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KPMG's Global Automotive Executive Survey 2013

Managing a multidimensional business model

Global Automotive Practice

April 2013

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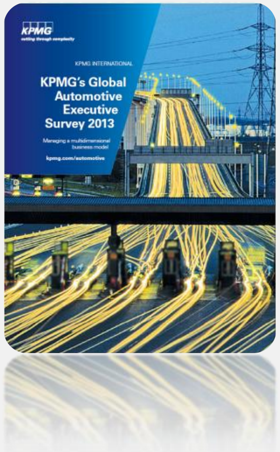
KPMG's Global Automotive Executive Survey 2013

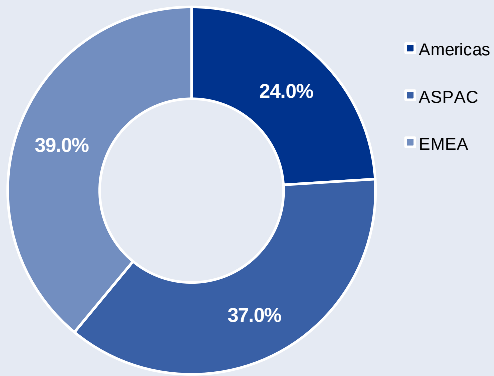
About the study

About the study

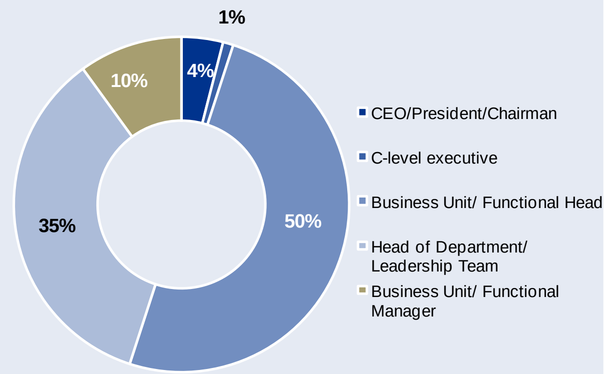
- **KPMG International's annual assessment of the current state and future prospects of the worldwide automotive industry.**
- **In this year's survey 200 senior executives from the world's leading automotive companies were interviewed.**



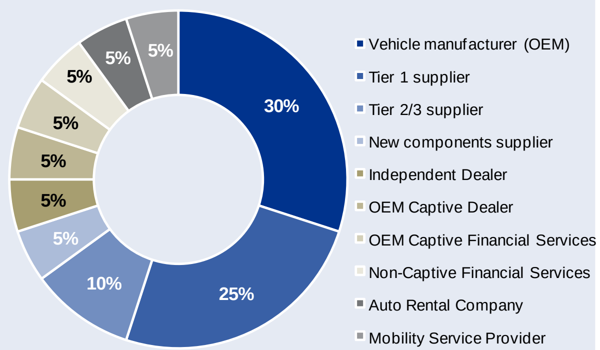
Geographic distribution of respondents



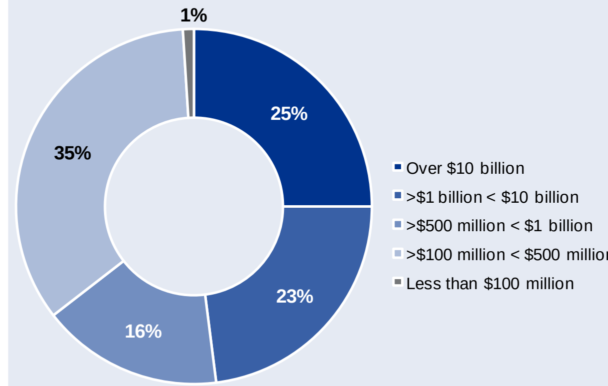
Respondents job titles



Company category



Company annual revenues

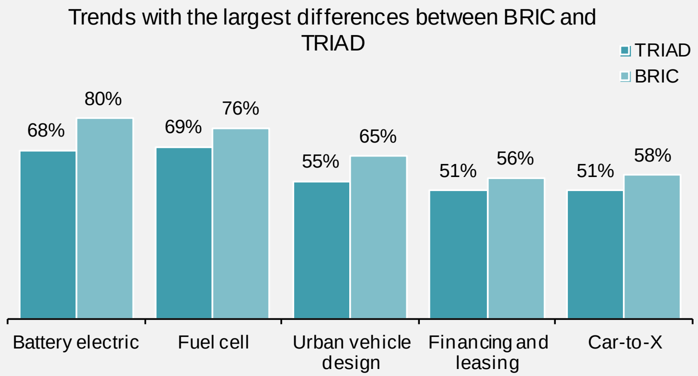


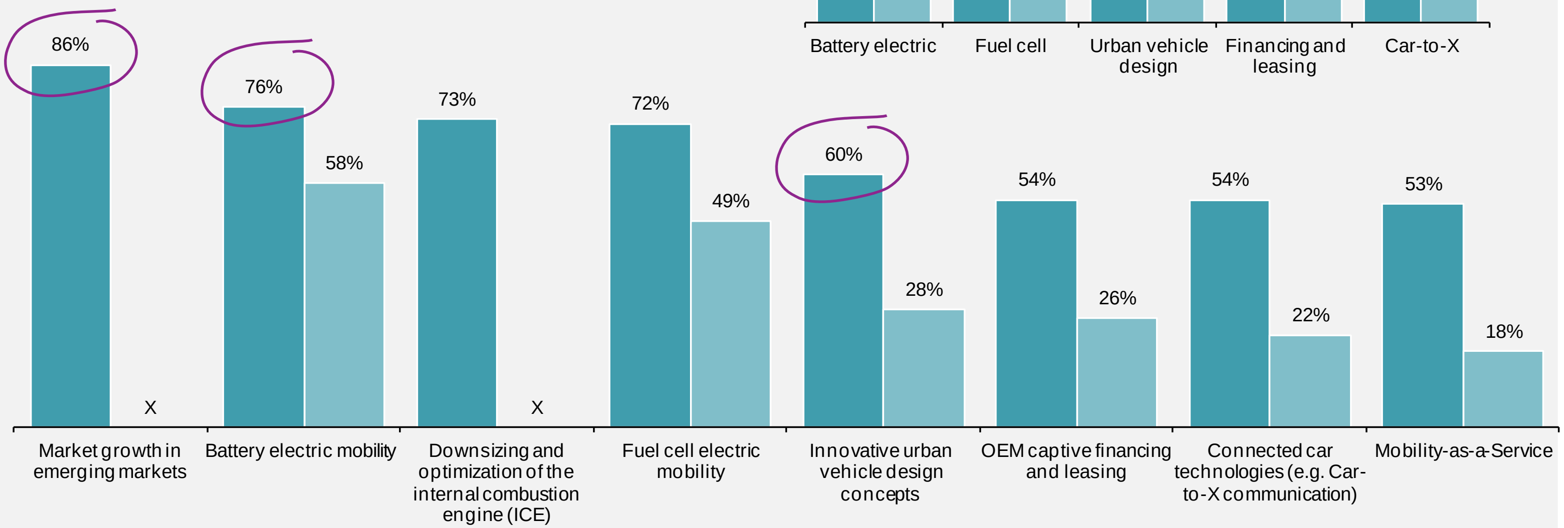
Source: KPMG's 2013 Global Auto Executive Survey

Market trends and a view on the customer

Emerging markets, battery electric mobility but also ICE are major trends

Key automotive industry trends up to 2025





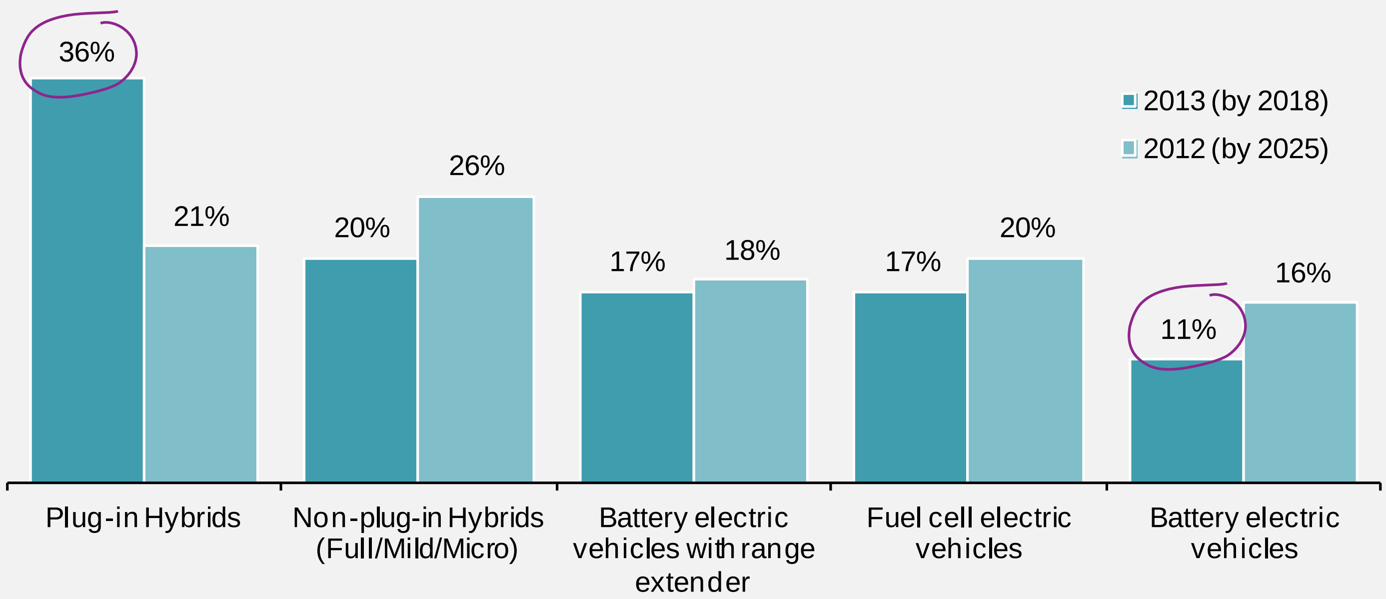
Note: 2013: Percentage of respondents rating issues is 'extremely important' and 'very important'
2012: Percentage of respondents rating trend as 'most' and 'second most important'
Source: KPMG's Global Auto Executive Survey 2013

The industry is being shaped by the rise of the developing markets, e-mobility and the changing urban environment.

Market trends and a view on the customer

Plug-ins soar in popularity amongst customers

Electric vehicle technology that will attract most consumer demand by 2018

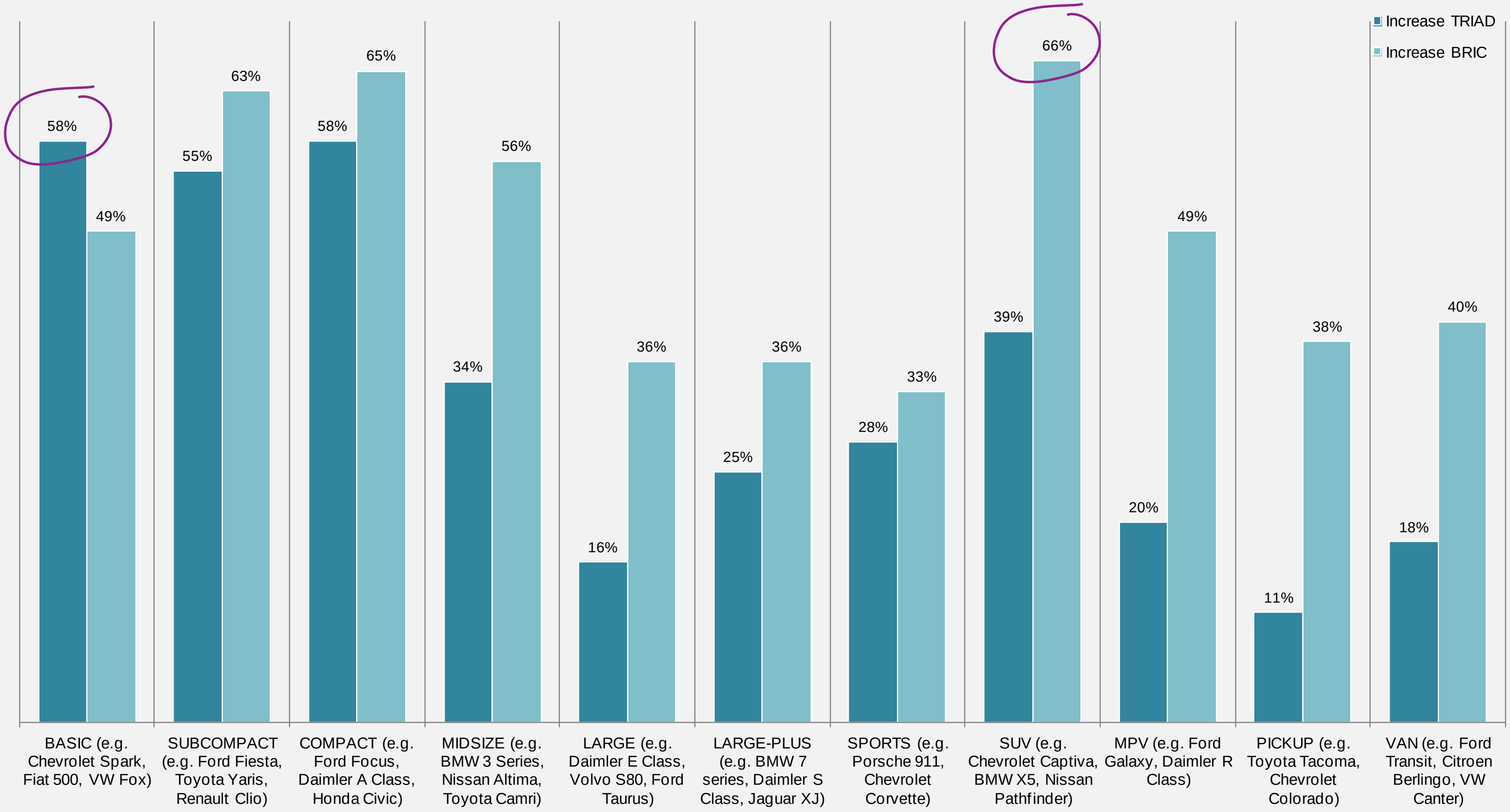


Note: Percentage of respondents rating topic as 'attracting the most consumer demand'
Percentages may not add up to 100 due to rounding off
Source: KPMG's Global Auto Executive Survey 2013

Pure battery driven cars have lost ground in the battle for new propulsion technology; they are expected to attract the lowest consumer demand by 2018.

Emerging middle classes want bigger, more luxurious cars

Expected vehicle demand increases by 2018



Note: Percentage of respondents expecting market share to 'remain stable' or 'decrease' are not shown
Source: KPMG's Global Auto Executive Survey 2013

In mature markets people are downscaling, whereas in the emerging nations SUVs and big cars are booming.

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Forces of change

The automotive industry has to face a bundle of different challenges

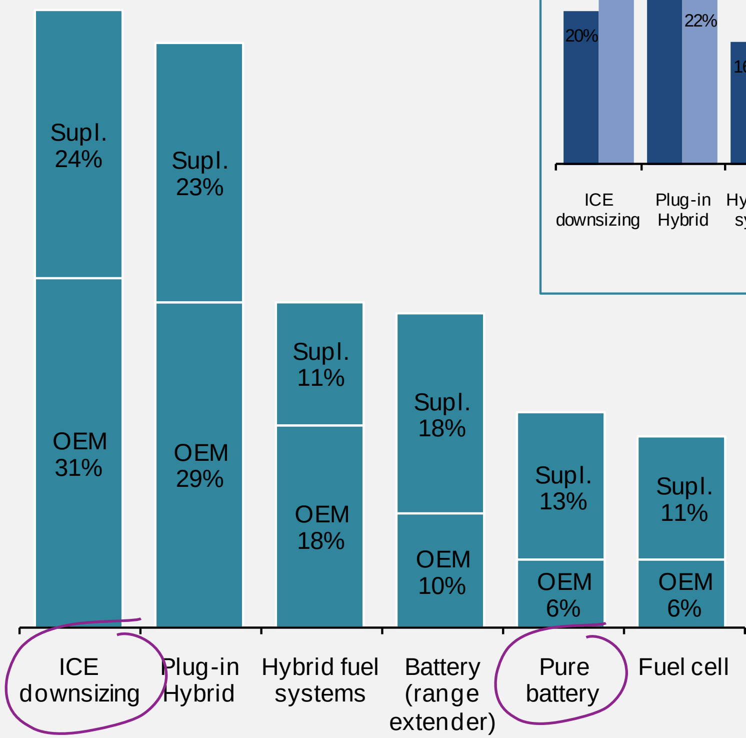
KEY FORCES	RESULTING TRENDS	ROUTE TO SUCCESS
ENVIRONMENTAL CHALLENGES	ICE DOWNSIZING ELECTRO-MOBILITY LIGHT WEIGHT MATERIAL	?
GROWING URBANIZATION	INNOVATIVE URBAN CAR DESIGN MOBILITY AS A SERVICE (MaaS)	
CHANGING CUSTOMER BEHAVIOR	CONNEC-TIVITY DEALERSHIP CONCEPTS FINANCIAL SERVICES	
GROWTH & GLOBALIZATION	EMERGING MARKETS OVERCAPACITY	

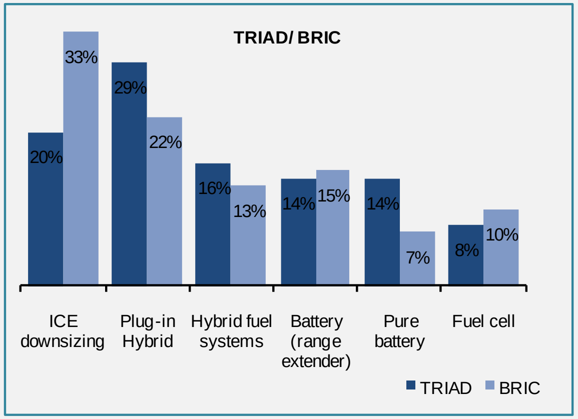
Source: KPMG's 2013 Global Auto Executive Survey

Environmental challenges: pursuing the green dream

Around the world the greatest investment is going into ICE downsizing

Biggest investments in powertrain technologies in the next 5 years



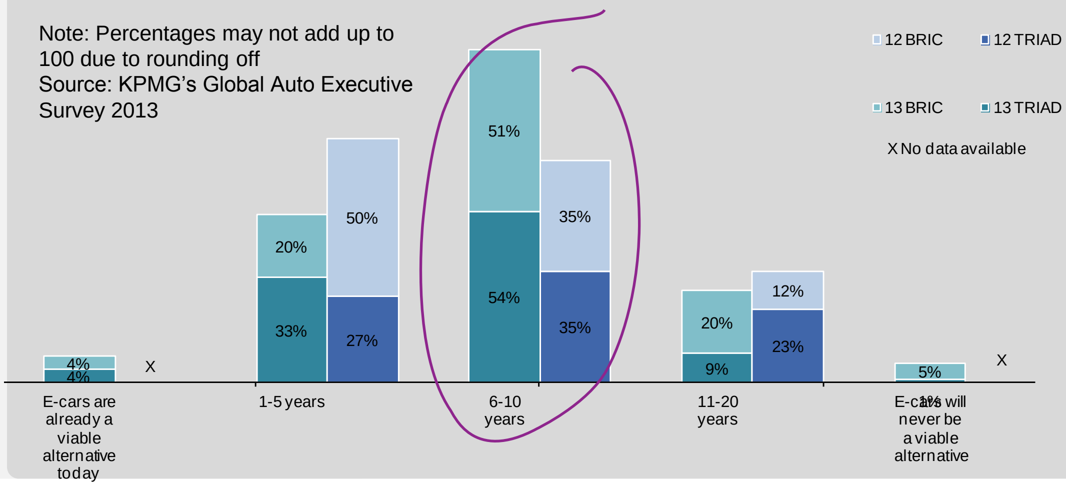


Note: OEMs' and suppliers' rating from TRIAD and BRIC markets shown
Percentages may not add up to 100 due to rounding off
Source: KPMG's Global Auto Executive Survey 2013

Despite new technological developments, ICE downsizing will be the leading solution for the foreseeable future.

Time period in which ICE offers the greatest potential for clean, efficient engines

Note: Percentages may not add up to 100 due to rounding off
Source: KPMG's Global Auto Executive Survey 2013



Environmental challenges: pursuing the green dream

Around the world the greatest investment is going into ICE downsizing

Share of all annual new e-vehicle (based on light vehicles) registrations by 2027 (in million vehicles)

40% of respondents from the U.S. believe the share of e-car registration will be **16-20%.**

33% of respondents from Western Europe believe the share of e-car registration will be **6-10%.**

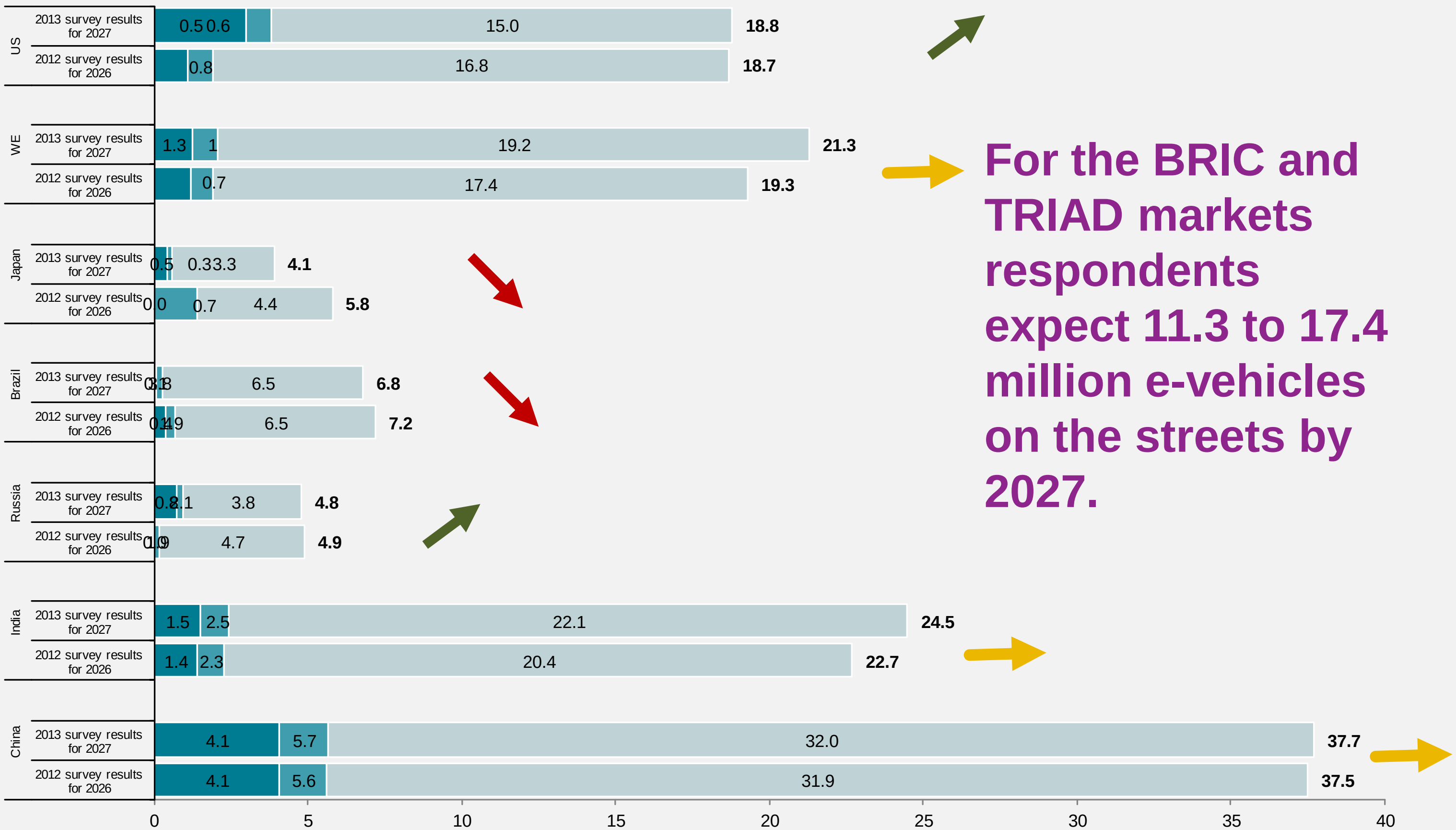
46% of respondents from Japan believe the share of e-car registration will be **11-15%.**

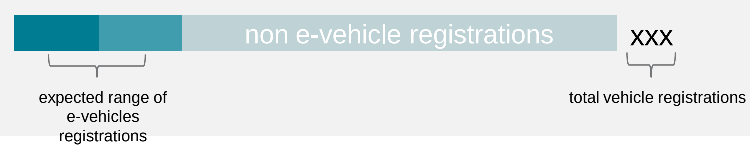
35% of respondents from Brazil believe the share of e-car registration will be **1-5%.**

33% of respondents from Russia believe the share of e-car registration will be **16-20%.**

25% of respondents from India believe the share of e-car registration will be **6-10%.**

32% of respondents from China believe the share of e-car registration will be **11-15%.**





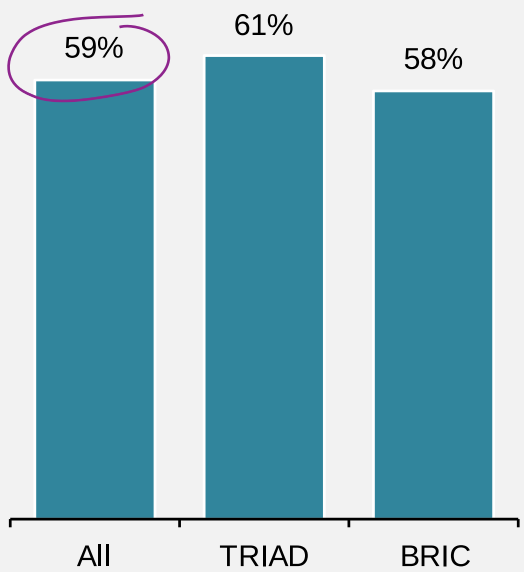
Note: Expectations of most survey respondents from the respective country
Percentages may not add up due to rounding off
Source: KPMG's Global Automotive Executive Survey 2013 (expectations by 2025) & LMC Automotive (Q3 2012 forecast 2027)

Growing urbanization: coping with the narrow streets of the big city

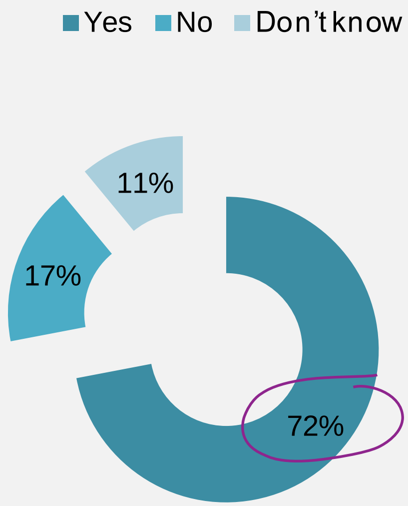
The usage of the car will change, especially in megacities

Moving towards new urban mobility concepts

Likelihood of a car as an integral part of a overall mobility concept



Mobility-as-a-service as an alternative to car ownership in urban areas



Note: Percentage of respondents rating options as ‘extremely likely’ and ‘very likely’
Source: KPMG’s Global Auto Executive Survey 2013

Respondents agree that cars will become a part of a wider mobility solution and 72 percent see MaaS as a genuine alternative to car ownership.

Growing urbanization: coping with the narrow streets of the big city

Growing numbers of urban inhabitants offer immense opportunities

Mobility services usage among city dwellers by 2027 (in million people)

60% of respondents from U.S. believe **6-15%** of urban inhabitants will use mobility services in 2027.

65% of respondents from Western Europe believe **6-15%** of urban inhabitants will use mobility services in 2027.

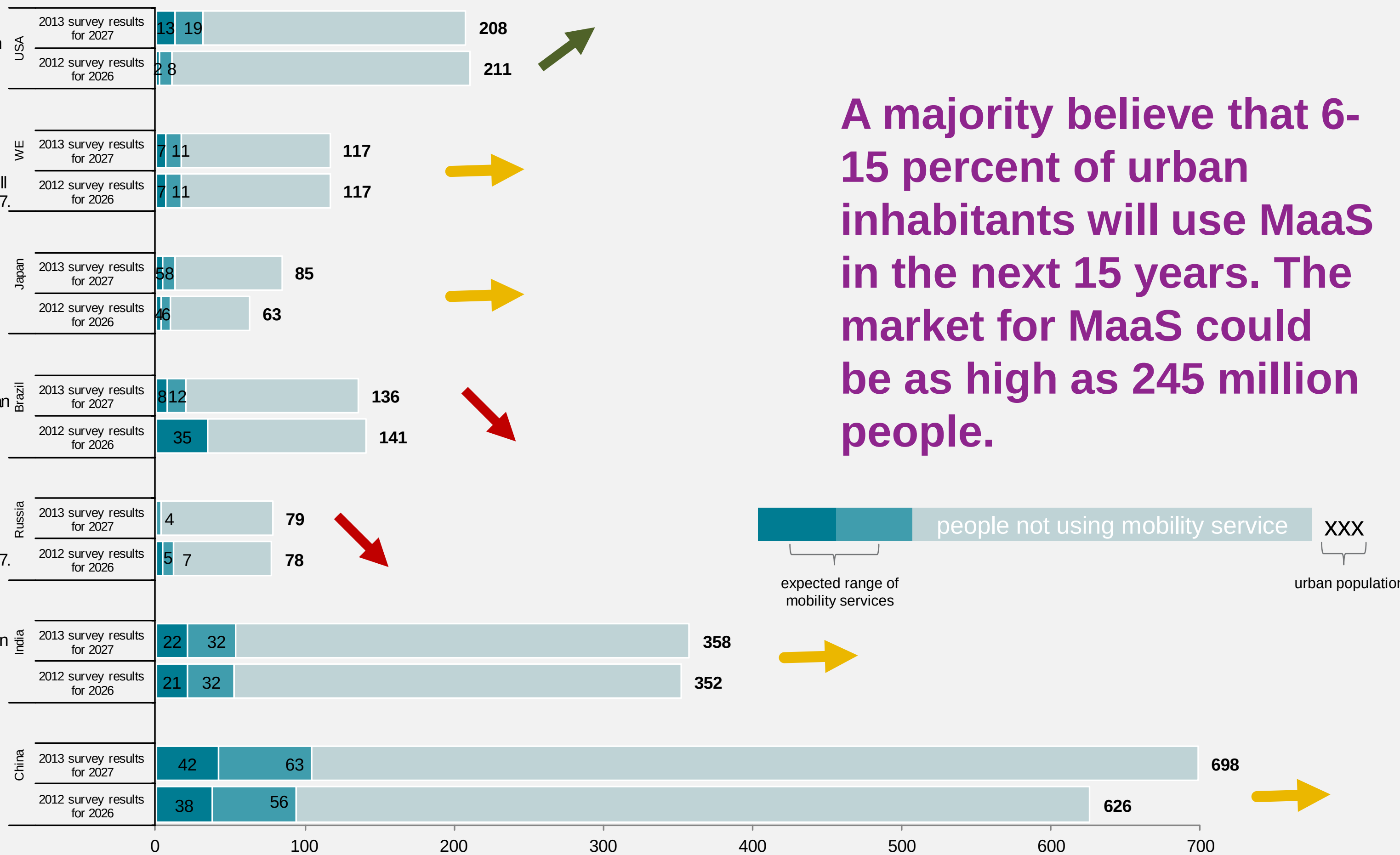
62% of respondents from Japan believe **6-15%** of urban inhabitants will use mobility services in 2027.

60% of respondents from Brazil believe **6-15%** of urban inhabitants will use mobility services in 2027.

53% of respondents from Russia believe **less than 5%** of urban inhabitants will use mobility services in 2027.

45% of respondents from India believe **6-15%** of urban inhabitants will use mobility services in 2027.

40% of respondents from China believe **6-15%** of urban inhabitants will use mobility services in 2027.



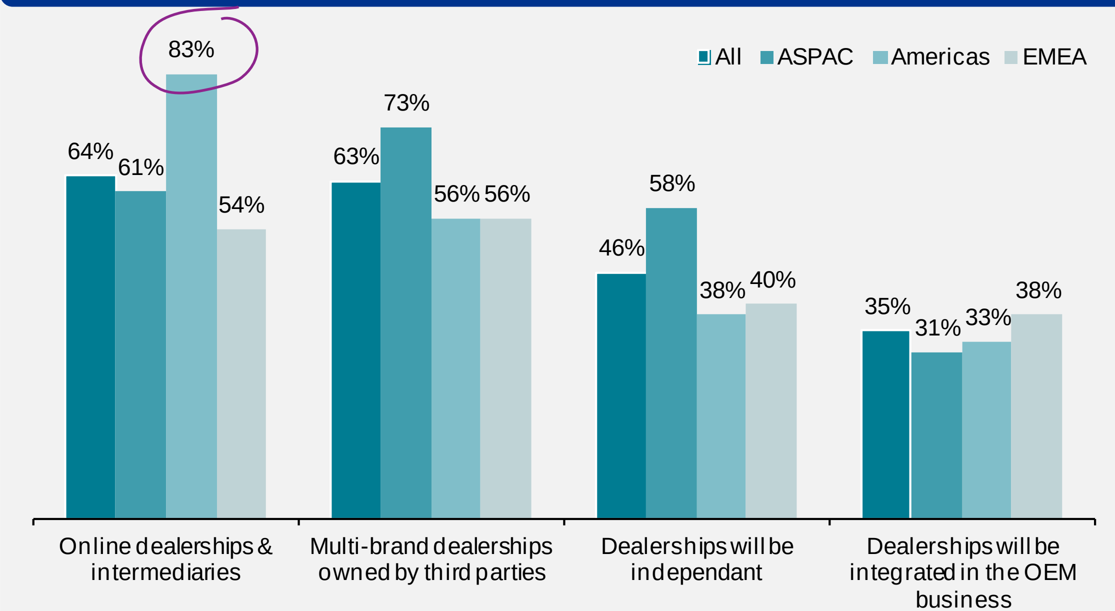
A majority believe that 6-15 percent of urban inhabitants will use MaaS in the next 15 years. The market for MaaS could be as high as 245 million people.

Note: Expectations of the majority of the survey respondents from the respective country
Percentages may not add up due to rounding off
Source: KPMG's Global Automotive Executive Survey 2013, United Nations World Urbanization Prospects

Changing customer behavior: how dealers are adapting

Dealerships of the future will be different

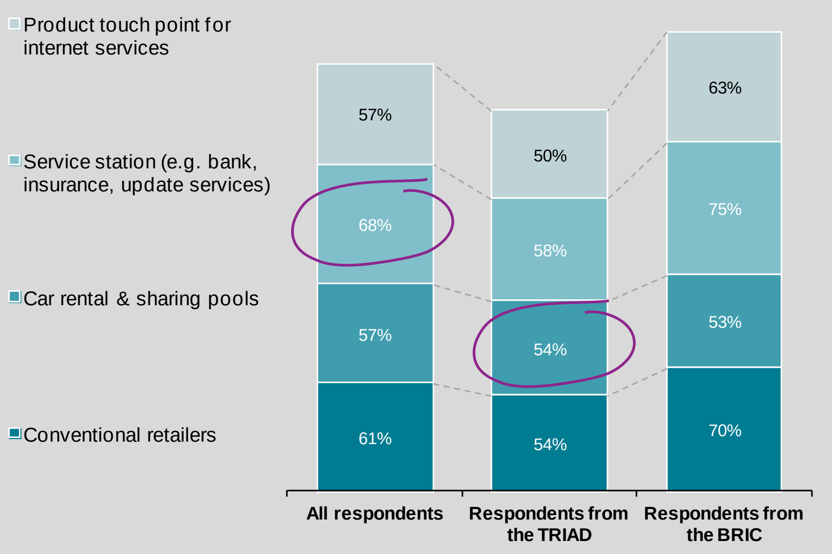
Increasing significance of dealership models



Note: Percentage of respondents expecting the share of importance to 'remain stable' or 'decrease' are not shown
Source: KPMG's Global Auto Executive Survey 2013

83 percent of auto execs from the Americas predict that online dealerships and intermediaries activity will increase.

Dealership concepts considered important to future success



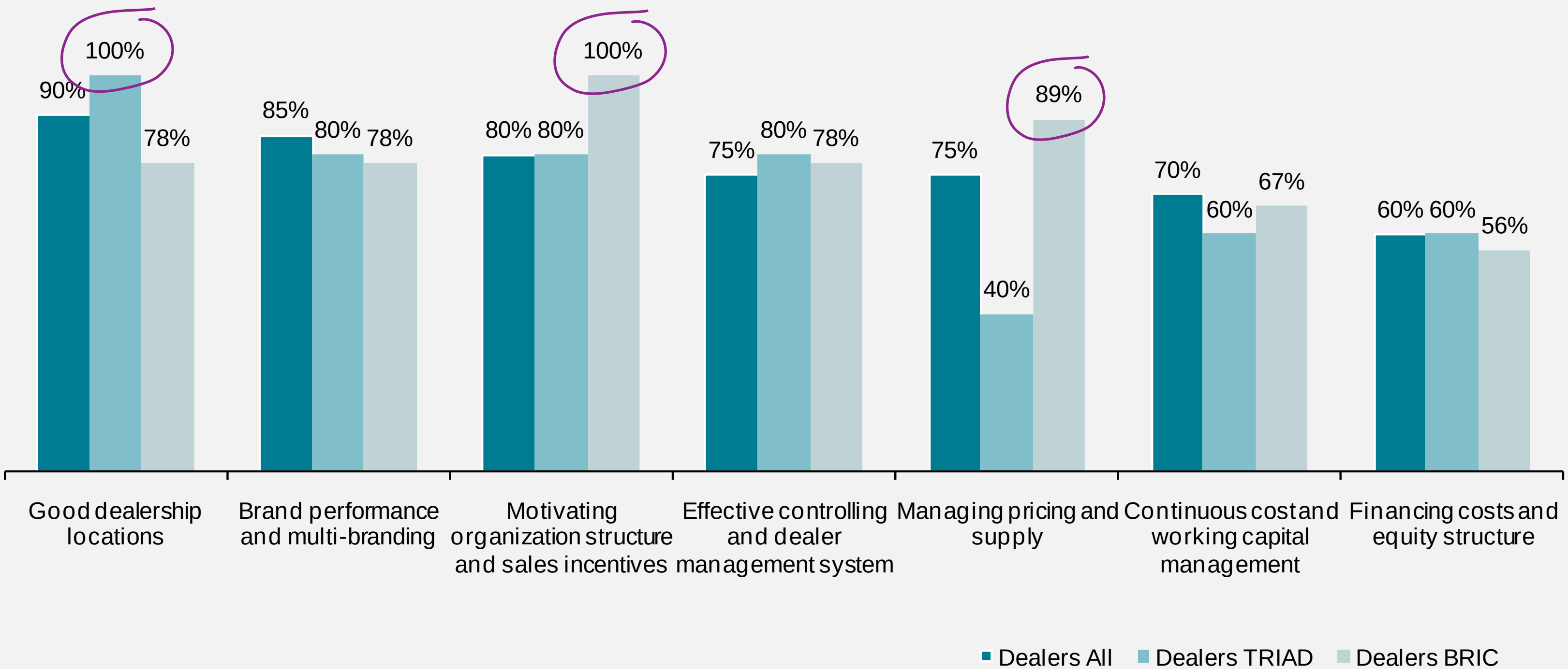
Note: Percentage of respondents rating options as 'extremely important' and 'very important'
Source: KPMG's Global Auto Executive Survey 2013

Only 54 percent of respondents from TRIAD countries believe the existing dealership model is vital to future success.

Changing customer behavior: how dealers are adapting

Maintaining dealer margins

Most important factors influencing the profitability of dealers



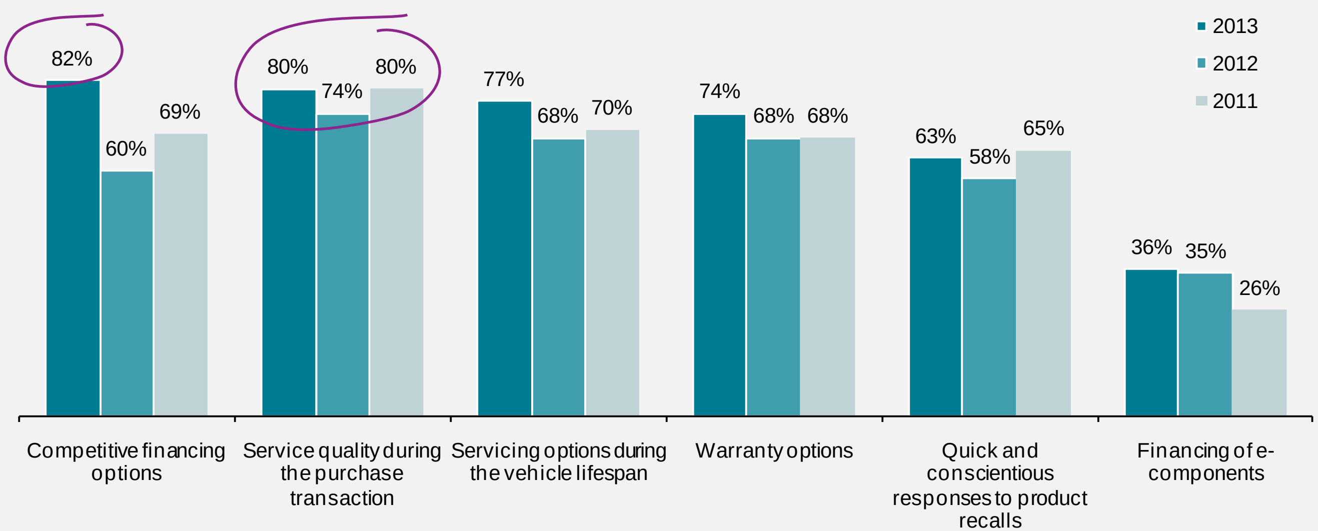
Note: Percentage of dealer respondents rating options as 'extremely important' and 'very important'
Source: KPMG's Global Auto Executive Survey 2013

Respondents from BRIC markets feel incentives - and the management of pricing and supply – are the key factors influencing profitability. In the TRIADs it is all about location.

Changing customer behavior: how dealers are adapting

Customers are seeking competitive financing, but not for e-components…yet

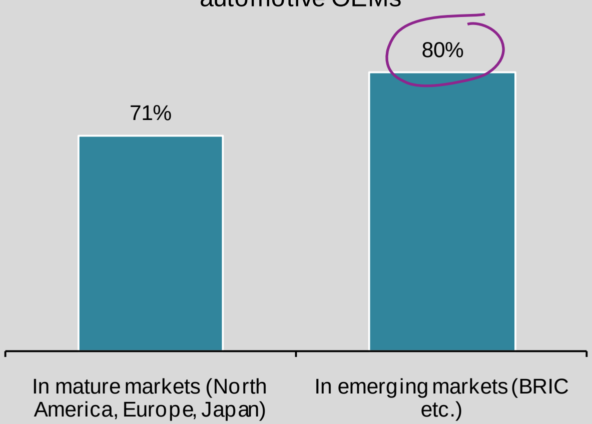
Importance of value-added services in consumer vehicle purchasing decisions



Note: Percentage of respondents rating service as 'extremely important' and 'important'
Source: KPMG's Global Auto Executive Survey 2013

Importance of operating captive financial service

Importance of operating captive financial service arms for the future success of automotive OEMs

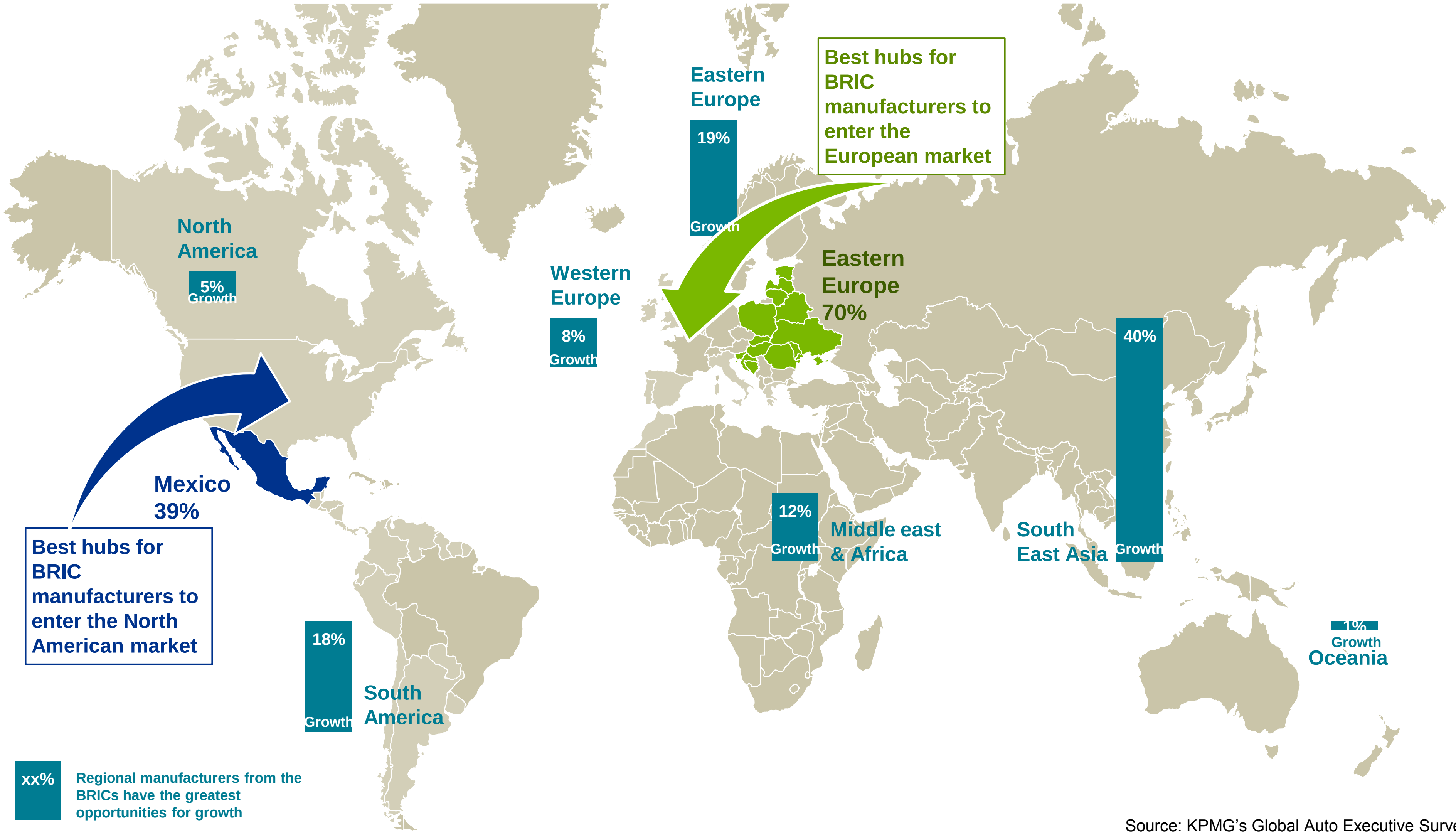


Source: KPMG's Global Auto Executive Survey 2013

Respondents from BRICs say service, pre-and post-purchase, is a key factor when buying a car.

Growth and globalization - Emerging markets surging forward

BRIC manufacturers heading for South East Asia and Eastern Europe



Source: KPMG's Global Auto Executive Survey 2013

Growth and globalization - Emerging markets surging forward

BRIC manufacturers are expected to play an important role in export markets

Export potential of emerging market OEMs

China
11% believe China will export a significant number of cars in 1-2 years
in 2012: 32% expected >1 mio. to be exported

China
47% believe China will export a significant number of cars in 3-5 years
in 2012 only 41% felt this way regarding >1 mio. exports

Brazil
37% believe Brazil will export a significant number of in cars 3-5 years
up slightly from the 2012 figure of 35% with expected > 1 mio. cars to be exported

Russia
14% believe Russia will export a significant number of cars in > 10 years
in 2012: 34% shared that opinion

India
22% believe India will export a significant number of cars now
in 2012 just 2% felt this was the case

Russia
36% believe Russia will export a significant number of cars in 3-5 years
in 2012 the figure was 31%

India
29% believe India will export a significant number of cars in 6-9 years
43% shared this view in 2012

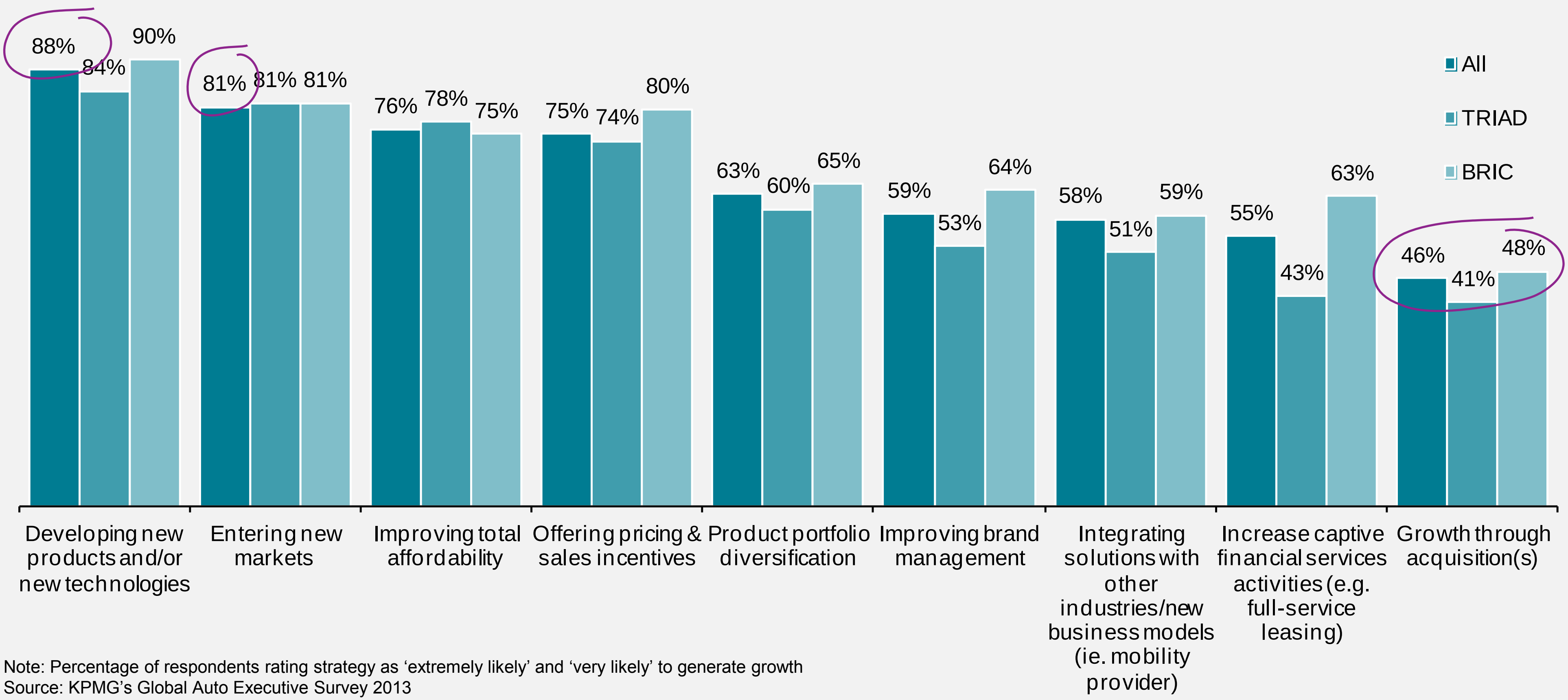
Note: Significant number of cars with regard to the respective country:
China: more than 2 million vehicles
India: more than 1 million vehicles
Russia: more than 1 million vehicles
Brazil: more than 2 million vehicles
In the 2012 survey expectations were asked for all countries for more than 1 million cars.

Source: KPMG's Global Auto Executive Survey 2013

Planning a route to future success

New products and technologies are the key to growth over the next five years

Most effective growth tactics up to 2018



Note: Percentage of respondents rating strategy as ‘extremely likely’ and ‘very likely’ to generate growth
Source: KPMG’s Global Auto Executive Survey 2013

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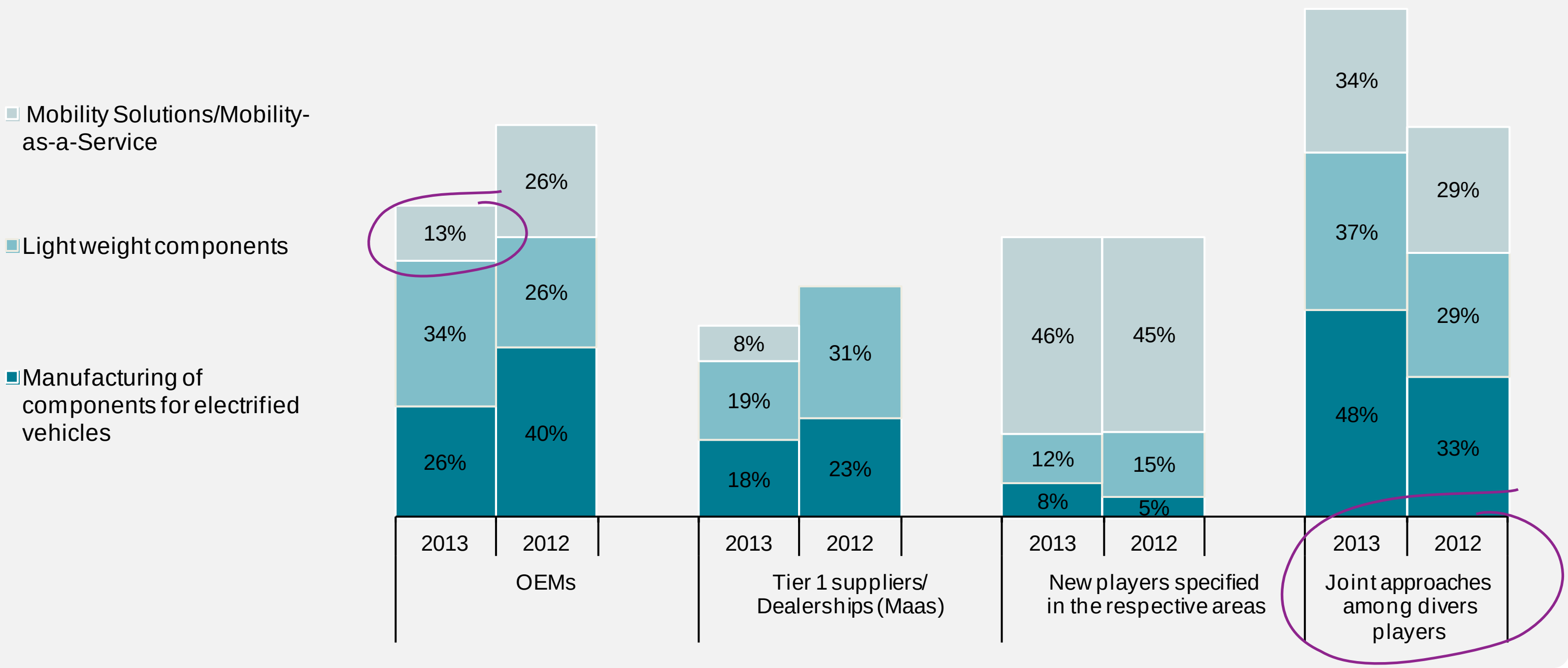
Planning a route to future success

Partnerships & JVs are increasingly important in building new technology

Industry players responsible for major technology building blocks



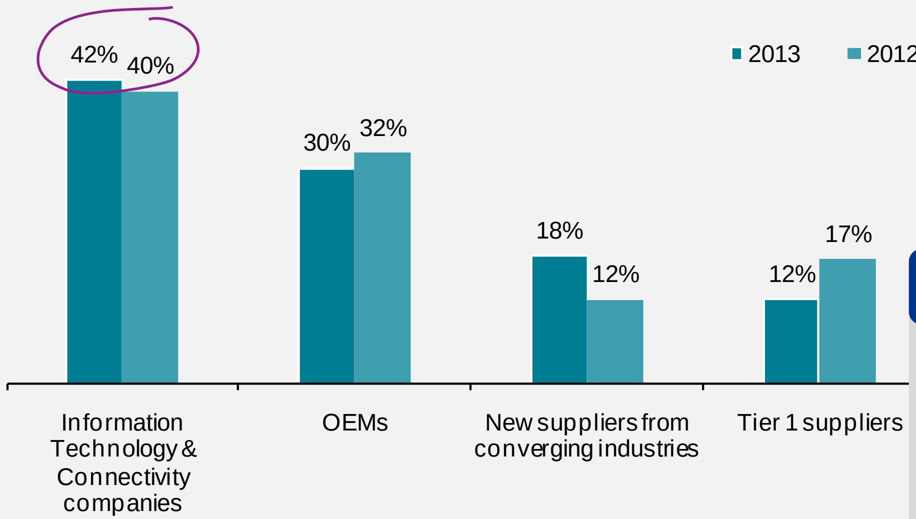
Note: Percentage of respondents choosing 'player' as responsible
Percentages may not add up to 100 due to rounding off
Source: KPMG's Global Auto Executive Survey 2013

Only 13 percent of respondents feel that manufacturers will be the main player in mobility – half as many as in the previous 2012 Global Automotive Executive survey.

Planning a route to future success

Automotive connectivity offers up new opportunities for technology companies

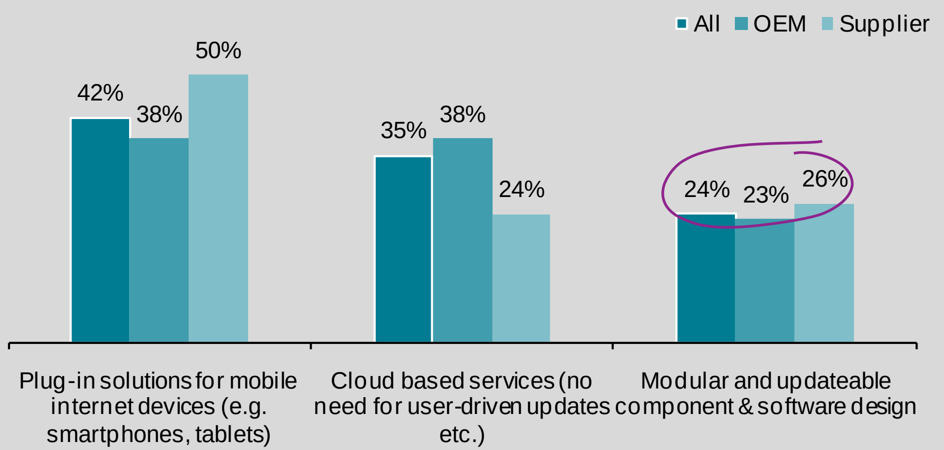
Control over connectivity and in-car infotainment systems of tomorrow



Note: Percentages may not add up to 100 due to rounding off
Source: KPMG's Global Auto Executive Survey 2013

Less than a quarter believe that modular components and software design is the way forward.

Best way to overcome varied development lifecycles

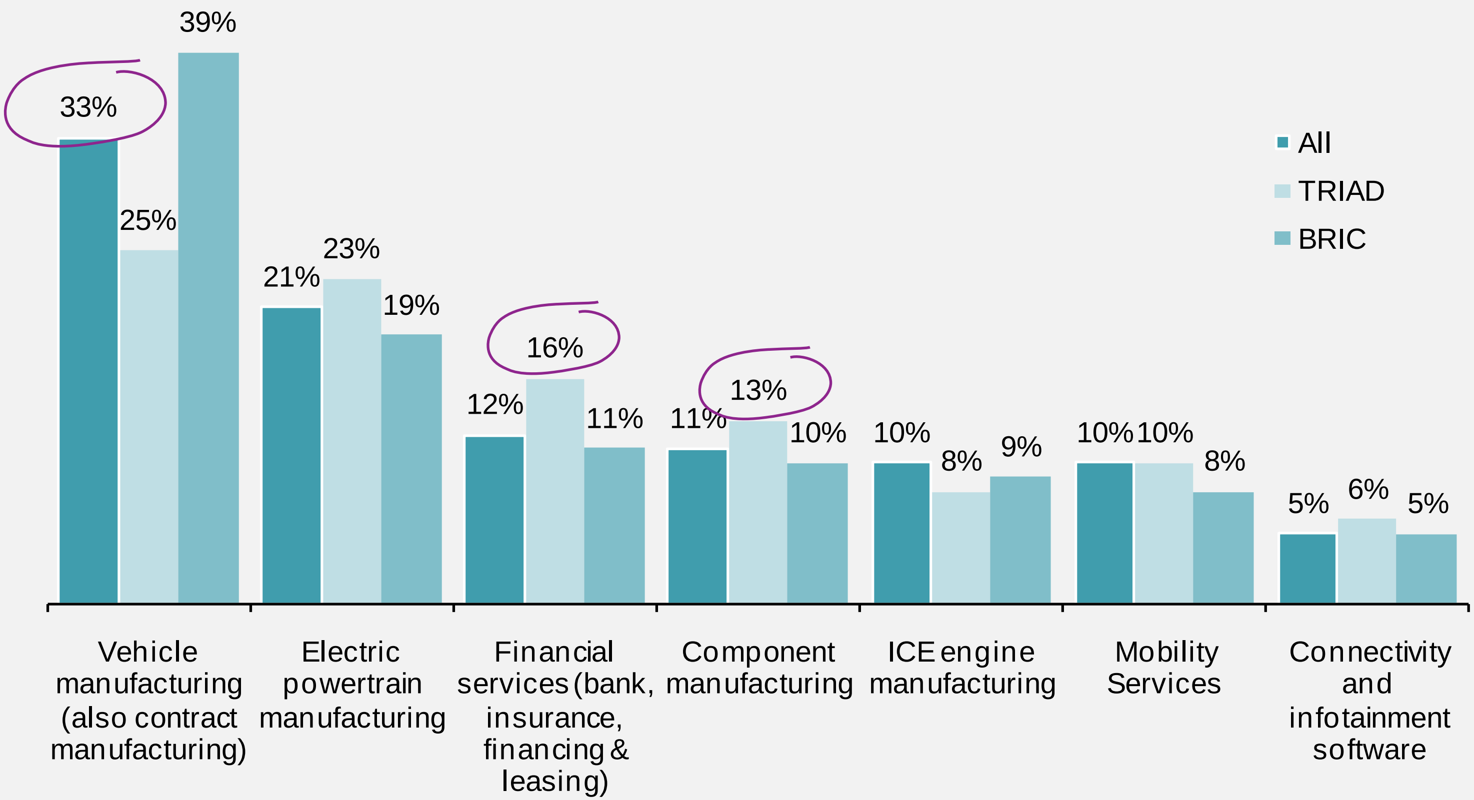


Note: Percentages may not add up to 100 due to rounding off
Source: KPMG's Global Auto Executive Survey 2013

Planning a route to future success

Vehicle manufacturing will continue to be the main source of profits

Sources of future profit for OEMs



Note: Percentages may not add up to 100 due to rounding off
Source: KPMG's Global Auto Executive Survey 2013

TRIAD OEMs feel vehicle and electric powertrain manufacturing will contribute roughly equally to future profits.

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Looking forward: Auto executives need to consider their position within a multidimensional automotive world …

KEY FORCES

- ENVIRONMENTAL CHALLENGES
- GROWING URBANIZATION
- CHANGING CUSTOMER BEHAVIOR
- GROWTH & GLOBALIZATION

RESULTING TRENDS

- ICE DOWNSIZING
- ELECTRO-MOBILITY
- INNOVATIVE URBAN CAR DESIGN
- LIGHT WEIGHT MATERIAL
- MOBILITY AS A SERVICE (MaaS)
- DEALERSHIP CONCEPTS
- CONNEC-TIVITY
- FINANCIAL SERVICES
- EMERGING MARKETS
- OVERCAPACITY

ROUTE TO SUCCESS

- ICE downsizing/ Hybrids
- Enhanced vehicle lifespan
- Joint approaches
- R&D management/ funding
- New urban mobility concepts
- Added value services
- Brand management
- Plug-in connectivity solutions
- Online services
- Multi brand dealerships
- Emerging market expansion
- Global footprint/ expansion
- Trade barriers
- Capacity management
- Module/Platform strategies

Source: KPMG's 2013 Global Auto Executive Survey

KPMG in Latvia

Established in 1994, currently KPMG Baltics SIA employs 112 staff. There are four Partners:

Stephen Young
Senior Partner, Advisory

Steve Austwick
Partner, Tax & Legal

Armine Movsisjana
Partner, Audit

Ondrej Fikrle
Partner, Audit

KPMG

- **Audit**
- **Tax and legal**
- **Advisory**
  - **Transactions & Restructuring**
  - **Risk & Compliance**
  - **Performance & Technology**

e.g.

Transactions & Restructuring
- Restructuring
- Debt advisory
- Crisis management
- Insolvency
- Forensic
- Due diligence

Risk & Compliance
- Regulatory compliance
- IFRS implementation
- Sustainability services
- IT security
- Internal Audit

Performance & Technology
- Revenue enhancement and cost optimization
- IT-enabled transformation
- Transforming operations
- Management Consulting
- Business performance improvement

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For more information about this presentation please contact:

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