KPMG

25th Annual *Global Automotive Executive Survey*

(Re)assert dominance:

A leadership blueprint for future success

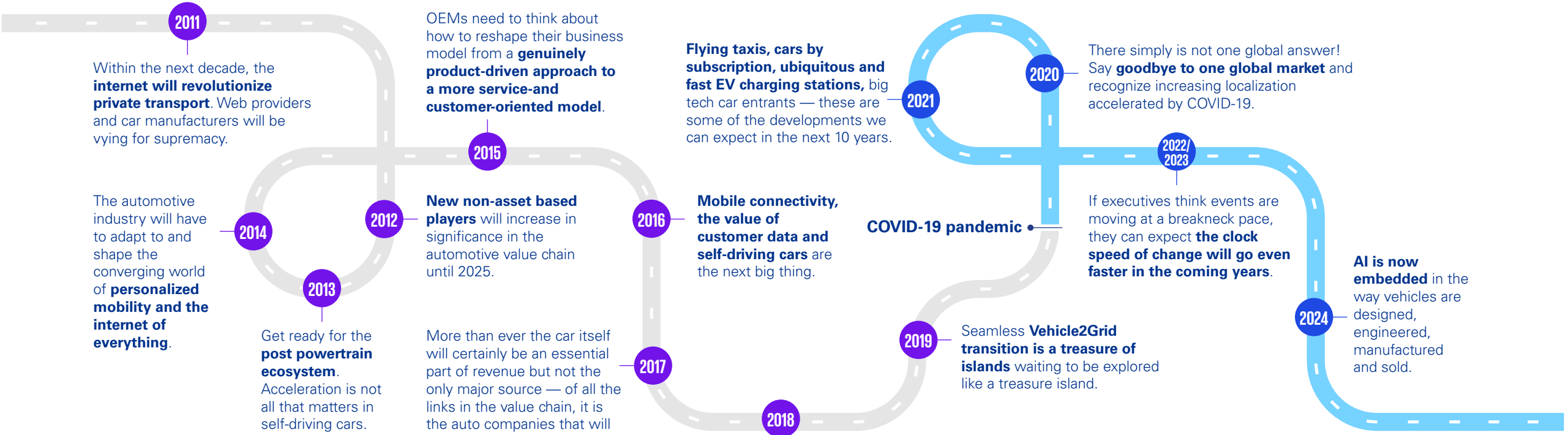
KPMG. Make the Difference.

KPMG International

August 2025

Fifteen years of shifting gears — key insights from GAES 2011 to 2024

For many years, KPMG professionals have been dedicated to closely observing and extensively researching the automotive sector, solidifying our position as a leading authority in the industry. The past 15 years, in particular, have been marked by profound transformation and disruption, demanding resilience and adaptability from industry players. Time and again, the automotive industry has demonstrated its ability to navigate these challenges effectively and rise to meet them. Below, we present key insights and observations from this period, offering a retrospective on this remarkable journey.



Foreword

For 25 years, the KPMG *Global Automotive Executive Survey* has tracked the evolution of the automotive industry. And for more than 20 of those years, I've had the privilege of working closely with clients across the sector — listening, learning and helping them navigate the many twists and turns of transformation. In all those years, one thing has become abundantly clear: this industry is constantly evolving — but rarely has it faced such intense and simultaneous disruptions.

In just the past decade, the rise of electric and software-defined vehicles has rewritten the rules of vehicle manufacturing. Designs have changed. Innovation has accelerated. The boundaries between hardware and software have blurred. Today's original equipment manufacturers (OEMs) are no longer just engineers — they are developers. And with autonomous driving on the horizon, this shift is only gaining momentum.

But digitalization is just one piece of the puzzle. Working with automotive leaders around the world, I see how complex the landscape has become: cost pressures, geopolitical uncertainty, supply chain fragility and rapidly evolving customer expectations are creating constant tension — between combustion and electric, efficiency and growth, global ambitions and local realities, legacy players and new entrants.

So how should the industry respond?

This 25th edition of our *Global Automotive Executive Survey* is designed to help answer that question. Among the 775 global executives we surveyed, **we identified a small group of standout performers** — to understand what they're doing differently.

What we found is both powerful and inspiring: these leaders are not just adapting to disruption — they are using it to their advantage. Their strategies, which we've defined as the **five Ts of transformation**, offer a clear blueprint for success in the years ahead.

Having spent two decades immersed in this industry, I can say with confidence: the road ahead will be challenging — but also full of opportunity for those bold enough to lead. I hope the insights in this report spark new ideas, fresh perspectives and meaningful conversations.

Dr. Andreas Ries
Global Head of Automotive
KPMG International

> "A quarter century of change — and still evolving."

Contents

Executive summary

The automotive industry is at a tipping point and not enough companies are ready. KPMG's 25th *Global Automotive Executive Survey* (GAES) reveals five imperatives that are already separating the leaders that are expected to dominate the next decade.

Key findings of the 25th GAES

36% of automotive executives say that, **within the next three years,** their company's business model, products or operations will be **completely transformed.**

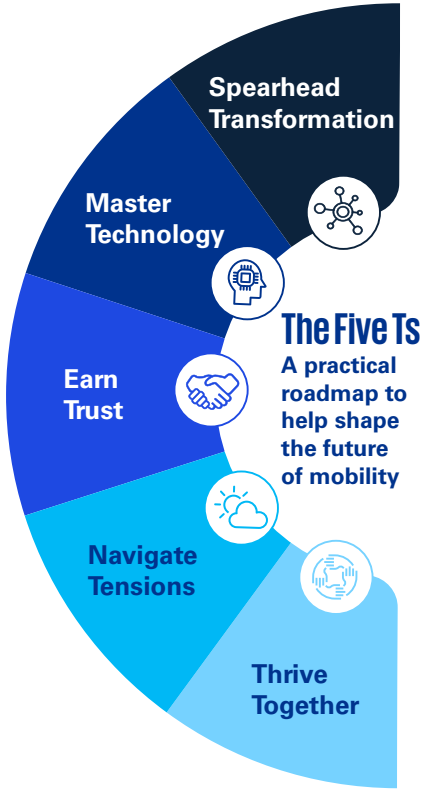
86% of OEMs say they are **investing heavily in AI** and emerging technologies.

5x as many automotive leaders as other respondents say that customer satisfaction is critical to their company's long-term profitability.

68% of companies are **actively restructuring** their **supply chains** (e.g. region-focused, local-for-local).

77% of companies say **strategic alliances and partnerships** have either contributed or will be **important to business growth.**

Five Ts that can lead from disruption to dominance



Spearhead Transformation
Redefine what scale, speed and value mean for your business

Master Technology
Manage and control your digital strategy

Earn Trust
Build a real-time, insight-driven customer engine

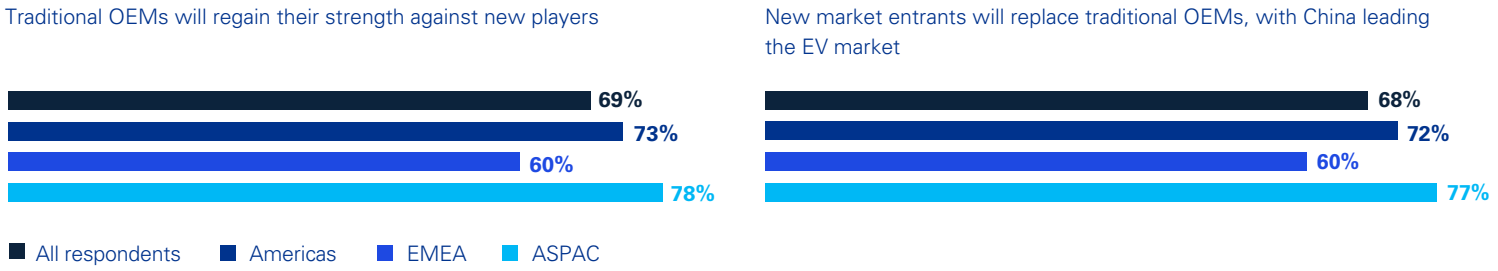
Navigate Tensions
Design your regional resilience strategy

Thrive Together
Build your ecosystem before your competitors do

Introduction: A sector in perpetual flux

From the boardroom to the showroom, automotive executives are facing up to a stark truth: **transformation is no longer optional**. But what are they doing about it? First and foremost, it is essential to recognize the profound uncertainty surrounding the future direction of the industry. KPMG's 25th GAES highlights a striking contradiction at the core of respondents' views: While 69 percent anticipate a resurgence of traditional OEMs, almost the same number (68 percent) would not be surprised if new market entrants were to emerge as the dominant players. This near-even split underscores a deeply divided outlook on who will shape the industry's future.

Figure 1: The industry is divided over the future of OEMs

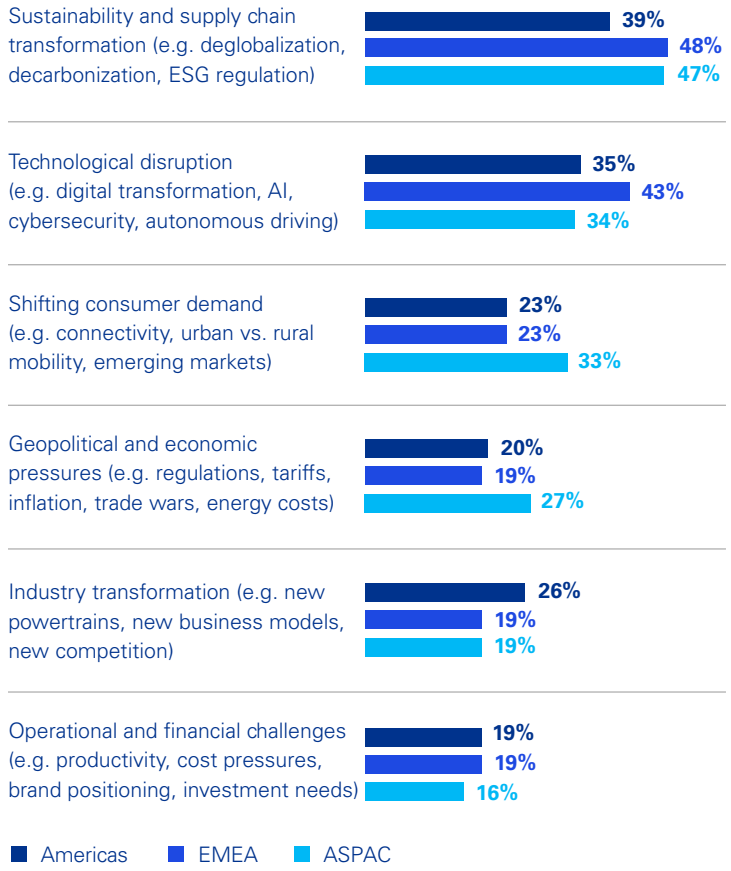


Q: Considering the changing automotive ecosystem, how likely are the following disruptions to happen in the next five years?
Source: KPMG's 25th G*lobal Automotive Executive Survey*

This paradox clearly underscores the profound uncertainty facing the sector — which emerges from the multiple disruptions taking place at the same time.

Talking disruptions: electrification, digitalization and automation are reshaping vehicles — what they are, how they are made and how they are used. And geopolitical volatility, overcapacity and regulatory divergence are forcing companies to rethink their sourcing, production and go-to-market strategies. When respondents were asked about the most disruptive factors for the industry, sustainability and supply chain transformation, and technological disruptions clearly took the lead.

Figure 2: While the top two disruptors hold true across regions, executives in ASPAC are more divided



Q: Which of the following factors will be most disruptive to the automotive industry in the next three years?
Source: KPMG's 25th *Global Automotive Executive Survey*

Understanding the industry context

Supply chain

Offshore procurement is expected to decrease by **19 percent** over the next two years, with nearshoring strategies gaining traction.[1]

ESG

Thirty-eight percent of automotive CEOs identify decarbonizing the supply chain as the industry's most complex ESG challenge, yet sustainability is increasingly seen as a driver of innovation and competitive advantage.[2]

Technology

The automotive semiconductor market is projected to reach US$200 billion annually by the 2030s, driven by electrification, safety features and infotainment systems.[3]

Shifting Consumer Demand

KPMG reports that changing consumer preferences — especially the shift toward EVs and digital retail — are prompting automakers to restructure sales models, with up to **40 percent of new vehicle purchases expected to occur online by 2030**, driven by younger, tech-savvy buyers.[4]

EV versus ICE

KPMG estimates that by **2030**, global EV production will reach **30 million units annually**, while ICE vehicle production is expected to **peak around 2025** and decline by **5–8 percent CAGR** in North America and Europe.[5]

Industry Transformation

In India, rural markets drove a **4.9 percent year-on-year increase** in passenger vehicle sales in FY25, with total registrations reaching **26 million**.[6]

Geopolitics

KPMG's economic modeling forecasts that a global trade war could reduce GDP by up to **1.5 percent in the US, 1.2 percent in China, 0.7 percent in Germany** and **0.4 percent in France**, highlighting the tangible economic risks of geopolitical fragmentation.[7]

Operational and Financial Challenges

Operationally, the automotive industry continues to struggle with supply chain disruptions, labor shortages, and inflationary pressures, with 39 percent of companies still in the early stages of digitalization and automation according to **KPMG's Future Readiness Monitor 2025**.[8]

Global demand for critical minerals like lithium and cobalt is expected to rise by 400–600 percent over the coming decades.[9]

1 KPMG, The future of automotive supply chains, 2024
2 KPMG, Supply chain and auto market growth, 2023
3 KPMG, The convergence of the technology and automotive sectors, 2022
4 KPMG, Automakers getting real about the future of mobility, 2024
5 KPMG, Finding value as ICE melts, 2023
6 KPMG, Automotive pulse — India, 2025
7 KPMG, Top geopolitical risks 2025
8 KPMG, Future readiness monitor, 2025
9 KPMG, US automotive restructuring trends, 2023

These disruptions are not just another challenge; they span a whole new set of circumstances with everything at stake. And while the industry race is wide open, so is the margin for error.

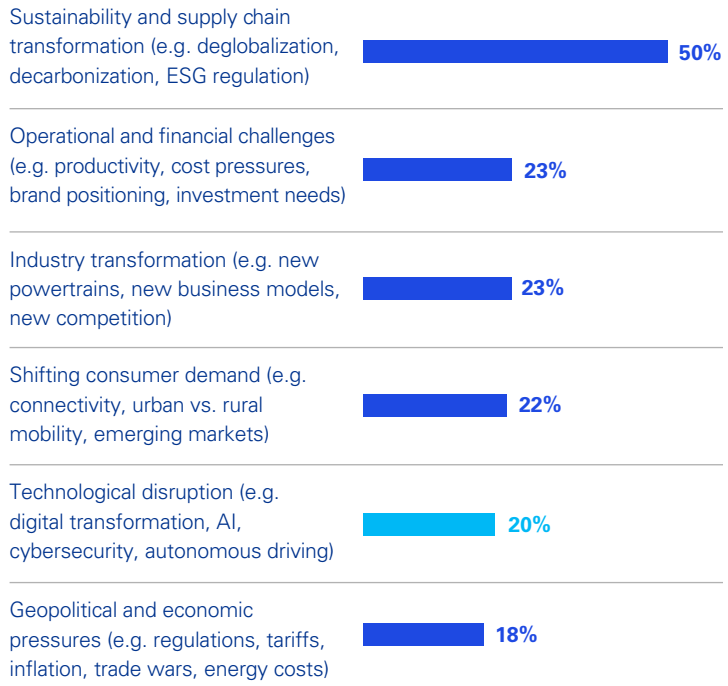
This assumption gains clarity if we dive deeper into the data and find that half of the executives who identify sustainability and supply chain transformation as the top industry disruption say they are 'very prepared' for it. However, **just 20 percent of those who say that technological disruption is one of the main disruptions say they feel ready to manage it**. It is one of the areas where the executives in our research are least prepared.

Indeed, technological readiness is the most critical challenge that organizations must address: while they are rushing to adopt emerging technologies such as artificial intelligence (AI) and software-defined vehicles (SDVs), many lack the governance structures, integration capabilities and internal culture they will need to do it successfully.

> "The industry is probably in the most volatile situation it's ever been in—geopolitical shifts, technology leaps, and growing political influence. Our focus is clear: we need to bring the right products to market, ensure long-term financial resilience, and strike a strategic balance between the power of scale and the strength of localization."

Thomas Schäfer
Chief executive officer of the Volkswagen brand and a member of the Volkswagen Group Board of Management

Figure 3: The automotive companies concerned about technological disruption are poorly prepared for it



Q: How prepared is your business for this disruption? 'Very prepared' summary. Base: Those selecting factor as most disruptive to the industry.
Source: KPMG's 25th *Global Automotive Executive Survey*

Meanwhile, there are also other topics evolving rapidly. For example: customer expectations — driving the need for greater speed, personalization, and innovation across all areas. However, many companies are overlooking this. They are prioritizing operational efficiency and short-term cost savings instead of customer satisfaction, which only 16 percent (please see figure 4) say is critical to their long-term profitability. In an increasingly digital and brand-fragmented market, this could be costly.

The automotive industry is undergoing a profound transformation — one marked not by gradual evolution, but by rapid and disruptive change. Emerging technologies and digital ecosystems are fundamentally altering value creation. At the same time, global supply chain volatility, regulatory pressures, and shifting customer expectations are challenging long-standing business models.

In this environment, incremental adjustments are no longer enough. Many market players are being forced to rethink their core strategies, organizational structures and innovation pipelines.

To stay relevant and competitive, a radical strategic realignment is essential — one that embraces agility, cross-industry collaboration, and a bold vision for the future of mobility.

Read further to understand five Ts of transformation

Figure 4: Only 16 percent of execs see customer satisfaction as critical to long-term profitability, highlighting the growing emphasis on productivity and efficiency

Q: Which of the below aspects will be most critical to your company's long-term profitability?

Source: KPMG's 25th *Global Automotive Executive Survey*

> There's a lot of uncertainty and pressure in the industry, and while the first reaction is often to cut spending and optimize cost, companies must continue to look for ways to innovate and grow market share in a challenging market. Those that master efficiency as well as innovation will come out ahead.

Dr. Andreas Ries
Global Head of Automotive, KPMG International

Introducing five Ts of transformation

The global automotive industry is being forced to adapt to a new reality. The era of predictable growth, stable supply chains and incremental innovation is over. In its place: a fragmented, high-stakes landscape shaped by disruptive technology, volatile geopolitics, escalating trade tensions, shifting consumer values and intensifying competition.

This report is designed for senior automotive executives, strategy leaders, and transformation officers who are navigating this complexity and seeking a competitive edge. Whether you are leading an OEM, a supplier, or a mobility innovator, the insights here are tailored to help you make bold, informed decisions.

Inside, you will find a blueprint for action that reveals how a small group of standout performers — grounded in the perspectives of 775 global executives — are not just surviving disruption but using it to their advantage. Their strategies, captured in the five Ts framework, offer a clear path to leadership in the years ahead.

Five imperatives separate leaders from followers

Winning the next decade of mobility will not hinge on a single breakthrough — but on the ability to orchestrate transformation across multiple, interdependent domains.

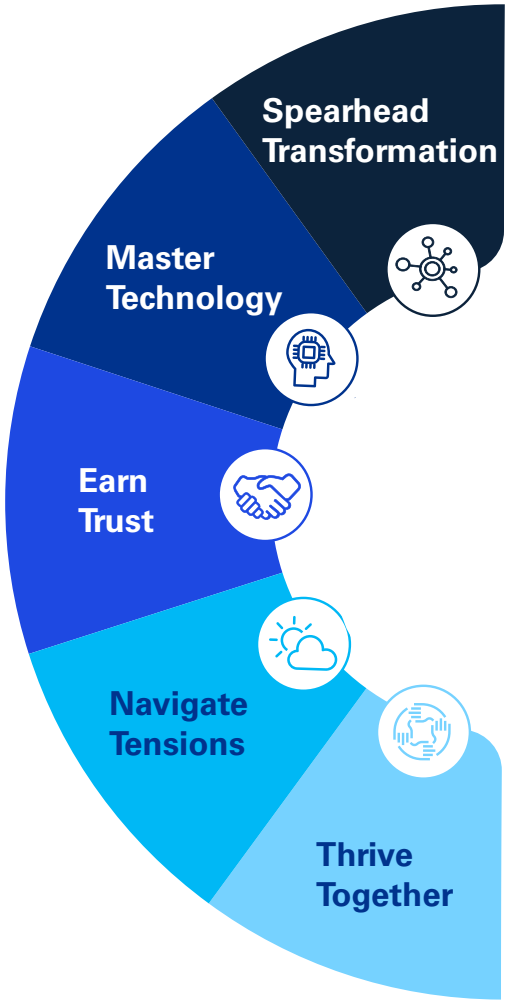
A small group of companies in our survey — 15 percent of the respondents — are already doing this. These **'leading companies'** were identified through comparative analysis of performance metrics across innovation, customer satisfaction and operational outcomes. They are adopting AI effectively, building customer insight into their decisions, collaborating across the product lifecycle and regionalizing their operations.

The effect on their businesses is striking: **74 percent** of these leading companies say they have exceeded their innovation targets over the past year, compared with just 60 percent of the other respondents. They are also outperforming on customer satisfaction and operational goals.

Their success sends a powerful message: **transformation, done correctly, pays off**. This implies that the companies that succeed over the next decade will not be the biggest, the fastest or even the most technically advanced. They will be the ones that are most aligned with the realities of a radically transformed industry — across leadership, culture and execution.

The five Ts framework was derived through a comparative analysis of the top-performing 15 percent of companies in our 2025 GAES. By analyzing their behaviors and strategies, and validating them through qualitative interviews with senior executives, we identified five strategic imperatives that distinguish them from the rest.

The five Ts framework: A practical roadmap to help shape the future of mobility



The five Ts — Transformation, Technology, Trust, Tensions and Togetherness — are not conceptual abstract themes. They are empirically grounded imperatives, distilled from the behaviors of outperformers and validated through executive insight.

Our research shows that sustained performance in a disruptive environment requires mastery across five key areas — each representing a lever for competitive advantage.

These are the **five Ts**:

- Spearhead **Transformation**
- Master **Technology**
- Earn **Trust**
- Navigate **Tensions**
- Thrive **Together**

In addition to our survey data, these imperatives are informed by the latest economic, technological and geopolitical signals. Combined, the five Ts show automotive companies how they can shape the future of mobility — instead of just surviving it.

What sets leaders apart?

Based on almost a century of KPMG professionals auditing and advising global OEMs and Tier 1 suppliers, we have seen that the most successful transformations are not reactive — they are architected. The five Ts are not just a framework; they are a blueprint for how to lead when the rules are being rewritten.

Leadership imperatives to help win the next decade

As the global automotive industry enters a period of accelerated transformation, executives must make strategic pivots to keep up. In our research, a group of companies stands out. These leading companies are the organizations that are already making progress by:

- investing heavily in AI and emerging technology
- actively adjusting their supply chain strategy
- becoming more reliant on strategic partnerships
- focusing on product and service quality and/or customer satisfaction as critical levers of long-term profitability
- responding to trade wars and deglobalization by innovating new products and services

Our analysis identifies a clear set of strategic imperatives that are expected to define the winners of the next era of mobility. Each of these five Ts reflects a shift in mindset and demands action.

Focus areas of the five Ts

Spearhead Transformation: Reimagine scale, speed and value creation — shifting from volume-centric growth to agile, high-margin innovation

Technological developments are **redefining automotive's economies of scale and allow a never-before-expected speed to market**. With overcapacity increasing and profit margins under pressure, traditional, volume-based growth is being outpaced by smarter, value-driven models shaped by technological innovation. Fewer bets, bigger payoffs.

Master Technology: Establish digital control towers — owning the tech stack where it matters most, and partnering where it accelerates scale

As cars evolve into computers on wheels, **technological innovation and secure digital foundations** are now critical enablers of safety, reliability, trust and performance. OEMs must identify which technologies to own, which to co-develop and which to outsource. Without that control, tech is not an advantage — it is a liability.

Earn Trust: Operationalize trust through data transparency, product integrity and hyper-personalized experiences

Today's drivers expect more than a reliable car, but many OEMs are still designing from the inside out. To **gain customer trust and earn lasting loyalty**, companies must use connected vehicle data, AI, and real-time, in-car feedback to create end-to-end experiences that are intuitive, personal, and aligned with customer needs.

Navigate Tensions: Build geopolitical resilience — localizing supply chains, diversifying risk and embedding regulatory foresight

Geopolitical tensions have fragmented the global landscape. From raw material dependencies to tariffs and semiconductor shortages, no region is immune to disruption. Success in the future will come from resilient, localized and sustainable supply chain strategies that can adapt to shocks, meet regulatory demands and protect growth.

Thrive Together: Orchestrate ecosystems — forging alliances that unlock innovation, scale and shared value

A company is unlikely to be able to master electrification, digital mobility and supply chain challenges alone. To compete in a fast-moving, ecosystem-driven industry, **companies must work together** by forming strategic partnerships in battery tech, software platforms, cloud infrastructure and sustainability solutions. This can create collective success.

Special feature

Interview with Thomas Schäfer

Chief executive officer of the Volkswagen brand and a member of the Volkswagen Group Board of Management

Since July 2022, Thomas Schäfer has served as chief executive officer of the Volkswagen brand and as a member of the Volkswagen Group Board of Management. He is responsible for the Brand Group Core, which includes SEAT, CUPRA, Volkswagen Commercial Vehicles, and Škoda Auto. Prior to joining Volkswagen Group, Schäfer held senior roles at Daimler and Mercedes-Benz.

In this interview, he shares his perspective on the five transformation themes ("five Ts") identified in our study:

Spearhead TRANSFORMATION: Balancing cost, scale and powertrain diversity

Schäfer acknowledges both the advantages and complexities that come with the Brand Group Core's scale and brand portfolio: **"Our size is both a strength and a challenge. Scale allows us to develop solutions once and deploy them across multiple brands. But each brand has unique customer expectations, which adds complexity and can lead to delays and increased costs."**

Cost discipline remains a top priority: **"Getting costs under control is absolutely essential. We're leveraging the full potential of our Brand Group Core — creating synergies across brands, while each pursues its own performance program. At Volkswagen, we've already made noticeable reductions in factory costs during the first half of the year. There's still a long road ahead, but we're clearly moving in the right direction."**

The company is also adapting to a shifting powertrain landscape: **"Two years ago, the path seemed clear — everything would be electric by decade's end. Now, the pace of transformation varies significantly across regions. That's why we offer a broad range of drivetrains: internal combustion engines, plug-in hybrids and fully electric. Next year, we'll expand our affordable EV lineup in Europe — with models starting around €25,000."**

Master TECHNOLOGY: Driving performance through innovation

Technology is at the core of Volkswagen's transformation. Schäfer highlights the strategic use of AI: **"We're integrating AI across our entire value chain — from development and procurement to production and after-sales. For every decision, we ask: 'Can AI help us do this better?' If yes, we implement it. For example, we optimize machines in our production to use energy and materials even more efficiently. This saves money and reduces CO_2 emissions ."**

Earn TRUST: Strengthening loyalty through brand and experience

One of Schäfer's first priorities was to strengthen the brand: **"People buy strong brands — and as a heritage brand, Volkswagen holds tremendous potential. To unlock that, we need to deliver a consistent and compelling brand experience across every touch point: from in-vehicle interaction to the dealership floor to our advertising campaigns."**

Navigate TENSIONS: Responding to geopolitical and regulatory complexity

Schäfer emphasizes the importance of balance: **"At Volkswagen, we benefit from developing and producing vehicles in the same regions where we sell them — like China, the U.S., and South America. In some cases, our localization rate is as high as 95 percent. This makes us more resilient and brings us closer to our customers. At the same time, our scale allows us to bring premium technologies into more affordable segments — where you wouldn't typically expect to find them. Striking that balance is now one of our key priorities."**

Regulatory uncertainty remains a challenge: **"I'd like clarity on some of the big-ticket legislation — whether on CO_2, data or autonomous driving."**

Thrive TOGETHER: Building strategic alliances for the future

Collaboration is central to Volkswagen's strategy in the era of software-defined vehicles. A prime example is the joint venture with Rivian: **"Together, we're building the next generation of electronic architecture, supporting high-performance computing in infotainment and advanced driver assistance systems (ADAS)."**

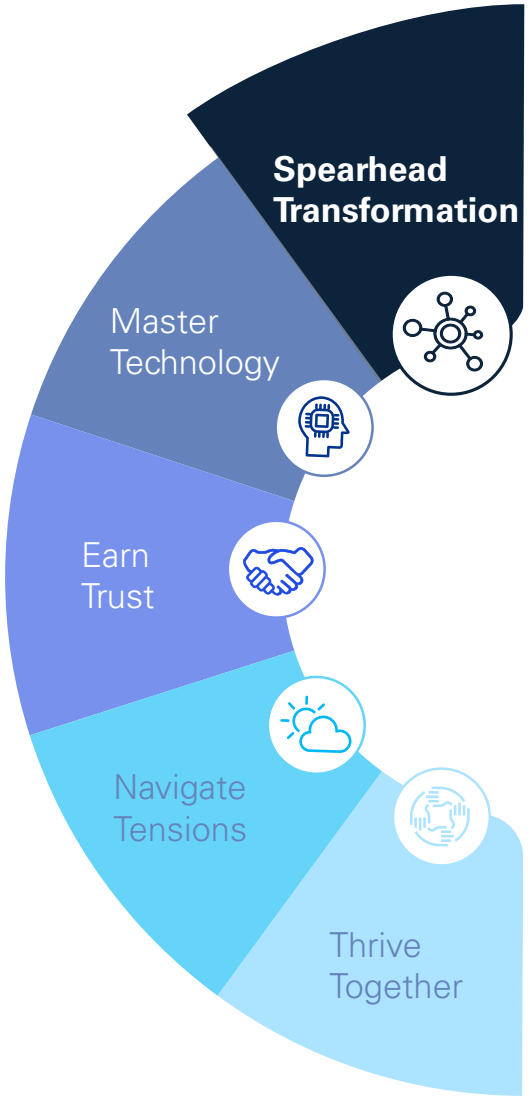
Thomas Schäfer

Chief executive officer of the Volkswagen brand and a member of the Volkswagen Group Board of Management

Five Ts of Transformation

Spearhead Transformation

Rethink scale and speed as well as pivot from volume to value



Key takeaway

The rules of scale have changed. In a saturated, volatile market, the goal is no longer to be the biggest: it is to be a leader in profitable growth. Automotive executives must let go of legacy definitions of performance and replace them with a sharper, more strategic approach to long-term business success. And there is another element that has changed: speed to market. Chinese OEMs are pioneers in this field with development times that are now less than 25 months. This target will be established throughout the industry.

Value is the new volume. Focus is the new scale. Speed is the new resilience.

For decades, success in the automotive industry was synonymous with scale. The players with the biggest global footprints, the widest portfolios and the highest unit sales had an advantage that made them seem unassailable.

But as the industry grapples with stagnating sales volumes, swelling overcapacity and intensifying cost pressures, a new definition of scale is emerging — it is no longer about sheer size, but efficiency, scalability and flexibility.

The era of 'volume at all costs' is over. For today's OEMs and suppliers, smart scale — not just big scale — is the new competitive differentiator.

A saturated global market is changing priorities

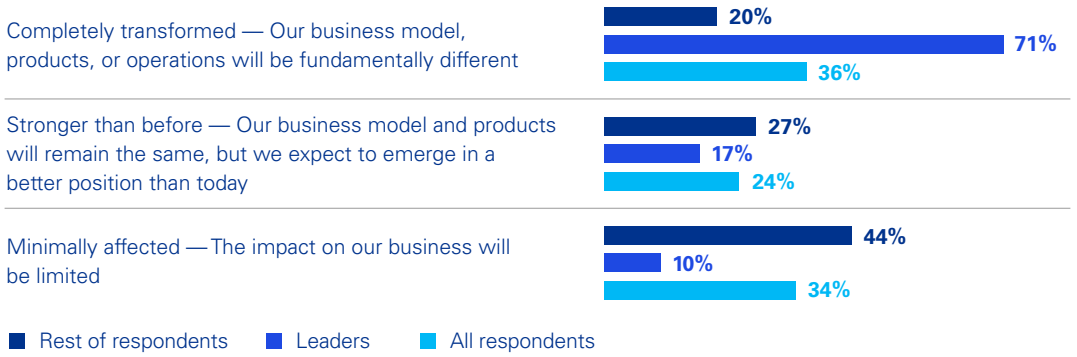
In many mature markets, automotive growth has stalled. Sales and production in North America and Europe are projected to remain below pre-Covid levels for the rest of the decade, while China's once-unstoppable expansion has slowed because of rising competition and geopolitical pressure. Globally, vehicle demand is no longer growing fast enough to sustain the industry's existing production footprint.

These developments will lead to a tectonic shift in the industry with more than a third of executives expecting their company to be completely transformed in the next three years. Executives in our survey are already feeling the effects. And they recognize that consolidation may be inevitable: **69 percent** believe that OEM consolidation will lead to fewer carmakers in the market by 2030, and 65 percent expect a similar wave of consolidation among suppliers.

> "I think we're heading to a place where the industry will naturally consolidate, and it's the companies that are in a position of strength that will be able to benefit from that."

Paul Farrell
Executive VP and Chief Strategy Officer
BorgWarner

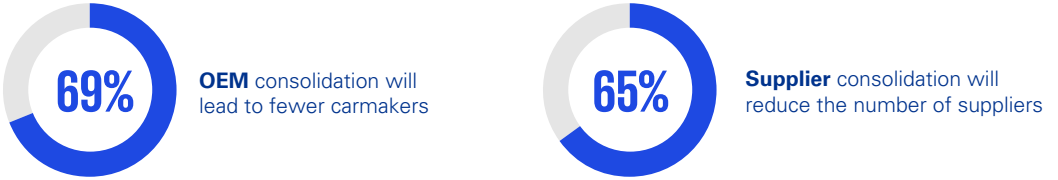
Figure 5: There is a tectonic shift ahead: How do organization see themselves in the next three years?



Q: Choose the statement that best describes how you expect these disruptions to impact your company over the next three years. Our company will be…

Source: KPMG's 25th *Global Automotive Executive Survey*

Figure 6: Most automotive executives expect there will be fewer OEMs and suppliers by the end of the decade



Q: Considering the changing automotive ecosystem, how likely are the following disruptions to happen in the next five years? — Likely to happen

Source: KPMG's 25th *Global Automotive Executive Survey*

This consolidation is not just a reaction to low volumes — it reflects changing business priorities. As the economics of the industry shift, capital efficiency, profitability and strategic coherence are becoming more important.

A new era of productivity demands strategic reinvention

In times of disruption, automotive companies often default to familiar tactics: cutting costs, freezing spending and rethinking pricing strategies. Today, AI-driven efficiency is at the center of that response. Nearly half of executives say that using advanced tech to optimize and automate processes is one of their top three priorities for cutting costs and driving productivity.

Yet the real opportunity lies not in reactive efficiency, but in **strategic reinvention**.

The leading companies in our survey recognize this. Asked about the main benefits they have seen from their tech investments so far, **they are most likely to say they are boosting workforce productivity** (48 percent). But in the next three years they expect that to shift toward **new product development**.

This signals a critical pivot. Now that the immediate gains of AI-driven efficiency have been realized, the automotive leaders are **investing beyond automation**.

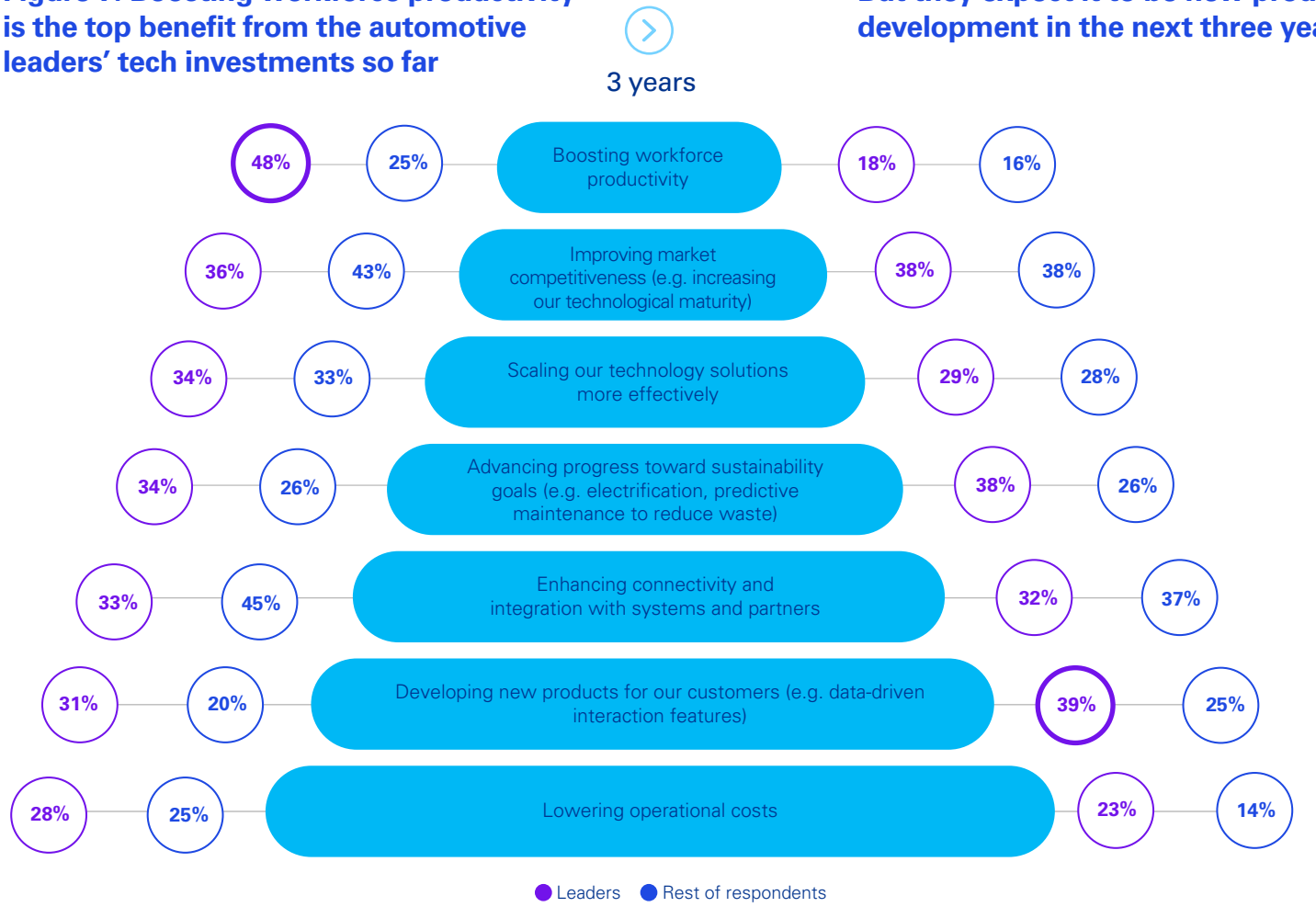
Most companies continue to prioritize productivity as their main driver of profitability, but the leading companies focus on value by prioritizing product and service quality. And they are looking beyond AI to achieve it. They are more than twice as likely as other respondents to say **game-changing technological breakthroughs** will be important to their business growth in the next three years: 42 percent compared with 20 percent.

This is how to turn operational efficiency into competitive advantage. By using AI and emerging technologies not just to streamline processes but also to **accelerate innovation and thus speed to market**, companies can **create long-term growth**.

> “As OEMs and suppliers evolve from manufacturing-driven to technology-led organizations, AI should be recognized as a strategic enabler rather than just a product feature. This shift demands strategic alignment, process redesign, and cultural readiness. AI is not a self-running engine; it is a lever, and leadership must actively pull it.”
>
> **Petra Eileen Lichtenau**
> Global Automotive Executive,
> KPMG International

Figure 7: Boosting workforce productivity is the top benefit from the automotive leaders' tech investments so far

But they expect it to be new product development in the next three years



Q: What have been the most significant benefits of your investment in emerging technologies to date when it comes to improving production and operations across your business?

Source: KPMG's 25th *Global Automotive Executive Survey*

Q: And what are the top benefits you hope to see over the next three years?

Source: KPMG's 25th *Global Automotive Executive Survey*

Fewer bets, bigger payoffs

In a fragmented, unpredictable market, placing fewer, better bets is a winning strategy. This is not about doing less, it is about doing what matters most. By concentrating capital on high-impact initiatives, companies can maximize returns while reducing risk.

More than a third of the automotive executives in our research say their company's business model, products or operations will be completely transformed within the next three years (71 percent of the leader's group confirms this statement! Refer to Figure 5). This is not business-as-usual change: it is a sweeping reinvention of what they make, how they make it and where value is captured.

In this environment, speed to market is becoming a critical differentiator. The ability to move quickly from concept to customer is no longer a luxury — it's a necessity. As product lifecycles shorten and consumer expectations rise, companies that can't deliver fast risk falling behind. Speed enables early feedback, faster iteration and a stronger competitive position — especially in emerging technology areas like EV platforms, software features and autonomous systems. It also allows companies to capitalize on fleeting market windows and respond more dynamically to regulatory or geopolitical shifts.

To succeed in this new landscape, automotive companies must also take a more disciplined approach to scale — an approach that prizes **focus over footprint, value over volume and long-term growth over short-term gains**.

This goes beyond manufacturing. Companies that spread resources across too many regions, products or initiatives risk diluting impact at the very moment when precision is required most. Instead, they need to rethink their go-to-market and financial strategies, digital investment, R&D allocation, workforce deployment and M&A activity.

> The many uncertainties of the current economic environment are making it really difficult for companies to project financial performance and budget accordingly. These challenges affect everyone, from supply chain partners to investors and employees. Finance teams must take control by effectively managing implications around financial reporting and offering teams clear guidance around spend.

Dr. Andreas Ries
Global Head of Automotive, KPMG International

What should executives do next?

01 Cut to compete

Refocus portfolios on high-margin, high-demand segments. Phase out low-value models to unlock capital and sharpen differentiation. Redirect resources toward innovation and brand-defining technologies.

02 Redefine ROI metrics

Move beyond unit sales as the primary measure of success. Shift to metrics such as return on invested capital, per-model profitability and customer lifetime value.

03 Accelerate with AI

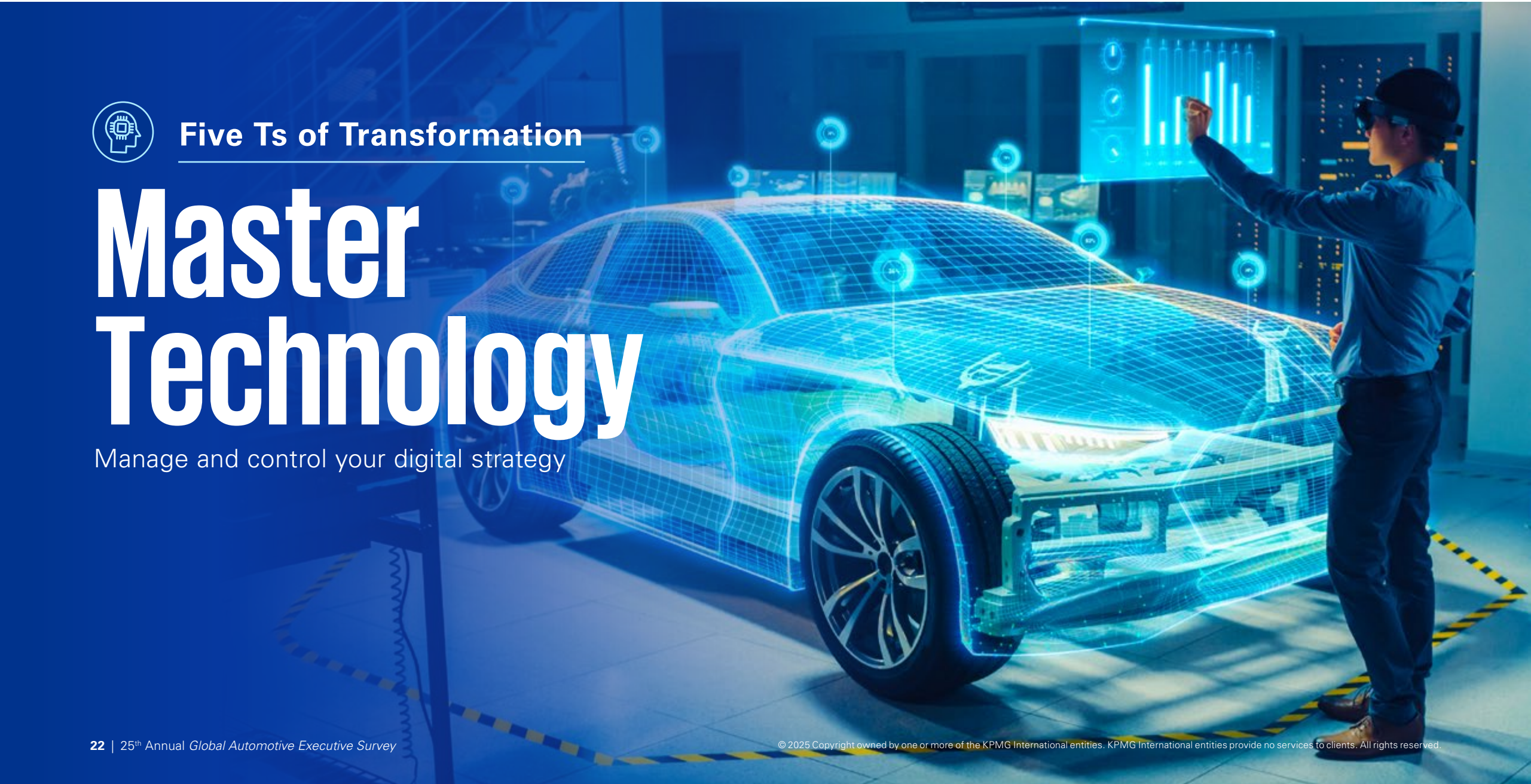
Leverage generative and predictive AI to shorten development cycles, enhance decision-making and streamline go-to-market processes. From virtual prototyping to automated testing and intelligent supply chain planning, AI enables faster, smarter execution across the value chain. Embed AI early to turn speed into resilience.

04 Prepare for consolidation

Identify opportunities for strategic M&A, joint ventures or divestitures. Consider how consolidation could strengthen core capabilities, enable geographic synergies or improve access to emerging technologies.

05 Communicate the pivot

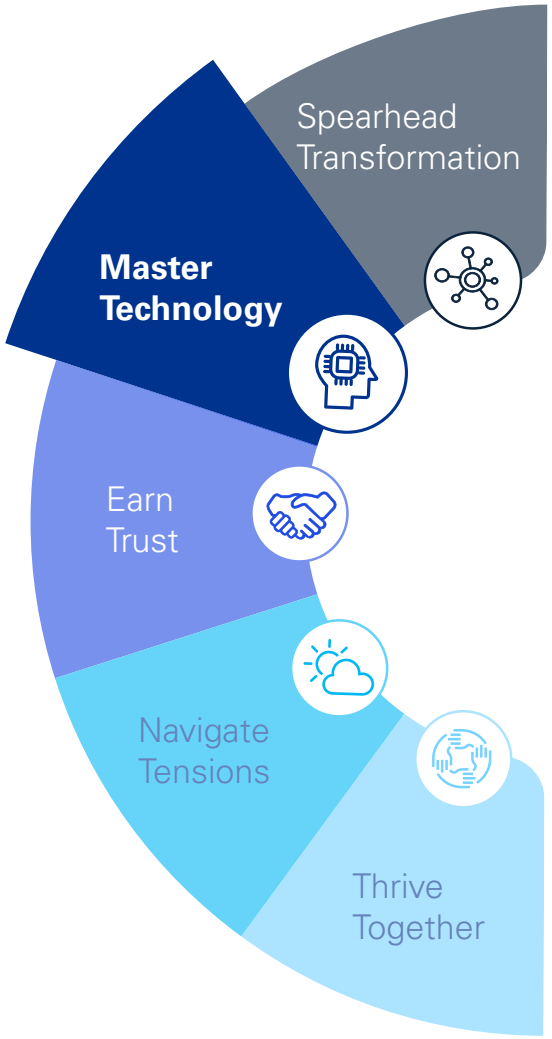
Make sure that employees, investors and partners understand the strategic rationale behind a value-focused model. Frame the shift not as contraction, but as evolution.



Five Ts of Transformation

Master Technology

Manage and control your digital strategy



Key takeaway

In today's automotive sector, technology and AI are no longer differentiators; they are prerequisites. Companies that fail to take control of their digital infrastructure risk falling behind. Today, it is the foundation of differentiation, reliability and performance. But control matters: without clear ownership, cultural alignment and robust governance, tech becomes a liability instead of a competitive advantage.

This is not just about building better cars. It is about embedding the capabilities, mindsets and partnerships that will define the industry's digital future.

The readiness gap: Most companies aren't prepared for the tech they are betting on

Technology is now the foundation of customer experience, operational performance and competitive advantage. But while nearly every automotive company is racing to embed AI, electrification and autonomous driving, not many are taking control of the systems that underpin them.

This is a critical moment for the industry. Companies that fail to incorporate security and flexibility into their digital solutions risk eroding trust and losing relevance. Yet despite this urgency, many companies are underprepared.

Everyone is investing. Few are truly ready.

According to our research, **86 percent of automotive companies** are investing heavily in AI and emerging technologies. They hope these investments will drive everything from productivity gains and supply chain optimization to enhanced customer experience and smarter R&D.

But investment is not enough on its own. Only 20 percent of executives who see technological disruption as a top threat say they are 'very prepared' to meet it. This readiness gap is where risk is growing fast.

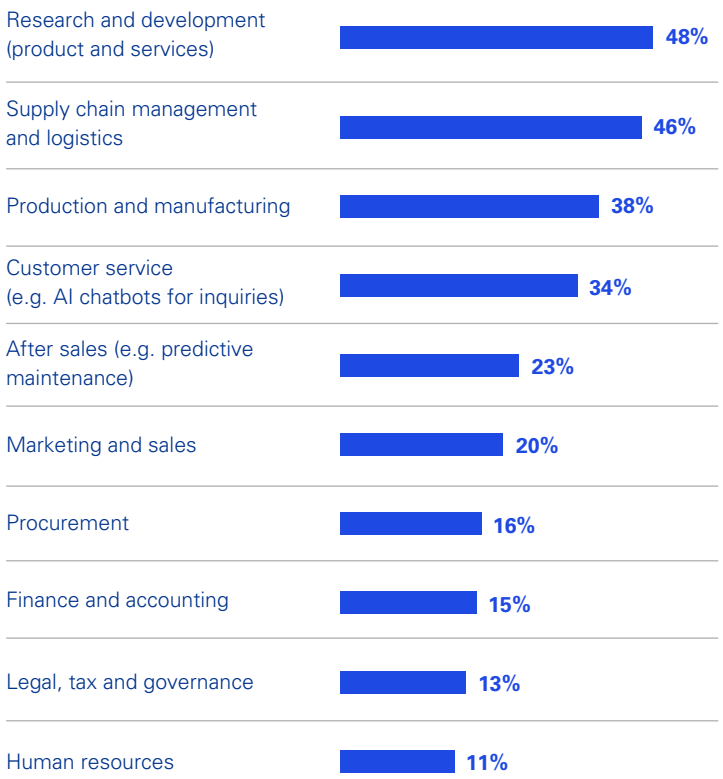
And as the number of digital systems and partners in the automotive value chain multiplies, so do the risks: from cybersecurity breaches and data privacy failures to system incompatibility, compliance lapses and even loss of brand control.

Software-defined vehicles (SDVs) raise the risks

SDVs represent a seismic change not just to vehicle architecture, but also to how OEMs and suppliers must think about accountability, ownership and innovation.

They promise continuous updates, app-like features, real-time connectivity and new business models built around subscriptions and services. But they also expose manufacturers to unfamiliar risks, such as liability in autonomous driving scenarios and growing recall and warranty issues,[10] as well as increasing customer expectations of seamless tech experiences.

Figure 8: Executives expect R&D and supply chains to benefit most from AI's impact on productivity and/or costs



Q: In which areas of your business will AI deliver the greatest benefits by improving productivity and/or reducing costs?

Source: KPMG's 25th *Global Automotive Executive Survey*

Eighty-seven percent of executives say that by **2030, autonomous driving will become the standard across vehicle types**. The autonomous car market is projected to reach about US$122 billion by 2030, growing at a compound annual growth rate of 23 percent from 2025. Software features such as over-the-air updates are expected to make up an increasing share of this growth.[11]

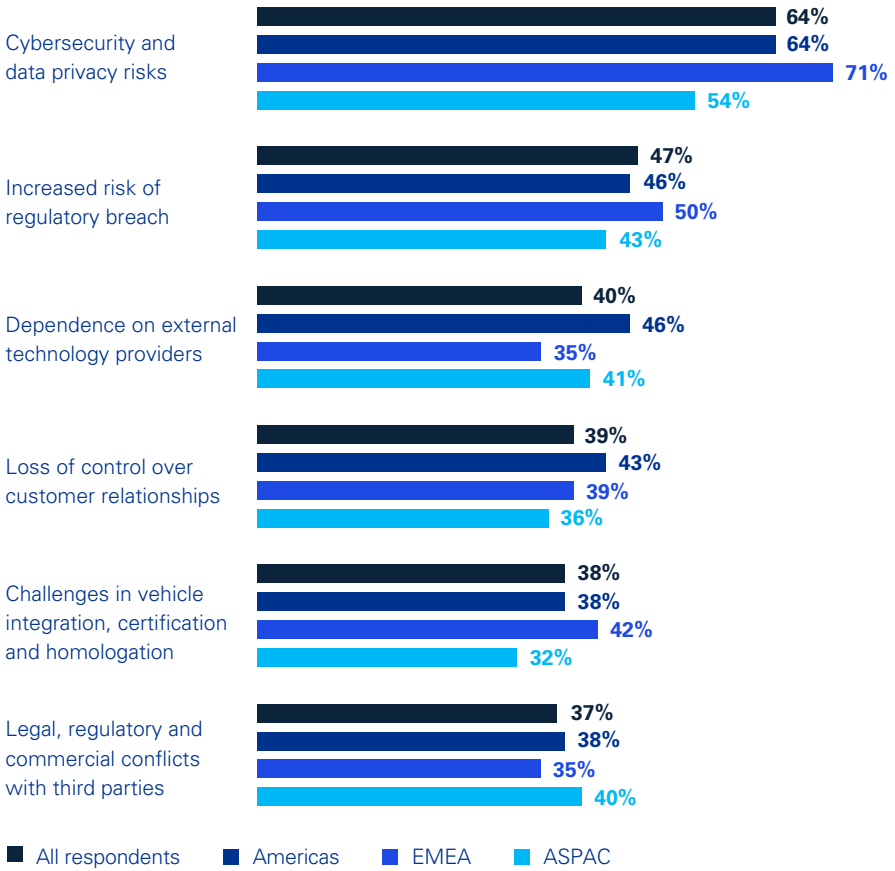
This is the context in which executives — particularly in EMEA — express concern about cybersecurity and data privacy risks. Our survey shows that their growing reliance on a complex network of suppliers and tech partners is increasing anxiety about these digital vulnerabilities (see figure 9).

The problem is not just technological; it is also structural. Many OEMs are still operating with legacy development models, slow procurement cycles and siloed IT functions. These are not fit for purpose in a software-first world. To succeed, companies must ensure that the systems powering their vehicles are not only technically robust but strategically owned and culturally integrated.

[10] The 4 delays for software-defined vehicles, Forbes, 2025

[11] Autonomous car market size & share analysis, Mordor Intelligence, 2025

Figure 9: An expanding network of suppliers and tech partners is driving cybersecurity



Q: As vehicles become more connected through the rise of software-defined vehicles (SDVs), the number of suppliers and technology partners involved in the production cycle is increasing. How concerned are you about the impact the increase in suppliers/partners will have on the following? (Concerned/Very concerned)

Source: KPMG's 25th *Global Automotive Executive Survey*

From outsourced to owned

In recent years, many OEMs and Tier 1 suppliers have partnered with external organizations to accelerate their digital capabilities. According to the executives in our study, this type of collaboration ranks among the top three most critical partnerships for achieving business success.

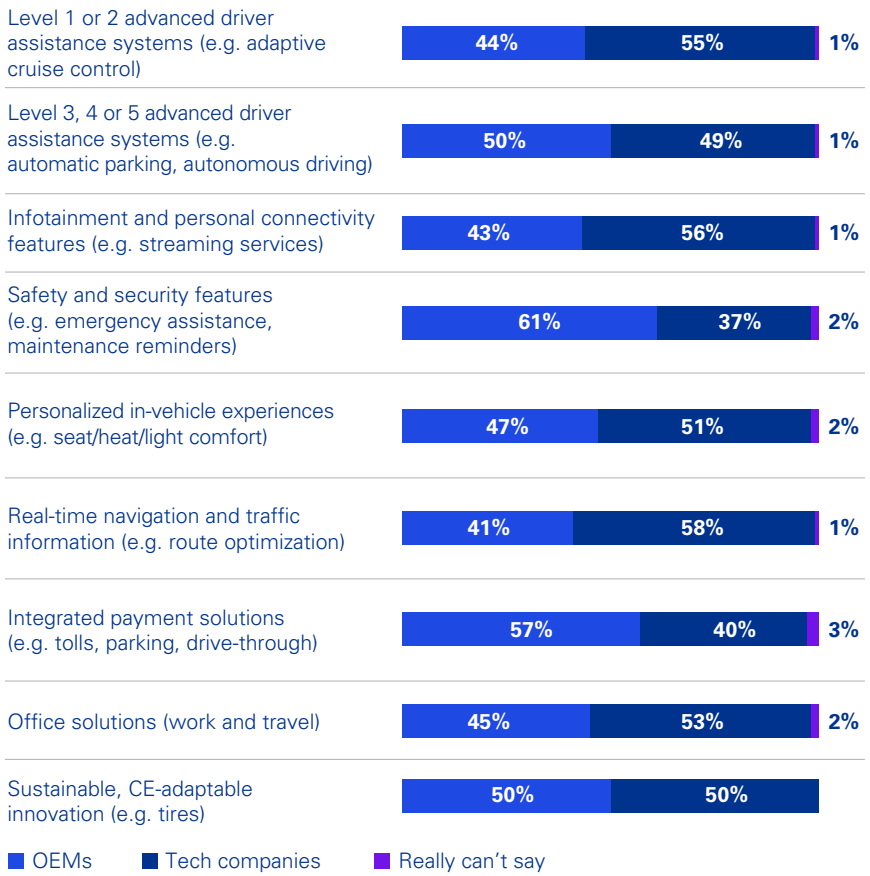
Yet excessive outsourcing could become a liability. Having said this, it becomes clear that OEMs do not need to build everything in-house. However, they do need a clear strategy for **which technologies to own, which to co-develop and which to outsource**. Critical systems tied to customer trust, such as vehicle security, over-the-air updates and driver assistance features, should increasingly be within OEMs' internal control.

The executives in our research agree. **Safety and security features** such as emergency assistance and maintenance reminders are the areas they say are most likely to remain under the control of OEMs rather than shifting to tech companies.

> "Security is now a top priority; as vehicles become increasingly software-driven and autonomous, the risk of cyberattacks grows — posing serious safety concerns and threatening customer trust. Beyond that, data breaches can have far-reaching financial and reputational consequences."

Richard van der Meer
Chief Information Officer at Nissan AMIEO

Figure 10: Safety and security features are most likely to remain under OEM control



Q: As vehicles become software-defined vehicles (SDVs) and customer expectations evolve, alliances between OEMs and tech players will increase. In this scenario, which areas of the automotive value chain will be led by tech companies, and which will remain the domain of traditional automakers (OEMs)?

Source: KPMG's 25th *Global Automotive Executive Survey*

> "Years of outsourcing core technologies have helped traditional automakers scale — but at the cost of deep tech expertise. As software-defined vehicles and AI-driven development reshape the industry, this dependency is becoming a strategic liability. Innovation speed now depends on what you control, not just what you can buy."

Bernhard Lang
Partner, KPMG in Germany

Culture clash: Tech speed versus auto legacy

Technical control is only part of digital success. For many automotive companies, the real barrier is culture.

Despite increased collaboration with tech providers **(34 percent of executives say they are already in tech partnerships, and 42 percent plan to follow soon)**, many OEMs are still structured around slow, hierarchical processes that clash with the agile, experimental approach of tech partners.

"Many Western OEMs struggle because their deeply embedded structures prioritize control over the speed of iteration," comments Lang. "Organizations that try to control change before allowing it often end up blocking exactly the kind of momentum they need to compete."

While tech firms work in sprints and iterate quickly, many OEMs still rely on waterfall models and static project plans. Without cultural alignment, innovation slows, integration falters and value is lost.

What should executives do next?

01

Define digital control zones

Segment software and tech capabilities into three categories: 'own,' 'co-develop' and 'outsource.' Retain ownership of any systems that are tied to safety, security and reliability (e.g. vehicle control software).

02

Strengthen governance for tech partnerships

Develop clear processes for partner selection, integration and accountability. Build legal and regulatory frameworks into partnership contracts from the start.

03

Build an agile operating model

Restructure tech teams to work in cross-functional, agile squads. Bring in advanced tools such as digital twins to test ideas, lower the chances of failure and learn faster from real-time feedback.

04

Invest in integrity and transparency

Integrate cybersecurity and data privacy into product design — not as an afterthought. Communicate clearly with customers about how their data is used and protected.

05

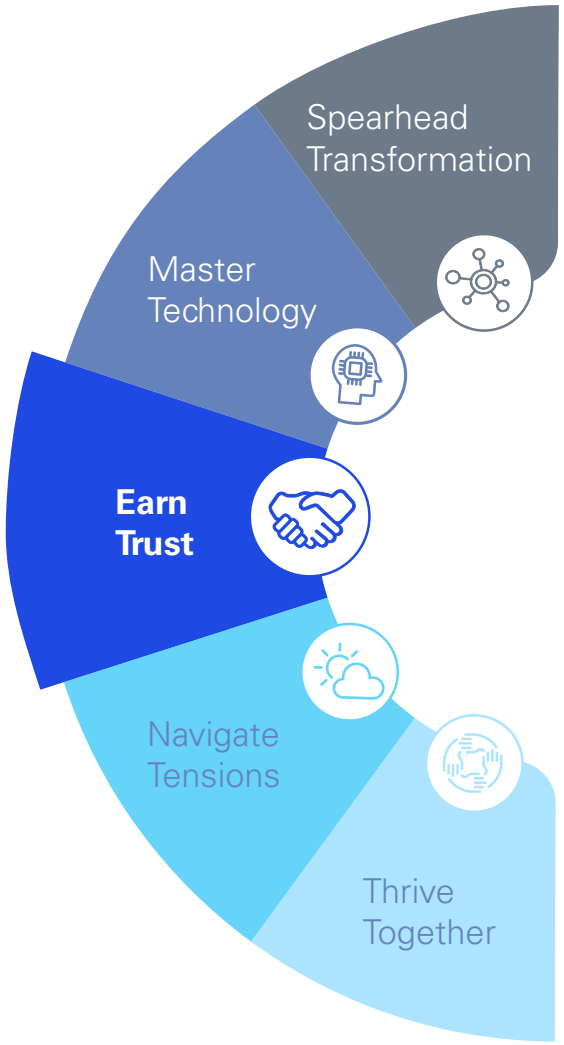
Close the culture gap

Educate senior leaders in digital-first operating principles. Hire or promote tech-savvy talent into core business roles. Create internal incentives for experimentation and iteration.

Five Ts of Transformation

Earn Trust

Turn customer insight into loyalty



Key takeaway

In a market where brand loyalty is fragile and digital disruptors are multiplying, customer insights are no longer optional — they are the foundation of competitive advantage. As brands, ecosystems and EV challengers proliferate, only those who deeply understand their customers will earn trust, build loyalty and stay relevant.

Ambiguity is out. Precision is in. Success will likely hinge on the ability to translate real-time insights into personalized experiences, adaptive services and product innovation. **In the age of SDVs and connected mobility, knowing your customer isn't just a marketing function — it's a strategic imperative that helps shape design, development and delivery.**

In an industry built on precision engineering, it is surprising how imprecise many automotive companies are when it comes to understanding their customers.

The rise of SDVs, digital touchpoints and direct-to-consumer channels has given OEMs and suppliers access to more data than ever before. But most are still relying on broad assumptions when they shape their products and services.

The winning companies will not be the ones that are making one-time sales. It will likely be the ones that can decode complexity, translate insights into action and build lasting relationships.

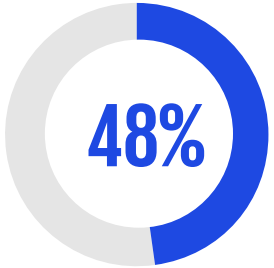
Executives are confident — but is it complacency?

On the surface, many automotive executives are confident that they can serve customers' needs. **Nearly 60 percent of the executives in our research say they are ahead of their customer satisfaction targets.**

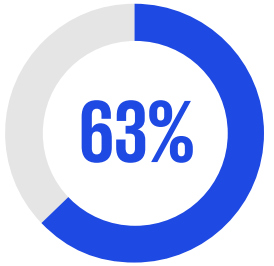
In fact, despite significant investments in digital transformation and AI, many automotive companies continue to **overestimate their understanding of customer expectations**.[12] According to KPMG's *2024–2025 Global Customer Experience Excellence* report, brands that lead in customer experience are those that **prioritize personalization and integrity** — two areas where the automotive sector often lags behind its self-perception.

While the automotive industry ranks among the top performers in customer experience in markets like Germany, the global picture reveals a gap between **what companies believe they deliver** and **what customers actually experience.**

The discrepancy between self-assessment and external perception poses a significant risk. In our research, the leading companies rank customer satisfaction five times more vital to business success than the rest of companies. **Automakers are investing heavily in AI, automation and efficiency, but it appears that few are directing the same energy to customer-centric design or engagement strategies — which could turn out to be a big strategic mistake.**



of the leading companies say customer satisfaction is critical to their company's long-term profitability, compared with just **10 percent** of the rest of the respondents.



of the leading companies say product and service quality is critical to long-term profitability, compared with only **15 percent** of the other companies.

Source: KPMG's 25th *Global Automotive Executive Survey*

> "The bigger you are, the more you have to lose. That means being twice as diligent and putting in far more effort to carve out that lasting position because everyone is now using the same technology to build, inspect and deliver high levels of quality, durability and reliability. The playing field is levelling fast, so what really sets you apart now is the emotional connection people have with your brand."

Don Romano
President & CEO
Hyundai Motor Company in Australia

[12] KPMG, Beyond the noise: Orchestrating AI-drive customer excellence, 2024–25

This could imply that, as new EV brands, tech competitors and platform-based disruptors enter the market, existing companies cannot depend on their customers' trust and loyalty. But a thorough understanding of emerging consumer expectations will give them a better chance of retaining them.

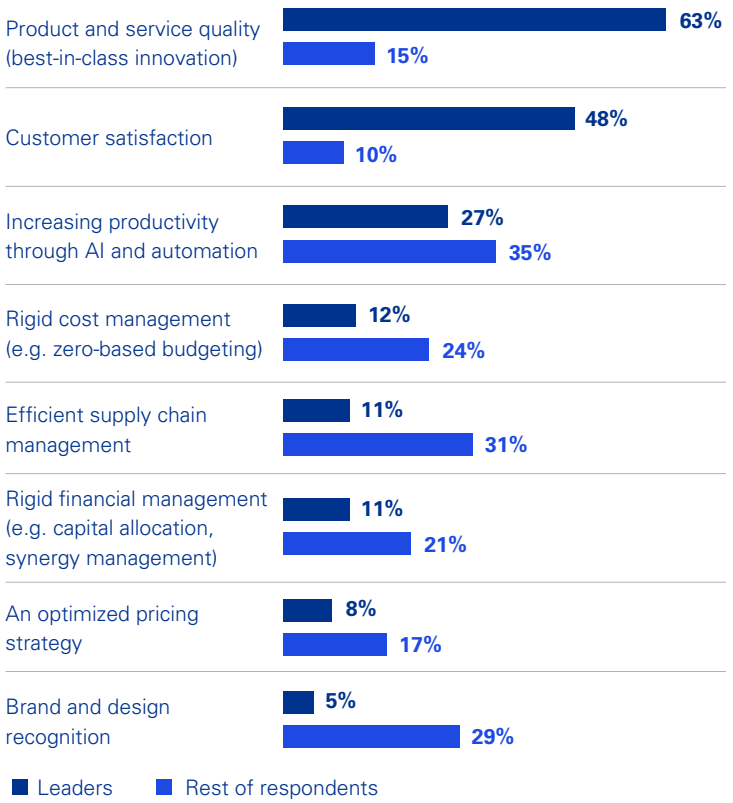
A fragmented digital journey damages the customer experience

Customers now expect seamless, personalized experiences across the vehicle lifecycle — from their initial research and showroom experience to financing, delivery, maintenance and upgrades. In the car, they want connected, intuitive interfaces that feel more like smartphones than dashboards.

But many companies are struggling to create these experiences: a third of executives say the shift to digital sales has made it harder for them to build customer relationships. And this will likely become even more of an issue as car-sharing and subscription models become the new norm, which **78 percent of executives say is likely to happen by 2030**.

> "Our people join us to shape purposeful mobility — mobility that excites, includes, and empowers. It's not just about what we build, but why we build it. Through innovation labs and cross-generational workshops, we invite employees and even customers to co-shape the future of Nissan."
>
> **Guy Rodriguez**
> President of Nissan LATAM

Figure 11: The leading companies focus on product and service quality and customer satisfaction



Q: Which of these aspects will be most critical to your company's long-term profitability?

Source: KPMG's 25th *Global Automotive Executive Survey*

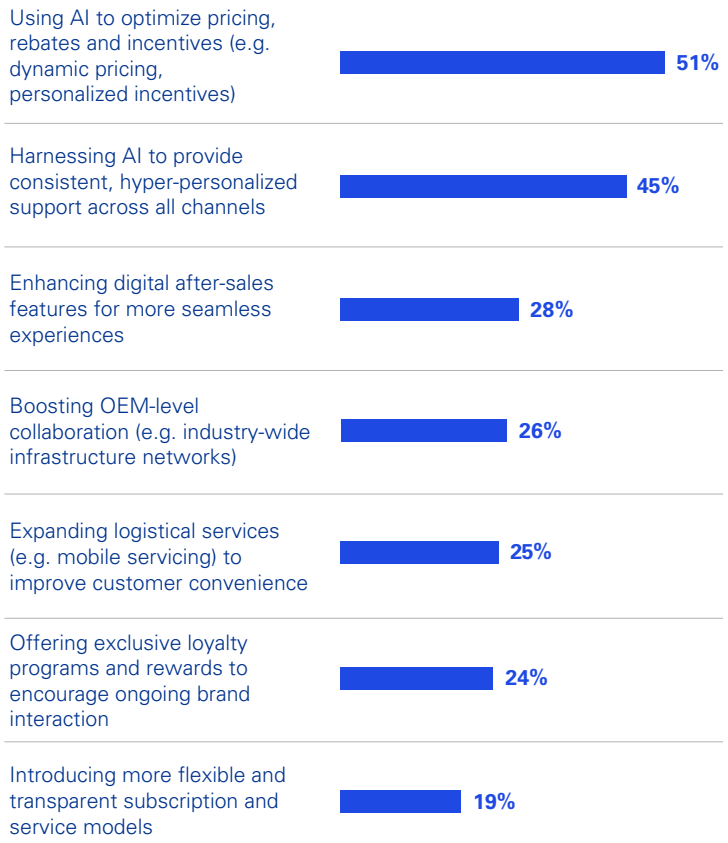
"In EMEA, many OEM departments still deploy various CRM [customer relationship management] systems for different customer touchpoints, resulting in fragmented digital experiences where customers are sent from one platform to the next without any consistency," says Tom Lurtz, Partner, KPMG in Germany. "This harms performance not just because it's inefficient, but because it fails to meet customer expectations. The trust OEMs have earned over the years is powerful, but if it's not continually reinforced through seamless experiences, there's no guarantee it will be sustained in the future."

To address this, companies are turning to AI to optimize their pricing and personalize support across channels. But if they depend too heavily on AI, they risk sidelining the emotional engagement that creates long-term loyalty and could even erode customer trust by increasing their exposure to cyber threats.

Companies are wasting data advantage

Most OEMs and suppliers already have the data they need to understand their customers better: connected vehicle sensors, infotainment use, financing applications, service history and digital marketing interactions are rich repository of behavioral and preference signals. But that invaluable data is often siloed, underused or collected without a clear purpose.

Figure 12: Companies are prioritizing scalable technology over customer-centric design



Q: As the rise of digital sales continues to reshape brand-customer relationships in the automotive industry, in which of the following areas are you most likely to invest to enhance after-sales and customer service?

Source: KPMG's 25th *Global Automotive Executive Survey*

"The challenge is not lack of data — it's using it to inform distinctive, tailored experiences across both digital and physical channels," says Rodriguez. "In Latin America, many customers begin their car-buying journey online, but they still want to come into a dealership for the actual purchase. Using data to ensure a seamless connection between touchpoints is critical to building customer connections."

One complication is the growing sensitivity around privacy and consent. This is particularly true in Europe and North America, where new regulations are mandating OEMs to prioritize transparency around data use.[13] While survey respondents in ASPAC are far less concerned about cybersecurity and data privacy risks, failing to meet global expectations could still damage their reputation.

To build trust, companies must clearly articulate their data usage policies and give customers the option to manage their preferences. Data strategy and customer strategy will have to evolve together.

[13] 2025 Connected car study, S&P Global, 2025

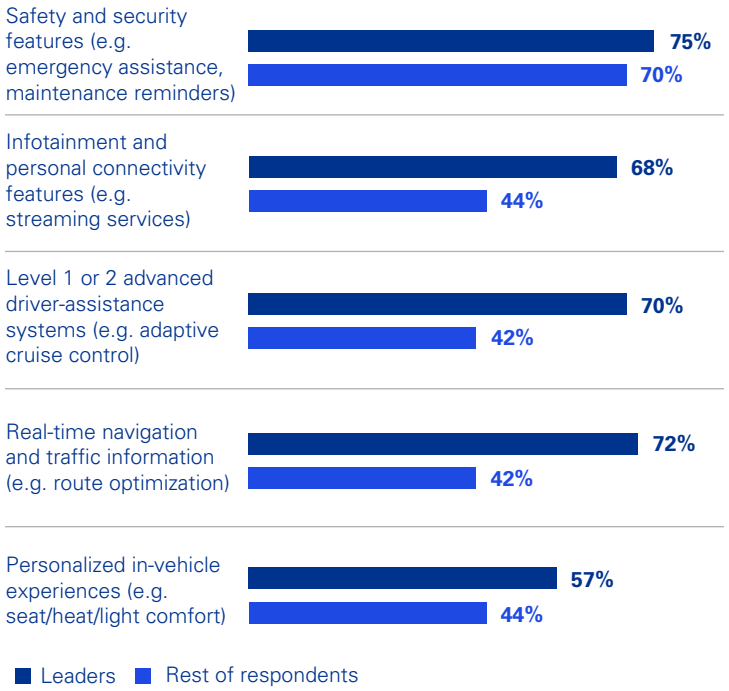
Knowing what customers value (and what they will not pay for)

When companies do use their data to find out about customer preferences, they often misread them. The executives in our survey do not seem to agree about which digital features customers are willing to pay for (either because they see them as standard or do not find them valuable).Forty-seven percent of executives believe that customers will pay for level 1 or 2 advanced driver-assistance systems (ADAS), but 57 percent believe the opposite. This disconnect makes it harder for companies to prioritize R&D spending and monetize new digital services effectively. However, leading companies seem to be much clearer on what customers expect.

Our results show that leading companies are also far more likely to say that **managing customer expectations and identifying new business models** should be a top business priority for OEMs (45 percent versus 20 percent of the rest of the companies).

This trend is particularly evident in fast-moving markets like China, where the pace of innovation is closely tied to rapidly evolving consumer needs. "For new players in China, consumers are the main driver of innovation," says Norbert Meyring, Head of Automotive, KPMG China. "If a consumer needs it and it's technically feasible, companies will likely find a way to deliver it affordably."

Figure 13: The leading companies have a clearer idea of the features customers will pay for



Q: Based on your understanding, how do customers perceive the value of the following in-vehicle features? Please indicate whether customers are willing to pay for them or not.

Source: KPMG's 25th *Global Automotive Executive Survey*

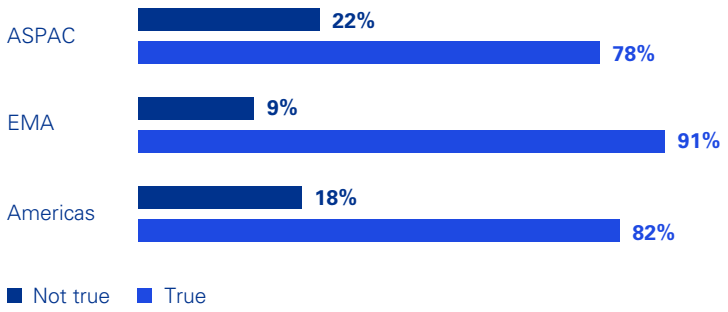
> "Putting the customer back at the center is reshaping the automotive business: business models must evolve and align with customer lifecycles, meeting the expectations of increasingly connected, safety-conscious, and infotainment-driven target groups."

Megumu Komikado
Head of Automotive Japan
KPMG in Japan

Understanding customer willingness to pay is particularly critical in the EV market, which has been slowing down in many parts of the world because of affordability concerns and limited charging infrastructure.[14]

Eighty-four percent of companies say **they feel responsible for driving EV demand**. And investing in R&D for EV design and improving interoperability of EV-related tech are most often selected when asked about strategies they think will have the greatest impact.

Figure 14: We feel responsible for driving electric vehicle (EV) demand



Q: Which of the following statements are true for your business today?
Source: KPMG's 25th *Global Automotive Executive Survey*

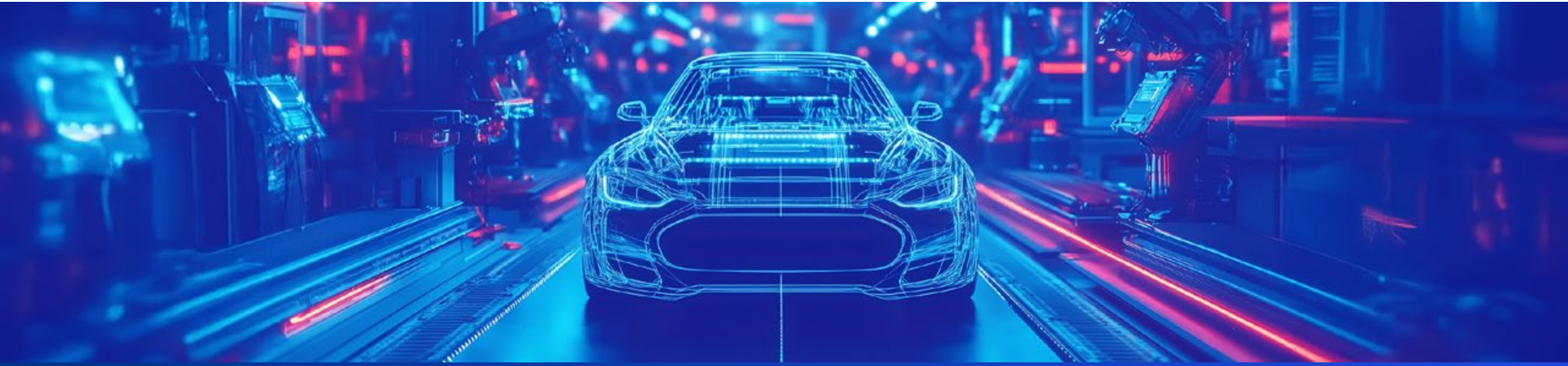
> "Companies must tailor their products to the structural and geographical realities of each market. For example, convenience is a huge selling point in the US; in Europe, consumers tend to prioritize safety; and drivers in ASPAC are most likely to expect advanced tech features."

Tom Lurtz
Partner, KPMG in Germany

> "The EV market is driven by innovation as much as sustainability. The key difference is not the engine, but the entire smart vehicle experience, with circularity increasingly at the heart to address issues such as battery waste and resource scarcity."

Yannik Michels
Partner, KPMG Germany

[14] Disconnected: Differences in driver attitudes to EV adoption show it's too early to pull the plug on support, Shell, 2025



What should executives do next?

01

Elevate customer insight as a strategic priority

Establish dedicated customer intelligence teams that combine data science, behavioral research and design thinking. Make sure that these insights inform product, marketing and service decisions.

02

Map and enhance the digital journey

Conduct a full audit of digital and physical customer touchpoints to identify pain points, duplication and opportunities to personalize. Integrate systems to enable 'single view' customer management.

03

Use data responsibly and transparently

Develop clear policies for data collection and sharing. Give customers real control over how their data is used and explain what they can get in return (e.g. safer driving, tailored offers).

04

Link R&D to real preferences

Use AI, social listening and direct feedback to validate which features customers value and which they will not pay for. Focus innovation on experience-led design — not internal assumptions.

05

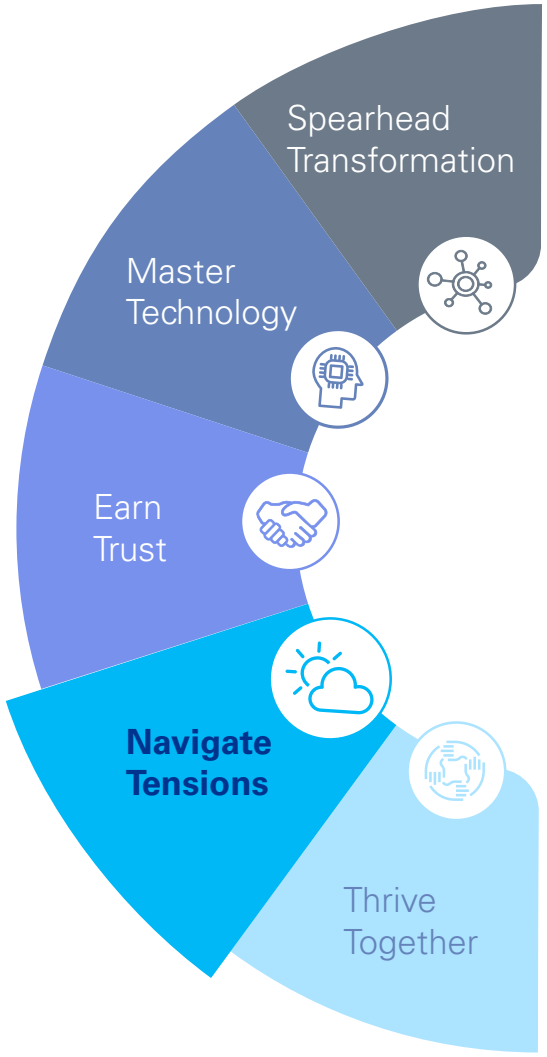
Consider lifetime value

Invest in subscription models, bundled services and post-sale engagement that create ongoing value for customers and recurring revenue for the business.

Five Ts of Transformation

Navigate Tensions

Adapt to a disrupted world



Key takeaway

The automotive supply chain was once a quiet background function. Today, it is a boardroom issue — central to strategy, cost, reputation and growth. In an era marked by geopolitical fragmentation, trade disputes and shifting regulatory landscapes, geography has become strategy. The companies that master regional resilience will be best equipped to navigate a divided world.

For automotive manufacturers and suppliers, this means rethinking long-held assumptions about global integration. **What once worked — centralized production, just-in-time logistics and global sourcing — may no longer be viable in a world shaped by tariffs, sanctions and regional industrial policies.**

Deep, systemic change is ripping up familiar automotive frameworks. Consider the battle between EVs and ICE vehicles, the competition between new entrants and legacy OEMs and the contrasting needs of rural and urban markets. But few forces are proving as disruptive as geopolitics, where mounting tensions are reshaping every part of the industry — the supply chain included. **In short, resilience is no longer a defensive posture — it is a competitive advantage. The automotive leaders of tomorrow will likely be those who can adapt quickly, act locally and think globally.**

Navigating a divided world

Rising protectionism, post-pandemic structural disruptions and localization pressures have made supply chains a persistent source of risk. From semiconductor shortages to energy price shocks and raw material dependencies, no region is immune.

The age of global optimization is giving way to a new age of regional resilience. Supply chains must now be adapted for flexibility, security and strategic autonomy rather than just cost efficiency.

Actually, western OEMs face different supply chain challenges than their Asian and American peers. Suppliers, meanwhile, are often more vulnerable because of thinner margins, higher capital constraints and greater dependency on OEM planning cycles.

At the center of the challenge is the fragmentation of the global trading system. In the past, automotive companies could rely on predictable rules, stable tariffs and open markets to optimize production footprints. Today, they face a complex patchwork of local content mandates, trade disputes, export bans and competing subsidy regimes.

Sustainability regulation adds another layer of complexity. In the EU, ambitious new targets that mandate zero emissions for all new cars produced by 2035 are pushing OEMs to accelerate electrification.[15] Similar targets are already in place in China and several US states.

This move away from fossil fuels is also introducing new vulnerabilities and dependencies related to critical minerals such as lithium and cobalt, whose mining and processing are concentrated in a small number of countries. Globally, the response to this geopolitical imbalance is with more regulation:

- In **China**, the Corporate Sustainability Disclosure Guidelines were released as part of broader, long-term plans to standardize ESG reporting by 2030.[16]
- In **the EU**, the EU Battery Regulation aims to reduce reliance on primary cobalt by establishing a circular economy for batteries.[17]
- In **the US**, the Inflation Reduction Act incentivizes domestic mining through tax credits, funding and programs,[18] although under the One Big Beautiful Bill, credits for critical minerals will be phased out by 2033.[19]
- The Treasury Laws Amendment (Financial market Infrastructure and Other Measures) Bill 2024 introduces mandatory climate-related financial disclosures for large businesses and financial institutions in Australia.[20]

Companies that can navigate this growing complexity will benefit from lower costs, better market access and protected supply chains. But many are not recognizing the way regulation should be shaping sourcing strategies and investment decisions: only **9 percent of OEMs say navigating regulations, tax burdens and trade challenges should be a top three business priority**. This disconnect could expose companies to significant strategic risk.

Such assumptions risk giving executives the impression that they are already fully prepared — potentially blinding them to critical gaps. This could be an expensive and risky misconception.

[15] EU loosens CO_2 targets, FleetEurope, 2025
[16] China's corporate sustainability disclosure standards: A roadmap for foreign companies doing business in China, The ESG Institute, 2025
[17] New EU regulatory framework for batteries, European Parliament briefing, 2024
[18] Summary of Inflation Reduction Act provisions related to renewable energy, EPA
[19] US bill would end tax credit for critical minerals, Mining.com, 2025
[20] Treasury Laws Amendment, 2024

Supply chain readiness powers performance

For decades, the automotive supply chain was engineered for efficiency: global sourcing, just-in-time inventory and concentrated production hubs that allowed for maximum scale.

That model no longer works. Our research shows that executives recognize this change. They rank **sustainability and supply chain transformation** as the single most disruptive factor facing the industry over the next three years. It ranks even higher than technological disruption.

The industry seems to be adapting. Half of the executives who selected sustainability and supply chain transformation as their top concern say they feel 'very prepared' to meet it — more than double the figure for technological disruption.

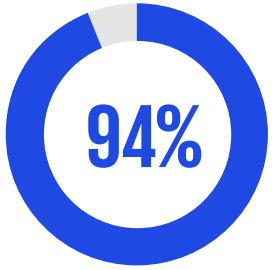
In our research, supply chain readiness emerges as **a defining factor in competitiveness**: 94 percent of companies that feel 'very prepared' for supply chain disruption and sustainability transformation say they are ahead of profit targets, compared with just 45 percent of the companies that are not very prepared. They are also much less likely to be worried about trade wars (14 percent versus 61 percent), which suggests they have more strategic control.

> "In our work with clients, we frequently observe a gap between perceived readiness and the actual impact of structural and geopolitical pressures. This suggests that many organizations continue to underestimate the complexity and interconnectedness of today's global environment."

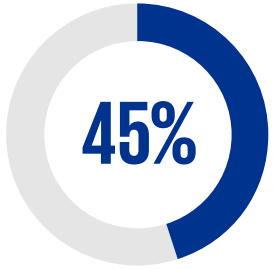
Guido Havers
Partner, Audit, Regulatory Advisory, Sustainability Reporting & Governance
KPMG Germany

Figure 15: Companies that say they are very prepared for supply chain disruption and sustainability transformation are more likely to be ahead of profit targets

We are ahead of profit targets say



of companies who see themselves as very prepared for supply chain disruption and sustainability transformation.



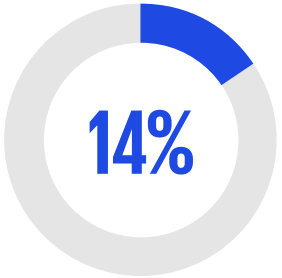
of companies that do not see themselves as very prepared for supply chain disruption and sustainability transformation.

Q: Over the past year, how did your business perform against the following targets? (Ahead of target)

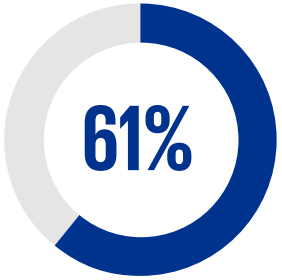
Source: KPMG's 25th *Global Automotive Executive Survey*

Figure 16: Companies that say they are very prepared for supply chain disruption and sustainability transformation are much less concerned about trade wars

We're concerned about the rise of trade wars say



of companies that see themselves as very prepared for supply chain disruption and sustainability transformation.



of companies that feel they are not very prepared for supply chain disruption and sustainability transformation.

Q: Which of the following statements are true for your business today?

Source: KPMG's 25th *Global Automotive Executive Survey*

A global industry goes local

Many automotive companies are shifting to local strategies that reduce tariff exposure, lower transportation costs, improve regulatory compliance and shorten response times.

Sixty-eight percent of companies in our research (including 81 percent of the leading companies) are actively restructuring their supply chains using strategies such as near-shoring, friend-shoring and local-for-local production. Another 25 percent plan to do the same.

According to Dr. Andreas Ries, the future of supply chain strategy lies in **building complete local ecosystems**, not just local plants. "The focus will shift to reducing the distance between each part of the value chain and creating integrated regional networks," says Ries. "This isn't entirely new, but what is new is that they will try to localize the entire supplier base."

But localizing operations is not straightforward. It often requires deep supplier base restructuring, new partnerships and/or acquisitions, regional duplication of capabilities and careful long-term capital planning.

Data and technology will be crucial in this regard. As OEMs and suppliers localize their business models, AI-driven productivity will help to offset the higher labor costs associated with reshoring production. And data-driven digital supply chain solutions can facilitate real-time tracking, demand forecasting and smart inventory management.[21] Seventy-six percent of executives say that **data and technology will be important** to their future supply chain strategies.

Figure 17: More than two-thirds of companies have implemented near-shoring, friend-shoring or local-for-local strategies or are in the process of implementing them

Q: In response to increasing trade wars and deglobalization, how likely is your company to take the following strategic actions? (Taking action — either already taking this action or currently implementing it.)

Source: KPMG's 25th G*lobal Automotive Executive Survey*

[21] Revving up for localization, KPMG, 2025

Another result of the survey is also interesting in this context: A majority of companies (60 percent) say that **integration of sustainability and circular economy principles will be important** to their future supply chain strategies. As part of this shift, localization and circularity increasingly go hand in hand. By keeping materials in use for as long as possible through local recycling, remanufacturing and reuse, companies can reduce global dependencies.

As companies localize and adopt circular supply chain strategies, the need for clear, reliable reporting becomes critical, says KPMG Germany, Partner, Yannik Michels.

"ESG requires robust reporting frameworks that align financial performance with sustainability goals," he says. As in many other areas "Technology is essential here — not just for tracking progress, but also for enabling data-driven decisions that can help turn local resilience into measurable business value."

Finally, localization is not expected to be uniform: **different markets demand different strategies**. For example:

- In **Europe**, energy prices and labor costs might require OEMs to shift production to Eastern Europe or North Africa while keeping R&D centers in the EU.
- In **North America**, nearshoring to Mexico might provide labor cost advantages and favorable trade terms under the USMCA.
- In **China**, local joint ventures and partnerships remain essential to maintaining market access and cost competitiveness.

What should executives do next?

01

Localize where it matters most

Tackle the complexity of supply chain localization by starting small. Prioritize local-for-local strategies in regions with the highest growth potential, regulatory complexity or geopolitical risk, and tailor your strategy to each market.

02

Map exposure in real time

Use AI and analytics to continuously monitor geopolitical risks, supplier dependencies and logistics vulnerabilities. Build dashboards that can support faster decision-making in times of disruption.

03

Stay alert to regulatory risk

Turn compliance into strength by proactively identifying and mitigating regulatory risk. Develop a governance framework, conduct regular assessments and use advanced analytics to predict and resolve issues before they get out of control.

04

Think sustainability by design

Treat sustainability as part of your resilience strategy, not as a separate initiative. Prioritize suppliers who meet both performance and transparency standards and invest in traceability tools.

05

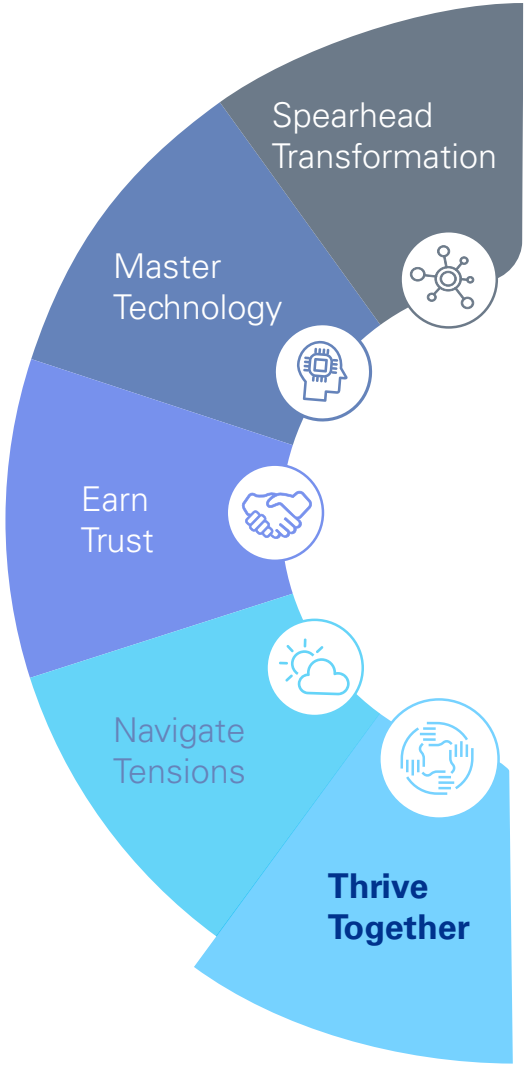
Scenario-plan for the next shock

Instead of waiting for the next crisis, develop scenario plans for multiple scenarios like cyberattacks, shipping lane closures, commodity price spikes and sanctions. Make sure your leadership team can pivot quickly under pressure.

Five Ts of Transformation

Thrive Together

Collaborate and communicate to win the race



Key takeaway

The future of the automotive industry will be shaped by companies that know when to lead, when to partner and how to create value across networks. Tomorrow's leaders should not just build — they should orchestrate. Success will hinge on the ability to coordinate ecosystems, not merely control supply chains.

In a landscape defined by electrification, digitalization and geopolitical tension, collaboration becomes a competitive advantage. **The winners will be those who can align diverse stakeholders — from tech providers and energy companies to regulators and mobility platforms — into agile, purpose-driven ecosystems.**

One of the hardest challenges in this shift will be to lose control in favor of coordination. In a complex, interconnected ecosystem, success no longer depends on controlling every element of the value creation or supply chain. Instead, it hinges on the ability to coordinate diverse partners — across technology, infrastructure and regulation — to deliver seamless and resilient solutions.

To stay ahead, automotive companies must shift from being competitors in silos to collaborators in networks.

A strategic shift from competition to orchestration

Until recently, the automotive model was vertically integrated and brand led. OEMs competed on manufacturing efficiency and design. Suppliers delivered to specifications. Tech partners were add-ons.

That model is breaking down. Today, competitive advantage comes from software, semiconductors, AI, sustainability and user experience, and these are areas where tech firms, infrastructure providers and energy companies often have the upper hand.

So, the smartest automotive companies are evolving from builders to orchestrators. They are coordinating cross-industry partnerships (including alliances, joint ventures and commercial arrangements such as licensing and royalty sharing) to integrate diverse capabilities.

This shift is no secret. Ninety-one percent of executives say **there will be a greater convergence between the automotive industry and other sectors** by 2030.

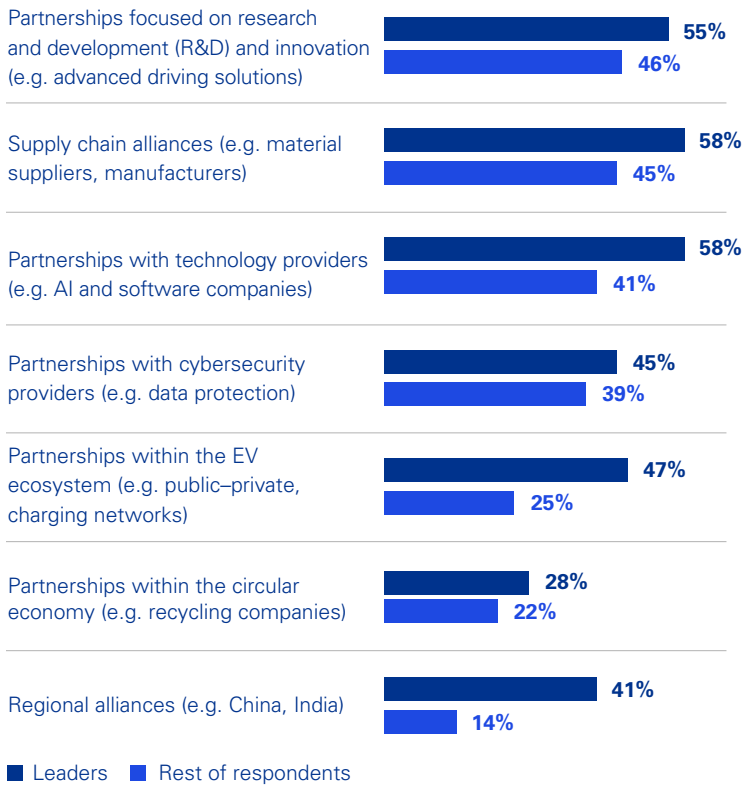
Partnerships are no longer optional — they are foundational: 77 percent of companies say **strategic alliances and partnerships have either contributed or will be important to business growth**. The leading companies are most likely to say this, and they are also using partnerships across a wider range of activities than other companies.

The most successful collaborations are built on mutual strengths, so automotive companies need to find partners that have complementary capabilities while continuing to advance their own. As they push forward with co-innovation, they will likely still need agile business models, rigid cost management, market access and in-house expertise to grow their businesses sustainably.

> “I expect to see more alliances and strategic partnerships as an alternative to mega consolidations — which are hard to pull off — where there’s a win–win situation as both parties create value through partnership.”

David Royce
Partner, KPMG in the US

Figure 18: The leading companies are partnering across a wider range of activities



Q: What types of strategic partnerships and alliances (i.e. collaborating with other companies to share resources and drive innovation) will be the most critical to your company’s success in the next three years?

Source: KPMG’s 25th *Global Automotive Executive Survey*

Partnering up: Why collaboration is now critical

01

The complexity of electrification

Building a competitive EV ecosystem requires battery partners, charging infrastructure, grid integration and government support. Very few OEMs can manage this alone.

02

The rise of software and connectivity

From real-time navigation to infotainment, cybersecurity and over-the-air updates, digital features are increasingly built by tech specialists, not OEMs. Partnering with leading software firms can accelerate capabilities and help reduce risk.

03

The speed of innovation

Traditional product cycles (often five to seven years) are no match for the innovation cycles of tech and consumer electronics. Working with agile partners allows OEMs and suppliers to move more quickly.

04

The need for platform economies

Just as the smartphone industry consolidated around shared operating systems and app ecosystems, automotive companies can unlock scale and reduce costs by building shared technology platforms and common architectures.

05

The demand for end-to-end experience

Consumers no longer see their car as just a product. They expect seamless integration with mobile apps, home devices, energy systems and service ecosystems. Delivering this requires horizontal integration across industries.

Complex environments need collaboration

From the results of the survey, we see again that companies that consider themselves highly prepared for supply chain disruptions and sustainability transformation feel they **are more reliant on strategic alliances and partnerships than before.**

In fact, 96 percent of these organizations report an increased dependence on external collaboration. This correlation suggests that **true preparedness is not achieved in isolation** — it requires a networked approach. As supply chains become more complex and exposed to geopolitical and environmental pressures, companies are recognizing that **resilience and agility are best built through coordinated ecosystems**, not just internal capabilities.

Strategic partnerships are no longer a tactical choice — they are a structural necessity for navigating uncertainty and driving transformation.

Co-create, don't just integrate

To unlock the full potential of ecosystem-driven innovation, collaboration must go deeper than surface-level partnerships so that both parties invest, collaborate and learn. This means:

- **Shared product development** (e.g. vehicle platforms, autonomous stacks)
- **Joint ventures** with risk-sharing and revenue-sharing models
- **Consortia** that shape standards (e.g. charging protocols, data formats)
- **Innovation labs or accelerators** that tap into startup ecosystems

It also means setting up governance structures that can handle speed, flexibility and complexity. Traditional procurement or joint development agreements are not usually agile enough.

Figure 19: Partnerships are key to supply chain resilience. Those that are 'very prepared' for sustainability and supply chain transformation are much more likely to say they're reliant on them

Q: Which of the following statements are true for your business today?

Source: KPMG's 25th *Global Automotive Executive Survey*

What should executives do next?

01

Close the capability gaps — fast

Identify where your internal capabilities fall short — especially in areas where speed matters more than ownership. Focus your partnerships where they unlock immediate strategic advantage.

Build what differentiates you. Partner for what accelerates you.

02

Build an ecosystem strategy

Stop thinking about individual partners. Start designing an ecosystem: who leads, who contributes, how intellectual property is shared and how value is created over time.

03

Rethink governance and culture

Create internal frameworks that allow for faster decisions, more agile contracting and greater tolerance for iteration. Align your key performance indicators with shared partnership goals, not internal ownership.

04

Invest in relationship capital

Instead of treating partners as vendors, treat them as co-creators. Assign senior executives to manage key relationships and ensure mutual understanding at every level.

05

Collaborate on industry standards

Where possible, shape the broader environment. Participate in consortia that define common architectures, sustainability protocols and software standards.

Regional insights

Views on the five Ts from firms' regional automotive leaders

ASPAC

Norbert Meyring
Head of Automotive ASPAC
KPMG China

Spearhead Transformation:

China's automotive industry is rapidly evolving, shifting focus from volume to value — prioritizing technology, design and user experience. While leading globally in EV adoption and cost efficiency, market saturation has sparked fierce price wars, squeezing margins and driving brand differentiation and global expansion. Japan and South Korea on the other side remain hybrid-focused with strategic interest in hydrogen, but adoption is slowed by infrastructure gaps, conservative consumers and high EV costs. Southeast Asia — including Singapore, Thailand, Vietnam and Indonesia — is emerging as a future EV growth hub. Despite tax incentives and local production by Chinese brands, challenges like high prices, limited charging infrastructure, and reliance on two-wheelers and public transport remain.

Master Technology:

Chinese OEMs are leading the way when it comes to tech integration," says Norbert Meyring. "After the first boom of digital vehicles prompted many automakers to try (and fail) at building internal tech units, they immediately recognized the need for strategic partnerships. Innovation was already central to OEM culture in this region, so the integration was more natural for them than it would be for Western competitors.

Earn Trust:

Despite growing consumer interest in advanced automotive technologies — such as autonomous driving and intelligent connectivity — brand loyalty remains relatively weak across the market. This trend is further intensified by aggressive market competition and frequent price-based promotions, which can diminish perceived long-term value and erode trust in the reliability of after-sales service.

Navigate Tensions:

Amid rising geopolitical tensions, Chinese automakers are streamlining supply chains through faster, leaner, and more integrated operations. This boosts resilience and cost efficiency, enabling agile global expansion and setting the pace for transformation across the ASPAC region.

Thrive Together:

Chinese OEMs increasingly partner with foreign brands and tech firms to drive innovation in EVs, autonomous driving, and smart mobility. These agile, project-based alliances enable rapid market entry. In contrast, Japan and Korea favor long-term, structured partnerships, though the shift toward smart mobility is prompting more tech-driven collaborations. Compared to China, these remain cautious but are gaining strategic relevance across the ASPAC region.

Americas

Leonard LaRocca
Head of Automotive Americas
KPMG in the US

Spearhead Transformation:

The US automotive industry is dealing with compounding volatility (e.g. tariff implications, all-time high vehicle prices, inflation, EV investments and adoption, market shifts, etc.). This is driving OEMs and suppliers to rethink the business model. The old auto playbook is not sufficient. Companies are looking for ways to radically transform. First starting within and looking to reduce cost, improve performance and reduce development cycles with the use of AI, machine learning and data analytics. They are also executing on more complicated strategies for partnerships and acquisitions. With the compounding volatility as a driving force of radical change, OEMs and suppliers need to respond in new ways.

Master Technology:

One of the most prominent areas where the US automotive industry leads globally is in new technologies, particularly autonomous vehicles. American companies have taken a pioneering role in advancing robotaxis, with adoption of ride hailing robotaxis in select markets. This leadership opens up a significant new market for mobility.

Earn Trust:

Consumers are becoming more receptive to advanced technologies like autonomous driving and smart connectivity. In this dynamic environment, automakers must go beyond product innovation. Building trust through transparency, customer experience and sustainability is becoming just as critical to retaining loyalty and standing out in the market.

Navigate Tensions:

US automakers are prioritizing supply chain resilience and sustainability as strategic imperatives. To combat global volatility, disruptions and rising costs, companies are enhancing end-to-end visibility using predictive analytics and unified data platforms. Freight consolidation and nearshoring are gaining traction to reduce delays and improve efficiency.

Thrive Together:

Rather than pursuing large-scale mergers, many companies are opting for more flexible, value-driven collaborations, especially with tech firms and energy providers. These partnerships enable faster innovation, shared risk and access to new capabilities.

EMA

Nicolas Nowicki
Head of Automotive EMA
KPMG in France

Spearhead Transformation:

The European automotive industry is navigating a period of radical transformation. One of its core challenges lies in the need to simultaneously invest massively in EV technologies while maintaining for an undefined period an attractive ICE and hybrid vehicles offer to match current customer demand. This dual-track strategy stretches financial and operational resources, making long-term planning and forecasting increasingly complex. At the same time, the sector is under mounting pressure to both accelerate digital transformation and meet ambitious sustainability goals. This requires substantial investment in new production technologies, software capabilities and green infrastructure. As global competition intensifies, European manufacturers must balance innovation with cost-efficiency while maintaining regulatory compliance and securing customer trust.

Master Technology:

European OEMs are increasingly moving from pilot projects to strategic AI integration, with a growing emphasis on democratizing AI tools across the workforce to unlock broader productivity benefits. The use of AI in Europe is regulated by the requirements of the EU AI Act. This regulation imposes strict requirements on transparency, safety and ethical use of AI.

Earn Trust:

To maintain trust and foster lasting loyalty, automakers must go beyond the sale. In today's experience-driven market, consumers expect the same level of personalization and convenience from car brands as they do from tech or retail companies. Those that fail to meet these expectations risk becoming irrelevant in the eyes of the next generation of buyers.

Navigate Tensions:

In response to recent global disruptions and rising geopolitical tensions, the EU opened a new step in its collective mobilization. The EU is now clearly promoting self-sufficiency and regional sourcing, especially in critical areas like battery production. The European Commission's Action Plan supports domestic manufacturing, encourages investment in local supply chains and strengthens the battery ecosystem to reduce dependency on external suppliers.

Thrive Together:

In Europe, alliances are not just about scale but about creating ecosystems that support sustainable mobility, autonomous driving and connected services. In contrast to more independent strategies seen in other regions, Europe's approach leads to interdependence and encourages collective innovation.

Recommendations

From imperative to action:
A leadership agenda for 2026

The five Ts: A new leadership agenda for automotive executives

Spearhead Transformation: Redefine what scale, speed and value mean for your business

- Cut to compete
- Redefine ROI metrics
- Accelerate with AI
- Prepare for consolidation
- Communicate the pivot

From:
Volume maximization
To:
Value-focused efficiency

Master Technology: Manage and control your digital strategy

- Define digital control zones
- Strengthen governance for tech partnerships
- Build an agile operation model
- Invest in integrity and transparency
- Close the cultural gap

From:
Passive tech adoption
To:
Active digital ownership

Earn Trust: Build a real-time, insight-driven customer engine

- Elevate customer insight as a strategic priority
- Map and enhance the digital journey
- Use data responsibility and transparency
- Link R&D to real preferences
- Consider lifetime value

From:
Assumptions about customers
To:
Data-led intimacy and design

Navigate Tensions: Design a regional resilience strategy

- Localize where it matters most
- Map exposure in real time
- Stay alert to regulatory risk
- Think sustainability by design
- Scenario-plan for the next shock

From:
One-size-fits-all supply chains
To:
Localized, de-risked operations

Thrive Together: Build your ecosystem before your competitors do

- Map partnership gaps
- Build an ecosystem strategy
- Rethink governance and culture
- Invest in relationship capital
- Collaborate on industry standards

From:
Owning the full stack
To:
Orchestrating strategic partnerships

Special feature: Final thoughts

To foster critical thinking and avoid blind spots, we believe it's essential to challenge our assumptions. In the following, we adopt a *devil's advocate* perspective — posing open-ended "What if" questions that deliberately test the boundaries of our hypotheses. These questions are not meant to provide definitive answers, but rather to spark reflection, encourage debate and uncover alternative viewpoints that may otherwise be overlooked.

Spearhead Transformation

What if the shift from volume to value is not as straightforward as it seems?

- **What if** high-margin innovation cannot be sustained without scale, and the industry is facing a false dichotomy between volume and value?
- **What if** current disruptions — like supply chain volatility or EV demand fluctuations — are temporary distortions rather than signs of a permanent structural shift?

Master Technology

What if owning the tech stack creates more complexity than competitive advantage?

- **What if** the pursuit of control is driven more by the illusion of independence than by real strategic value?
- **What if** digital control towers, while promising visibility, slow down innovation due to centralization and rigidity?

Earn Trust

What if trust cannot be engineered through technology alone?

- **What if trust** — and with it, true customer loyalty — isn't something we can solve with data, platforms or personalization engines alone? What if it's rooted in long-term behavior, cultural understanding and ethical consistency — far beyond what technology can deliver?
- **What if** hyper-personalization, instead of building trust, triggers discomfort and privacy concerns among users?

Navigate Tensions

What if resilience strategies introduce new vulnerabilities?

- **What if** localizing supply chains to reduce geopolitical risk undermines cost efficiency and the benefits of global integration?
- **What if** the ambition to achieve raw material independence is unrealistic in the short term and distracts from more immediate, collaborative solutions?

Thrive Together

What if ecosystems become traps instead of catalysts?

- **What if** ecosystem participation locks companies into rigid alliances that limit strategic freedom and slow innovation?
- **What if** the pressure to collaborate leads to over-dependence on partners, weakening internal capabilities and long-term competitiveness?

Leadership in 2026 means more than managing cost, compliance or disruption. It means reimagining what your company is about and how it can create value in a very different future. **This is the moment to decide not just how to navigate uncertainty, but how to (re)assert dominance.**

How KPMG professionals support the transformation of the automotive industry

The automotive sector is undergoing a profound transformation — driven by digitalization, new mobility concepts, regulatory pressure and evolving customer expectations. KPMG professionals help companies navigate this change with a holistic approach that combines deep industry experience, strategic foresight and leading technology.

Digital sales and new retail: Rethinking the customer experience

Today, a large part of the car buying journey is digital — and nearly half of that happens on mobile devices. KPMG supports automotive companies in shaping this shift: from designing digital retail formats to integrating new touchpoints into physical dealerships. As many brands are not yet fully leveraging the potential of digital brand experiences, KPMG experts help close this gap with data-driven, customercentric sales models that deliver seamless experiences both online and offline.

KPMG specialist:
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Technology and digital transformation: Innovation as a growth engine

From AI-powered production to connected vehicles and digital platforms — KPMG specialists support the automotive industry in integrating emerging technologies. KPMG professionals help digitize manufacturing, enable data-driven decision-making and foster strategic partnerships with tech leaders. This helps ensure digital innovation and market leadership in a rapidly evolving environment.

KPMG specialist:
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Strategy, deals and transactions: Driving targeted growth

Whether entering new markets, optimizing portfolios or enhancing performance, KPMG professionals offer wide-ranging support for strategic decisions and transactions. KPMG professionals guide buy- and sell-side processes, develop turnaround strategies and help recover commercial costs across supply and customer chains. We help create long-term value — beyond traditional M&A.

KPMG specialist:
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Sustainability and compliance: ESG as a competitive advantage

Sustainability is no longer optional — it's essential. KPMG specialists help automotive companies develop ESG strategies and meet regulatory requirements efficiently. KPMG professionals identify relevant regulations, assess risks and design sustainable business models that are not only compliant but also resilient and value-generating.

KPMG specialist:
Yannik Michels
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Global tax and trade: Navigating complexity with confidence

In an era of geopolitical shifts and rising trade barriers, tax and trade expertise is critical. KPMG specialists advise on optimizing global supply chains, leveraging R&D incentives and helping ensure cross-border compliance — enhancing transparency, efficiency and competitiveness.

KPMG specialist:
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Captive finance: Reinventing automotive financial services

Automotive finance providers face a dual challenge: adapting to both the fast-paced automotive and financial sectors. KPMG professionals support captives in transforming their business models, optimizing regulatory processes and building new mobility and sales strategies. KPMG firms' six-pillar approach includes data analytics, governance frameworks and broad process automation — helping ensure efficiency and future-readiness.

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Methodology

About the research

This report is based on the 25th edition of KPMG's *Global Automotive Executive Survey* (GAES), a signature piece of research conducted annually to track strategic shifts in the global automotive industry. The 2025 edition focuses on how automotive leaders are responding to disruption and what differentiates high-performing organizations.

Research objectives

The research aimed to answer:

- How are automotive companies adapting to technological, geopolitical, and regulatory disruption?
- What distinguishes the top-performing companies ('leading companies') from the rest?
- What strategies are most effective for navigating the next decade of transformation?

Research design

We employed a mixed-methods approach:

Quantitative survey of
775 senior automotive executives

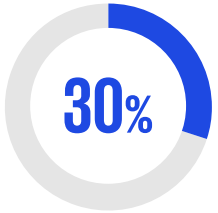
Qualitative interviews with
7 global industry leaders

Desk research to contextualize
findings with external data

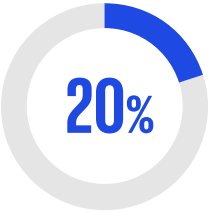
The survey was conducted online between **April and May 2025.**

Respondent profile

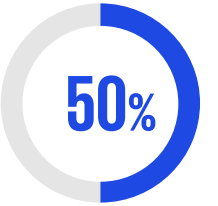
Roles



C-suite (CEO, Chairperson, President)



other C-level



senior executives (VPs, department heads)

Organization size: Ranged from mid-sized to large enterprises; turnover and employee count were not used as filters

Ownership: Mix of public and private companies

Sectors:

OEMs **30%** | suppliers and dealerships **40%** | mobility and financial services **30%**

Regions:

Americas (190) | **Europe (340)** | **ASPAC (245)**

Qualitative interviews

We conducted in-depth interviews with senior leaders from companies including:

- **Paul Farrell,** Executive VP and Chief Strategy Officer, BorgWarner
- **Richard van der Meer,** Chief Information Officer, Nissan AMIEO
- **Guy Rodriguez,** President, Nissan LATAM
- **Don Romano,** President & CEO, Hyundai Motor Company, Australia
- **Thomas Schäfer,** Chief executive officer of the Volkswagen brand and a member of the Volkswagen Group Board of Management

These interviews were thematically coded and used to validate and enrich the Five Ts framework.

Analytical approach

Survey data was analyzed using **comparative and correlation-based methods**

Leading companies were defined as the top

15% of respondents who:

1. Outperformed on innovation, customer satisfaction, and operational targets
2. And demonstrated advanced adoption of AI, supply chain localization, and strategic partnerships

No scoring index was used; segmentation was based on self-reported performance metrics

Data handling and quality

- All responses were anonymized and aggregated
- Data was cleaned and validated for consistency
- No personally identifiable information was retained
- External data sources were cited and used under Creative Commons or with permission

Limitations

- Self-reported data may be subject to bias
- The survey reflects perceptions as of Q2 2025 and may not capture rapidly evolving market dynamics
- Regional and sectoral comparisons are directional, not statistically weighted

Acknowledgments

We would like to thank the following for their contributions. Their input was valuable in shaping the report.

Ricardo Roa, Archie Li, Imran Ali, Lyndie Dragomir, Samantha Dann and Lily Ainapure

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Dr. Andreas Ries

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Dr. Andreas Ries serves as the Global Head of Automotive at KPMG International, leading a group of over 8,250 professionals across more than 30 jurisdictions. As a trusted advisor, he supports automotive leaders — from major OEMs to Tier-1 suppliers and mobility startups — in addressing their transformation challenges and focusing on performance and regulatory considerations. With over 25 years of experience in the automotive industry, and as the Lead Partner for one of Germany's largest OEMs, Dr. Ries possesses a profound understanding of the industry's complex challenges.

Petra Eileen Lichtenau

Senior Manager
Global Automotive Executive
KPMG International

Petra Lichtenau brings extensive experience across the Automotive and Industrial Manufacturing sectors, with a strong focus on future-oriented transformation. As a co-author of multiple KPMG flagship studies, including the *Global Automotive Executive Survey*, she collaborates closely with leading futurists and industry experts to explore emerging trends such as AI, virtual reality, resilience, energy transition, and disinformation. Her work bridges foresight and strategy, helping clients anticipate disruption and shape resilience.

Leonard LaRocca

Head of Automotive
Americas
KPMG in the US

Lenny has over 20 years of automotive experience and has led or been involved in some of the most important and transformational transactions in the industry. He has worked on hundreds of transactions for automotive corporate clients and private equity. His experience includes deep transaction experience in the automotive supply chain, OEMs, commercial vehicles, off-highway, aftermarket, and distribution. He has a significant amount of international experience leading numerous global complex transactions.

Nicolas Nowicki

Head of Automotive
EMA
KPMG in France

With over two decades of experience, Nicolas' areas of expertise include innovation projects, diversification strategies, distribution channels, pricing policies, commercial efficiency, after-sales, and services. Nicolas currently supports mobility players: automotive manufacturers, suppliers, distributors, and institutions in their transformation, organizational optimization and performance improvement projects.

Norbert Meyring

Head of Automotive
ASPAC
KPMG China

Norbert has over 24 years of experience in providing professional service for a number of major international groups, given his extensive experience of business and regulatory issues that multinational companies face in Asia-Pacific. He is leading and building teams of professional service providers to serve our key industrial manufacturing and automotive clients with operations in China and the Asia region.

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Designed by Evalueserve.

Publication name: 25th Annual *Global Automotive Executive Survey*

Publication number: 140120–G | Publication date: August 2025