

Rubber manufacturers 'must adapt and tap into' shifting market trends

Analyst explores the impact of global industry trends on automotive component suppliers

The severe challenges facing automotive parts suppliers were explained in no uncertain terms by Roland Berger analyst Dr. Kay Thielemann at the WDK annual conference in Frankfurt, Germany.

But the industry expert also highlighted opportunities for rubber manufacturers, linked to increasing demand for innovative and sustainable materials as well as vehicle electrification, China expansion and AI-driven digitalisation.

The automotive industry's recovery has halted and is not expected to return to pre-Covid levels before 2029, Thielemann set out in his presentation to the German rubber industry association's meeting on 3 Nov. According to the analyst, the automotive supply sector has structurally lost around two percentage points of its earnings (EBIT) margin compared to pre-Covid levels.

Parts suppliers, he forecast, are set to remain under pressure given current automotive industry trends: flattening production volumes; slowing battery electric vehicle (BEV) adoption; competition in/from China; and geopolitical tensions.

To compete, the rubber industry must "navigate stagnant automotive production, a more gradual than expected shift to BEVs, continuing geopolitical risks and intensified regulatory pressures," the analyst advised.

Amid slow growth in demand for tires and rubber components, suppliers should "focus on efficiency and diversification beyond traditional passenger car segments," Thielemann told the Frankfurt gathering.

Despite slower adoption, he noted, BEV volumes are growing, with increasing demand for "specialised rubber solutions such as lightweight & low rolling resistance tires, battery pack sealing and thermal management systems."

But highlighting a need for stronger supply-chain resilience in the face of ongoing cost & margin pressure, raw material volatility and geopolitical risks, Thielemann said "strategic procurement and operational

efficiency" were now key to competitiveness.

Meanwhile, he forecast that "eco-friendly materials and compliance with stricter standards will become a major differentiator for suppliers given intensified sustainability and regulatory pressure."

Of at least equal significance is the rise of Chinese automotive producers: the country's OEMs having "gained domestic market traction with a steadily growing EV portfolio and upper segment

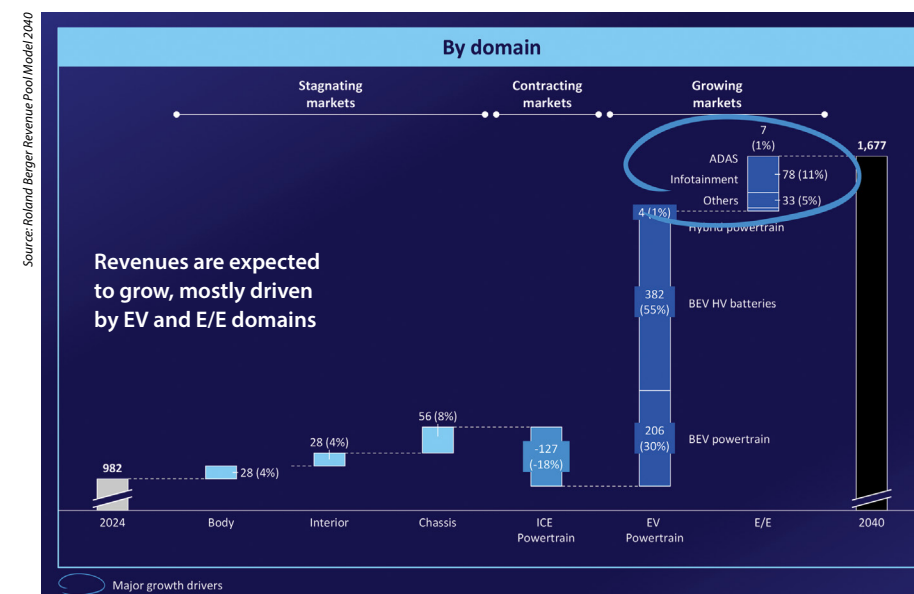
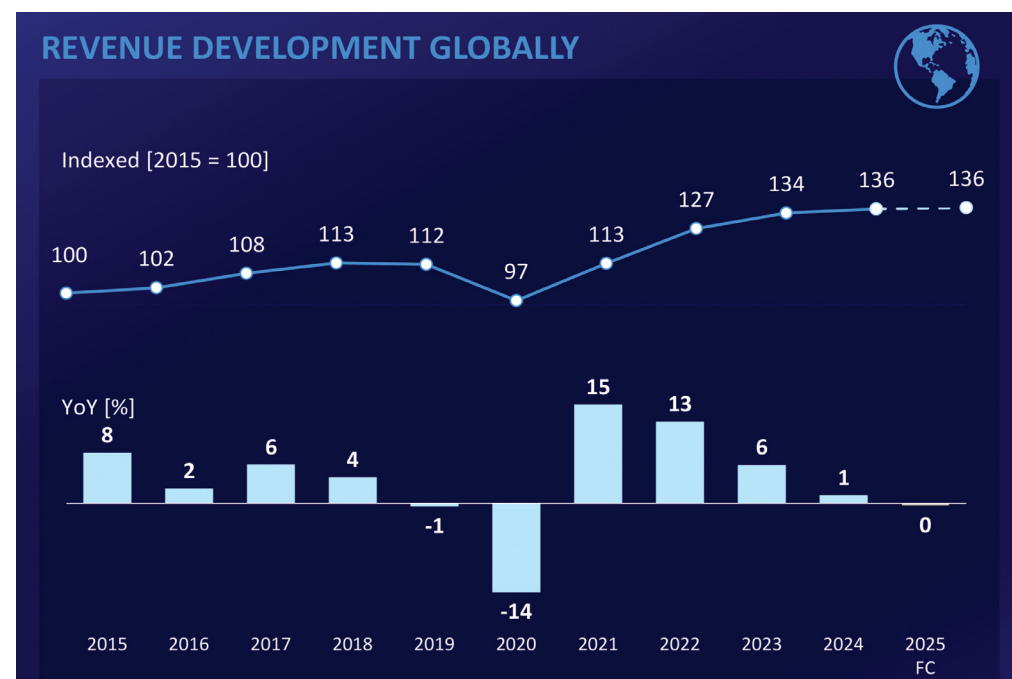
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Among other developments, the Roland Berger expert said Chinese automotive companies had "drastically" cut the time and resource requirements of their product engineering processes.

Achieving 'China speed', he said requires: "Accelerated product development processes and agile front-loaded generic development [with] parallelisation of processes, simulation, and a minimum viable product (MVP) approach."

Other important aspects included: Simulation for early validation/testing; close alignment with OEMs on MVP; lean R&D; speed-of-response to market conditions; global expansion; and cross-region collaboration

“Consider strategic partnerships with Chinese players to gain access to fast-growing markets driven by China's automotive expansion



Chinese automotive suppliers, continued Thielemann, can deliver products at a significantly lower cost, mainly due to "OEM-aligned product trade-offs; high adaptability to OEM requirements; and balanced design decisions with strong customer attunement in focus."

Other advantages, he said, stem from stringent cost-out operating models that leverage both technical and commercial levers, integrated procurement and direct accountability for cost-out management to safeguard margins.

With their greater development speed, aggressive cost strategies, EV focus, and global expansion ambitions, Chinese OEMs are "reshaping competitive dynamics for rubber suppliers," summarised Thielemann.

In particular, he said, "Chinese OEMs' speed in launching new models means tire and rubber suppliers must shorten development cycles and align quickly with evolving specifications."

Likewise, aggressive cost-out strategies by Chinese players will force global rubber manufacturers to optimise production efficiency and explore localised sourcing to remain competitive.

Material innovation could provide a competitive edge here, especially as the strong BEV focus in China is increasing demand for rubber compounds with advanced low rolling resistance, lightweight and noise reduction properties.

Rubber suppliers will also need to differentiate through premium quality, sustainability, and technology partnerships in response to intensified competition that will accompany the global expansion of Chinese OEMs.

On a positive note, Thielemann said that component revenue pools are expected to grow mostly driven by new mobility, though with China and the 'global South' as key regional contributors. In response, he said,

rubber players should focus on new opportunities in the areas of aftermarket services, material standardisation, sustainability and EV technologies – as well as China expansion and AI-driven digitalisation.

By leveraging the aftermarket, component manufacturers can mitigate volume volatility and price pressure with stable, high-margin revenue streams, he explained. This includes focusing on premium replacements, integrated services such as seals replacement packages, and digital solutions like predictive maintenance and online ordering.

Standardising material platforms, meanwhile, can help cut complexity and cost by consolidating rubber formulations for common applications – among them seals, vibration damping, thermal management hoses – into modular families. Rubber manufacturers were also advised to: target economies of scale; speed up development cycles; and boost efficiency across product lines.

On the environmental front, suppliers should advance R&D on sustainable rubber compounds, such as bio-based blends, implement closed-loop recycling for production scrap, and develop devulcanisation technologies to reuse end-of-life rubber.

With regard to AI and digitalisation, opportunities include applying AI-driven procurement for cost efficiencies, efficiencies through smart-production, automation to cut scrap and downtime and predictive supply-chain tools to improve inventory accuracy and responsiveness.

In his conclusions, Thielemann said suppliers should seek to "capitalise on BEV growth by developing specialised rubber solutions – such as thermal management and low rolling-resistance tires.

Furthermore, rubber parts manufacturers should "consider strategic partnerships with Chinese players to gain access to fast-growing markets driven by China's automotive expansion."



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