icdp

Automotive distribution research, insight, implementation

Distribution Trends in Europe

Steve Young, Managing Director
ECG Conference, Vienna
October 14, 2022

ICDP supports its members from all sectors to navigate the uncertain route ahead

Source: ICDP

Five points to set the scene for today – not considering the general economic climate

Three technology trends will impact the distribution sector

Electrification

- Inevitable in Europe, but slow parc evolution
- Combination of NC, UC and aftersales impacts drives dealer profit to zero over time
- Rolling technology change will create risks in UC and sales challenges

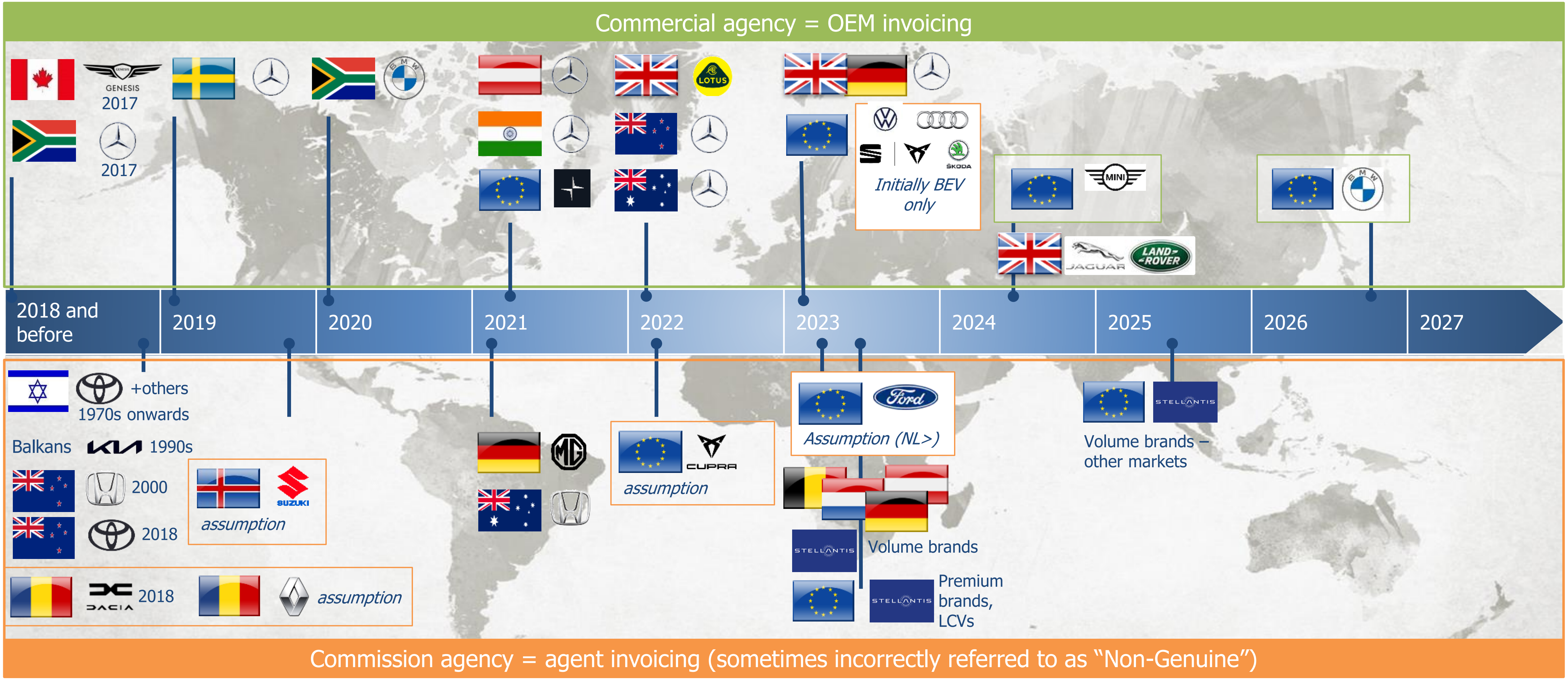
Connectivity

- Rapidly growing parc of connected cars, and high ambitions of OEMs to create new profit streams
- Jury is still out in terms of whether reality will match consultants' hype
- Third parties will gain access in some form

Simplification

- BEVs are inherently simpler products than IC, and reliability seems to be high
- Maintenance and crash repair is trending towards swapping modules
- Requirement for 'craft' skills reducing other than limited number of jobs

Agency is emerging as the favoured route to address the challenges facing distribution

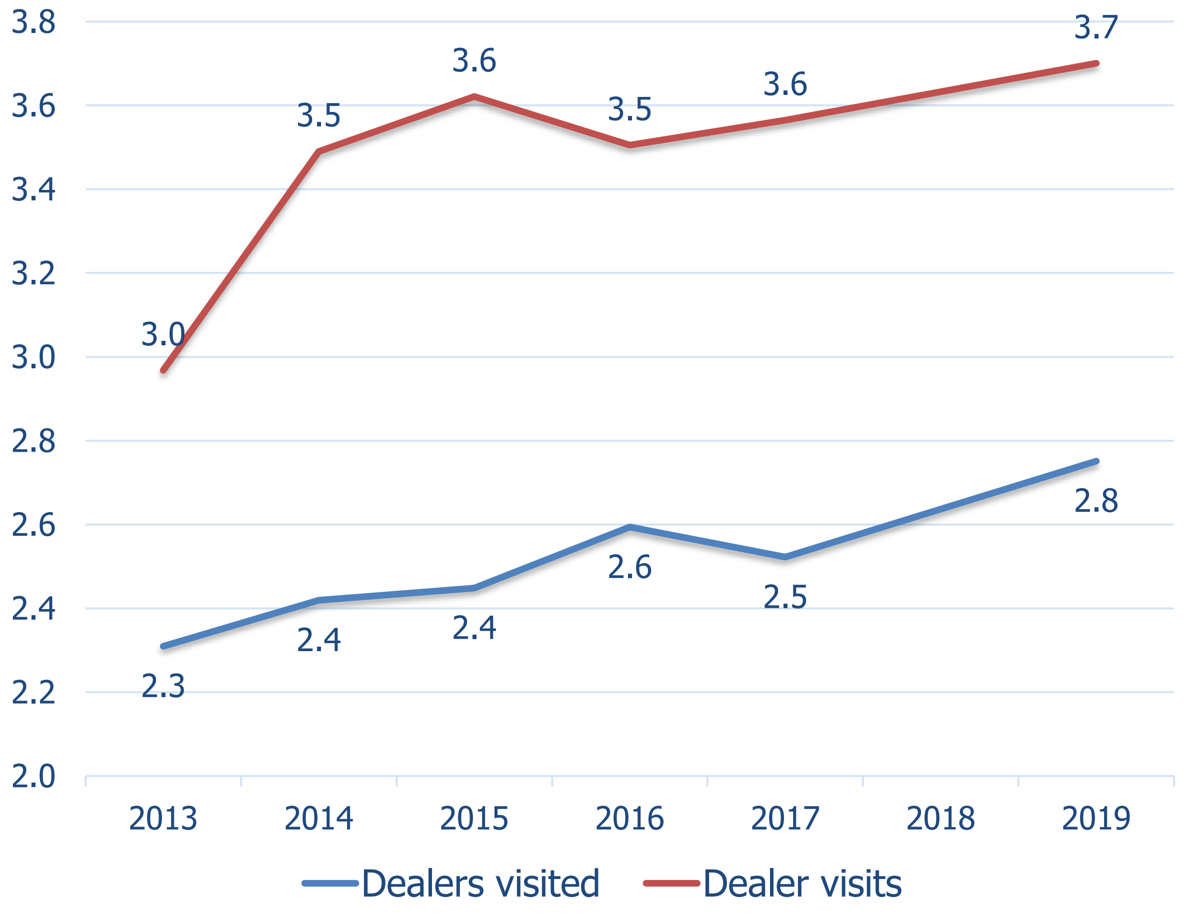


Source: ICDP based on public announcements or media coverage only, status at July 2022, includes some assumptions

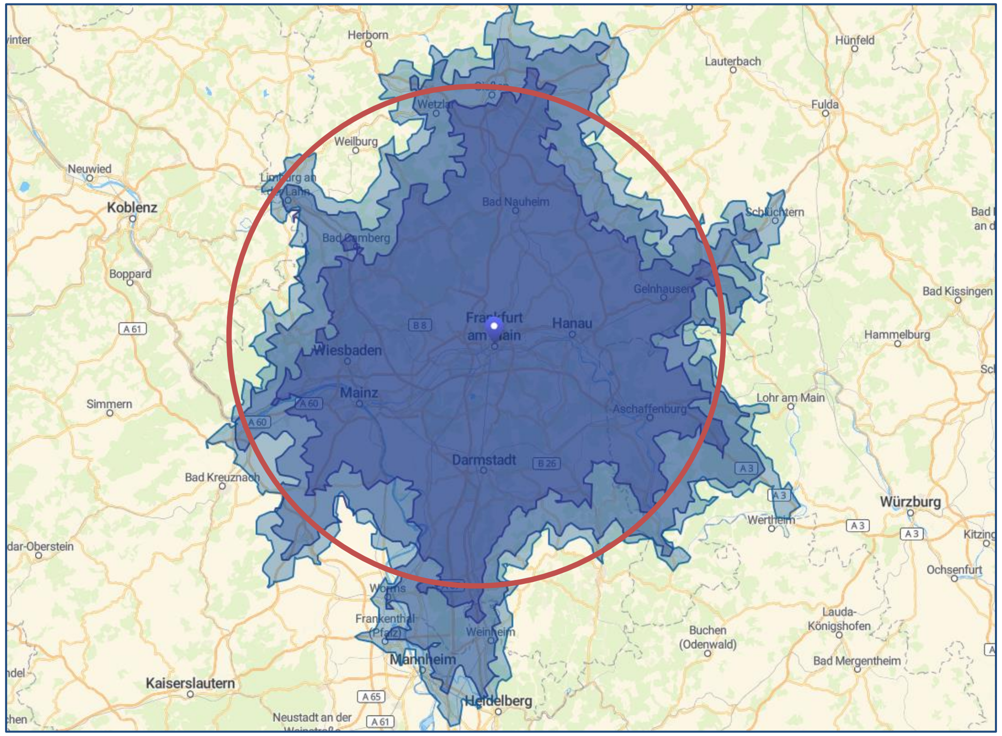
Despite the rapid take-up, planning for agency is generally poor, and experience nil

Dealers will remain at the core of physical networks, but buyer needs are changing

New car buyer dealer visits and dealers visited (DE/F/I/UK)



Maximum drive time in minutes to buy a new car (DE/F/I/UK)



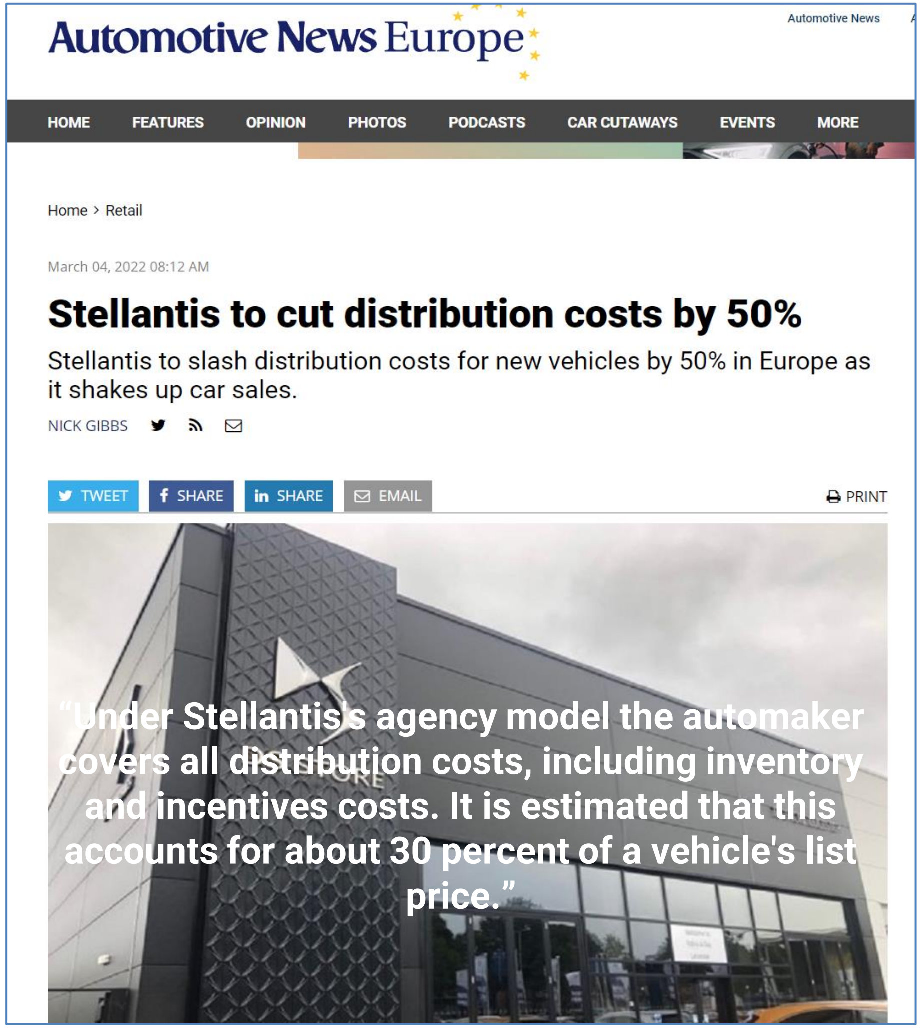
2014: 45 minutes

2019: 53 minutes =50km

2021: 57 minutes

Source: ICDP consumer survey, n = 4,873 (2021), OALLEY

This will drive network restructuring, but the cost impact will largely fall on dealers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March 04, 2022 08:12 AM

Stellantis to cut distribution costs by 50%

Stellantis to slash distribution costs for new vehicles by 50% in Europe as it shakes up car sales.

NICK GIBBS

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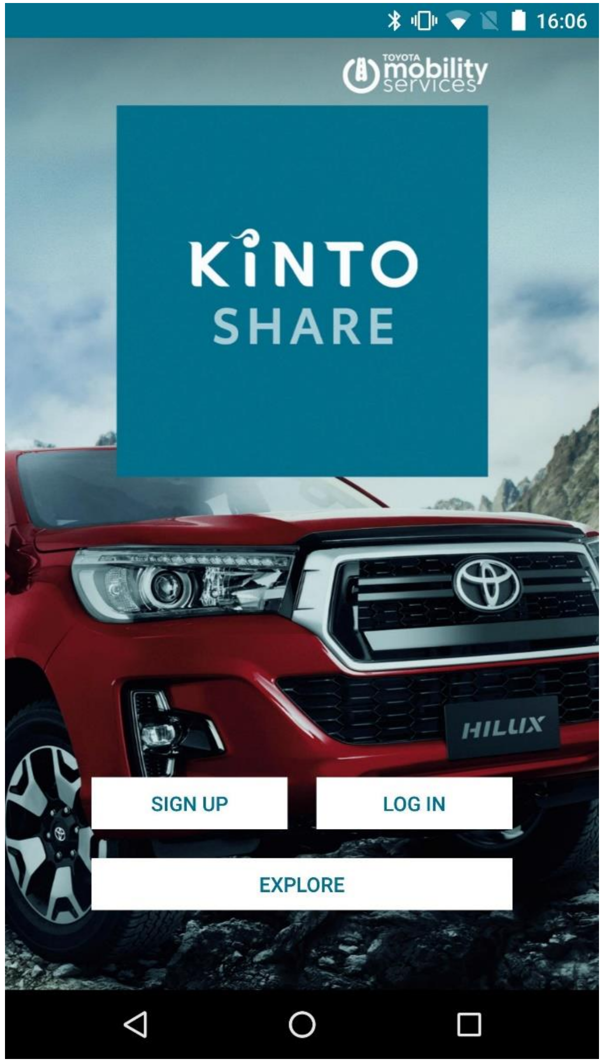
"Under Stellantis's agency model the automaker covers all distribution costs, including inventory and incentives costs. It is estimated that this accounts for about 30 percent of a vehicle's list price."

- Stellantis is almost alone in setting a plan for future network structure ahead of agency implementation
- Other OEMs are considering significant reductions in network size reflecting changing customer behaviour
- Smaller showrooms, lower CI requirements will also feature
- Few OEMs are making any provision to support dealers with the transition away from legacy investments
- In the meantime, dealers are consolidating fast, with more cross-border interest

Digitalisation in all forms and senses will become critical – this will affect supply chains

- Retail will equal omni-channel
- More products and services will be offered online, in some cases by-passing the dealer
- Telematics driven usage-based insurance will become part of the OEM digital offer
- Decision-making – by buyers, retailers and OEMs – will increasingly be data driven
- Turning data into insight will become a key skill and a competitive differentiator
- Decision support services will be handled in-house and be offered by third parties

‘Mobility’ is over-hyped but captive leasing will grow, extending the influence of OEMs



Some OEMs and a changing mix of start-ups remain committed to offering mobility in various forms as an alternative to ownership, but…

…consumers remain committed to access to a dedicated car that they call their own…

…which combined with affordability challenges for consumers and a push from OEMs will result in a growing penetration of captive leasing, potentially reaching into second and third usage cycles

European vehicle logistics players will be affected by many of these trends

- Growing electrification will affect physical handling of vehicles
- Centralisation of inventory will reduce lead times and load factors for compound to dealer movements
- Extended order pipeline visibility should improve data quality and ability to plan
- Network restructuring will reduce drop density, home delivery could increase it
- Extended OEM involvement in used cars may drive additional OEM volume (substituting dealers)
- OEMs will remain ‘deaf’ to requests for payments at a level that provides a viable model

Discussion, questions?

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