

TOP 12 DISRUPTIVE TRENDS IN THE LIGHT VEHICLE AFTERMARKET

Supply Chain Disruption from COVID is Expected to Extend to 2023



The global shortage of containers is the major “engine” driving up the price of parts

Supply chain disruptions have caused different levels of impact on parts distributors and retailers. The level of impact depends on country of origin and stock planning.

The lead time is expected to slowly recover to the pre-COVID level in late-2023; however, the freight index is estimated to stay at about \$3,000, even when the global supply chain recovers to a balance of supply and demand.

OEMs are diversifying sourcing to lower risks of supply chain breakage.

Digitalization of Parts Retail



Online to Offline Integration - Order online and get parts delivered at the workshop

E-commerce and digital players will disrupt the traditional parts-distributor business, and workshops will witness the proliferation of specialized players

UAE and Kuwait are pioneers in online parts retailing. In Kuwait, direct selling e-commerce platforms are more popular

In 2021, a Saudi-based start-up focused on building an online parts buy-and-sell platform raised \$1.8 million in funds, setting the tone for the roll out of the digital retailing era in the auto parts segment in KSA

Growing Competitive Aftermarket



New workshops are on the rise – Fleet companies, Rental companies are entering workshop business. Country specific players are expanding their presence in other GCC countries (as well as to Egypt)

Car service platforms are gaining prominence – focus on customer satisfaction, service quality and on-time solutions

Women-focused Car Service in Saudi Arabia



According to the International Trade Administration (ITA), female drivers are estimated to drive new car sales by 9% annually until 2025 in Saudi Arabia. It is important for car dealers to rethink their customer journey to create a sense of safety and comfort for female customers.

From car sales to service, the customer experience for female customers is considered to be a vital point for new car sales in the next 3-5 years, given the fast-growing number of female drivers in Saudi Arabia.

Some sizable dealers have not yet built a dedicated female lounge with their 3S/2S facilities.

Source: Frost & Sullivan

TOP 12 DISRUPTIVE TRENDS IN THE LIGHT VEHICLE AFTERMARKET, CONT'D...

Electrification and Downstream Opportunities



Although the VIO of EV in the GCC is expected to surge from 2023, the demand for petrol car services is not expected to see significant influence until 2030.

EV startups striving to demonstrate serviceability readiness will offer existing IAM service providers new opportunities.

The service industry is not yet ready, however many players are developing EV workshops (in pipeline). New entrants (OEMs) are also trying to appoint 3rd party service operators to provide such services

Data & Customer-centric Service



It is least explored segment in the region, immense opportunity to leverage data to learn customer behaviors and gain and retain customers

One of the top battery retailers in the GCC collected data regarding the waiting time for a customer to change car batteries, which they used to redesign the customer journey and managed to cut the waiting time by 40%.

Several automotive data companies in the region (such as AlgoDriven) provide real-time data for automotive companies to understand current customer needs.

The power of customer reviews, twitter penetration, etc.. needs to be realized by dealerships

AM Parts to See Higher Demand



Customers are more sensitive to price during an economic recovery. IAM parts are the value alternatives.

Branded parts price have become more competitive in comparison with genuine parts, in addition, strong players in the region are discussing to introduce quality **private label** brands at very competitive price (3 companies already advanced in this direction)

Circular Economy

Used and remanufactured replacement parts offering higher value for price

Auto Parts Manufacturing in Saudi Arabia



As part of the national vision of GCC countries to diversify the economies and reduce the dependence on oil, auto parts manufacturing could help enlarge the business portfolio, and also contribute to grow the car manufacturing ecosystem in the region.

At present MISA and NIDP is already conducting various feasibility studies to see what parts categories can be localized in the region. Similar approach is adopted by Oman.

TOP 12 DISRUPTIVE TRENDS IN THE LIGHT VEHICLE AFTERMARKET, CONT'D...

Online Aggregators

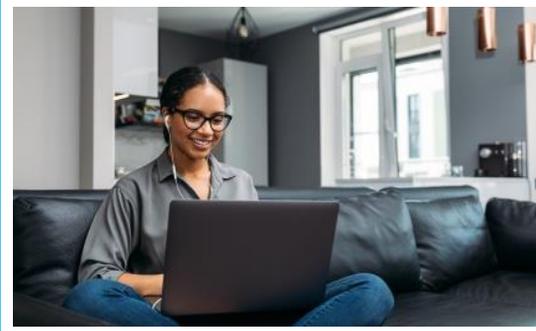


Online aggregators offer service transparency and convenience that help customers make more cost-effective decisions.

Contactless Servicing and Payments

Contactless Servicing and Payments

Door-to-Door Service



Service providers increasingly adopt door-to-door and sanitation services to improve safety in the service journey.

Evolution of Incumbents

The goalposts for target customers are shifting due to changing car ownership models and the involvement of intermediaries in the value chain.

Growing Market for Used Cars



The periodic peak in demand for used cars in the region is an emerging opportunity for service providers.

Workshop in Focus for Future Readiness

Growing EV penetration and advanced driver assistance system (ADAS)-equipped vehicles will influence investments in IAM workshop preparedness for the future.

Shared Cars on the Rise



The growing car-sharing fleets in the region provide opportunities for service providers.

Sanitization Services

Vehicle sanitization services targeted at personal, shared and commercial fleet vehicles (e.g. GetSpiffy, Shell)

In-vehicle Sanitization Solution

Air sterilization solution, UV-based devices, Cabin Air Filters (e.g. Valeo, Hyundai)