Digitalization is having a massive effect on all industries, and the automotive industry is no exception. Here, everything revolves around two questions: How can digital technologies help to make existing processes more efficient? What new business models can be implemented involving digitalization?

Accenture investigated these two central questions in a study in which the added value potential of digitalization was evaluated. In order to be able to scale the results to individual producers, a fictional automobile brand with an annual turnover of 50 billion euros and earnings before interest, taxes, depreciation and amortization (EBITDA) of five billion euros was used. For a company of this size, the additional profit potential up to the year 2020 amounts to roughly 1.8 billion euros, if it consistently makes use of digitalization opportunities across all areas.

The lion’s share of 1.5 billion euros is accounted for by digitalization along the existing value chain. This amount is made up in roughly equal parts of the additional profits gained through the digitalization of the customer experience and the digitalization of business processes. Thus 53 percent of the estimated profit potential arises from the use of digital technologies in marketing, sales and after sales, while 47 percent is due to increased efficiency in supply chain management or research and development.

The automotive brand can generate an additional 325 million euros in profits in the year 2020 through new business models, such as digital connected car services or new mobility services. Due to the increasing proliferation of digital technologies, the profit potential in these areas will also grow exponentially beyond 2020.

Digitalization in existing value chains
Digital technologies particularly increase the efficiency of existing processes, whether through better demand planning, an optimized customer approach or a much more accurate understanding of customer requirements. Specifically the evaluation of a large amount of data in real time – the buzzword here is Big Data Analytics – provides manufacturers with new insights and enables them to make better, evidence-based decisions in less time.

Particularly in the area of supply chain management, efficiency can be greatly increased with the help of Big Data. Here rather accurate predictions can be made as to when a specific component should be in stock in a warehouse or production plant. This applies not only for production logistics, but also to the expected demand for certain vehicle models or spare parts, which can then be better predicted. This leads to savings in procurement...
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Forward-thinking strategy and innovative technology. When the first is enabled by the second, your business is equipped with a competitive edge. Our unique approach helps you react quicker, scale easier and capitalize on rapidly emerging opportunities. With strategy enabled by technology, your business is positioned to adapt and grow — today and tomorrow. That’s high performance, delivered.

High performance. Delivered.
Dear readers,
I happen to be positively surprised again and again by how the automotive industry is constantly questioning the status quo. Innovation is part of the daily business and affects all aspects of the car, be it lightweight materials for the car body, alternative powertrains such as electric motors, or the increasing degree of automation of both driving and manufacturing. It seems as if there is only one constant: The car is driving on four wheels.

I am impressed with how OEMs are transferring new developments from other industries to their own product. I started working as a consultant in the automotive industry 35 years ago, when OEMs were only just beginning to experiment with electronic systems in vehicles. Today, cars rather seem to be computers on wheels. The software in an upper class vehicle consists of approximately 100 million lines of code, and electronics will soon account for approximately 100 million lines of code, or half of the total vehicle costs. Due to growing connectivity, cars are becoming ultimate mobile devices which accumulate approximately 50 gigabytes of data in a single ride from Berlin to Frankfurt.

This data is now at the center of attention within the automotive industry. The car manufacturers have understood that the future belongs to data driven business models, which are an important lever of future growth. By entering the digital age, the industry’s added value is subsequently moving from products to mobility services. This does not only require establishing new IT competencies, but car makers will also have to learn how to deal with new competitors. This includes telcos as well as providers for navigation, telematics and infotainment, among others, not to mention the large tech firms.

We will see new forms of cooperation, and the alliance between Audi, BMW and Daimler in buying Nokia Here is a remarkable case in point. It demonstrates how future models of working together could look like. At the same time, the pressure on car manufacturers is rising to shorten innovation cycles and adapt them to the fast pace of new competitors. Therefore, the connected car will once more be at the center of attention at IAA 2015. For good reason: This trend will not only change mobility itself but will affect the whole industry in a much wider sense. In this special edition, Accenture’s experts describe to what extent digitalization and new technologies will change the automotive industry within the next few years. We will show you that these fundamental changes also offer great potential for future growth. Let’s approach these challenges together!

Luca Mentuccia
Senior Managing Director, Global Automotive Lead, Accenture

How the automotive industry will benefit from digitalization

and logistics, as both areas become more efficient and can be more closely linked to production planning. In addition, supply chains will become even more transparent through digital technologies, meaning that potential risks can be detected earlier and manufacturers can take relevant countermeasures.

Another area in which digital technologies will be of great use to automobile manufacturers is marketing and sales. Here, the classic customer channels can be extended through social media as well as web and mobile platforms. With such an omni-channel approach, manufacturers can increase the number of user interactions and thus collect more customer information. The insights gained will again enable a much more targeted approach to customers, based on their individual preferences. The end result is a win-win situation: Customers get offers that are relevant to them, and manufacturers strengthen brand loyalty.

New business models with digital data

However, digitalization enables not only the optimization of existing processes, but also the generation of completely new business areas relating to mobility. Peer-to-peer carsharing or intermodal travel services are good examples of this. This is where automobile manufacturers provide digital platforms on which individuals can share their vehicles with other users or can plan and book journeys using various means of transport.

In addition, new business models building on connected vehicles are emerging, in which the vehicle data are commercially used by the car manufacturers or service providers from other industries. These include, for example, mobility-related payment services or usage-based car insurance.

The direction seems clear: In order to not fall behind the competition, the automotive industry must first invest in digital technologies for the optimization of existing processes in the value chain. At the same time it should already lay the foundations for new digital business models of the future, as the connected car will cause the automobile industry’s hitherto sources of revenue to shift significantly. It’s in the hands of the manufacturers to seize the opportunities of digitalization and secure future profits.

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About this special report
This special report is published by Accenture GmbH. Our address is Campus Kronberg 1, 61476 Kronberg im Taunus, Germany. Website: www.accenture.com/automotive, Twitter: @AccentureInd
Editors-in-Chief: Andreas Gissler and Axel Schmidt, Accenture
Editorial support: Redaktionsbüro Gerd Scholz
Layout: Hubert Lechner
Distribution: This special report is a supplement of Automobilwoche.
Printed by: ADV SCHODER, Augsburger Druck- und Verlagshaus GmbH, Aindlinger Straße 17–19, 86167 Augsburg
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Always at your service – the battle for the vehicle cockpit has begun

Value creation is shifting from product to service

The automotive industry is currently experiencing a paradigm shift: While today the sale of cars is the main focus, connected mobility services will create additional income pools in the future. The digital refinement of vehicle, location and user data is becoming a billion-dollar market. This brings new competitors into the game. The struggle for dominance in the vehicle cockpit has only just begun.

The connected car – and in the next stage the autonomous car – is one of the great future issues in the automotive industry. Today cars are already veritable computers on four wheels, which are generating about ten gigabytes of data per each driven hour. These vehicle data are currently hardly used, as their transmission out of the car would be very expensive. In addition, so far no business models are available for the commercial exploitation of this data. However, given the growing level of connectivity in vehicles and the digitalization in the automotive industry, that could change soon. Cars will then become communication centers on the road. They will not only gather information, but permanently share data with their environment or transmit them to central data platforms.

The growing connectivity in vehicles has the potential to change the present value chains in the automotive industry from the ground up. Given the amount of available data, some market observers are already referring to this as the “new oil of the automotive industry,” which could be the impetus for various new business models. Digital platforms are the decisive tool for processing the data from cars and making it commercially viable. At the end of this progression stand open ecosystems for connected mobility, where car users can access a variety of attractive offers and services.

New value creation, new competition

The vision of building such data platforms and the associated new revenue streams are currently capturing the imagination of automobile manufacturers. However, the euphoria could be premature. Wherever the handling of complex data is at the center of a business model, new competition from the technology industry poses a threat to the established players. Companies like Google know how to move quickly into new business areas and to establish digital services in a short space of time thanks to their market power and expertise in data analytics.

These companies have truly understood the basic rule of the game in platform economics: Providers who have access to user data and can combine them with a variety of other data are the ones who make the money in the end. The physical product is often only a means to an end, as not objects but users are connected with one another. The goal is to attract as many users to one’s own platform, sometimes even without actually having a sustainable business model. Ultimately, the platform with the highest distribution in the market will prevail, while competing offers disappear in the long run.

The automotive industry is fully aware of the competition from new challengers such as Apple and Google – both of which have an interest in the creation of added value in the connected vehicle through services like Carplay and Android. Mark Fields, CEO of Ford, certainly did not mince his words when he recently warned that the automotive industry could suffer the same fate as the mobile phone manufacturers did: A total dependence on the business models of others.

The battle for the customer interface

According to the motto “attack is the best form of defense”, the German automakers – as pioneers of the entire industry – have initiated a radical change process from vehicle manufacturer to mobility service provider. The automotive in-
industry is thus facing a real paradigm shift, as for the first time since the invention of the car we are experiencing a fundamental change in value creation away from the product to business models involving user and vehicle data.

A first step in this direction was the purchase of the map service Nokia Here by an alliance of Audi, BMW and Daimler in August 2015. Instead of establishing their own stand-alone solutions in the market as before, the manufacturers are now joining forces to create an open ecosystem for connected mobility in order to stand up to the big guns from Silicon Valley. The success of the automakers will depend on whether they internalize the logic of platform economics and are able to create an attractive open ecosystem for connected mobility on their own.

For such an ecosystem to be successfully established in the market, it is important to have a high prevalence, which is crucial for increasing its attractiveness to other users. Against this background, the joint purchase of Here by three German competitors makes perfect sense, as the desired network effects can only be achieved through cooperation.

In addition, the interface to the customer is extremely important in the construction of platforms for both the automakers as well as their new competitors. This is where vehicle manufacturers find themselves in an unfamiliar position, as the direct interaction with customers so far came mainly through dealers. The connected car gives manufacturers a direct interface to users for the first time, and this now has to be defended against the new competition.

Creating platforms with high prevalence

The acquisition of Here gave the German automotive industry immediate access to a platform on which it can set up a variety of individual and location-based services for users in the future. Highly accurate digital maps, such as those offered by Here, surely also provide an important basis for autonomous driving, but the real value lies in their platform character. Using the maps, context- and location-based services can be easily coupled to the interests of users, which eventually means matching providers and consumers.

Should the automakers succeed in building their own ecosystem, they are likely to secure a large chunk of the emerging market for data-based services in the area of networked mobility. However, it depends on whether the car companies can attract enough users to their joint digital offering.

By announcing that the map service will also be kept open for car manufacturers that were not involved in the acquisition of Here, the industry shows that it has heeded the most important rule for the market success of digital platforms: The higher the spread, the higher the usage, the more attractive it is for other consumers.

Using the appeal of the brand

The success of the automotive industry in the digital age, however, will be decided not only by the setup of networked mobility platforms. It will have more to do with thinking comprehensively about customer relationships and addressing the entire daily life of users. That means that the time a person spends outside of the car must also be taken into consideration. For this purpose, manufacturers must dare to venture into uncharted territory and to distance themselves even further from their existing core business.

The German premium manufacturers will especially profit from the appeal of their global brands. In the consumer electronics industry, Apple has shown that the combination of an open – albeit controlled – ecosystem like the AppStore with emotionalized luxury products promises particularly high profits. Automakers could enjoy similar success if they are able to transfer the existing appeal of their products to new services. The focus lies on the creation of brand environments that provide a unified brand experience from the car to digital services. If this step is crowned with success, the manufacturers will hold all the trump cards and be very difficult to beat in the future.

Axel Schmidt, Managing Director, EALA Automotive Lead, Accenture

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Platforms: Basis for a range of new connected car services

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Connected car: Between gold rush and pressure to innovate

Market volume of 500 billion euros expected by 2025

The constantly progressing connectivity of cars is enabling new business models in the area of individual mobility. A lucrative billion-euro market is developing, in which car manufacturers are meeting new competitors from the digital and technology sector. All players share the same goal: To develop profitable offerings for the connected car.

Driven by the EU-wide requirement for the automatic emergency call system, eCall, the degree of connectivity in vehicles on our roads is continuing to grow. By 2020 virtually all new cars will be connected, and even current cars can be inexpensively upgraded with retrofitted telematics units or by taking advantage of the connectivity of smartphones. So, the technical basis for the connected car is in place. The next step will be to develop specific services using connectivity and to exploit the obtained data for new business models.

To date, manufacturers focused mainly on the hardware, yet with the increasing degree of connectivity, software-based features in vehicles and the commercial use of the data generated from them are becoming increasingly important. This has far-reaching consequences for the automobile manufacturers’ business model, as the value creation will shift in the future toward new mobility-related services for connected cars.

It therefore makes little sense for automakers to continue focusing solely on the installation and the sale of hardware, while non-industry competitors will benefit from the lucrative business with services and data. After all, manufacturers are in an excellent starting position when it comes to connectivity services, as they have direct access to the vehicle and its systems. This strategic position should now be used to establish new business models for the connected car.

New value creation: Connectivity as a sales driver

The market potential is quite considerable: Accenture expects a total market volume of 100 billion euros for the connected car in 2020 and 500 billion euros only five years later. Several thousand euros could additionally be generated over a car’s lifetime thanks to connected services and additional savings.

In order to exploit this potential in the future, manufacturers need to create incentives for their customers to install and enable connected hardware solutions in their own vehicle. So far, the high prices of permanently installed head units, in conjunction with navigation solutions, are more of a deterrent. That is why many consumers opt for a smartphone as a convenient solution for accessing connected services in the car. Thus, the data for commercial utilization by the manufacturer are lost.

It is therefore in the interest of car manufacturers to facilitate the entry into connected driving and the use of integrated connectivity services. This is where a reorientation is necessary: Rather than earning mainly on the sale of connected hardware, the future will be more about generating profits over the entire lifetime of a vehicle through new services and data-driven solutions.

Connected services: Nothing is impossible

While manufacturers are focused mainly on exploiting new business areas when it comes to the connected car, the access to digital data will also change their interaction with customers. Due to the interconne-
tivity, manufacturers will gain valuable insights into the actual use of the vehicle and can thus address owners individually with personalized offers in the future.

Sales and brand loyalty of customers can thus be increased, particularly in aftersales. If the vehicle has a technical problem, the repair shop can be automatically informed by fault diagnosis. The shop can thus address customers directly and prevent them from going to another provider. In addition, the quality of service will increase, as important maintenance appointments could be automatically scheduled via push messages in the future.

At the same time, connectivity solves another problem that automakers used to have when an ownership change takes place. While first-time car buyers have a direct line to the manufacturer via the dealership, such a direct customer connection is more or less disrupted when the car is sold to someone else. The connectivity now enables customer communication over the entire lifetime of the car, no matter how often the vehicle changes hands.

On the other hand, the data from the connected car provide valuable information for the development of future vehicle generations. But already today, the data are useful for quality management in the ongoing production, as problems are detected much faster than previously and can be solved with less effort. In future, manufacturers will be able to update the car software over the air without the driver having to visit the mechanic’s any more.

The marketing of vehicle data or anonymized user data to third parties is another attractive business model. For example, automobile manufacturers will be able to offer individual telematics tariffs together with insurance (initial collaborations already exist) and thus generate new revenue streams.

The same applies to partnerships with retailers and gastronomy: Whoever has the local vehicle specifications can profit from collaboration where users receive offers from supermarkets or restaurants inside the car. Taking that a step further, the collaboration with payment services is also conceivable; customers will be able to pay for a pizza at the drive-in counter directly via the car’s infrastructure.

Connectivity also requires openness for third-party providers

Manufacturers cannot completely block out competitors from outside the industry when it comes to the connected car. Particularly regarding infotainment features, open systems are required that enable the integration of services that are typically operated on users’ smartphones. This necessitates open interfaces to the two most common platforms Android and iOS.

Yet, it is not in the interest of car manufacturers to design the systems in such an open way as to enable competitors to get direct access to vehicle and user data for the provision of connected services. But this is an issue manufacturers will increasingly have to deal with, as Apple and Google are both trying to secure a share of the connected driving market with their Apple Carplay and Google Android Auto solutions.

Innovation cycles are getting shorter

Another challenge lies in significantly accelerating current innovation cycles. When setting up new data-based services, the engineer-driven approach of the automobile industry is rather a disadvantage. This is where the digital economy is substantially more agile. The development of new functions can be improved particularly through the modularity of the connectivity hardware. In addition, it is much easier and more cost-effective to install regular software updates and new features via the Internet connection of the connected vehicle.

Another – not yet adequately addressed – challenge is data security, i.e., the protection of connected systems in cars against unauthorized access. This also requires professional data protection so that sensitive information is not disclosed to third parties. If manufacturers are not able to convince customers of the security of their systems, the fear of vehicle hacking or misuse of data will become a showstopper for connected driving altogether.

In the internet age, the success of automakers will depend on whether they are able to reinvent themselves in light of their strengths, to perfectly integrate connectivity and digital content in the vehicle, and to intelligently cooperate with new partners in the process. The vehicle will remain an emotional product for the customer, which manufacturers can now enhance with new features. If they manage to do so, they will remain in the driver’s seat of the connected car too.

Andreas Cissler, Managing Director, Strategy Automotive, Accenture
Gabriel Seiberth, Managing Director, Digital Automotive, Accenture
People who buy a car today generally do so in exactly the same way as their parents and grandparents used to: First visit a car dealer, then go for a test drive, finally sort out the financing and sign the purchasing contract. But this model is now coming under pressure, not least due to digitalization.

The auto trade is currently facing a double dilemma: While the price war on the market for new cars and the associated discounts threaten margins, dealers are less and less able to actually meet the rising expectations of young customers in particular. The standards in terms of shopping experience have long been set by others, such as manufacturers of consumer electronics or branded articles. Omni-channel concepts have successfully overcome the dividing lines between online and offline, thus creating intertwined offers.

Consumers – particularly the younger target group – also expect such a shopping experience when purchasing a car. So far, there is no seamless transition between the different stages in the buying process – from the first click on the manufacturer's website to going for a test drive with the dealer. This is mainly because the car dealerships operate independently from the manufacturers. Many car brands are therefore working very hard on innovating their sales model. In the process, they are particularly banking on improved online offers in order to control a larger part of the purchasing process and to make it more consistent.

Informed online, purchased offline
For many customers, the online portals of the car brands are the first step on the way to a new car. That is where they find out more about new models, configure their desired car and check financing options. However, the final step still takes place in the offline world: In order to complete the purchase, customers have to go to a car dealership and sign a contract there. This break in the sales chain would be far less problematic if the sales process were configured seamlessly across all online and offline channels.

But that is by no means the case today: Dealers and manufacturers hardly share any information or customer data – the system is extremely fragmented. The obvious solution would be the integration of all sales channels. This inevitably leads to the question of whether car dealers are actually still required as middlemen. These considerations are far more than a mere theoretical idea: Companies like Tesla or BMW, with its i-series, are already showing us today how the use of direct channels could revolutionize vehicle sales. The cars are available through the Internet or a network of agents, and the test drive and the delivery of the vehicle to the owner is taken care of by the agents as well.

Manufacturers want to save on costs and use customer data
The aim of these efforts is to reduce manufacturers' dependence on dealers. On the one hand this save on costs because the maintenance of a widespread distribution network is expensive. This reduces the proceeds of each vehicle sold by up to 30 percent due to the high sales-related costs. In direct sales, this proportion could be much lower if, for example, commission payments or spending on sales support measures for the dealers were reduced.

With their direct sales plans, manufacturers are also aiming for the customer data, which so far is kept by the dealerships. Demo-

When the new car is only a click away
Automakers are experimenting with direct sales to increase customer loyalty and margins
graphic data, references to specific preferences or the purchasing behavior over an extended period of time are extremely important for a personalized approach to customers and to bind car users to the brand.

Furthermore, the brand experience when buying a car can be configured in a more uniform way if more channels are controlled by the manufacturers themselves. Particularly for premium manufacturers, it is rather difficult to create a consistent brand world with the current dealer network. That is why they are not only implementing innovative marketing approaches on the Internet, but also using flag-ship and pop-up stores in the inner cities to address affluent target groups in their preferred locations.

Creating a triple-win situation
New distribution channels – especially the Internet – are often seen with skepticism. Especially when dealing with consulting-intensive products such as cars, it is not possible to sell the product only via online channels, many doubters argue. However, consumers seem to be more open to new sales channels than is commonly assumed. A study by Accenture shows that 19 percent of customers in Europe would be prepared to buy their next car online without hesitation. Another 44 percent would at least consider an online purchase as one of several options. The market potential is also seen by experts, who assume that in 2020 a global total of 4.5 million vehicles could be sold online. That would nevertheless be four percent of all new cars.

Without a doubt, the existing sales structures are changing. But how far-reaching the innovations will be, depends not only on the will of the producers, but also on whether they are able to solve a number of practical problems. For example, fierce resistance can be expected from the dealer network if a car brand begins to initiate direct sales and thus threatens the margins of the car dealerships. But conflicts with the dealers are not in the interest of manufacturers, as they remain important for certain stages of the buying process, such as the test drive. After all, according to an Accenture survey, 56 percent of all consumers will want to extensively test a car on the road before buying it in the future too.

Furthermore, many customers also appreciate the personal service at a dealership – according to the survey, 37 percent of worldwide respondents said they considered the consultation by the dealer to be very important. This is a particular challenge for manufacturers in the development of online channels, as the on-site experience at the dealership cannot be reproduced in the digital world.

So far no model has emerged in practice in which all parties involved – customer, dealer and manufacturer – will benefit from omni-channel sales. However, such a triple-win situation is the prerequisite so that new models for purchasing cars can assert themselves in the market. The main sticking point is the integration of the dealers. In order to resolve the conflict of interest in direct sales in particular, manufacturers should adjust the compensation models or create a basis for new revenue streams in the dealerships. A promising approach would be service fees, which the manufacturer pays the dealers if these go on test drives with Internet customers, offer personal consultation or hand over vehicles purchased online to the customer. This would result in a much greater differentiation of the individual dealerships and their offering. Whereas some dealers will focus on presenting cars and providing advice in the show room as well as offering test drives, others will specialize in delivering the vehicles to customers or providing after-sales services.

Another hurdle on the way to customer-friendly distribution structures is the heterogeneous IT landscape, which prevents a smooth data exchange between retailers and manufacturers. If the automotive industry is serious about omni-channel sales, a centralization of IT systems is urgently required. While this is associated with immense effort and high costs, the future savings in direct sales justify the investment in the long term.

Manufacturers have to approach dealers
A key reason why dealers will continue to be of importance in the future, however, is often neglected: The financial risks of direct sales. The selling-on of vehicles to dealers has the advantage that the cars no longer stand in the books of the manufacturers and therefore tie up capital. In the case of direct sales, the cars would be attributed to the manufacturer until they are sold to the end customer. This not only reduces liquidity. Should consumer demand decrease in a recession, manufacturers would have to write off a portion of the value of unsold cars.

Even if many manufacturers are today experimenting with direct sales – especially via online channels – the existing three-tier sales model will continue to exist. What is actually more important is to adapt it to the changing needs of customers in the digital age and to involve the dealer network more closely. Thus, a hybrid model between online sales and on-site sales will probably prevail in the near future. This will bring together the strengths of both sales channels and provide an integrated shopping experience. In such a system, however, the roles of manufacturers and dealers will shift fundamentally.

Christina Raab, Managing Director, Automotive Digital Customer, Accenture
The aftersales business is one of the most profitable areas for automobile manufacturers. With margins of up to 50 percent, it generates about three-quarters of their total profits with repair shop services, original spare parts, oil and operating liquids. As a comparison: When selling a car, the margin is often less than two percent. Whether the aftersales business remains the cash cow of vehicle manufacturers in the future too, depends on whether they can defend their market share against independent competitors and respond to changing customer needs.

In any case, the aftermarket will continue to grow: On the one hand the number of vehicles on the roads is increasing worldwide, especially in emerging markets. On the other hand, the vehicle fleet is getting older in established markets in particular. For example, the average age of a car registered in Germany is now nine years, while in 2000 the average age of the vehicle fleet was only seven years. As a consequence, according to Accenture, the aftersales business will grow in Europe by 4.3 percent in the next 10 years, by a full 17.6 percent in North America and by a whopping 45 percent in the BRIC countries.

New customer services
The high margins and great growth potential in the aftersales business have attracted many new competitors in recent years, which putting carmakers under pressure in their most lucrative business. These independent providers of spare parts and classic auto repair services, often also referred to as independent aftermarket (IAM), already have a market share of 42 percent in Germany. And this by no means concerns only small mechanics around the corner anymore, but highly professional companies that are expanding quickly with chain or franchise concepts. They secure market share with competitive pricing, but also understand how to respond to changing customer needs.

A key driver here is digitalization, which leads to growing customer expectations when interacting with repair shops. These now have to respond to changing habits with innovative services and customer communication via digital channels, which include uncomplicated online appointments or regular updates by app about the repair progress of a car. Furthermore, the personalized customer approach via digital channels, based on how they actually use their cars, will become increasingly important. When it comes to such digital services, the independent providers have mainly set the benchmark in aftersales.

Furthermore, digitalization enables a highly personalized range of products. Today’s customers are no longer satisfied with “ready-made” offers, but are looking for custom-made services, which are exactly adapted to their individual preferences. For authorized repair shops that provide such offers, this is a great opportunity to stand out in a market dominated by a tough price war.

Independent providers put pressure on margins
The price nevertheless remains an important criterion for many customers in the aftermarket. The growth of independent service providers is due in particular to aggressive prices and attractive offers for standard services such as tire changes. In the minds of customers they are perceived as price breakers, even if authorized repair shops are often no more expensive. However, the authorized shops have not succeeded in achieving a similarly high price transparency as the independent providers. Many customers today search the Internet for the best deal at the lowest price, which is why transparency is an important criterion when it comes to the choice of provider. This is where independent repair shops can score with their fixed-price offers.

In the so-called vehicle segments II and III – older cars that are no longer covered by warranty – the independent providers have prevailed in the market thanks to low prices. The owners of such vehicles usually have lower quality demands than owners of new cars, and focus particularly on price...
when it comes to spare parts and repair shop services. The automakers have only a very small proportion of the aftermarket in these two segments. However, given the increasing age of the vehicle fleet, the aftersales business will grow especially strongly in the segments II and III. That is why it makes sense for manufacturers to focus even more on this area in future. For example, they could introduce a new spare parts line specifically targeting price-conscious drivers of older cars.

**Tailored offers and focus on fleet market**

A way out of the price spiral with the independent providers is to provide offers that focus strongly on customer requirements and promise a genuine added value. For manufacturers this especially means using tailor-made products to attract those car users who find a high level of service to be more important than a low price. Manufacturers are already holding the decisive trump card in their hands: Access to customer data, which is collected during sales of new and used cars as well as in aftersales. Based on this information, a customer’s or customer group’s needs for specific products and services can be analyzed and predicted.

With the connected car becoming a reality, the importance of data is also increasing in aftersales and will change the sale of spare parts as well as marketing. Big Data Analytics are of high importance here, making it possible to address car users only with offers that are actually relevant to them – at exactly the right time. Although both manufacturers and authorized repair shops already have access to a large pool of client and vehicle data even today, it is hardly used for commercial purposes. This is now changing as data-driven offerings such as remote diagnostics and maintenance over-the-air will firmly establish themselves. Thus a visit to the repair shop will only be necessary if a part really does have to be replaced. This allows for more efficient handling of orders and saves customers a great deal of time. The OnBoard unit can then directly suggest a date for an appointment at the repair shop. Connectivity is also a great opportunity for manufacturers to keep customers in their ecosystem for aftersales too, as independent providers have no access to the vehicle data.

Not only connectivity and digitalization, but the ongoing trend of car sharing in major cities and the growing fleet market are also changing the aftermarket. While the proportion of end customers is sinking, the business with fleet customers is gaining importance in the aftermarket. Major fleet operators currently use mainly managed repair shops, but with targeted offers for fleet operators, automobile manufacturers could also have a good chance of profiting from the aftersales business in the fleet market.

**The cards are dealt again**

In the face of the price war in the industry, automakers will only have a chance if they introduce not only new offers but also more efficient processes in aftersales. The strong pressure to consolidate will cause manufacturers to increasingly fall back on large repair shops and industrialized processes. This allows them to save costs, operate more efficiently and reduce overcapacities. So-called service factories will emerge in metropolitan areas in which highly repetitive processes are carried out. Furthermore, customers will no longer have to bring their car to the repair shop in future. Instead, they will be able to have it picked up at any time and from a place that is convenient to them.

How the balance of power will evolve in the aftermarket in the coming years and whether independent providers will continue to expand their market share is currently anybody’s guess. Customer needs are changing, new technologies are finding their way into automobiles, and the importance of fleet vehicles is increasing – the cards in the battle for customers will thus be realigned between the automakers and independent providers. Manufacturers need to understand that they will only be able to defend their cash cow in a market that is characterized by increasing competition the earlier they start to address new customer needs.

**Oliver Kiene, Managing Director, Strategy Automotive, Accenture**
To transform your business, you need a partner. One who brings you new and innovative ideas every day. One with deep industry knowledge, meaningful insights and the broadest range of capabilities. And one who works shoulder to shoulder with you to help you reach the next level of performance. That’s a partner called Accenture Consulting. And that’s high performance, delivered.