In order to manage their margins and profitability, auto suppliers need to stay ahead of the curve—and their competition. The following industry disruptions could pose significant challenges:

1. **Changing growth patterns**

   There is an expectation of continued growth in some markets (such as China), stabilization in others (Japan and South Korea), and decline in still others (the United States, European Union and the United Kingdom).

2. **Accelerating technology**

   Advanced driver assistance systems and fully autonomous vehicles present a tremendous value offering for consumers. But they face regulatory and consumer acceptance hurdles.

3. **Evolving component needs**

   Many existing competencies will become obsolete as intense competition arises from technology players and products entering the industry.

4. **Declining valuations**

   For OEMs, there is a risk of market share and profit share loss as more companies offer technology and software products. Investors take note of this volatile environment and value the automakers accordingly.

5. **Increasing barriers to capital**

   For commoditized suppliers, decreased valuation—resulting from greater competition and lower profitability—puts their access to capital at risk.

6. **Rising demand for skilled labor**

   Engineers and technicians will be essential going forward as technology changes the way the industry operates. But OEMs and suppliers will be fighting with other industries over the same talent pool.