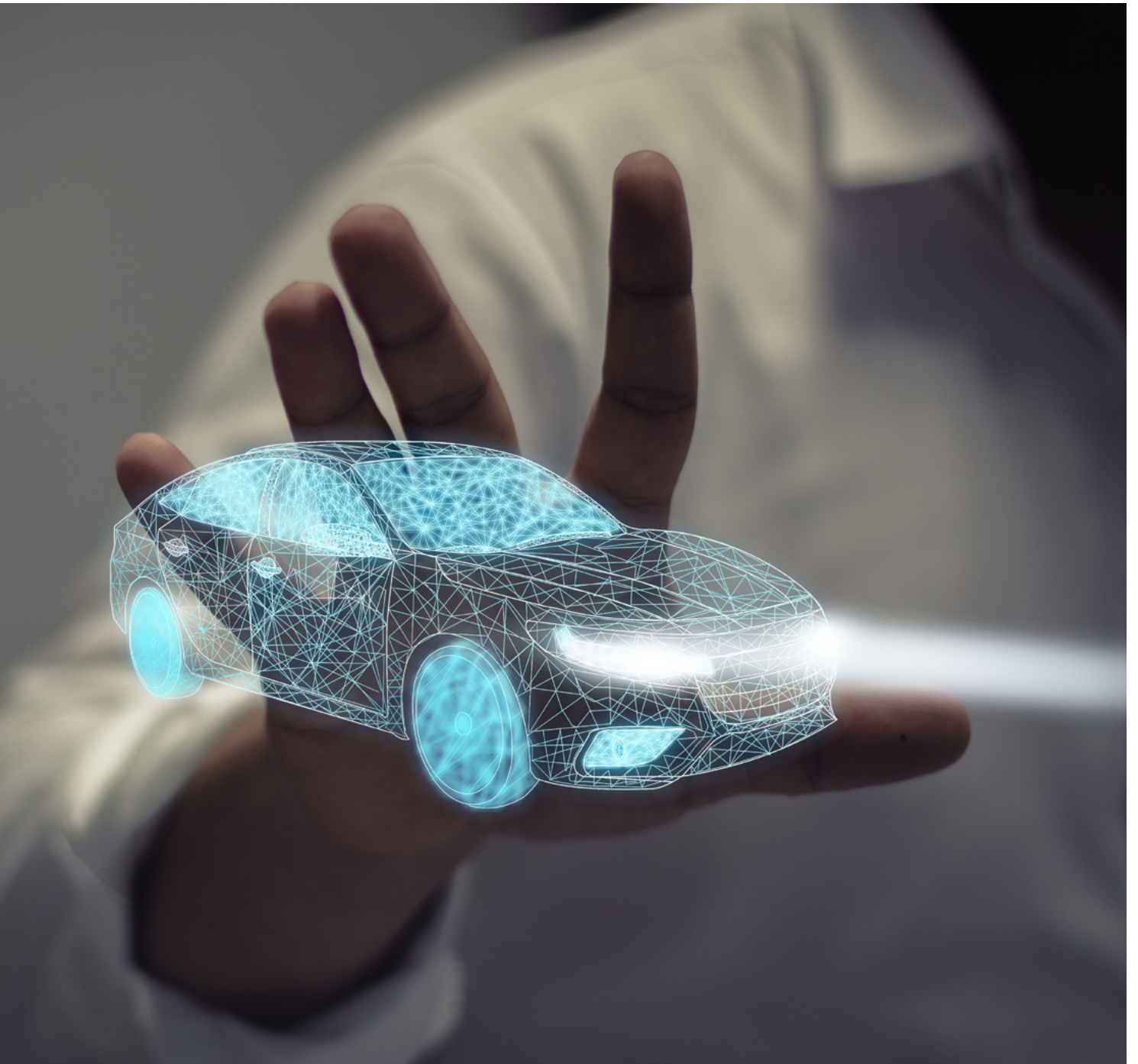


THE FUTURE OF THE CAR DEALERSHIP



CONTENT

INTRODUCTION	03
1. THE DEALER MARKET IN BRIEF	05
2. CONNECTIVITY	06
3. AUTONOMOUS CAR	08
4. THE SHARING MODEL	11
5. ELECTRIFICATION	13
6. DIGITALISATION	18
7. GRADUAL DEPARTURE OF ELDERLY OWNERS	22
8. WAR FOR TALENT	23
9. GENERATION Z	24
10. CONSOLIDATION OF THE SECTOR	25
CONCLUSION	29



INTRODUCTION

When The Clash released their famous song "Should I stay or should I go?" in 1982, there were few Belgian car dealerships to ask this question. The oil crises had indeed called into question the consumption of vehicles, but the supremacy of the personal car model was not in question.

How much has changed in 40 years! The car industry is undergoing profound changes. Not marginal changes, but changes that challenge the very model of the car dealership.

In 1897, William E. Metzger opened the world's first officially registered car dealership in Detroit. He sold electric cars. Shortly afterwards, he brought in gasoline-powered models and developed his network in collaboration with the major manufacturers¹ of the time. There are two things he gets from the manufacturers: a commission on the sale and

the margin on the after-sales of the vehicles. The manufacturers are relieved of the need to maintain a sales and after-sales network and can thus concentrate their capital on their core business: the design and manufacture of models.

These sources of revenue have remained the core business of dealerships over time: sales and after-sales. The after-sales revenue is traditionally used to cover overheads (represented by the absorption rate) and the sales revenue/bonus to make new investments and generate net profits.

In 2022, several factors are contributing to the need to adapt the dealer model.

The most frequently cited are grouped under the acronym CASE:



Other major factors must be taken into account: digitalisation, the gradual departure of current managers, the war for talent, a generation with very different codes (Generation Z), and the consolidation of the sector are all factors which contribute to amplifying the need for adaptation.

The interplay of these different factors amplifies the impact on concessions.

We will discuss the different factors influencing the sector before summarising the important actions to be taken.

¹ The terminology generally used to refer to car manufacturers is "OEM" - Original Equipment Manufacturers. For the convenience of the reader, we retain the terminology "manufacturers" in this article.

The idea in a nutshell:

The context: Dealers, like the whole world of mobility, are undergoing profound changes driven by 9 major factors. These factors (and their interrelationship) have an impact on different time horizons and vary in magnitude. However, they all have the potential to be particularly disruptive to the car sales and after-sales model.

The challenge: Dealers must position themselves in a changing market. The status quo is a dangerous option and the horizon is only a few years (2025) to prepare and implement their new model.

The solution: A structured approach must be put in place. It must take into account the specificities of each dealer and garage with regard to the main disruptive factors. The approach is necessarily multidisciplinary. The implementation of the remedies must be rigorous and precise and have the support of the management layers.

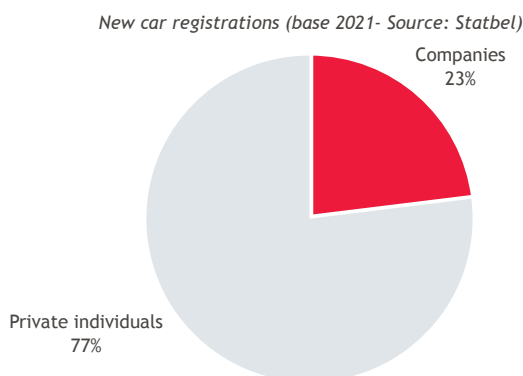




1. THE DEALER MARKET IN BRIEF

Belgian dealers sell cars mainly to private individuals.

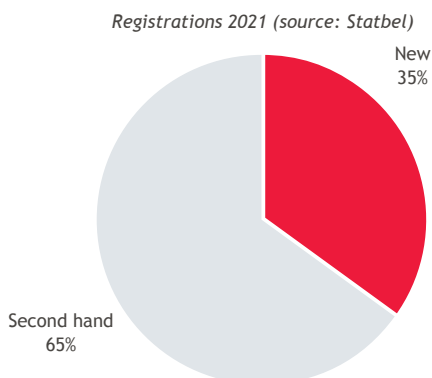
Company cars represent **23%** (base 2021) of total new vehicle registrations. With more frequent renewal, they remain a very important market, particularly for premium brands and/or models.



There are marked regional differences. In Flanders and Brussels, the proportion of cars registered by companies is higher than in Wallonia, but everywhere the private segment largely dominates the market.

The cars are sold as new or used.

The second-hand market is an important market with **65%** of registrations (base 2021).



The second-hand market is less important in Belgium than elsewhere. By way of comparison, second-hand cars generate 1.8 times more transactions than new cars in Belgium, whereas this ratio is 3 in France and the UK, 2.5 in the US and 5 in the Netherlands.

The average price of a new vehicle sale is 30 KEUR (compared to 28 KEUR in France and 37 KEUR in the Netherlands) and 13 KEUR for a second-hand vehicle (compared to 15 KEUR in our two neighbours)².

The average new car buyer is between 45 and 55 years old and between 25 and 35 years old for used cars.

² Average price of new and used transactions for the period 2018 to 2020.



2. CONNECTIVITY



According to Fortunes Business Insights, the connectivity market is growing at 16.8% per annum in real terms and is expected to continue to grow at least until 2028.

The connectivity is already there. Often included is the CAR PLAY type application or some other feature that duplicates the functions of your smartphone³, but it actually goes much further⁴.

The possibilities will increase greatly with the capacity that 5G will give us. The integration of augmented reality in the passenger compartment, real-time tracking of the vehicle by the objects around it and vice versa (IoT), and autonomous driving are some of the applications.

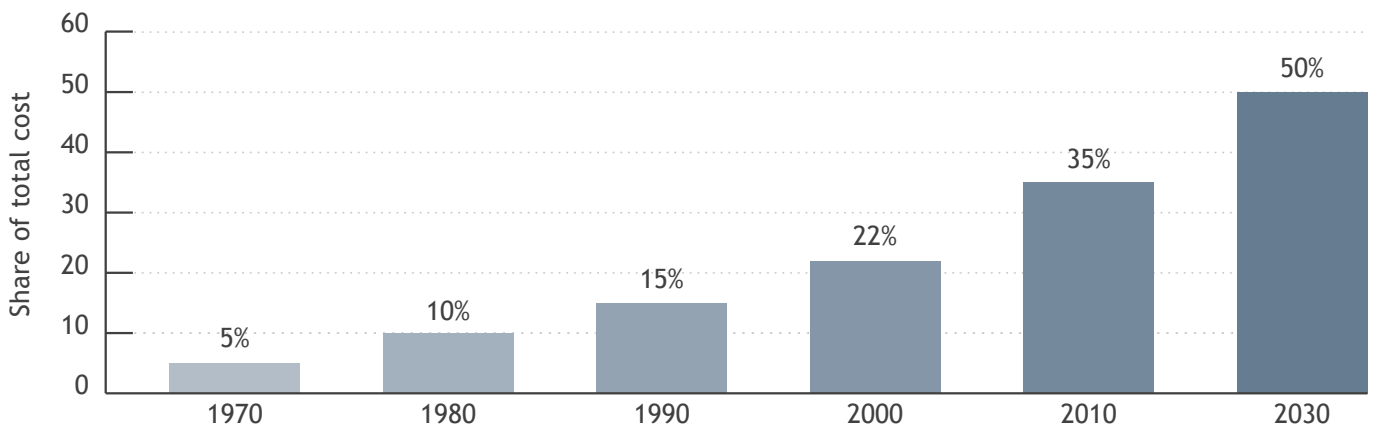
The combination of connectivity and other factors (such as autonomy) will increase the pace of innovation (shortening the innovation cycle).

Cars become computers on the move with their batteries, CPUs and GPUs and displays. They will send about 25 gigabytes of data per hour to the cloud and receive the same amount. Using this data and turning it into sound business decisions is key and the industry knows it.

Eventually, 50% of the total cost of a car will be made up of electronics, compared to less than 1% in 1950.

³ For example, Renault has just announced the integration of Google services in its latest Mégane (OpenRLink based on the Android system).

⁴ It already allows you to automatically make an appointment at your garage before the driver is even aware of a problem with the car. Renault has announced the release of its first connected car in 2025, with which the manufacturer will remain in constant contact throughout the car's life.



Source: study published on Statista with credit to Deloitte in Semiconductors - the Next Wave.

Controlling data (its nature and quality) is a crucial issue. Manufacturers are actively preparing for this.

The software and its updates are done remotely and probably without dealer intervention. Tesla is a forerunner in this field with remote system updates without going to the dealer. Other manufacturers are following the same direction.

In terms of competence, the integration of specialists in this software should not be necessary at the dealership level.

The impact for dealerships is the loss of a key advantage that they did not exploit enough in the past: knowledge and connection with the customer (as booksellers have lost to Amazon). The data owners will know the customers better than the dealer ever could.

Directly or indirectly, the manufacturer will be better equipped to anticipate and attract customers with vehicles that better meet the user's needs and initiate contacts at key moments.

The dealer will always maintain the privilege of proximity (at least geographically) and will be able to play a role in relaying the actions of the manufacturers. In other words, a personalised and impeccable service, whatever the distribution model.

To prepare for this, one axis is essential:

Begin a strategic exercise on the long-term development of your dealership(s) and your added value to customers and manufacturers.

A 2016 Harvard study on the evolution of corporate value and management habits shows that although 86% of corporate value losses are clearly due to poor strategy, it occupies only 6% of management time. Strategy is done as a secondary exercise on an intuitive basis instead of structuring it as an essential element with significant consequences for market value.

In order to succeed in this exercise, it is advisable to be accompanied by an external party. There are many reasons for this, but one can mention the critical and neutral vision, access to more global facts and figures and support with the structuring of the exercise.

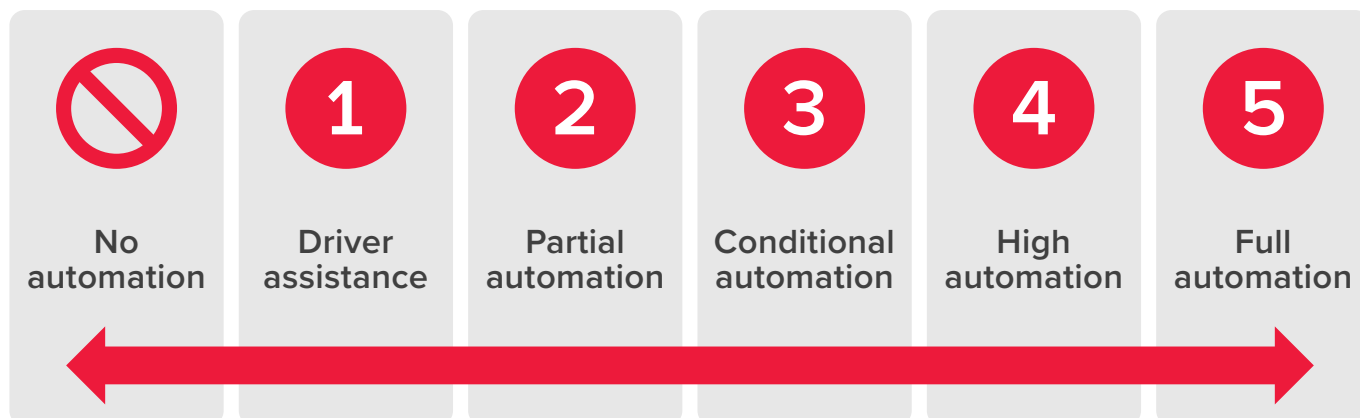


3. AUTONOMOUS CAR



The autonomous car is still seen as a fiction by some and this is a mistake.

The autonomy level of a car is divided into 6 levels, from zero (no autonomy) to level 5 (full autonomy).



Classification: German classification of Federal Highway Research Institute (<https://www.bast.de>).

- Level 0:** Zero autonomy: the driver performs all driving tasks.
- Level 1:** The vehicle is controlled by the driver, but some driver assistance functions may be included in the vehicle design.
- Level 2:** The vehicle has combined automated functions, such as acceleration and steering, but the driver must remain engaged in the driving task and monitor the environment at all times.
- Level 3:** The driver is a necessity, but is not required to monitor the environment. The driver must be prepared to take control of the vehicle at any time and with advance notice.
- Level 4:** The vehicle is capable of performing all driving functions under certain conditions. The driver may have the ability to control the vehicle.
- Level 5:** The vehicle is capable of performing all driving functions under all conditions. No human intervention is required (20% safer than with a human).

To date, the models on the road meet level 2 easily (Tesla's autopilot system is considered an advanced level 2) and several brands (like Mercedes), for example, have already been approved for the test phase in Germany in 2022 for their level 3.

Massive investments in autonomy (9% of investments made by the major technology companies [Meta, Apple, Alphabet, Microsoft, Amazon]) concern the automobile and mobility industry, to which must be added the investments of Chinese technology companies and of all the manufacturers. It is a huge market that attracts very large amounts of capital and there are no longer any fundamental technological limits to the realisation of the project.

Several Level 4 vehicles are being tested in real traffic conditions in California for example (e.g. Navya, Alphabet's WaymoVolvo and Baidu, Toyota has invested 500 billion in UBER for the development of its autonomous system).

For level 5, those close to the field readily confess that there are still significant hurdles to overcome.

The game changer is the development of artificial intelligence (AI), 5G and cyber security developments.

The capabilities of AI are mind-boggling and increasing daily. Where it would have taken 400 years of road testing to reach a Level 5, AI allows the machine to learn in a few years and is expected to be 20% safer than you and me driving. 5G will allow it to communicate with its environment without excessive latency. Cyber security is key to protect the integrity of the system.

The horizon of 2030 (often taken up by commentators) seems to us to be very (too) optimistic for a widespread introduction (in Belgium). The deployment of the technology will take time, because in addition to the technology, legal and social constraints will have to be lifted that could slow down the deployment. However, 2030 at least gives an idea of the state of optimism generated by recent technological developments.

What's the impact of this on the dealer?

The impact is fundamental. The autonomous car disrupts the world of mobility and the dealer model in particular. This model gives added value to the shared car model (why own my car if I can call a car anytime, at a much lower price than a taxi and without a driver). The car comes to the next user, rather than the user having to find an available car near his location. In terms of customer experience, that makes a big difference.

The autonomous car combined with the sharing model has the potential to significantly impact the sales volume of dealerships.

To prepare for this, the dealer will have to anticipate the needs of autonomous car users and its added value in a new mobility model.

Why do some companies adapt to change, while others are swept along by the wave: the ability to transform and innovate.

Given the time still available, stimulating teams to innovate and make it part of the dealership's DNA and the structured search for understanding of the expected changes are central. When the world changes, the dealership must change too. The most common response is that innovation is 'not for us', which is the first mistake. At any size, one might ask, for example, whether the word "concession/concessie" is still appropriate and what it implies...

A structured and supported programme to be implemented over the long term, supported by a qualified and supportive management team, significantly increases the chances of success without breaking the bank.

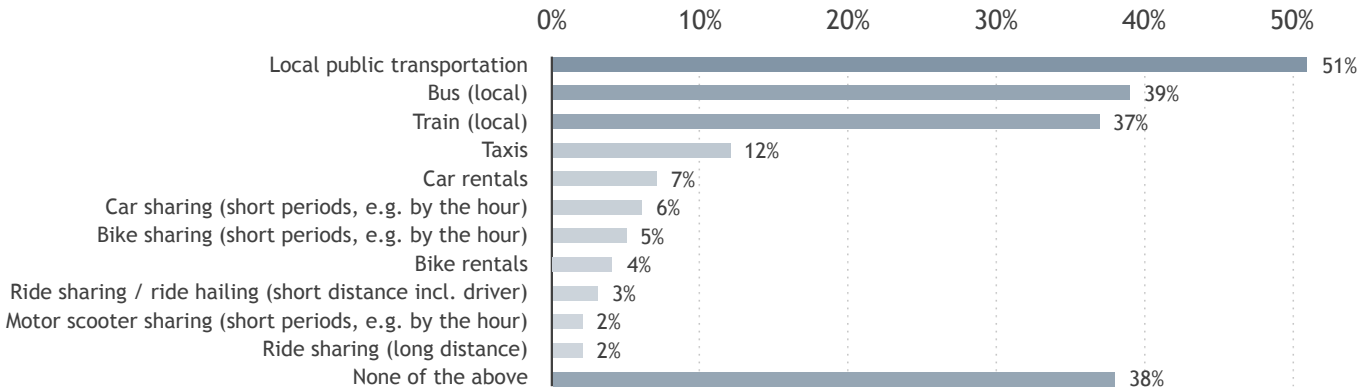




4. THE SHARING MODEL

A car is parked on average 95% of the time, and the average occupancy rate does not exceed 1.4 persons. Its use is therefore relatively low. The car-sharing model comes as a remedy to this under-use of the car.

However, the percentage of journeys made using car-sharing systems currently still remains modest⁵.



The shared model is first and foremost a model based on the financial savings to be made by both the user and the car owner. The system takes time to set up, but it is fundamentally beneficial.

Transport is the third most important item (11%) after housing (24%) and food (13%) in the household budget in Belgium (Plan Bureau 2021). The shared model provides a way to reduce this budget.

The shared model raises an interesting question about our relationship with the car: from ownership to right of use. The development of the right of use is generational and is entering our lives through our software and our smartphones (recent announcement by Apple which is developing a subscription model for its smartphones). Mentalities are changing.

For the car, the shared model falls into three main categories: car sharing (Poppy, Zipcar, Cambio), ride-hailing (UBER, blablacar.) and the flexible short/medium term rental model (onto.co.uk in Great Britain, BiPicar.fr in France).

⁵ Statista, Shared mobility uses in Belgium, 2021.

There are several obstacles to the development of car sharing in Belgium.

- The size of the overall market. It is considered that the model requires an urban population of 0.5 million inhabitants to be viable. In Belgium, only Brussels and Antwerp are large enough to host the market profitability (and Antwerp is sometimes already considered to be too small).
- People are less clustered around large urban centres than in other countries.
- Legislation encourages company cars, which remains a barrier to shared mobility.
- Public transport has become more available, but too often remains inefficient and unintegrated.
- Lack of interoperability between the different actors (we do not switch from one actor to another according to our travel needs, the tendency is to lock consumers in). This issue probably requires specific regulation to make the model more flexible.
- The lack of a true mobility aggregator. The mobility aggregator offers a platform to customers in which transport service providers include their service. This allows the end customer to limit the number of parties involved and simplify his mobility by entering just the journey he needs to make, by paying via the aggregator. It is up to the aggregator to choose the most suitable solution and the best price.

The Holy Grail of car-sharing players is a shared autonomous car that is used with the flexibility of a taxi, but without the cost of the driver.

The deployment of the shared autonomous car in Belgium will probably take about 15 years. But the day the option exists, this segment will be a credible and dangerous alternative to other segments of mobility, such as car ownership.

Before this can happen, the model requires an improvement of the shared mobility ecosystem. The shared car is not intended to replace public transport, soft mobility or other shared solutions. On the contrary, it benefits from an ecosystem that offers consumers perfect transport fluidity without having to own the means of transport (car, scooter, bike, bus, etc.). Developing

the shared mobility ecosystem means developing the potential market for car sharing or carpooling.

Other initiatives such as the development of shared cars in compartmentalised ecosystems (e.g. Tesla) remain marginal at this stage, but are helping to change behaviour.

In the long term, the interest of manufacturers is to offer other mobility services ("the new mobility"). Renault has announced that 20% of its turnover with double-digit growth will be in this segment by 2030. Its new Mobilize brand is spearheading this.

This will also concern the design of vehicles that will be able to meet, for example, the characteristics of the shared car (e.g. with an interior and seats that can be easily washed, robust instruments, a level of comfort and connectivity that improves the customer's on-board experience).

Manufacturers will make models specifically for this market and models for customers who still want to own their cars (for reasons of geographical distance from urban and suburban centres or as a status symbol).

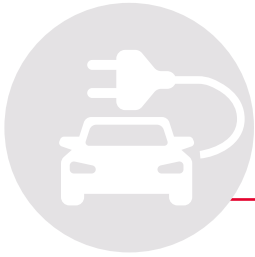
What is the impact on dealers?

In the long term, a shrinking dealer market is an inevitable consequence of the shared model.

To prepare for this, there are three main areas of focus:

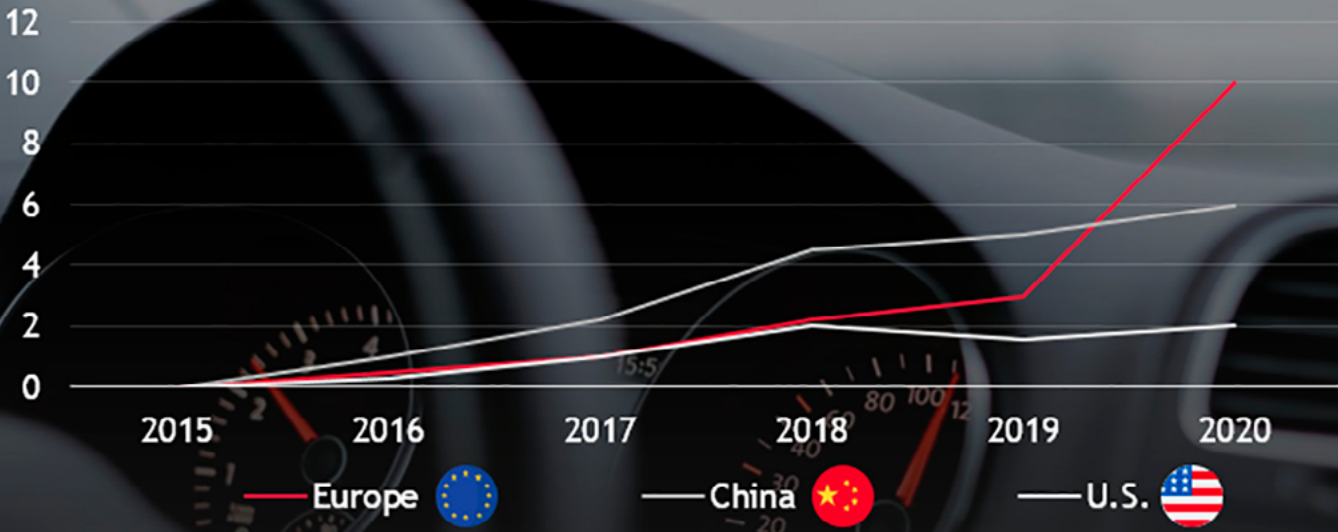
- 1 Develop a sharp sense of customer centricity, including how to approach the customer from a pull model (as opposed to the traditional "push" model in the retail world). It sets the tone, so it's best to pay attention to it.
- 2 Develop a more flexible approach to mobility. We no longer just sell cars, but a mobility service. This approach makes it possible to familiarise oneself with the codes of hybrid models, such as short-term vehicle rental (with all that this implies in terms of stock management, vehicle control, pricing, valuation of courtesy vehicles), and the multi-x model⁶.
- 3 Mastering the codes of the right of use: e.g. easy vehicle rental according to the needs of the day or the period with an online reservation system. These systems, which have already been successfully tested at several dealerships, are also a perfect response to concerns about the autonomy limits of the switch to electric cars.

⁶ Multi-x: multi-brand, multi-country, multi-service, multi-segment, multi-channel.



5. ELECTRIFICATION

EV Market Share
All-electric, plug-in hybrid, and fuel cell vehicles



Source: Harvard Business Review, January - February 2022

The electric car is a reality. After having lagged behind, the catching up in Europe of the number of electric and hybrid vehicles in circulation compared to other regions of the world is a fact. Norway took 2.5 years to go from 2% to 10% electric cars before 2015, while more recently Great Britain took only 1.5 years and Germany 1 year.

The political will is reflected in fiscal and environmental regulations and creates a driving effect. Some examples of the latest Belgian developments: the end of the sale of new cars with combustion engines by 2035, the restrictions on the use of certain types of engines in major cities (diesel and eventually internal combustion engines), and the obligation to have a fleet of company cars without internal combustion engines as from 2029.

For the user, the total cost of use of the electric car has fallen sharply in recent years. The price of batteries (the most expensive part of the EV) has been reduced by 8.6 times in 10 years. The models are increasingly efficient and promise a lower total cost of use (TCU) (without tax leverage) than combustion engines in the near future. The date of 2024 has been announced by Renault with the release of its new, cheaper platform⁷ which should enable the threshold to be crossed. Analysts estimate that pre-tax retail prices in Europe will generally become cheaper for EVs than for internal combustion engine cars by 2025/2026.

Most manufacturers have announced the objective of making their range 100% electric by 2030 to 2035 and ongoing investments of various players will quadruple the global battery manufacturing capacity by 2025 (from 540 GWh in 2020 to 2,015 GWh in 2025).

⁷ The EV requires an entirely new platform design compared to the ICE to better integrate the battery. (See among other things that the 4th generation architecture has been revealed by Tesla with a cell-to-chassis platform design).

Technology companies are also involved in the development of electric cars. After all, an electric car is a battery with some processors mounted on a chassis. Life on board, connectivity, optimising battery use, driver assistance, collision or problem prediction tools, processing of incoming and outgoing data are all within the remit of technology companies.

It will therefore come as no surprise to see technology players entering the market (Foxconn (Taiwan), Apple, Sony (Japan), Xiaomi (China) are some examples).

Their presence is also explained by the prediction of the gold mine that everyone wants a piece of: the autonomous car.

It is no wonder that manufacturers are teaming up with technology partners to ensure that they are not left behind.

Of course, there are still a number of issues to be resolved, such as battery technology, which is still a developing area.

The risks posed by current batteries (fire), their performance, cooling and the availability of raw materials for a large-scale deployment of the electric car model still present challenges, but many companies and researchers are responding better and better to these challenges (cobalt-free battery/LFP, Solid State battery and other areas of research in the world of batteries and energy storage).

Currently, the big players are Asian (LG [Korea], CATL [China], BYD [China], Panasonic [Japan], SK and Samsung [Korea]). The grip of Asian manufacturers on Li-ion batteries is a fact and they are capturing new technologies too. Europeans are lagging behind and our dependence is real. For Europe (and Belgium in particular), it is becoming strategic to integrate a complete and efficient battery recycling chain.

We will not go into detail about hydrogen, which remains a viable option, but which is better suited to larger means of transport (commercial vehicles, trains, trucks and possibly maritime and aeronautical vehicles). A hydrogen car is above all an electric car that produces its own electricity. Hydrogen is a means of storing energy which partially meets the problems of batteries, but which poses other problems, notably environmental and energy transport. Research is continuing into the production of low-carbon hydrogen and the improvement of the hydrolysis and storage process.

What is the impact on dealers?

The impact is significant over a shorter time horizon than for the autonomy or shared model.

The dealer model is based (to simplify) on two main revenue streams: commissions on sales and margins on after-sales (including spare parts).



The sale:



First of all, the electric car does not pose the same questions for sale. The first 5 criteria for a combustion car buyer that a seller had to answer were: price, consumption, safety level, brand and comfort. For the electric car, the 5 key points when selling (currently but this could change over time) are: range, access to a charging point, price (including the advantages of electric), performance and handling, recycling and battery life. Having a thorough knowledge of the product and its technology is key to selling.

There is less difference with engine performance (performance, noise) than in the internal combustion engine and therefore less differentiation between brands in this respect. Differentiation in terms of style, interior and connectivity (life inside) will become increasingly important. The differentiating elements at the time of sale will be more objectively held.

Secondly, the electric car wears out less quickly and requires less maintenance.

Today's Li-ion batteries are capable of 1,500 to 2,000 cycles, or 375,000 km for a Nissan Leaf and up to 1 million km for a Tesla Model S (at 100 KWH). If we accept that they then operate at 60%/70% of their capacity, the lifespan is even longer.

There is already a trend towards longer ownership periods for cars⁸ and the electric car will amplify this further. The normal life of an electric car is 25 years compared to 11 years for a combustion engine. It is already possible to change the cells in the battery that are no longer working, which would further increase the life of the vehicle.

In theory, leases of 3 to 5 years traditionally can be revised to 10 years or more with electricity.

This implies a slower renewal of the car, and therefore fewer cars sold. To remedy this at least partially, a trend among manufacturers is to offer leasing formulas (including for private individuals) with residual values supported by the manufacturer and rapid renewals (2 to 3 years). The vehicle is then reconditioned and upgraded before resale as a second-hand vehicle with a manufacturer's guarantee to customers who would not have bought it new (younger generation). This process can be repeated up to four times, given the longevity of electric vehicles. Manufacturers traditionally rely on new sales and volume. With this model, they will certainly want to take advantage of subsequent cycles that promise 3 times more revenue on the same vehicle and thus compensate for the reduction in new vehicle sales.

Studies speak of 40% fewer new vehicles being sold in Europe by 2030. We are less pessimistic about the date, which depends on too many factors such as the date of deployment of related technology (autonomy, legislation, battery, shared car, evolution of the internal combustion engine fleet and new engine technologies) to predict such a sharp drop within 8 years. The reduction in the volume of new cars is nevertheless unavoidable.

The loss of sales revenue will mean a review of the sales model and the volume-based remuneration of the sales team.

A very important battleground is/will be that of second-hand vehicles. Its importance will increase as vehicle life cycles lengthen. Managing a vehicle through two or three life cycles will maintain a revenue stream for as long as possible. Strong dealerships will be able to offer buy-back options at the end of the contract to upgrade the vehicle and ensure continuity of income and supply of used vehicles.

⁸ The average age of a car in Belgium was 9 years and 2 months in 2020 compared to 7 years and 11 months in 2010. This is almost 1.5 years more in 10 years - Febiac figures.

After sales:

The after-sales figure is also affected. While a combustion engine has 2000 moving parts, the engine of an electric car has around 20 on average. Significantly simpler, the electric car requires 30% less maintenance. This estimate is very conservative. In several cases, after 3 years, our team members with EV have not yet had to go to the garage for maintenance. When a seal had to be changed on a Tesla earlier, the mechanic came to our employee's home and the repair took 10 minutes.

Diagnostics and upgrades are done remotely (the Tesla model is a good example).

The dealer's after-sales service will therefore not see many customers.

When the car is serviced, there are fewer parts to change and therefore less margin on spare parts or consumables such as oil. On average, the consumer saves 40% on spare parts with an electric vehicle, which means less money for the dealer.

At the same time, however, it will be necessary to invest before disinvesting.

The battery represents 30% of the value of the car on average and 45% of the CO₂ emission comes from the production of its battery. The ability to repair the battery or to make a reliable diagnosis in case of failure is key. Added to this is the ability to advise the customer on the best charging strategy for their travel habits to increase battery performance.

Different skills are needed. The skills for working on the engine of electric cars are divided into 3 roles:

Level 1: Routine work including OBD (On-Board Diagnostics).

Level 2: Remove the battery.

Level 3: Open the battery.

On these different levels, we will have to integrate into the teams a growing number of people with increased electronic thinking skills, such as electronic engineers, to go beyond OBD diagnosis.



The evolution is that the OBD diagnosis is automated via sensors, making a trip to the garage unnecessary.

For the moment, the internal training of manufacturers and importers is limited to a few days, which is sufficient for level 1 and to effectively advise customers on their charging habits. However, to go further, a few profiles per dealership are needed, different from those required for combustion engines. Connecting a diagnostic device is within the reach of everyone, but it is the questioning of the possible origins of the problems and the reasons why the error is occurring that will be key. The "read and replace with new" model becomes problematic when we are talking about 30% of the cost of the vehicle.

Some brands are thinking of centralised models where vehicles are sent to a central location for analysis and repair as soon as there is a battery problem (already in use at Renault in the UK for example). This system poses its own challenges (logistics, cost, customer lead time, management of courtesy vehicles) but greatly reduces the added value of the dealer.

The recycling and reprocessing of batteries will be carried out by specialised centres. The dealer has no role in this, except possibly as a collector.



New equipment is also required (high voltage tools, diagnostic tools, safety equipment, etc.). Cadillac in the USA has estimated the amount of investment required for a medium-sized dealer at 200 KEUR. Investments to be made in addition to investments in equipment for combustion cars while waiting to see the volume of combustion vehicles decrease significantly.

The good news is that the transition will take time. There are about 2.5 billion internal combustion cars in the world (and 70-80 million are still being registered each year). The fleet will remain large for at least 20 years before we move to a model where EVs dominate the aftermarket. Serving combustion cars will keep dealers busy for a few more years, but the message is clear: in a declining way and the next model will not increase their numbers.

Some activities will remain such as wear and tear repairs, accessories, bodywork, SMART repair (short for Small to Medium Area Repair Technics).

It will be necessary to keep very clear indicators to anticipate the shift in dealers' financial departments.

In order to prepare for this, there are several key areas of focus:

- 1 For sales: shape services around vehicle sales from the customer's needs, prepare its real estate and investments taking into account the effects of a gradual reduction of combustion engines. Increase its resilience by diversifying its risk: second-hand network, alternative mobility, alternative segments.
- 2 For the after-sales service: retaining people, developing skills, bringing in the key skills for tomorrow (see also the section on digitalisation), phasing investments are the basics. The magic happens in the phasing of the implementation. In order to do this well, a financial table and performance indicators showing key changes in profitability and their effect on the long term will be very useful. Boosting the sale of maintenance contracts will also be essential.
- 3 For sales and after-sales: improve the way of engaging and maintaining the relationship with the customer during their infrequent visits.
- 4 The promotion of independent collaborative training courses to enable independent dealers and garages to offer continuing education courses leading to certification in electric vehicles and batteries.
- 5 Fix your fundamentals: before talking about the future, you need to fix the fundamentals i.e. ensure an optimal stock financing structure, maximise stock rotation, without forgetting the efficiency of the sacred triangle (reception, parts stock, workshop). It is necessary to have a very competent, lean and agile organisation, optimising the assets at its disposal to the maximum. We can no longer work with a piecemeal approach. Data is a key element in this logic.



6. DIGITALISATION

Digitalisation is a fact and it deeply affects the way dealers' customers interact with them and the world, but also how the dealer integrates with the automated processes of its partners (B2B customers, subcontractors). Along with the electric car, this evolution will certainly have the greatest impact on the dealer's results in the medium term.

Unlike the electric car, which has a gradual and medium-term impact, digitalisation is already well established among consumers and will develop its effects, negative or positive depending on the choices made, in a rapid and exponential manner.

On average, a customer will walk through the dealer's door 1.8 times to a maximum of 2 times to purchase a vehicle. This ratio, which has decreased significantly over the years, implies an increased focus on the customer's experience during the visit, but also on all interactions with the dealer prior to the visit.

An ING study concluded that 46% of respondents preferred to avoid going to a dealership for their car purchase. This is a frightening figure which explains the development of alternative online models.

According to statistics published by Google, 95% of car buyers use digital technology as their primary source of information. As a result, twice as many start their research online instead of at the dealership and spend less time choosing their vehicle than before.

The impact is fundamental for dealers.

On the one hand, because the risk of "Amazonisation" (i.e. direct sales by manufacturers without going through the dealer) is very real.

On the other hand, because one person in two who passes through the showroom door no longer comes without an appointment and this percentage is increasing. The intention to buy must be accompanied and influenced before the visit to the showroom and secured after the visit (all information is instantly

checked online, so it is better not to make a mistake). A prior digitalised customer relationship with the customer is essential, for example to interactively configure a vehicle or virtually visit the showroom. This development has already been implemented in other sectors such as real estate.

The digital storefront is just as important as the physical storefront and we are not just talking about the website. Capturing the consumer's attention also involves social media and a fluid link between the website, social media, personal chats, email and this regardless of the device used (pc, mac, smartphone, tablet).

The dealer's website remains one of the 4 sites on average visited by a buyer before making a decision. They usually come after other sites (search engines, online market places, third party sites, manufacturer's site). The experience of these other sites should guide them seamlessly to the dealer site.

It's all about having an integrated digital marketing strategy. You will be competing with an average of 2 to 3 competitors and comparability has never been easier.

The potential customer must be captured as they interact with this global digital storefront of the dealership. There are 4 to 5 digital opportunities for every customer who enters the dealership. For example, it is important to inform the customer about availability, delivery times and the possible freedom of configuration, which is a factor in the customer's decision in these times of shortage and very long lead times. Capturing a customer now means showing him that his vehicle really exists in a known production state with a clear delivery time.

Improving the customer experience is central and the infrastructure behind it is not a marginal exercise for the dealership. It must be part of a business project involving recruitment, external advice, investment and regular monitoring.

Too often, we find that the implementation of the digital project is done with insufficient means, lack of follow-up and investment in human capital, sometimes accompanied by internal resistance that requires support for change, without which the project risks failure.

Having a website (managed by the manufacturer on top) and the DMS⁹ of the manufacturer(s) are not enough. Issues such as the speed of your site, human-centred design (more than functionality), quality of navigation, ease of switching from digital to personal contact, personalisation of ads, video, connection with other platforms... are "must-haves".

In its analysis of the key moments in the sales process, Google has broken down the decision process into 5 steps: Which car is better? Is this the best car for me? Can I afford it? Where should I buy it? Am I getting a deal? At these 5 stages, the dealer has to position himself and adapt his digital marketing.

In the organisation of a dealership, digital technology must find its place alongside the "new generation" salespeople. We should even talk about a digital back office with profiles ranging from developers to lead managers. Functions such as social media manager, content strategist, responsible business intelligence, program manager, CRM/E-CRM project manager, customer experience manager are absent from dealerships. They should be integrated in order to better personalise upstream recommendations on the basis of the preferences of the candidate buyers and to offer tailor-made special offers.

Salespeople have to capture the customer's attention during their digital interaction and their goal is to get an appointment. The profile of the salesperson is therefore also changing. They become INFORMANTS. In the sales act, the salesperson has lost his centrality. He will be closer to the conclusion of the transaction and to the administrative procedures than to the role he had in the past.

The digital culture has to become part of the dealer's DNA. When the prospective buyer enters the showroom, he is more likely to buy. The salesperson's focus is to book appointments, which increases the conversion rate by 2 compared to a walk-in.

The digitalisation of the relationship must also make it possible to improve the customer experience by allowing him to spend less time on the site, for example, filling in formalities, waiting, negotiating conditions. No one likes to spend 2 hours filling in paperwork at a desk (beyond one hour to 90 minutes, customer satisfaction tends to drop sharply). The more you improve the customer experience at the time of purchase, the more you create links for the after-sales service and for a future purchase.

The developments to be expected in the field of digital technology (augmented reality, virtual reality, integration into the metaverse and web 3.0, etc.) will further increase the importance of a good internal command of the technology.

The sooner the dealer takes the right direction, the easier it will be to integrate technological developments into the interaction with potential customers.



⁹ Dealer Management System (DMS) is a software platform dealers use to manage their dealership.

The showroom:

The impact of the digital factor also has a fundamental impact on the way the showroom is designed.

The consumer comes less to the showroom, so how can we get closer to him and create an intimacy with the dealer?

A trend is developing, particularly in Anglo-Saxon countries, with a smaller showroom model placed directly in urban and commercial centres (shopping centres, city centres, shopping streets). This model involves fewer cars on display, but more interaction and virtual demonstration in a space like Apple or Tesla showroom where the focus is on the customer experience and creating desire. Tesla has simplified the car sales process in many ways, including product presentation. Depending on the range of colours and options, it is essential to be able to show things off. The choice of vehicles in the showroom is therefore also questioned in the light of the actual circumstances.

The presence in suburban areas will serve to make the customer experience live or prolonged, for example by having the vehicle tested in a cosy environment.

The vision of the showroom of tomorrow must also break with the traditional sales model by integrating the paradigm of digitalisation. Consumers are better informed and prepared. They make an appointment to finalise their decision or purchase. The human element is still crucial at this stage, but the dealer's employee plays the role of an informant (as opposed to a salesperson) and must be credible in this role.

For example, the dealer could have a key role in carrying out the test drive (which is one of the best triggers for purchase). The test drive could just as easily be outsourced to a logistics company (from the customer's home) and the sale made directly by the manufacturer. To play a key role, the dealer must therefore be able to add value to the customer experience.



The agent model:

The change in consumer interaction has not escaped the attention of manufacturers and is impacting their relationship with dealers. On average, the sales network represents about 16% in Europe (9% in the US) of the retail price of the vehicle for a medium-sized passenger car, which is not negligible when one considers that the net income is only 4%. There is a strong temptation for manufacturers to reintegrate (at least partially) this margin back into the manufacturers.¹⁰

The shift from a franchise model to a sales agent model is one of the consequences of digitalisation. Manufacturers will have more interaction directly with customers. Manufacturers' obligations will include proper product positioning and capturing customers through fine data analysis and appropriate feedback. Choosing the right local agent network is even more essential.

Dealers with sufficient size and capacity to ensure the continuation of the manufacturers' efforts to capture new customers are favoured. We are thus witnessing a reorganisation of the networks by the constructors (opportunities to buy out competitors organised by the constructors and importers). In the long term, this should reduce price competition between dealers in areas that are too close to each other and reintegrate the margin gained by the manufacturer and the surviving dealer.

The reorganisation will also have to allow for concessions of sufficient size to undertake the necessary human, IT and structural investments.

Manufacturers value their network for the local service offered to customers. A detailed knowledge of the product close to the customer, test drives and after-sales service are key elements for manufacturers. They have to set compensation for dealers in view of this added value and the decrease in expected volumes to ensure sufficient motivation.

The sales agent model also has implications for the financing of new car stocks that are no longer transferred to dealers (a model already in use by some manufacturers), thereby easing dealers' balance sheets and financing requirements. At the same time, the margin will be revised accordingly without weakening dealers too much so that they can keep up with manufacturers' requirements for managing the finalisation of customer contacts.

Larger groups will be able to compete with better customer experience and greater financial resources to maintain a larger second-hand network, helping to usefully supplement agent revenues.

How to prepare?

To prepare for this, there are seven main areas of focus:

- 1 Putting the customer back at the centre and maximising the usefulness of its presence as a local dealer.
- 2 Strengthen the relationship with manufacturers (YES mystery shoppers and manufacturers recommendations are there to help you, so listen to them!).
- 3 Invest in a real digital project in terms of human and material resources and management support. A good digital project represents between 45% and 75% of total marketing expenditure. The dealer must maintain a central place in the PHYGITAL customer journey in the sales process (new and used), but also in the after-sales process.
- 4 Revisit the physical vision of the showroom from the customer experience by integrating the multi-channel vision at the heart of the strategy. Review your real estate strategy to allow you greater flexibility to deliver on your core mission and increase your potential for future growth.
- 5 Change the company's sales culture to one of appointments and interactivity. Questions need to be integrated into the monitoring of the sales and marketing teams: how many digital leads have been converted into appointments? How many online leads have been generated? What are the most frequently used keywords? What is the ratio of walk-in to digital sales? How many connections and who has looked at our digital storefront?
- 6 Seek legal advice on developments in commercial distribution law to get an idea of what is coming.
- 7 Provide a good pilot for the project: our experience shows that the presence and quality of a project manager who is well supported by the management is central to success.

¹⁰ Source: EPA, FEV, BloombergNEF.



7. GRADUAL DEPARTURE OF ELDERLY OWNERS

A study conducted by BDO shows that 70% of dealership managers are looking to make an exit within five years. The top 3 drivers for dealers to consider selling are the retirement of the manager (31%), a proposal from a potential buyer (16%) and the lack of a succession plan (10%).

The departure of the management layers influences the reaction and the limits of adaptation of concessions to market changes.

The ageing of the leadership layers is a determining factor in several respects:

- 1 Increased difficulty in integrating the factors of change: a project of change in the company implied by the different factors mentioned above can only work if management is at one with the transformation. It is a fact that our children and younger people find it easier to adopt technological changes than older generations. Fortunately we still have experience, but not if that experience leads us to reproduce a model in a world that needs something else.
- 2 Difficulty in communicating a realistic vision of the future: teams are also consumers. They see and interact with the world and see changes on a daily basis. A corporate vision that lags behind the reality of employees' daily lives leads to a loss of confidence. Communicating about the future, about succession and about how the company will deal with the changing market factors is essential to maintain team support and retain talent.

When the decision to leave is taken and in the absence of a successor, preparation for the exit is an essential and too often neglected element. The quality of the vision and strategy and the efforts undertaken to align with changing paradigms are valued at the time of the exit.

The decision to exit must be prepared. In fact, the market values growth potential. It is therefore essential to consider your investment and strategy carefully if you want to make a lucrative exit.

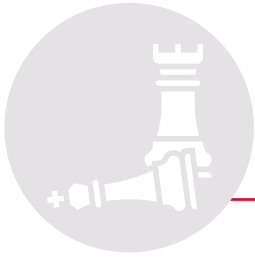
A good example of a deleterious effect on value is the purchase of real estate that would not fit into a dealership model in 5-10 years' time when it would make sense in today's world. Conversely, an investment in effective digital positioning can have a significant positive impact on value if the digital asset monetisation strategy is in place. Models such as Cazoo in the UK have understood this, which partly explains their success.

In the rarer cases of liquidation/cessation of activities, a preparation is also necessary to ensure an optimal reconversion of the tool and the real estate.

To be prepared in time, the central axes are:

- 1 Take the time to define a real vision and a strategy that follows: using figures, market information and external help is essential in this exercise to objectify the reflection, plan the exit by taking the time to prepare the company beforehand with a long-term vision. This includes preparing the often archaic legal structure in order to facilitate the transfer and find a successor or buyer who can carry the vision.
- 2 Communicate with teams the right information at the right time and stay consistent.





8. WAR FOR TALENT



The consequence of the ageing population combined with an increased demand for certain profiles by different industries (or even all industries for IT profiles) makes the difficulties of finding resources glaring.

The transition from the current concession model to one that includes the various factors mentioned above must be done gradually (with the exception of digitalisation). Phasing involves retaining your ability to generate profits and therefore the flexibility to fund the transition. The employees are essential and their ability to transform gradually is largely the responsibility of the leader and his or her approach.

New profiles are needed and the automotive world is not the only one to demand them. An open approach to more flexible modes of collaboration is a good answer to the financial constraints and availability of talent.

In order to prepare for this, there are four main areas of focus:

- 1 Retention is key, but not at any cost: your employees are emotional beings too and the quality and intensity of their work depends on their emotional state. The classic mistake is to think that retention is about salary. This is one element, but fair and regular feedback, constructive communication and atmosphere have been shown to be central factors for retention. Should we focus on technical competence, but which negatively undermines the group and blocks change, or on team spirit and group cohesion with a spirit of continuous development? In all our projects, these questions come up. The right profile is the right attitude and mindset. Management has a central role in contributing to this.
- 2 Less subordination and more collaboration: our society is moving towards collaborative systems. It is not always necessary or possible, or even financially attractive, to hire a profile. The right people are key, regardless of the legal or administrative form of the relationship.
- 3 Focus on young talent by developing partnerships with training organisations, schools, universities and put attractive prospects in place for these young people, including a physical working environment in which they feel comfortable (the codes have changed and you?).
- 4 Have a strategy of adaptation because in essence our era is one of permanent change. We must always be ready to review the organisation, profiles, positions, plan replacements at the slightest signal and ensure that projects cannot be interrupted by the departure of one person (knowledge sharing).



9. GENERATION Z

Traditionally two good indicators of the health of the car sales sector have been the employment rate and the level of consumer confidence. Could Generation Z complicate the forecast?

Who are they?

They were born between 1997 and 2010 before the Alpha generation. More than ever before, they influence the way their elders dress, live, look and listen.

They gave life to Netflix, TIKTOK, Instagram, podcasts, influencers...

They were born when digital communication was already well established. As teenagers, they have been given a smartphone and they use it for everything and better than other generations.

The system offered them simple content on Facebook, they preferred even simpler videos on TIK TOK.

Their smartphone is their watch, their alarm clock, their television, their book, their school diary, their notebook and their primary connection to the world. They may have bought a book once in a bookstore, but that's not even sure.

They share their lives online and are constantly influenced by the latest trends. The world is moving fast and the new is already the old when their parents finally listen to what they say.

They will earn less than their parents' and grandparents' generation. They are not yet thinking of buying their own home, but without parental support, their income will be too low.

They are living with profound technological changes that are advancing at a rate faster than any human being can absorb.

They live in a more uncertain world. Some of the jobs of 2030 do not yet exist and they are asked to choose studies.

They have seen the right to use, become widespread and they are asked to sacrifice their consumption to buy a house with a 30-year loan.

They were born with a war against time to save the environment and reduce our carbon footprint.

They get their driving licence later (or not). Mobility is above all a matter of their smartphone.

They will be 25 years old and looking for a used car when the full range of electric cars comes on the market. By the time they are 45, artificial intelligence will have demonstrated its capabilities in mobility. That will be the time for them to eventually buy a new car.

How will we sell them a car?

Let's not "sell" them a car, but rather support them in their need for mobility. Selling or renting a new or second-hand car would only be an extension of our approach. Two key words: accessibility (budget - to be linked with the extension of vehicle life cycles) and simplicity.

At the same time, let's help them to advise their parents on the ideal mobility solutions according to their habits and profile and taking into account the technological change.

Let's look at them and their needs.

To prepare for this, there are two main areas of focus:

- 1 Implement the recommendations made earlier, particularly with regard to digitalisation.
- 2 Focus on this generation in parallel with the approach of their parents who will buy their first electric car in 2025, Integrate ESG into your thinking and prepare to justify your business model and carbon footprint.



10. CONSOLIDATION OF THE SECTOR

The size of the dealership is an element that determines the strategy.

In order to achieve the expected investments and transition, it is estimated that a minimum of 70 units per month are needed to remain competitive and this figure will only increase.

This market share ratio is purely indicative, however, as it implies a capacity for change that sometimes even larger dealerships may not have.

What matters is the ability to initiate change and align with the new paradigm. To a large extent, this is in the hands of the leaders.

It is a fact that the consolidation of the sector is underway. The number of publicly disclosed transactions has been increasing in Belgium since 2018 (a record year).

The concentration of the sector is driven by the manufacturers (Stellantis and BMW are two examples), but not only. Independent foreign groups have been very active in Belgium in recent years.

Large groups with multi-x models are emerging from these consolidations: multi-brand, multi-country, multi-service, multi-segment, multi-channel.

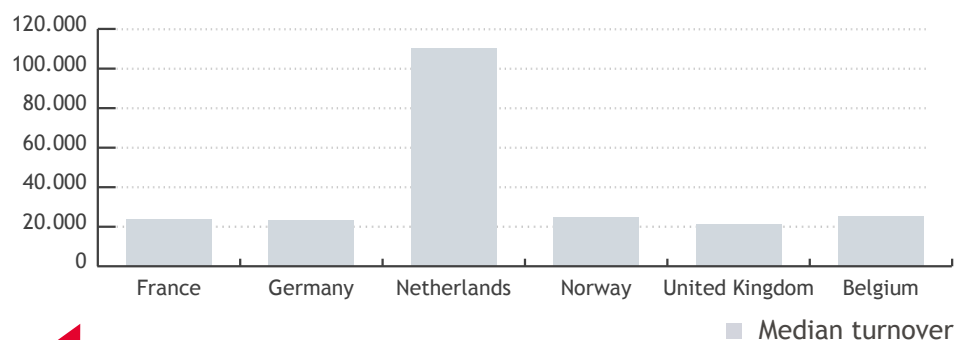


The following table shows a comparison of the 40 largest European distributors (source: europe.autonews.com).

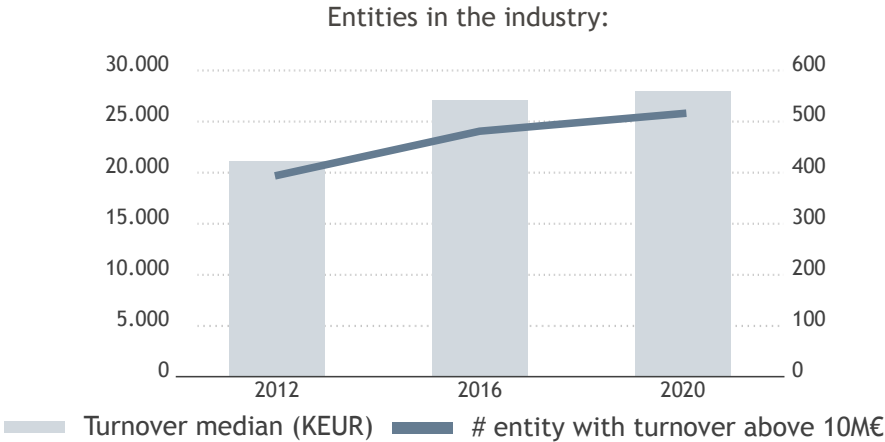
Rank	Company	Home Country	Brands	Franchise points	New wholesale vehicles	New retail vehicles	Used vehicles	Total vehicles	2018 revenue in € bn
1	Emil Frey	Switzerland	42	830	150,000	300,000	200,000	650,000	13.50
2	Penske Automotive (Europe)	U.S.	21	199	-	95,000	165,000	260,000	7.92
3	Lookers	UK	32	164	-	120,878	97,709	218,587	5.53
4	Pendragon	UK	21	177	-	70,000	186,000	256,000	5.24
5	Arnold Clark	UK	26	220	-	68,344	238,977	307,321	4.80
6	Inchcape Europe	UK	17	159	32,000	90,000	65,000	187,000	4.76
7	AMAG	Switzerland	7	154	39,000	52,000	52,000	143,000	3.98
8	D'leteren Auto	Belgium	8	24	112,051	10,189	1,639	123,879	3.58
9	Vertu	UK	23	120	-	75,816	82,576	158,392	3.39
10	MoellerBil	Norway	5	68	11,982	41,974	29,355	83,311	2,68
11	Pon Holdings	Netherlands	10	38	89,000	22,000	18,000	129,000	2.53
12	Marshall Motor Group	UK	22	106	-	46,213	43,302	89,515	2.42
13	Bilia	Sweden	7	95	-	50,324	43,600	93,924	2.37
14	AVAG Holding	Germany	17	180	-	66,620	62,859	129,479	2.26
15	Jardine Motors UK	UK	20	66	-	35,234	33,348	68,582	2.21
16	Van Mossel Autogroep	Netherlands	20	94	-	42,000	32,000	74,000	2.10
17	I.A. Hedin Bil	Sweden	28	313	-	49,602	28,902	78,504	2.08
16	Group 1 Automotive	UK	14	64	-	38,716	31,966	70,682	2.07
19	Salvador Caetano	Portugal	25	149	14,669	60,249	33,764	108,682	2.01
20	Louwman	Netherlands	14	84	39,353	16,380	16,181	71,914	2.00
21	Gueudet	France	14	149	-	53,000	47,000	100,000	1.90
22	Gottfried Schultz	Germany	8	47	-	34,495	34,356	68,851	1.79
23	Alcopa	Belgium	16	29	40,000	25,000	10,000	75,000	1.70
23	Pappas Holding	Austria	14	72	-	25,587	13,778	39,365	1.70
25	Bertel O'Steen	Norway	7	97	18,737	14,726	15,627	49,090	1.65
26	BYmyCAR	France	17	82	-	42,000	33,800	75,800	1.57
27	Quadis	Spain	27	125	-	29,040	14,074	43,114	1.55
28	Lei Shing Hong	Germany	4	58	-	15,045	19,393	34,438	1.448
29	JCT600	UK	21	47	-	34,000	34,000	68,000	1.446
30	Bernard	France	9	48	-	40,650	29,859	70,509	1.42
31	Listers	UK	16	48	-	33,001	22,000	55,001	1.404
32	Semier Gruppe	Denmark	9	40	42,000	20,000	15,000	77,000	1.400
33	Senger Group	Germany	10	63	-	16,800	16,420	33,220	1.35
34	Autobinck	Netherlands	12	28	17,004	10,639	8,179	35,822	1.260
35	Greenhous	UK	5	9	-	33,001	22,000	55,001	1.256
35	Feser, Graf & Co.	Germany	9	64	-	25.800	26,700	52.500	1.256
37	Stoneacre Group	UK	23	93	-	23,483	30,642	54,125	1.20
38	Merbag	Switzerland	6	83	-	15,500	9,500	25,000	1.17
39	Stern Groep	Netherlands	21	119	-	29,306	22,490	51,796	1.11
40	Car Avenue	France	17	52	-	32,000	23,000	55,000	1.10

In comparison, the median Belgian dealer had a turnover of 28 million euros in 2020 (an increase since 2012 of 33%) with about 30 people. There are big disparities between large and small players. Our companies are similar in size to our European neighbours (with the exception of the Netherlands).

Median industry turnover (2020) in KEUR:



The average size of the entities has tended to increase over the last 10 years.

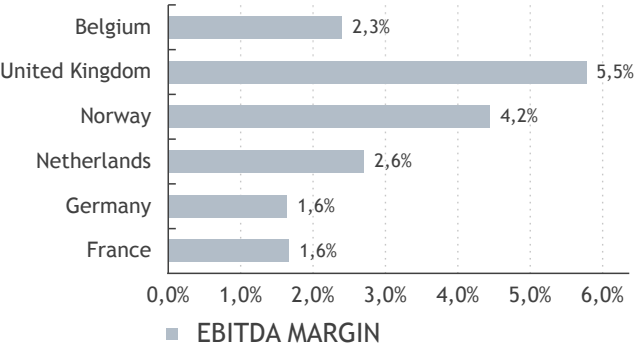


This is also true in other European countries with the exception of Great Britain and the Netherlands (the Netherlands has historically had larger dealerships than Belgium).

The number of dealers in proportion to the population for Belgium is higher than the European average and our neighbours. A concentration movement in the sector can therefore restore a balance.

The margin (EBITDA as a proportion of turnover) remains remarkably stable at 2.3% of turnover for the median between 2012 and 2020 (while 2020 was a year of contraction for the sector). Compared to other European countries, the margin of Belgian dealers remains comparable to the Netherlands and slightly higher than the French and German median.

EBITDA MARGIN:



Note the good margin of Norwegian dealers (see box on the Norwegian exception).

The Norwegian exception:

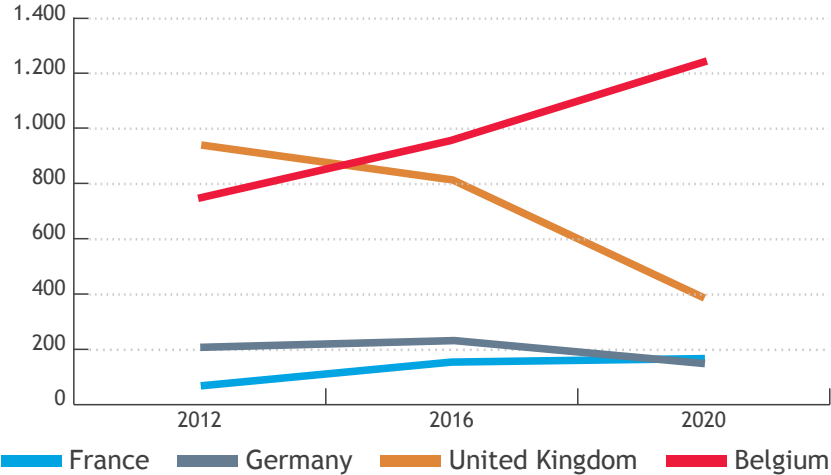
While the median dealership in Norway is equivalent in size to Belgium, the margin is much higher (82% higher than in Belgium). This margin has been steadily increasing since 2012, although Norway has the highest penetration rate of electric models in the world. By 2021, 65% of new passenger cars sold in Norway was electric and 22% was plug-in hybrids (Secretary General of the Norwegian Electric Car Association). It took Norway 10 years to go from 1% to 65% with steadily increasing margins over the same period for dealers.

This development is explained by very accommodating legislation (no purchase tax, reduced VAT, no road tax, free municipal parking, special allowances for company cars).

How can we explain the very good margins of Norwegian dealers? One factor is the sale of more expensive models (Tesla is second in market share after Volkswagen and ahead of Toyota), another one is the fact that despite the transition, the fleet of combustion cars continues to be maintained and finally, that the arrival of a new product (the electric car) is a powerful stimulant for sales and faster replacement of combustion vehicles. The question is: can we expect the same effect in Belgium? And the answer is probably yes, to a certain extent, in the first instance.

However, one indicator betrays a change of state in this relatively calm Belgian evolution: the debt. The net financial debt (financial debt - cash) of the players in the sector in Belgium is constantly increasing between 2012 and 2020, rising from 749 KEUR for the median company in the sector to 960 KEUR in 2016 and 1,247 KEUR in 2020, i.e. an increase of 66%, while investments in production equipment have been declining since 2012. This increase reflects the concentration phenomenon.

Evolution of the financial debt in the median concession:



In comparison with other countries, the difference is striking. The debt is decreasing (or even strongly decreasing) in France, Germany and the United Kingdom and it is constantly increasing in Belgium.

In comparison, companies in the other countries studied (France, Germany, Norway, Netherlands) also invested more significantly in their equipment. Only the United Kingdom and Belgium saw a decrease in investment by companies in the sector.

Industry consolidation can be seen as a consequence of the above factors, but it remains a major concern for dealerships insofar as it changes the balance of power between dealers and manufacturers. The proliferation of large players with a tenfold increase in investment capacity must be seen as a major paradigm shift.

Having a clear vision of the future and a strategy based on facts is a start. How many cars do I need to sell and service in order to cope with the changes in the above factors? Answering these questions is not a matter of introspection. An approach based on facts and figures and a proven methodology is the basis.



11. CONCLUSION

It is essential to maintain a critical long-term view of the evolution of one's sector.

Dealers will have many more good years ahead of them, but will have to adapt their model to survive.

In the long term, no matter how the manufacturers do, demand for new cars at dealerships will decline.

Dealers have a window of time in which cash flow holds up sufficiently to adjust their model. The window of time (2022 - 2025) is limited, but real.

The impact of the various factors on dealers' margins and on the sustainability of their model in the long term is difficult to estimate precisely.

Factors	Expected effects	Magnitude of effects for dealers	Option to mitigate/benefit from effects
Connectivity	2025	Medium	Set strategy and incrementally align operations
Autonomy	2035	Very strong	Integrate innovation into the company's DNA
Sharing model	2035	Very strong	<ol style="list-style-type: none"> 1. Revisit the sales approach (towards a pull model) 2. Integrate mobility services in the offer 3. Master the codes of the "usage" model
Electrification	2030	Strong	<ol style="list-style-type: none"> 1. Sales: increase mobility services 2. After-sales: HR (retention and training) 3. Sales and aftersales: optimise the quality of customer contacts 4. Setting up collaboration for training programmes 5. Fixing the fundamentals (finance, stock, operational)
Digitalisation	2025	Strong	<ol style="list-style-type: none"> 1. Quality of customer contacts 2. Making the manufacturer relationships stronger 3. Launching a major digital project 4. Reviewing showrooms and property strategy 5. Change company sales culture 6. Seek advice 7. Provide a good manager to the project
Gradual departure of elderly owners	2024	Medium	<ol style="list-style-type: none"> 1. Have a global vision for the company and plan exit options 2. Communicate well and on time
War for talent	2025	Medium	<ol style="list-style-type: none"> 1. Retain employees 2. Collaborate rather than subordinate 3. Establish partnerships with training centres 4. Stay flexible and integrate knowledge sharing
Generation Z	2025	Medium	<ol style="list-style-type: none"> 1. Implement the above (a.o digitalisation) 2. Adapting the value proposition to generation Z
Consolidation of the sector	2025	Strong	<ol style="list-style-type: none"> 1. Set strategy and decide on exit or continuity 2. Incrementally align operations with strategy 3. Prioritise investments



The change in manufacturers' models is having an impact on dealers. The adaptation of their model to the arrival of electric cars, connectivity and digitalisation promises a refocusing of the dealer's business on the agent's business with all that this implies (margin, stock, customer data monitoring).

The used car network is a market that will become even more important for the dealer.

Adapting the current model requires resilience, will, skills and time. Tempo is the key.

This exercise involves setting priorities and therefore its strategy according to its characteristics, managing the new interactions between the dealer and the customer (CRM, customer experience, new commercial

approaches, new services), adapting in depth to the digital world and setting the basics (stock, retention, training, collaboration and governance model, use of effective predictive indicators, operational excellence integrating realism and flexibility into the model).

The project will not happen if the employees do not have the time to devote to it. Our advice is to get support to increase the time spent on the project, improve your impact, credibility and speed of change.

BDO brings relevant sector expertise and provides the concessionaire with skills in all phases of the project: strategy, innovation, customer experience, digitalisation, financial dashboard and review, data analysis and generation, human monitoring of change and strategy alignment, ESG plan development and communication.

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