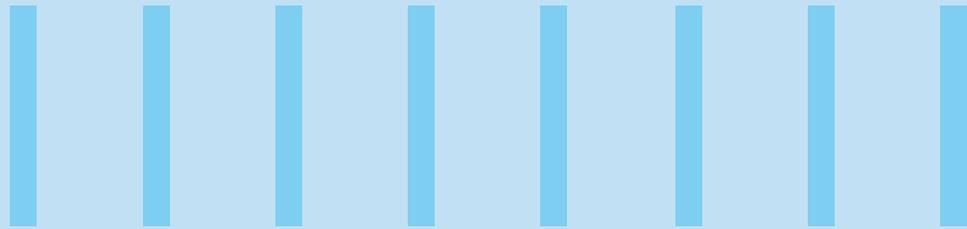




B2B E-COMMERCE FOR AFTERMARKET PARTS



B2B e-commerce for aftermarket parts

The automotive aftermarket landscape encompasses automobile services and automotive parts businesses. Both the service business and auto parts business are vital for the automotive industry. They recorded global revenues of about USD 693 billion in 2020, and are poised to reach USD 950.09 billion by 2027.¹

The aftermarket is classified into the auto manufacturing network and the independent aftermarket (IAM), with multiple stakeholders cooperating with one another across the automotive value chain. These stakeholders include:

- Auto parts manufacturers, such as automotive suppliers, exclusive manufacturers of aftermarket parts and services
- Auto parts distributors, including potential group buyers, private distributors, e-commerce retailers, and the automobile manufacturer's official network

- Automotive workshops, including automotive garage chains, OEM networks, auto repair centers, and small service stations
- Mediators, such as insurance companies, leasing institutions, automobile associations, and online portals
- End users, from businesses, private firms and fleets

While the mainstream aftermarket suppliers work in the automotive aftermarket and through the original equipment manufacturer (OEM) or original equipment supplier (OES) channel, McKinsey predicts a change toward direct distribution models and partnerships. Presently, only one in every three suppliers is using either of these models, but analysts foresee that it will be an acceptable practice in all the companies, in the future.²

- Around 85 to 95 percent of workshop orders are positioned through traditional distributors across markets

Online players and mass merchants:

- Account for around 5 percent of orders in Germany, UK, and France
- Cater to 10 percent of orders in Poland
- Account for 15 percent of orders in Russia

E-commerce workshop orders through independent B2B platforms are poised to increase further, while the traditional workshop orders through physical channels will assume lesser significance. By 2035, 20 to 30 percent of aftermarket sales are projected to be online.²

Traditional distributors control sales to workshops:

Online business delivers a new avenue for suppliers to venture into the e-commerce space or partner with effective platforms. Some companies, such as Hella and Denso, have their own e-commerce sites. A digital sales model offers huge profits to suppliers, by removing the need for mediators and reforming the distributors layer. This enables suppliers to earn huge margins, the benefits of which can be even passed on to customers.





Benefits of e-commerce in the B2B automotive industry

Growth in customer base – Establishing an e-commerce site helps B2B automotive brands boost their market share. With greater online presence, they will attract more business buyers through analytics and SEO techniques, and get repeat customers through individual features, competitive pricing, and smooth payment processes.

Improved customer experiences – E-commerce allows brands to engage with potential customers and empowers customers with self-service functionalities. Robust autocomplete features and

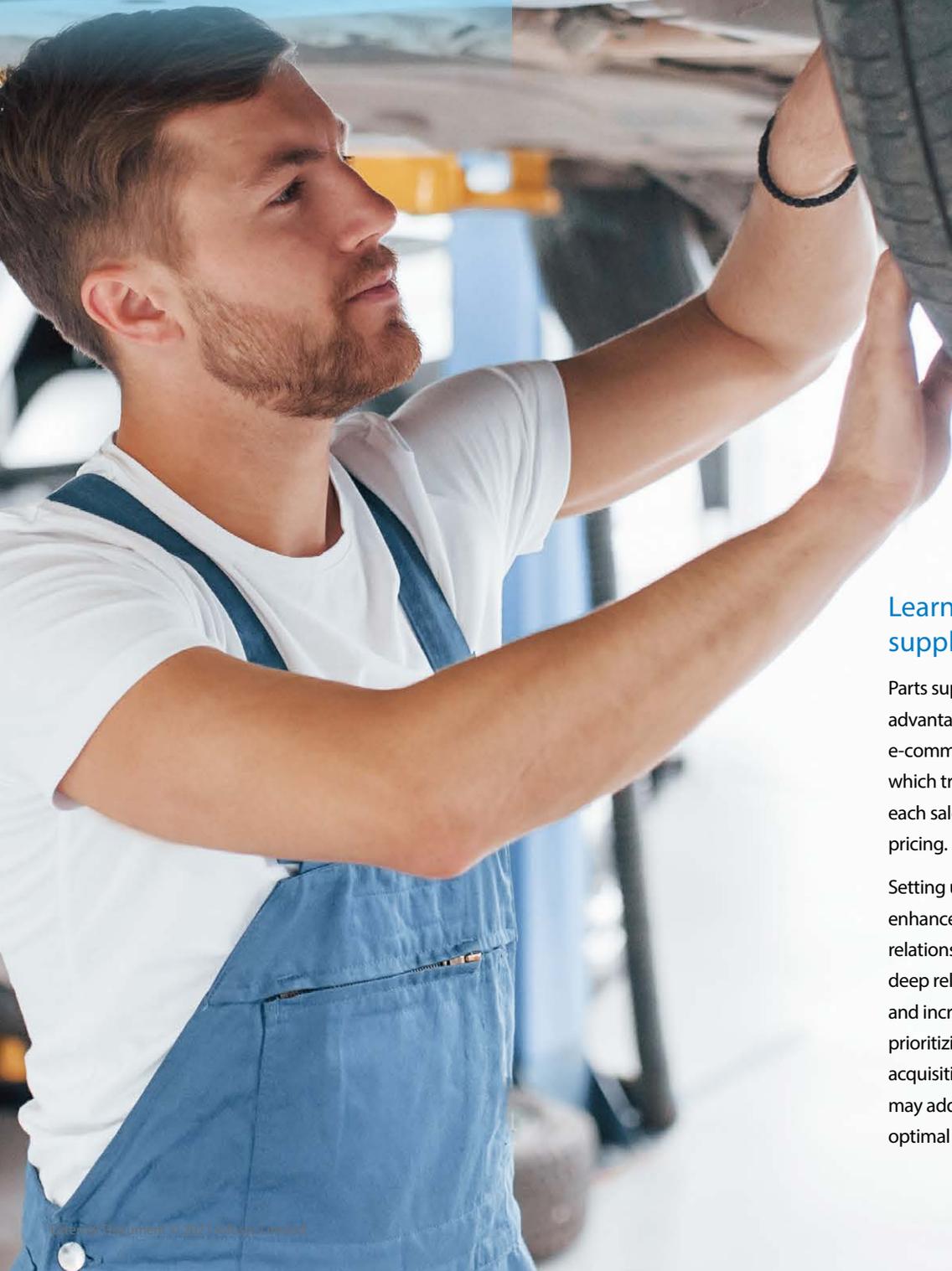
innovative search facilities improve the shopping experience, while multiple authorization access will be reflected in the central buying networks.

Operational efficiency and cost rationalization – Progress in terms of operational efficiency is a major advantage for automotive sellers. Internal systems can be digitized, generating continuous order management processes, simplifying composite calculations, and rationalizing the negotiation process.

Scalability and new revenue models– E-commerce provides automotive brands with the opportunity to maximize revenue without planning for scalability. The supply nature of e-commerce platforms allows sellers to turn to new business models and expand their revenue streams.



The third-party retailers segment accounts for 95 percent of the global automotive e-commerce aftermarket. In 2019, third-party retailers accounted for a major share of the e-commerce retail segment of the global aftermarket, due to consumer preferences towards e-tailing companies such as Amazon, Alibaba, and e-Bay. Leading online brands focus on the customer experience, by offering same-day delivery, easy return, and cash-on-delivery services. In addition, e-tailers offer products and services at discounted prices, when ordered in bulk.



Learnings from parts suppliers

Parts suppliers recognize that the advantage of setting up their own e-commerce store is wielding control, which translates into zero surcharge for each sale and monopoly on product pricing.

Setting up an e-commerce store also enhances brand recall and forges direct relationships with customers. Such deep relationships cultivate loyalty and increase repeat business, thereby prioritizing customer retention over acquisition. Effective search capability may add a layer of complexity but offers optimal user experience.

Cost of doing nothing

According to Hedges & Company, Amazon is foraying into the auto parts market, with nearly USD 7 billion in sales for aftermarket and OEM replacement parts. With more than 300 million consumers on Amazon, and 46.7 percent of US online shoppers using the platform for product search, it is an ideal online destination to find buyers.⁴

eBay continues to bolster sales in the auto parts market. Buyers are searching eBay for their auto parts and accessories needs. eBay featured approximately 90 million auto parts listings in 2018 and the first half of 2019. For every second of featured listings, three auto parts sales took place. In the wheels and tires category, a sale took place every six seconds.

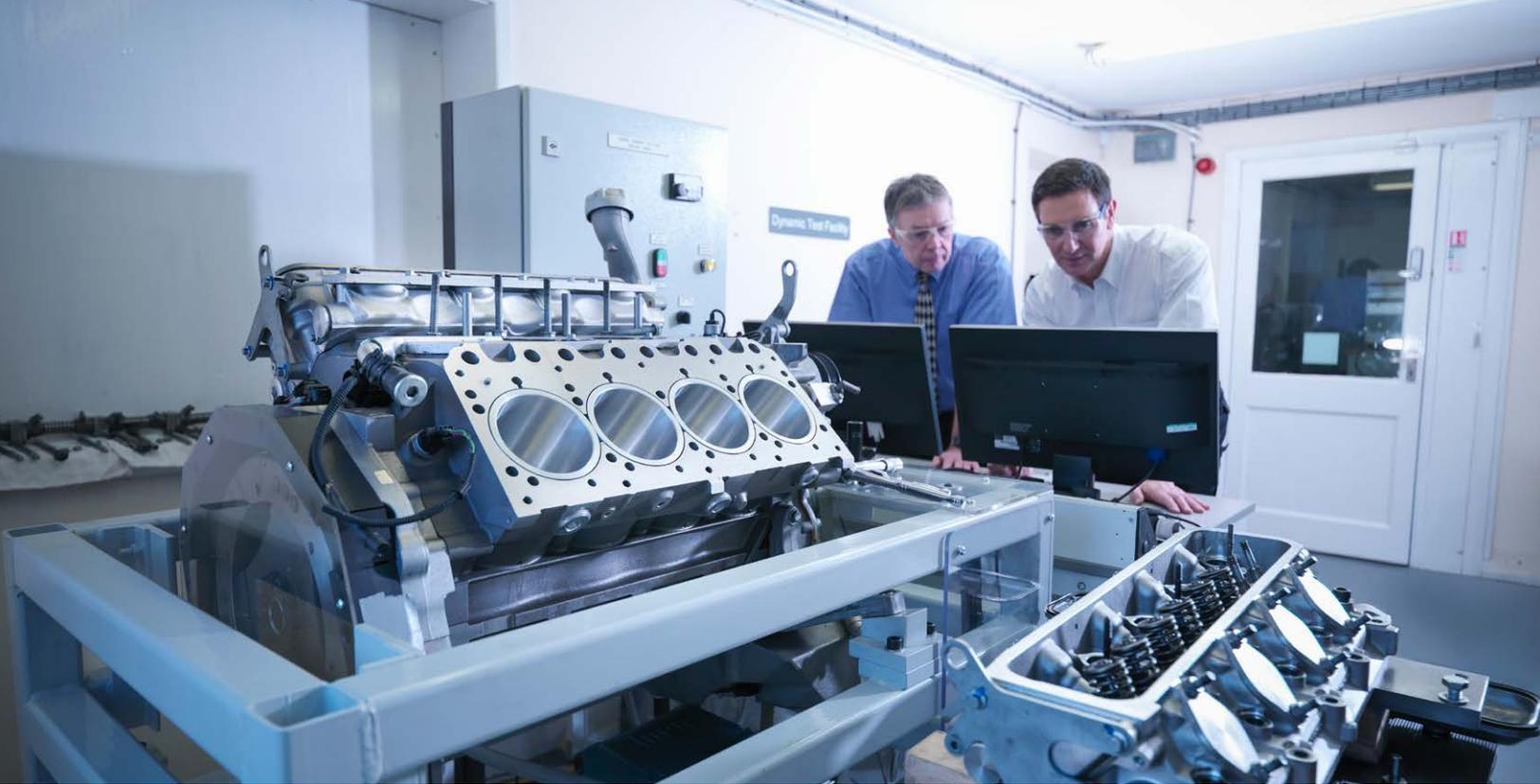
eBay reports that auto parts are among the top 20 best-selling products since June 2020.

It is imperative for automotive suppliers to adapt to changes in the fast-growing auto parts e-commerce business. They need to reorient their channel strategy and develop processes and systems to capitalize on this business opportunity.



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