

Innovation Group report outlines future of automotive industry

Innovation Group South Africa's 2016 Automotive Future Now Report provides qualitative analysis of automotive trends, forecasts and predictions.



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“The future really depends on South Africa being able to have a really competitive cost-base through efficiencies, through incentives, through better cost management of our inputs. If we don’t do that and we continue to see these escalations coupled with a weakening rand, the local business is compromised and the auto industry won’t be as compelling in South Africa,” comments Jeff Nemeth, CEO for sub-Saharan Africa, Ford.

Ricardo Coetzee, managing executive for automotive at Innovation Group South Africa, expands on key findings from this report. “Thanks to global, digitally disruptive trends, unpredictable exchange rates, and a taxing economic environment, the automotive industry has now entered an era of far-reaching transformation such that the current industry may be unrecognisable 10 years from now.”

He continues: “As the automotive industry prepares for a belt tightening year, the focus is on smarter strategies for both streamlining costs and gaining and retaining customers in a service centric environment. Over the next five years, the global automotive industry faces a reduced market growth and it will require those in the industry to reconsider what consumers want and adapt accordingly, in order to survive this rapidly changing digital terrain.”

Coetzee concludes: “Rapidly advancing technology is transforming the automotive industry, with major implications for industry players and consumers alike. Globally, those involved in the manufacturing and sale of vehicles are required to pay close attention to industry trends if they hope to stay relevant in this increasingly competitive market and ever evolving industry.”

Key findings

Is connectivity king? We live in a highly interconnected world, where we rely on applications and devices to connect one aspect of our lives to another. Connectivity, and particular the connected car, remains a global trend in relation to digitisation and interactivity. Manufacturers and players in the automotive field need to take cognisance of the rise of the connected customer and their needs for connectivity. These digital disruptions will give rise to a refinement of strategies

that take in to account balancing out complexity and costs while integrating innovative technology and digital channels into the driving experience.

“At Toyota we already have an app that connects the customer to a bank, like Toyota Finance, and they can see how much they owe on the vehicle, they can book a service directly from the My Toyota App. And once the car is connected, it will talk to their phone and tell them when it needs a service, etc. We have already begun the journey of connecting our customer with our products for optimal brand experience,” says Calvyn Hamman, senior VP sales and marketing, Toyota.

The question of affordability: Vehicle ownership remains a top priority for many South Africans. Urbanisation and the growth of the middle class are contributing to an increase in this vehicle ownership culture. This places a renewed focus on affordability with cost effective interest rates, innovative warranty, maintenance and insurance solutions. Within the current economic climate the cost of ownership is becoming more prohibitive and consumers are retaining their vehicles for longer periods.

It is noted within the report, that first time buyers are finding it harder to access finance and that a substantial amount of new and pre-owned vehicles are now being financed out of micro loans and personal loans. It is expected that strategically, some financial institutions will become more creative in an attempt to assist consumers achieve mobility as the competition for credit-worthy customers increase.

It's electrifying: We can all agree that electric and self-driving cars are one of the hottest, if not most exciting trends within the automotive industry to-date. However, the Automotive Future Now Report outlines the idea that these trends might not take hold as quickly as we may hope or expect and it is anticipated that self-driving cars may take up to 20 years to become a South African reality. This is mainly due to the infrastructural limitations (roads, electricity, etc) within South Africa. Similarly, in the US, with around 300 million vehicles on the roads, it may take a substantial amount of time to build a large enough driverless community to significantly change the automotive landscape.

Copies of the report may be requested from vandenbergm@za.innovation-group.com.

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