

Online Vehicle Sales

The Temporary Measure
Driving Permanent Change
in Finished Vehicle Logistics

April 2021



OEM & Dealer challenge: to connect with European automotive consumers online



- Attract new & existing vehicle buyers, despite Covid-19 restrictions
- Move sales to ONLINE platforms where possible
- Gain in a changing world by adapting to new demands

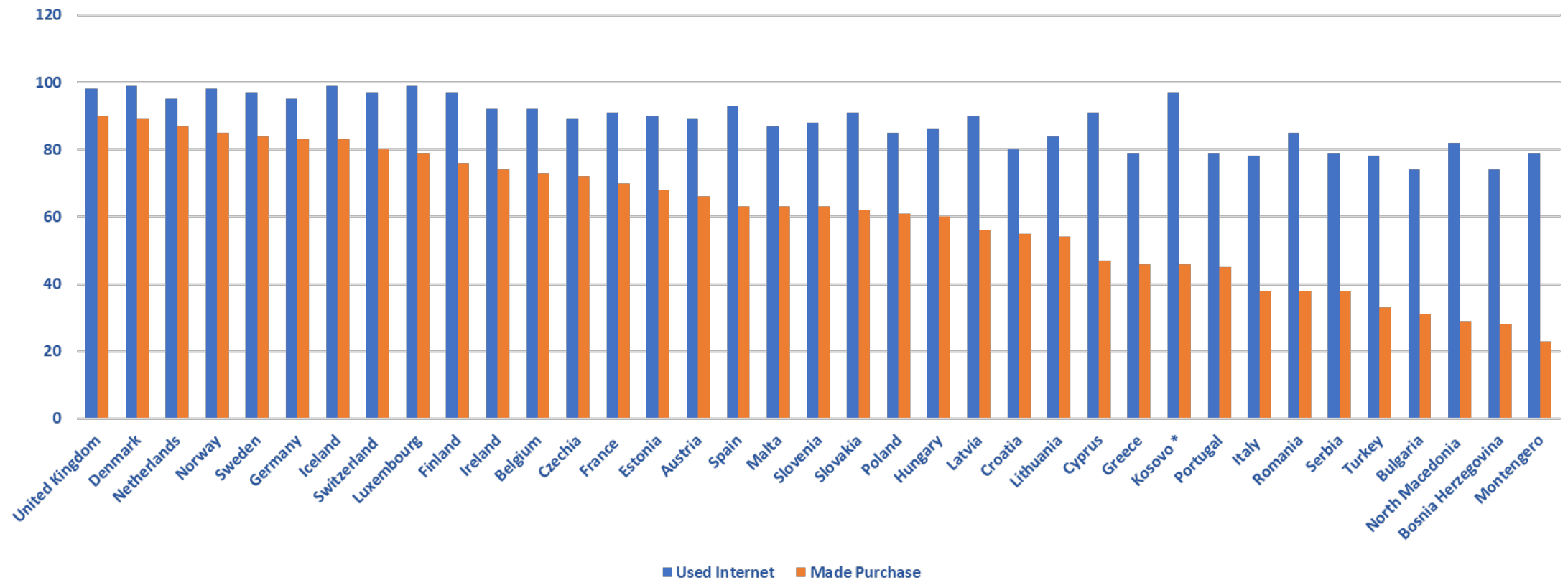


The Story...

- Rising Online Retail Sales Across Europe
- Penetration of Online Sales Rise in New Car Market
 - Online Vehicle Sales Forecast
- OEMs Initiate Shift in Sales Method
- New Agency Sales Model Incorporating Online & Showroom Visit
 - OEMs use EVs for Online Sales Push
 - Click & Collect Vs Home Delivery
- Logistics Players Adapt
- Appendix: Case Studies for Online Sales: Volvo, Toyota, Mercedes, BMW, Volkswagen

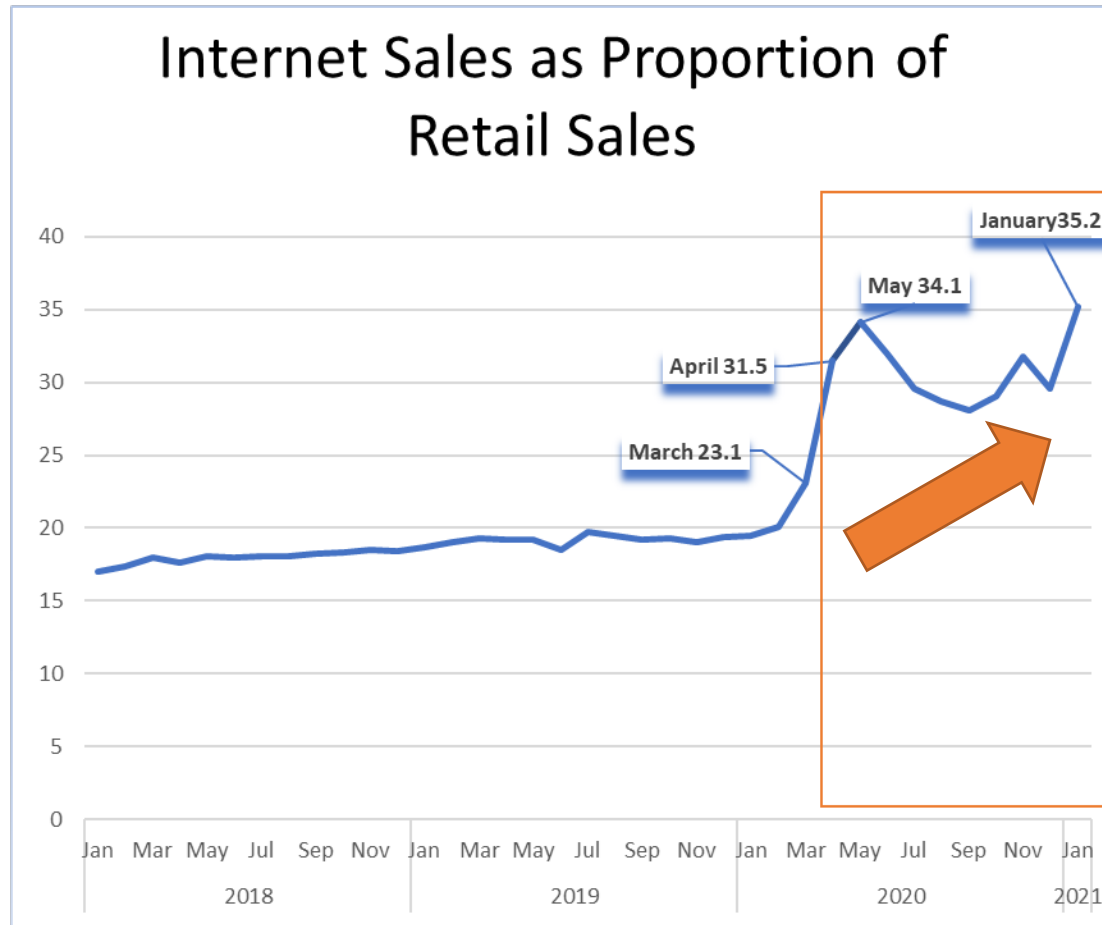
E-Commerce During The Pandemic - Europe

Population % that Used Internet & Made Online Purchase



France, Italy, Switzerland, North Macedonia estimates based on 2019 data, * designation as per UNSCRT 1244/99
Source: Eurostat

Covid-19 Pushes Online Sales to New Heights

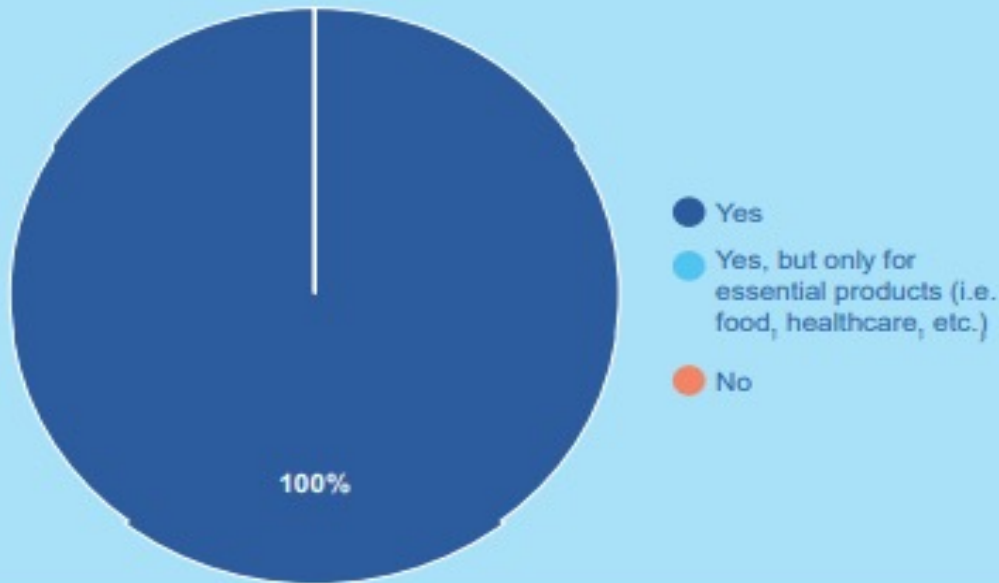


- January 2021 new peak
- Lockdown shows immediate affect on online sales
- Trend (from 2008 till Q1 2020) shows only gradual increase of Online Sales
- April 2020 Online Sales jump 8.5 points

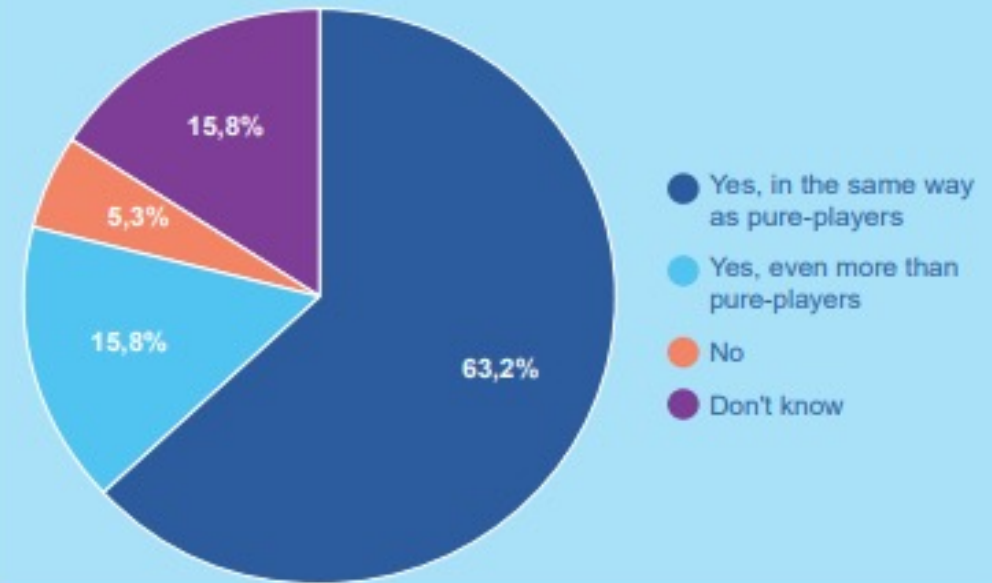
Source: Office for National Statistics (UK)

Covid-19 Accelerates Online Shift Across Europe

Are/were online shops still allowed to maintain their activity?



Has the lockdown benefited retail stores' online sales?



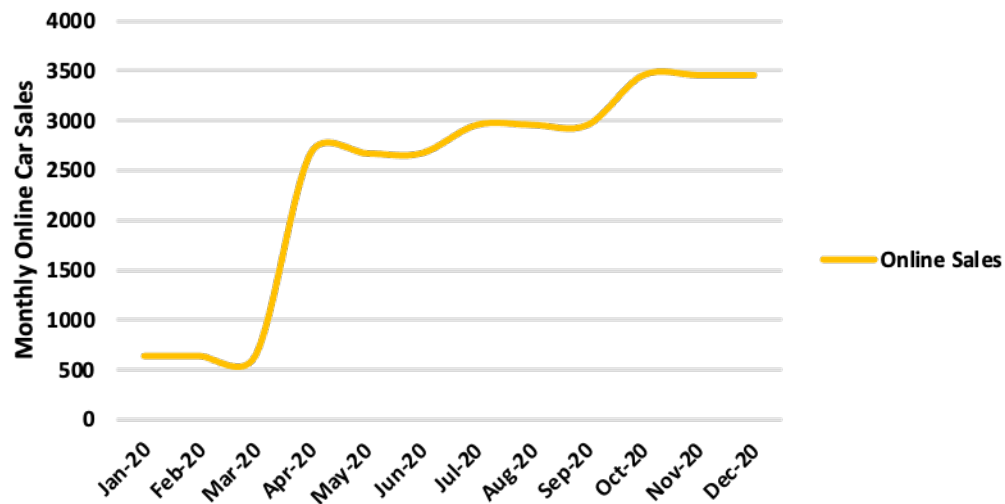
Source: Ecommerce Europe, *Impact of Coronavirus on Ecommerce*

<https://ecommerce-europe.eu/wp-content/uploads/2021/01/Coronavirus-Survey-Report-January-2021.pdf>

Online New Car Sales Surge In Platform Use

GFORCES – car sales platform provider

- Online Car Sales using NetDirector jump **1228%** year-on-year in 2020 to more than £500m
 - 2019: 2,199 cars sold via platform
 - 2020: 29,209 cars sold via platform
 - January - March 2020 : Avg. 640 cars per month
 - April - May 2020: Avg. 2,675 cars per month



GFORCES

Solutions ▾

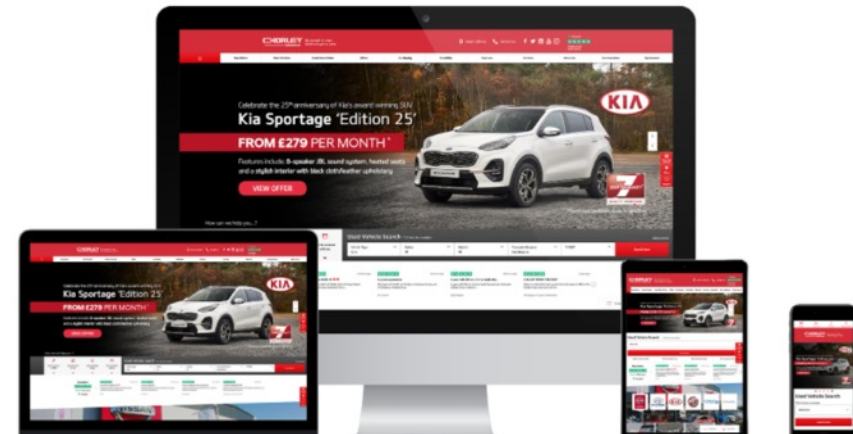
Support

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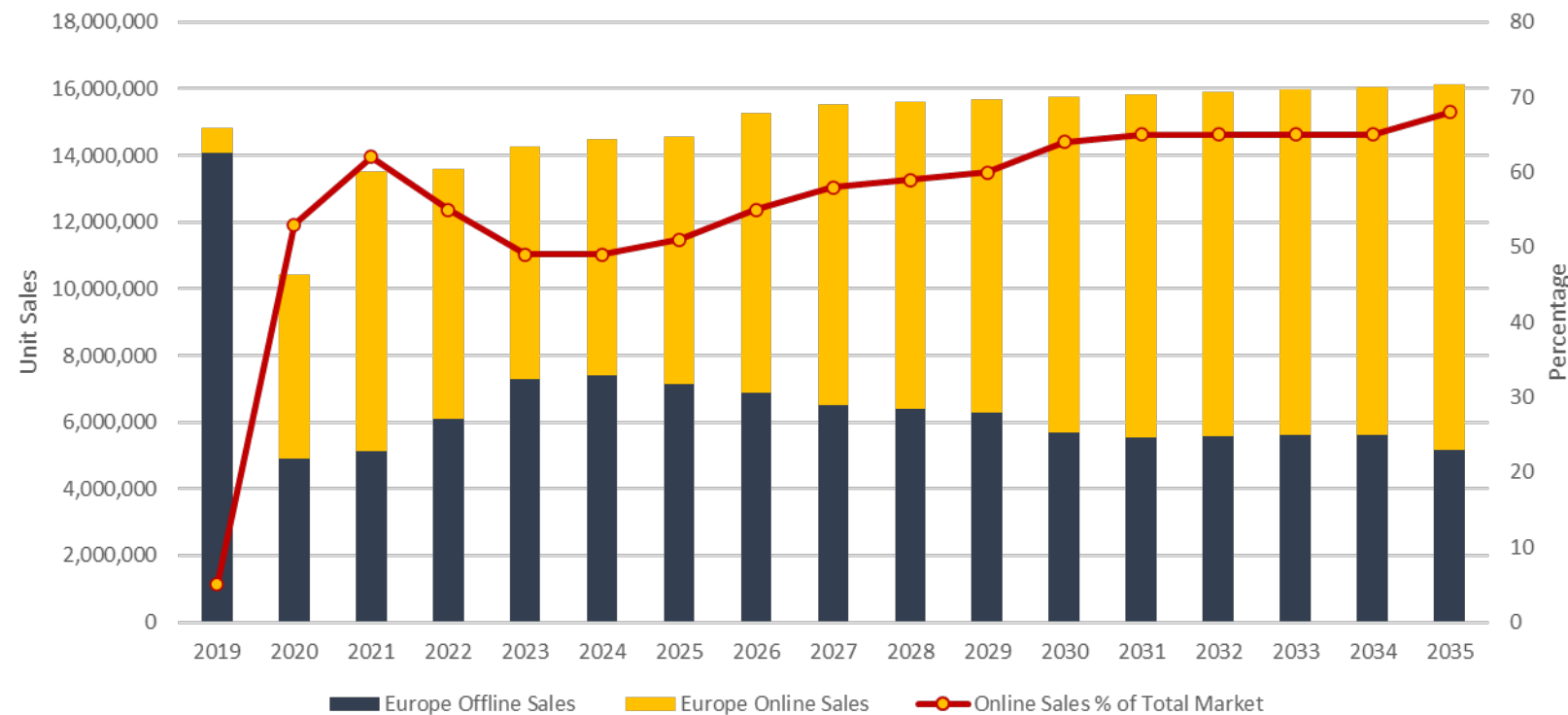
The next generation ecommerce platform for dealers and manufacturer retail networks



- 20 Automakers across 65 markets use GForces
- Most Recent: Kia pilot in Netherlands (2021 start)

Online Sales To Grow As Dealers & OEMs Move Online

European Online Sales Growth Forecast for passenger cars



- 2020 online sales **5.5 million** car sales in Europe*
- 2021 online sales to account for **8.3 million** cars in Europe
- Online Sales control **53%** of market in 2020, up from just 5% (2019)
- Online Sales to control **65%** of market by 2030

* estimate

Crisis forces shift to online vehicle sales channels

The Covid-19 crisis led to national lockdowns across most of Europe through 2020 and early 2021.

In the majority of European nations, this meant non-essential retail, including car dealerships, closed for vehicle sales (remaining open for service / maintenance).

This forced car dealerships to pivot drastically towards online sales.

- Click & Collect
- Contactless / Home Delivery
- Move to Agency Sales Model for (some) EVs
- Subscription & Agency Model combined

For all your Sales and Aftersales needs

<p>WE ARE OPEN ONLINE, OVER THE PHONE, IN-STORE</p>  <ul style="list-style-type: none">• COVID-19 safety procedures in place• All vehicles sanitised and PPE utilised• Staff and customers to wear a face covering• Increased hygiene measures and Protective screens	<p>CLICK & COLLECT BROWSE, RESERVE & COLLECT AT INCHCAPE</p>  <ul style="list-style-type: none">• Reserve your vehicle of choice online or over the phone• Safe, designated handover areas at all our dealerships• Collect your new vehicle when convenient
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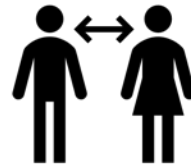
It's important that you can visit our dealership safely. To find out more about the additional safety procedures we have put in place please visit [Inchcape.co.uk/covid19-info/](https://inchcape.co.uk/covid19-info/)



Europe COVID-19 Dealership Overview

OPEN - with restrictions

- Sweden Open (throughout)
- Finland Open (throughout)
- Italy Open (since end June 2020)
- Spain Open (since end June 2020)
- France Open (since mid-Jan 2021)
- Czech Rep Open
- Belgium Open
- Poland Open (throughout)



CLOSED – Online Sales, Click & Collect ✓

- Germany Closed (intermittently open, then closed until 14 Feb 2021), delivery allowed
- UK Closed (until 12 April 2021), delivery allowed
- Austria Closed delivery allowed
- Portugal Closed (since 30 Jan 2021)
- Switzerland Closed delivery allowed
- Netherlands Closed delivery allowed



Restrictions: Limited number of people in dealership, appointments needed to visit dealership, 2 metre distance at all times, mandatory use of face masks & hand sanitizers, increase use of 'online' and 'telephone' dialogue with new customers

Closed: Together 'closed' markets in 2020 accounted for **58.6%** of Europe's new vehicle registrations. But these markets allow deliveries, and have had intermittent open periods, but with significant restrictions. By moving 'online' sales continued with market shares remaining much as before.

BMW – Dealerships (example Germany, UK)

The screenshot shows the BMW website interface. At the top, navigation links include 'Models', 'Find & Buy', 'Electromobility', 'Owners', and 'Discover'. A search bar and location pin icon are visible on the right. The main headline reads 'WE ARE DIGITALLY OPEN.' Below this, a dark banner contains the text: 'Due to the current situation our sales team will be happy to answer your questions by phone or e-mail. Vehicle Delivery and Workshop continue as normal and are not affected by lockdown. Test Drives at selected Locations are also available.' A red stamp graphic says 'STILL HERE FOR YOU'. The BMW logo and 'BAVARIAN MOTOR CARS' logo are present. To the right, the 'KRAH+ENDERS KARL+CO' dealership header is shown, along with 'OFFIZIELLER HÄNDLER' and logos for BMW, MINI, and BMW MOTORRAD. A blue navigation bar lists: 'STANDORTE', 'NEUWAGEN', 'GEBRAUCHTWAGEN', 'E-MOBILITÄT', 'SERVICE & ZUBEHÖR', 'ÜBER UNS', and 'KONTAKT'. Below this, a large blue section titled 'Aktuelle Information' contains two bullet points: '➔ Werkstatt & Teilevertrieb sind wie gewohnt geöffnet' and '➔ Verkaufsteam telefonisch & per E-Mail erreichbar'.

News | 11/02/2021 | > **BMW WELT: THE BMW WELT WILL REMAIN CLOSED TILL 07/03/2021**

Due to the extended lockdown, BMW Welt and BMW Museum will remain closed to the public until presumably March 07th, 2021. Affected customers who have scheduled an automobile pickup with us during this period will be provided with a key transfer. Detailed information about your automobile pickup can be found on our pickup website. Please refer to your personal pickup letter for the link, which you will receive approximately 2 to 3 weeks prior to your delivery.

Mercedes – Dealerships (example Netherlands, UK, Germany, France)

The screenshot shows the Mercedes-Benz website interface. At the top left is the Mercedes-Benz logo and the text "Mercedes-Benz". On the right, it says "Mercedes-Benz Niederlassung Frankfurt" and "Telefon: +49 69 850100". Below this is a banner with three images of staff members and the text "Wir sind für Sie da!" followed by a paragraph in German: "Wir respektieren die derzeitige Situation und können leider nur im Service für Sie vor Ort sein. Unser Verkaufsteam berät Sie jedoch weiterhin jederzeit gerne per Telefon oder über E-Mail!". Below the banner is a section titled "Bezoek de Virtuele Showroom van Mercedes-Benz." with a sub-headline "Stap in de virtuele wereld van Mercedes-Benz en ontdek de nieuwe Virtuele Showroom." and a Mercedes-Benz logo at the bottom.

The screenshot shows a YouTube video player. The video title is "Protocole Sanitaire Service Commercial". The video content shows a close-up of a steering wheel with the Mercedes-Benz logo. The player interface includes a progress bar at 1:25 / 2:55, a volume icon, and a "YouTube" logo. There are also icons for "Watch later" and "Share" in the top right corner.

While our physical showrooms are currently closed in line with government guidance, we remain open for business via click & collect. Home Test Drive, Home Delivery and other remote purchase options are available. Local restrictions may apply.

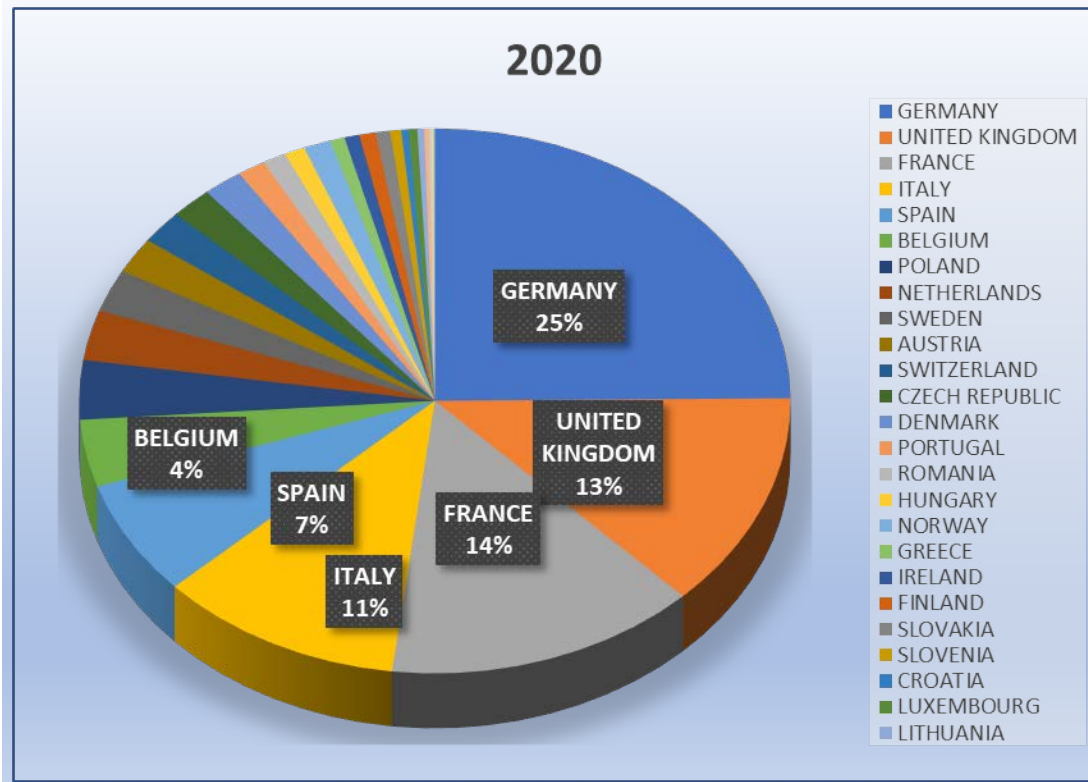
[Read our Covid-19 statement](#)

New Car Registrations by Country

- Despite closed dealerships Germany, UK, France led market

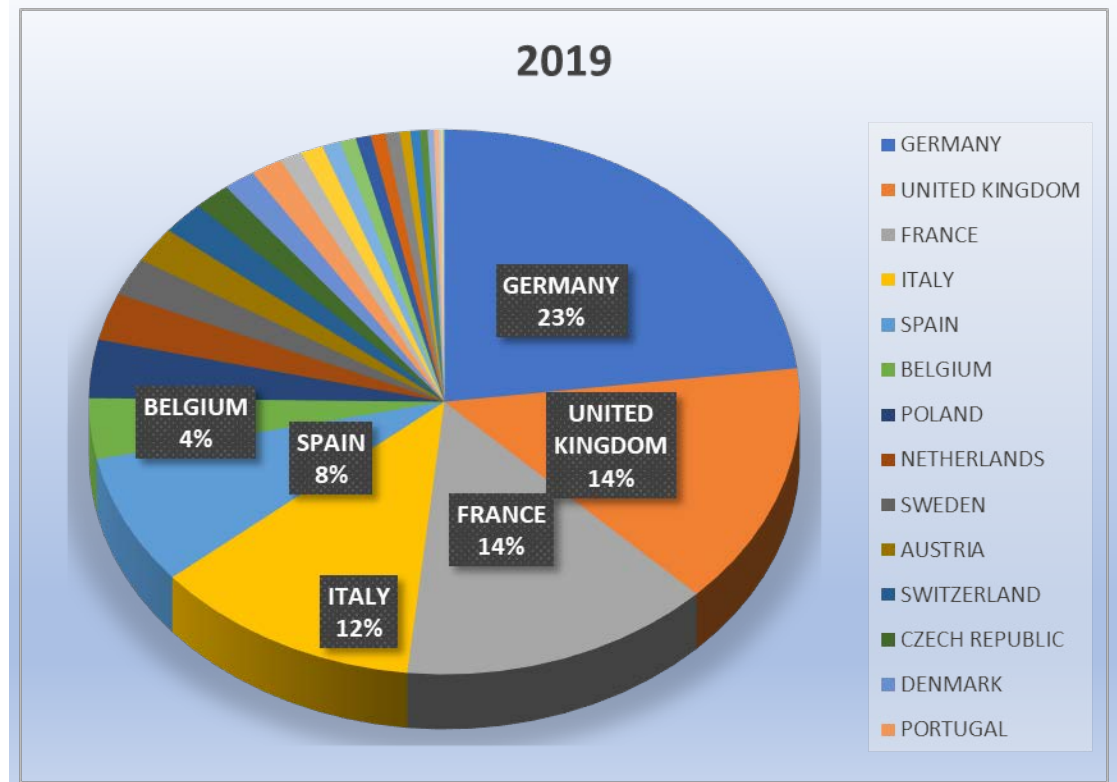
Europe 2020

New Car Registrations = 10.4 Million



Europe 2019

New Car Registrations = 14.8 Million



Europe = EU + EFTA+ UK,
Passenger Car only
Source: ACEA

Challenges & Solutions for Online Car Sales

Challenges

1. Large Sums Involved: Transactions Online Need to be Secure →
2. Car Test Drive: Buyer Needs to Experience New Car →
3. Sales Process: Involves haggling, bargaining, trade in of used car →
4. Complex Choice Options: powertrain, colour, extras, trim level →
5. Car Buyer needs explanation of options, finance, buying procedure →
6. Car Buyer needs Confirmed Rights in case of issues with new car →

Solutions

1. Automakers & Dealers invest in Secure Online Payment Systems
eg: Stripe
 1. Automakers introduce 'Direct Sales' selling directly to buyers online
 2. Dealer Groups invest in Secure Online Payment Systems
2. Local Dealership organises Test Drive of Same Model
 1. Automakers offer Augmented Reality (AR) test drives, Virtual Reality (VR) and even 3D Test Drives
3. Automaker sets fixed price, local dealer visits to check used car value for PX (part exchange), or buyer takes car to dealership
4. Automakers & Dealers offer fixed option combinations with fast lead times
 1. Automakers offer more bespoke model combinations but lead times much longer
5. Automakers & Dealers offer Call Back services with Sales team to discuss options
6. European Commission has established Online Dispute Resolution (ODR) <http://ec.europa.eu/consumers/odr>

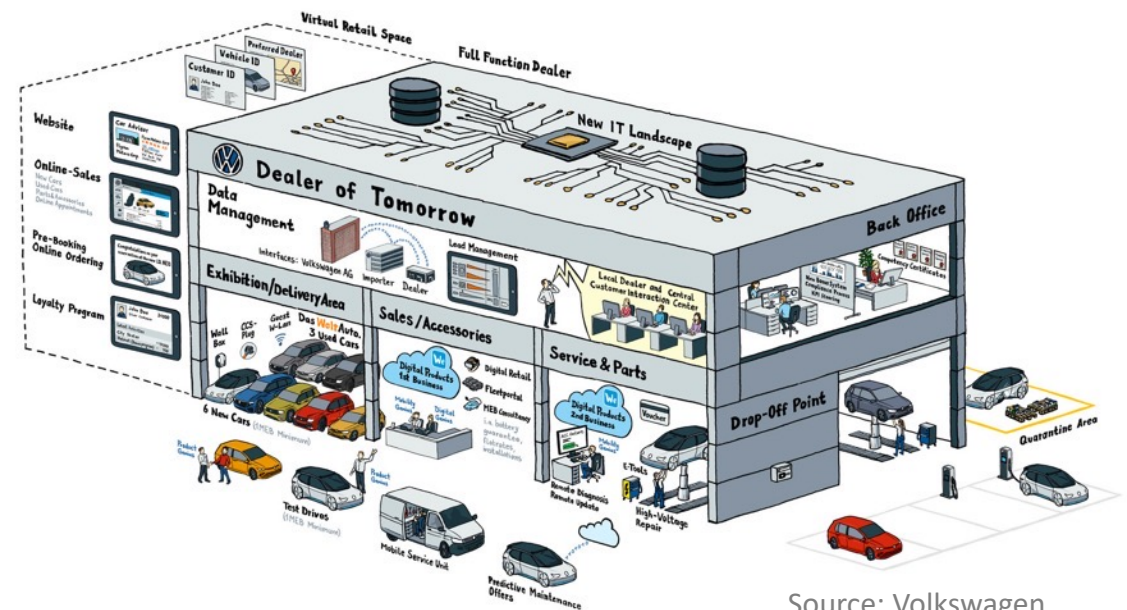
Car Buying Online protected by Legal Consumer Rights Contracts from Government
Automakers offer enhanced Online Contracts for new Car Buyers, with greater rights

Role Of Dealership To Change...

VW Launches New Sales Structure: April 2020

- Online Sales Expanded, Direct Sales Possible
- European Dealer Council (EDC) with 5,400 dealers across Europe (VW, Audi, VW Commercial)
- VW establishes Online Platform to handle entire purchasing process
- ID. family of electric cars used to launch new direct sales service 2020 onwards

VW Dealership of Tomorrow – Experience Centre, Test Drives, Click & Collect, Service



The objective is to provide seamless individual round-the-clock support for customers going far beyond vehicle sales on the basis of a unique Volkswagen customer ID.

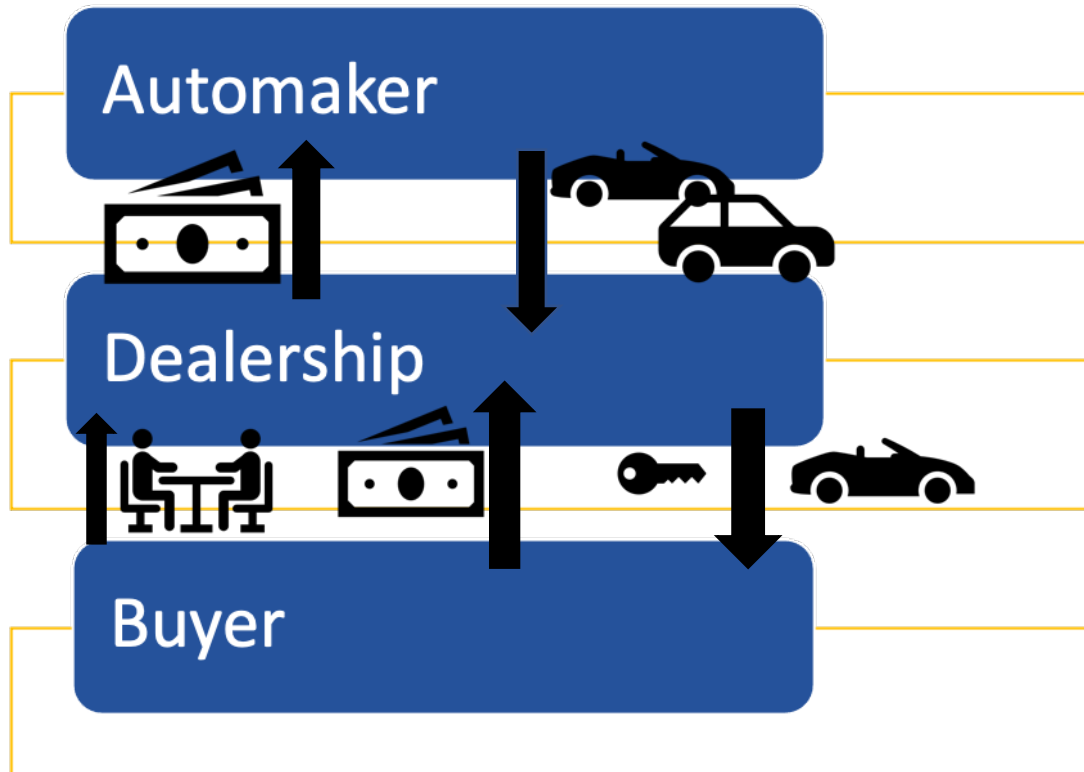
Online Sales - The New Normal

Dealers Adapt to Offer More Services Online BUT Automakers Begin Shift to Agency Model (Direct Sales)

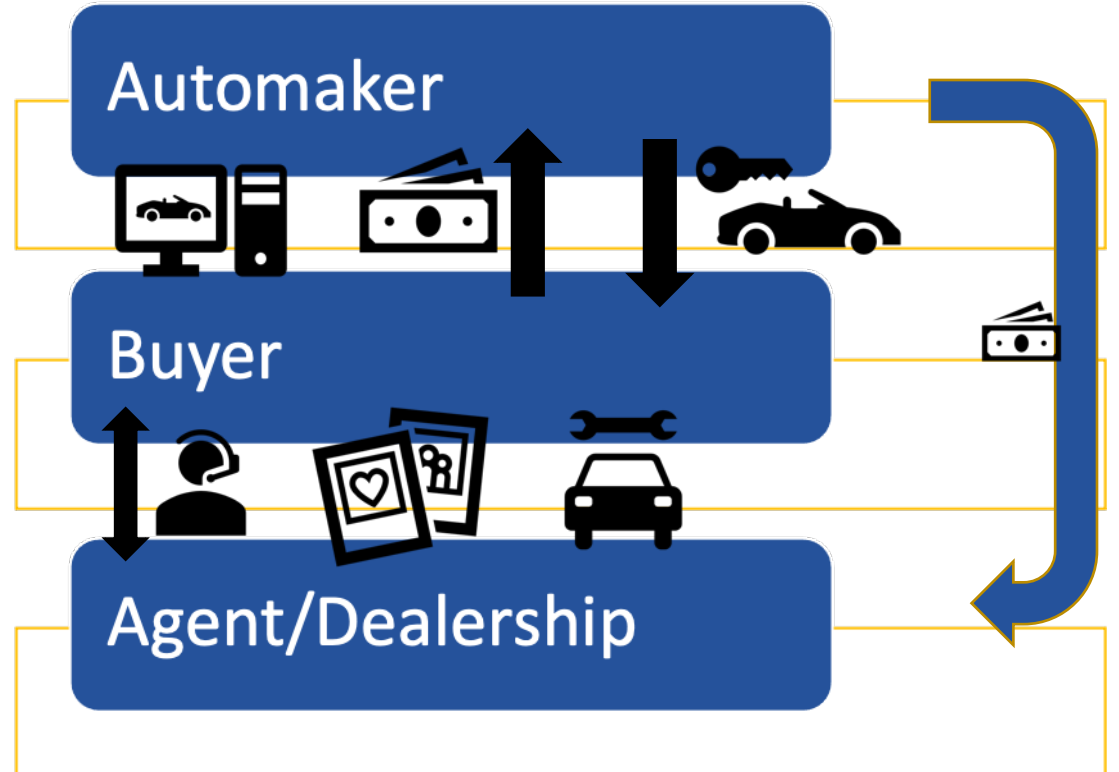
New Car Buyers Want	Situation Today
Physical Inspection of Model at Dealership	✓
Test Drive at Dealership	✓
Research Online	✓
Prices Fixed Online	Some New Models
Best Price Online	Some New Models
Financing Options Online	Some New Models
Transaction Online	✓
Car Delivery to Buyer's Residence	Some New Models
Aftersales point of Contact with Dealership	✓

Automakers Accelerate Shift to Agency Sales Model

Traditional Sales Model



Agency Sales Model (Direct Sales Model)



Automakers Begin Shift To Agency Model

Automaker becomes **VENDOR** and sets price, dealer becomes **AGENT**, and gets fee

Volkswagen VW initiates 'Agency Model' with ID. family

Mercedes Mercedes trials with EQ in Australia, Sweden, S. Africa, roll out in Austria

Honda Honda trials in New Zealand

BMW BMW trials in Australia, S. Africa

Volvo Volvo will sell EVs online only – 50% of sales online by 2025, 100% by 2030

Kia Kia trials in Balkan States, to start Netherlands











Toyota Toyota trials in New Zealand, Australia, to launch in Europe

Tesla Tesla already uses the 'Agency' sales model



OEMs often using new Electric Vehicles to launch Agency Model

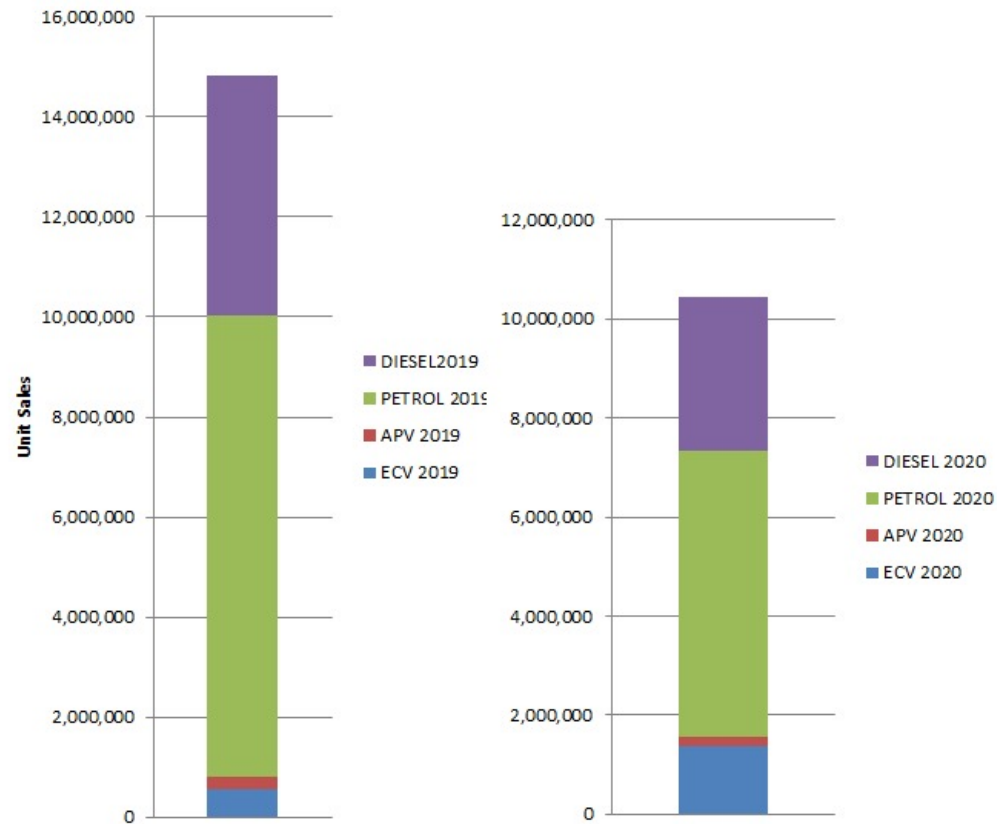
Automakers Across Europe Push Online Sales

	Europe Online Retail Service			
Retail Platform				
OEM				
				
				

Automakers across Europe offer Online Sales Services via:

- **OEM Online platforms**
 - Link to Dealership
 - Traditional Sales Model
 - Direct Sales to Buyer
 - Agency Sales Model
- **Dealership Online platforms**
 - Traditional Sales Model

Automakers Choose Electric Vehicles For Direct Sales Push



- • ECV (EV + PHEV) sales jump **+143%**
- • Petrol sales fall -37.6%
- • Diesel sales fall -35.2%
- • APV (NGV, LPG, etc) -18.2%

- EV sales expected to continue to surge, automakers use EVs to start shift to Agency direct sales model
- VW ID. 3 and all ID. cars – start Sept 2020
- Volvo – ‘All pure electric models online only’, March 2021, starts with C40 Recharge

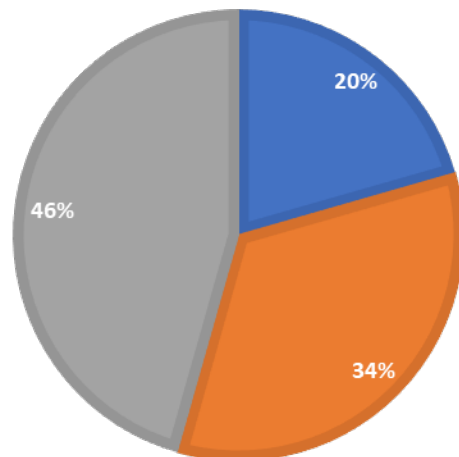
Click & Collect Vs. Home Delivery

Click & Collect

- OEMs inform FVL provider volume to be delivered to dealer
- Dealer informs buyer to collect car
 - Or dealer informs online system, which informs buyer to collect car from dealership

NEW CAR DELIVERY METHODS EUROPE -2020

■ Home Delivery ■ Click&Collect ■ Traditional Dealer



Estimated based on status of dealerships, lockdowns, online sales penetration and other factors for 2020.

Traditional Dealer

- OEMs continue with supply of vehicles using logistics providers as per 'normal'
- Dealerships continue to interact with buyers in markets where dealerships remained 'fully open' throughout 2020

Home Delivery

- OEMs inform FVL provider of buyer details
 - FVL provider organises delivery to 'hub'
 - FVL provider organises final delivery to buyer
- OEMs inform Dealer of buyer details
 - FVL provider organises delivery to dealer
 - Dealer organises final delivery to buyer

Vehicle Logistics Players Launch 'Hub' Services With Potential to Deliver Direct to Consumers

Gefco launches Moveecar



Source: Gefco

China: Moveecar delivers cars direct from OEM to end users

- Polestar
- Gefco to work with OEM to develop short term finished vehicle compound management (hub)



Europe: Moveecar delivers cars direct from OEM to end users

- Ford
- Gefco began delivering direct to end customers from May 2020 (due to lockdowns and closed dealerships)
- Vehicles moved to both dealers and end customers from distribution centres in France and Belgium.



Supply Chain Visibility Crucial In Uncertain Times

KEY: Enhance Data for Better Visibility Across Supply Chain

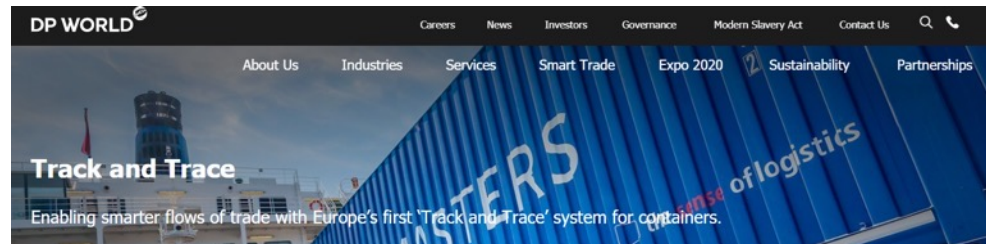
- **End-to-End Visibility:** having data across the supply chain in real time is essential to respond to disruptions
- **Digital Twin Model:** allows automakers / logistics companies to create a digital copy to prepare for risk, avert situations

- Logistics Companies

Example: **'Where's My Container?'** by DP World, 2020



Example: **'Track and Trace'**- Fr8manager by DP World, 2021

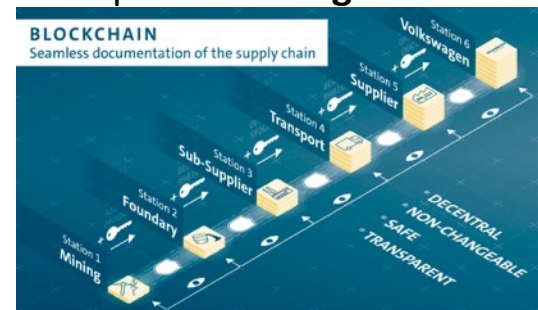


- Automakers

Example: **BMW** teams with Amazon Web Services (AWS), 2020



Example: **Volkswagen** teams with Minespider, 2019



Conclusions

- 1. Covid-19 accelerates shift to Online Car Sales
- 2. Proportion of European Online Car Sales of total retail sales surges in 2020 to over 53% of sales
- 3. Automakers & Dealers find new ways to ‘Stay Open Online’ despite physically closed dealerships
- 4. Finished Vehicle Logistics providers adapting to this new normal with distribution centre services and even home delivery in some cases
- 5. Automakers pushing Direct Sales to Buyers, piloting the ‘Agency Model’, resulting in a new role for dealerships
- By 2030, around 65% of sales expected to be via online channels, including a higher percentage OEM direct and through ‘agency model’

Appendix: Online Sales Accelerated by Covid 19

OEM Case Studies

BMW

Valtech introduces BMW's Digital Sales Advisor, a 'matchmaking service'

- To help customers find BMW stock cars
- To find car customer needs, wants, and receive keys 'same day'
- To configure car online, order car online, choose closest dealership
- 2018 Valtech Sweden becomes BMW Northern Europe's digital partner

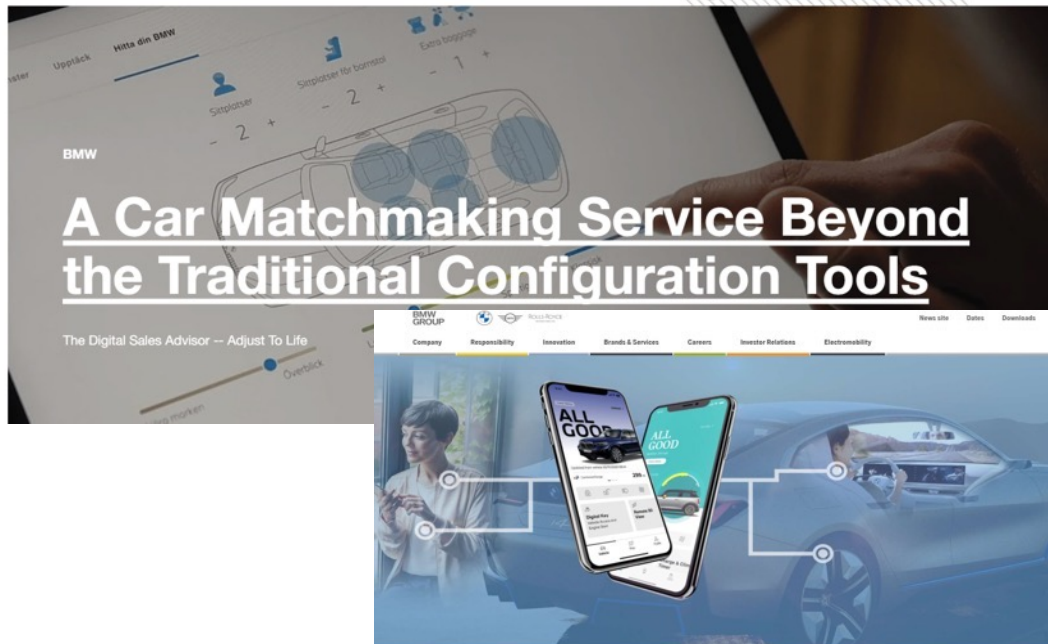
*'It all began with us wanting to have the **power of choice** when it comes to online sales.'* Cristian Porseby, head of Digital, BMW Northern Europe

*Covid 19 accelerated BMW Group's push to digitalisation of its sales and marketing—as **customers desired 'contact free' services**. Sales representatives in 60 markets can now sell vehicles to customers from any location, Pieter Nota, BMW Board Member, Customer, Brands, Sales, January 2021*

- **BMW i4, iX** will use new online sales concept
 - Buyers can configure, buy, organise delivery all from single point online
 - "THE MARCOM ENGINE" enables foundation for a personalised and targeted customer approach at BMW and MINI in the future.
 - Pilot in South Africa successful where BMW responsible directly for sale, including taking new car order, generating invoice, and receiving payment
 - **2021 BMW buyers in Europe to be able to buy a BMW electric model online under the new sales & marketing strategy**

valtech.

Case



Toyota

Valtech _ Toyota aims for a 'direct to consumer route for auto sales'

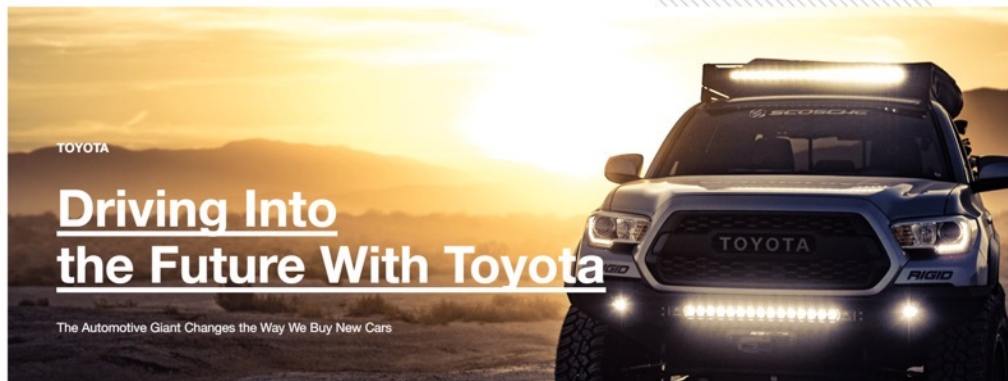
- New service does not aim to remove dealer, but to 'change its role' to that of a long-term customer relationship
- New service combines Mobility & Financial Services



The point of this new service offering is not to remove the dealership altogether, but to change its role, from being sales-led to **focused on the long-term customer relationship.**

valtech.
valtech.

Case



'The COVID-19 pandemic has further proven that **online capabilities** are critical to success in most industries, automotive included. While technology is a great enabler, it must be complemented by both business and marketing activation to truly succeed.'

Martin Müßener, Vice President Sales & Marketing, TOYOTA Financial Services Europe & Africa Region

Key Dates	Moving Online
2018	Toyota trials Agency Model in Australia
2019/20	Valtech & Toyota work on new sales structure for Europe
2020	Announces KINTO Europe
April 2021	KINTO launches

KINTO explained

- 1) Offers car subscription service, car sharing, car pooling basically a mobility solution
- 2) Existing retailers transform to 'Mobility Service Providers'
- 3) KINTO One –all inclusive 'leasing service' offered in 7 European markets, more to follow in 2021
- 4) KINTO Flex –subscription service for 'short term' use of Toyota and Lexus models
- 5) Kinto Join, Kinto Go, Kinto Share –other services offered

Volvo

CARE BY VOLVO

The flexible car subscription from Volvo

Stay safe, subscribe to your car online. Home delivery included.

Get 12 months' free car insurance if you subscribe between 22 Feb–8 Mar 2021. T&Cs apply.

[BROWSE CARS](#)



Subscribe online

Ready to deliver cars

Get a high-spec brand new car in 1 month (while stocks last).

Personalised cars

Design your new car and get it in 2-8 months with the option of adding a temporary car while you wait (ask the team for more details).

Volvo

- **Care by Volvo** – online car subscription division
 - also launched **‘Stay Home Store’** in 2020 due to lockdowns
 - Online Sales ‘doubled’ in 2020, currently 10% of Volvo total sales
 - 2021 target to ‘more than double’ 2020 sales volume.
 - Launched in Germany end 2018 –Trial Market before mass roll out in Europe
 - Of 2020 sales, 6.1% were via Care for Volvo (in Germany)
 - By 2025, target 50% of Volvo sales via Care for Volvo (in Germany, and globally)
 - 80% customers prefer to buy ‘stock’ car, with fast delivery times, rather than configure new car

*‘During 2020, Volvo Cars also saw an accelerated move towards **online sales** as a result of the pandemic, a development that the company expects to continue in 2021. In 2020, Volvo Cars more than doubled its number of subscriptions sold online versus 2019. Conquest rates via this channel continued to be high, supporting the increases in market share, ‘ statement from Volvo Cars, 4 Feb 2021*

*‘Volvo Cars is fundamentally modernising and upgrading the way its customers buy, lease, subscribe to and service their cars as it works towards its ambition to sell **50 per cent of its global volume online by 2025,**’ statement from Volvo Cars, 7 Sept. 2020 on acquisition of dealership in Stockholm*

Care by Volvo	Year Introduced	Care by Volvo - Explained	
United States	2017	1.	In house leasing package (not a PCP deal)
Germany	2018	2.	All ‘running costs’ except fuel included
Netherlands	2020	3.	Fixed monthly costs –cover road tax, servicing, breakdown, insurance (if included in package)
Norway	2020	4.	2-3 year lease contract, <u>without deposit</u>
Sweden	2020		
UK	2020 (withdrawn)		
Stay Home Store (introduced when lockdowns closed dealerships)		2020 –launched Germany, France, Italy, Spain, Netherlands, Belgium, UK	
Offered for 3 models, pre-set price		No down-payment needed	

Mercedes

*“A purely online channel is **not a replacement** for the relationship a customer and dealer can have. But in this day and age we have to have an option for those who want to do the whole transaction online, ” stated Horst von Sanden, managing director for Mercedes-Benz Australia.*

Agency Model Roll Out to boost Online Sales

- | | |
|---------------|--|
| 2018 | Sweden ‘Agency Model’ trial launched |
| 2018/
2019 | Australia, South Africa ‘Agency Model’ trial launched with EQC |
| 2020 | Germany ‘Online Sales’ launched |
| 2021 | Austria roll out of ‘Agency Model’ |
| 2021/
22 | Europe –expected roll out of Agency Model for EQ family of cars in Europe
Australia – full roll out on all cars |
| 2025 | Target 25% of global sales to be via Online Sales channel |

Mercedes Agency Model Outline

- 1) Launch with EQ family of EVs expected
- 2) Fixed price set by Mercedes
- 3) No haggling with dealer
- 4) Dealer becomes ‘Agent’, gets set commission, manages after sales, long term customer relationship.

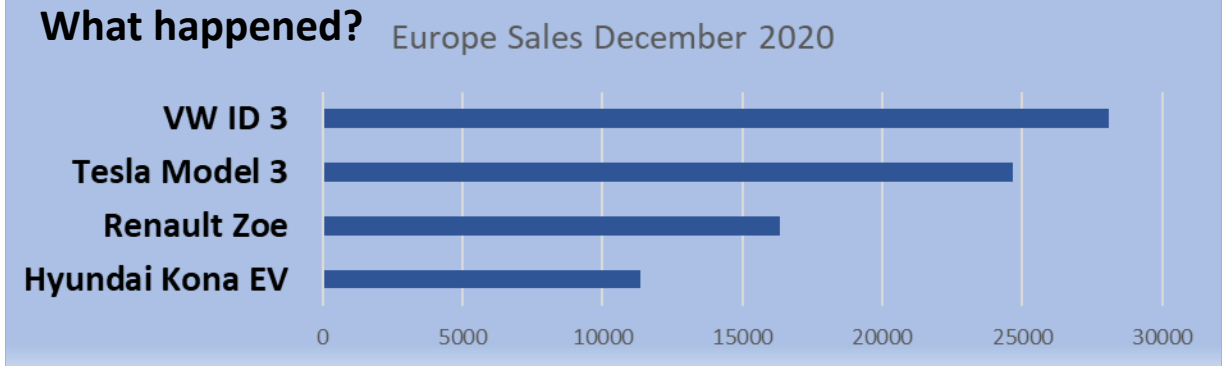
*In Germany alone, the volume of daily hits to Mercedes’ sales websites **surged 70% between April and June 2020**. Britta Seeger, head of sales at Mercedes states; “By 2025, 25% of our passenger car sales will be made via online channels.”*

Volkswagen



- All Volkswagen retail partners agree new sales model for ID. family
- Agency agreement signed by 100 percent of retail partners
- Customers can buy direct from Volkswagen, dealers remain involved
- Seamless switch between online/offline channels possible during buying process
- Sales model applies to vehicles from the all-electric ID. family
- Holger B. Santel, Head of Sales Germany: “Strong signal for the future”

“The dealer no longer has to finance vehicles in advance. We also bear inventory cost and the costs associated with showroom vehicles. We are offering dealers an extremely attractive leasing concept for demonstration vehicles,” Holger B. Santel, Head of Sales Germany



- VW sells 28,108 ID. 3 cars in December, and 56,937 units since launch in Sept 2020.
- ID.3 best selling EV in Europe in December
- Customer chooses model online, selects preferred local dealer
- Dealer then looks after acquisition, but price remains VW set price

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