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## **“The Challenge to conquer Europe – Strategies for Manufacturers and Suppliers“**

Executive Summary

The global automotive industry outside China is currently still in a restructuring phase, but will remain a growth industry. There will be a comeback of the major markets over time.

For newcomers, Europe, and especially Germany, are the most challenging markets in the world with the highest customer expectations concerning quality, reliability, emissions, fuel consumption, safety or innovations. The premium segment, currently under pressure as a result of government market interventions like “scrappage programs” will recover. It requires highest R & D – expenditures and a well established value chain with technologically competent suppliers.

The environment after the world-wide financial crisis is challenging for manufacturers and suppliers. Growth rates in triade markets will be considerably smaller. Quantitative growth mainly comes from emerging markets. Overcapacity is a serious problem and has an impact also on prices. Capacity in traditional markets will shrink. Production figures outside Europe especially in growth markets and low cost countries will continue to increase. Qualitative growth will nevertheless remain strong. In the next years it will be based primarily on environmental technologies, but safety, comfort, information, technology and infotainment will continue to be of high priority in customer demand.

New categories of cars will come to the market. The car will be invented again. Urban mobility, low or even zero emission-, battery-electric vehicles with range extenders, fuels cells and a vast variety of fuels and engine technologies will change the car of the future.

Germany will “defend” the “premium” segment, but “premium” will be defined differently: Pure power or luxury at the expense of environmental acceptability will not be a convincing strategy long-term.

There will be a “battle of technologies” with respect to competing gasoline engines against diesel, e-cars against fuel cell-driven mobility, efficient small new family cars

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against CO<sub>2</sub>-friendlier limousines at the top end. The sale of low cost cars will increase, but European regulations will continue to set high standards.

New competitors will enter the European market. Competition will increase, as consolidation in the industry continues to reduce the number of OEMs and suppliers. Financial strength will be decisive, as high R&D expenditures in a highly regulated industry require a solid balance sheet. Margins are low for “me-too”-products. Brand image is key.

Success factors for newcomers in the European markets are not only products, innovations, distribution network or after-sales services but also “soft factors”. “How to be a good foreign investor” or management style are increasingly important for the general acceptance of new entrants in the European and German society.