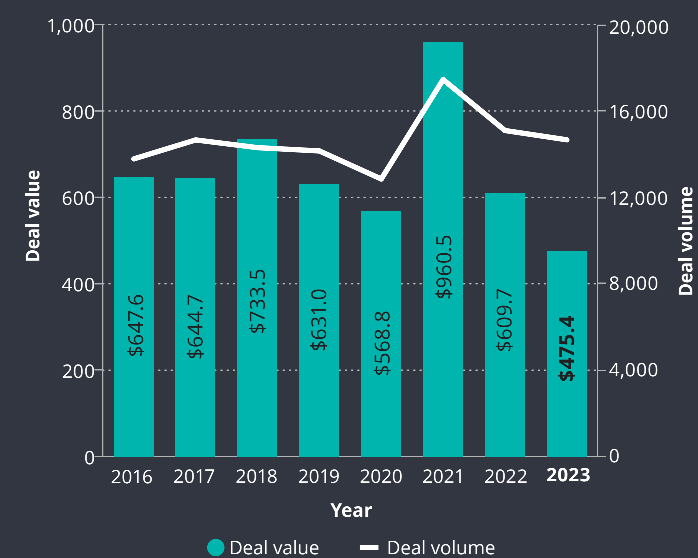
Consumer & Automotive

Consumer & Automotive deal value and volume
(in billions of US dollars)



Source: Based on Deloitte's analysis of M&A data generated via the Refinitiv database on January 12, 2024.

Observations

The Consumer sector saw a continued decline in M&A activity, with value down 22% YoY to $475B in 2023.

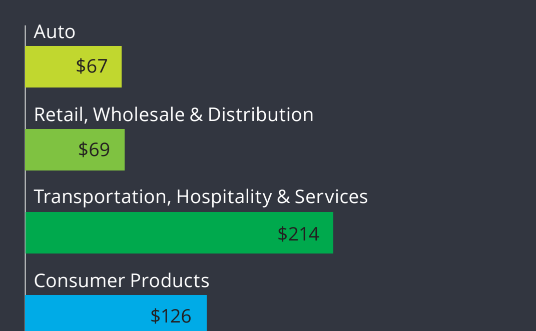
In terms of M&A volume, Europe was the most active region with 5,292 deals, followed by Asia-Pacific (4,614 deals) and North America (4,002 deals). Asia-Pacific had the highest total deal value at $164B driven by a high volume of small-sized (<$250M) deals.

Transportation, Hospitality & Services was the most active subsector with $214B worth of deals. Automotive saw the highest YoY increase of 23% to $67B.

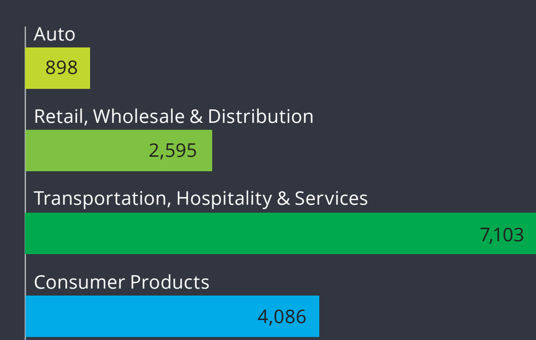
In Deloitte's recent global survey of consumer product executives, 89% said that expansion through acquisitions is a 2024 priority. Half of executives said they regularly divest low-performing business lines and six in 10 rationalize brands/products.[53]

In the United States, M&A deals may face increased regulatory scrutiny relative to prior years. With antitrust cases common, companies might also consider deals that bring them to adjacent spaces.

Deal value by sector (2023)
(in billions of US dollars)



Deal volume by sector (2023)



Consumer

Forces shaping 'new normal' conditions

Pressure on margins

- Surges in inflation, customer demand, supply chain disruptions, and higher labor costs are leading to rapid increases in production costs and pressure on margins.

Slower recovery in some subsectors

- Post-pandemic uncertainty continues to affect the leisure, travel, and hospitality sectors.
- Revenue losses in these sectors, originally from the pandemic but now from inflation, could contribute to an increase in sales of distressed assets and restructuring.

Direct-to-consumer (D2C) purchases will increase

- D2C models will enable companies to increase customer-centricity through personalization, loyalty programs, and increased customer service levels.
- More companies will look to be active in the D2C space and acquire platforms to increase scale of distribution.

Sustainability and wellness influences purchasing behavior

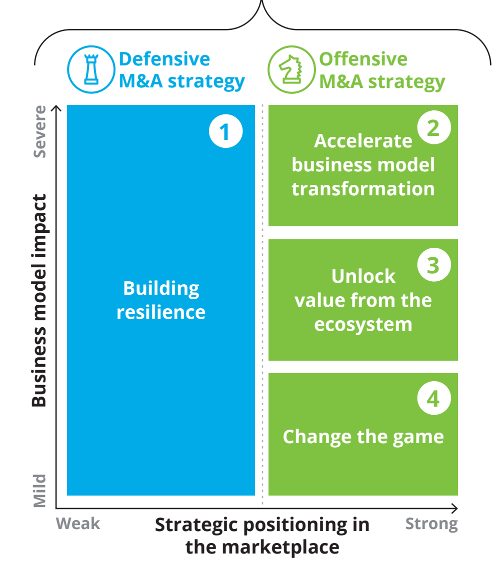
- Consumers are increasingly willing to pay a premium for socially conscious products, ethical supply chains, and wellness-focused offerings.
- This trend is creating opportunities for new revenue streams.

Short-term responses

1 Supply chain resilience
Companies could consider investing in contingency supply chains, which includes considering partnerships with new suppliers, as well as with private equity, to bolster supply chain systems.

2 Technology-led transformation
Digital transformation is fundamental to success. In addition to omnichannel capabilities, companies should consider investments in predictive demand analytics, fulfillment, and dynamic pricing.

CEO priorities



Medium-term responses

3 Pursue alliances
Companies could consider alliances with their peers to alleviate supply-side pressure, as well as cross-sector arrangements with sectors like technology to enhance customer experience.

4 Growth investments
Companies could consider an ESG-aligned investment strategy to target assets such as sustainable product design and packaging, as well as in emerging growth segments such as personalized nutrition and carbon-neutral travel.

Automotive

Forces shaping 'new normal' conditions

Connectivity is becoming standard

- The majority of cars are expected to have smart connectivity by 2035, driven by consumer demand and regulation.
- Data generated by 5G connectivity will be valuable and utilized by original equipment manufacturers (OEMs), dealers, fleet owners, and consumers.

Electric vehicle (EV) and fuel-cell ecosystems

- The EV market and associated ecosystem are expected to grow in double digits driven by customer preferences, favorable regulation, private capital investment, and the strategic push by OEMs.
- Hydrogen fuel-cell powered vehicles are starting to make up a more meaningful portion of the market.

Shared mobility and mobility-as-a-service continue to grow

- Shared mobility market continues to grow, driven by need for convenience, lower costs, and environmental concerns.
- Customers are using mobility platforms in an increasing variety of ways, including for grocery delivery, courier, and others.

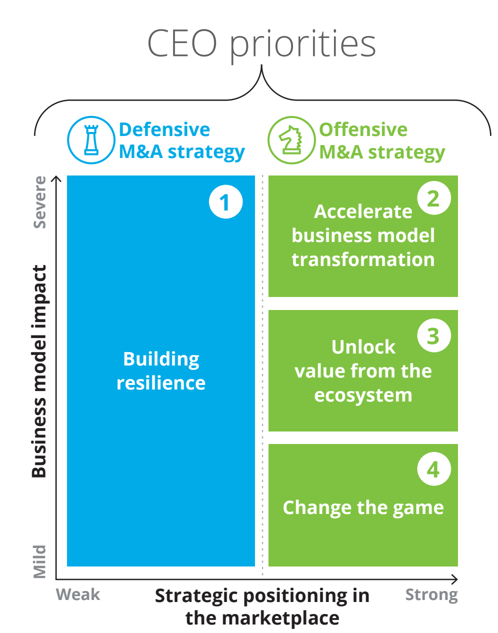
Investment for autonomous vehicles (AVs) remains steady

- Both OEMs and tech companies are investing heavily in autonomous vehicle technologies. However, mass adoption remains distant owing to safety concerns.
- Stakeholders need to work closely with governments to shape future regulations that strike the balance between innovation and safety.

Short-term responses

1 Safeguard supply chain
Supply chain disruptions may prompt OEMs to vertically integrate critical aspects such as chips and divest auxiliary services such as auto financing, retail insurance, etc. to facilitate these critical investments.

2 Agile business models
Companies should consider investments across the entire value chain to make the business more agile; these include opportunities for digitization, flexible manufacturing, and smart factories.



Medium-term responses

3 Software-centric partnerships for CASE development
Access to a comprehensive software suite is critical to success for driving Connected, Autonomous, Shared, and Electric (CASE) products. OEMs should explore alliances and partnerships to drive this forward.

4 Future portfolio realignment
Companies need to continue building a future portfolio that aligns major shifts in consumer trends. This could include value chain opportunities such as smart infrastructure, recycling, and sustainable materials.