



# Business Destination Germany 2022

**Focus industry: Automotive**  
Survey





## **Automotive: customer demand, digitalization and environmental regulations forcing a business model change**

In Germany, the automotive industry is the largest manufacturing sector and by far the most important industry in terms of sales. A complex ecosystem of German and international companies generates sales of around 378 billion EUR and directly employs almost 810,000 people in Germany (2020).

The value chain in the automotive industry is characterized by highly specialized suppliers and solution providers representing a variety of different branches of industry. This includes capital goods and suppliers of materials and parts from among others, the chemical industry, the textile industry, mechanical engineering, the electrical engineering industry and the steel, aluminum and materials industry. Since the automotive industry has been going through a transformation from being solely a hardware manufacturer to also becoming a software provider, the importance of IT services is also steadily growing.

A central operating system with intelligent software is now one of the most important criteria when it comes to buying a new car. The steadily growing number of control units and assistance systems in a car has increased demands on digital infrastructure and requires a rethinking of the electronics concept of a vehicle. In addition, functionalities that are familiar from smartphone use are to be adopted into the car environment. Personalized user profiles, infotainment systems and individually installed apps, plus other software-based functions like “over-the-air updates”, i.e. software updates via WLAN or cellular network, will also play a major role in the future, as we move to an era of fully automated and autonomous driving. This development is changing the car market significantly and will have a major impact on the actors involved. It will also require enormous investment.

The steadily growing global competition for customers and market share means automobile producers now face new challenges: the accelerating shift towards electric vehicles, mobility services (Mobility-as-a-Service) and autonomous driving (Mobility Transition) is putting them under great pressure to transform, which at the same time requires extensive effort and money. However, the transformation does open up numerous possibilities for business growth.

Under the premise of creating sustainable mobility there is a need to push to the fore new engines, electrification of the company fleet, Mobility-as-a-Service, micromobility, as well as environmentally-friendly processes and production methods. Above all, it is important to adapt early to changes in customer behavior, regulatory requirements, and technological developments and to implement them with innovative products and service solutions, and by building new ecosystems. In addition, the new mobility of tomorrow should be networked and autonomous.

This paradigm shift in engine technology and the emergence of a new e-mobility ecosystem offers investment opportunities in many areas of the automotive industry. The development of digital business models, sales concepts and software systems, the development and expansion of the charging infrastructure and the research and establishment of new materials, as well as manufacturing and recycling concepts, require enormous investment sums. For international investors transformation offers the opportunity to cooperate with German corporations or with startups and to invest in the entire mobility environment as it expands.

**“There is not one global automotive market anymore – we see a division of the world in various regions such as China, US and Europe. Two dominant factors are present in those regions, namely the customer demand is different (e.g. EV transition) and the regulation (e.g. autonomous driving). The growing influence of industry politics and the availability of resources play a key role. The automotive industry is marked by severe disruption. Customers, investors, but also regulatory requirements and technological developments are the drivers of change. New forms of mobility, digitalization and sustainability create new opportunities for suppliers, OEMs and service providers. For international investors, the potential lies in solutions and cooperation activities that help industry better anticipate customer expectations at an early stage, transform them into innovative product and service solutions and anchor them in the market. The core of the mobility transition also means that innovations are spurred on through cooperation and the entry of companies from outside the industry.”**



**Goran Mazar**  
Partner, Head of Automotive,  
KPMG in Germany

KPMG AG  
Wirtschaftsprüfungsgesellschaft

**Andreas Glunz**

Managing Partner International Business  
T +49 211 475-7127  
aglunz@kpmg.com

**Goran Mazar**

Partner, EMA & German Head of ESG  
and Automotive  
T +49 69 9587-4451  
gmazar@kpmg.com

**Authors**

Andreas Glunz,  
Managing Partner International Business

Sebastian Scheidel,  
Research Analyst, Business Intelligence

Anabel Koldijk,  
Research Analyst, Business Intelligence

Joachim von Prittwitz,  
Senior Manager, International Business

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