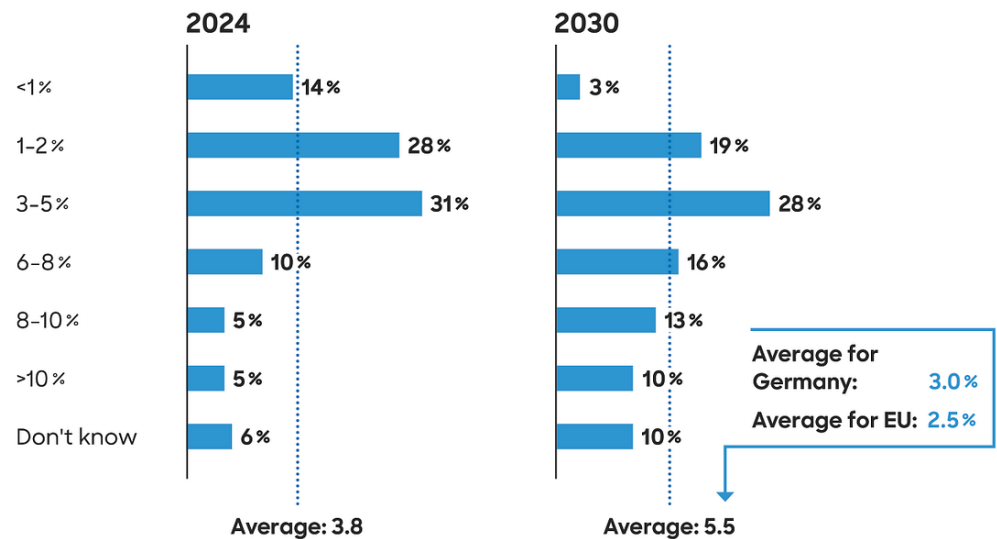


Investment in innovation by IAM is expected to increase to 5%-6% by 2030

Investment in innovation¹

"How much do you invest in innovation today and how much do you expect to invest in 2030 as a percentage of your turnover?"
[n = 382; % of revenue]

¹ Investments include new technologies, digital tools and systems that enhance business operations and customer interactions



Source ZEW, European Commission, FIGIEFA & Roland Berger IAM Panorama Survey

Oct 24, 2024 08:51 CEST

Study: The independent automotive aftermarket as a solution provider throughout the vehicle lifetime

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- Market volume of parts and components sold by independent workshops and parts dealers stands at EUR 73 billion (62 percent of the total market excluding labor costs)
- High efficiency and dense network ensure speedy service; commercial vehicle operators gain 230 million operating hours across the EU

- Vehicle manufacturers need the independent aftermarket, especially for electric mobility; cooperation further increases efficiency and reduces costs
- Independent wholesale distributors are a major driver of innovation; 15 percent invest as much as six to ten percent of their revenues in innovation

Munich, October 2024: 82 percent of all vehicle workshops in the EU are not brand-affiliated, and 62 percent of the market volume of spare parts and components are sold in the independent aftermarket. This means that a large proportion of the almost 280 million passenger cars and commercial vehicles in the EU are serviced by the multi-brand independent aftermarket (IAM for short), particularly as vehicle manufacturers (OEMs) continue to reduce the numbers of their own sales and service locations. The IAM is therefore an important partner for manufacturers, suppliers, and fleet operators, as a study by Roland Berger and the industry association FIGIEFA shows: Wholesale distributors source on average more than three quarters of their parts from Tier-1 original equipment suppliers (OESs) and independent manufacturers of branded spare parts. Making more than three deliveries per day on average, they supply the independent (and also authorized) workshops, which in turn ensure fast repairs and short distances for customers with their dense network – an important factor especially for commercial vehicle and fleet operators. With the increasing electrification of passenger cars and commercial vehicles, the importance of the IAM is growing even further, also for the OEMs.

"When people talk about the automotive industry, the focus is usually on new vehicle production and sales," said Sylvia Gotzen, Chief Executive of FIGIEFA, the international federation of independent automotive aftermarket distributors. "However, the spare parts, maintenance, and repair market is a crucial component of the industry and a key economic factor within the EU. This is evidenced by the fact that each vehicle costs more than EUR 15,000 on average for maintenance and repairs over the course of its lifetime – plus labor costs. Of this, 62 percent or EUR 73 billion per year is generated in the IAM, which also provides around 1.1 million jobs with its 280,000 workshops and parts dealers, more than twice as many as in the OEMs' service and repair network."

Experts from Roland Berger took this as an opportunity to analyze the highly complex value chain of the European IAM in cooperation with FIGIEFA. They conducted a survey of some 380 wholesale distributors from within FIGIEFA's

membership, and 25 expert interviews with CEOs of independent parts distribution groups and aftermarket suppliers. The analysis found that the focus lies on key trends such as vehicle connectivity and technology, access to data, and new market players from China. It furthermore showed that price pressure, supply chain risks, and the rising cost of components are seen as particular challenges currently. The industry is therefore working hard to achieve further efficiency improvements, e.g. through digital business models, improvements in inbound or outbound logistics, and supply chain and process optimization. In the survey, more than 30 percent of wholesale distributors said they invest three to five percent of their revenues in innovation, while 15 percent even said they invest between six and ten percent – increasingly in digitalization and in training programs for workshops. These are significant numbers, given that the average investment in innovation in Europe is just 2.5 percent

IAM increases uptime for commercial vehicles by 230 million hours
The efficiency gains this brings not only reduce costs for workshops and parts dealers but also create business benefits for commercial customers: Predictive maintenance and 24-hour service offerings optimize servicing and repairs so that they can take place during planned vehicle downtime. By providing these services, the IAM increases vehicle uptime by almost ten hours per vehicle per year, according to the Roland Berger experts' calculations. This saves the European commercial vehicle fleet a total service time of 230 million hours. In the absence of the IAM, Europe would need 110,000 additional vehicles to provide the same logistics and transportation, which would entail additional capital expenditure of around EUR 16 billion.

"Our study shows that no one should underestimate the importance of the automotive aftermarket in general and the independent aftermarket in particular," said Daniel Rohrhirsch, Partner at Roland Berger. "In view of the increasing electrification of the vehicle fleet, this also applies to OEMs, because they need the independent aftermarket to be able to efficiently repair electric vehicles long term and support their residual values, thus increasing customer acceptance."

Cooperation between all market participants creates win-win-win-win solutions

To future-proof the complex aftermarket ecosystem with its many different players, the study authors advise all sections of the industry to work together, each maintaining their own strategic focus: Vehicle and parts manufacturers should consider the entire vehicle lifecycle, from the design of first

equipment components and systems to the repair and re-use solutions offered by the aftermarket. Wholesale distributors in the IAM should first increase their service level while simultaneously optimizing costs; second, they should continue, by offering a wide range of services, to enable workshops to focus more on their core business of servicing and repairing vehicles. Workshops, for their part, need to manage challenges such as the labor shortage and generational handovers, while staying open and receptive to innovation and improvement, for example using software-driven solutions and the latest diagnostics technology. "The goal must be to find 'win-win-win-win' solutions benefiting the manufacturer, the distributor, the workshop, and the customer," said Rohrhirsch.

"The study has shown that the automotive aftermarket is a key part of the broader automotive industry," said Gotzen. "Given the European Union's intention to boost the competitiveness of key industries within the single market, and in light of increasing global competition, it would be logical to recognize that the aftermarket, as the 'Vehicle Lifecycle Management Industry', plays a crucial role in maintaining the European Union's competitiveness."

About Roland Berger

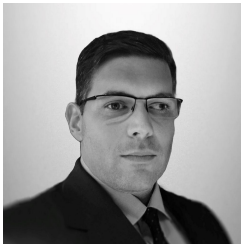
Roland Berger is one of the world's leading strategy consultancies with a wide-ranging service portfolio for all relevant industries and business functions. Founded in 1967, Roland Berger is headquartered in Munich. Renowned for its expertise in transformation, innovation across all industries and performance improvement, the consultancy has set itself the goal of embedding sustainability in all its projects. Roland Berger revenues stood at more than 1 billion euros in 2023.

About FIGIEFA

FIGIEFA is the international federation of independent automotive aftermarket distributors. Its members represent independent distributors and wholesalers of automotive replacement parts and components and their associated repair chains.

FIGIEFA brings together 19 trade associations from 18 countries and 5 international trade groups. FIGIEFA's aim is to make sure that European Union and United Nations legislation impacting the automotive aftermarket ensures free and effective competition in the market for vehicle replacement parts, servicing and repair.

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