

Navigating US Auto Growth: Where OEMs Should Play Through 2035

By [Eric Jesse](#), [Vanessa Lyon](#), [Xavier Mosquet](#), and Marcin Górk

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Demand for light vehicles in the US has stabilized at roughly 16 million vehicles annually. But beneath this stable headline, the industry's profit pools are shifting rapidly. As electrification, hybrid adoption, and segment dynamics evolve unevenly, the most attractive opportunities are no longer found in the largest segments but in underpenetrated intersections of segment and powertrain.

For most US OEMs, durable profitability will not come from a single marquee-segment-defining vehicle. Rather, opportunity awaits in the white spaces, where competitive intensity remains manageable, demand is resilient, and entry can be timed to secure attractive returns for each nameplate. To capture these growth pools over the next ten years, OEMs must make deliberate portfolio choices about where to play, what to build, and when to scale.

Why OEMs Need New Growth Pools

In recent years, capital and engineering resources across the industry have converged on the same perceived "safe bets"—large SUVs, full-size pickups, and mass-market battery electric vehicles (BEVs). These categories promise volume and visibility. But as more players crowd into them, growth and profit are increasingly commoditized.

Nameplate proliferation is accelerating. Pricing pressure is rising. Differentiation across nameplates is waning. In many high-growth spaces, incremental volume now comes at the expense of margin. Segment growth alone is no longer a reliable proxy for value creation.

OEMs need a more precise way to decide where to play. That precision comes from understanding how segment, powertrain, and timing interact. Competitive saturation varies far more at the segment and powertrain level than at the market level alone, so that is where the real strategic choices must be made.

Finding the Growth That Creates Value

In segments that expand quickly, returns are often eroded by rising incentives, higher capital intensity, and slower margin recovery. Segments that grow more gradually—or electrify unevenly—can sustain more attractive economics when competitive entry lags or technical complexity limits participation. The distinction that matters is not between growing and declining segments but between growth that creates value and growth that dissipates it.

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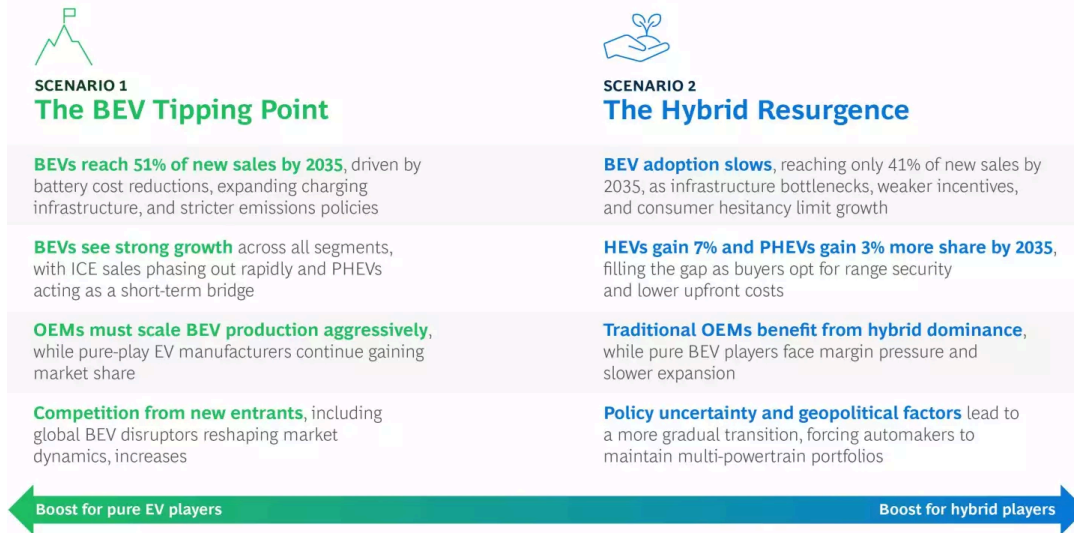
Navigating these dynamics requires OEMs to plan across plausible futures. One of the most consequential variables is the pace of electrification, which for the foreseeable future will depend on the particular scenario. Here are two of many plausible trajectories that illustrate the range of outcomes (see Exhibit 1):

- **The BEV Tipping Point.** Battery costs decline, infrastructure expands, and regulatory pressure accelerates BEV adoption. EV players operating at scale gain advantage.
- **The Hybrid Resurgence.** Political uncertainty, infrastructure skepticism, and economic pressures temper BEV adoption. Hybrid EVs (HEVs) and plug-in HEVs (PHEVs; including

extended-range EVs, or EREVs) regain prominence. Powertrain flexibility becomes a competitive edge.

EXHIBIT 1

Two Scenarios for EV Uptake in the US



Source: BCG analysis.

Note: EV = electric vehicle; BEV = battery electric vehicle; ICE = internal combustion engine; PHEV = plug-in hybrid electric vehicle (including the extended-range electric vehicle, or EREV).

The two scenarios differ in pace—but both point to the same structural reality: ICE declines and electrification advances. What separates them is not direction but speed—and overall pace determines how unevenly segments will be electrified by 2035. Under accelerated adoption, most segments move together. Under more limited adoption, segments with higher barriers—use-case constraints, charging gaps, or consumer hesitancy—transition more slowly, sustaining durable HEV and PHEV demand well beyond what some market-level forecasts suggest. The relevant unit of competition is therefore not the market as a whole but the intersection of segment and powertrain—where saturation, willingness to pay, and cost structure diverge sharply.

The implications differ by portfolio. An OEM heavily committed to BEVs may be well positioned where adoption accelerates—but exposed where it does not. An OEM with strong hybrid capabilities faces the mirror risk: well placed if adoption lags, caught short if the tipping point arrives sooner. Neither starting position is wrong; both become problematic if held too rigidly. The greater risk is not backing the wrong scenario—it is locking into a portfolio that performs well in only one outcome. Scenario-based planning becomes essential to stress-test growth-pool choices and preserve flexibility.

Timing Is Critical for Portfolio Planning

Timing adds a further layer of complexity. Even an attractive segment–powertrain combination can destroy value if entered at the wrong moment—too early, and capital is absorbed before demand materializes; too late, and the pool is already fragmented.

BEV margins illustrate the tension. We expect them to rise from roughly 2.5% in 2025 to 7% by 2035 in the US, but they will still trail ICE economics (approximately 10%). An OEM that exits ICE prematurely to accelerate BEV investment may forfeit the very margin that funds the transition.

Managing portfolio transition—rather than treating it as a binary shift—is itself a source of competitive advantage.

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Case in Point: Midsize Pickup

The midsize pickup segment (D-PUP) illustrates how the formula plays out in practice—and why the most visible growth opportunity is often not the most profitable one. (See Exhibit 2.)

Today, ICE vehicles dominate the segment, with \$10.4 billion in value across seven nameplates. But as electrification takes hold, ICE’s share will decline to about \$3.3 billion in 2035. The question is not whether to electrify—but where the most attractive per-nameplate returns will sit as the segment transforms.

Under a rapid BEV adoption path (scenario 1 from our earlier outlook for EVs), BEV value in the D-PUP segment would grow significantly (to about \$5.4 billion in 2035) but be distributed across ten projected nameplates, compressing per-nameplate profit to about \$540 million. HEV and PHEV powertrain options would bring in less value but would likely have fewer nameplates, leading to greater profit.

By contrast, a hybrid resurgence scenario (scenario 2 from our EV outlook) would attract fewer competitors, yielding stronger per-nameplate value even when the total segment value is smaller. OEMs that have placed bets on hybrid platforms would find significant value, with the greatest per-nameplate return of all in 2035: \$550 million to \$580 million.

In both scenarios, hybrid variants deliver competitive or superior per-unit economics—not because the pool is larger, but because so few OEMs are positioned to serve it. The accessibility of that window depends entirely on where an OEM starts. Two positions illustrate the range:

- For an OEM with an existing D-PUP platform, the path is incremental. If an HEV or PHEV powertrain already exists in the OEM's compact or midsize SUV (C- or D-SUV) lineup, adapting it for the pickup platform costs roughly \$150 million to \$200 million—versus \$800 million or more for a ground-up powertrain development. At a cost of \$200 million, the return threshold will be ensured under either scenario, and with only one PHEV nameplate currently in the segment, a launch in the following two to three years could secure first-mover position.
- For an OEM with hybrid capability but no pickup platform, the same opportunity carries a fundamentally different price tag. The profit pool is real, but the path runs through a full platform development program of \$800 million. By the time a greenfield platform is ready, the number of competitors may have doubled.

The D-PUP example is not a prescription to go hybrid. It is a demonstration that the same profit pool can be an obvious move for one OEM and an unfeasible economic stretch for another—and that starting position determines which is which.

Implications for OEMs

Deciding where to play in the next decade will require OEMs to move beyond static forecasts and headline adoption curves. The most reliable signals will come from leading indicators at the segment level: the pace of nameplate proliferation, margin dispersion between early and late entrants, shifts in consumer pull between hybrid and full-electric variants, and regulatory signals that affect real-world use cases rather than nominal targets.

Together, these indicators provide early warnings: when a growth pool is becoming structurally overcrowded—and when an underpenetrated powertrain configuration is approaching an inflection point.

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Starting position is as strategically important as scenario planning. Traditional OEMs enter this decade with assets that pure-play BEV manufacturers cannot easily replicate—established platforms, powertrain breadth, manufacturing scale, and customer relationships. The question is whether they deploy those assets with enough precision to convert that advantage into durable profitability—resisting the pull toward the most visible growth pools and instead competing where their starting position creates the most defensible edge.

Depending on their starting position, traditional OEMs can find opportunity in the following ways:

- **Enter the right hybrid segments early.** For OEMs with adjacent platform or powertrain assets, PHEVs and HEVs in underpenetrated segments represent the clearest near-term opportunity.
- **Retain ICE profitability for as long as the economics support it.** ICE returns will hold near 10% through 2035. Exiting prematurely—under competitive or reputational pressure— forfeits the margin that funds the transition.
- **Invest in BEVs to protect share in core segments.** BEVs will account for a meaningful share of new sales under any scenario. OEMs without a credible BEV offering in their core segments risk ceding ground to pure-play entrants.
- **Use BEVs selectively to build options while entering new segments.** Where OEMs are looking to establish a presence in new categories, BEVs offer a credible differentiation platform—particularly where willingness to pay is high and competitive intensity remains manageable.

The common thread across all four is discipline—evaluating opportunities by profit per nameplate rather than by volume and treating the powertrain transition as a portfolio management challenge rather than a race to a single destination.

OEMs that apply this lens will move early into high-value white spaces while preserving the near-term profitability that makes the transition sustainable. Those that continue to pursue the most visible growth segments risk entering increasingly crowded pools where scale grows but returns

erode. In the decade ahead, the winners will not be the OEMs that chase electrification fastest but those that deploy the right powertrain in the right segment at the right time.

Authors



Eric Jesse

Managing Director & Partner
Denver



Vanessa Lyon

Managing Director & Senior
Partner
New York



Xavier Mosquet

Senior Partner Emeritus
Detroit



Marcin Górk

Project Leader
New York



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