

# The Automotive Aftermarket – **Beyond COVID** **Scenarios**

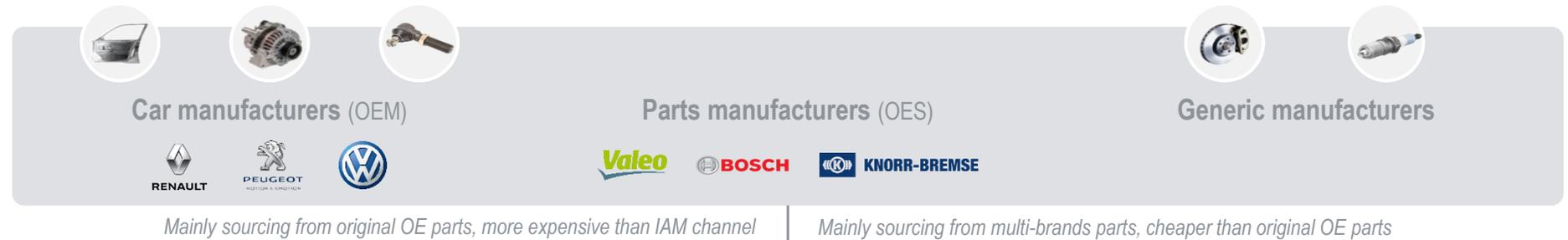


# The Aftermarket industry is complex and fragmented along multiple value chain steps making direct access to the relevant customer complicated

## 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)



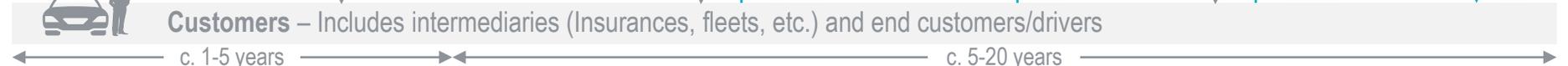
### Distribution



### Retail / Service

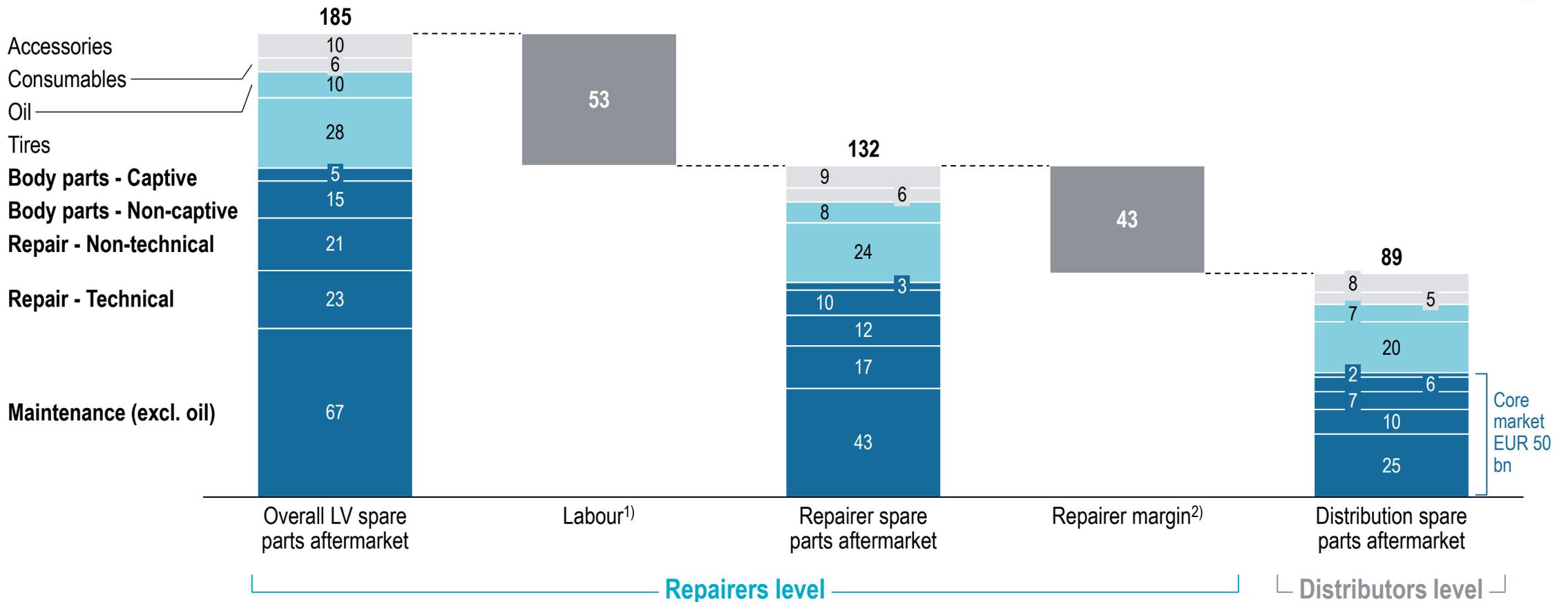


Illustrative main addressed car age



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

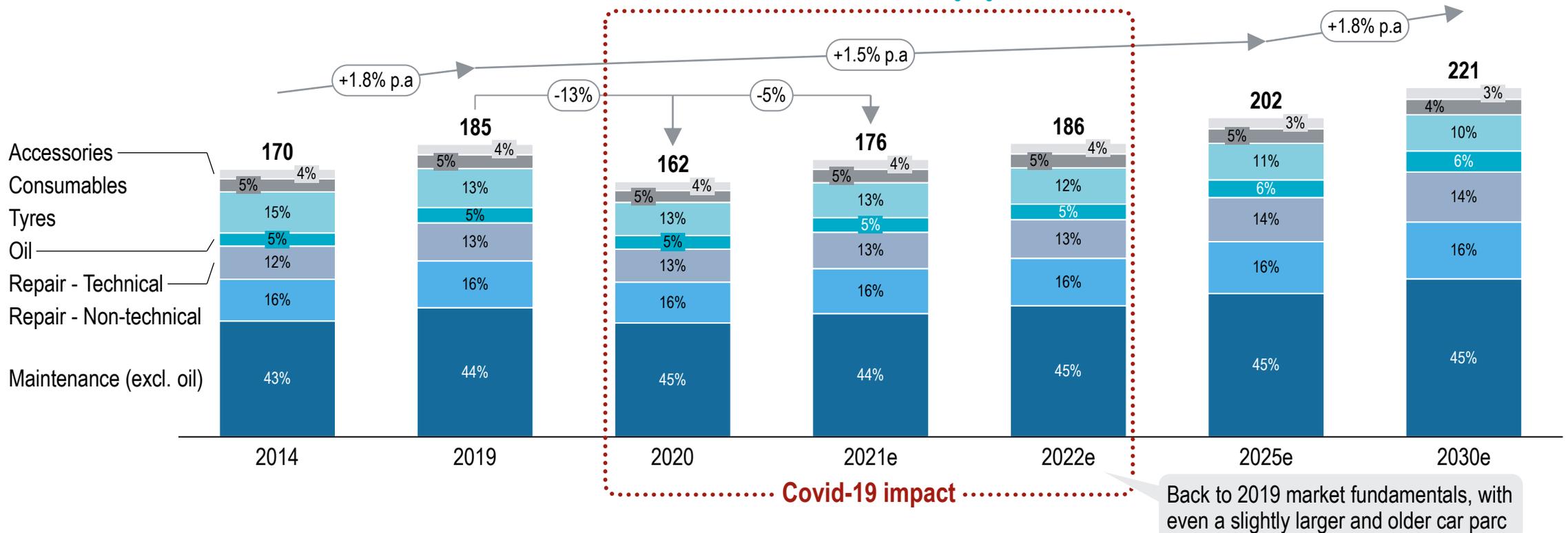
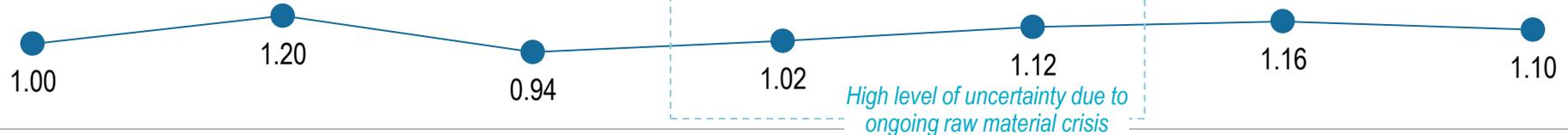
European LV distribution aftermarket [2019 ; EUR bn]



# 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



		CAGR 14-19	CAGR 19-25e	CAGR 25e-30e
Market drivers	<b>Fleet effect</b>	Vehicle fleet size development	+0.5% p.a.	+0.4% p.a.
	<b>Frequency effect</b>	Repair and maintenance operations (linked to car mileage/ usage)	-0.3% p.a.	+0.0% p.a.
	<b>Price effect<sup>1)</sup></b>	Average spending	+1.7% p.a.	+1.7% p.a.
	<b>Repairer margin</b>	B2C network margin	-0.1% p.a.	-0.1% p.a.
<b>Core market growth before megatrends</b>		<b>+1.8% p.a.</b>	<b>+1.5% p.a.</b>	<b>+2.0% p.a.</b>

Overarching automotive trends	 <b>Connectivity</b>	Progressive connectivity of vehicles, with potential opportunities on data, Usage Base Maintenance, then subscription? – but uncertain data usage and competitive field yet		n.a.
	 <b>Electrification</b>	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.
	 <b>Autonomous</b>	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%
	 <b>Mobility</b>	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.

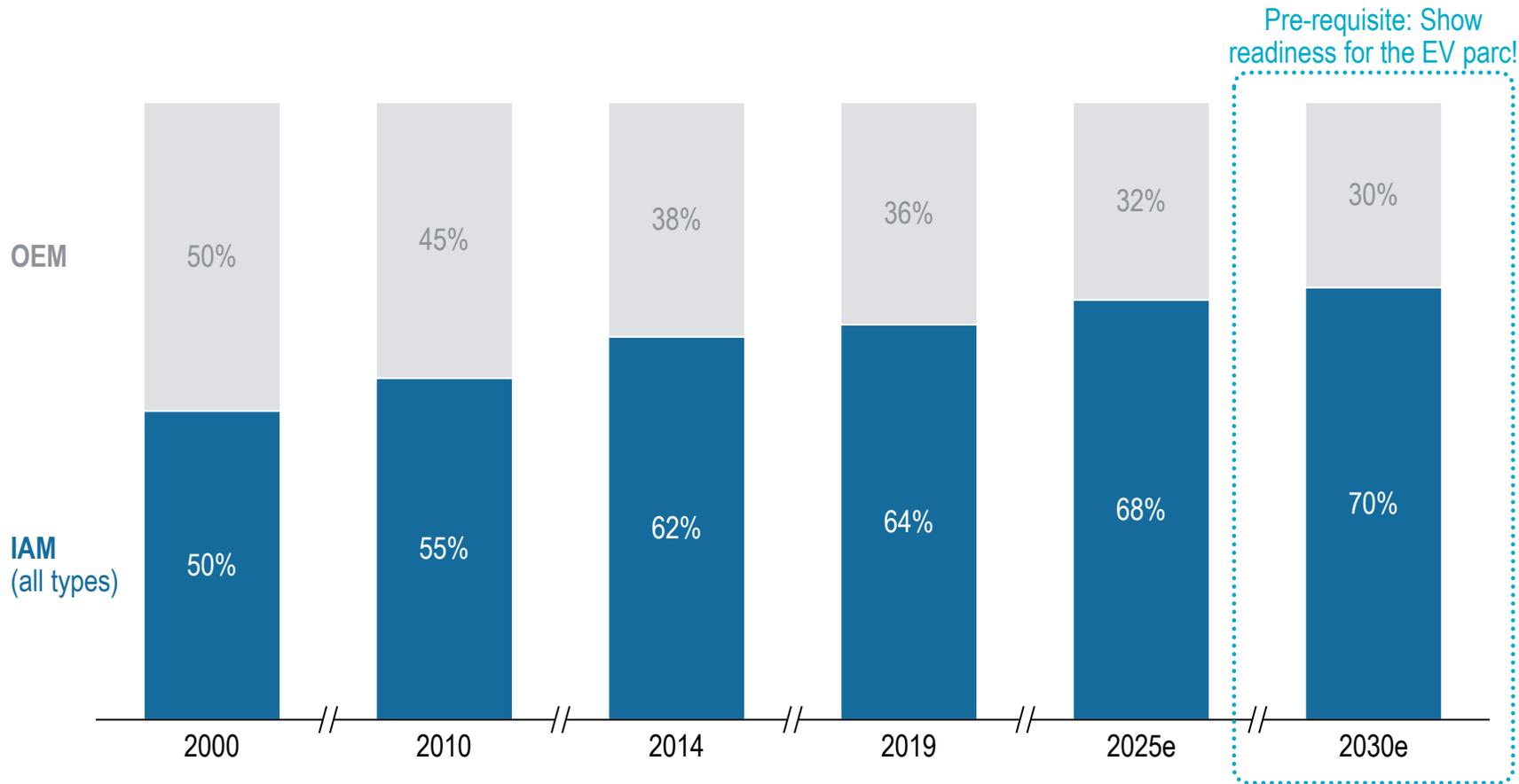
  
No major impact before 2030... but some opportunities

<b>Megatrends impact</b>	<b>-0.2% p.a.</b>
<b>Core market growth 25-30 (incl. Megatrends impact)</b>	<b>+1.8% p.a.</b>

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 [%]

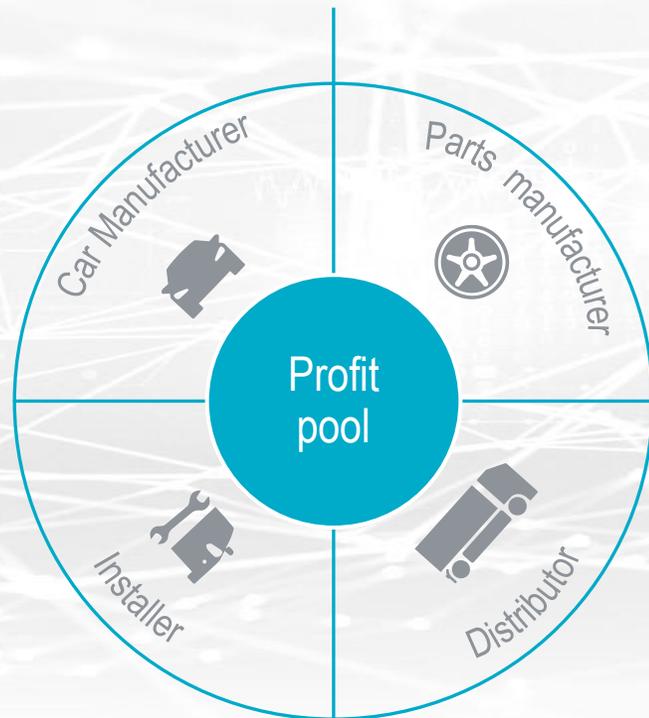


- 
- > Despite all action plans from the OEMs, the IAM has been gaining market share continuously over the past two decades
  - > This increase has primarily been driven by professionalization of the IAM services at the garage level as well as support regulatory framework (especially the Block Exemption 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

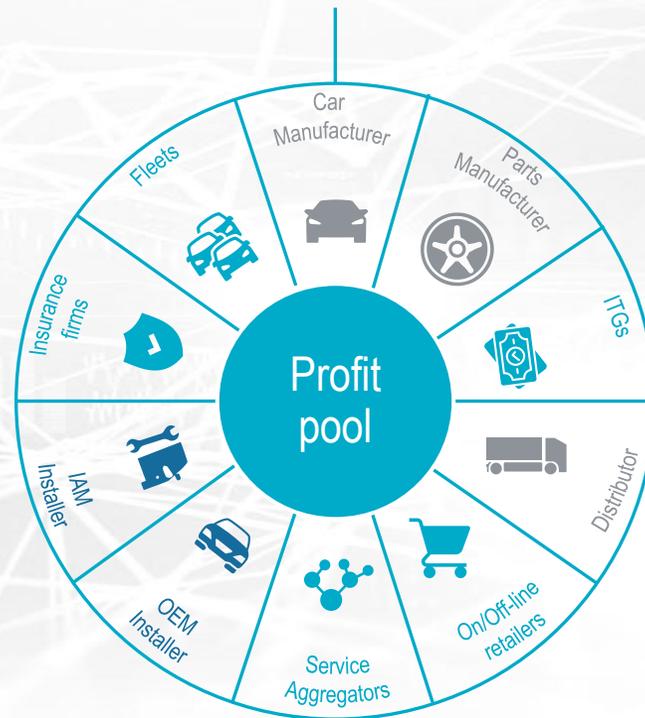
# This inherent robustness and high associated margins in the Aftermarket have continuously attracted new players, putting pressure on incumbents

Value chain evolution

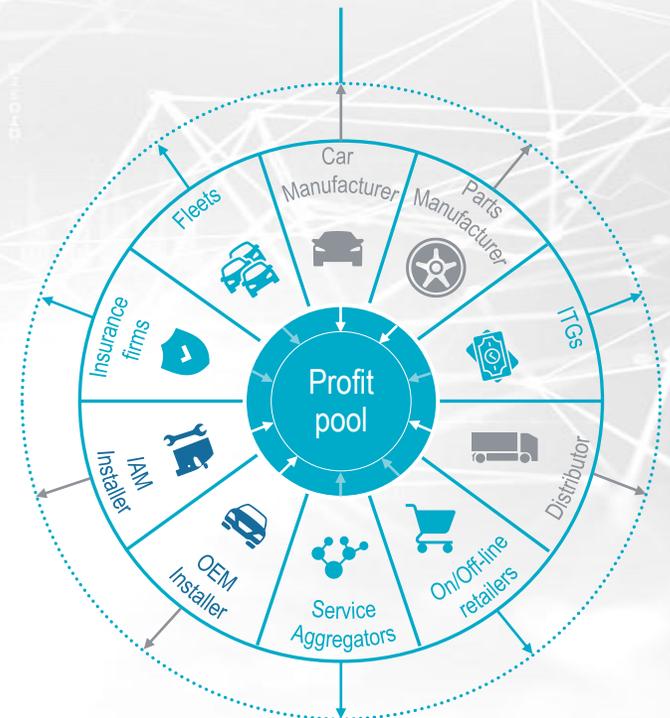
Traditional **value chain** is evolving ...



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



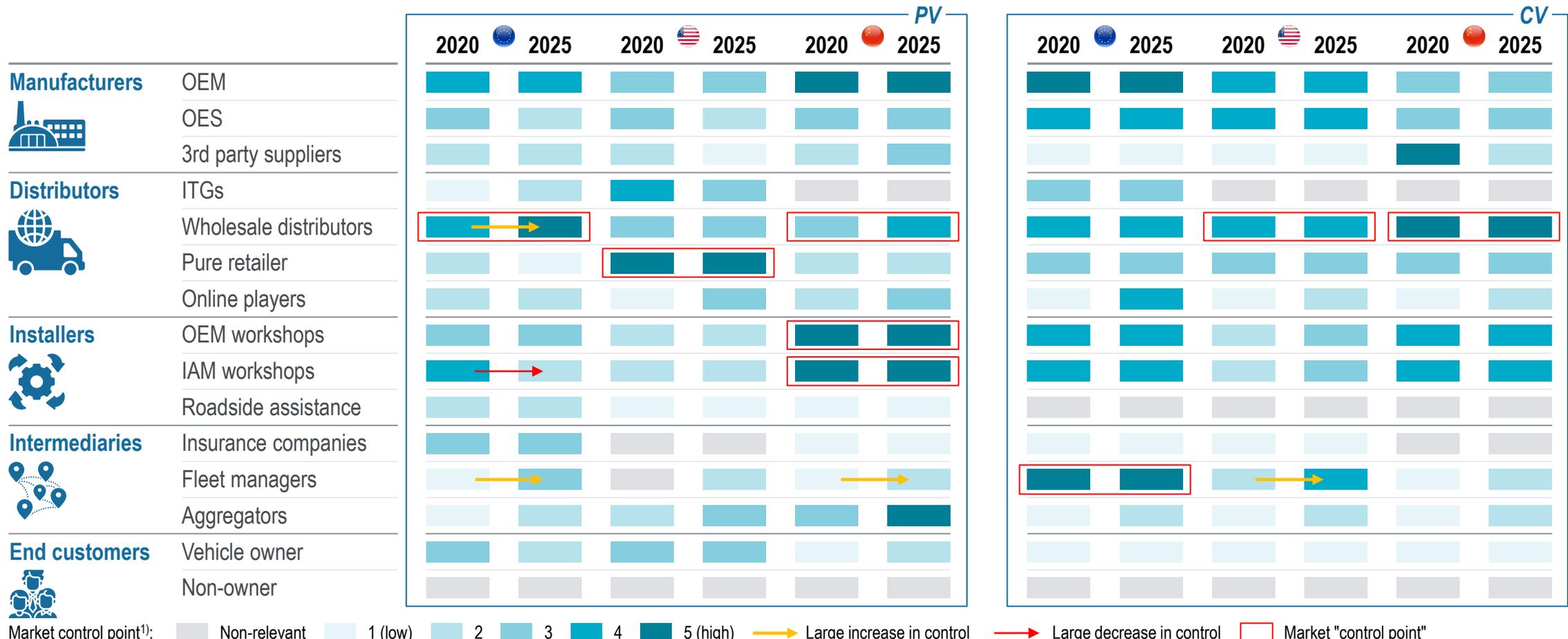
... for a **larger market**, but less value



 Traditional players  New entrants

# 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



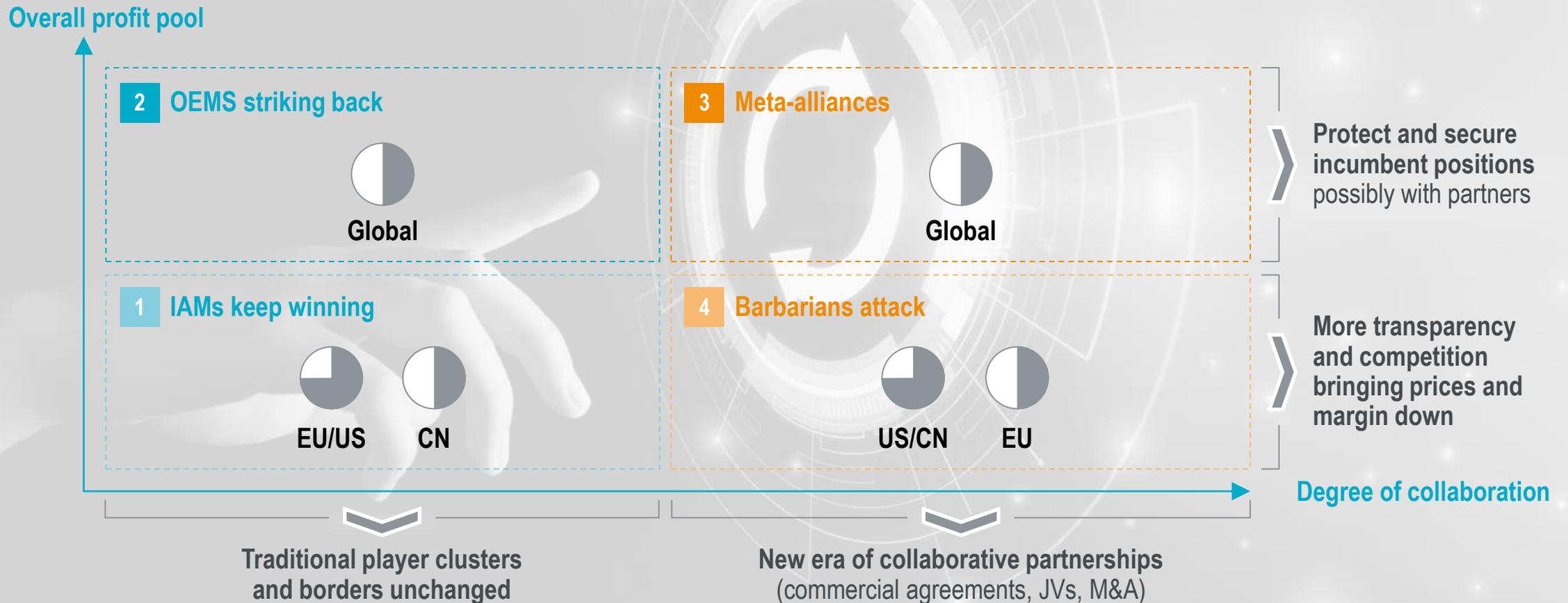
Market control point<sup>1)</sup>: Large increase in control

Large decrease in control Market "control point"

1) Based on an assessment of criteria: margins/mark-ups, consolidation, user relevance, sustainability within Aftermarket and overarching industry trends

# Due to the recent moves of players and market dynamics, we foresee four possible scenarios 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

# 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

	<b>Scenario 1</b> <i>Continued IAM battleship winning</i>	<b>Scenario 2</b> <i>OEMs strike back</i>	<b>Scenario 3</b> <i>A world of meta-alliances</i>	<b>Scenario 4</b> <i>Barbarians attack!</i>
<b>OEMs</b>	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.
<b>OES</b>	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.
<b>IAM Wholesalers and Repairers</b>	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
<b>Barbarians</b>	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)
<b>Insurers</b>	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
<b>Leasers</b>	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

**POSITION**

**What** is my vision?

Define the business' **future value proposition** to the **key stakeholders** and outline **competitive differentiation**

5-10 years

**PERFORM**

**Where** is the strategic playground?

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

2-5 years

**PROGRESS**

**What** is required to be successful

Make **top- and bottom-line performance** measurable, optimize the **customer approach**, drive **digitalization**, and promote **efficiency**

1 year/  
Continuous prioritization

# 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



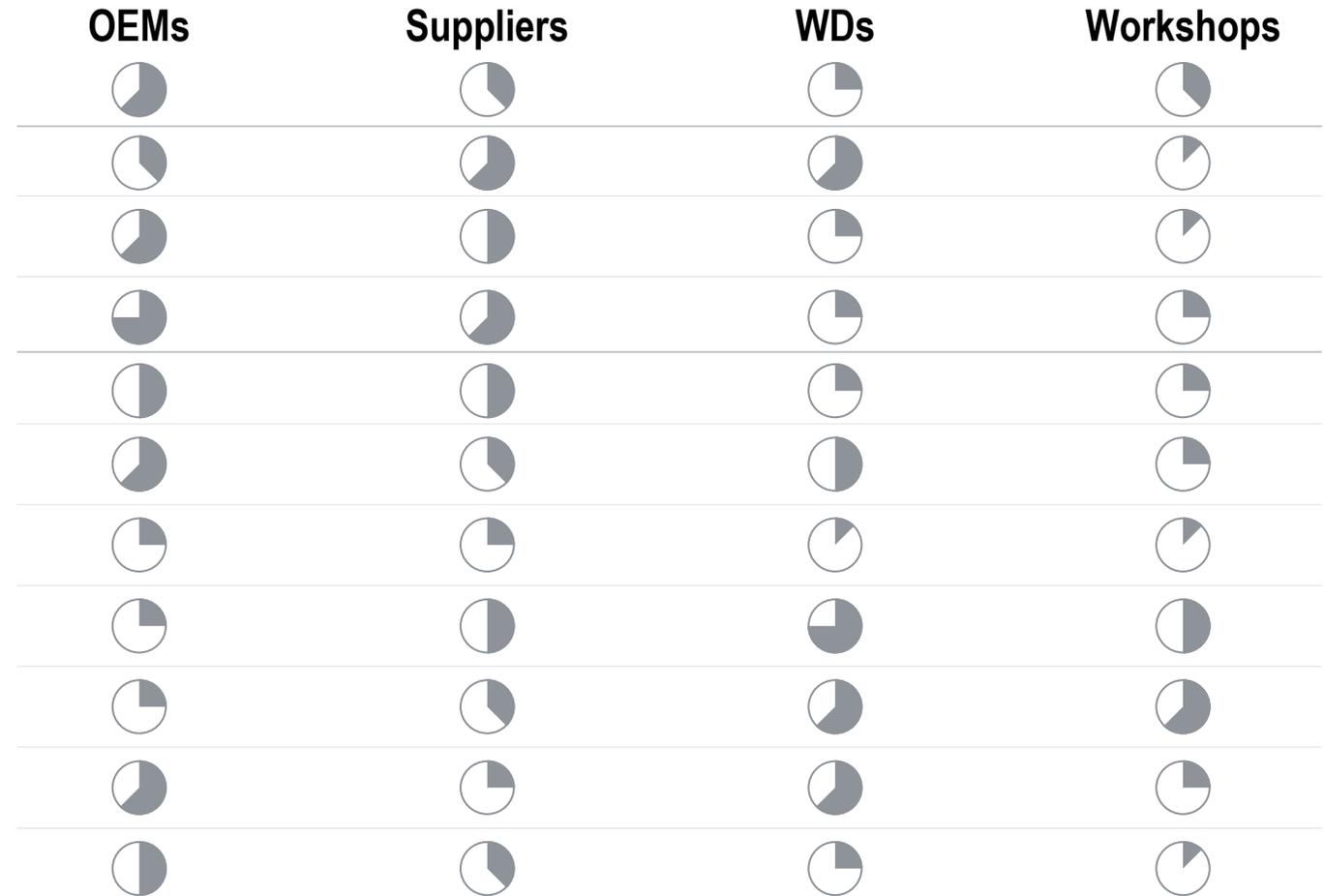
**Don't forget  
Sustainability!**

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

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

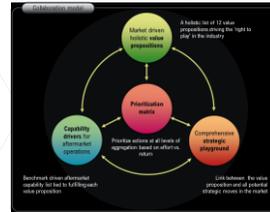


# With our comprehensive toolbox we are equipped to address all upcoming challenges of the AM value chain

## 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

### Position



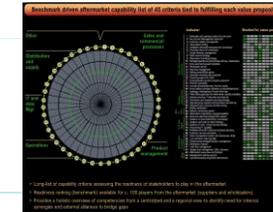
Business model levers



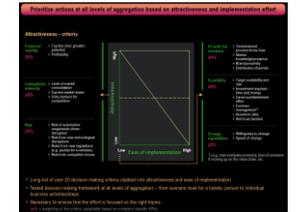
Future role



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

RB Aftermarket leadership team

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