

NEW STRATEGIES FOR SUSTAINABLE GROWTH 1-2 APRIL 2014 MELBOURNE, AUSTRALIA



Global Truck Forum

The long and short of it



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The road to 2020 and beyond What's driving the global trucking industry?

How are the industry and the market **evolving**?

What are the future **challenges and opportunities**?

How can OEMs & suppliers **benefit** from new challenges and opportunities?

What are the **implications** for different market segments?



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Narrative Thread

The global truck industry is about to enter a period of wide-ranging and transformative change, as sales continue to shift and environmental regulations tighten.

Lesson

Companies that want to have a successful, long-term future need to get key strategic decisions now.



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Looking back

Σ

Traditional markets are still recovering,
Search for new sources of profit



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Looking forward

- | | |
|----------------------------------------|---------------------|
| 1. Growing complexity & cost pressures | Sessions 1, 2, 4 |
| 2. Diverging markets | Sessions 3, 5 |
| 3. Digital demands | Session 3, 6 |
| 4. Shifting industry landscape | Sessions 1, 2, 5, 6 |



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Σ

Difficult for OEMs to differentiate themselves with new features
while extracting economic value.

“OEMs will have to develop alternative powertrain technologies for lower-emission vehicles without knowing what will end up being the prevailing technology of the future”

McKinsey



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2. Diverging Markets

Growing importance of **emerging markets**

Locations of current production and supply bases not sufficiently **aligned**

Potential for **portfolio mismatch** (different classes grow at different speeds)

Underdeveloped **aftersales** markets (Asia)



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3. Digital Demands

Digital channels primary information source for customers >
Next step online purchasing?

Competition from online retailers puts **pressure** on existing
dealership structure

combine mobility with **communication** > short development cycles

Build **new relationships** with software/ technology industry



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4. Shifting Industry Landscape

"[OEMs] need to provide an engaging interaction and compelling experience across all touch points on the customer decision making journey and in the post-purchase experience."

McKinsey



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Geographic change

By 2018, BRIC customers will demand the same levels of quality, safety and reliability as TRIAD markets

In 3-5 years, BRIC countries are expected to export significant numbers of vehicles

40% of executives see best growth markets in South East Asia, and **19%** in Eastern Europe

Eastern Europe and **Mexico** key hubs to enter Europe and North America



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New Strategies for Sustainable Growth

Why are you here today?

How do you manage to **impose mark-ups** for mandated content and tighten annual cost improvement?

How do you **balance** global scale, complexity, and local or segment-specific customer demand?

How do you compete with expanding **local players**?

How do you maintain a **unique brand image**?



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New Strategies for Sustainable Growth **Where do executives see new profit growth?**

88 % see new products as the major growth tactic up to 2018

80 % say corporate partnerships are the key to success

73 % of suppliers focus on expanding value chains and diversification

85 % of OEMs plan to increase investments in power electronics and battery technology



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Summary: No golden rule for success

Review and adjust strategic **priorities** & deploy **appropriate investments** and resources

Develop **new skills** to execute strategic objectives

Form **strategic alliances** between OEMs and suppliers to reduce investment outlays (suppliers add more value)

Active involvement in **transport community** to help find solutions for pressing issues like driver shortage and hours-of-service regulations



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