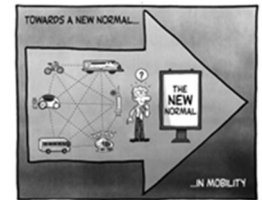
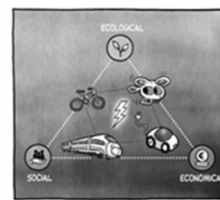
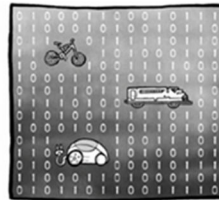


FUTURE OF THE AUTOMOTIVE INDUSTRY



Theses on the future market opportunities for traditional automobile manufacturers

New competitors in the automotive industry such as Tesla from the US, BYD, Nio, and Geely from China, tech players such as Google and Huawei, and ride-sharing providers such as Uber and Didi will gain value and market share. The question is, what future market opportunities will remain for traditional automotive companies with their roots in combustion technology? Here are three theories¹:

Thesis 1: The automotive markets will change

The CASE transformation is changing the automotive markets: sales in individual regions of the world and market segmentation, at least in some markets.

Initially, the shift toward more shared mobility is likely to reduce motorized private transport and, above all, the number of passenger cars. Almost half (48 percent) of 27,000 consumers worldwide doubt² that the use of shared transportation will still justify car ownership in the future.

The CASE transformation is changing the automotive markets: sales in individual regions of the world and market segmentation, at least in some markets.

Initially, the shift toward more shared mobility is likely to reduce motorized private transport and, above all, the number of passenger cars. Almost half (48 percent) of 27,000 consumers worldwide doubt that the use of shared transportation will still justify car ownership in the future. This suggests that the combination of long-distance and local public transportation and Mobility as a Service as a seamless offering of various mobility services and the ownership of a private vehicle will be an important issue in the future. This will change the mobility mix.

¹ The theses are based on discussions and surveys conducted by the Chair of Business Administration and International Automotive Management at the University of Duisburg-Essen in collaboration with Deloitte Consulting, in companies, at scientific and specialist conferences, and at trade fairs in Germany and the most important automotive markets worldwide. A more detailed argumentation appears in the conference proceedings of the 16th Science Forum Mobility (Proff, H. (2025): Neue Anbieter in der Mobilität. Wiesbaden: SpringerGabler).

² According to Deloitte's Global Automotive Consumer Study (2024), to which we at the IAM Chair were able to add a few questions and which was linked to a forecast of global sales markets that Deloitte develops annually on the basis of a joint forecasting model (e.g., in Proff et al., 2014).

However, the number of new vehicles sold worldwide will not decline, if only because of the expected market growth outside the traditional triad markets of Western Europe, the US, and Japan. This is also reflected in our forecast for global sales markets: According to this forecast, global new car sales (85 million units in 2017) will remain largely stable in 2030 and 2035, with an estimated 88 million and 85 million vehicles, respectively.

Particularly in the automotive markets of the triad, the gradual shift in transportation is causing a change in traditional market segmentation from the A segment with microcars such as the Smart to the F segment with luxury vehicles such as the Mercedes S-Class, as well as the S (sports cars), M (multi-vans (M)), and J (SUVs and off-road vehicles). The fundamental, albeit slow, change in ownership and usage structures is leading to a dissolution of these market segments: More and more people, not only in Europe, North America, and Japan, but also, with a delay, in China (where owning a car is much more important as a place of retreat), are choosing individual mobility without owning a car. In addition, car subscriptions are increasingly being offered instead of company cars, and in Europe, public transport tickets or mobility budgets (financial budgets that individuals can use flexibly for their individual mobility) are also being offered. Private individuals are also increasingly leasing and renting vehicles. In addition, the transition to electric mobility is accelerating the dissolution of market segments, because offering combustion engine vehicles, hybrid vehicles, and BEVs in parallel is only possible with a smaller product portfolio in which traditional segments are eliminated. Furthermore, there are more and more crossover vehicles, e.g., smaller but expensive SUVs, between the segments. Instead of segmenting the automotive markets with vehicle segments A to F, S, M, and J, it therefore makes sense to segment the entire mobility market into five segments: 1. Privately owned vehicles (paid for in cash or financed), 2. Vehicle leasing (especially in fleets), 3. Vehicle subscriptions (subscription contracts or subscriptions), 4. Vehicle rental, and 5. Car and ride sharing. Our research among 27,000 customers of passenger cars and light commercial vehicles worldwide in 20232 shows that customers can identify with these new market segments. It also becomes clear that the importance of privately owned vehicles – paid for in cash or financed – is declining. Leasing and rental vehicles, for example, will maintain their share of the market, while sharing and subscription models will grow in importance.

Thesis 2: The changing automotive markets offer market opportunities for market experts and, in particular, for traditional premium suppliers.

The changing market conditions certainly offer opportunities for traditional car manufacturers—not only in growing markets, particularly in Asia and Latin America, but also in stagnating and shrinking established car markets, such as Europe. This is because established markets require market knowledge that new competitors do not (yet) have, and premium vehicles are still in demand, even if the definition of “premium” may change.

Chinese competitors lack specific knowledge of individual foreign markets and corresponding sales strategies. This is why they have not yet been able to gain a foothold in Germany, for example. They have too little customer contact and underestimate the importance of leasing, vehicle financing, and a structured used car market. In China, vehicles are financed directly, and there is virtually no used car market.

However, Chinese manufacturers such as BYD, Nio, Geely, MG, and Great Wall have announced plans to reposition themselves in Germany. They want to abandon the agency model in sales, in which car dealers act only as intermediaries between manufacturers and end customers instead of selling vehicles that they have previously purchased on their own account. Instead, there are plans to establish their own dealer network (BYD) or to cooperate with existing dealers (Great Wall). This will enable them to get to know the automotive market and customers here better. Accordingly, traditional

automotive companies must not rest on their advantages but must build on their market knowledge to extend their lead.

Premium providers have opportunities here. Despite the changed market segmentation, cars remain durable consumer goods that customers choose, i.e., there is still a choice to be made between models, brands, and prices. Because a broad breakthrough of undifferentiated, self-driving public robot taxis is not expected by 2035, there will also be a premium segment within each of the new market segments. This opens market opportunities for German premium providers, even though leasing, subscription, rental, car-sharing, and ride-sharing models on average make do with fewer and more functional vehicles. Even with increasing B2B business, income disparities will not be leveled out – neither for the remaining privately owned vehicles nor for leased vehicles in fleets, which will account for about half of global vehicle sales until 2035. The premium market is expected to account for around 10 percent of the total market worldwide across all sub-segments in 2035 (as it did in 2017). That would be 8.5 million vehicles.

However, the concept of premium must be redefined if traditional premium providers want to survive. Chinese premium brands are also claiming a new definition of premium based on infotainment and smart, autonomous mobility (currently already at Level 3). Traditional premium providers must therefore be faster and more creative than their Chinese competitors in defining premium. Despite the necessity of CASE transformation, product design must continue to appeal.

Thesis 3: Over-the-air updates enable first-time buyers to be supported for longer.

In view of the declining number of cars in the established triad markets, which are being driven less and less due to the increasing importance of public long-distance and local transport and mobility as a service, first-time buyers of the remaining vehicles should be given more and more support in order to generate more business with the customer over the product's life cycle.

A modularized car, such as the E-Volution concept from Aachen, which allows batteries, interior fittings, and bodywork to be replaced after six to seven years, can extend the service life of vehicles. In addition, there are increasing opportunities to update the vehicles' software "over the air." This means that even older vehicles can be equipped with the latest technology, which is particularly beneficial for older customers who need assistance systems but often drive their (last) vehicle for so long that it becomes technically obsolete.

Literature

- Adner, R. und Lieberman, M. (2021): Disruption through complements. In: *Strategy Science*, 6(1): 91-109.
- Deloitte (2024): EV-Transformation survey. In Vorbereitung. Düsseldorf.
- Hietanen, S. (2014): 'Mobility as a Service' – the new transport model? In: *Eurotransport*, 12(2): 2-4.
- Kraus, L., Proff, H. und Jeppe, A. (2023): Estimation of joint value in mobility as a service ecosystems under different orchestrator settings. In: *European Transport Research Review*, 15 (25).
- Proff, H., Proff, H.V., Fojcik, T.M., Sandau, J. (2014): *Management des Übergangs in die Elektromobilität. Radikales Umdenken bei tiefgreifenden technologischen Veränderungen*. Wiesbaden: SpringerGabler.