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A Last Call for Europe's Car Industry

The Covid-19 crisis is putting the car industry into a perfect storm. Global car sales will collapse by 25 % in 2020 and are expected to finish the year at only 65 to 70 million units. During the next three years markets will recover, but original sales targets will be missed by more than 50 million cars in total. For sure, this is creating tremendous challenges and critical situations for vehicle OEMs, suppliers, and dealerships.

The pandemic and the economic crisis are hitting the automotive industry amidst a fundamental transformation. The transition toward electrified and connected vehicles, as well as toward new flexible ownership and usage models for vehicles, questions the largest part of the established ways of thinking and working and the organizational principles in automotive companies. For some time, the European industry apparently did not take this change seriously enough.

The current crisis is not slowing down the industry disruption – to the contrary, the effects of the crisis accelerate the transformation: 2020 will probably see the breakthrough for mass market electric mobility in Europe, and “Peak Combustion Engine” is behind us for good. European governments just made clear where we are headed, by increasing subsidies for electric mobility and holding on to strict CO₂ targets. Customer demand for electric vehicles is growing like never before,

and European manufacturers can barely deliver. Digital sales and service models are now demonstrating their functionality and their positive effects. Car subscription models gain in attraction very fast in these economically uncertain times, as they allow flexible adaptation to mobility needs and possibilities. Limited pilot projects in these business areas are no longer enough.

Europe's automotive industry is already working hard to master this transformation. However, politicians have for too long held a protective hand over old models of success and thus lowered innovation pressure. For too long, the target was to engineer a “Tesla Fighter.” But the true “Tesla Fighter” is not an electric vehicle with superb acceleration and manufacturing quality, it is an automotive industry geared toward a “new normal” and toward a sustainable future, in which classic industry boundaries are softening. This requires totally new qualifications, R&D structures, vehicle concepts, new networks of suppliers and partners, and new infrastructure – a new principle of thinking. The current crisis will lead to an accelerated disruption and creative destruction in the sense of Schumpeter. A market shakeout and new balances of power are the inevitable result. Europe's car industry is still innovative and leading in many areas, but 2020 will be its decisive year. It has just heard its final call for transformation.