



# At the Crossroads: The European Aftermarket in 2030





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CLEPA, the European Association of Automotive Suppliers, is the voice of the automotive supplier industry in Europe linking the sector to policy makers in Brussels and Geneva. CLEPA represents over 3.000 companies supplying state-of-the-art components and innovative technology for safe, smart and sustainable mobility, investing over 30 billion euros yearly in research and development. Automotive suppliers directly employ about 1.7 million people in Europe. Founded in 1959, our vision is for the automotive supply industry to be the leading provider of innovative technologies and solutions for safe, sustainable and smart mobility around the world. Our mission is to co-create the framework conditions for advancing a sustainable and competitive supply industry in Europe, innovating mobility and bringing prosperity and employment to society at large.

Since 1994, Wolk After Sales Experts provides neutral market information, consulting service, and implementation advice exclusively in the automotive aftersales market. The basis of our services and products is extensive market research and analysis of the global automotive aftermarket. We are pooling data with modern methods to sort, filter, and reshape information with the long-term experience and understanding of the automotive aftermarket to ensure the best value for making the right, future-oriented business decisions. Our experts advise on current trends and help to develop successful strategies and concepts and assist in implementing them in the market. We are a neutral partner for any stakeholder in the automotive aftermarket from the manufacturing industry, buying groups, distribution, Intermediates, mobility concepts up to the car repair shops.

Our mission is to assist our clients from research to results for more success in the global automotive aftermarket.



# At the Crossroads: The European Aftermarket in 2030

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## AT A GLANCE

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Although the €226 billion European aftermarket auto parts business is profitable and growing, market trends and vehicle architecture changes will transform the industry significantly over the next decade. These trends require competitors to start mapping strategies now to maintain their market positions in the future.

### **Comprehensive approach**

In a wide-ranging study, BCG collaborated with the European Association of Automotive Suppliers and Wolk After Sales Experts to identify the challenges the industry faces and the strategic responses companies should consider. We conducted more than 30 interviews with aftermarket industry executives and over 600 interviews with operators of service centers across Europe.

### **Winning strategies**

Companies must adjust to changing market conditions driven by the industry's digitalization, vehicle electrification, and growing channel competition to continue winning in an increasingly competitive market. Players across the spectrum must tap into the data stream created by the digitalization of automobiles and after-market processes. They should carve out a role in increasingly integrated business alliances that will channel both customers and parts to workshops, and they must deal with new competition created by e-tailers and other digital competitors.

**P**RIOR TO THE OUTBREAK of the COVID-19 pandemic, the €226 billion European aftermarket auto parts business enjoyed a decade of high margins and steady growth in a stable environment. Now the industry must prepare for change on multiple fronts.

A number of trends threaten to slow growth and reduce profit margins over the next decade. Vehicle architectures are changing to electric drivetrains that require less maintenance. People are driving less. Driver assistance technology will reduce collisions, and thus the need for replacement parts. New players and digital sales tools will increase competition.

Although business is bouncing back from the pandemic and will grow both for companies in the independent aftermarket and for OEMs and authorized retailers, continued market transformation and increasing competition leave companies at a crossroads. The businesses supplying the independent aftermarket sales channel face the most risk because the growing technological complexity favors automakers and their affiliates.

Boston Consulting Group (BCG), in collaboration with the European Association of Automotive Suppliers (CLEPA) and Wolk After Sales Experts, an automotive aftermarket consultancy, has examined these dynamics. We conducted more than 30 interviews with executives across the aftermarket spectrum to identify 13 trends that will shape the European aftermarket over the next decade and develop strategic responses. We followed those discussions with more than 600 interviews with the operators of service facilities and workshops across Europe.

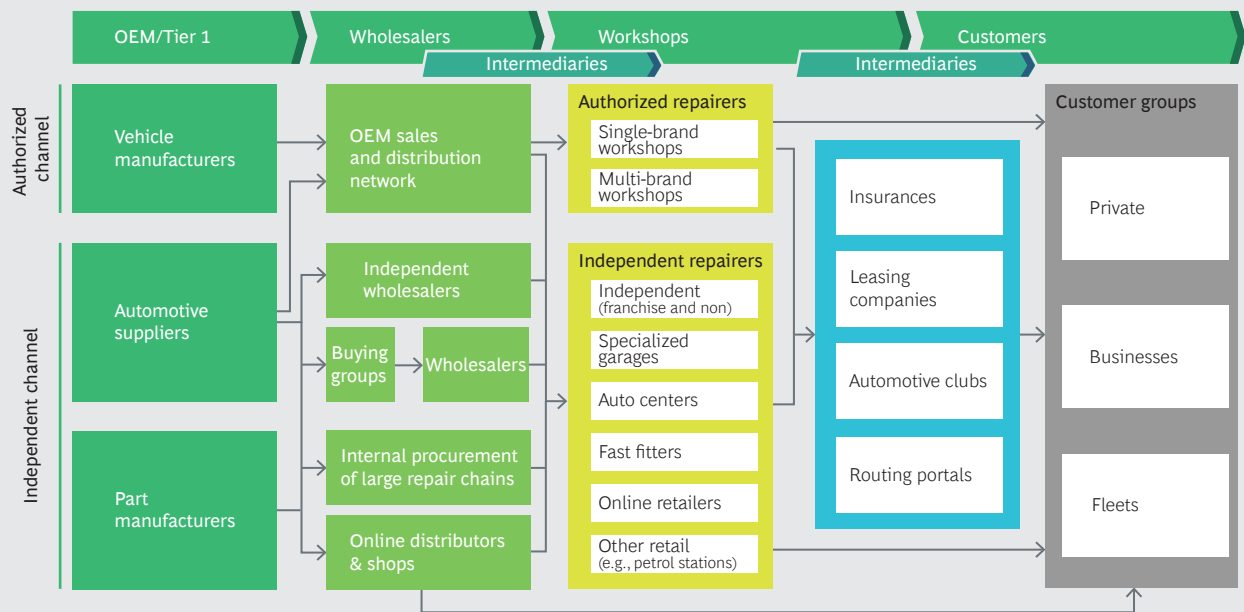
The process identified multiple changes on the horizon in the European aftermarket parts business and the strategic responses companies should consider as they deal with consolidation at the wholesale level, fleets and insurance companies proactively routing customers to favored workshops, a regulatory battle over data, and dramatic growth in the private-label parts business.

This report examines the European aftermarket asking two key questions: Where to play? and how to win? The 13 trends it identifies will shape the industry's size and profit pools.

## THE COMPETITIVE ENVIRONMENT

Competition in the European aftermarket auto parts business occurs across two channels: the authorized channel and the independent aftermarket, or IAM (see Exhibit 1). The authorized channel includes automakers, or OEMs, and their affiliated repair shops, typically dealers. Automakers work with Tier-1 suppliers to produce parts distributed through the OEMs' sales network that are then used for repairs and maintenance by authorized workshops.

EXHIBIT 1 | Aftermarket separated into authorized and independent channels



Source: BCG

The independent aftermarket is made up of repairers without contractual ties to one vehicle manufacturer. They provide parts and services across multiple brands. Suppliers in this market rely on wholesale distributors to deliver the parts to repair shops. The wholesalers also provide marketing and training support for repair shops. Most of the distributors are part of organizations that function primarily as buying groups, referred to as international trading groups (ITGs). They allow distributors to group together to negotiate volume purchasing discounts from suppliers.

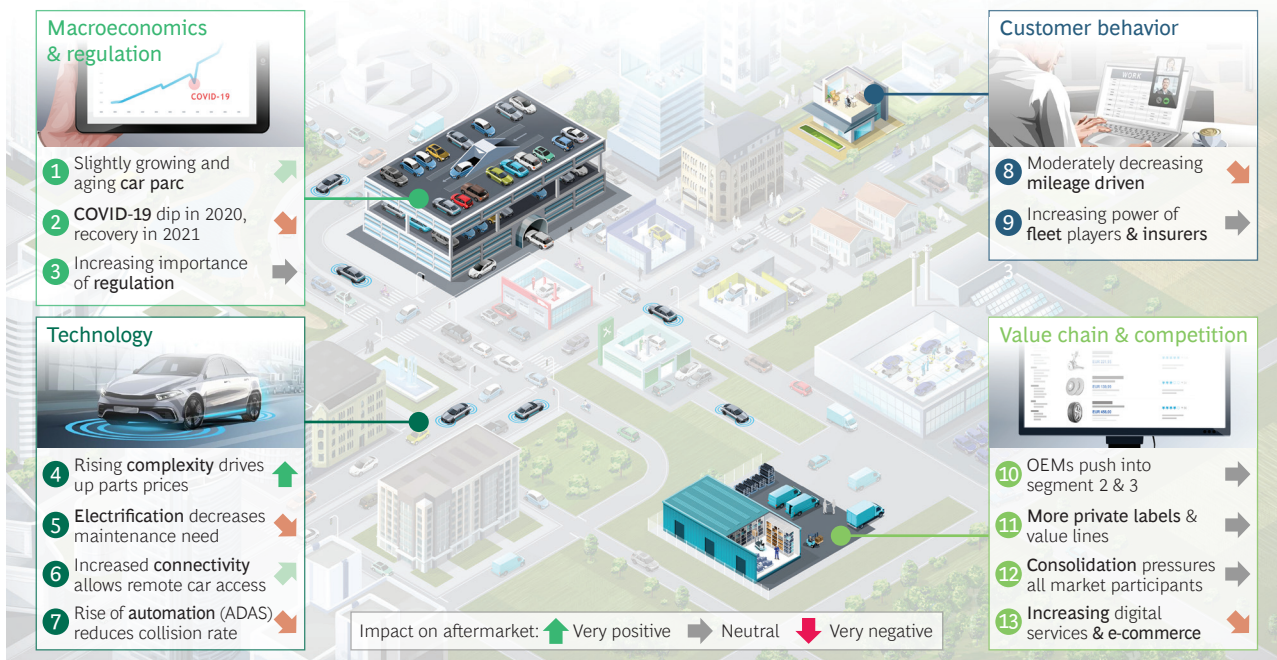
Intermediaries have an increasing presence in the aftermarket, linking players along the value chain by routing business. They include service aggregators that employ online contact and other means to channel customers to repair facilities. Fleet owners and insurance companies also direct customers to workshops. A growing number of customers come under this umbrella, including individual car owners, business fleets, and leasing companies.

The authorized and independent channels both sell goods from six broad product categories. There are wear and tear items such as brake pads, filters, and spark plugs. Tires make up their own segment. Other parts are items that are typically replaced because of collisions and include body panels, bumpers, glass, and headlights. Another category is powertrain components, including parts for the engine, transmission, and suspension. The final two segments are electronics such as batteries, sensors, and actuators, and accessories and consumables such as navigation and entertainment units and auxiliary heating.

## TRENDS THAT WILL TRANSFORM THE MARKET

The trends that will determine the size and competitive nature of the aftermarket auto parts business over the next decade fit into four broad categories (see Exhibit 2).

EXHIBIT 2 | 13 trends shape the European aftermarket until 2030



### MACROECONOMIC AND REGULATORY ENVIRONMENTS SHIFT

**Trend 1: The car parc is aging and slowly growing.** Over the last 10 years, the passenger car fleet's average age has risen. The average vehicle in Western Europe is 11 years old; in Central and Eastern Europe it is even older. That has a substantial effect on the repair market, as older vehicles are more likely to need maintenance and replacement parts. The age of the fleet also changes the mix of business between the authorized and independent supply channels. Owners tend to take their vehicles to authorized repair shops when they are still under warranty or relatively new. But as their cars age, they are more likely to go to an independent workshop offering cost-effective solutions. That's especially true for second and third owners. In Western Europe, the share of vehicles older than eight years—known as segment 3 cars—increased from 50% in 2011 to 65% in 2019. The industry expects that to continue, with the segment 3 share reaching as high as 75% by 2030. The trend is even more pronounced in Central and Eastern European countries where lower disposable income limits new vehicle purchases.

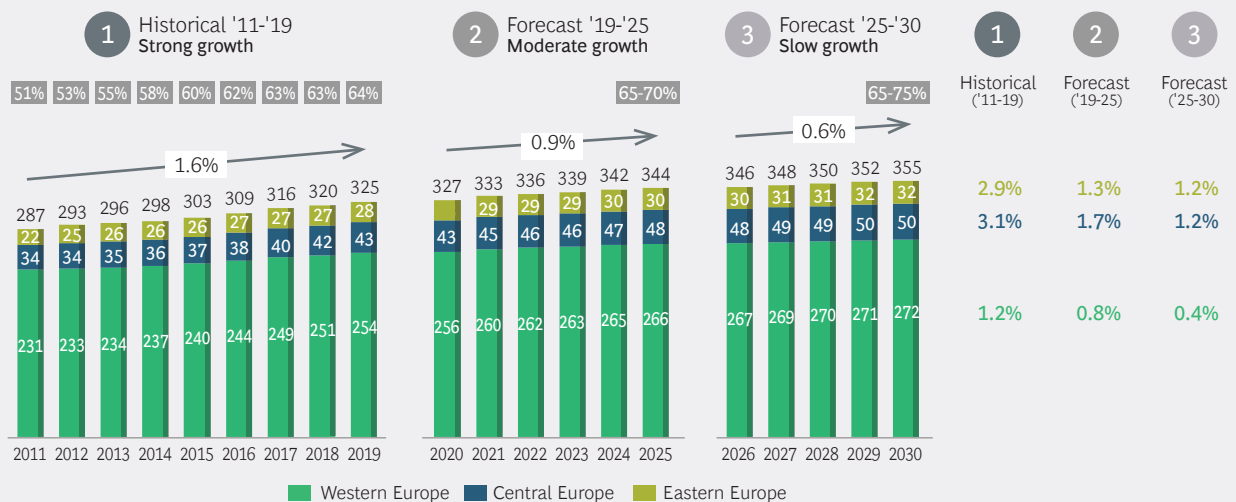


The car parc, or number of passenger cars and light commercial vehicles in use in Europe, grew at a 1.6% annual rate from 2011 to 2019, providing one of the main drivers for expansion in the aftermarket. But with increasing saturation, especially in Western Europe's economies, the rate will fall to less than 1% between 2020 and 2025 and slow even more in the latter half of the decade (see Exhibit 3).

### EXHIBIT 3 | Car parc growth projected to slow until '30; share of older cars to increase

Car parc (PC & LCV), split by region  
(M units)

CAGR



**Note:** Eastern Europe countries include Belarus, Bosnia-Herzegovina, Bulgaria, Cyprus, Estonia, Greece, North Macedonia, Ukraine; Central Europe includes Croatia, Czech Republic, Hungary, Latvia, Lithuania, Poland, Romania, Serbia, Slovakia, Slovenia; Western Europe includes Austria, Belgium, Denmark, Finland, France, Germany, Iceland, Ireland, Italy, Luxembourg, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, United Kingdom; forecast of segment 3 share indicative

**Source:** IHS; Wolk; Market participant interviews; BCG analysis

**Trend 2: COVID-19 is accelerating changes.** Shocks such as economic downturns and the COVID-19 pandemic accelerate overall change in the aftermarket. Job concerns and the recession arising from the pandemic have reduced new car purchases, further aging the existing fleet. The aftermarket business felt less of an effect. It suffered a 50% decline during the lockdowns of March and April of last year but bounced back quickly, ending 2020 down only around 7%. It is expected to recover to pre-pandemic levels in 2021. But the competitive environment has changed. Fewer new vehicle sales and rising average car ages favor the independent aftermarket, allowing it to gain 2 percentage points of market share in 2020 against the authorized channel. Moreover, the financial pressure companies experienced due to reduced sales during the COVID-19 pandemic will likely accelerate industry consolidation across the value chain.

E-commerce players also gained share as end customers limited human contact, but they must use their gains to build sufficient scale to compete long-term in the market.

**Trend 3: A regulatory battle is brewing.** The aftermarket is headed toward a repeat of the fight between the two channels a decade ago over business practices and regulations. That battle was over forcing consumers to use authorized workshops via warranty restrictions. Now the battle is over technology.

The European Union's 2010 Motor Vehicle Block Exemption Regulation (MVER) allowed automakers to contractually bind car dealers to a single brand. But the regulation also prohibited OEMs from forcing customers to use authorized repair shops by threatening the loss of warranty, applying disproportionate conditions for warranty-related repairs, or preventing their Tier 1 suppliers from selling spare parts in the independent aftermarket. Additionally, automakers must provide sufficient technical documentation and other information to allow the independent aftermarket to conduct repairs.

The current MVER expires in 2023. A review process was launched last year, but it is unclear whether or how this meaningful legislation will be renewed. One critical sector of the potential regulation revolves around the rules for access and use of in-car data. Gaining exclusive or preferred access would give automakers a decisive competitive advantage. They would leverage data for preventive maintenance and remote diagnostics services, a gain for the authorized channel. A battle over the same issue is already developing elsewhere. Last year, Massachusetts voters approved a ballot measure supported by the U.S. aftermarket that forces automakers to provide data access for all models via an open-platform app. Given the importance of future market regulation on access to in-car data, automakers are fighting back. They have filed a lawsuit against Massachusetts to prevent or postpone the regulation, which is scheduled to take effect with the 2022 model year.

#### **TECHNOLOGY CHANGES VEHICLE ARCHITECTURE**

The brewing fight over data is just one of multiple ways technology will change the aftermarket auto parts business.

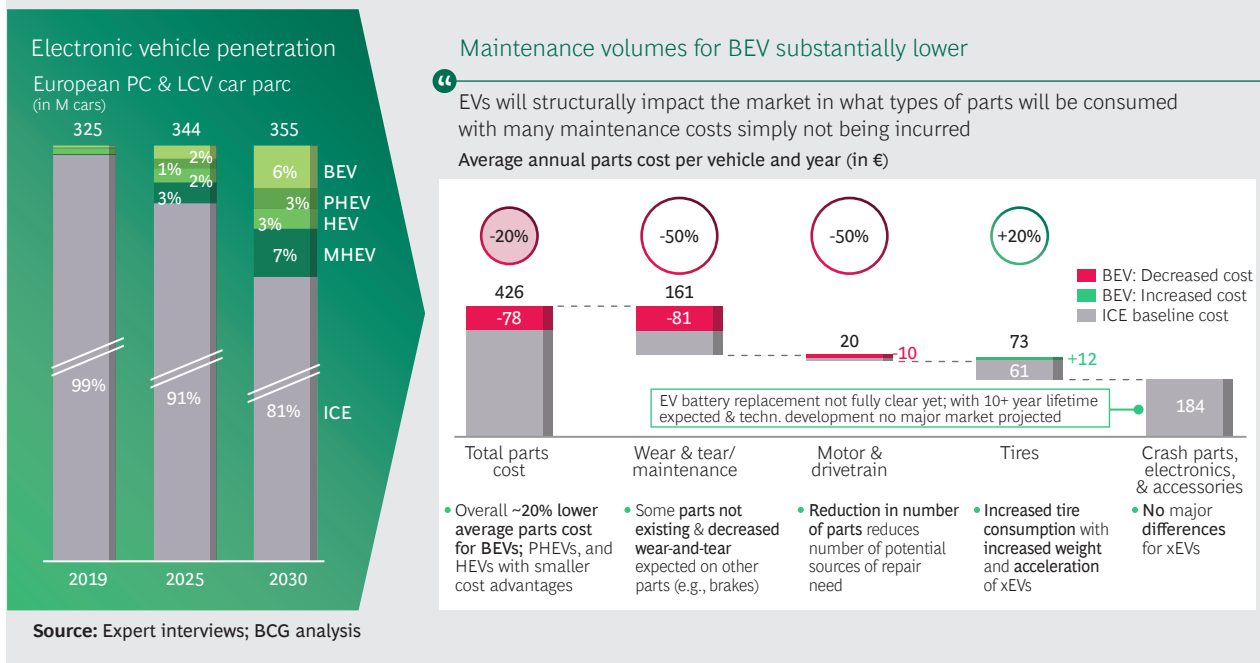
**Trend 4: Higher prices for parts.** The cost of spare parts is rising as existing components become more complex and more vehicles come equipped with new technology such as sensors. Systems and parts also are increasingly interconnected. That requires additional interfaces and heightens the complexity of repair services, which drives up labor costs at the workshop level. Even given increased commoditization of products such as basic electronics, the historic trend of 1% to 3% annual price increases will continue, with pricing in some categories growing even faster as innovations create a step up in cost. The switch to LED lighting is creating annual price increases of 5% to 10% in the illumination segment.

**Trend 5: Electrification needs fewer replacement parts.** Electrified vehicles, including hybrids, make up around 1% of the European car parc, but that is about to grow with environmental regulation and the proliferation of new offerings from automakers. That has important implications for the aftermarket parts business because electric vehicles require less maintenance and fewer replacement components.

At the end of the decade, about 20% of the European vehicle fleet will be electrified vehicles, including all forms of hybrids and battery-electric cars. About 6% of the vehicles in operation will be battery-electric vehicles (BEVs), with higher percentages in nations with greater per capita GDP. The EU Green Deal could accelerate the expected EV penetration. For example, achieving targets for Germany would require a 30% share of partially electric vehicles in the car parc in 2030, including a significant share of BEVs. That would require more than 80% of new car sales to be some variety of electrified vehicles by 2030.

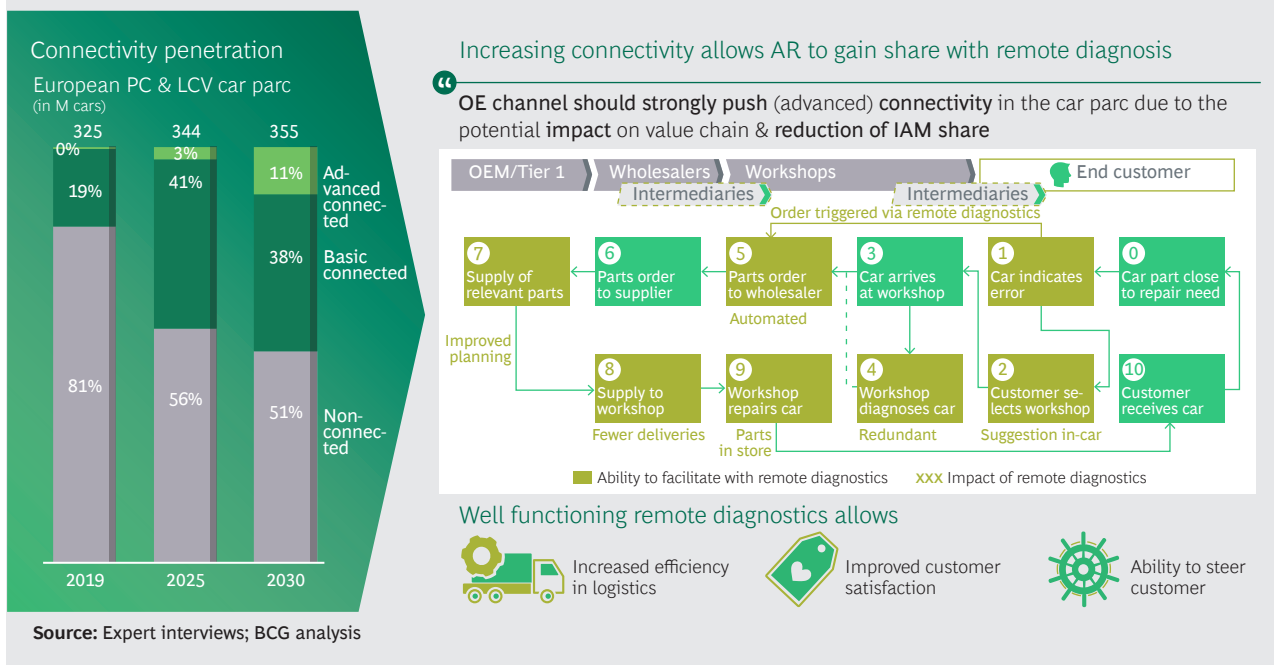
Battery-electric vehicles generate about 20% less aftermarket parts spending than comparable fossil fuel cars (see Exhibit 4). However, the decline is distributed unevenly across product categories. The most significant reduction—50%—comes in maintenance costs due to fewer engine components in a BEV. Replacements such as spark plugs and fuel injectors become obsolete. Others, such as brake pads, have a longer wear life in an electric vehicle thanks to regenerative braking systems. Tire consumption, however, is greater than on an internal combustion vehicle because of the increased weight and acceleration of a BEV. Crash parts and replacements are not substantially impacted by electrification. Plug-in hybrids and hybrid electric vehicles will see smaller decreases in maintenance and parts spending because they still contain a gas engine. There will be no significant change in mild hybrids—internal combustion vehicles engineered to have a small electric boost for fuel efficiency.

EXHIBIT 4 | Advancing electrification of car parc



**Trend 6: Vehicle connectivity will change the business.** By 2030, about 50% of the fleet will have either basic or advanced connectivity that includes direct data streaming, processing, and communication with outside parties (see Exhibit 5). That will provide opportunities for remote diagnostics and preventive maintenance services. Automakers are in the ideal position to benefit from these trends thanks to their direct data access. They envision a future where their cars will signal a replacement need before failure and propose an authorized repairer appointment. That presents OEMs and the authorized repair channel with an advantage over the independents in winning customers.

EXHIBIT 5 | Increasing connectivity of car parc

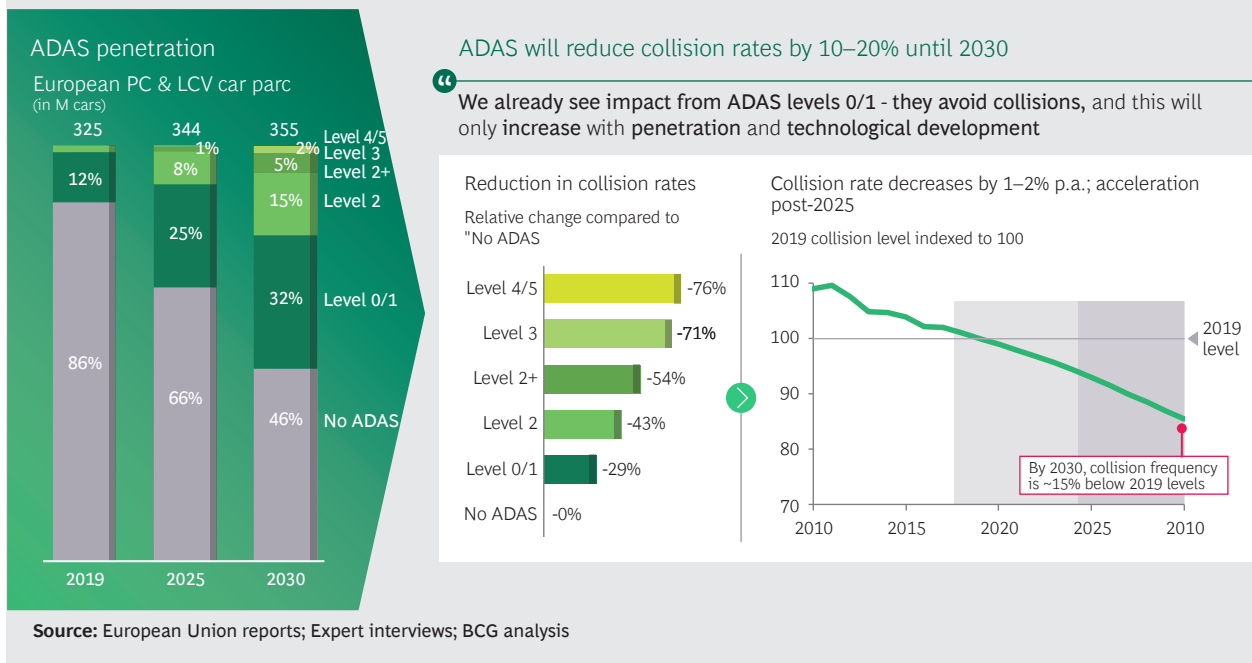


Additionally, connectivity and an influx of data allow for a variety of monetization efforts not included in this report’s “traditional” market size. But it presents a growing business opportunity for players along the value chain. OEMs and Tier 1 suppliers can use data such as driver behavior, the wear and tear status of parts such as a battery, or the effect of a collision on components for a more focused innovation approach and cost reduction through quality and warranty optimization.



**Trend 7: Safety technology will reduce replacement part demand.** Safety technology known as Advanced Driver Assistance Systems, or ADAS, is expected to drive down collision rates by 10% to 20% from 2019 levels. ADAS-equipped vehicles will make up more than 50% of the vehicles in operation by 2030. (See Exhibit 6.) These systems will reduce demand for crash parts such as body parts, glass, and lights. But they won't change the consumption of typical maintenance parts such as brake pads, filters and other wear and tear items.

EXHIBIT 6 | Rise of automation (ADAS)



## CONSUMER BEHAVIOR REDUCES DEMAND

**Trend 8: People are driving fewer miles, reducing replacement part demand.** The continent's mileage driven has decreased at a steady pace of about 0.6% per year since 2000. This trend is expected to continue as e-commerce and online services grow and more people work from home. COVID-19 has accelerated remote work and online shopping, adding to the decline in miles driven.

**Trend 9: Fleets and insurers will control a larger share of the car parc.** Fleet owners, the operators of leasing and car-sharing services, will route vehicles to workshops that agree to negotiated pricing.

Currently, a large number of fleets choose authorized repair networks because of their technological expertise in the specific vehicle brand and effective service integration. But total cost of ownership considerations naturally favor the lower pricing of the independent aftermarket channel. That provides opportunities for the more extensive and professionalized independent workshop networks that can provide integrated processes and sufficient supra-regional coverage to meet the expectations of fleet operators.

Players upstream in the value chain can also enter into cooperation agreements in which fleets and insurance companies steer work to affiliated repair shops. Similar agreements would direct work to specific garage groups that are supplied by a wholesaler to keep control of customer flows.

### **COMPETITION WILL TRANSFORM THE VALUE CHAIN**

The incumbent automakers are looking for additional profit pools as they face increased competition from Tesla and new entrants. At the same time, they must invest heavily in electric and autonomous vehicle development while at the same time meeting new emissions targets.

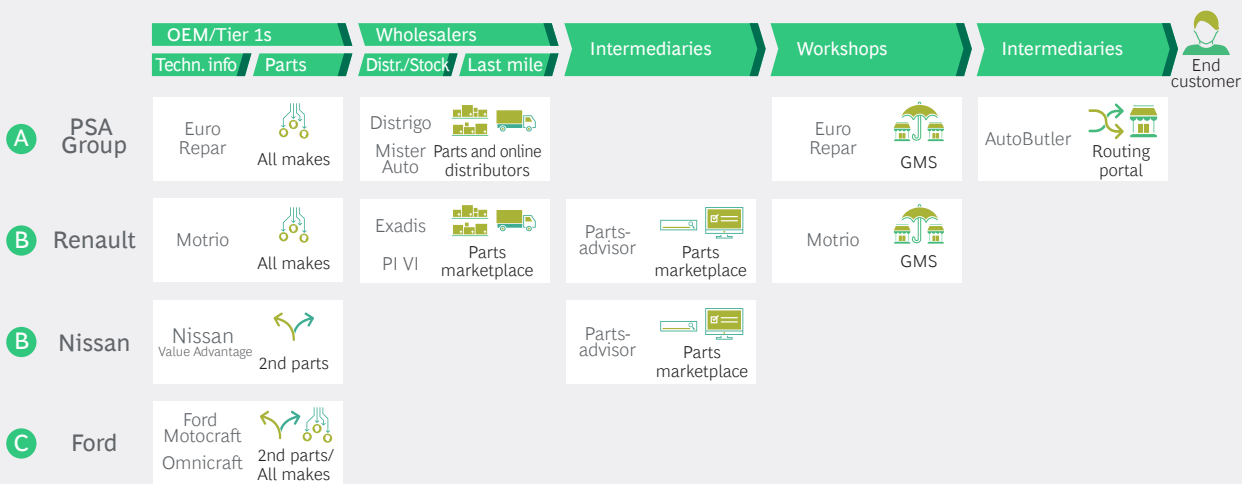
**Trend 10: Automakers are looking to cover more of the aftermarket.** Deeper penetration of the aftermarket can generate additional revenue and profits. The OEMs' authorized repair channel captures a very high share of parts and service for vehicles that are four years and younger. They see room for growth by capturing more business from the large pool of owners of older cars. There are three strategies to achieve that.

1. Rising vehicle complexity allows automakers to win customers because they are viewed as a greater source of knowledge of their own vehicle systems involving ADAS, electrification, software updates, and other technology.
2. Automakers also can improve customer loyalty by providing additional services and seamless interaction with consumers. That would include remote diagnostics, data-based services, and investment in strengthening customer relationships.
3. Automakers can build or invest in the independent aftermarket auto business, to get access to the vehicles older than 4 years (segment 2 and 3).

While the evolution of technology drives the first strategy, tackling the other steps requires more initiative and investment. Luxury OEMs and volume automakers will likely take different strategic approaches. The luxury nameplates have less price-sensitive and more loyal customers and are better positioned to leverage profit streams from technology such as connectivity or ADAS functions. Therefore, they are focused on the first two initiatives. Volume automakers such as Groupe PSA are targeting the all-makes independent aftermarket to reach out to as many consumers as possible to generate leads. Specifically, such OEMs are looking to create vertically integrated business models (see Exhibit 7).

#### EXHIBIT 7 | OEMs are integrating along the value chain

Several OEMs are active in the IAM pursuing different strategies



Source: Company websites; Orbis; BCG

**Trend 11: Private-label parts offerings are growing.** This is driven by consumer demand, and the profit expectations of the stock-listed, highly professional wholesale distributors. The pressure on suppliers to produce private-label goods for wholesalers will increase. Private-label parts are expected to hold a 20% to 30% percent share of the market by 2025. The Tier 1 suppliers will have to develop strategic responses to defend their business with branded, or premium, products.

This trend is evident in the U.S., where the aftermarket is years ahead of Europe in the consolidation and professionalization of retailers and wholesalers. In a sign of what Europe can expect, the U.S. aftermarket has a private-label share of 40% to 50%.

Still, there are large differences in private label share across products in the European market. Safety-relevant crash parts and products with high brand visibility such as tires have a low private-label share. Common maintenance parts or accessories already have a private-label share of up to 50%.

The products offered in the independent aftermarket, especially wear-and-tear parts, are segmented into a low, medium, or high positioning regarding product specifications and price points. Private-label producers target the medium segment, where the wholesale distributors see the most attractive volume and margin mix for their products.

**Trend 12: Competition is creating consolidation pressures for all market participants.** LKQ, for example, has built an international presence by completing more than 200 acquisitions, including buying rivals Rhiag Group and Stahlgruber. The horizontal and vertical integration of wholesalers has created a robust set of vertically integrated players gaining a larger share in the independent aftermarket space (see Exhibit 8).

EXHIBIT 8 | OEMs are integrating along the value chain

HQ	Company	Revenue in Europe (2019, in €M) <sup>1</sup>	3-year avg. EBIT margin <sup>2</sup>	Ownership	Core geographies	Value chain focus	Current view
US	LKQ Europe	4,936	4.9%	Corporate (LKQ Global)	UK, DE, FR, IT, ES, NL, BE, SE, Eastern Europe	Private label, Wholesaler, Workshop Prim. Trad.	Intermediary
FR	Mobivia	3,200	n/a	Private	FR, DE, ES, NL, BE, IT	Parts, Wholesaler, Workshop Traditional	Intermediary
SE	Inter Cars	1,912	4.0%	Public (Founder holds 26% stake)	SE, DE, FR, IT, ES, NL, BE, UK	Private label, Wholesaler, Workshop Traditional	Intermediary
US	GPC Europe	1,880	6.4% <sup>3</sup>	Corporate (GPC Global)	FR, UK, DE, ES	Parts, Wholesaler, Workshop GMS	Intermediary
FR	PHE	1,797	8.6% <sup>4</sup>	PE (Bain Capital)	FR, DE, NL, IT, ES	Private label, Wholesaler, Workshop Prim. GMS	Intermediary
DE	WM SE	1,500	7.2%	Private	DE, SE, NL	Private label, Wholesaler, Workshop GMS	Intermediary
SE	Mekonomen	1,160	7.0%	Public (LKQ holds 27% stake)	SE, DE, FR, IT, ES, NL, BE, UK	Private label, Wholesaler, Workshop Prim. Trad.	Intermediary
CH	SAG	1,026	n/a	Private	CH, DE, FR, IT, ES, NL, BE, UK	Private label, Wholesaler, Workshop Traditional	Intermediary
DE	Europart <sup>5</sup>	436	n/a	PE (Alpha Group)	DE, UK	Private label, Wholesaler, Workshop GMS	Intermediary
DE	Winkler <sup>5</sup>	405	6.5%	Private	DE, CH, SE, NL, BE, UK	Parts, Wholesaler, Workshop	Intermediary
FR	FeuVert	368	6.2%	PE (Alpha Group)	FR, ES, IT	Private label, Wholesaler, Workshop Traditional	Intermediary
CA	UniSelect Europe	332	4.7% <sup>3</sup>	Corporate (Uni-Select Global)	UK, DE, IT	Parts, Wholesaler, Workshop GMS	Intermediary

Primary focus Active Not active

<sup>1</sup>Respectively 2018 if not yet reported or estimated if not available <sup>2</sup>Recent available 3-year avg., one year margin if not otherwise available <sup>3</sup>Global EBIT margin, margin realized in Europe could differ <sup>4</sup>EBITDA margin from company website <sup>5</sup>Focus on commercial vehicles

Source: Company websites and annual reports, Capital IQ, Orbis, Wolk, BCG research

Additional consolidation and an increased focus on integration of acquired businesses across geographies will continue. In turn, large players realizing synergies will increase pressure on competitors to build sufficient scale to compete. The increased size of wholesalers also means they will no longer depend on support from their International Trading Groups. The large wholesalers will have the necessary purchasing power to make own supplier and portfolio decisions and to negotiate rebates. Many may want to map out their individual strategies and avoid sharing their attractive prices with potential competitors. These dynamics will require ITGs to review their value proposition in the market.



Elsewhere, authorized repair shops are undergoing their own consolidation wave. Independent workshops are expected to follow suit. Demanding commercial customers such as fleets and rising investment need for new types of repairs—electric vehicles and ADAS—increase the necessary scale to effectively compete, especially in urban centers.

The Tier 1 universe will see consolidation to deal with financially challenged OEMs looking for procurement savings. The top suppliers also face steep investment requirements for new electric and software-based automotive technology.

**Trend 13: Digital services and e-commerce are transforming the industry.** The players include companies such as the online parts sellers Autodoc and kfzteile24 and businesses like WhoCanFixMyCar.com, which allows consumers to schedule appointments at local workshops. These companies fall into two groups, e-tailers and service aggregators. Such digital-based competitors are growing and increasingly challenging industry incumbents (see Exhibit 9).

EXHIBIT 9 | Overview of notable e-commerce and digital players in the aftermarket

HQ	Company	Revenue in Europe (2019, in €M) <sup>1</sup>	Affiliation	Ownership	Core geographies Europe	Business model	Current view	
	Autodoc	615	✗	Private		E-commerce	Wholesale aggregation platform	Routing platform
	Oscaro	-300 <sup>2</sup>	✓	PHE		E-commerce	Wholesale aggregation platform	Routing platform
	Euro Car Parts	Not available	✓	LKQ		E-commerce	Wholesale aggregation platform	Routing platform
	Mister Auto	200 <sup>2</sup>	✓	PSA		E-commerce	Wholesale aggregation platform	Routing platform
	Kfzteile24	159	✗	PE (EQT Partners)		E-commerce	Wholesale aggregation platform	Routing platform
	ATP	>100	✓	SAG	Core is Germany	E-commerce	Wholesale aggregation platform	Routing platform
	Moto Integrator	Not available	✓	Inter Cars	Primarily Eastern Europe	E-commerce	Wholesale aggregation platform	Routing platform
	Amazon	Largest US e-commerce player with >50% share	✗	Public		E-commerce	Wholesale aggregation platform	Routing platform
	Ebay	Not available	✗	Public		E-commerce	Wholesale aggregation platform	Routing platform
	Autobutler	-10 <sup>2</sup>	✓	PSA		E-commerce	Wholesale aggregation platform	Routing platform
	Whocanfix mycar.com	-10 <sup>2</sup>	✗	Private		E-commerce	Wholesale aggregation platform	Routing platform
	Click Mechanic	-5 <sup>2</sup>	✗	Private		E-commerce	Wholesale aggregation platform	Routing platform
	ID Garages	1-3 <sup>2</sup>	✓	PHE		E-commerce	Wholesale aggregation platform	Routing platform
	Carama	<2 <sup>2</sup>	✓	Castrol		E-commerce	Wholesale aggregation platform	Routing platform
	Auteon	<2	✗	Private		E-commerce	Wholesale aggregation platform	Routing platform

<sup>1</sup>Respectively 2018 if not yet reported or estimated if not available <sup>2</sup>Only indicative estimate possible  
Source: Company websites; Orbis; BCG

E-commerce companies have a 5% to 10% market share that is expected to at least double by 2030. Online stores often bypass wholesalers to reach direct procurement agreements with suppliers. While Tier 1s were previously reluctant to enter into contracts with e-tailers, that might change with profit pressure. Moreover, even B2C-oriented e-commerce players have a substantial share of workshop customers ordering parts under private accounts. Both these factors make e-commerce a relevant opportunity as well as a threat to wholesalers.

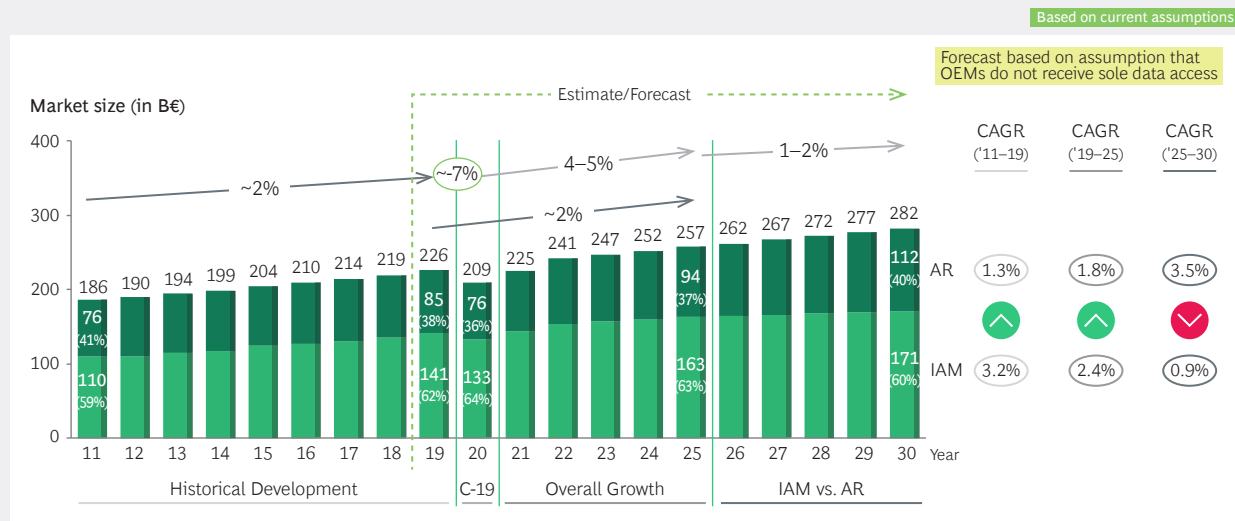
Service aggregators have become among the most prominent change agents in the industry and control an increasing share of aftermarket services. This share will grow further until 2030, with service aggregators gaining share, but also having to overcome some challenges to realize this growth potential. There are two primary business models for service aggregators. Companies such as Auteon provide spare part comparison and ordering software for workshops. That drives up price competition for wholesalers. Others like WhoCanFixMyCar.com channel customers to mechanics. These routing platforms require a large customer base and a sufficient number of affiliated workshops to create the necessary reach and traffic to operate profitably. Such platforms need to build up diagnostics capabilities, including recognizing repair and parts needs during the scheduling of an appointment and IT integration to attract fleets. Partnerships with wholesalers seem to be a logical pathway to approach these issues.

## THE EUROPEAN AFTERMARKET IS LARGE, RESILIENT, AND GROWING

The European automotive aftermarket has grown at a 2% annual rate since 2011 (see Exhibit 10). The independent aftermarket increased its share of the overall market to about 62% in 2019 from 59% in 2011. That gain was driven by higher average car ages, professionalized players, and an increased focus on competitive pricing.

EXHIBIT 10 | Aftermarket growth slows after 2025; increasing competition between AR & IAM

European aftermarket (in B€)



**Note:** Market excluding trucks over 6 tons; numbers refer to customer level (parts + labor) Countries include Belarus, Bosnia-Herzegovina, Bulgaria, Cyprus, Estonia, Greece, North Macedonia, Ukraine, Croatia, Czech Republic, Hungary, Latvia, Lithuania, Poland, Romania, Serbia, Slovakia, Slovenia, Austria, Belgium, Denmark, Finland, France, Germany, Iceland, Ireland, Italy, Luxembourg, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, United Kingdom

**Source:** Wolk analysis; BCG market model

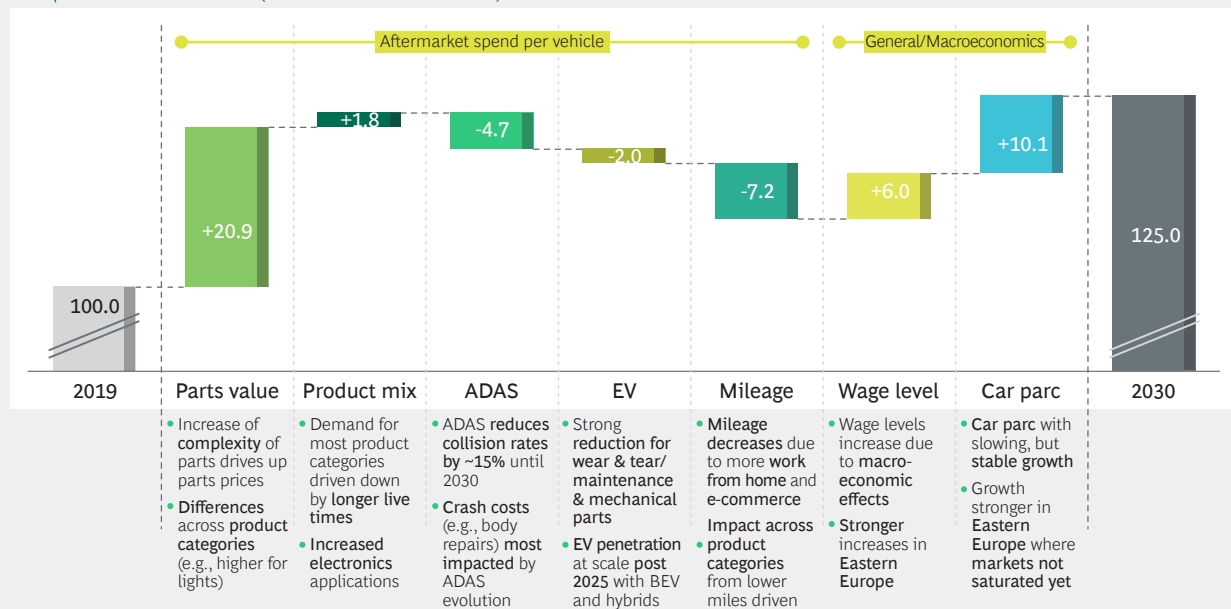
We see the overall market growing at about a 2% annual rate through 2025. Although the independent market scored share gains from the pandemic, the authorized repair channel will claw back some of that business as European economies recover. While the authorized channel benefits from new and more complex technologies, the independent aftermarket can hold its ground through further professionalization and digitalization, while also getting a boost from rising average car age.

But we expect both slower growth and fiercer competition between the two channels beyond 2025, fueled by market shifts caused by electrification, ADAS, and other technological developments such as increased software repairs and over-the-air updates. The aftermarket will slow to a 1% to 2% growth rate. Automakers will have the upper hand as competition increases, giving them the ability to leverage technology and data to better secure the customer relationship. That will allow the authorized channel to grow at about a 3.5% annual rate from 2025 to 2030 and capture about 40% of the market. The independent aftermarket will grow at about a 1% annual rate during the same span.

The industry's major growth driver over the next decade is the increase in the value of relevant parts for service and maintenance due to rising technical complexity (see Exhibit 11). The shifting product mix will lead to a slight increase in market size due to the higher share of electronics in cars. This is mitigated by other parts requiring less frequent replacements. ADAS will reduce the aftermarket growth, especially starting in 2025, by lowering the number and intensity of crashes by 15% from 2019 levels. Electrification will have less impact because of its lower penetration. Labor costs will track with overall macroeconomic wage developments plus the expense to train mechanics for work on new powertrains and ADAS. That will drive up the price of the services performed per repair. Fewer miles driven will reduce crashes and wear and tear on parts. While car parc growth is slowing, it is still a positive contributor to market size.

EXHIBIT 11 | Driving factors behind aftermarket growth from 2019–2030

European aftermarket size (2019 level indexed to 100)



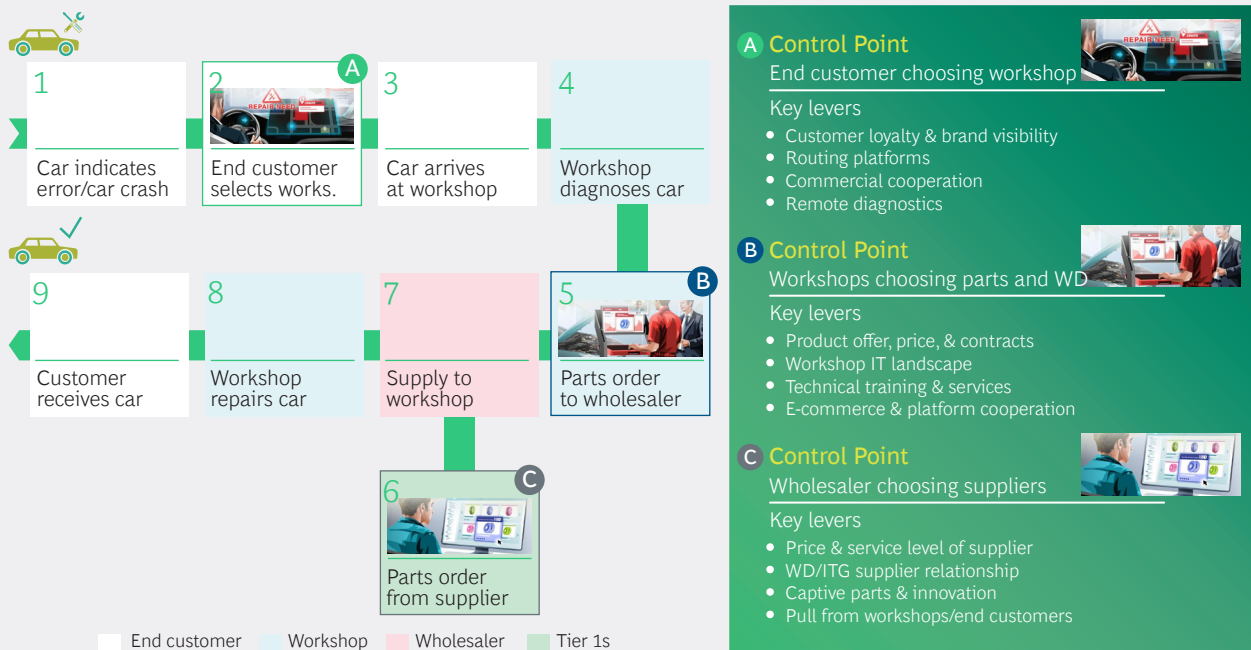
Source: BCG market model



## HOW TO WIN AT THE AFTERMARKET GAME

An analysis of the process triggered by a customer seeking a repair demonstrates there are three critical control points that determine the aftermarket game (see Exhibit 12). The ability of companies to use key levers at each control point is an essential determinant of their success over the next years. Given the technological changes and digitalization across the value chain, companies have to adapt how they address these control points.

EXHIBIT 12 | Control points along VC are critical decision points deciding on money flows



Source: Expert interviews; BCG analysis

### A) End customer choosing workshop

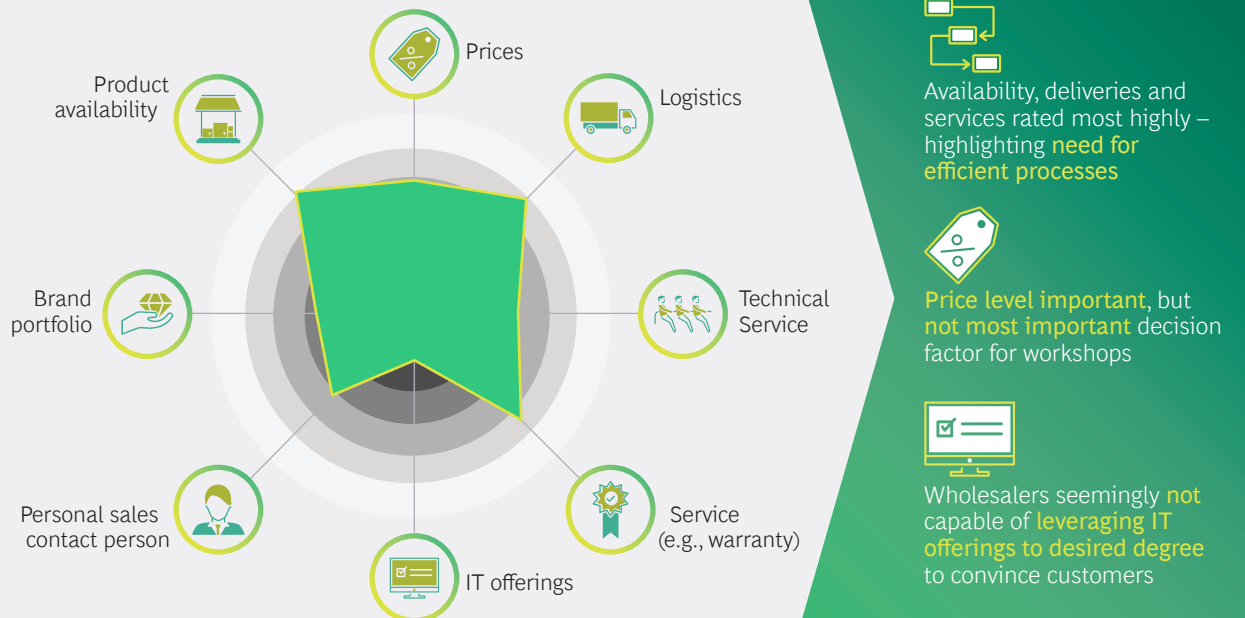
- Where vehicles are serviced is increasingly influenced by digital customer routing through aggregator platforms as well as connectivity-driven prompts of a maintenance need. Automakers are best positioned to use these levers to increase market share through direct data access that provides seamless customer interaction. Additionally, more customers are being controlled by fleets and insurance carriers, which use agreements with aftermarket players to route vehicles to predetermined workshops. That requires players to seek commercial alliances. It also provides an opportunity for the independent aftermarket to leverage its cost advantage. Overall, fewer customers will spontaneously decide which workshop to visit based on geographic proximity.

## B) Workshops choosing parts and WD

- A repair shop's choice of wholesaler is determined by product offer and price level, as well as additional services such as training and integration into the IT landscape of increasingly digitalized garages. Considerations such as product availability, service, and logistics are even more important than price alone in picking a wholesaler (see Exhibit 13). Wholesalers have gained a stronghold on this control point by building up a portfolio of services tailored to workshops' needs. Suppliers, in contrast, have difficulties gaining direct access to workshops because of the skill wholesalers have in positioning themselves as intermediaries. Service platforms and e-commerce offerings present a way for non-traditional players to gain access to the control point.

EXHIBIT 13 | Importance of factors in decision on wholesale choice by independent workshops

Rated from 1 (very unimportant) to 10 (very important)<sup>1</sup>



<sup>1</sup>Weighted with country market sizes

**Note:** Sample size of 425 IAM interviews

**Source:** Workshop interviews; Wolk/BCG analysis

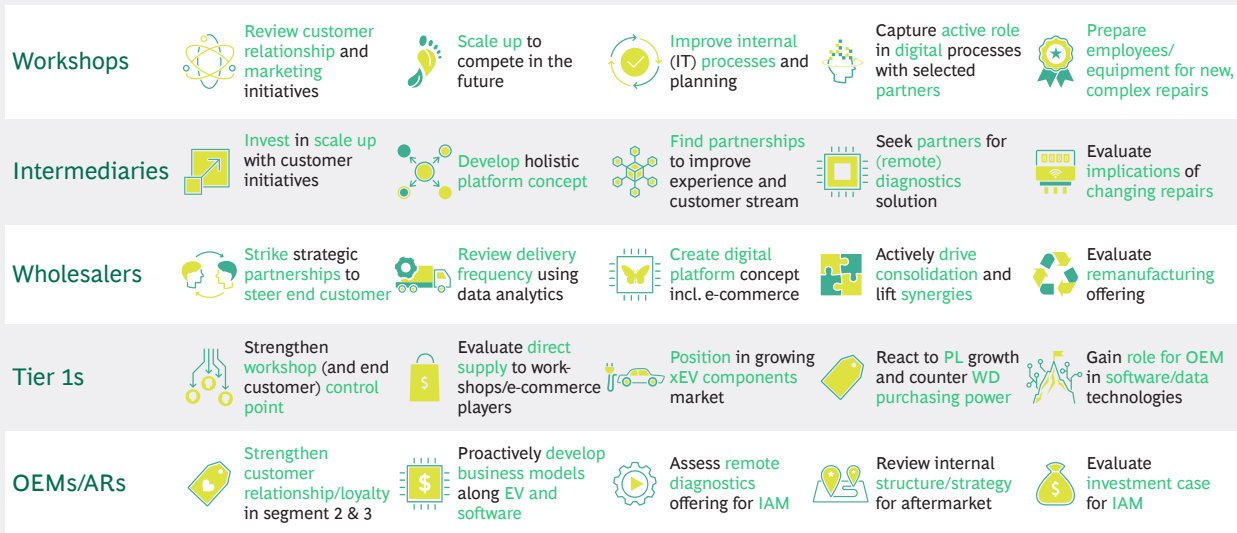
## C) Wholesaler choosing suppliers

- Suppliers need to carefully manage relationships with increasingly large and powerful wholesalers. They can set themselves apart with captive parts—those only available from an OEM or Tier1 supplier—as well as additional services such as offering category management services. Combined with strategic partnerships, these services can help protect a premium price point from the pressure of an influx of private labels in the aftermarket.

## COMPANIES MUST SEEK INTEGRATED AND DIGITAL SOLUTIONS

To identify the most pivotal strategic action fields for each type of aftermarket player, we combined the observations from our market examination with the findings of our value chain analysis (see Exhibit 14).

EXHIBIT 14 | Details of strategic implications for players



Source: BCG Analysis

As companies within the aftermarket are becoming more connected, it is essential for players to be informed about their own strategies as well as those of companies up and down the value stream. Players in the aftermarket are showing a greater willingness to pursue partnerships as alliances form and the industry moves to greater vertical integration.

### Workshops

- Workshops must improve internal efficiency and planning through further digitalization, including advanced dealer management systems and workshop processes. They need to prepare employees and their physical workshop for repairs related to electrification and ADAS. Repair shops also need to look at how they approach customers. With increasing digital customer steering, workshops must connect with customers digitally through partnerships or a proprietary system/outreach, such as joining a workshop concept. The rising number of customers controlled by fleets and insurance companies requires workshops to integrate such players' processes flawlessly into their own IT landscape and scale up. Providing sufficient coverage for commercial customers is vital, as they will be looking for supra-regional partners with whom they can strike framework agreements. Scaling up also enables additional opportunities to finance costly investments in equipment and partner with or invest in routing platforms.

## **Intermediaries**

- Two strategic directives dominate the implications for intermediaries such as service aggregators, fleets, and insurance companies. They want to build scale and create integration through partnerships. These platform models must have sufficient size and seamless integration into IT landscapes. Such a holistic routing platform would leverage remote diagnostics to immediately trigger a parts order from the workshop to the wholesaler and schedule an appointment for the end customer. Furthermore, intermediaries need to evaluate the implications of changing repair types caused by the increased technical complexity of electrification and automated driver assistance on their business.

## **Wholesalers**

- Wholesalers are well positioned to be a central facilitator and partner in the aftermarket space. To leverage this position, they need to find ways to steer end customers by offering additional services such as call centers for fleets, or by investing in or creating partnerships with routing platforms. Heightened competition between consolidating wholesalers requires players to improve internal efficiency in costly logistics and realize synergies. It is critical for wholesalers to create a digital platform concept that can compete with the e-commerce players that also service workshops and increasingly source parts directly from suppliers. Assessing the threat from new market entrants and formulating a strategic response allows wholesalers to go from bypassed incumbent to participant in a growing value pool. Offering remanufacturing allows wholesalers to gain further share and control of the aftermarket business, increasing their leverage in negotiations and improving market access.

## **Automakers and authorized repair shops**











- The authorized channel is in the strongest position to gain additional share of business based on market trends. But OEMs and authorized workshops need to take advantage of their existing customer relationship as well as new, complex repairs to penetrate the older car segments of the aftermarket. By strengthening customer loyalty through targeted measures such as subscription-based services and proactively using their technical advantage with new technologies such as ADAS and electrified vehicles, the authorized channel can position itself as a trusted technical expert. Because of their data access and technical expertise, automakers could consider providing players in the independent aftermarket with some remote diagnostic access. The increasing need to actively manage aftermarket operations as well as the changing competitive dynamics will require OEMs to review their internal structure and aftermarket strategy. An investment in an independent aftermarket business could prove to be a pathway to higher revenues and profit contributions for volume automakers.



## STRATEGIC IMPLICATIONS FOR TIER 1S

The changing aftermarket landscape highlights five key actions Tier-1 suppliers must consider (see Exhibit 15).

EXHIBIT 15 | Tier 1s: Strategic Action Plan

				
<b>Strengthen workshop (&amp; end customer) control point</b>	<b>Evaluate direct supply to workshops/e-commerce players</b>	<b>Position in growing xEV components market</b>	<b>React to PL growth and counter WD purchasing power</b>	<b>Gain role for OEM in software/data technologies</b>
Define clear value proposition	Discuss direct supply options	Review portfolio in terms of EV readiness	Differentiate products for private label use	Lobby to create IAM – friendly regulation
Discuss partnerships with large workshop chains/fleets	Build up necessary capabilities to offer additional services	Adapt production/sales planning	Formulate PL strategy & strengthen WD relationship	Enter early discussions with OEMs on long-term role
Evaluate supplier consortium to approach workshops/customers	Compose value proposition of services (usually provided by WD)	Discuss with new OEMs on production needs	Leverage innovation/captive parts	Leverage product expertise to gain positioning
				
Decreasing impact at customer & workshop control point	Advent of e-commerce offering and increased Wholesale Power	Shrinking & changing market through EV penetration	Increasing purchasing power from wholesalers and rising PL share	OEM internalizing software capabilities/diagnostics

Source: BCG Analysis

### Strengthen the workshop control point

- With a combination of product, training, and IT offerings, wholesalers are increasingly positioned between suppliers and workshops/end customers. Suppliers can fight back by more clearly defining where they can add value to workshops. They should consider whether a consortium with other suppliers or partnerships with workshops and workshop networks can help shore up their position.

### Evaluate direct supply to workshops/e-commerce players

- With the increasing consolidation of workshops and growing e-commerce companies, a rising number of players want to purchase products directly from suppliers. Suppliers have to build up capabilities such as a regional distribution system to service those customers.

### Position in growing xEV components market

- While we project only moderate electrified penetration until 2030, the disparity of impacts across product categories forces suppliers to review their portfolios now and determine the need for action. With singular complex parts in new powertrains and ADAS, the share of captive parts will increase. Suppliers should proactively take charge to benefit from this technological evolution rather than become a victim of it.

### **React to private-label growth**

- Suppliers need to actively craft a private-label strategy while simultaneously strengthening their brand positioning by investing in innovation and leveraging captive parts. To guarantee a technical differentiation and cost competitiveness, private-label products should be marketed with differentiating services to wholesalers. For example, they can be sold only by a full pallet offering or with no sales support. Suppliers should use their technical expertise to offer category-management services or vendor-managed inventory to wholesalers to build strategic partnerships with the largest consolidation winners and gain market insight.

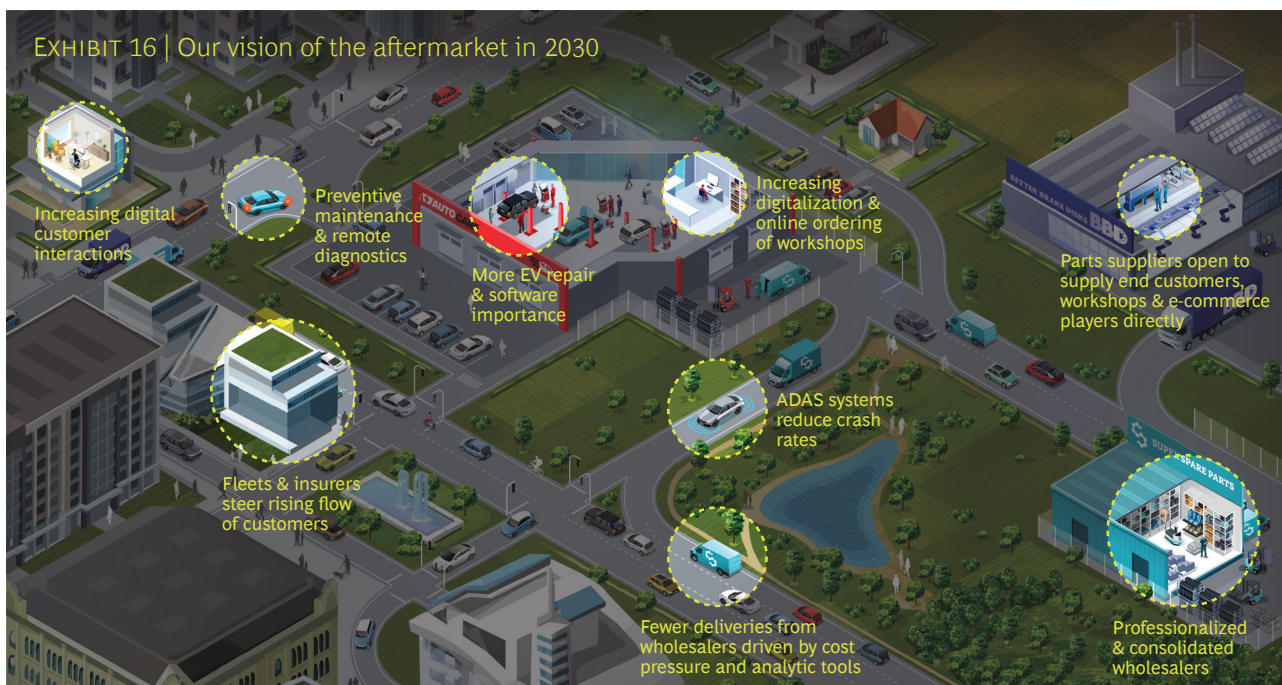
### **Gain a role in software/data technologies**

- Suppliers must engage OEMs with a clear “right to play” based on their technological expertise to prevent automakers from building up relevant capacities in-house. Suppliers should enter discussions with OEMs at an early point of product development to provide tailored solutions such as proprietary algorithms for diagnostics purposes, or remanufacturing services for new powertrain components. Suppliers will have to balance such partnerships with their inherent interest in strengthening the higher-margin independent aftermarket business—an especially difficult task given the upcoming regulatory conflict regarding the renewal of the MVBER.

## AFTERMARKET MUST SET FOUNDATION NOW FOR DIGITALIZATION

The growth in the European automotive aftermarket parts business will continue but will start to slow down in the second half of the decade. Although e-commerce parts sellers and service channels will emerge, wholesalers will remain the primary distribution mode in the independent channel. Suppliers must be mindful of their market position and find ways to leverage captive parts, build up a competitive product portfolio, and develop value-added services for wholesalers and workshops to set themselves apart from the competition.

As the market slows after 2025, the industry will confront issues such as greater consolidation and new players digitalizing the aftermarket. A more efficient aftermarket will emerge at the end of the decade, enabled by digitalization and integration across the value chain. Customers will be increasingly steered to repair shops by fleets, insurers, service aggregators, and remote diagnostics. Business generated by collisions will start to decline as more vehicles are equipped with advanced safety systems. To keep up with this transformation—and increased vehicle electrification—workshops will have to master new types of repairs and digitalize their operations. Professionalized and consolidated wholesalers will experience pressure to reduce logistics costs and use advanced analytics for improved efficiency. Suppliers will face increasing challenges from customers with higher buying power and will have fewer direct access points to workshops, but they will also have new opportunities to reach customers through new players such as e-tailers. Companies must act now to prepare for the industry's transformation to secure their position in what will remain a large and attractive market (see Exhibit 16).



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