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The automotive industry accelerates toward a software-driven future, with revenue share expected to double during the next decade

- *Over the past five years, software initiatives have resulted in average efficiency improvements of 14%, with benefits projected to reach 24% by 2029*
- *Most automotive organizations anticipate that software will be the single biggest source of competitive advantage over the next five years, but so far only a few have fully scaled their efforts*

Paris, September 8, 2025 – The automotive industry is undergoing a transformation as software becomes increasingly central to its business strategy and operations. According to a new report from the Capgemini Research Institute, '*The software-driven mobility era: Beyond vehicles*', nearly all automotive organizations (92%) now anticipate that every automotive company will transition to a software company to support Software Defined Vehicles (SDVs) and software-driven mobility (SDM)[1] services. Over eight in ten believe that software-defined products and services, not just the physical vehicle, will become their core value proposition.

According to the report, while ambitions are strong, less than half of automotive organizations have scaled their SDM initiatives in 2025: 34% have partially scaled at least one SDM use case, and just 14% have achieved full-scale deployment.

While decoupling hardware and software has emerged as crucial to enable faster innovation, drive improved scalability, and unlock new revenue streams, the survey shows that only one in ten original equipment manufacturers (OEMs) has made progress in this journey, with just over a quarter actively piloting new approaches.

"For decades, automotive leadership was driven by hardware but today consumers demand connected, digitally enhanced experiences. This calls for adoption of a software first approach across the value chain to enable holistic mobility solutions," said Laurence Noël, Global Head of Automotive at Capgemini. "*Forward–looking automotive organizations are already treating software as their core product and leveraging key partnerships to expand their ecosystem. While the ambition is high, it ~~r~~requires a complete organizational overhaul. Those that align their talent, platforms, and partnerships, while fostering trust and delivering an elevated customer experience, will stay ahead of the curve."*

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[1] By SDM, we mean the full realization of opportunities provided by software for automotive products and services, and the means to achieve it. It is expected to deliver on one hand, significantly enhanced mobility experiences and value for customers and users, and on the other hand, much better control of the overall complexity of vehicles and across the value chain. It focuses on:

i. Setting the foundation of a "software platform," that defines all products and services. This includes Software-Defined Vehicles (SDVs), all in-vehicle software, digital user services for mobility and all related backend systems (incl. those ensuring safety, cybersecurity and compliance)
ii. Streamlining "software delivery" to craft the products and services. It relies on a "software engineering framework" i.e., an integrated and industrialized set of processes, methods, and tools to design, build, operate, and maintain, with a specific focus on testing, quality, and performance
iii. Accelerating to transform into a "software company." It covers the transition of business strategy, execution of change management, and addresses culture and talent.

Strategic partnerships and ecosystem collaboration are accelerating the shift to SDM
According to the report, automotive organizations are increasingly recognizing the value of broader collaboration, with nearly two in five partnering with big tech and hyperscalers for critical software, cloud, and data capabilities. While only a few have established joint ventures so far, a third plan to do so within three years. Up to 84% are exploring new supplier markets to build resilience, and nearly 70% are doubling down on in-house development of key components to retain control over brand-defining technologies. Organizations are also restructuring their supply chains for geopolitical resilience, by exploring new sourcing markets including India, Southeast Asia, and Eastern Europe.

Software-defined products and mobility services are also expected to become significant revenue contributors for OEMs. According to the report, their share of OEMs' total revenue is projected to double, contributing to over 50% by 2035.

AI is driving a new era of innovation in the auto industry
The report highlights that a vast majority (85%) agree that AI is increasingly becoming an integral part of automotive software, embedded directly into software features and functions, from improving in-vehicle experiences to powering advanced safety features and cybersecurity.

Over three-quarters (77%) see AI integration into software development, in-vehicle functions, and mobility services as a critical competitive advantage that will reshape the automotive value chain. By reducing costs, boosting productivity and efficiency, and enhancing product quality, AI is propelling the industry into a new era of innovation. Notably, most surveyed organizations view AI integration for ADAS (Advanced Driver Assistance System) and autonomous driving capabilities as extremely significant in their organization's software-driven strategy.

Software-driven mobility demands an organizational overhaul to reap its full potential
According to the survey, most organizations (86%) believe SDM strategy demands an overhaul of the organizational model, leading to significant changes in processes, and the need to build new skill sets. In addition to structural changes, organizations face a range of challenges in software engineering, compliance, safety, cybersecurity, leadership, and talent acquisition. Over eight in ten (83%) organizations identify the creation of a unified software platform[2] as a key component of their software-driven mobility strategy.

Report Methodology
In June 2025, the Capgemini Research Institute conducted a survey of 600 executives from 200 long-established automotive organizations, with no more than four respondents from each organization. These executives represented organizations across four segments: OEMs, suppliers, mobility service providers, and digital natives from countries across North America, Europe, and APAC. The surveys were complemented by interviews with more than fifteen industry experts.

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[2] A single software platform to run all customer – related functions, control, and services as a key component of their SDM strategies

combined with its deep industry expertise and partner ecosystem. The Group reported 2024 global revenues of €22.1 billion.

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