

AUTOMOTIVE INDUSTRY

# Turbocharging Automotive Operations with GenAI

By Felix Stellmaszek, Wolfgang Schnellbächer, Albert Waas, Michael Loibl, and Lars Maecker

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The global automotive industry is losing its old certainties. For decades, well-engineered products, scale, and supply-chain mastery defined success. Today, that foundation is cracking under the weight of geopolitical fragmentation, shifting consumer expectations, rising input costs, and intensifying competition. Given the industry's complex, asset-heavy value chains across many regions, OEMs are uniquely vulnerable to disruption. Even the largest players now face levels of volatility they can no longer control.

In this new reality, GenAI is emerging as the industry's strategic compass: a system of intelligence that leaders can harness to anticipate disruption, optimize cost structures, and accelerate execution across every function. From R&D and procurement to supply chain and manufacturing, GenAI is already demonstrating measurable gains in productivity, precision, and quality. But technology alone won't close the gap. Capturing its full potential demands a new operating model that is centered around technology and built on intelligence, integration, and purposeful design.

We found that GenAI applications could deliver cumulative cost improvements of up to 25% and productivity gains of 20% to 30% within three years. Beyond these efficiency gains lies the promise of creating adaptive, self-learning systems. This is how GenAI evolves from a powerful tool to the backbone of a new operating model for automakers.

The question facing every OEM is no longer whether to use GenAI, but how fast to scale it to transform decision making, create value, and build resilience. The impact ultimately depends on the choices OEM leaders make.

## Assessing Value Creation Across Functions

In a world defined by volatility, GenAI enables OEMs to anticipate shocks, adapt in real time, and reduce structural costs. (See "An Era of Uncertainty for OEMs.") It is not just a digital upgrade; it is the cognitive infrastructure that allows leaders to manage uncertainty with confidence.

### — An Era of Uncertainty for OEMs

A confluence of forces has created a level of uncertainty that few OEMs have ever faced. The past decades of globalization have given way to a world of localization, where trade routes shift overnight, energy prices fluctuate sharply, and long-reliable suppliers struggle to keep pace with technological change.

Consumer expectations are diverging just as fast. Electrification, connectivity, and digitization are advancing at different speeds across markets, forcing OEMs to serve multiple realities simultaneously. Cost pressure continues to intensify, with materials, energy, and logistics remaining volatile as electrification raises capital needs. Meanwhile, supplier fragility compounds the risks: Tier 1 partners are under financial and technological strain, leaving manufacturers exposed.

In this environment, OEMs' traditional operating model—often siloed, manual, and overly complex—cannot manage the scale or speed of disruptions.

As their strategic compass for navigating this turbulence, automakers can turn to GenAI to provide *foresight* by sensing shifts in markets and supply chains before they materialize; *force* by automating and accelerating high-value work; and *connectivity* by uniting decisions across functions. The result is a fundamentally different management paradigm anchored in insight, speed, and control.

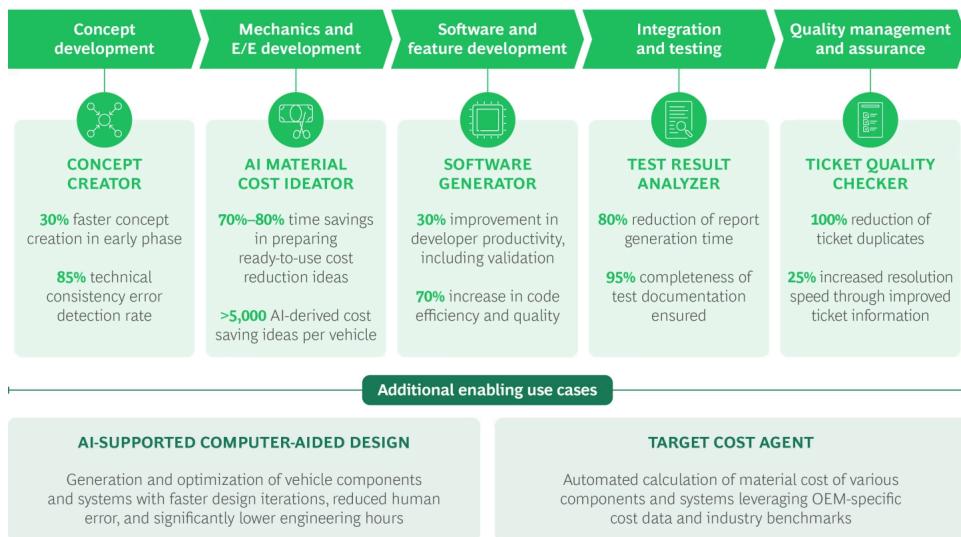
To quantify these effects, BCG analyzed GenAI-driven value creation across four OEM functions—R&D and engineering, procurement, supply chain and logistics, and manufacturing—evaluating improvements in cost efficiency, speed, quality, and consistency.

What follows is a closer look at how GenAI supports leaders in reshaping each function and how these advancements converge into a new operating model.

## R&D and Engineering: Accelerating Innovation Cycles

In an industry where speed and precision determine survival, traditional R&D models have become a bottleneck. Sequential workflows and manual iterations can no longer keep pace with rapidly evolving technologies, software-defined architectures, and regulatory complexity.

GenAI offers a fundamentally different approach. Acting as a creative, analytical, and executional copilot, it helps engineers enhance productivity across every development stage. (See Exhibit 1.) In early concept development, for example, GenAI supports ideation, breaks down requirements, evaluates design options, and conducts initial legal and regulatory checks, potentially reducing effort by approximately 30%. These capabilities not only accelerate early thinking but also reduce downstream rework by improving clarity and compliance from the outset.

**EXHIBIT 1****Transforming R&D Efficiency in All Phases**

Source: BCG analysis.  
Note: E/E = electrical/electronic.

As work moves into mechanics and electrical and electronics development, GenAI automates the creation of function definitions and system descriptions, generates feature lists, and optimizes configuration variants. These tasks, which traditionally consume considerable engineering capacity, can be streamlined by 10% to 30%, enabling teams to evaluate more alternatives faster while maintaining accuracy and consistency.

Software and feature development—one of the most resource-intensive areas—benefits even more. GenAI assists with code generation, automated software reviews, and algorithm optimization in domains such as ADAS and automated driving. The combination of generative drafting, intelligent debugging, and AI-driven audits can reduce effort by roughly 25% to 30%, while improving quality and documentation.

In integration and testing, where complexity often peaks, GenAI accelerates management of prototype vehicles and test benches, analyzes test results, and produces comprehensive documentation. AI-generated test cases further shorten cycles while increasing coverage. Overall efficiency gains of close to 30% are increasingly realistic—unlocking time for deeper system validation and performance optimization.

Even in quality management and assurance—where documentation, ticket handling, and supplier evaluations dominate the workload—GenAI can meaningfully reshape the process. By identifying duplicate tickets, reviewing supplier and material orders, and drafting change-management documentation, AI assists teams in reducing manual effort by approximately 25% to 30% while improving traceability and audit readiness.

Taken together, these improvements represent more than isolated optimizations. They redefine how engineering organizations operate. GenAI enables engineers to explore thousands of design permutations in hours, simulating performance, efficiency, and safety attributes simultaneously. In

computer-aided design alone, design cycles and rework can fall by up to 60%, allowing for more ambitious exploration with increased reliability and regulatory alignment. As routine tasks are automated, engineering shifts toward higher-value creative and analytical work, transforming linear development cycles into a continuous innovation loop.

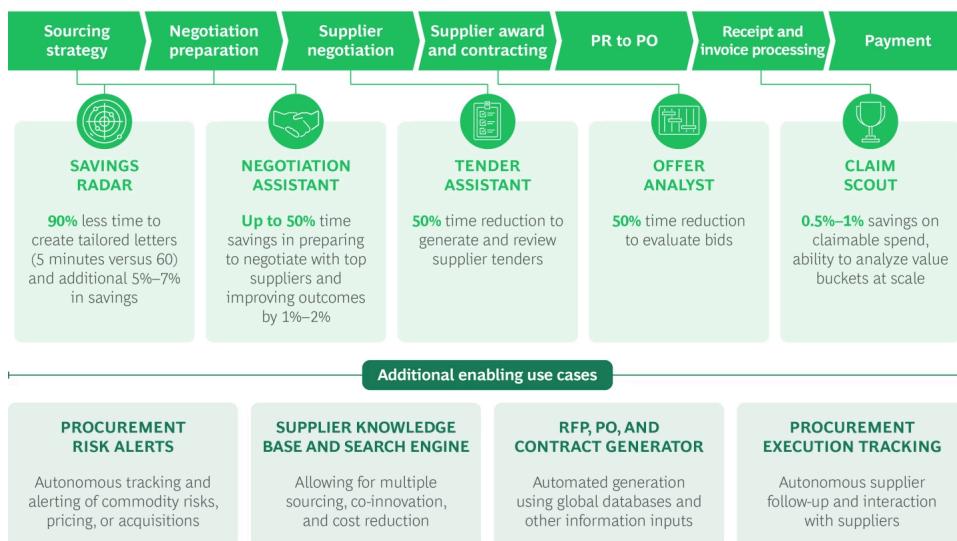
In this new paradigm, R&D evolves from a cost center into a strategic asset. GenAI empowers OEMs to envision, test, and deliver next-generation vehicles at unprecedented speed, with time-to-market reductions of up to 40% increasingly within reach. And the same intelligence is enabling organizations to procure the materials, technologies, and supplier capabilities needed to sustain this new, faster, and more adaptive model of development.

## Procurement: Building Predictive and Adaptive Supply Networks

Procurement has become a pressure point for automakers. Cost constraints, supply volatility, and geopolitical tension are stretching teams to their limits. Traditional procurement—anchored in backward-looking data and manual processes—can no longer protect margins or ensure continuity.

GenAI addresses these challenges by equipping procurement leaders with predictive intelligence and automation. AI-based transparency tools continuously assess supplier health, scanning financials, delivery patterns, and market signals to flag distress before disruption occurs. In this way, GenAI becomes procurement's early-warning system, helping teams build resilience across the value chain.

At the same time, GenAI dramatically improves day-to-day execution. AI assistants automate sourcing workflows—drafting tailored letters, generating tenders, evaluating offers, and managing communications—reducing manual effort with these enablers by up to 50% across procurement activities. (See Exhibit 2.) The *savings radar* accelerates data analysis and helps buyers unlock an additional 5% to 7% in savings from mid-tier and small suppliers that often receive inadequate attention. The *negotiation assistant* cuts preparation time by up to 50% and improves outcomes by 1% to 2%, while automated *offer analysis* halves the time needed to evaluate bids. Even downstream, tools like the *claim scout* can capture 0.5% to 1% of claimable spend—such as overcharges and missed rebates—by analyzing large volumes of data at scale.

**EXHIBIT 2****Enhancing Procurement Efficiency from End to End**

Source: BCG analysis.

Note: PR = purchase requisition. PO = purchase order. RFP = request for proposal.

Beyond efficiency, OEMs gain foresight. Procurement becomes a strategic command center where buyers act faster, negotiate smarter, and secure supply chains before risks materialize. Powered by GenAI, procurement evolves from transactional buying to strategic sourcing, helping OEMs capture value and build resilience in a fragmented, high-stakes world. For chief procurement officers, this marks a long-overdue shift, as they gain leverage and influence commensurate with the large share of external spending they manage across OEMs' total value base.

The applications of predictive intelligence also extend to end-to-end supply networks, enabling automakers to anticipate demand shifts and respond in real time.

# Supply Chain and Logistics: From Forecasting to Self-Steering Systems

For decades, supply chains have been managed through spreadsheets, static forecasts, and siloed logistics systems. That model breaks down in today's environment of shifting trade routes,

unpredictable demand, and relentless disruption. Partial visibility and lagging data cause errors and inefficiencies that amplify shocks, from component shortages to route closures.

GenAI is transforming supply chain management from reactive planning to increasingly autonomous orchestration. (See Exhibit 3.) In demand and supply planning, agents can lift productivity by up to 40% while recalibrating safety-stock parameters to improve service levels. Across transport and logistics, intelligent mode, route, and carrier optimization delivers productivity gains of up to 30%. The largest impact emerges downstream, where agent-enabled order management and customer service can raise productivity by up to 70%. These gains are supported by data and performance enablers—such as master data and real-time KPI agents—that can further improve efficiency by up to 30%.

### EXHIBIT 3

#### Transforming Processes Across the Supply Chain

Area	Productivity increase <sup>1</sup>	Exemplary GenAI use cases
 Demand planning	<b>30%–40%</b>	<b>Forecasting agent:</b> Continuously challenges the baseline forecast using real-time demand signals and auto updates algorithms <b>SIOP demand agent:</b> Synthesizes commercial, finance, and supply chain inputs to auto generate demand scenarios for decision support
 Supply planning	<b>25%–40%</b>	<b>Supply scenario agent:</b> Synthesizes labor, machine, and supplier capacity inputs to generate supply scenarios and identify limiters <b>Safety-stock scanner:</b> Automatically scans and adjusts safety stock parameters for optimized service levels while balancing working capital
 Transport and logistics	<b>20%–30%</b>	<b>Mode and route optimizer:</b> Re-optimizes routes and modes dynamically and explains recommended actions based on external data screening <b>Spot market screener and booker:</b> Runs market analysis on cost and service level optimized freight rates and automatically books and coordinates most optimal carriers
 Order management and customer service	<b>50%–70%</b>	<b>Order process agent:</b> Translates customer demand into executable, reliable orders—eliminating manual interventions <b>Customer service agent:</b> Proactive customer service for clients—e.g., order status, rerouting, delaying, deviation management—24/7 in real time
 Enabler	<b>15%–30%</b>	<b>Master data agent:</b> Actively maintains and corrects master data based on usage and anomalies <b>Real-time KPI agent:</b> Interprets data real time and provides decision support based on data and dynamic KPIs

Source: BCG analysis.

Note: SIOP = sales, inventory, and operations planning.

<sup>1</sup>In high-cost countries.

The most forward-looking OEMs are developing self-steering control towers that integrate data from suppliers, production, and transport. These systems sense disruptions and demand spikes instantly and coordinate rapid responses across the network.

With GenAI as the connective tissue of global logistics, OEMs can anticipate change, synchronize execution, and turn volatility into a source of competitive agility. When this orchestration reaches the factory floor, it transforms not only how OEMs plan and move materials but how they build their vehicles.

# Operations and Manufacturing: Toward the Autonomous Plant

Manufacturing is the auto industry's heartbeat, but in most plants, the rhythm still follows decades-old patterns. Inflexible production schedules, manual inspection, and rule-based automation constrain responsiveness and yield, leaving factories exposed as product complexity rises and skilled labor becomes scarcer.

GenAI is now helping leaders reshape manufacturing into an autonomous, self-optimizing system. (See Exhibit 4.)

## EXHIBIT 4

### Unlocking the Autonomous, Self-Optimizing Plant

Area	Productivity increase <sup>1</sup>	Exemplary GenAI use cases
 Production	<b>5%–10%</b>	<b>Automation agent:</b> Increased OEE, lower labor costs, and energy consumption <b>Training-based robotics:</b> 50% reduction in automation engineering time
 Maintenance	<b>10%–20%</b>	<b>Maintenance agent:</b> 30% maintenance cost reduction and 20% downtime reduction <b>AI predictive maintenance and routines:</b> 50% efficiency gain through optimized inspection workflows
 Quality	<b>15%–25%</b>	<b>Predictive quality control:</b> Up to 50% reduction in rework <b>Quality management copilot:</b> 90% reduction in documentation costs
 Manufacturing engineering	<b>20%–30%</b>	<b>Process setpoint optimization:</b> Lower scrap and more stable processes <b>Line balancing analysis:</b> Higher productivity and faster ramp-up
 Planning and scheduling	<b>20%–30%</b>	<b>Digital twin for end-to-end planning:</b> Faster planning cycles, improved planning accuracy with fewer bottlenecks and lower planning effort

Source: BCG analysis.

Note: OEE = overall equipment effectiveness.

<sup>1</sup>In high-cost countries.

In production, automation agents continually refine machine behavior to lift overall equipment effectiveness (OEE) and lower labor and energy costs. Training-based robotics further accelerates deployment by halving automation engineering time, while predictive process control systems learn from thousands of signals to reduce scrap and deliver more consistent output.

Maintenance evolves from reactive firefighting to proactive orchestration. GenAI-powered maintenance agents lower costs by roughly 30% and reduce downtime by 20%, while predictive maintenance routines can boost inspection efficiency by more than 60%. As equipment conditions are continuously assessed, interventions become timely, precise, and far less disruptive.

Quality operations experience an equally significant shift: predictive quality systems reduce rework by up to 50%, AI-vision tools enable the inspection of every part produced, and documentation copilots remove up to 90% of administrative effort, freeing teams to focus on systemic improvement rather than paperwork.

In manufacturing engineering, GenAI stabilizes processes through automated setpoint optimization, thermal curve monitoring, and intelligent line balancing, reducing scrap and energy use while accelerating ramp-up times for new models.

To enhance production planning, digital twins and AI-driven planning engines compress cycles, eliminate bottlenecks, and raise throughput. Predictive demand and supply-chain models reduce shortages and costly premium freight.

Together, these capabilities push the factory beyond the traditional limits of lean manufacturing. GenAI enables plants to adapt instantly to material changes, process variations, or equipment behavior, creating an environment that learns and improves continuously. The result is a manufacturing system defined by higher OEE, lower dependency on manual work, and a level of resilience that supports faster innovation cycles upstream.

With GenAI embedded across planning, engineering, operations, quality, and maintenance, the autonomous plant becomes an emerging reality—one in which production synchronizes seamlessly with sourcing, logistics, and product development.

## The New Operating Model: Connecting Intelligence Across the Value Chain

Many OEMs are racing to deploy GenAI, but too often they risk embedding these tools into legacy complexity. Adding advanced tools on top of outdated, fragmented processes reinforces complexity instead of eliminating it. To truly unlock GenAI's transformative potential, the enterprise itself must evolve by rethinking decision-making, data, and accountability for an intelligent age.

Before introducing GenAI, leading automakers are designing new processes and operating models that clarify decision rights, define data ownership, and embed performance accountability. Once the foundation is set, unified data platforms and AI layers can connect R&D, procurement, supply chain, and manufacturing through shared intelligence. In this model, AI supports leaders and teams by anticipating risks, optimizing tradeoffs, and coordinating actions across functions in real time.

The payoff is a system that learns as it runs. Forecasting, planning, and scheduling become adaptive, self-improving processes that respond instantly to changing conditions.

By getting this foundation right, OEMs can make intelligence the true backbone of a faster, leaner, and more resilient organization.

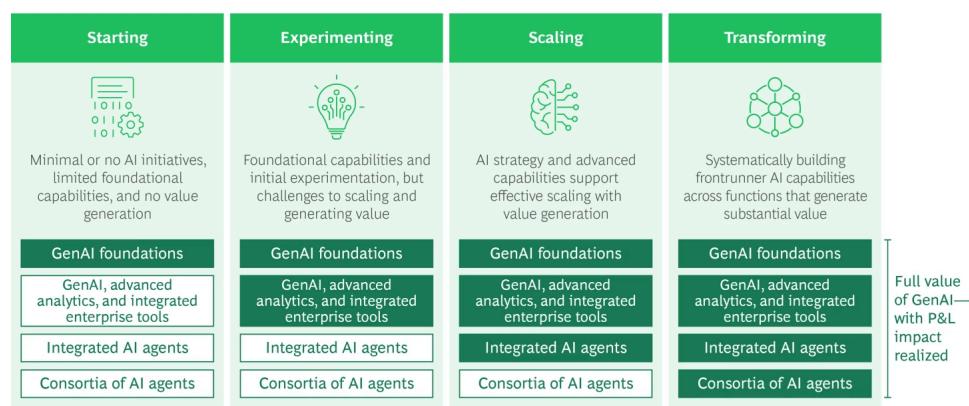
# Scaling GenAI with Purpose and Speed

The winners of the next decade will be automakers that scale GenAI boldly yet responsibly, embedding it across their enterprise with clear intent, strong governance, and decisive leadership. As the technology matures, the industry's leaders will be set apart by their speed of execution and organizational readiness to scale.

Exhibit 5 highlights four stages of GenAI maturity. Across these stages, the GenAI modalities employed increase—from GenAI foundations and integrated enterprise tools to AI agents and, finally, consortia of agents that work across interconnected workflows. The shift from point solutions to systems of intelligence enables OEMs to streamline decisions, accelerate execution, and coordinate operations at scale.

## EXHIBIT 5

### The Path to GenAI Leadership in Automotive Operations Functions



Source: BCG analysis.  
Note: P&L = profit and loss.

Companies that advance rapidly through these stages share a common pattern: they move fast but with discipline. They start with targeted, high-impact pilots that solve real pain points, and then industrialize what works through shared platforms, clear governance, and cross-functional capability building. They understand that success depends less on algorithms and more on the enablers that sustain them: clean data, redesigned processes, and a workforce trained to collaborate with intelligent systems.

In an industry where every familiar landmark is shifting, automakers can turn to GenAI as their strategic compass. It gives leaders the clarity and confidence to navigate turbulence and steer toward a smarter, more resilient future. Scaling GenAI has become a CEO-level imperative.

Automakers that act with urgency and purpose today will define the industry's competitiveness tomorrow.

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# Authors



Felix Stellmaszek

Managing Director & Senior Partner; Global Leader, Automotive & Mobility Practice Atlanta



Wolfgang Schnellbächer

Managing Director & Senior Partner Stuttgart



Albert Waas

Managing Director & Senior Partner Munich



Michael Loibl

Partner Munich



Lars Maecker

Partner Hong Kong



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