits.
- Take OEMs for instance: Today they are making about one cent in profit per mile driven. New mobility services have the chance to up this by a factor of 10 to 25 times.

3. NEW PROFIT CENTERS

Actions

- The low hanging fruit is having a profitable bodyshop and parts department. *New concepts and approaches for that, especially in the light of EV and AV.*
- Massive amounts of restructuring of traditional business models to streamline.
- Exploration of new profit centers by copying other markets "me-too" or solving region-specific problems with their current asset structures.
- New partnerships with dealers and technology companies and suppliers, in the same vein as those between OEMs.

Critical Success Factors for the Change Cycle

Mindset

Skillset

Execution

Disruption and innovation can only happen if we anticipate or create change.

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Thank You

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