



COVID-19 Pandemic as an Opportunity in Automotive Retail

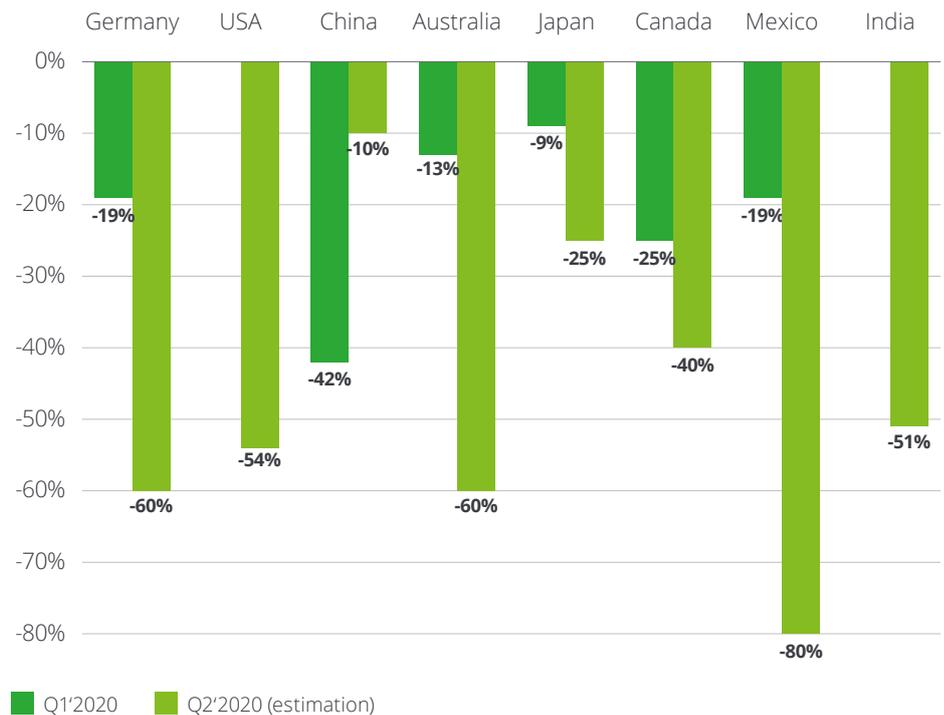
Advice and support services for OEMs to create a more resilient retail infrastructure

Key industry effects and challenges during the COVID-19 crisis – our point of view

The COVID-19 crisis has had a swift and severe impact on the globally integrated automotive industry. Symptoms include disruption in parts exports, large-scale manufacturing interruptions across the world, and the closure of assembly plants in several countries. This places intense pressure on an industry already coping with a downshift in global demand and will likely lead to increased merger & acquisition activity. Some additional effects of the pandemic:

- The business model of the past is obsolete
- Increasing dealer inventory/liquidity pressure could cause inventory imbalances in the near future
- Changing consumer habits and safety issues lead to a significant rise in e-commerce/digital business models
- Shift towards contactless customer sales & service
- Higher (interim) demand for subscription models
- Rising potential for “last mile” logistic concepts based on Light Commercial Vehicles

Fig. 1 – Our internal research shows the following impact on new and used car sales in selected countries as compared to 2019.



Tax and liquidity stimulus

The COVID-19 crisis has shown how fragile the existing business model is. Without stimulus measures in taxes, short-time working regulations or credit line extensions, we could see nearly 30-40 percent of the network fail. That said, any relief measures introduced across the world will be time-limited. Loans will have to be repaid and local stimulus programs will run out in a couple of months, leaving one big question unanswered – what happens next?

One answer for the automotive industry is to mitigate risks while planning to resume work

Based on our extensive experience in Risk Management, certain actions will be essential for OEMs and their dealers.

People, finance, and resources are at the center of the current risk response, which can be broken down into the following core actions:

- a. Focus on customer demand, multiply customer contactless touchpoints
- b. Reduce internal complexity (cost cutting) with state-of-the-art Robot Process Automation solutions
- c. Focus on cash control & planning to avoid illiquidity and infractions/defaults
- d. Reinforce upstream and downstream collaboration, improve supply chain flexibility (global vs. local)
- e. Install Risk & Tax Compliance systems

In the short term, inconsistency, non-transparency, and imbalances are issues that remain valid across different regions. In the medium term, enterprises should focus on decision-making based on timely, accurate information, covering multiple scenarios and enhancing risk assessments as well as mitigation capability to eliminate the root cause of current and/or potential risks.

Mitigating short-term cash flow risks

Car manufacturers and Captives should act quickly to increase capital and reduce the burden on dealers, who should focus on operations, investments, and financing in both inflow and outflow directions.

- Force Merger & Acquisition consolidation to leverage economies of scale
- Use stress tests and multi-scenario simulations to reduce the impact of various measures on channel cash flow
- Create a more regular and resilient data base (Dealer Comparison Sheets)
- Prevent regional or group-wide risk incidents by establishing emergency plans
- Improve operational excellence and efficiency in a sustainable way.

Marketing/sales in crisis and recovery mode

Product development should shift from a product-centric to a service-centric focus by transforming sales models, upgrading channels, and redesigning sales processes. It is vital to

- adjust production, sales plans and marketing models
- develop more subscription offerings
- establish new online strategies and integrated online-offline marketing campaigns
- respond to challenges from new vehicle manufacturers and seize opportunities to accelerate market planning.

Opportunities for OEM and dealer cooperation

OEM programs may not sufficiently reflect the dealer's reality. After starting to develop sales activities without the dealer organizations, OEMs now have a chance to rethink this and

- integrate dealerships in upcoming multi-channel sales structures and
- combine organizational capabilities on the OEM side with customer know how on the dealer side into a new level of digital customer experience.

For more details, please contact



crisis-response@deloitte.de

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