

# KPMG's Global Automotive Executive Survey 2015

Who is fit and ready to harvest?

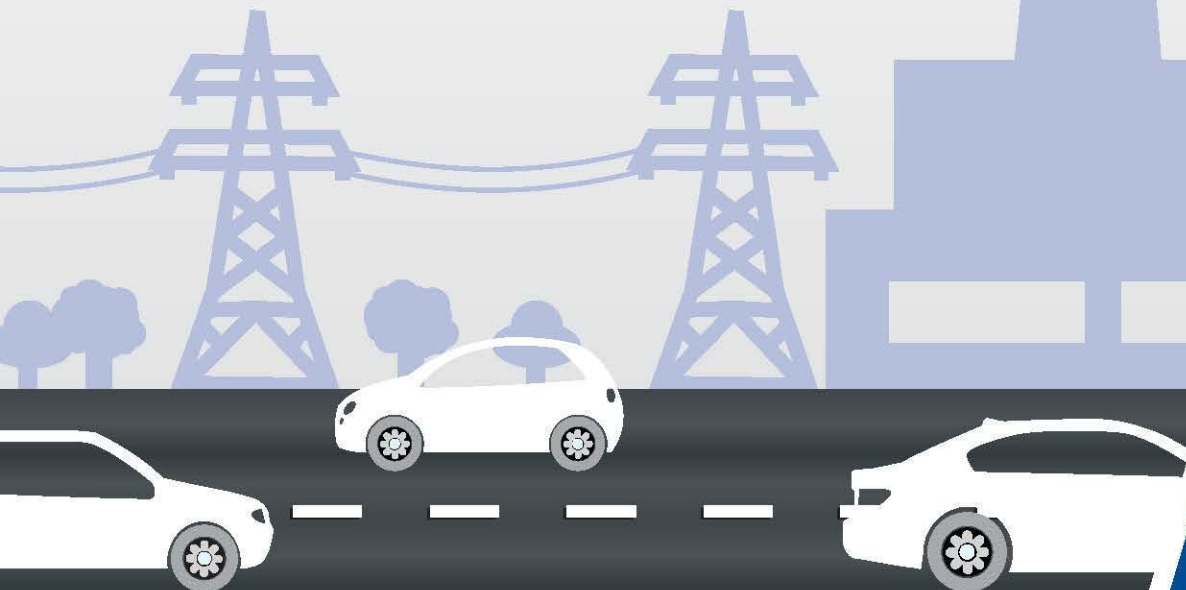




## Section One

# Mobility culture

What is driving consumer demand?





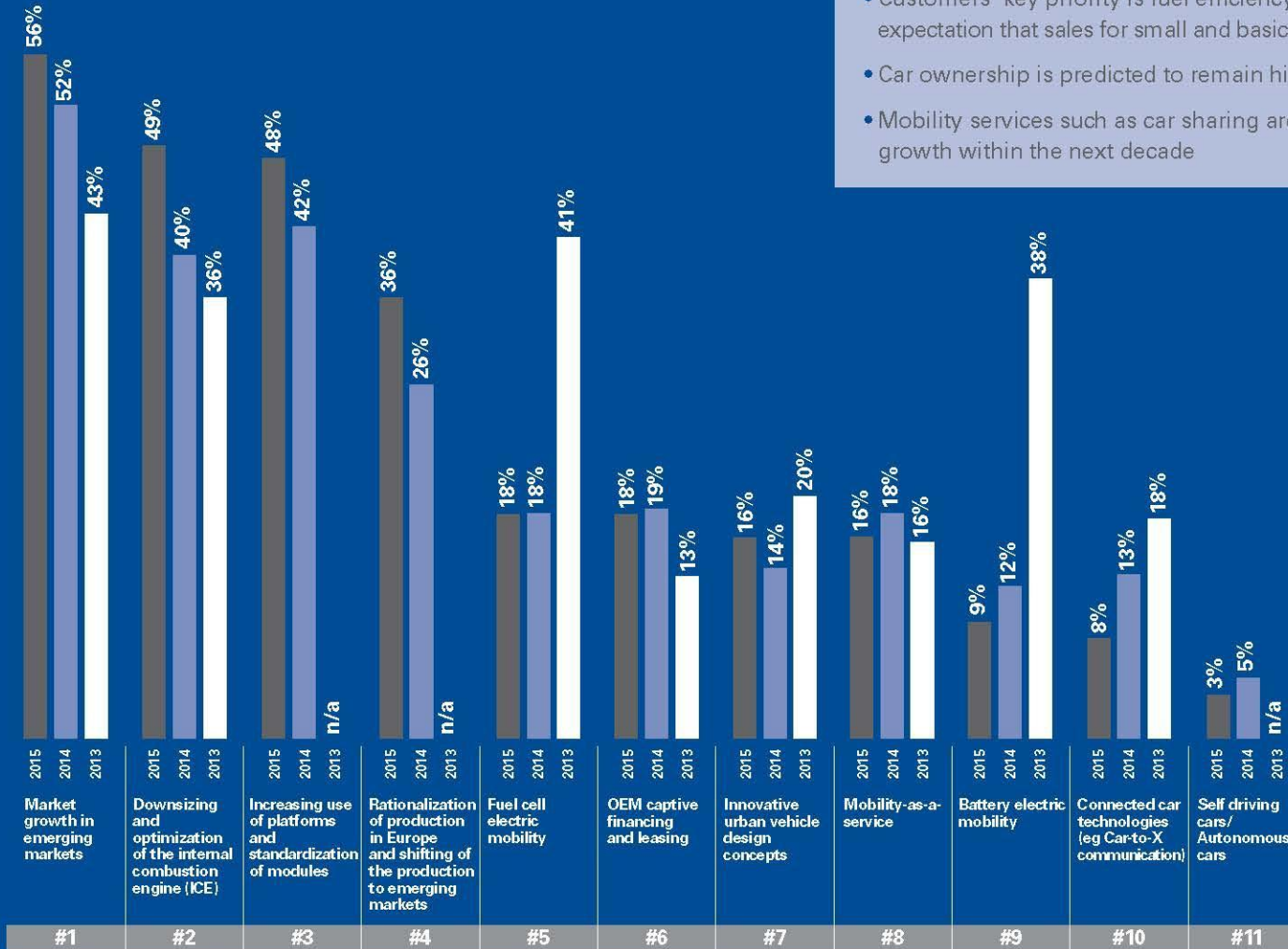
## Section One

# Mobility culture



### Survey results indicate:

- Customers' key priority is fuel efficiency, which is in line with auto execs' expectation that sales for small and basic models will be particularly strong
- Car ownership is predicted to remain high across all age groups
- Mobility services such as car sharing are expected to see profitable growth within the next decade



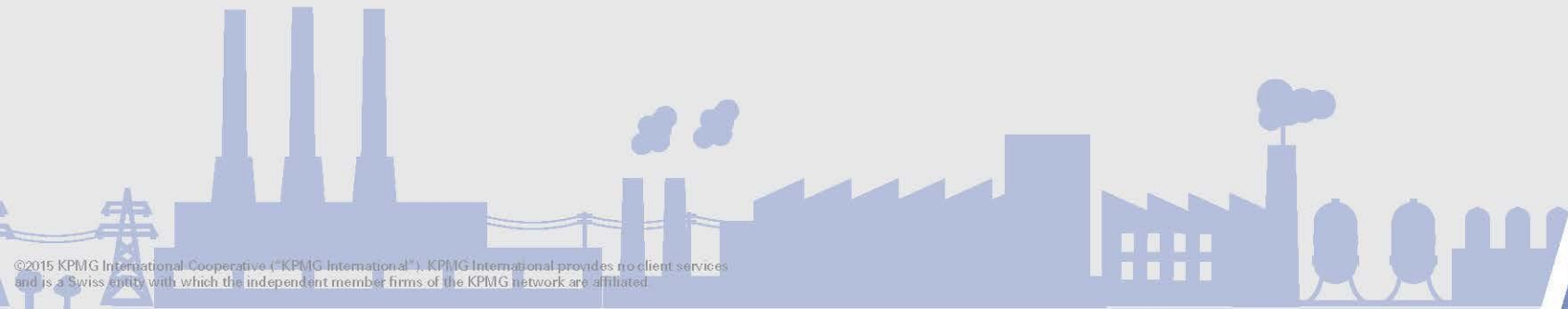
Note: % of respondents rating a key trend as extremely important. N/a – answer not included in respective year

Source: KPMG's Global Automotive Executive Survey 2015



## Top 5 vehicle features influencing consumer purchase decisions until 2020

Auto executives believe that consumers are still fixated on traditional product issues like fuel efficiency, safety and comfort. One factor that has leapt in importance is enhanced vehicle lifespan, which was ranked just eighth in 2013, but is now the second most important factor influencing the buying decision. Although both rank relatively low on consumers' wish lists, there is still a preference for plug-in rather than vehicle-bound internet connectivity solutions. The use of alternative fuel technologies remains a lower priority, suggesting strongly that, like last year's survey, the consumer purchase decision is driven more by the wallet than the conscience.





## Understanding what consumers want

Concerns over vehicle quality have risen following several high-profile product recalls, with more and more customers now seeking vehicles with longer lifespans. OEMs have to maintain a careful balance between product quality and cost optimization.

The intense cost pressures on suppliers in recent years, combined with the increased use of platform strategies, have raised the risk of quality problems.

Markets of all levels of maturity are seeing growing demand for state-of-the-art technology in vehicles. The relatively low priority assigned to connectivity does not resonate with the growing consumer expectation of ubiquitous access to mobile online services.

The high emphasis on fuel efficiency and enhanced vehicle lifespan shows the rising prevalence of the idea of total cost of ownership (TCO) for private

consumers. Respondents believe that consumers still have a strong desire for comfort, which is slightly at odds with the quest for better mileage, as more energy is needed to power the associated technology. In building more efficient vehicles, automakers will have to focus not just on the powertrain, but also on the communications infrastructure.

A further consequence of connected driving is concern over safety, as travelers cede control of the vehicle.

Finally, vehicle styling and exterior has risen sharply in importance between 2013 and 2015. Regardless of what is on the inside, customers still want to buy from trusted brands that reflect their own self-image.



**Gary Silberg**  
**Head of Automotive**  
KPMG in the US



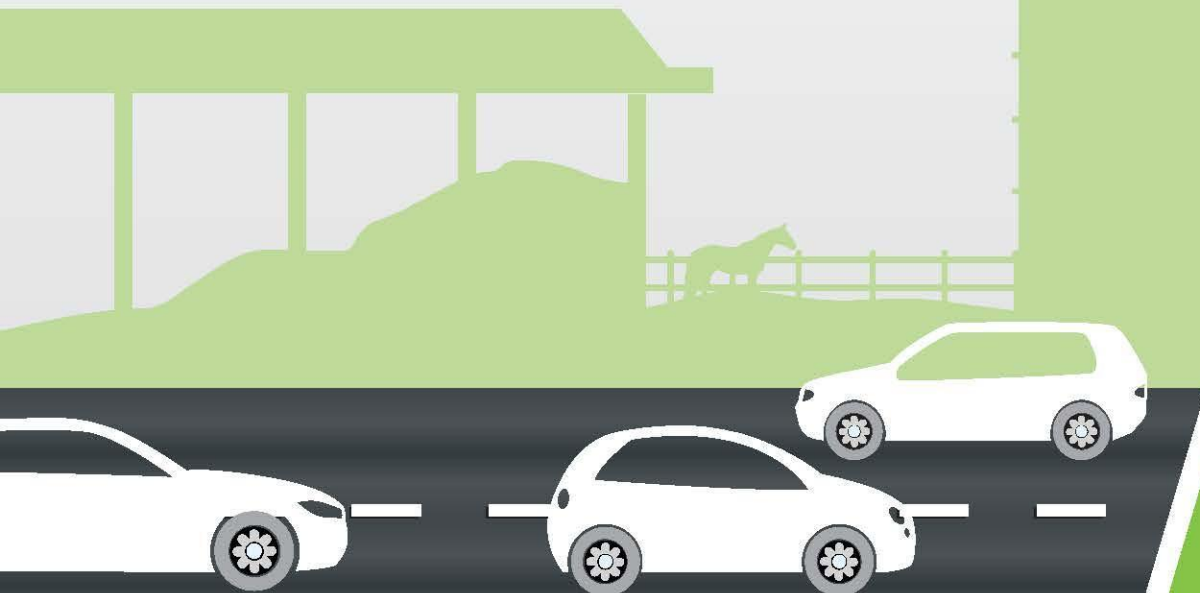
## Section Two

# Technological fit

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**Are companies betting on  
the right technologies?**

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## Section Two

### Technological fit



**Solely focusing on further developing the internal combustion engine could mean the main global automakers fall behind their more innovative rivals.**

As the mobility eco-system becomes more complex, main players must choose between several different – and in some cases, conflicting – technologies, raising the stakes for critical investment decisions. By betting too much, too soon on future trends, automakers could lose existing, loyal customers. On the other hand, if they fail to gain a foothold in new mobility solutions, they risk falling behind competitors. Although downsizing the internal combustion engine remains the primary investment priority, it could leave automakers vulnerable to increasingly strict environmental regulations in both established and high-growth markets.



Note: % of respondents rating a powertrain investment area as extremely important.  
Source: KPMG's Global Automotive Executive Survey 2015





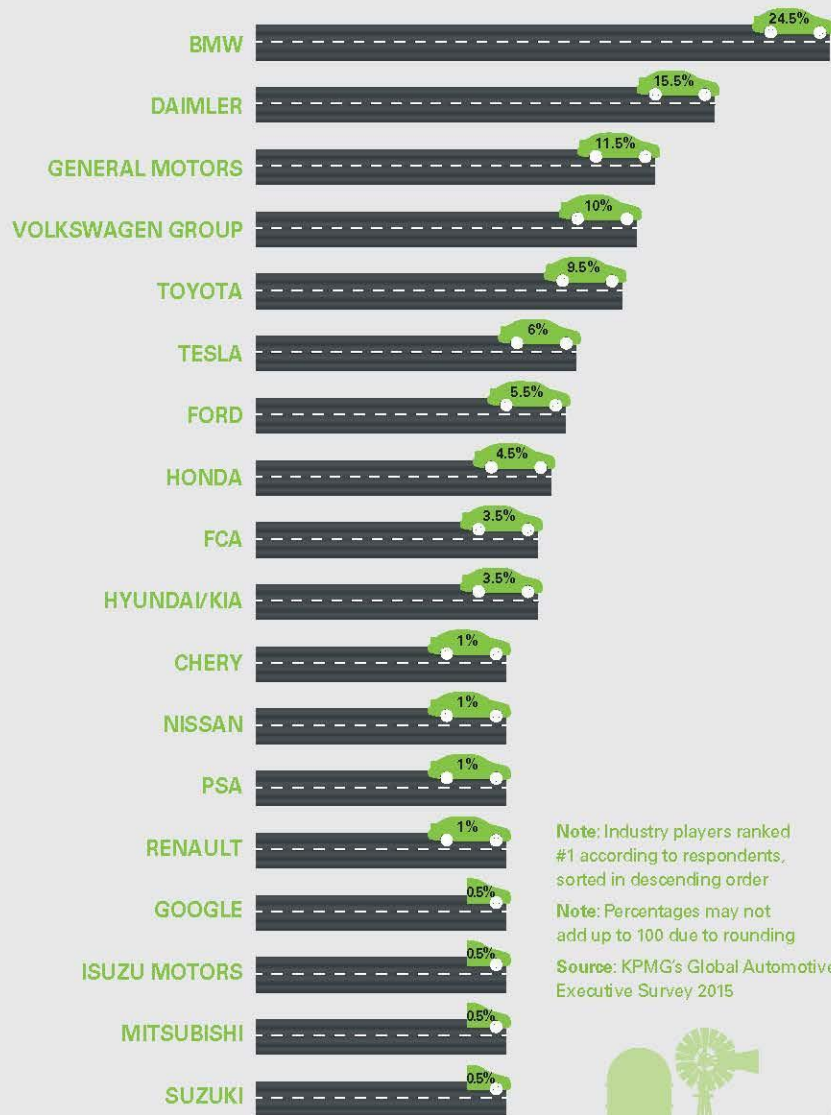
Section Two  
Technological fit

## Connectivity: The Next Big Thing

### Self-driving cars: the final evolutionary step of connectivity

Self-driving cars are the final step of true connectivity, enabling occupants to treat their vehicles as true extensions of their homes, offices or smartphones freed from the responsibility of driving. The daily commute will offer customer relationship owners incredible opportunities to tap into additional revenue streams. This market will not succeed without overcoming critical legal and liability issues associated with driverless motoring. With potentially fierce competition from information, communication and technology (ICT) companies, traditional OEMs must ask themselves whether they are in-line to become the pace setters in this sector.

### Global OEMs seen as leading in the field of connectivity and self-driving cars



Note: Industry players ranked #1 according to respondents, sorted in descending order

Note: Percentages may not add up to 100 due to rounding

Source: KPMG's Global Automotive Executive Survey 2015



## Automakers need to understand what drives customers' behavior


Communication technologies such as car-2-car, car-2-infrastructure or car-2-home may bring significant benefits to consumers, but these factors, known collectively as the 'internet of things' simply represent a commodity. To capture the real value of connectivity, vehicle manufacturers have to use the power of data to get inside customers' heads, understand what drives their behavior and adapt business models to ever-smaller target groups of like-minded individuals.

Connected car technologies can be a crucial interactive media, especially when linked to location, offering not just traffic guidance, but also useful local retail or leisure options, personalized news and entertainment, and other services – all of which can provide a healthy revenue stream. Ultimately, it should be possible to predict what products and services the customer is most likely to want.

To move to the lucrative upper right-hand quadrant – the 'Internet of Behavior' – and harvest the undoubted potential of data, OEMs should consider customers' lives as a whole, rather than viewing them as 'drivers' only, towards building a personal relationship to increase loyalty.

Technology also enables predictive product analytics, where automakers can constantly monitor vehicle performance and component wear and tear. Such a strategy is supported by modularization and standardization, which enables more cost-efficient production and makes it easier to replace or adapt different parts of the automobile.

As a warning: development cycles can differ widely between hardware and software, so these two areas should be managed separately, with a central interface to ensure compatibility.



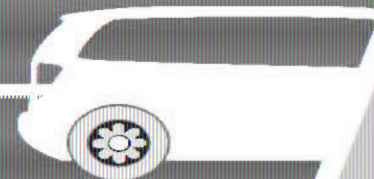
Dieter Becker  
Global Head of  
Automotive  
KPMG International



## Section Three

# Business model readiness

Is the industry set for an unstable  
mobility eco-system?





## Section Three

### Business model readiness

A stylized landscape illustration in shades of blue and green. It features rolling hills, several wind turbines, a line of trees, and a small mountain range in the distance.

**As more players join the mobility market, it is vital for companies to diversify and differentiate to maintain success.**

The unpredictability of new technologies makes it hard to plan for disruptive changes in e-vehicles, connectivity and autonomous driving. However, an evolving mobility culture that eschews traditional car ownership in favor of more flexible options, means that automakers must prepare for ‘black swans’ on the horizon.

As the mobility eco-system broadens, automakers can no longer rely on organic growth. They will have to build strategic alliances crossing sector boundaries and think ‘out of the box’ for new ways to intelligently expand value chains and diversify. A unique brand becomes even more critical, to differentiate yourself in a market teeming with new competitors from other sectors and offering customers a wider range of products and services.



## Section Three

### Business model readiness

For globally established OEMs, remaining independent is the number one survival strategy

## Strategies to survive

As they consider future strategies, respondents see the big OEMs primed to go it alone, rather than partnering with others. Even smaller newcomers like Tesla are expected to remain independent, despite the high costs of building a global brand and reach. Executives from emerging market OEMs, however, are more likely to favor stronger alliances, to achieve the critical mass necessary to compete effectively. This is mainly due to their lack of sophisticated products and solutions, making them highly reliant on know-how transfer from established global technology leaders from Western countries, through cooperation.



Remain independent

Strengthen alliances

Merge with other OEMs

Note: Percentages may not add up to 100 due to rounding. Sorted descending by % remain independent

Source: KPMG's Global Automotive Executive Survey 2015



## Spotting a black swan in the dark

As this year's survey demonstrates, the world inhabited by future auto customers is changing fast. It is no surprise, then, that relationships with brands and mobility providers are up for grabs, with emerging consumers more inclined to trust a tech company than an OEM to provide an autonomous vehicle. Given the potential value streams from connectivity and associated services, it is easy to see why black swans are flying overhead in the form of new brands and disruptive services and products. But – and this is the big “but” – will these new offerings come from existing, major OEMs or from some other source? And, will key players from converging industries want to cooperate, compete or even position themselves at the top of the new value chain? With these challenges looming, OEMs need to ask themselves some searching questions:

- ♦ How do I think about my brands from a consumer rather than an automotive perspective - to attract the new generation of “digital natives”?
- ♦ How do I learn to be a high value, branded services business, while making the most of my strong product and engineering heritage?
- ♦ Should I build, buy or partner to achieve this goal?
- ♦ How do I change my vehicle and system architectures to enable me to refresh products in a cycle measured in months rather than years?
- ♦ Who do I work with to develop these technologies and how do I reconfigure my product development capabilities?
- ♦ How do I create the investment capacity to do all of this, while continuing to develop and deliver today's products and maintain returns to shareholders?
- ♦ What level of resilience to market, event, and volatility risk should I maintain during this period?

Member firms are seeing clients across the automotive value chain starting to address these questions, and the next few years are going to be fascinating.



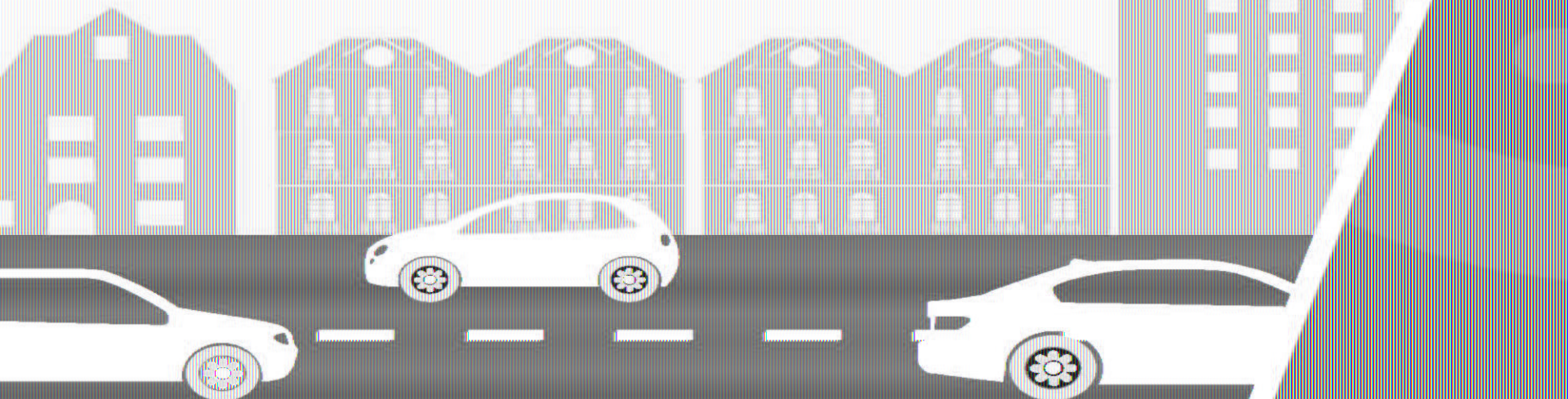
**Roger Bayly**  
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KPMG in the UK



Section Four

# Prepared to harvest

Who is best positioned for  
sustainable growth?





## Section Four

### Technological fit

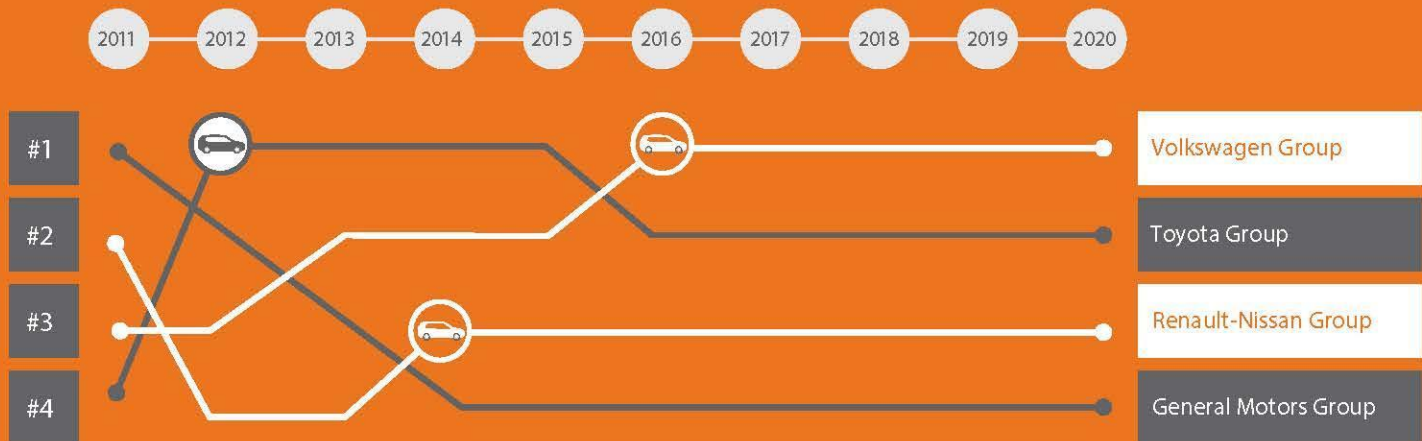


**In the medium term, the traditional OEMs are forecasted to maintain their dominance, but it's vital they prepare for a more disruptive future in the long term.**

As the survey indicates, the winners in the new mobility culture will be those companies that achieve the right balance of marketable technologies and apply the appropriate business models to cater to increasingly tech-savvy heterogeneous customer groups. The existing order is not about to be shattered, with the top 10 OEMs all forecast to be from mature markets in 2020, and German manufacturers continuing to dominate the premium end. The main changes in market position involve Volkswagen potentially stealing the number 1 mass market spot from Toyota as of 2016, and Tata rising on the back of strategic acquisitions of JLR (Jaguar Land Rover). Hyundai's continued rise in market share expected by the majority of respondents, on the other hand, is predicted to stall somewhat according to recent market forecasts. Nevertheless, the traditional OEMs will need to check their blind spots in a proactive way as the tremendous growth in new technologies and customization options is likely to completely change the automotive eco-system as we know it today.

### Leading mass market OEMs – Sales ranking 2011-2020

Not a single emerging market OEM is predicted to make the top 10 by the end of this decade in the mass market segment



Note: OEMs ranked descending by sales volume in respective year  
 Source: KPMG Competence Centre Automotive, LMC Automotive. [kpmg.com/GAES2015](http://kpmg.com/GAES2015)



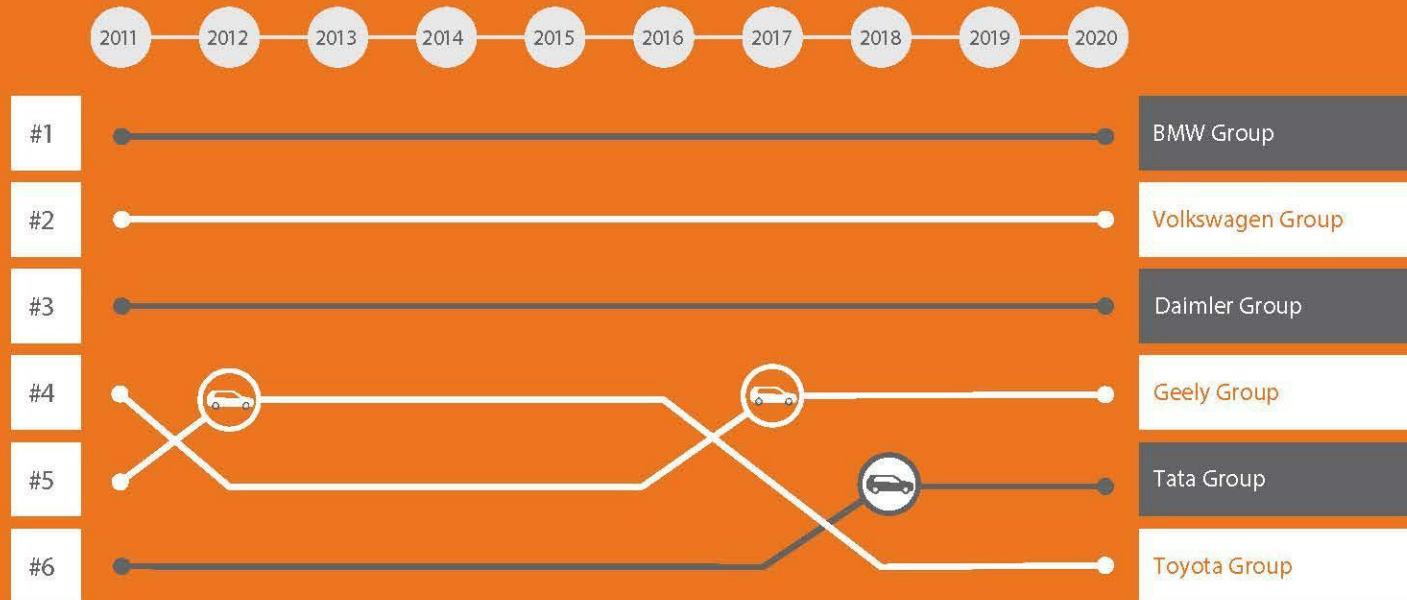


## Section Four

### Technological fit

### Leading premium market OEMs – Sales ranking 2011-2020

German automakers are set to continue their domination of the premium segment



Note: OEMs ranked descending by sales volume in respective year

Source: KPMG Competence Centre Automotive, LMC Automotive. [kpmg.com/GAES2015](http://kpmg.com/GAES2015)





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### Functional leaders





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