Automotive distribution research, insight, implementation

Europe – New Distribution Models

AUTOMOTIVE DEALERHOLDING TOP 60

Dealerholding Top 60 Event, Amsterdam

February 8, 2024

Steve Young, Managing Director

ICDP offers research, consulting and data focused on the future of car distribution

Source: ICDP

The breadth and quality of our membership gives us a holistic view of developments

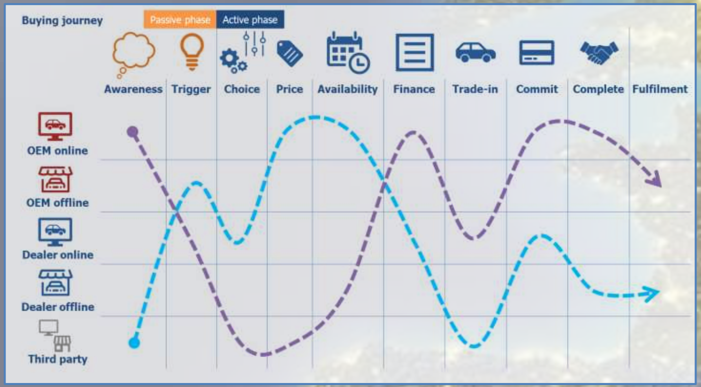
Members as at December 2023

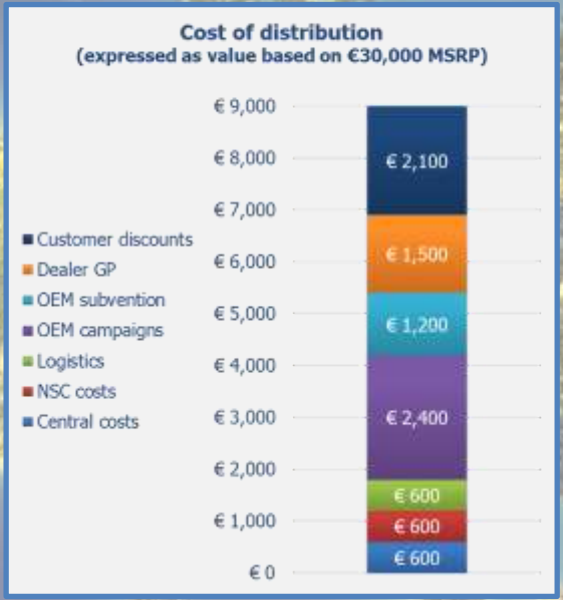
New distribution models are being driven by three main factors

Omni-channel

Cost of Distribution

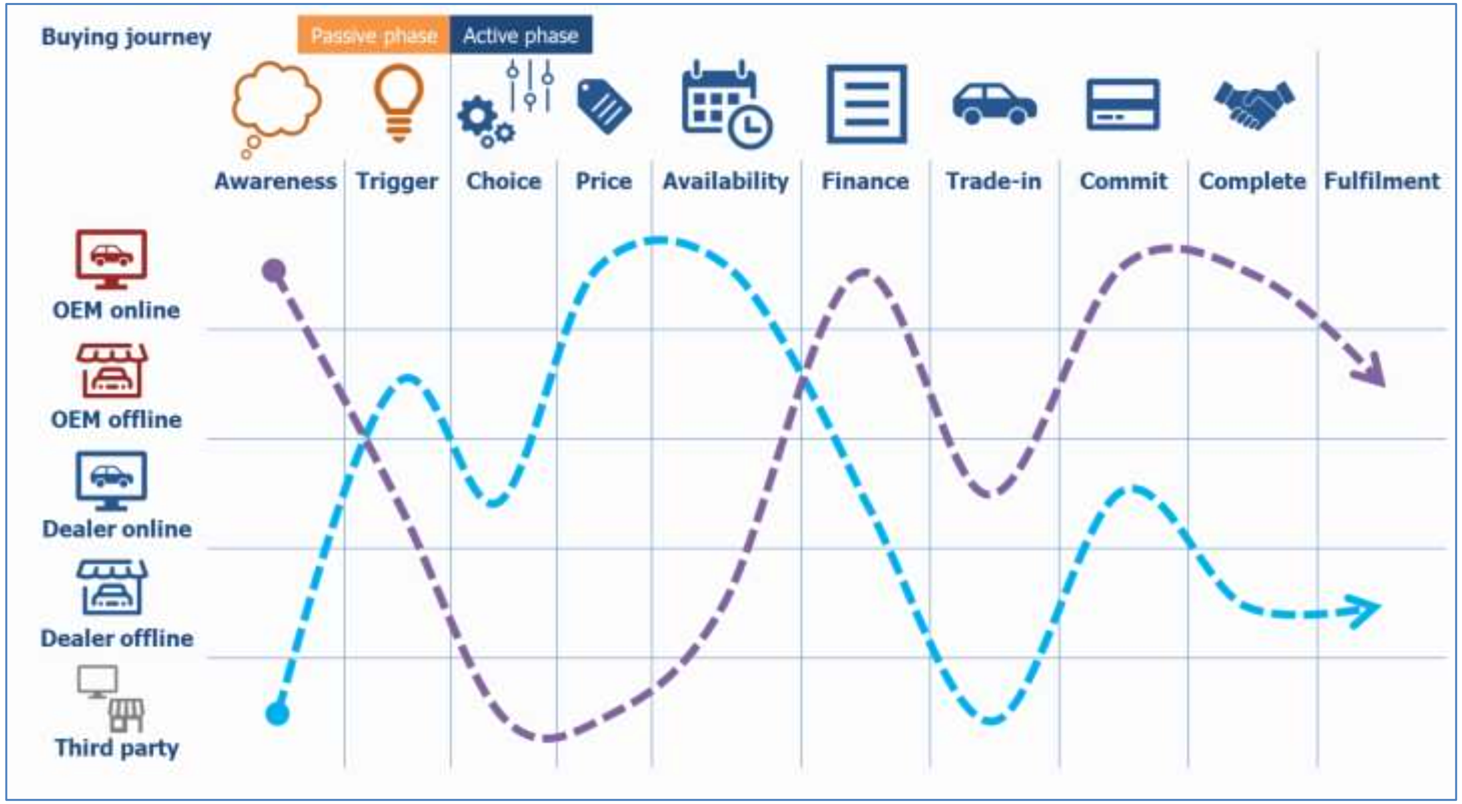
Getting closer to customers





Source: ICDP

Omni-channel is needed to support the ideal buying journey of 95% of new car buyers



Single view of customer and vehicle

Customer choice of journey and switching points

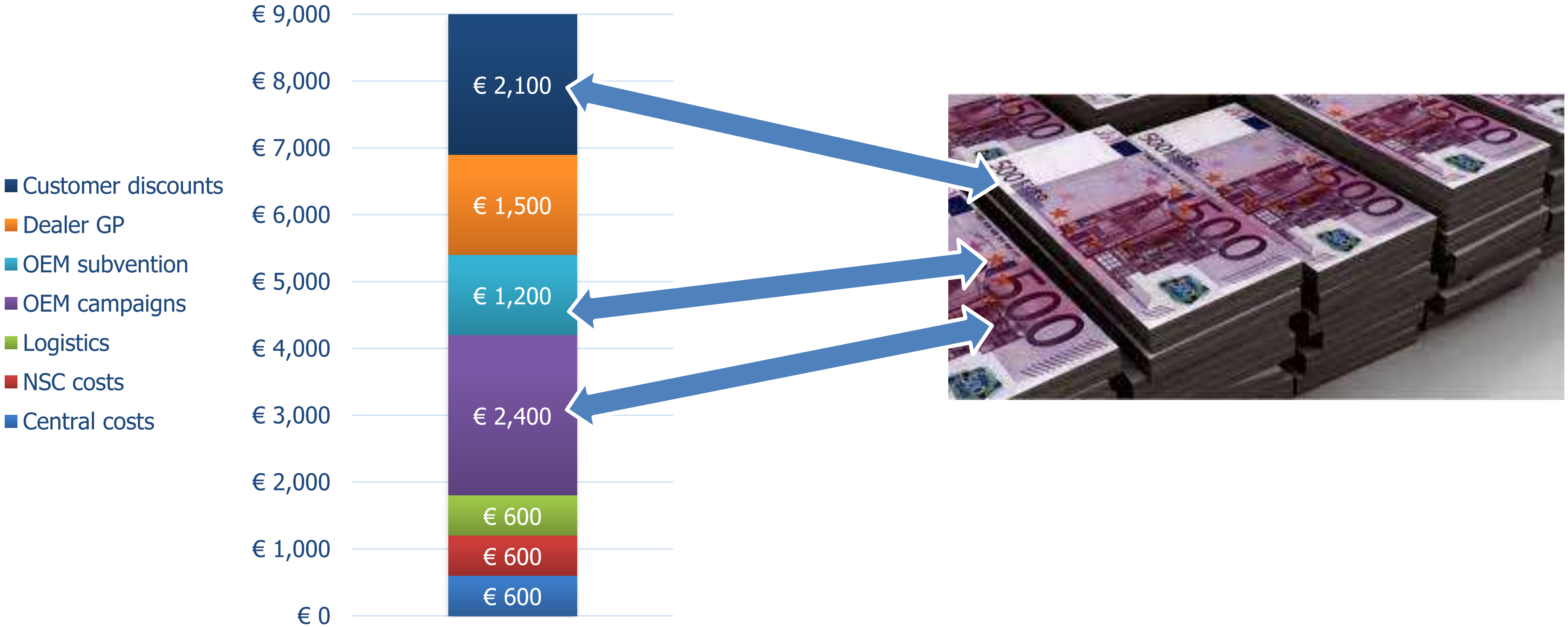
Channel choice does not affect the offer

Dealer remains integral to any journey

Source: ICDP

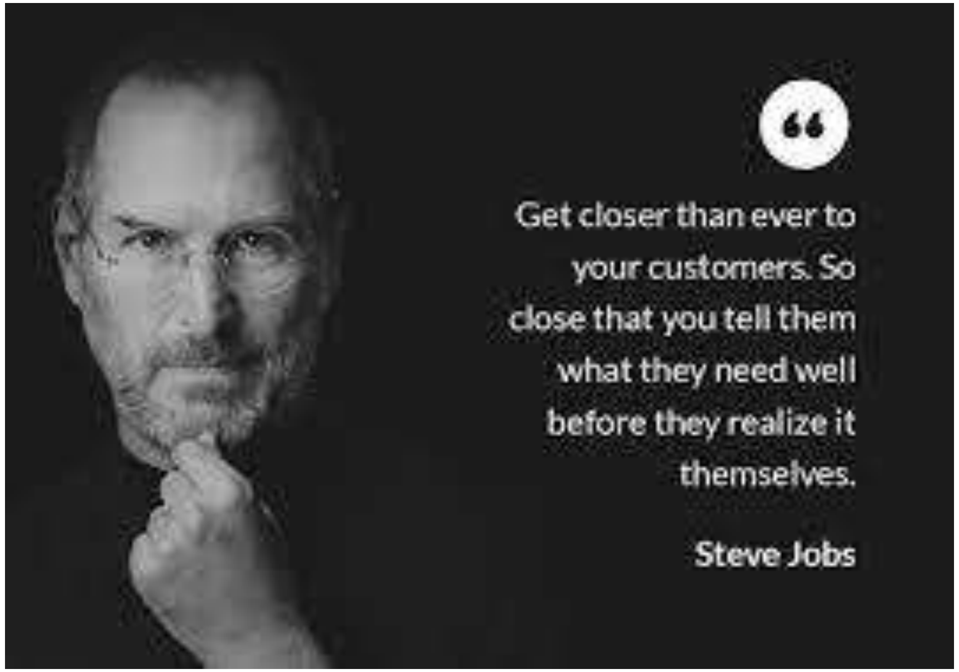
Distribution cost is being targeted, but two thirds of that cost relates to stock push

Cost of distribution
(expressed as value based on €30,000 MSRP)



Source: ICDP

OEM desire to be closer to the customer is about control and digital opportunities



Improved leverage of customer database in the near term

Direct sales of digital features and services in the longer term

Source: ICDP, Pinterest

Despite implementation issues and delays, the move to agency continues

Live/Imminent

Mercedes-Benz
MINI
FIAT
Jeep
CITROËN
OPEL
Audi Vorsprung durch Technik
ŠKODA
SEAT
CUPRA
VOLVO
Ford
NISSAN
smart
INEOS Automotive GRENADIER
LOTUS

Announced

JAGUAR
LAND ROVER
BMW
HONDA The Power of Dreams
GENESIS

No/Not Now

DACIA
HYUNDAI
KIA
mazda
SUZUKI

European perspective – Honda and Toyota have live agency agreements in Australia/New Zealand

Manufacturers have not been adequately prepared, and have applied blunt instruments

Straight discounts

Generous finance offers

Churning demo fleets

Pre-registration

Source: ICDP

Dealers were cushioned from failures to some extent in 2023, but 2024 will be tough

Volumes lower than plan

Order fulfilment delays

Cost of workarounds

Cost savings not achieved

Source: ICDP

Oversupply and high interest rates have combined to drive OEM costs up

Business case assumptions

Demand

Supply

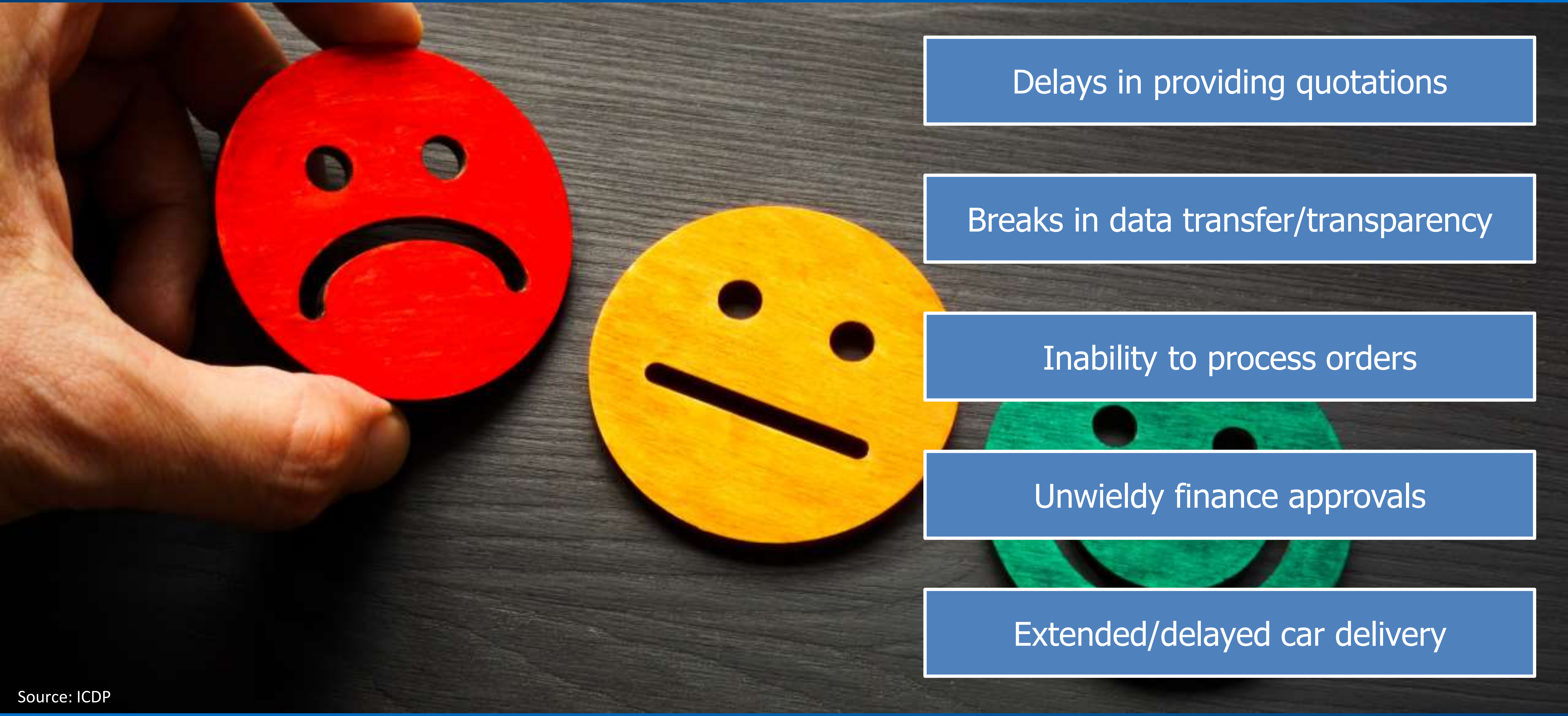
Real world reality

Supply

Demand

Source: ICDP

The combination of issues has created a worse customer experience, not better



- Delays in providing quotations
- Breaks in data transfer/transparency
- Inability to process orders
- Unwieldy finance approvals
- Extended/delayed car delivery

Source: ICDP

With many targets being missed, OEMs need to rethink their implementation approach

- Admit errors, replan
- Recognise change management needs
- Provide flexibility for different customer journeys
- Staged implementation of capabilities
- More thorough stress-testing of IT
- Involve dealers where retailing skills are needed

Source: ICDP

We anticipate that there will not be one solution, but approaches sitting on a spectrum

- Modified franchise and genuine agency
- OEM-defined omni-channel retail systems
- Customer data held by OEMs, but replicated at dealer level
- Largely centralised inventory and order pipeline management
- Dealers still playing a key role in providing retail expertise
- Comparable franchise margin and agency commission levels

Source: ICDP

And in parallel we should not forget that the Chinese new entrants are coming…

AIWAYS
BYD
HONGQI
JAECOO
LYNK & CO
MG
NIO
OMODA
ORA
SKYWELL
VOYAH
WEY
XPENG
ZEEKR

Generally following very traditional distribution approaches, but partnering with the largest groups

Source: ICDP

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