

# Automechanika Dubai

19 – 21 October 2020, DWTC

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# Automechanika Riyadh

2021

# 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

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**32,720**

Trade Visitors from



**141**

Countries



**53%**

International



**1,880**

Exhibitors from



**63**

Countries



**92%**

International

## 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

# UNDERSTANDING THE IMPACT OF COVID-19 ON THE GCC REGION

1<sup>st</sup> June 2020

# Today's Presenter



**Subhash Joshi**  
Vice President – Mobility  
Regional Head – MEA

15+ years industry  
research and consulting  
experience

eCommerce, digitisation  
and new business  
models in retail and  
aftersales

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

Market trends analysis  
and future casting

Strategy development  
and growth consulting

Master of Business  
Administration

Follow me on social media.



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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 INDUSTRY

**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

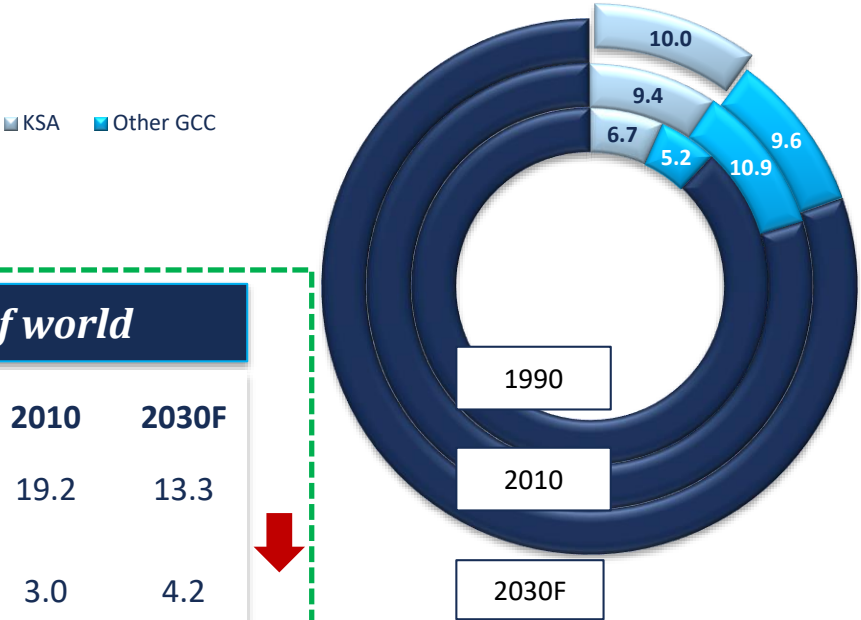
SAUDI ARABIA, THE BIGGEST ECONOMIC CONTRIBUTOR TO GCC IS EXPECTED TO BECOME THE 19TH LARGEST ECONOMY GLOBALLY BY 2025, IN TERMS OF NOMINAL GDP IN CURRENT PRICES, FROM THE 25TH IN 2000.



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



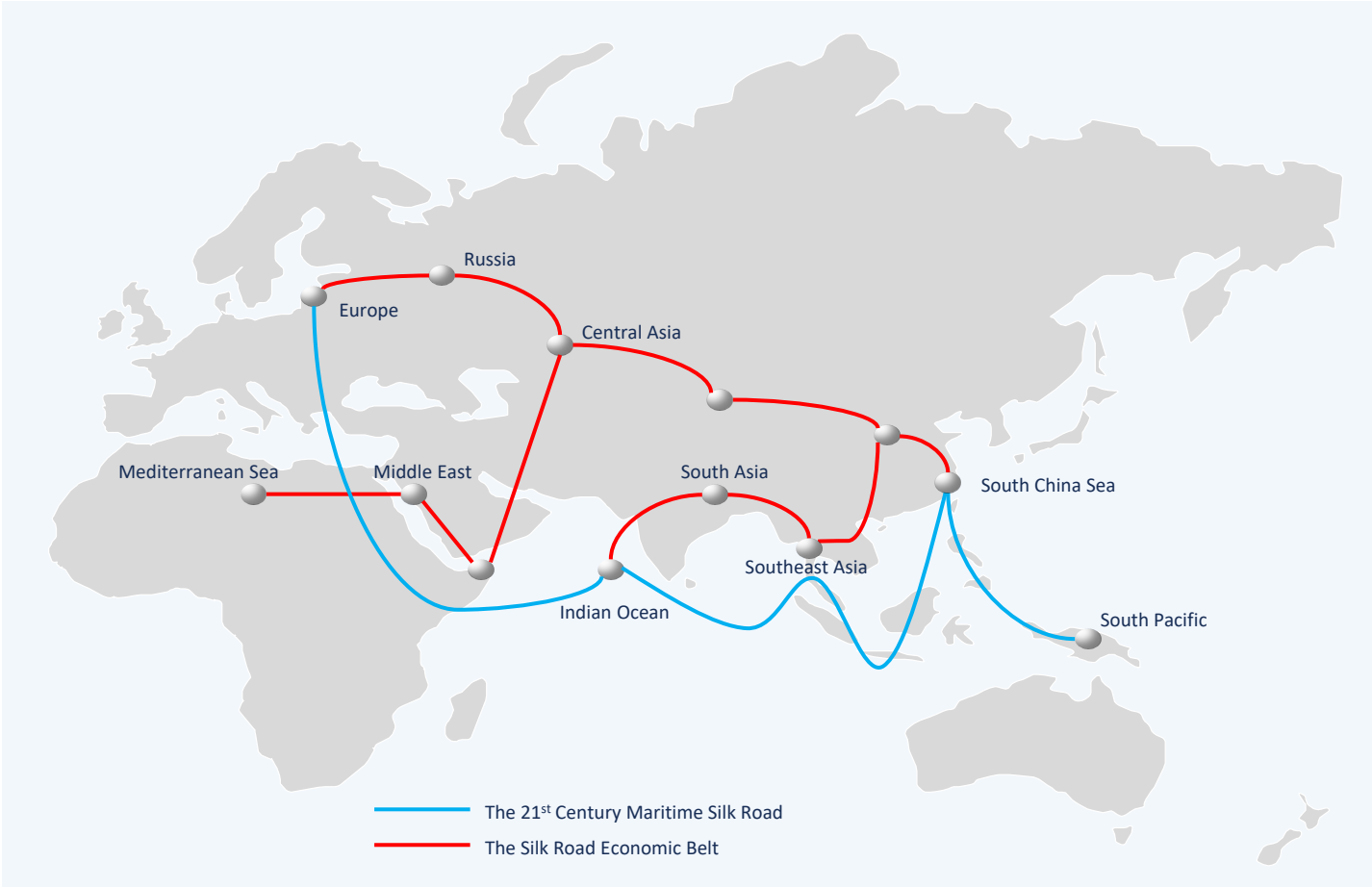
GDP shares, % of world

	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



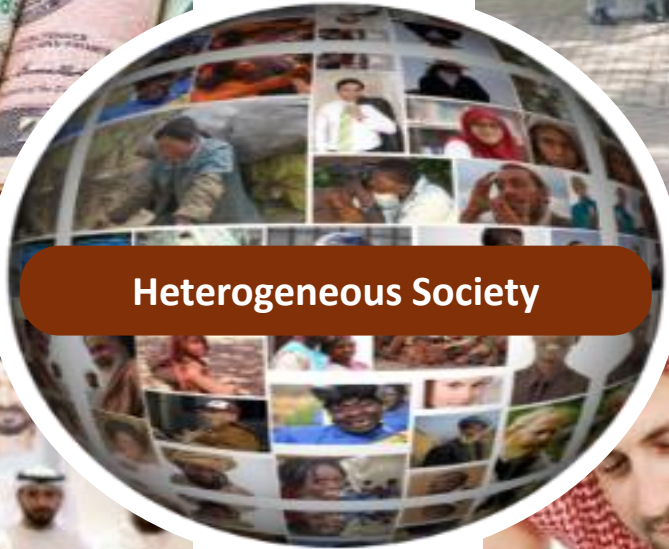
In 2018, **50% of the GCC population was under the age of 30**, by 2025 this is expected to increase to **54%**

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

Divided by Gender



Heterogeneous Society



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

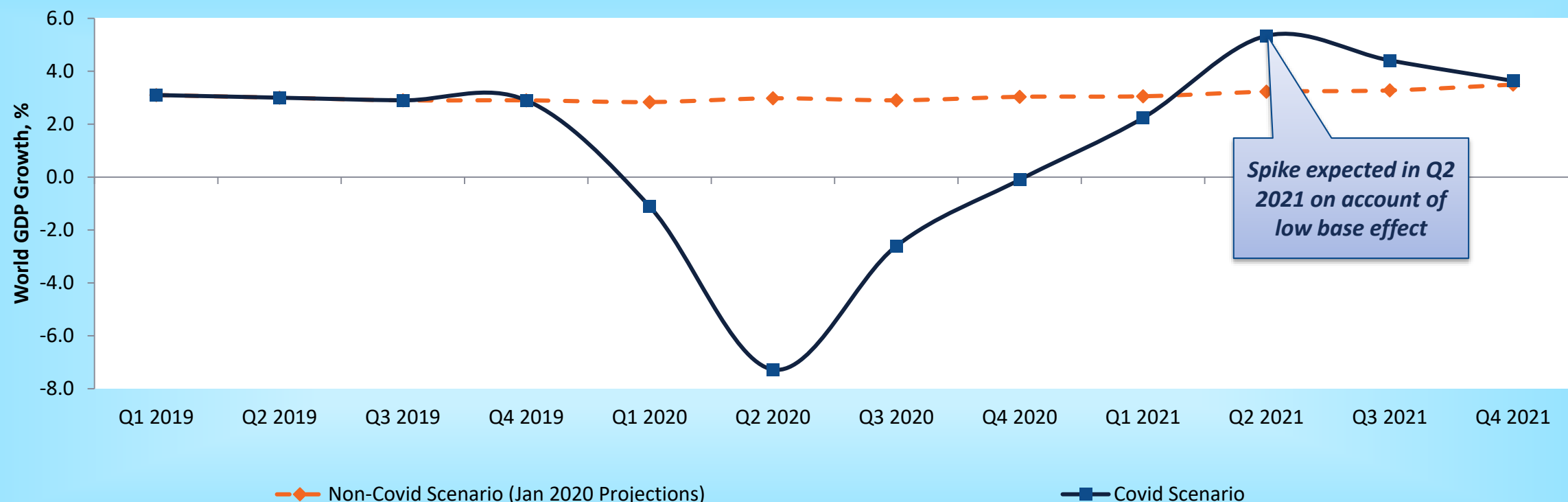


# COVID-19 IMPACT ON WORLD GDP GROWTH



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 11<sup>th</sup>, 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 11<sup>th</sup> May, 66 countries had 3,000+ cases, 56 countries had 5,000+ cases, and 44 countries had 10,000+ cases.

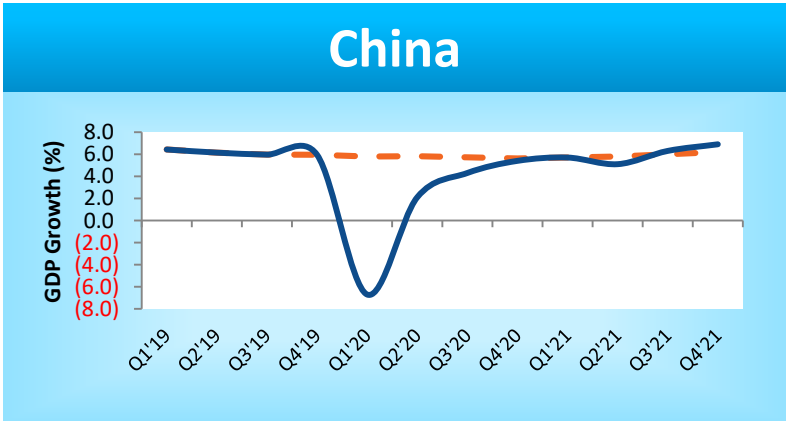
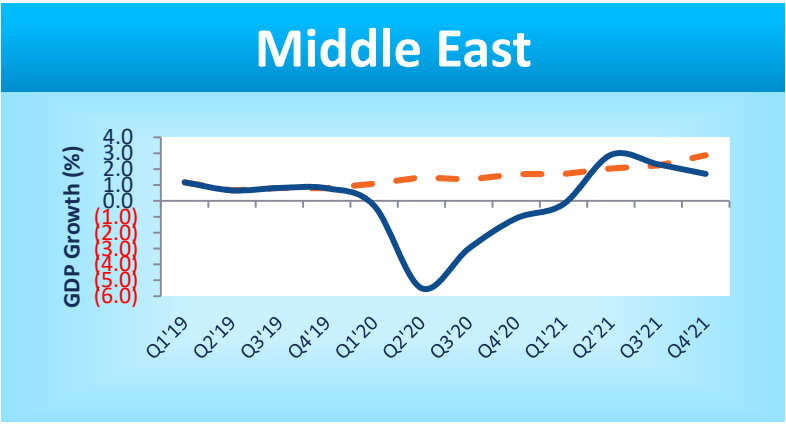
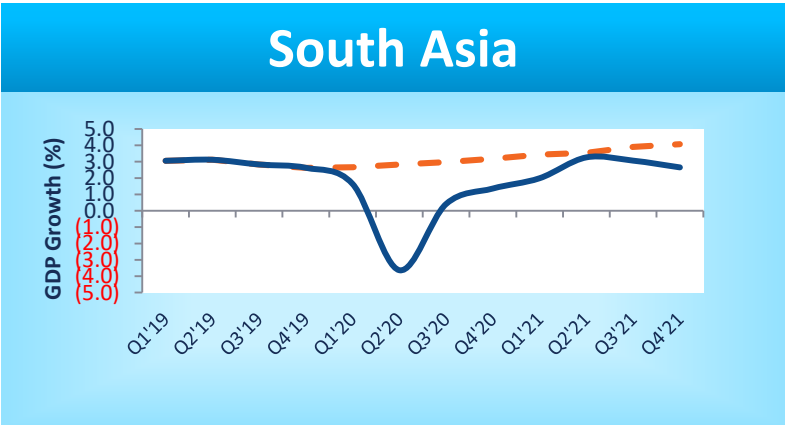
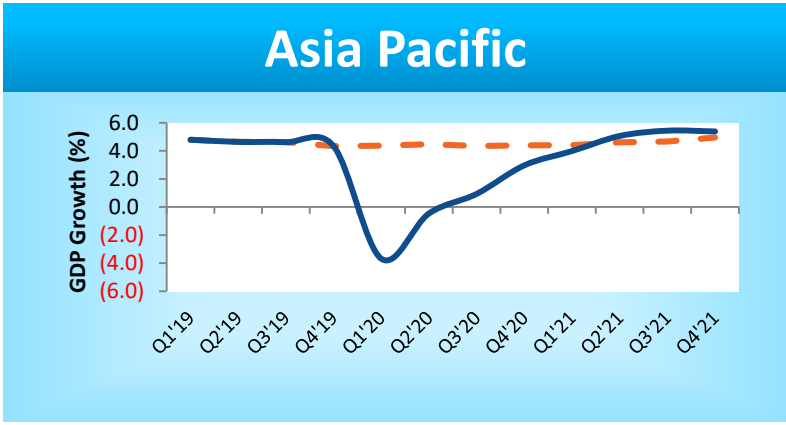
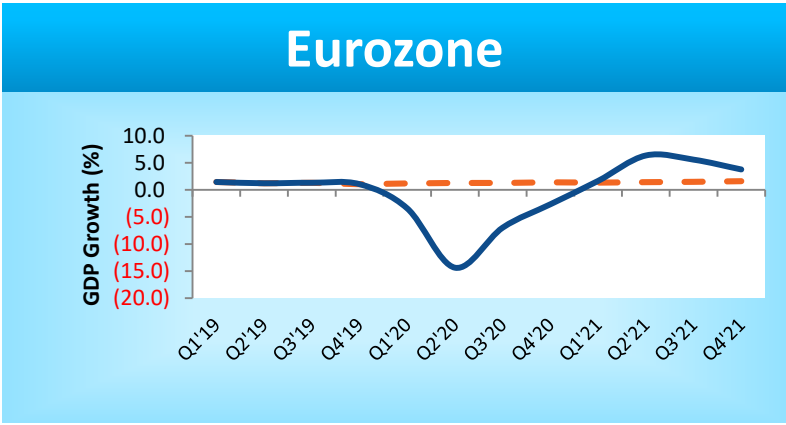
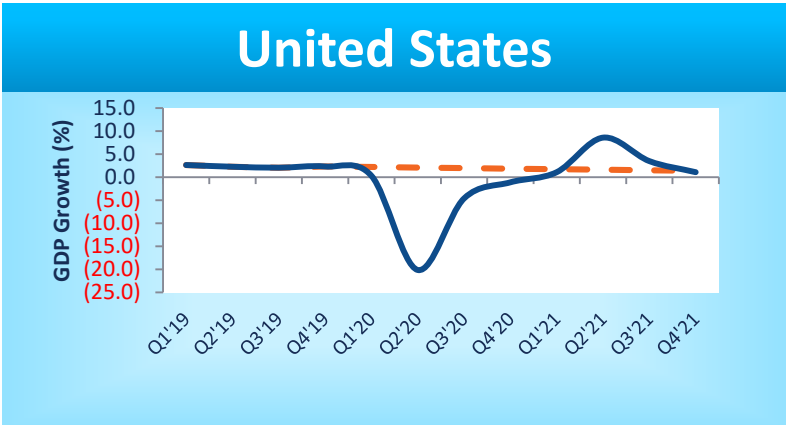
Source: IMF; Worldometer; Frost & Sullivan

# 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



Non-COVID Scenario      COVID Scenario

Note: The data and analysis stands updated as of 11<sup>th</sup> May

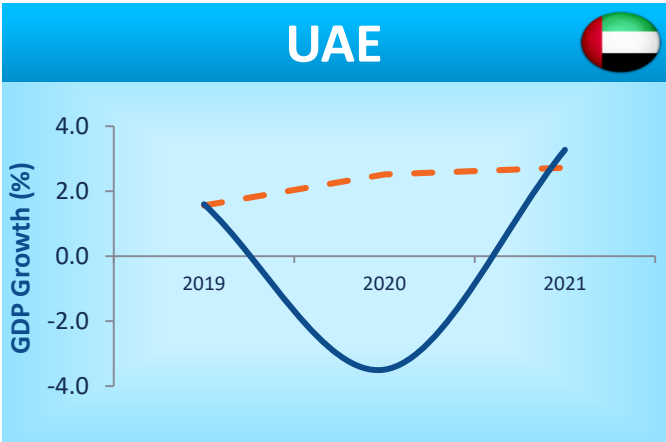
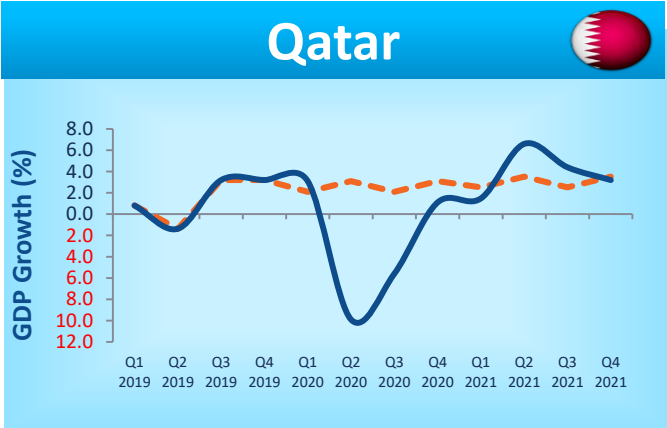
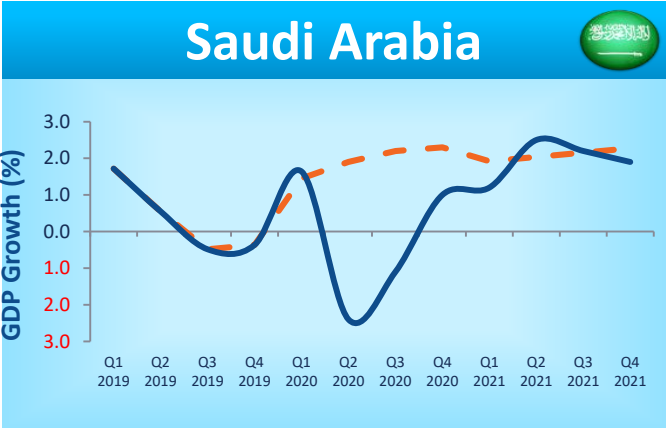
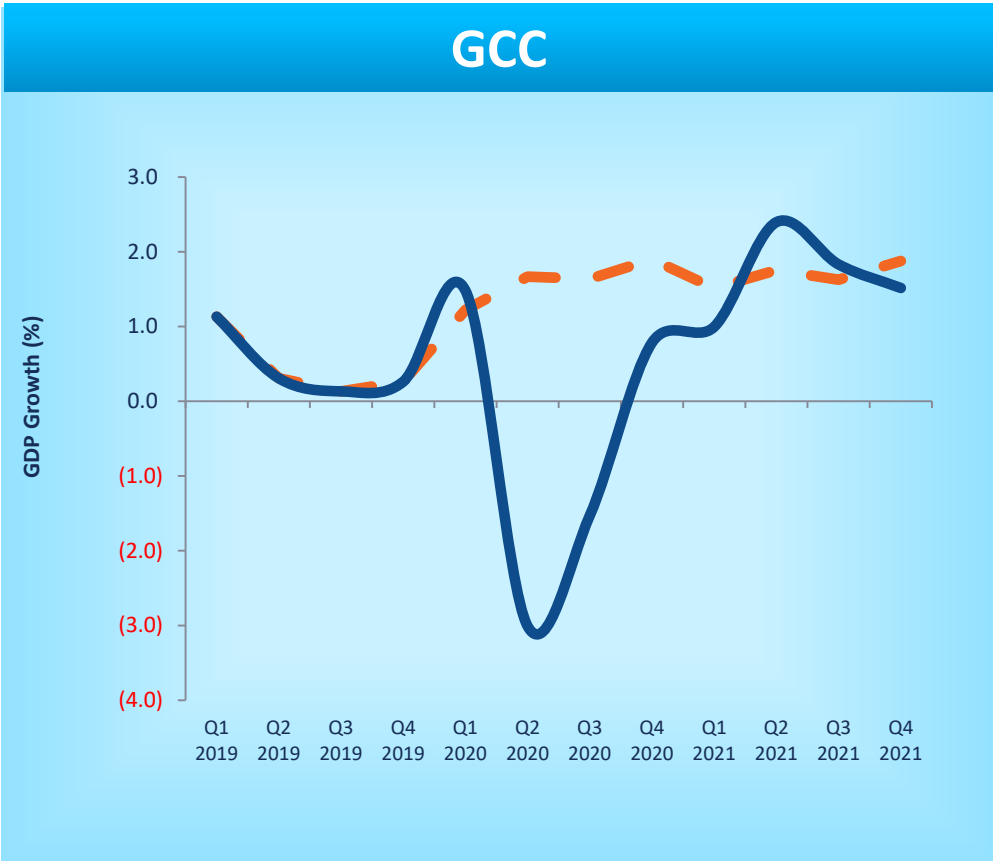
Source: IMF; Frost & Sullivan

# 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



Non-Covid Scenario  
Covid Scenario

- 1. The data and analysis stands updated as of 11<sup>th</sup> May
- 2. No quarterly data for the UAE.

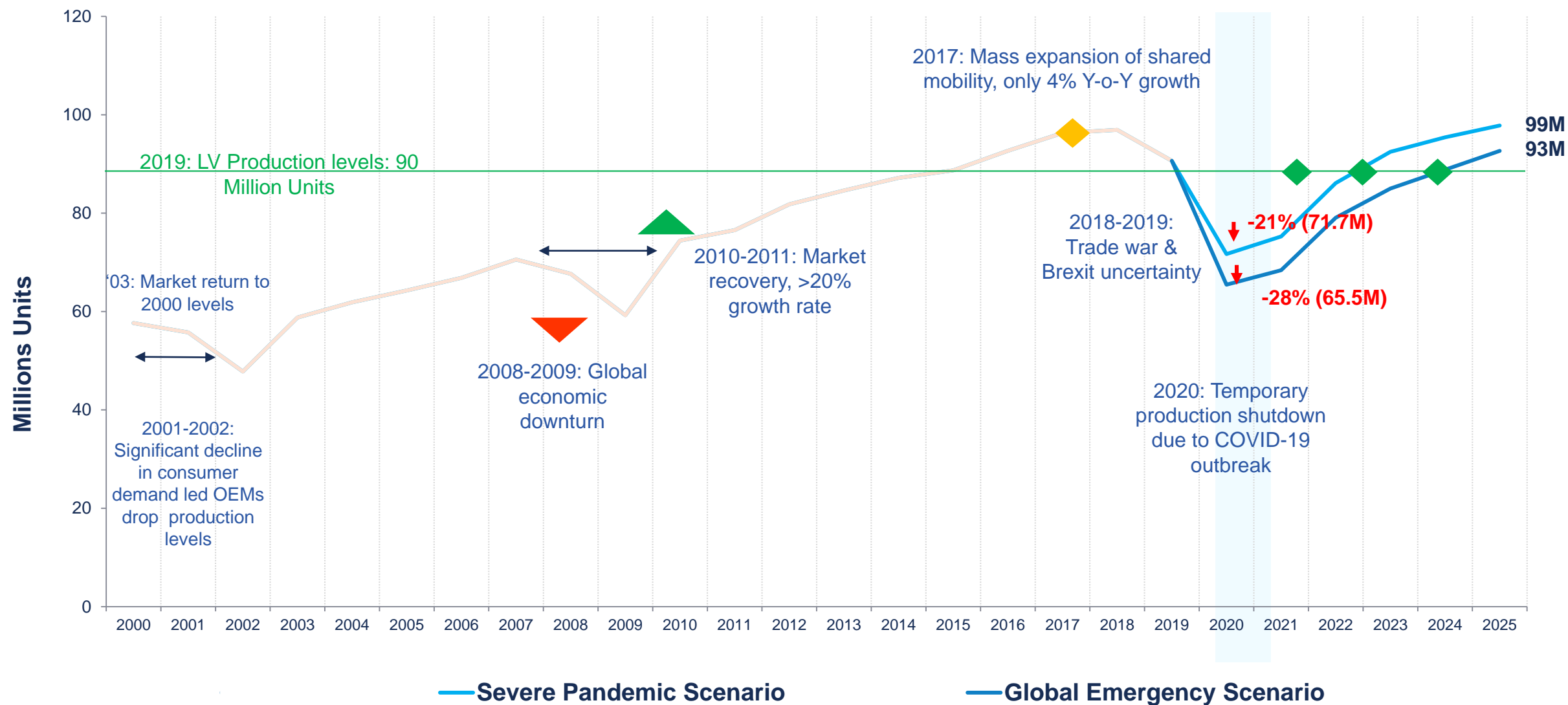
Source: IMF; Frost & Sullivan



# 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.

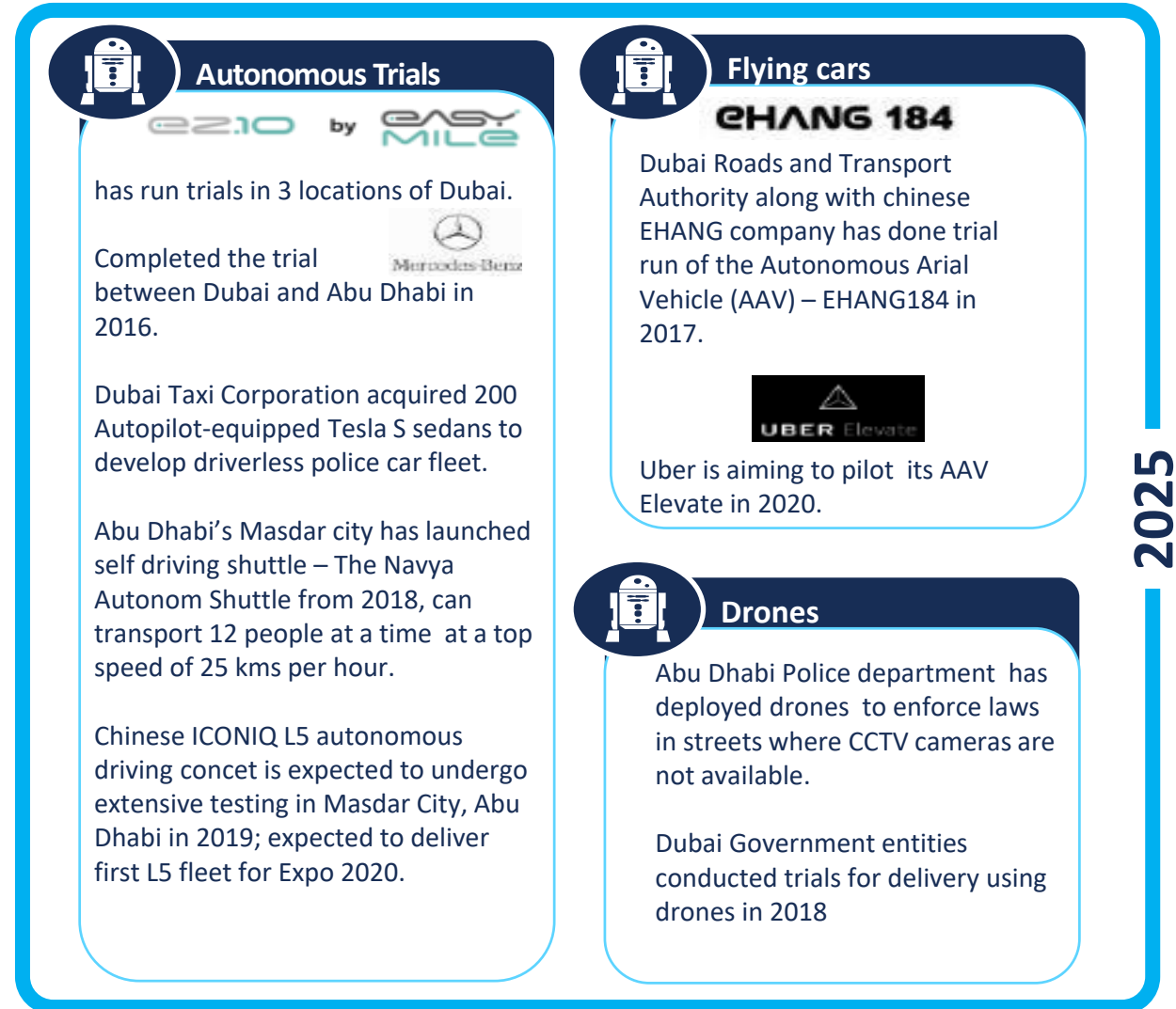
Source: Frost & Sullivan Analysis

# 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



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



2025

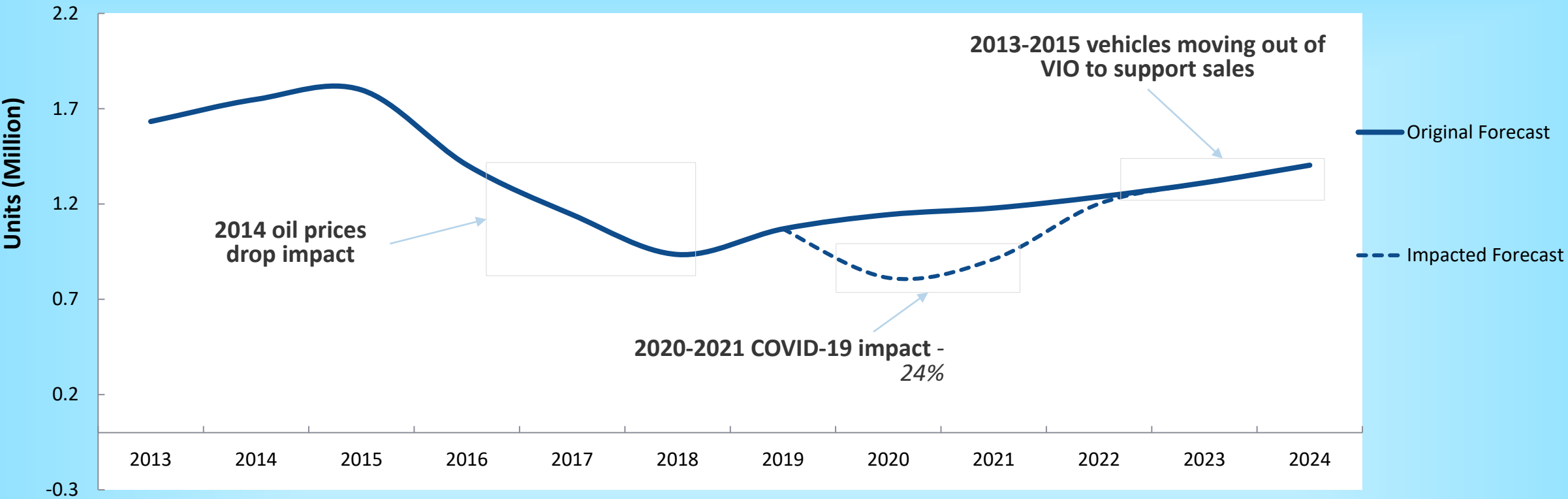
Source: Frost & Sullivan Analysis

# 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

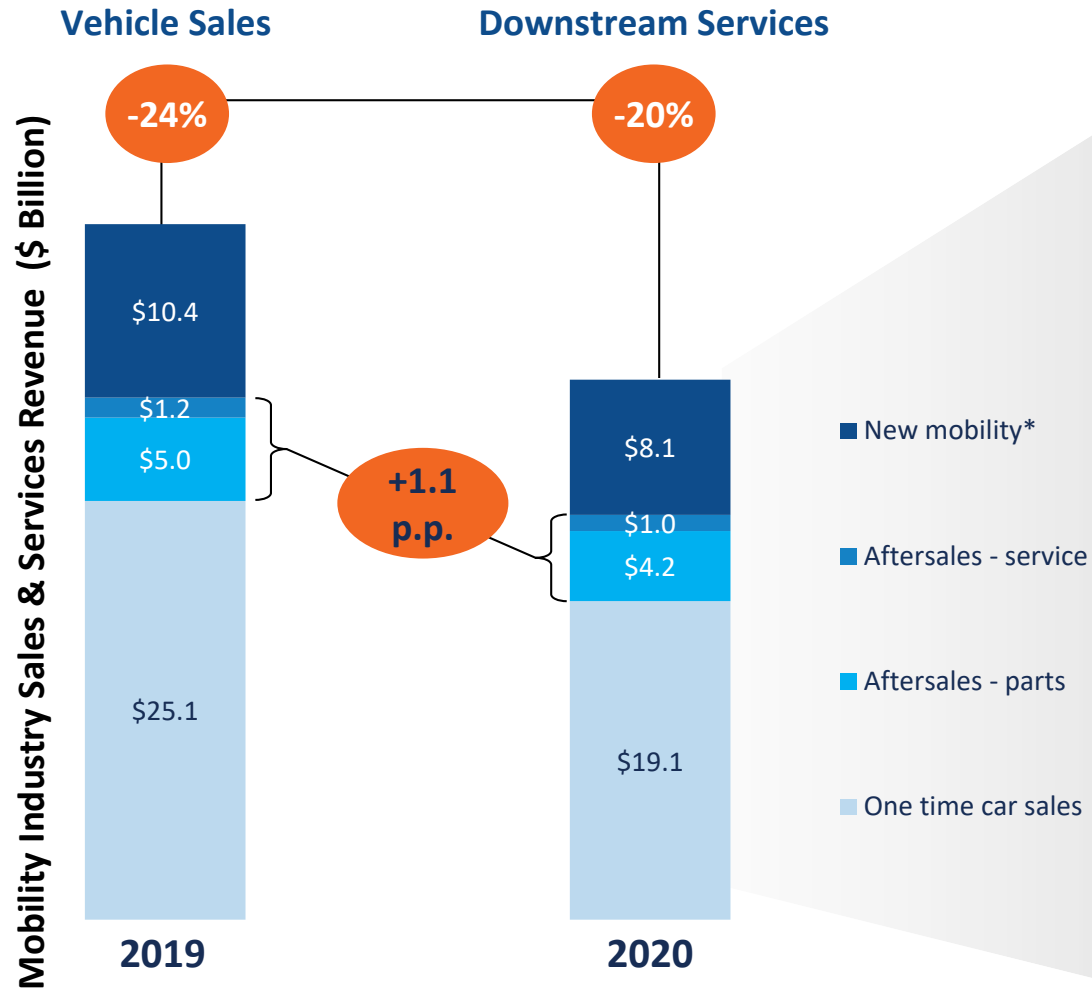


# IMPACT ON REVENUE FOR THE MOBILITY INDUSTRY (2/2)

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
<b>Penetration of eRetailing of new cars</b>	<b>Less than 0.25%</b>	<b>2–3%</b>
<b>Penetration of eRetailing of spare parts</b>	<b>&lt;3%</b>	<b>5-7%</b>
<b>Average Leasing contract term</b>	<b>3.8 years</b>	<b>4.5 years</b>
<b>Web traffic in used car platform (For Dubi Cars)</b>	-	<b>38% increase (Jan.-March 2020)</b>
<b>Used car transaction through online platform for Dubi Cars)</b>	-	<b>8.5% increase (Jan.-March 2020)</b>

\*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



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**

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FROST & SULLIVAN

The Growth Pipeline Company





**automechanika**  
DUBAI

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

1st June 2020



## 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 trends 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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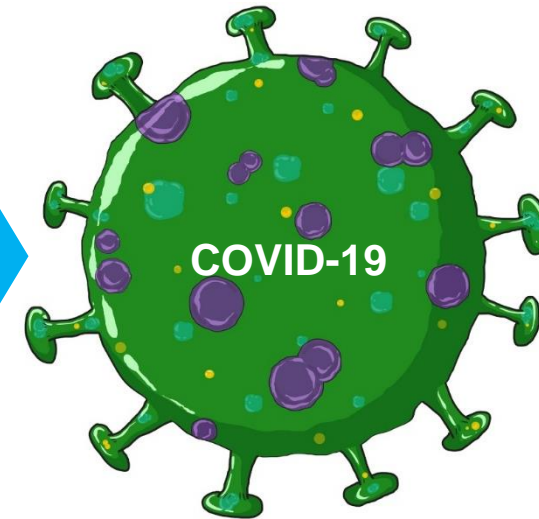
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# **WHAT'S UP WITH THE MARKET**

- 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



- 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**



## 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

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

## Footfalls in car showrooms



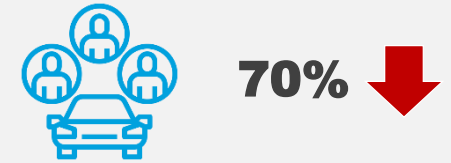
## New Car Sales



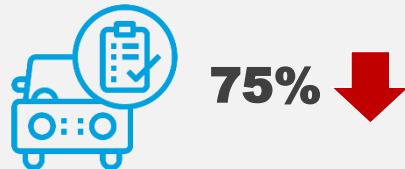
## Consumers postponing new and used car purchase decision



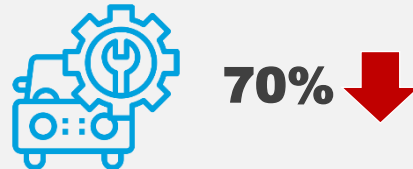
## Shared Mobility



## Periodic Maintenance



## Spare part Sales



## Average Spend per Vehicle



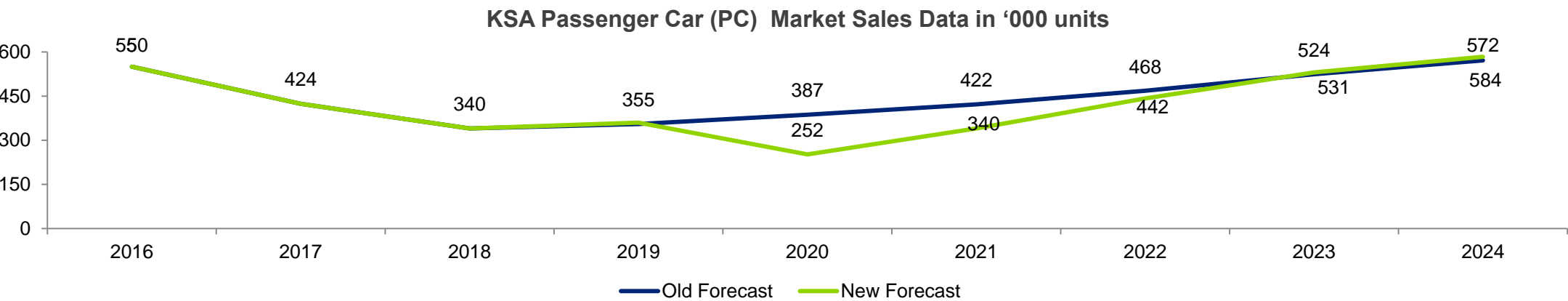
## Aftermarket Jobs Lost



Source: GCG Research

# 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



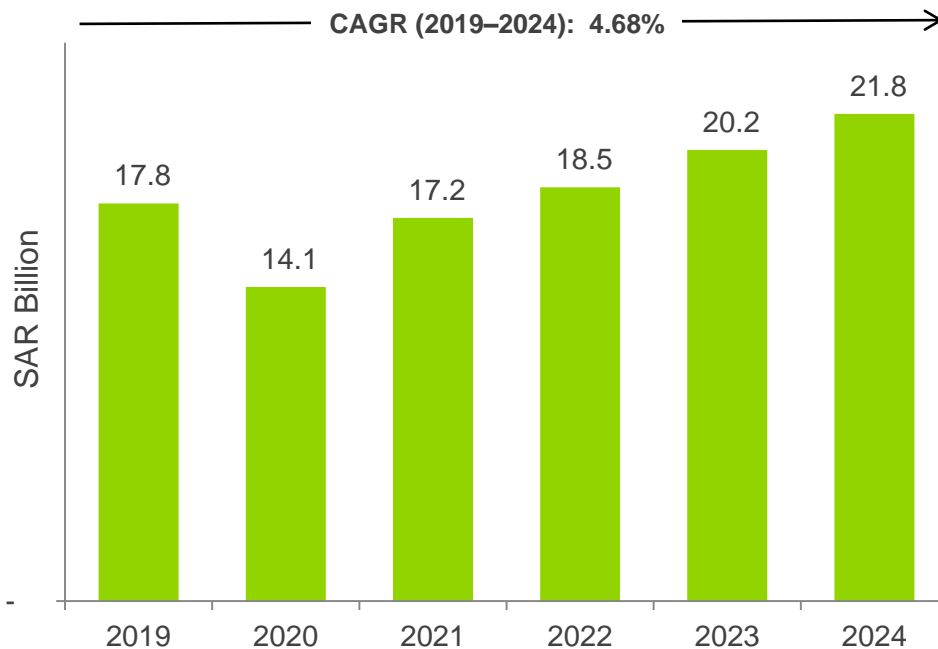
Passenger car to recover its earlier forecast trajectory by 2022 after the initial dip this year; impact on aftermarket components would be minimal

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

## 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

# Poll Question #3

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

# Emerging Aftermarket trends post Covid-19

Mobile Service	<ul style="list-style-type: none"><li>• New service models such as demand for mobile services is likely to be the new norm</li></ul>
Post Covid-19 Surge	<ul style="list-style-type: none"><li>• Post lockdown rise in demand for parts especially fuel, tire, battery and lubes for a short time</li></ul>
Shared Mobility	<ul style="list-style-type: none"><li>• Post COVID-19 lockdown and recovery, shared mobility may drop for further few months; consumers will feel conscious about hygiene, moderately impacting parts demand</li></ul>
Workforce Hygiene	<ul style="list-style-type: none"><li>• Post Dealers, retailers, garages will have to look after the health and hygiene of its workforce</li></ul>
Contactless Service	<ul style="list-style-type: none"><li>• Fear of contamination at workshops, and contactless servicing to be adopted</li></ul>
Ecommerce	<ul style="list-style-type: none"><li>• E-retail of parts and services to grow and likely to account for &gt;5% of total aftermarket demand by 2025</li><li>• Some of the fast moving parts in the E-commerce platforms will be Tyres, batteries, lubricants, wiper plates, accessories</li></ul>



CarHub



Ezhalha



Morni

Source: GCG Research



# Our Assessment for the Saudi Automotive Sales and Aftermarket

Low Consumer Sentiments	<ul style="list-style-type: none"><li>• Confidence remains low and consumers continue to defer major purchases</li><li>• Car lease segment has been severely impacted by the lockdown across cities and therefore volumes have been reduced</li></ul>
Sales Volumes	<ul style="list-style-type: none"><li>• 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</li></ul>
Supply Chain Continues to be disrupted	<ul style="list-style-type: none"><li>• Continued disruption will have an impact on the aftermarket components supply</li></ul>
Car Sales	<ul style="list-style-type: none"><li>• 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</li><li>• Audi Saudi Arabia aims to sell cars via its newly launched E-commerce platform</li></ul>
Chinese Brands Grow in Prominence	<ul style="list-style-type: none"><li>• 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</li></ul>
Overall Impact	<ul style="list-style-type: none"><li>• 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</li></ul>

Source: GCG Research

# **WHAT ARE SAUDIS UP TO?**

## 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

## 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

# 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

# Poll Question #4

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



# **LEARNINGS FROM CHINA**

## 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

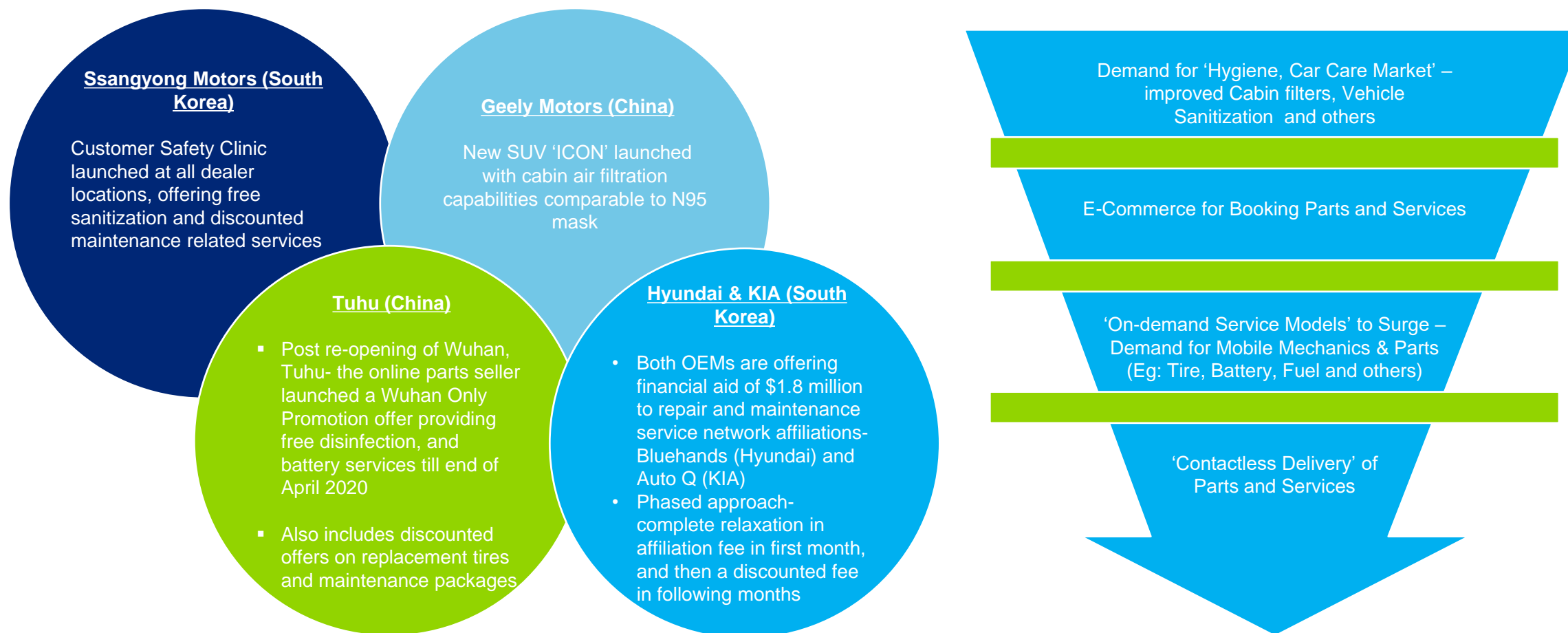


# Chinese Automotive Stakeholders initiatives for Aftermarket Market



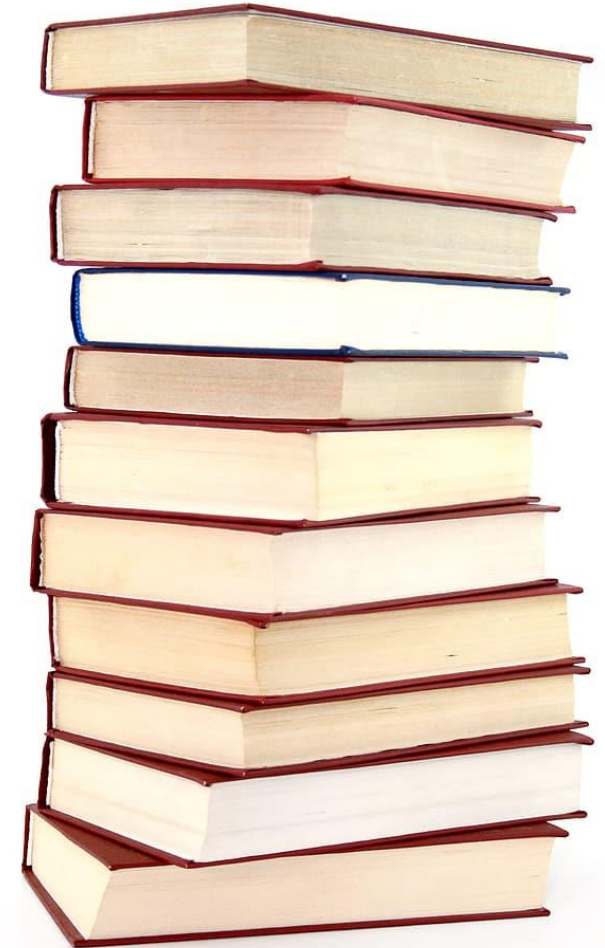
# Emerging Asian Automotive and Aftermarket trends post Covid-19

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



# 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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**Automechanika Dubai**  
19 – 21 October 2020, DWTC

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2021