Reconfiguration of new car retailing

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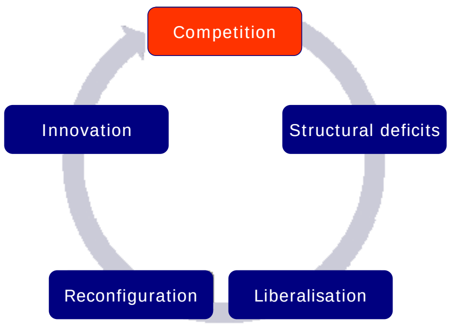
Questions to address today

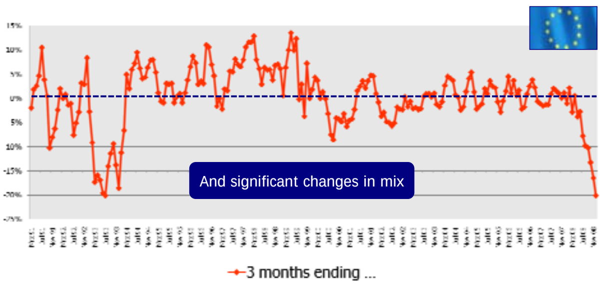
- What are the main driving forces of change in car retailing?
- What are the impacts on distribution structures and on manufacturer and dealer relationships?
- What are the long-term consequences on new car retailing?

Main driving forces of change



Not quite uncharted territory …

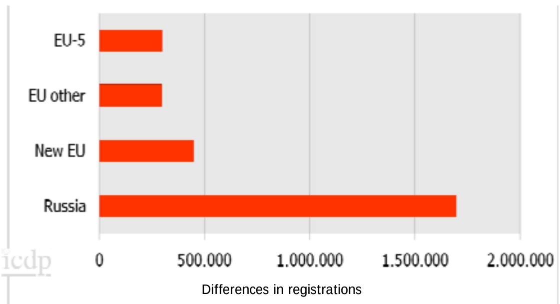
EU-15 new car market sales growth – since 1991



Source: ICDP, ACEA, ANE, national sources. 3 month moving average of year-on-year sales growth

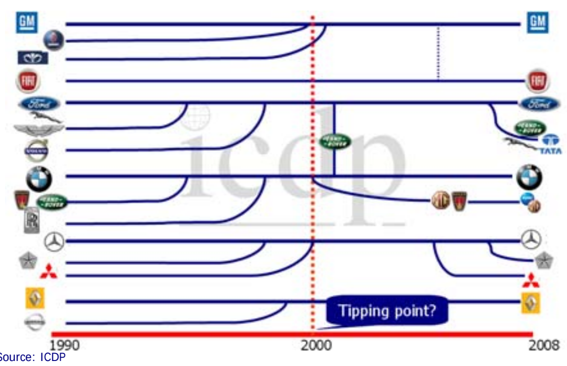
Russia is the most dynamic market

Sources of growth 2002-2007



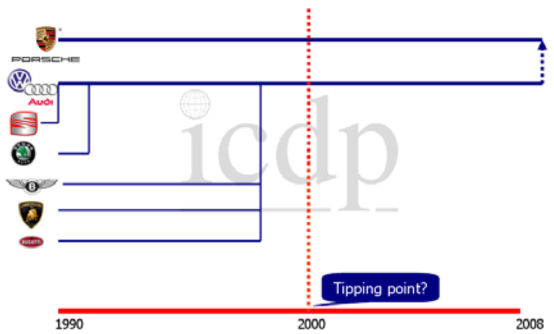
Source: ICDP, Automotive News Data Center

Changing structures on manufacturer level



Source: ICDP

Changing structures on manufacturer level



Source: ICDP

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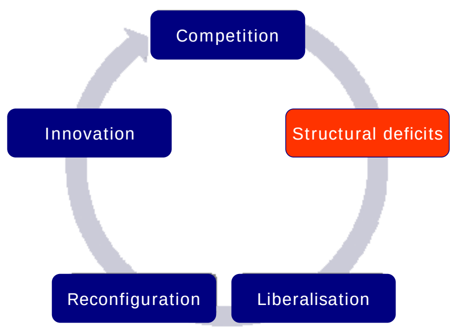
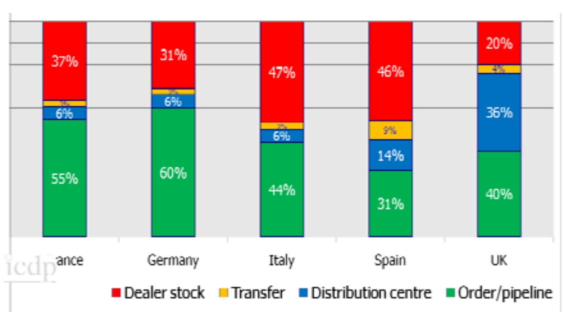
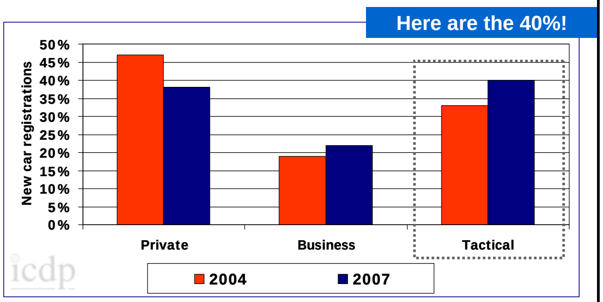


Structural oversupply



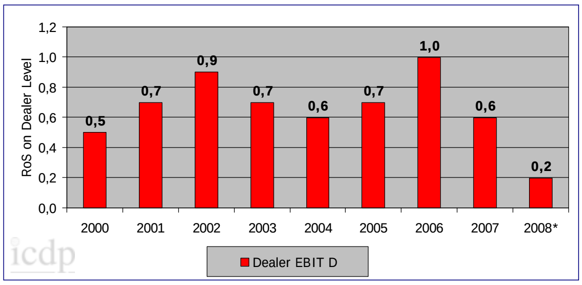
Source: ICDP. Total European market, volume franchises

Dramatic push in the market



Source: KBA

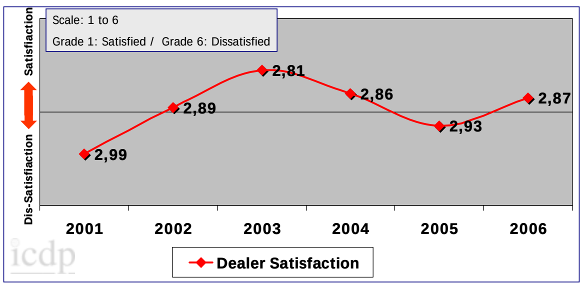
Dealer profit is on a low level
Example Germany



*estimated

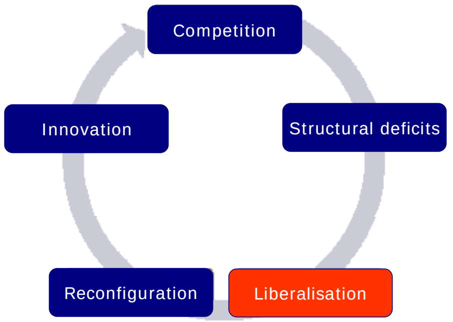
Source: AH 14-15 2008, p. 12-15, Own Research

Partnerships between Dealers and VMs
Low dealer satisfaction index

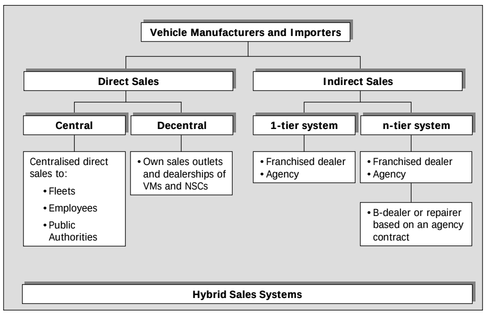


Source: Schwacke MarkenMonitor 2006

Main driving forces of change

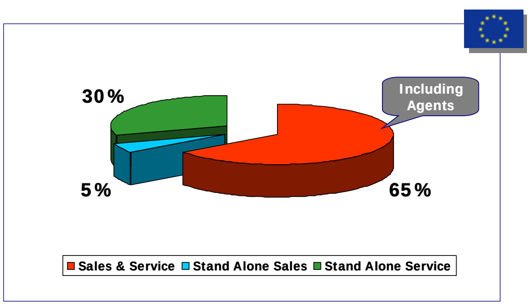


Traditional distribution system



Source: based on Decker (2000, P.71)

Types of Outlets (EU)
Traditional outlet type is still dominant



Source: ICDP / GMAP European Car Distribution Handbook 2005 / L.E. Manufacturer Survey

Liberalisation of franchised system

Year 2010:
Not longer a specific regulation for the automotive sector – further liberalisation?

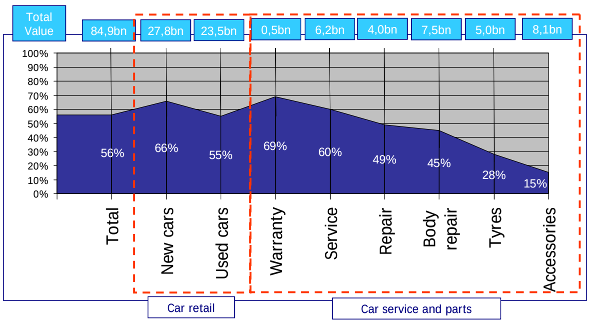
New Car Distribution
- Ending of selective and exclusive link
- Ending of location clause
- Splitting of sales and service
- No restraints on multi-branding

Repair and Maintenance
- Splitting of sales and service
- Standalone authorised repairers
- No quantitative limitation of repairers
- No restraints on multi-branding
- Free access to spare parts and technical information

Parts Distribution
- No limits on numbers of authorised distributors
- OES can use the original spare parts claim now
- Authorised repairers are now freer in the choice of the parts distribution channel

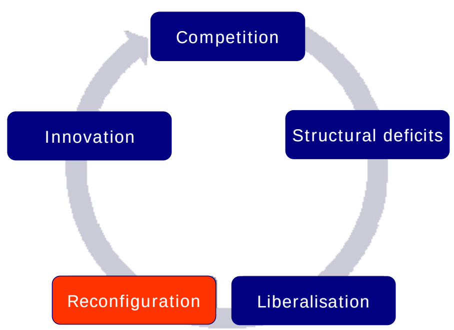
BER No. 1400/2002

Franchised dealers position in the value stream



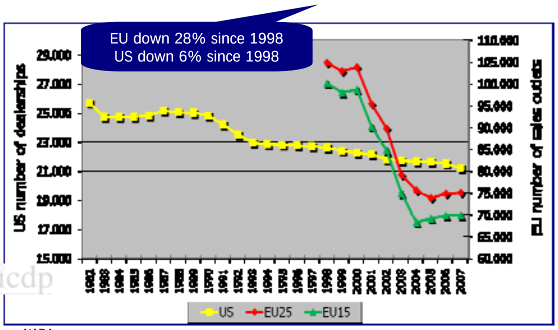
Source: Customer Lifetime Study 2008

Main driving forces of change



Structural changes in networks …

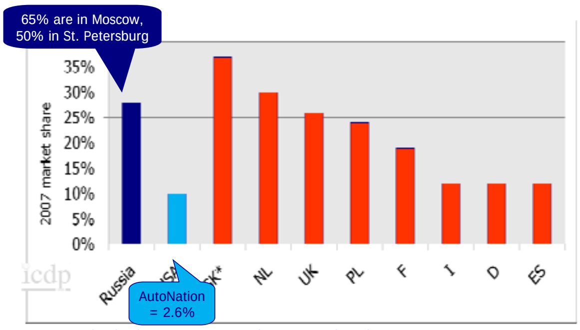
Total number of dealerships



Source: NADA

Global networks

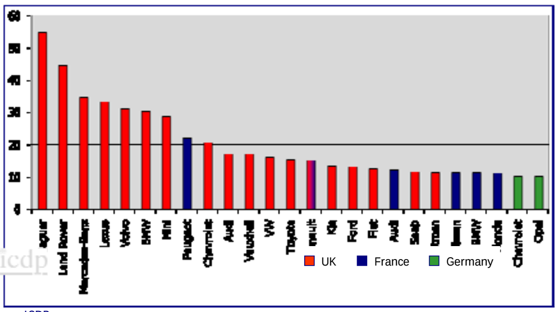
Concentration is Russia is already high



Source: ICDP and national sources. * = Denmark, Norway, and Sweden

OEM reliance on dealer groups

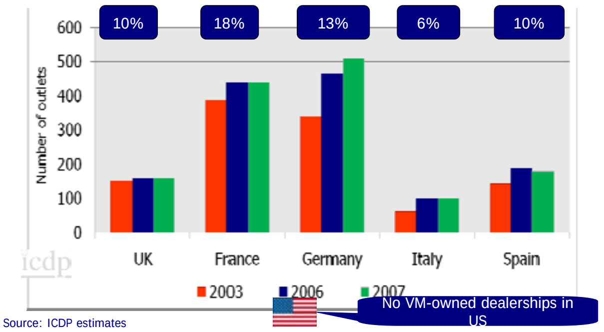
Top 5 share on total outlets



Source: ICDP

Manufacturer-owned groups

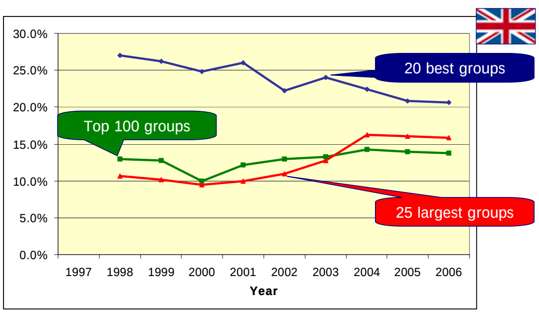
Share of total new car sales



Source: ICDP estimates

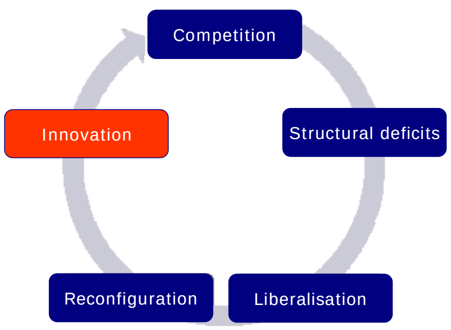
Clear that size is not everything!

Return on capital (ROCE) for AM100 dealer groups



Source: Piers Trenear-Thomas from AM100 data

Main driving forces of change

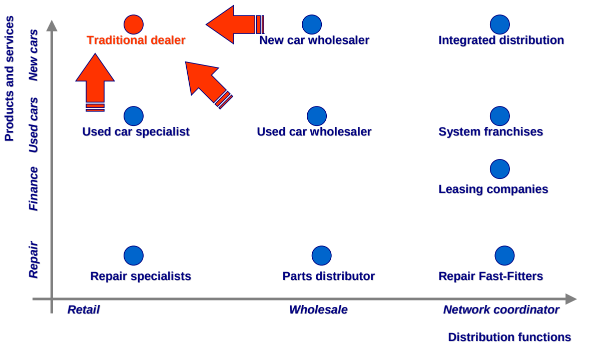


Internet pushes innovation

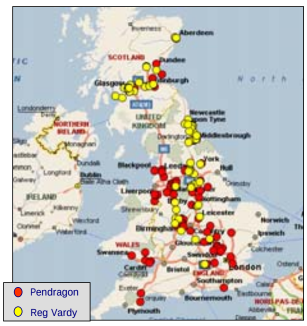
icdp	Average number of used cars 2008	Average number of used cars 2003	Number of Traders	% offers from Trade	Cost per ad
Paruvendu	154,000	na	3,000+	59%	4€ (tax incl.) per ad for private
Autoscout24	1,700,000	950,000	28,000 (EU)	55%	Starting at 109€ per month for traders
AutoScout24 Italy	1,700,000	18,000	(EU)	na	na
Coches.net/Segundamano.es	140,000	na	na	24%	10€ per month
Autotrader	400,000	250,000	3000+	87%	£5 per ad per week

Source: ICDP

Atomisation of established model
…and resulting pressure from new actors



European Mega-Dealers: Pendragon



Pendragon
- 8% market share in UK (ca. 192,000 new cars)
- Up to 37% share on brand level
- 15,000 employees
- 290 outlets (with Reg Vardy)
- Focus on home market: 90% of turn-over in UK (5% in US, 1% in D but 2 Mio. Euro losses)

Objectives:
- Dominant position in UK to reach scales
- Position in front of the VMs

Innovative formats

Snapshot	• First German „AutoMall" - Gottfried Schultz Group was one of the initiators • 18,000 new and used cars in 2004 • 500 new cars and 1,000 used cars on display • Alliance of 6 different dealer groups
Key Figures	• Size: 150,500 sqm • Investment: 108,9 Mio. Euros
Brands Represented	• 20 brands – brand groups:

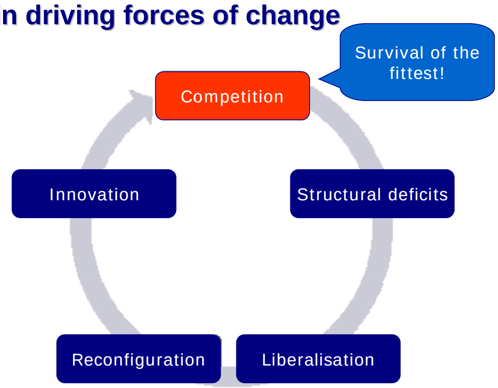
Buying and marketing cooperation
Examples in car distribution

Aventi Automobile AG:
- Cooperation between two strong regional dealers in Bavaria
- Separate, public quoted organisation
- 12 outlets and more than 4,000 cars sold
- Core objectives:
  - Synergies (back office)
  - Corporate marketing
  - Purchasing scales

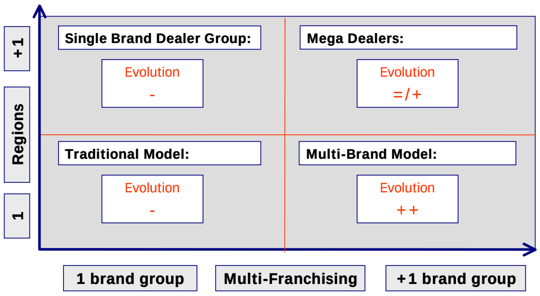
Temot International:
- International buying consortia of independent parts wholesalers and retailers

Auto Aktiv Nord:
- Buying cooperation of 14 Mazda dealers
- Separate buying organisation to improve scale effects in
  - New cars (but limited scale)
  - Used Cars
  - Parts, lubricants
  - Re-financing conditions

Main driving forces of change



Franchise Dealer Models
Outlook out of Dealer Group Perspectives



Source: ICDP Dealer Group Survey 2005

The Traditional Model is still alive!

- Example US: Family owned dealerships play still a vital role – outlet sizes are above European average
- Opportunities for SMEs by cooperation and high entrepreneurship
- But, efficiency is key: franchise model has to be competitive with other distribution models