The interior of the Range Rover SVAutobiography. The rise in popularity of SUVS, CUVS and luxury vehicles should be good news for leather.
IMAGE: JAGUAR LAND ROVER

A bright future for Lear

The chief executive of automotive seating developer Lear Corporation, Ray Scott, feels the company is well placed to capitalise on the opportunities presented by existing and emerging trends in the automotive industry.

As Matt Simoncini approached the end of his more than six-year stint as chief executive of Lear Corporation in February this year, he expressed his belief that the company was in "the strongest overall competitive position" in its history, surely music to the ears of his successor, Ray Scott. Lear's financial results for 2017, during which it reported record revenue of $20.5 billion and record net income of more than $1.3 billion, would seem to back this statement up.

The task facing his successor goes beyond simply sustaining the company's success. He takes charge as the automotive sector goes through a transformational period, with autonomous cars and connected vehicles just two of the major developments on the horizon.

In recent comments to US automotive industry media, Mr Scott said Lear is in the process of "pivoting" from a manufacturing company to a "technology and innovation company". Its seating division, for which Mr Scott was responsible prior to his promotion to the top job, brought in more than 75% of Lear's total revenue in 2017. The rest came from its other business segment, E-Systems. Lear's experience in these increasingly convergent areas means the company "couldn't be better aligned" with trends in the automotive industry, according to its new CEO.

Home away from home

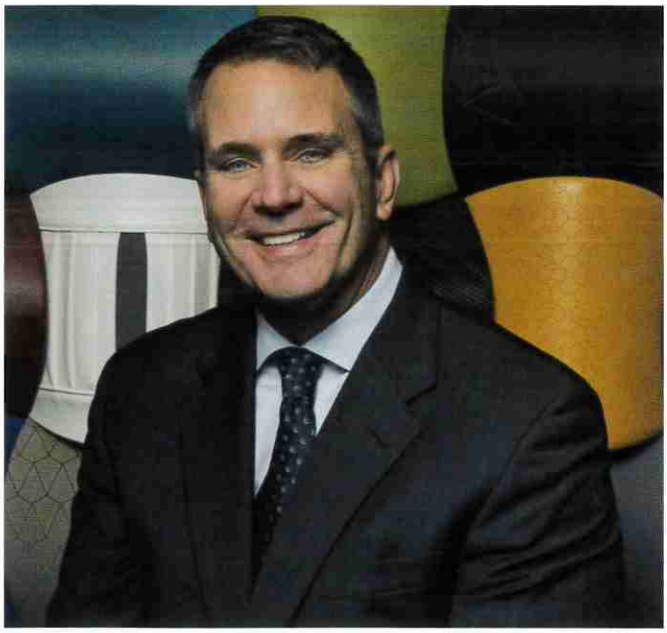
Mr Scott says changes in consumer demand are already affecting many aspects of car interiors, with the rise of autonomous vehicles among the things he mentions. Although he suspects it will still be a number of years before fully-autonomous vehicles become a broad reality, their development has forced Lear to change the way it thinks about the design of their interiors.

The dynamics of the interior will change as autonomous vehicles become more commonplace, he explains, because being in a car will no longer be just about driving. "Consumers are looking for what they see in their vehicle to be very similar to what they have at home," he says, because they will start to "spend more quality time there doing things other than driving".

He predicts consumers will start to demand different types of materials in their vehicles with the customers of the future likely to want to see leather combined with alternative materials such as what he calls "premium textiles". He believes leather will continue to be in demand in higher-end vehicles.

Mr Scott says Lear's acquisition of automotive leather manufacturer Eagle Ottawa in 2014 has put it in an "ideal position" to react to these changes in demand. It means the company now has strong capabilities in both leather and fabric. He is effusive in his praise for the tanning group, describing it as "the best leather company".

In 2017, SUVs and CUVs (crossover utility vehicles), both of which typically feature more leather, made up around 45% of Lear's seating business (compared to 25% in 2007). At an investor day in June, the company revealed it expects this



Ray Scott took over as Lear CEO in March. He will hope to help the company continue its impressive recent performance. IMAGE: LEAR CORP

Lear believes its acquisition of Eagle Ottawa in 2014 makes it well placed to react to any shifts in the automotive seating market. IMAGE: JOE VAUGHN

segment's share of overall vehicle production to reach 39% by 2023, up from 35% this year. It is forecast to gain share in every geographical region. Lear also predicts strong growth in luxury vehicle seat sales, with this segment forecast to represent 21% of the global seat market by 2023. The company already has a share of more than 40% of the luxury seating market.

Smart seating

When questioned about whether new automotive trends will lead to higher or lower sales of seats, Mr Scott brought up ride-sharing, which is already popular in the US. He said an increase in this practice will mean vehicles are on the road longer and so seats will be subjected to greater levels of wear and tear.

"There is going to be a need for replacement parts at a completely different level than what we have seen in the past," he says. There will also be a greater need for flexibility within individual vehicles when it comes to seating configuration. To pre-empt this, Lear has developed a rail system, known as Drop & Go, that makes it easier for seats to be moved or replaced as and when required.

Mr Scott describes the seats of a vehicle as an important place of "physical connectivity", which means there is great potential for collecting data from the passengers using just this one feature of the car. Up until now, the seat has been a static device, but he expects it to become a smart device in the future, an evolution that Lear is already preparing for.

One of the technologies it has devised is the ProActive Posture seating system, which it says aims to provide "ultimate comfort" to passengers. This intelligent seat technology is able to detect issues with the occupant's posture and make automatic adjustments to restore them to the optimal position.

It is also developing a biometric sensing technology, known as BioBridge, which is said to be able to detect key vital signs such as heart and respiratory rates, as well as indications of stress or drowsiness. The system then stimulates an "intelligent response", which can take the form of heat, cooling, activation of an in-built massage feature or haptic/audio feedback. Lear already has an "advanced development contract" for this technology with an unnamed major OEM, with a further three OEM vehicle evaluations in progress as of June this year.

Growth prospects

Lear's strong financial performance from last year continued in the first half of 2018. During the first six months of the year, its revenue was up 11.8% year on year to more than $11.3 billion. Within this figure, sales from its seating segment increased 9% to just over $8.6 billion.

The company expects its full-year sales to be in the range of $21.8 billion to $22 billion, with revenue from the seating division reaching around $16.5 billion. This would give Lear a 23% share of the global seat market. It is basing its financial outlook on a global industry production assumption of 95.4 million vehicles, which would be 2% higher than in 2017.

During the investor day at its global product and technology centre in Michigan, it outlined a series of growth opportunities which it believes will help increase its sales to more than $30 billion in 2023. This would require its revenue to grow by 7% each year.

At the event, Frank Orsini, who took over from Ray Scott as vice president of Lear's Seating division, said the company's global engineering and manufacturing operations give it the "most complete capabilities of any seat supplier". Due to its E-Systems business, Lear also has significant expertise in electronics and software, putting the company in a strong position to develop what it calls "next generation intelligent seating".

"With industry-leading capabilities in Seating and E-Systems that are aligned with industry trends and the convergence of our two segments, we are well-positioned for future growth," Mr Scott states.