Trend Report

I | 2018

Speed4Trade

Competitive in the digital automotive aftermarket and tyre trading

Enough of the 4.0 hype

A pragmatic approach to digitalisation in the automotive aftermarket

Recipes for success

kfzteile24 combines eBay trading with central eCommerce software

Contents

Trend Report I | 2018

Editorial

Your Trend Report for the automotive aftermarket: showing you the shape of things to come

Remaining competitive on the digitalised automotive aftermarket is a truly multifaceted affair that requires a unique business model or outstanding customer service. Ultimately, processes will be among the critical factors that determine success as well. Dealers and manufacturers in the areas of parts, tyres or services need to adopt their own digital strategies that fit the company and the business model. A viable solution architecture plays a key role in this regard.

The fundamental changes sweeping the industry are affecting each and every provider: competition is getting fiercer on the automotive aftermarket for parts, accessories and tyres. Market players face new requirements due to digitally connected vehicle components and service processes. The boundaries between previously separate market structures are gradually blurring. Besides IAM parts, independent garages are increasingly providing OEM components. Companies are merging and becoming more international. New collaborative ventures are entering the market. Associations are reorganising. Automakers are morphing from their previous position as vehicle manufacturers into mobility providers. Marketplace giants like Amazon discover the parts business as profitable business field. In a nutshell: a process of rearrangement is reshaping the aftermarket, and the providers will have to find new bearings.

I would be delighted if you viewed this Trend Report as an invitation to discover visionary ideas and fresh impulses for your business, to find new ways of approaching your digital project, however hyped the whole topic may be.

Sometimes it helps to approach things pragmatically. The successful ones are frequently those start small and then grow steadily along short learning curves.

Change will always be associated with significant opportunities. So consider digitalisation as an engine for new markets, customers and revenue. But recognising the signs of the times is crucial to remaining competitive. It is not too late – but still it's high time – to place your business model on a sturdy foundation. There are proven solutions available on the market to grow your business profitably and to integrate new processes reliably.

I wish you success in business and an enjoyable read.

Sandro Kunz

Managing Director Speed4Trade

Enough of the 4.0 hype

A pragmatic approach to digitalisation in the automotive aftermarket

What do the terms "digitalisation" or "digital transformation" actually describe? Are they just another set of temporary buzzwords, or do they mean something more substantial?

A brief foray into Google Trends reveals that interest in the topic of digitalisation has grown a little in the last five years. But the topic was trending on the search engine as far back as 2012 as well. So is it nothing new after all? An astonishing feature is that interest tends to peak toward the end of each year, before declining just as sharply in January.

It is reasonable to assume that a lot of the strategy meetings to plan the following year are scheduled for December. So everyone is busily racking their brains for "innovative" topics. This process could hardly be complete without "digitalisation" or a gaggle of similar catchwords with "4.0" tagged on to the end. Possibly the managers heard a talk on the topic at one of the autumn fairs. A slight drawback is that nobody seems to know what the words actually mean. Therefore they naturally resort to highly expressive, freestyle googling to assemble a few likely candidates for their PowerPoint slides. These presentations disappear back into the drawers come January, largely because the protagonists are unable to elicit anything other than vagueness from the term "digitalisation". At least they do until the next December, when the whole shebang starts all over again.

But Google can be a handy tool here, as a quick peek at "related searches" reveals topics such as energy transition, Big Data, Internet of Things and automation.

The term "automation" in particular gets us on the right track. When digitalisation is viewed in combination with automation and process optimisation, it will mean clear cost advantages for companies. In turn, lower costs bring competitive benefits. And that's what makes digitalisation important and even vital in the medium term. Now at the latest, no-one can avoid taking a serious look at the topic.

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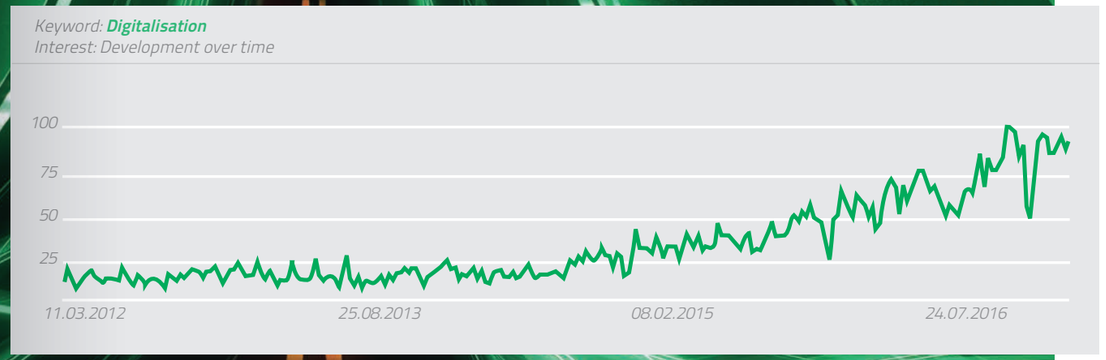


Image: Google Trends

Digitalisation describes the use of current Internet technologies for the optimisation of business processes. No more and no less than that.

Leaving aside the entire marketing hullabaloo, this is what digitalisation quintessentially means. Whether this actually signifies the beginning of a new Kondratieff cycle – like with the invention of the steam engine and the advent of electricity – is something we will leave safely in the hands of the trend researchers. We should adopt a pragmatic mind-set, comparable with the transition from mechanics to electronics: at the time, substituting mechanical parts with electronic components made many things quicker, better or more cost-efficient.

Digitalisation is merely the logical extension of this process: hardware is increasingly transforming into software, and digitalisation is used to connect things, processes and companies. Today's "mechatronic engineer" will be tomorrow's "digitronic specialist". Significantly, the term "digitronic specialist" was coined in a book by the authors Björn Pfeffermann and Matthias Sommer called "Fiasko Computer"*, which was published in German in 2001. It already describes a refrigerator that automatically orders beer when supplies are dwindling. And surely we have all heard of modern fridges with precisely this kind of capability? But that's where the problem lies.

Since 2001 at the latest, every company ought to have been permanently scanning the latest Internet technologies to determine how they could continue optimising their business processes. But there is little evidence of this happening, apart from the brief flurry of activity every December.

Actively shaping the digital transformation.

Why is that? Like the transition from the mechanic to mechatronic, digitalisation needs people whose mind-sets and educations are entirely "digital". People who monitor the rapid transformation of Internet technologies and are able to assess their suitability for deployment in companies. And this means more than just the digital natives, who in most cases will be consumers of new technologies, not movers and shakers. Digitalisation is extremely

specific and needs to be adapted to the individual needs of each company, which makes formal education in schools and universities a difficult affair. What remains is learning by doing and a bold leap into the deep end.

Division of labour, differentiation and specialisation will continue relentlessly. The basic technology required for connectivity – the Internet – is already available. So essentially, companies face two challenges: firstly the meaningful integration of people, processes and technologies, and secondly the development of more user-friendly platforms for the provision of value-added services developed on this basis. In consequence, connected solutions may eventually produce entirely new business models. At first comes the legwork, then the reward.

> This is precisely what the model start-ups in eCommerce are doing. They start lean with pared-down solutions and learn what works and what doesn't as they go.

The automotive aftermarket needs to switch to innovation mode. Now.

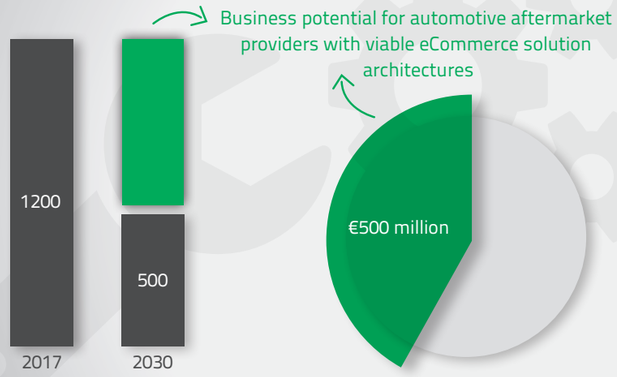
Why does the automotive aftermarket in particular find it so difficult to adapt to the digital transformation? Because unlike in the industrial sector, the companies are lacking R&D departments and the organisational framework within which to develop meaningful digital innovation. So they are forced to learn on the job. In principle, this is precisely what the model start-ups in eCommerce are doing. They start lean with pared-down solutions and use fast feedback loops to learn what works and what doesn't. This is immediately noticeable in agile portals like contorion.de (professional tools) or autobutler.de (garage services). Changes and improvements in the Internet services can be observed almost daily.

Bringing in experienced service providers for the first few projects is a good idea to avoid having to start from scratch. But besides good project references for software development, it is essential to ensure that the providers have relevant industry experience as well. Another advantage is if the provider's portfolio already includes proven components for the integration of interfaces and systems, as well as components to build online platforms. Then all you need to do is assemble your team to collaborate with the solution wizards and launch your first project. By definition, innovation does not come with a blueprint. So you'll just have to spin the wheel and learn. Now.

* Source: „Fiasko Computer", Björn Pfeffermann and Matthias Sommer, Rake Verlag Kiel (2001)

Author: Wolfgang Vogl, Director Business Development at Speed4Trade

Potential through a decline in conventional, local parts dealers



Forecast: number of independent parts dealers in Germany (<€3 million annual revenue)

Accumulated revenue of all dealers (€1.2 billion): €500 million will shift to online channels and larger competitors

The number of brick and mortar parts dealers could fall from 1,200 to just 500 by 2030.

(Source: Automobilwoche.de „Lokaler Teilehandel in Gefahr")

Response to changes in the automotive aftermarket: growing business – integrating processes

A study predicts hard times for local parts wholesalers. Visionary software solutions promise new markets, customers and revenues for aftermarket providers.

A recent study by wolk after sales experts shows: conventional brick and mortar parts wholesalers are at risk due to the structural changes impacting the sector. But established providers will have the opportunity to make up lost ground, provided they deliver data quality and outstanding services to set themselves apart. In doing so, the eCommerce aftermarket providers will attract new customers and generate added revenue.

There are rumblings in the automotive aftermarket. The Hess Group is taking over the parts wholesaler Schwenker. Hella is buying iParts, a Polish online shop for vehicle components. A recent study by wolk after sales experts confirms that the independent automotive aftermarket is experiencing a period of change. The study reveals that the number of small brick and mortar parts dealers with less than €3 million annual turnover, which currently stands at 1,200, could fall to 500 by 2030. At the same time, Automobilwoche.de* reports that larger competitors and online channels would gobble up around half of the revenue generated by the remaining dealers – in total around €500 million from their accumulated turnover of €1.2 billion. Consolidation and digital transformation dominate the industry.

Opportunities for parts providers thanks to viable, multichannel solutions

At the same time, significant opportunities will open up for the remaining, more established providers, especially if they manage to close the gap by targeting consumers and business customers both online and offline. They will need to build a reliable eCommerce strategy. Outstanding product data management (PDM or PIM) and attractive services will become increasingly important. What this takes: a multichannel solution that is tailored specifically to the automotive aftermarket and that allows providers to build a streamlined online business with smoothly integrated services. Parts providers can use a B2C or B2B shop as the ideal platform to present their products and services on a web interface. A middleware running in the background ensures tight connectivity for the relevant distribution channels and necessary systems within the ERP landscape, automating all distribution processes via B2C or B2B shops, eBay, Amazon & co.

Future-proof enterprise shop system

A professional online shop portal is the perfect tool to reach business customers and garages, as well as consumers. Customers expect it to be easy to find the brake disks, tyre sets or rear carriers. The solution is ideal if they can order the parts with just a few clicks and agree an appointment with the garage to mount the parts in the same process. For this to happen, the providers will need a shop system with custom capabilities. An agile front end enables dynamic responses to market changes. For instance, the shopping world can also be optimised for smartphones, tablets or presentation at the point of sale. The shop system should be designed to accommodate an extremely large product range and lively data traffic. Convenient search and filter options ensure maximum convenience for shop customers.

Marketplace connection and automated processes

Besides a proprietary shop platform, dealers might be well advised to exploit the immense reach of large marketplaces. Parts providers use eCommerce middleware to connect an ERP system (for instance SAP) with their own shop and external retail platforms like eBay or Amazon. A central integration platform manages all articles, prices, stocks and orders across the entire regalia of distribution channels. Stating the fitment list is particularly important when selling parts online, as this is the only way for customers to quickly locate the right brake disk or spark plug for their vehicles. High-quality product ranges with texts, images, attributes and vehicle compatibilities are generated through the connection of parts catalogues (e.g. TecDoc).

* Source: Automobilwoche.de „Lokaler Teilehandel in Gefahr": automobilwoche.de/article/20170117/HEFTARCHIV/170119937/lokaler-teilehandel-in-gefahr

Amazon is setting its sights on the automotive industry

Successful trading in vehicle parts on Amazon will only work with a high-performance and reliable connection to the market giant's platform

An interesting, recent market study by eTribes analyses the market for vehicle parts. The marketplace behemoth Amazon is expanding its dominance into the automotive aftermarket business. Dealers and manufacturers can now find out why this step seems logical and how tight marketplace connectivity and integrated processes can help them emerge from this development on the winning side.

The current eTribes study "Knut im Stau"* (only in German) shines a spotlight on the automotive industry in Germany, revealing that a popular big player on the online market is making good ground in the automotive aftermarket: Amazon. There is no doubt that the marketplace giant from Seattle is interested. The company launched Amazon Automotive in 2015 to compete on the US online market for vehicles parts. It seems a timely moment to launch such a venture, as market displacement in favour of online retailers has already taken place. More than six million customers in Germany made online purchases of spare parts, accessories or tyres over the last 12 months. That's one million more than 2014. More than ever before, prices are being compared online, and customer loyalty is low.

Amazon calls the tune in eCommerce: it's time for parts providers to wake up

Wake-up call for parts dealers, manufacturers and garages. In this online age with its fixation on prices, Amazon has what it takes to dominate the market.

But companies have the option of integrating Amazon as a distribution channel and in doing so securing a slice of the cake.

Amazon calls the tune in eCommerce. The marketplace offers an array of customer benefits, including the Amazon Prime loyalty programme that provides faster shipping and other bonuses as an attractive inventive to order. The providers themselves can add to their portfolios by including the online giant's technical service, customer care and logistical capabilities. Altogether then, it's a good time for automotive aftermarket providers to establish themselves as Amazon sellers before others get their foot in the door first. An added benefit for the first sellers: they can create visibility by adding items that are not yet listed in the Amazon product catalogue. Wolfgang Vogl, Director Business Development at Speed4Trade "Providers that get involved early on are likely to sell more and achieve higher margins. And there is certainly a lot of potential for non-vehicle-specific products especially, for instance typical consumables and fast-movers like engine oils and care or cleaning products."

"Providers that get involved early on are likely to sell more and achieve higher margins."

Wolfgang Vogl, Director Business Development at Speed4Trade

So how do you sell parts successfully on Amazon?

The question remains how dealers and manufacturers decide on the best strategy to get started successfully. Professional automotive aftersales via Amazon all depends on well-engineered integration and consistent, automated processes, which make any manual backend handling superfluous to requirements. Providers will need eCommerce software that is built specifically to manage extensive, data-driven ranges of vehicle parts. Proven middleware solutions provide interfaces to the world's largest marketplaces and interact smoothly with the ERP system (e.g. SAP). Deep integration within the Amazon environment enables automated listing and retrieval of orders.

The dealer submits a KBA number (German Motor Transport Authority Identifier), which Amazon uses to prepare a vehicle fitment list – an essential item for vehicle-specific parts. Supported country platforms and multi-account capability hand dealers the keys to fast-paced internationalisation and expansion.

Providers on the automotive aftermarket will need to respond with agility to Amazon's aggressive strategy. And it is worth remembering that although Amazon currently dominates the market, it may be another online marketplace, provider or your own platform that calls the shots tomorrow. That's why it is so important to have a partner with digital solutions that overcome any new challenges, now and in the future. No matter who surges onto the market.

* Source: "Knut im Stau"; study on digitalisation in the automotive industry: www.knutdigital.de

Bespoke eCommerce platforms for the individual needs of automotive aftermarket providers

A study confirms: eCommerce frameworks are gaining popularity. Parts dealers are benefiting from integration and customisation options for their online automotive aftersales

The demand for flexibly adaptable shop systems is rising, especially in the automotive aftermarket industry. So-called eCommerce frameworks fit the bill perfectly: a current study examines their use and the expectations of online dealers. Using eCommerce frameworks, dealers can build viable shop platforms for vehicle part ranges.

Trend "eCommerce frameworks"

The so-called eCommerce frameworks have caused quite a stir in online retail since the first systems were launched. They are seen as the benchmark for visionary shop system solutions thanks to outstanding customisation capabilities - their major benefit. A recent study by ibi research and Speed4Trade within the framework of " ECommerce-guidelines" analyses the expectations and practical relevance from the perspective of dealers. Around half of the dealers are familiar with frameworks, which are also known as eCommerce systems or platforms. Approximately one third of the respondents who are familiar with frameworks also use them. 38 percent plan to do so in their online business in the future. eCommerce frameworks might therefore be a worthwhile option, especially for B2C and B2B vehicle part dealers.

Flexible shop systems for medium-sized and large dealers

eCommerce platforms are more flexible than traditional shop systems in regard to their integration in the existing system landscape. Interfaces (APIs) are particularly important for dealers: 80 percent of respondents classified the integration of third-party solutions as relevant. They included, among other things, the ERP system, as well as external logistics service providers or retail platforms. By connecting an ERP system – for instance in SAP – dealers can automatically synchronise prices and stocks with online shops and marketplaces like Amazon or eBay. This is an absolute requirement for medium-sized and large automotive aftermarket providers in particular, especially if one considers that eBay and Amazon play an important role in digital trading with vehicle parts.

Benefits of eCommerce platforms for online dealers in vehicle parts

The requirements placed in shop systems are particularly demanding in the automotive aftermarket, with its extensive, data driven ranges of vehicle parts. Flexible eCommerce platforms offer providers in this industry the best individualisation and expansion possibilities for B2C online shops and B2B marketplaces (e.g. workshop portals). The use of current data can be improved, while distribution and services processes are automated. As a result, customers can, for example, book appointments at the garage or with the store online and can enter their vehicle data to conveniently locate the right spare parts in the online shop to fit their vehicles. To ensure high visibility on online and mobile platforms, part dealers require robust data management by connecting to part catalogues (e.g. by TecDoc) with detailed product information. Framework solutions enable the integration of special feature modules in the online shop, including a tyre rim configurator system.

eCommerce platforms will continue to grow their market shares due to the rising demand for customised shop systems. They include solutions like commercetools, Hybris, Spryker or Speed4Trade COMMERCE. Dealers and manufacturers can use the latter solution to build visionary and expandable online shops, portals and marketplaces that are specifically designed to meet the requirements of the automotive aftermarket. A high-performance technology core is designed to handle high data traffic, enabling secure and performant operations with faultless reliability. One of the key criteria for dealers that was mentioned in the study – direct contact to the developer of the framework – is guaranteed and enables dealers to develop and expand their proprietary platforms at a steady pace.

The complete study "ECommerce frameworks – Status quo und Erwartungen aus Händlersicht" is available for download (only in German) free of charge at: www.ecommerce-leitfaden.de/ecommerce-frameworks

Around one third of the respondents who are familiar with frameworks also use them. 38 percent plan to use them in their online business in the future.

Recipes for success at Speed4Trade

Success Story: kfzteile24

eBay success with centralised eCommerce control

kfzteile24 is one of the leading providers for vehicle parts and accessories in Germany. Each day, the company ships up to 10,000 packages containing car components, tools and care products. kfzteile24 uses Speed4Trade CONNECT to organise its trading on eBay. Learn more about the well-known multichannel retailer in our success story.

goto.speed4trade.com/success-story-kfzteile24

Brochure: 10 Factors ...

... for successful B2C & B2B commerce in the Automotive Aftersales Market

Spare parts providers, chain stores and manufacturers need to face up to digitalisation. Car parts come with complex data, which must be optimally presented in an online setting. Meeting these requirements takes a visionary and viable solution architecture, so an off-the-peg shop system simply won't make the grade. This brochure sets out the key factors for successful digital trading in the automobile aftermarket.

goto.speed4trade.com/10-keys-to-success-commerce-automotive-aftermarket

Your feedback counts

We hope you've gleaned some bright ideas and valuable insight from this Trend Report. We would be delighted to receive your feedback on this issue: what did you like, and where is there room for improvement? Just drop us a line if you want to share your thoughts on the topics of digital transformation and successful automotive aftersales.

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Too impatient to wait for the next Trend Report? Our blog and newsletter will keep you up-to-date with all the latest developments and upcoming trend topics in the automotive aftersales market.

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