Vehicle Manufacturers Stick to Local Suppliers

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Forget what youâ€™ve heard about the benefits of global sourcing. A new report from IMS Research shows that, when it comes to choosing a Tier 1 supplier, vehicle manufacturers still opt for their tried and trusted local suppliers.
The report, â€œAutomotive Systems Supplier Market Sharesâ€• analysed the regional and global market shares of leading Tier 1 suppliers of a range of automotive systems in 2005. Generally for these systems, most of the European vehicle market was served by regional suppliers (that is, ones headquartered in Europe). Similarly, most North American vehicles were served by North American suppliers: most Japanese vehicles were served by Japanese suppliers. Engine management systems offer a good example. In each region â€œlocalâ€• engine management suppliers accounted for well over half the market.

According to report author Jon Cropley â€œMany Tier 1 suppliers started out as a subsidiary of a vehicle manufacturer. Many others grew up working almost exclusively with only one vehicle manufacturer. Relationships in this business are therefore strong. In many cases vehicle manufacturers seem to be sticking with suppliers they know well rather than choosing a new supplier from another region.â€• This conclusion appears to be supported by the published financial results of Tier 1 manufacturers. For instance, over 50% of Delphiâ€™s business is still with General Motors and over 40% of Densoâ€™ business is still with Toyota.

â€œThe situation is changingâ€•, continued Cropley. â€œJapanese suppliers, for example, are doing ever more business with Western vehicle manufacturers. However, what might surprise some is how long this change is taking.. The report shows that right now local suppliers still dominate the market for many automotive systems.â€•

About IMS Research

IMS Research is a specialist supplier of market research and consultancy services on global electronics markets. Information from IMS Research is used by major companies worldwide to assess market trends, solve marketing problems, and improve the efficiency of their businesses. IMS Research is a truly international company, selling to more than 35 countries around the world and supported by offices in Austin (Texas), Shanghai (China) and Wellingborough (UK). IMS Research has published a wealth of detailed research on various automotive electronics related markets since 1998.

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