

Disruptors in the Automotive Aftermarket

Road Map Towards a Sustainable Future



OCTOBER 2017

Executive Summary



**AUTOMOTIVE INDUSTRIES
ASSOCIATION OF CANADA**

Disruptors in the Automotive Aftermarket

Disclaimer

The Automotive Industries Association (AIA) of Canada makes no representations or warranties, express or implied, with respect to the content, accuracy, truthfulness or reliability of any information contained in the document, whether in full or in part, including any warranty of title, non-infringement of copyright or any other rights of others, merchantability, or fitness or suitability for any purpose. Without limiting the generality of the foregoing, by using or attempting to use this report, the user expressly acknowledges that there are no warranties or representations made by AIA Canada regarding the content of this report in terms of its accuracy or its completeness. In no event shall AIA Canada be liable for any damages whatsoever resulting from, arising out of or in connection with the use of any information provided in this report.

Automotive Industries Association of Canada
180 Elgin Street, Suite 1400
Ottawa, Ontario K2P 2K3
Ph: (800) 808-2920 | Fax: (613) 728-6021
Email: info@aiacanada.com
Website: www.aiacanada.com

Automotive Industries Association of Canada
Copyright © October 2017
ISBN: 978-1-7750359-6-1

Proprietary Warning

The information contained herein is proprietary to the Automotive Industries Association of Canada and may not be used, reproduced or disclosed to others except as specifically permitted in writing by the originator of the information. The recipient of this information, by its retention and use, agrees to protect the same and the information contained therein from loss, theft or compromise. Any material or information provided by the Automotive Industries Association of Canada and all data collected by Vision Mobility will be treated as confidential by Vision Mobility and will be stored securely while on Vision Mobility's premise (adhering to industry standards and applicable laws).

Copyright © 2017 AIA Canada

All rights reserved. No part of this publication may be reproduced, distributed, or transmitted in any form or by any means, including photocopying, recording, or other electronic or mechanical methods, without the prior written permission of the publisher, except in the case of brief quotations embodied in critical reviews and certain other non-commercial uses permitted by copyright law.

For permission requests, please contact:

communications@aiacanada.com
Tel: (613) 728-5821 | (800) 808-2920 | Fax: (613) 728-6021

Disruptors in the Automotive Aftermarket



*Prepared by
Automotive Industries Association of Canada
with appreciation to the primary researcher,
James Carter of Vision Mobility for conducting the
qualitative and quantitative research
for this project.*



October 2017

AIA Canada acknowledges the generous financial support from the
Maple Leaf Sponsors



TABLE OF CONTENTS

Executive Summary	1
Introduction	4
Definitions	6
The 'CASE' Revolution	8
Connected Cars & Telematics	9
Autonomous Vehicles	10
Shared Vehicles	11
Electric Vehicles	13
Other Technologies	14
Disintermediation	16
Collision Repair Sector	17
Automotive Service Providers	17
Parts Distributors and Wholesalers	19
Timeline for Change	20
The Industry Weighs In	21
Survey Results by Segment	25
Automotive Service Providers	25
Collision Sector	25
Automotive Parts Manufacturers	25
Distributors	26
Wholesalers (a.k.a Jobbers)	26
Automotive Parts Retailers	26
Roadmap for the Future	27
Automotive Service Providers	28
Wholesalers (a.k.a Jobbers)	31
Collision Repair Sector	34
Conclusion	36
References	38



The emergence of a new mobility world is *not an 'if', but a 'when' scenario.*

EXECUTIVE SUMMARY

The aftermarket is a diverse landscape encompassing many different areas, but they share one thing in common — to provide parts, services and training for the maintenance, repair and upkeep of automobiles. Technological changes have the potential to affect the aftermarket industry, especially at the small business level — a scenario which changed the camera industry as it shifted to digital technology.

Automotive technology will coalesce around the 'Connected', 'Autonomous', 'Shared', 'Electric' — CASE platform. Each one of these has the potential for major disruption, but when combined, they can prove to be revolutionary for the automotive industry. It has been forecasted that these technologies and customer usage changes will drop the cost-per-mile expenses by 80%, when going from owning a vehicle today to using a purpose built shared autonomous electric vehicle. As the popularity of such autonomous car sharing services grow, many current industries and businesses associated with automotive and car ownership will be forced to adjust very rapidly or disappear.

In 2017, we are witnessing significant money being spent by OEMs, Tier 1s, startups, technology companies and venture capitalists to design and develop new mobility products and services. There is also significant government support for such developments, as well as a change in people's attitudes towards driving and owning a car. This means that the emergence of a new mobility world becomes not an 'if', but a 'when' scenario.

As part of this report, AIA Canada members and key stakeholders were both surveyed and interviewed. Findings show that the industry is aware of the potential for disruption - with 87% acknowledging a technology disruption within the next 10 years. That is the good news. However, it also shows a lack of understanding the impact this technological disruption will have on their businesses.

As technology and society, in general, shift from one mobility platform (i.e. the traditional car ownership model) to a new, Mobility as a Service (MaaS) platform model, there will be significant industry disruption and disintermediation to businesses geared towards servicing and maintaining of the old model. These changes have already started to occur, with many aftermarket businesses now going through significant consolidation to improve cost structures and gain efficiencies.

Further to this technology shift occurring today, it is vital that through the Canadian Automotive Service Information Standard (CASIS) agreement access to information for service and repair work remain a top priority. While it may be that Open Source technologies may begin to apply in the medium term, and repair information therefore would be free and readily available, it is not likely that this will see significant influence in the short term.

The industry survey into disruptors in the automotive aftermarket reveals that while the aftermarket is alert and aware of coming disruption, there is some confusion about what this means for them and where the opportunities and threats lie. A large majority of businesses believe there will be a technology disruption in the next 10 years (87%), are actively looking for new ways to diversify (88%), and are willing to invest in new technologies to grow or maintain the business (95%). On the other hand, 64% still believe that autonomous vehicles are a long way off (15+ years), and 4 in 10 believe electric vehicles will cause little disruption.

To counteract these knowledge and business gaps, significant resources will be needed for ongoing education and training. This will lead to a better understanding of the steps that can be taken to move towards a new mobility environment. Businesses need to be in a position to carefully understand what new mobility may bring and begin to prepare for potential pivots, if necessary.

However the aftermarket does bring some advantages in cost and agility. This will likely become and remain a strong advantage for the industry. With some perception that OEM dealers lack knowledge of new mobility and their high cost structure from recently built high-end facilities, this places the much leaner and more alert aftermarket in a stronger position. The automotive aftermarket (with the exception of the collision repair industry) has the luxury of having a time lag behind OEMs and dealers with new technologies, allowing them, the industry, to analyze and see what works. While OEMs may eventually make these adaptations, an excellent opportunity presents itself to gain a much stronger hold in the overall vehicle service and maintenance business.

As with most cases of industry disruption, change brings with it new opportunity, and this absolutely applies to the automotive aftermarket. Those who are able to level up skills in software, programming, and electronics repair in a more fleet-based environment will be in the box seat for strong growth. The growth of fleets in an autonomous vehicle environment also brings with it the ability to expand into fleet maintenance, such as cleaning, storing and charging vehicles on a regular, if not daily basis. The rapidly increasing focus on Open Source technology and the commoditization of vehicles into 'white label' taxi-bots will also open up opportunities that have not been realized to date.

Overall, while the automotive aftermarket in Canada is relatively alert and well-positioned to take advantage of the upcoming changes in new mobility, the challenges are substantial, and much more awareness and preparation needs to be done to ensure future success. Training and education, particularly on the potential impacts of industry disruption, as well as the opportunities and threats, are essential. Carefully reviewing the education given to those entering the industry workforce, as well as upskilling the people who are already employed is also very important. With these things in hand, the automotive aftermarket will continue to have a bright and prosperous future, and continue to make a great contribution to the Canadian economy.



/AIAofCanada



@AIAofCanada

Automotive Industries Association (AIA) of Canada
180 Elgin Street, Suite 1400
Ottawa (ON) K2P 2K3

Tél : 800.808.2920 | Fax: 613.728-6021

Email: info@aiacanada.com

Website: www.aiacanada.com