



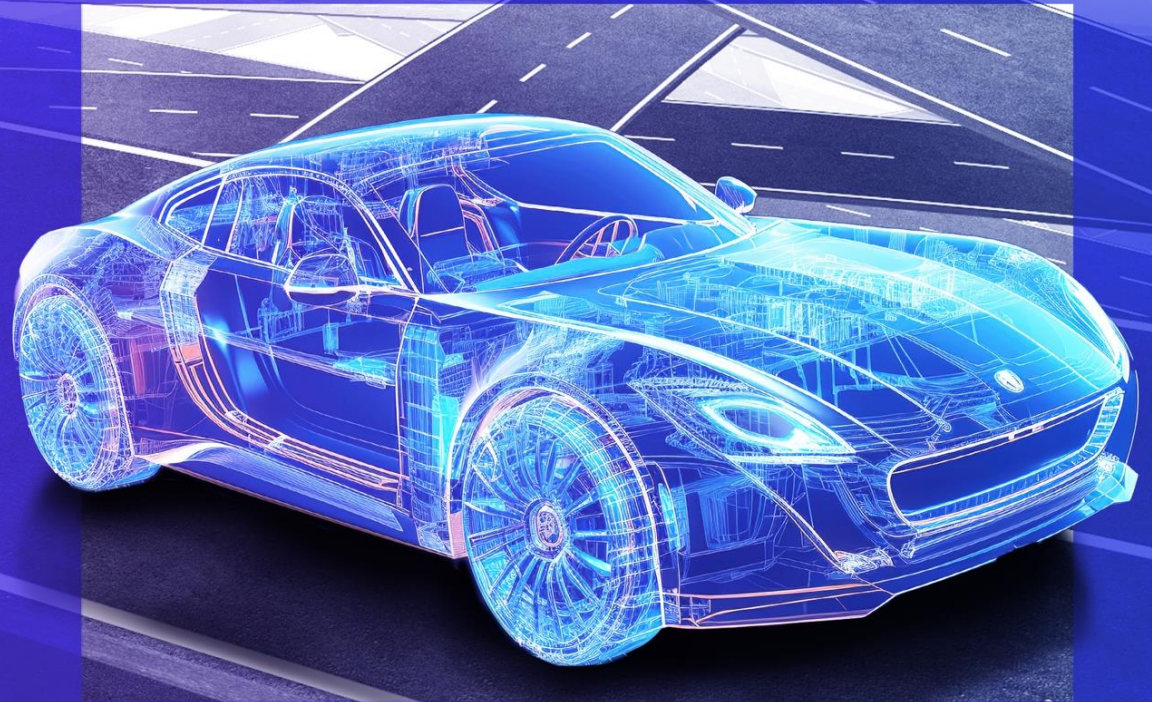
# Messe Frankfurt Mobility and Logistics

## CEO Breakfast

Dex Machida

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25<sup>th</sup> January 2024



# Speaker

**Hideki (Dex) Machida**  
Associate Director  
KPMG Southern Africa

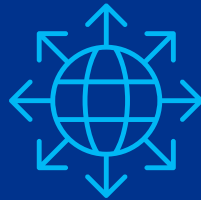


- **Auto Sector Lead** for Southern Africa
- Areas of focus include **Transport Electrification, Hydrogen, Digitalisation** and **Social** pillar of **ESG**
- Part time martial artist (Brazilian Jiu-Jitsu and Grappler)

# Understanding the Global Automotive Executive Survey

KPMG International conducted a survey of 1,041 executives across the automotive and adjacent industries in Oct 2023.

## Global reach



**30** Countries and territories represented from

Europe, Asia, Middle East, Africa, Latin America, and North America, with largest pools of respondents being US (277) and in China (154)

## Corporate size

Over US\$10 billion



US\$1 billion to US\$10 billion



US\$500 million to US\$1 billion



US\$100 million to US\$500 million



Less than US\$100 million



Not Applicable

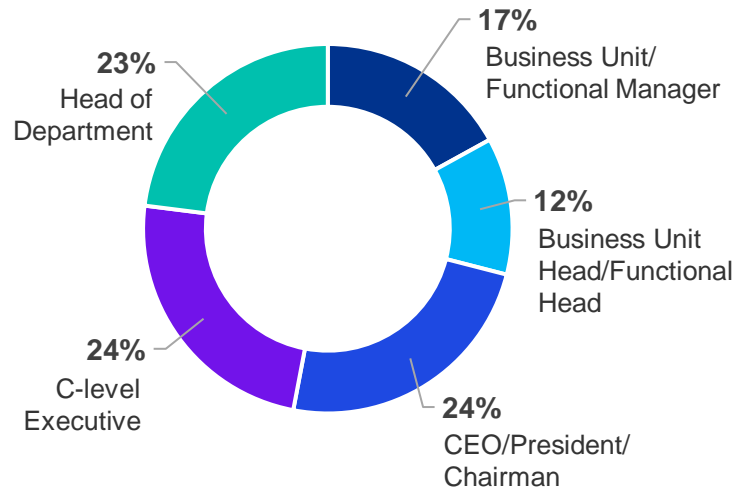




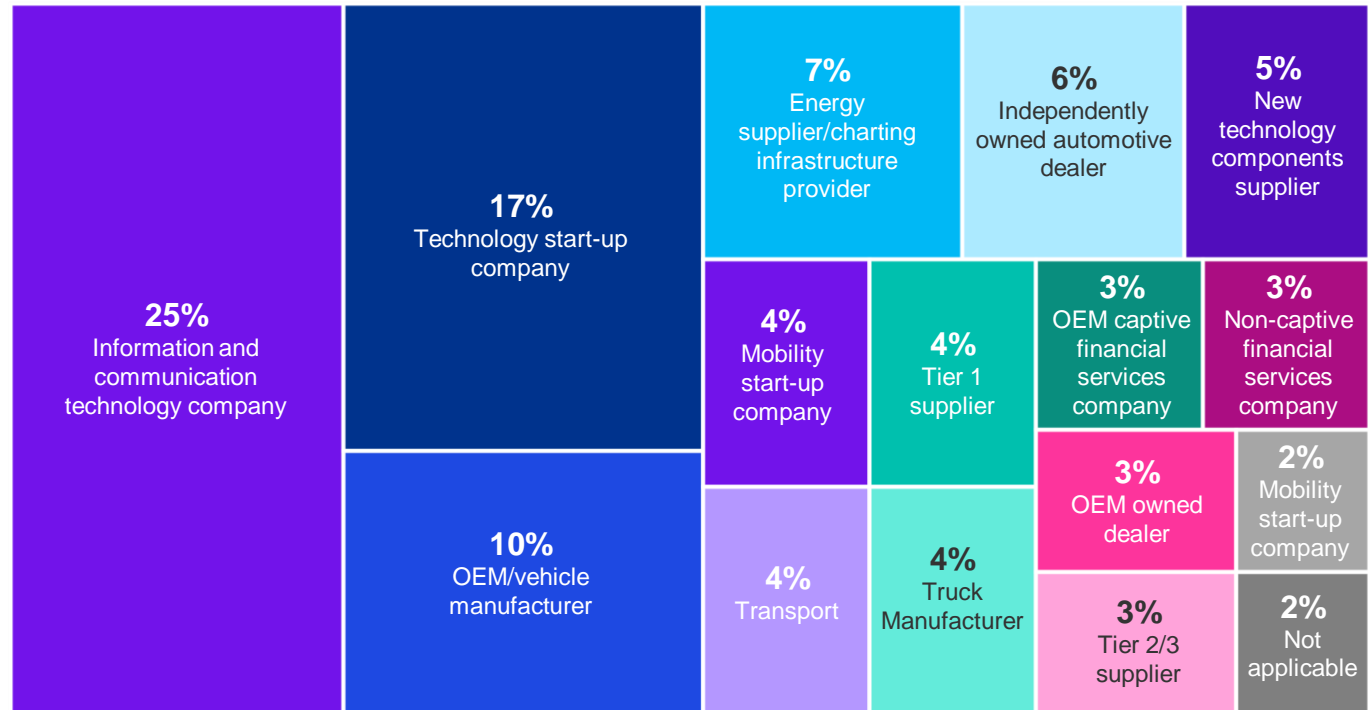
# Understanding the survey report

Continued....

## Industry distribution



## Role



# Main findings from the 24<sup>th</sup> edition of Global Automotive Executive Survey



## The global outlook

**Less confidence in profitable growth.**

Executives are less confident that the industry will achieve more profitable growth over the next five years due largely to concerns over the global economy and rising costs.



## Powertrains

**Executives have a more mature view of the EV transition.**

Auto executives now hold a more realistic view of the EV transition and are less optimistic about how soon EVs can reach cost parity with conventional cars.



## Digital consumers

**Customer experience is a key differentiator.**

Customer experience moves up in importance. Challenges include reliable software, generating subscription revenue, and concerns about cybersecurity.



## Supply chains

**Just in case is overtaking just in time.**

Shift to "just in case" supply chains due to ongoing complexities. Concerns persist about supply continuity for commodities and components in the next five years despite improved strategies.



## Technology

**The technology challenges grow more complex.**

Automakers feel less prepared for advancing technologies, attributing it to rapid AI progress. Powertrain strategies shift, with hybrid tech gaining prominence.

# Global Outlook



## Less confidence in profitable growth

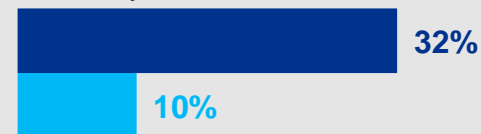
- Auto executives worldwide express reduced confidence in industry growth over the next 5 years
- 34% expressed extreme confidence in profitable growth, down from 41% last year
- Supplier confidence in profitable growth fell sharply from 55% to 23%
- Increased concern about electric propulsion with weakening demand amid increased competition
- Two-thirds of automakers anticipate price increases of 5 to 10 percent in 2024, though their ability to charge more may be limited with rising competition and declining inflationary pressure

## Expectations for profitable growth are weakening (except in China)

How confident or concerned are you that the industry will achieve more profitable growth over the next 5 years?

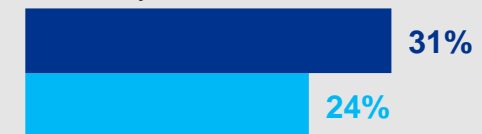
### Japan

Extremely confident



### Western Europe

Extremely confident



### US

Extremely confident



### China

Extremely confident



■ 2022 ■ 2023

# Powertrains



## Executives have a more mature view of the EV transition

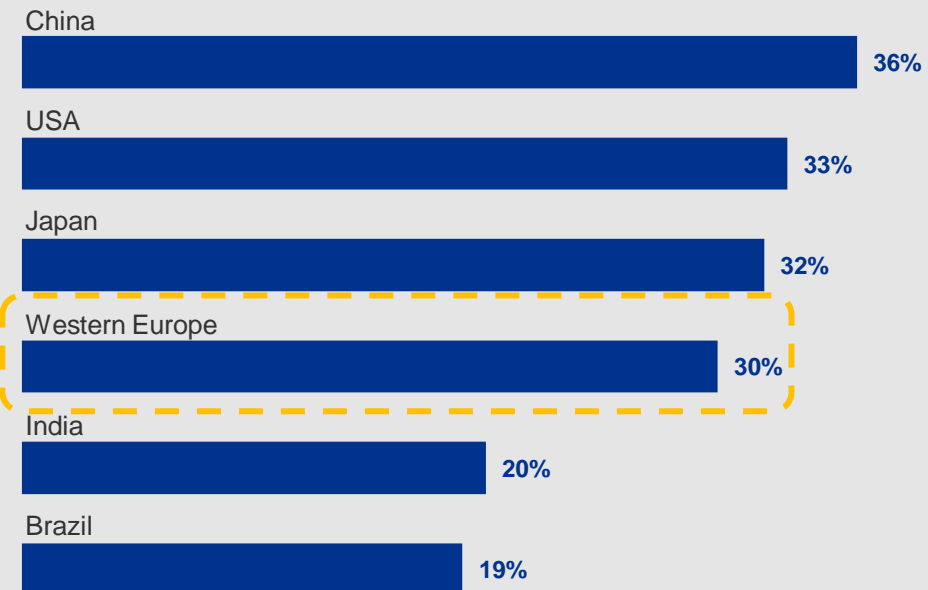
- When asked 2 years ago what percentage of new car sales would be EVs in 2030, responses ranged between 20% to 80%
- Estimates have narrowed in latest survey indicating mature view of EV penetration
- EV penetration outlook for 2030 across key markets: China 36%, USA 33%, Japan 32%, Western Europe 30%, India 20%, Brazil 19%
- OEM executives and suppliers are generally less optimistic than the previous year about how soon EVs will achieve cost parity with internal-combustion engine (ICE) vehicles without subsidies

## The EV penetration outlook is maturing — with less variation in estimates

By 2030, what percentage of new vehicles sales do you believe will be battery-powered (excluding hybrids) within each market?

### Estimated EV market share in 2030

Regional response (percentage mean)



# Digital Consumers



## Customer experience is a key differentiator

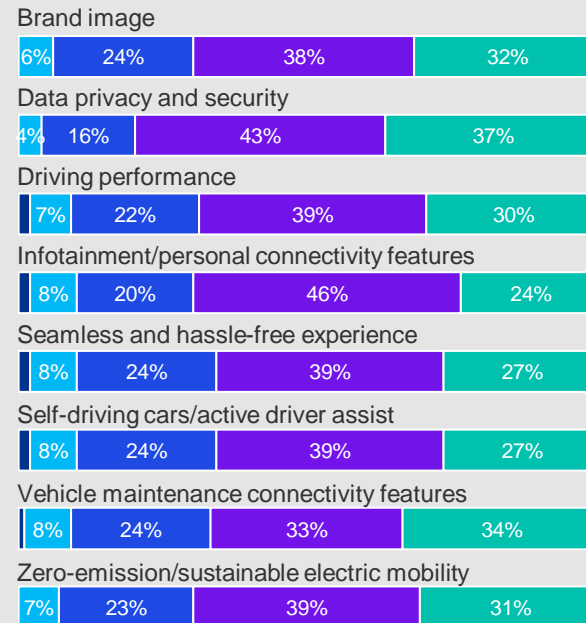
- Consumers are perceived to be changing their priorities when it comes to buying a car
- A seamless and hassle-free customer experience has moved up to second place in perceived importance after driving performance
- Brand and image importance decline, moving from 3rd to the 6th most crucial factor for consumers
- Executives predict more than two-thirds of car sales will be non-dealer by 2030, emphasizing a shift towards online platforms
- Confidence in consumers paying for monthly subscription services is declining
- Share of respondents who believe consumers will trust automakers with their data has dropped from 80% to 40%

## Increasingly, customer experience is seen as a differentiator

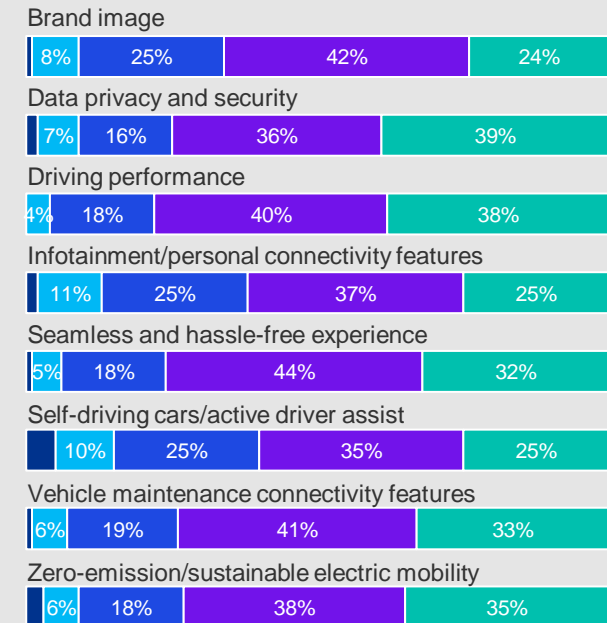
How important do you think the following features will be for consumers when deciding to purchase a car in the next 5 years?

Automotive executive insights: The top consumer priorities in car purchasing over the next five years

### 2022



### 2023



■ Not at all important ■ Slightly important ■ Moderately important ■ Very important ■ Extremely important



# Supply Chains



## Just in case is overtaking just in time

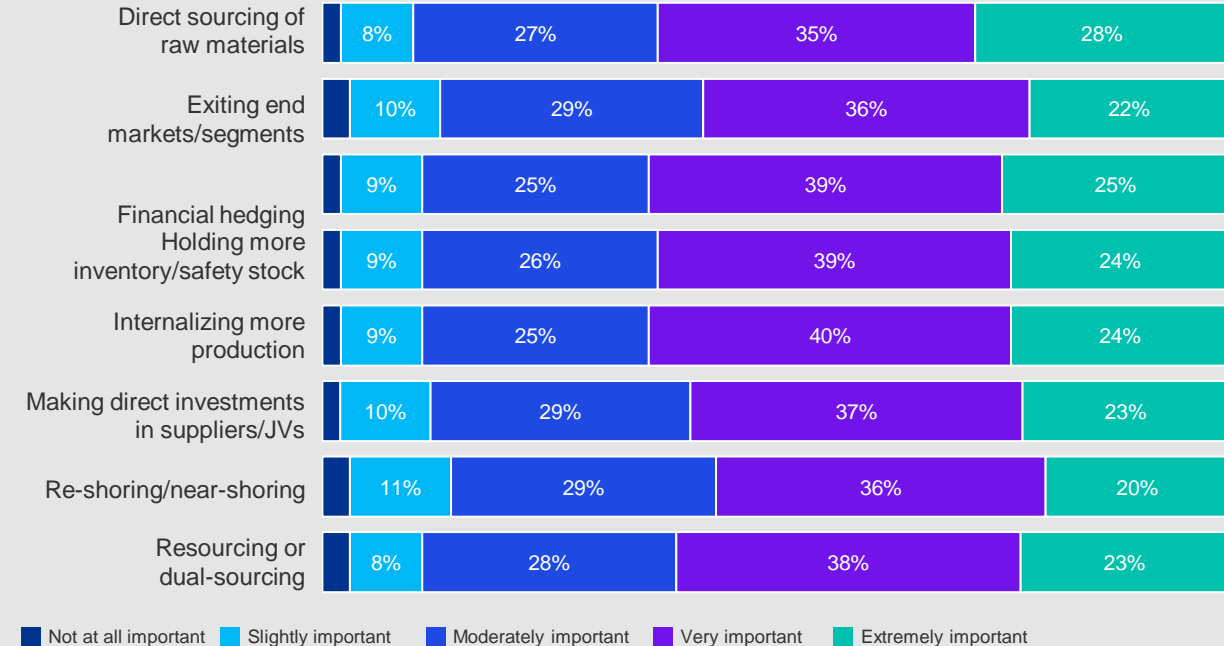
- Shift to "just in case" supply chains due to ongoing complexities
- Despite improved strategies, concerns persist about supply continuity for various commodities and components in the next five years
- 45% (outside China) very or extremely concerned about access to lithium, cobalt, and other battery components
- In China only 28% of OEMs and suppliers are very or extremely concerned about lithium and critical battery component supplies

• China outlook likely attributed to fact that China has been setting the supply of many of these commodities

## Companies are using a variety of strategies to mitigate supply chain risks

How important are each of the following to your future supply chain strategy?

### Strategies to manage supply chain risks



# Technology



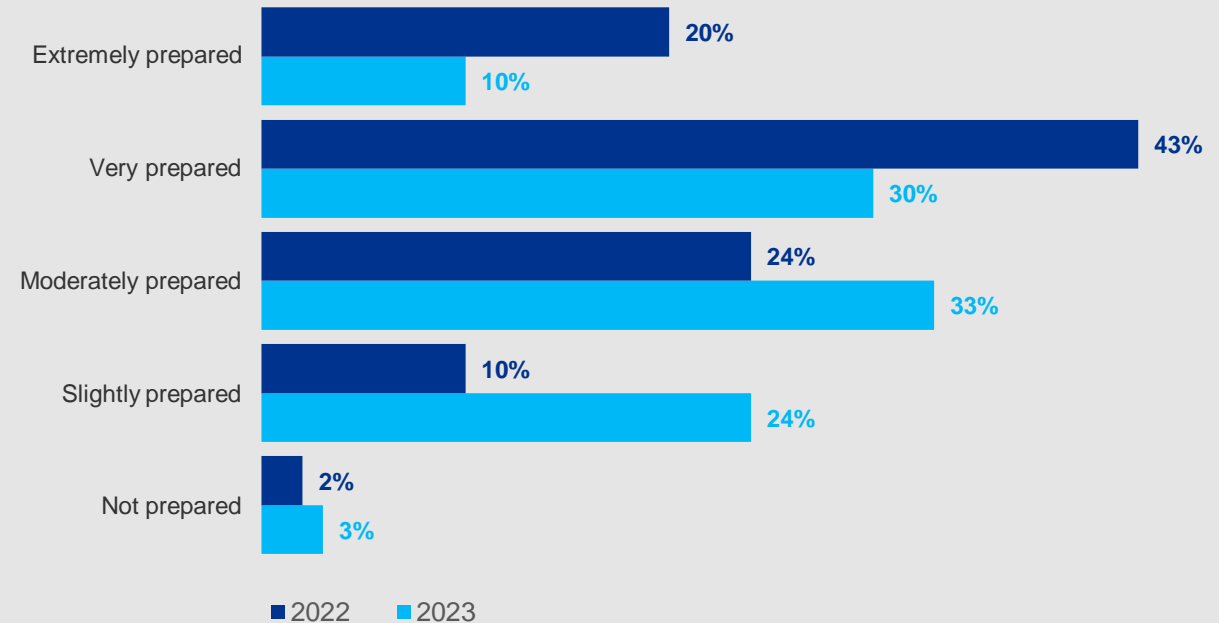
## The technology challenges grow more complex

- Growing sentiment that automakers less prepared for advanced technologies (AI, digital twins, advanced robotics) than in previous years.
- Decline of 23 percentage points in those feeling very or extremely well-prepared.
- Companies recognizing that to take advantage of a range of technological breakthroughs requires immense capabilities (accessed through partnerships and collaboration)

## Confidence in the ability to implement new technology has declined

How prepared is your company for advanced manufacturing technologies? (e.g., artificial intelligence, machine learning, digital twins, advanced robotics)

Industry preparedness for advanced manufacturing technologies



# Understanding the survey report



Faced with so many challenges and opportunities, executives need to recalibrate strategies — and act. These are four priorities for top leaders to ensure they are winners in the altered automotive business:

## Hedge your bets — and commit to a future vision

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- Manufacturers should hedge their bets about the trajectory of both the internal combustion engine and all the alternatives
- If they spread themselves too thin, they risk losing to competitors that more successfully predict the future and focus more narrowly
- The answer, then, is to entertain heretical theories, employ a diverse array of talent with different perspectives, and make your best bets.

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**Do CEOs have teams that are up to the task?**

## Find the collaborators you need

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- Traditionally, car manufacturers pursued independent development of automotive technologies with modest success.
- Limited business opportunities and a constrained skills pool prompt auto companies to seek external ideas and expertise for enhancing their R&D operations.
- Recognition that collaboration and seeking expertise outside the organization is essential in the dynamic automotive landscape.

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**How effective is your ability to work the ecosystem and find alliances and business partnerships?**

# Understanding the survey report



Faced with so many challenges and opportunities, executives need to recalibrate strategies — and act. These are four priorities for top leaders to ensure they are winners in the altered automotive business:

## Get ready to embed AI everywhere

- Artificial intelligence (AI) power and range are rapidly expanding.
- Generative AI captivates business leaders and significantly broadens AI accessibility.
- Anticipate AI technology influencing every facet of the automotive industry, from design and manufacturing to sales and driving experiences.

**Is your AI strategy sufficiently comprehensive and forward-looking?**

## Face up to global challenges

- EV demand surges in Europe, the US, and China.
- Slower growth in electric cars expected in India, Latin America, and Africa due to low incomes and inadequate infrastructure.
- Global automakers must address these diverse markets given their growing populations and unique needs.
- Concurrently, automotive companies must enhance resilience to geopolitical changes and global economic fluctuations impacting supply chains and markets.

**Does your company have a global strategy that can help you profit from the differences among markets, not just their similarities? Are you resilient to global disruptions?**



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