

Automotive Engineering Services Outsourcing Market - Growth, Trends, Covid-19 Impact, and Forecasts (2023 - 2028)

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Report description:

The Automotive Engineering Services Outsourcing Market was valued at USD 70.7 billion, and it is projected to reach USD 276.3 billion, registering a CAGR of 25.5% in the next five years.

The COVID-19 outbreak has affected many industries across the world. Many countries imposed a complete lockdown for a few months because of the COVID-19 pandemic, which hampered the production of vehicles. Vehicle sales took a hit as manufacturing sites throughout the world were shut down. The impact of the pandemic was moderate on the automotive engineering services market. However, most automakers have resumed vehicle manufacturing with limited capacity and safety measures in place. The market is expected to grow positively during the forecast period as economies are recovering in the post-pandemic period.

Over the long term, engineering firms are rapidly shifting to outsourcing, either to save costs, boost efficiency, or increase competence. Companies outsource engineering services for a variety of reasons, some of the key factors are the need for fast delivery, the need for 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 some of the key factors that would positively impact market growth in the coming years.

Considering the growth in electric vehicle sales, several companies from the supply chain are entering into partnership to enhance the design of vehicle components. Various plans and efforts have been launched by governments throughout the world to encourage buyers to prefer electric vehicles over conventional automobiles.

Key Highlights

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

In February 2021, AVL and Batemofirmed a strategic agreement in the area of virtual battery development. AVL and Batemo'scollaboration seeks to consolidate battery modeling knowledge so that clients may be advised in design, function and system development, battery testing, and fleet operation.

However, the market faces challenges from restraining factors like the high cost of engineering services which may hamper market growth.

Europe region is expected to be the grow with a significant rate in the target market, owing to the presence of OEMs and changing consumer preference toward electric vehicles. Prsence of countries such as Germany, and United Kingdom, among others, are also positively impact the growth to target market owing to their policies and regulations implemented by their governments related to emissions and encourage the usage of green technology. Furthermore, North America is also expected to witness considerable market growth during the forecast period.

Automotive Engineering Services Outsourcing Market Trends

Rapid Development and Implementation of New Technologies and Systems are Expected To Foster the Demand of Target Market

Rapid development and implementation of new technologies and systems are expected to drive the target market growth during the forecast period. Before the implementation of new technologies and systems in the vehicle the company uses prototyping for the replication of final products which allows the company to identify and establish the primary direction of the design while saving time. The proper arrangement of interface components improves usability and makes the resource more appealing to users. In some circumstances, a prototype help can encourage its customers to do specific activities.

Moreover, the automobile sector has taken one step further by strengthening its use of 3D printing technology to create a prototype of a whole car model as well as for specific parts and components. OEMs are using 3D printing technology to swiftly identify defects in prototypes and implement effective actions, resulting in a more cost-effective strategy. For instance,

Ford Motor Company pioneer in both bound metal deposition as well as in binder jetting metal 3D printing technologies. They currently deploy the Desktop Metal Studio System to create prototypes, test components, jigs and fixtures, and innovative vehicle designs. They intend to change their global supply chain and generate high-performance components on demand using a binder jet-based metal additive manufacturing technology.

Volkswagen is using in-house 3D printing for some years, with around a hundred 3D printers installed in its facilities to date. At Volkswagen, additive manufacturing technology is mostly used for tooling, jigs and fixtures, and prototyping. Almost all of its tooling manufacture is now based on 3D printing, saving the firm hundreds of thousands of dollars each year.

Based on such development, the prototyping segement is expected to grow significantly in the target market during the forcast period.

Asia-Pacific Expected to Hold Major Share In Automotive Engineering Service Outsourcing Market

Asia-Pacific region is likely to have a large market share in the target market. This is attributed to the presence of significant automobile OEMs as well as the outsourcing of production and associated operations to countries such as India, South Korea, and

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China due to the availability of low-cost labor. As a result, automotive ESO providers have focused their efforts on the sector and transferring their operations to the Asia-Pacific region.

India accounts for roughly 30% of all available manpower among low-cost countries. India has a 15-26 percent 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 around the world. Kia and MG are two new OEMs in the Indian market.

Furthermore, 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 in the country are developing and building equipment for autonomous cars in order to capture a portion of the rapidly rising autonomous vehicle market.

The government has mandated safety features in new vehicles in order to minimise accidents and fatal collisions. For instance,

Between 2022 and 2023, the Union Road Transport Ministry of India proposed mandating the inclusion of modern safety technologies such as Electronic Stability Control (ESC) and Autonomous Emergency Braking (AEB) in new automobiles. The authority has also stated that additional safety measures are required for all cars in India and should not be confined to high-end automobiles. Such development required outsourcing service which will positively impact the market growth.

Automotive Engineering Services Outsourcing Market Competitor Analysis

The automobile sector is witnessing collaborations, acquisitions, and partnerships throughout the globe. To keep up with the growing customer demand for connected vehicles, increased autonomy, and electrifications, OEMs are partnering with industry experts and leaders in IT and battery manufacturing. OEMs are producing white label vehicles for technology companies to install the latest features and technology that will make the vehicle suitable for the present need of customers. For instance,

In February 2021, Apollo Future Mobility Group Limited has completed the acquisition of the issued share capital of Ideenion Automobil AG, a German supplier of automotive engineering services outsourcing ("ESO"). The purchase will help the Group's business plan of extending its new energy vehicle ("NEV(s)") solutions and services and positioning itself as a leading full-service provider.

In February 2021, AVL entered into a strategic partnership with Batemo in the field of virtual battery development. The partnership between AVL and Batemo aims to consolidate battery modeling competence by which customers can be guided in design, function and system development, battery testing, and fleet operation.

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

Additional Benefits:

The market estimate (ME) sheet in Excel format
3 months of analyst support

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