

WIN – Lokalisierungstrends der Automobilindustrie in China und Indien

WIN – Winning the Automotive Localization Game in China and India

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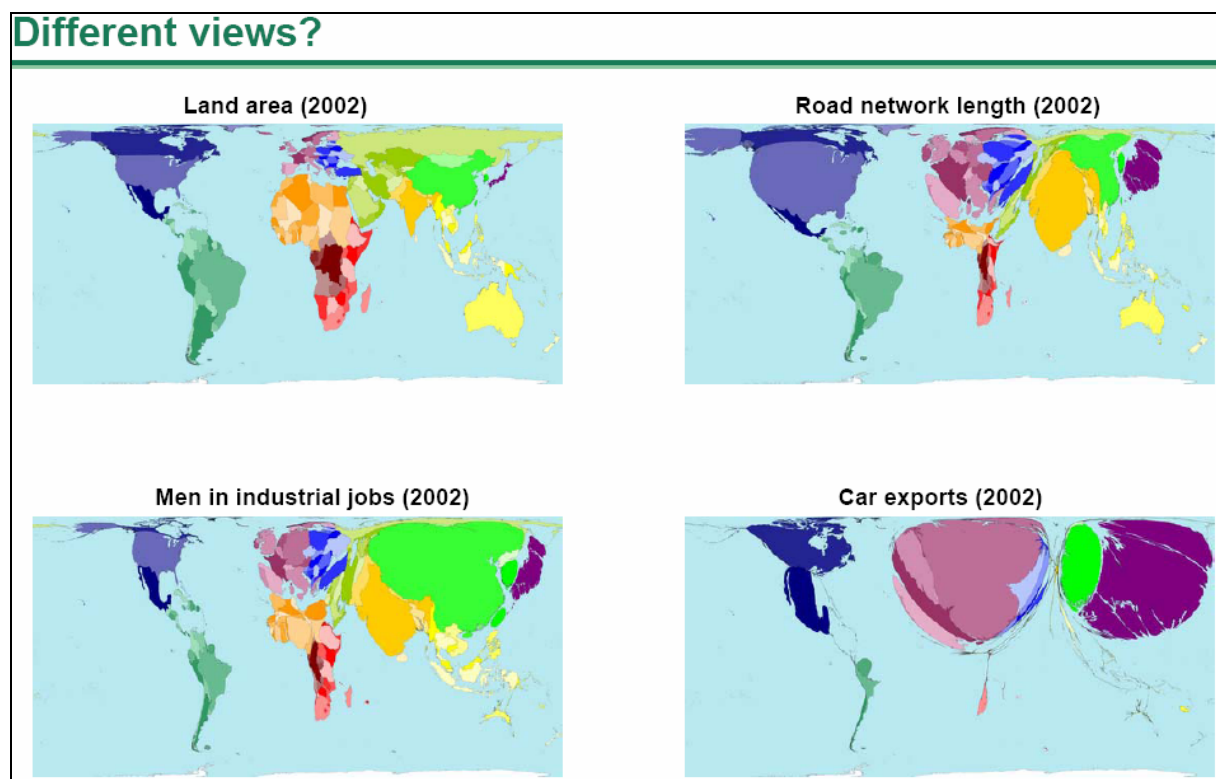


Fig. 1

1 Introduction to BCG study

Winning the Localization Game: what is it all about?

Many foreign automotive OEMs and suppliers have not yet tapped the full potential of their presence in China and in India:

- 1 China and India offer endless pools of engineers
BUT
most automotive R&D centers are relatively small and have only limited autonomy
- 2 China and India have become important supply bases for most automotive OEMs and suppliers
BUT
on a global scale, sourcing from China/India still plays a minor role
- 3 Over 100 automotive plants have been established in China in the past years¹
BUT
two-thirds of the foreign automotive companies do not produce at lower costs in China
- 4 China is expected to be 15% and India 5% of the global car market in 2015
BUT
most suppliers are mainly focused on large-scale international OEMs and do not cover emergent local OEMs
- 5 Almost every foreign OEM has established local presence in China and India
BUT
only part of the market potential is covered by current sales network, and products need further customization

Fig. 2

A second wave of globalization is starting

PAST First wave — entering/establishing

Europe/North America/Japan/Korea → China/India

NOW Second wave — embedding/expanding

Europe/North America/Japan/Korea ↔ China/India

Key challenges of the second wave

R&D/ Engineering	<ul style="list-style-type: none"> Which role should the local R&D center play? How to manage know-how development locally? How to recruit and retain R&D staff in China?
Sourcing	<ul style="list-style-type: none"> Which parts to source from a local supply base? How to develop local suppliers? How to set up an effective local sourcing office?
Manufacturing	<ul style="list-style-type: none"> What is the role/scale of the local plant network? What is the optimum degree of localization? How to improve cost and quality in local operations?
Sales & Distribution	<ul style="list-style-type: none"> How to increase penetration across local customer segments? How to organize locally for growth? How to tailor products to local customer needs?

Fig. 3

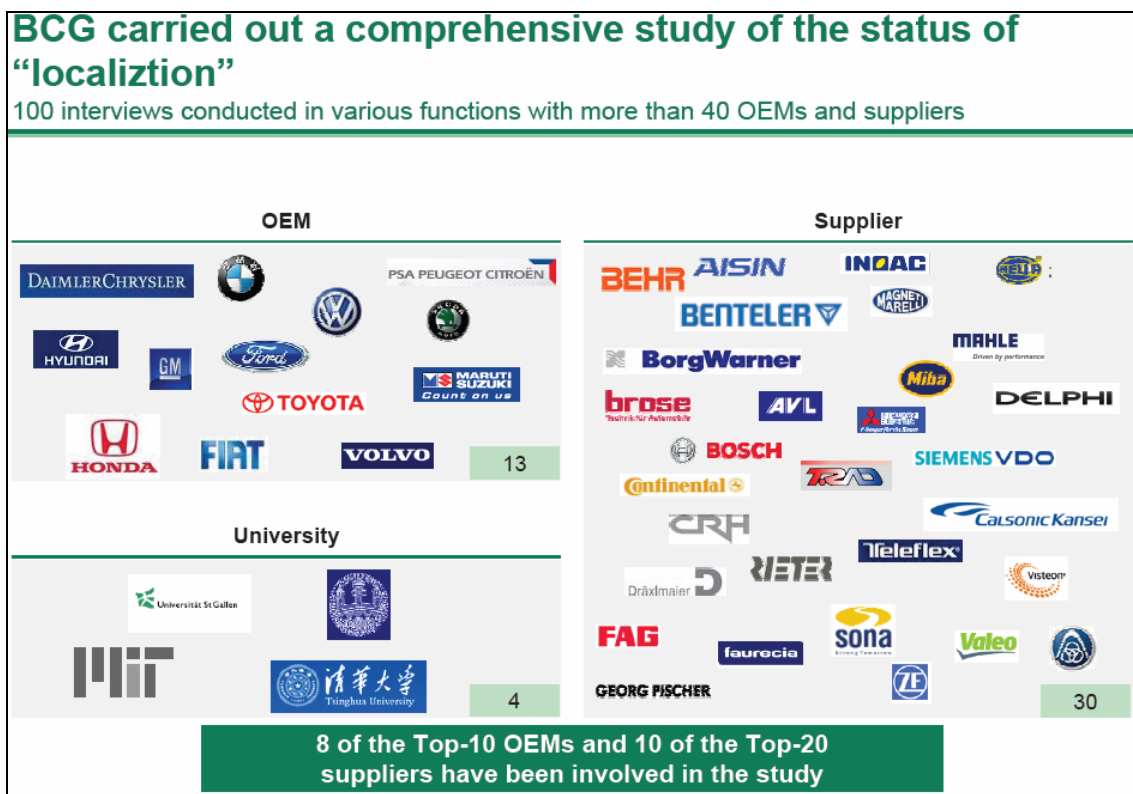


Fig. 4

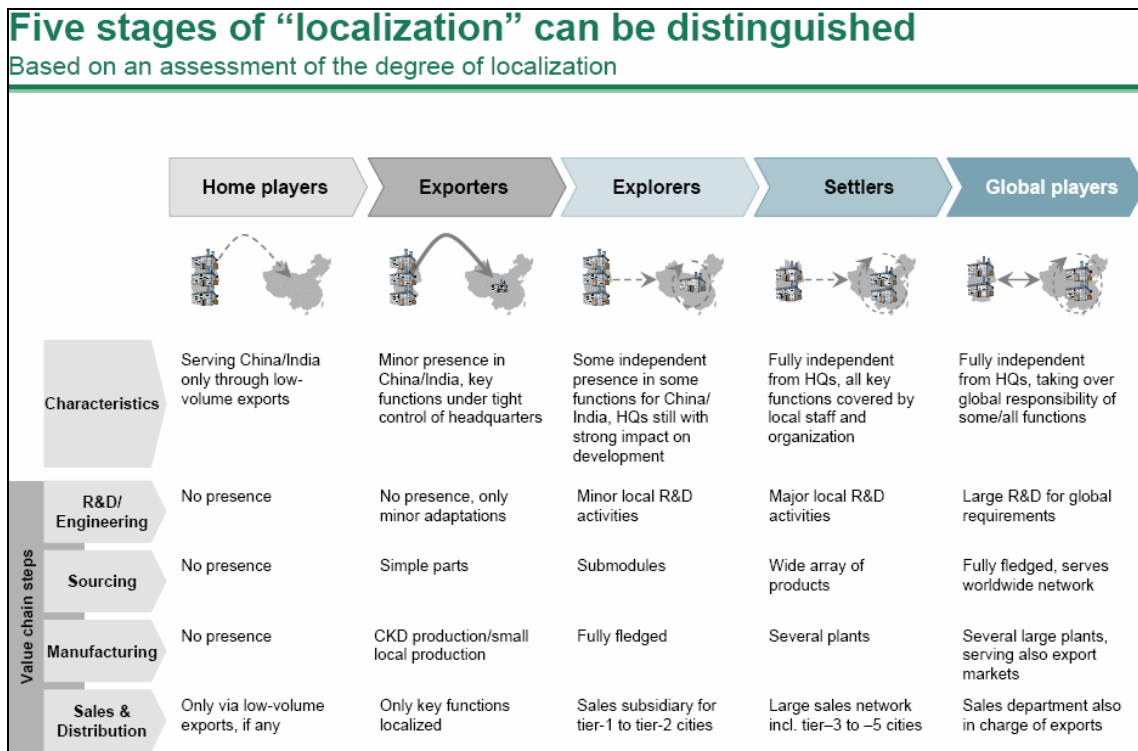


Fig. 5

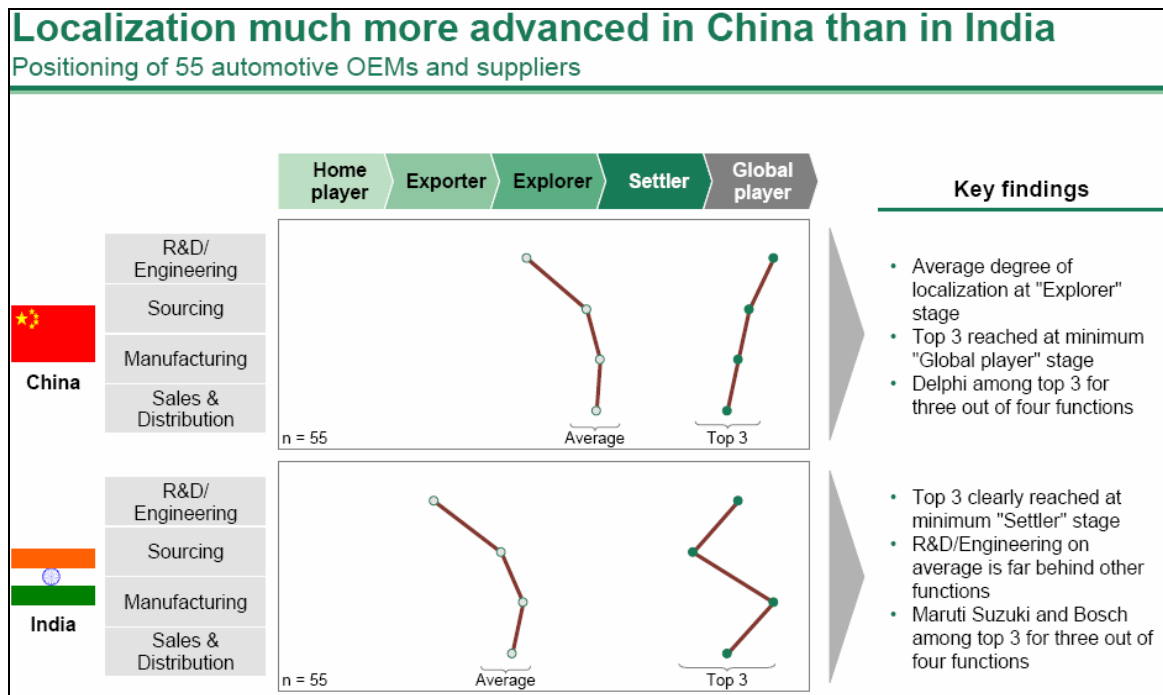


Fig. 6

2 How to leverage China and India as R&D base?

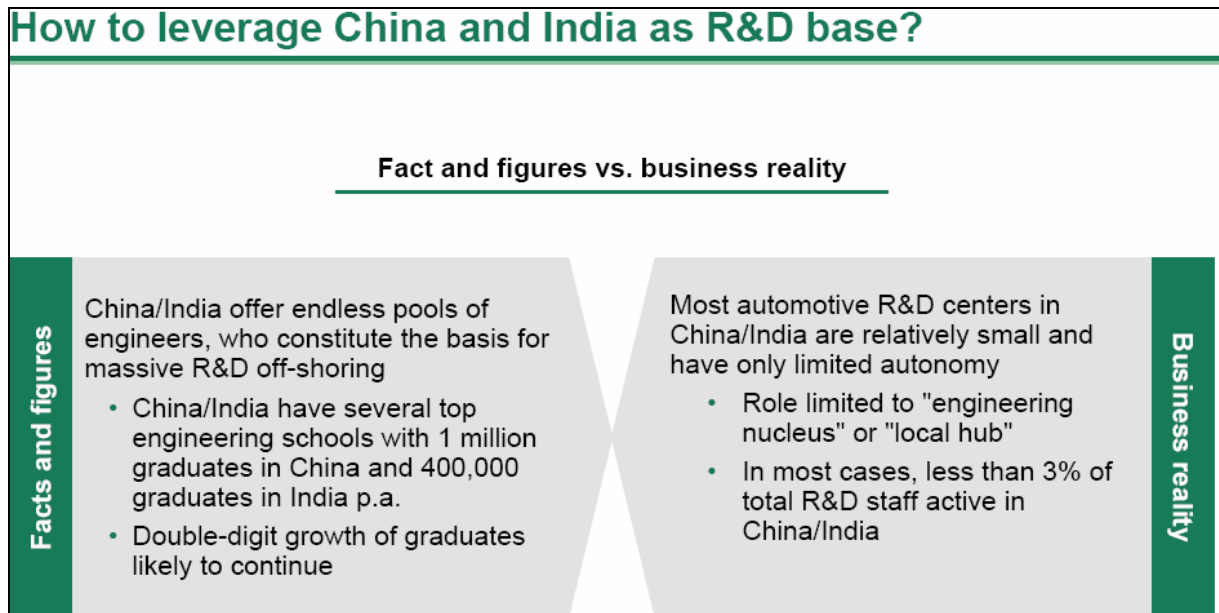


Fig. 7

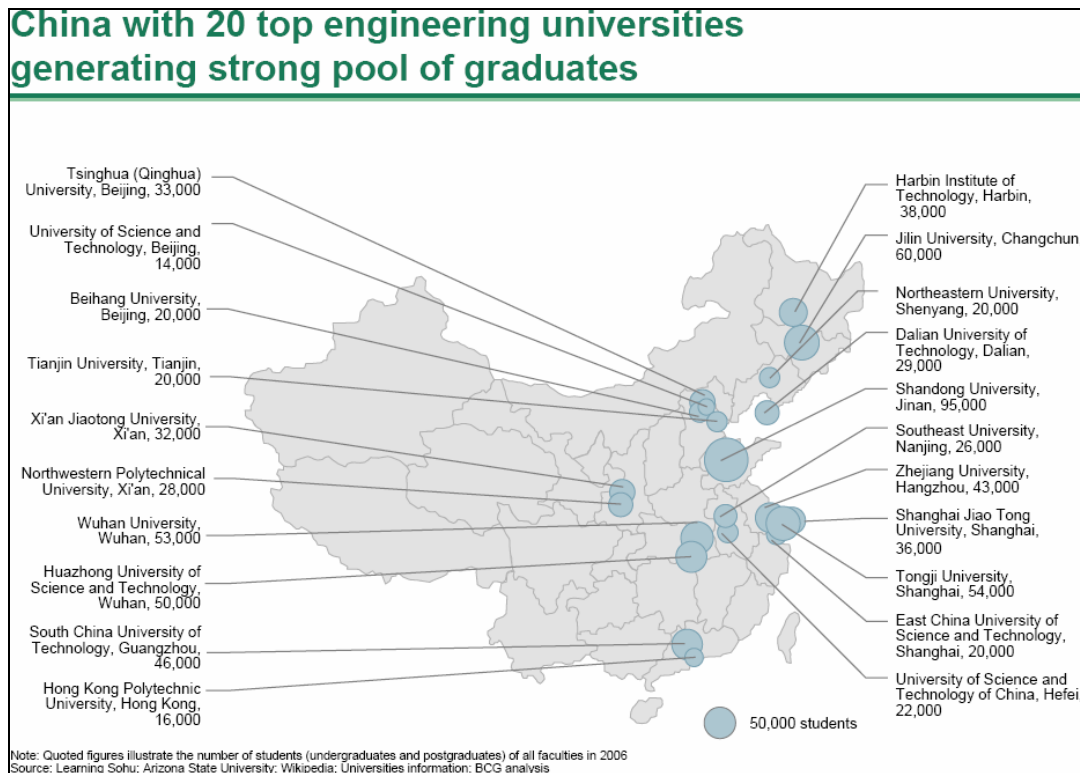


Fig. 8

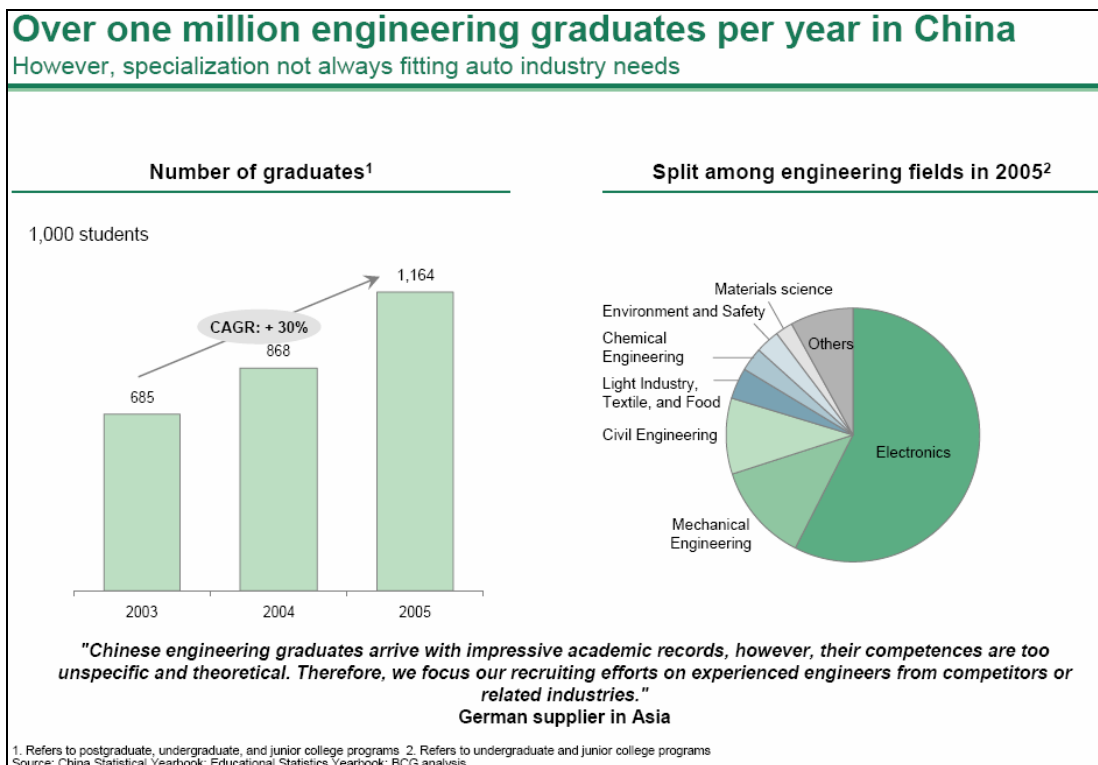


Fig. 9

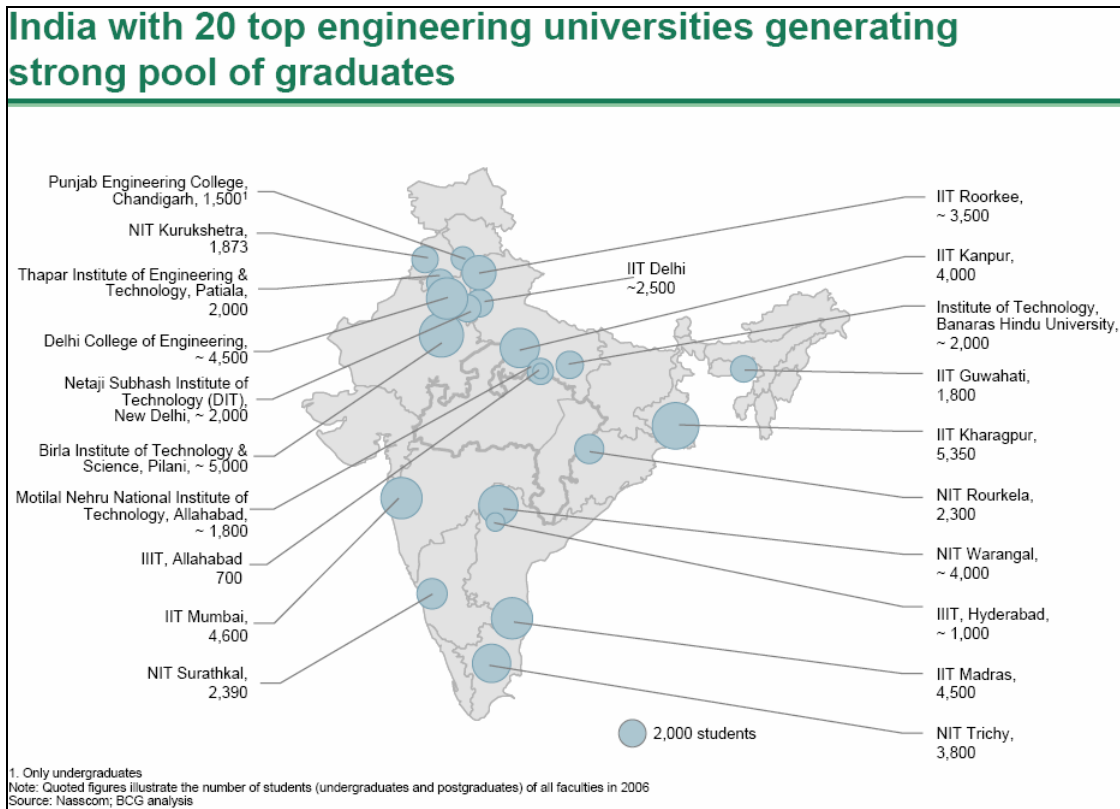


Fig. 10

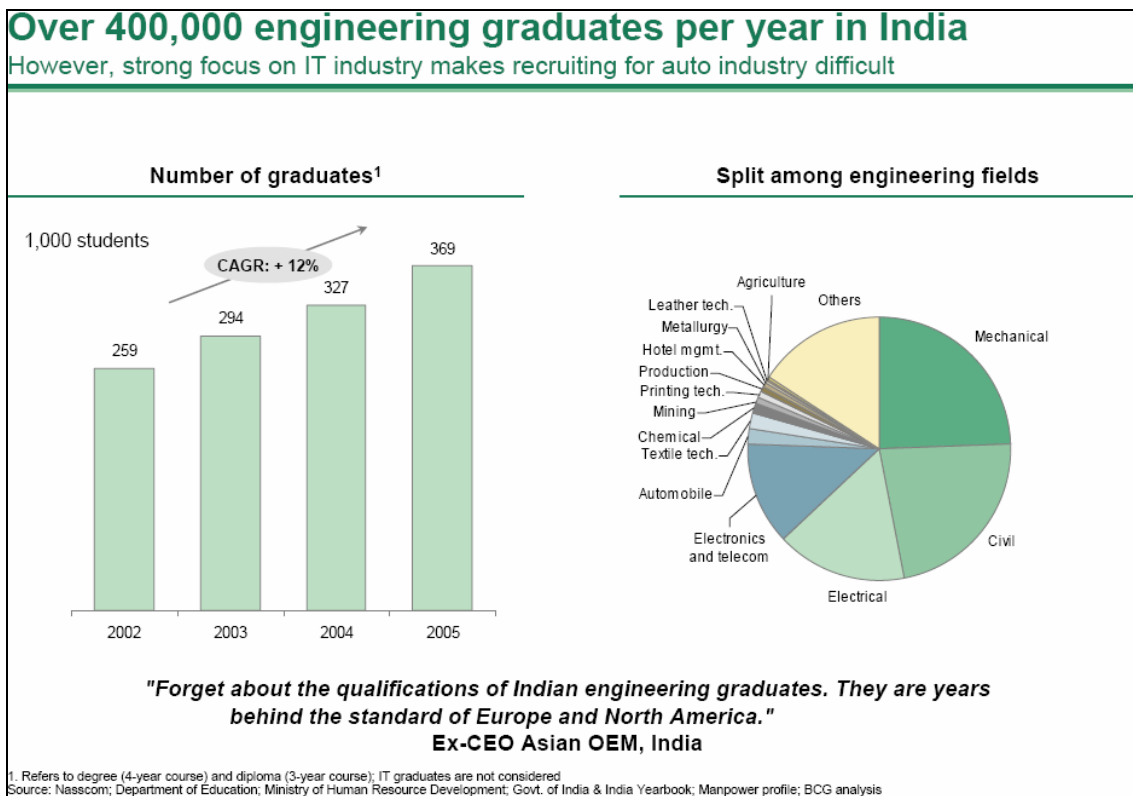


Fig. 11

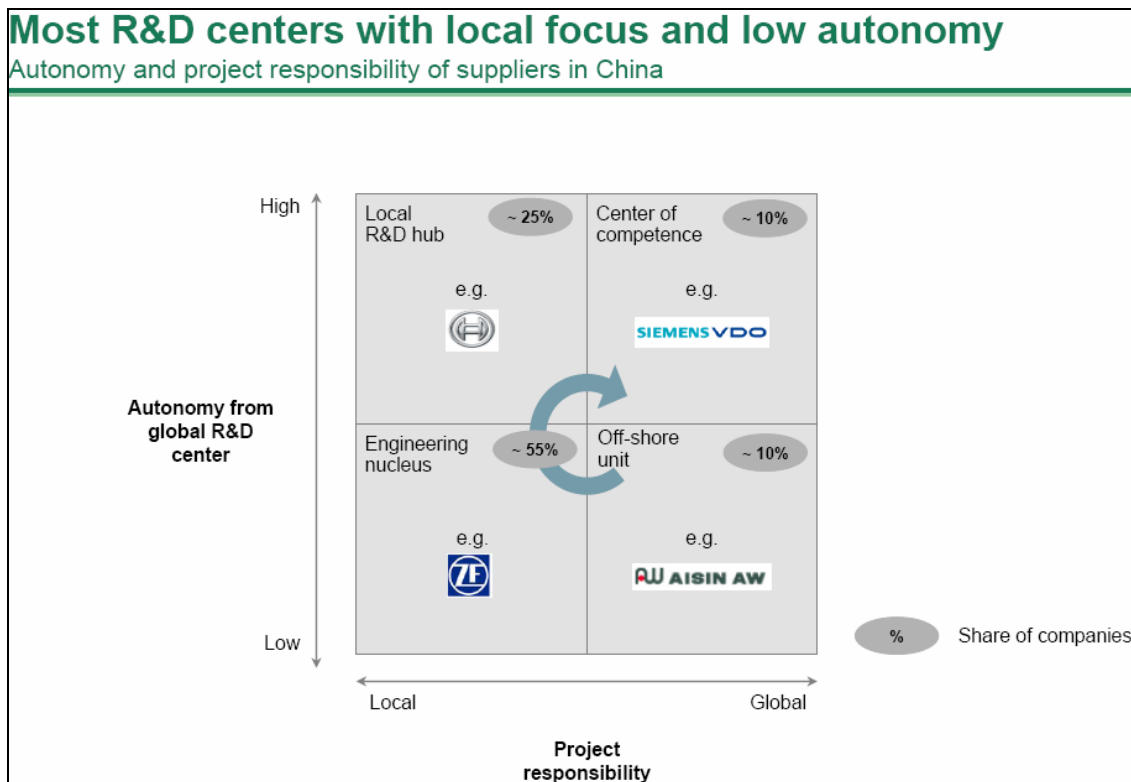


Fig. 12

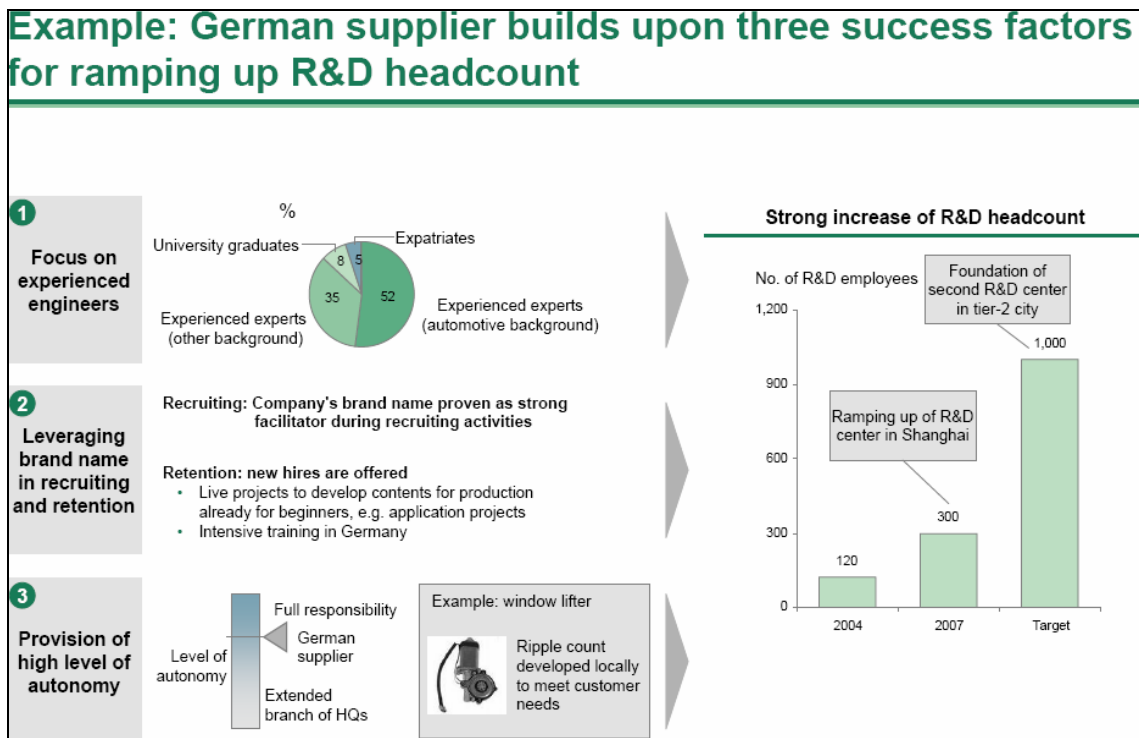


Fig. 13

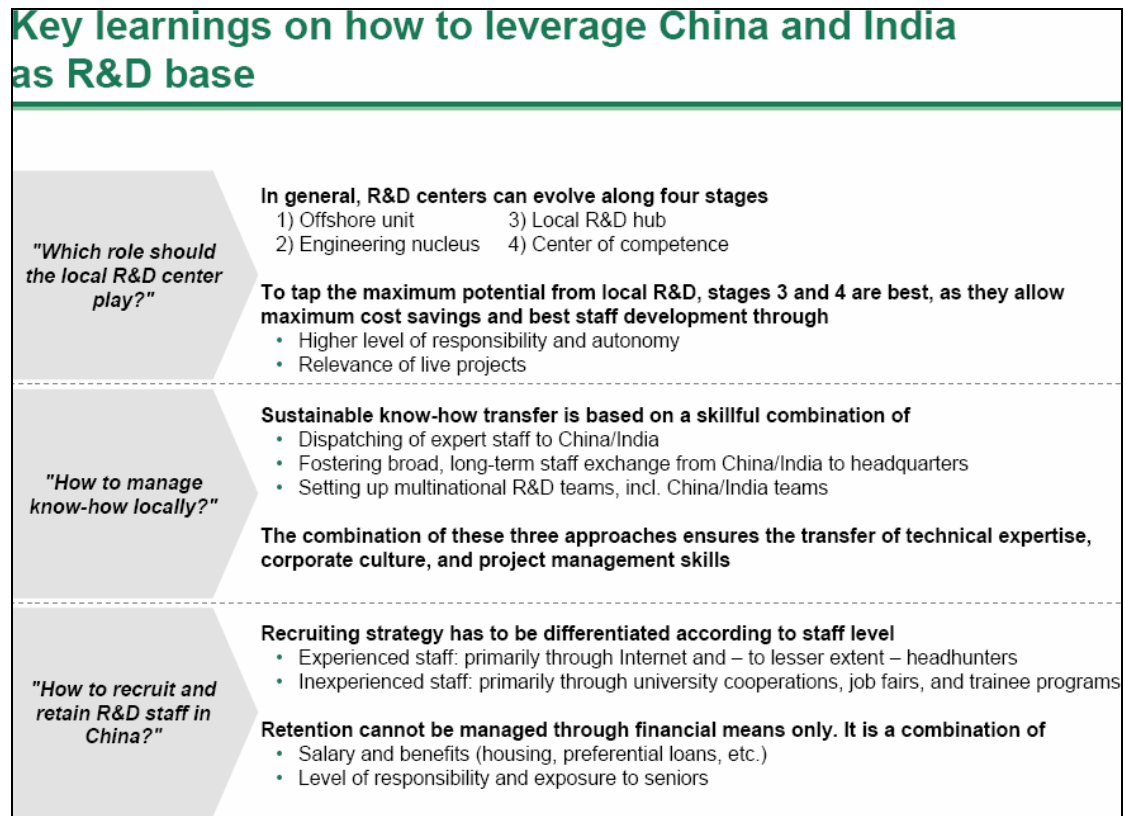


Fig. 14

3 How to expand the local supply base?

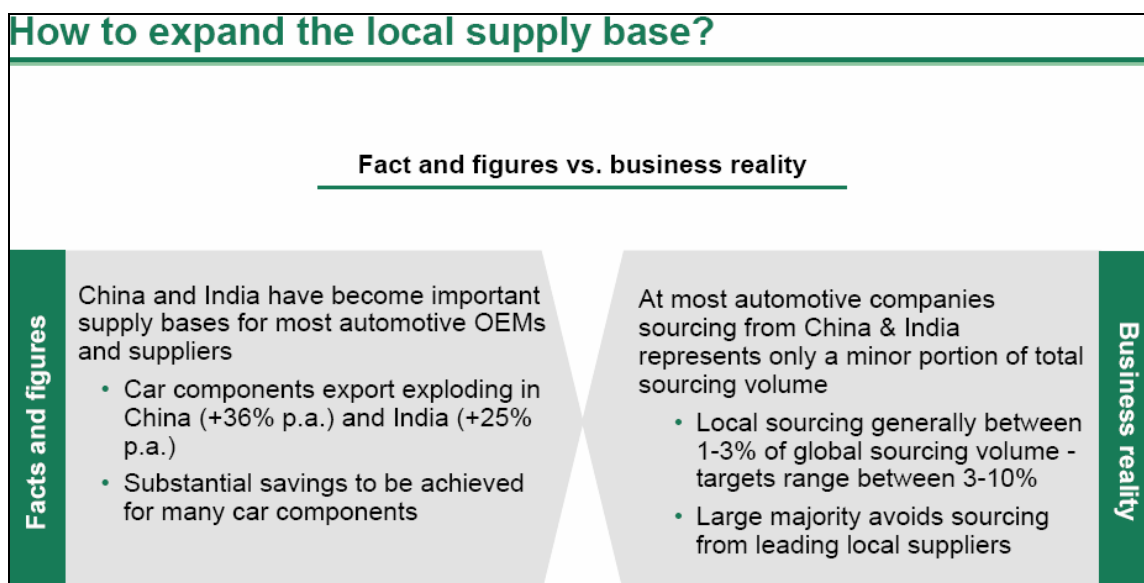


Fig. 15

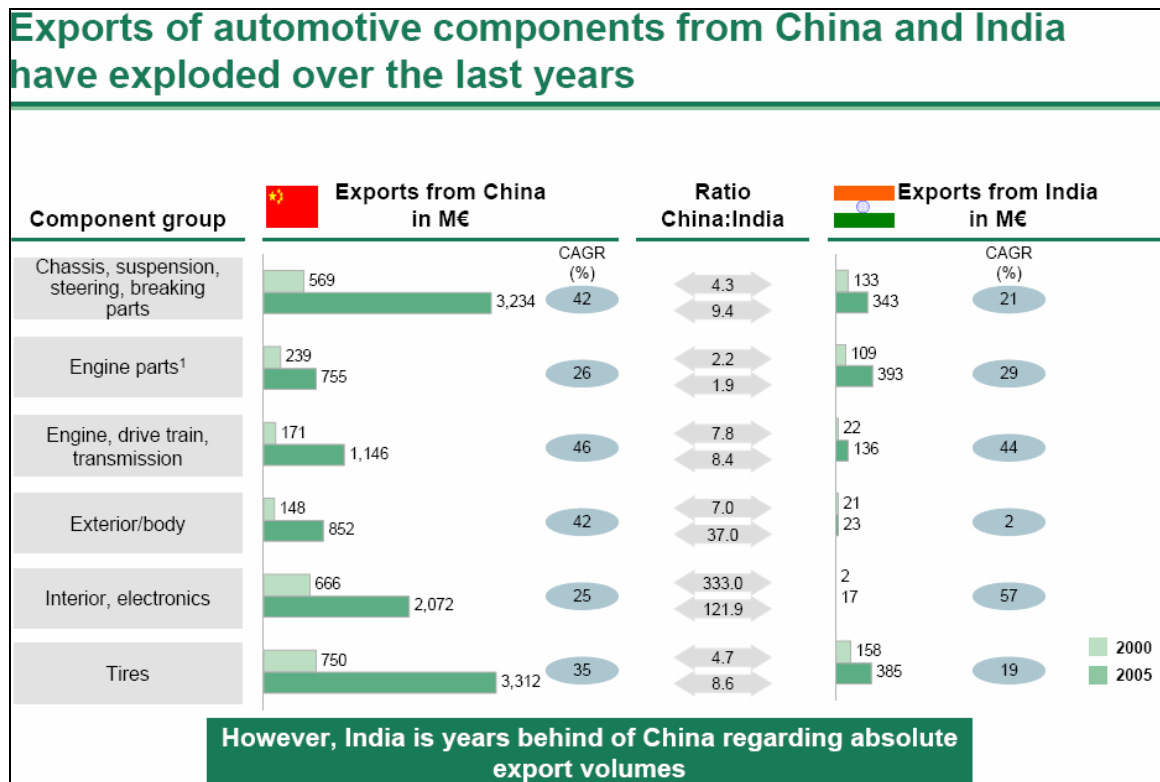


Fig. 16

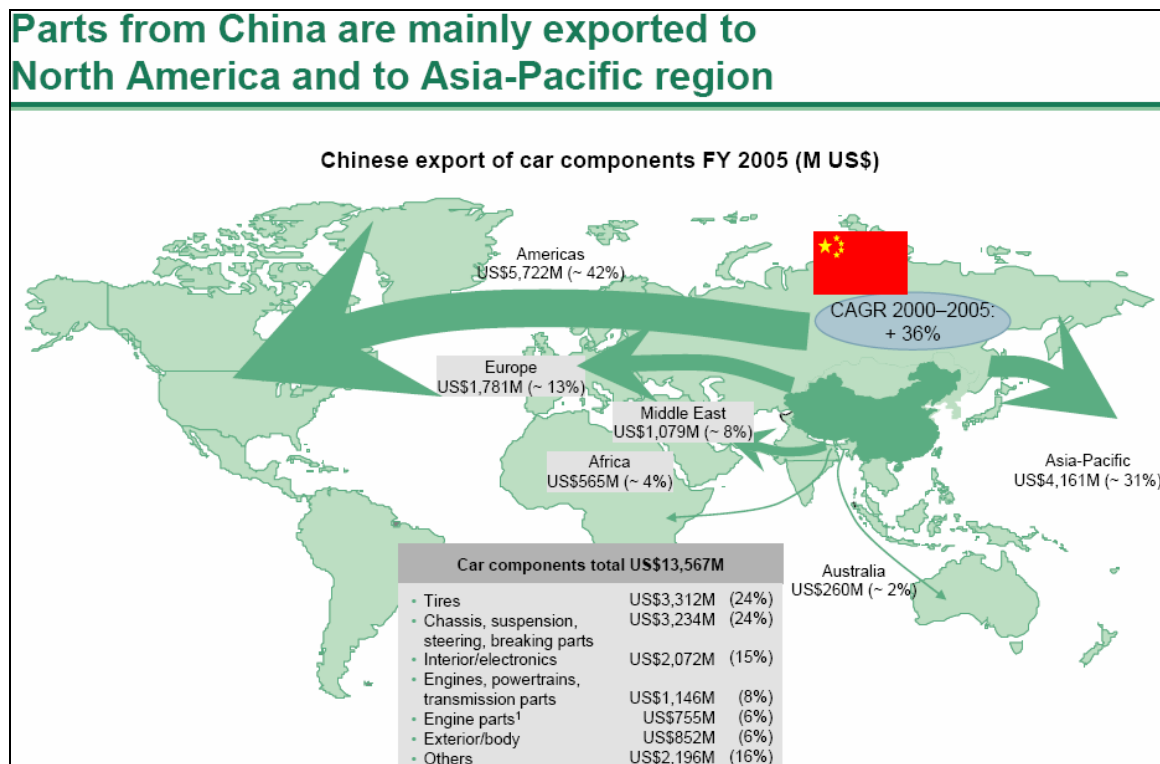


Fig. 17

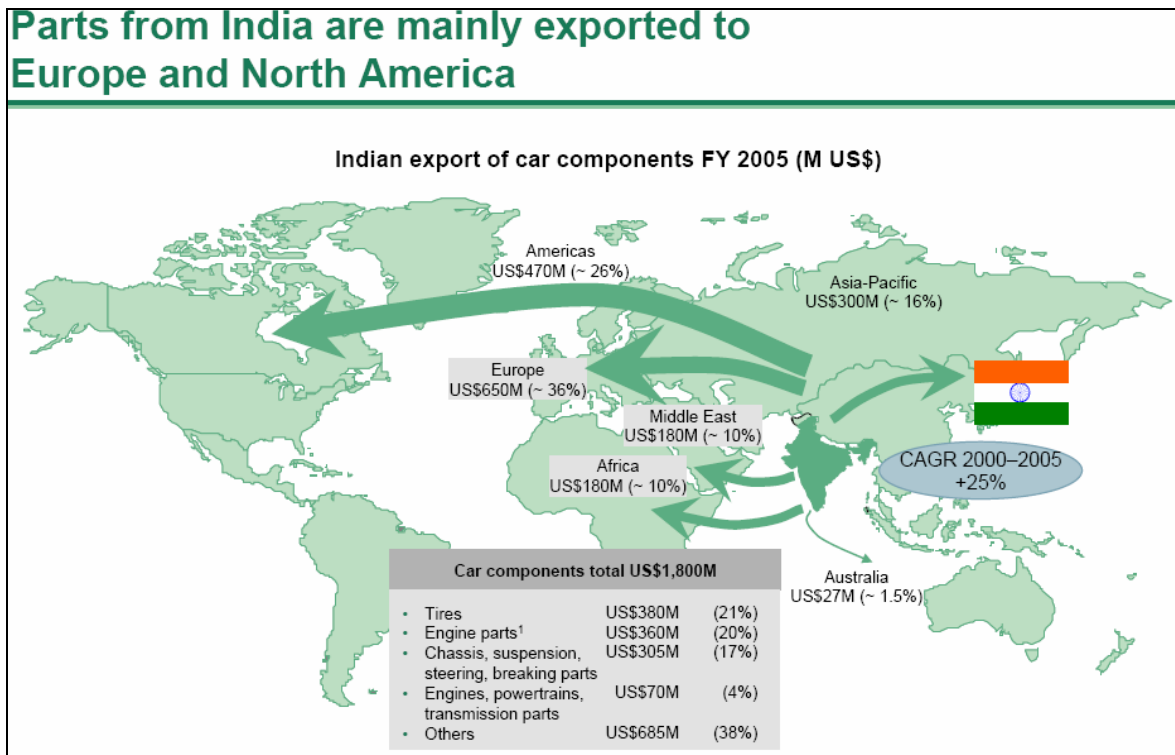


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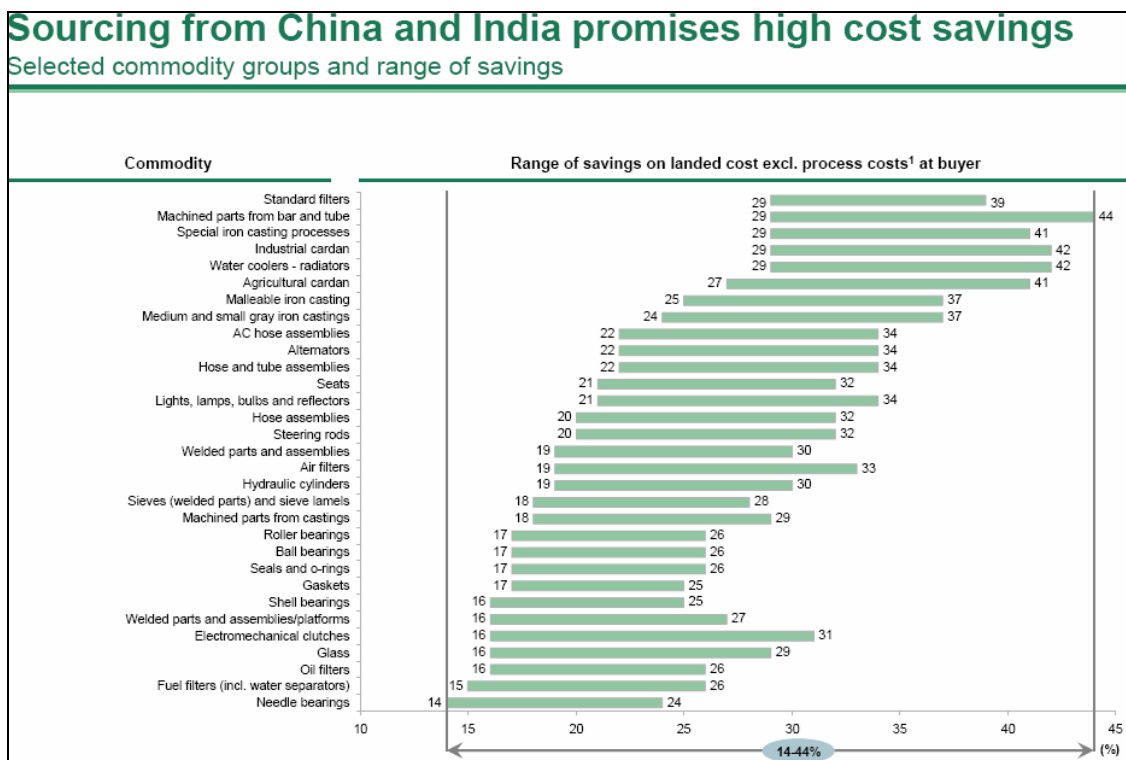


Fig. 19



Fig. 20

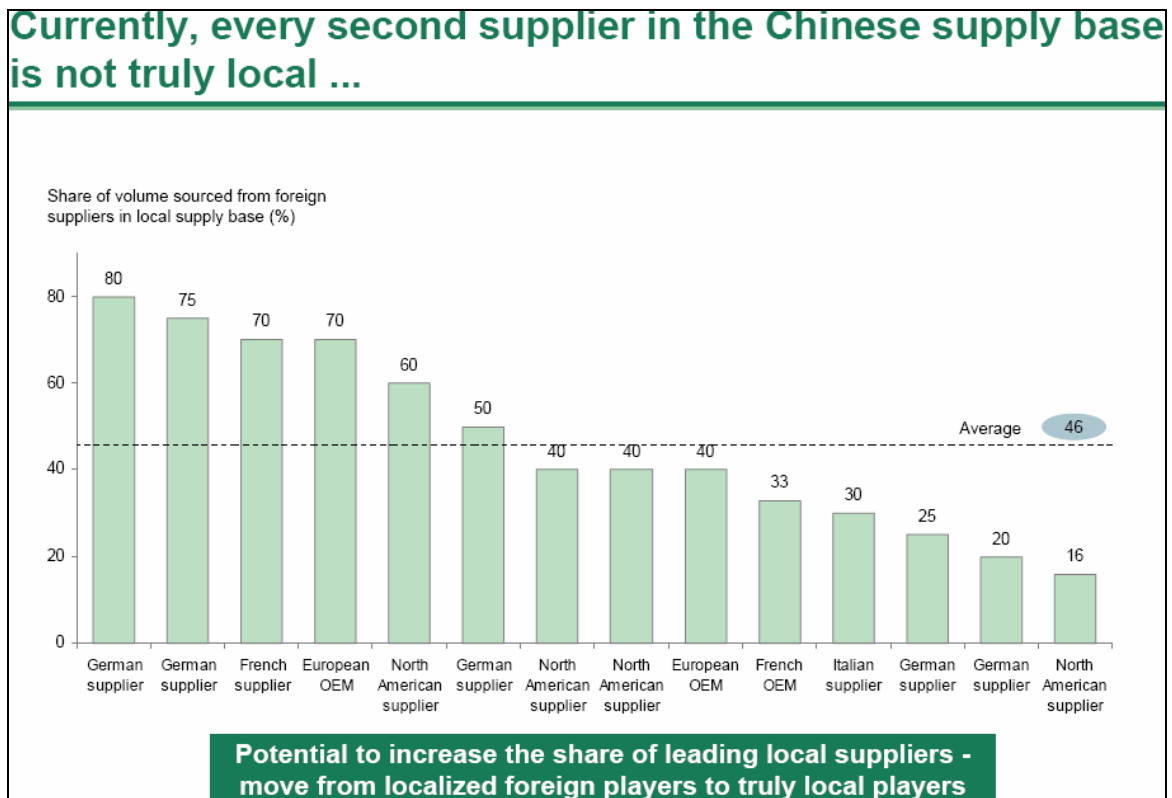


Fig. 21

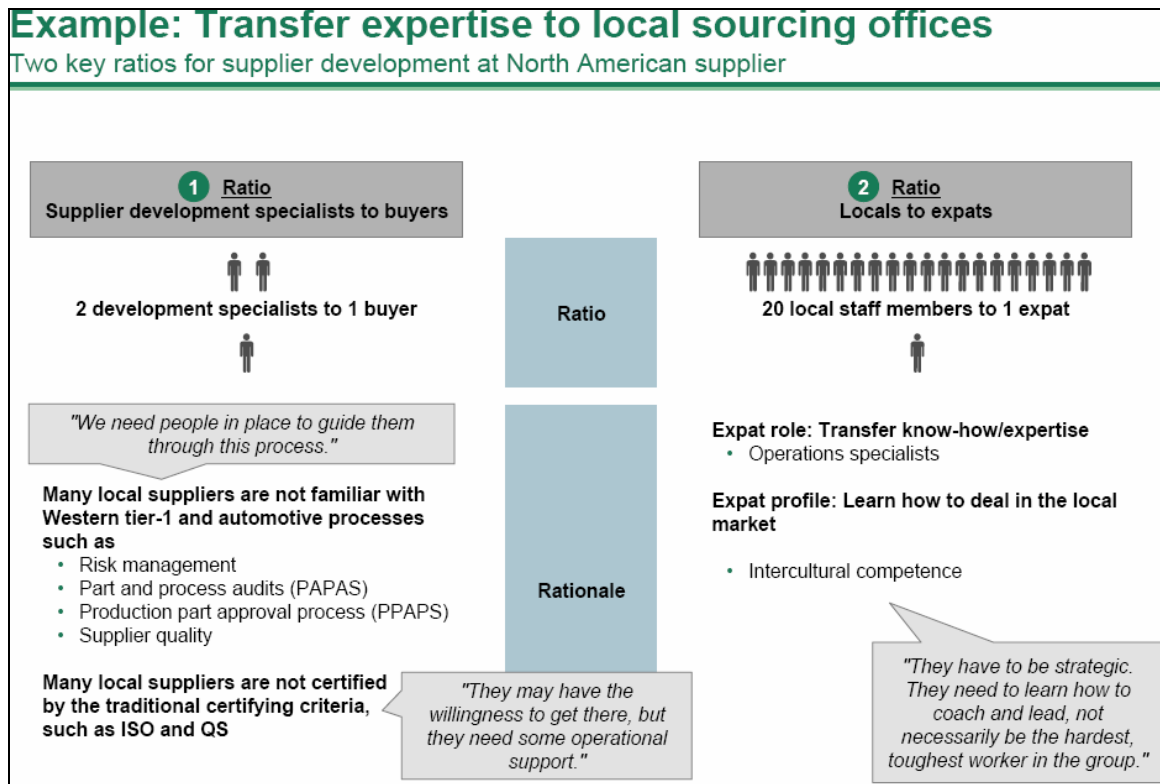


Fig. 22



Fig. 23

4 How to leverage manufacturing in China and India?

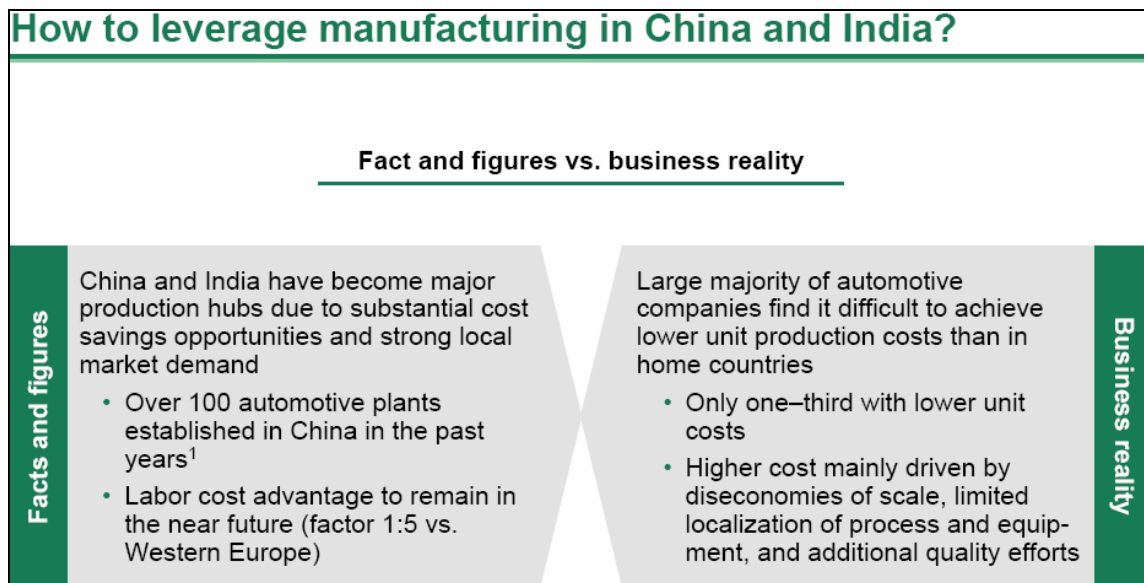


Fig. 24

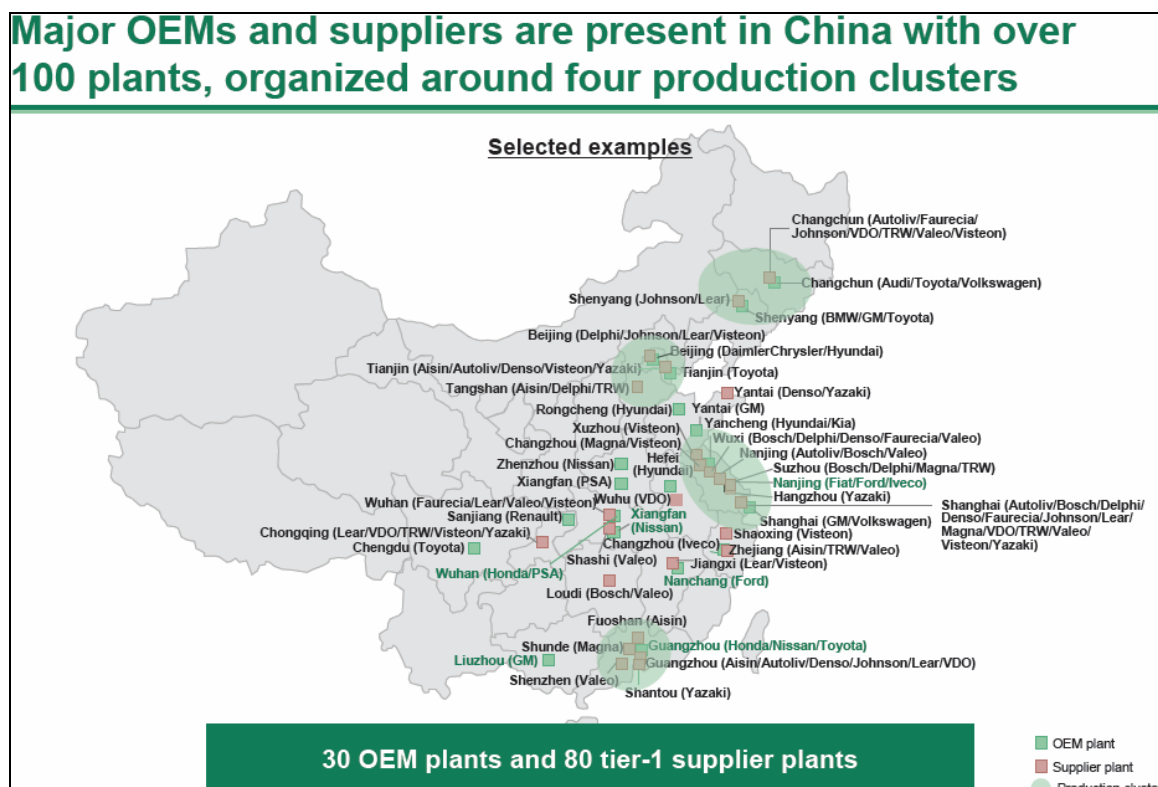


Fig. 25

2/3 of analyzed companies do not produce at lower unit costs in China than in their home countries

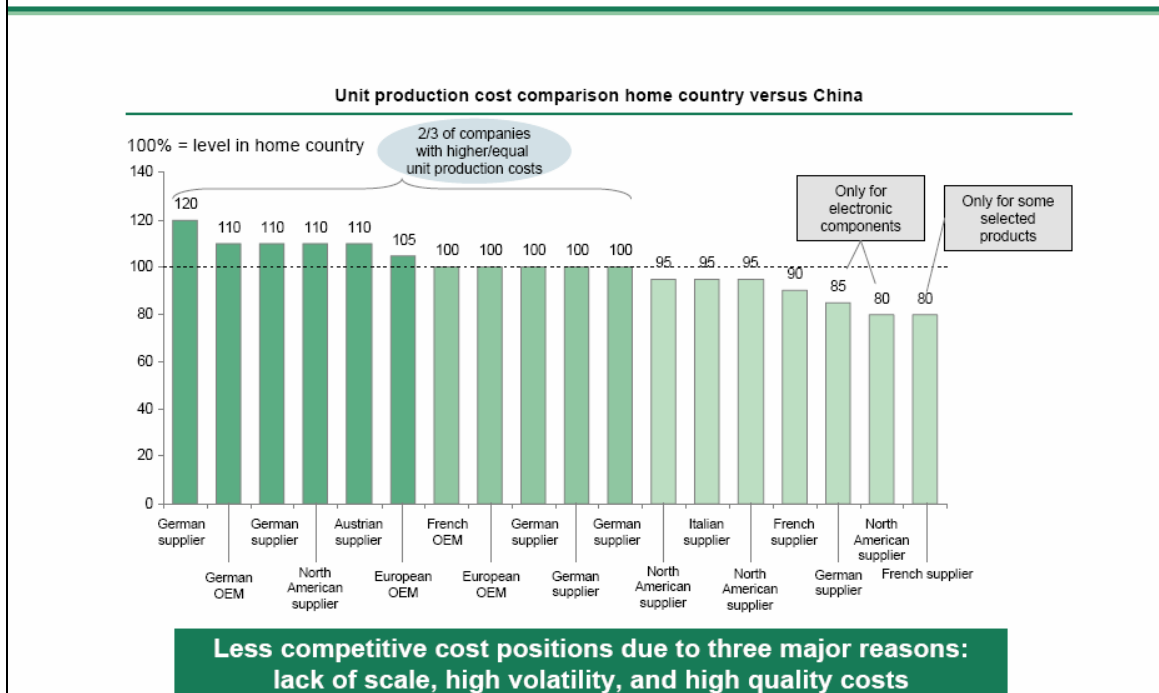


Fig. 26

Three major challenges in making production in China/India cost-effective

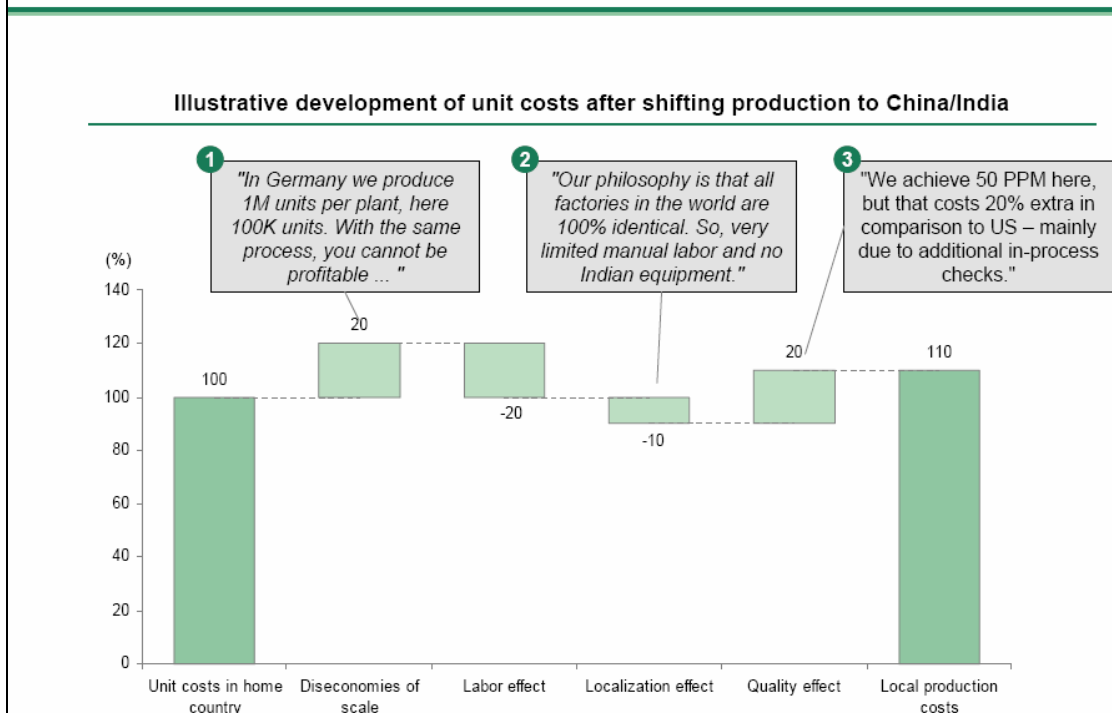


Fig. 27

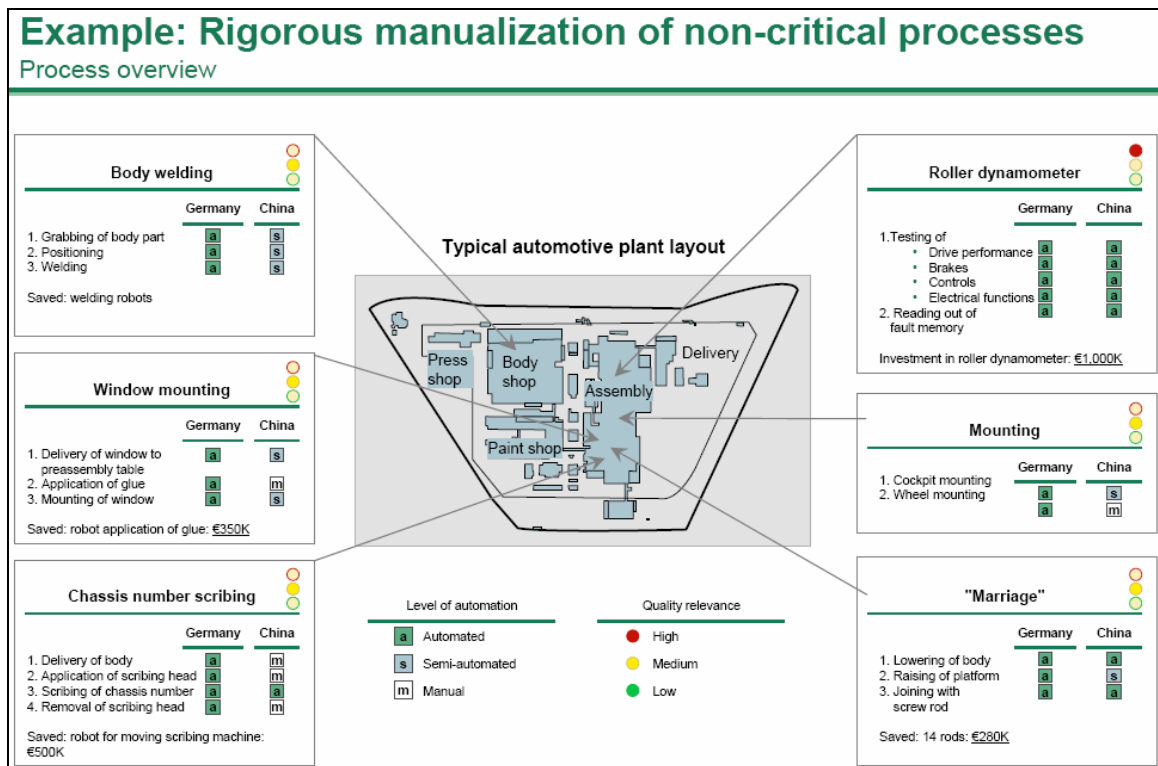


Fig. 28

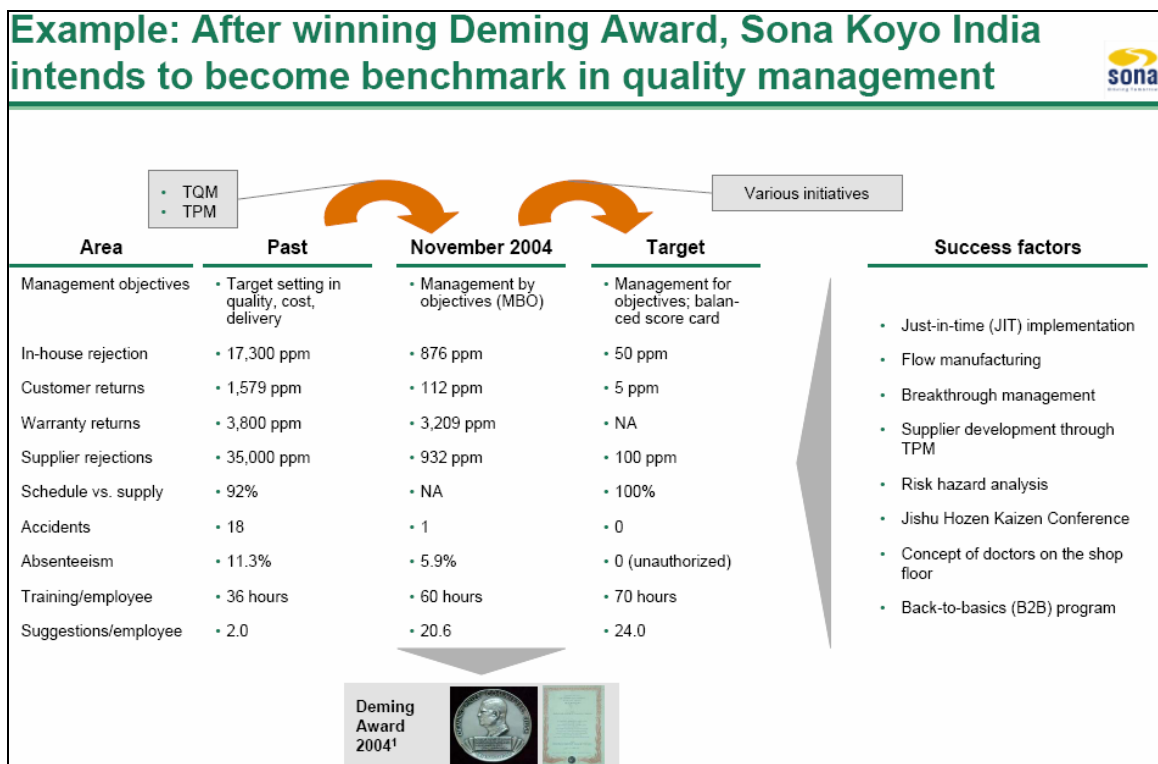


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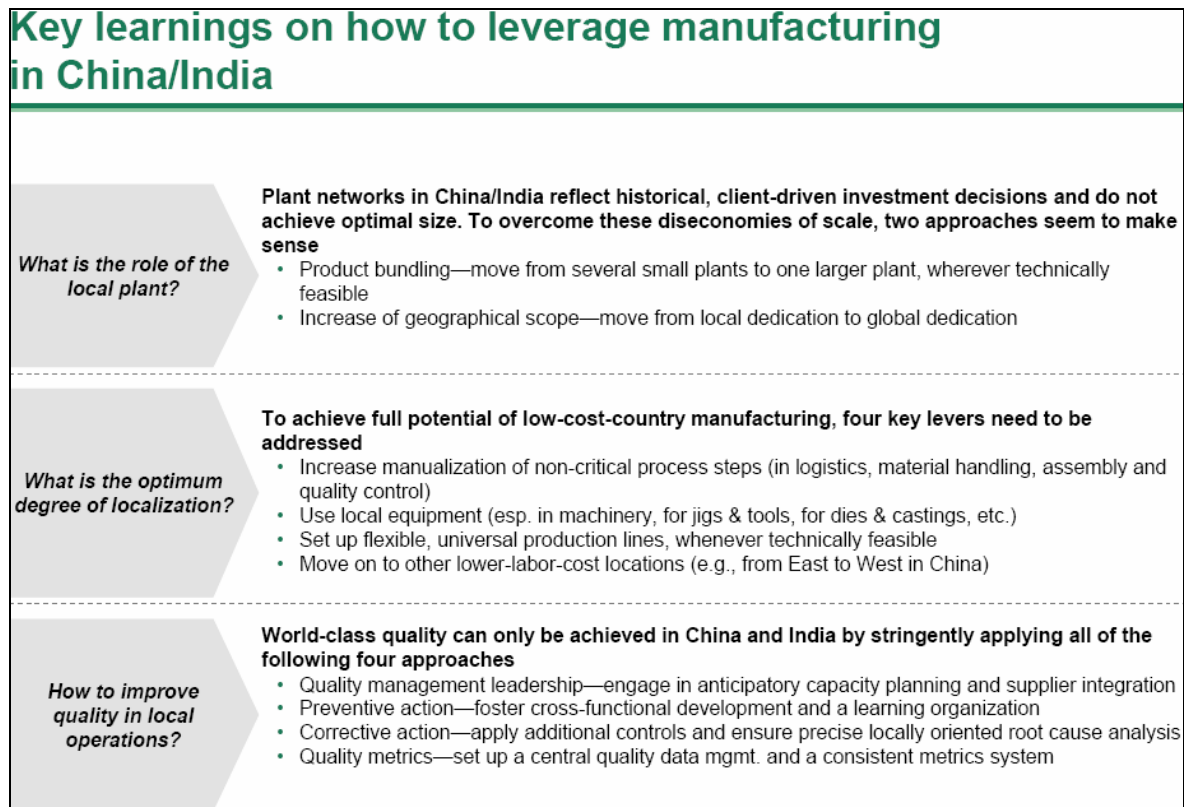


Fig. 30

5 How to expand customer bases in China and India (supplier perspective)?

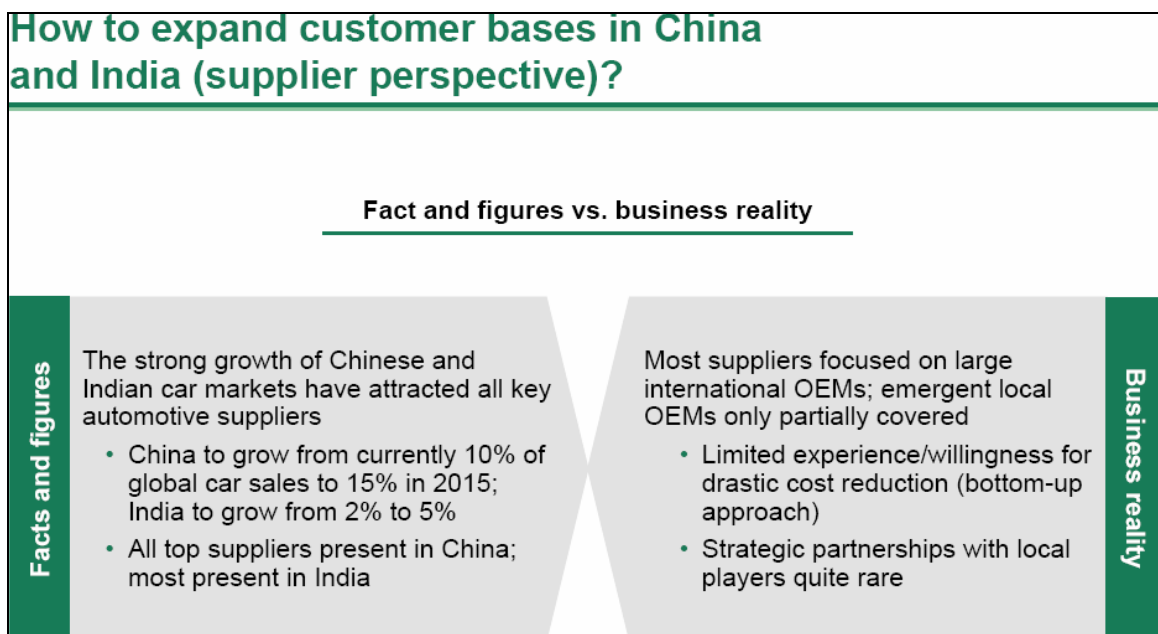


Fig. 31

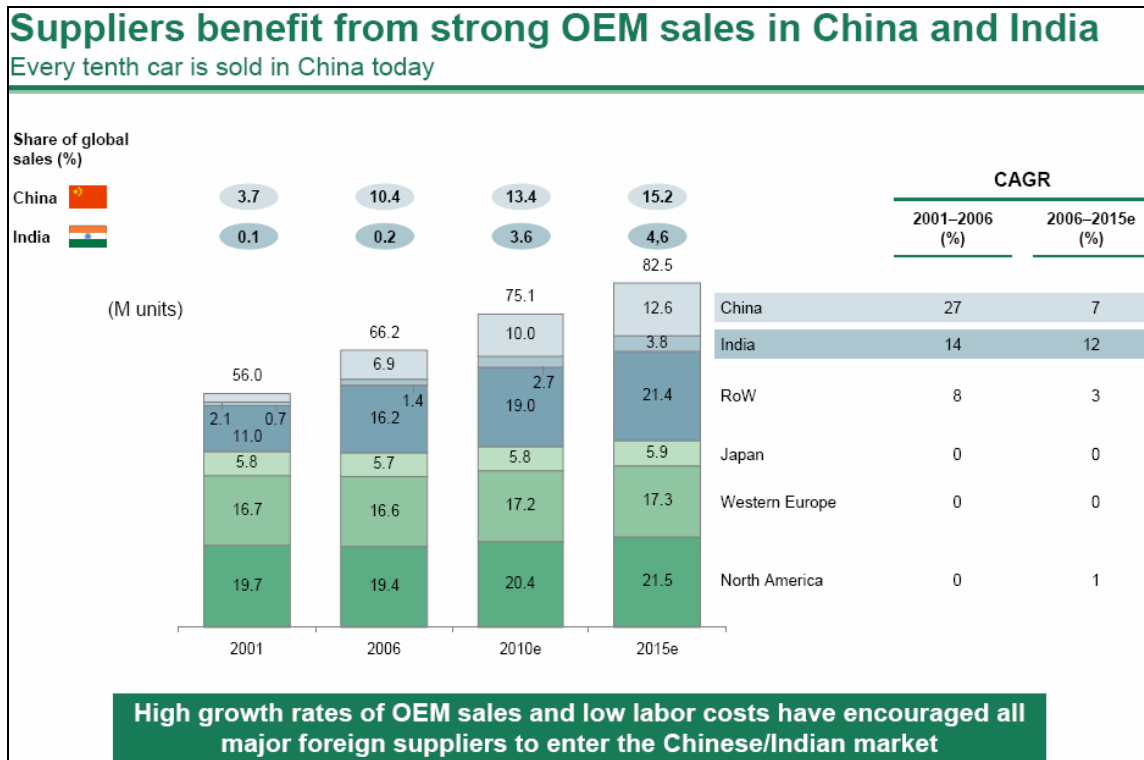


Fig. 32

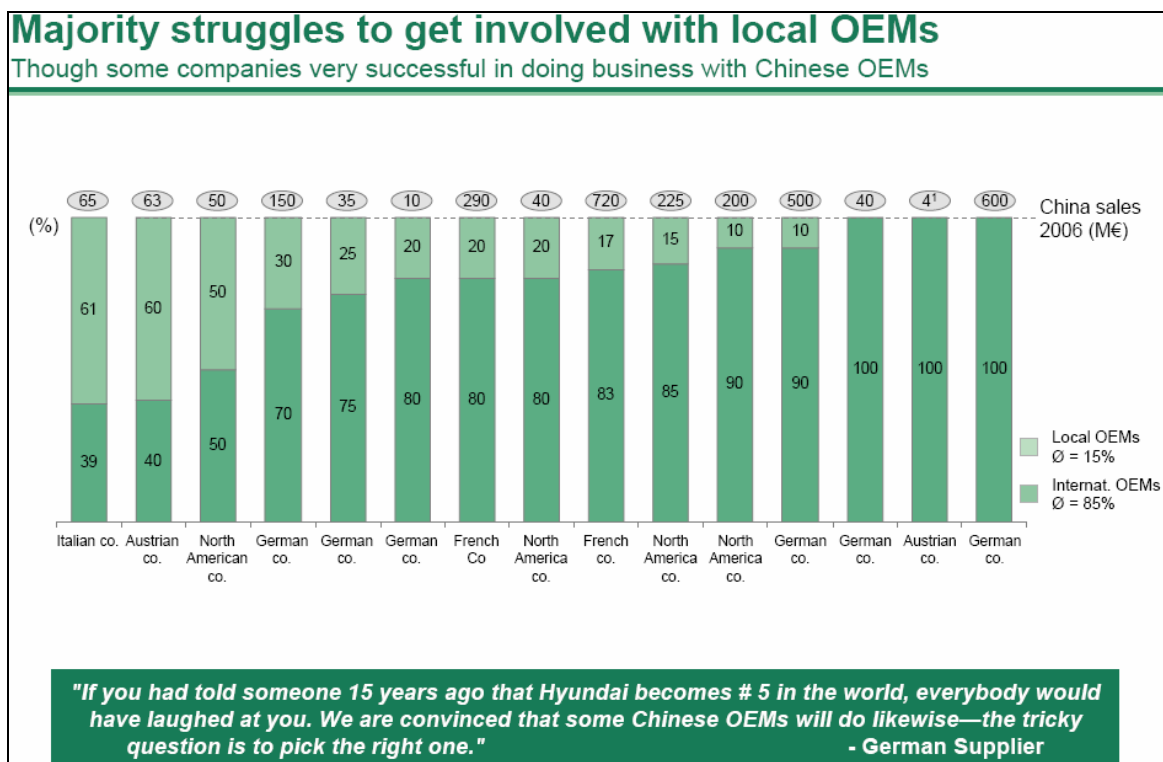


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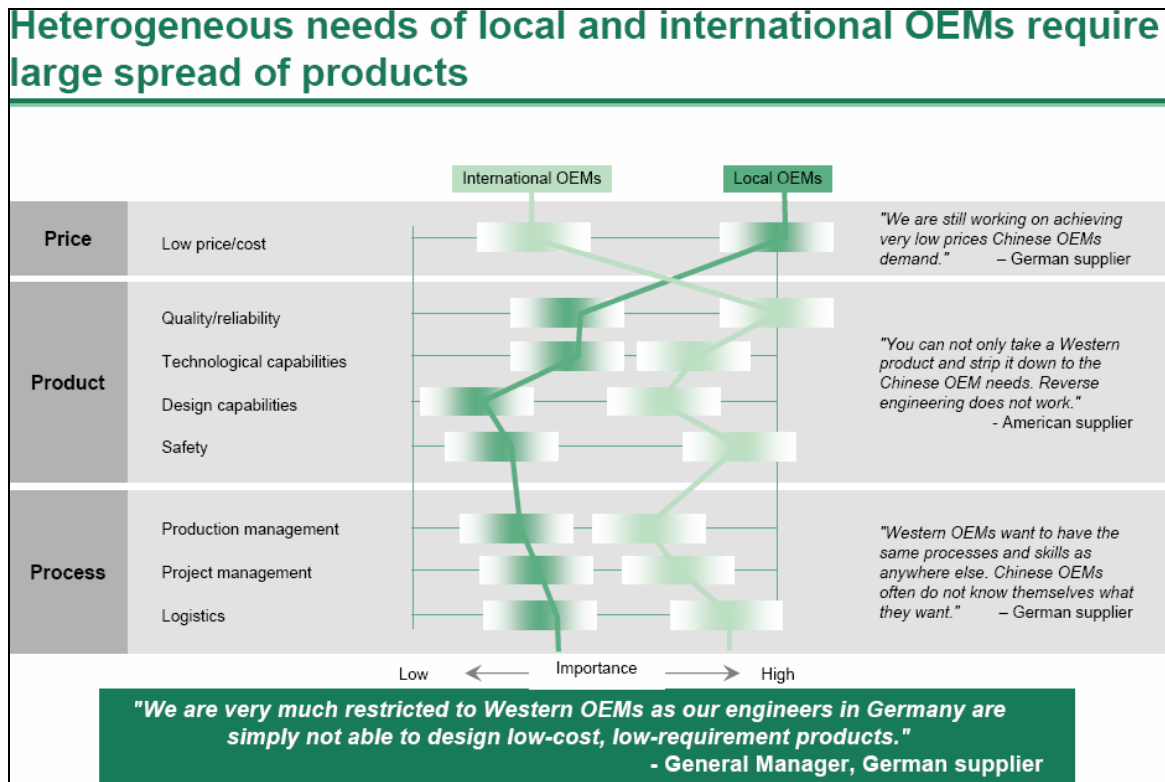


Fig. 34

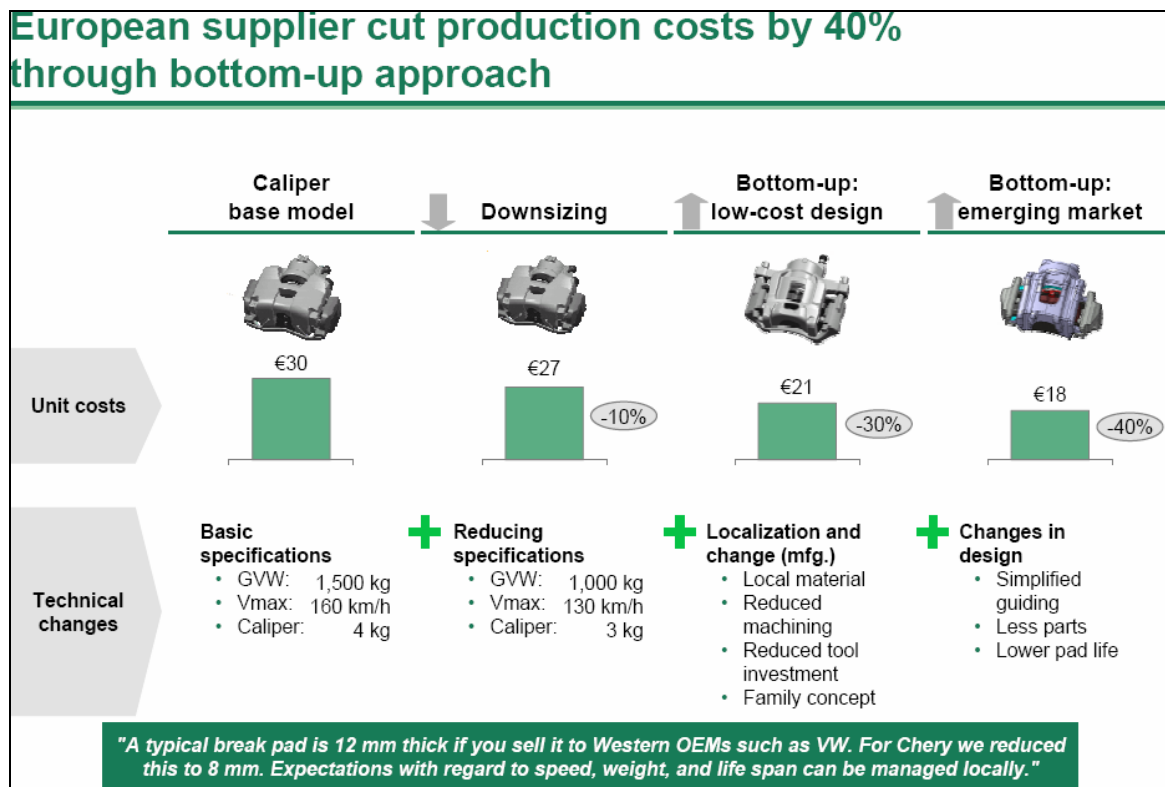


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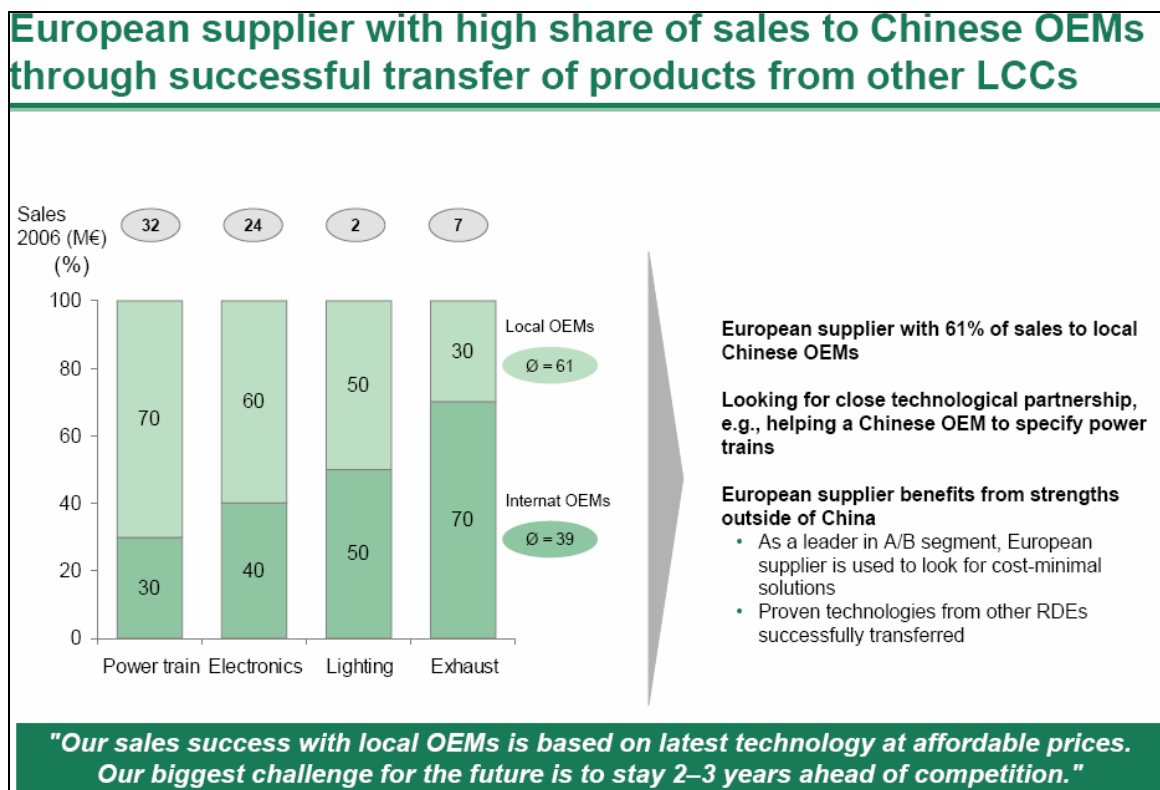


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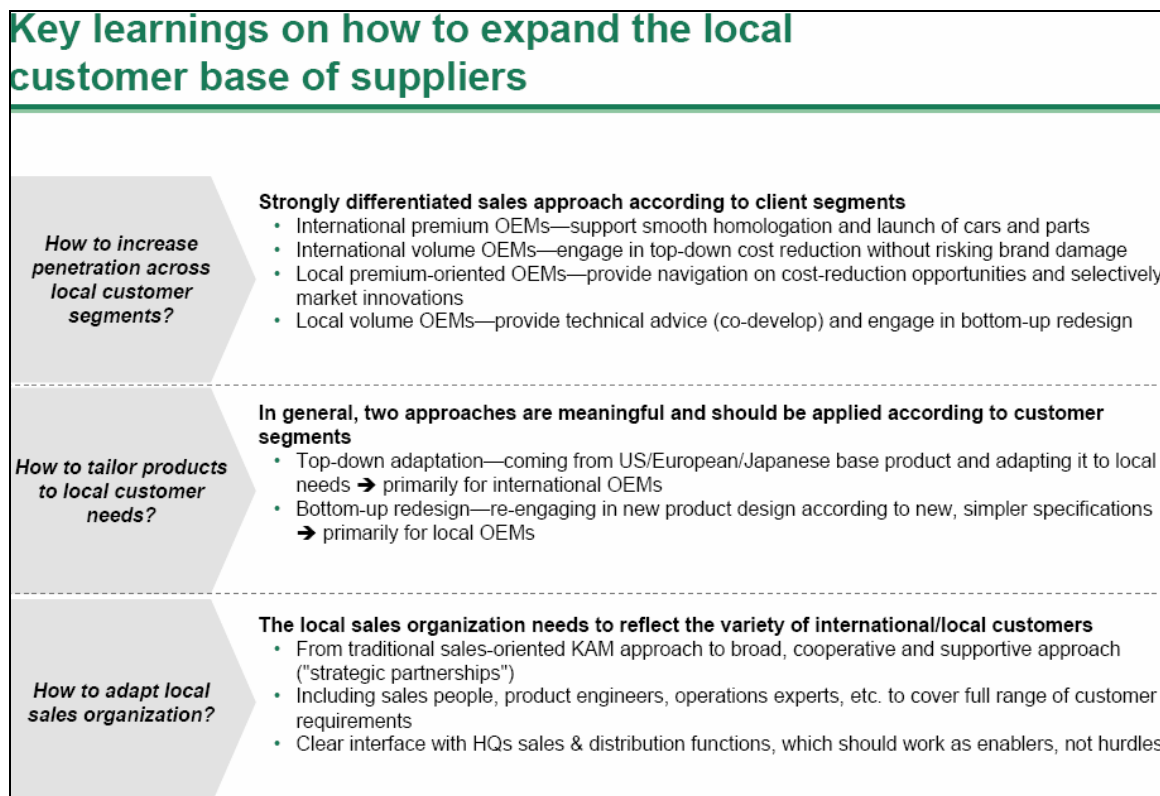


Fig. 37

6 Summary

Seven “Commandments” for Winning the Localization Game
Derive localization strategy from overall strategy <ul style="list-style-type: none">• OEMs and suppliers need to have a comprehensive China and/or India strategy with a clear understanding of these markets’ impact on the future of the company.
Set the right time-horizon <ul style="list-style-type: none">• When defining a localization strategy, companies need to apply a time horizon of at least 3 to 5 years for achieving the targeted degree of localization.
Plan step-by-step and function-by-function <ul style="list-style-type: none">• The targeted degree of localization cannot be reached over night – a step-by-step approach with well defined and aligned activities in each function is required in order to ensure implementation while remaining flexible to changes in these markets.
Try to establish “local-to-local” processes <ul style="list-style-type: none">• Activities in the individual functions need to be linked in end-to-end local processes to accommodate local needs (local supply for local products and manufacturing, for local clients).
Allow for more flexibility <ul style="list-style-type: none">• Smaller scale, higher levels of uncertainty and different levels of localization by function require a very flexible approach – ensure this flexibility when setting up organisational rules.
Always consider the local and the global role of China/India operations <ul style="list-style-type: none">• Because of the size of the markets and the size of the resource pools, the role of the China and/or India operations needs to be seen in their local and their global context in parallel (e.g. as competence center or a production hub with global reach).
Grow the human resources pool <ul style="list-style-type: none">• Both for localization and future growth, it is essential to recruit, develop and retain key local staff along the whole value chain.

Fig. 38