

The motor industry's most
important event of the year

2012 SMMT INTERNATIONAL AUTOMOTIVE SUMMIT



12 June 2012
Post-Event Report



supported by



CANARY WHARF LONDON

motorexpo®

11 - 17 June 2012 | motorexpo.com

CHALLENGES AND CHANGES - UK AUTOMOTIVE IN THE ASCENDANCY

A SUCCESSFUL 2012 SMMT INTERNATIONAL AUTOMOTIVE SUMMIT
WAS ONCE AGAIN A CHANCE FOR INDUSTRY LEADERS TO CELEBRATE



Paul Everitt, Chief Executive, SMMT and Rt Hon Dr Vince Cable MP

Keynote speeches from some of the biggest names in the business concurred that the dark days of 2008 had been tough, but the hard work and flexibility of the industry had revived its fortunes. However, in order for growth to be sustained, all players will need to continue to adapt.

“There are a lot of changes happening in the world that present massive opportunities for the industry.”

Dr Ian Robertson (Hon DSc), Member of the Board of Management of BMW AG, Sales and Marketing



The Rt Hon Dr Vince Cable MP, Business Secretary, used his keynote speech to congratulate the toughness and flexibility of one of Britain’s most successful sectors. He spoke of exciting times ahead in manufacturing, with fresh investment from volume car makers providing more jobs and ensuring healthy exports.

“The flexibility, toughness and quality of the motor industry has paid off.”

Rt Hon Dr Vince Cable MP

Three separate streams ran throughout the day, each taking a closer look from different viewpoints at where the UK industry is now, and what it can do to better itself.

‘The Changing Face of Retail’ stream set out to assess the modern consumer, and how the global market is changing. The digital age is changing the way people look at and purchase their cars, something the industry needs to be prepared for. A predicted increase in urban living across the globe will also have an effect on the choices consumers make.

Stream two, ‘Innovation in Ultra-Low Carbon Technology’ delved deeper into the diversification of powertrains in the modern age. As electric vehicles, hybrids and hydrogen fuel cells dominate the low carbon news headlines today, experts considered how prominent they will be in future society and how the consumer will adapt to them.

Finally, ‘Growth in the Supply Chain’ focused on how the UK can take maximum advantage of recent investments, and considered best practices for improvement. While the UK can boast some of the finest design and engineering teams in the world, new and emerging talent hasn’t always been sought so effectively. Leading industry figures met to discuss bridging this skills gap and how best to ensure strong financial investment for the future.

ADAPT TO GROW

BOSCH GMBH BOARD OF MANAGEMENT MEMBER, PETER TYROLLER,
THINKS ADAPTING TO A DYNAMIC AUTOMOTIVE MARKET IS FUNDAMENTAL



- Bosch and UK motor industry must be ready for intense powertrain diversification.
- A push for safer driving will lead to new opportunities as technology progresses.
- The industry must consider the main drivers for mobility solutions.

Peter Tyroller opened his keynote speech with promising news, "For 2012, Bosch expects growth of 3-5% and we are exceeding proposed worldwide sales".

Tyroller stressed the UK must remain diligent, "There is a well known and discussed shift to Asia, that will

eventually see Asia producing more cars than the US and Europe together".

"There are new complexities to consider as powertrains diversify," he added. "A parallel development is needed in optimising existing internal combustion engines and developing new electrified concepts. As the world's largest supplier, we are committed to covering all technologies."

Tyroller also highlighted safety which continues to play a major role in manufacturer strategy. "Pushing safety technologies out to all markets and segments is a huge but important challenge for the industry," he said. "Today the vision of injury-free, accident-free driving will merge passive and active technologies."

Underlying opportunities presented by advancements in safety and powertrain technology is understanding the market, he added. "The main drivers behind developing mobility solutions are emissions, mobility relevance, increasing urban areas and transport control.

"The industry needs to understand and adapt to the market's dynamism and consider that new entrants to the industry - like energy and IT companies - are interacting."

FACING UP TO THE FUTURE

DR IAN ROBERTSON ASSESSES THE CHANGING FACE OF THE AUTO INDUSTRY



- BMW continues to invest in the UK - a major market.
- The UK must understand global trends impacting its automotive industry.
- Rebalancing the economy is key and UK must invest more in education, training and skills.

Dr Robertson gave a considered keynote speech praising the UK automotive industry's efforts, stressing that it had to keep its eyes open to change.

Robertson set the scene early on, admitting, "There is no doubting there is scepticism in Europe, whether that be the Euro crisis or what is happening in the south versus what is happening in the north".

He was keen to stress, "One fundamental, that the UK becomes even more engaged in Europe, rather than slightly aside from it. Key legislative decisions are being made that affect us all, and the automotive sector can only benefit by being closer".

"There are a lot of changes happening in the world," Roberston continued, "presenting massive opportunities for the industry." He outlined key areas that he saw as impacting the UK industry, each needing to be fully understood.

"The subject of environment is here to stay. CO₂ legislation is the norm. None of us really know the interconnectivity of the world's climates, but none of us can take the risk, and we are all impacting it."

He went on, "Customer needs are changing, and the way the buyer looks, touches and purchases his car is changing, too." This is because, "60% of people will be living in megacities in the next 25 to 30 years".

Before that must come investment in education, training and skills. Robertson made it clear that the UK must invest in apprenticeship schemes, building a skill base, because, "that brings technology, R&D, innovation, and ultimately, manufacturing and exports".

GOVERNMENT EMBRACES THE INDUSTRY

SECRETARY OF STATE FOR BUSINESS, INNOVATION AND SKILLS, DR VINCE CABLE CELEBRATES THE UK'S AUTOMOTIVE INVESTMENT



- After some tough times, the hard work is starting to pay off for the UK automotive industry.
- The boost the motor industry gives to the economy is massive and government should get behind successful industries.
- The Automotive Council has worked well, and similar organisations should be practised in other industries.

Vince Cable MP rounded the day's events with a speech full of admiration and praise for the hard work carried out by the automotive sector. "I last spoke to you a couple of years ago, at the formation of the coalition, and those were hard times. Britain was coming out of recession, and car companies were hanging in there," he said.

"The flexibility, toughness and quality of the motor industry has paid off, as we've seen from figures suggesting

sustained and strong growth, which is all the more striking considering what's happening in other industries."

Cable also praised the motor industry's contribution to the UK's economy, explaining, "A 12% increase in production this year and over 1.4m vehicles built last year, 80% of those exported, has meant a £10 billion contribution to the economy. Add in the retail and service industry, and that's another £22 billion each. The motor industry deserves a large pat on the back".

"We realise the need to attract more engineering talent"

Cable wasn't complacent in his congratulation, though, saying, "We realise the need to attract more engineering talent, and I'm told this at every factory I go to". He added, "The motor industry must develop a sensible collaborative approach that considers low carbon technologies, how it deals with skills and having a good commercial environment".

Ultimately, the Business Secretary stressed that the UK industry was headed in the right direction, saying, "The automotive industry and Automotive Council's good work creates a model that we are trying to replicate in some of our other industries and sectors. Manufacturing amounts to just over 10% of the economy in crude terms, but is responsible for half our exports".

THE DIGITAL CONSUMER

THE CHANGING FACE OF VEHICLE RETAIL

The traditional dealership model is out of step with consumer behaviour, Tim Smith, Commercial Director at GForces Web Management, told delegates. He was backed by Hugh Dickerson, Google's Head of Automotive, who stressed that with an average of 1.3 showroom visits per buyer, the deal is no longer done in the dealership.

Dickerson discussed a new, "Zero moment of truth", which takes place post-advertising stimulus and online. Desktop searches have quadrupled over the past five years, and with an average of 18.2 sources of information to turn their heads, 51% of people don't end up buying their original choice of car.

So how can manufacturers become influencers when it counts? Websites, Facebook and Twitter are key



Tim Smith of GForces Web Management and Hugh Dickerson of Google

of course, said Dickerson, but mobile is increasingly important - 28% now research online using their phones. YouTube is also vital to target the 83% of buyers who are positively influenced by online videos.

Meanwhile, Laurie Kirschner from LinkedIn, said that 70% of its members want to follow companies as well as professional contacts.

URBAN CONSUMER IN A LOW CARBON WORLD

THE CHANGING FACE OF VEHICLE RETAIL

“People buy electric vehicles first on cost; second on whether they believe the charging infrastructure will accommodate their needs. Least important are ecological benefits,” said Thierry Koskas, Global Head of EV at Renault, who stressed that in order for EVs to attain mass market appeal, they must be affordable – hence Renault’s decision to lease batteries rather than sell them outright with the vehicle.

Bethan Carver, Manager of B2C Product Development at EDF Energy, meanwhile argued that public charging points are preoccupying the debate when trials have shown that 80% of consumers prefer to charge off-peak at home or at work.

Understanding cost of ownership was the final element of the debate and Dr Ben Lane, Director of the STS (Sustainable Transport Solutions) Consultancy, drew delegates’ attention to the need for clearer labelling to help buyers compare the economy of today’s mix of powertrains. “Defining cost using kWh would be counterproductive when consumers base their decisions on mpg and CO₂ emissions,” he said.



“People buy electric vehicles first on cost.”

Thierry Koskas, Renault

CHALLENGES OF FUTURE RETAILING

INSIGHTS FOR THE FRANCHISE DEALER NETWORK



Kalman Gyimesi, IBM

Today’s retailing challenge is differentiation, said Kalman Gyimesi, Automotive Practice Leader at IBM, who pointed to third party car websites that order car genius searches on price rather than USP, and called for a refocusing of the service proposition to take account of new customer needs such as mobility services and vehicle apps.

Joe Doyle, CEO of HR Owen plc, said customer data from events and walk-ins often isn’t linked to the Dealer Management System. He advocated the Salesforce.com cloud-based open system, which pulls everything together and allows customer interactions to be tracked end-to-end. This has increased HR Owen’s web traffic by 136%, he added.

He also advised being present at events such as Motorexpo, currently on at Canary Wharf. “Fish where the fish are,” he said. “We’re here because it’s the richest square mile in the world, and this is where our customers are.”

Back in the showroom, he said customers are more informed than ever, and dealers need to work harder to retain their ‘expert’ status.

INVESTING IN INNOVATION

THE UK'S COLLABORATION BETWEEN INDUSTRY, GOVERNMENT AND ACADEMIA



Tony Harper, Head of Research and Advanced System Engineering, Jaguar Land Rover

A panel comprising the three sectors sat down to look at how the UK can turn its strong collaboration between industry, government and academia into economic strength.

Catherine Coates, Director of Business Innovation at the Engineering and Physical Sciences Research Council, which, to date, has supported 12,300 postgraduates into industry, said, "Internal combustion engines, energy storage and management, intelligent

mobility, lightweight vehicle and powertrain structures and electric machines and power electronics are the key R&D areas".

"Our goal is to accelerate economic growth by stimulating and supporting business-led innovation," added Andrew Everett, Head of the Technology Strategy Board. "We're driving innovation through an integrated delivery programme made up of 400 partners, 11 competitions and a total leveraged investment of £271 million."

"The UK is the most competitive and flexible of the Western European countries."

John Leech, KPMG LLP

So how does the UK stack up with its international competitors and what more should be done to secure our share of the global R&D spend? John Leech, Head of Automotive at KPMG LLP, was optimistic, "All car plants have long-term investment plans announced, and the UK is the most competitive and flexible of the Western European countries".

TAKING TECHNOLOGIES TO MARKET

THE OPPORTUNITIES FOR ALTERNATIVE-FUEL TECHNOLOGIES



"Whatever technology you develop, it always comes back to the consumer."

Barb Samardzich, Ford of Europe

The talk turned to technology in this session, as three experts considered the importance of alternative fuels, and how best to implement them.

Vice President, Product Development at Ford of Europe, Barb Samardzich, pointed out that, "Whatever technology you develop, it always comes back to the consumer. Technology needs to be affordable – there's no use investing in it if nobody can afford it".

This was considered by Thierry Koskas, Global Head of EV at Renault, who conceded that he predicted EVs, "Would account for just 10% of sales, even by 2020". That said, he still maintained that, "Running an EV car is still cheaper than a petrol or diesel model overall. It comes with genuine additional benefits such as no road tax and it isn't a hassle to own".

Dr Henri Winand, Chief Executive of Intelligent Energy, brought a completely different subject to the fore: the advantages of hydrogen. He argued that, "Fuel cell cars are among the lowest carbon solution for cars on longer trips. Fuel cell cars are ready," he said, "But the UK infrastructure isn't in place".

OPPORTUNITIES FOR SUPPLY CHAIN GROWTH

THE OUTLOOK FOR THE UK COMPONENTS INDUSTRY



“UK suppliers are facing strong competition, but at Toyota we think it’s important to assess logistics”

Mark Adams, Toyota’s Vice President of Purchasing

Six industry experts discussed the importance of the UK motor industry supply chain, and what needs to be done to maximise growth on the back of recent OEM investment.

David Allen, Purchasing Director, Electrical, Electrification and Hybrid, Jaguar Land Rover, started the discussion, saying it was the motor industry’s job, “To develop a stronger more competitive UK supply chain, and ensure that the UK supply chain is globally competitive”.

“The main challenges faced by UK manufacturing don’t lie with low cost countries,” said Dave Cameron, Nissan Vice President of Purchasing. “It’s the countries much closer to home in the EU that are the main threat. Nissan’s attempts at an ambitious 8% market share will create huge opportunity for companies to participate in that growth.”

Mark Adams, Vice President Purchasing at Toyota was also keen to promote the UK’s strengths. “UK suppliers are facing strong competition, but at Toyota we think it’s important to assess logistics. Bulky parts such as seats and headlights are cheaper overall to manufacture in the UK, and the strong Yen has meant conditions in the UK are often more favourable,” he said.

BRIDGING THE SKILLS GAP

UK AUTOMOTIVE NEEDS TO FIGHT TO RECRUIT THE VERY BEST PEOPLE

Attracting the brightest and best talent is vital to the long-term success of the industry but how can manufacturing compete with glamour industries to recruit future engineering stars?

Nick Pascoe, Chief Executive of Controlled Power Technologies, wasn’t afraid to highlight the UK industry’s failings in this area. “The availability of quality, suitably qualified engineers is key to the UK automotive industry building and retaining a significant role in electric motor technology and Tier 1 R&D activity,” he argued.

“UK universities have become dependent upon non-EU students for funding, especially for Masters level in engineering. The UK needs to increase the number and capability of applicants for engineering degrees, and develop an attractive funding model for universities, industry and students.”


Christine Gaskell MBE, Board Member for Personnel at Bentley Motors and a National Apprenticeships Ambassador, extolled the advantages of apprenticeships in helping manufacturing meet the skills gap. “The key to a skilled workforce is training. Making sure people

have the right skills for a modern, technology-led competitive UK manufacturing sector. Given the wider economic situation and concerns about the cost of tertiary education, vocational training is becoming an ever more attractive proposition,” she said.

“The key to a skilled workforce is training.”

Christine Gaskell MBE, Bentley Motors

However, she also recognised the need for improvement in the way apprenticeships were structured, calling for greater flexibility in the framework but also calling for major manufacturing employers to do more to help suppliers recruit apprentices to assure their future.



The Society of Motor Manufacturers and Traders Ltd
71 Great Peter Street
London SW1P 2BN
+44 (0)20 7235 7000
www.smmt.co.uk

THE SOCIETY OF
MOTOR MANUFACTURERS
AND TRADERS LIMITED

SMMT, the 'S' symbol and the 'Driving the motor industry'
brandline are trademarks of SMMT Ltd