

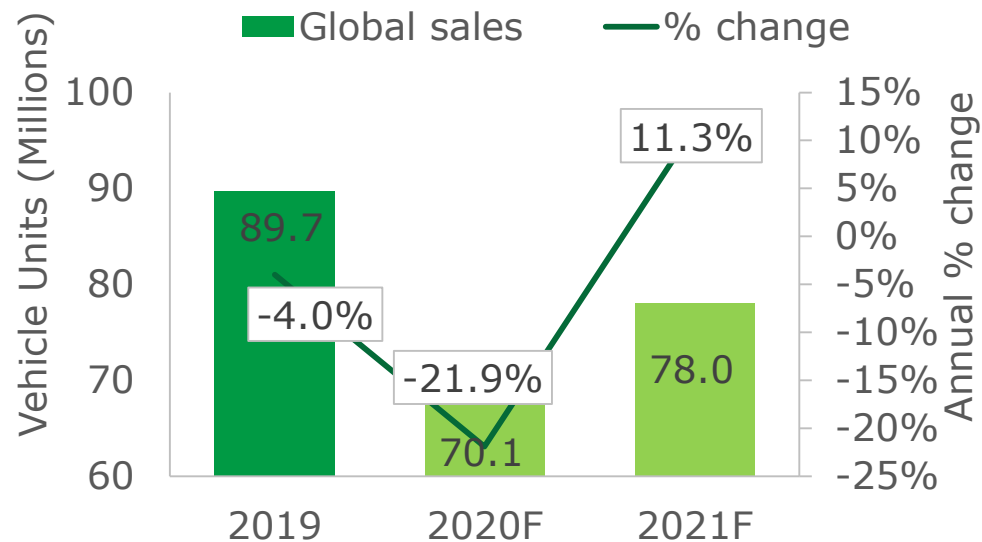
Asia's automotive market updates and outlook

Dr. Marco H. Hecker | Chief Strategy Officer Deloitte China
Automechanika, July 6th 2020

Global light vehicle sales headed for double-digit declines this year. Some Governments have released major stimulus measures in an effort to boost vehicle demand.

Sales forecasts

Global light vehicle sales and growth (2019-2021F)



- Global light vehicle sales expected to be down by 22% in 2020 due to the spread of the COVID-19 virus, lockdown measures, and a resulting slowdown in the global economy.
- Significantly higher decline than - 8% during 2008/09 fin. crisis

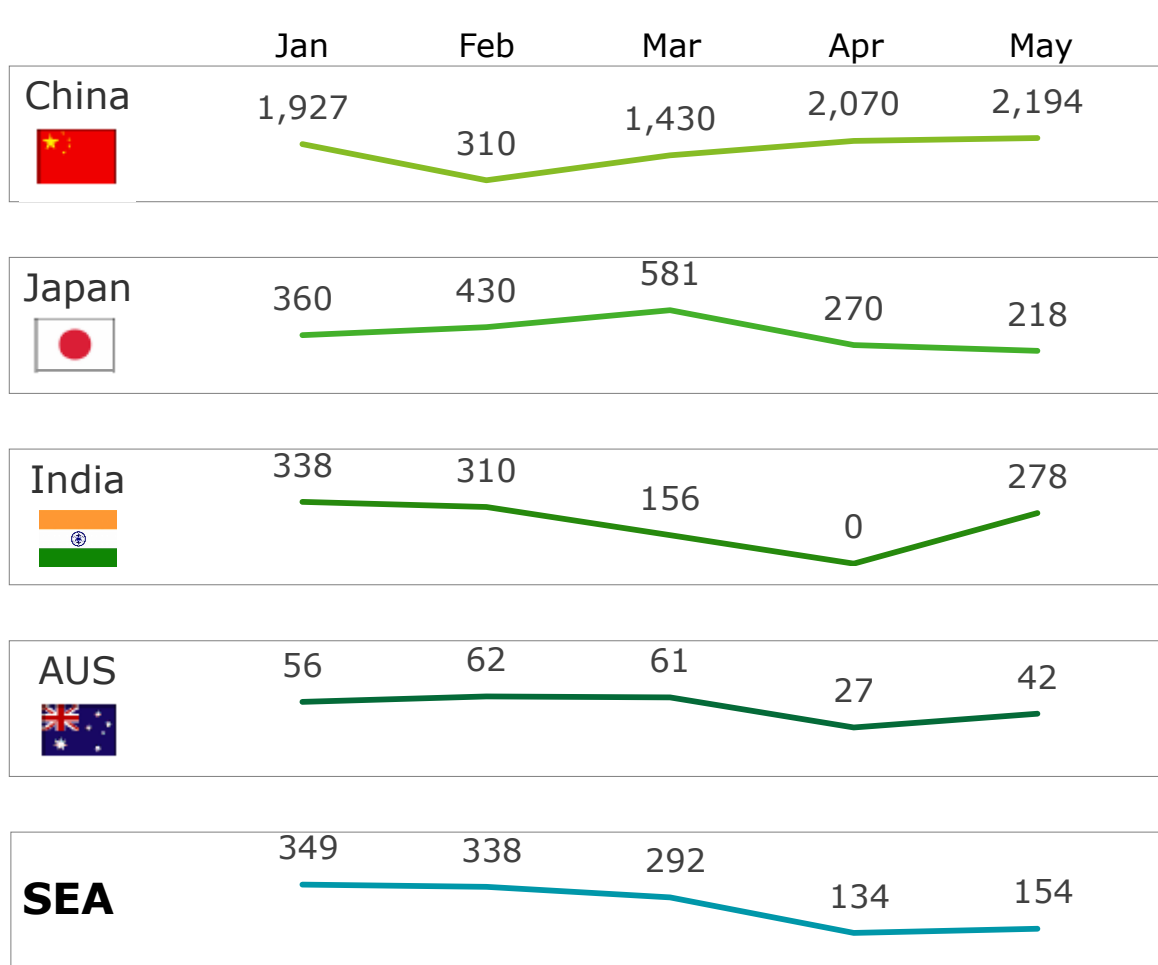
Varying government stimulus packages :

- **China**: NEV subsidy; 0% NEV purchase tax are extended beyond 2020; Delay of "China 6" until Jan 2021; lower auto finance down payment, lower interest rate as well as extended auto loan terms; Encouragement to scrap 1 mil "China 3" (and older) diesel trucks
- **Japan**: USD1trn general stimulus- policies directed towards businesses/ employment security. Earmarked \$2.2 bn to help OEMs shift production from CN to stabilize supply chains
- **India**: No direct Stimuli for Auto Sector. Gov. announced packages for Micro, Small and Medium Enterprises. Tier2 and some Tier 1 suppliers will benefit from the gov. soft loans. Also EMI moratorium from March'20 till Aug'20 with "6 months interest payment holiday"*)

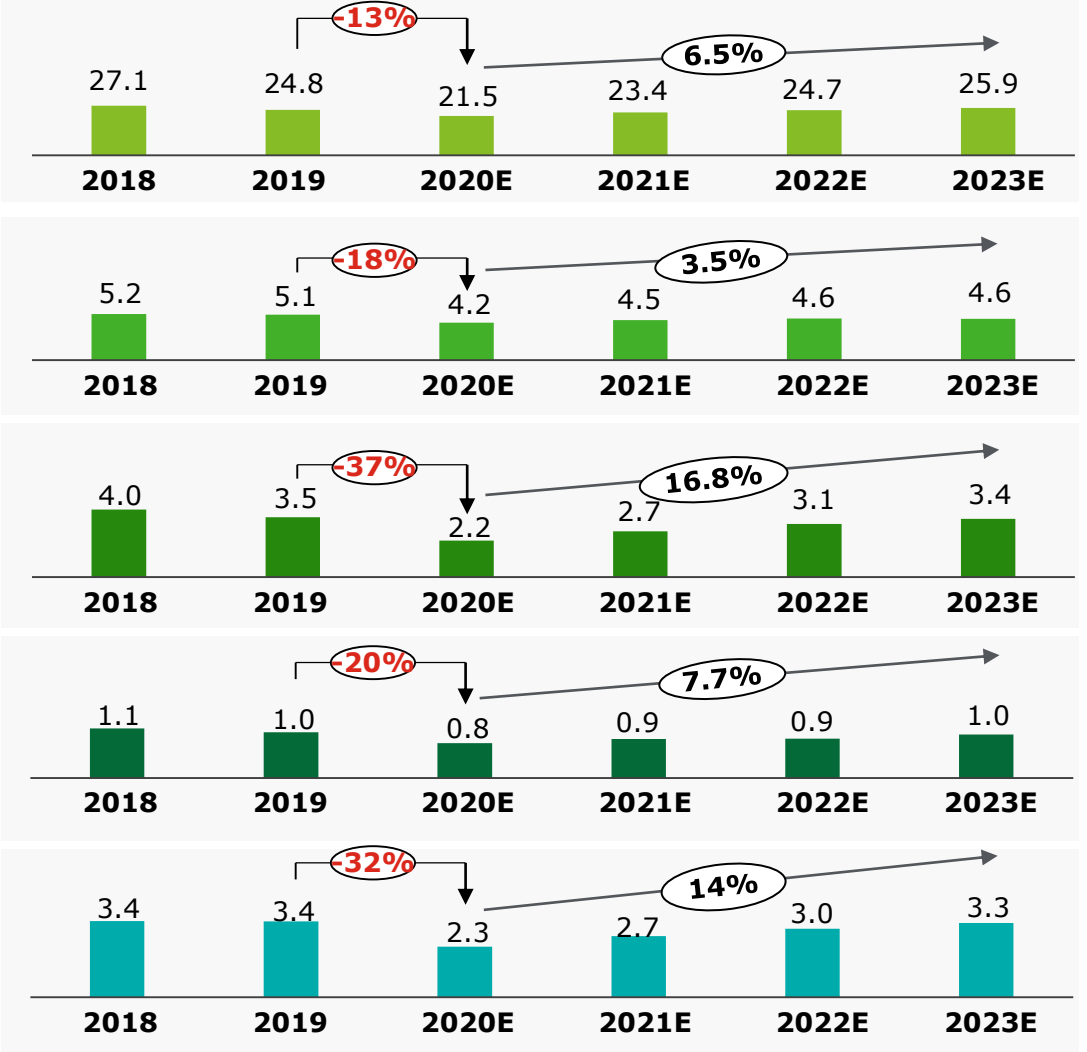
Source: IHS Markit, Reuters *) interest will continue to accumulate

COVID-19 wreaks havoc on Asia's automotive industry; the high uncertainty of the pandemic signals demand will be slow to recover

2020 Monthly Vehicle¹ Sales by Markets *in k units*



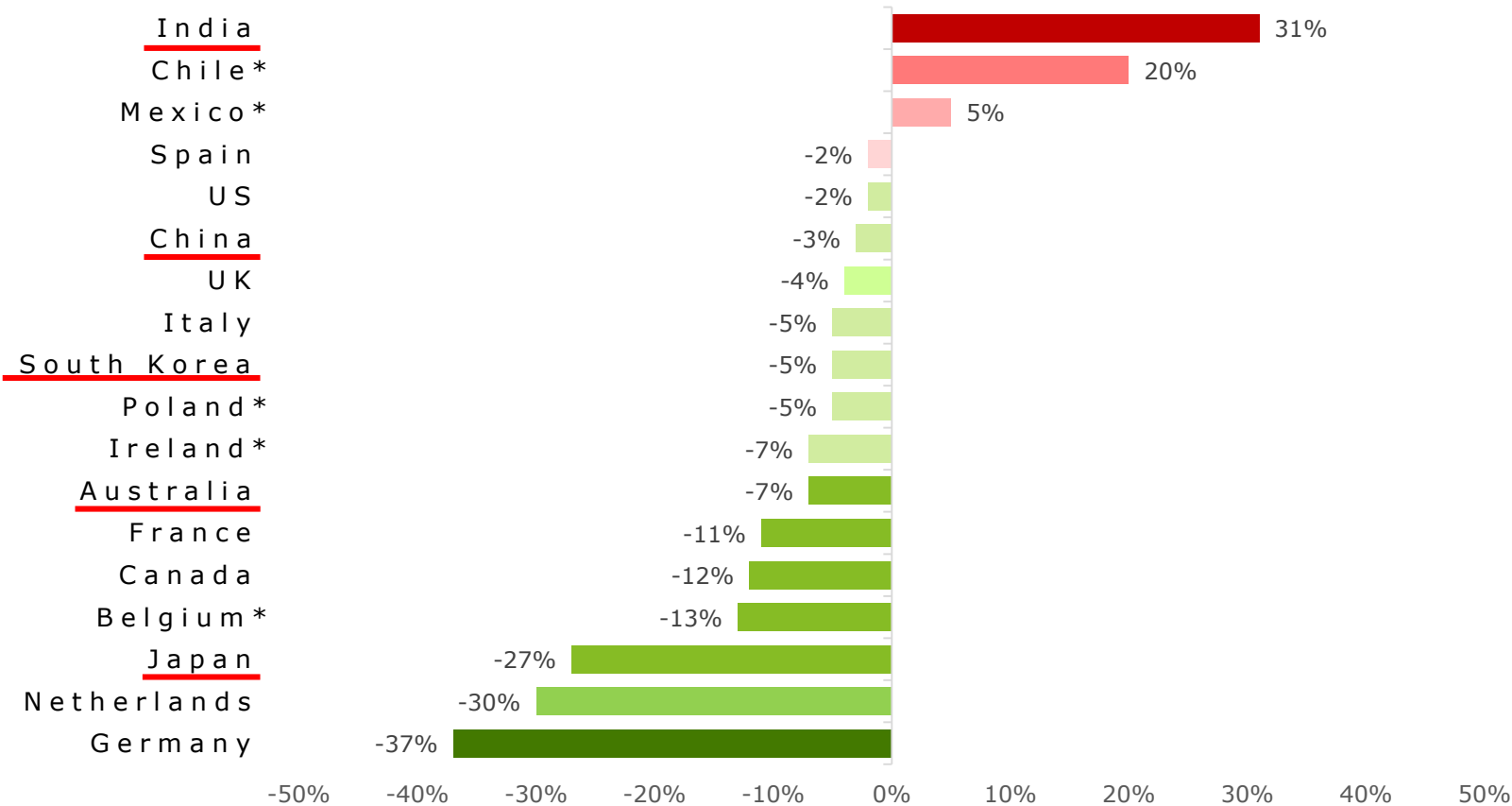
Light Vehicles Sales Forecast (2018-2023) *in mn units*



Source: IHS Markit, Reuters *) interest will continue to accumulate. Note1: All types of vehicles; IHS, CAAM, JAMA, FCAI, TAIA, TAI, MAA, LTA, VAMA, CAMPI, Deloitte research & analysis
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Collective anxiety has started to ease in a majority of global markets, but navigating the re-opening is critical.

“I’m more anxious than I was last week” (Net Anxiety*)

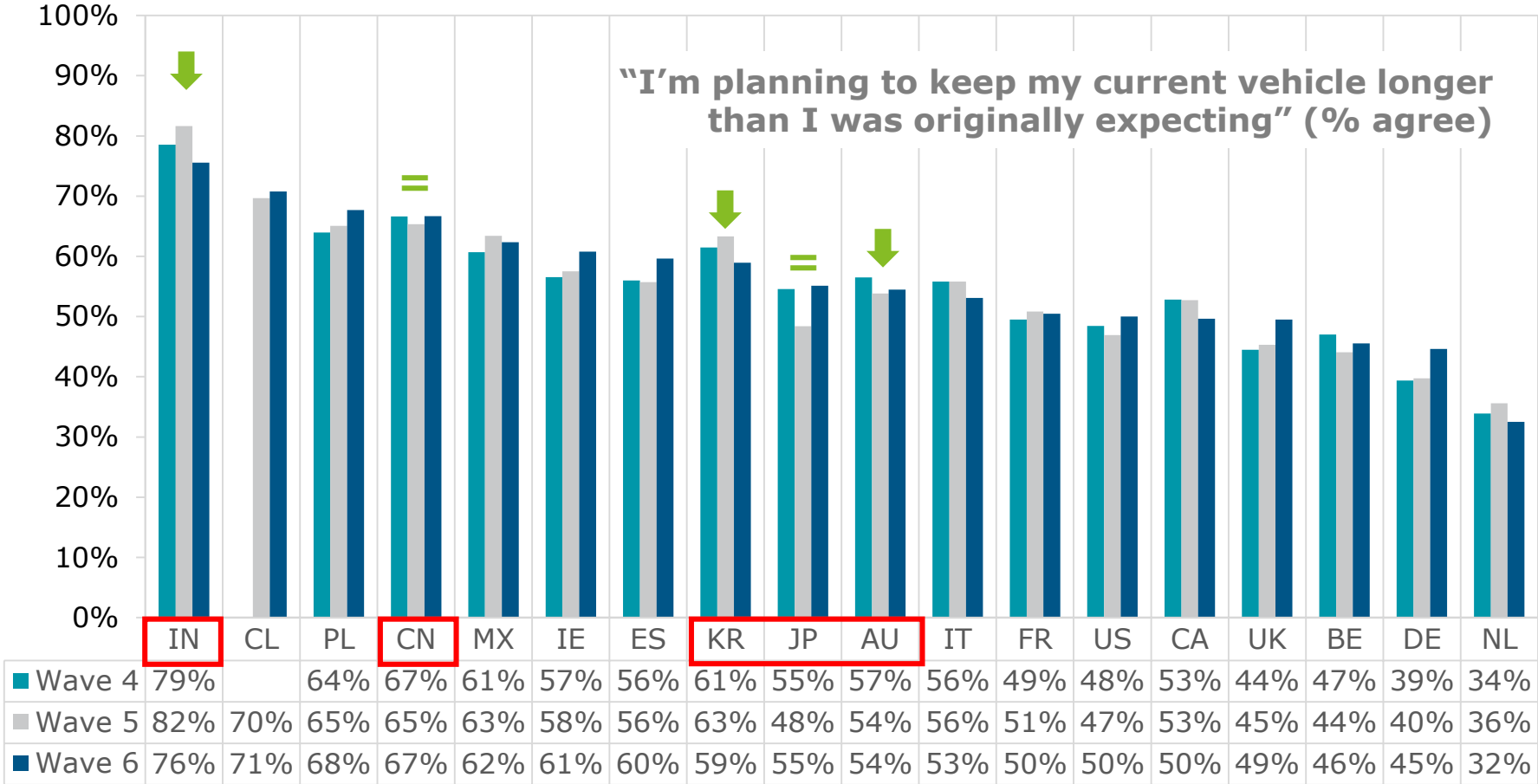


- Net consumer anxiety has receded across many countries compared to the mid-April timeframe. One of the likely reasons is the cautious reopening of economies .
- Some countries like India which have seen the pandemic hit later than other countries continue to show higher levels of net anxiety while countries that have relaxed their stay-at-home orders more widely have seen some reduction in the overall level of consumer anxiety.
- However, it remains to be seen whether this trend will continue given a growing number of medical officials pointing to the looming specter of a second wave of virus.

Note: * Net anxiety = (% agree) – (% disagree); ** countries were not part of wave 1 fielding period.

Q3: To what extent do you agree or disagree with the following statements?

Demand recovery in several markets may be stunted by a consumer intention to keep existing vehicles longer.

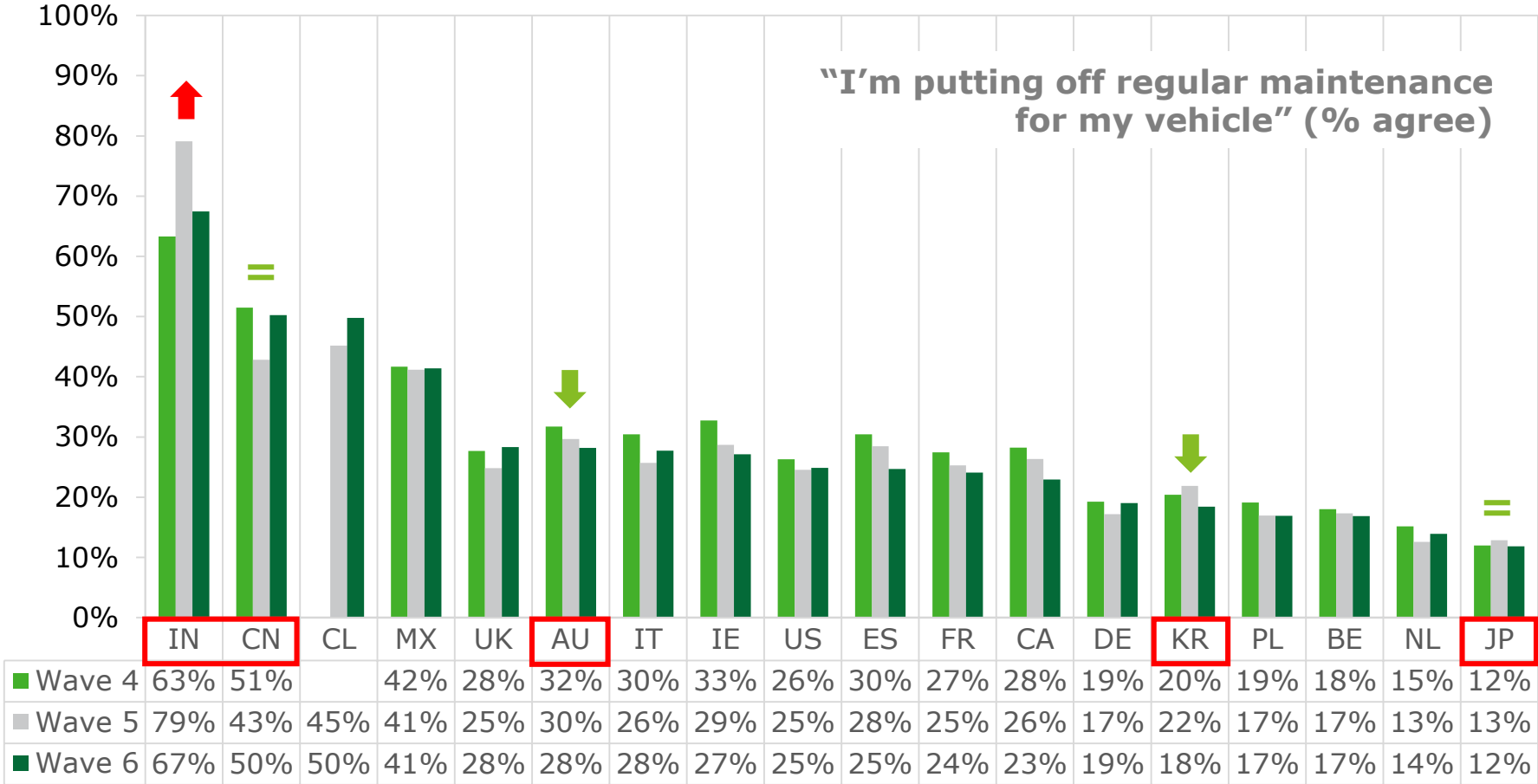


Note: Percentage of respondents who said "agree" or "strongly agree" have been added together.

Q3: To what extent do you agree or disagree with the following statements?

- Health concerns have largely kept consumers out of the auto retail market for several weeks.
- But, the prolonged global economic shutdown is also starting to weigh on consumer finances, causing many people to reconsider large purchases going forward.
- At least half of the vehicle owners in most countries are planning to keep their current car longer than expected, representing a significant challenge for automotive manufacturers looking to kickstart demand.
- Also, when consumers return to the market, questions remain regarding the type of vehicles people will buy (given expected affordability concerns).

Intent to delay vehicle maintenance is mixed as some consumers divert spending to more immediate needs.



- Along with concerns for their long-term financial wellbeing, consumers are also somewhat hesitant regarding near-term spending.
- Along with core questions around forward-looking demand, this represents another key challenge facing the automotive value chain, particularly dealers that rely on their aftersales business for profitability.
- Having said that, there are positive signals coming from consumers in Europe, Canada, Japan, and South Korea who are perhaps acknowledging the need to maintain their current vehicle (especially if they intend to keep it longer than expected).

Note: Percentage of respondents who said "agree" or "strongly agree" have been added together.

Q3: To what extent do you agree or disagree with the following statements?

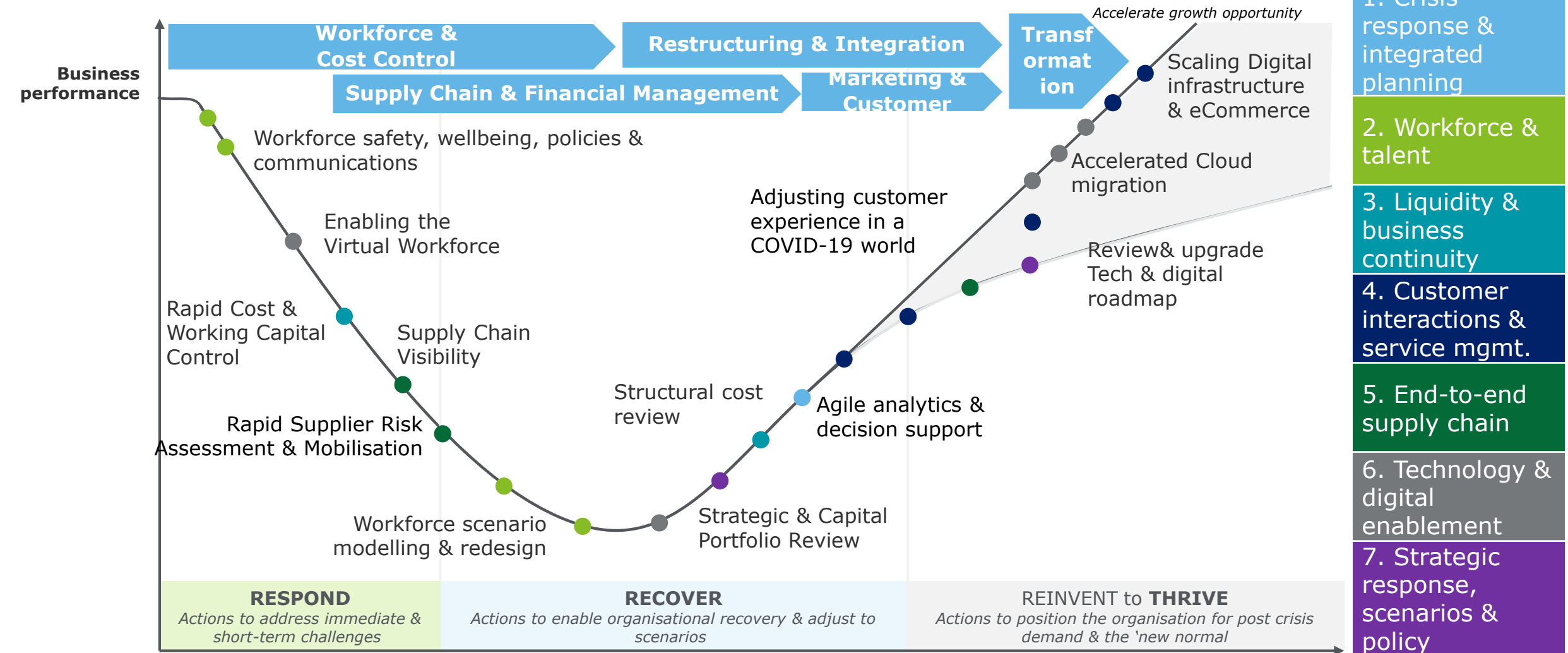
Over the next 6 to 24 months, we can expect sectors to be impacted by COVID-19 and experience the stages of the crisis cycle at different lengths and severity

Emerging perspectives on the Auto Sector in Asia Pacific

	2020									2021								
	Apr	May	June	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June	Jul	Aug	
CN	Respond	Recover					Thrive											
KR	Respond	Recover					Thrive											
AU	Respond		Recover						Thrive									
NZ	Respond		Recover						Thrive									
IN	Respond		Recover						Thrive									
JP	Respond			Recover						Thrive								
SEA – VN	Respond		Recover						Thrive									
SEA-IND	Respond			Recover								Thrive						
SEA-MY	Respond			Recover								Thrive						
SEA-TH	Respond		Recover											Thrive				
SEA-SG	Respond			Recover													Thrive	

Highly capital/ labor intensive businesses with highly complex& globalized supply chains are hindering OEMs to transform fast.

Sample actions to address the emerging issues



Due to changing customer requirements, growing competition & increasing availability of data, OEMs are re-evaluating their business models to drive long-term growth

Double-click on retail trends

Observation on trends

Sample opportunities



Sales, channel, format strategy

- High discount leading to **0% RoS**
- **Online offline integration** trend
- **Separation** of sales and aftersales

- Adopt **agency-based direct sales** model
- **Seamlessly integrate** online and offline
- Develop new and **innovative formats**



Customer journey & process

- **No differentiating** experience/ service
- Dealer organization **not customer-centric**
- Unable to obtain **customer data**

- **Engage customers** effectively across lifecycle
- **Re-organize dealer** to enable "one-face"
- Re-design **sales process**



Network restructure

- **Optimization opportunities** brought by online
- **Changing consumption** pattern
- **Inefficient** network

- **Phase out** underperforming dealers
- **Re-structure network** based on intra-city geo-analytics and sociodemographic analysis



Aftersales

- Competition from **IAM**
- Revenue impact caused by **BEV**
- **New network requirements** due to sales innovation

- **Centralize** B&P services to improve efficiency
- Offer **simple aftersales** services in city center
- Create **aftersales packages** to lock-in customers



Used Car & fleet

- UC market to grow at **CAGR of 20%**
- UC **penetration lower by ~2x** vs. mature countries
- **Mobility** segment to grow ~16% p.a

- Expand **trade-in volume**
- Re-design **dealer KPIs** to encourage UC business
- Tailor **products and services** for 2B customers



Dealer risk management

- **Market downturn** leads to intense risk level
- Decreasing **dealer profitability**
- **Inadequate** protocols to manage dealer risks

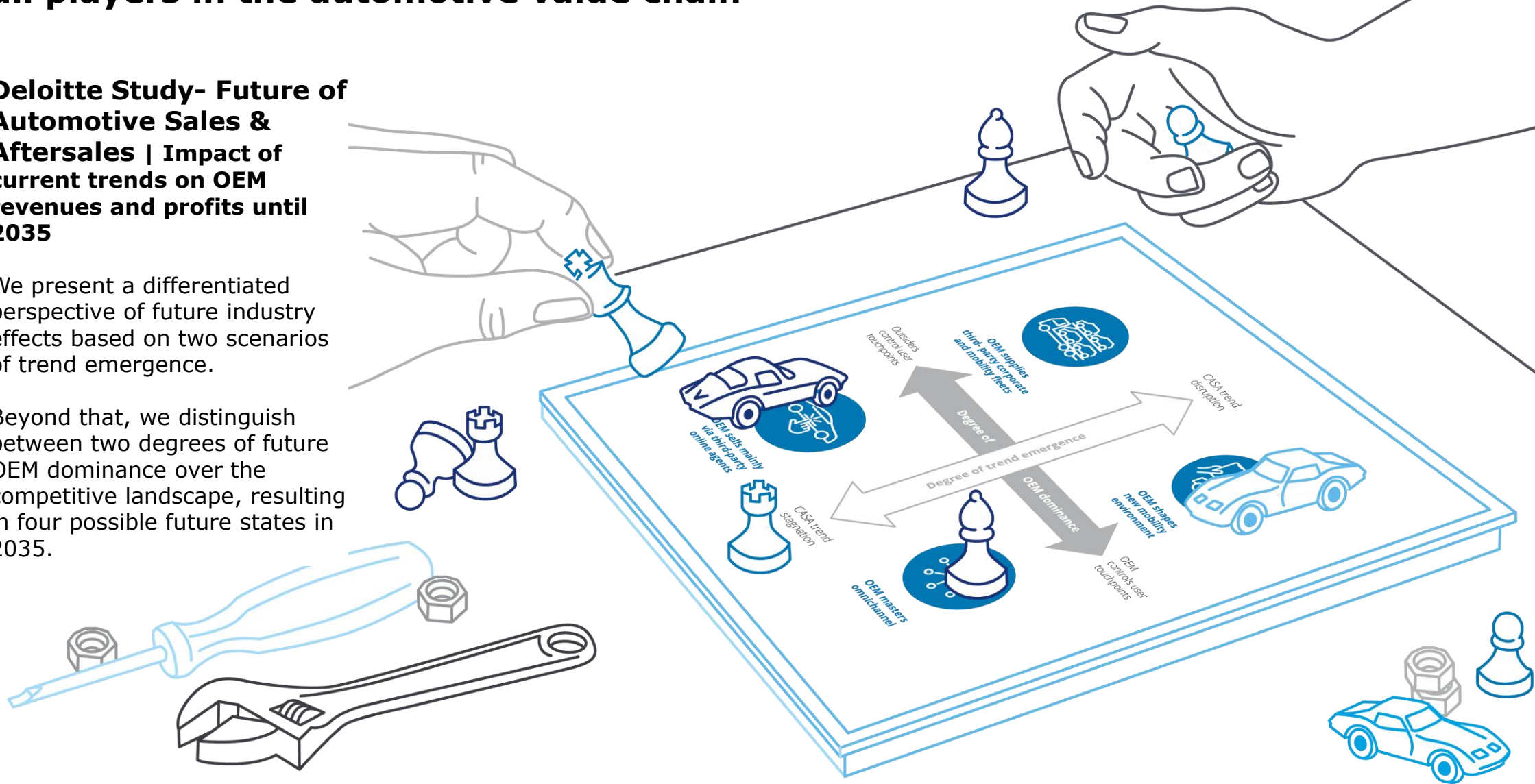
- Design **risk identification model** and classification rules
- Develop **response strategy** and mechanism

Different future scenarios, require the modelling of specific strategic option spaces for all players in the automotive value chain

Deloitte Study- Future of Automotive Sales & Aftersales | Impact of current trends on OEM revenues and profits until 2035

We present a differentiated perspective of future industry effects based on two scenarios of trend emergence.

Beyond that, we distinguish between two degrees of future OEM dominance over the competitive landscape, resulting in four possible future states in 2035.





For any questions, or if you would like the link to the interactive Consumer Tracker Dashboard,

please reach out to me directly:

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