

## Disruptions in mobility

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### Key takeaways:

- *India's auto sector is on a strong growth trajectory, with double digit growth already seen across all segments this year*
- *MaaS is likely to be one of the greatest disruptors of mobility*
- *The auto industry is now increasingly becoming an ecosystem play, with the increasing relevance of data, AI and digitalisation bringing new players to the fore*

The auto industry has always been associated with rapid disruptions, be it the stringent emission norms imposed by regulators across the globe in a short period of time, the shared mobility trend that saw the rise of new-age players, the accelerated pace of digitalisation driven by the COVID-19 pandemic, or rising commodity and gasoline prices due to the ongoing geopolitical issues. The automotive industry has been shown to be very agile and dynamic, effectively adapting to new changes. The industry faced one of its toughest times in the past two years due to the pandemic, but it has bounced back with great resilience in most major markets. In India, the auto sector is on a strong growth trajectory, with double digit growth already seen across all segments this year.

One of the major challenges faced by the industry today is the strong push from government to move towards cleaner forms of transportation. Various countries and cities are reacting to this in different ways. Some cities in western Europe are encouraging active mobility through cycling, walking and bike sharing, which also has health benefits. The increasing usage of public transportation—as facilitated through seamless multimodal transport (rail-metro-bus-ride sharing), integrated payment systems and mobile apps—is a top priority for local municipalities across the world. Some countries have announced their plans to ban internal combustion engine (ICE) vehicles and move towards 100 per cent electric vehicles (EVs) over time, with subsidies or favourable regulations driving this transition. India is also actively pushing electric mobility and has implemented incentives, such as the FAME 2 scheme, to encourage e-mobility, especially in the segments of 2Ws, 3Ws, car fleet and public transport.

The total cost of ownership for EVs dropped significantly, driven by reduced battery and other electric component costs, as well as advancements in the entire ecosystem. This, together with increased driving range and growing environmental consciousness, has significantly helped in boosting EV adoption. Electric cars accounted for 17 per cent<sup>1</sup> of auto sales in Europe in 2021 and 12.6 per cent<sup>2</sup> in the U.S. in the second quarter of 2022. While EVs are widely acknowledged as the future of transportation, fuel cells are also increasingly finding applications, especially in long distance transportation.

Mobility as a service (MaaS) has been gaining popularity globally, including in India, owing to its cost economics and convenience. There is no doubt that MaaS is likely to be one of the greatest disruptors of mobility with its offerings, such as ride sharing, ride hailing and subscription models. A number of shared mobility programmes are coming up across all countries that will significantly help reduce vehicle population on the road and help relieve pressure on the urban infrastructure. The COVID-19 pandemic applied brakes on the growth of ride hailing and sharing temporarily, but post pandemic, there has been a renewed

<sup>1</sup> Trends in electric light-duty vehicles, Global EV Outlook 2022, IEA, accessed on 15 October 2022

<sup>2</sup> EV Sales Hit New Record in Q2 2022, COX Automotive, 13 July 2022, accessed on 15 October 2022

adoption once again. Subscription services have already taken off with almost all original equipment manufacturers (OEMs) launching it in some format across all the major countries they operate in.

There is also a great thrust towards autonomous vehicles by both OEMs and start-ups, especially in developed nations. While full autonomous vehicles and their adoption are expected to be around 2030 at the earliest, various levels of advanced autonomy (L2 and L3) already exist and are being widely adopted. Autonomous driving, combined with MaaS, is expected to witness a large-scale adoption of on-demand robotaxis.

Today, a large number of EV and mobility start-ups has mushroomed all over the country. This will undoubtedly be followed by a shake-up/consolidation phase. The industry dynamics have also significantly altered with boundaries becoming increasingly blurred, resulting in a large number of erstwhile electronics players becoming significant players in the auto component industry. Traditional auto component companies, not to be left out, are actively focusing on innovation and rejigging their portfolios to become future-ready to stay relevant in an increasingly competitive market.

The pandemic further highlighted the vulnerability of global supply chains. As a result, companies are today focusing on having more transparency in the entire supply chain. The China+1 strategy being adopted by most global players has opened up a slew of attractive investment opportunities for India and other Southeast Asian countries.

The auto industry has weathered multiple changes since its inception and has always emerged stronger. The auto industry is now increasingly becoming an ecosystem play, with the increasing relevance of data, AI and digitalisation bringing new players to the fore, resulting in roles being continuously redefined and profit pools shifting. While the traditional way of doing business is under threat from various disruptions, the existing OEMs are no longer reactive but are actively driving these changes to rewrite their future. The mobility space is certain to witness a lot more action going forward with the promise of far more exciting times to come.

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