Global Automotive Executive Survey 2020

Say goodbye to one global market – recognize increasing localization, accelerated by COVID-19.

VISIT OUR INTERACTIVE ONLINE SURVEY AT automotive-institute.kpmg.de | Executive Summary will follow mid of July 2020
OUR GLOBAL AUTOMOTIVE EXECUTIVE SURVEY JOURNEY | AN ADVENTURE SINCE 21 YEARS...

**FEBRUARY**
- **BEGINNING OF COVID-19**

**MARCH**
- **ONLINE QUESTIONNAIRE**

**APRIL**
- **INTEGRATING COVID-19 IMPACT**
- **PLANNED LAUNCH: BEIJING AUTO SHOW**

**JUNE 5TH**
- **OFFICIAL LAUNCH**

**MID-JULY**
- **EXECUTIVE SUMMARY**

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"New non-asset based players will increase in significance in the automotive value chain until 2025."

"OEMs need to think about how to reshape their business model from a genuinely product-driven approach to a more service & customer-oriented model."

"The automotive industry will have to adapt to and shape the converging world of personalized mobility and the internet of everything."

"Mobile connectivity, the value of customer data and self-driving cars are the next big thing."

"Say goodbye to a complete auto-digital fusion – say hello to the ‘next’ dimension of co-integration."

"Saying goodbye to one global market – recognize increasing localization, accelerated by COVID-19."

"Seamless Vehicle2Grid transition is a treasure of islands."

"The auto business is part of an open, dynamic & self-organizing ecosystem consisting of physical assets, services and content. Finding the right balance between where to compete, cooperate or consolidate with industry peers and to wisely co-integrate content from non-asset based digital challengers is key."

"Say goodbye to one global market – recognize increasing localization, accelerated by COVID-19."
WHAT’S NEW IN THIS YEAR’S SURVEY

★ DEMOGRAPHICS: MORE RESPONDENTS THAN EVER!
- Over 1,100 executives from 30 countries
- More than 2,000 consumer opinions from 30 countries
- NEW: Integration of truck manufacturers into the stakeholder portfolio of automotive & ICT companies
- More than 50% of the executives are CEOs & C-level

★ INTERACTIVE ONLINE SURVEY
- The platform has a completely new look and is easy to use
- Explore your own analyses based on your specific interest
- Customize your own dashboards
- See the difference in opinion: Executives vs. Consumers

★ MOBILE VERSION
- A comprehensive mobile version for on the go was created for your mobile/tablet
- 90% of the dashboards can be interactively viewed on your mobile/tablet

NEW FUNCTIONALITIES:
- Improved search function has been developed
- Chapter highlights have been created
- New share functionalities

HOW AUTOMOTIVE INSTITUTE ANALYSES COMPLEMENT THIS YEAR’S SURVEY LIKE NEVER BEFORE:

Raw materials | Balances of trade | China subsidy strategy | Oil/lithium players | Battery prices | Cost of fuel/CO2 | Hydrogen fueling | Global footsteps | Marketing expenses | R&D to revenue ratio | Start-up monitoring | Market cap. | Cash positions | Investment network | …

14 Automotive Institute analyses revealing deep industry know-how
COVID-19 HIGHLIGHT | 8 KEY OPINIONS ABOUT THE IMPACT OF COVID-19

1. We believe that it is essential to acknowledge COVID-19 as a global wave movement, which must be assessed simultaneously from a global production and sales footprint perspective.

2. Wave management models capturing the time delay within supply and demand chains are now required. This is a development that we have already seen with the SARS disease, but which began to decline after the initial wave.

3. The COVID-19 crisis will lead to fundamental changes in demand, with the effect of a much deeper systematic recession. Sales teams should not be laid off. Instead, companies should focus intensely on managing customer relationships and digital demand and providing flexible, low up-front cost offerings to actively counteract increasing consumer uncertainty and TCO-driven purchases.

4. KPMG’s Automotive Institute believes that there will be long-term effects on public transport. People will move away from public transport and are willing to spend more money to feel safe – China’s panic-like fear of disease and fever has led to an increasing demand in the high-end and low-end sectors.

5. Companies with strong liquidity can take advantage of the opportunities in new partnerships that lie ahead, including the detection of M&A targets in a market that expects widespread consolidation. The crisis also serves certain companies with the ability to redefine themselves in the market.

6. Differentiating between cultures becomes essential: While China and the USA tend to have spending cultures, consumers in Japan and Germany are rather reluctant to spend. Increasing credit volumes could result in growth in demand.

7. CO2 targets will be tested, and the widespread adoption of e-mobility will depend on high government subsidies. Without these, e-mobility will only be able to survive in certain application areas, such as in cities.

8. There is only one way forward and that is to redefine competition towards industry-wide “co-competition”. This means to collectively ensure supply chain stability, alongside a global readjustment to a reduced demand structure, channeled through digital demand management and service factories.
**EXECUTIVE SUMMARY | SAY GOODBYE TO ONE GLOBAL MARKET – RECOGNIZE INCREASING LOCALIZATION, ACCELERATED BY COVID-19**

Almost all execs see sustainability as a key differentiator (98%), but 17% of consumers still do not recognize this at all - KPMG believes that the industry would benefit from a cradle to grave sustainability rating. Community and group thinking on sustainability does not yet exist in the automotive industry, mainly because the criteria for classifying a product as sustainable are still not precise and transparent enough for customers.

83% of execs agree that regulators and industry policies are driving technological agendas – subsidy strategies and tax breaks will be essential instruments.

73% of execs agree that a country’s mineral resources dictate the country’s preferred powertrain technology.

76% of execs agree that by 2030 less than 5% of global car production will occur in Western Europe – a 9% increase in voter share since last year.

BEVs, connectivity & digitalization, FCEVs, and PHEVs have established themselves as the most important key trends in the industry since 2017.

We believe that it is essential to acknowledge COVID-19 as a global wave movement, which must be assessed simultaneously from a global production and sales footprint perspective.

People will move away from public transport and may be willing to spend more money to feel safe. In China, for example, we have already seen an increase in demand in the high-end and low-end passenger vehicle segments due to the panic-like fear of disease.

**SUSTAINABILITY**

- Competition is back: In contrast to last year, competition (50%) between automotive manufacturers and ICT companies has increased.
- Nearly three in four executives agree that the importance of financial service entities will increase, with the debt levels of OEMs expected to rise.
- More than 40% of all executives agree that monetizing data is best done with safety-oriented applications such as car-2-x communication.

**INDUSTRY POLITICS**

- CO-OMPETITION
- TRANSFORMATION READINESS
- DATA SUPREMACY

**RAW MATERIALS**

**REGIONAL SHIFTS**

**MEGATRENDS**

**KEY TRENDS**

**COVID-19**

For the first time in the history of our survey, execs think that by 2030 the largest share of vehicles will not be powered by an ICE: FCEVs, BEVs, PHEVs, and ICES will co-exist.

Providing a hassle-free and a seamless charging experience is essential for general BEV adoption – 84% of consumers see the responsibility for charging infrastructure with OEMs.

77% of execs agree that mixed traffic between autonomous and non-autonomous vehicles will lead to severe safety issues and liability claims.

**MEGATRENDS**

- ELECTRIC & FUEL CELL READINESS
- AUTONOMY READINESS
- COMBUSTION ENGINE & VEHICLE ARCHITECTURE

**CUSTOMER VALUE**

**PRODUCT VALUE**

**ECOSYSTEM VALUE**

**CUSTOMER CENTRICITY**

**RETAIL OF THE FUTURE**

**SEAMLESS MULTIMODAL MOBILITY**

**KEY TRENDS**

- COVID-19 will lead to much tighter budget mgmt., and TCO-orientation among consumers.
- Consumers will weigh up physical integrity risks against budgetary restrictions.
- Customer mobility decisions will be driven by data privacy & security, TCO, and a seamless and hassle-free mobility experience.
- OEMs can defend their lead in the battle for valuable customer relationships - nearly half of all execs and consumers agree that OEMs will also be closest to the customer in 5 years’ time.
- We are further from online purchasing than expected: 1 in 5 global consumers say that they will not buy a car online.

**SAY GOODBYE TO ONE GLOBAL MARKET – RECOGNIZE INCREASING LOCALIZATION, ACCELERATED BY COVID-19**

- More than 60% of execs believe that the number of physical retail outlets will decrease between 20-30% globally.
- One of the biggest challenges for retail organizations will be the software-driven development in vehicles, for which consumers are favor a central support organization.
- The increasing amount of software in vehicles will impact the independent aftermarket. The more software, the less successful the independent aftermarket will become.
- There is no “one and only” global mobility concept: Instead, we expect to see different mobility concepts for cities and rural areas. More than 80% of global executives agree.
- KPMG’s Automotive Institute believes that post-COVID uncertainty demands solutions for customers that allow for more flexibility in contractual commitments.

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INTRO

**MEGATRENDS**

One global answer to all strategic directions does not reflect reality - companies must develop independent regional strategies for customers and markets alike.

**SUSTAINABILITY**

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Community and group thinking on sustainability does not yet exist in the automotive industry, mainly because the criteria for classifying a product as sustainable are still not precise and transparent enough for customers to make reliable decisions.

83% of execs agree that regulators and industry policies are driving technological agendas - subsidy strategies and tax breaks will be essential instruments.

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**AUTOMOTIVE KEY TRENDS**

One global answer to all strategic directions does not reflect reality - companies must develop independent regional strategies for customers and markets alike.

**RAW MATERIALS**

Raw materials will play a crucial future role in driving regionally differentiated industry politics, technological agendas of OEMs, and EV battery prices. Through their impact on regionally differentiated industry politics, raw materials will furthermore prevent the development of a single globally dominant powertrain in the long run.

Efficiency savings through economies of scale will not outweigh increases in demand for batteries and battery raw materials – this will result in increased battery prices in the mid to long-term.

**REGIONAL SHIFTS**

With the expectation that COVID-19 will have a greater impact on the automotive industry in Western Europe than in China, we will likely see a further reduction in the production share accounted for by Western Europe.

**INDUSTRY POLITICS**

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**SO WHAT: COVID**

The COVID-19 crisis has demonstrated the remarkable flexibility of China’s industry politics. If government EV incentives fall away in the wake of a COVID-19, we believe that short-term purchase decisions will be dominated by TCO factors, significantly impacting the rate of transition to low carbon mobility.

In response to a drastic change in external market conditions due to the COVID-19 crisis, the extension of subsidies for EVs in China this year demonstrates the remarkable flexibility of China’s industry politics.

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**EXEC SUMMARY**

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73% of execs agree that a country’s mineral resources dictate the country’s preferred powertrain technology.
There will be no clear single investment strategy, as long as raw materials and industry politics have a country-specific or regional root.

For the first time in the history of our survey, executives think that by 2030 the largest share of vehicles will not be powered by an ICE drivetrain: FCEVs, BEVs, PHEVs, and ICES will co-exist and complement each other.

Providing a hassle-free and a seamless charging experience is essential for general BEV adoption - 84% of consumers see the responsibility for charging infrastructure with OEMs.

Executives continue to see BMW as the top e-mobility leader, but its leading position is challenged by Tesla, which strengthened its second-place ranking this year.

KPMG’s Automotive Institute believes that autonomous vehicles will only be truly successful in isolated regions – “islands of autonomy” – where each vehicle follows the same set of rules, grounded in bionic swarm intelligence.

For consumers, price is the most important aspect when considering buying an EV.

84% of executives think that FCEVs will experience their breakthrough in industrial transportation - a 5% increase compared to 2019.
CUSTOMER VALUE

Understanding your customer at individual touchpoints is key – customer mobility decisions will be driven by data privacy & security, TCO, and a seamless and hassle-free mobility experience.

CUSTOMER CENTRICITY

It is crystal clear: OEMs can defend their lead in the battle for valuable customer relationships - nearly half of all execs and consumers agree that OEMs will also be closest to the customer in 5 years’ time.

We are further from online purchasing than expected: One in five global consumers say that they will not buy a car online.

With increasing complexity in customer relationship management, one might expect marketing expenses to increase; this isn’t the case for automotive players. Tech giants, meanwhile, are pursuing the opposite strategy.

SEAMLESS MULTIMODAL MOBILITY

Long-term cumulative total cost of usership (TCU) for mobility services is being neglected. TCO seems to not be a main driver in customer decision-making when choosing between these different services.

KPMG’s Automotive Institute believes that post-COVID uncertainty demands solutions for customers that allow for more flexibility in contractual commitments.

There is no “one and only” global mobility concept: Instead, we expect to see different mobility concepts for cities and rural areas. More than 80% of global executives agree that cities will have completely different mobility concepts than rural areas.

RETAIL OF THE FUTURE

One of the biggest challenges for retail organizations will be the software-driven development in vehicles, for which consumers are most likely to favour a central support organization.

More than 60% of execs believe that the number of physical retail outlets will decrease between 20-30% globally.

The increasing amount of software in vehicles will have an impact on the independent aftermarket: The more software components are built into cars, the less successful the independent aftermarket will become.

SO WHAT: COVID

53% of consumers make data and cyber security an absolute prerequisite for their purchase decision. This is followed by TCO, with 46% of all consumers in agreement and which is likely to further increase due to restricted spending behaviour as a result of COVID-19.

A direct response to the more difficult post-COVID economic environment: Help customers by offering contract flexibility with subscription models.

COVID-19 will lead to a much tighter budget management and TCO orientation among consumers. Consumers will weigh up the risk of physical integrity against cost when considering mobility services.

There will be a dramatic reduction or reshaping of 20%-30% of physical retail outlets. The post-COVID-19 crisis will enforce this result.
**ECOSYSTEM VALUE**

More than 40% of all executives agree that monetizing data is best done with safety-oriented applications such as car-2-x communication.

**DATA SUPREMACY**

China is the frontrunner in thinking in ecosystems: In comparison to traditional auto manufacturers, ICT companies are the clear winners of the data race.

Executives and consumers are not aligned regarding who consumers would trust most with their data.

**CO-OMPETITION**

Market capitalization of the top 15 mobile tech & web/digital companies is more than 5 times as high as that of the top 50 traditional automotive OEMs & suppliers.

Competition is back: In contrast to last year and according to this year’s executives, competition between automotive manufacturers and ICT companies has increased.

We see cultural similarities and geographical axes between USA/China and Germany/Japan – a finding also reflected in the responses of this year’s survey.

**TRANSFORMATION READINESS**

Executives have shown a stable opinion in the last three years: New values, such as miles driven, measure market success, not units sold.

Nearly three in four executives agree that the importance of financial service entities will increase, with debt levels expected to rise.

Due to an increasing number of mobility service offerings, we expect debt levels and the importance of financial services to increase.

82% of executives are confident that measuring vehicle usage or miles driven will become the new focus. However, most companies still do not implement ecosystem-oriented measures.

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**SO WHAT: COVID**

With the currently expected post COVID-19 economic recession, we believe that even more OEM and Tier One suppliers will be forced to start cooperating and consolidating within the industry, than we have ever seen before.

In the future, profits will be determined by access to data and miles travelled, not by units sold, especially if car ownership in certain applications, such as cities, is fundamentally decreasing. One prerequisite, especially in COVID-19 times, will be making people feel safe in cars used by others, as in mobility solutions.

Safety-oriented applications like car2x communication or even physical safety dominate the opinion of the executives surveyed worldwide (41%). With new realities after COVID-19, we even assume that this perspective will grow, as now physical integrity becomes much more important.

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ECOSYSTEM

MATERIAL

MATERIALS | THE MATERIALS WE HAVE AVAILABLE FOR YOU

TODAY JUNE 5TH

INTERACTIVE ONLINE VERSION

VISIT THE LINK

THIS PRESS DOCUMENT WITH KEY MESSAGES

MID-JULY 2020

EXECUTIVE SUMMARY

WITH TOPICS THAT CATCH THE MOST INTEREST AMONG OUR READERS

TO COME

Global Automotive Executive Survey 2020

Global Automotive Executive Survey 2020

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