



THE ROAD AHEAD
FOR AUTOMOTIVE RETAIL



THE ROAD AHEAD

FOR AUTOMOTIVE RETAIL



An independent member of
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Strategy consultants

FORCES OF CHANGE

A wide-angle shot of a multi-lane highway stretching into the distance. The road is flanked by metal guardrails. In the background, a series of wind turbines are visible against a sky with scattered clouds. Tall streetlights line the road. The overall color palette is dominated by blues and greys, with a slight orange glow from the sun on the horizon.

HOW BIG?

HOW LONG?

HOW TO PREPARE?



The M.G. Car Company

Does much really change?



J. Deane, S.J., Regent of the School of Pharmacy; Dr. James H. Kidder, Dean; Dr. John J. Dandrea, Dean of St. John's University College of Pharmacy; Mrs. Marian James Martin, Registrar; and Mrs. Jacob Diner, wife of the late Dr. Jacob Diner, first Dean of the Fordham College of Pharmacy.

PROFESSOR HUDENZ

some of the torment he expected to suffer under cross-examination as a witness on the following day.

Now, he has once again taken the stand against what he believes to be

addressed the Public Relations class of the Journalism Division Tuesday night on "Publicity for a Museum."

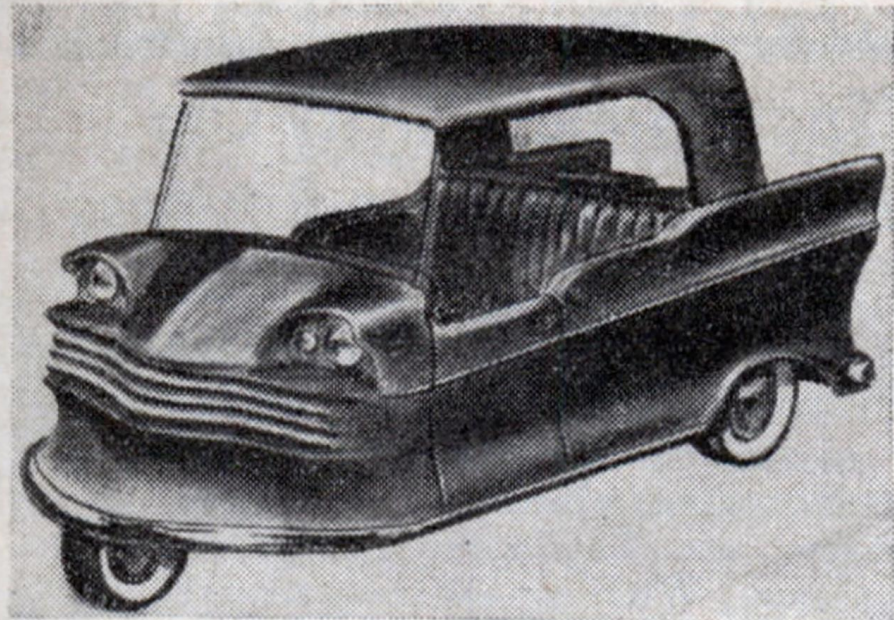
The lecture was illustrated with color slides, showing scenes of New England's largest living museum. Mr. Panaggio conducted a question period after his talk.



WITH FULL FREEDOM OF CHOICE AND ACCEPTANCE OF INDIVIDUAL RESPONSIBILITY, WE IN AMERICA HAVE BEEN ABLE TO ATTAIN THE HIGHEST STANDARD OF LIVING AND FAMILY SECURITY IN THE WORLD, FAR HIGHER THAN ANY COUNTRY HAS BEEN ABLE TO ESTABLISH FOR ITS PEOPLE THROUGH STATE PROVISION.

'The 'Electric shopper' with a low, sweeping silhouette'

- All Electric
- 2 passengers
- 30 miles on single battery charge
- Operates for 1c per day
- Dependable for more than 25 years



Write for specifications and prices

ELECTRIC CAR CO. OF CALIFORNIA, INC.
495 Alamitos Ave. Long Beach, Calif.

New Lower America's Best Seller . . . America's Best Buy



Are you interested in—
BODY BUILDING, WEIGHT LIFTING, REDUCING, CORRECTIVE EXERCISES, FENCING?
If so, drop in on

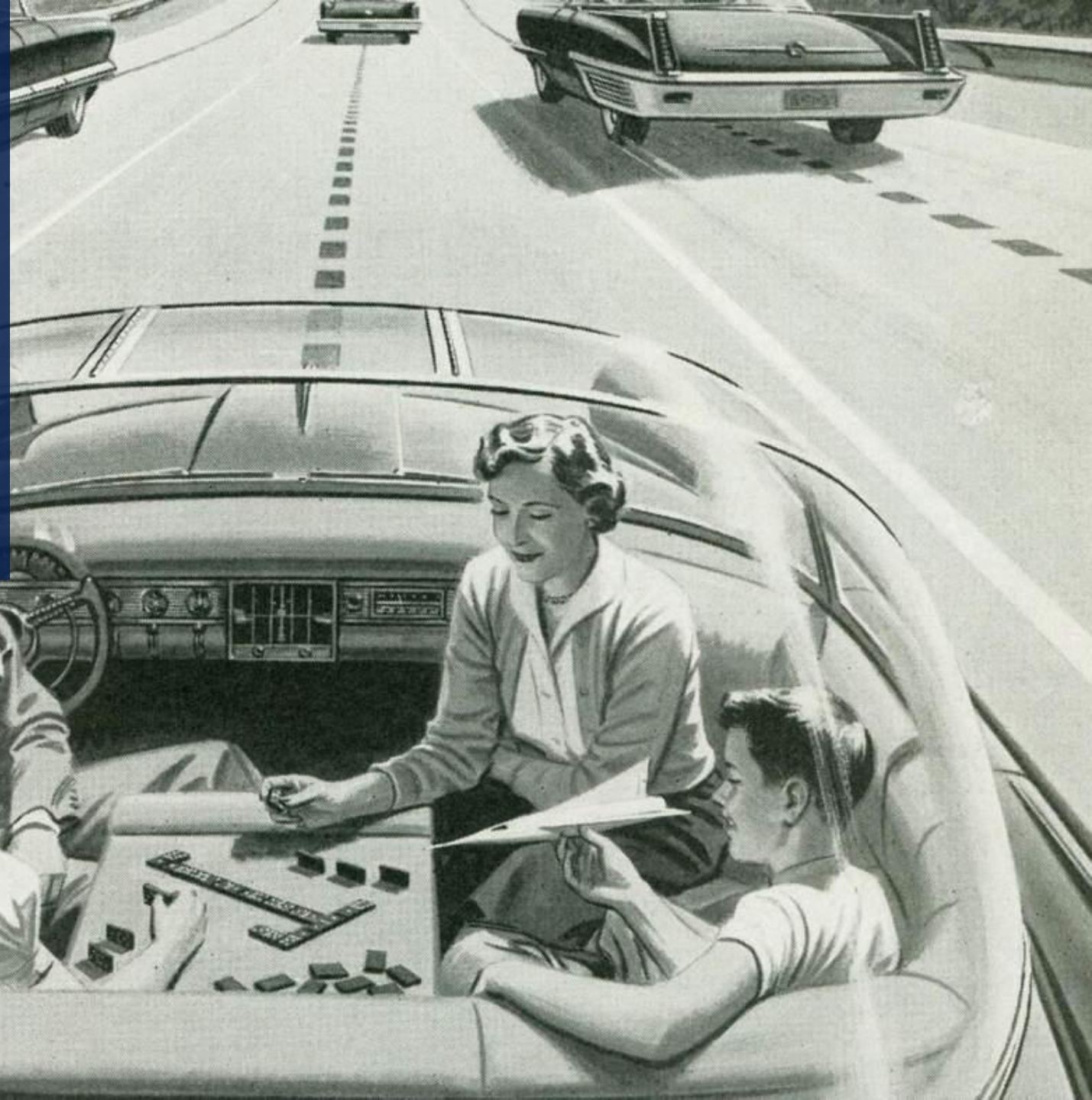
PAUL'S GYM
645 East Tremont Avenue (entrance on Hughes Ave.) Bronx 57, N. Y.
Open weekdays from 2 to 10 p.m.
Saturdays from 1 to 6 p.m.

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low dies rev-
With int-in
ring ther and
ex-ody-pro-
the has
the widest tread, all of which contribute to maximum stability and safety.
EXTRA-ECONOMICAL TO OWN—
OPERATE AND MAINTAIN—
and traditionally bringing you more value

'GM tests an automatically-guided car'

'Chrysler introduces "automatic accelerator" for highway use, called 'Auto-Pilot'



‘DeSoto introduces ‘See and Drive’ pop-up shops at shopping malls’

‘General Motors is in court over fairness of dealer termination’



Conected
Autonomous
Subscription
Electric
Digitisation
Distribution





Connected

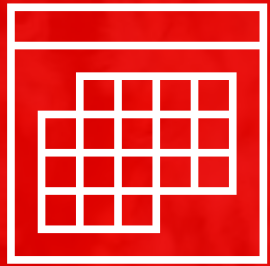
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Autonomous

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Subscription

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Electric



Distribution

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Digitisation



CHALLENGE OR CHANCE?

HOW BIG?

HOW LONG?

HOW TO PREPARE?

A hand is shown interacting with a futuristic digital interface. The interface features a prominent 3D bar chart with glowing blue and orange bars. Surrounding the chart are various data-related icons, including a lightbulb, a percentage sign, a line graph, and a mail icon. The background is dark with a blue and orange color palette, suggesting a high-tech or data-driven environment. The overall scene conveys a sense of innovation and data analysis.

Preparing for the
opportunity.

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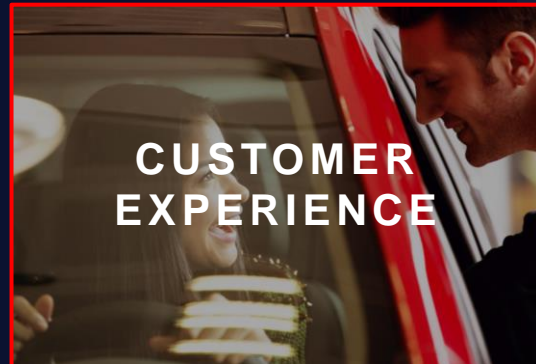
DRIVING CHANGE TOGETHER.
RESPONSIBLY.



There are a huge number of themes impacting retailers today



The Current model is challenged in some key areas





Heavily
invested in the
wrong areas of
the customer
experience?

WHY?

1

Increases fixed cost of distribution at a time where OEMs need to reduce it

2

Neglects the online aspect of the customer journey

3

Over-weights the physical environment as part of the customer experience

4

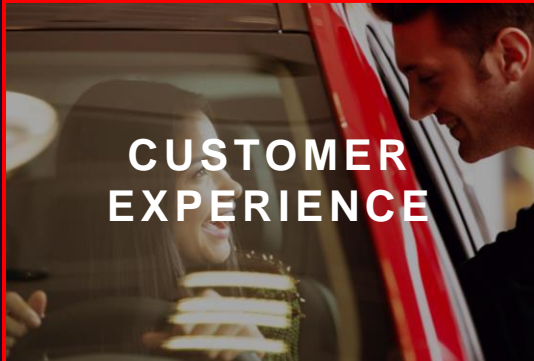
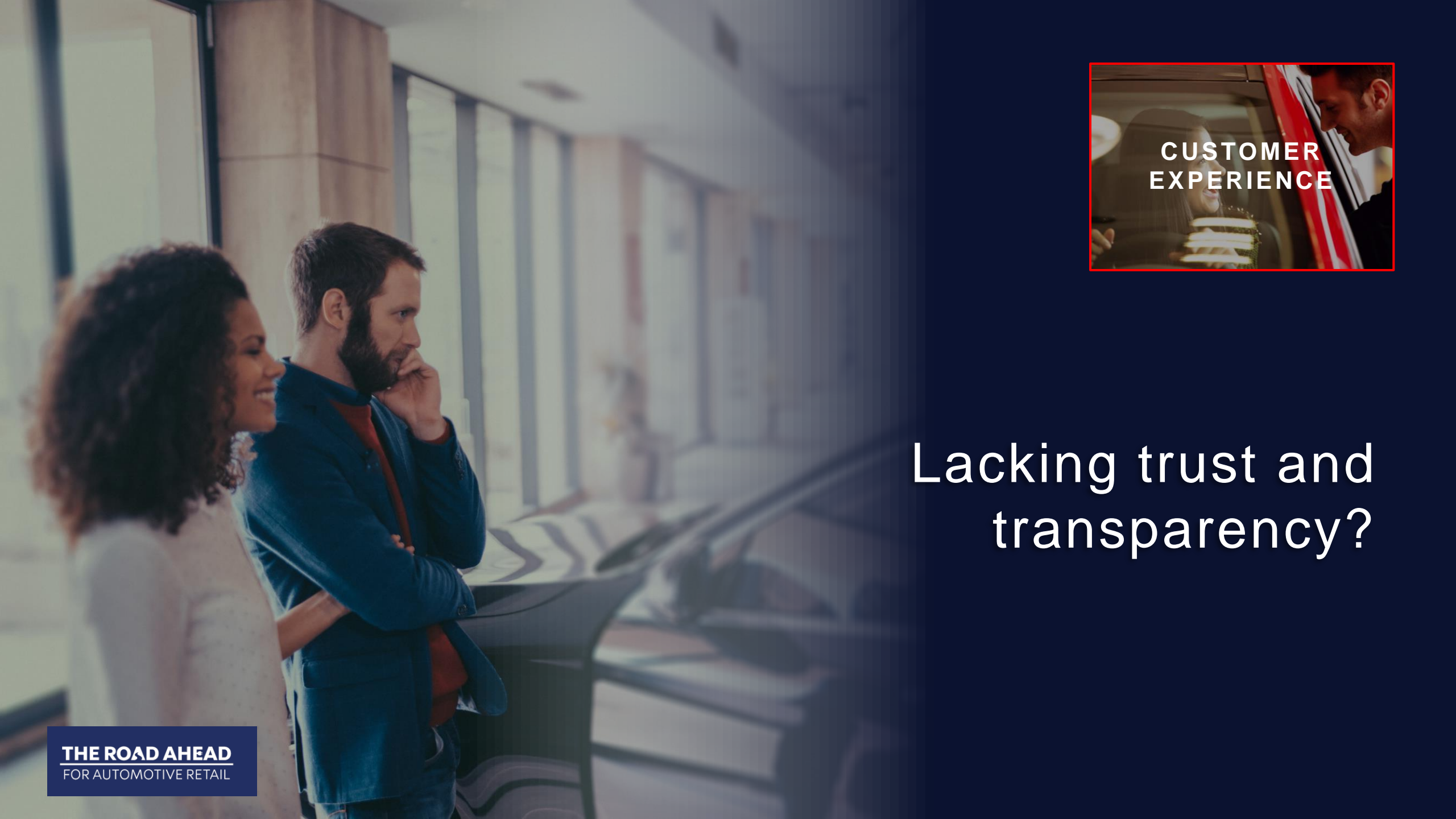
Exclusivity in design prevents sharing

5

OEMs reluctant to reduce network coverage



Heavily
invested in the
wrong areas of
the customer
experience?



Lacking trust and
transparency?

WHY?

1

Model being disaggregated by third party digitisation

2

FCA intervention into finance sales process

3

OEM's decision to implement Agency style distribution

4

Brand loyalty declining

5

Independents without aftersales provision miss vital contact with customers during ownership



Lacking trust and transparency?



Low profit margins and structural pressure on future viability?

Slim ROI is an accepted feature of the model



GROSS PROFIT MARGINS

NEW CARS	USED CARS
6% ↓	10% ↓
SERVICE	PARTS
71% -	25% -

GROSS MARGIN
8-14% ↓

DEPARTMENT OPERATING COSTS

NEW CARS	USED CARS
5% -	7% ↑
SERVICE	PARTS
49% ↑	9% -

OPERATING COSTS
10% ↑

DEPARTMENTAL PROFITS

NEW CARS	USED CARS
1% ↓	3% -
SERVICE	PARTS
22% -	16% -

ROS
0-3% ↓

-

=

NEW CARS
25%

USED CARS
35%

SERVICE
21%

PARTS
19%

PROFIT POOLS WITH GREATEST DEALER INFLUENCE.

And ROS pressure is increasing

GROSS MARGIN

8-14%  

- Agency impact on new car margin
- Weak retail demand for EV and increasing supply
- Erosion of Used Car buying power
- FCA regulation
- Car parc electrification

OPERATING COSTS

10%  

- Wage inflation – skills shortages
- Cost of funds
- Compliance
- Cyber Security / IT
- **Decarbonisation**

ROS

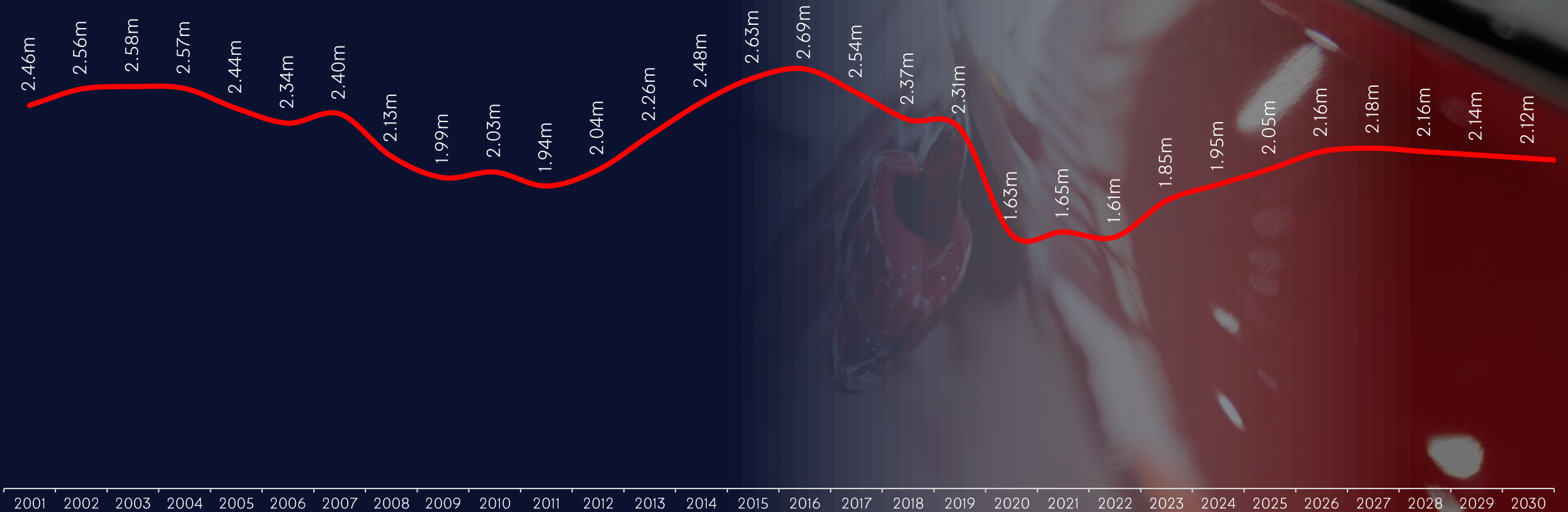
0-3%

- 30-40% of dealers in loss?
- Planned network reductions?

The new car market is unlikely to see an upturn

NEW CAR REGISTRATIONS (UK)

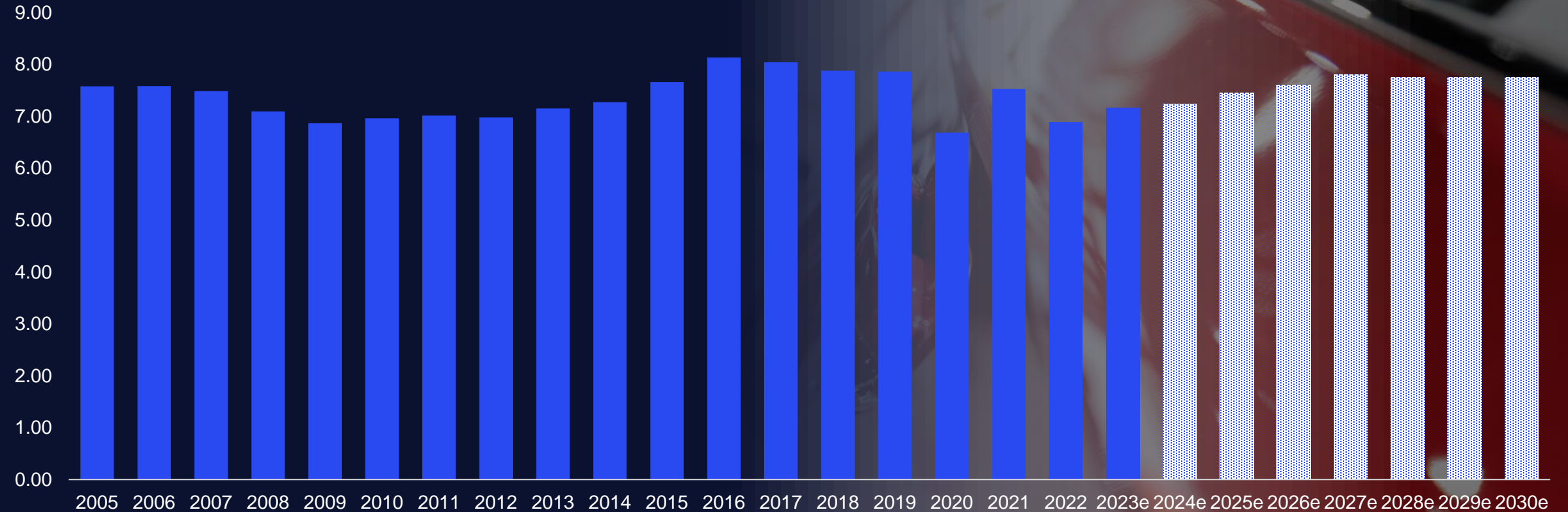
SMMT (2001-2025). Auto Trader forecast (2026-2030)



And the forecast for used is flat – the recovery will take time

USED CAR TRANSACTIONS (UK)

SMMT (2005-2023). Auto Trader forecast (2024-2030)




The impact of new on used is clear – in 2025 almost 3mn fewer 1-5 year old cars versus 2020

NUMBER OF CARS IN THE PARC BY AGE COHORT

Great Britain. Millions.

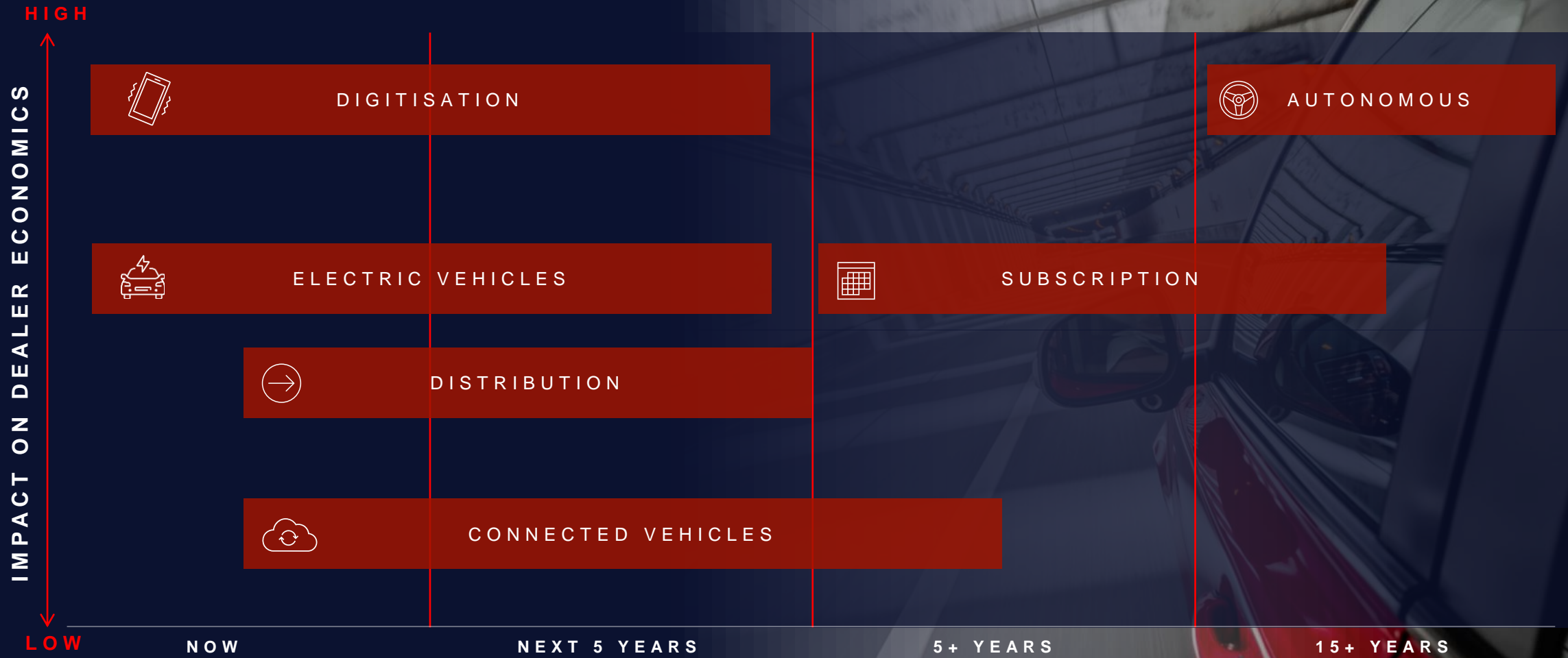
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
NEW CAR SALES	2.5	2.6	2.7	2.5	2.4	2.3	1.6	1.6	1.6	1.8	2	2.1
UP TO 1 YEAR OLD	2.3	2.5	2.5	2.3	2.2	2.2	1.5	1.6	1.5	1.7	1.8	1.9
1-3 YEARS OLD	4	4.4	4.7	4.9	4.8	4.5	4.3	3.7	3.1	3	3.2	3.5
3-5 YEARS OLD	3.6	3.6	3.9	4.2	4.6	4.8	4.6	4.4	4.2	3.6	3	2.8
5-10 YEARS OLD	9.8	9.4	9	8.7	8.8	9.2	9.8	10.5	11	11.1	11	10.1
10-15 YEARS OLD	7.6	7.8	7.8	7.8	7.5	7.3	7.2	7.2	7.2	7.5	7.9	8.3
15+ YEARS OLD	2.3	2.6	2.9	3.3	3.6	3.9	4.2	4.6	5.1	5.4	5.6	5.7



The model is ready for change

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How big? And how long?



These trends combine with a hugely complicated set of operational priorities

GROSS PROFIT DRIVERS

NEW

~25-35% of gross profit¹

USED

~30-40% of gross profit¹

AFTERSALES

~35-45% of gross profit¹

CENTRAL/ CROSS SERVICE LINE

DRIVERS OF A WINNING MODEL

- Effective customer journey NEW Omnichannel/ digital offer
- Attractive marque mix/locations NEW Managing transition to agency
- Negotiation power with OEM
- Efficient and economic stock sourcing NEW Omnichannel/ digital offer
- Effective customer journey
- Sales cost efficiency
- Network, Logistics and Prep Costs
- SMR Attach Rate/Retention NEW Ability to service EV, and ADAS capability
- Operating Efficiency & Service
- Attractive CPA
- Customer lifetime value management
- Central cost leverage

Agenda

01 Electrifying the future?



02 Distribution: is Agency too hard?



03 Digitisation: After the hype, the grind...





Electrifying the future?

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Ready or not, they're coming...

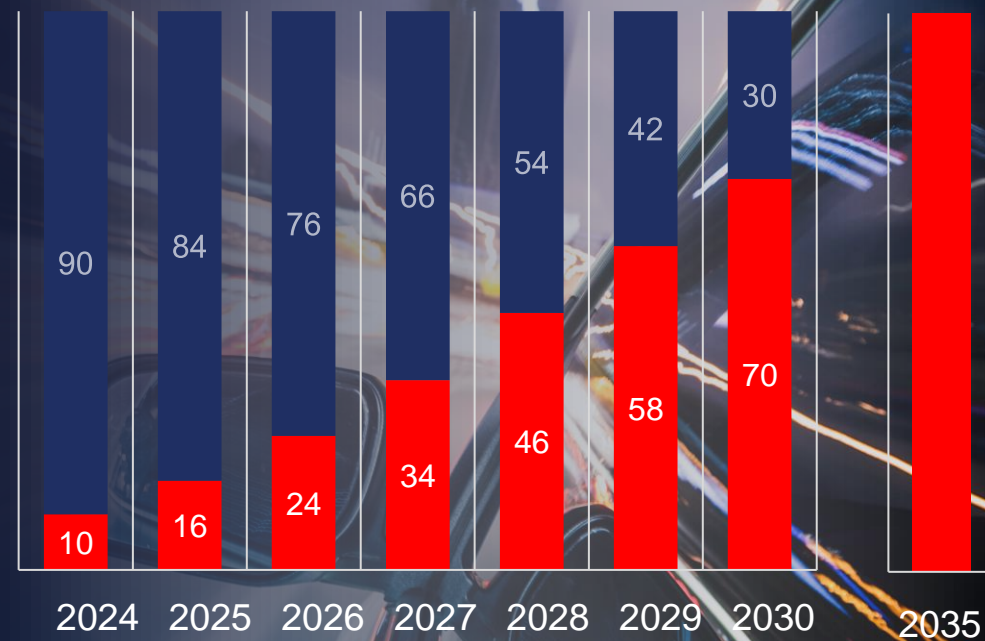
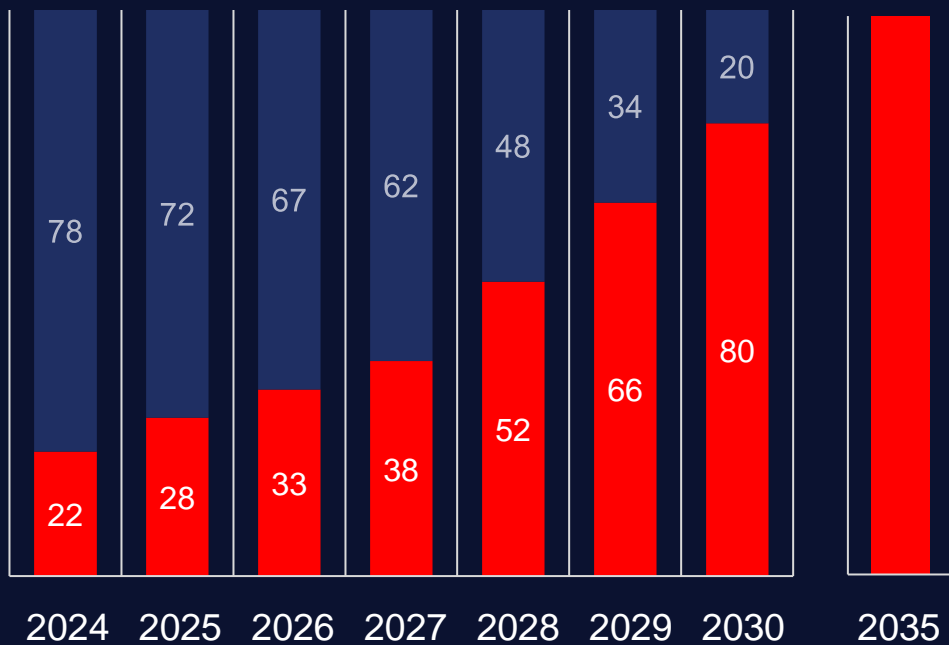
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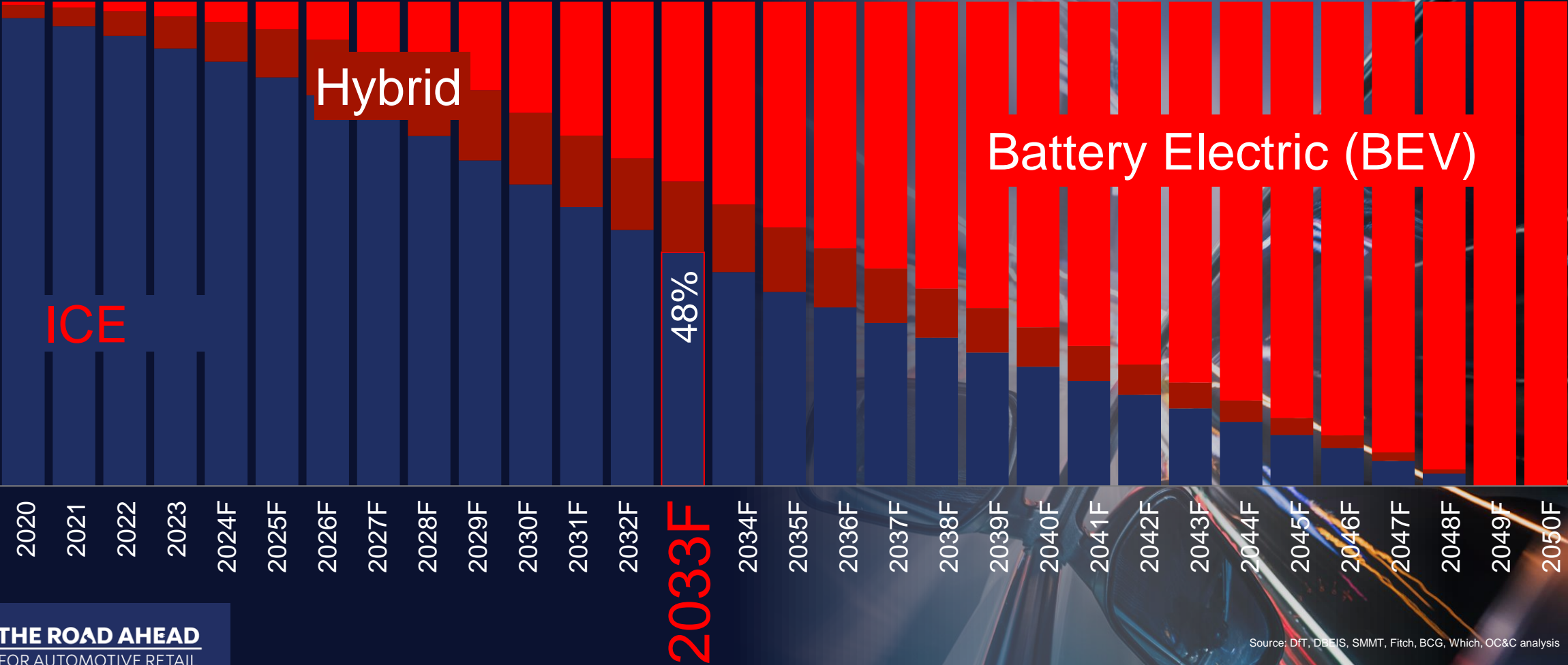
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Hitting ambitious ZEV Mandate targets might not be smooth, but change is coming

Target EV Share of New Vehicles According to ZEV Mandates, 2024-35 (%)



Impact on used will be slower - ICE will dip below half the car parc in about a decade



The impact in younger used will be much quicker –
1/3 of <3yo by 2027

38%

cars under 1 year old
will be EVs in 2027

29%

cars 1-3 year old will
be EVs in 2027

18%

cars 3-5 year old will
be EVs in 2027

The transition still faces a number of challenges

AFFORDABILITY

ENERGY

INFRASTRUCTURE

MARKET READINESS

SUPPLY – AND BATTERIES...

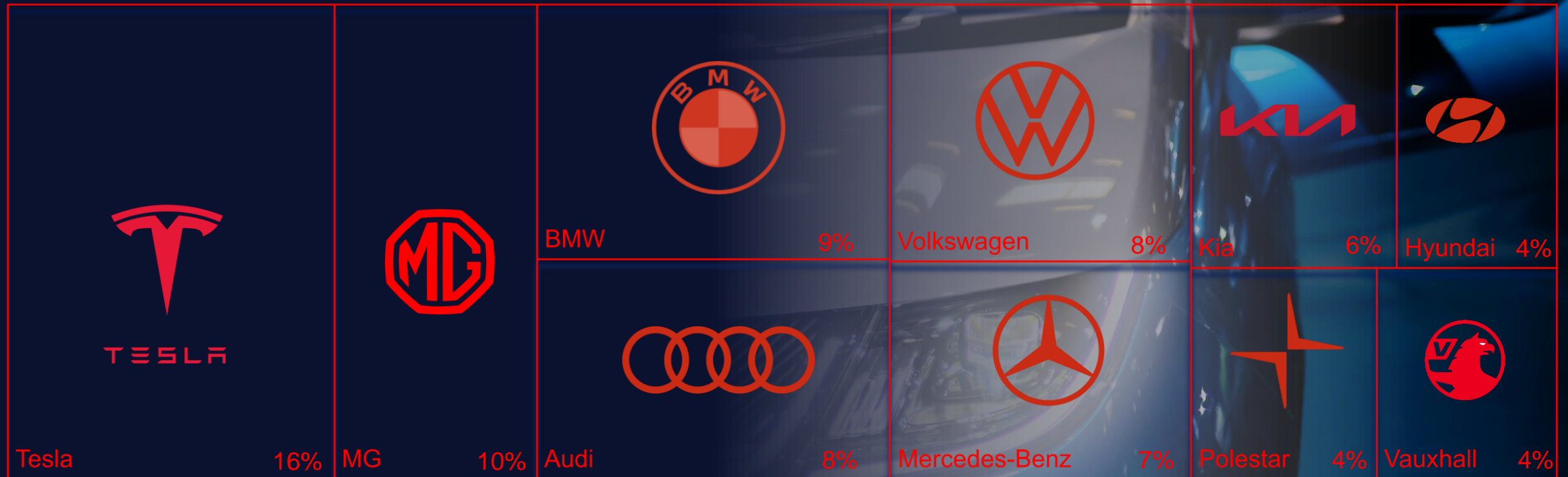
A close-up, low-angle shot of a car's front end, focusing on the grille and headlights. The car is dark-colored, possibly black or dark blue, and is set against a dark background with some blurred lights, suggesting an indoor showroom or exhibition space. The lighting is dramatic, highlighting the textures of the grille and the contours of the headlights.

New brands are ready to shake up the UK market

The brands they consider has changed and could lead to significant, enduring volume loss for some

ELECTRIC CAR REGISTRATIONS – TOP 10 BRANDS

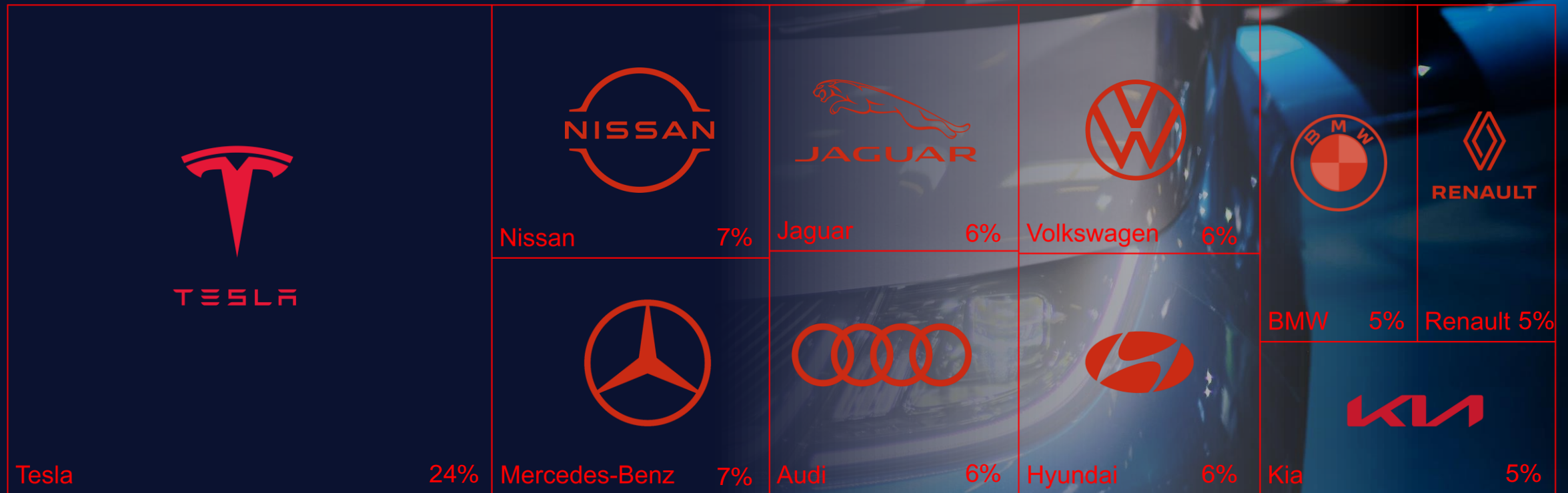
Full Year 2023, SMMT



The same brand consideration change is happening in the used market

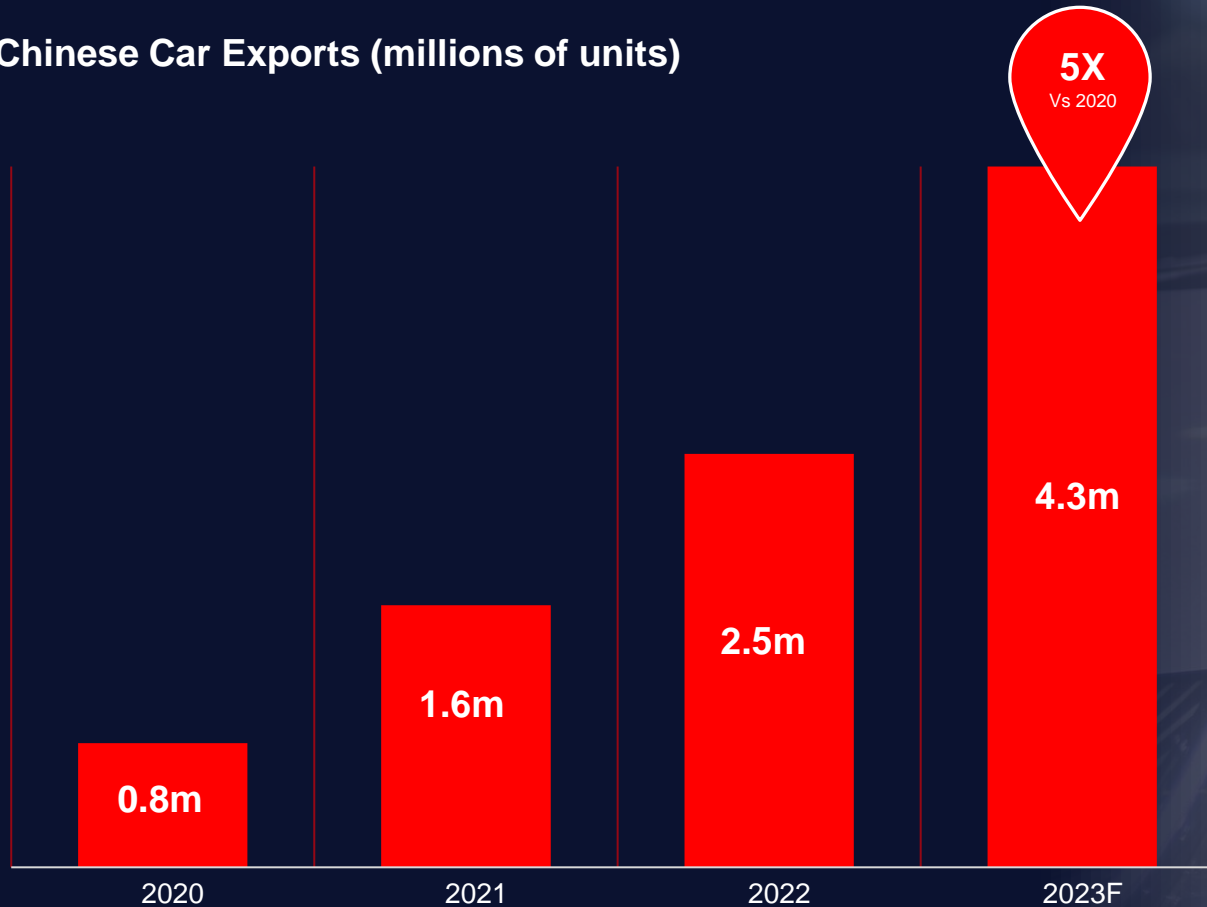
USED ELECTRIC CAR ENQUIRY SHARE – TOP 10 BRANDS

Past 12 months, Auto Trader



Marque mix will shift further as a result of Chinese new entrants

Chinese Car Exports (millions of units)



China has >1.5x
Germany's
exports

60

New "Ro-Ro" car vessels
ordered by China in 2023

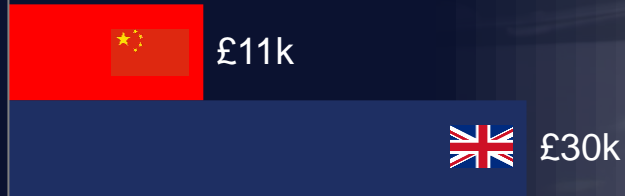


Chinese OEMs lag incumbents on awareness – but can still drop prices

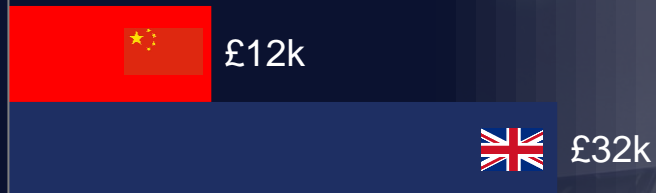
Starting Prices of New EVs: UK vs. China



2024 BYD
Dolphin



2024 GMW Ora
03



2024 VW
ID.3



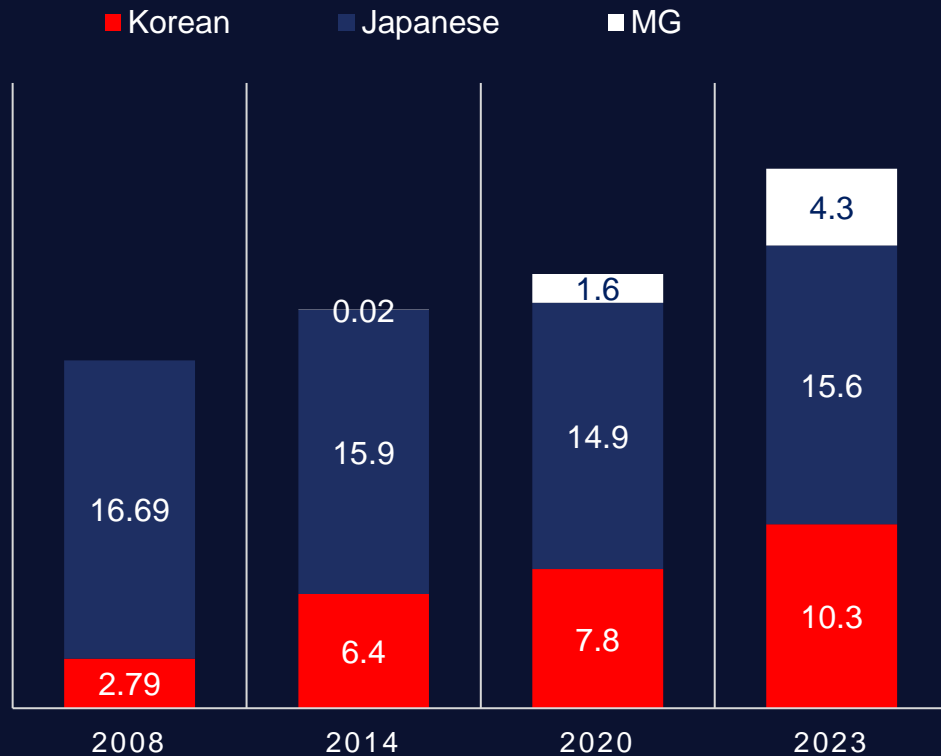
4% vs >70% brand recognition for Chinese OEMs vs major OEMS

... but only 11% ID.3 brand recognition

Aggressive growth has been achieved with the right approach

NEW CAR MARKET SHARE (%)

SMMT



Network is essential

Dealers and new entrants will need to reassure

Non premium is easier

A woman with braided hair is holding a young child. They are looking towards a man who is pointing at a white car. The man is wearing a light blue t-shirt and a watch. The background is a blurred outdoor setting.

Who are the EV consumers?

Many drivers are now considering EVs - enthusiasts tend to be urban and wealthy

53%

of EVs considerers
in £50k+ HH income
(vs 37% of all car buyers)

66%

those living in a city
centre in the UK are
considering an EV for
their next vehicle

75%

Franchise retailers
advertise EV stock
vs. 15% of Independent

The barriers are being solved

152%

increase in range in
the last decade

1-2

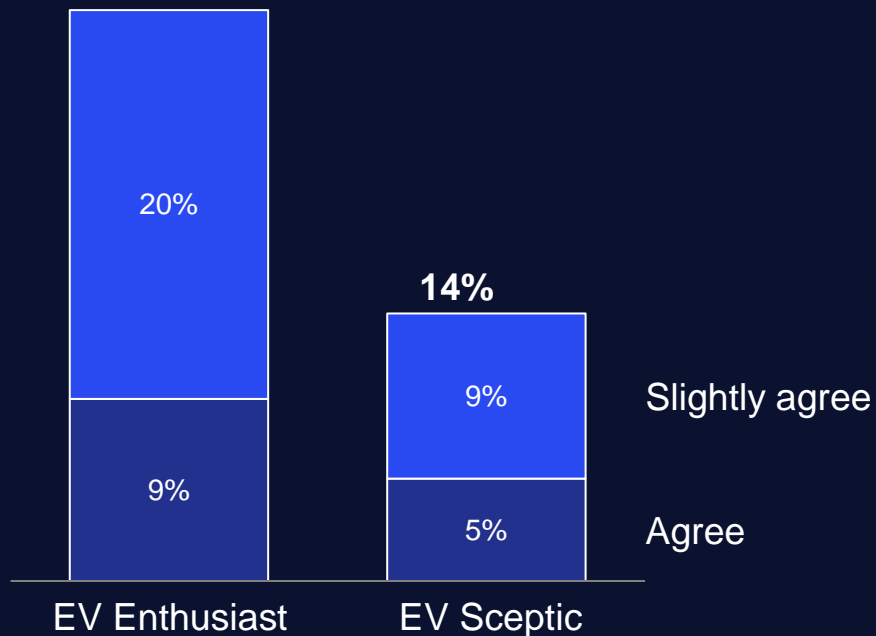
years to new EV price
parity – we are there
on some used cars

2.5x

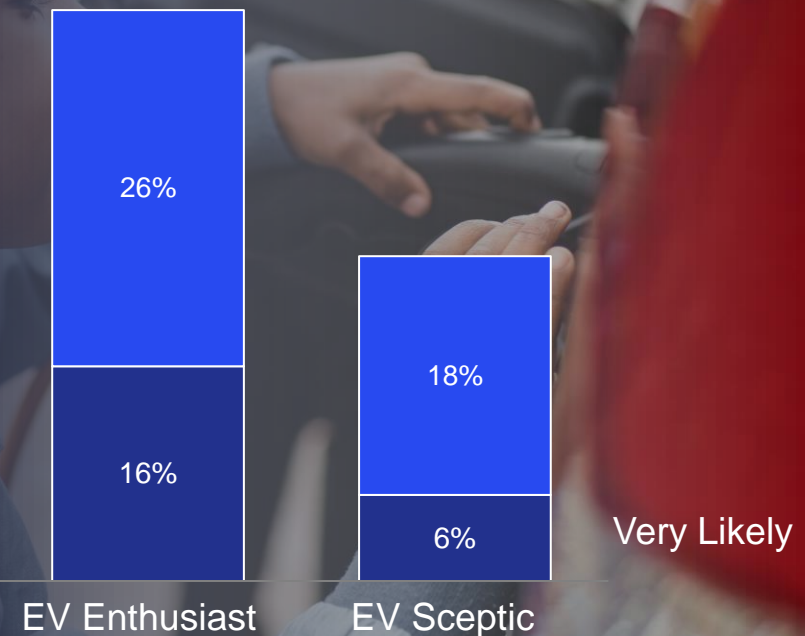
growth in number of
public chargers since
2020

And EV enthusiasts will react well to a strong omnichannel experience

“I’d happily purchase my next car ‘click & collect’ – without seeing it first¹”



“I would consider a monthly subscription if it was in my budget”



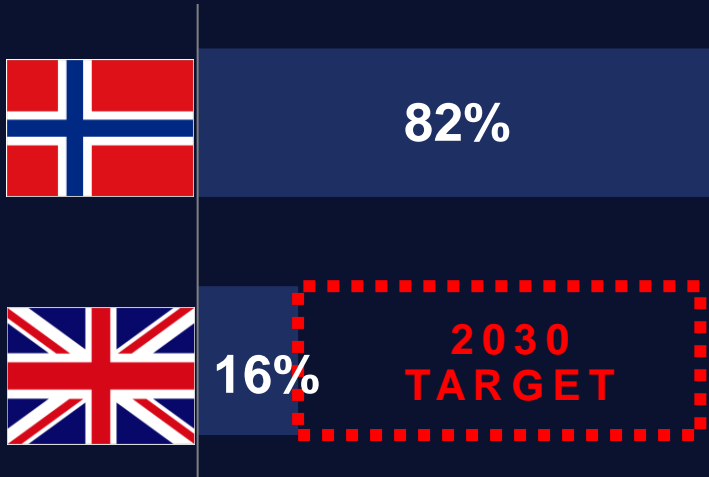


Winning with EV aftersales

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Beyond the sale, electrification will bring further changes

% of New Car Sales that are BEV



“Repair hours are down 30-50%, and sale of oil is non-existent”

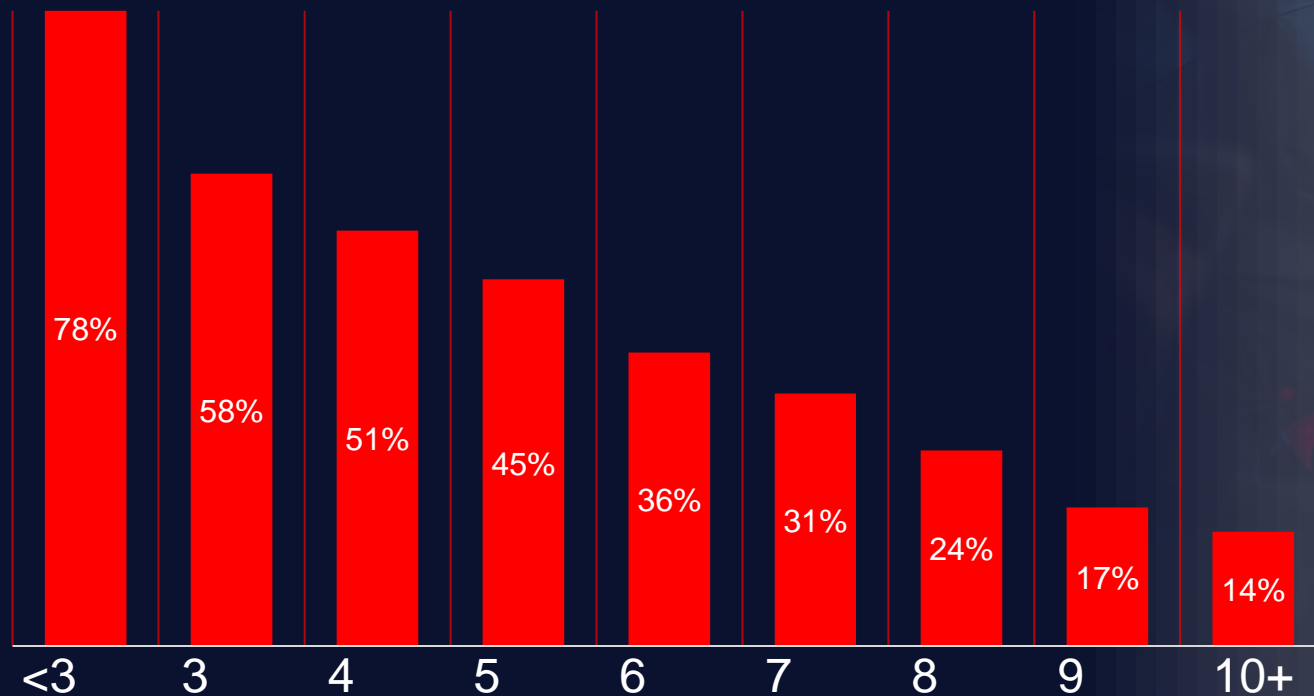
Norwegian General Manager Large OEM Dealer

“A Nissan group I know has 30-35% lower after-sales revenues since moving to EV”

Senior OEM Executive, Norway

The answer in Norway has been to focus on retention and expand the product offer - in age and product

UK Attachment Rate of Franchised Dealer SMR by Age of Vehicle
(% Using Franchised Dealer)

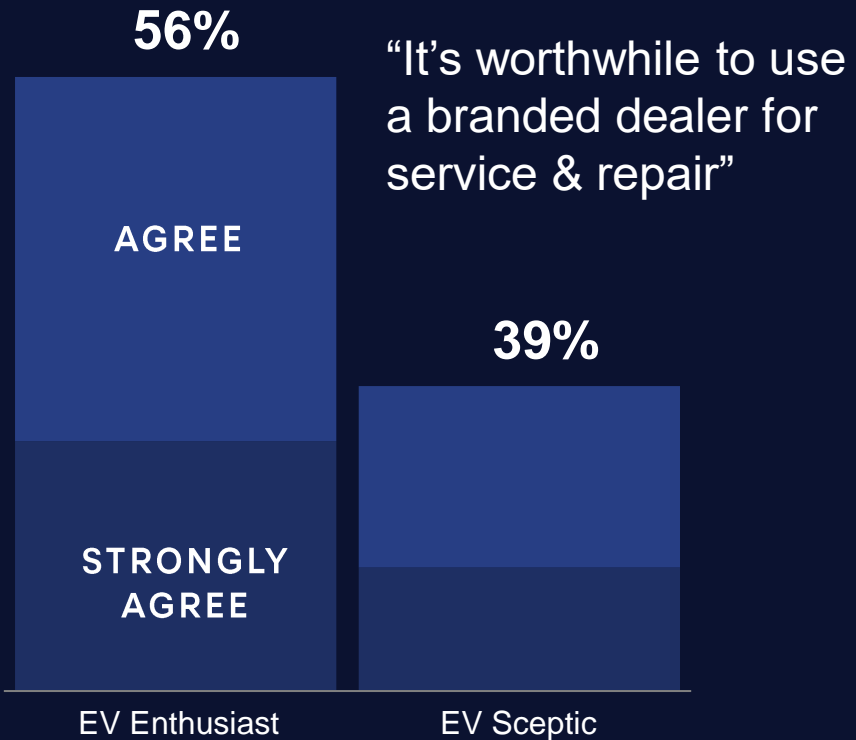


“Our brand’s workshops saw falls in revenue, but with action we were getting back to where we were before and growing”

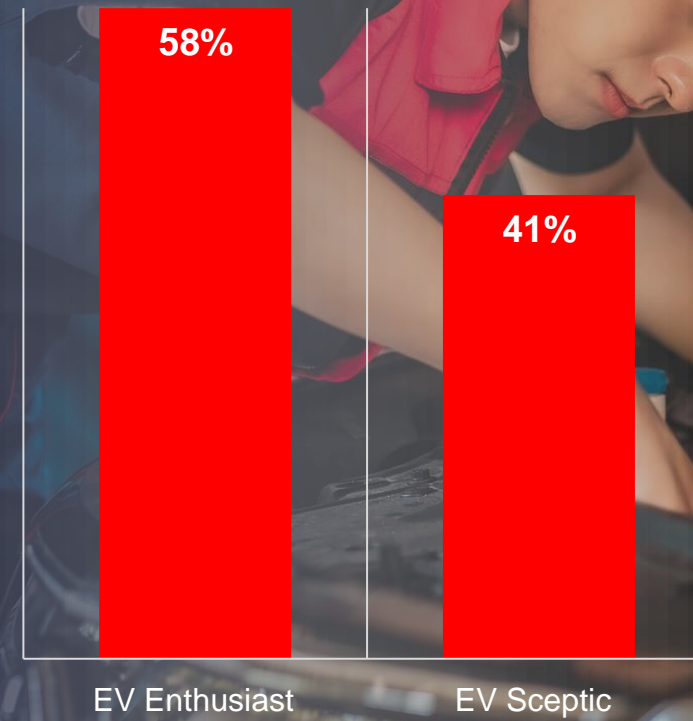
*Senior OEM Executive,
Norway*

The good news: EV enthusiasts are more prepared to pay for a branded dealer to repair/service their car

EV Enthusiast Attitudes to Vehicle Servicing
N=813, % of Respondents



“I’m willing to pay >5% premium for a manufacturer branded dealer”





How should I prepare?

So how quickly do you need to think about EVs? It varies by department

SCALE OF POSSIBLE IMPACT OF EV

Immediacy

NEW SALES

(c.13% market dealership
Gross Profit)

USED SALES

(c.16% market dealership
Gross Profit)

F&I

(c.18% market dealership
Gross Profit)

AFTERSALES

(c.55% market dealership
Gross Profit)

NOW

- ~22% of sales in January 2024
- ~65% of new sales within 5 years

NEXT 3 YEARS

Varies with age mix - avg. 3 year old mix gives
~30% EV in 5 years

Now

For new vehicles

NEXT 3 YEARS

~30% of cars in the workshop will be EV in five
years

Materiality

MID (if franchise)

- OEMs need help on conversion, but requires
some evolution of sales pitch

LOW/MID

- Learnings from New will need to be rolled out to
used, plus extra reassurance on battery life

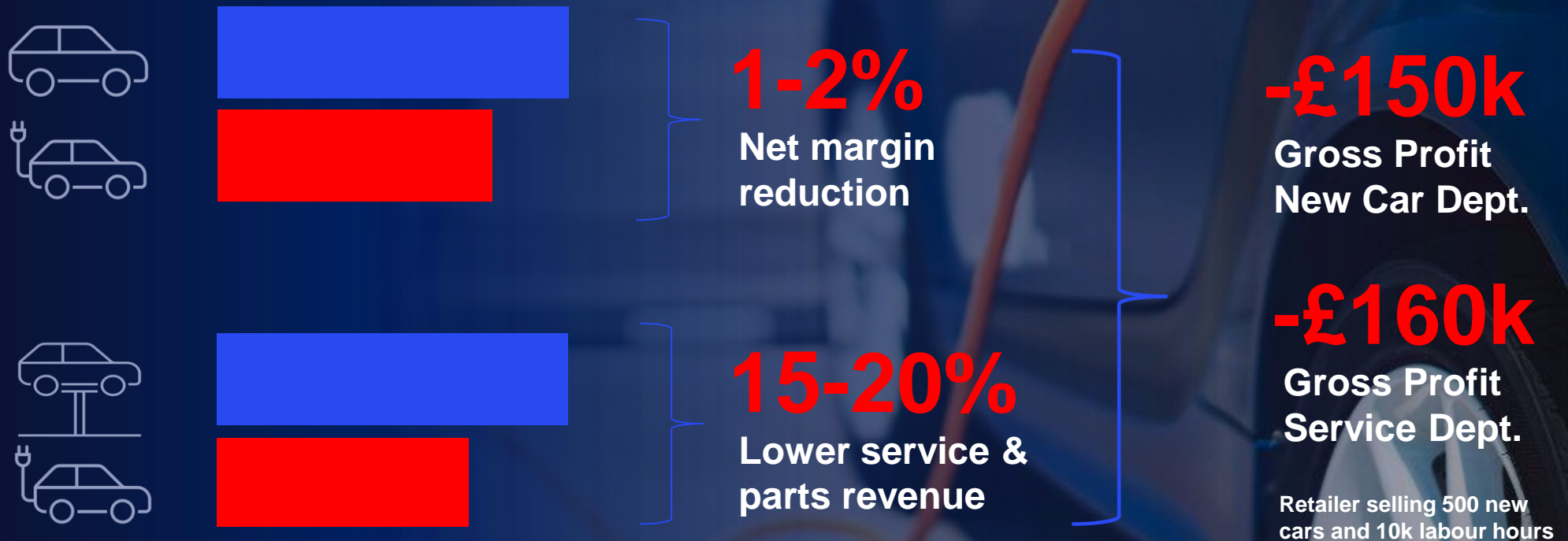
MID (if franchise)

- PCPs likely to be higher priced given RV
uncertainty

HIGH

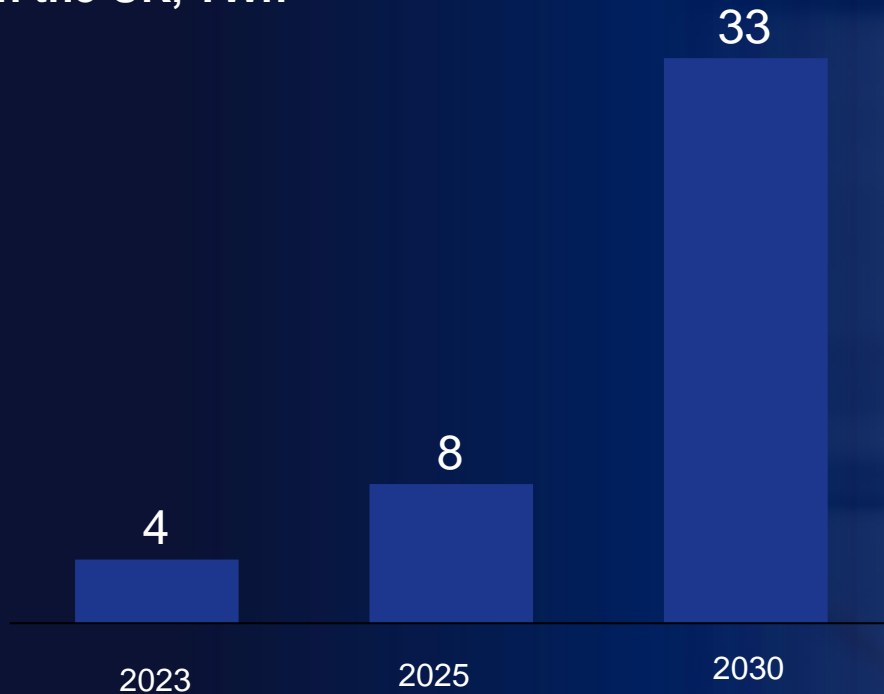
- Material impact seen in Norway – requiring new
strategies to maintain profitability

Without action, the overall growth of EVs is likely to have a significant impact on dealer economics between 2024 and 2030



Further out, retailers face an energy challenge

Estimated power demand from EV charging in the UK, TWh

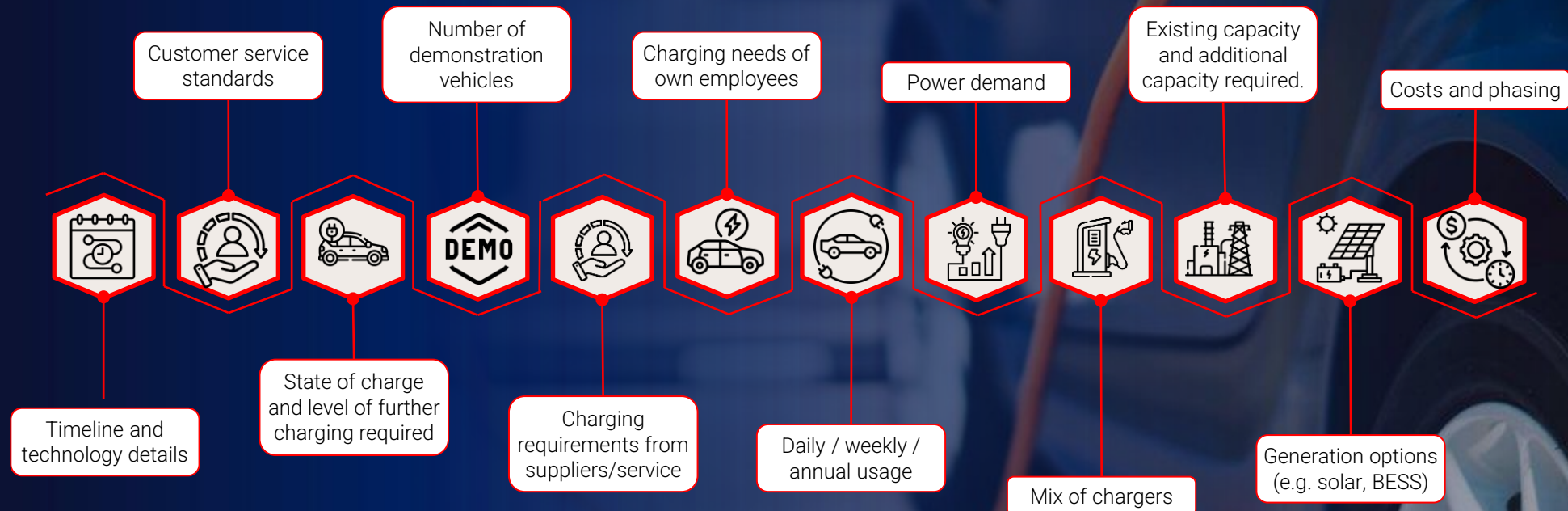


Example of power demand breakdown



The average dealership will require a supply increase in the region of 200 KVA.

The investment needed is >£100k per site - planning should begin now



So in summary for EVs...

1

EVs are going to take over the market

50% new by 2028, and 50% of parc c.2033 – even assuming some ZEV targets are missed

3

Retailing EVs isn't optional (in new or used), and will be most successful with a more tailored customer offering

2

The brands who have won historically, may not be those who win in the future – the Chinese brands will come...

4

Being able to serve EVs effectively will require investment

5

Aftersales are likely to be massively impacted – but there are mitigation strategies

.... This implies some imperatives for dealers

A

Review your OEM mix and adjust footprint

C

Invest in EV & ADAS servicing facilities and technician training, ensure electricity supplies are sufficient

B

Focus on driving up EV conversion: Train your team & update your online journey to educate and convert EV buyers

D

Invest in keeping your customers: Update aftersales CRM and marketing to retain older cars and drive consumer mix

E

Diversify aftersales work mix: tyres, body repair

Agenda

01 Electrifying the future?



02 Distribution: is Agency too hard?



03 Digital: After the hype, the grind...





Distribution: is Agency too hard?

EV requires investment, driving OEMs to look for cost cuts - distribution is the most obvious lever

Typical OEM Cost Stack

Profit	c.10%
R&D	c.5%
Manufacturing	25-35%
NSCs	25-35%
Distribution (Dealers)	20-30%

ACTIONS

Considering Agency Models Looking to improve price control and reduce costs/improve efficiency

Experimenting with new online distribution channels (eg Hyundai full transaction via Amazon in US)

Reallocating ATL spend towards direct marketing and tech

Considering options for aftersales ownership (eg using connected car to drive retention)

OEMs compelled to investigate the promise of lower distribution costs via the D2C model

D2C Impact on OEM economics % MSRP

Volume Growth

1%

Pricing Power and Upselling

2-4%

Network Cost Reduction

3-7%

Aggregated Value Add

5-10%

New Cars

Used Cars

Aftersales

Wholesale

Agency

Revenue

273

164

116

164

116

Current Assets

27

20

Inventory

175

32

ROS

2.5%

6%

ROCE

7.1%

40%

Will Agency only work for premium and luxury brands?

DEALER POSITIVES



Less balance sheet pressure
OEM debtor management
Marketing costs
New car stock funding

DEALER CONCERNS



Reduced margin
Trade In valuation / stock access
Volume loss to competition
Sales staff turnover
Viability in "Push Market"
Channel leakage



- Lost 0.4% share but grew volume 5%
- Evidence of push into demo and fleet channels
- Dealers still onboard with process with earnings similar to 2019
- OEM is learning how to retail
- Operating now in UK, Nordics and Germany
- Given the quantum of change this is a good implementation albeit one that is costly in year 1

The switch to Agency has impacted some brands' performance with ad views, leads and SMMT market share significantly back

STOCK SHARE

-3.95%

LEAD SHARE

-3.40%

1642 av. Leads per month

RETAILER NETWORK/MARKETPLACE
RELATIONSHIP

STRONG

AD VIEW SHARE

-0.90%

SMMT MARKET SHARE

-0.45%

OEM/MARKETPLACE
RELATIONSHIP

WEAK

Varying levels and changing timeframes

Not Exhaustive

NOW	2024	2025	2026	2027
 Mercedes-Benz	 <small>*Limited Models</small>	 <small>*Further models</small>		  PEUGEOT
 VOLVO	 Audi <small>*Limited Models</small>	 <small>*Further models</small>		 CITROËN
 LOTUS	 ŠKODA <small>*One Model</small>			 FIAT
 TESLA				 Jeep

Many who committed to pursuing agency are encountering issues; roll-out is not expected to be fast (and 'agency' is different for each OEM)



One third of top OEMs have ruled out agency for now....

Not Exhaustive



PORSCHE



RENAULT



SUZUKI

We suspect OEMs will discover it's hard to be a successful retailer

Lead Gen Expertise...

... conversion expertise...

... add on expertise...

...combine with a complex (non)integration of systems...

... and don't forget about a potential impact on the sales team

“The scale of change required to maintain a sustainable, profitable business was a key reason to move away from agency”

“In the long run I think wholesale will win... the dealer can take stock, you don't have to have as deep pockets”

*Patrick McGillicuddy -
JLR*

*Director, Current
Agency OEM*

There are still questions as to whether there is another way

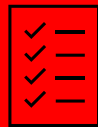
**Digitisation
driving down
FTE costs**



**Fewer,
cheaper
locations**



**Increased
throughput
per dealer?**



Others...?



“Every OEM has a big problem with the inventory and the volumes of cars... [on wholesale you can get dealers to move more vehicles] with extra margin to their customer”

Director - Current Agency OEM

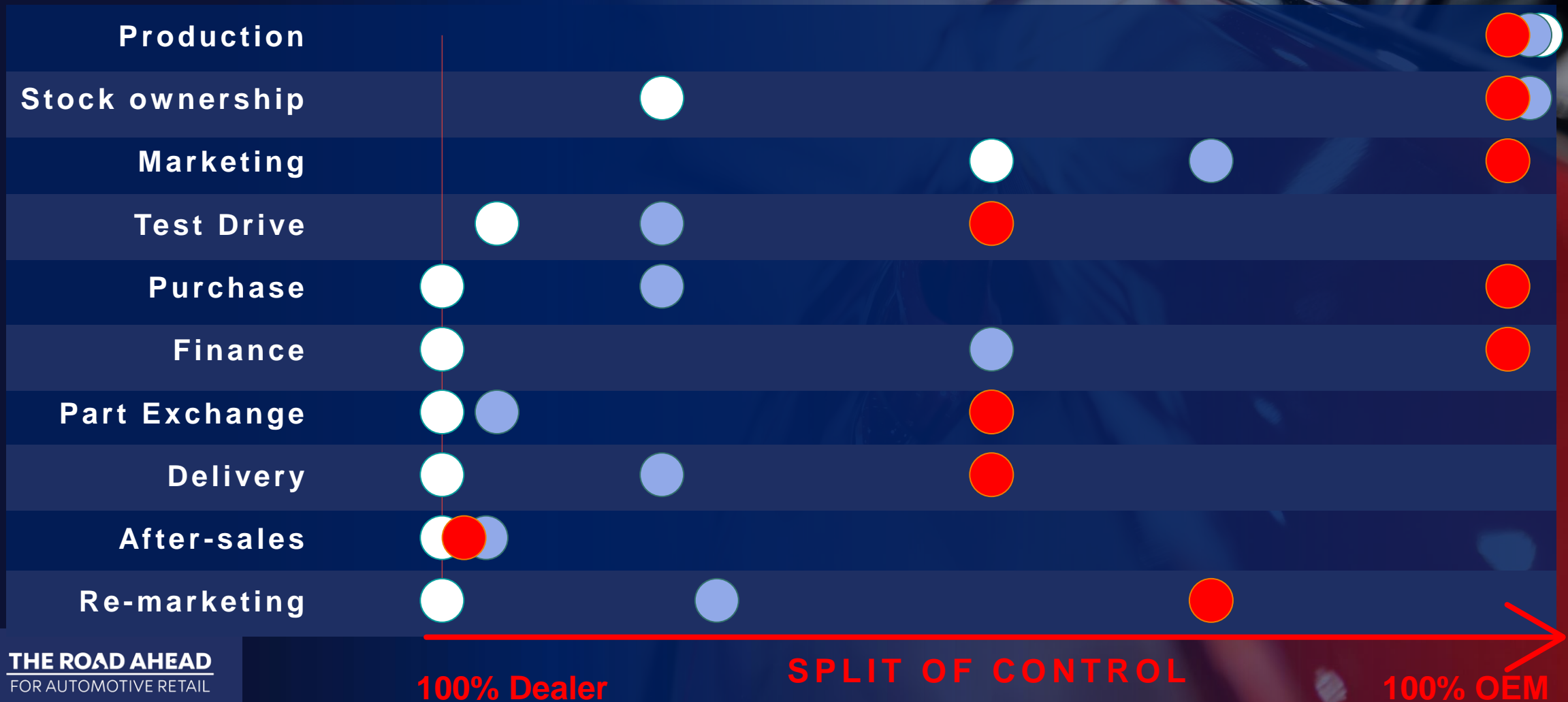
A less marked shift from the historical model might unlock this, with dealers only ceding control in certain areas

Historical vs Agency Model

● Historical

● Mid point scenario?

● "Full" Agency



So, in summary for distribution (Agency)...

1
Don't mistake a pause with abandonment of the strategy: the underlying need to reduce costs remains

2
It can work... but harder in a push market

3
Likely to be more successful with large, premium and luxury brands

4
It will cut profit on new vehicles and likely impact the customer relationship (although might improve ROCE)

5
There is still space for dealers to influence what the future looks like

....this implies some imperatives for dealers

A

Review OEM mix – and what risk/opportunity that holds

C

Identify cost cuts to deliver a win:win for OEMs and dealers

B

Decide where to keep control in agency world (tech/data/process?)

D

Increase management focus on used and aftersales

Agenda

01 Electrifying the future?



02 Distribution: is Agency too hard?



03 Digital: After the hype, the grind...





Digitisation: after the hype, the grind



An independent member of

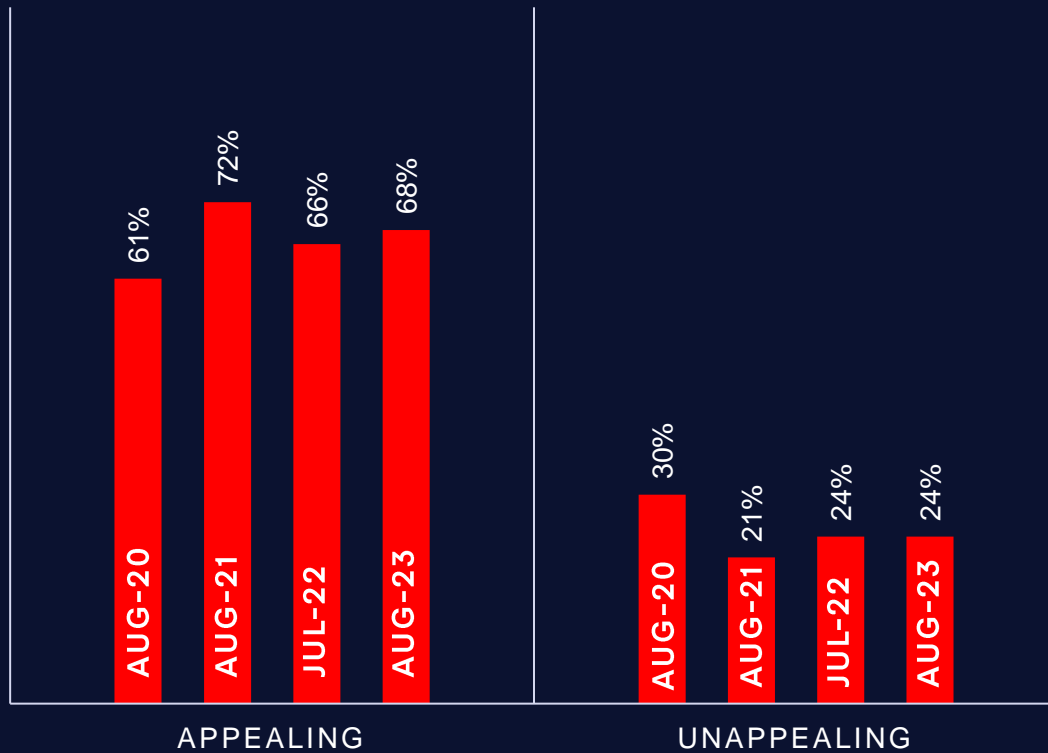
bakertilly
INTERNATIONAL



When it comes to buying a car, nearly 7 in 10 consumers find the concept of a fast, easy and risk-free online journey appealing

APPEAL TO BUY ONLINE

How appealing do you find this concept?



Scenario explains aspects of experience e.g.

- Set prices & non-negotiable
- Buy online by spending 10 mins entering some personal details incl. financial info
- Car available for delivery in 3 days and delivered by experienced customer service rep
- Have 7 days to get feel for the car, if they're not happy can return for full refund

95% of car buyers want at least some kind of physical experience

5%

**‘Online Futurists’ –
people who would
prefer to buy online**

65%

**driven by ‘non
channel’ factors**

30%

**Physical
Process Loving**

Traditional dealers have compelling advantages in playing in all journey types: online, omnichannel or physical

CONSUMER TRUST

In-person interactions still carry significant value

SOURCING

Traditional dealers have better access to PX sourcing

LOGISTICS EFFICIENCY

For brick-and-mortar retailers, vehicle preparation and retail areas are collocated

BRAND ASSOCIATION

OEM brand halo (in some cases)

Franchises also capture higher service revenues due to new vehicle warranties

However, the buying journey is omnichannel with consumers currently switching between online and offline at different parts of the journey. Retailers need to cater to all needs

91%

of Car Buyers said that they visited a dealer during the buying journey



- Research/ understand which type...
- Find specific car that's right for you
- Get questions about car ...
- Book appointment at dealership
- Check quality of car
- Decide which payment method is ad
- Understand running costs of ...
- Decide which car retailer to buy ...
- Understand different types of ...
- Decide which add-ons to buy
- Agree with dealer on a fair price to buy
- Complete finance application
- Arrange delivery/ collection of ...
- Find out how much old car was ...
- Understand what to do with old car
- Decide exactly what to do with ...
- PX/ sell/ dispose of old car

And buyers are ready for change – the retailer has a big opportunity in fixing traditional pain points

42%

would prefer excellent service, even if it cost more

82%

concerned that vehicle data is inaccurate

69%

feel like they are going back and forth

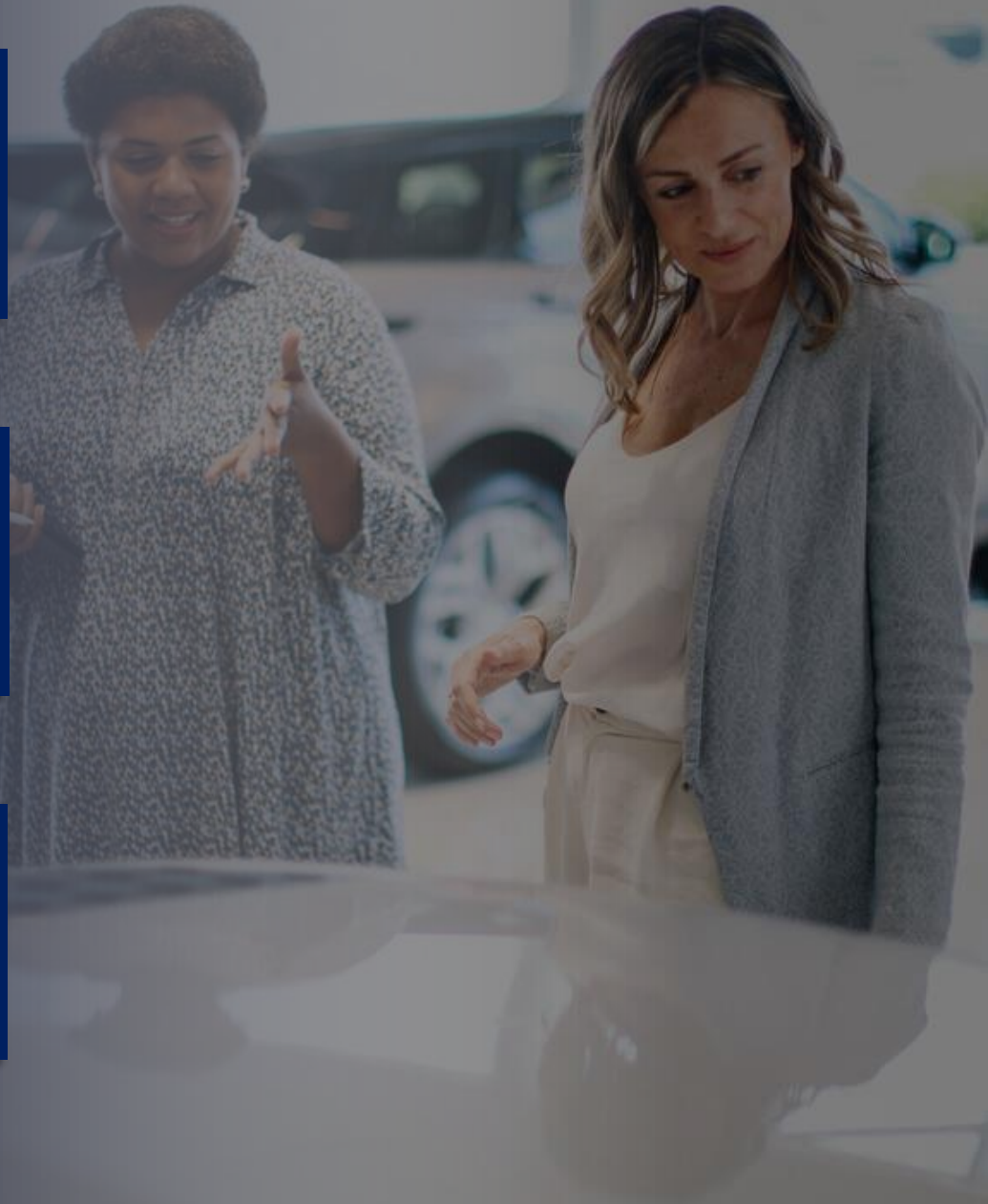
77%

say a great experience makes them more likely to buy from the retailer

THE BUYER EXPERIENCE IS NOT GOOD ENOUGH

IT'S ABOUT DATA AND PROCESS TOGETHER

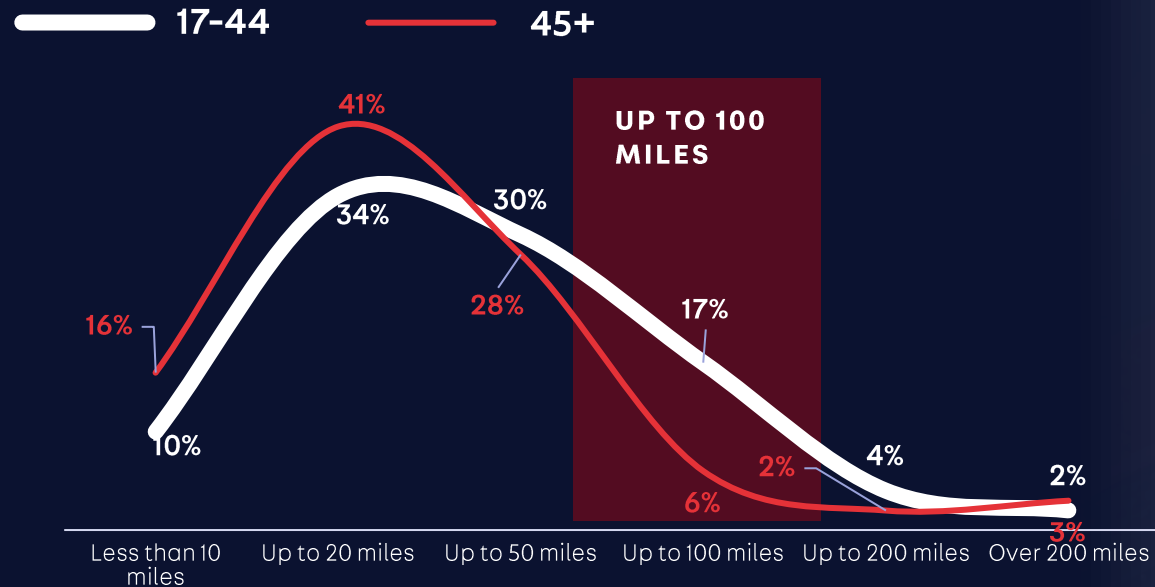
THE OPPORTUNITY IS THERE FOR RETAILERS



Digitisation of the journey and on site experience is becoming more important

DISTANCE WILLING TO TRAVEL

What's the furthest you're willing to travel to a dealership to buy a car? 17-44(n=1049), 45+ (n=951)



35% of 45+ year-olds will only visit one dealer: being the dealer of choice from online research is critical to success

Digital transformation, with a focus on omnichannel and AI, has yielded strong results for Carmax

“Our [pre-FY22] investments and focus on digital innovation are truly paying off... We advanced our digital capabilities to provide the most customer-centric experience in the industry”

CEO, Carmax (Annual report, FY22)

“By delivering an omni-channel experience, we’re putting our customers in the driver’s seat. ... They can begin their journey online and progress as much or as little as they like to online”

CTO Carmax

CARMAX

29% CAGR FY21-FY23

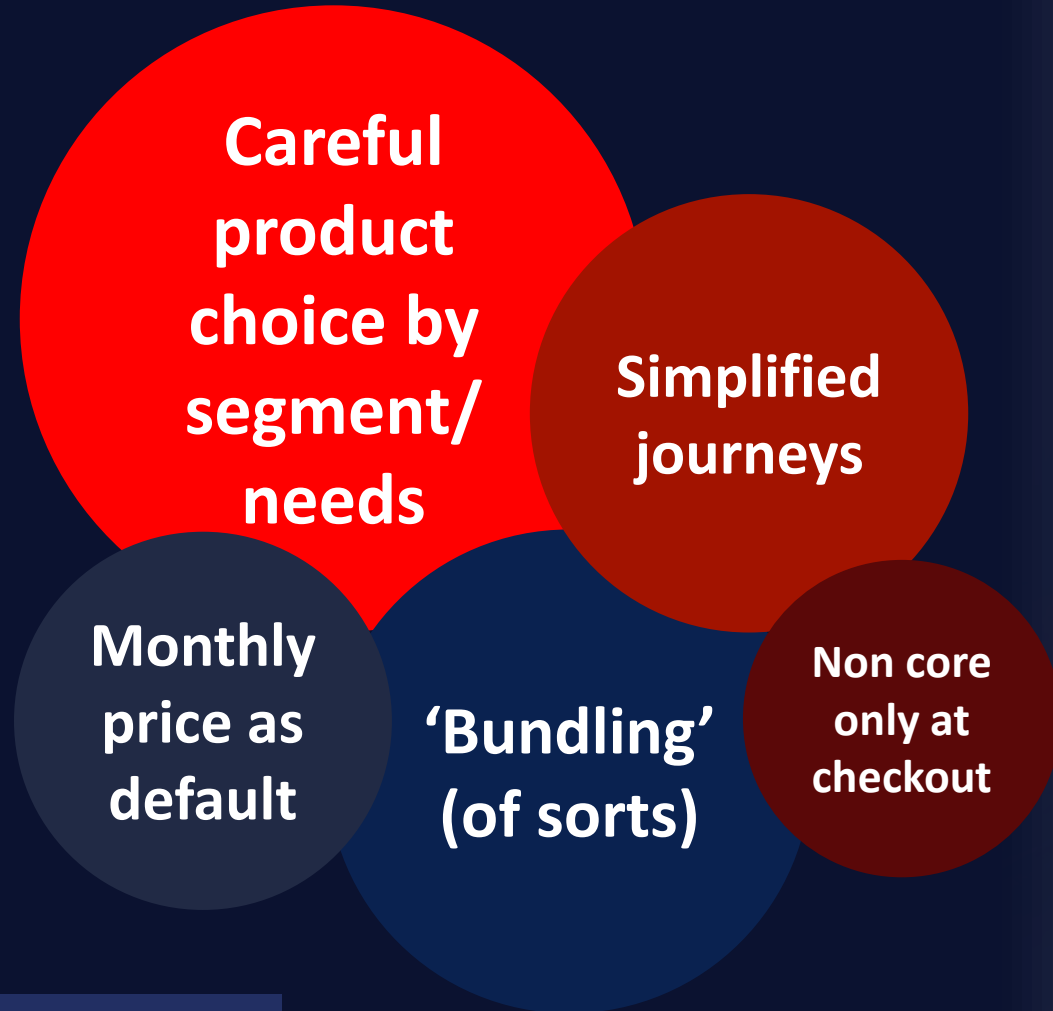
In-store digital interfaces are offering improved customer experiences and dealer benefits

“[In-store Digital Access Points] give customers general details without assistance, while we provide answers to more specific questions and focus on sales”

Sales Associate, Kia



A strong digital offer can even increase add on sales



c.55%

online used car finance penetration (from start point of <45%)

The financial impact of an unsophisticated 'back end' is large



So, in summary for digitisation

1
Full online transaction
is overhyped...

2
... but omni-channel is
the future

3
Digitisation of the customer
search journey is growing
catchments – and increasing
competition for leads...

4
The lack of digitisation of the
back end today is driving
margin down – both via lost
sales and in costs

5
The need to adapt is only
getting stronger

So what does that mean dealers should do...

A

Invest in tech to improve attraction & conversion:
multi-channel, seamless cust. experience and back end

B

Use the data: insight not instinct

C

Push automation to drive labour reduction/reliance

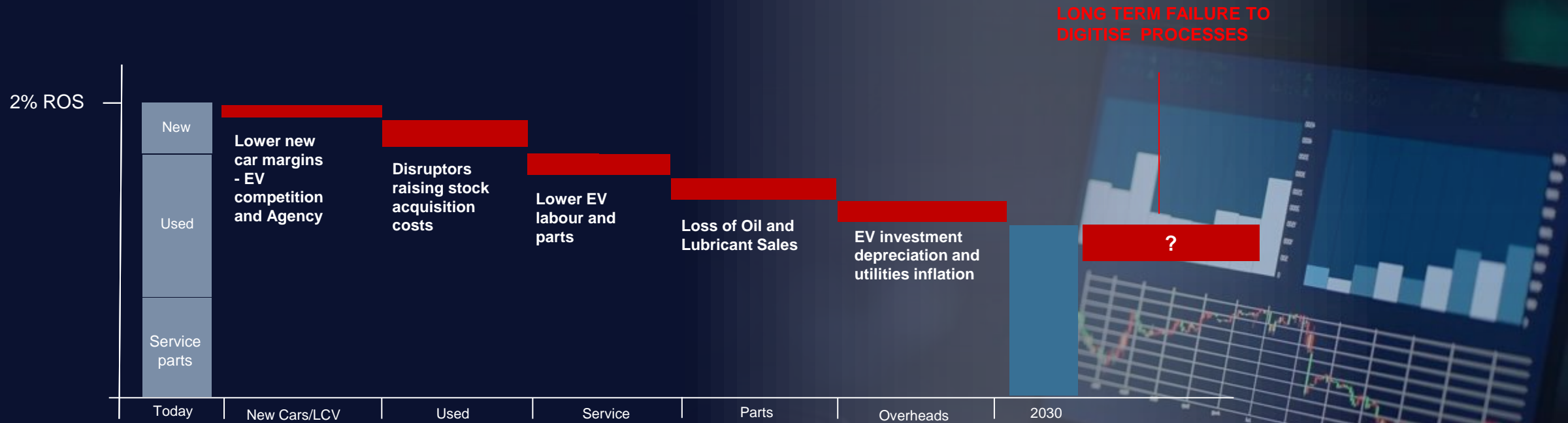
Taking the trends together, and considering the imperatives already outlined – gives 8 actions we think dealers should prioritise

NEW CAR SALES	USED CAR SALES	AFTERSALES	
1	Review OEM mix and adjust footprint (for EV winners / agency attitude)	5	Update aftersales CRM / strategy
2	Mine opportunities to convert EV buyers: Update your customer journey and facilities (upskill & re-educate team to support that)	6	Invest in EV/ADAS facilities and techs
3	Invest in integrated tech and data to increase capture and conversion: improve the customer journey to make it omnichannel, seamless		
4	Identify cost cuts which don't impact customer/OEM – likely via automation and improved/defended used car sourcing		
7	Decide where to keep control vs OEM (tech/data)	8	Increase management focus on used and aftersales

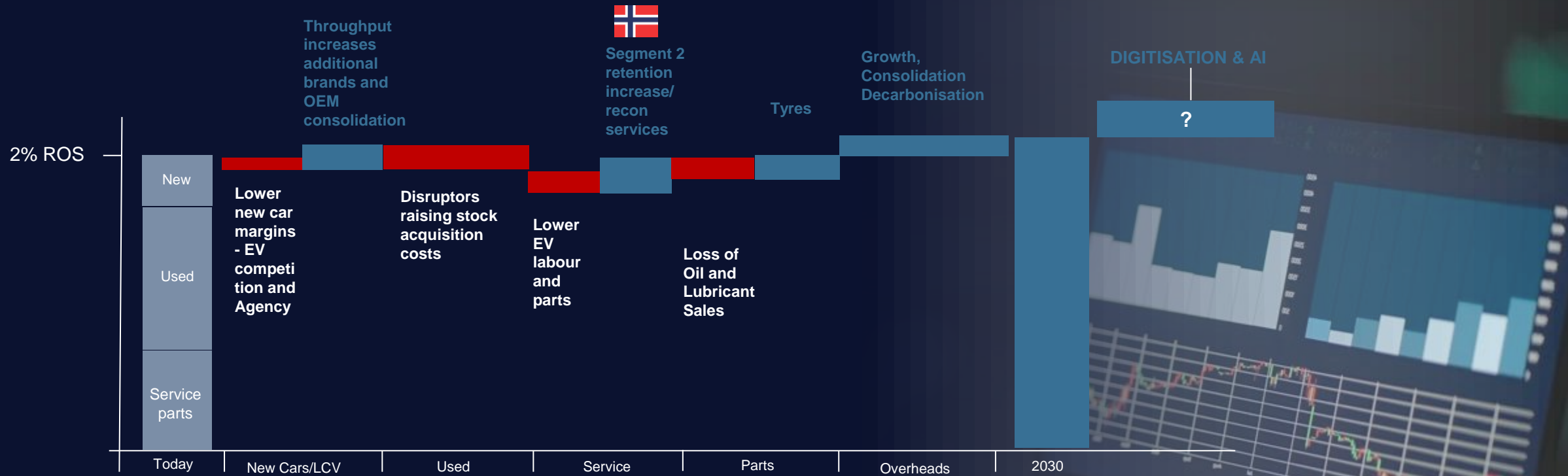


The future model

If no action is taken there are number of downsides



If action is taken there are a number of opportunities



2014-2023
Locations
-9%

Throughput
-10%

There are opportunities to increase throughput, despite industry trends, but it will require action....

Review OEM mix and adjust footprint
(for EV winners / agency attitude)

- ✓ **Multi-branding is a greater opportunity in the UK than other European markets.**
- ✓ **Portfolio adjustment may help follow the market trends**

Mine opportunities to drive up conversion – with all buyers, and specifically EV

- ✓ **OEMs will need to reward EV sales: ensure you can maximise this**
- ✓ **Progress increased automation of sales administration tasks**
- ✓ **Invest in ability to serve EV customers, via technology, energy supply and training for teams**

Employment expense is 40-50% of the dealership operational costs – is there another way?

APPROXIMATE COST STACK

General and other Expenses	c.3%	General and other Expenses
Training	c.2%	Training
Advertising & Sales Promotion	c.8%	Advertising & Sales Promotion
Demonstrator Expenses	c.9%	Demonstrator Expenses
New Stock Surcharges	c.2%	New Stock Surcharges
Preparation	c.6%	Preparation
Employee Benefits	c.5%	Employee Benefits
Other Salaries & Wages	c.18%	Other Salaries & Wages
Sales Executive Salaries	c.26%	Sales Executive Salaries
Sales Executive Commission	c.21%	Sales Executive Commission

Identify cost cuts which don't impact customer/OEM (Principally via automation & digitisation)

- ✓ **Reduce employment costs by driving more digitisation of the sales process**
- ✓ **Progress increased automation of sales administration tasks**
- ✓ **Re-imagine how the sales department is staffed**

Stock acquisition costs for used could also be better controlled – and this will be key to offset online threats and disruption from the likes of Motorway

**Identify cost cuts which don't impact customer/
OEM** (Principally via automation & digitisation)

- ✓ **Focus CRM on buying customers cars and not selling them**
- ✓ **Fully leverage data insight to maximise pricing**
- ✓ **Make it frictionless and transparent for customers to sell their car to you**
- ✓ **Standardise and separate reconditioning if scale allows**

Aftersales represents a massive threat on profit, but also an opportunity with the right strategy

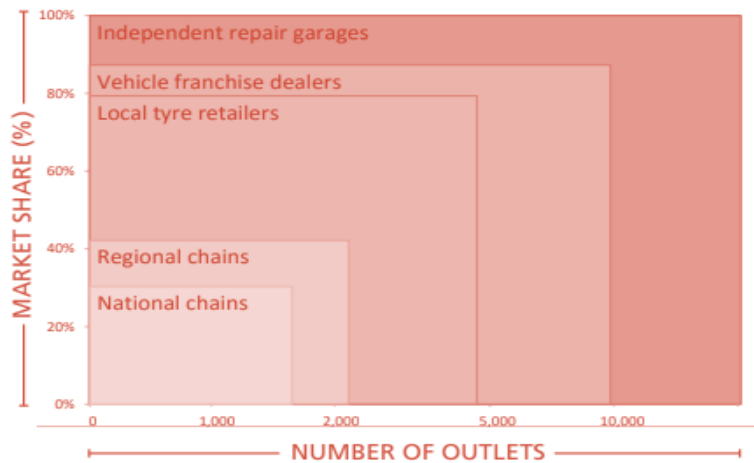
Update aftersales CRM / strategy

	Mix of Work in Service	Average Invoice Value
0-1 Years	8%	£205
1-2 Years	13%	£256
2-3 Years	17%	£261
< 3 Years	38%	£248
3-4 Years	14%	£302
4-5 Years	11%	£306
5+ Years	37%	£300
> 3 Years	62%	£302

- ✓ **Short/Mid Term: Continue to increase penetration of Segment 2 parc units**
- ✓ **Maximise skills gap between franchised and independent repair sectors**

Aftersales represents a massive threat on profit, but also an opportunity with the right strategy

Update aftersales CRM / strategy



- ✓ Lubricant Offsets: Tyres, Tyres, Tyres
- ✓ Multi-franchise repair opportunity as OEMs reduce sales points

Aftersales represents a massive threat on profit, but also an opportunity with the right strategy

Update aftersales CRM / strategy



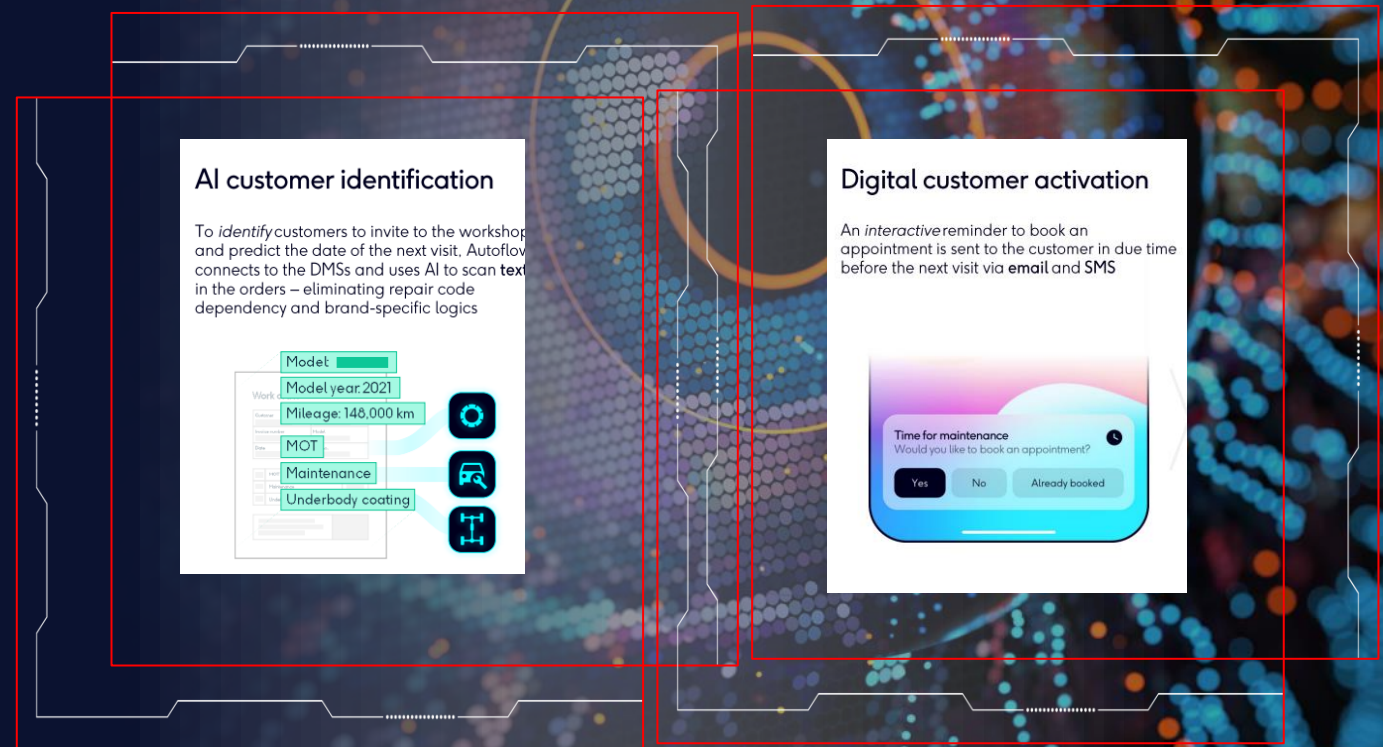
- ✓ **Productivity: Re-imagine workshop practices with Lean Thinking**
- ✓ **Vehicle reconditioning will be an increasing opportunity if ownership cycles increase**

AI and digital customer activation presents a huge opportunity for sales maximisation and cost controls in aftersales as well as sales

Personalisation is key.

Customers will spend 15% more with brands that personalise engagements

AI now can unlock the full potential of dealer data



Together these changes have a number of implications for (rising) overheads – and the potential returns to scale in the sector

1

STRATEGIC GROWTH OBJECTIVE

Consistently loss making / marginal locations to close

3

STRATEGIC GROWTH OBJECTIVE

Process automation for administration

2

STRATEGIC GROWTH OBJECTIVE

Decarbonisation will become imperative for franchise dealers and can reduce operating costs

4

STRATEGIC GROWTH OBJECTIVE

Small dealers / Local Heroes can survive by being last to exit secondary locations

The dealer of tomorrow is likely to have a number of key attributes

**Obsessed with
Aftersales
(and Used Cars)**

**Highly digitalised
customers journeys
supporting F2F last mile**

**Focused on buying cars
locally / existing
customers**

Multi Brand Ready

EV Ready

Agency Ready

**Embracing of AI to
deliver personalisation**

Driven by data

Lean Process aware



Connected

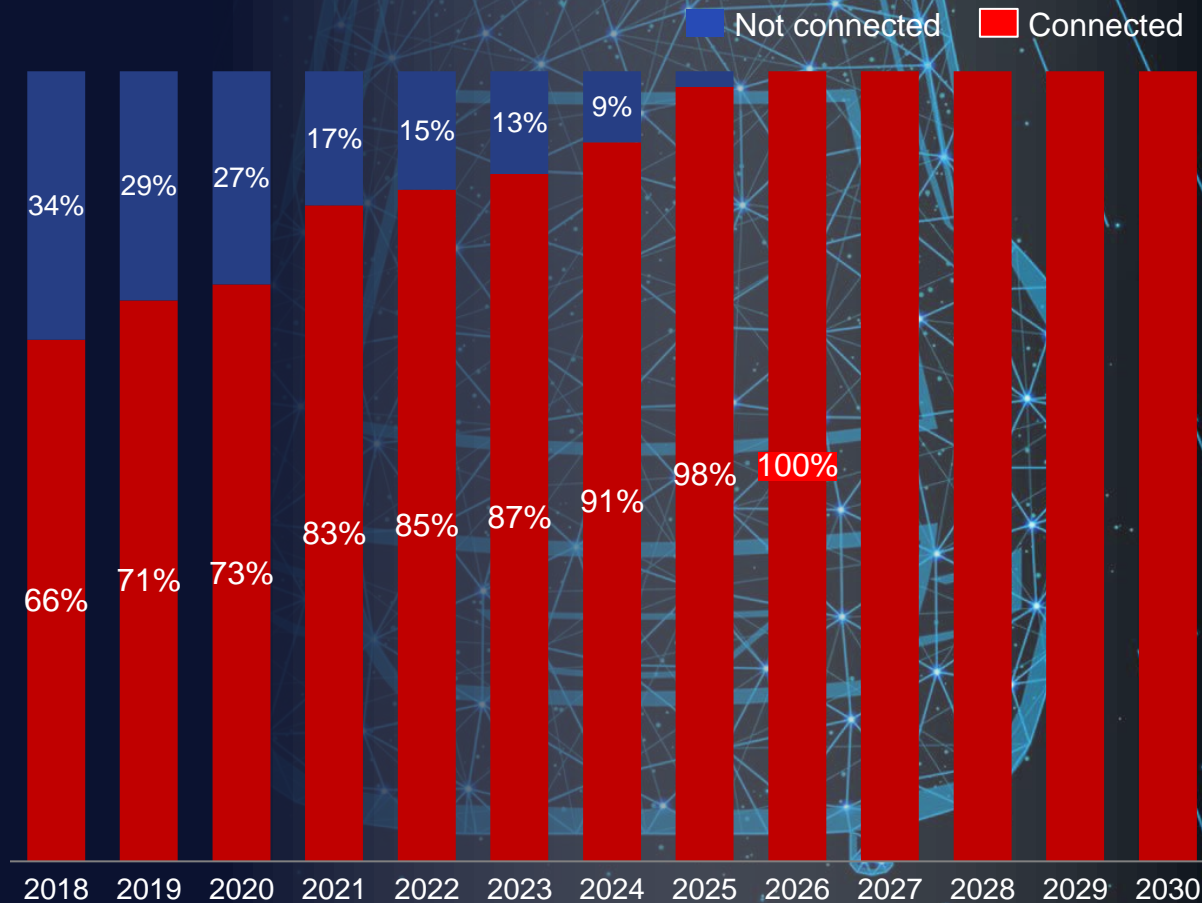


The connected car is becoming mainstream and producing vast quantities of data

“A connected car can generate 25 GB of data per hour of driving”

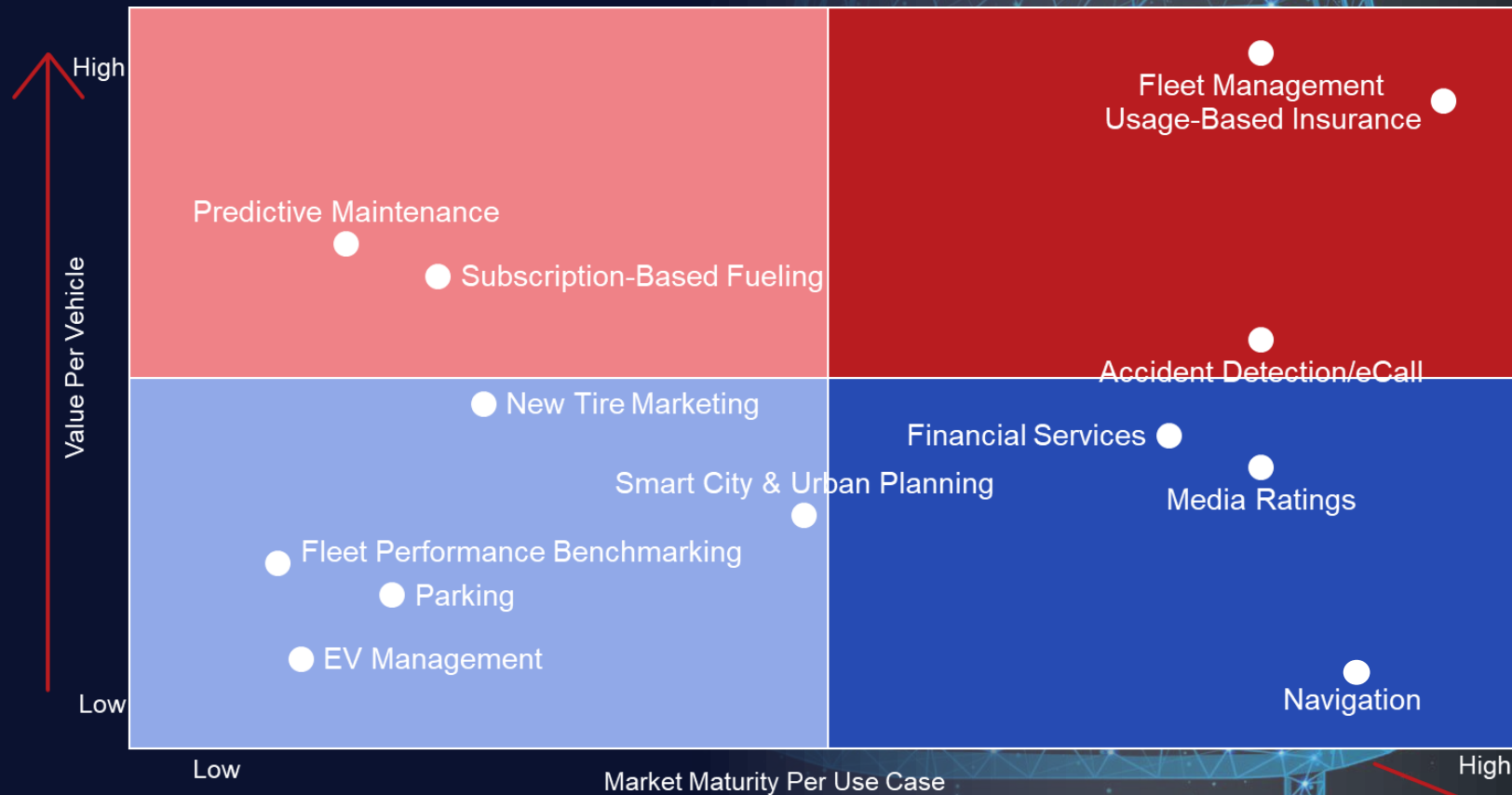
– Ford 2016

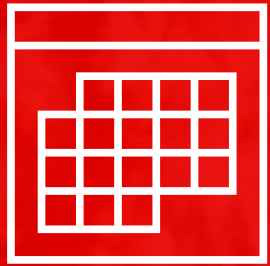
FORECAST OF UK NEW CONNECTED CAR REGISTRATIONS



Few use cases are mature and valuable today, and those that are target fleets or niche insurance customers

Connected Vehicle Use Cases, by Value & Market Maturity





Subscription

THE ROAD AHEAD
FOR AUTOMOTIVE RETAIL

Subscription is filling a gap

“Ownership” Models

Buy PCP PCH Lease

Subscription

“Access” Models

Car Rental Car Sharing Ride Hailing Ride Pooling Micro-Mobility

CARE BY VOLVO

PIVOTAL
SUBSCRIPTION BY JAGUAR AND LAND ROVER

ONTO

AVIS

zipcar

ADDISON LEE

BlaBlaCar

BIRD

Hertz

hiyacar

Gett.

FAXI

W

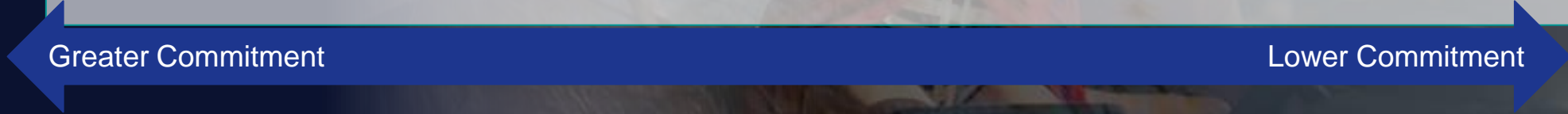
enterprise rent-a-car

TURO

Uber

uberPOOL

lime



A third of drivers say they're interested in subscription

35%

likely to consider a monthly subscription

WHAT MAKES SUBSCRIPTIONS ATTRACTIVE (%, UK drivers)



But the near-term impact is likely to be at most 3%-10% of new cars in 2028: translating to <2% of the parc

5%

of new car transactions
(high case 12%)

1%

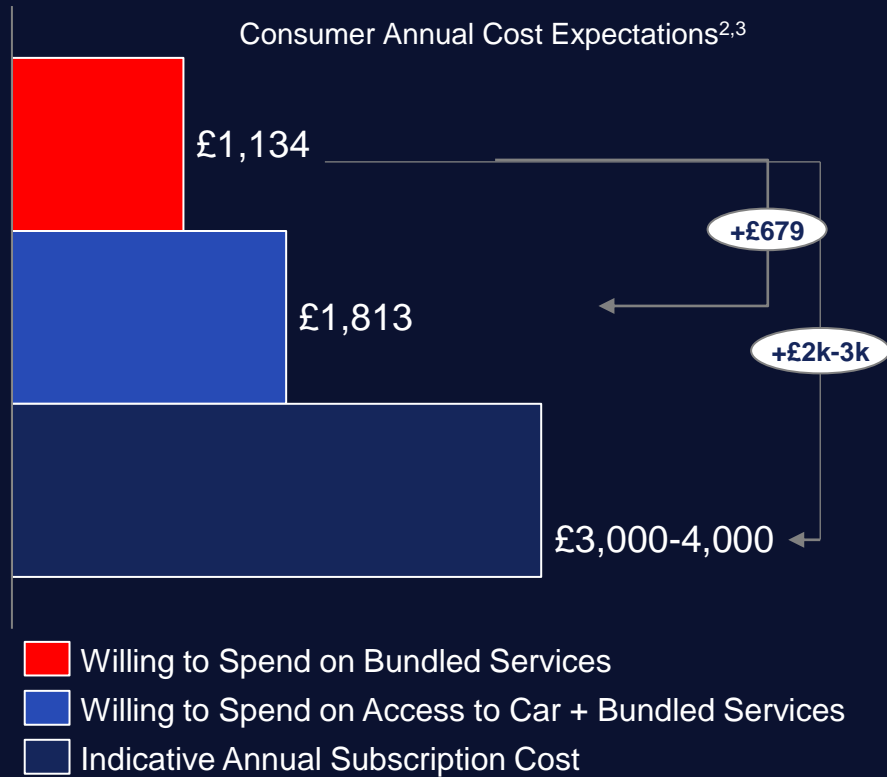
of used car transactions
(high case 4%)

1%

of total car parc
(high case 3%)

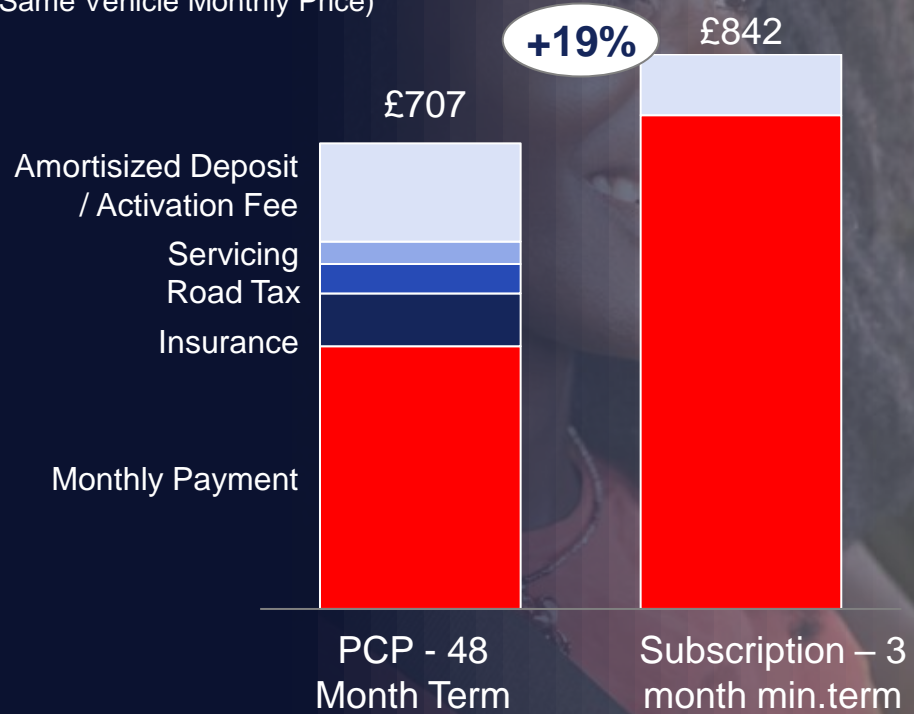
Low uptake driven by sticker shock

Consumers are not realistic on cost expectations ...



... this is accentuated by the price premium of subscription for flexibility

Subscription Price Comparison
(Same Vehicle Monthly Price)











Autonomous

THE ROAD AHEAD
FOR AUTOMOTIVE RETAIL



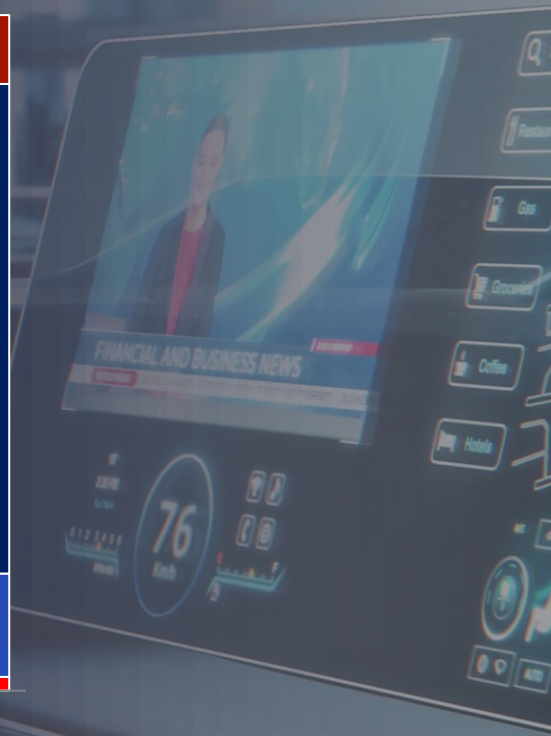
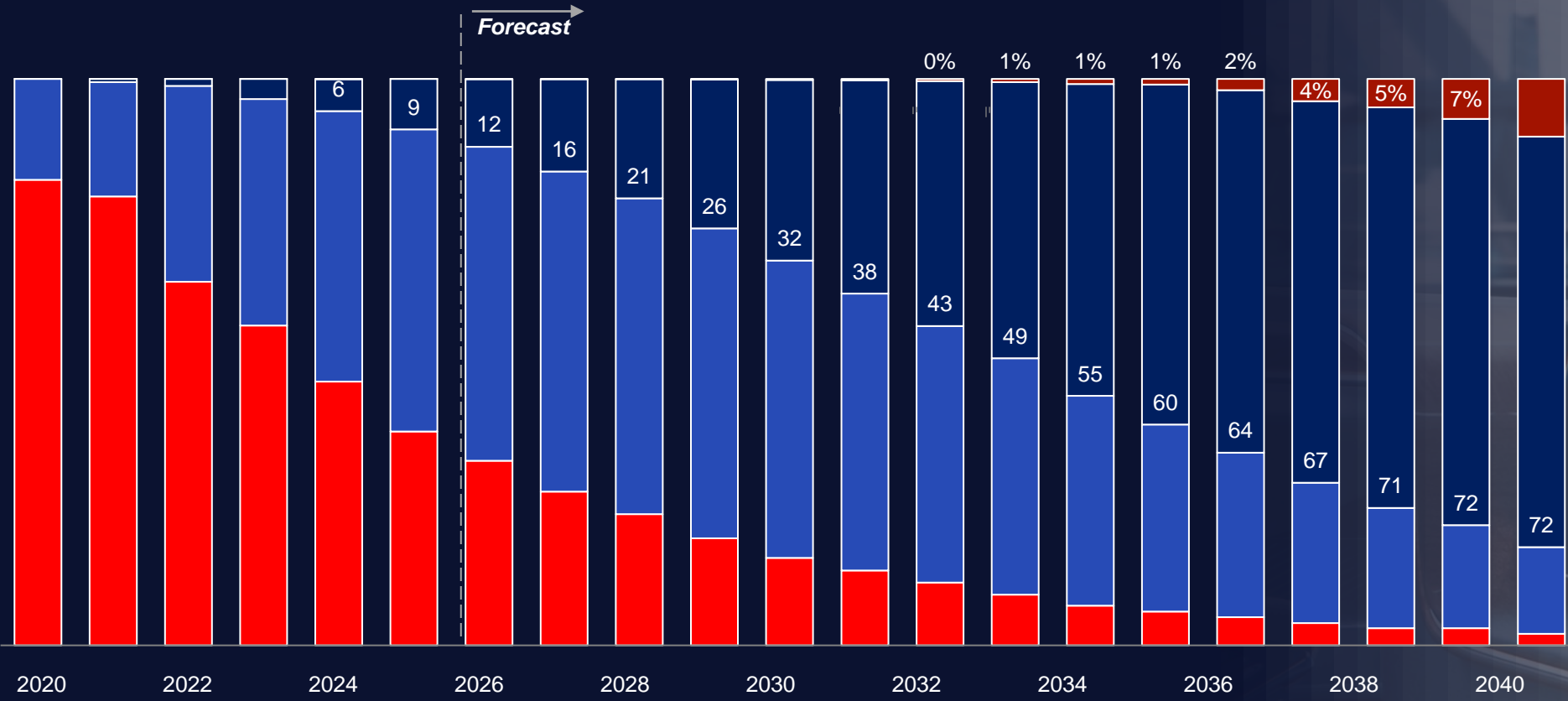
Six levels of autonomy – many new cars are Level 2, but 3 very limited

				<i>'Autonomous Vehicles' typically refers to vehicles with Level 4 or 5 automation</i>	
					
Level 0	Level 1	Level 2	Level 3	Level 4	Level 5
No Automation	Driver Assistance	Partial Automation	Conditional Automation	High Automation	Full Automation
Fully Engaged Driver	Driver is "hands-on"	Driver is "hands-off"	Driver is "eyes off"	Driver is "mind off"	No Driver required
n/a	Offered by many OEMs since 1990s/2000s	Available in premium and high-end ranges since mid-2010s	Only Mercedes S Class and Honda Legend in Japan hold Level 3 certification as of 2024	Rollout expected in premium marques from c.2030	Unlikely before 2040; timeline dependent on technology and regulation

Level 3 autonomy is forecast to become commonplace

GLOBAL CAR SALES BY LEVEL OF AUTOMATION 2020-2040

■ Level 0 & 1
 ■ Level 2
 ■ Level 3
 ■ Level 4 & 5

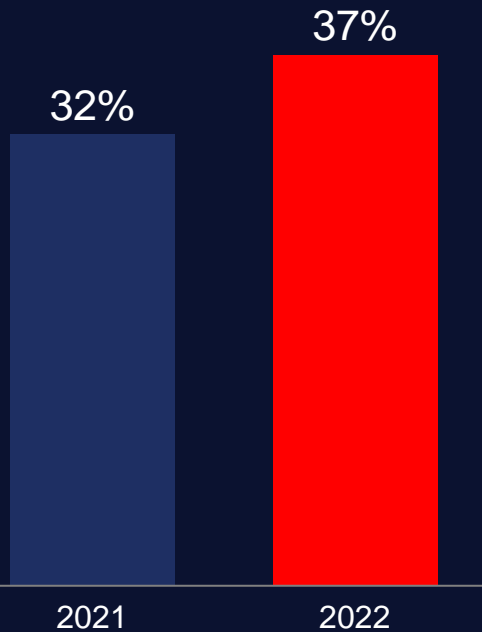


THE ROAD AHEAD
FOR AUTOMOTIVE RETAIL

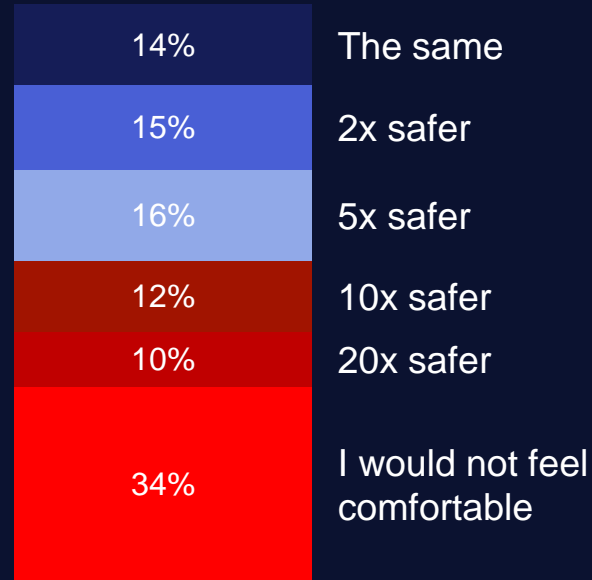
1. Bloomberg, "This \$220 Billion Market Opens Up a Path for Driverless Cars" November 2022 article.
Source: BloombergNEF, Desk Research, OC&C analysis

Significant blockers to overcome

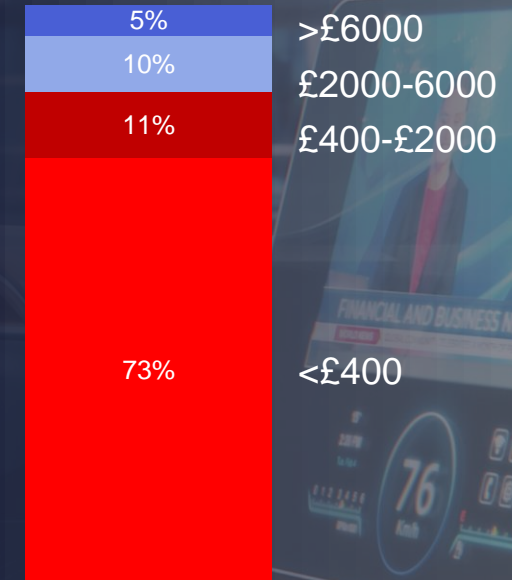
INTEREST IN AV



REQUIRED SAFETY FOR COMFORT



PRICE PREMIUM



When AV is introduced it will increase miles travelled significantly due to transit substitution and induced demand

IMPACT OF AV ON MILES TRAVELLED

New Demand from New Users (eg the elderly, impaired)

Night driving demand

Ability to drive and do things

Substitution from public transport

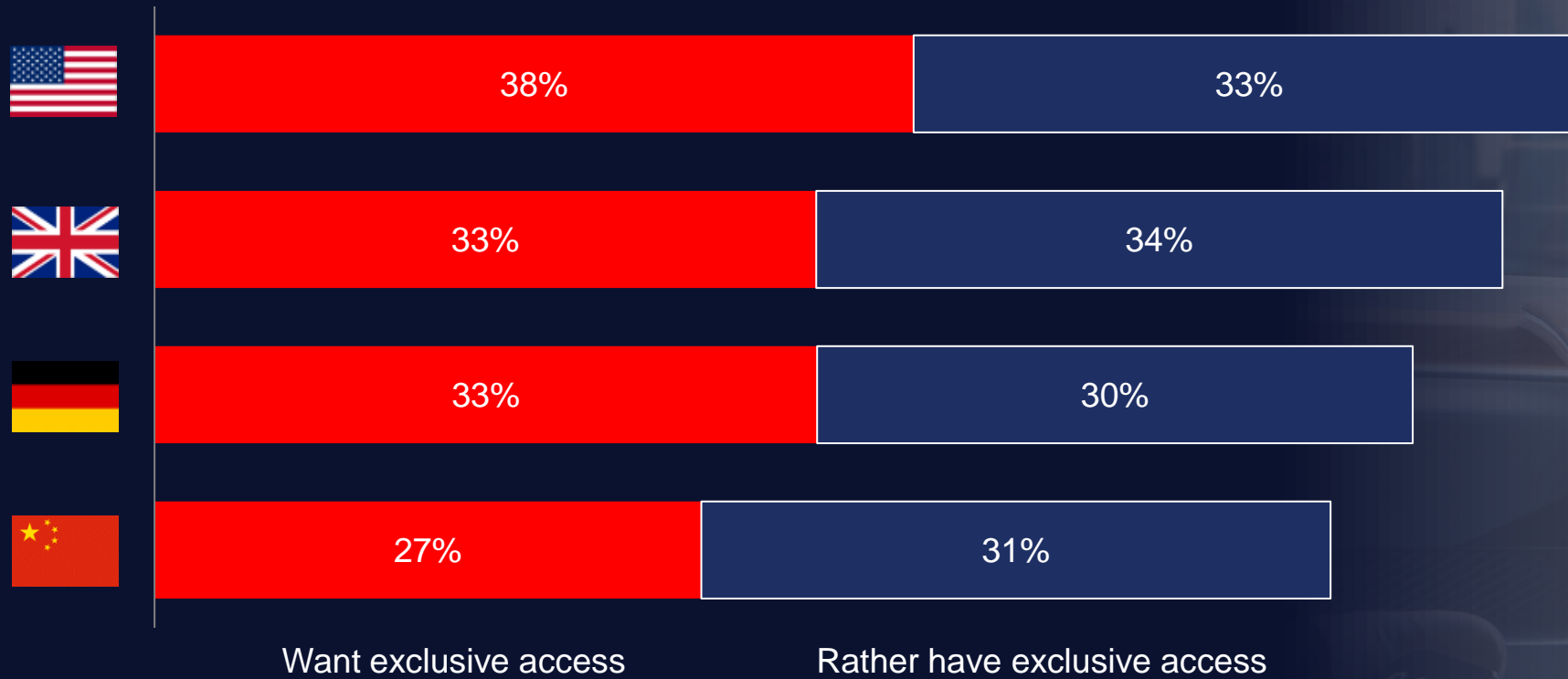
Reduced stress and fatigue

+35%

Average increase in miles travelled (7 academic studies)

And the majority will still want their own cars

PREFERENCE FOR EXCLUSIVE ACCESS VERSUS A POOL OF AUTONOMOUS VEHICLES



So in summary...

1

These trends won't mean much for a long time

3

But they may change business models for sale, test drive and servicing

2

They won't destroy the car parc

4

There will be implications for retailer footprint – but this is a very long way off



THE ROAD AHEAD
FOR AUTOMOTIVE RETAIL



