Car companies making alliances for future markets

Business, Company

Many years ago, since the first vehicle was invented, the purpose has always been to ease the person’s life in terms of mobility and transportation. As years went by, the quality of these vehicles have increased as well as their prices, such as the improvements in the materials used to make them and many different features implemented to them so as they would look more attractive and comfortable. This has been a practice that has never stopped. As many car companies appeared throughout the years with newer and different car models and features, the rivalry started.

The car industry is an intense business, innovation and improvement are essential key factors to dominate the market. A great example of this is with German brands such as BMW, Mercedes-Benz and Audi. They have a worldwide recognized rivalry that has been going since first days, they’ve all incurred into the sport, standard and luxury vehicle market to stand out in between their competitors. Each brand has a high-performance segment: Audi has “ RS”, Mercedes has “ AMG” and BMW has “ M Performance”, all of them combining the “ best of the best” of their machinery.

This culture of rivalry, as said before, will continue because each brand wants to give the best of them to satisfy customers needs and wishes, every time, more accurately. Nevertheless, today’s markets exigencies are not the same that the ones 50 years ago, and surely not the ones in 50 years from now. Just as some years ago, all cars were mechanic, the way to stand out was revealed when the automatic car was introduced to the market. Bigger improvements like that, instead of changing, for example, the material of the seats and interior of the car, are the ones that really matter to the customer, the ones that increase the level of comfortability for them.

This case study aims to explain what the purpose and parts involved in the iNext Project Partnership, conformed by BMW Group, Intel, Mobileye, Delphi, Continental AG, Fiat Chrysler Automobile and Magna International, in order to share costs and knowledge to develop self-driving cars to prepare for a future imminent market.

This type of partnership is directly related to the Collaborative Negotiation Strategy which is, when two or more parts strive to convert individual wants into a single problem, bringing the parties together to work in the solution of the problem. It’s a win-win situation. (ThoughtExchange, 2014).

This type of joints are seriously important in order to dominate a certain segment of the market, because many times the companies, with the purpose of standing out from the competition, incur in high production costs to develop either better features, beautiful exteriors/interiors, or improve the performance of the car itself. Joints like the ones in this case are necessary for the success of the companies in such a predictable future as the one for the car industry.

These days, technology is everywhere. Big advances in the way we can use it have made our lives much easier than it once was for our grandparents. This advances can be seen in everyday aspects, as in the kitchen, in our cellphones, computers, the way professors teach, videogames, and thousands of other things technology is present. It is also one of the key factors in the quality that each car can get.

As previously said, since the vehicle was first introduced to the market, the purpose of the developers has always been to keep improving it. That’s why the car industry becomes every time more and more competitive.

As time has gone by, different remarkable features have been introduced to the car market, some of them are: automatic cars, safety on-the-road technology, cruiser-mode driving, self-parking technology and lastly, self-driving technology.

Within the self-driving technology market, it’s obvious that it is not too exploited, it’s considered a blue ocean, because, despite it’s getting noticeable that self-driving cars are part of the future and some brands are taking a first step into the developing and implementing of this technology into their cars, it’s not a big solid number of brands that are “ going deep” with this idea.

Nowadays, big car brands such as Cadillac with its Super Cruise feature or Tesla with its Autopilot feature that allows the driver to take his/her hands off the wheels are the ones “ dominating” the market.

According to a study released by consulting firm KPMG, it is expected that self-driving cars slash the demand of owner-driving sedans in the US by 2030, and also showed that the implementation of these models in the public service such as taxis would reduce the costs of hailing a ride (BusinessInsider, 2017), as shown next

Illustration 1: Self-Driven Cars vs Sedans in the US in 2030

Illustration 2: Average cost per mile in taxi service

After seeing these graphics, we can have a better understanding of the rentability and the potential of the self-driven car in the future market.

The reason behind why not many brands are “ going deep” with it is that it’s not a very profitable market, it’s not a market that can compete with today’s mass-produced, standardized and not too expensive cars.

The type of cars named above (Cadillac and Tesla) are all pricey options on the luxury vehicle segment because the process of researching, improving and implementing these technologies to cars are highly expensive for the car manufacturers, so in order to overcome the costs of production, they have to put high prices to the cars. The sensor suit, that is what makes it possible for these type of cars to “ see” the environment, combined with the compute hardware which consumes a lot of space in the trunk are really expensive (TheVerge, 2018). This is why it’s not a good segment for competition, at least until they find a way to mass-produce them, which would cause a decrease in the prices and we could see a few hundred in the road as we usually do with normal cars (TheVerge, 2018).

Due to those high costs and the willing to dominate new segments of the market, ideas such as making alliances have made an appearance into the car brand strategies.

BMW, a German car manufacturer company, is a great example of brands that have incurred into new segments of the car-selling market. First, despite they specialize in high-class cars, luxurious and sportive, on 2014, they

launched to the market one of the most iconic vehicles of their line, the BMW i8, which was an electric-hybrid car, for those who concern enough about the environment to buy a very expensive car.

As new technologies arrive every year, new advances can be seen every time in the car market. One of the most remarkable and notorious add-ins to the futuristic trending in cars is Tesla’s Autopilot System success in the market. As said before, technologies nowadays allows us to live a more comfortable life (many times, at a higher price), and BMW has had little approaches into the self-driving world with its 7-Series model self-parking system.

Nevertheless, in order to have a bigger and more competitive approach into the self-driving market, BMW partnered with other brands in the looking for success.

BMW’s idea of entering to self-driving car market started with the sub-brand “ i”, which currently includes the BMW i3 and BMW i8, the electric models in which they started thinking of making autonomous cars. Then, they announced the iNext project partnership: a car with the proper technology to have an autonomous level 3, which is the ability of the BMW to be able to tell the driver when the car can drive itself (DrivingTheNation, 2017). Basically, this feature consists in that, the car will stay on the same lane, and it will maintain its speed, or it will pass as a maneuver when necessary.

The company defined certain levels of automated driving:

Level 3 (starting with the iNext project in 2021): It allows the driver to share the responsibility of driving with the car for the first time. During highly “ automated” driving traffic the technology allows the car to go in the same direction and let the driver do secondary activities for long periods of time.

Level 4 (fully automated driving): It’s a mayor evolution from level 3. The driver would only have to take over. The car will have the ability to move either in extremely complex situations or with harsh weather conditions. It will have the proper technology so it will allow the driver to “ relax” or even sleep.

Level 5 (autonomous driving): In this level, neither fitness to drive nor a driving license is required. The vehicle takes over all driving functions. It is supposed that, because of the complexity of the maneuvers that the car would have to take, they will initially run at low speeds in urban traffic. (DrivingTheNation, 2017).

BMW formed the iNext partnership, initially, alongside technology companies Intel and Mobileye in 2016. Every part of this partnership would collaborate jointly in order to achieve the goal. Intel provided software knowledge, because Nvidia option was taken down; the addition of Mobileye was important because the provided computer vision. The group work of this three companies assured a more significable scalable platform. (DrivingTheNation, 2017). The purpose of the negotiation was to develop the make the iNext project possible by 2021.

Later on, in early 2017, Delphi Automotive and Continental AG, two of the world's largest auto-parts suppliers joined the group. The participation of system integrators such as Delphi would be useful for the integration of the solution delivered by BMW Group into OEM vehicle architectures; also, they may provide sensors and different customizations in order to differentiate (BMWGroup, 2017).

As Brian Krzanich, Intel CEO said: " The future of transportation relies on auto and tech industry leader working together to develop a scalable architecture that automakers around the globe can adopt and customize" (Intel, 2017). It's important that big brand leaders combine their work in order to create more viable and suitable options for the future customers, that adapt to not only their needs and wants, but also their budgets. That's why this partnership was very important, because it involves teamwork for the customers benefit.

On August 16, 2017, BMW Group announced, along Intel and Mobileye that a memorandum had being signed to make Fiat Chrysler Automobiles (FCA) part of the partnership to help conquering the future car market: developing a world-leading, state of the art, autonomous driving platform for global deployment (BMWGroup, 2017). Later, in October, Magna International joined as well. These companies were the core developers and anyone who wanted to join after that would be as a customer.

The purpose of bringing FCA to the partnership was that, it would help the companies bring the vehicle to market faster and maybe even expand into new ventures. Combining Intel's tech knowledge and Fiat Chrysler's

manufacturing know-how would allow for faster progress on self-driving cars than it would be if each company worked separately (BusinessInsider, 2017). This is one of the biggest advantages of the partnership, to work cooperatively in order to ease the process, to help the automakers bring the vehicle to market ahead of schedule, being this an advantage over their competitors.

Also, another benefit of this partnership, is that it can create strong bonds for future projects and open new frontiers, like self-driving trucks and many other projects.

It was a really strong and important partnership for BMW and their goals because, telecommunications providers were part of the 5G roll-out for a car-to-infrastructure. Hardware providers would also work alongside BMW to provide the 5G technology that they require for their specs. The cars would include this technology either if the country destiny has it or not.

In the cases that the country doesn’t provide the 5G technology service, the car would automatically switch to lower levels until finds one that is available.

As a conclusion, we can say that, in a world in which each industry is becoming more competitive every day, it is essential that big brands find a way to combine their abilities, assets and knowledge in order to be able to overcome the future challenges and also future expected or unexpected requirements and needs of the customer, in a way that is viable for them. The partnership among these brands named before is very useful and

thoughtful for the future of the car industry, to make it every day more possible, viable and achievable for the customer.