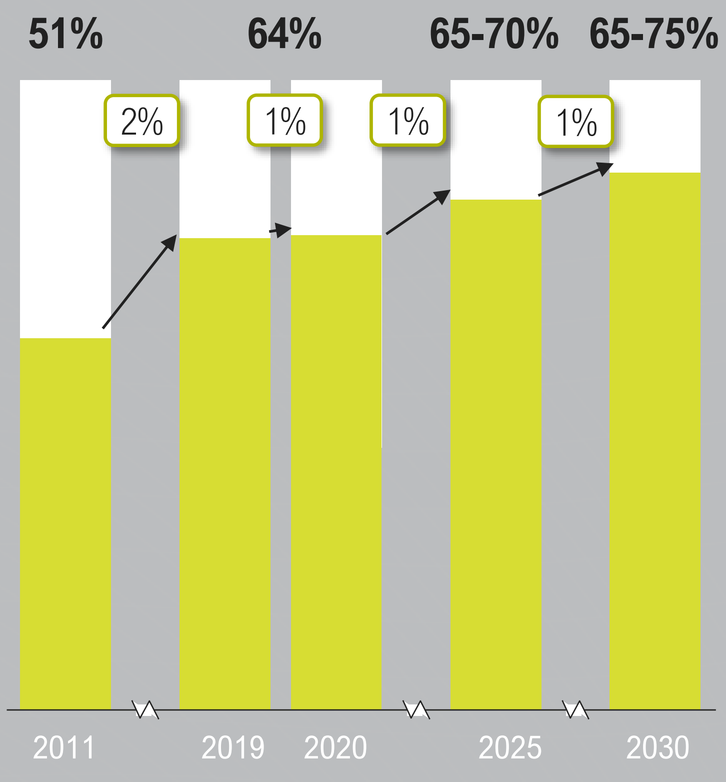
Electrification
of light vehicles and
Sustainability
in the Aftermarket

Istanbul, May 25th, 2023

High aftermarket complexity but structural tailwinds

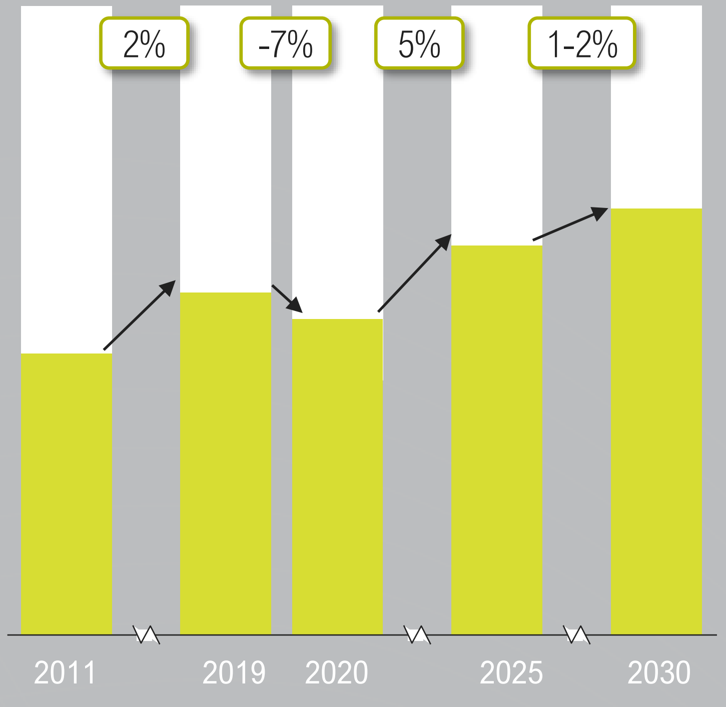
Vehicles in operation (VIO)

Car parc (PC & LCV) [% vehicles > 8 y.o.]



European aftermarket

Market size [value]



AFTERMARKET

Main **DRIVERS**

- Number of vehicles in operations
- Average vehicle age
- Average spend & serviceability

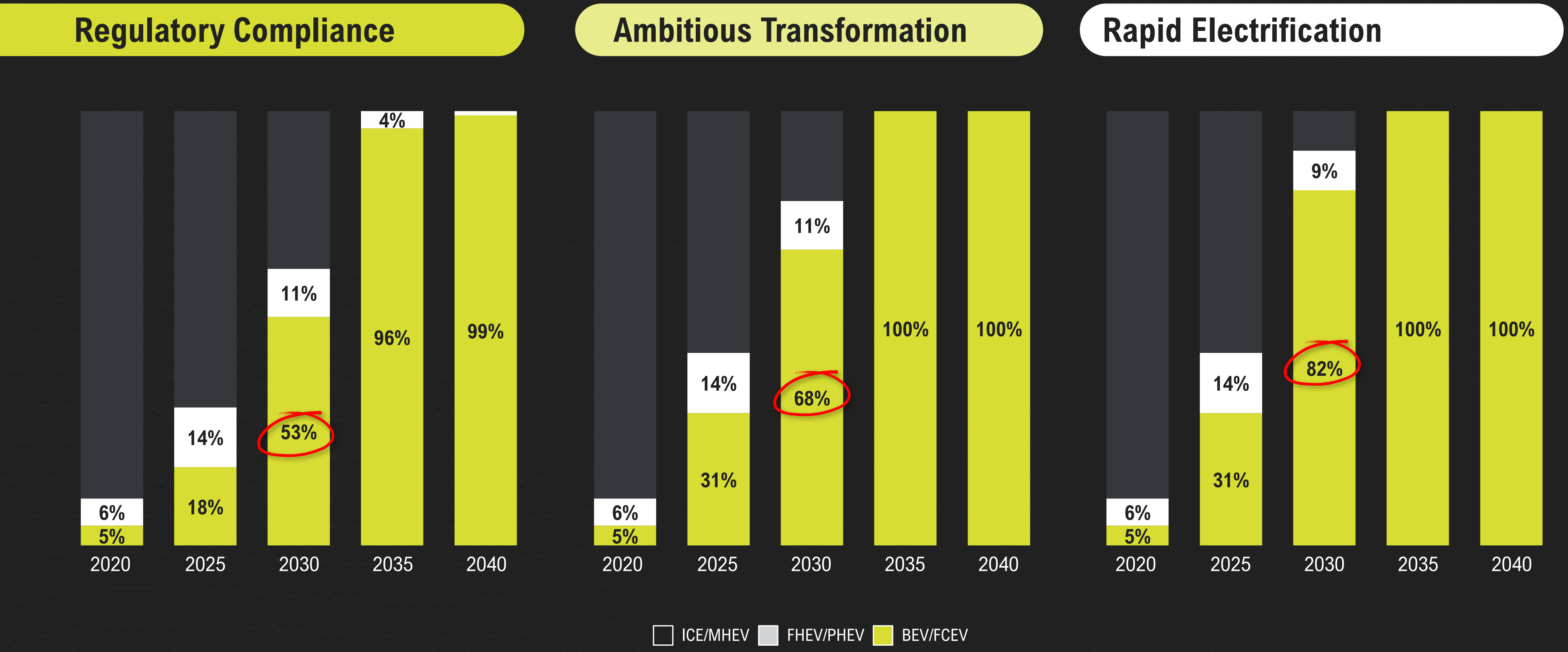
Key **MEGATRENDS**

- **ELECTRIFICATION**
- **SUSTAINABILITY**
- Channels
- Brand
- Connectivity
- ADAS

Source: CLEPA; Roland Berger


ELECTRIFICATION

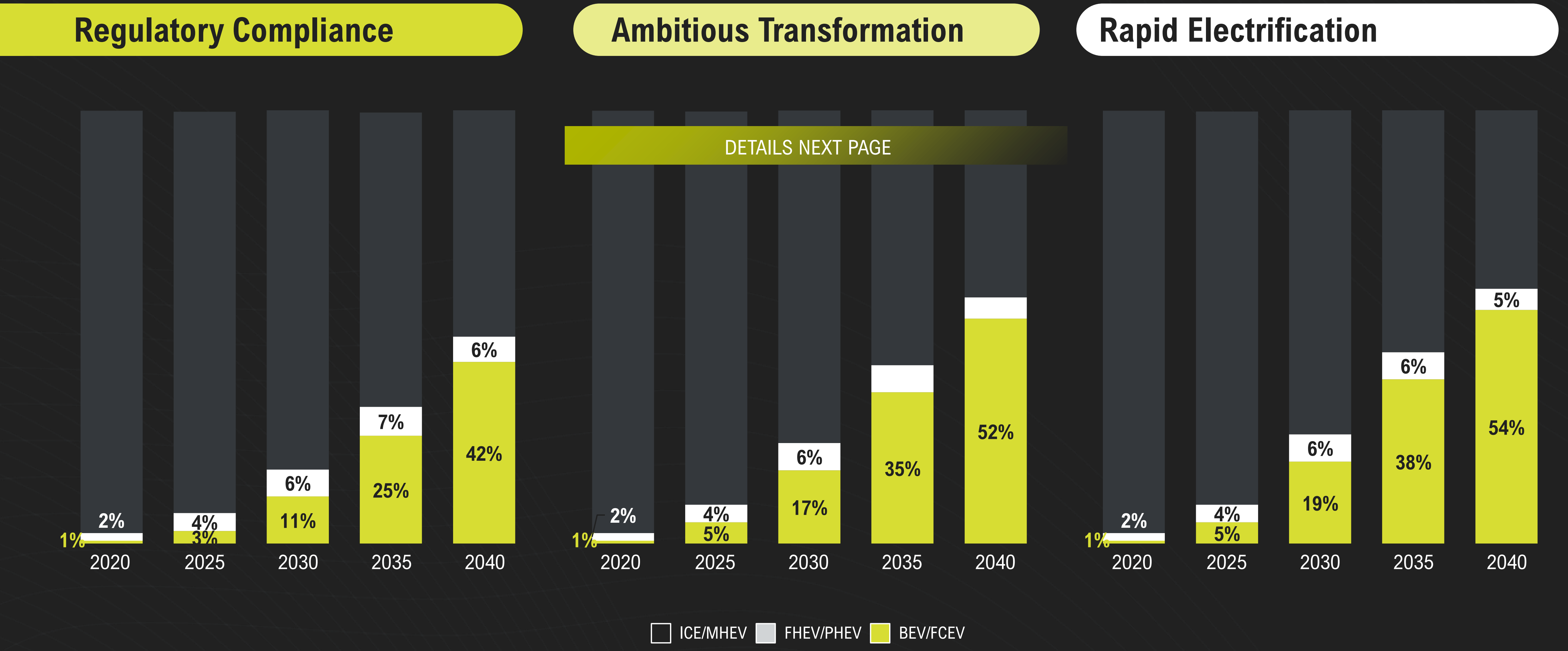
We expect **53-82% of European light vehicle sales to be BEV/FCEV by 2030** and to make up almost 100% of sales from 2035 across all three scenarios



Source: CLEPA; Roland Berger

BEV/FCEV to reach 50%

in the light vehicle car parc between 2038 and mid-2040s, depending on the scenario



Source: CLEPA; Roland Berger

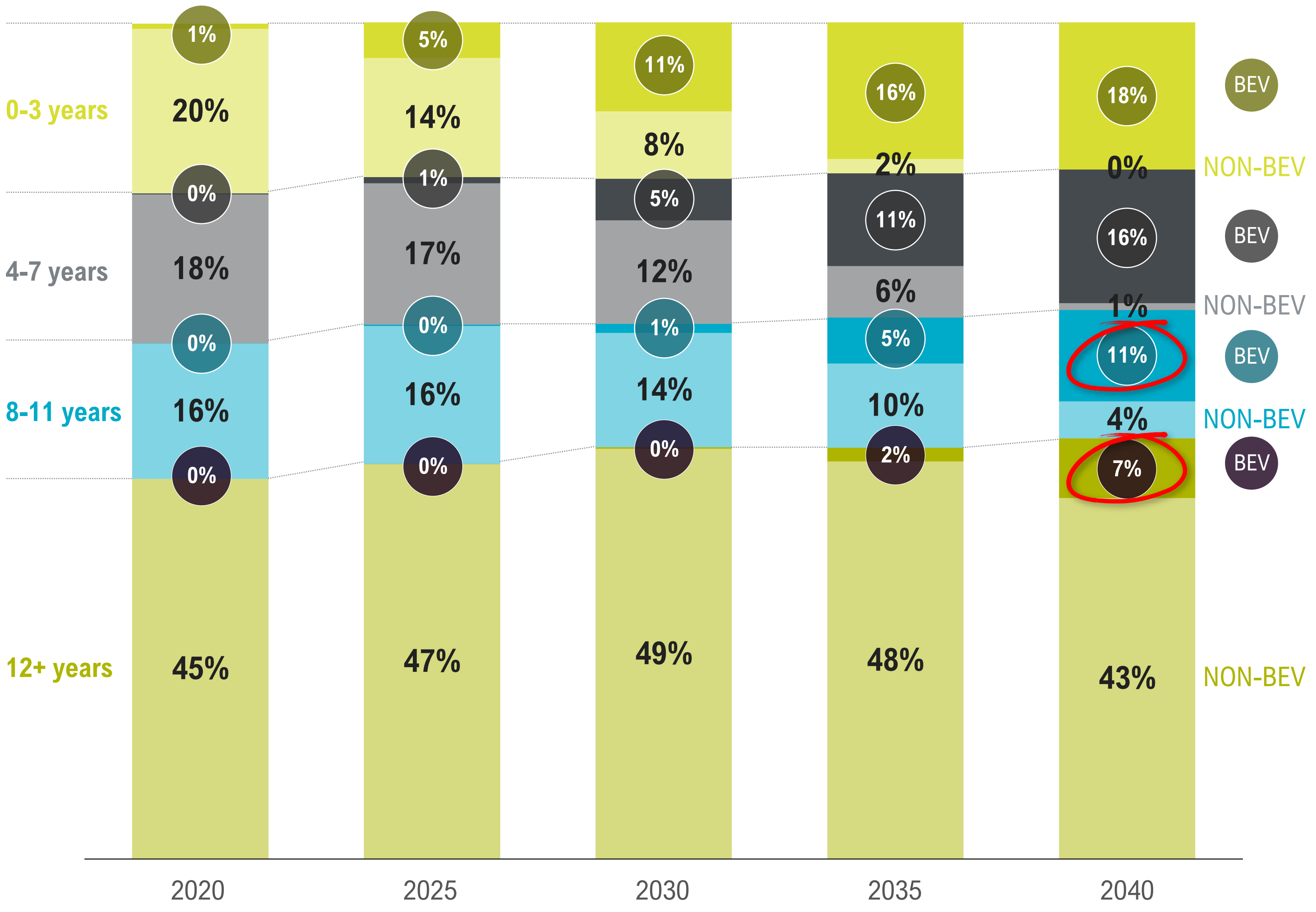
DETAILS

However,

only 18%

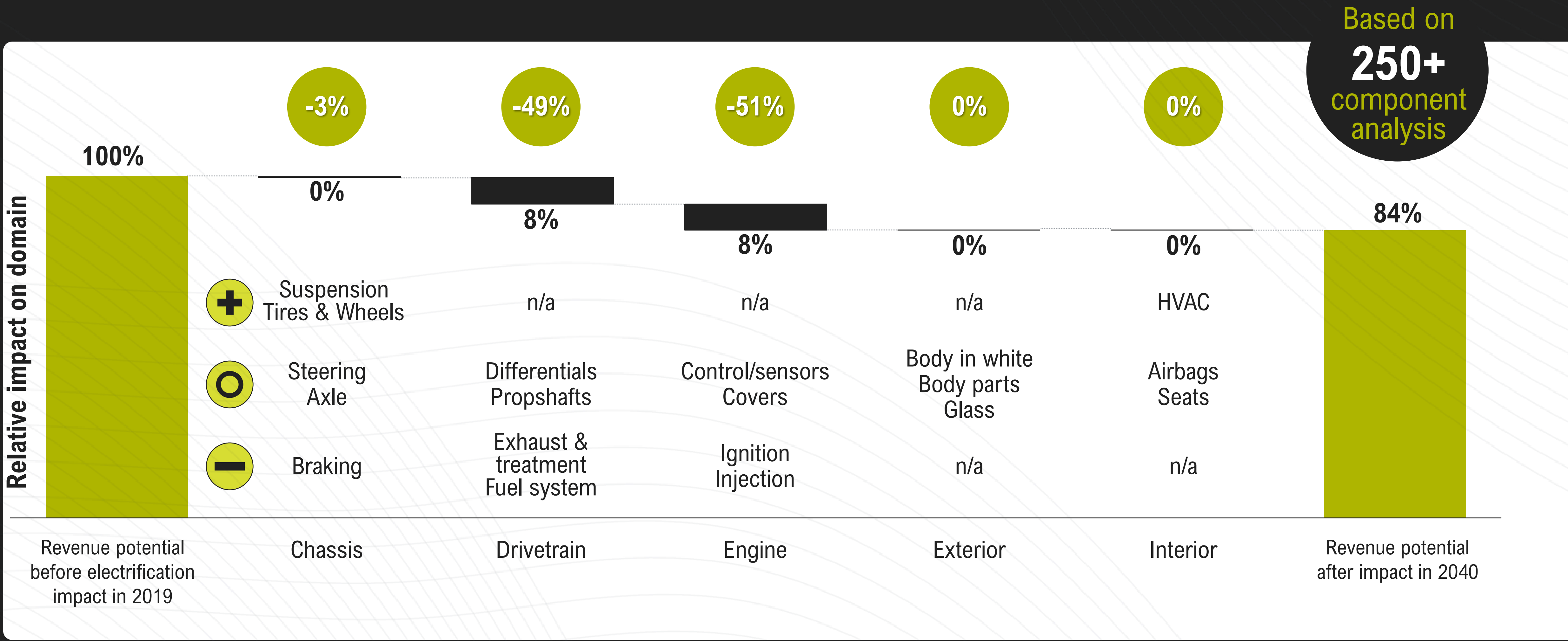
of European vehicle parc are expected to be BEVs in the age segment of 8+ years by 2040

European car parc by vehicle age, 2020-40 [%] – AMBITIOUS TRANSFORMATION



Source: CLEPA; Roland Berger

We expect an **impact of -13% to -17% gross parts demand** for traditional aftermarket components by 2040 compared to 2019

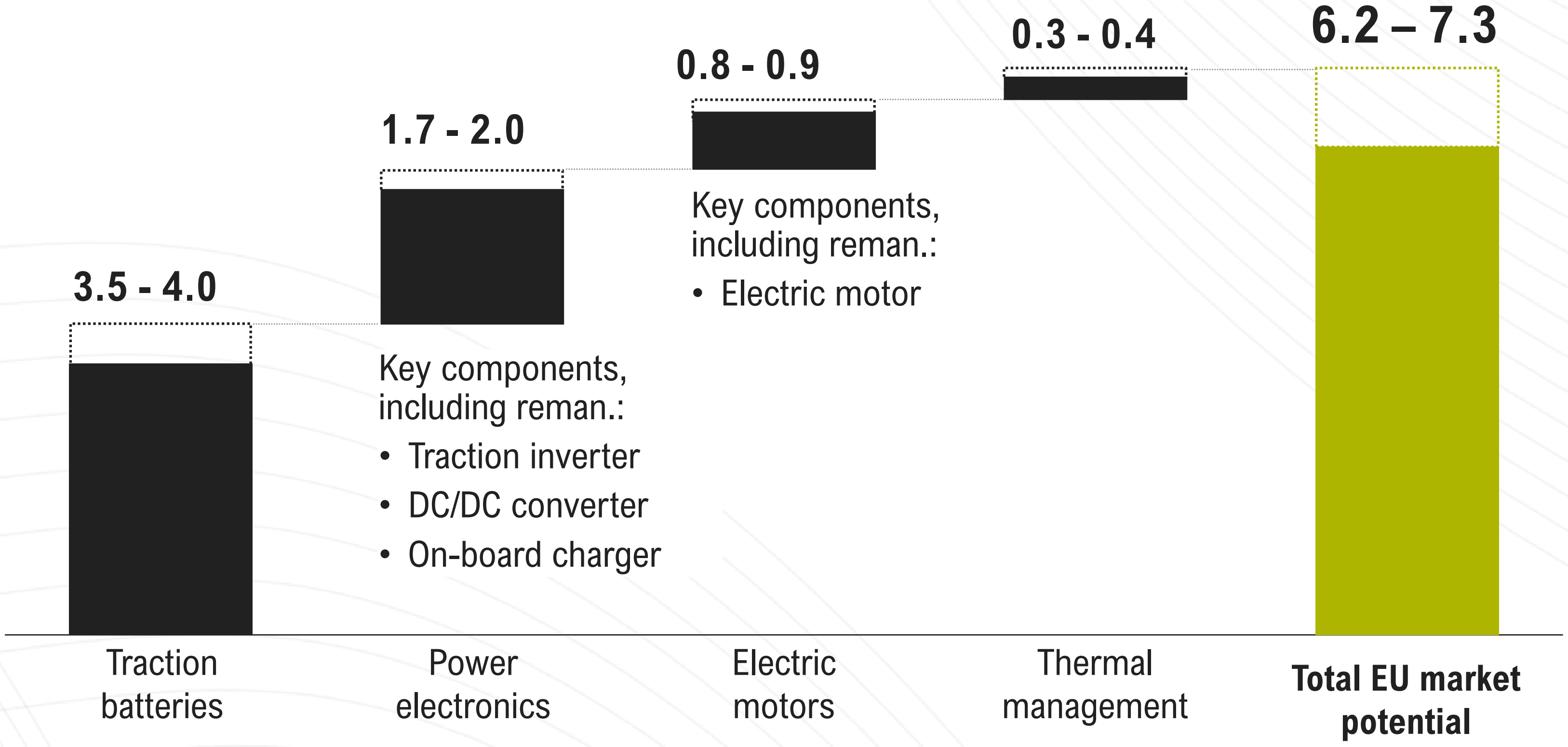


Note: Analysis only assesses the impact of electrification. Other technical trends (e.g., ADAS) and macro-trends (e.g., inflation, increasing vehicle parc) excluded
Source: CLEPA; Roland Berger

We expect an additional market potential of

EUR 6-7 bn parts sales by 2040

New opportunities
relating to BEV-specific components,
2040 [EUR bn]

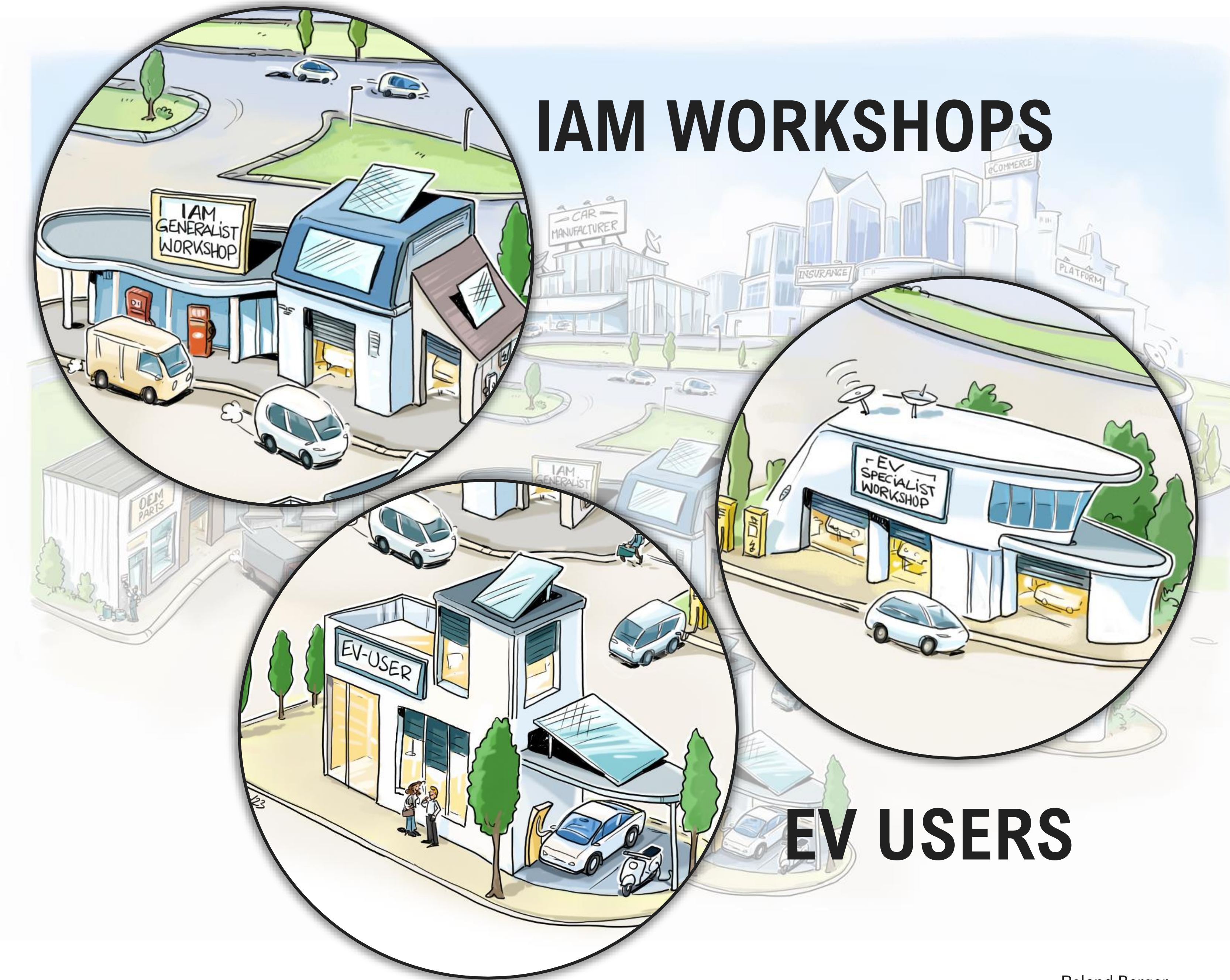


Source: CLEPA; Roland Berger

Note: Market potential for light vehicles (<3.5 tons) in Europe in 2040 at parts manufacturer prices, excl. VAT and inflation

Electrification will create **challenges and new opportunities** for all players along the aftermarket value chain

Electrification will create **challenges and new opportunities** for all players along the aftermarket value chain

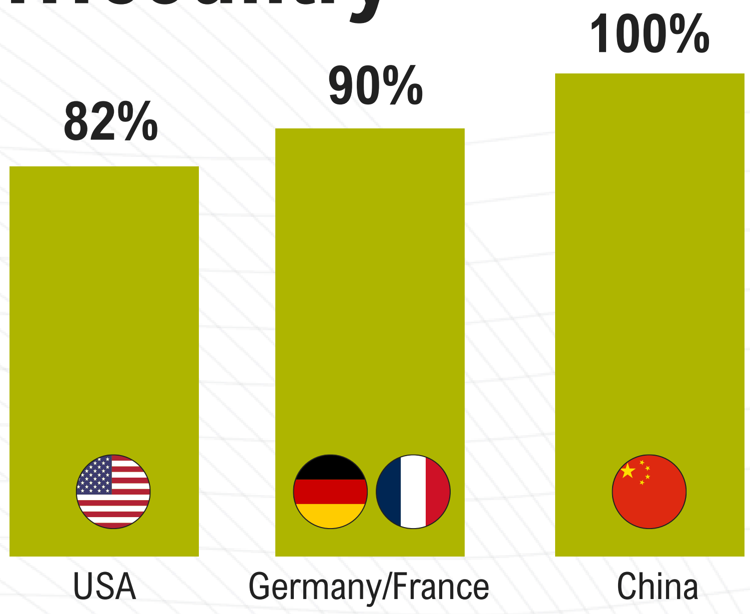


Strong BEV preparedness self-perception from IAM WORKSHOPS

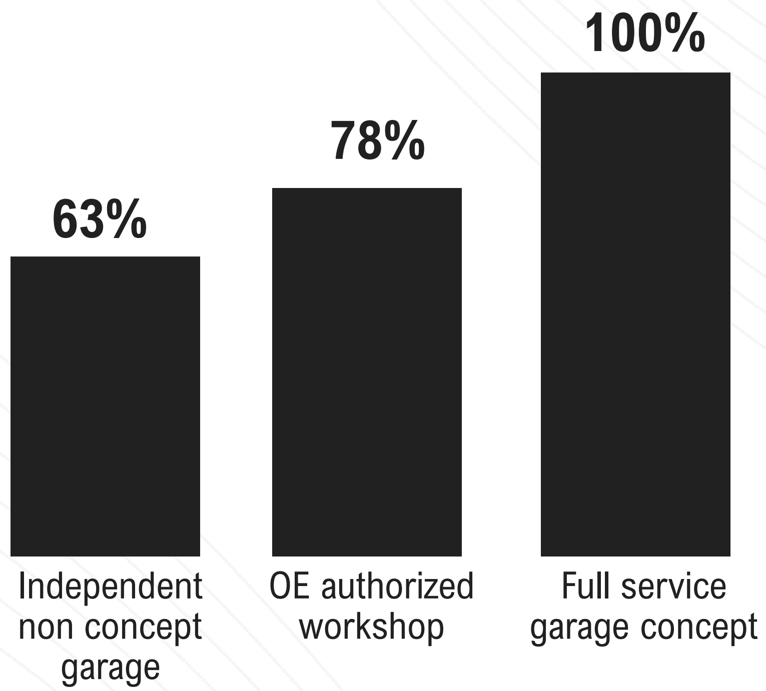
B2B

Share of independent workshops with capabilities to deal with BEV (self assessment) by…

…country



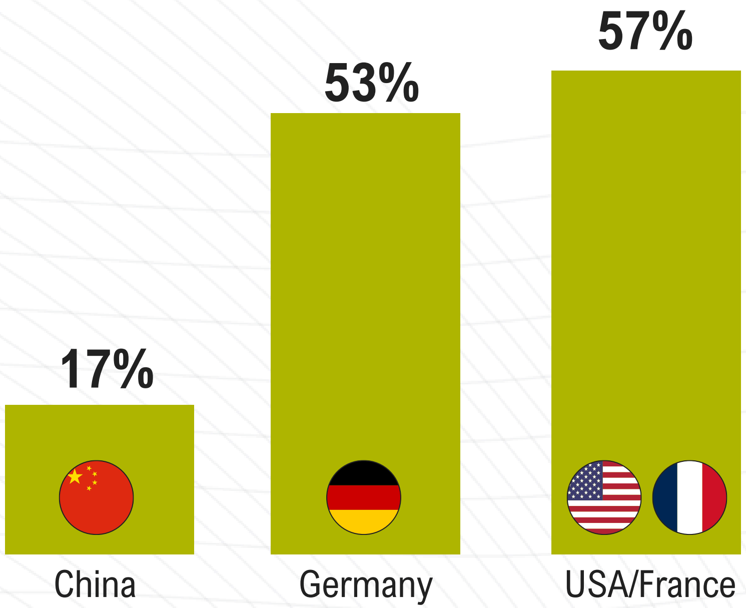
…type of garage



…contrasting with customers' hesitation towards independent workshops for BEV

B2C

Share of customers not willing to get their BEV repaired in an independent workshop (for complex repair)



Main reasons

41% Lack of technical know-how

32% Because I have an extended car manufacturer warranty period

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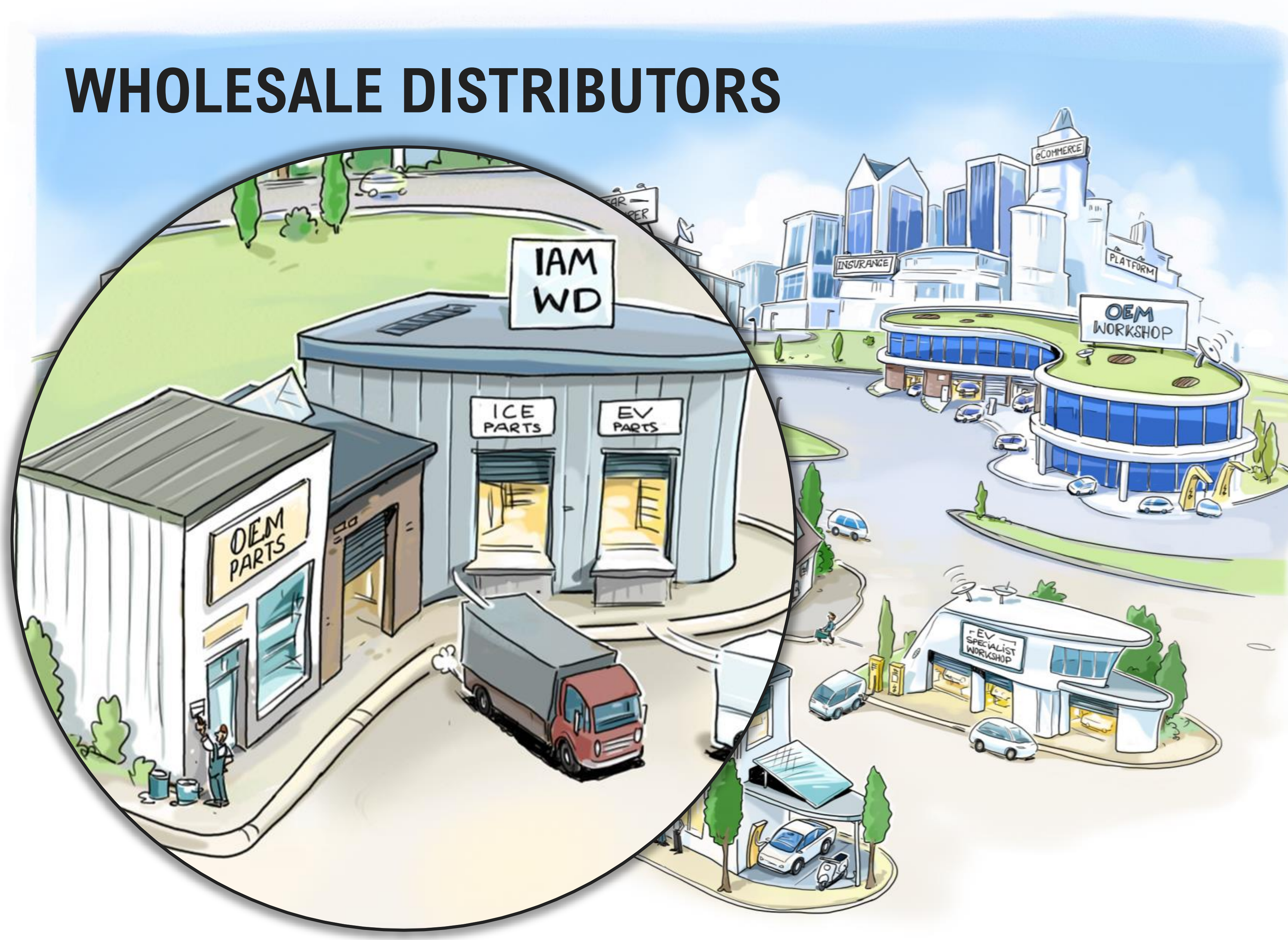


WDs will face

5 KEY CHALLENGES

arising from electrification

Product portfolio complexity

Higher share of captive parts

Reduced parts demand

Workshop support for BEVs

Increasing focus on sustainability

"

The traditional value chain with its clear separation into an authorized and an independent aftermarket will no longer exist. The ability to collaborate and to be open for new business models will be key success factors.

Frank Schlehuber,
Sen. Consultant, CLEPA

At the same time, WDs will be presented with various opportunities on both,
upstream as well as downstream fronts

OPPORTUNITIES

	Collaboration	Relevance/Attractiveness 2025	2030	2035	2040
Reverse logistics of BEV specific components for refurb./reman.	Parts manufacturer, Workshops	◔	◑	◕	●
Recycling feedstock	Workshops	◔	◕	●	●
New customer groups	OEM, Workshops	◑	◑	◑	◑
Improved supply chain using OTA	OEM, Workshops	◔	◑	◕	●
Workshop solutions	Parts manufacturer	◔	◔	◑	◕

OEM · Parts manufacturer · Wholesalers and distributors · Workshops

Key take-aways on **ELECTRIFICATION**

Summary of FINDINGS

Electrification is **masked as a bane** due dropping parts demand and technical challenge, but it **can be a boon,** if players act in time and leverage the opportunity

Our RECOMMENDATIONS

- Increased openness for collaboration
- IAM should act as a whole, otherwise risk losing business to OEMs

> Over the last 50 years, the automotive industry has changed relatively slowly. The industry is not used to change anymore, and it is bound by its capital intensity. But now we see the need to change quickly. Not everyone will be able to change fast enough – and nobody knows the right timing.
>
> Executive at an Aftermarket association

SUSTAINABILITY

Decision makers in automotive should have sustainability top-of-mind as ESG performance moves to the forefront of stakeholder requirements

MOTIVATION for sustainability focused strategies

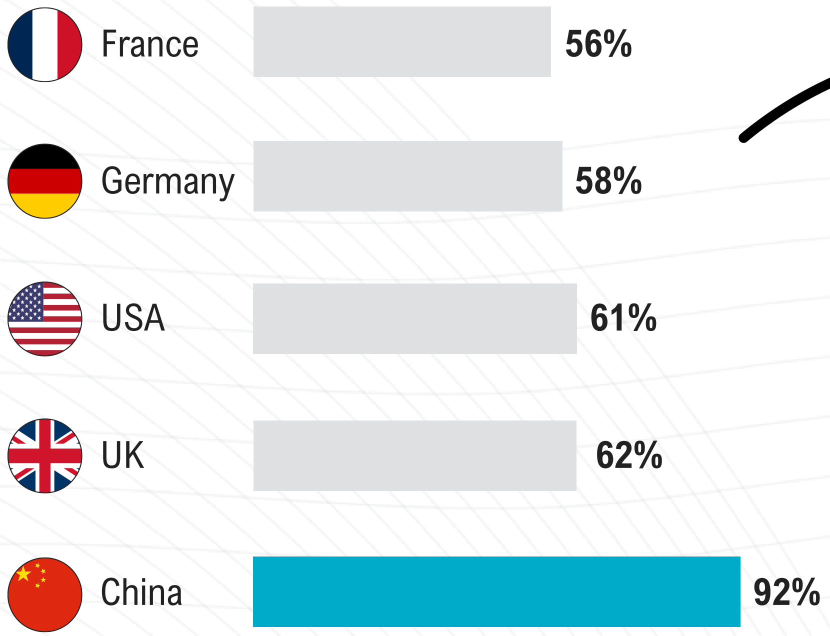
	REGULATORY COMPLIANCE	FINANCIAL PLAYERS AND CAPITAL MARKETS	CUSTOMERS	CONSUMERS
	Legislation coerciveness	*Investments in sustainable funds*	*Major companies with a net zero emission plan currently in place*	*Consumers who are concerned about environmental impact of their purchases*
	Low – High	*Low – High*	*0% – 100%*	*0% – 100%*
EU	*Tight CO_2 and GHG emission regulations in force*	*81% global share of sustainable funds market and 18% share of total European funds market*	**70%** *Large increase in organizational net zero plans forced by governmental regulation enacted or expected in upcoming years*	**81%** *UK survey found consumers would be willing to pay an average of 25% more for sustainable alternatives*
US	*Policies such as IRA and BIL promoting sustainability*	*New regulations expected to accelerate development of market and those who do not adapt will lose funding*	**40%** *Majority of organizations with net zero plans exclude a plan to limit scope 3 emissions*	**75%** *Although 45% acknowledge it's hard to maintain sustainable purchasing habits*

Source: EPA, European Commission, UN, ADR, Desk research

Sustainable product gaining traction from customers' side (>55%)
But overall limited willingness to pay a premium for it

B2C

Share of customers willing to purchase more sustainable spare parts



12% to 25%

EU and US customers willing to pay a premium for sustainable parts

Main concerns towards sustainable parts

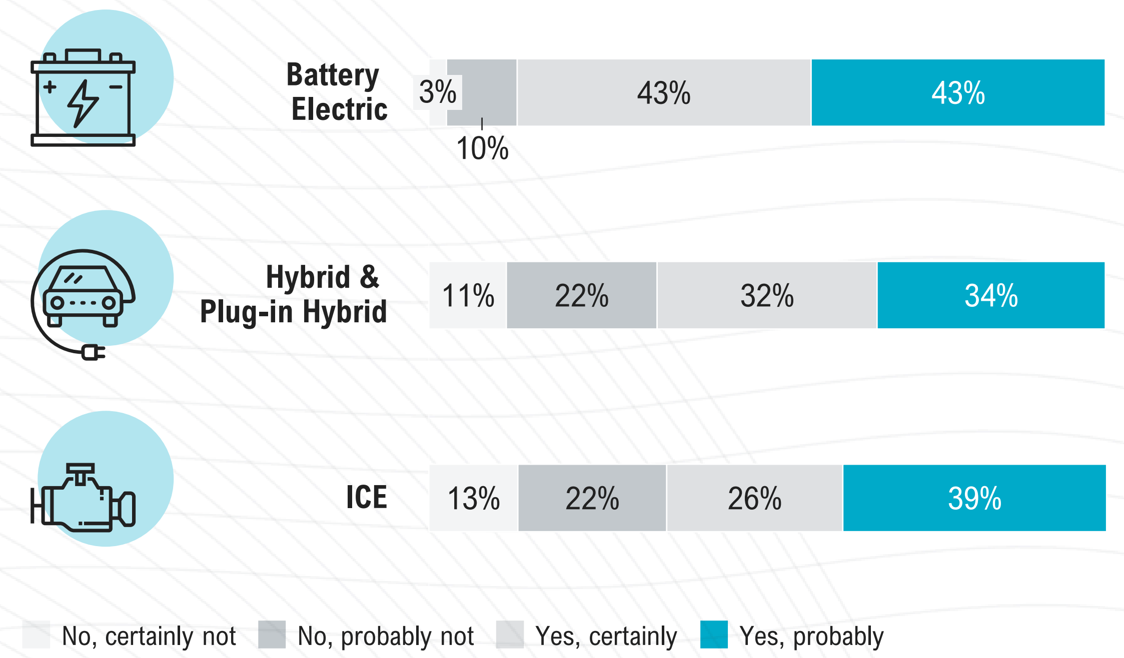
39% Safety

27% Durability

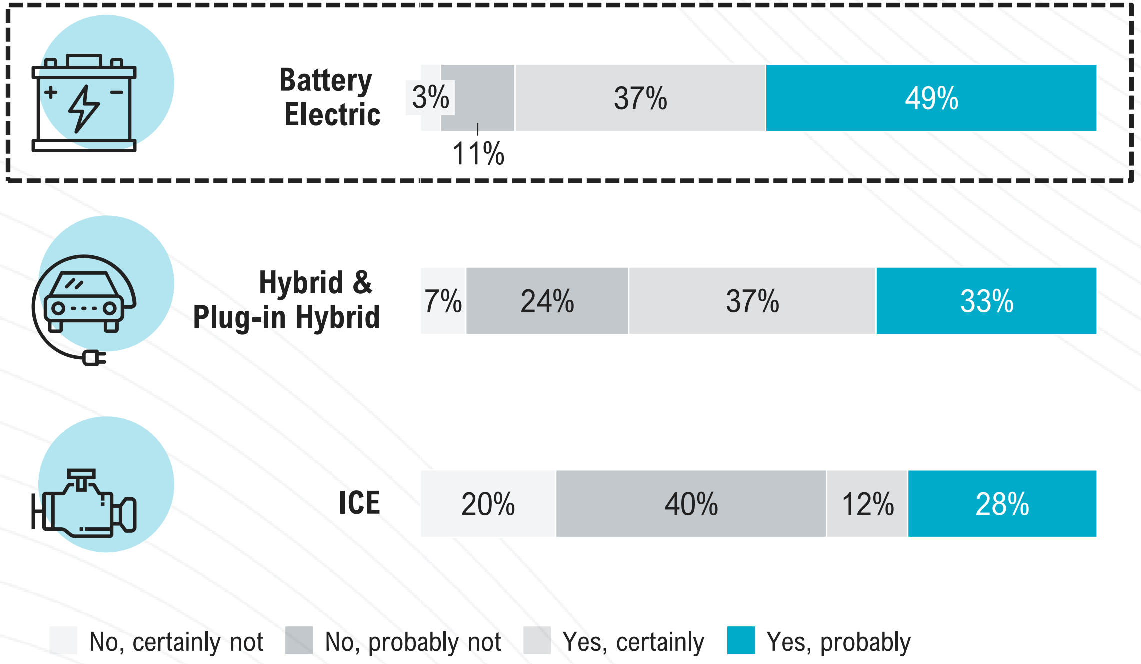
BEV owners, however, do value sustainable parts at a premium:
opportunity for first movers to gain share in a growing and lucrative market segment

Consumer preference for sustainable spare parts by vehicle type

Would you consider purchasing more sustainable spare parts? (e.g., Recycled, used, remanufactured parts)



Would you consider a more sustainable product even if priced at a premium? (e.g., Recycled, used, remanufactured parts)



Non exhaustive

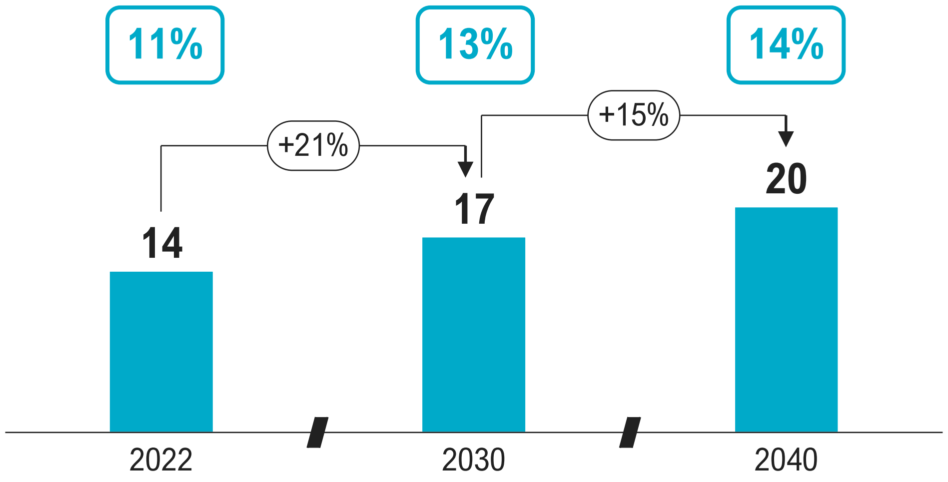
European sustainable aftermarket to quadruple by 2040 reaching EUR c.15 bn
American market expected to grow by c. 2% p.a. and reach USD 20 bn

Sustainable US aftermarket

Market drivers

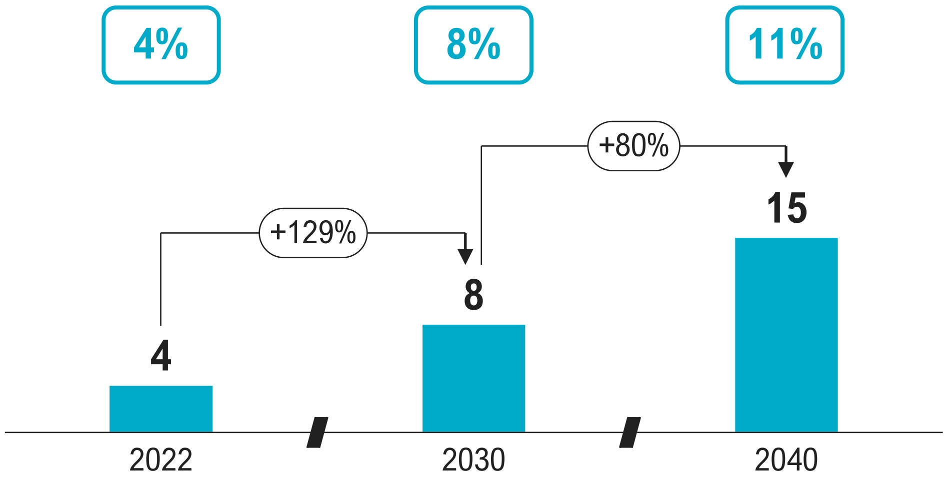
- **Average age** of vehicle **expected to rise**
- **Lagging technology** advancements relative to Europe
- **Supply pressure** expected due to decrease in automotive accidents

Market size [USD bn]



Sustainable European aftermarket

- Growing **sustainability awareness**
- **Increasing prices** of **new Asian parts**
- **Perception** of remanufactured spare parts **lags quality**



Key take-aways on **SUSTAINABILITY**

Summary of FINDINGS

Sustainable parts are not a nice-to-have anymore

Customers are not willing to pay a premium

Customers need to be reassured on reliability and durability

Our RECOMMENDATIONS

→ Adapt product offering to match customers' expectation: more sustainable and affordable parts

→ Communicate to reassure customers on products' qualities

→ Involve up- and down-stream supply chain

> We are investigating more sustainable parts but are struggling so far to make it affordable for our clients
>
> Executive at an Aftermarket association

Roland Berger is the only top-tier consultancy **with a dedicated global Automotive Aftermarket practice**

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