Vehicles have become an integrated part of the “personal ecosystem”—with an emphasis on connectivity, entertainment, and convenience. This shift in the automotive landscape includes, yet extends beyond, the traditional focus on performance, style, and safety. Innovations from within automotive and other industries—including telecommunications, consumer electronics, and software—are accelerating the shift toward a new service model with changes in consumer demands, the competitive landscape, and core business models.

THE SPEED OF INNOVATION IS A GAME-CHANGER.
Electronics and technology companies have conditioned consumers to expect a rapid pace of innovation: Gradual change is no longer acceptable. Consumers are now accustomed to new and enhanced user experiences on an annual basis. This expectation will make it increasingly difficult for automakers and suppliers to maintain the current multi-year product design and development process. Software outpaces hardware innovation, as it is able to deploy more frequent incremental advancements through updates and patches. As vehicles evolve from mechanical to software-enabled devices, automakers must rethink fundamental product development principles. Adopting shorter product lifecycles will bring about a paradigm shift—moving from a sequential, compartmentalized design process to a more agile approach, with higher degrees of collaboration between self-directed, cross-functional teams.

THE COMPETITIVE LANDSCAPE IS SHIFTING.
The connected vehicle ecosystem is being shaped by new rules and different industries. The boundaries dividing technology, manufacturing, and automotive are blurring as demands for cutting-edge, connected products increase. When these industries converge, opportunities abound. Manufacturers must quickly gain capability in non-traditional areas related to revenue-generating consumer interactions and services, like software engineering and cyber security.

THE CUSTOMER EXPERIENCE IS EXPANDING.
Although the relationship between vehicle and driver will soon look dramatically different, the core selling point remains the same: Customer experience. But that experience is becoming more comprehensive and defined by applications, connection speeds, and reliability. A sustained customer relationship built on quality and trust will be critical as vehicles become increasingly integrated into the Internet of Things in a connected society.
An Agenda to Thrive in Disruption

As the connected vehicle landscape continues to mature, automakers need to adapt. At Booz Allen Hamilton, we see this revolution as an opportunity to generate new revenue streams and develop brand differentiators through the following agenda:

Own the coming transformation.
A new product and evolved service model is emerging, and automakers must look across the enterprise to identify creative leaders and break down barriers to collaboration. Automakers require a comprehensive business strategy that challenges traditional approaches and inserts innovation into the vehicle development process.

Recognize the data opportunity.
Automakers—with a product tied so closely to the customer—are in a unique position to create new revenue streams through data analysis. Available data will continue to expand as new sensors and more computing power is placed on vehicles by manufacturers and by drivers via personal devices. Automakers must have an aggressive data collection, analysis, and security policy to benefit from this access.

Adapt a “Try. Fail. Learn.” mindset.
Traditional manufacturers will need to innovate early and fail often to find the right combination of features that meet consumer demands. To build for the future, they must forecast demands by understanding emerging research and innovations across the connected vehicle landscape. This paradigm shift will take time and resources. But, while it may seem like a heavy investment up front, the risk of missing the demand curve in an industry characterized by long manufacturing cycles is far greater.

Secure your connectivity.
While embedded, real-time vehicle diagnostic systems and hosted applications that provide new services to drivers are value differentiators and profit generators, they also pose a challenge for automakers to keep pace with escalating and increasingly sophisticated security risks. Vehicle cyber security will become even more integral to developing a high-quality, high-performing vehicle in the connected vehicle era.

Manage risk across the enterprise.
Companies will need to manage risk but also take risks to capture the opportunities. Within a rapidly shifting landscape, a carefully calibrated risk management approach is essential to support key decision points. Fundamental changes in the industry require insightful strategies and planning, highly effective change management, strong project management, and market-leading insights using all available data. Brand management also becomes extremely important, as companies need to build demand and brand loyalty in an era when consumers are constantly switching purchasing habits to find the product that best meets their needs.

At Booz Allen, we work with our clients to understand and manage their connected vehicle ecosystem, identify and target threats, find opportunity in risk, and focus their agenda to thrive in a rapidly changing industry. Together, we take bold action to confidently forge ahead.

Proactive automakers can be poised to create new opportunities from this market redefinition.

Booz Allen Hamilton has been at the forefront of strategy and technology consulting for more than 100 years. The firm provides solutions to corporations, governments, and not-for-profits through a combination of analytics, operations, cyber, technology, engineering, systems delivery, and innovation expertise. With headquarters in McLean, Virginia, Booz Allen employs more than 22,500 people and had revenue of $5.27 billion for the 12 months ended March 31, 2015. To learn more, visit www.boozallen.com. (NYSE: BAH)