

Auto sector CEOs driven by need to innovate

Global Automotive CEOs surveyed on priorities and concerns for the next 3 years

"Vehicle manufacturers have to use the power of data to get inside customers' heads." - Dieter Becker, Global Head of Automotive, KPMG International.

Automotive sector CEOs know that if they can't meet their customers' needs, the competition will. According to the findings of the KPMG Global CEO Outlook Survey, with 86 percent of automotive CEOs concerned about the loyalty of their customers, it appears getting it right isn't an option, it's an imperative. It's why many CEOs in the automotive sector are throwing their support behind new innovations and new technologies. Auto CEOs indicate that spurring innovation is a critical challenge; almost half say fostering innovation is one of their strategic priorities for the next three years, while 36 percent have made a related priority to increase their speed to market.

Technology

Technology disruption and innovation go hand-in-hand in the automotive sector. In a sector where 86 percent of CEOs are concerned about customer loyalty, 70 percent are concerned about new competitors disrupting their business model and 67 percent concerned about keeping current with new technologies – there's little doubt that innovation must supersede the status quo if auto companies are to be successful.

Many automotive sector CEOs understand this innovation imperative. From developing more efficient and alternatively fueled vehicles to creating a seamless user experience by integrating everything from mapping tools and satellite entertainment to remote start functions into vehicles – auto companies are competing to discover the next stage of auto evolution. The pressure on companies is enormous. It's likely why 42 percent have made it a priority to foster innovation over the next 3 years, while 36 percent have prioritised increasing speed to market.

What are the most critical challenges Auto CEOs expect to face over the next 3 years?



Source: 2015 KPMG CEO Outlook, May 2015

Cyber security

With the rise of connected vehicles (e.g. remote ignition, automatic brakes, smartphone connectivity), the automotive industry must face a challenge that has not been a challenge historically: hacking. The in-vehicle technologies meant to create a seamless user experience may themselves be used to compromise vehicle safety and handling. Auto companies face a steep learning curve associated with identifying and mitigating cyber-security risks – one they must steer if they are to provide the innovations their customers want while maintaining their brand integrity.



Source: 2015 KPMG CEO Outlook, May 2015

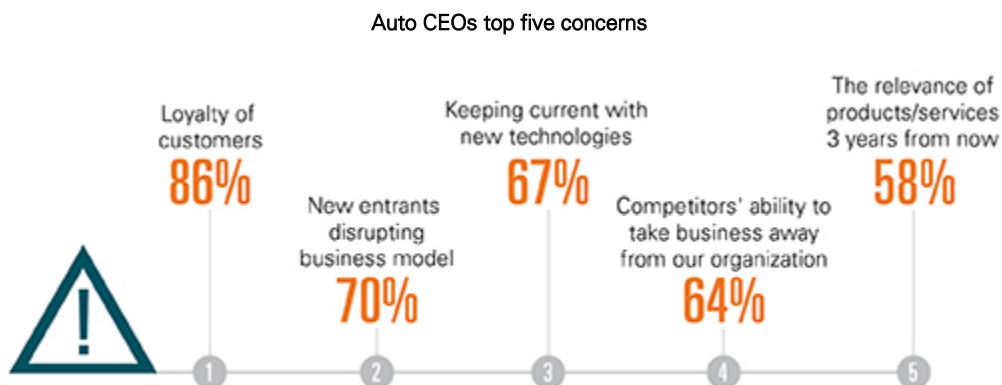
Auto CEOs recognise how important cyber-security is becoming. While some companies have already taken action to pre-empt cyber-security breaches – even more plan to take action in the next 3 years: 66 percent plan to hire a cyber-security consultant, 63 percent plan to change external processes, 55 percent plan to upgrade their current technologies and almost 50 percent plan to hire a cyber-security executive or team. For many, the success of these cyber-security initiatives could be as important to their sustainability as any new customer-focused innovations.

Customer focus

With 86 percent of auto CEOs concerned about the loyalty of their customers, it's no wonder many are focusing their strategy on fostering innovations aimed directly at answering their customers' demands. Auto CEOs know that if they don't provide what their customers want – their competition will. But understanding customers isn't easy. 22 percent of CEOs in the automotive sector believe the biggest barrier to innovation is shifting customer dynamics – significantly higher than the 16 percent of CEOs globally who see it as a barrier.

The challenge is that customer evolution is not expected to slow anytime soon. Auto CEOs are coming to recognise this – along with the role emerging technologies can have in helping them shape, track and measure customer opinion. If auto CEOs can understand what customers are saying and can engage them in the right conversations, they can focus their corporate innovations and new technology investment where they will have the biggest impact.

This is where data and analytics (D&A) will be essential. Already, 32 percent of CEOs say their company is considered a leader in the use of data and analytics. But with 51 percent saying that they use D&A fairly effectively, there appears to be room for improvement.



Source: 2015 KPMG CEO Outlook, May 2015

To find out more about the key issues facing CEOs around the world, read KPMG's [2015 Global CEO Outlook](#).

For an Australian perspective, read KPMG's [Global CEO Outlook 2015: The outlook for Australia](#).

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