Cost Flexibility: An Essential Requirement in the Automotive Supplier Industry

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How can automotive suppliers remain profitable in a highly volatile environment?

The automotive industry is undergoing a transformation of unparalleled dimension in its history. Powertrain electrification, connectivity, shared mobility, and autonomous driving are challenging existing business models and the entire automotive value chain.

Significant investments will be necessary to successfully transform business models and cope with the challenges of such a disruptive environment. To ensure sufficient financing, industry leaders must either rely on additional equity and debt or need to make sure that their businesses deliver strong cashflows capable of funding investments required. On top of that, predictability in the automotive industry has given way to uncertainty, which suppliers must now master. That means battling high volatility in production volumes that may threaten the resilience of business models or put profitability at risk.

In this article we took a deeper look into:

- Why cost structure flexibility is required
- How cost flexibility can be leveraged
- Which cost flexibility levers exist

A key question for suppliers is: How can they increase the flexibility of their cost structure to maintain or regain their profitability despite short-term volume fluctuations.

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