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The European Dealer of Tomorrow – Implications for UK dealers

Automotive management LIVE

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Automotive Management Live

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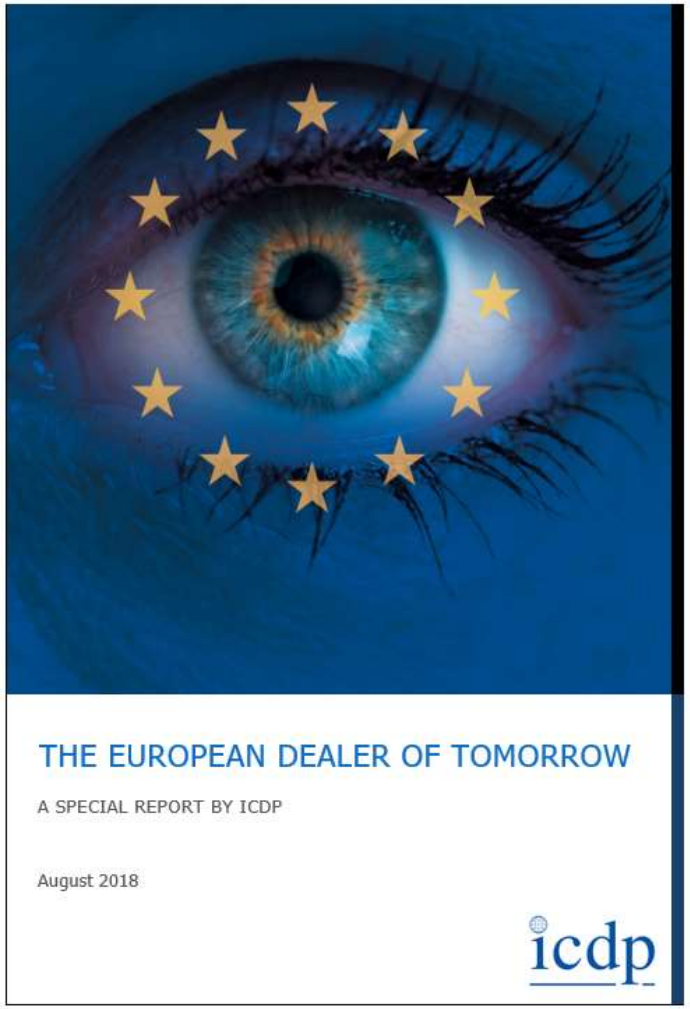
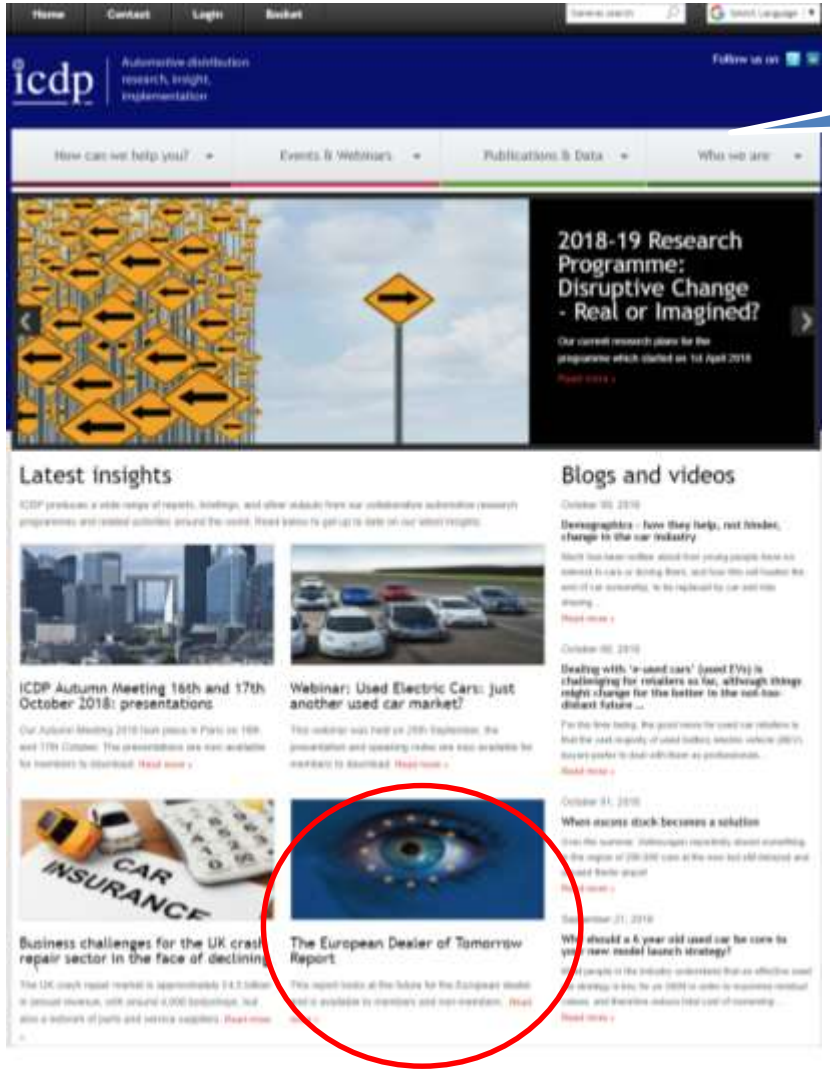
Our research is membership-funded, but open to all and we have no favourites!

This presentation is based on our Dealer of Tomorrow report – download it free





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Some health warnings…

We use the term "dealer" throughout – it does not mean that the relationship or role is the same in the future

"Europe" is made up of many different markets – how and when the changes affect each will vary

We refer to customers "buying" a car – they may not "buy" and the product may not be (just) a car

Not all brands will follow the same route – could be quite different for new entrants in particular

We are in a process of disruptive change – and it's getting warmer

"A disruptive technology or disruptive innovation is an innovation that
helps create a new market and value network,
and eventually goes on to disrupt an existing market and value network (over a few years or decades)"

But the threats from the "ACES" megatrends are over-stated…

No time soon – technical, legal, human and ethical issues

Here now – becoming more important

Here now – but with untapped potential

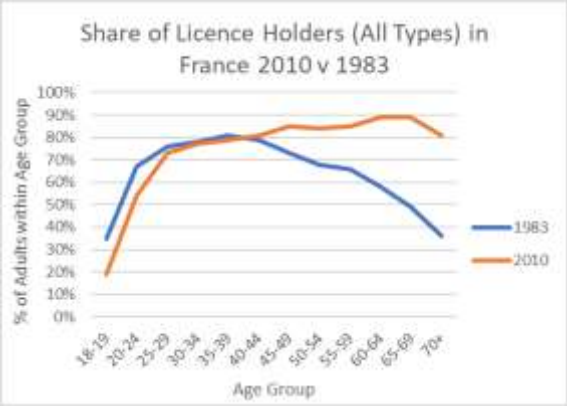
Technology and service provider, not competitor

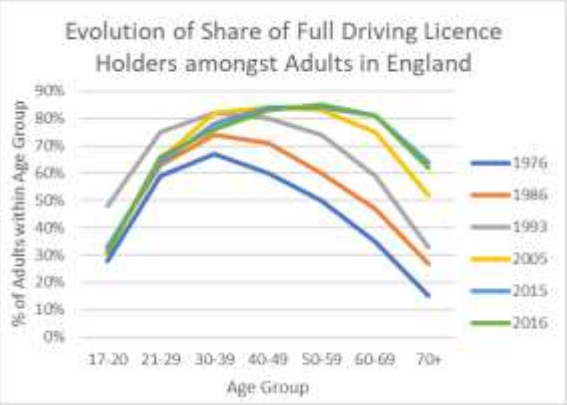
Perenially loss-making alternative to public transport

Continued growth, but ICEs still fitted to majority of cars sold in 2030

…and on one detail, people are not abandoning their licences or cars

Proportion and number of licence holders in major markets is growing – younger drivers catch up in their late-20s, many more older people are driving now than in the past

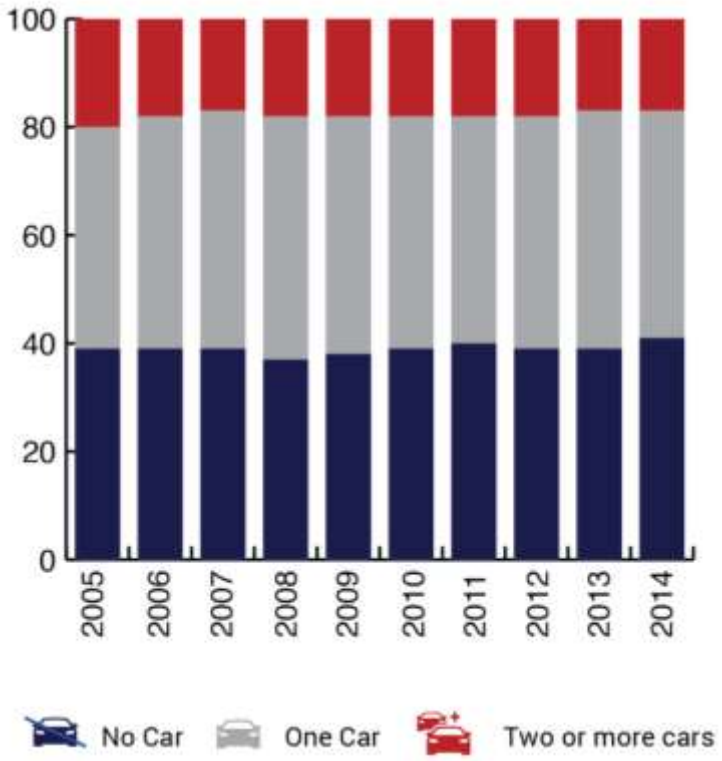




Source: ICDP from Statista and national government sources

Car ownership in London has been stable over the last decade

Source: TFL



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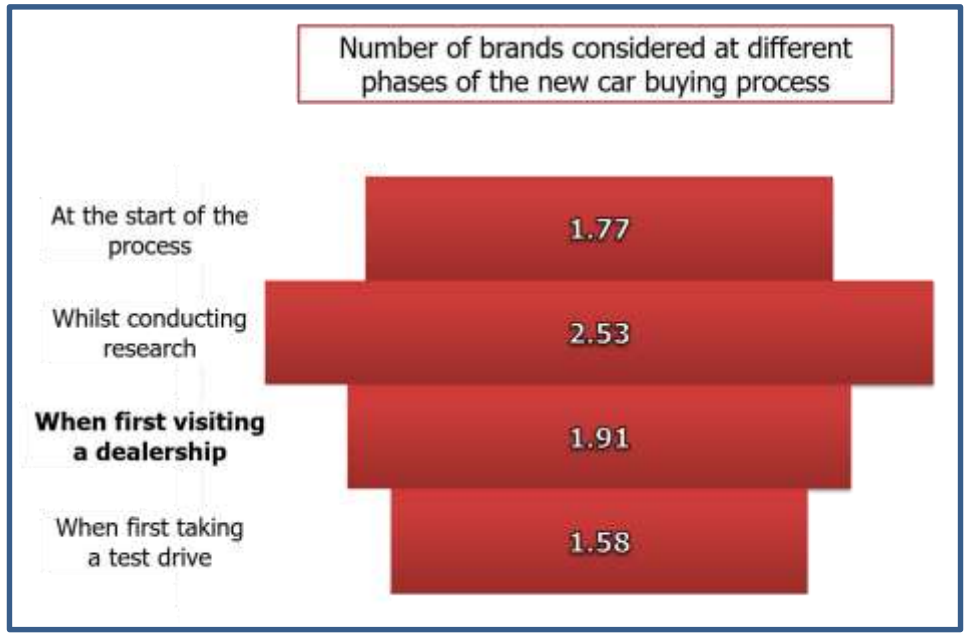
But customer behaviour is changing, challenging the current model



Engaged vs unengaged customers:
Customers who start their buying journey with online research will …

… drive further …	56 minutes versus 49 minutes
… to visit more dealers …	2.61 versus 2.39
… more times …	3.59 versus 3.16

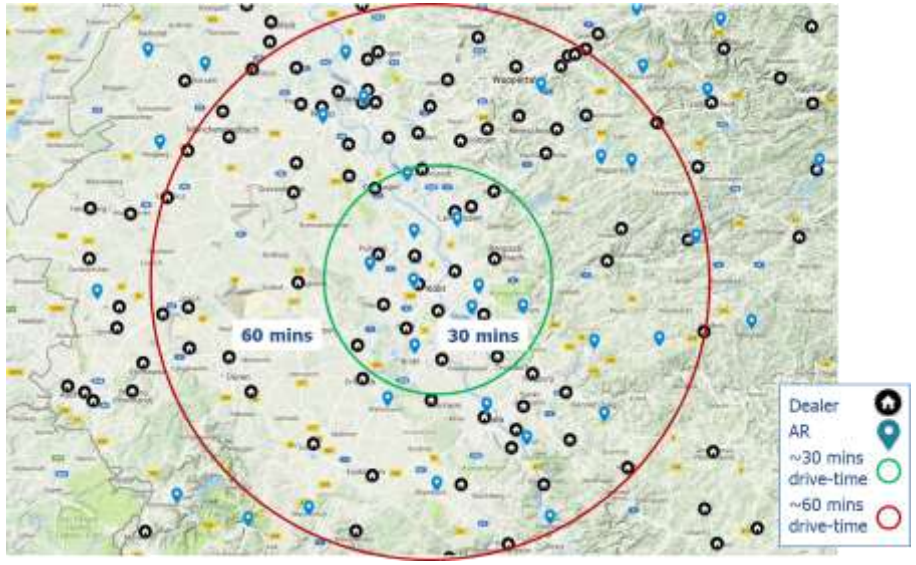
Networks must change to reflect these pressures

Omni-channel: Online and offline integration

Data sharing

Direct OEM Contact

Network Restructuring



Digital threats and opportunities

We believe that there will be a trend towards selling usage, not a car

Bundled lease – car, servicing, insurance, possibly fuel (EVs), other services

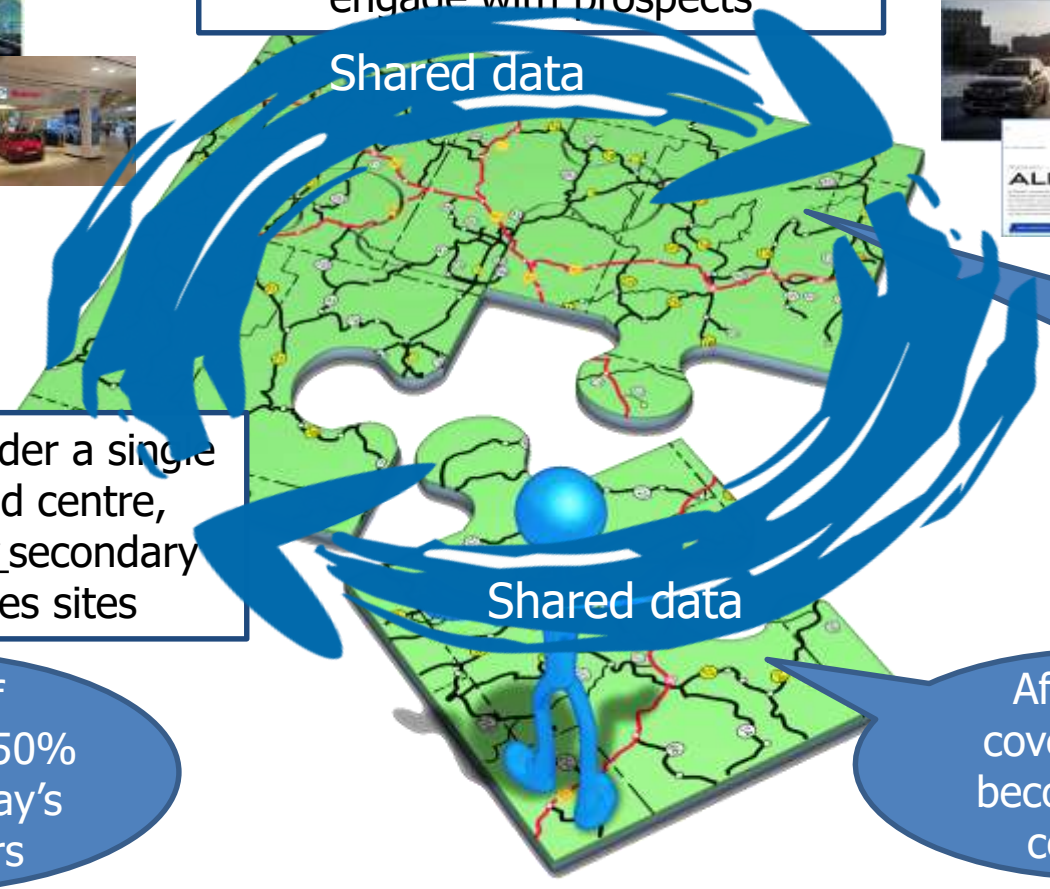
Slightly shorter terms with more flexibility to swap early at a cost

Potentially extended into used cars for multiple user cycles

Not only offered and promoted by OEM and captives –
direct leasing/rental company and dealer offers too

Physical dealer networks will become smaller, with mixed formats

OEM and dealer operated secondary sites and OEM digital channels create brand awareness, engage with prospects



Large market area under a single investor has a brand centre, owning *or managing* secondary sales and aftersales sites

Some rural dealers continue as agents of the market area

Number of market areas 50% or less of today's main dealers

Aftersales coverage will become more complex

The business model must change, but agency unlikely to replace franchise model

- Lower margin on sale of products and services
- Fee for service where dealer supports the sale e.g. test drive
- Investment bonuses related to broader marketing goals
- Qualitative bonuses for omni-channel support e.g. data sharing
- Margins to brand centres on supplies to secondary outlets

Agency is arguably the right solution, but unlikely

- Cannot be applied globally
- Solution required to keep stock off OEM balance sheet
- De-stocking would create a one-off profit hit
- Consumer pull incentives less influential than stock push
- Period end sales push depends on fleet channels

The risk of the "property timebomb" remains real

Significant cut in brand centre type sites

Limited opportunity to repurpose facilities

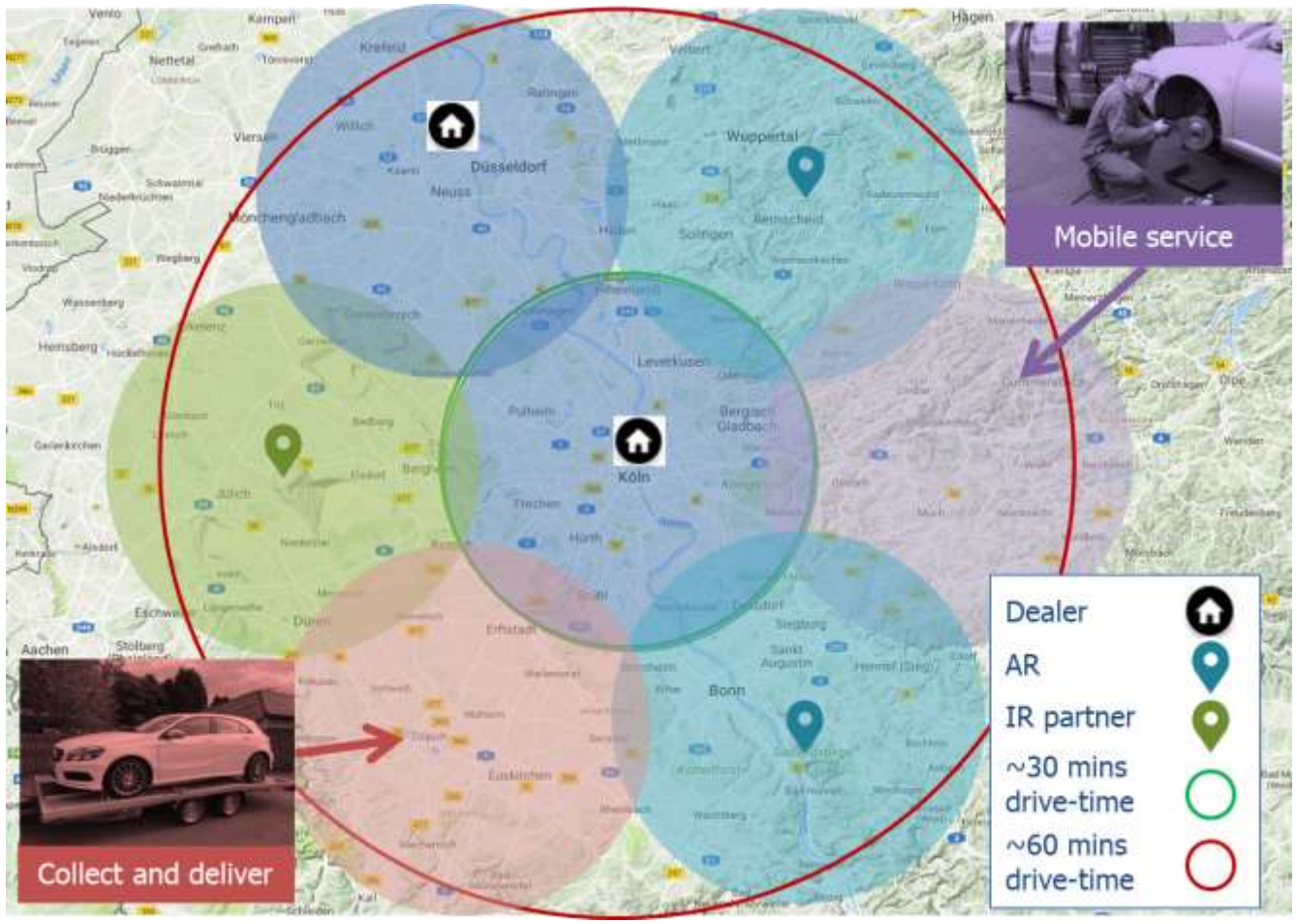
Sellers exceed buyers – prices fall

Terms for property lending tighten

Banking covenants for all lending tighten

Dealers need a proactive property strategy now that avoids them getting caught in the blast

Providing aftersales coverage may challenge current thinking



- Growing gap in maximum driving time for sales vs aftersales
- Need to cut network costs
- Not all areas need physical facilities
- Not all points need to be owned by market area investor
- AR points can still offer support new car sales and sell used cars

Pace of change will be highly dependent on specific local conditions

The opportunities (and threats) in the UK vary by dealer size and culture

Large ← → Medium ← → Small

Lead Role

- Multiple market areas for each brand handled
- Drop some brands – too small or too demanding
- Accept some tailoring of processes by brand
- New role to manage secondary sites
- Integration of online and physical channels

Grow or Go

- Most likely in marginal city/urban locations
- Lack capital and scale to invest
- Grown too large to offer small dealer service

Quieter Life

- Limited direct contact with OEM
- Primary relationship with market area investor
- Still need to maintain appropriate standard
- Leverage local relationships and personal service
- Support new developments as fulfilment point

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