TRUCK MANUFACTURERS: ARE YOU READY FOR DISRUPTION?

AUTONOMOUS DRIVING AND CONNECTIVITY REQUIRE NEW STRATEGIC THINKING FROM MANUFACTURERS TO SAFEGUARD COMPETITIVENESS

After attacking the car industry, tech players are now taking on commercial vehicles. Deep-pocketed giants Google and Tesla are planning to offer autonomous trucks. Startups like Ottomoto and Peloton have announced offerings for 2017 such as retrofit kits that take over a wide range of driving tasks. These advances, combined with disruption in the logistics sector, will transform the shipment industry, as truck fleets organize delivery more efficiently and coordinate driving to save fuel. Incumbent truck OEMs invest massively, so that by around 2030+, there is a chance that trucks will become fully autonomous (see Exhibit 1).

To cope with this disruption, truck manufacturers will need to meet a radically new kind of demand for their products. A basic requirement will be autonomous, connected trucks capable of processing data to handle increasingly complex logistical demands. These advances will make the truck a much less personalized vehicle than it is today: a truck will function as a machine with internet access that runs as near as possible to 24 hours a day; and it will become a commodity whose value is defined by total cost of ownership (TCO) and performance, accelerating a trend that began years ago. But if truck makers are able to grasp the changes currently underway, they will be able to place themselves at the leading edge of a transport and logistics revolution.

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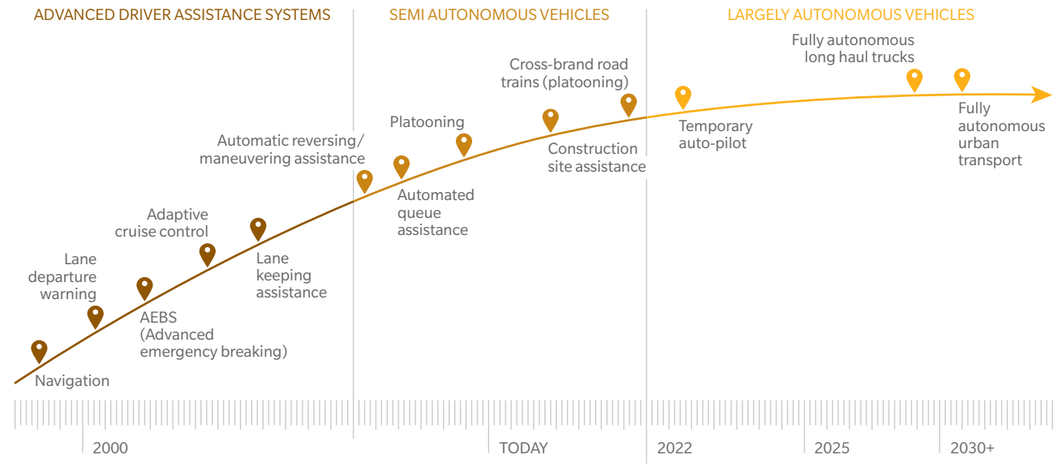
NEW WAY OF DOING BUSINESS

Autonomous and connected trucks by themselves will not generate large new sources of revenue. In truck manufacturers' traditional domain, these will be must-haves – necessary just to safeguard their positions and remain competitive, including against new tech entrants. Instead, product differentiation will come from a new way of doing business. Traditionally, truck makers sold hardware and then aftermarket products. In the future, availability and uptime guarantees will play a major role, facilitated by data-driven, predictive remote maintenance services that reduce downtime from wear and tear.

New technology will also help to control and minimize risk. Autonomous driving will result in fewer accidents and fewer periods of inactivity, thanks to the disappearance of limits on driving time. Workshop times will be minimized by backend digitization, such as automated ordering and delivery of parts. Truck manufacturers will also offer customers leading-edge logistics support services based on full connectivity.

Exhibit 1: New tech means new trucks
The march of autonomous driving technology will change how trucks are used – and what they need to do

ROADMAP RANGING FROM ASSISTANCE TO FULL AUTONOMOUS DRIVING – STRONG IMPACT ON OEM BUSINESS MODEL WHEN FULL AUTONOMOUS TRENDS "STANDARD"



Source: Oliver Wyman

Value will be maximized by real-time sourcing, analytical combinations, and the intelligent provision of vehicle, freight, and traffic data. These services could include freight monitoring, idle-capacity data, vehicle-to-warehouse communication, and automated arrival notes. All of this will require a profound understanding of logistics pain points and value levers.

A further leap could lead to services beyond those currently available, services that have greater potential to differentiate and disrupt. Truck manufacturers could extend the concept of availability guarantees to the kind of on-time guarantees offered by the rail industry. They could even offer utilization guarantees by teaming up with digital freight-matching platforms for spot shipments.

TRUCK OEMS SHOULD START THE STRATEGIC DISCUSSION NOW

Given the fast pace of new digital players, truck manufacturers also need to think urgently about their business models. First, they must develop a clear understanding of their future strategic positioning, from that of a pure truck manufacturer, to one in which they are providers of integrated logistics solutions. That will mean analyzing products and business models where they can be the leaders (but may need to develop additional critical capabilities) and where cooperation, mergers, or acquisitions might be wiser. In addition, the profit model and sales approach of solution-driven businesses need to be evaluated clearly – as do the digitization requirements of major fulfillment processes along the backend value chain.

Truck manufacturers are facing disruptive challenges and have to move fast. The good news is that it's not too late – but the hour is slipping away. The time to act is now.

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