Research Report
ABOUT Automotive

The global report on automotive retailing

by Lance Ealey

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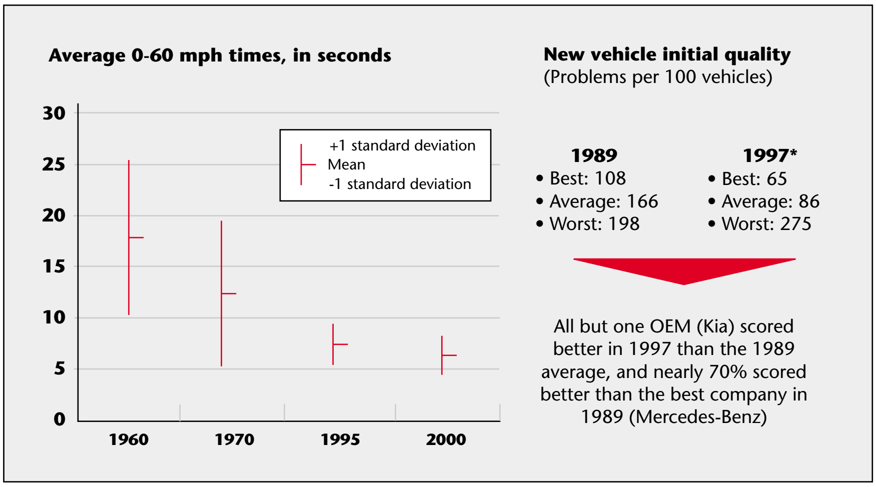
Figure 1: Vehicle attribute convergence over time

Formerly large differences in vehicle performance, quality, safety and content have diminished significantly over the past several decades, leading to the so-called "commoditisation of the automobile".

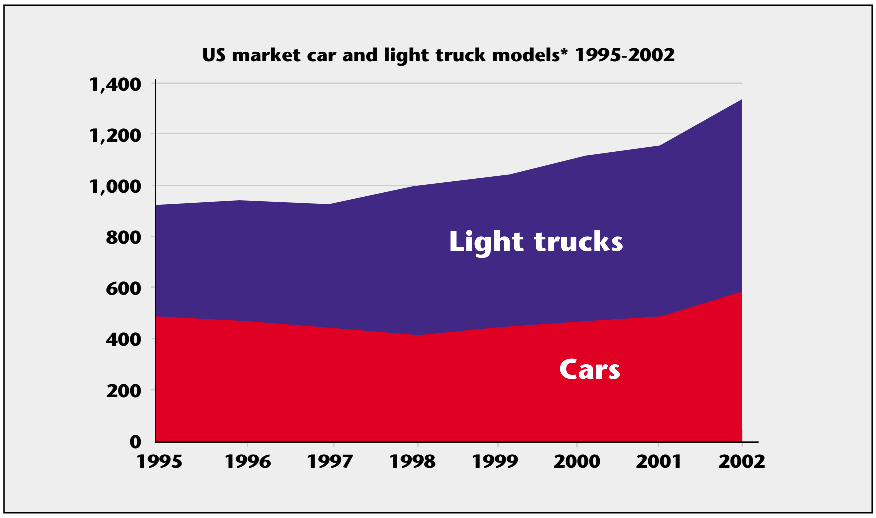


*JD Power changed the index rating survey in 1998, thus comparisons with later years are not possible.

Source: Road & Track, JD Power, author analysis

Figure 2: Model proliferation: US market

The number of models available in the US market has climbed swiftly on the strength of rising truck entries.



*As defined by Automotive News, a model is anything that is priced and merchandised separately.

Source: Automotive News

At the same time that the tangible differences among brands are decreasing, the absolute number of brands in any given market continues to grow, further increasing the differentiation challenge

At the same time that the tangible differences among brands are decreasing, the absolute number of brands in any given market continues to grow, further increasing the differentiation challenge. This fact is somewhat counterintuitive given the continued consolidation of independent carmaking entities, and results from the fact that brands typically survive acquisitions and are in many cases the primary reason that OEMs buy other carmakers. Given the limited options available to the typical carmaker for differentiation, and the hundreds of automotive product brands available in nearly every market, the industry faces the paradox of offering more brands but perhaps less real choice to consumers than ever before.

Chapter 4

Europe: regulators in the driver's seat

Introduction

Clearly, however, the changes to the automotive block exemption is the issue that has the industry riveted this year

Europe's automotive retailing markets are being buffeted by strong forces these days, but perhaps none is as powerful as the European Commission (EC) and its attending member nation lawmakers. There has been a steady stream of rules affecting automobiles and their drivers in recent years, covering everything from how and where one can purchase a car, to recycling it when its useful life is over. Some of the new regulations include:

- A revised automotive block exemption as the current version expired September 30th 2002 (see below for details).
- Mandatory end of life vehicle recycling ratified by the European Parliament that stipulates 85% of a scrapped vehicle by weight be reused or recovered by 2006, rising to 95% by 2015, with OEMs currently slated to absorb the cost of recycling toxic materials. Most EU vehicles today barely achieve 80% recycle/recovery levels.
- Stricter vehicle emissions laws (the Euro 4 standards) are being phased in. These will become operative between 2005 and 2007 and will require both more advanced and costly emission control equipment in cars and in some cases cleaner, more costly low-sulphur fuels. Euro 5 standards will be introduced at the end of the decade.
- New carbon dioxide limits, with auto manufacturers offering to cut 2008 CO_2 emissions 25% from 1995 levels (automobiles, of course, are considered prime CO_2 emitters). The EC is scheduled to review progress toward the goal next year.
- The introduction in April 2002 of a graduated system to tax rates of CO_2 emissions for company cars in the UK.
- In October 2001 the EC proposed a framework for introducing wide-ranging limits on noise emissions from cars, trains and other sources.
- Mandatory safety warnings on car advertising in Belgium, which automakers fear could become a template for a similar pan-European statute.

In addition to these regulations, tougher pedestrian protection safeguards are currently being planned. Various other schemes to limit vehicle use in congested areas are also being planned, ranging from steep location-tracked vehicle-use taxes to outright bans on all but the "greenest" vehicles in city centres. Clearly, however, the changes to the automotive block exemption is the issue that has the industry riveted this year. Manufacturers and their allies have posted strong exceptions to the plan developed by EU Competition Commissioner Mario Monti.

Chapter 5

North America: the retail revolution misfires

The United States

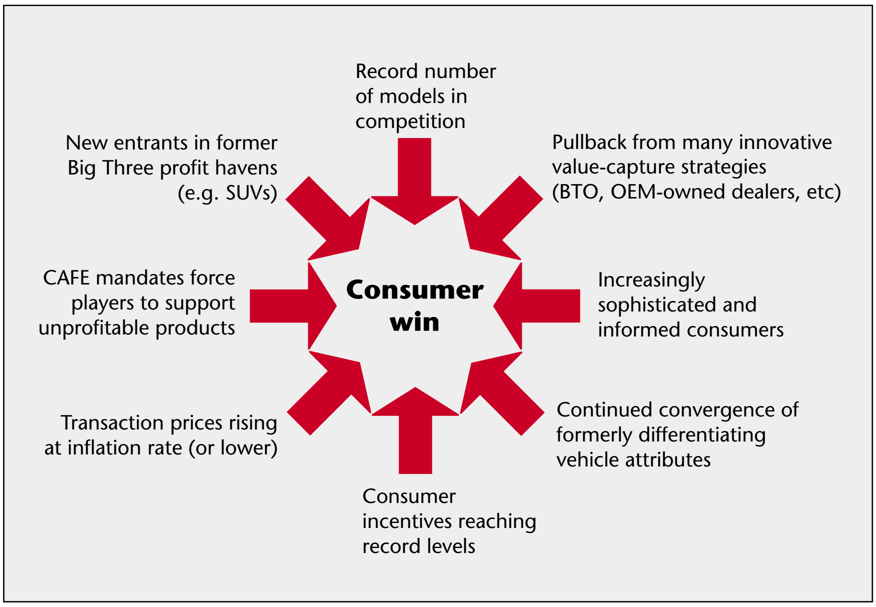
Introduction

The dramatic pronouncements of a total restructuring of the retail network have not come true, and perhaps never will

The year 2002 marks the bitter end of many of the attempts made in the past seven years to refashion the automotive distribution landscape in the United States. From Ford's ignominious retreat from owning dealerships to the utter defeat of many Internet-based car-buying experiments, the US auto retailing model has proven harder to "revolutionise" than most people thought. The classic franchise dealer model remains entrenched with many built-in defences, and automotive original equipment manufacturers (OEMs) apparently remain committed to spending billions on customer incentives. Not every experiment has gone awry, however. OEMs continue to test the downstream waters incrementally, for example by selling tyres and accessories through their dealer networks, capturing greater percentages of aftermarket parts sales and offering fee-based telematics services in their vehicles. But clearly, the dramatic pronouncements of a total restructuring of the retail network have not come true, and perhaps never will.

Figure 6: Forces at work: the US market

The US automotive market has become increasingly competitive—and unpredictable—over the past decade.



Source: Author's analysis

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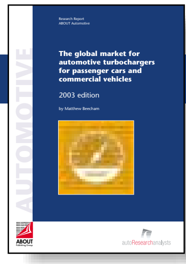
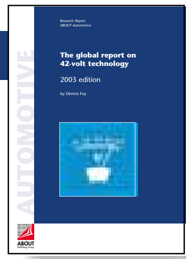
The global market for automotive turbochargers: 2003 edition



This report, produced in association with Auto Research Analysts, reviews the key market drivers for turbochargers and superchargers for both the passenger car and commercial vehicle markets, providing forward-looking analysis.

Published: October 2002 • Price: £595 • No. pages: 50

The global report on 42-volt technology: 2003 edition



The change to a 42-volt power system has been on the agenda since the 1990s. This report provides the latest thinking on 42-volt systems, assessing the current state of the market and predicting likely developments. The report also provides profiles of the major players.

Published: December 2002 • Price: £395 • No. pages: 40

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This exclusive new package of reports provides analysis of each individual market (satellite navigation systems, car radios and rear seat entertainment systems). Each report assesses the main drivers of change, the prospects for OE and replacement demand as well as providing essential market share. The package also includes a free 50 page report profiling the leading suppliers of automotive multimedia systems.

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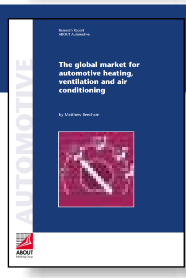

An exclusive report that reviews the key market drivers for new climate control technologies, providing key market share data, penetration by vehicle segment and forecast OE sales to 2005 for the key markets across Europe, North America, South America and Japan. The report also assesses the latest technology trends and reviews recent merger, acquisition and joint venture activity.

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