

Future of Mobility Top 5 Trends Redefining Automotive Retail

Towards a digital future for
automotive retail

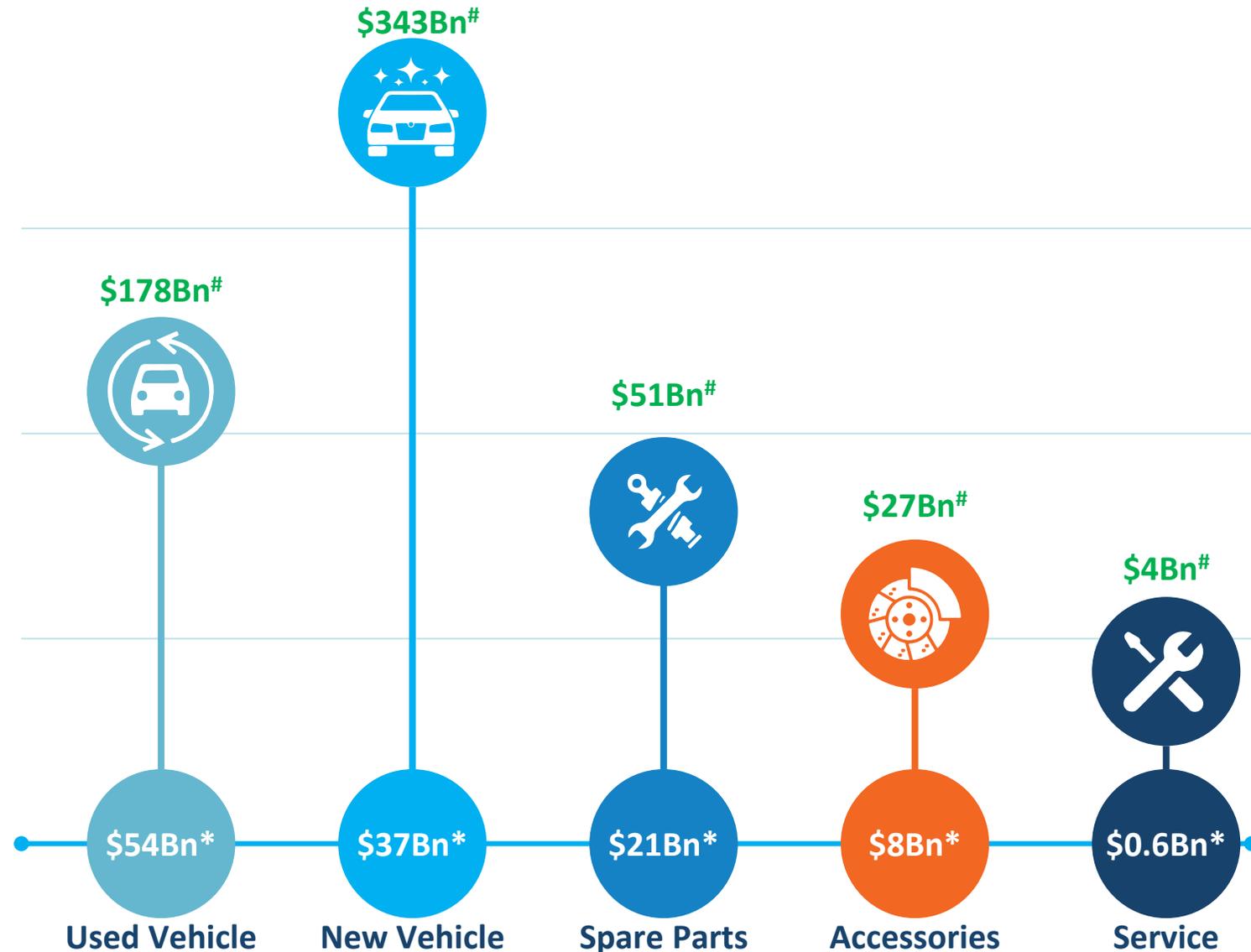
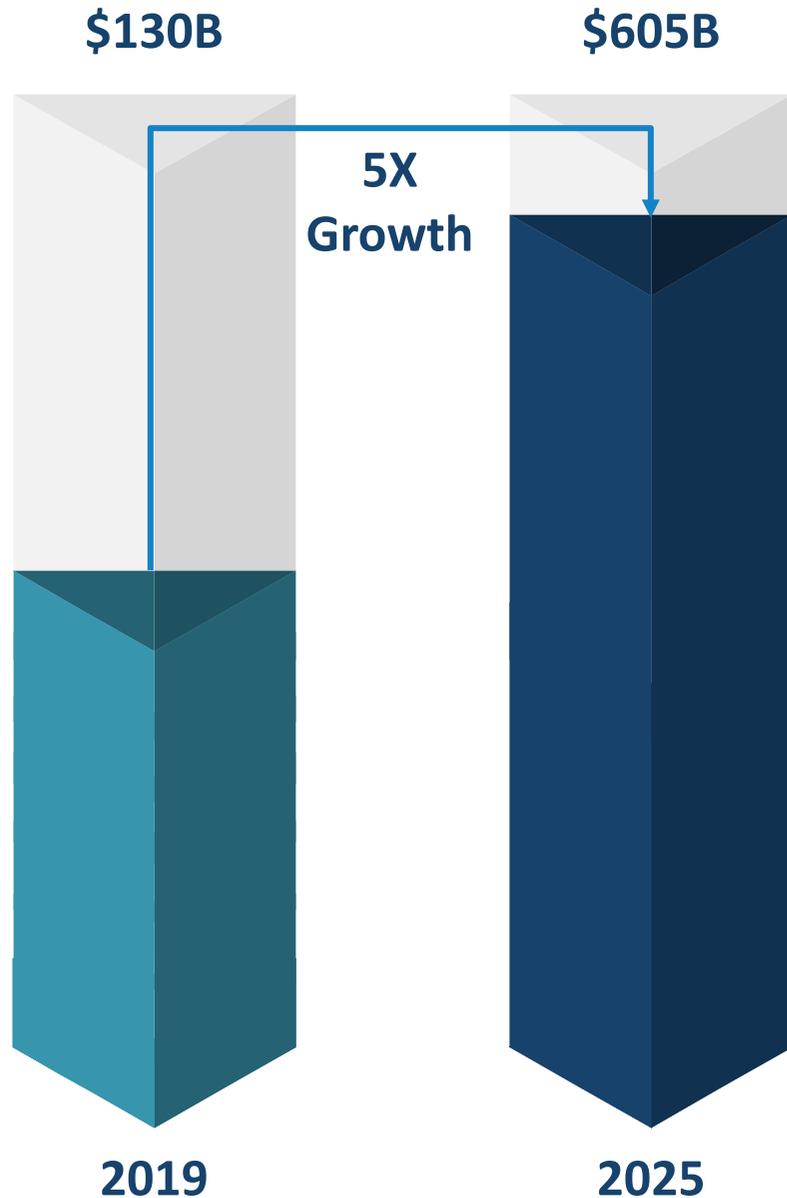
Prepared For: Automechanika Dubai 2021
August '21

The Growth Pipeline™ Company
Powering clients to a future shaped by growth



GLOBAL AUTOMOTIVE DIGITAL RETAILING

REVENUES GENERATED BY ONLINE VEHICLE SALES AND AFTERMARKET TO GROW FROM 120BN TO ABOUT 605BN BY 2025. SALES OF NEW VEHICLES ARE EXPECTED TO CONTRIBUTE TO OVER 50 PERCENT OF GLOBAL ONLINE REVENUES



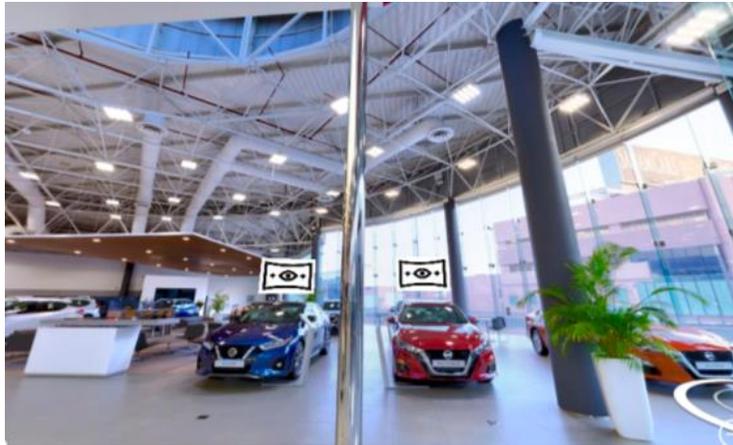
*numbers in white = 2020 values, # numbers in green = 2025 values

Source: Frost & Sullivan

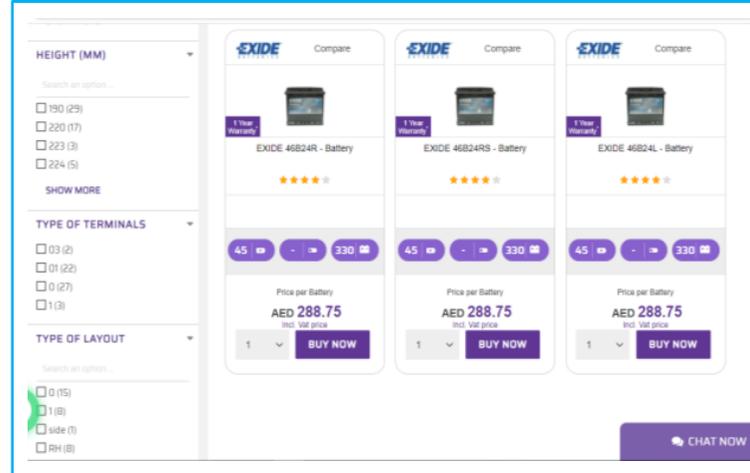
REGIONAL EFFORTS IN DIGITAL RETAILING

GCC IS IN ITS EARLY DAYS OF DIGITAL RETAILING WITH GREAT POTENTIAL TO ACCELERATE, DUE TO HIGH INTERNET PENETRATION AND USAGE

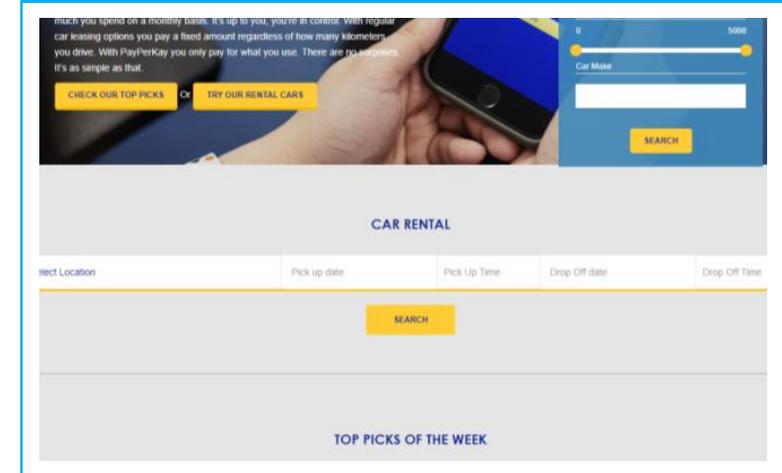
Virtual Showrooms



Online Parts Purchase



Online Vehicle Rental/Leasing



- GCC Digital retailing is in its early days and is gradually shaping up
- Existing platforms include – virtual showrooms, online sales of selected fast moving items, online vehicle rental/leasing and online services booking
- End to end, complete digital journey, from selecting a car/product to receiving it at customer end is yet to be fully implemented in the GCC
- Efforts are being taken by various brands to digitalise sales and thereby increase contactless processes

THE FUTURE OF AUTOMOTIVE RETAILING IS DIGITAL

GROWTH SHOULD BE TO DEVELOP FROM A TRANSACTIONAL MODEL TOWARDS AN EXPERIENCE BASED APPROACH LEVERAGING DIGITAL TECHNOLOGY

Future Stores New Retail Formats



Omni-Channel Retailing 2.0 Seamless 'Bricks & Clicks' Cross-Connectivity



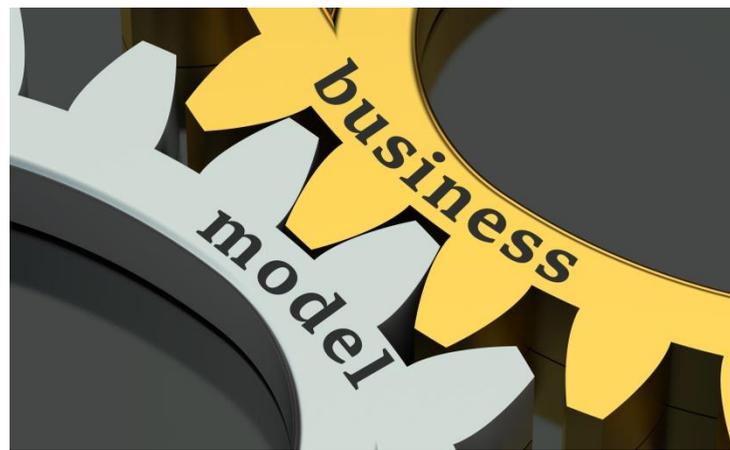
Connected Retailing Digital Sales, Analytics & Monetization Opportunities



Retail Technology In Store and Online Retail Technology



New Business Models In Vehicle Ownership The Rise of Vehicle Subscription



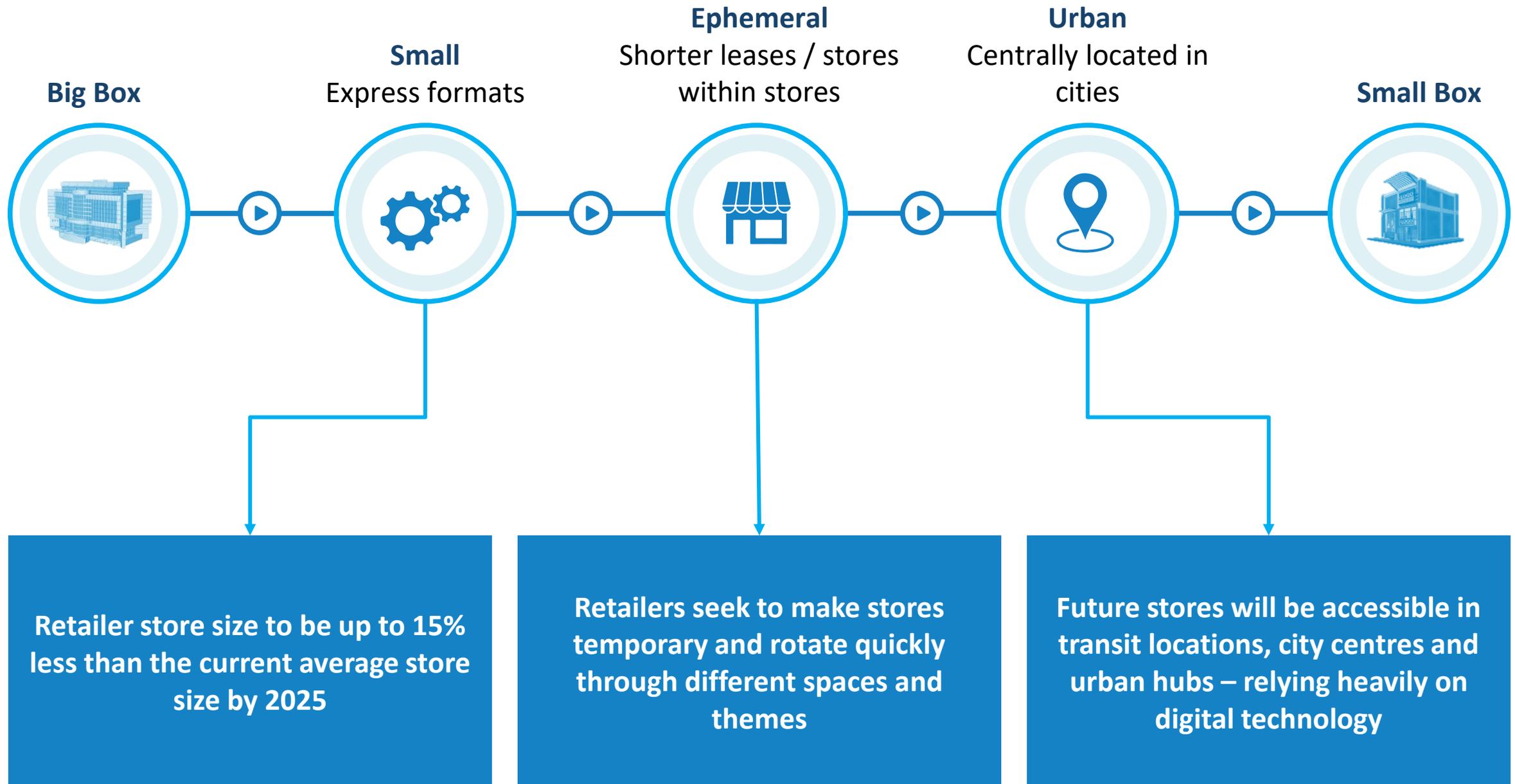
Digital Key Performance Indicators (KPIs) Digital Metrics to Aid Business Growth



Source: Frost & Sullivan

TREND # 1 : FUTURE STORES – NEW RETAIL FORMATS

SMALLER, EPHEMERAL AND URBAN FOCUSED STORES TO INCREASE. TOUCHLESS FEATURES, FACILITIES TO FIND PREFERENCE



Source: Frost & Sullivan

FUTURE STORES – NEW RETAIL FORMATS

ALTHOUGH CONVENTIONAL CHANNELS WILL STILL SELL MAJORITY OF VEHICLES BY 2025, COMPLEMENTARY CHANNELS TO MARKET ARE RADICALLY CHANGING THE LANDSCAPE AND ADDING MORE VARIETY FOR THE CUSTOMERS

Digital Flagship Stores



Lifestyle Stores



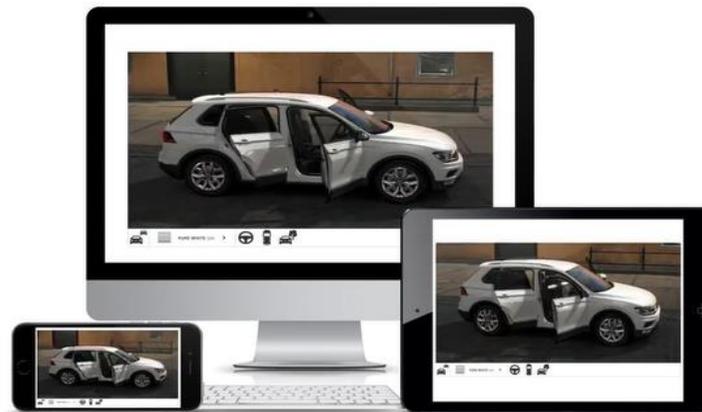
Pop-Up Stores



Store within a Store



Online Retailing

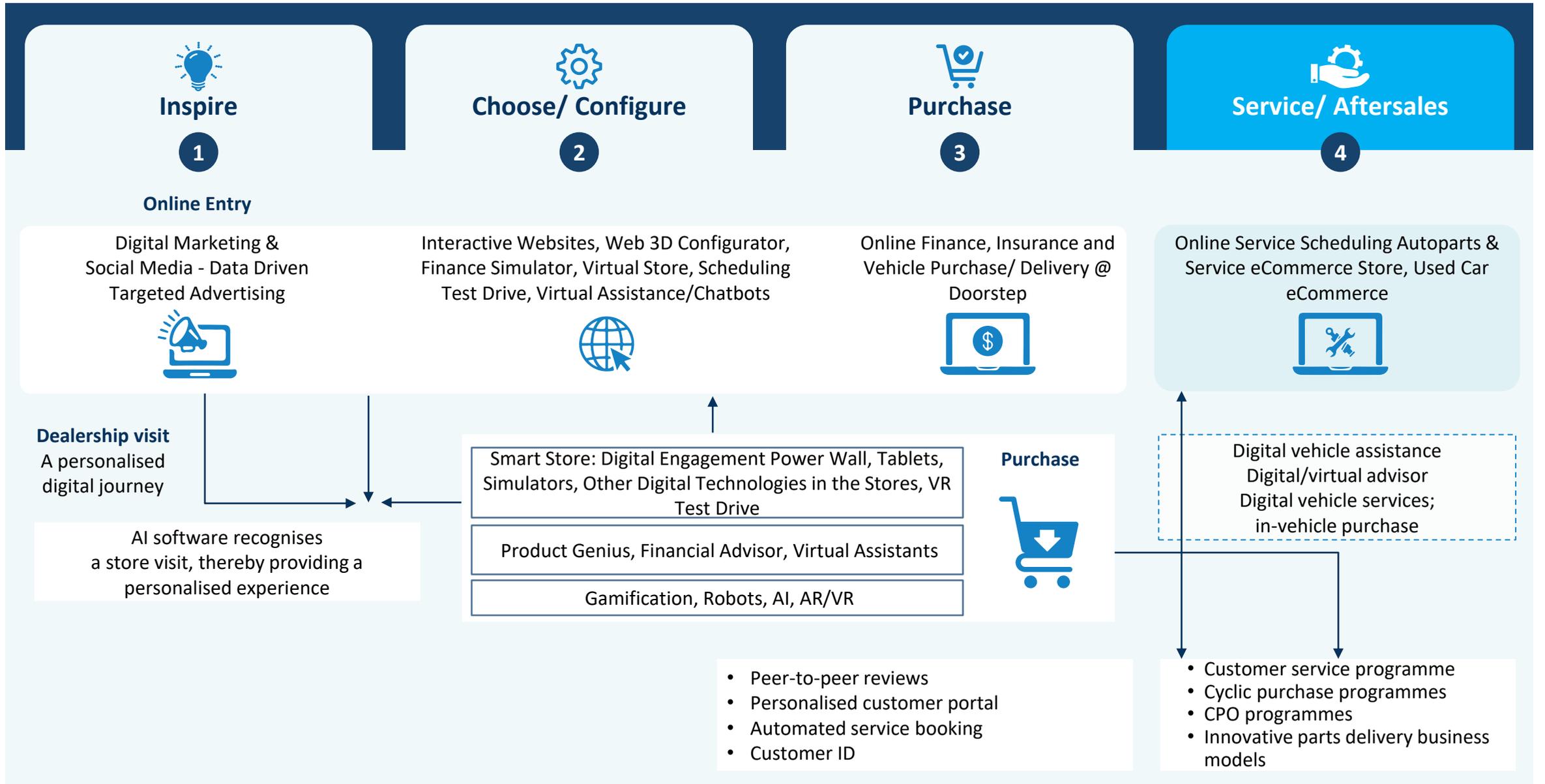


3rd Party Aggregators



TREND # 2: OMNI CHANNEL RETAILING & THE NEW CUSTOMER JOURNEY

CUSTOMER ACQUISITION AND RETENTION REQUIRE OEMS/DEALERS TO ENGAGE DIGITALLY WITH CUSTOMERS ALONG THE BUYING LIFECYCLE, FROM PRE-SALES TO SALES AND AFTER SALES, MAKING IT'S A CYCLIC RATHER THAN LINEAR PROCESS



Source: Frost & Sullivan

TREND #3: RETAIL TECHNOLOGY

THE ONLINE USER EXPERIENCE AND ITS DIGITAL ELEMENTS ARE BROUGHT INTO THE PHYSICAL RETAIL EXPERIENCE THROUGH ADVANCED TECHNOLOGIES

AR Enables iPad – Showcase Hybrid Powertrain



VR Goggles – BMW M Series Roadshow



Ford Tmall Test Drive Vending Machine



Audi Machine Learning Configurator



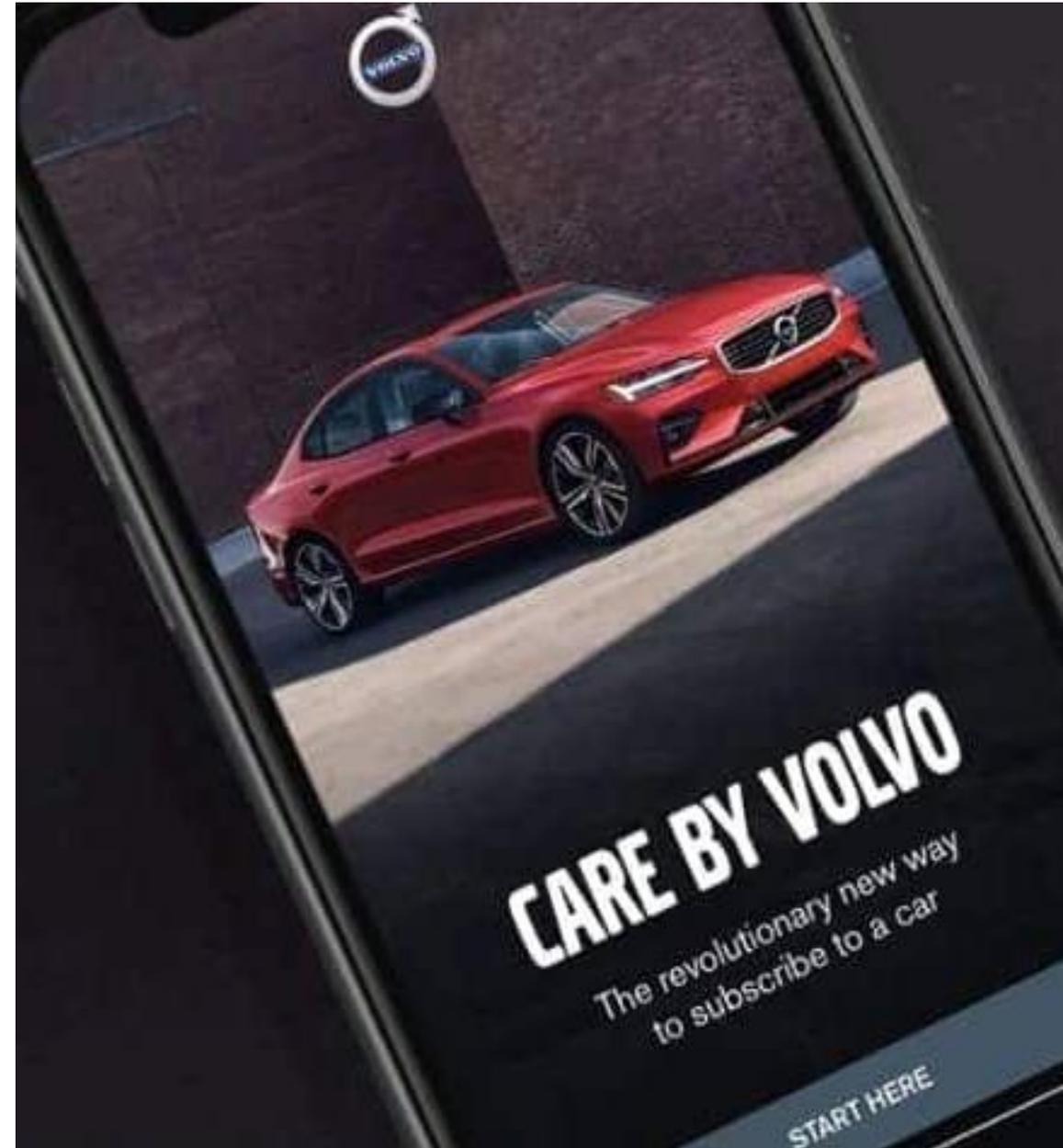
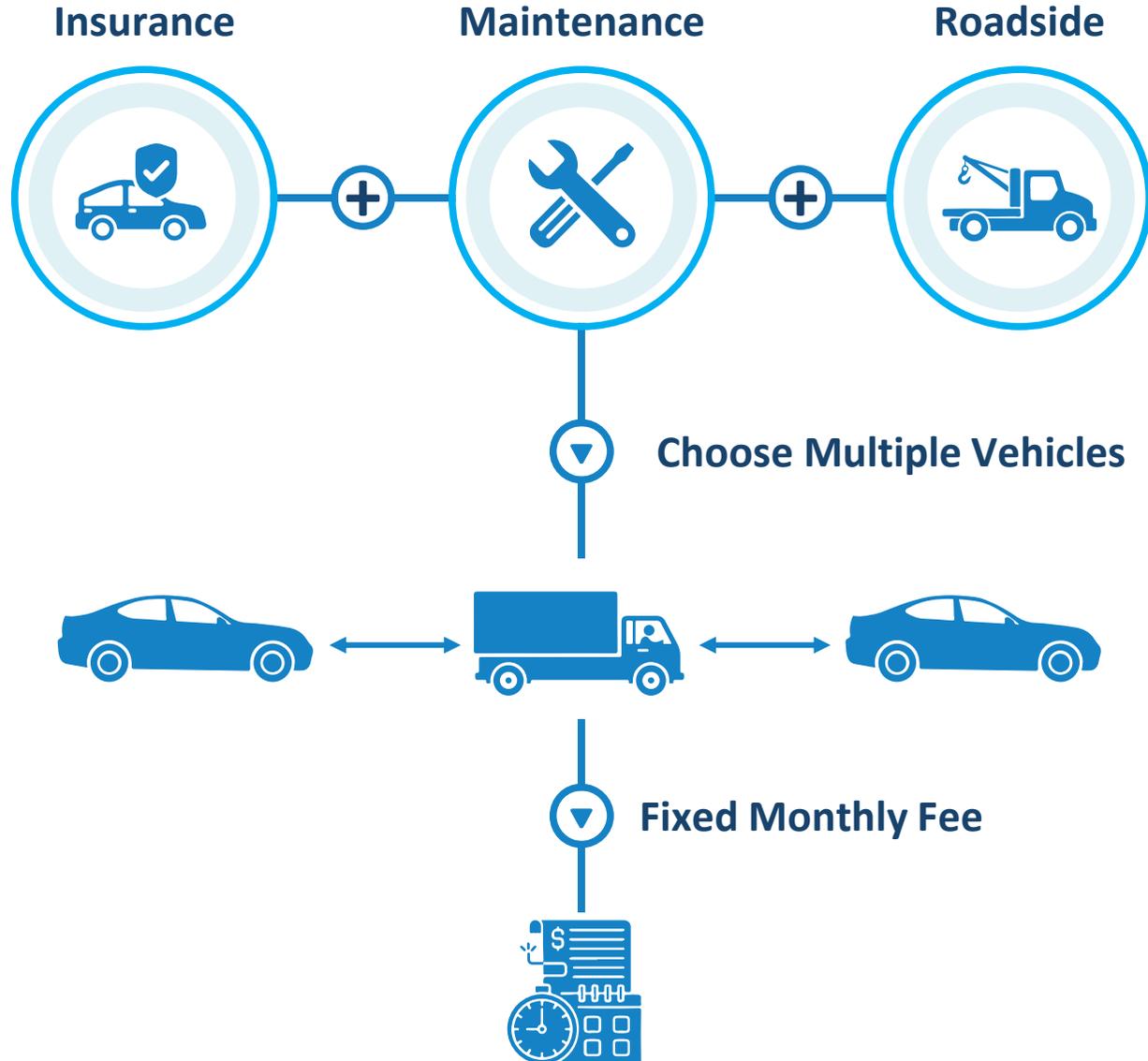
Image Source – Toyota, Zerolight, TMall

Source: Frost & Sullivan

TREND #4 | NEW BUSINESS MODELS IN VEHICLE OWNERSHIP

ACCOUNTING FOR 11% OF NEW VEHICLE SALES IN 2025, OVER 16 MILLION VEHICLES TO BE PART SUBSCRIPTION SERVICES

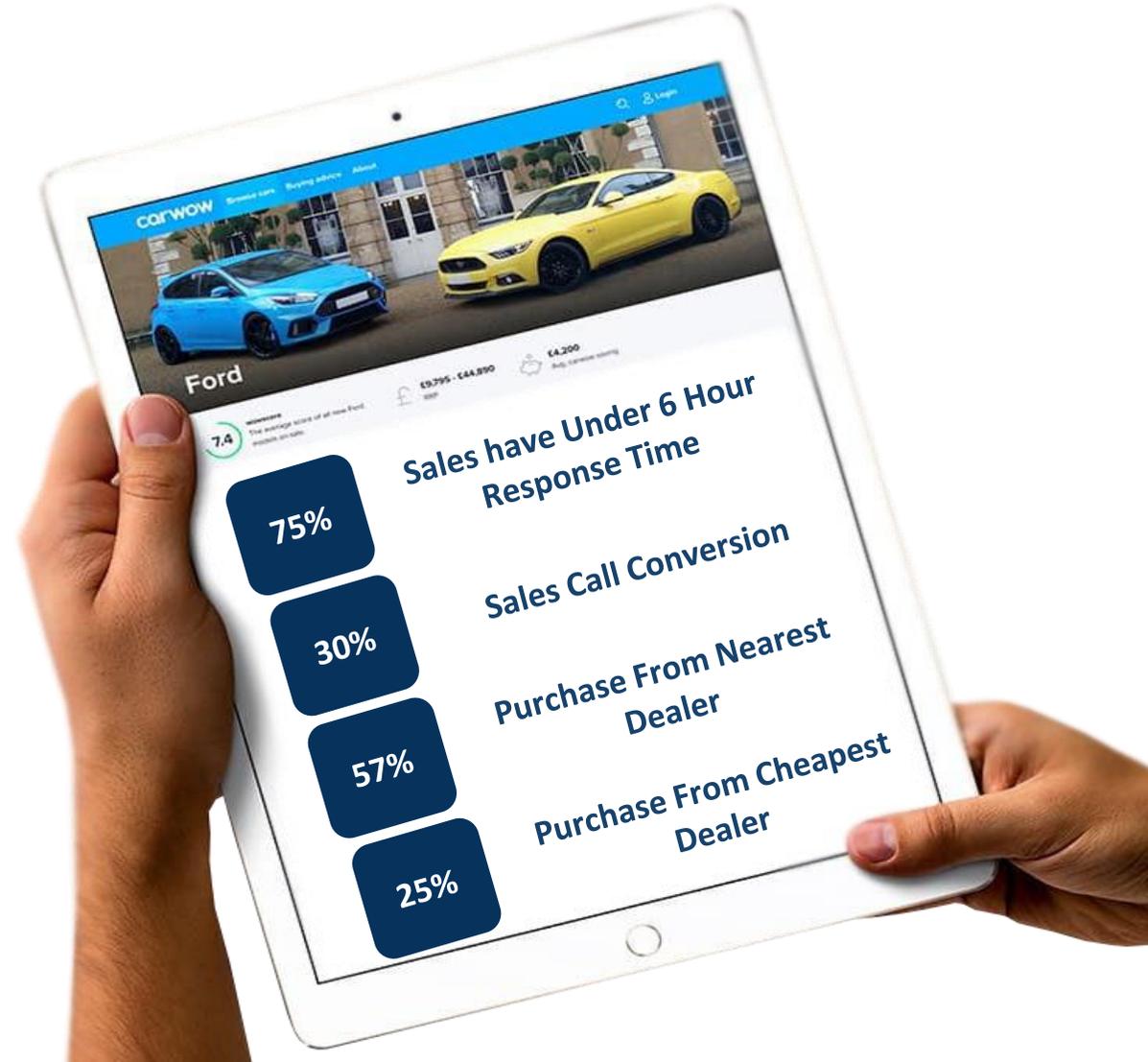
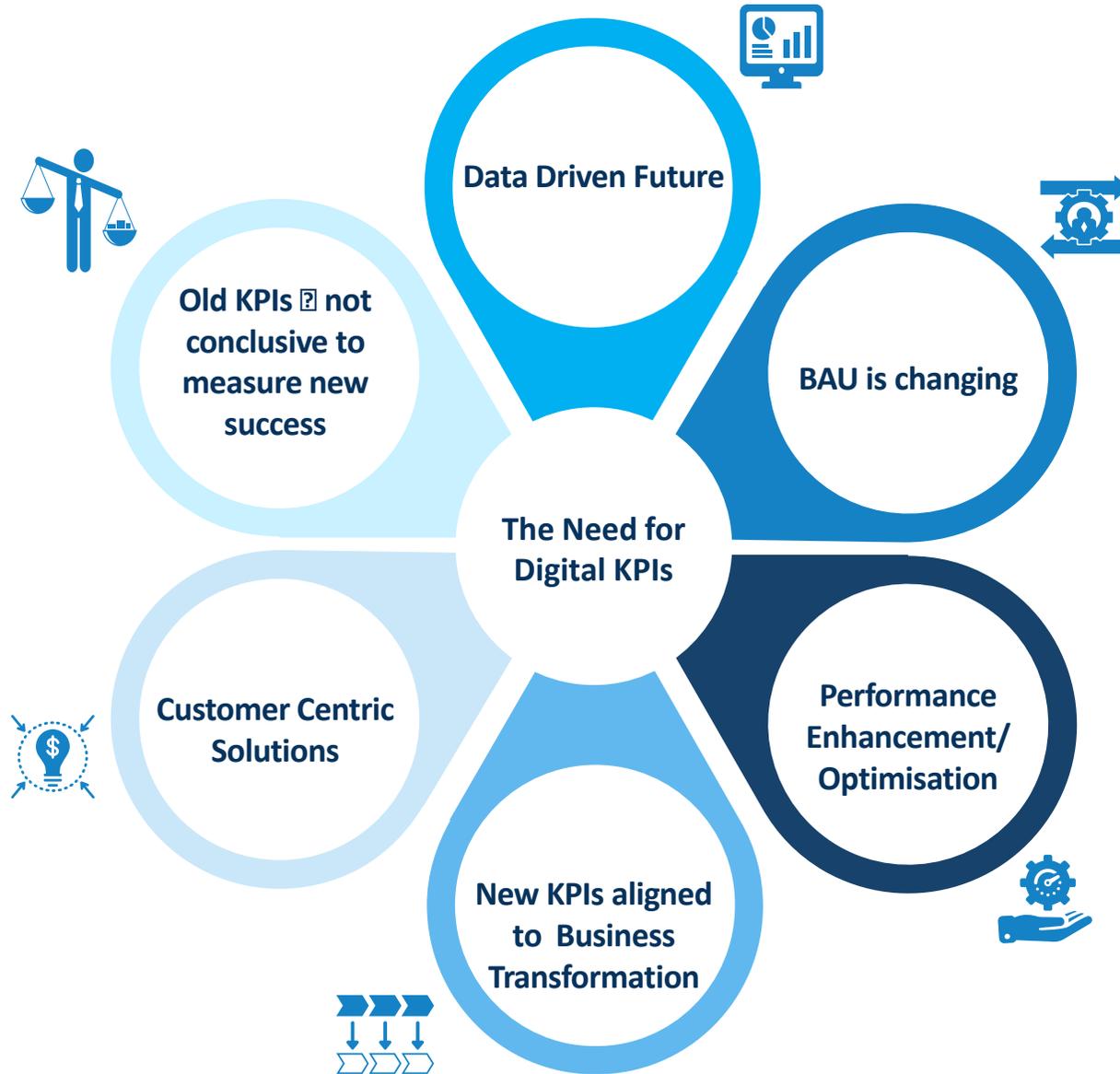
All Inclusive Rates



Source: Frost & Sullivan

TREND #5 | EMERGENCE OF DIGITAL KPIS

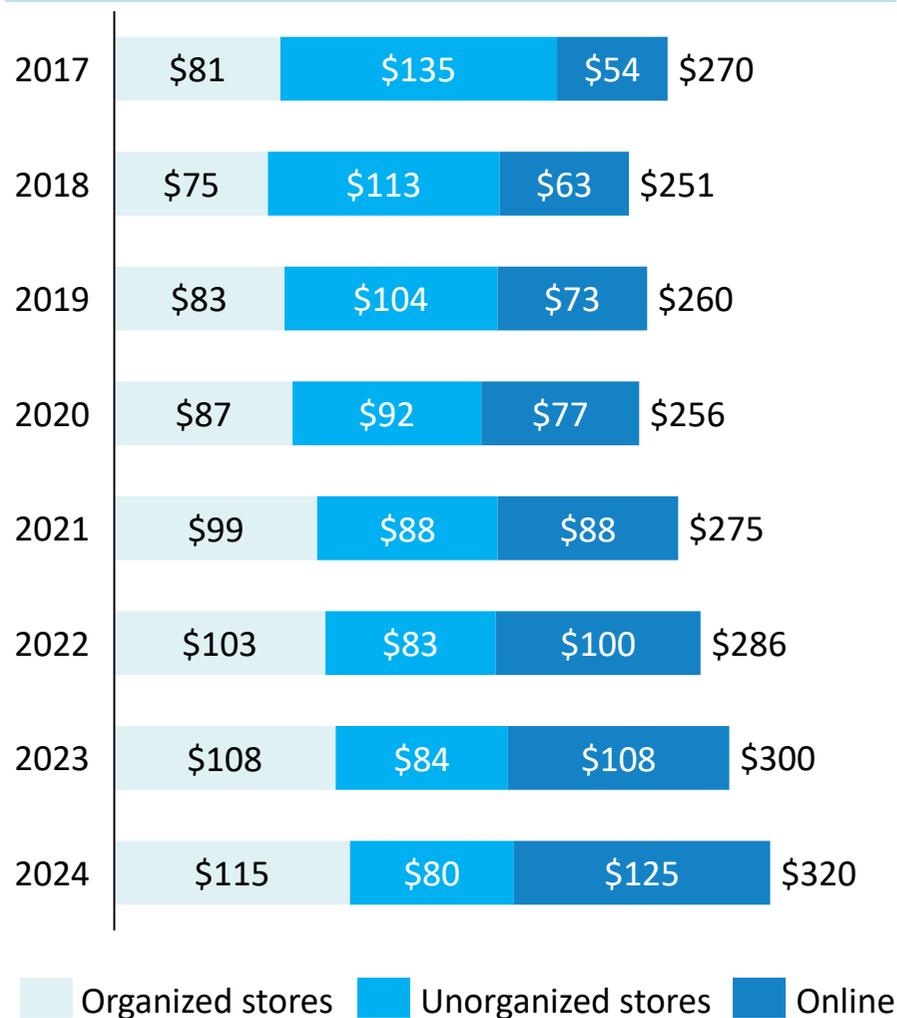
DIGITAL KPIS IN THE AUTOMOTIVE INDUSTRY ARE USED TO MEASURE THE PERFORMANCE OF EMPLOYEES AND PROCESSES. BOTH LEGACY FUNCTIONS SUCH AS SUPPLY CHAIN AND RETAIL & NEW FUNCTIONS SUCH AS CONNECTED CARS ARE MONITORED ON DIGITAL DRIVEN PARAMETERS



IN UAE VEHICLE ACCESSORIES SALES VIA ONLINE CHANNEL IS EXPECTED TO INCREASE AT 13.0% ANNUALLY, MAKING IT THE LARGEST SEGMENT BY 2024, 1/3 ACCESSORIES ARE SOLD ONLINE TODAY



IAM Market Forecast by Type of Distributor, UAE, (2017-2024)



TYPES OF CHANNELS



Online

- Availability of car accessories in platforms such as amazon.ae, Noon.com has increased market share of online distribution
- In addition to such giants, companies such as Caronic.com, Star wheeler are marking a niche space catering to only auto accessories online



Unorganized

- Independent retailers such as Directed Auto, Fawaz Al Khateeb having retail outlets in specific areas in a city, typically having one branch



Organized

- Branded chain of outlets such as Popular Auto parts, Divya & Dhanya spare parts, Ziebart, etc., know for their product quality and are typically dealers for one or 2 brand of accessories

Segment size in 2020: **\$255 million**
Approx Sales per car: **\$76**

Trend:
Increasing due to growing e-commerce market and quick delivery

Trend:
Decreasing due to market consolidation

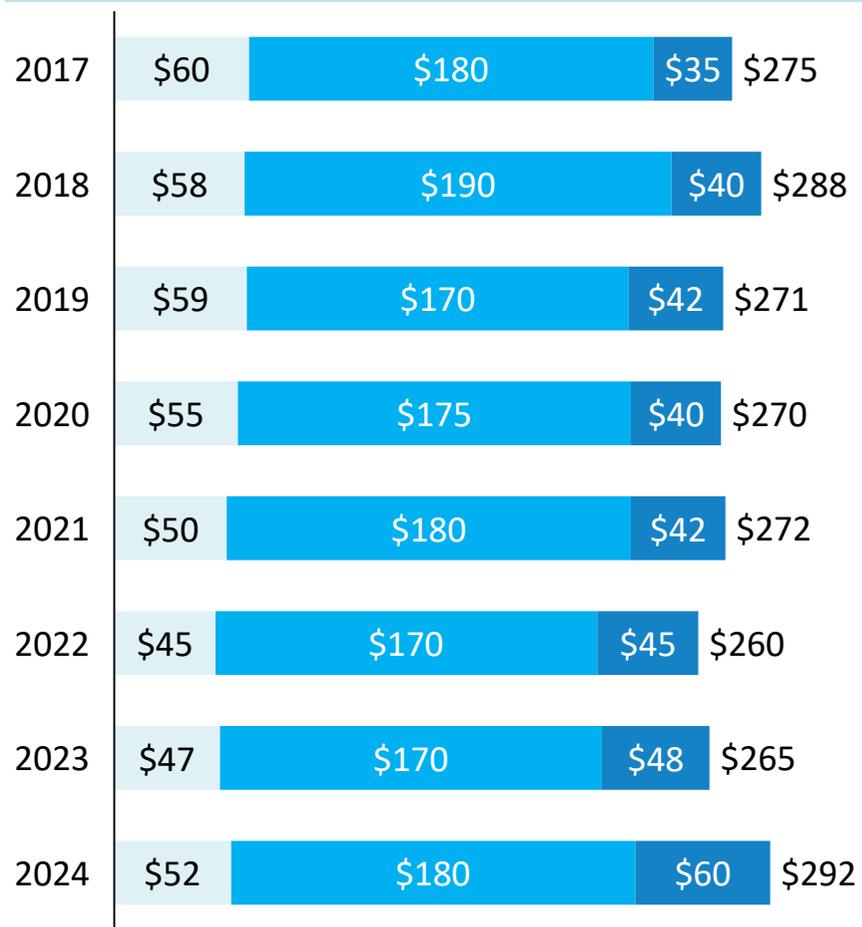
Trend:
Slightly increasing due to retailers consolidation and increasing trend in customers moving to independent aftermarket due to quality of labour and affordability

Source: primary interviews, Frost & Sullivan

IN SAUDI ONLINE SALES ARE EXPECTED TO GROW AT 11% ANNUALLY BETWEEN 2020 AND 2024 BECOMING THE HIGHEST GROWING SEGMENT OF THE MARKET



 IAM segment forecast by type of distributor, KSA, (2017 – 2024), \$ mln



Organized stores Unorganized stores Online



TYPES OF CHANNELS



Online

- Platforms/marketplaces like Amazon, Noon delivering own and third-party products to customers.



Unorganized

- Single locations, often run by individual entrepreneurs focusing on a specific type of accessories. Typically, located in dedicated areas like Suleimaniya in Riyadh



Organized

- Single-store or chain stores with multiple categories of accessories: e.g. A Obthany, Ziebart, DRIVE7 etc.

Segment size in 2020: **\$270 million**
Approx Sales per car: **\$32**

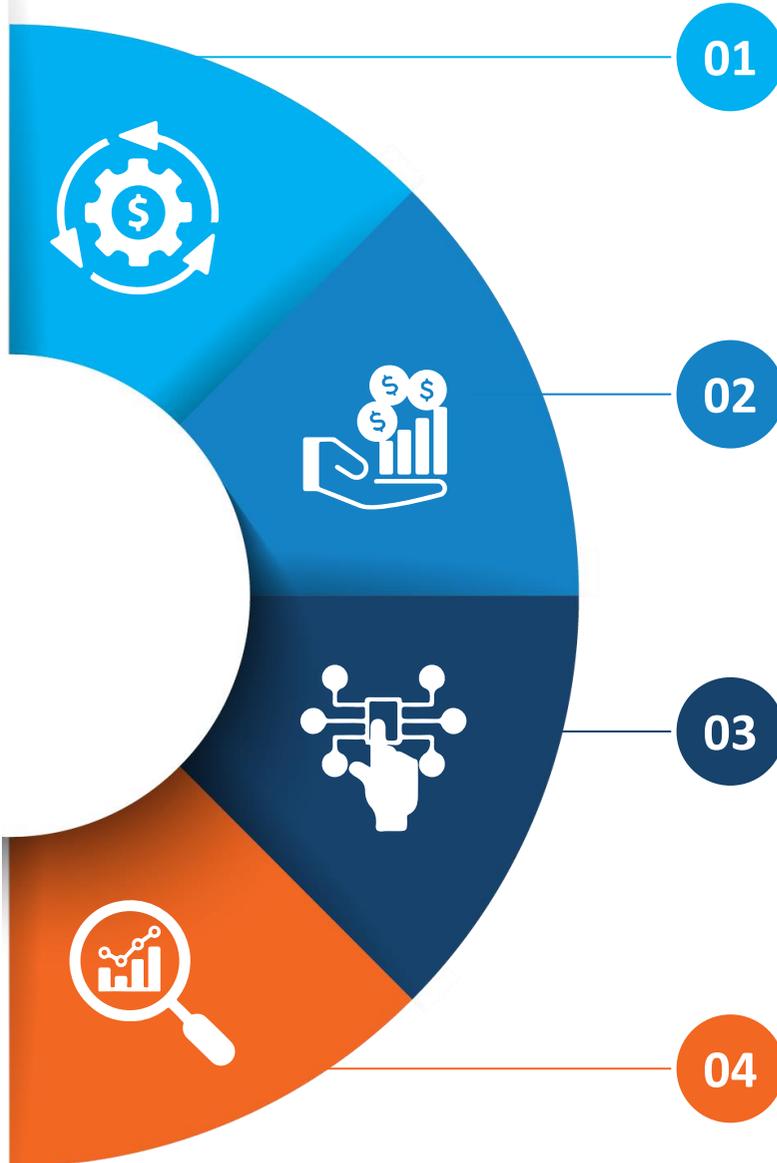
Trend:
Increasing due to higher penetration of e-retail channel in the Kingdom

Trend:
Decreasing due to Saudization and industry consolidation.

Trend:
Slightly increasing due to retailers moving to online but still strong sales of tinting films.

Source: primary interviews, Frost & Sullivan

KEY TAKEAWAYS



Although conventional channels will still sell majority of vehicles by 2025, complementary channels to market and new business models are radically changing the landscape

Revenues generated by digital automotive retailing to grow from 120Bn to about 605Bn by 2025. Online sales of new vehicles are expected to contribute to over 50 percent of global online revenues

Digital is transforming supply chain, manufacturing, connected products, retail and mobility services. The enterprise needs to become digital in its DNA and transform processes & KPIs accordingly

Digital is a key business enabler – it accelerates data analytics, creates new revenue models but most of all allows for personalisation of the user experience and relevance of services

KEY RECOMMENDATIONS



Create complete digital landscape for sales activities

Focus on digital marketing with targeted client selection based on social media activity

Invest in digital experience of future clients and ensure enablers are present at every point of interaction

Engage environment enablers with B2B partnerships so that paradigm of influence can increase without additional investment

F R O S T & S U L L I V A N

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