

Automotive Engineering Services Outsourcing - Market Share Analysis, Industry Trends & Statistics, Growth Forecasts (2024 - 2029)

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Abstracts

The Automotive Engineering Services Outsourcing Market size is estimated at USD 88.02 billion in 2024, and is expected to reach USD 343.99 billion by 2029, growing at a CAGR of 24.5% during the forecast period (2024-2029).

Over the long term, engineering firms are rapidly shifting to outsourcing to save costs, boost efficiency, or increase competence. Companies outsource engineering services for various reasons, including the need for fast delivery, flexibility, a lack of in-house specialists, and a constrained budget. Additionally, increasing demand for electric vehicles, as well as increasing adoption of electric vehicles, autonomous vehicle innovative technologies such as ADAS for vehicle and passenger safety, and lightweight vehicles, are key factors that may positively impact market growth in the coming years.

Considering the growth in electric vehicle sales, several companies from the supply chain are entering into partnerships to enhance the design of vehicle components. Governments have launched various plans and efforts worldwide to encourage buyers to lean toward electric vehicles over conventional automobiles.

Key Highlights

One such plan that encourages the purchase of electric vehicles is the California ZEV program, which intends to have 1.5 million electric vehicles on the road by 2025.

In November 2023, Capgemini offered sustainable, safe, secure, and connected solutions with key expertise such as software development and product engineering in

the Autonomous, Connected, Electric, and Shared vehicles domains. It received the highest “Vision and Capability” rating and was designated the top Leader by the Everest Group ACES Automotive Engineering Services PEAK Matrix Assessment 2023.

Europe is expected to grow significantly in the target market, owing to the presence of OEMs and changing consumer preference toward electric vehicles. The presence of countries such as Germany and the United Kingdom also positively impacts the market’s growth due to the policies and regulations implemented by their governments related to emissions and encouraging the usage of green technology. North America is also expected to witness considerable market growth during the forecast period.

Automotive Engineering Services Outsourcing Market Trends

Passenger Cars Hold the Highest Share

Passenger cars have gained immense popularity among drivers over the past few years due to features such as stylish design, compact size, and economic value. Passenger cars are the most common mode of transportation in numerous advanced countries. The improving lifestyles, increasing purchasing power, rising disposable incomes, growing brand awareness, and improving economy are leading to a shift in customer preferences worldwide globe, resulting in high sales of passenger cars.

According to the Society of Indian Automobile Manufacturers, sales of passenger cars increased from 14,67,039 to 17,47,376 units during 2022-2023.

The increased demand for electric vehicles in Asia-Pacific also resulted in market growth. In the first quarter of 2023, electric car sales in India doubled compared to the same period in 2022.

The rising demand for sport utility vehicles (SUVs) creates profitable opportunities for market players and acts as a major driving factor for the global passenger car market’s growth. The share of SUVs in overall passenger vehicle (PV) sales rose from 18% in 2016 to 41% in 2023.

Companies are focusing on developing some exciting capabilities in automotive engineering and sharing their vision for the future of mobility. They are also focusing on agreements to scale these capabilities and innovations globally. The segments include electric/electronics, software, consulting and service, testing, and vehicle development.

For instance, in October 2022, Tech Mahindra, a leading provider of digital transformation, consulting, and business re-engineering services and solutions, announced a partnership with Foxconn-initiated MIH (Mobility in Harmony) Consortium, an open EV alliance that promotes collaboration in the mobility industry.

Thus, the abovementioned factors are expected to have a positive impact on the market.

Asia-Pacific is Expected to Hold a Major Share in the Automotive Engineering Service Outsourcing Market

Asia-Pacific is likely to have a large share of the target market, attributed to the presence of significant automobile OEMs and the outsourcing of production and associated operations to countries such as India, South Korea, and China due to the availability of low-cost labor. As a result, automotive ESO providers are transferring their operations to this region.

India accounts for roughly 30% of all available manpower among low-cost countries. The country has a 15-26% cost advantage over European, Latin American, and North American countries. India has provided a highly competitive market for global OEMs catering to the needs of various segments worldwide. Kia and MG are two new OEMs in the Indian market.

The availability of low-cost, educated, and semi-skilled labor in India makes it an attractive option for international OEMs seeking to outsource their operations. Several firms focus on partnerships to develop sustainable mobility solutions and build the next generation of electric vehicles, autonomous driving solutions, and mobility service applications that can deliver value for consumers in the mobility industry. For instance,

In August 2022, L&T Technology Services, headquartered in India, bagged a 5-year infotainment deal from BMW Group to provide high-end engineering services for the company's suite of infotainment. The proximity to BMW Group's campus will enable LTTS' engineers to work on a variety of solutions and offer services in real-time.

Thus, the abovementioned factors are expected to positively impact the market's growth.

Automotive Engineering Services Outsourcing Industry Overview

The automotive engineering services outsourcing market is consolidated and led by globally and regionally established players. These companies adopt strategies such as new product launches, collaborations, and mergers to sustain their market positions. For instance,

In September 2023, HCLTech acquired a 100% stake in the German automotive engineering services provider ASAP Group for USD 276 million. The transaction was expected to close by September 2023. ASAP is focused on future-oriented automotive technologies in areas such as autonomous driving, e-mobility, and connectivity.

Some major players dominating the market include AVL List GmbH, Bertrandt AG, EDAG Engineering GmbH, IAV GmbH, and Altran.

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The market estimate (ME) sheet in Excel format

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