



ECM 15th European Automotive Congress 2014: Barcelona

> **At this year's** ECM Congress in Barcelona, there were a number of key presentations from OEMs and tier one suppliers that tackled how the industry is set to develop over the next few years.

Dr. Oliver Maiwald, Senior Vice President Powertrain Technology and Innovation, Continental AG, gave a presentation that focused on the company's complete powertrain solution. His argument was that Continental can provide a complete solution across the powertrain, and that an integrated targeted solution is the only way to maximize the efficiency of the engine. "Intertwined energy management will offer a better experience to the customer [...] an holistic solution for the powertrain of the future."

Dr. Matthias Klauda, Automotive Systems integration at Bosch showed the potential of a purely automotive cloud for connected services in vehicles. The service would be separate from the current

consumer cloud, where services such as document and photo storage and sharing are provided. Not safety critical, but engine running and infotainment services or fleet management vehicle diagnostics.

This is not only affecting the automotive world, but it leads into the home as well. They have the potential in the future to extend well beyond the vehicle alone, such as greater efficiency of city traffic. "There are connections that create a lot of customer interest and a lot of people having an enthusiasm for it." But you can't do it on your own, no matter how much you invest" said Mr. Klauda.

On the vehicle side, there needs to be an electrical/electronic system able to handle the influx output of data. This is not available with the currently existing architectures. Bosch is building these types of architectures and expect them to be ready around 2018–2019

Alberto Moreno, CFO of Gestamp

talked of how business was performing. The company had a €250m turnover in 1997. Now €6bn expected this year. Hot stamping is their key business, a key part of the new trend of weight reduction, as Gestamp forecast that the amount of hot stamping in body-in-white will rise from 35% at the moment to 50% in the next few years.

The company is especially cautious in their expansion plans, as they look to maintain quality levels. Their supplier development is reviewed at the end of each project, with European experts sent to help with any failings on production procedures. Outsourcing to emerging nations is so much more expensive, as there has to be finishing in Europe. Follow up is done locally as a means of being culturally sensitive.

This is also a way of protecting the technologies that go into hot stamping. This is necessary as Chinese suppliers are buying the technology, but they

don't have the know-how. Moreno described it as key because it's a single complex process and needs to be strong immediately. Design and R&D is focused in Europe and finishing is done by Gestamp in Europe, even if its outsourced. They don't want to do design there as it will immediately go to their competitors and then to market.

> Supplier Alliances

One particularly interesting idea, from a supplier's perspective at least, came from Dr. Herbert Demel, who suggested suppliers should form alliances in the manner that OEMs have in recent years. Commenting on OEMs, he said that there is a great deal of co-operation. "Maybe not very big; sometimes shareholding, sometimes co-operating, sometimes failing, sometimes succeeding, but there is huge activity there." Suppliers by comparison, remain quite separate.

Demel is a former head of strategy at Magna and remains a special advisor to the Canadian supplier, so his ideas are coming from someone familiar with the workings of a global tier one supplier (who had, until recently, flirted with the idea of going into business as a fully-fledged automaker itself).

Demel's idea comes from the perspective that western based suppliers (North American and Europe) and eastern suppliers (Asia and Rest of world) dominate sales in their home regions, but have yet to stretch beyond that in the way that OEMs have. This highlights the lack of overlap between the east and west suppliers and their areas of profitability. By pooling their resources, suppliers would be able to expand their capabilities and sales globally.

Since 2008, the traditional models of supplying to carmakers have fundamentally changed. It was the case that research and development was taken care of for them, and that they could offer process and material optimisations and innovations through volume

manufacturing or specialist tooling. Now though, suppliers are increasingly the ones doing the necessary research and development as well. This has allowed them to move from a relatively weak bargaining position to a much stronger one. They are suddenly the ones offering the technical advances and the value creation in automotive that OEMs need.

This is not a new idea to the auto-

enjoy the close collaboration with their premium suppliers.

Magna's largest segment is exterior and interior systems, an area that has the most to gain from this type of idea. Interiors are areas where sales are declining and suppliers may look to take advantage as products in these areas become less diverse. In 2013, Magna derived just over half of its total sales from North America

European Conference Management



Oliver Maiwald,
Continental

industry. Despite the early failures of cross-border automaker tie-ups (no one wants to see another DaimlerChrysler), the idea is becoming almost common. From Renault-Nissan, Peugeot Citroën, and the most recent example in Fiat Chrysler, the idea is spreading and becoming successful. So much so that these tie-ups are now yielding considerable cost savings as OEMs combine their purchasing departments (Renault-Nissan claimed they made USD1.1bn of savings in 2012 purely through joint-purchasing). Joint-purchasing is already in the automotive supply chain; Continental and Schaeffler's joint purchasing passed USD20bn in 2013 allowing them to reduce costs and

and is looking for growth elsewhere. Sharing things such as materials purchasing or manufacturing facilities could be a way of saving costs and heading off the challenges of localisation.

But it's problematic in other areas. Suppliers may have a taste for an idea that will give them yet another advantage of their OEM customers. However, they may be reluctant when it comes to sharing sensitive information such as intellectual property. This is not a short-term idea; it is one that would require greater cultural understanding between eastern and western suppliers and would be a "generational" effort. But as the structure of the auto industry changes, it may be one whose time may have come. ■