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Navigating Disruption in the Automotive Industry

4 Strategic Responses to Unprecedented Uncertainty and Change

The Global Automotive Industry is Entering a **New Era**.

One that is defined no longer by stability and predictability but by continuous disruption and volatility.

New challenges loom on multiple fronts, from geopolitical tensions and economic turbulence, to challenging electric vehicle (EV) trends and sustainability mandates.

Traditionally, OEMs have designed their businesses to be slow, stable, and resistant to change as a way of minimizing risk and maximizing efficiency. This survival strategy is now a liability.

In today's world, the question is not how can we stay the same, but how can we change?

In this document, we will discuss the key strategic challenges the industry is facing, and will outline suggested responses, premised not on efficiency and rigidity, but on strategic adaptability.

The road ahead is uncertain, but the opportunity is clear.

Those who invest in adaptability today will define the market tomorrow.

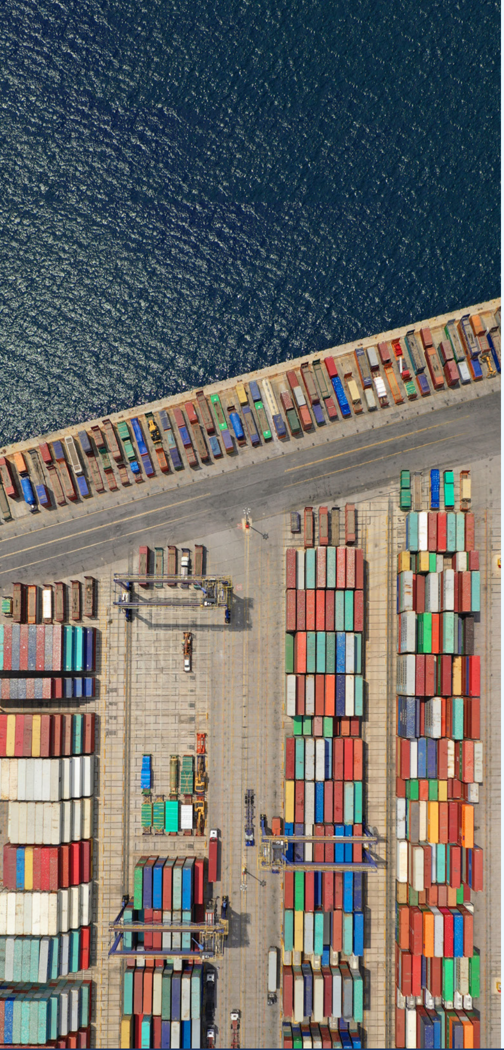
Strategic Challenges

The automotive industry isn't facing a single crisis, but many overlapping challenges that compound to put unprecedented pressure on auto makers. They are having to respond rapidly, on multiple fronts, while their resources are being squeezed more intensely than ever.

However, before OEMs can chart a path forward, they must first understand the disruptions they face. Here, we explore four of the most pressing challenges shaking up the industry and reshaping the competitive landscape.

Key Strategic Challenges

- Unprecedented tariff & trade wars
- Unfavorable economic trends
- Disrupted EV adoption
- Shifting customer expectations



1 Unprecedented Tariff and Trade Wars

Intense protectionism is rewiring supply chains the world over and forcing OEMs to rethink their sourcing strategies in response to rising prices, delays and uncertainty.

The U.S. has significantly increased tariffs on many countries, placing heavy restrictions on global trade.

Prices are skyrocketing, parts availability is under threat due to border delays, and new compliance requirements are multiplying.

This is ramping up consumer costs and creating chaos: **one-third* of North American vehicle production (around 20,000 vehicles) is expected to be disrupted and US vehicle sales are expected to fall by 4.3%** in 2025**.

The state of play is also changing continuously, casting a long shadow of uncertainty across the entire industry.

How OEMs Need to Respond

Managing tariffs means OEMs must rethink their supplier networks and explore alternative sourcing strategies. Yet, traditional 'just-in-time' supply chains (designed for stability, speed and efficiency) are simply too fragile to withstand the present disruption and uncertainty. And finding new suppliers is fraught with risk and uncertainty.
OEMs must radically adapt their sourcing strategies to this new world of risk and fragility:

Redesign supply chains for flexibility

OEMs must optimize supply chains for flexibility over pure cost-efficiency, shifting from single-source to diversified regional strategies.

Invest in real-time scenario modelling

Predictive intelligence can help to anticipate the impact on supply chains of sudden policy shifts and find optimal new routes for goods.

Develop visibility and agility across supply chain

OEMs must map out their supply chain from end-to-end (including dealers and suppliers), optimizing inventory management to balance parts availability across the network.

Explore circular economic practices

Invest in practices such as refurbishment and remanufacturing to save costs while meeting sustainability demands and keeping inventory in country.

* spglobal.com/automotive-insights/en/rapid-impact-analysis/tariffs-on-auto-industry-extended-disruption-likely
** eu.freep.com/story/money/cars/2025/03/26/tariffs-vehicle-sales-us-auto-forecasts-trump/82669981007

2 Unfavorable Economic Trends

Inflation and interest rates are up, margins and borrowing are down—forcing consumers and OEMs to do more with less.

The twin economic pressures of inflation and interest rates are consistently high, putting pressure on consumers and OEMs alike.

Consumers are responding to price sensitivity by voting with their wallets and purchasing less frequently, while OEMs are finding themselves having to make the most of their existing processes and infrastructure.

These trends are squeezing margins and profits, with downstream impact on business priorities and investments. High interest rates make borrowing difficult, forcing major operational and technological overhauls to be delayed, precisely when they are needed most.

At the same time, holding onto customers is becoming harder as they also feel the pressure. Vehicle ownership cycles will get longer, meaning fewer vehicle sales and more maintenance services for OEMs.

How OEMs Need to Respond

OEMs are being squeezed between rising operational costs and falling demand. The old model of balancing revenue with efficiency is breaking down and a more strategic, data-driven approach to margin protection and business planning is urgently needed:

Optimize pricing at speed and scale

Rising costs and tighter margins require finding the optimal trade-off between absorbing costs and passing them onto the customer across your entire inventory.

Aftermarket becomes a strategic asset

With demand weakening, high-margin aftermarket revenue becomes more strategically important, especially in terms of coordinating aftermarket functions, such as price, inventory, and warranty.

Better financial forecasting and performance visibility

Commercial teams need better tools and visibility to protect margins across different markets and product lines.

3 Disrupted EV Adoption

Electric vehicle (EV) adoption is slowing, incentives are shifting, and the business case is no longer clear-cut

Once felt to be the inevitable next step for the automotive industry, EV adoption is starting to hit bumps in the road.

In the U.S., EV adoption is still growing, but the pace has slowed compared to previous years. While federal incentives like the Inflation Reduction Act's $7,500 tax credit remain in place, some states have scaled back their EV subsidies. In 2024, **EVs accounted for 8.1% of new car sales,** with projections suggesting a modest **increase to 10% in 2025***. However, concerns over charging infrastructure and affordability continue to impact consumer demand.

Many manufacturers have already invested billions in EV platforms, battery plants, service training and so on. And OEMs now find themselves in uncertain territory, where it is unclear whether it is best to keep investing through this blip or to cut their losses.

How OEMs Need to Respond

Manufacturers are facing regionally uneven demand, shifting policy incentives, and infrastructure gaps. That makes it harder to forecast, plan, or realize returns on EV strategies. OEMs must rethink how they plan, resource, and measure success across EV and ICE portfolios.

Data-driven decision making

Teams require real-time EV field data to track usage, performance, and emerging maintenance trends so they can optimize service, repair, and warranty strategies.

Develop predictive maintenance capabilities

As EVs have fewer parts, maintenance services must step up to fill the revenue gap with OEMs building out intelligent predictive maintenance processes.

Flexible service and value based business models

Uncertain demand necessitates flexible business models, such as value-based service contracts, usage-based pricing or subscriptions, that deliver recurring value over time.

* sigmaearth.com/best-electric-vehicle-incentives-by-state-in-2025/#google_vignette

4 Shifting Customer Expectations

Digital-first expectations and rising churn are reshaping how OEMs engage with customers

Customers expect unified digital experience across all touchpoints and are more critical of brand interactions as services grow in importance and competition becomes more intense.

As services become more central to OEM business models, delivering a consistent, end-to-end customer experience across channels is now a non-negotiable business differentiator.

But the growth of expectation is outstripping OEM capabilities. They struggle to join the dots between data siloes and fragmented systems. And many traditional dealerships are not tech savvy, leaving OEMs exposed to fragmented service quality and rising churn.

How OEMs Need to Respond

Delivering on these expectations requires more than just better service teams. It demands connected systems, proactive engagement, and personalized support at scale.

Deliver seamless service experiences across touchpoints

OEMs must unify fragmented systems and data to deliver a consistent end-to-end customer service.

Real-time access to reliable customer and asset data

Service teams must have the right data at their fingertips to be able to deliver the level of service required.

Prioritize deep customer relationships to build loyalty

The importance of lifetime value in uncertain circumstances means OEMs need to proactively engage with and support customers far beyond the initial sale.

CONCLUSION

The Road To Growth

Disruptions are inevitable, they pose a major challenge to auto makers, but they don't have to slow business growth.

Market leaders will recognize the emergent opportunity to significantly optimize supply chains, improve pricing strategies, and future-proof business models in a way that will reap rewards for years to come.

The future of the aftermarket belongs to AI-driven businesses who can use this as a strategic chance to build adaptability and resilience into their operational processes.

In this context, the real enemy is not external constraints like tariffs, but the barriers and blocks within your own business. The fragmented data, siloed departments and poor visibility that makes creating a connected, harmonious and resilient aftermarket business all but impossible.

At Syncron, We Can Help.

Ours is the only AI-powered service lifecycle management platform designed explicitly for the aftermarket.

Learn more here