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Automechanika Dubai

19 – 21 October 2020, DWTC

Automechanika Riyadh

2021

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Impact of COVID-19 on GCC's Automotive Aftermarket with a Focus on Saudi Arabia

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Agenda

- Presentations by

ABDELRAHMAN KURDIEH
Project Manager &
Webinar Host
Messe Frankfurt ME

SUBHASH JOSHI
Vice President - Mobility
& Regional Head - ME
Frost & Sullivan

VISHAL PANDEY
Director
Glasgow Consulting
Group

- Q&A Session

Automechanika Dubai

- 19 – 21 October 2020

- **2019 Show Statistics**

Automechanika Riyadh 2020

- Exhibitors
  - 87 exhibitors from 13 countries
  - 52 exhibitors from 11 countries (Covid-19)
  - Country Pavilions: Turkey, USA, South Korea, China, Hong Kong, Taiwan

- Visitors
  - 2,470 visitors

- COVID-19 Effect
  - Lost 25 exhibitors due to travel restrictions
  - Rolled over China, Hong Kong and Taiwan to 2021

FROST & SULLIVAN

UNDERSTANDING THE IMPACT OF COVID-19 ON THE GCC REGION

1st June 2020

The Growth Pipeline™ Company
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15+ years industry research and consulting experience

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Competitive market intelligence, M&A, IPO and CDD advisory

Market trends analysis and future casting

Strategy development and growth consulting

Master of Business Administration

Subhash Joshi
Vice President – Mobility
Regional Head – MEA

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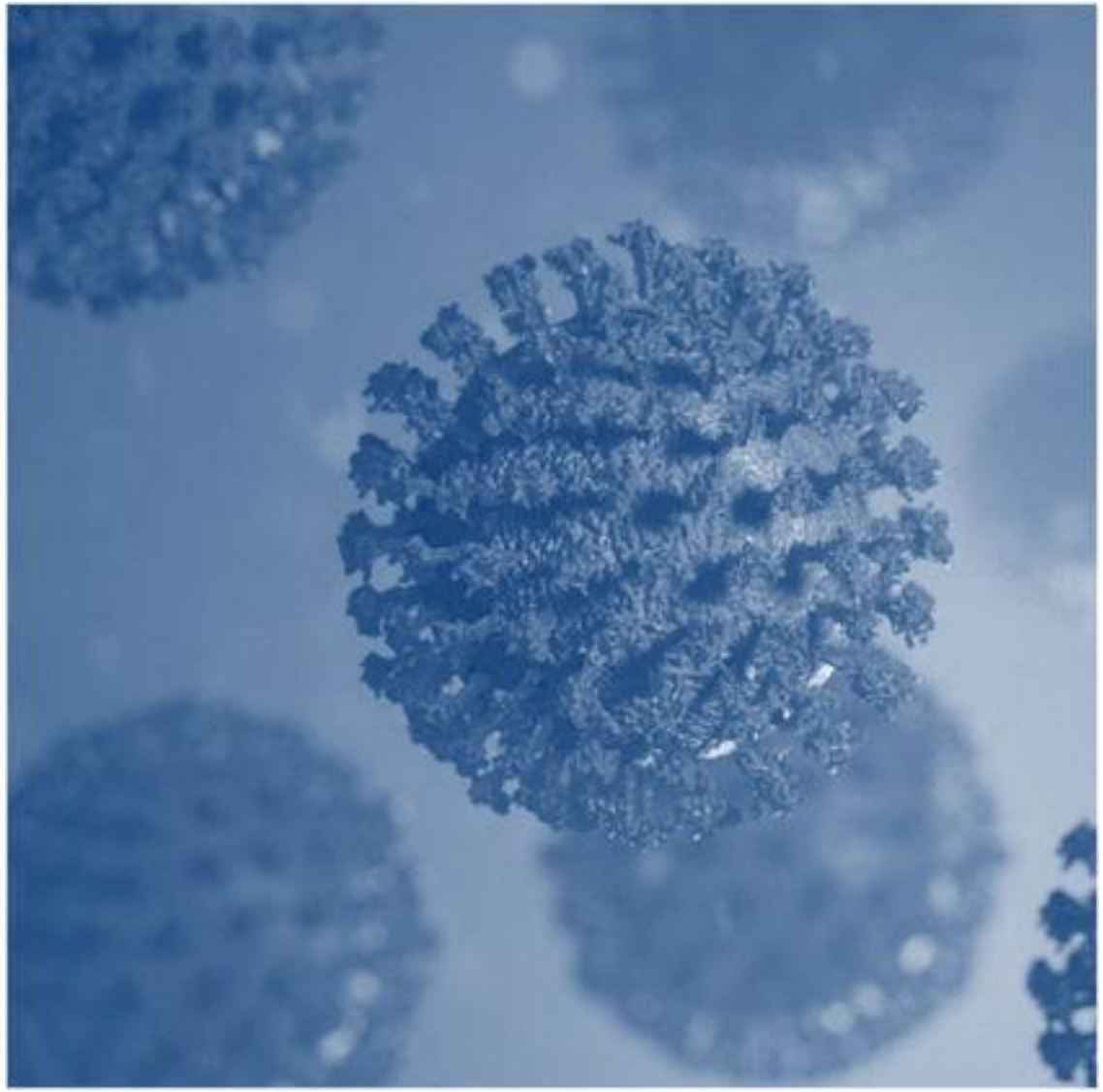
AGENDA



01	GCC – ON ROUTE TO BECOME WELL DIVERSIFIED ECONOMY
02	THE CHANGED ECONOMIC GROWTH ENVIRONMENT
03	IMPACT ON THE MOBILITY INDUSTRY – SETTING UP THE CONTEXT
04	COVID IMPACT ON GCC AUTOMOTIVE INDSUTRY
05	COVID-19 RESPONSES IN THE MOBILITY INDUSTRY— RESPOND, RECOVER, AND THRIVE
06	HOW CAN WE SUPPORT?

FUTURE OF GCC ECONOMY & ECONOMIC DIVERSIFICATION

TO REDUCE OIL DEPENDENCE AND EXPANSION OF SECTORS SUCH AS CONSTRUCTION, TOURISM, MANUFACTURING, FINANCIAL SERVICES, AND LOGISTICS

Focus on **creating a multi-sector economy by 2030**, concentrating on manufacturing industries as well as sectors such as infrastructure and construction, retail, tourism, financial services etc.

Drivers of Economic Diversion in GCC

Bold Visions

The GCC nations are driven by strategic government plans such as UAE Vision 2021 and Saudi Vision 2030.

Reforms

Introduction of business friendly reforms aimed at attracting FDI inflows boosting economic growth in non-oil sectors

Free Zones

To facilitate easy setting up of manufacturing plants along with other benefits on custom duties for import and export of goods

Target Manufacturing Sub-Sectors

- Petrochemical Products
- Chemicals & Pharmaceuticals
- Industrial Machinery
- Home Appliances
- Food and Beverage
- Rubber & Plastic Products
- Textile & Apparel
- Mining & Minerals

Source: Frost & Sullivan Analysis

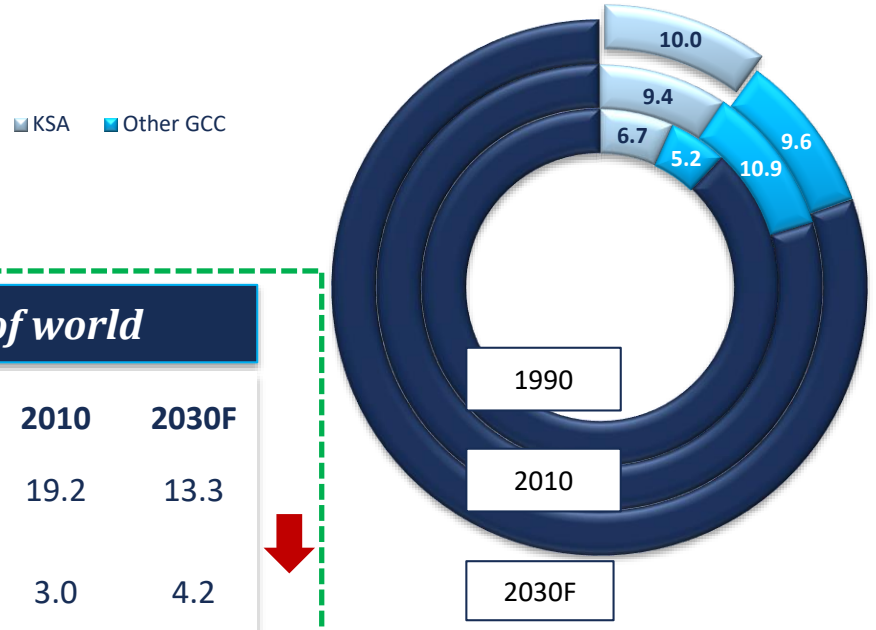
GCC TO BECOME A $2.8 TRILLION ECONOMY BY 2030

SAUDI ARABIA, THE BIGGEST ECONOMIC CONTRIBUTOR TO GCC IS EXPECTED TO BECOME THE 19TH LARGEST ECONOMY GLOBALLY BY 2025, IN TERMS OF NOMINAL GDP IN CURRENT PRICES, FROM THE 25TH IN 2000.

Nominal GDP Projections, $ Trillion, Key Economic Blocs and Regions, 1990, 2000, 2010, 2020F and 2030F

	1990	2000	2010	2020F	2030F	*CAGR % (2020-2030)*
Eurozone	5.65	6.49	12.65	13.69	18.45	3.0
ASEAN	0.37	0.64	1.98	3.32	5.53	5.8
GCC	**0.21**	**0.38**	**1.14**	**1.65**	**2.8**	**5.4**
BRIC	1.18	2.63	11.62	22.02	42.21	6.7
NAFTA	6.85	11.70	17.67	25.46	34.54	3.1

Share of GCC in MENASA in GDP, %, 1990, 2010, 2030F



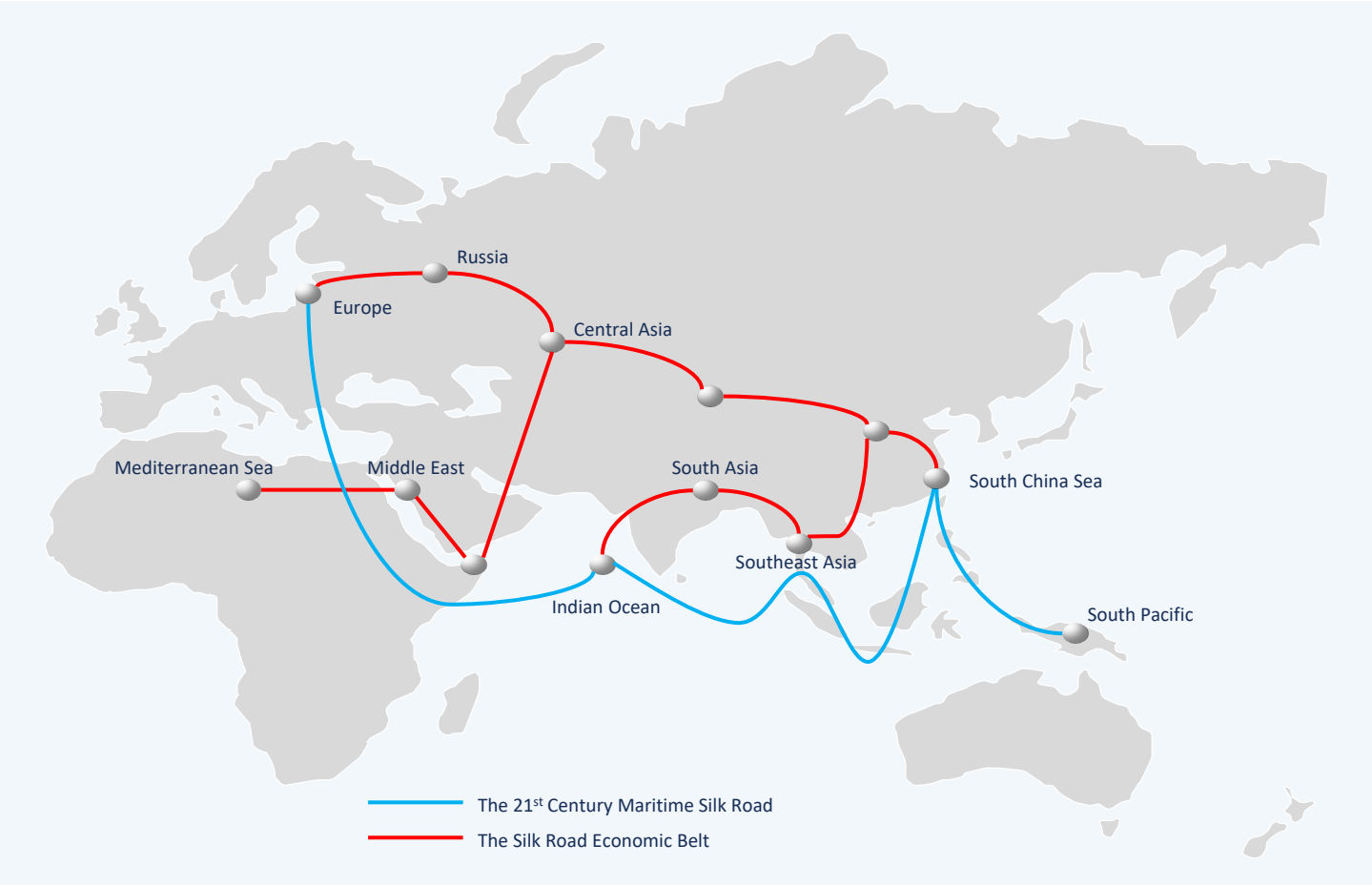
GDP shares, % of world

	1990	2010	2030F
Eurozone	25.2	19.2	13.3
ASEAN	1.7	3.0	4.2
GCC	***0.9***	***1.7***	***2.1***
BRIC	5.3	17.6	30.4
NAFTA	30.5	26.7	24.9

Source: IMF, Frost & Sullivan Analysis

GCC TO BE A GLOBAL TRADING HUB

DUE TO ITS STRATEGIC POSITION, THE GCC WILL EXPERIENCE INCREASING TRADE. **SILK ROAD ECONOMIC BELT** AND THE **21ST-CENTURY MARITIME SILK ROAD** WILL ALSO INCREASE TRADE ACTIVITIES OF THE REGION



UAE gains traction as a significant hub/player in the **New Global Trade Order.**
UAE's worth as a global trade hub is estimated by the World Bank to be **$570bn**

- Quantum increase in trade volumes with China on an annual basis, **China being among the top 3 import/export partner for UAE firms.**
- Even as China's BRI initiative is drawing investments into infrastructure in UAE, **Chinese banks are also entering UAE along with Chinese companies from sectors such as transport, logistics and tourism.**
- Tariff war between USA and China is further adding favor for GCC to strengthen further its global trading hub position.

Source: Frost & Sullivan Analysis

GCC HETEROGENEOUS SOCIETY

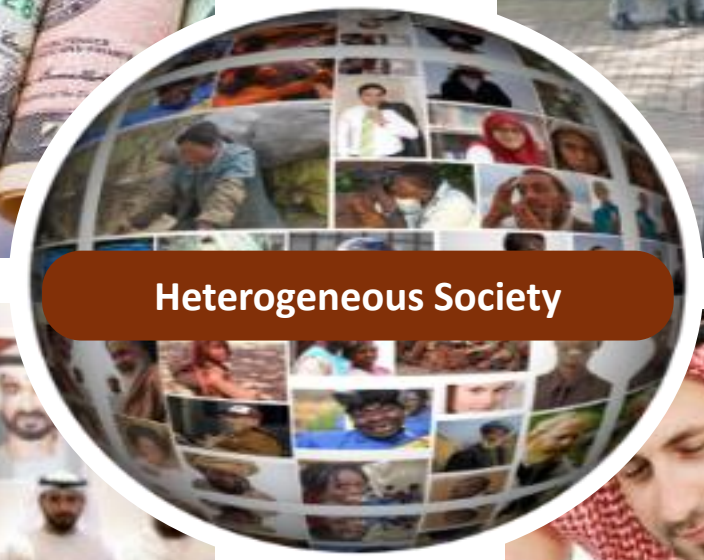
IN THE GCC, THERE WILL BE AN INCREASING EXPAT POPULATION, RISING MIDDLE CLASS AND INCREASED PARTICIPATION OF WOMEN

While the rich are growing richer, the **top 10% population of GCC will claim 68% of total regional income by 2025**

Divided by Income

Divided by Age

In 2018, **50% of the GCC population was under the age of 30, by 2025 this is expected to increase to 54%**



Heterogeneous Society

In 2018, 18% of total workforce comprised of females, which is expected to increase to 21% by 2025.

Divided by Gender

Divided by Ethnicity

In 2018, **expats accounted for 51.9% of GCC population, growing by 8% annually**

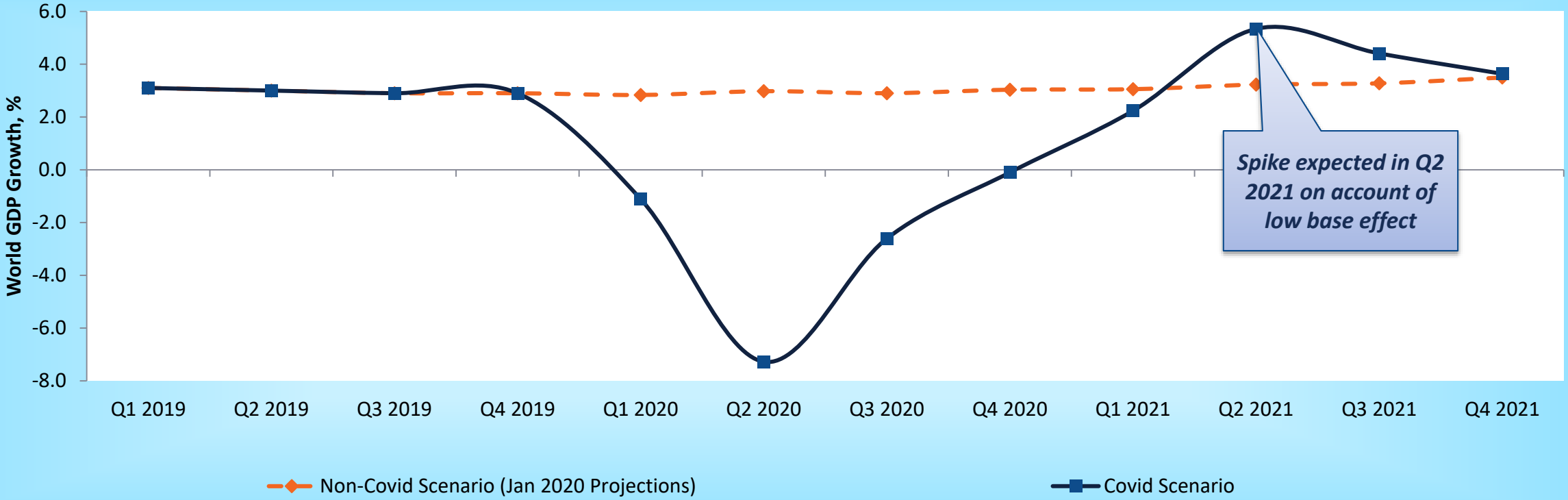
Source: Frost & Sullivan Analysis

THE CHANGED ECONOMIC GROWTH ENVIRONMENT

COVID-19 IMPACT ON WORLD GDP GROWTH

RECESSION IS EXPECTED ACROSS ALL QUARTERS OF 2020 WITH A -7.3% DIP ANTICIPATED IN Q2 2020.

Quarterly GDP Growth, Global, 2019-2021



1. The data and analysis on this slide stands updated as of May 11th, 2020
2. Data and scenarios are subject to changes based on real-time updates.
3. Quarterly GDP growth is calculated based on the same quarter of the previous years.
4. Covid-scenario is the real-time scenario, whereas the non-covid scenario is based on projections from January 2020.
5. As on 11th May, 66 countries had 3,000+ cases, 56 countries had 5,000+ cases, and 44 countries had 10,000+ cases.

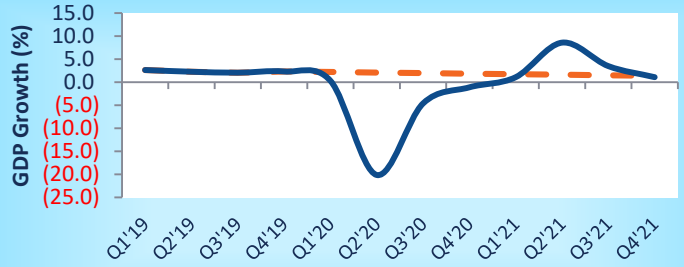
Source: IMF; Worldometer; Frost & Sullivan

COVID-19 IMPACT ON KEY REGIONS AND COUNTRIES

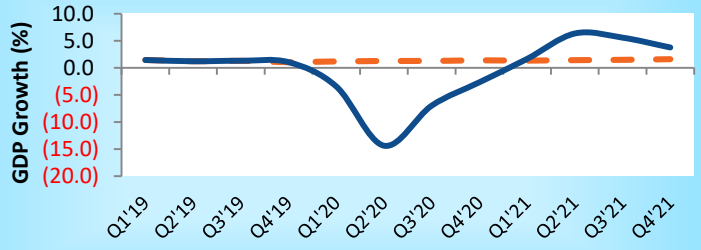
THE 2020 RECESSION IS EXPECTED TO BE PARTICULARLY PRONOUNCED ACROSS THE DEVELOPED WORLD. MIDDLE EAST WILL BE WEIGHED DOWN BY BOTH LOCKDOWNS AND THE OIL PRICES SLIDE. CHINA SHOULD SEE A Q2 2020 REBOUND.

Quarterly GDP Growth, Select Countries and Regions, Q1 2019- Q4 2021

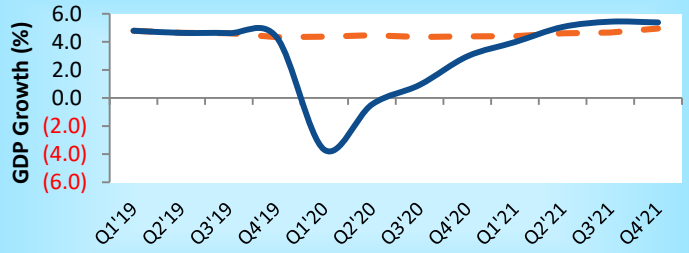
United States



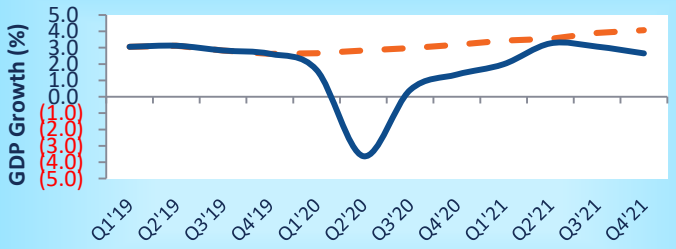
Eurozone



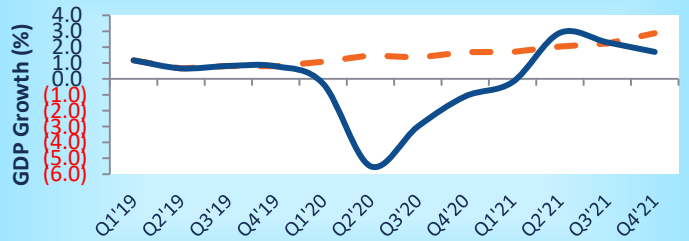
Asia Pacific



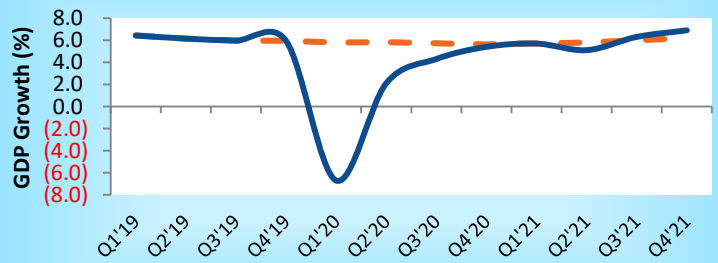
South Asia



Middle East



China



Non-COVID Scenario COVID Scenario

Note: The data and analysis stands updated as of 11th May

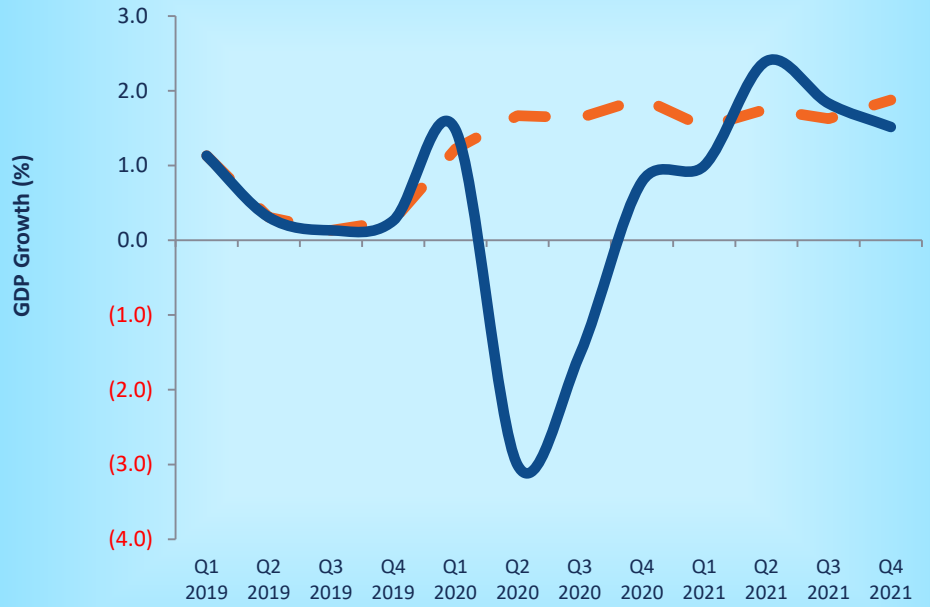
Source: IMF; Frost & Sullivan

COVID-19 IMPACT ON GCC

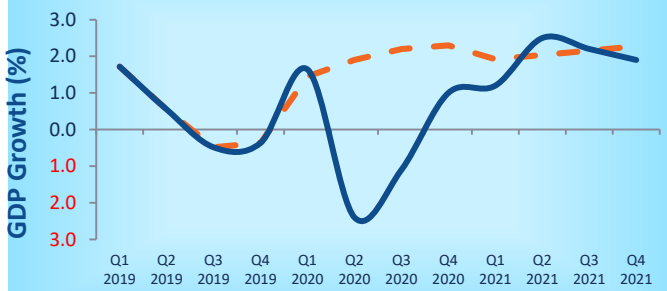
THE REGION IS PARTICULARLY AT A **DISADVANTAGE FROM THE CRASH IN OIL PRICES**. APART FROM THE OIL-ECONOMY, THE NON-OIL ECONOMY IS ALSO SEEN TO BE COMING UNDER PRESSURE IN ECONOMIES SUCH AS SAUDI ARABIA, QATAR, AND THE UAE.

Quarterly GDP Growth, GCC, Q1 2019- Q4 2021

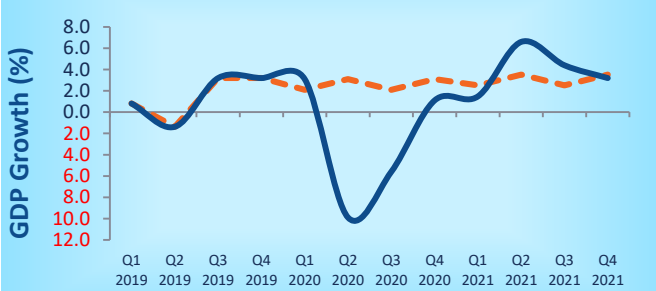
GCC



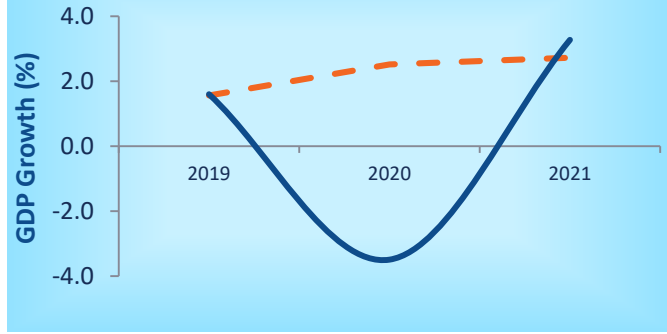
Saudi Arabia



Qatar



UAE



Non-Covid Scenario

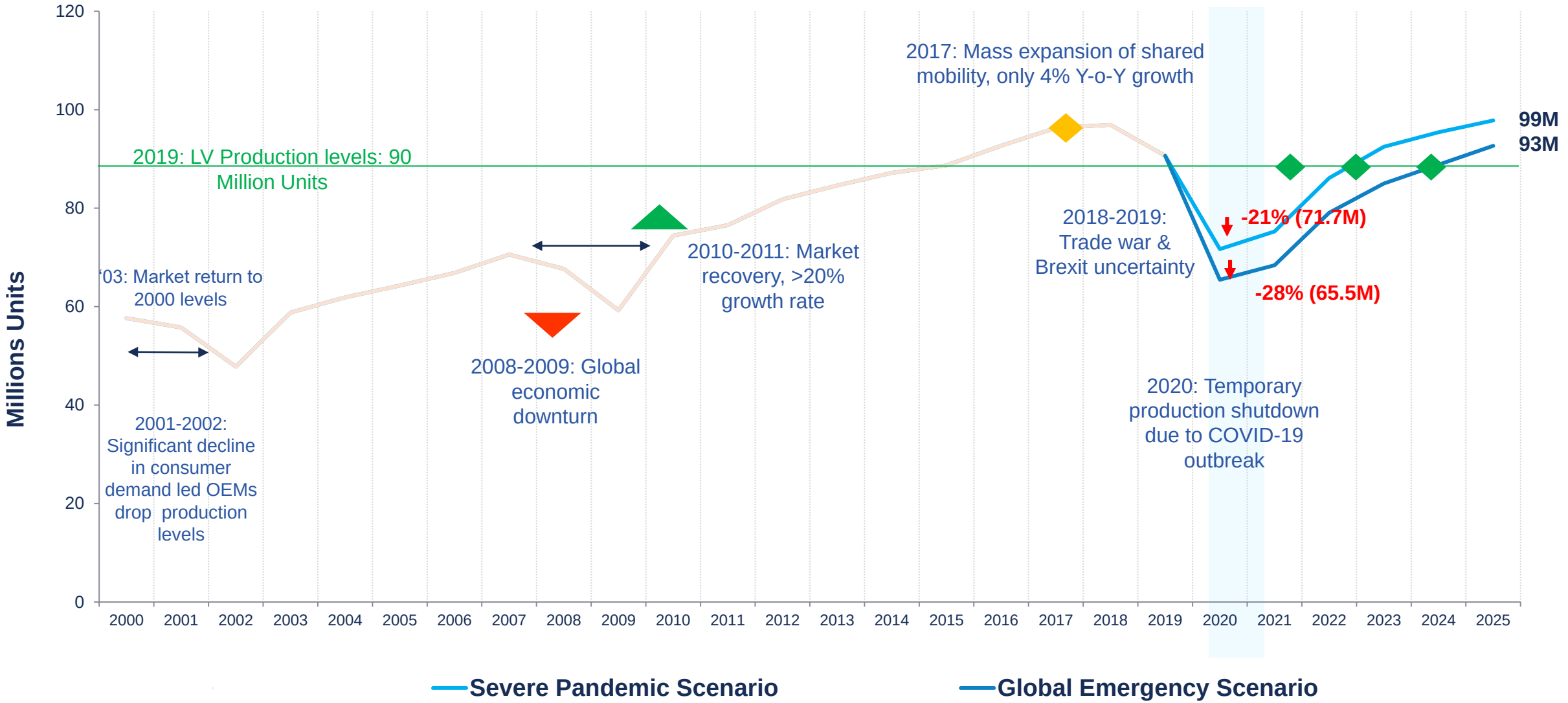
Covid Scenario

1. The data and analysis stands updated as of 11th May
2. No quarterly data for the UAE.

Source: IMF; Frost & Sullivan

IMPACT ON THE MOBILITY INDUSTRY

ANNUAL LIGHT VEHICLE PRODUCTION GLOBAL TO DECLINE BY ABOUT 21%



Note: Light Vehicles include Passenger Vehicles and Light Commercial Vehicles with GVWR of up to 6 MT

Source: Frost & Sullivan Analysis

LIGHT VEHICLE SALES IN KEY COUNTRIES – JAN TO APRIL 2020

EU car registrations saw their worst drop in April as most dealerships were closed amid strict lockdown measures. Southern Europe was hit the hardest with Italy car registrations down by 97.6%, Spain by 96.5% as both countries struggled with the highest levels of COVID-19 cases in Europe.

Country LV Sales ('000 units)	Jan 2020	Feb 2020	Mar 2020	Apr 2020
Spain	100.3	110.4	44.4	4.8
Italy	168.7	177.1	33.3	4.6
France	166.5	206.9	79.5	26.0
Germany	267.8	261.4	236.0	131.5
UK	173.3	94.2	285.4	8.0
USA	1144.4	1373.4	992.7	710.8
China	1772.4	261.4	1266.1	1823.4
India	319.5	292.8	151.3	0.0

SPAIN

- Some factories resume production.
- NSC: workforce temp lay-off

ITALY

- Some factories restart; NSC: cash for retailers
- Active service area; daily sanitization of all areas

FRANCE

- Part time work at Renault, Nissan, PSA.
- Showrooms closed, Maintenance service active

UK

- Most OEM/NSC product teams operating as BAU.
- 50% of dealers equipped to support online sales.

GERMANY

- Some OEMs resumes production.
- Dealerships have been allowed to reopen.

USA

- Many OEMs including Big 3 resume production. Online sales channels activated.

CHINA

- Production has resumed.
- The country is providing cash to car buyers to boost sales.

Note: Light Vehicles include Passenger Vehicles and Light Commercial Vehicles with GVWR of up to 6 MT

Source: Frost & Sullivan

FUTURE OF MOBILITY IN GCC [PRE COVID-19]

MOBILITY SOLUTIONS IN GCC ARE MOVING FROM **CAR-CENTRIC TO CUSTOMER-CENTRIC SOLUTIONS**, WORKING TOWARDS PROVIDING A MORE **CONVENIENT AND INTEGRATED MODE OF TRANSPORT**

Abu Dhabi and Dubai are among **Top 5 most taxi-reliant cities globally**.

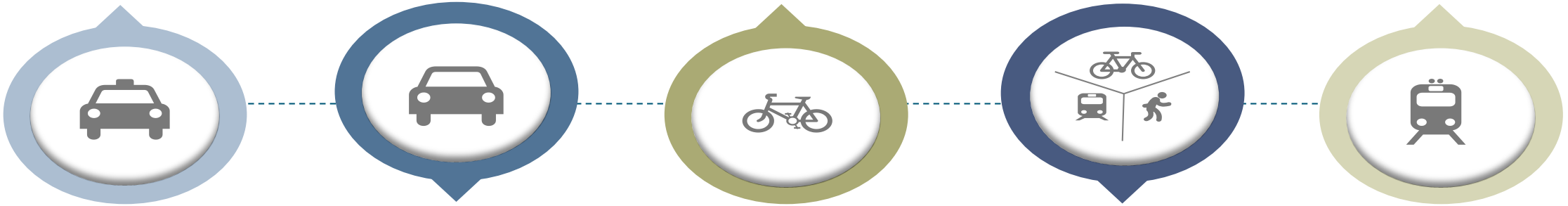
Up to 10% of all trips in the region (e.g. Abu Dhabi) are done by taxi **(highest in the world).**

<2% of all trips being made using bicycles today is expected to grow up to **5% by 2030**.

Dubai and Abu Dhabi are planning dedicated cycling routes as part of walking and cycling master plan.

Investments in public transportation across GCC countries expected to increase modal share of bus and metro from 5%-7% to **12%-15% by 2025**.

All metro investments to bring **$120 billion additional benefits** to GCC economy within 7 years of completion



Muscat, Riyadh and Doha are in the Top 5 most private-car dependent cities globally.

Personal cars account for over **85% of all trips** in these cities. Set to drop to **70-75% by 2025**

Investments from public and private organizations are **expected to double** the integrated multimodal services offering in GCC countries in the next 5-7 years.

Source: Frost & Sullivan Analysis

INTEGRATED AND MULTIMODAL MOBILITY IN THE GCC [PRE COVID-19]

INVESTMENTS FROM PUBLIC AND PRIVATE ORGANIZATIONS ARE EXPECTED TO DOUBLE THE INTEGRATED MULTIMODAL SERVICES OFFERING IN GCC COUNTRIES IN THE NEXT 5-7 YEARS

Car sharing

~2500+ cars

U drive

ekar

Bike sharing

~500 bikes

oBIKE

nextbike

eHailing

~7000 cars

UBER

Careem

Jeeny

Ride sharing

NA

poolmyride

CarpoolWorld

Integrated Mobility / Demand Responsive Transit / Electric

S°hail

Integrated Mobility solution by Dubai Government since 2018

Dubai's Autonomous transportation strategy forecasts 25% of all mobility journey will be made by Driverless systems by 2030.

Autonomous Trials

e2.10 by EASY MILE

has run trials in 3 locations of Dubai.

Completed the trial between Dubai and Abu Dhabi in 2016.

Mercedes-Benz

Dubai Taxi Corporation acquired 200 Autopilot-equipped Tesla S sedans to develop driverless police car fleet.

Abu Dhabi's Masdar city has launched self driving shuttle – The Navya Autonom Shuttle from 2018, can transport 12 people at a time at a top speed of 25 kms per hour.

Chinese ICONIQ L5 autonomous driving concet is expected to undergo extensive testing in Masdar City, Abu Dhabi in 2019; expected to deliver first L5 fleet for Expo 2020.

Flying cars

EHANG 184

Dubai Roads and Transport Authority along with chinese EHANG company has done trial run of the Autonomous Arial Vehicle (AAV) – EHANG184 in 2017.

UBER Elevate

Uber is aiming to pilot its AAV Elevate in 2020.

Drones

Abu Dhabi Police department has deployed drones to enforce laws in streets where CCTV cameras are not available.

Dubai Government entities conducted trials for delivery using drones in 2018

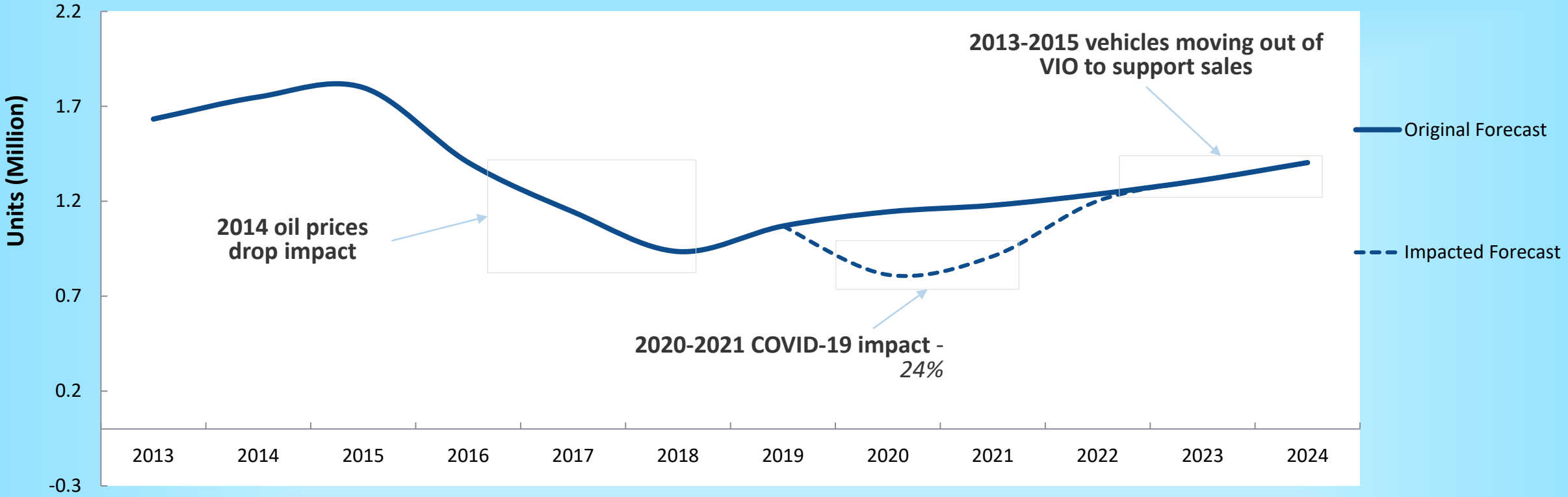
2025

Source: Frost & Sullivan Analysis

IMPACT ON REVENUE FOR THE MOBILITY INDUSTRY (1/2)

GCC NEW CAR SALES TO SEE **SHARP DROP IN 2020**, LIKELY TO PICK UP IN 2021 - **REFOCUS OF EFFORTS ON USED CARS AND AFTERSALES TO STAY AFLOAT**

Mobility Industry: New Vehicle Sales, GCC, 2013–2024



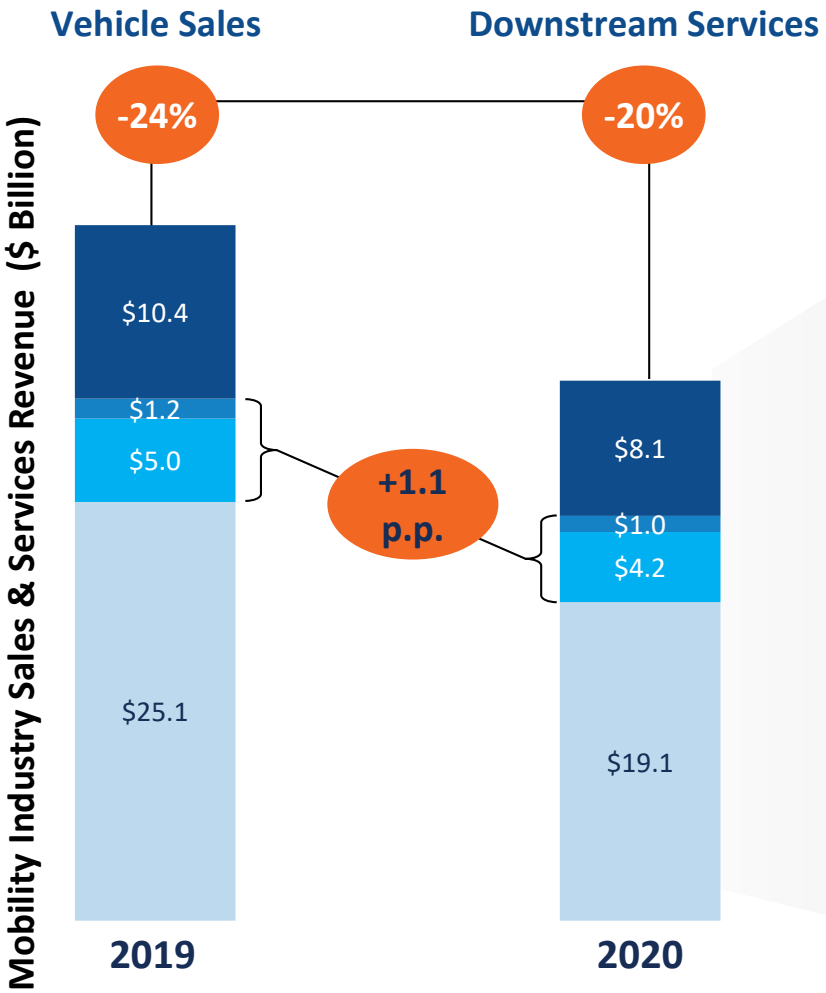
Pessimistic scenario: 12 weeks of quarantine. Date of forecast: **April 2020**

Note: All figures are rounded. The base year is 2019. Source: Frost & Sullivan

IMPACT ON REVENUE FOR THE MOBILITY INDUSTRY (2/2)

AFTERSALES ARE LIKELY TO BE MORE RESILIENT, NEW VENUES OF GROWTH EXPECTED TO EMERGE IN INDIVIDUAL MICRO-MOBILITY AND MOBILE SERVICING

Mobility Industry: Sales and Services Revenue, GCC, 2019–2020F



New mobility
- Individual transport modes (scooters, bikes) are set to pick up in 2020
- Food delivery to grow in double digits

-22.0% YoY

After-sales service
- Mobile servicing, add-on services (disinfection, cleaning, car wash), telepresence to pick up
- Vehicle pickup and delivery (franchised dealers) to generate additional revenue

-19.5% YoY

After-sales parts
- Online sales (Noon, Amazon) to increase by more than 20%
- Likely to be supported by customers extending the life of their vehicles

-16.0% YoY

Car sales
- Online car sales penetration to reach 2% to 3%
- Remote test drives could be introduced by mid-2020

-23.9% YoY

*Including shared and micro mobility, and food delivery. Does not include air travel.

Note: All figures are rounded. The base year is 2019. Source: Frost & Sullivan

PANDEMIC-RELATED CHALLENGES IN THE MOBILITY INDUSTRY

Reduced Consumer Traffic at Physical Showrooms

Up to 24% drop in new car sales expected in 2020

Demand for Vehicle Servicing and Spare Parts Weakening

Up to 16% drop in revenue from vehicle servicing and up to 19% from vehicle parts in 2020

Travel Restrictions Affecting Short-Term Car Rentals

Up to 60% demand decline in March 2020

General Public Reluctant to Use Shared Mobility Services

69% drop in mobility to public transport hubs*

Decrease of Capital Spending

Leasing Contracts

Inventory Challenges

Marketing Activities

*Based on mobility changes captured by Google between 16 February and 29 March 2020.

Source: Frost & Sullivan

IMPACT OF COVID-19 ON THE MOBILITY INDUSTRY

DIGITAL PLATFORMS WILL GAIN MORE TRACTION FROM BUYERS DURING THE LOCKDOWN; OEMS AND DEALERS ARE LAUNCHING ONLINE RETAIL AND SUPPORT SERVICES TO SIMPLIFY CAR PURCHASES.

Parameter	Before COVID-19	During COVID-19*
Average daily footfall in vehicle showrooms	10–12 customers	2–3 customers
New car sales (per month)	100,000 units	40,000-50,000 units
Used car sales (of Al Futtaim Automall)	700 per month	300–350 per month
Average age of vehicle	7.5 years	8.3 years**
Average kilometers travelled in a year (in UAE)	18,000 kms	10,000–12,000 kms**
Average spend on vehicle servicing (per visit)	$390	$325
Average spend on accessories (per visit)	$295	$120
Penetration of eRetailing of new cars	**Less than 0.25%**	**2–3%**
Penetration of eRetailing of spare parts	**<3%**	**5-7%**
Average Leasing contract term	**3.8 years**	**4.5 years**
Web traffic in used car platform (For Dubi Cars)	**-**	**38% increase (Jan.-March 2020)**
Used car transaction through online platform for Dubi Cars)	**-**	**8.5% increase (Jan.-March 2020)**

*Numbers represent March 2020 based on the pandemic's initial impact.

** Numbers represent the average for 2020 due to COVID-19 impact

Source: Frost & Sullivan

POLL QUESTION #1

WOULD YOU EXPECT ONLINE SALES OF CAR PARTS TO EXCEED 10% IN 2021 (~2-3% IN 2019-2020)?

GROWTH OPPORTUNITIES FOR THE MOBILITY INDUSTRY

Digital Transformation in Vehicle and Spare Parts Retailing

Mobile Vehicle Servicing and Auto Care Concierge Services

Used Vehicle Leasing

Automotive Insurance Against Potential Job Losses

Source: Frost & Sullivan Analysis

Online Vehicles Sales: GForces Case Study

GCC 2020 online sales saw a 4x YoY increase, growth continued even after restrictions were lifted in May

SUPPLY

DEMAND

-›●‹-

Both dealers and OEMs actively drive online sales process

UAE

ahead of the rest of GCC, KSA has higher online lead conversion

25%

of transactions happen outside of dealers' working hours

Q1

2020 online sales were equal to the **whole 2019**

>50%

of online transactions are deposits as part of a loan process

>AED400K

highest online purchase conducted online

95%

of used cars sold by one used car dealer* in April were done online

*Not indicative of the whole online market. Source: GForces, F&S analysis.

COVID-19 RESPONSES IN THE MOBILITY INDUSTRY— RESPOND, RECOVER, AND THRIVE

OEMS AND DEALERS ACCELERATE SHIFT TOWARD DIGITAL SERVICES

INCREASE CASH FLOW THROUGH PROMOTIONAL CAMPAIGNS AND EFFICIENCY IMPROVEMENTS

FINANCIAL INSTITUTIONS TO OFFER FLEXIBLE PAYMENT PLANS AND PROGRAMS TO BOOST SALES

MOBILITY CONCEPTS SUCH AS DELIVERIES TO CAR TRUNKS, DELIVERY AGGREGATION ARE EXPECTED TO SEE A SURGE IN GROWTH

REPURPOSING AND REDISTRIBUTION OF FLEETS TO INCREASE UTILIZATION

Source: Frost & Sullivan Analysis

POLL QUESTION #2

HOW WOULD YOU, PERSONALLY, MAINTAIN YOUR VEHICLE IN A "NEW NORMAL" REALITY NEXT YEAR?

LONG TERM PLANNING – NEW NORMAL

- VEHICLE MAINTENANCE TRENDS ARE CHANGING FROM LONGER AVERAGE LIFE TO MORE DIY WORK AND CONVENIENCE BASED REPAIR – CONVENTIONAL APPROACH TO CHANGE
- INCREASED FOCUS ON USERSHIP THAN OWNERSHIP – EMBRACE NEW CUSTOMERS
- SMART MOBILITY & INTEGRATION – PARTNERING AND SUPPORTING
- STRENGTHEN USED CAR PROGRAM – ADOPTING TO THE CHANGE AND FORGING PARTNERSHIPS WITH AGGREGATORS

Source: Frost & Sullivan Analysis

HOW CAN OUR TEAM HELP YOU?

Risk Mitigation Planning	We provide you with a risk mitigation plan and help develop options and actions to enhance opportunities and reduce threats to your business.
Revise Forecast & Growth Plans	We will bring clarity to your prior market assessments and ensure business plan continuity.
Focus on Emerging Growth Opportunities	We will power your focus on growth through turbulent times, identifying key growth opportunities that will emerge.
M&A and Investment Support	We provide an in-depth analysis of a potential target to help identify risk before merging, to enable you to grow your business with confidence.
Develop your digital strategy for growth	We will develop a digital strategy using technology to improve business performance and help you create new competitive advantages with technology.

Your Next Steps

1: Take the Growth Pipeline Diagnostic to assess your current growth capabilities

https://ww2.frost.com/growth-pipeline-diagnostic/

2: Reach out to your team to act

Subhash Joshi
Vice President – Mobility
Regional Head – Middle East & Africa
Email: subhashj@frost.com
Mobile: + 971 56 768 6450

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automechanika DUBAI

Impact of COVID-19 on Passenger Car Aftermarket in Saudi Arabia

1st June 2020

About the Speaker

Vishal Pandey

Director, Glasgow Consulting Group

Relevant experience

Vishal is a Dubai based Market Entry & Insights advisor who has lived and worked in the UK, India and across the Middle East. Previously as a research lead with Deloitte Consulting's Dubai offices, he was part of a team responsible for strategy and operations assignments across the Middle East and North Africa region. Vishal has been involved in over 750 research + market entry engagements mostly across MENA and South Asia region in his career spanning 18 years across a diverse set of industries. He is a leading MENA focused Market Entry & Go-To-Market Strategy Specialist.

Automotive Intelligence & Tracking Hub (AITH), a Glasgow Consulting Group Initiative AITH provides regional market intelligence, thought leadership and insights to the emerging & fast transforming sector in Middle East and Africa region. We help clients identify the top mega tends in areas of mobility solutions.

Some of our recent projects include: Market and financial assessment for a planned new automotive after-market e-commerce business in Saudi Arabia, Business plan for a rent-a-car business in UAE and Concept viability & market entry study for a new Roadside Assistance business in Qatar.

Select Automotive Publications in 2020:

- KSA Passenger Car and Component Aftermarket Outlook 2025 (estimation of 30 components)
- KSA Commercial Vehicle Market and Aftermarket Outlook 2025 (estimation of 30 components)
- Nigeria Car and Component Aftermarket Outlook 2025 (estimation of 30 components)
- Shared Mobility Market in UAE
- Kenya Passenger Car Market and Aftermarket Outlook 2025 (estimation of 30 components)
- Ghana Passenger Car Market and Aftermarket Outlook 2025 (estimation of 30 components)

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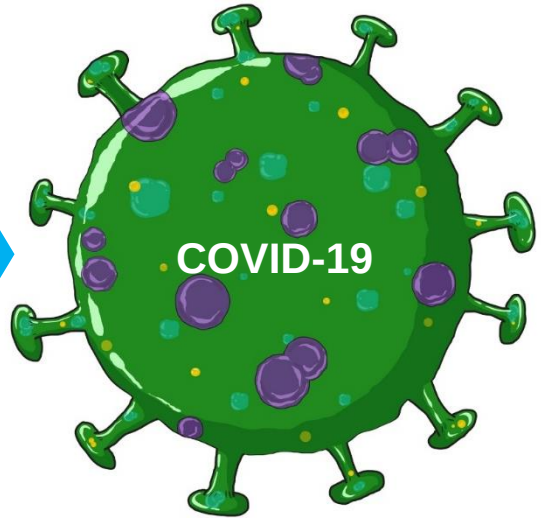
WHAT'S UP WITH THE MARKET

The Global Economy post the Pandemic

- The world is grappling to fight against the biggest health catastrophe of the century. As we step into an economic depression, the ramifications of the pandemic seem long lasting
- Its Global. Each and every country in the world is getting adversely affected by the pandemic
  - Both, the supply and the demand side of the economy were severely disrupted as a consequence for not having a vaccine to cure this disease
- Due to the uncertainty of the duration of the pandemic, and the unavailability of a vaccine, the global economy will be gravely impacted
- The creation of a vaccine is the only solution to demolish the virus, until then, we must create a strong immune system to fight back
- The unemployment rate in the United States of America has reached close to 25%, similar to the Great Depression of 1929



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Saudi Arabia Policy Initiatives and Changes

- The VAT has been increased from 5% to 15%, effective 1st July 2020
- Prolonged oil price collapse has lead to unprecedented budget crunch
- Saudi Arabia has announced a USD 31.9 Billion stimulus package to mitigate the economic crisis caused by the COVID-19 outbreak
- Government has announced to pay 60% of the salaries of Saudi employees working in the Private sector for a period of three month
- The SME's will benefit from the deferred payment program
- The development of a domestic automotive industry cluster has been identified as a major objective by policymakers, and will remain in focus

Various proactive initiatives have been announced by the Saudi Government

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Market Highlights

Summary

Biggest Market in the GCC	▪ Saudi Arabia is the largest market in GCC for automotive sales and auto parts, accounting for about 40% of all vehicles sold in the region
Imports	▪ Most vehicles and the parts sold in the country are imported. Auto parts market has a great potential in Saudi Arabia ▪ This would lead to both, local job creation and technology/skill transfer.
Customer Experience	▪ The Saudi automotive market is now more geared towards a "service oriented" business model with more players focusing on customer experience and after sales service
Local Industry and Production	▪ Saudi Arabia is now more geared in creating a domestic automotive industry and has encouraged global vehicle manufacturers to establish local operations. This would both lead to local job creation and technology / skills transfer ▪ Currently, there is a smaller local auto parts and truck production, and no light vehicle production. Most vehicles and parts sold in the country are imported
Women Driving	▪ By March 2019 alone, there were 70,000 driving licenses issued to women that has created a positive knock-on effect on Saudi's auto market and services market ▪ A substantial women drivers on the roads has created the need for more private driving licenses, an increase in motor insurance, growth in driving schools, a sharp rise in car sales and leasing, thus benefitting the after market segment

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Market Highlights: Covid-19 Impact in the last 3 months

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Footfalls in car showrooms	New Car Sales	Consumers postponing new and used car purchase decision	Shared Mobility
80% ↓	60% ↓	90% ↓	70% ↓

Periodic Maintenance	Spare part Sales	Average Spend per Vehicle	Aftermarket Jobs Lost
75% ↓	70% ↓	25% ↓	10-30% ↓

Source: GCG Research

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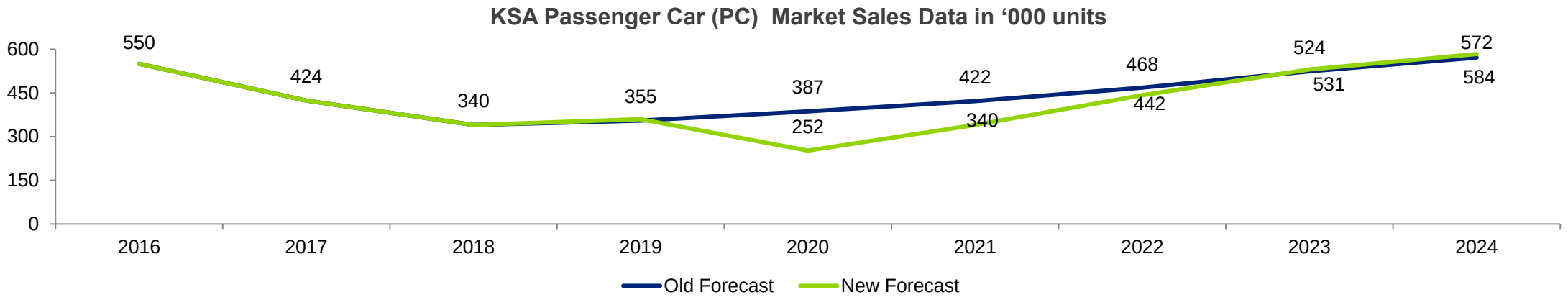
Market Highlights: Covid-19 Impact on Passenger Car Sales in 2020

The KSA Passenger Car to recover its earlier forecast trajectory by 2022 after the initial dip this year; impact on aftermarket components would be moderate



- Passenger car to recover its earlier forecast trajectory by 2022 after the initial dip this year; impact on aftermarket components would be minimal
- Unlike other countries where the dependence on public transport is high, the KSA market where dependence on personal cars is high for commuting the demand is not likely to be muted for long
- The vehicles in operation (car parc and truck parc) remaining the same and also with the used car market expected to grow the aftermarket demand for auto components is expected to be stable with a minor dip annually

Source: GCG Research

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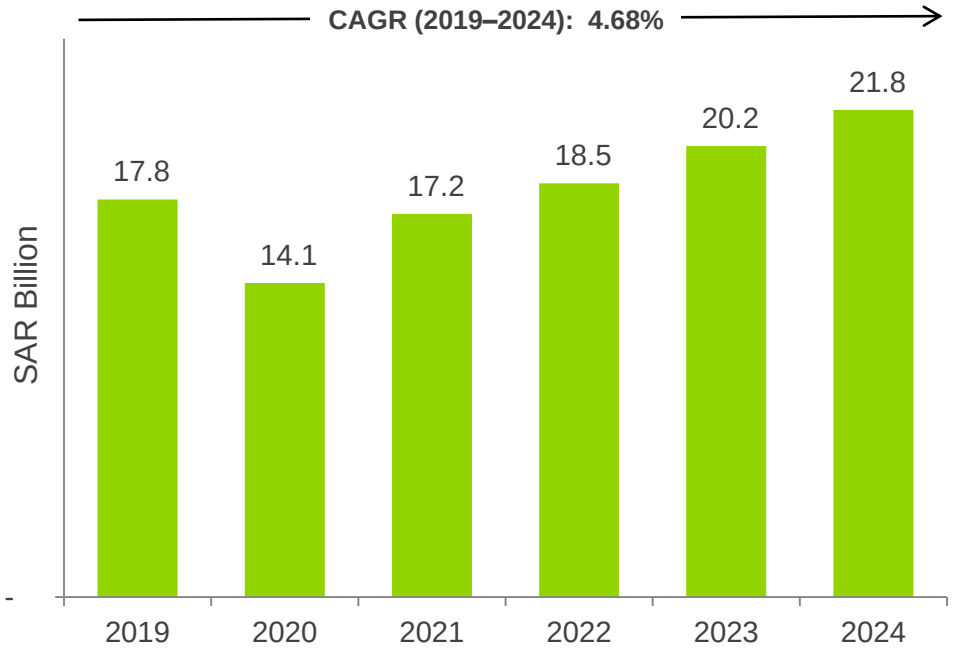
Market Highlights: Impact on Passenger Car Components Aftermarket

KSA Passenger Car (PC) Components Aftermarket Forecast (2019 -2024) in SAR Million*



Components include select maintenance parts, consumables, lubes, tyres and batteries
2% inflation and 3% price increase y-o-y has been considered for revenue forecast

- The vehicle in operation (car parc and truck parc) remaining the same, and also with the used car market expected to grow, the aftermarket demand for auto components is expected to be resilient with a moderate dip in 2020, mainly due to the 2 months' lockdown
- A decline in the average miles driven by a vehicle would have a mild or no impact on the demand for auto parts
- New emerging trends in mobile servicing, vehicle pick-up, delivery and online parts services to increase
- Demand for services like disinfection, cleaning and car wash to increase substantially
- The Saudi automotive aftermarket services market is a prominent market in the Middle East and it is likely to be driven by the country's economic growth in accordance with infrastructure development, growing e-logistics, e-commerce and tourism sector

Source: GCG Research

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Poll Question #3

Do you see dip in aftermarket prices of parts, due to fall in demand?

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Emerging Aftermarket trends post Covid-19

Mobile Service	• New service models such as demand for mobile services is likely to be the new norm
Post Covid-19 Surge	• Post lockdown rise in demand for parts especially fuel, tire, battery and lubes for a short time
Shared Mobility	• Post COVID-19 lockdown and recovery, shared mobility may drop for further few months; consumers will feel conscious about hygiene, moderately impacting parts demand
Workforce Hygiene	• Post Dealers, retailers, garages will have to look after the health and hygiene of its workforce
Contactless Service	• Fear of contamination at workshops, and contactless servicing to be adopted
Ecommerce	• E-retail of parts and services to grow and likely to account for >5% of total aftermarket demand by 2025 • Some of the fast moving parts in the E-commerce platforms will be Tyres, batteries, lubricants, wiper plates, accessories

CarHub

Ezhalha

Morni

Source: GCG Research

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Our Assessment for the Saudi Automotive Sales and Aftermarket

Low Consumer Sentiments	• Confidence remains low and consumers continue to defer major purchases • Car lease segment has been severely impacted by the lockdown across cities and therefore volumes have been reduced
Sales Volumes	• The portion of sales recovery for the remaining year remains unknown in Q3 and Q4. GCG expects the Saudi automotive market to collapse by up to 40% and it is unclear when the market will recover
Supply Chain Continues to be disrupted	• Continued disruption will have an impact on the aftermarket components supply
Car Sales	• The automotive industry already had plenty of roadblocks to overcome in the coming years: compliance with climate targets, declining sales, more competition including Chinese brands, trade wars between states and a high need for investment in new technologies • Audi Saudi Arabia aims to sell cars via its newly launched E-commerce platform
Chinese Brands Grow in Prominence	• More Chinese cars will be seen going forward as second and third cars in a Saudi family as the cost of ownership goes up, fuel becomes expensive and pressure to keep jobs becomes important
Overall Impact	• Impact on overall businesses is considered at medium to high levels and is expected to be felt in 2020 and extending up to early Q1 2021

Source: GCG Research

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WHAT ARE SAUDIS UP TO?

What's with the Saudi Consumer (1/3)

Summary

Understanding of outside aftermarket services and usage	▪ According to a recent automotive research undertaken by Glasgow Consulting Group, about 83% of the vehicles in Saudi Arabia were without warranty and seek external aftermarket services. Furthermore, about 94% vehicle drivers consider third party aftermarket service, which implies that a significant number of customers are willing to avail the services of an outside workshop for car maintenance
Pattern of Servicing - Number of time Type of Services opt – Normal workshop	▪ Almost 50% of the respondents claim that pattern of servicing is not fixed irrespective of travelling within city or outside city ▪ The prominent services includes oil change, oil filter change, car washing, wheel balancing, tire change and filter check ▪ Most of the respondents do car washing, filter check and tire change within city workshop whereas the preferred services in outside city workshops were battery services, brake pads
Reasons to use outside workshop for servicing	▪ Cheaper cost of servicing, quality of services and, coupled with less time consumption were the main reasons behind using outside workshops
Preferred brand used for servicing	▪ Petromin was reportedly the preferred brand across respondents. However, if the car was covered under warranty the relevant supplier was used ▪ A marginal 13% of the respondents didn't use branded outlets, while others mentioned Fuchs, Onestop and Mobil as less preferred brands
Importance of services – Mind of customers	▪ The most important key drivers were availability of an array of workshops, overall service, product range, competitive prices, discounts, variety of branches and after sales support

- Safety and hygiene of the workshop locations will be more important then ever before

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What's with the Saudi Consumer (2/3)

Summary

Travelling Habits	▪ Almost 75% of the respondents travel nearly 2 hours or more per day ▪ Respondents in Riyadh travel more than 2 hours (>95%) as compared to travel in Jeddah for up to 2 hrs (75%)
Preferred mode of payment for servicing	▪ Cash is the preferred mode of payment instead of any other medium
Using Automotive Apps when seeking various services	▪ 50% of the respondents believe that Mobile App doesn't work or assistance from new service providers will be limited in nature ▪ Almost 55% of the respondents felt that acceptability at service stations will be poor and limited in remote areas

- E-commerce and use of apps seeking various automotive and after market services will see a rise

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What's with the Saudi Consumer using Workshops (3/3)

Summary

Store Look & Feel, First Impression	▪ Barring a few major Petromin workshops, all workshops visited offered a “low” level of first impression ▪ Not all workshops had a dedicated and defined waiting area for customers ▪ The staff was a mix of different nationalities such as Filipinos, Indians, Pakistanis and expat Arabs
Customer Experience	▪ In some workshops surveyed- the staff interacted well and offered response/ solution to any query pertaining to service maintenance ▪ While in others, the staff was not very responsive and avoided interaction/ conversation
Product/ Service Offerings	▪ In majority of the workshops, the services on offer were displayed ▪ The pricing for those products/ service were either fixed or varied randomly
Timings	▪ The typical operating hours are from 8 am until 12 midnight with closure during the prayer hour breaks ▪ The peak hours of business were evenings to night hours- a preference seen particularly with Saudis

- More emphasis will come into play for better and cleaner workshops
- Non-branded workshops may struggle in the short to medium terms
- Inconsistency in service was very evident across majority of the workshop service providers
- Suggestive selling/ recommendation part was “average” between the customer and workshop technician

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Poll Question #4

Do you see small garages and retailers (aftermarket) forced to close shop due to COVID 19 impact?

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LEARNINGS FROM CHINA

China Automotive Market

Overview

- China Is "The World's Factory“. It is also the world’s largest automotive market and vehicle manufacturing country
- In 2019, China's Auto Parts Trade import is estimated at USD 35-40 billion while exports at USD 65-70 billion
- 12% of annual automotive production in volume is concentrated in Wuhan (Hubei)
- Wuhan was under lockdown for more than 2 months (Opened on 8th April 2020)
- General Motors, Honda, Peugeot Group, Renault, Nissan are some of the major OEMs with manufacturing plants in Wuhan, amongst a cluster of tier 1 and 2 suppliers facilities

Source: GCG Research

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Chinese Automotive Stakeholders initiatives for Aftermarket Market

Government

- Pushing to Increase consumption
- Subsidies on Vehicle purchase

Original Equipment Supplier

- Increasing channel outreach
- Financial support to channel partners (Hyundai, Kia)
- Targeted Service programs
- Warranty extensions
- Free online trainings

Online Sellers (E-commerce)

- Innovative offerings
- Financial assistance for channel partners
- Reduction in commission fee, listing fee
- Reduction in management fee for franchise stores
- Free disinfection services

Dealerships

- More offers
- Discount on car care service offerings: cleaning, disinfection, tire services, battery services
- Contactless pick-up and drop services

Source: GCG Research

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Emerging Asian Automotive and Aftermarket trends post Covid-19

From new product innovation to targeted program offerings, industry participants are pulling out all shots to leverage aftermarket opportunity in hand

Ssangyong Motors (South Korea)

Customer Safety Clinic launched at all dealer locations, offering free sanitization and discounted maintenance related services

Geely Motors (China)

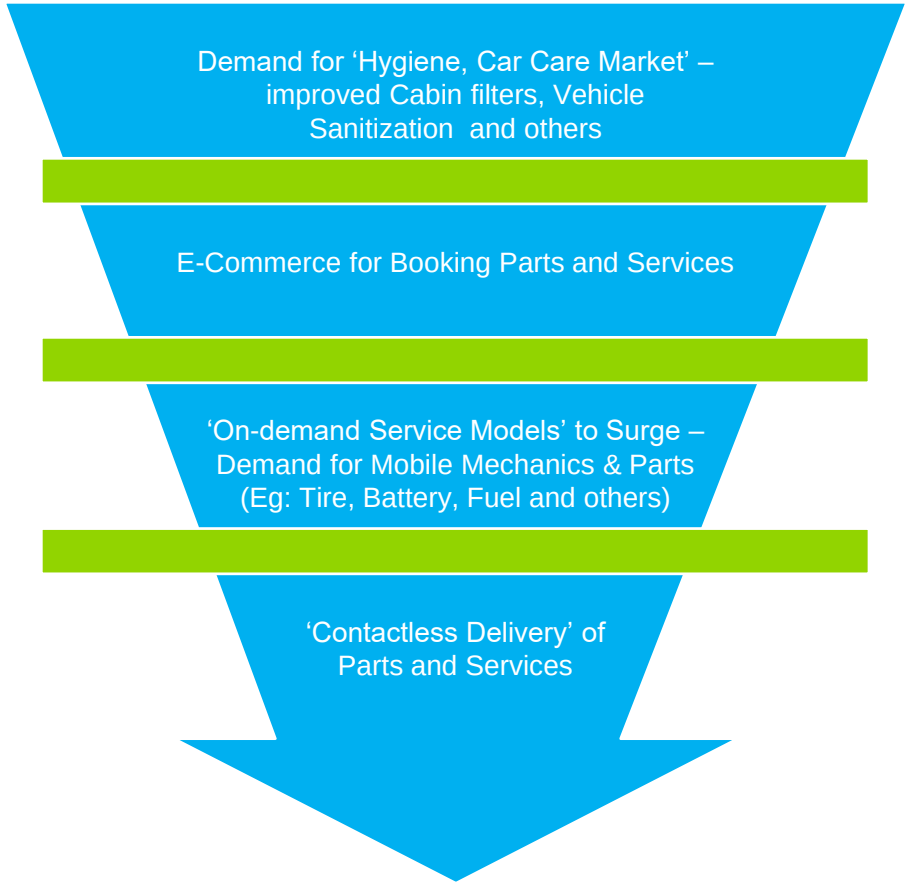
New SUV 'ICON' launched with cabin air filtration capabilities comparable to N95 mask

Tuhu (China)

- Post re-opening of Wuhan, Tuhu- the online parts seller launched a Wuhan Only Promotion offer providing free disinfection, and battery services till end of April 2020
- Also includes discounted offers on replacement tires and maintenance packages

Hyundai & KIA (South Korea)

- Both OEMs are offering financial aid of $1.8 million to repair and maintenance service network affiliations- Bluehands (Hyundai) and Auto Q (KIA)
- Phased approach- complete relaxation in affiliation fee in first month, and then a discounted fee in following months



Source: GCG Research

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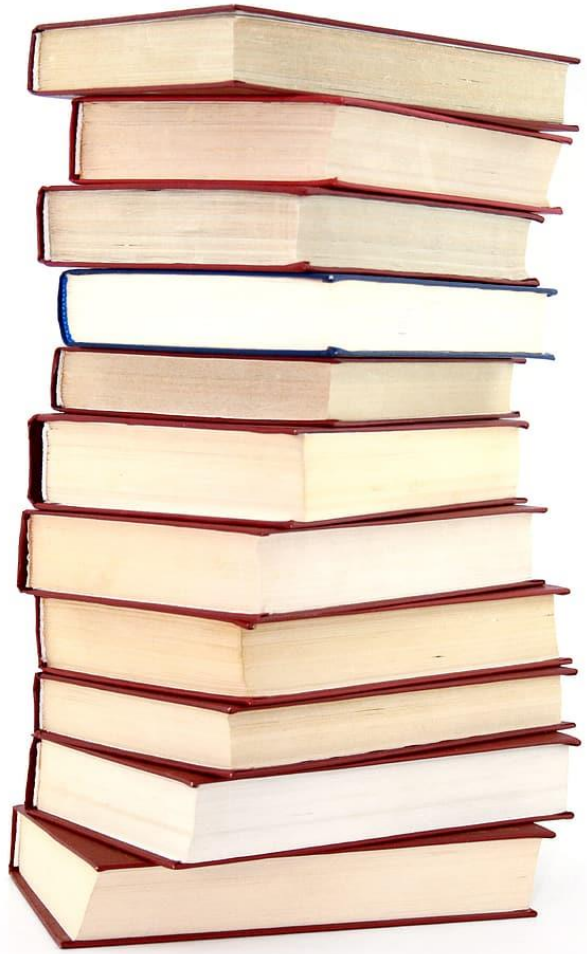
Our Upcoming Publications in 2020

- South Africa Passenger Car Market and Aftermarket (estimation of 30 components)
- Nigeria Car Market and Aftermarket (estimation of 30 components)
- Shared Mobility Market in UAE
- Kenya Passenger Car Market and Aftermarket (estimation of 30 components)
- Ghana Passenger Car Market and Aftermarket (estimation of 30 components)
- KSA Commercial Vehicle Market and Aftermarket (estimation of 30 components)
- Algeria Passenger Car Market and Aftermarket (estimation of 30 components)
- Morocco Passenger Car Market and Aftermarket (estimation of 30 components)
- Egypt Passenger Car Market and Aftermarket (estimation of 30 components)



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Contact Information

Glasgow Consulting Group (GCG)

Research and Consulting

P.O. Box 445190, Dubai, United Arab Emirates

Tel: +971 (0) 4 566 8869

Mobile: +971 (0) 55 974 4360

Email: vp@glasgowconsultinggroup.com

Web: www.glasgowconsultinggroup.com

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