1. Something is happening in the automotive sector

A quiet revolution that will change the industry forever. Convergence of automotive and high tech.

2. What’s happening now?

Global growth:
By 2016, worldwide light vehicle production is estimated to grow to 80–90 million units.

Profit margins remain healthy for auto OEMs – 8% to 14%.

A shift in market power
Emerging markets offer greatest growth potential. China still leads at +6% growth.

More supplier components
Suppliers are increasingly contributing to vehicle make-up – 82% today, 56% in 1985.

3. Revolutionizing the future: Two Trends

Trend 1
The rise of the “mega supplier”
Suppliers are getting bigger. They are vertically integrating, forming new partnerships to serve the vehicle manufacturers.

Suppliers are establishing global manufacturing clusters around OEM production plants.

Trend 2
Convergence – the super sector
Cars are now technology on four wheels.

Today’s average midsize vehicle requires 20 million-plus lines of code.

By comparison, a Boeing 787 has less than 15 million lines of code.

Think about it:
In the US, vehicles of the future now premier at the Consumer Electronics Show.

4. What does this mean?

Every supplier becomes critical. Failure at even the smallest tier 4 supplier can stop an assembly line.

The stakes are high: Shutting down an automotive production line costs $1.25 million an hour.

The new reality: Automotive now must compete with tech for supplier capacity. Any tech may be the larger customer.

5. The new automotive supply chain

What does success require?
- Standardization of processes, systems, operating practices, capabilities.
- Replicable supply chains.
- Smarter risk management.

6. What are the solutions?

Closer partnerships
Multiple suppliers for the same component
Supply localization
A risk-balanced supply chain

7. What makes the new automotive supply chain possible?

Intelligent Visibility
– up and down the supply chain

Good demand signals
– at all levels

Collaboration
– across all supplier tiers

Orchestration
– of the entire automotive ecosystem

The path forward
Create smarter supply chains that ensure future growth.

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