



Meeting the 'China speed' challenge in the US auto market

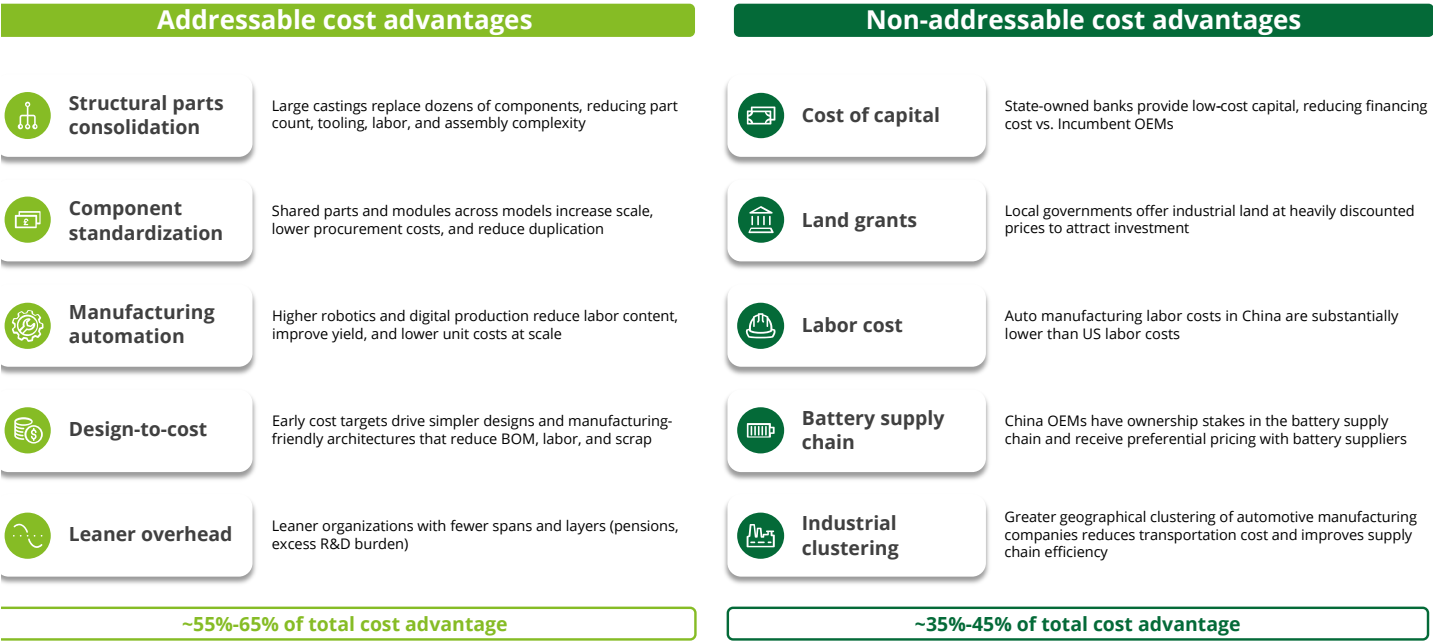
Four considerations for OEMs preparing for potential Chinese competition

Despite transformational change taking place across the automotive sector, most traditional manufacturers have stuck to a few fundamental principles, such as how a vehicle should be designed and, more importantly, how long it should take. Meanwhile, Chinese automakers are quickly rewriting the rules governing vehicle development, upending the competitive landscape in many global markets. In the US, policymakers have adopted various China-related policies intended to protect the US auto industry and, more broadly, national security. These include a 100% tariff on Chinese electric vehicles (EVs) and restrictions on certain China-linked connected vehicle hardware and software, alongside other ongoing efforts to limit Chinese influence in the North American auto market. However, even with these policies, some industry executives believe the introduction of China-based

automakers in the US is inevitable.¹ At that point, the competitive advantage that incumbents may currently retain would be put to the test as China-based competitors may have already taken the lead in some areas.

How can traditional original equipment manufacturers (OEMs) respond? They may want to consider retooling their approach to speed and cost. Discussions with leading automakers and industry experts suggest incumbent OEMs can close 55% to 65% of the cost gap that has fueled China's rapid expansion across several global automotive markets. Although related policy efforts continue to evolve, insulating the US market from Chinese competition may also require structural changes largely within the incumbent OEM's control (figure 1).

Figure 1: Addressable and non-addressable cost advantages among China-based OEMs



Source: Discussions with leading automakers and industry experts

Some of these changes are already in motion, broadly accepted by industry leaders as upgrades important to modernizing complex and fragmented operations. Others, like the commonization of parts across competitors, may be harder to implement. But cross-OEM collaboration may prove to be key to competing in the long run. By leaning into a commonization-first approach—prioritizing non-differentiated components that consumers don’t see—incumbent OEMs will likely be able to cut costs, expedite development timelines, and redirect investments toward innovations that help them stand apart in an increasingly crowded field.

What’s really driving China’s automotive competitiveness

A plethora of Chinese OEMs have been gaining traction within their domestic market, increasing from 50% to 67% light vehicle (LV) market share from 2022 to 2025.² But with manufacturing overcapacity and weakening demand at home, some OEMs are pushing an export strategy aimed at several global markets. Outside China, Chinese OEMs’ LV share has risen from 2.1% to 6.2% over the same three-year period, with the biggest regional gain coming from Eastern Europe (4.5% to 22.6%), where local production and dealer networks are expanding to sustain long-term growth.³ Overall, the speed with which Chinese OEMs are executing their growth expansion strategies has been highly disruptive for manufacturers operating in those target markets.

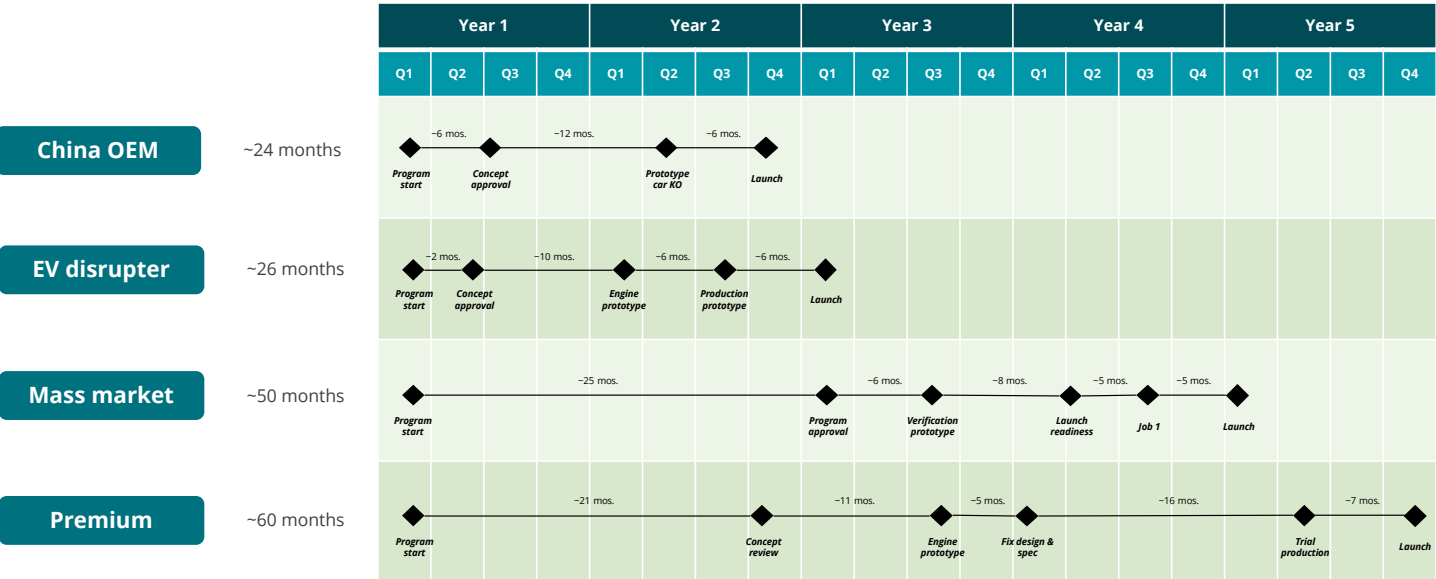
Speed is also one of the primary factors driving underlying Chinese OEM competitiveness (figure 2). Our analysis suggests that many China-based OEM development cycles are shorter, in part due to platform standardization, digital-first engineering, complexity reduction, flat organizational structures with iterative decision-making, and tooling optimization, as well as differences in economic and industrial models. Component standardization alone provides China-based OEMs a reduction of 8 to 12 months in development time. Total product development cycles run roughly 22 to 32 months, compared to 40 to 48 months for incumbent OEMs.⁴

However, in a scenario where Chinese OEMs were mandated to manufacture vehicles in the US in order to gain market access, a variety of other considerations emerge. Operating an advanced manufacturing facility simply costs more in the US. In China, it’s substantially cheaper to build manufacturing facilities, and workers earn 86% to 91% less annually than US workers.⁵

So, perhaps the bigger question is: Would Chinese OEMs be able to maintain their cost advantage once operating in the US, where land isn’t free, capital expenses are higher, and labor protections are stronger? Not to mention the expense of dealer networks, supply chains, and overhead that can drive up vehicle purchase prices.

Any advantages that remain for Chinese OEMs may rely on design and engineering capabilities they can still leverage from their domestic operations.

Figure 2: Comparing product development cycle times (China vs. US-based OEMs)



Note: The term EV disrupter refers to EV-only manufacturers operating in the US market.
Source: Discussions with leading automakers and industry experts.

Consumers prize vehicle quality and value

In the US, four in 10 consumers prioritize purchases that offer more value for the price.⁶ Moreover, according to [Deloitte's 2026 Global Automotive Consumer Study](#), product quality (58%) is the most important element driving vehicle brand choice for US consumers, followed by performance (51%) and price (46%).⁷

Recent study findings measuring initial quality suggest that some Chinese-brand models have outperformed Western automaker offerings in the Chinese market.⁸ Chinese-brand vehicles have also achieved the highest rating in recent Euro NCAP safety tests, demonstrating a capability to meet rigorous global quality standards.⁹ However, it's also not yet clear how Chinese vehicle durability holds up over time, and whether potential recalls for software, electrical, battery, or other defects could impact vehicle longevity and value perceptions. Quality concerns are universal—in the US, 31.3 million vehicles were potentially affected by 997 recalls in 2025.¹⁰

For their part, study findings suggest US consumers may welcome global competitors—if they can get a good buy. As of August 2026, 61% of US consumers reported feeling new vehicles are outside their price range.¹¹ In addition, half of US drivers (53%) say they plan to switch brands for their next vehicle purchase, and 46% claim they don't care whether the brand is domestic or foreign as long as the vehicle itself meets their needs.¹²

Where US OEMs likely have an advantage

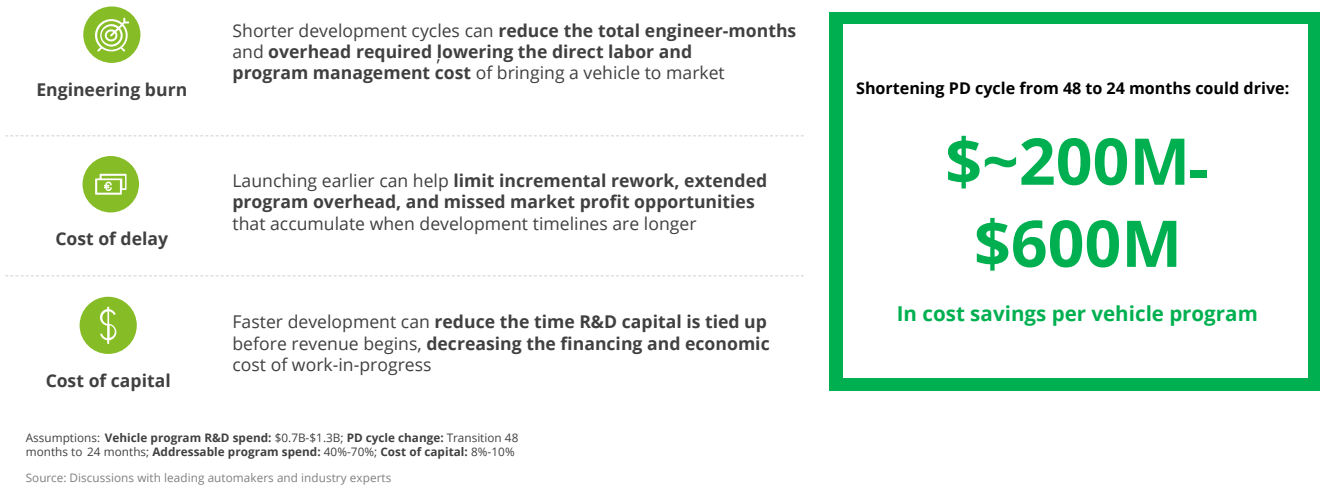
Most of the improvements that could help address differences in cost and speed aren't only within incumbent OEMs' control—they're

likely already being embraced and partially implemented. That's good news. In addition, industry executives interviewed suggest adopting practices that shorten production cycles from 48 to 24 months could potentially save traditional OEMs around \$200 million to \$600 million per vehicle program (figure 3).

To help capture these potential cost savings, incumbent OEMs may want to consider the following strategies:

- **Build an industry parts standardization capability.** Create leveraged pricing and sourcing processes for high-volume commodity parts for incumbent OEM vehicle programs. This would likely involve collaboration on part specifications at a scale and speed that may be challenging to achieve but patterned after approaches used in the Chinese industry through the China Automotive Technology & Research Center (CATARC).¹³
- **Pursue digital-first product development.** Accelerate decision-making by rearchitecting the product development (PD) operating model to prioritize agile validation and concurrent engineering, removing “solid” development gates that hinder program momentum.
- **Make cost a design constraint.** Every vehicle program has a cost target, but OEMs should reconsider whether these targets are achieved via design and development compromises, or through methodical parts reuse and “platformization” strategies. Cost considerations should also be brought forward in the design process instead of emerging as a late-cycle procurement issue. Reducing design complexity and narrowing the number of buildable configurations and features can help further streamline scope and speed production.

Figure 3: Potential cost benefits of shorter product development cycles



- **Deploy smart manufacturing.** Modernize plants into software-enabled, highly automated, flexible production systems that can help reduce labor minutes, variability, and launch risk at scale. Strategies like virtual prototyping, digital twins, and automated test pipelines could compress PD timelines by another four to six months.¹⁴

Making commonization the industry standard

Commonization is far from a new concept. Over the years, we've seen isolated examples where OEMs have collaborated on components, engines, and platforms, enabling some brands to manage new-vehicle development costs they otherwise couldn't afford.¹⁵ However, despite the potential for notable savings tied to the cost of reinventing non-differentiating parts that consumers do not seem to value, many US incumbent OEMs have traditionally been reluctant to create common standards and shared volumes.

On the other hand, Chinese OEMs, spurred by CATARC reuse and commonization standards, have moved much faster on this front.¹⁶ Results of industry executive interviews suggest incumbent OEMs should consider evaluating their product and platform family reuse against the following benchmarks:

- **40% platform-specific parts:** Increase efficiency by reusing parts that consumers can't see, such as shafts, bearings, and chains.

- **30% market-specific parts:** Promote appearance and differentiation through parts that people interact with, such as dashboards and headlamps.
- **30% program-specific parts:** Design to meet specific requirements and reuse parts when enforced by catalogs and governance-defined guardrails.

Maintaining rigid norms that reinforce redundant design, development, and homologation efforts could result in OEMs missing opportunities to drive speed and cost efficiencies that could result in significant savings. That's capital that could be redirected from proprietary parts production to a cross-OEM collaborative, common component development platform that could help increase scale, lower procurement costs, reduce design time and duplication, and shorten validation cycles.

The "commonization now" rally cry heard around the automotive industry in 2015 did relatively little to shake up how traditional OEMs operate.¹⁷ Competition from Chinese OEMs may be cause for revisiting the topic.

A path to stronger competitiveness

Traditional automotive manufacturers may not be able to take a wait-and-see approach to addressing the growing challenges presented by their China-based OEM competitors. Not only do incumbents face the potential of increased competition in their home market, but they may also risk falling behind on the global stage as markets outside the US continue to innovate at pace.

Structural and operational change will likely be needed to prioritize digital-first product development, leveraging cost as a design constraint, and end-to-end manufacturing automation while maintaining the quality and value consumers expect. Traditional OEMs should consider working together to share the costs of

product development for interchangeable components and platforms that don't impact brand differentiation or consumer preferences. If these systems are transformed for greater efficiency and cost savings, traditional OEMs may be better positioned to face market newcomers head-on.

Contact



Jeff Hood
Principal
Deloitte Consulting LLP
jeffhood@deloitte.com



Raj Iyer
Managing Director
Deloitte Consulting LLP
rajeiyer@deloitte.com



Ryan Robinson
Director
Deloitte LLP
ryanrobinson@deloitte.com



Nick Crowley
Senior Manager
Deloitte Consulting LLP
nicrowley@deloitte.com



Ethan Vasilias
Senior Manager
Deloitte & Touche LLP
evasilias@deloitte.com

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