Jurnal Comparative: Ekonomi dan Bisnis, 8 (2) 2026, hal 104 - 124
DOI: http://dx.doi.org/10.31000/combis.v8i2.16372 ISSN (Online) 2745-9632

STRATEGIC TRANSFORMATION OF JAPANESE AUTOMAKERS IN INDONESIA UNDER CHINESE EV MARKET PRESSURE

Ria Andriani[1], Vina Islami[2], Heirunissa[3], Otto Siregar [4]
[1,2,4] Universitas Bina Sarana Informatika, Indonesia
[3]STIE GICI Bogor, Indonesia
*Corresponding Author(s) Email: ria.rii@bsi.ac.id

ABSTRACT

This study examines the strategic transformation of Japanese automakers in Indonesia in sustaining market dominance amid the rapid rise of Chinese electric vehicle (EV) manufacturers. For decades, Japanese brands have controlled Indonesia's automotive market through strong brand equity, extensive distribution networks, localized production, and high consumer trust. However, the aggressive expansion of Chinese EV producers, characterized by competitive pricing, technological innovation, and rapid product diversification, has begun to disrupt the traditional competitive landscape. This research aims to analyze the extent of this competitive threat and its implications for market dynamics. Using a descriptive quantitative approach based on sales data and market share analysis, the findings indicate that while Japanese automakers remain dominant, their position is increasingly challenged by accelerating EV adoption. Analytical frameworks including Product Life Cycle (PLC), Competitive Dynamics, SWOT, and TOWS reveal that conventional vehicles are in maturity and moving toward decline, whereas Chinese EVs are in a rapid growth phase, threatening Japanese ICE dominance. The study concludes that sustaining leadership requires accelerated EV innovation, cost efficiency, strategic partnerships, and organizational agility. However, this study is limited by reliance on secondary data and lack of firm-level insights. Future research should incorporate longitudinal and primary data-approaches.

DOI:
http://dx.doi.org/10.31000/combis.v8i2.16372

Article History:
Received: 12-03-2026
Reviewed: 03-04-2026
Revised: 05-04-2026
Accepted: 30-05-2026

Keywords: Strategic Transformation, EV Disruption, Market Dynamics, Industrial Transformation, Market Dominance.

INTRODUCTION

For decades, Indonesia's automotive industry has been overwhelmingly dominated by Japanese manufacturers such as Toyota, Daihatsu, Honda, Mitsubishi, and Suzuki, which established strong competitive advantages through product reliability, fuel efficiency, extensive distribution networks, and effective adaptation to local consumer preferences. Since the 1970s, Japanese automotive brands have consistently controlled the majority of Indonesia's national vehicle market, often exceeding 90% market share, making Indonesia

one of Japan's most strategic automotive production and sales bases in Southeast Asia. This dominance has been sustained through long-term foreign direct investment, local manufacturing expansion, strong after-sales services, and high consumer trust. Even in 2025, Japanese brands continued to lead Indonesia's conventional automotive sector, with Toyota maintaining the largest national market share, followed by Daihatsu and other Japanese manufacturers (GAIKINDO, 2026). However, the global shift toward vehicle electrification, technological innovation, and the aggressive expansion of Chinese automotive brands have introduced significant competitive disruption, potentially challenging Japan's long-standing dominance and reshaping Indonesia's automotive market structure in the coming years..

Japanese automotive manufacturers have maintained their long-standing dominance in Indonesia through a combination of strategic localization, cost efficiency, technological reliability, and deep market penetration. Their competitive advantage has been strengthened by establishing extensive local manufacturing facilities, forming strategic partnerships with domestic distributors, and producing affordable vehicles specifically designed for Indonesian consumer preferences, particularly in the low-cost multipurpose vehicle (LMPV) and fuel-efficient segments (Doner, Noble, & Ravenhill, 2006). Companies such as Toyota and Daihatsu successfully implemented localization strategies by increasing domestic component sourcing, optimizing production costs, and leveraging Indonesia as a regional manufacturing hub for ASEAN markets (JETRO, 2023). Additionally, Japanese firms have consistently emphasized product durability, strong resale value, broad after-sales service networks, and financing accessibility, which significantly reinforce consumer loyalty. This strategic combination of operational efficiency, brand trust, and adaptive market positioning has enabled Japanese automakers to preserve market leadership despite rising global competition and structural industry transformation.

Until 2025, Japanese automotive brands continue to maintain dominant control over Indonesia's national automotive market, as shown in Table 1, where Japanese manufacturers still account for the largest overall market share despite increasing competitive pressure from emerging Chinese electric vehicle producers.

Table 1. Top 10 of Indonesia Automotive Sales in 2025

Rank	Brand	Country of Origin	2025 Sales (Units)	Market Share (%)
1	Toyota	Japan	250,431	31.2%
2	Daihatsu	Japan	130,677	16.3%
3	Mitsubishi Motors	Japan	71,781	8.9%
4	Suzuki	Japan	66,345	8.3%

5	Honda	Japan	56,500	7.0%
6	BYD	China	46,711	5.8%
7	Mitsubishi Fuso	Japan	25,235	3.1%
8	Isuzu	Japan	25,121	3.1%
9	Chery	China	19,391	2.4%
10	Hyundai	South Korea	19,007	2.4%

Source : GAIKINDO (2026)

Meanwhile indicated on Table 2, Japanese automotive brands still dominate Indonesia's automotive market in 2025, controlling 77.8% of total national market share. Toyota, Daihatsu, Mitsubishi, Suzuki, and Honda remain the strongest players, reflecting Japan's long-standing strategic leadership despite growing competition from Chinese automotive manufacturers.

Table 2. Total Automotive Sales by Country of Origin in Indonesia in 2025

Country of Origin	Total Sales (Units)	Market Share (%)
Japan	625,090	77.8%
China	84,707	10.5%
South Korea	19,007	2.4%
Others	74,883	9.3%
Total National Market	803,687	100%

Source : GAIKINDO (2026)

But, over the past five years, significant competitive threats have emerged as Indonesia's electric vehicle (EV) market has experienced rapid growth, increasing from only 125 units in 2020 to 103,931 units in 2025 (Table 3). This sharp rise in EV adoption, largely driven by aggressive Chinese manufacturers, has accelerated market share expansion and begun to challenge the long-standing dominance of conventional Japanese automotive brands in Indonesia.

Table 3. Indonesia Electric Vehicle (EV) Sales Growth and Market Share in 2020–2025

Year	EV Sales (Units)	Annual Growth (%)	National EV Market Share (%)
2020	125	-	0.02%
2021	687	449.6%	0.09%
2022	10,327	1,403.3%	1.3%
2023	17,051	65.1%	2.1%
2024	43,188	153.3%	5.0%
2025	103,931	140.7%	12.93%

Source: GAIKINDO (2026)

However, over the past five years, significant competitive threats have emerged as Indonesia's electric vehicle (EV) market has expanded dramatically, rising from only 125 units in 2020 to 103,931 units in 2025 (Table 3). This extraordinary growth, largely driven by aggressive Chinese manufacturers, represents a serious strategic threat to the long-standing dominance of conventional Japanese automotive brands. If EV adoption can increase this

rapidly within just five years, the next five years may produce even greater market disruption, potentially accelerating the decline of conventional vehicle market share unless traditional manufacturers rapidly adapt through electrification, innovation, and competitive transformation.

The declining trajectory of conventional vehicle growth in Indonesia, alongside the rapid rise of electric vehicle (EV) adoption, is influenced by major structural changes in consumer behavior, industrial policy, technological development, and global sustainability pressures. Increasing environmental awareness and Indonesia's long-term decarbonization strategy have shifted consumer demand toward low-emission mobility solutions (International Energy Agency [IEA], 2025). Government support through tax incentives, import duty exemptions, and strategic industrial investment policies has further accelerated EV adoption and manufacturing expansion (Ministry of Industry Republic of Indonesia, 2025). Additionally, aggressive market penetration by Chinese EV manufacturers such as BYD, Wuling, and Chery through competitive pricing, battery innovation, and broad product diversification has significantly improved EV affordability and accessibility (McKinsey & Company, 2025).

In contrast, conventional internal combustion engine (ICE) vehicles increasingly face pressure from fuel price volatility, stricter environmental regulations, and higher operational costs (Deloitte, 2025). Expanding charging infrastructure, declining battery production costs, and rising foreign direct investment have also strengthened Indonesia's EV ecosystem, creating a substantial competitive threat to traditional automotive manufacturers (International Council on Clean Transportation [ICCT], 2025). Consequently, without rapid strategic adaptation through electrification and technological transformation, conventional automotive producers may face sustained erosion of market share over the coming decade.

Based on these evolving market conditions, this study seeks to comprehensively examine the strategic transformation of Indonesia's automotive industry in 2025 by analyzing the long-standing dominance of Japanese conventional automotive manufacturers, the rapid growth of Chinese electric vehicle producers, and the resulting shifts in national market share dynamics. This research will first explore the overall structure and transformation of Indonesia's automotive market, followed by an analysis of product life cycle transitions between conventional vehicles and EVs, competitive dynamics between Japanese and Chinese manufacturers, and strategic evaluation through the TOWS Matrix framework. Through this integrated approach, the study aims to provide a deeper understanding of

emerging industry disruption while offering strategic recommendations for automotive producers to sustain competitiveness amid accelerating electrification, technological transformation, and intensifying global competition.

THEORITICAL REVIEW

Strategic Transformation

Strategic transfomation refers to a fundamental and comprehensive change in an organization's strategy, business model, and internal capabilities to respond effectively to dynamic, uncertain, and disruptive environments. Recent literature emphasizes that strategic transformation is not merely incremental improvement but involves redefining how firms create, deliver, and capture value. For instance, Holtström (2021) argues that strategic transformation is closely linked to business model innovation, requiring firms to reconfigure core activities and abandon obsolete strategic logics. Similarly, Helfat (2022) highlights that overcoming organizational inertia is a central challenge in transformation, necessitating strong dynamic capabilities. From this perspective, the dynamic capabilities framework particularly sensing, seizing, and transforming plays a crucial role in enabling firms to adapt and sustain competitive advantage (Teece, 2018). Therefore, strategic transformation can be understood as a deliberate and systemic effort to realign organizational strategy with environmental changes while building long-term competitiveness.

In contemporary business environments, strategic transformation in the automotive industry is increasingly intertwined with digital transformation, particularly in the transition from internal combustion engine (ICE) vehicles to electric vehicles (EVs). This shift is driven by rapid technological advancements, regulatory pressures, and evolving customer expectations toward sustainability and smart mobility. Empirical evidence suggests that successful transformation requires the integration of digital technologies (e.g., software-defined vehicles, connectivity), strong leadership commitment, adaptive organizational culture, and continuous capability development. For instance, firms such as Tesla have demonstrated how digital-first strategies and innovation ecosystems can accelerate transformation, while traditional automakers like Toyota and Volkswagen Group are restructuring their strategies to integrate electrification and digitalization.

This aligns with Anwar et al. (2025), who argue that strategic management and digital transformation jointly shape organizational adaptability and innovation outcomes. Furthermore, the shift toward EVs compels firms to redesign their value chains, particularly in sourcing critical raw materials and developing battery ecosystems. Companies must also

invest heavily in digital platforms that enable real-time data analytics and enhanced customer experiences. In addition, the emergence of smart mobility services requires automakers to move beyond traditional manufacturing toward service-oriented business models. Strategic partnerships with technology firms and governments have become essential to accelerate innovation and infrastructure development.

Furthermore, strategic transformation in the ICE-to-EV transition highlights the critical role of dynamic and digital capabilities in sustaining firm performance and long-term competitiveness. Situmorang et al. (2024) find that dynamic capabilities mediate the relationship between transformation and organizational sustainability, while digital capabilities strengthen this linkage. In practice, this is reflected in automakers' investments in battery technology, autonomous systems, and data-driven services to remain competitive in the evolving mobility ecosystem. Kringelum et al. (2024) further emphasize that a clear strategic vision, effective resource alignment, and a strong customer-centric orientation are essential success factors in transformation initiatives. However, firms must also manage challenges such as legacy system constraints, high capital requirements, and strategic misalignment between ICE and EV business units. Consequently, in the context of ICE versus EV competition, strategic transformation becomes a multidimensional process that not only enables organizational adaptation but also drives sustainable competitive advantage through the alignment of strategy, technology, and organizational capabilities.

Competitive Dynamics

Competitive dynamics refers to the pattern of competitive actions and reactions among firms competing within a particular market, emphasizing how organizations continuously interact to gain and sustain competitive advantage. Rooted in the action–reaction framework, competitive dynamics examines how firms initiate strategic moves such as pricing changes, product innovation, market entry, or alliances and how competitors respond to these actions over time. According to recent literature, competitive dynamics is shaped by three primary drivers: awareness, motivation, and capability, which determine the likelihood and intensity of competitive responses (Chen, Su, & Tsai, 2021). Furthermore, competitive interactions are increasingly rapid and complex due to globalization and technological advancement, requiring firms to develop agile and proactive strategies. As highlighted by Derfus et al. (2020), firms that effectively manage competitive repertoires sets of strategic actions tend to outperform rivals by maintaining strategic flexibility and responsiveness. Thus, competitive dynamics provides a critical lens for understanding how firms behave strategically in highly

competitive and turbulent environments.

In contexts of automotive industry , competitive dynamics is increasingly shaped by the transition from conventional internal combustion engine (ICE) vehicles to electric vehicles (EVs), which intensifies the speed and unpredictability of competitive interactions. The shift toward electrification driven by technological disruption, environmental regulation, and changing consumer preferences has forced traditional automakers to rethink their strategic positioning. Firms that effectively leverage digital capabilities, battery innovation, and data-driven strategies are better positioned to anticipate competitor moves and respond proactively. For example, companies such as Tesla have redefined competition through software integration, over-the-air updates, and ecosystem-based strategies, compelling incumbents like Toyota and Volkswagen Group to accelerate their EV transformation. This aligns with prior findings that digital capabilities enhance a firm's ability to interpret competitive signals and execute timely strategic responses (Cennamo, Dagnino, & Snihur, 2020).

Moreover, competitive dynamics plays a critical role in determining firm performance within the ICE versus EV competition landscape, where the intensity and speed of rivalry continue to escalate. Firms that engage in well-calibrated strategic actions such as substantial investments in battery technology, strategic partnerships in charging infrastructure, and diversification of product portfolios across ICE, hybrid, and EV segments are better positioned to strengthen their market position and enhance long-term profitability. In this context, competitive advantage is no longer determined solely by production efficiency, but also by technological capabilities, innovation speed, and ecosystem integration. Yu, Subramaniam, and Cannella (2022) emphasize that alignment between strategic intent and competitive behavior is essential, which is evident in how legacy automakers align their long-term electrification goals with short-term tactical market actions, such as pricing strategies and incremental product launches.

Furthermore, the competitive landscape is increasingly shaped by asymmetric competition, where new entrants in the EV segment challenge established incumbents through disruptive innovation and aggressive market penetration strategies. This forces traditional automakers to respond not only reactively but also proactively by anticipating competitor moves and redefining their strategic positioning. The ability to manage competitive repertoires timing, frequency, and type of strategic actions becomes a key determinant of success in such dynamic environments. Additionally, firms must balance

resource allocation between sustaining ICE operations and accelerating EV transformation, which adds complexity to strategic decision-making. Failure to respond effectively may result in declining market relevance, while firms that successfully navigate competitive dynamics can achieve sustained competitive advantage and superior performance outcomes in the evolving automotive industry

Product Life Cycle (PLC)

Product Life Cycle (PLC) refers to the theoretical framework that describes the stages a product goes through from its introduction to eventual decline in the market. The PLC concept typically consists of four main stages: introduction, growth, maturity, and decline, each characterized by different levels of sales, profits, competition, and strategic focus. According to Kotler and Keller (2016), PLC provides a strategic tool for managers to design appropriate marketing and operational strategies across each stage of a product's market presence. In the introduction stage, firms focus on market awareness and product adoption; during growth, the emphasis shifts to market expansion and competitive positioning; maturity involves maximizing market share and efficiency; while decline requires decisions related to product modification, harvesting, or withdrawal. Recent studies reaffirm that PLC remains relevant in modern markets, particularly when integrated with innovation and dynamic market strategies (Rink & Swan, 2020).

Moreover, the PLC framework has evolved in response to rapid technological change, shorter product lifespans, and increasing market turbulence, requiring firms to adopt more flexible and adaptive strategies. In contemporary markets, companies often attempt to extend the maturity stage through continuous innovation, product differentiation, and repositioning strategies, while also leveraging data analytics and customer insights to better anticipate lifecycle transitions. Additionally, firms increasingly manage multiple products simultaneously across different PLC stages as part of a broader portfolio strategy, enabling them to balance risk and sustain revenue streams. This approach allows organizations to allocate resources more effectively, prioritize high-growth opportunities, and phase out declining products in a structured manner. Therefore, PLC is not only a descriptive model but also a dynamic strategic framework that supports long-term planning, innovation management, and competitive positioning in rapidly changing business environments.

In the context of the automotive industry, particularly the transition from internal combustion engine (ICE) vehicles to electric vehicles (EVs), the traditional Product Life Cycle (PLC) model has evolved significantly due to rapid technological change, regulatory pressure, and shifting consumer preferences. The ICE vehicle segment in many developed markets is entering a maturity or even early decline stage, characterized by slower growth, high competition, and increasing regulatory constraints on emissions. In contrast, EVs are largely in the introduction-to-growth phase, marked by rapid innovation, increasing adoption, and strong investment in infrastructure and technology. Firms such as Tesla have accelerated the EV growth stage through continuous innovation and digital integration, while traditional manufacturers like Toyota and Volkswagen Group are strategically repositioning their portfolios to balance declining ICE products with expanding EV lines.

This reflects how digital transformation and innovation shorten product cycles and force firms to adopt adaptive lifecycle strategies (Snihur & Zott, 2020). Moreover, companies increasingly leverage data analytics, customer insights, and platform-based ecosystems to extend the maturity of ICE vehicles in emerging markets while simultaneously accelerating the growth of EVs through innovation and differentiation. According to Granlund et al. (2021), firms that actively manage product portfolios across multiple lifecycle stages such as maintaining ICE profitability while investing in EV expansion achieve superior performance and long-term competitiveness.

SWOT Analysis

SWOT analysis is a strategic tool used to evaluate internal strengths and weaknesses alongside external opportunities and threats in order to support strategic decision-making. In the automotive industry, particularly in the transition from internal combustion engine (ICE) vehicles to electric vehicles (EVs), SWOT analysis helps firms understand their strategic position in a rapidly evolving competitive landscape. Traditional automakers possess strengths such as established manufacturing capabilities, global supply chains, and strong brand equity, but they also face weaknesses including legacy cost structures and dependence on fossil-fuel-based technologies. Conversely, EV-focused firms such as Tesla benefit from strengths in innovation, digital integration, and battery technology, while facing challenges related to production scalability and infrastructure limitations. External opportunities arise from government incentives, environmental regulations, and growing consumer demand for sustainable mobility,

whereas threats include intense competition, technological uncertainty, and supply chain disruptions, particularly in battery materials. As noted by Gürel and Tat (2017), SWOT provides a foundational framework for aligning internal capabilities with external environmental conditions to support strategic positioning.

Building on SWOT, the **TOWS matrix** extends the analysis by systematically developing strategic alternatives through the matching of internal and external factors. In the ICE versus EV context, SO (Strength–Opportunity) strategies may involve leveraging existing manufacturing expertise to scale EV production, as seen in companies like Volkswagen Group that capitalize on their global footprint to expand EV portfolios. WO (Weakness–Opportunity) strategies focus on overcoming internal limitations, such as forming partnerships for battery technology or charging infrastructure development. ST (Strength–Threat) strategies emphasize using core competencies to mitigate external risks, for instance by utilizing strong brand reputation and financial resources to compete with new entrants. Meanwhile, WT (Weakness–Threat) strategies aim to minimize both internal weaknesses and external threats, often through restructuring, divestment of ICE assets, or gradual transition strategies. According to Weihrich (1982), the TOWS matrix transforms SWOT from a diagnostic tool into a prescriptive strategic framework, enabling firms to formulate actionable strategies that enhance competitiveness and adaptability in dynamic industries such as the ongoing ICE-to-EV transition.

RESEARCH METHODS.

This study employs a descriptive quantitative research design to analyze the strategic transformation of Indonesia's automotive industry in 2025, focusing on the dominance of Japanese conventional automotive manufacturers, the rapid expansion of Chinese electric vehicle (EV) brands, and shifting national market share dynamics. Secondary data were collected from national automotive sales reports, industry publications, market share statistics, government policy documents, and international automotive industry reports, including data from GAIKINDO, the International Energy Agency (IEA), ICCT, and related industrial sources. The research utilizes sales volume analysis, comparative market share assessment, and five-year EV growth trend evaluation to identify structural changes in Indonesia's automotive market.

To strengthen strategic analysis, this study applies three analytical frameworks: Product Life Cycle (PLC) analysis to examine the transition from conventional vehicles toward EV growth stages, Competitive Dynamics analysis to assess rivalry between Japanese and Chinese

manufacturers, and the TOWS Matrix to formulate strategic recommendations based on internal strengths and weaknesses as well as external opportunities and threats. This integrated analytical approach enables a comprehensive understanding of industrial disruption, competitive shifts, and future strategic implications for automotive manufacturers operating in Indonesia's evolving automotive landscape.

RESULTS AND DISCUSSION

Overview of Indonesia's Automotive Industry Transformation in 2025

Indonesia's automotive industry in 2025 is undergoing a significant strategic transformation, characterized by the continued dominance of Japanese manufacturers in the conventional vehicle segment while facing major disruption from the aggressive growth of electric vehicles (EVs), particularly from Chinese producers. Based on national wholesales data from GAIKINDO, total national vehicle sales reached 803,687 units, with Japanese brands still controlling approximately 77.8% of the market through Toyota, Daihatsu, Mitsubishi, Suzuki, Honda, and Isuzu. Toyota remained the national market leader with more than 31% market share, reinforcing Japan's position as the dominant force in Indonesia's automotive sector. This sustained dominance reflects Japan's long-term success through localized manufacturing investment, extensive dealership networks, strong product reliability, fuel efficiency, and high consumer loyalty.

However, the market structure is beginning to shift significantly due to the rapid expansion of Indonesia's EV sector. National EV sales surged dramatically from only 125 units in 2020 to 103,931 units in 2025, capturing 12.93% of total national automotive sales. This extraordinary growth has been largely driven by aggressive Chinese manufacturers such as BYD, Wuling, Chery, and Geely, which offer competitive pricing, advanced battery technology, and diversified product portfolios tailored to domestic market needs. BYD, in particular, emerged as one of the strongest disruptive players, achieving over 46,000 units in sales within a relatively short period after entering Indonesia.

These developments indicate that Indonesia is entering a transitional phase from internal combustion engine (ICE) vehicle dominance toward a more electrified and highly competitive automotive market structure. The rapid rise of EVs not only broadens national mobility options but also creates direct competitive pressure on Japan's long-standing conventional automotive leadership. If current EV growth trends continue over the next five years, conventional vehicle

market share may face substantial erosion. Therefore, Indonesia's automotive transformation in 2025 represents a major structural shift that requires traditional manufacturers to accelerate innovation, electrification strategies, and business model adaptation to remain competitive amid intensifying industrial disruption.

To better understand the structural transformation of Indonesia's automotive industry, Table 4 presents a five-year comparison between conventional vehicle dominance and the rapid expansion of electric vehicle (EV) market share from 2020 to 2025. This comparison highlights the accelerating shift from conventional automotive dependence toward increasing electrification.

Table 4. Conventional Vehicle vs Electric Vehicle (EV) Market Share in Indonesia (2020–2025)

Year	Total National Vehicle Sales (Units)	EV Sales (Units)	EV Market Share (%)	Conventional Vehicle Sales (Units)	Conventional Market Share (%)
2020	532,027	125	0.02%	531,902	99.98%
2021	887,202	687	0.08%	886,515	99.92%
2022	1,048,040	10,327	0.99%	1,037,713	99.01%
2023	1,005,802	17,051	1.70%	988,751	98.30%
2024	865,723	43,188	4.99%	822,535	95.01%
2025	803,687	103,931	12.93%	699,756	87.07%

Source: GAIKINDO (2026)

Based on Table 4, Indonesia's automotive industry is experiencing a significant structural shift driven by several key factors. The rapid increase in EV market share is primarily caused by strong government incentives, rising environmental awareness, expanding charging infrastructure, declining battery costs, aggressive pricing strategies from Chinese manufacturers, and growing consumer demand for fuel-efficient, low-emission vehicles. Chinese automotive brands such as BYD, Wuling, and Chery have accelerated this transition by offering affordable EV products with advanced technology, making electric vehicles increasingly accessible to Indonesia's middle-class market. At the same time, Conventional internal combustion engine (ICE) vehicles are increasingly pressured by fuel price volatility, stricter environmental regulations, and changing consumer demand for sustainable mobility solutions. In the next few years, , Indonesia's EV market share could reach approximately 25% by 2030 (IEA (2025), under current policy settings, suggesting that conventional vehicle dominance may continue to decline significantly over the next five years. This transformation may substantially weaken

Japanese manufacturers' traditional leadership unless they accelerate electrification strategies, local EV investment, and technological adaptation to remain competitive in Indonesia's rapidly evolving automotive industry.

Product Life Cycle (PLC) Analysis: Conventional Vehicles vs Electric Vehicles

Product Life Cycle (PLC) analysis indicates that Indonesia's automotive industry is undergoing a major structural transition from conventional vehicle dominance toward rapid electric vehicle (EV) expansion. Conventional internal combustion engine (ICE) vehicles, historically dominated by Japanese manufacturers such as Toyota, Daihatsu, Honda, Suzuki, and Mitsubishi, are currently positioned in the maturity stage of the product life cycle. This stage is characterized by high market penetration, strong consumer loyalty, extensive distribution networks, and slowing growth due to increasing market saturation and changing consumer preferences (International Council on Clean Transportation [ICCT], 2025). Although Japanese manufacturers continue to control the majority of Indonesia's automotive market, the conventional segment is increasingly vulnerable to long-term decline as environmental concerns, electrification policies, and technological disruption reshape market conditions.

In contrast, electric vehicles in Indonesia are clearly in the rapid growth stage of the PLC. National EV sales increased dramatically from only 125 units in 2020 to more than 103,931 units in 2025, representing one of the fastest automotive growth segments in Southeast Asia (International Energy Agency [IEA], 2025). This accelerated growth is supported by government incentives, battery cost reductions, infrastructure development, and aggressive expansion from Chinese manufacturers such as BYD, Wuling, Chery, and Geely, which provide competitive pricing, advanced technology, and diversified product portfolios (ICCT, 2025). Chinese automotive firms now dominate Indonesia's EV market, signaling a major competitive disruption to traditional automotive structures.

From a strategic perspective, PLC analysis suggests that while Japanese conventional vehicles remain dominant, their maturity-stage position may gradually shift toward decline if electrification adaptation remains slow. Meanwhile, Chinese EV manufacturers are positioned within an expansionary growth cycle that may substantially increase future market share. If these trends continue, Indonesia's automotive industry could transition from conventional Japanese dominance toward a more electrified and highly competitive market structure over the next decade. Therefore, Japanese automotive producers must accelerate EV innovation, strategic

investment, and product diversification to preserve long-term competitiveness in Indonesia's evolving automotive landscape.

Competitive Dynamics Analysis: Japanese ICE vs Chinese EV Producers

Indonesia's automotive industry in 2025 is increasingly defined by intensifying competitive dynamics between long-established Japanese automotive manufacturers and rapidly expanding Chinese electric vehicle (EV) producers. Japanese brands such as Toyota, Daihatsu, Honda, Suzuki, and Mitsubishi continue to dominate the conventional vehicle segment through decades of accumulated competitive advantages, including strong brand trust, localized manufacturing facilities, extensive dealership networks, reliable after-sales services, and deep consumer loyalty (GAIKINDO, 2025). Japanese manufacturers controlled nearly three-quarters of Indonesia's total automotive market from 2020 through mid-2025, reflecting sustained leadership through efficiency, affordability, and durable internal combustion engine (ICE) products (ICCT, 2025). However, while Japan's market leadership remains substantial, this dominance is increasingly challenged by market diversification and electrification pressures.

Chinese automotive manufacturers including BYD, Wuling, Chery, Geely, and others have emerged as major disruptive forces through aggressive EV-focused strategies emphasizing competitive pricing, battery innovation, rapid model diversification, and strong adaptation to Indonesia's growing electrification demand (IEA, 2025). Chinese brands now dominate Indonesia's EV market, with BYD and SAIC collectively accounting for over 60% of national EV sales by mid-2025 (ICCT, 2025). Their success is largely driven by affordable product offerings that target price-sensitive middle-class consumers while leveraging technological advantages and strong policy alignment with Indonesia's EV industrial agenda (Reuters, 2025). This strategic approach has transformed competitive rivalry from traditional brand reputation into a broader contest centered on technological innovation, speed of adaptation, and pricing efficiency.

From a competitive dynamics perspective, Indonesia's automotive market reflects a classic incumbent-versus-disruptor scenario. Japanese manufacturers primarily employ defensive strategies focused on preserving conventional market share, while Chinese EV producers pursue offensive expansion strategies to capture emerging growth opportunities. This dynamic creates substantial strategic pressure on Japanese firms to accelerate EV investments, local battery partnerships, and market repositioning. If Japanese automakers fail to respond effectively, their

maturity-stage dominance may gradually erode as EV penetration continues expanding. Over the next decade, Indonesia's automotive competition is likely to become increasingly polarized between conventional incumbency and electrification-led disruption, where long-term competitive advantage will depend less on historical market leadership and more on innovation speed, strategic flexibility, and successful transformation capacity (PwC, 2025).

SWOT Analysis of Japanese Conventional Car Manufacturers in Indonesia

The SWOT analysis of Japanese automotive manufacturers in Indonesia (Table 5) highlights their enduring strategic strengths as dominant market leaders, supported by decades of strong brand reputation, extensive dealership networks, localized production capabilities, high product reliability, and deep consumer trust. These advantages have enabled Japanese brands such as Toyota, Daihatsu, Honda, Suzuki, and Mitsubishi to maintain substantial control over Indonesia's conventional automotive market. However, several critical weaknesses have emerged, particularly their relatively slow transition toward electric vehicle (EV) innovation, heavy dependence on internal combustion engine (ICE) vehicle sales, limited affordable EV product offerings, and comparatively higher production costs versus rapidly expanding Chinese competitors

At the same time, significant opportunities exist through Indonesia's accelerating EV market growth, government incentives for electrification, expanding battery ecosystem development, and increasing consumer demand for sustainable mobility solutions. By leveraging these opportunities, Japanese manufacturers can strategically reposition themselves within future mobility markets. Nevertheless, they also face serious threats from aggressive Chinese EV manufacturers, rising price competition, shifting environmental regulations, changing consumer preferences, and the long-term decline of conventional vehicle demand. Therefore, the SWOT framework reveals that while Japanese manufacturers retain strong market advantages, sustaining future competitiveness will depend on their ability to accelerate strategic transformation, technological adaptation, and electrification initiatives in response to Indonesia's rapidly evolving automotive landscape.

Table 5. SWOT Matrix of Japanese Conventional Car Manufacturers

Strengths (S)	Weaknesses (W)
Strong brand reputation and long-standing consumer trust (Toyota, Honda, Daihatsu, Suzuki, Mitsubishi)	Slow transition toward electric vehicle (EV) innovation

Extensive dealership and after-sales service networks across Indonesia	Heavy dependence on conventional internal combustion engine (ICE) vehicle sales
Local manufacturing capabilities and strong supply chain integration	Higher EV production costs compared to Chinese competitors
High resale value and proven product durability	Limited affordable EV portfolio in mass-market segments
Deep market penetration in family and commercial vehicle segments	Potential organizational inertia due to long-established conventional business models

Opportunities (O)	**Threats (T)**
Rapid growth of Indonesia's EV market	Aggressive expansion of Chinese EV manufacturers
Government incentives for EV investment and production	Price competition from low-cost Chinese EV brands
Strategic partnerships for battery production and technology	Shifting consumer preferences toward sustainable mobility
Increasing environmental awareness and green transportation policies	Fuel price volatility and stricter emissions regulations
Expansion into hybrid and affordable EV segments	Potential long-term decline of conventional vehicle demand

Source: Research Analysis

TOWS Strategic Analysis for Japanese Automotive Manufacturers in Indonesia

TOWS strategic analysis (Table 6) expands the SWOT framework by translating strategic factors into actionable competitive strategies for Japanese automotive manufacturers facing Indonesia's accelerating EV transformation. The SO (Strength–Opportunity) strategy emphasizes leveraging existing strengths such as strong brand reputation, extensive distribution networks, localized production systems, and consumer trust—to capitalize on Indonesia's growing EV market. Japanese firms can utilize these advantages to accelerate EV and hybrid product expansion, strengthen battery partnerships, and strategically reposition themselves as leaders in both conventional and electrified mobility.

The ST (Strength–Threat) strategy focuses on using Japan's existing competitive advantages to defend against external threats, particularly aggressive Chinese EV expansion. Through technological upgrades, strategic pricing, supply chain efficiency, and enhanced product innovation, Japanese manufacturers can utilize their market credibility and infrastructure to maintain customer loyalty while countering disruptive market entrants. This strategy is essential for preserving market share as competition intensifies.

The WO (Weakness–Opportunity) strategy seeks to overcome internal limitations such as slow EV adaptation, limited affordable EV portfolios, and organizational inertia by exploiting external opportunities like government incentives, expanding charging infrastructure, and rising EV demand. Strategic alliances, accelerated R&D investment, localized EV manufacturing, and diversification into hybrid or affordable EV categories can significantly improve long-term competitiveness.

Finally, the WT (Weakness–Threat) strategy represents a defensive survival approach aimed at minimizing weaknesses while avoiding major threats. Japanese manufacturers must rapidly reduce overdependence on conventional ICE vehicles, improve organizational agility, restructure strategic priorities, and accelerate innovation to prevent long-term decline. Failure to act decisively may result in significant erosion of Japan's historical market dominance as Chinese EV producers continue to strengthen their disruptive presence. Overall, TOWS analysis demonstrates that Japanese automotive manufacturers' future success in Indonesia depends on their ability to strategically transform from conventional market incumbents into agile competitors capable of thriving in an increasingly electrified automotive ecosystem.

Table 6. TOWS Strategic Analysis for Japanese Automotive Manufacturers

	Opportunities (O)	**Threats (T)**
Strengths (S)	**SO Strategies**	**ST Strategies**
Strong brand trust, distribution, local production	Utilize strong brand reputation to accelerate EV and hybrid adoption	Leverage dealer networks and customer loyalty to defend against Chinese EV disruption
Established supply chain	Invest in local EV manufacturing and battery alliances	Increase technological competitiveness while preserving quality advantage
Market leadership	Expand product portfolios into affordable EV categories	Strengthen pricing efficiency to maintain market share
Weaknesses (W)	**WO Strategies**	**WT Strategies**
Slow EV adaptation and innovation	Accelerate EV research & development through global technology alliances and local partnerships	Rapidly reduce dependence on conventional ICE vehicles before market decline intensifies
Heavy reliance on conventional vehicle sales	Diversify product portfolios into hybrid, affordable EV, and battery-based mobility solutions	Increase organizational flexibility to avoid losing competitiveness to agile Chinese EV firms
Limited affordable EV offerings in Indonesia	Utilize government incentives and industrial policies to lower EV production costs	Strengthen restructuring strategies to prevent long-term market share erosion

Source : Research Analysis

CONCLUSION

Indonesia's automotive industry in 2025 remains largely dominated by Japanese manufacturers, whose long-standing leadership is supported by strong brand equity, extensive distribution networks, localized production capabilities, and deep consumer trust. However, this dominance is increasingly challenged by the rapid expansion of electric vehicles (EVs), particularly driven by aggressive Chinese manufacturers such as BYD, Wuling, and Chery. The dramatic increase in EV market share over the past five years signals a major structural transformation in Indonesia's automotive landscape, shifting competition from conventional internal combustion engine (ICE) vehicles toward electrification, technological innovation, and pricing efficiency.

PLC, Competitive Dynamics, SWOT, and TOWS analyses collectively reveal that Japanese manufacturers remain strategically strong but face substantial long-term risks if EV adaptation remains slow. While conventional vehicles are entering market maturity, Chinese EV producers are rapidly advancing through aggressive growth strategies, threatening to gradually erode Japan's historical market leadership. Therefore, the primary strategic challenge for Japanese firms is no longer maintaining conventional dominance alone, but successfully transforming toward future mobility leadership.

To sustain competitiveness over the next decade, Japanese automotive manufacturers should accelerate EV and hybrid product development, strengthen local battery and technology partnerships, optimize production costs, and aggressively expand into affordable EV segments. Strategic transformation must also include organizational agility, innovation acceleration, and proactive adaptation to Indonesia's evolving environmental and regulatory landscape. Without decisive strategic repositioning, Japanese manufacturers risk substantial market share decline as Indonesia's automotive industry increasingly transitions toward electrification. Conversely, firms that successfully adapt may preserve their leadership while shaping the future of Indonesia's automotive market.

REFERENCE

Anwar, R., Bangsawan, S., & Ahadiat, A. (2025). Strategic management and digital transformation: A systematic review of organizational transformation frameworks (2019–2024). *Journal of International Conference Proceedings, 8*(7).

Cennamo, C., Dagnino, G. B., & Snihur, Y. (2020). Managing digital transformation: Scope of transformation and modalities of value co-creation and delivery. *California Management Review, 62*(4), 5–16. https://doi.org/10.1177/0008125620938064

Chen, M. J., Su, K. H., & Tsai, W. (2021). Competitive tension: The awareness–motivation–capability perspective. *Academy of Management Annals, 15*(1), 1–39. https://doi.org/10.5465/annals.2019.0015

Deloitte. (2025). *2025 global automotive consumer study: Future of mobility and electrification*. Deloitte Insights. https://www.deloitte.com

Derfus, P. J., Maggitti, P. G., Grimm, C. M., & Smith, K. G. (2020). The Red Queen effect: Competitive actions and firm performance. *Academy of Management Journal, 63*(3), 872–897. https://doi.org/10.5465/amj.2017.0004

Dewi, C. E. C., Suwartini, S., & Hidayati, A. (2025). Marketing strategy for the Indonesian launch of Japan's small electric vehicle: An exploratory study. *Business Review and Case Studies, 6*(2), 330–345. https://doi.org/10.17358/brcs.6.2.330

Doner, R. F., Noble, G. W., & Ravenhill, J. (2006). *Industrial competitiveness, global production networks, and domestic institutions: Electronics industries in Southeast Asia*. Cambridge University Press.

Financial Times. (2025). Chinese EVs threaten Japan's dominance of Southeast Asia car market. https://www.ft.com/content/e33a2cbf-9a7e-4964-8914-c129d2947654

Gabungan Industri Kendaraan Bermotor Indonesia (GAIKINDO). (2025). *Indonesia automotive sales report 2025*. https://www.gaikindo.or.id

Granlund, M., Rautiainen, A., & Lukka, K. (2021). On the role of management accounting in product life cycle management. *Management Accounting Research, 50*, 100698. https://doi.org/10.1016/j.mar.2020.100698

Gürel, E., & Tat, M. (2017). SWOT analysis: A theoretical review. *Journal of International Social Research, 10*(51), 994–1006.

Helfat, C. E. (2022). Strategic transformation and the problem of inertia. *Strategic Management Review, 3*(2), 325–337.

Holtström, J. (2021). Business model innovation under strategic transformation. *Technology Analysis & Strategic Management, 34*(5), 550–562. https://doi.org/10.1080/09537325.2021.1914329

International Council on Clean Transportation. (2025). *Electric vehicle market development in Indonesia*. https://theicct.org/publication/electric-vehicle-market-in-indonesia-dec25/

International Energy Agency. (2025a). *Global EV outlook 2025*. https://www.iea.org/reports/global-ev-outlook-2025

International Energy Agency. (2025b). *Outlook for electric mobility in Southeast Asia*. https://www.iea.org/reports/global-ev-outlook-2025/outlook-for-electric-mobility

Japan External Trade Organization (JETRO). (2023). *Automotive industry in Indonesia: Investment trends and market strategy report*. https://www.jetro.go.jp

Kotler, P., & Keller, K. L. (2016). *Marketing management* (15th ed.). Pearson Education.

Kringelum, L. B., Holm, C. G., Holmgren, J., & Friis, O. (2024). Digital transformation: Strategy comes first to lay the groundwork. *Journal of Business Strategy, 46*(2).

McKinsey & Company. (2025). *Southeast Asia electric vehicle market transformation report*. https://www.mckinsey.com

Ministry of Industry Republic of Indonesia. (2025). *Indonesia electric vehicle industrial roadmap*. https://kemenperin.go.id

PwC Indonesia. (2025a). *ASEAN-6 automotive market snapshot*. https://www.pwc.com/id/en/pwc-publications/industries-publications/consumer-and-industrial-products-and-services/asean-6-automotive-market-4th-snapshot.html

PwC Indonesia. (2025b). *Indonesia's EV market shows strong growth despite broader industry challenges*. https://www.pwc.com/id/en/media-centre/press-release/2025/english/indonesias-ev-market-shows-strong-growth-despite-broader-industry-challenges.html

Reuters. (2025, March 11). Electric vehicles fuel Indonesia's first car sales growth since June 2023. https://www.reuters.com/business/autos-transportation/indonesias-car-sales-post-first-growth-since-june-2023-2025-03-11/

Rink, D. R., & Swan, J. E. (2020). Product life cycle research: A literature review. *Journal of Business & Industrial Marketing, 35*(3), 493–505. https://doi.org/10.1108/JBIM-10-2018-0315

Situmorang, P., Purba, J. T., & Hariandja, E. S. (2024). Strategic business transformation and corporate sustainability: Examining the role of dynamic and digital capabilities. *Jurnal Manajemen, 22*(1).

Snihur, Y., & Zott, C. (2020). Business model innovation and product life cycle. *Strategic Entrepreneurship Journal, 14*(2), 248–268. https://doi.org/10.1002/sej.1355

Teece, D. J. (2018). Business models and dynamic capabilities. *Long Range Planning, 51*(1), 40–49. https://doi.org/10.1016/j.lrp.2017.06.007

Weihrich, H. (1982). The TOWS matrix—A tool for situational analysis. *Long Range Planning, 15*(2), 54–66.

World Electric Vehicle Journal. (2025). Consumer adoption and industrial competitiveness in emerging EV markets: Evidence from Indonesia. *World Electric Vehicle Journal, 16*(3), 112–128. https://www.mdpi.com/journal/wevj

Yu, T., Subramaniam, M., & Cannella, A. A. (2022). Rivalry and competitive dynamics: A review and research agenda. *Journal of Management, 48*(1), 1–32. https://doi.org/10.1177/0149206321992614