

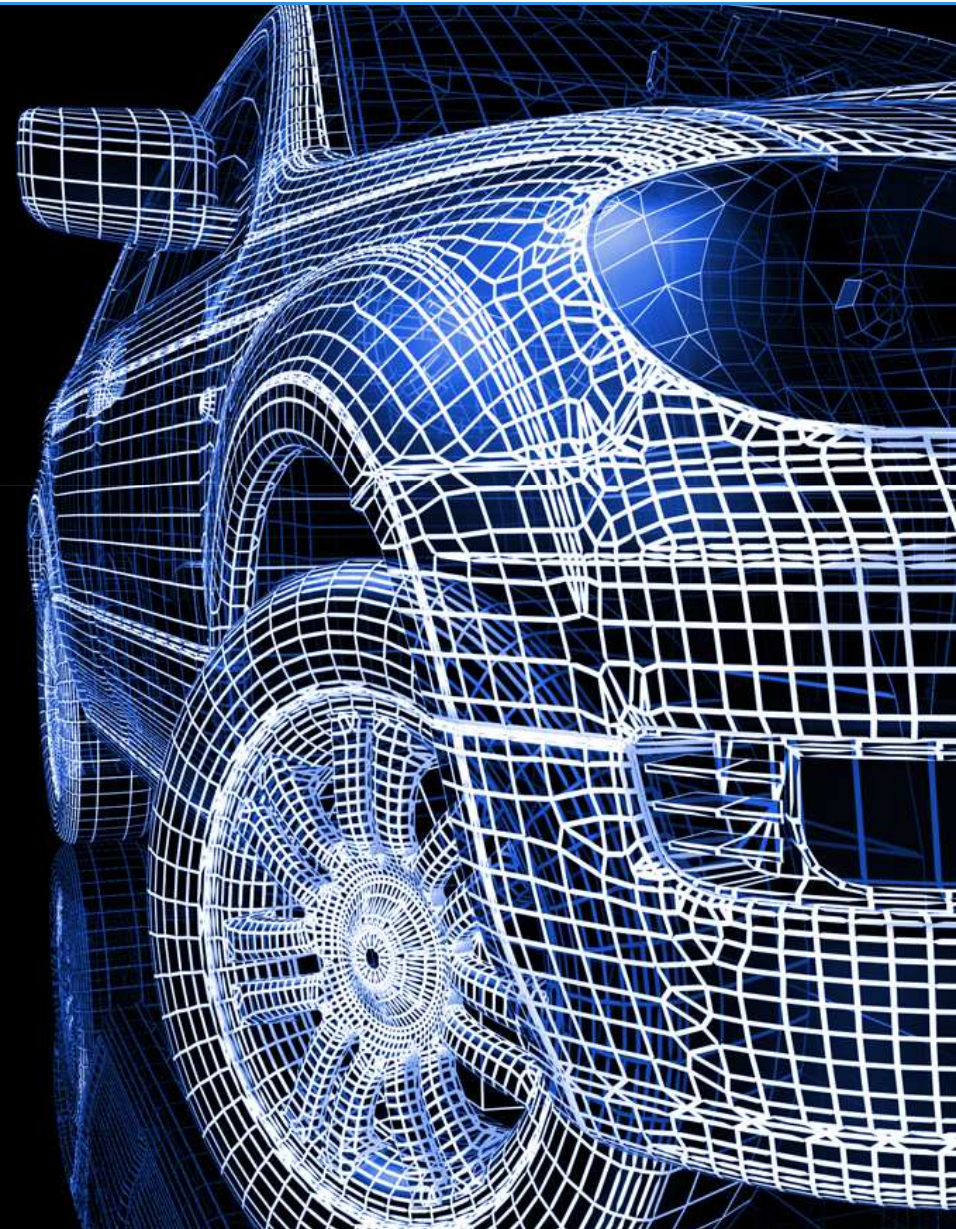


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# Do OEMs' Long-Term Plans match the forecasted Market Potential?

Reinhard Schorsch  
IHS Automotive Consulting

IHS Automotive Conference  
September 2013 | IAA Frankfurt

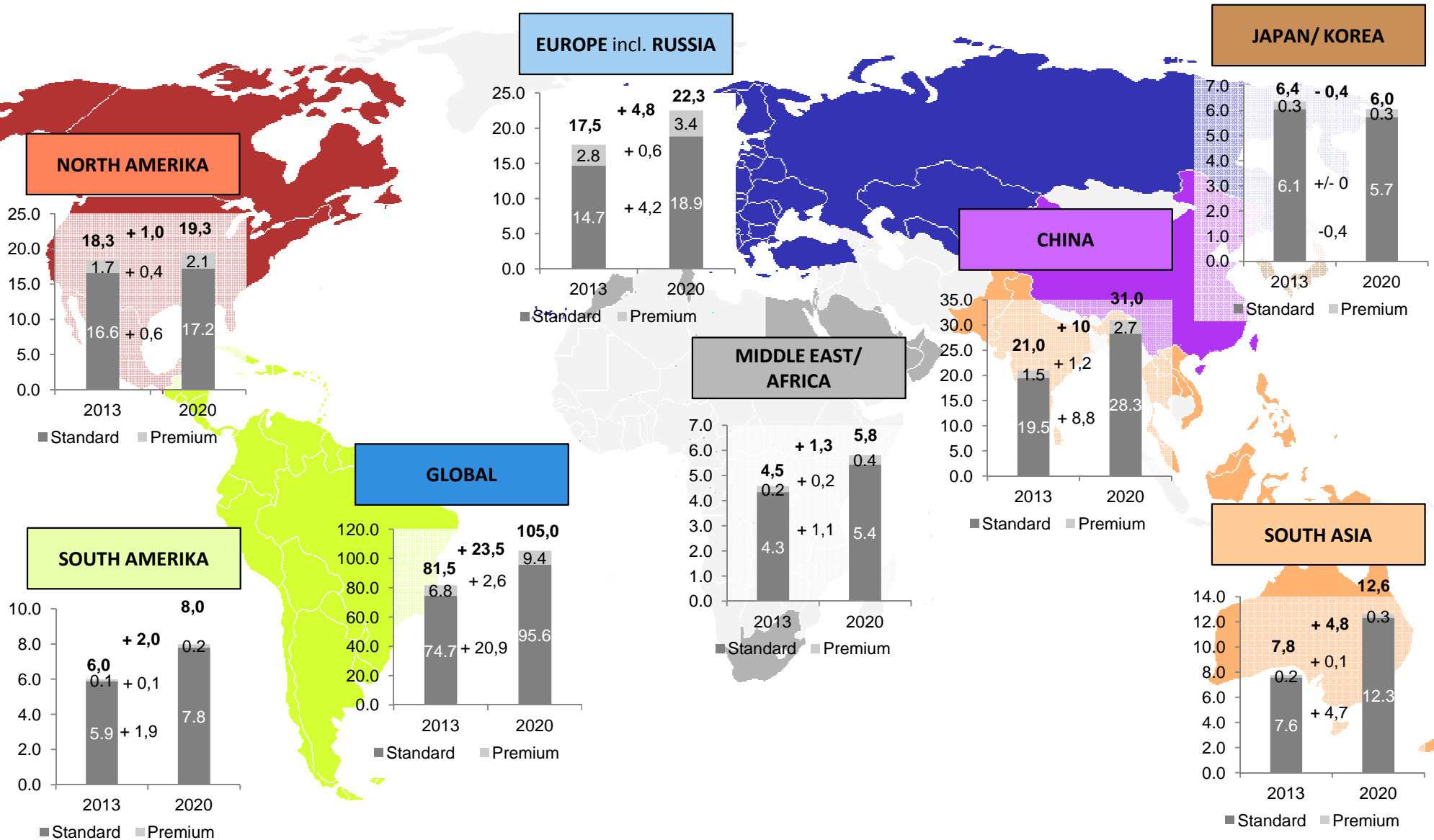


# Do OEMs' Long-Term Plans match the forecasted Market Potential? – Highlights



- **Positive global Automotive Market Trend**
- **OEMs' ambitious long-term Plans**
- **IHS Clients' Questions regarding the Match**
- Highlighted Example: BMW vs. AUDI
- IHS Experts' Analyzes beyond Forecast Volumes

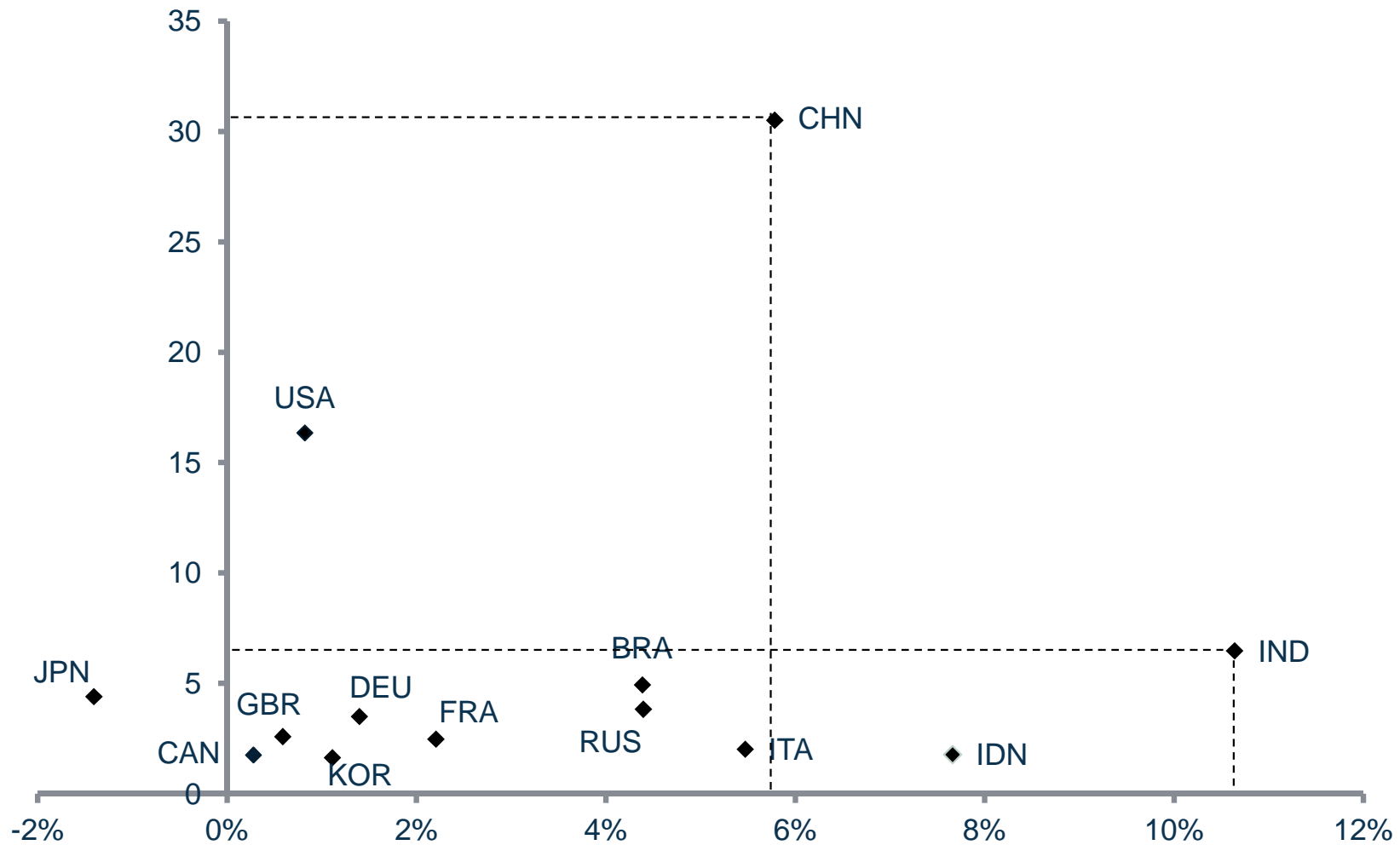
# Positive global Automotive Market Trend



# Positive global Automotive Market Trend



Light Vehicle Sales  
in million Units  
by 2020



CAGR  
2013-2020

# OEMs' ambitious long-term Plans



*BMW strives to remain #1: „We strive for more than 2 million sales worldwide in 2016. For this reason, our primary target for 2020 will be reached considerably earlier than scheduled.“*



*AUDI strives to become #1: „Encouraged by the successful path during the past years, we want to sell more than 2 million vehicles by 2020.“*



*Daimler strives to become #1: „We can grow more within the coming 10 years than in the past 100 Years and by 2020, become the premium OEM with strongest sales and profits.“*

**▶ The density around the #1 position seems to become quite intense.**

**The followers behind the top 3 premium OEMs have no minor ambitious growth plans. ◀**

*Jaguar Land Rover is targeting global sales of 750.000 units by the end of the decade.*

*Volvo plans with 800.000 deliveries in 2020.*

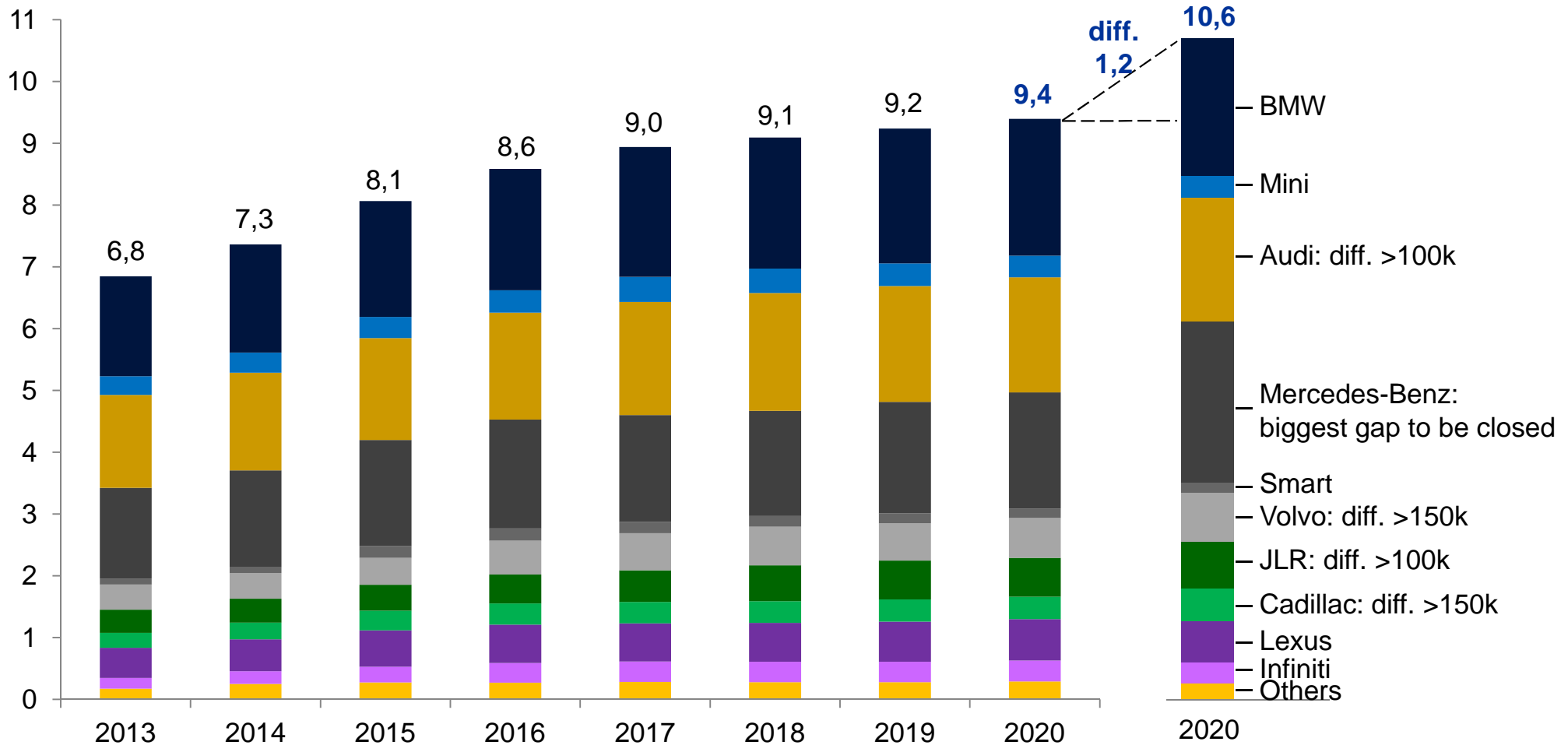
*Infiniti and Cadillac both base their growth ambitions on China and expect sales of 100.000 each in 2016.*

# OEMs' ambitions long-term Plans



**Global Sales Volumes by Premium Brand 2013-2020**  
in million Units forecasted by IHS

**Premium Brands' Plans by 2020**



# IHS Clients' Questions regarding the Match



- What do forecasts and findings mean for my business?
- On which volumes shall I base proposal calculations?
- Do forecasted volumes justify investments?
- But why do forecasted volumes vary from OEMs' plans?
- Which assumptions cause the difference?
- When and at which level do markets reach their limits?
- Why should BMW remain ahead of AUDI?

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- **Highlighted Example: BMW vs. AUDI**
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# Highlighted Example: BMW vs. Audi Overview



Product Portfolio  
& Expansion

future Technology  
Investments

Market Coverage  
& Entry

Corporate Structure  
& Culture

# Highlighted Example: BMW vs. Audi Product Portfolio & Expansion



**Audi**



**Audi Q4**



**Audi C-MPV**



**Audi Q2**



**Audi Q6**



**BMW i3**



**BMW 4 GrandCoupe**



**BMW 1 GT**



**BMW X4**



**BMW 1 Sedan**



**BMW UKL1**



**BMW i8**



**BMW Active Tourer**



**BMW X2**



**BMW X7**



# Highlighted Example: BMW vs. Audi Product Portfolio & Expansion



## Current Audi Line-Up

Audi A1



Audi A3



Audi A3 Sedan



Audi Q3



+ 2 Vehicles

## Future Audi Line-Up

Audi A1



Audi Q2



Audi A3



Audi A3 Sedan



Audi C-MPV



Audi Q3



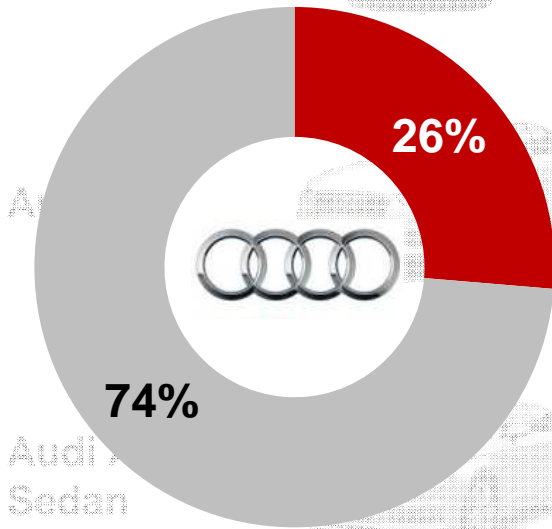
# Highlighted Example: BMW vs. Audi Product Portfolio & Expansion



## Audi Sales with current Line-Up

2012

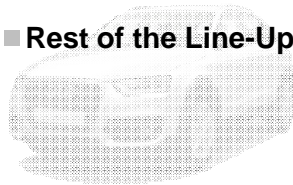
Audi A1



Audi A3 Sedan

■ Compact Vehicles ■ Rest of the Line-Up

Audi Q3



+ 9 %

The **Compact Segment** gains further importance for Audi. The main driver of growth is the A3 sedan.

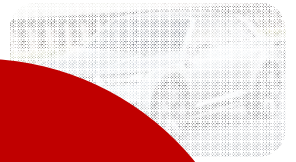
## Audi Sales with Future Line-Up

2020

Audi A1

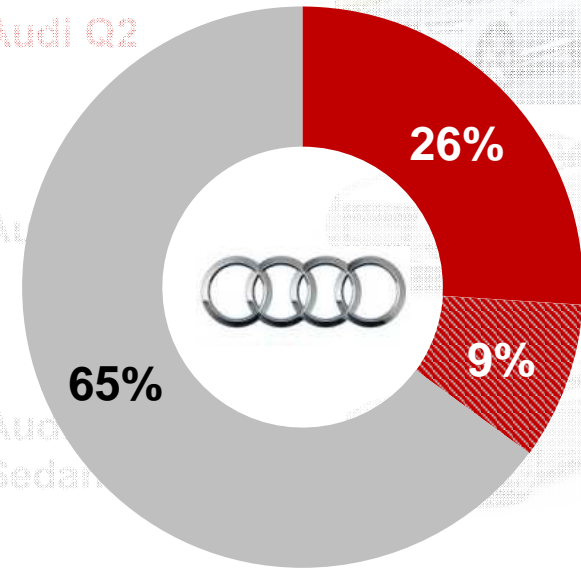


Audi Q2



Audi A3 Sedan

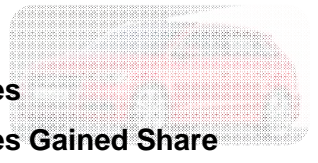
Audi A3 Sedan



Audi Q3 MPV

■ Compact Vehicles  
 ■ Compact Vehicles Gained Share  
 ■ Rest of the Line-Up

Audi Q3



# Highlighted Example: BMW vs. Audi Product Portfolio & Expansion



## Current BMW Line-Up

**BMW 1 Series**



**BMW 1  
Coupe/Cabrio**



**BMW X1**



**+ 6 Vehicles**

## Future BMW Line-Up

**BMW i3**



**BMW UKL1**



**BMW 1 Series**



**BMW 1 Sedan**



**BMW 1 GT**



**BMW Active  
Tourer**



**BMW 2 Series  
Coupe/Cabrio**



**BMW X1**



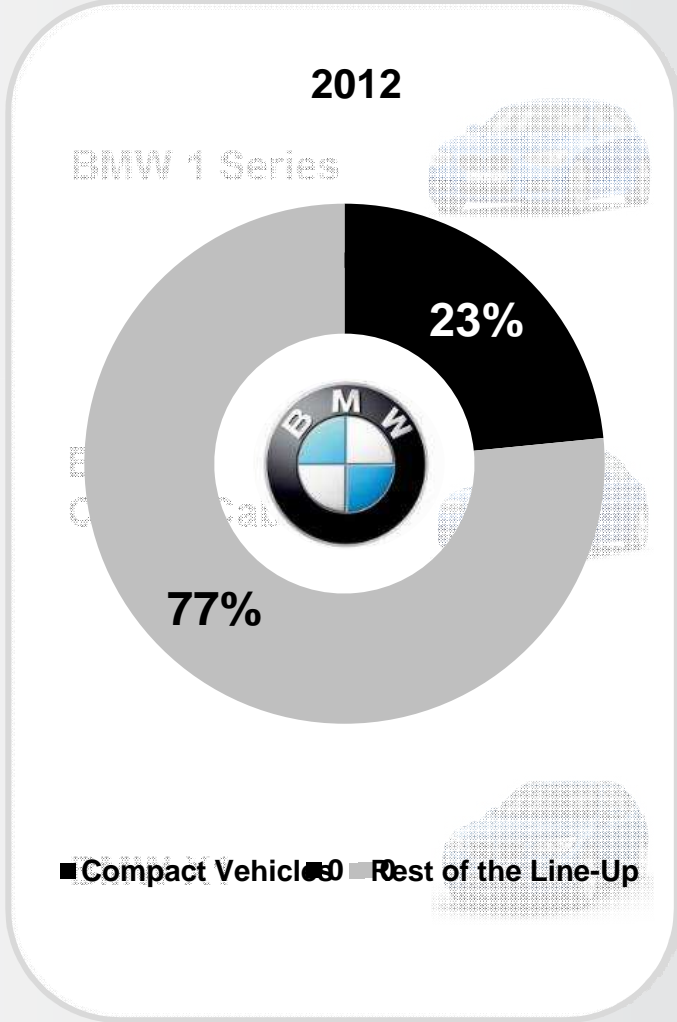
**BMW X2**



# Highlighted Example: BMW vs. Audi Product Portfolio & Expansion



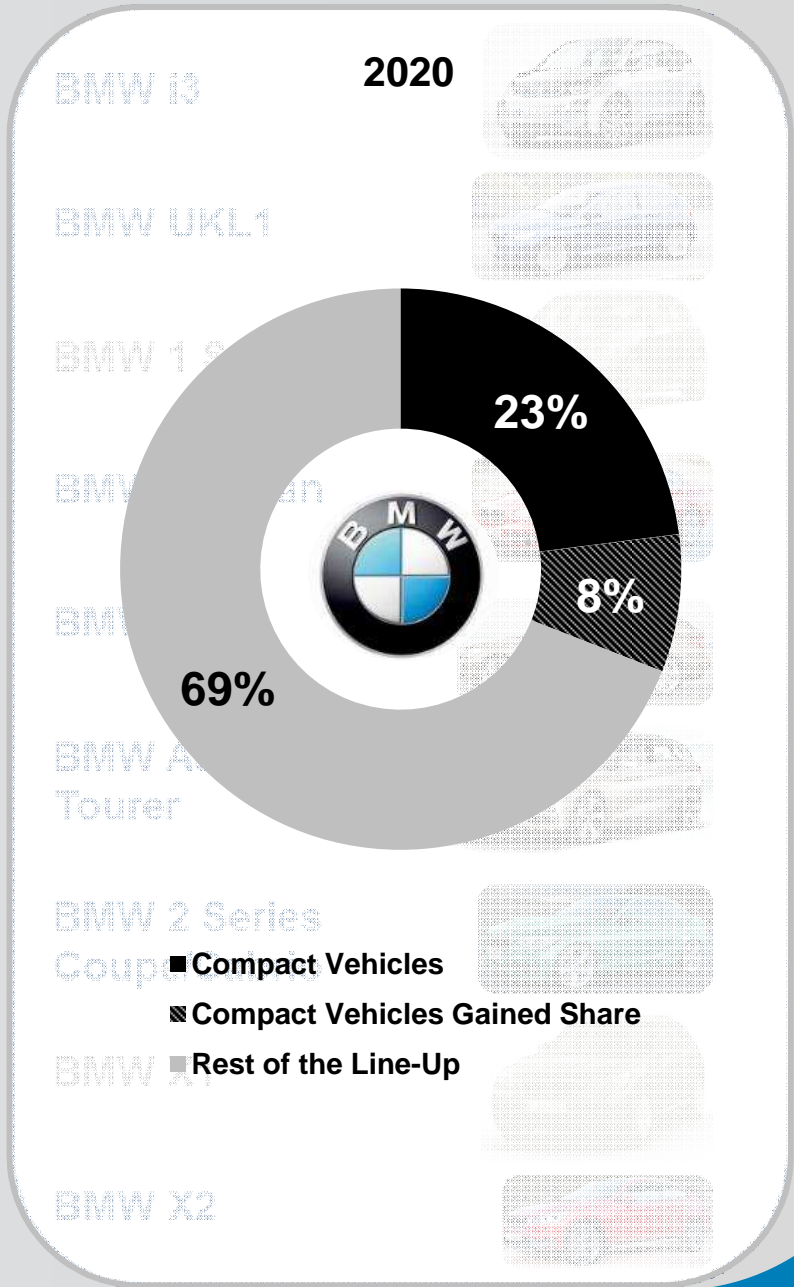
2012 BMW Sales with current Line-Up



**+ 8 %**

The **Compact Segment** gains further importance for BMW.

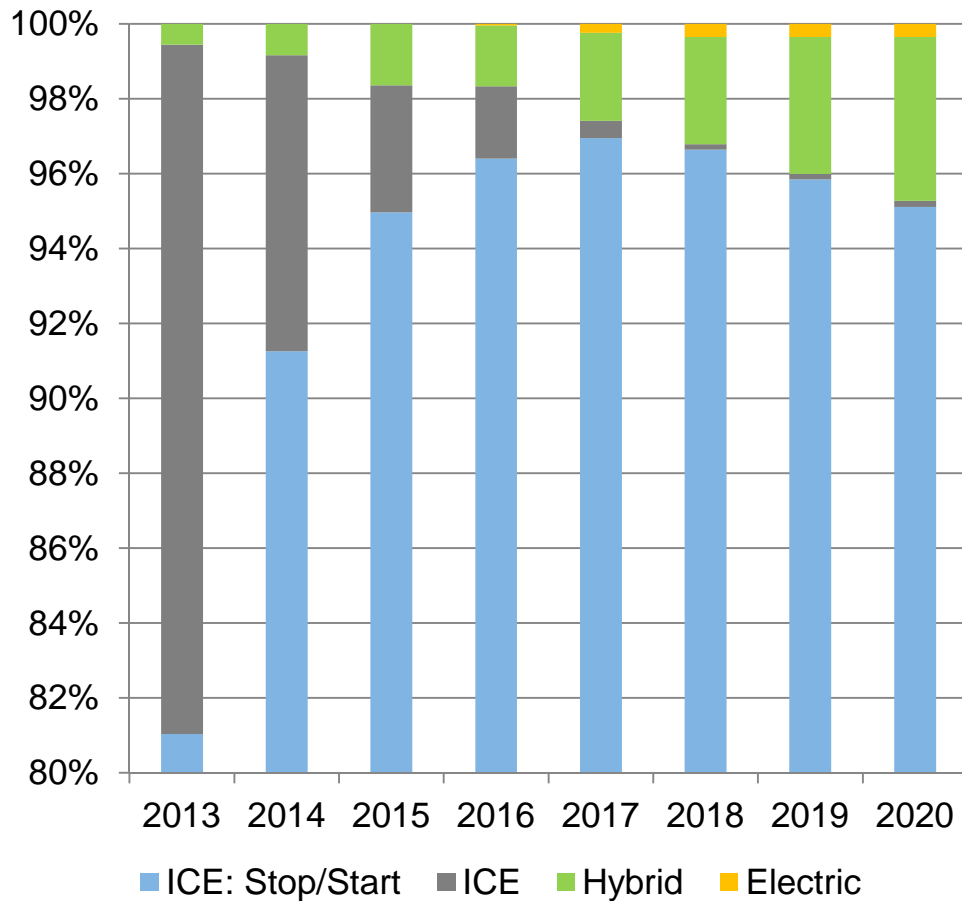
2020 BMW Sales with future Line-Up



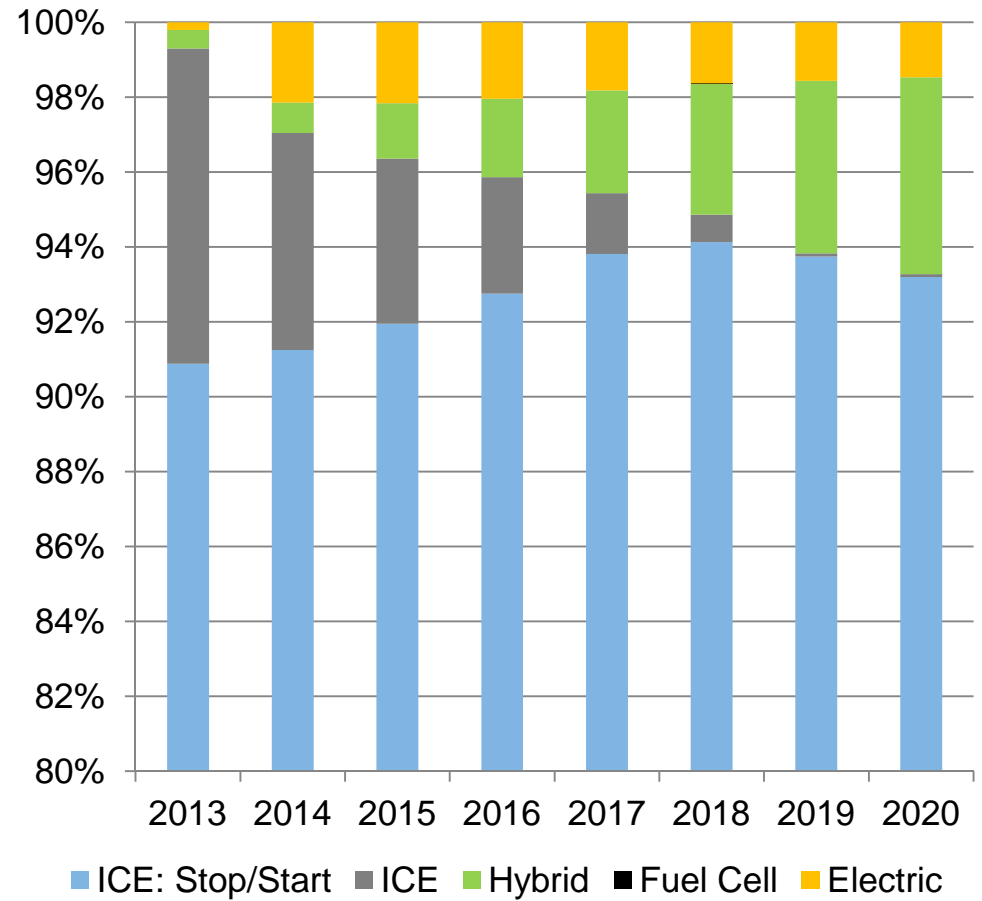
# Highlighted Example: BMW vs. Audi future Technology Investments



**Audi**  
Engine Technology Shares in %



**BMW**  
Engine Technology Shares in %



# Highlighted Example: BMW vs. Audi future Technology Investments



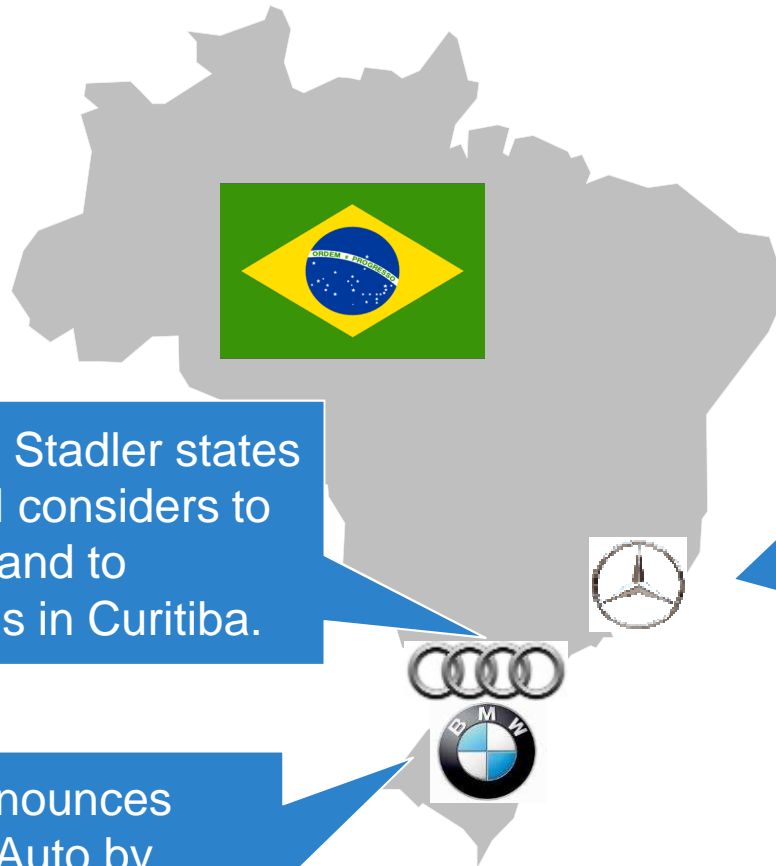
BMW i8 and i3 are no studies or concept cars anymore  
but just launched hybrid and electric alternatives ...



... and furthermore, applying carbon fiber  
body parts in “volume” production.



# Highlighted Example: BMW vs. Audi Market Coverage & Entry



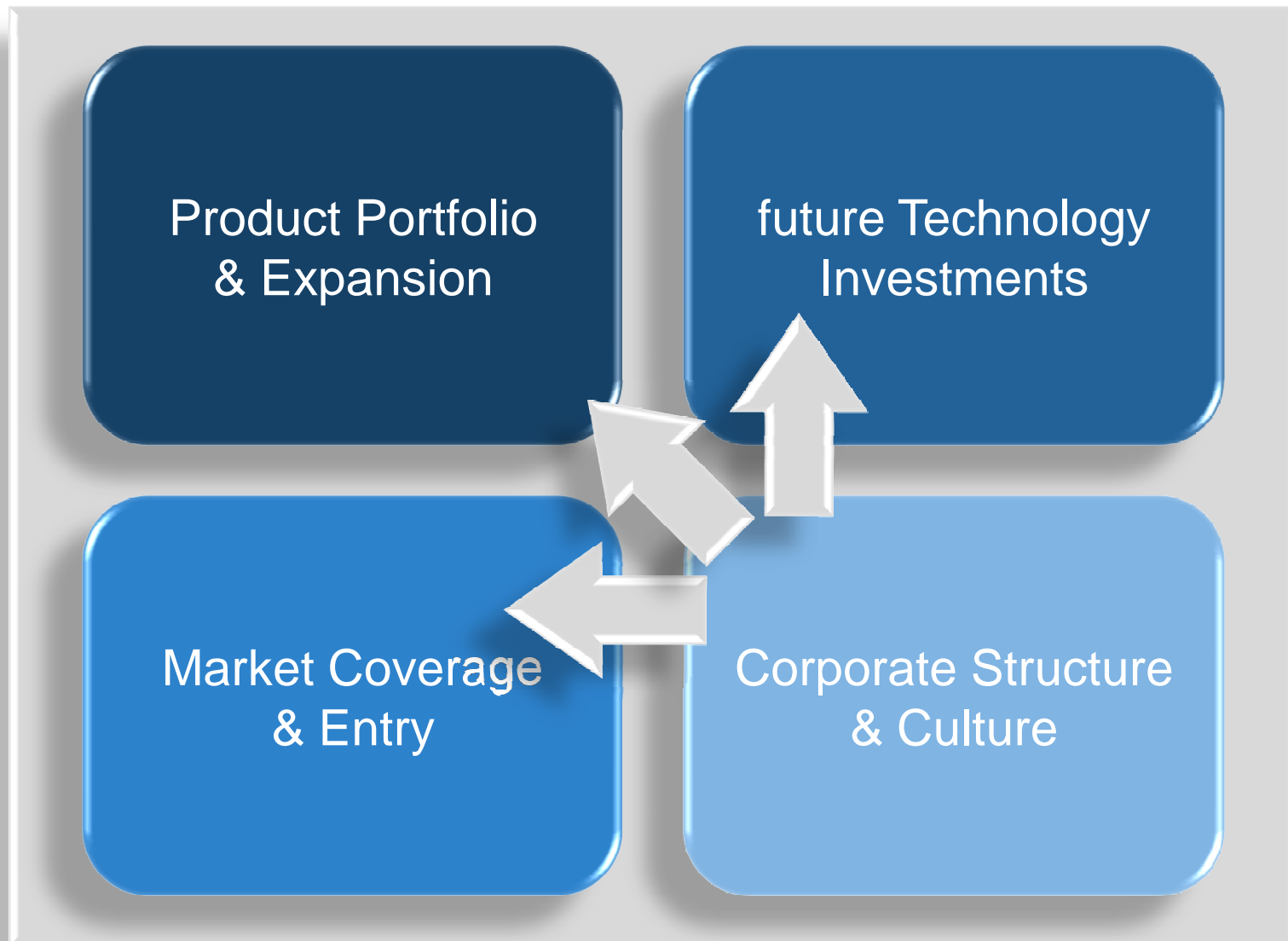
In May 2013, AUDI CEO Stadler states in an interview that AUDI considers to localize in Brazil as well and to leverage VW's operations in Curitiba.

Mercedes-Benz has not made an official announcement, yet. Having production plants for trucks and buses in Brazil since the 50s, it is unlikely that the brand will leave this growth market to its competitors.

In October 2012, BMW announces already to react on Inovar Auto by localizing light vehicle production in Joinville/Brazil – more than half a year before the final regime is in place.

Further premium OEMs assess an engagement in Brazil for sure but might have other investment priorities in the end.

# Highlighted Example: BMW vs. Audi Corporate Structure & Culture



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- **IHS Experts' Analyzes beyond Forecast Volumes**



IHS AutoInsight Reports and Analytics

Monthly Webcasts

Semi-annual Automotive Events



Economic Outlook Workshop

Contingency Forecast

Light Vehicle Sales Outlook Workshop

Light Vehicle Sales Deep Dive Workshops for BRIC Countries

Quarterly Change Reports

# IHS Experts' Analyzes beyond Forecast Volumes

## Economic Outlook Workshop

IHS offers an economic workshop that enables clients to understand the implications of global macro drivers as well as other impacting factors on the automotive industry

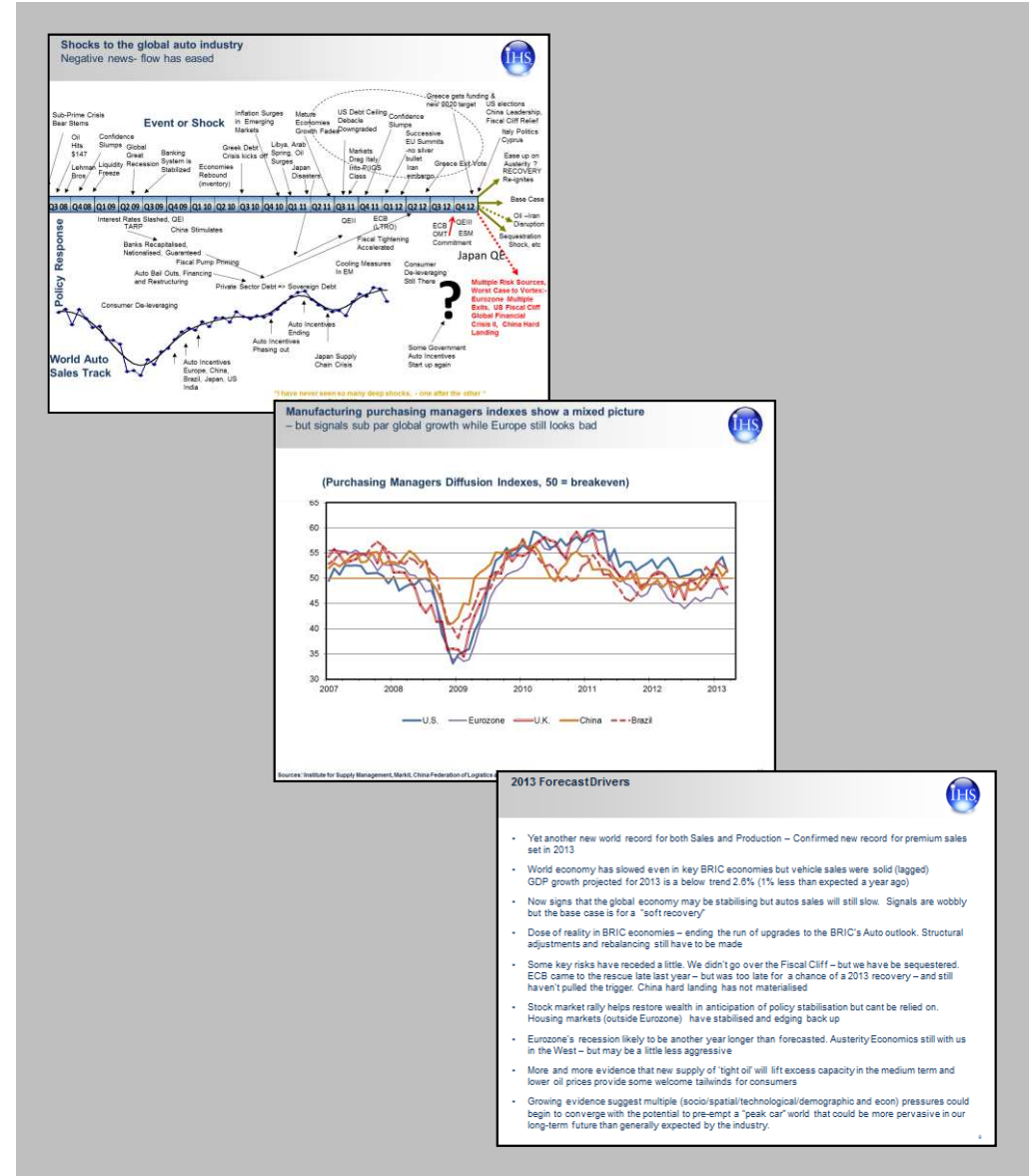


### Module Content:

- The global economic module includes an expert assessment of the global economic condition and provides IHS's forecast insights into the macro development going forward.
- The workshop includes aspects such as:
  - Macroeconomic assumptions for key variables such as GDP, income trends, employment, inflation, interest.
  - New Impact Events to Monitor: Oil, FTA's, pollution, demographics.
  - Region Spotlights, e.g. Analysis of recovery drivers in Europe

### Module Value:

- IHS's automotive topline forecast assumptions profit from a detailed understanding of the overarching macroeconomic developments.
- IHS has a dedicated team of experts that work on translating such trends into vehicle market relevant implications. Clients can profit from this expertise by having dedicated economic workshops targeting at the auto industry.



# IHS Experts' Analyzes beyond Forecast Volumes Contingency Forecast



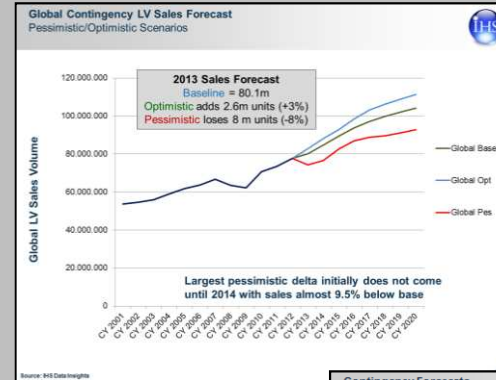
The current uncertainty in the global vehicle markets makes a detailed planning process even more essential. Besides its base forecast, IHS can assist this process with its contingency outlook

## Module Content:

- Starting from a likely baseline forecast, contingency forecasts consider potential upside opportunities and downside risks to the forecast and their according effects on vehicle sales volumes per country.
- Each quarter, IHS determines an upside (optimistic) and a downside (pessimistic) contingency environment or scenario.
- An approximate probability of each bundle of events occurring is determined by a team of IHS economists and industry analysts.
- The contingency model takes into consideration key macroeconomic variables as well as automotive specific indicators.

## Module Value:

- Contingency forecasts allow stress planning for a particular scenario or series of events that would significantly alter exogenous variables that drive the level of automotive sales/production
- IHS's Chief Automotive Economist would be available for an on-site workshop to explain the contingencies and its implications for the client.



### Contingency Forecasts Downside/Pessimistic Forecast Synopsis

**Summary:**  
Populist Election results unsettle European markets and also provokes Greece to leave the Euro later this year. Oil prices are elevated from concerns regarding contract rate Iran. US debt ceiling talks go lousy and full automatic spending cuts kick in slowing the US and global economy.

**Probability Of Occurrence: 20%**

**Key Assumptions:**

- German Elections expose public resentment to perceived bail outs and high policy uncertainty returns. Greece exits sooner rather than later leaving Spain and Italy exposed facing yet another year of contraction.
- Crude oil prices do not collapse with sinking global demand because tensions in the Middle East run high. Longer-term, new sources of 'light oil' do not live up to expectations and oil prices remain elevated above the base case.
- Deadlock in the US leads to full automatic sequestration during the Summer of 2013. Fiscal contraction and alarm at unhinged policy causes a sharp slowdown. This is eventually corrected by policymakers with discretionary cuts but the real economy suffers for several quarters.

Although the US debt ceiling is raised political disagreement means full sequestration is allowed to kick in. Spending cuts immediately slow the economy, confidence and asset markets slump and risk-off investment is back. The threat of a curtailment of bank lending returns.

Faced with economic contraction fiscal prudence wins the day and there is eventually agreement on discretionary cuts that stabilise markets but corporate investment has already been pulled back resulting in a sharp slowdown in US economic growth lasting into early 2014.

As Greece leaves the Euro at the end of this year pressure mounts on Spain and Italy and finally the risks to the whole Eurozone banking system force allow the European Central Bank to finally act as lender of last resort by unconditional direct buying of at risk country bonds- catastrophe is avoided and the Euro survives intact minus Greece.

Financial panic, slowing global trade and inward investment means growth slows dramatically in emerging markets. China slows to 6% but holds up relatively well as the government begins to stimulate domestic demand again.

Global economy re-enters a recession for the 2<sup>nd</sup> time in 5 yrs. GDP growth sumps to just 0.8% in 2013 and significantly remains below 2% in 2014.

### Contingency Forecasts Upside/Optimistic Forecast Synopsis

**Summary:**  
Economic recovery ignites. Debt concerns ease investment pops and consumer confidence improves. The Eurozone crisis and the debate on Greece's future in the Euro fades away.

**Probability Of Occurrence: 15%**

**Key Assumptions:**

- A positive surge in sentiment to start the year becomes self fulfilling as significantly improved bond markets allow austerity measures to be relaxed. Growth prospects tick up and US structural debt solutions become manageable
- China's economy improves from higher trade and a more stable global environment.
- Global credit conditions ease as financial markets stabilize, and years of loose monetary policy finally creates strong growth as confidence rebounds.
- Oil prices hold up as stronger economies create higher energy demand, but higher supply dominates and prices drift down eventually falling below base case as new oil supplies reach market at a faster rate.

All the negative sentiment that slowed the global economy in recent years subsides as Europe eases up on austerity.

Core ECB commitments underpin private sector confidence in peripheral sovereigns. Unemployment peaks by summer 2013 sparking a return of the consumer.

US fiscal cliff and debt ceiling worries become a non event and housing and asset market begins to boom feed by global liquidity.

Greece stays within the Euro and a whole series of global economic indicators bounce back. Fears of another slowdown fade quickly leading to faster growth rates. Growing economies reduces pressure on governments public-sector outbacks and lower debt interest burdens help.

China's economy rebounds strongly from greater trade a stabilized housing market and an easy transition from investment to consumption based growth.

Emerging markets see higher demand for their exports and consumer spending returns while foreign investment increases.

Global growth surprises with 3.4% accelerating above 4% in 2014 as all key economies expand and unemployment trends downward.

# IHS Experts' Analyzes beyond Forecast Volumes

## Light Vehicle Sales Outlook Workshop

Market Planners and Product Managers can profit from a workshop with IHS's experts on-site, gaining insights into the global light vehicle sales market potential and key underlying trends

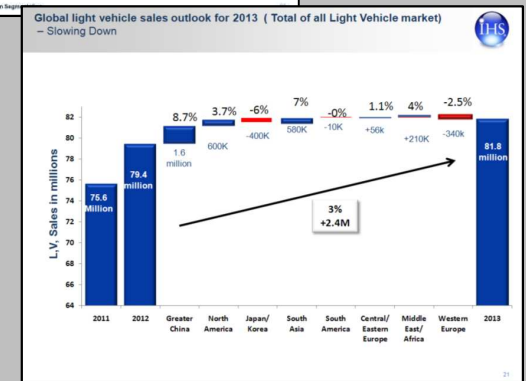
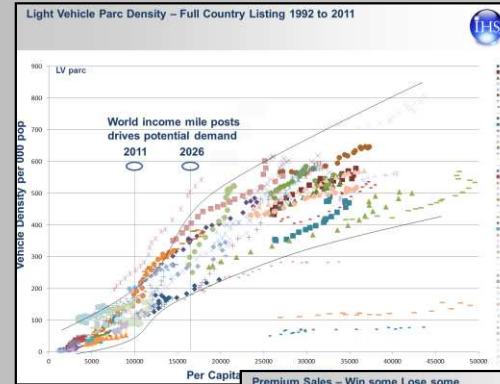


### Module Content:

- Detailing global sales by major regions (e.g. China, Europe, North America, Japan/Korea).
- General sales dynamics of emerging markets vs. saturated markets.
- Highlighting selected sales markets (e.g. strong USA rebound, Southern Europe crisis impact).
- Background analysis and analyst assumptions on global sales trends.
- Major OEMs and global competitive environment.
- Key regulatory and market framework factors to watch.

### Module Value:

- IHS's global sales forecast experts presenting on-site, thereby providing insights into IHS's Light Vehicle Sales Forecast.
- Assessing volume potential in growth markets: Opportunities and risks.
- Evaluating future sales levels in saturated markets.
- Understanding of the underlying forecast assumptions for improved market planning.





# IHS Experts' Analyzes beyond Forecast Volumes Light Vehicle Sales Deep Dive Workshop for BRIC Countries



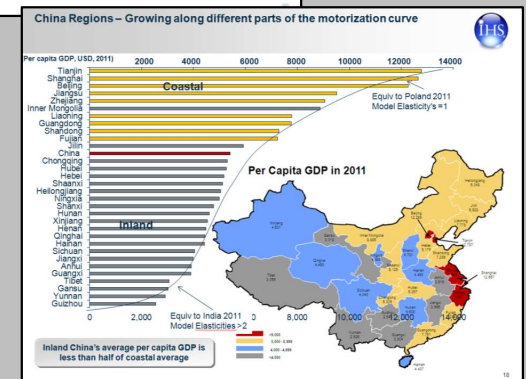
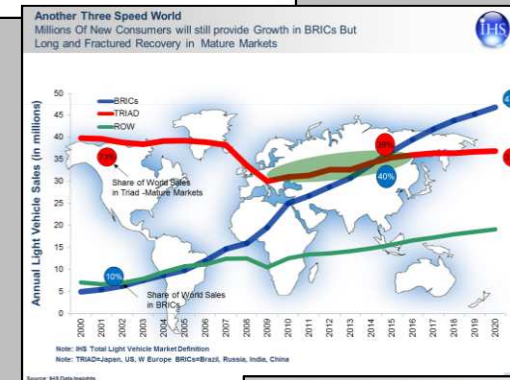
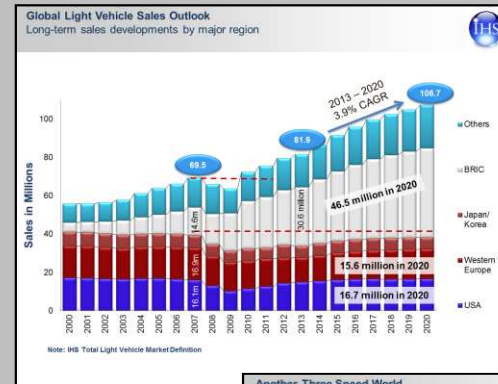
IHS's market experts for any markets, esp. for Brazil, Russia, India and China provide insights into forecast assumptions, market specific trends and key framework aspects during an on-site workshop

## Module Content:

- Detailing light vehicle sales for the major global volume growth drivers Brazil, Russia, India and China.
- Sales breakdown by IHS segment and bodytype for the 4 BRIC markets.
- Major OEM players and competitive environment outlook.
- Background analysis and analyst assumptions on market specific trends.
- Key regulatory and market framework factors to watch.

## Module Value:

- IHS country specific experts presenting on-site, thereby providing insights into IHS's BRIC market Vehicle Sales Forecast.
- Assessing volume potential in Brasil, Russia, India and China, incl. opportunities and risks.
- Understanding of the underlying forecast assumptions for improved market planning.
- Independent, third party view on the BRICs.



# IHS Experts' Analyzes beyond Forecast Volumes

## Quarterly Change Reports

IHS offers a quarterly change report for continuous updates on latest market and segment trends

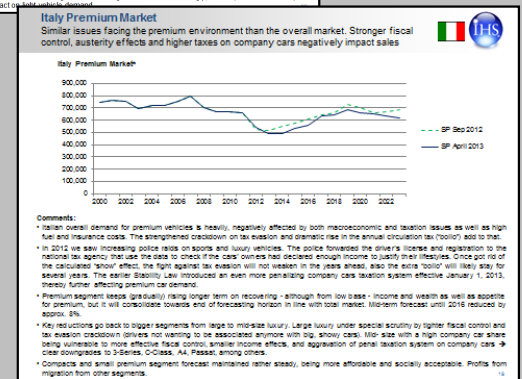
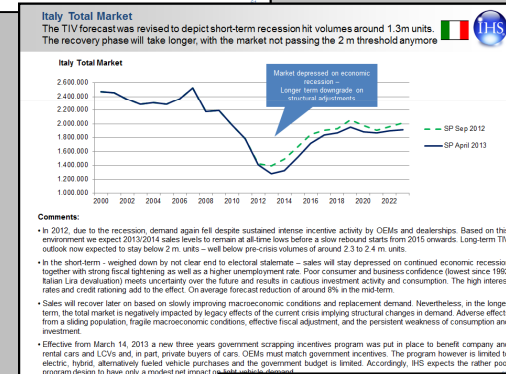
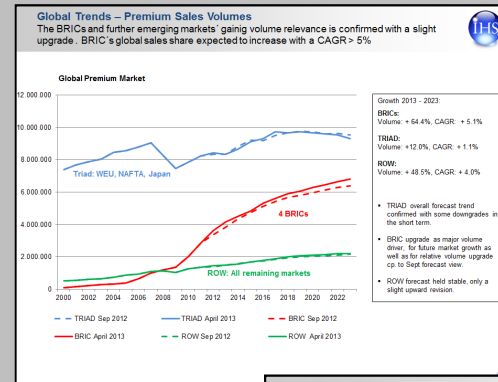


### Module Content:

- A quarterly change report shall be based on a customer-individual segmentation and provide latest market and segments trends for the top 10 global light vehicle sales markets.
- The reporting service will briefly explain aspects such as:
  - Recent registration trends
  - Reasons for top-line changes
  - Reasons for segment changes
  - Vehicle additions to the forecast.

### Module Value:

- The reporting allows for a continuous monitoring of short and long-term sales and its changes over time.
- It serves as indicator for upcoming requirements to adjust operative or strategic decisions during the current planning cycle.





## **Nigel Griffiths**

Chief Automotive Economist

### **Expertise: Automotive - Global Economics**

Griffiths has more than 20 years experience in analyzing and forecasting trends, and has been with the company since 1992 during which time he pioneered analysis of global platform strategies and predicted the extreme fragmentation now being seen in Europe's auto market. Griffiths' experience includes complex market segmentation studies, impact assessment of Emissions and CO2 legislation, competitive positioning of OEM's, deep-sea car transportation flows, production strategies, platform consolidation, OEM strategies, end-of-life exposure forecasting, and alternative market simulation models. He has an MBA from Cardiff Business School, where he specialized in the economics of the motor industry.



## **Colin Couchman**

Director, Global Light Vehicle Sales Forecasts

### **Expertise: Automotive - Global Light Vehicle Sales**

Couchman is Director of Global Light-Vehicle Forecast Research. His responsibilities include overseeing a global team of Light-Vehicle Industry Forecast experts. He specializes in sales forecasting, manufacturer model program strategies, and vehicle segmentation analysis. He is the IHS expert for the UK vehicle market. Couchman also participates in many international bespoke forecasting projects for major clients. Couchman has more than 16 years of direct experience in forecasting trends in the automotive industry. He holds an MBA in international management and a BA (Hons) in economic history and politics, both from the University of London.



## **Huaibin Lin**

Manager, China Light Vehicle Sales Forecasts

### **Expertise: Automotive - China Sales**

Lin is a Manager responsible for China light vehicle sales forecast. He has more than six years of experience in the automotive industry, including three years at Chery Automobile. During his service at Chery, he developed expertise in initiating homologation plan and formulating overseas market entry strategy. He also served as Project Manager for Chrysler-Chery Project. Lin holds an MSC degree in Financial Economics from Norwegian School of Management, Norway and B.S in Auditing from Xiamen University, China.



## **Guido Vildoza**

Principal Analyst, Latin America Light Vehicle Sales Forecasts

### **Expertise: Automotive - Latin America Sales**

Vildoza has over 10 years of experience at IHS Automotive and its predecessor companies. At IHS Vildoza is responsible for managing the automotive vehicle sales forecasts in Latin America. His primary responsibility is oversight of industry trends in the region and developing forecasts for the market. His area of expertise is product planning and strategy and their effect on vehicle demand. Vildoza has also worked in the automotive areas of manufacturers' product cycles, production capacity constraints, investment on capacity and import/export strategies. Finally, Vildoza puts his economics background to work by analyzing the political/economical landscapes of the Americas and their role on vehicle demand. He has a graduate degree in economics from Suffolk University in Boston.



## **Puneet Gupta**

Principal Analyst, India Light Vehicle Sales Forecasts

### **Expertise: Automotive - India Sales**

Gupta is a Principal analyst and is responsible for managing and developing the vehicle sales forecast for India market. He brings 13 years of rich corporate experience in automotive field in India leading companies like Maruti Suzuki, Renault India & Yamaha Motors. In his career he worked with across diverse function from Supply chain, manufacturing, and Product development with expertise in channel sales. He holds a management degree from MDI with a mechanical engineering from one of the Top Universities in India.



## **Thomas Meininger**

Senior Consultant

### **Expertise: Automotive – Consulting**

Meininger works in IHS's Consulting Group. His area of responsibility regarding sales and macro workshops comprises the client alignment an assessment of customer requirements. With that, he works together with IHS's automotive market experts to set-up and delivery the workshops on-site at the client. He holds a master's degree in business administration from the University of Frankfurt, Germany.



- IHS will only be successful, if you – our clients – will be successful by deriving meaningful business decisions from our automotive industry insights and foresights.
- Therefore, we strive to continue to analyze, discuss and plan the future of the automotive industry together with you – specifically questions related to your business.
- Thank you!



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IHS Automotive Consulting

IHS Automotive Conference  
September 2013 | IAA Frankfurt

