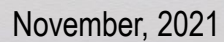


Roland
Berger



The Aftermarket industry is complex and fragmented along multiple value chain steps making direct access to the relevant customer complicated

The Automotive aftermarket value chain – Simplified European version for Light Vehicles

Manufacturing

High complexity level and portfolio density: +2 millions of SKUs due to number of car variants and multiplicity of pieces per car (~8,000)



Mainly sourcing from original OE parts, more expensive than IAM channel

Mainly sourcing from multi-brands parts, cheaper than original OE parts

Distribution



Retail / Service

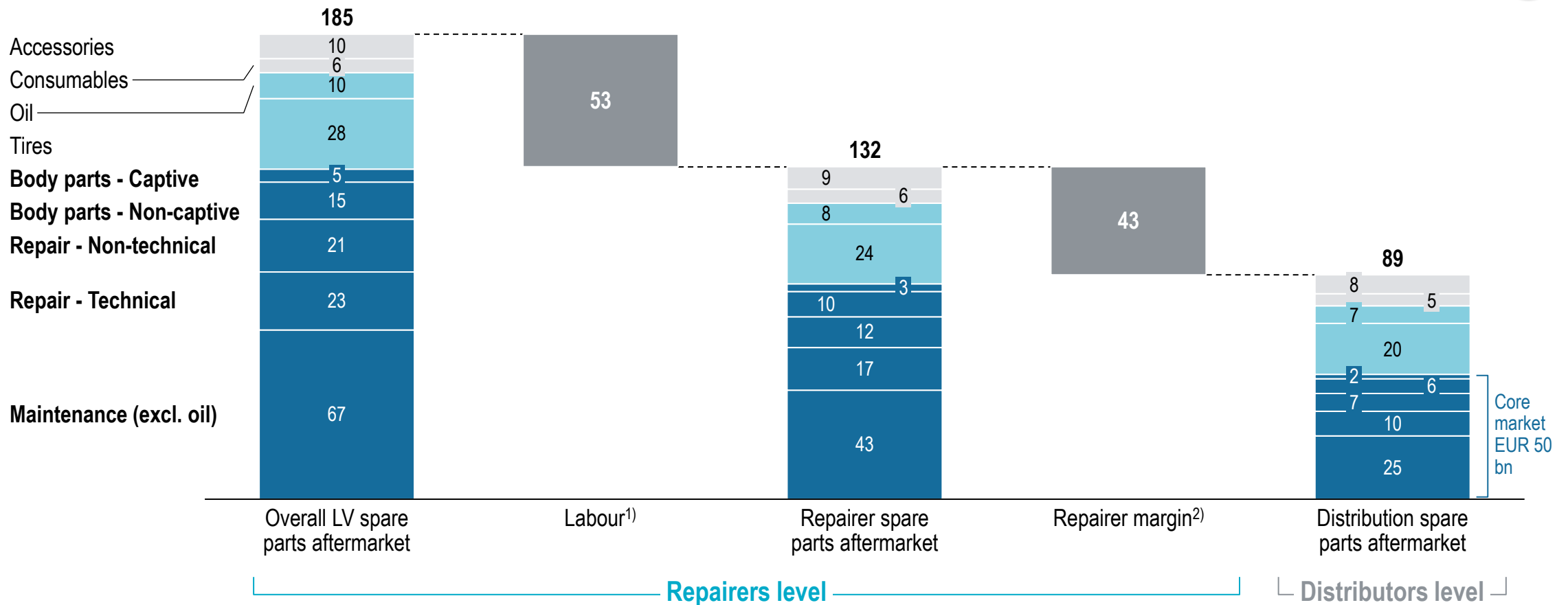


Illustrative main addressed car age



In 2019, the core distribution market amounted to EUR 50 bn, and the total market to c. EUR 90 bn

European LV distribution aftermarket [2019 ; EUR bn]

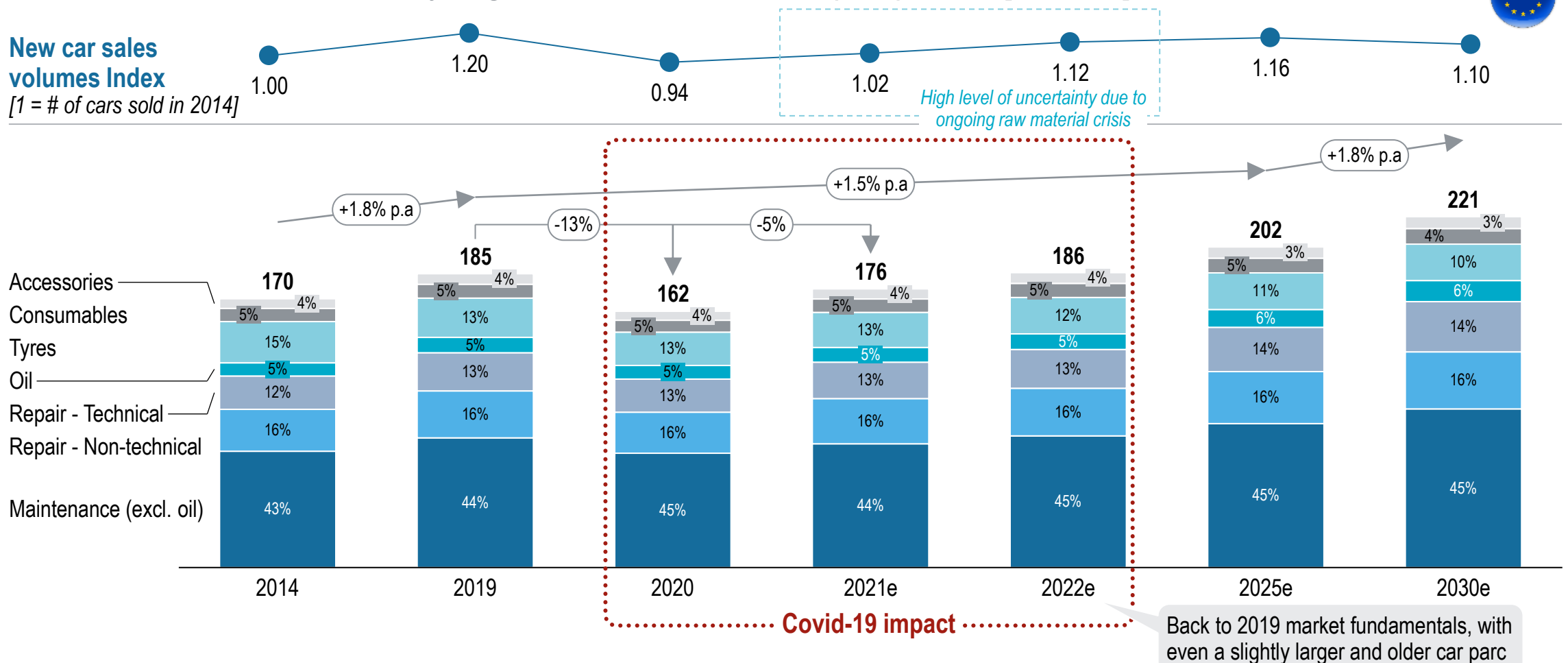


Unlike new car sales, 2022 onwards the aftermarket is expected to come back to its structural assets and growth track, after COVID-19 impact

Total Aftermarket evolution by segment – End customer's perspective [EUR bn]

New car sales volumes index

[1 = # of cars sold in 2014]



Overall, Aftermarket growth will remain consistently above +1% p.a. through COVID-19 and by 2030 due to positive fleet & price effects

Market drivers and overarching trends impact



Market drivers		CAGR 14-19	CAGR 19-25e	CAGR 25e-30e
	Fleet effect	Vehicle fleet size development	+0.5% p.a.	+0.4% p.a.
	Frequency effect	Repair and maintenance operations (linked to car mileage/ usage)	-0.3% p.a.	+0.0% p.a.
	Price effect¹⁾	Average spending	+1.7% p.a.	+1.7% p.a.
	Repairer margin	B2C network margin	-0.1% p.a.	-0.1% p.a.
Core market growth before megatrends		+1.8% p.a.	+1.5% p.a.	+2.0% p.a.

Overarching automotive trends	Connectivity	Progressive connectivity of vehicles, with potential opportunities on data, Usage Base Maintenance, then subscription? – but uncertain data usage and competitive field yet	?	n.a.
	Electrification	Progressive ramp-up of Plug-In Hybrid Vehicles (PHEV) and pure Battery Electric Vehicles (BEV) in the car sales then in the car parc, with less aftermarket per vehicle	↘	-0.2% p.a.
	Autonomous	Mixed consequences due to crash reduction adversely affecting body part segment but offset by expensive components to service after crashes or throughout car life	→	~0%
	Mobility	Shift towards new mobility services and away from private vehicle resulting in slight car sale trimming, but offset by greater utilization due to car-sharing and ride-hailing	→	n.a.

Megatrends impact

Core market growth 25-30 (incl. Megatrends impact)

-0.2% p.a.

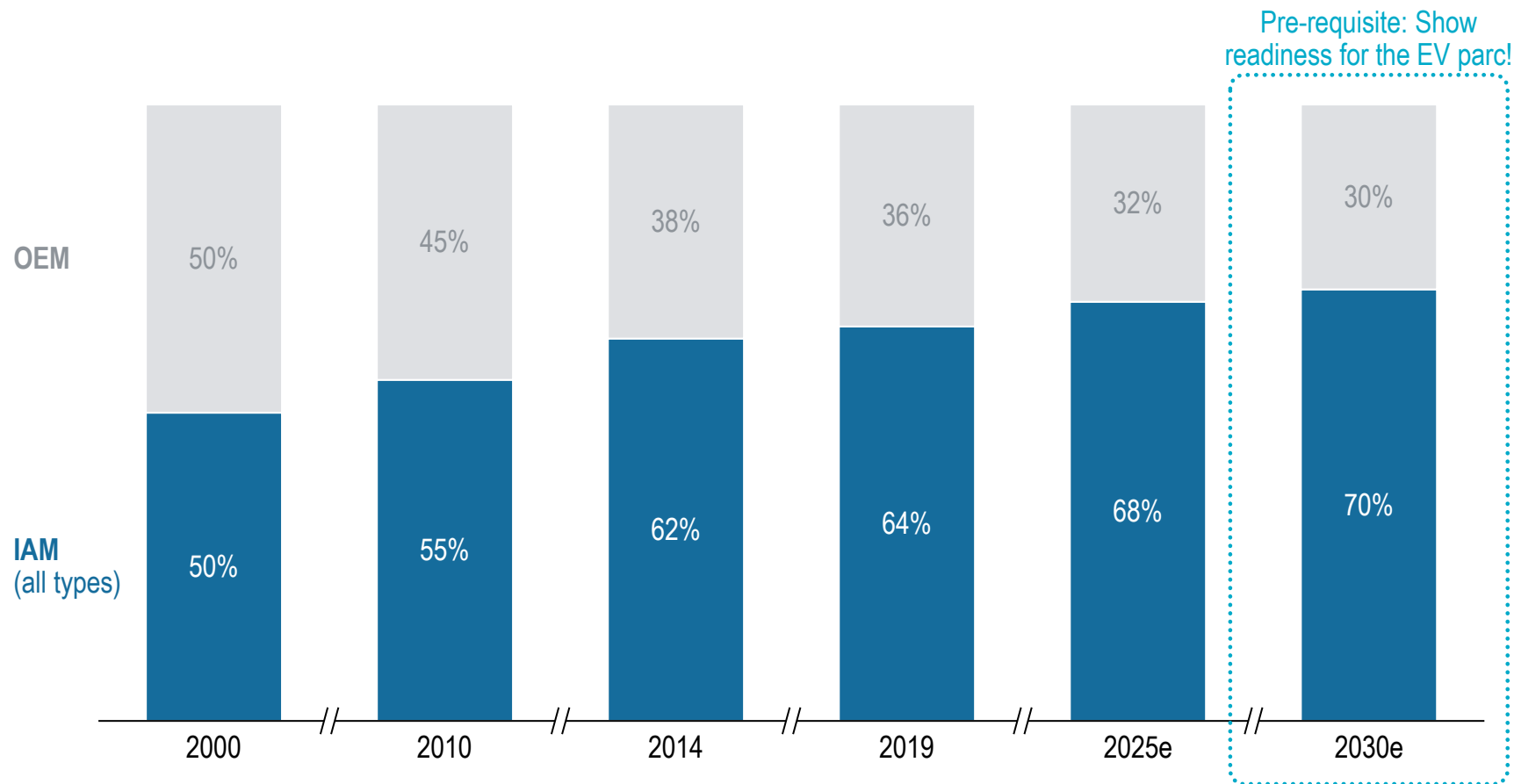
+1.8% p.a.

!
No major impact before 2030... but some opportunities

1) Excl. inflation but incl. mix effect and technology price premium

IAM players are expected to continue to structurally gain market share vs. OEMs - Could new EV penetration scenarios disrupt?

Aftermarket market share evolution by type of channel [%]

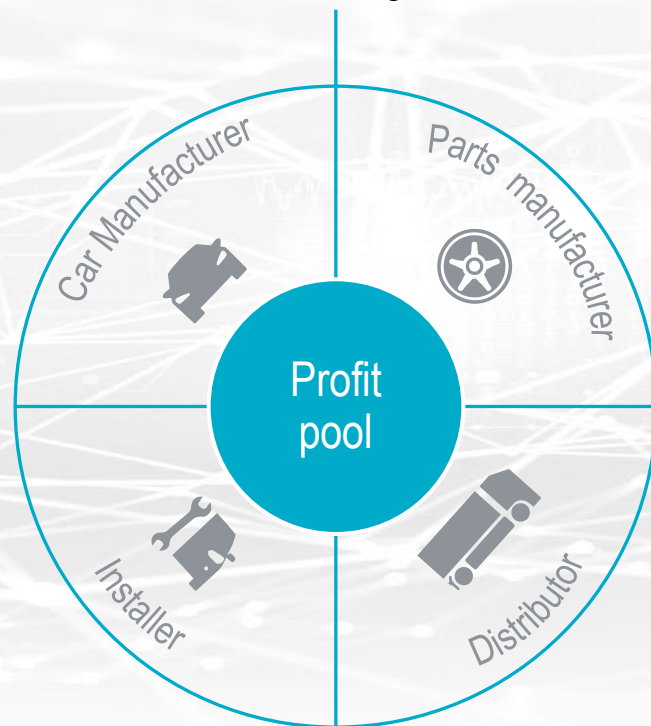


- > Despite all action plans from the OEMs, the IAM has been gaining market share continuously over the past two decades
- > This increase has primarily been driven by professionalization of the IAM services at the garage level as well as support regulatory framework (especially the Block Exemption regulation)
- > With an increasing assortment of online spare parts supporting both DIY/DIFM customers and B2B customers, this share can further be maintained
- > However, with an increasing BEV and software penetration, this share could be under threat as OEMs target longer warranty periods with specialized maintenance/repair capabilities

This inherent robustness and high associated margins in the Aftermarket have continuously attracted new players, putting pressure on incumbents

Value chain evolution

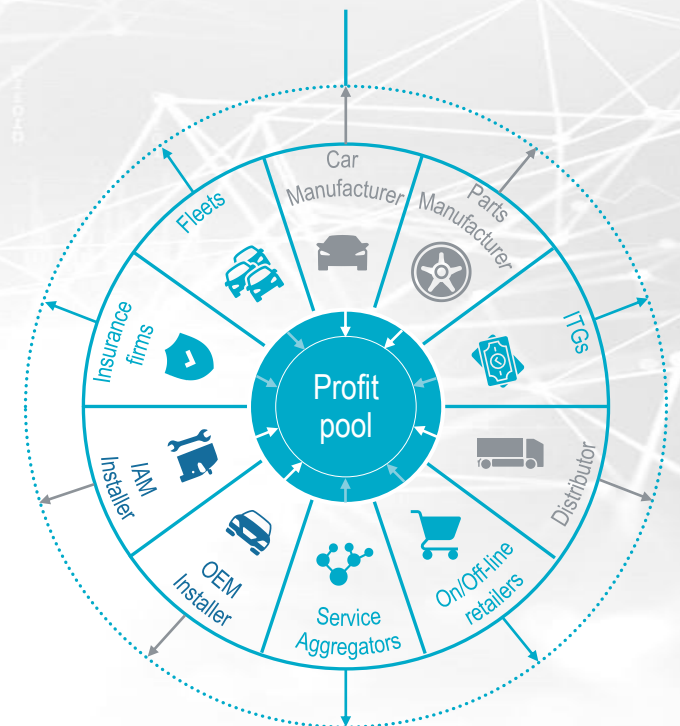
Traditional **value chain** is evolving ...



... with more **stakeholders** fighting ...

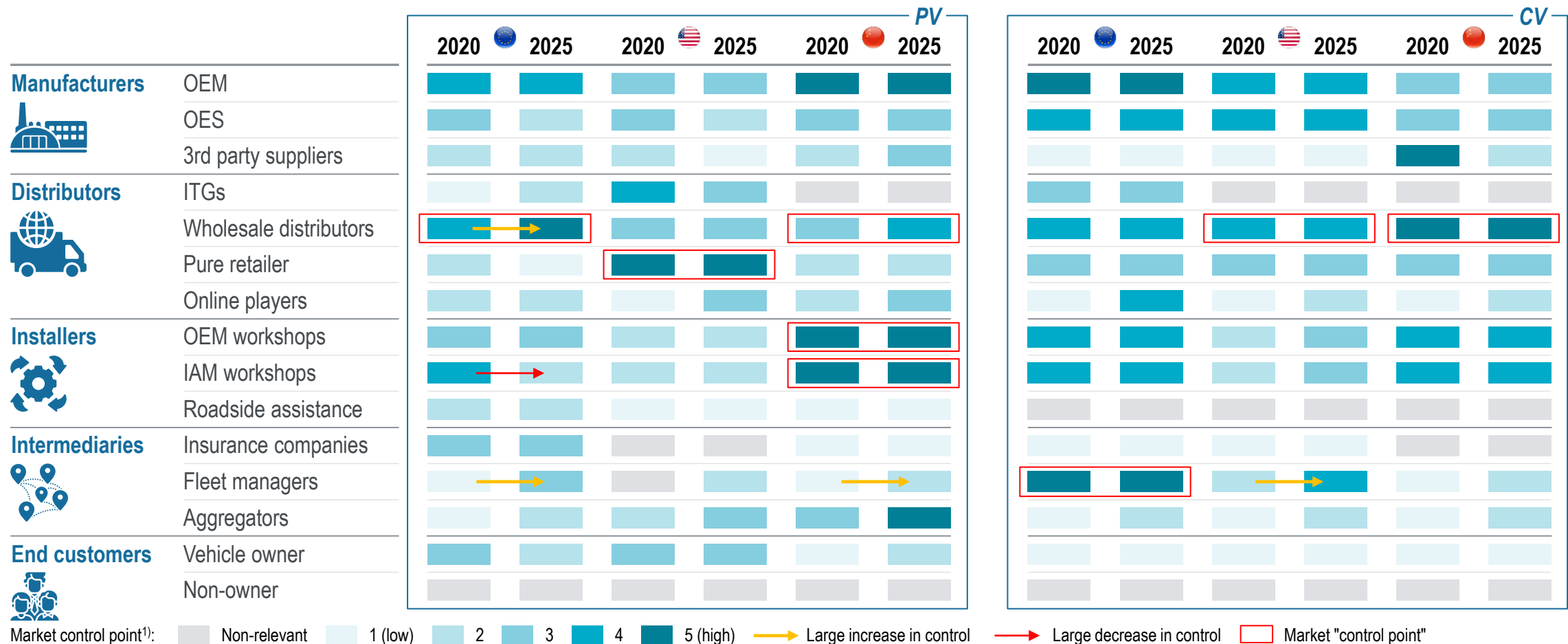


... for a **larger market**, but less value



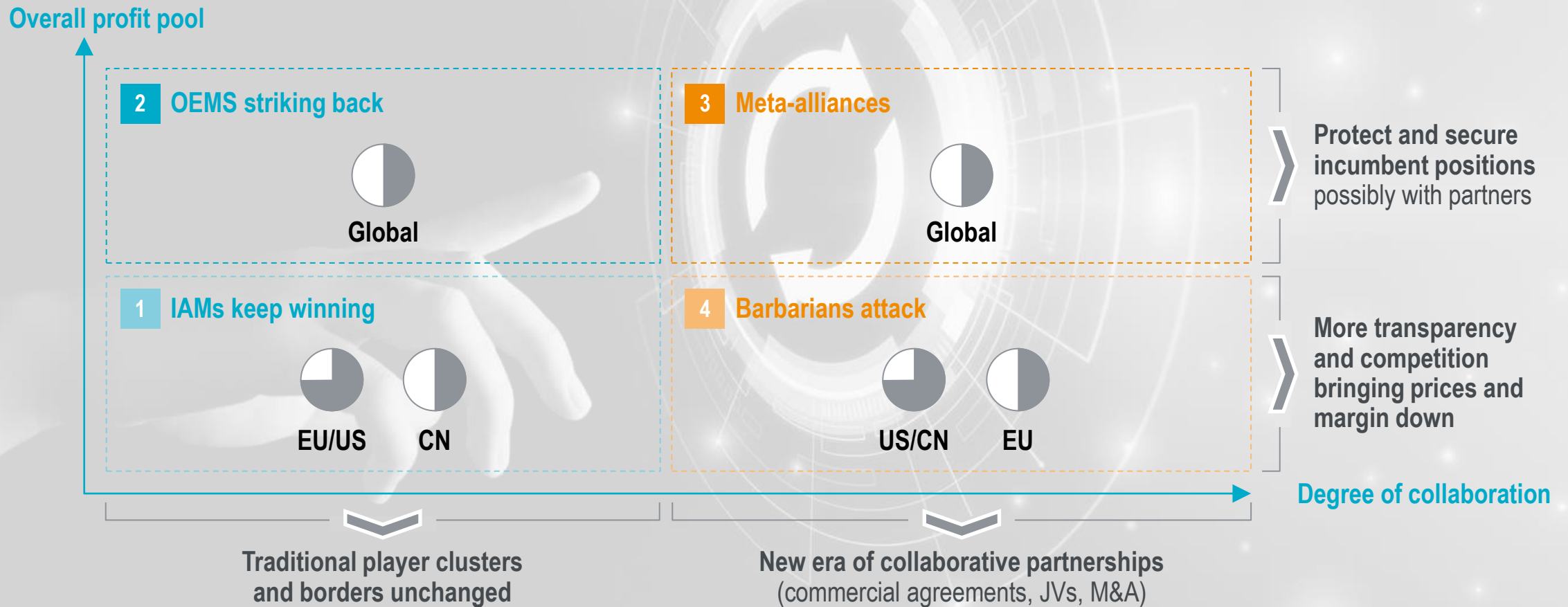
Traditional WDs, retailers and workshops will continue to be the control points across markets – Intermediaries will slowly expand influence

Market control point development in the Automotive Aftermarket



Due to the recent moves of players and market dynamics, we foresee four possible scenario for the future of the aftermarket (1/2)

Possible scenario for aftermarket players – Overview based on collaboration and profit pool



Level of maturity perceived today

○ Negligible ● High

Source: Roland Berger

Due to the recent moves of players and market dynamics, we foresee four possible scenario for the future of the aftermarket (2/2)

Possible scenario for aftermarket players – Impact detail for each stakeholders

	Scenario 1 <i>Continued IAM battleship winning</i>	Scenario 2 <i>OEMs strike back</i>	Scenario 3 <i>A world of meta-alliances</i>	Scenario 4 <i>Barbarians attack!</i>
OEMs	Continued erosion of OEMs' market shares, to the benefit of IAMs, as structurally observed over the last 20 years despite counter-attack levers (connectivity, warranty extension).	OEMs become "full lifecycle leasers" (probably on xEV) mastering the 0-10 years sale and aftersales activity. Aftersales becomes a cost center and not a profit center only.	Most OEMs remaining on their traditional foothold of dealers/agents network, mostly focusing on 0-5 y age car service. Some bold OEMs opening partnerships with IAMs W & R, with OES, with small Barbarians.	Weakened OEMs, with Barbarians offering innovative and good quality service, at a -20/-30% price point.
OES	Increased margins thanks to technology inflation and price increase on parts. Increased market shares due to IAMs channel success	Increased margins thanks to technology inflation and price increase on parts. Increased market shares thanks to IAMs.	Emergence of meta-alliances across part OES, trying to benefit from synergies on warehousing & logistics, and garages sales force. Some Tire OES partnering or selling some of their service networks.	In the short term, many OES partnering and selling through Barbarians B2B marketplace to garages. In the mid term, enhanced bargaining power of Barbarians causing reduced price points and margins of OES in aftersales.
IAM Whole-salers and Repairers	Continued winning of market shares over OEMs. Further consolidation of big IAMs, at a European and global level, to the detriment of smaller ones.	Refocus of IAMs on 10 y + aftersales, after end of leasing period of OEMs. On 0-10 y or 5-10 y, many IAMs shrink and disappear Some become partners of OEMs (in a soft mode, in JVs, or acquired) to run the 5-10 y aftersales, at a lower cost	Further consolidation of IAMs, at a European and global level. Bolder partnerships (and acquisitions) opened with OEMs and OES.	"Prisoners' dilemma": first incumbent players to partner with IAMs
Barbarians	Barbarians arrival limited to B2C mainly (DIY wholesale); and intermediation ("bookinggarages.com")	Barbarians arrival limited to B2C mainly (DIY wholesale); and intermediation ("bookinggarages.com")	Barbarians arrival limited to B2C mainly (DIY wholesale); and intermediation ("bookinggarages.com")	Massive arrival of digital-native Barbarians: first B2C (already arrived!), then B2B - through partnerships (like in US) or even acquisitions (like in CN). Transparency pushed and lower costs, thanks to other activities (e.g., cloud)
Insurers	Insurers further pushing for reduced motor insurance costs, notably on parts purchasing; also on garages costs	Insurers further pushing for reduced motor insurance costs, notably on parts purchasing; also on garages costs	Alliance of insurers to benefit from (much) higher purchasing scale effects among them, from the OEMs and OES; and with more resolute push for low-cost parts.	Some insurers (then all?) convinced by Barbarians low costs of parts and service, outstanding quality of service and branding, reduced claim management costs through AI/ Digital; and partnering with them
Leasers	Contracts IAM players with best TCO	Partnerships with OEMs, or disruption by them	Partnerships with IAMs to deal with increasing leased fleet sizes	Partnerships / contracts with Barbarians, bringing multi-layer network and repair factories at a lower TCO

All throughout the scenarios: incoming impact of megatrends

The Roland Berger Aftermarket CEO Agenda is structured around three dimensions required to navigate through this dynamic industry

#RBAftermarketCEOAgenda

Dimension	Decision points	Horizon
<div data-bbox="155 582 524 786">POSITION</div> <div data-bbox="542 582 1098 786">What is my vision?</div>	<div data-bbox="1144 582 2074 786">Define the business' future value proposition to the key stakeholders and outline competitive differentiation</div>	<div data-bbox="2125 582 2407 786">5-10 years</div>
<div data-bbox="155 839 524 1043">PERFORM</div> <div data-bbox="542 839 1098 1043">Where is the strategic playground?</div>	<div data-bbox="1144 839 2074 1043">Choose the target market reach, develop a future-proof product and service portfolio, and decide on the aftermarket battlefields with the highest value capture potential</div>	<div data-bbox="2125 839 2407 1043">2-5 years</div>
<div data-bbox="155 1096 524 1292">PROGRESS</div> <div data-bbox="542 1096 1098 1292">What is required to be successful</div>	<div data-bbox="1144 1096 2074 1292">Make top- and bottom-line performance measurable, optimize the customer approach, drive digitalization, and promote efficiency</div>	<div data-bbox="2125 1096 2407 1292">1 year/ Continuous prioritization</div>

The Roland Berger Aftermarket CEO Agenda is structured around three dimensions required to navigate through this dynamic industry

#RBAftermarketCEOAgenda



Position
5-10 years

Perform
2-5 years

Progress
1 year/
continuous



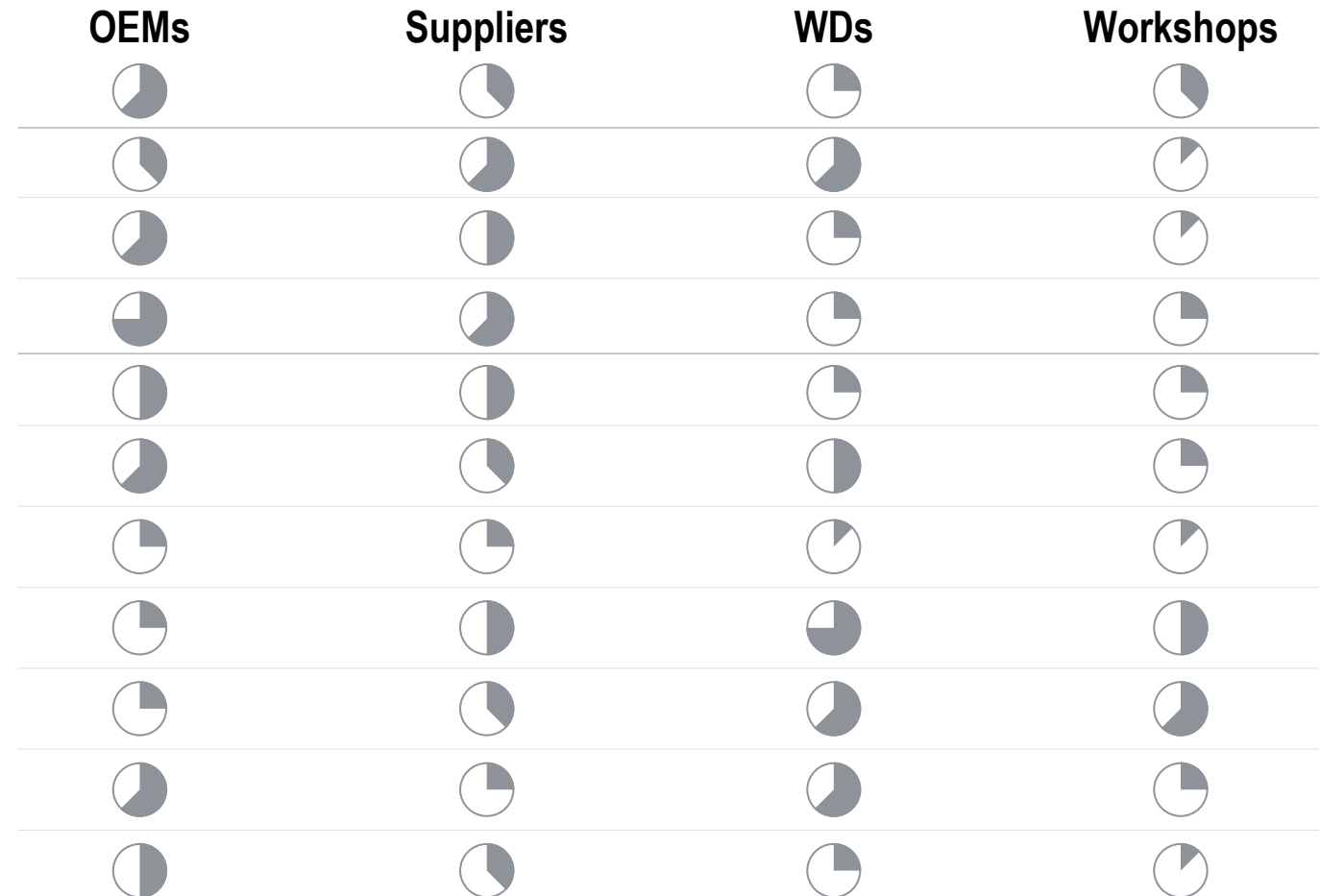
**Don't forget
Sustainability!**

	1 Future role	Defining the company's future role in the evolving aftermarket ecosystem in terms of value proposition to the stakeholders and competitive differentiation
	2 Market reach expansion	Optimizing the market reach in terms of footprint coverage & customer focus
	3 Portfolio innovation	Constantly upgrading the product and service portfolio to seize the opportunities arising from " MADE " ¹⁾ vehicles and the evolving aftermarket battlefields
	4 Brand alignment	Realigning the strategic brand positioning to ensure value proposition aligns with vision, capabilities, and market potential
	5 Channel strategy	Serving the customer where and how the customer shops while ensuring consistency across channel
	6 Advanced pricing	Leveraging advanced pricing to maximize value capture by attracting customers and detracting competitors
	7 Digitalization push	Harnessing the power of data and digitalization externally , e.g., as a sales enabler, and internally along with attracting the corresponding talent
	8 Efficiency drive	Driving operational performance to maximize financial results by ensuring competitive processes, systems, and people – including supply chain and logistics
	9 Consolidation/Cooperation	Identifying the best path to achieve the vision by considering acquisitions, JVs, partnerships, and new commercial agreements
	10 Market performance tracking	Creating transparency to measure and steer performance as well as enabling fact-based, objective decision making

1) Mobility, Autonomous, Digital, Electrification

High aftermarket fragmentation downstream limits the ability to prepare for future changes – In digitalization, all players with low readiness

RB view on AM stakeholders' readiness

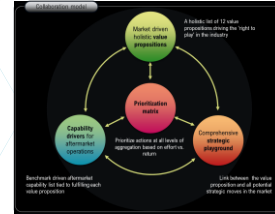


F.A.M.E

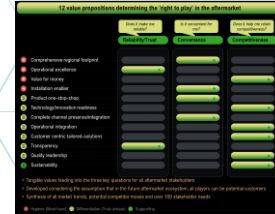
R A M E W O R K F T E R A R K E T X C E L L E N C E

With our comprehensive toolbox we are equipped to address all upcoming challenges of the AM value chain

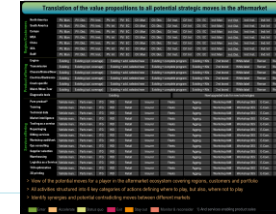
Position



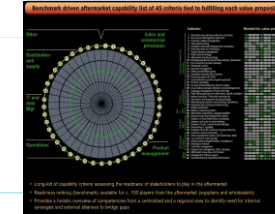
Business model levers



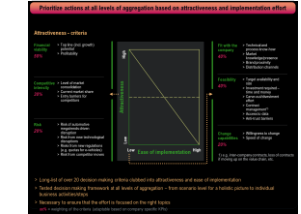
Future role



Strategic portfolio



Capability radar



Positioning priority

Perform and Progress



Pricing

Advanced pricing



Network optimization

Garage network basics

Garage network brand repositioning

Multi-layer garage network



Portfolio innovation

Subscription, connected with digital journal

"Worry-free" maintenance pack

Accelerated move towards B2B customers

Used cars refurbishment



Consolidation/Cooperation

Build & build M&A

PMI and synergies unleashing



Digital push

B2B/B2C Digital Marketplace

Customer data management



Efficiency drive

SG&A efficiency

Further develop private label

Procurement efficiency and effectiveness

Inventory optimization

Supply Chain Planning 4.0

Cash flow optimization



Others

Secured access to new talent

Value chain sustainability

Roland Berger is the only top-tier consultancy with a dedicated global Automotive Aftermarket practice


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