Preface

Automotive OEMs have considerably invested in integrating technology in their fleets and are eager to seize the massive potential of data-driven business.

IBM actively engages with the automotive industry to shape new business models around data. We combine industry skills, lean business innovation, agile development and industrial application management with deep technology expertise. This makes us the partner of choice for data-driven business models in automotive.

This playbook is meant to be a procedural companion to leverage opportunities in the area of data-driven business models and platform design. Although the playbook is tailored to support incumbents in the automotive industry its assertions and insights regarding data and business modeling are applicable to various contexts where data monetization is a core business objective.

We hope you will find this playbook inspires new business ideas in your organization.

Berlin, October 2018
New value streams attract new competitors

Revenue streams in the automotive sector will change rapidly over the next 20 years. Automotive customers are increasingly losing interest in car ownership, leading to a decline in asset-based revenues for incumbents.

The good news: New revenue streams resulting from technological change and diversification in customer lifestyle can compensate for losses from decreasing vehicle sales. The main drivers in this transformation of value added are shared mobility and data-driven products and services for OEMs, as depicted in the chart on the right.

At the same time however, new competitors from adjacent industries worldwide will apply their skills to the mobility landscape, ultimately forcing their way into the automotive industry. This will increase competition for the newly emerging data-driven mobility market.

Dimensions of digital change
OEMs need to adapt their digital strategy

At IBM we distinguish between three levels of digital change.

**Digitization** means automating and digitally projecting internal processes without modifying their current structure.

**Digital transformation** means integrating multiple digital processes into an intertwined system. (Say, for example, integrating consumer insights into a demand forecast that feeds the supply chain processes.)

**Digital Reinvention** means fundamentally restructuring the way the organization operates and engages with its stakeholders through use of digital technologies. That is, effectively establishing collaborative relationships in which the organization orchestrates an industry ecosystem.

**Digital Transformation** digitizes whole aspects of a business producing customer experiences which support individuals’ needs and wants.

**Digital Reinvention** incorporates digital technologies like never before to create revenues and results via innovative platforms, product strategies, and consumer experiences.
Unleashing the power of car-generated data

Data is becoming a source of competitive advantage due to the upsurge of data availability and analytic capability. There are many ways to unleash the power of data. At IBM we distinguish the following means:

A) New customer offerings
As a consequence of emerging data sources and analytics, data-driven business models are set to become the key value driver in the automotive industry.

Enabling new offerings through direct monetization strategies—that is, selling data-driven features, products and services to customers or B2B clients—is a core value stream.

B) Core business improvements
Using data to make current processes more efficient is what we call core business improvements. This can entail a scheme for early detection of emerging issues, e.g. in production sites to reduce warranty costs, or analyzing historical data to improve projections.

C) New business models
Since value has been shifting towards digitized services platforms and ecosystems, organizations that attract and deploy the right skills can successfully drive new data-driven products.

A spectrum of business models is emerging, e.g. digital marketplaces can be designed to trade physical assets, mere data platforms can be created to deliver real-time data to customers. New business of this sort could expand automotive revenue pools by approximately 30% during the next 20 years.

Case Study—MVP for We Experience (WeX)

Growing a data-driven business model to MVP stage

“With joint effort and deployment of their respective expertise Volkswagen and IBM created We Experience as a smart in-car service companion to end customers.

WeExperience uses data sources to geographically place relevant commercial offerings at the disposal of Volkswagen drivers. Due to the IBM Watson powered back-end the service can react to changes in the surrounding ecosystem of the drivers and sequentially learns about their preferences.”

We Experience elevator pitch
Case Study: Commercialization for car2go

Scaling and fostering growth

“car2go is the carsharing offering of Daimler. By joining the platform, car2go customers access a free-floating carsharing scheme featuring point-to-point rentals. The service is available in major cities in eight European countries. 10% of the fleet is fitted with electric engines.”

car2go elevator pitch

The Daimler-IBM partnership

- Speeds up time to market
  with IBM Cloud resources that accelerate deployment and the release of new apps and features

- Scales for growth
  with IBM Cloud infrastructure that seamlessly accommodates rapid expansion worldwide

- Accelerates development
  by shifting to a DevOps model with IBM-managed service arrangements
Start your digital success story today by creating new innovative business models, data-driven solutions and seamless consumer experiences in partnership with IBM.

If you want to learn more about the content provided in this playbook or have any further questions, do not hesitate to contact us.

Experts on this topic

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Sources & recommended literature

For more insights have a look at the following reading list and tools:

- **ABI Research (Sep. 2016)**. ABI Research Forecasts Global Mobility as a Service Revenues to Exceed $1 Trillion by 2030.
- **IBM Institute for Business Value (2018)**. CEO Study: Plotting the Platform Payoff.
- **IBM Institute for Business Value (2018)**. Incumbents Strike Back: Insights from the Global C-suite Study.
- **IBM (Feb. 2016)**. The Rise of the Data Economy: Driving Value through Internet of Things Data Monetization.
- **IBM (2017)**. IBM Design Thinking Field Guide.
- **IBM (Sep. 2017)**. The cognitive effect on automotive.


http://www.platforminnovationkit.com


Seibert, G. & W. Gruendinger (2018). Data-driven Business Models in Connected Cars, Mobility Services and Beyond, BVDW Research, No. 01/18.


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