

Unlocking Sustainable Value in Software-Defined Vehicles

An AlixPartners Study Informed by
a Multi-Region Executives Survey



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Survey Overview (1/2)

Survey objective

Gain comprehensive insights into strategies and implementation progress regarding software-defined vehicles (SDVs) among key, senior players in the main sectors involved in SDVs

Survey scope

Geography:

US
EU/UK
China
India
Japan/South Korea

1,000+

senior executives
(Electric Architecture Lead up to CEO) at **automakers**
Tier-1 auto suppliers and
technology companies

Dates fielded

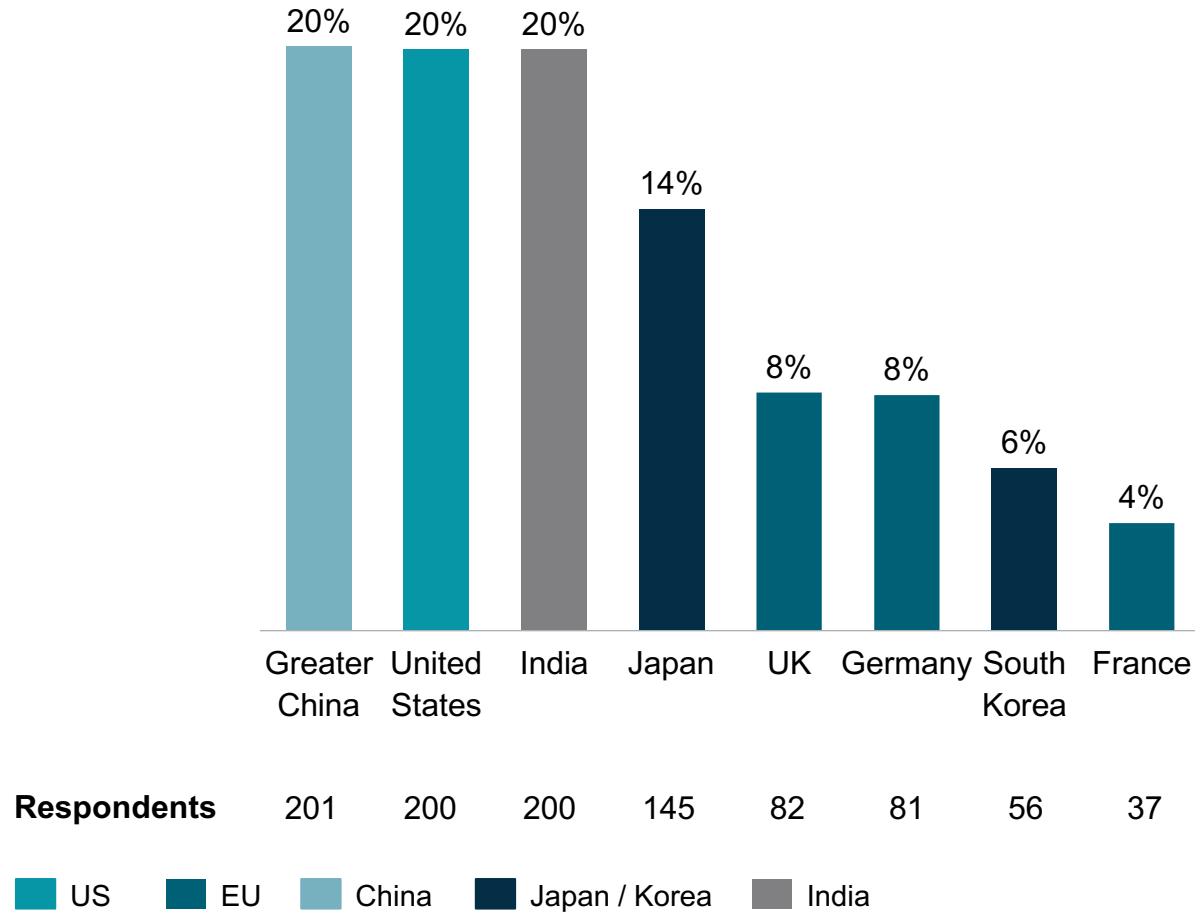
November-December 2025

Number of respondents by sector and by company annual revenues

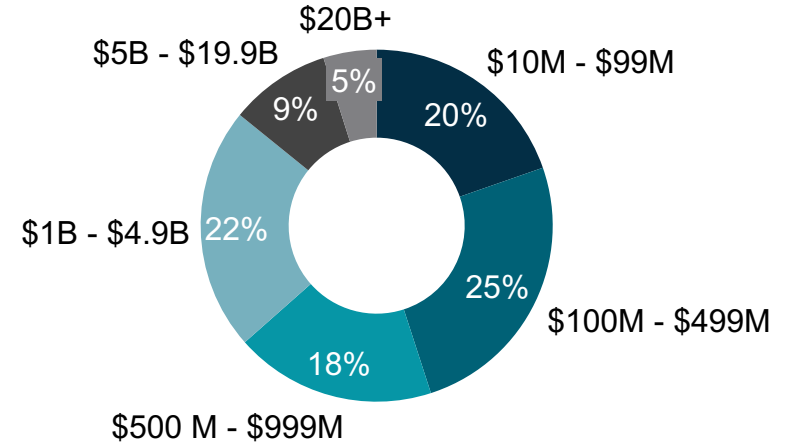
	\$10M - \$99M	\$100M - \$499M	\$500M - \$999M	\$1B - \$4.9B	\$5B - \$19.9B	\$20B+	Total
Automakers	65	105	125	100	63	37	495
Tier-1 Auto Suppliers	60	46	12	25	3	3	149
Technology Companies	72	103	48	99	27	9	358
Total	197	254	185	224	93	49	1,002

Survey Overview (2/2)

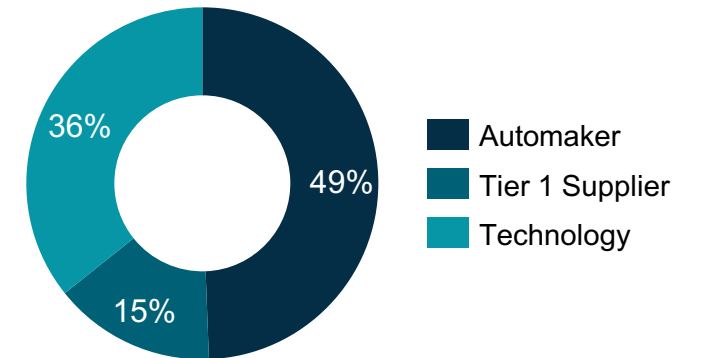
Region/Country Breakdown



Revenue Breakdown



Sector Breakdown



Executive overview

01

Western OEMs are Giving Away a Big Part of their Future

Western OEMs are outsourcing control to external partners, while Chinese competitors build in-house capability where it matters most

02

SDV Monetization's Disappointing Pace Means Players Need to Rethink the SDV Business Case

OEMs are investing billions in SDV features, yet subscription returns remain limited

03

China's SDV Push Is Accelerating Dramatically

Chinese players are concentrating dramatically more R&D on SDV, while Western players are spreading budgets across legacy platforms

04

Tier-1 Suppliers Globally Face an Existential Threat

Traditional suppliers are struggling to scale software reuse, while hyperscalers and platform providers are emerging as the new 'Tier-0.5' partners

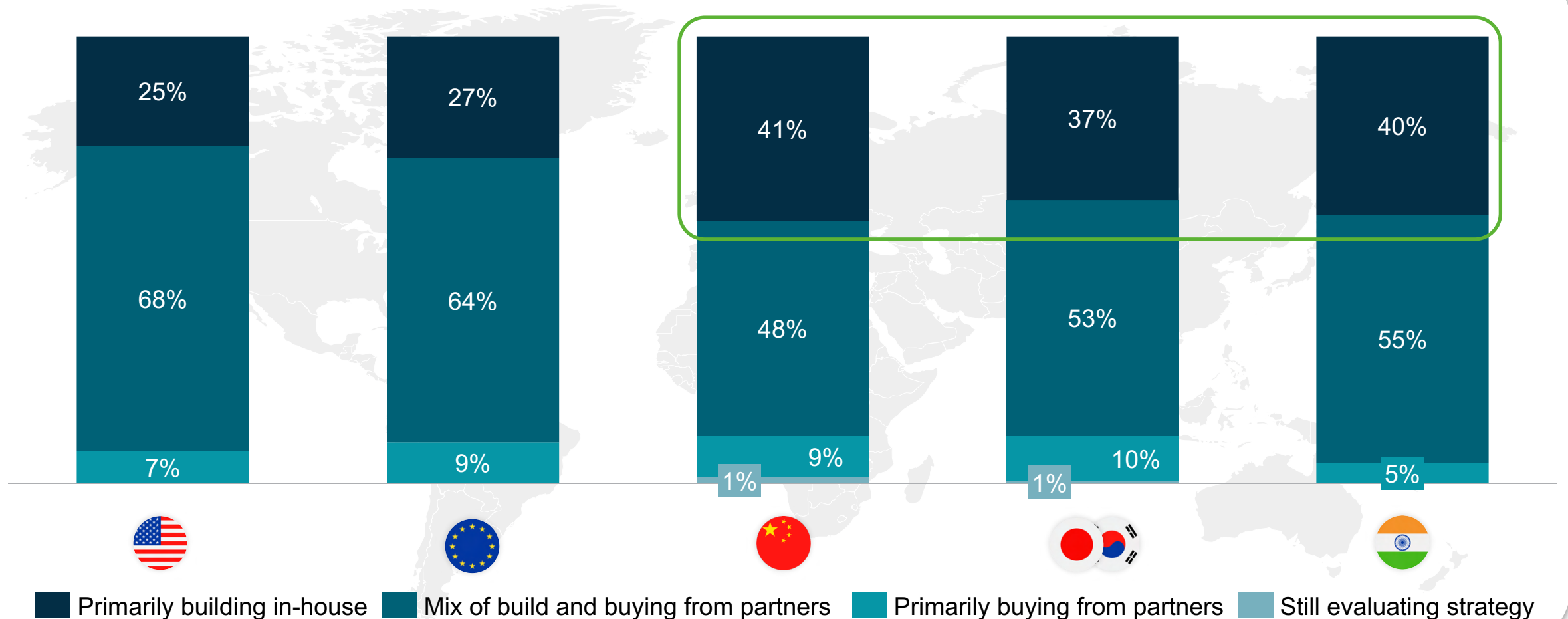
This is not just a technology race; it is an operating-model and lifecycle-economics reset race

WESTERN OEMS ARE GIVING AWAY A BIG PART OF THEIR FUTURE

41% of Chinese OEMs source SDVs primarily in-house, vs. just 25-27% in the West – and the West is ceding architecture and integration authority

QUESTION: What is your organization's current SDV sourcing strategy?

Surveyed groups: Automakers only



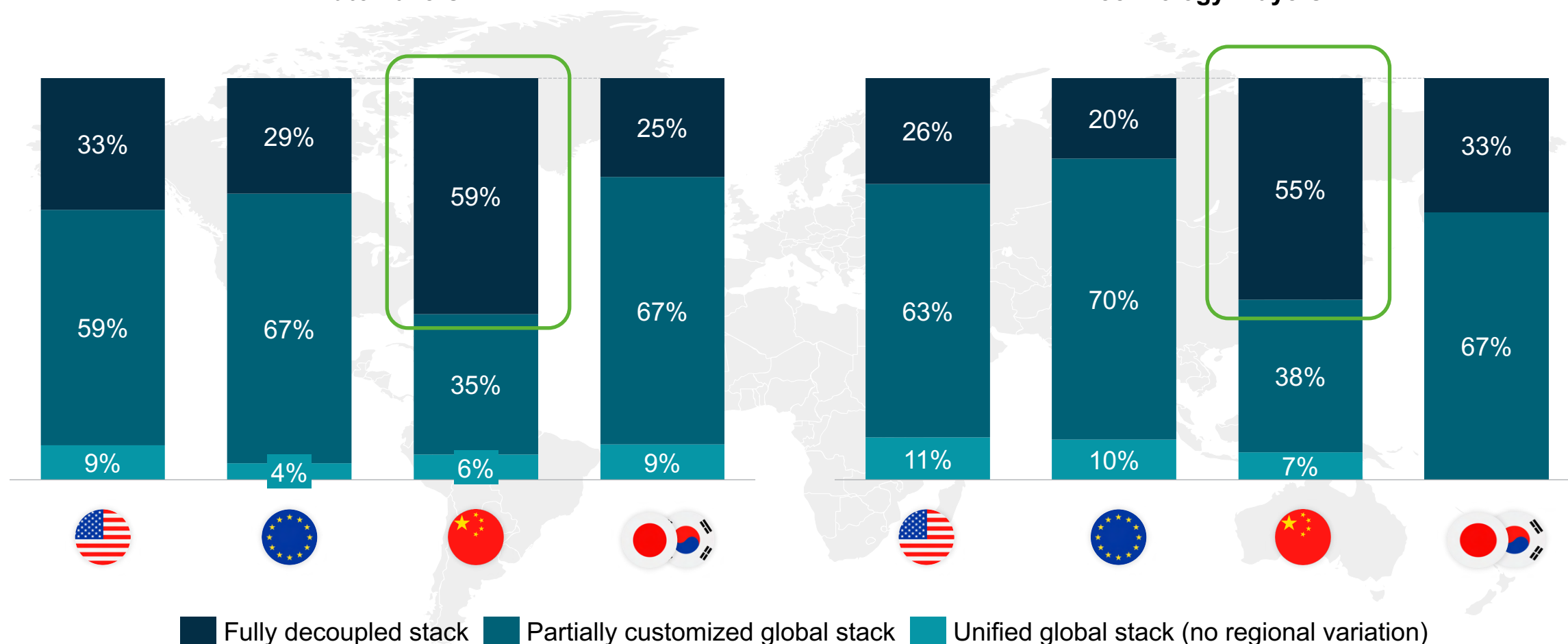
WESTERN OEMS ARE GIVING AWAY A BIG PART OF THEIR FUTURE

55-59% of Chinese OEMs/tech players employ decoupled tech stacks, while 60-70% of Western ones use 'patched' stacks – a big strategic risk

QUESTION: Is your organization maintaining a dedicated software technology stack for China/Greater China?

Automakers

Technology Players

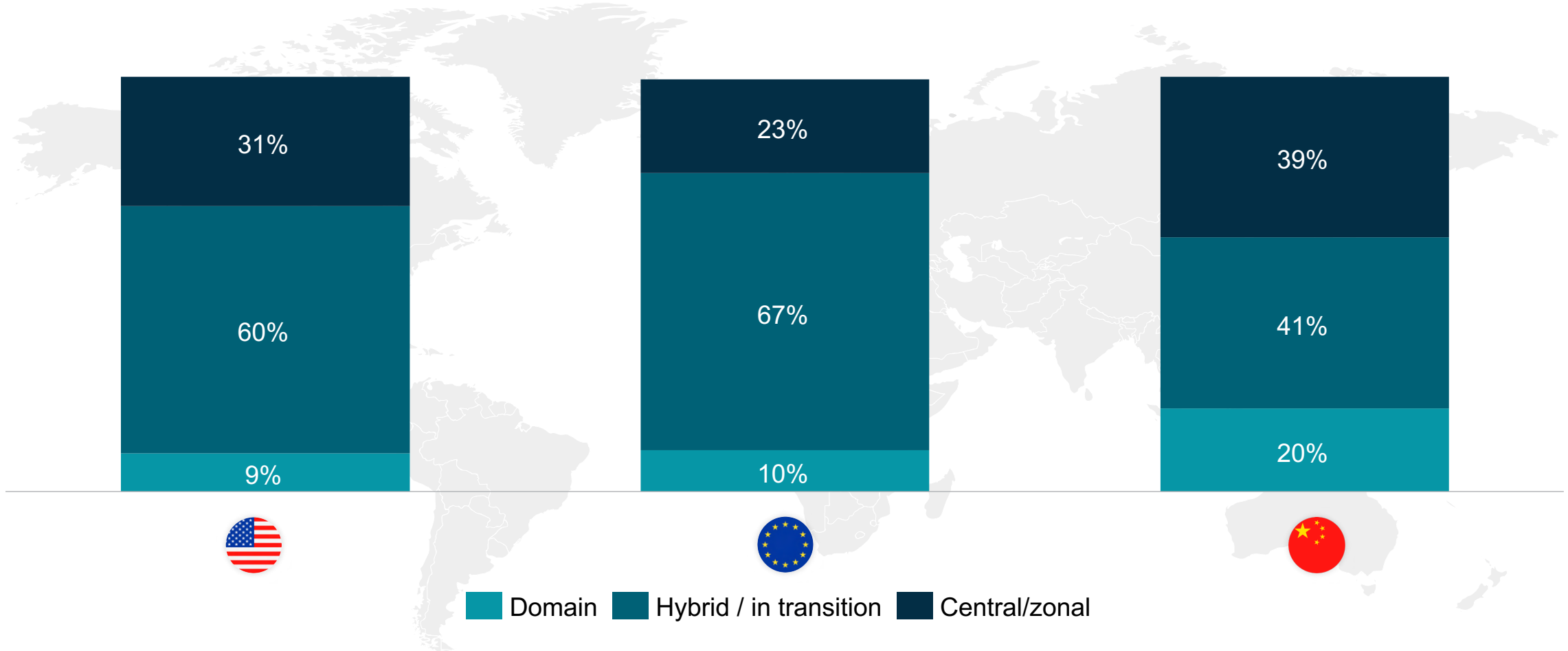


WESTERN OEMS ARE GIVING AWAY A BIG PART OF THEIR FUTURE

1 39% of Chinese OEMs have moved to central/zonal architectures, while 60-67% of Western OEMs are stuck with suboptimized hybrid ones.

➔ **QUESTION:** Which best describes your organization's E/E architecture strategy?

Surveyed Groups: Automakers only



1) Prices demand on technology: standard components are cheaper

Source: Expert Interviews, AlixPartners, S&P Global Mobility (Light Vehicle Production Forecast, November 2024), Berylls by AlixPartners, LEONI, Continental

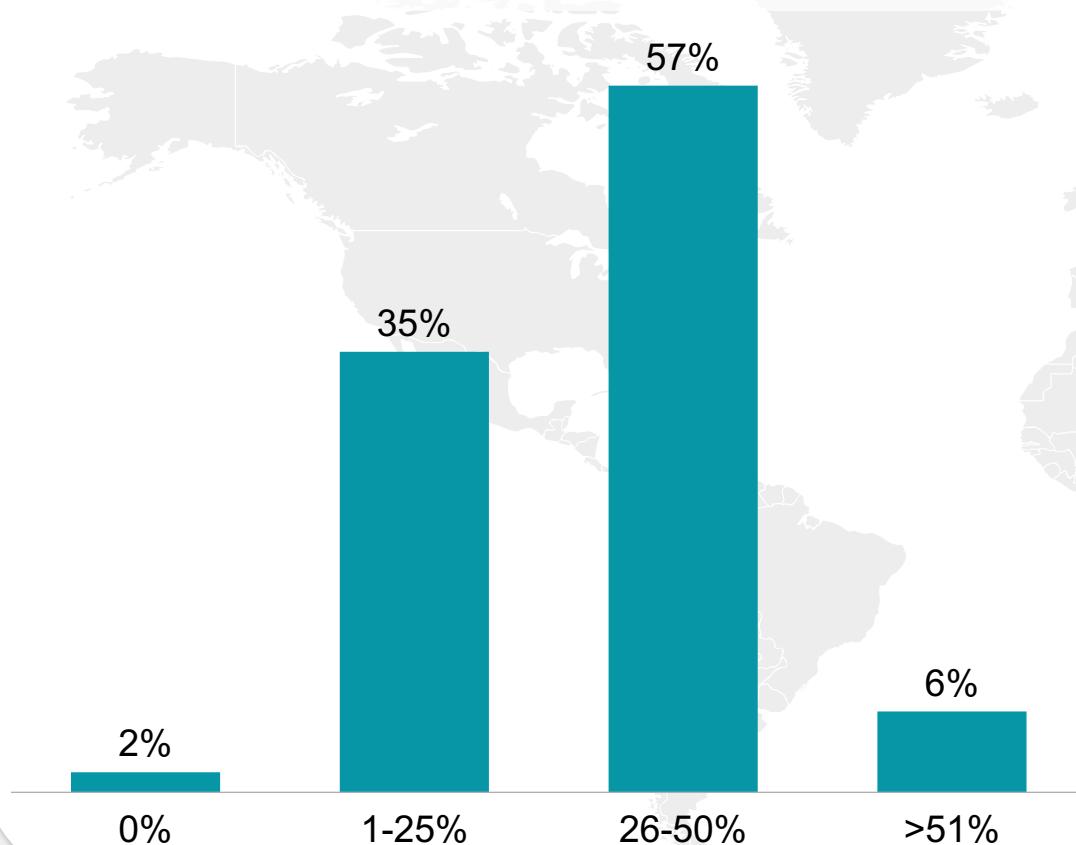
SDV MONETIZATION'S DISAPPOINTING PACE MEANS PLAYERS NEED TO RETHINK THE SDV BUSINESS CASE

2 94% of all OEMs are monetizing just half or less of SDV features, and technical hurdles (75%) and customer resistance (62%) are the biggest reasons

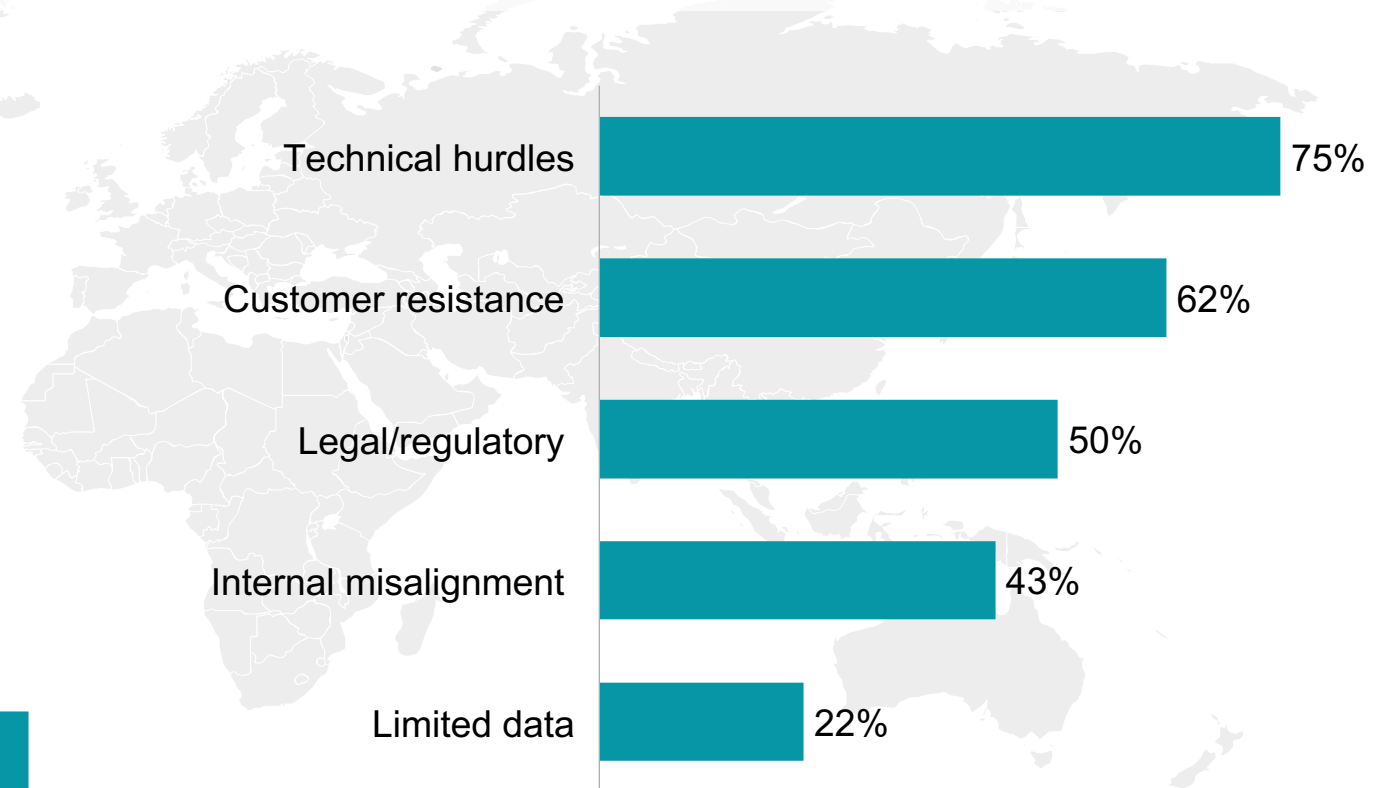
SDV challenges facing monetization

Surveyed Groups: Automakers only

QUESTION: What percentage of your organization's current SDV features are monetized?



QUESTION: What are the biggest challenges your organization faces in monetizing SDV features?

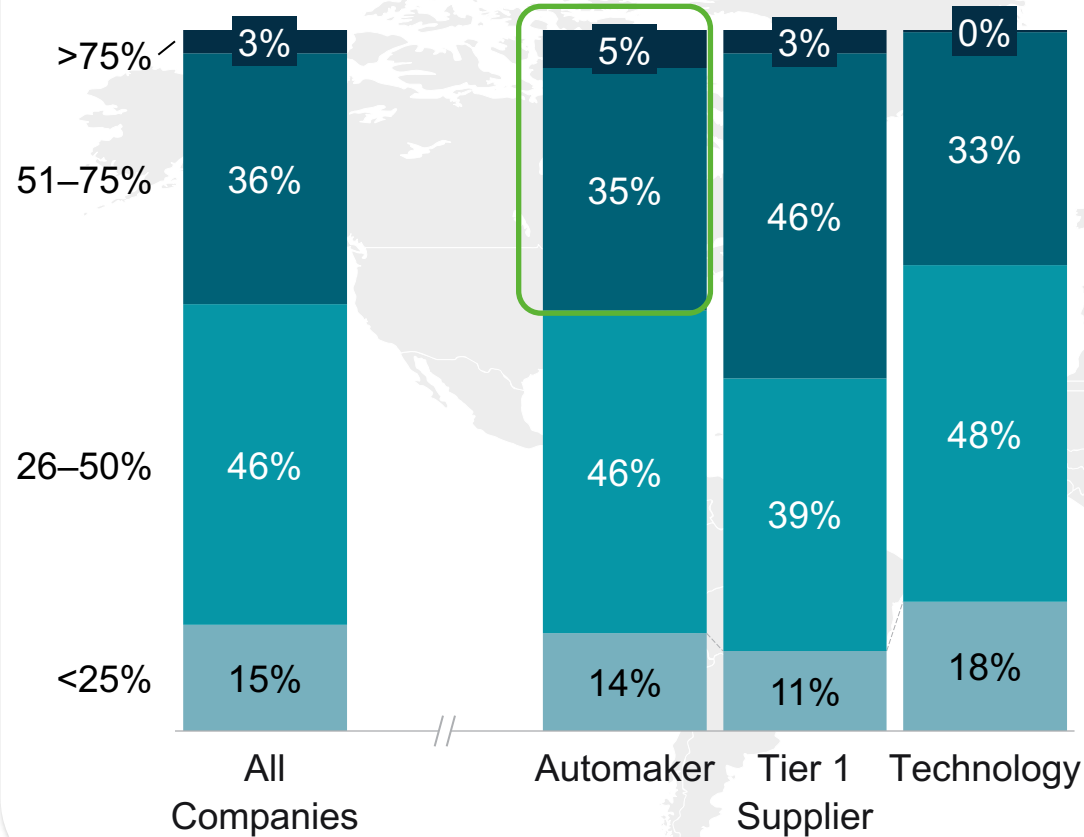


SDV MONETIZATION'S DISAPPOINTING PACE MEANS PLAYERS NEED TO RETHINK THE SDV BUSINESS CASE

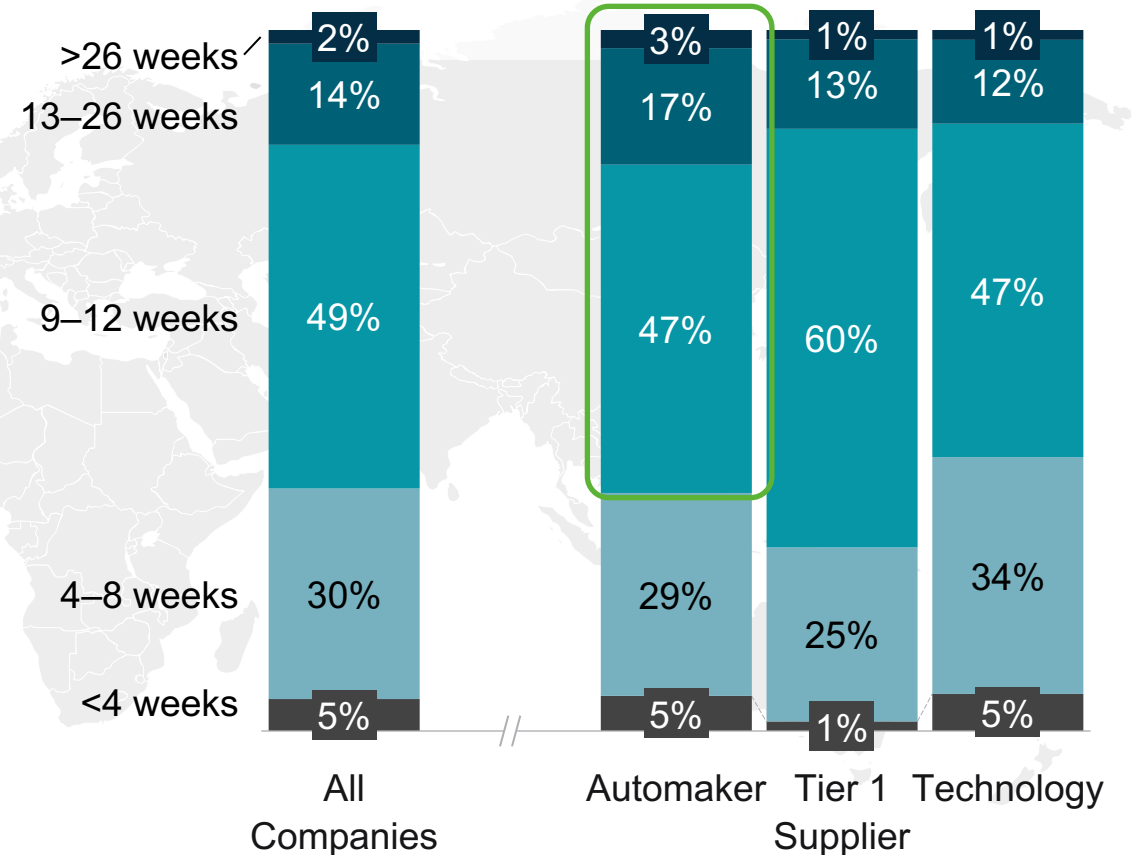
2 40% of all OEMs use over half their OTA releases just for bug-fixes, and 67% take over 8 weeks to deploy new SDV applications internally

SDV challenges facing monetization

QUESTION: What proportion of your organization's OTA releases are primarily bug fixes?



QUESTION: What is the average lead time from code complete to deployment of a new SDV application at your organization?

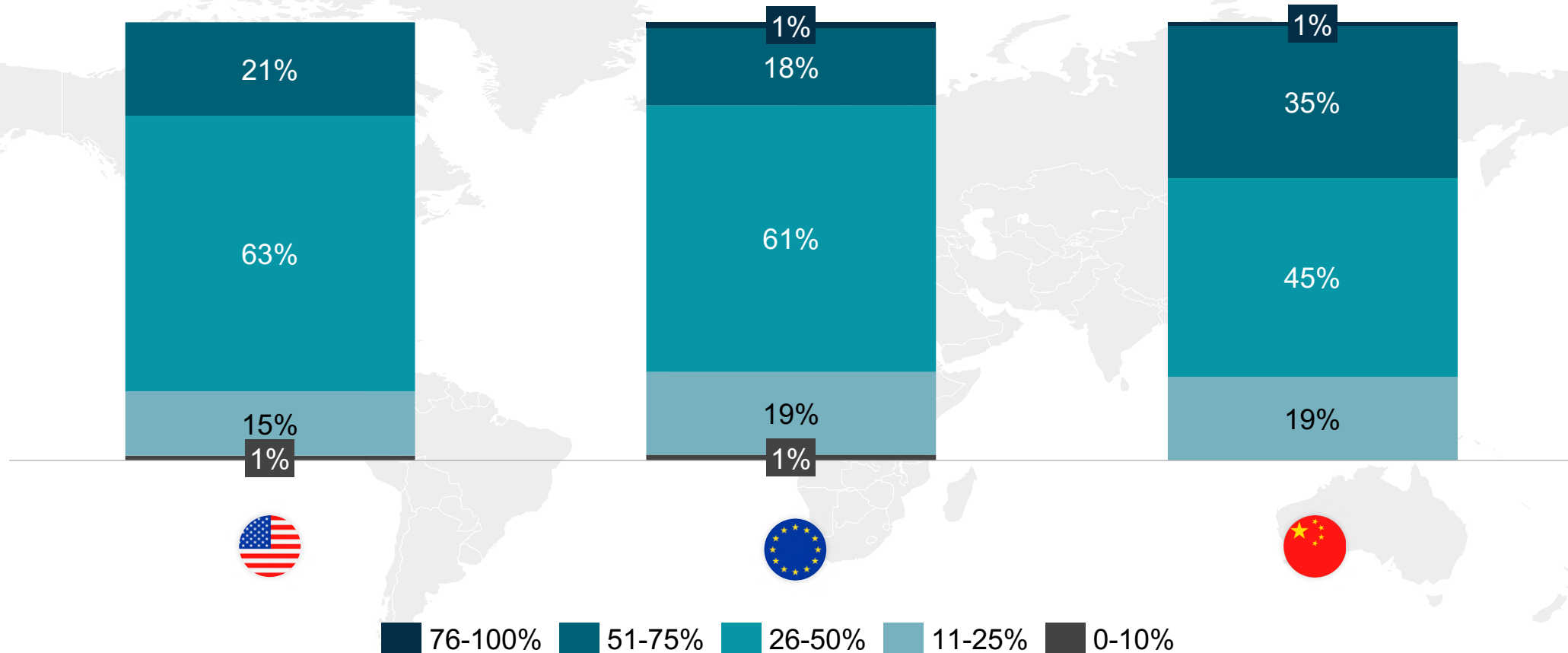


CHINA'S SDV PUSH IS ACCELERATING DRAMATICALLY

3 36% of Chinese OEMs allocate over half of their R&D to SDV, vs. just 19-21% in US/Europe/UK

➔ **QUESTION:** What percentage of your organization's total R&D budget is currently allocated to SDV?

Surveyed Groups: Automakers only

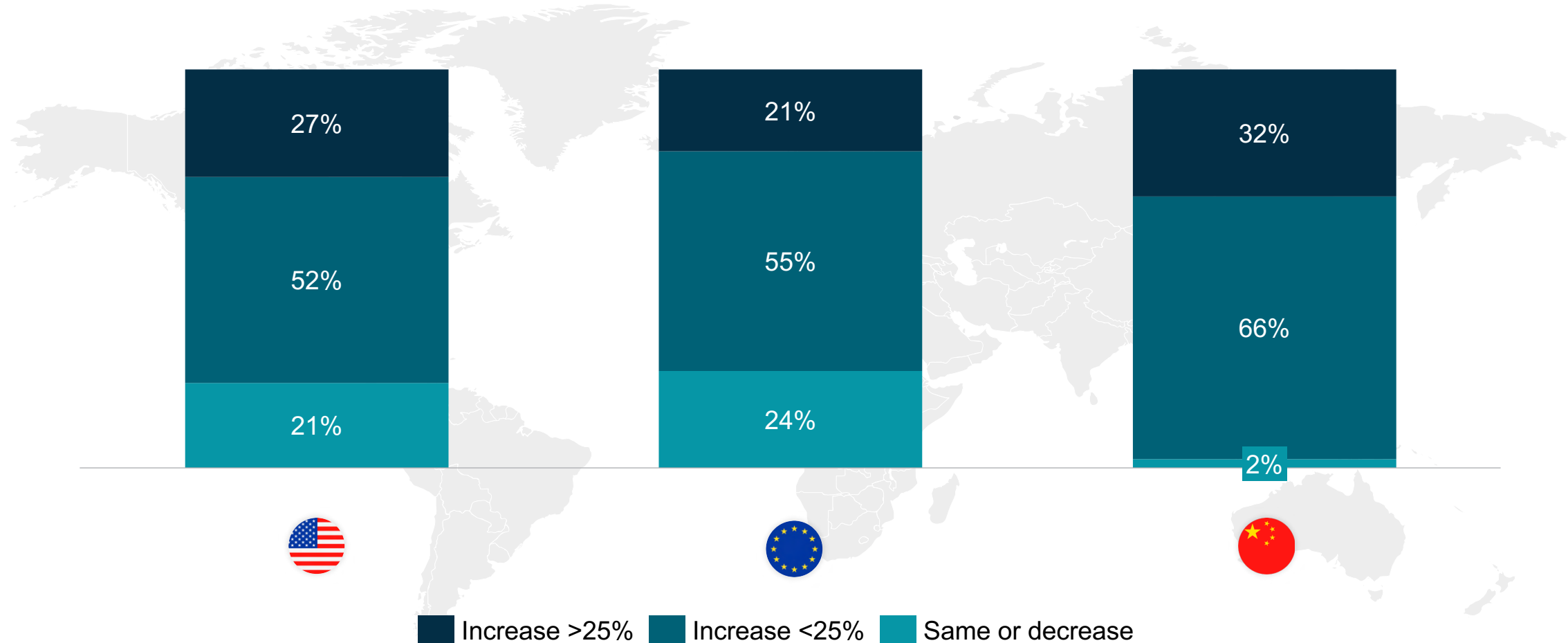


CHINA'S SDV PUSH IS ACCELERATING DRAMATICALLY

3 98% of Chinese OEMs are going to increase their SDV budget allocation compared to 76-79% of Western OEMs

➔ **QUESTION:** How do you expect your organization's R&D budget allocated to SDV to change in the next 5 years?

Surveyed Groups: Automakers only

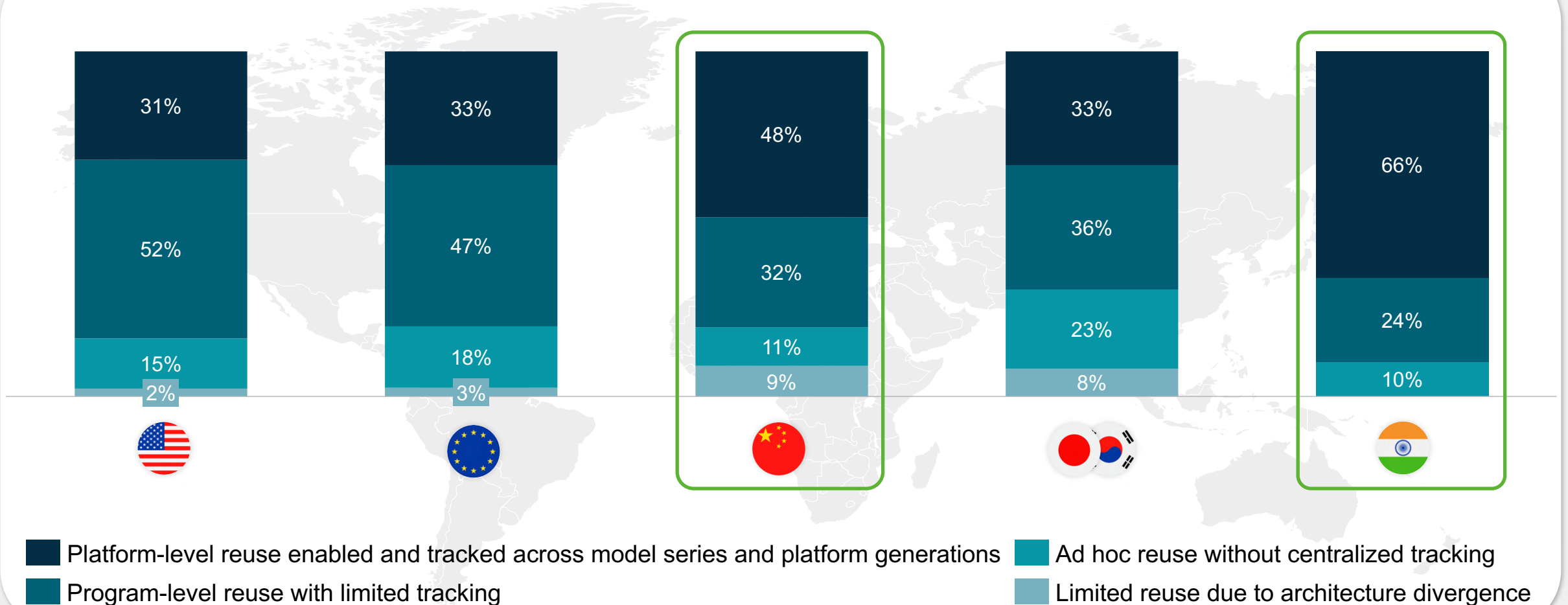


CHINA'S SDV PUSH IS ACCELERATING DRAMATICALLY

3 66% of Indian OEMs and 48% of Chinese OEMs are achieving platform-level software reuse, vs. just 31-33% of Western/Japanese/Korean OEMs

➔ **QUESTION:** How would you describe your organization's maturity across key SDV software development areas – software reuse?

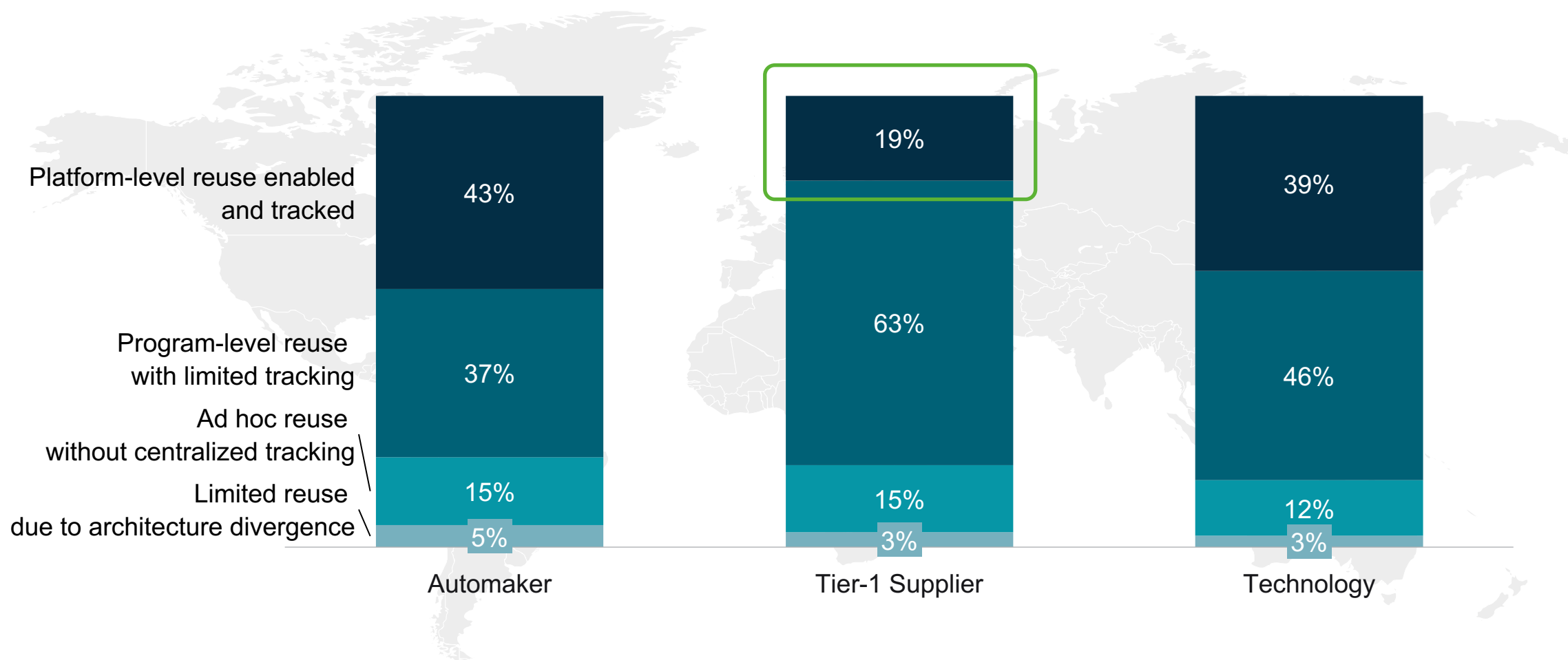
Surveyed Groups: Automakers only



TIER-1 SUPPLIERS GLOBALLY FACE AN EXISTENTIAL THREAT

4 Only 19% of Tier-1 suppliers globally are achieving platform-level software reuse, vs. 43% of automakers and 39% of tech companies

➔ QUESTION: How would you describe your organization's maturity across key SDV software development areas – Software Reuse?

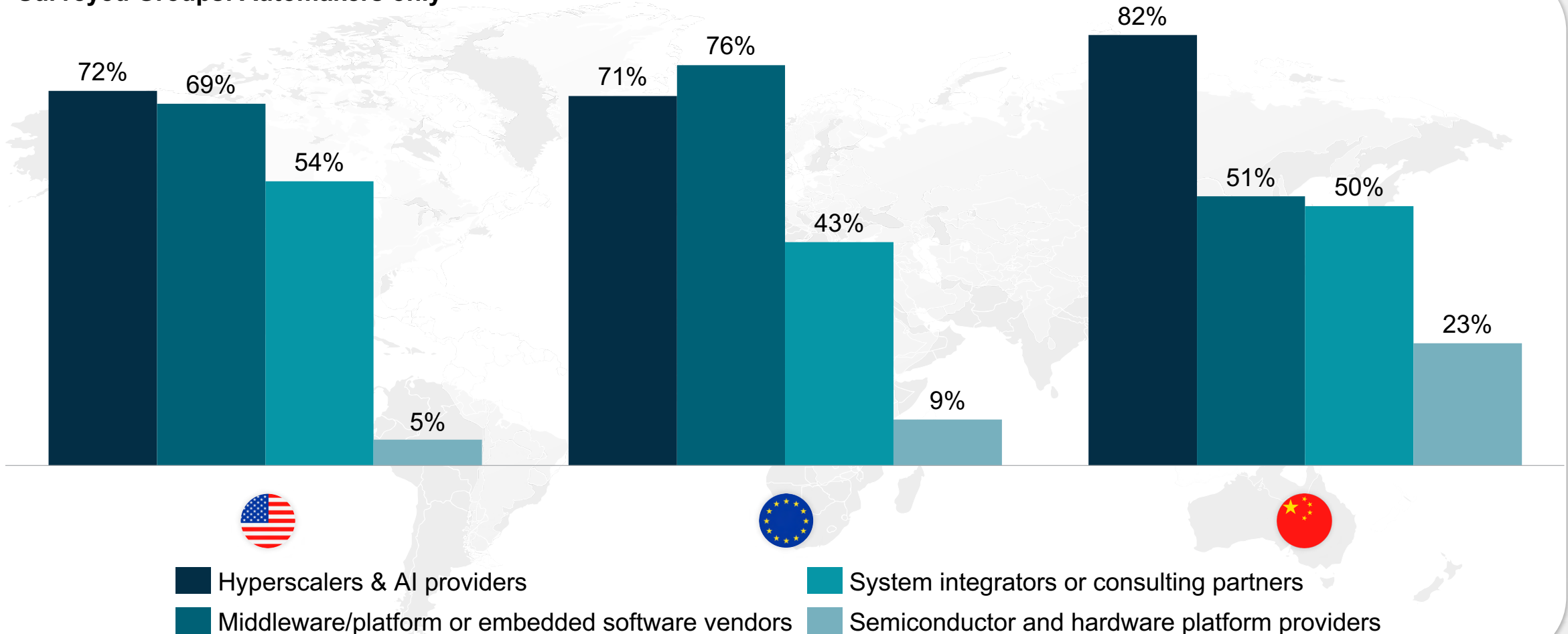


TIER-1 SUPPLIERS GLOBALLY FACE AN EXISTENTIAL THREAT

4 In an architecture control-points shift, hyperscalers (71-82%) and middleware vendors (51-76%) are seen by OEMs as their most-critical SDV partners

➔ QUESTION: Who are your most critical SDV partners?

Surveyed Groups: Automakers only



What Industry Participants Should Do



Western OEMs

- **Own the control points:** Decide now which SDV layers are strategic – architecture, integration, AI orchestration, etc.; then build capability there, and partner selectively on the rest
- **Reset the business case:** Move beyond feature monetization to financial metrics measuring lifecycle P&L reuse - OTA efficiency, quality, warranty avoidance, and speed-to-deployment
- **Design for two tech stacks:** Build parallel China and rest-of-world architectures where needed



Tier-1 Suppliers

- **Redefine 'right-to-play':** High levels of platform-level software reuse should be non-negotiable; product structures must be redesigned for scale
- **Focus on technology leadership:** Compete where differentiated IP still matters – such as safety-critical software, systems integration, domain know-how, and cost-efficient productization
- **Co-invest with OEMs:** Share software backbones to lighten financial burdens and close capability gaps



Tech Players

- **Push AI usage across domains:** Embed AI and other intelligence tools in cockpit, ADAS, diagnostics, engineering, fleet, and aftersales to expand cloud and software revenues
- **Leverage 'Tier-0.5' positioning:** Control the compute, data, and middleware layers that OEMs depend on to become indispensable in the SDV stack
- **Enable transparent platforms:** Give OEMs visibility into interfaces, data flows, performance, and upgrade paths so they retain architectural control, instead of OEMs becoming dependent on closed, black-box platforms

The SDV Reckoning Is Here

This isn't just a technology challenge. It's also a strategic, financial, and operating-model inflection point

The gap between leaders and laggards is widening every quarter. Time for companies to decide is now



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by AlixPartners