

Otomotiv Sektörünün Gelecek Dönem Yolculuğu

Istanbul, 2021 May

Istanbul office

Esentepe Mahallesi
Harman Sokak No: 7 – 9
Nida Kule Levent, 24. Kat
34394 Şişli İstanbul, Turkey
Tel. +90 21 240137 50
istanbul@simon-kucher.com

www.simon-kucher.com

Your experts at Simon-Kucher & Partners

SIMON • KUCHER & PARTNERS
Strategy & Marketing Consultants



Cem Balıkçioğlu
Partner

Tel. +90 21 240137 50
Cem.balikcioglu@simon-kucher.com
www.simon-kucher.com

SIMON • KUCHER & PARTNERS
Strategy & Marketing Consultants



Antoine Weill
Partner

Tel. +49 69 905010 610
Antoine.weill@simon-kucher.com
www.simon-kucher.com

SIMON • KUCHER & PARTNERS
Strategy & Marketing Consultants



Matthias Riemer
Senior Director

Tel. +49 221 36794 320
Matthias.riemer@simon-kucher.com
www.simon-kucher.com

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- ✓ Worldwide leading revenue management expertise in automotive sector
- ✓ More than 50 years experience in consulting
- ✓ More than 200 projects in the area of pricing and monetization

What we do at Simon-Kucher

TopLine Power®: Simon-Kucher is all about commercial excellence.

**Our mission is to boost our clients' revenues and profits.
To achieve this, we optimize their pricing, sales, marketing, and strategy.**

Simon-Kucher stands for TopLine Power®

Since 1985, we have focused on the four growth levers of commercial excellence: pricing, sales, marketing, and strategy. Because of our steady focus, we have more experience in monetization than any other strategy consulting firm.

Simon-Kucher & Partners at a glance

#1 for TopLine improvement



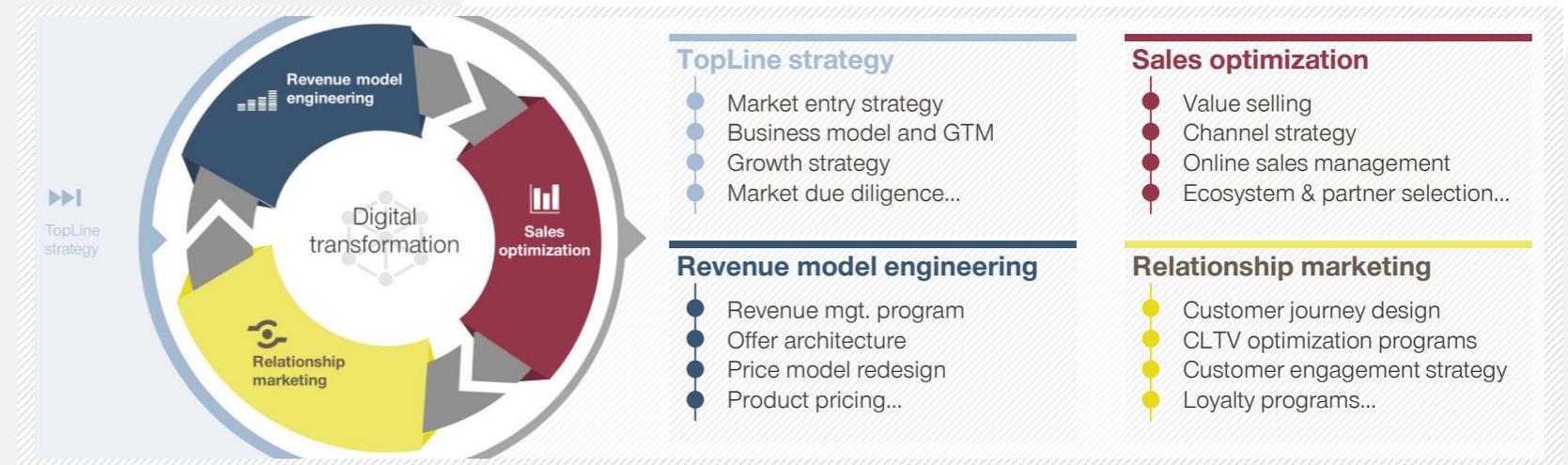
Clients across all industries¹, solid footprint in the motor-vehicle industry

Industries	Automotive OES	Automotive OEM	Energy	Industrials	Digital leaders
Automotive and machinery	Bosch	BMW	EnbW	ABB	Adobe
Consumer and retail	Brembo	Daimler	Enel	General Electric	Ebay
Financial services	Bridgestone	Great Wall Motors	Eon	Infineon	LinkedIn
Industrial goods/services	Continental	Kia	GDF Suez	Intel	Microsoft
Logistics, business services	Here	Porsche	Ionity	Kone	OpenTable
Pharma and life sciences	Mahle	Renault	Primagaz	Kuka	PayPal
Software and media	Michelin	Toyota	Techem	Palfinger	SAP
Telecommunications	Valeo	Volvo	SHV Energy	Schneider Electric	Skype
Utilities and chemicals	Webasto...	Volkswagen ...	Vattenfall...	Siemens...	Uber...

Global footprint



Portfolio of TopLine consulting services¹



Source: Simon-Kucher & Partners; 1 Selection

Check out these publications written by our experts



Crisis Barometer: How Automotive Suppliers Are Dealing With the Ongoing Crisis

Like many other sectors, the automotive industry has been significantly affected by COVID-19. How do suppliers view the current situation? Which levers are they currently using to manage the crisis? And which mid- and long-term measures are the most promising? Our crisis barometer provides answers. [Read more](#) ▶

You can access all of our publications for the automotive industry by clicking [here!](#)
You can also subscribe for the automotive insights newsletter by clicking [here!](#)



Automotive Breakfast Club:

The Automotive Breakfast club is a monthly webcast series held by Simon-Kucher's automotive experts with extensive experience. The series focus on topics ranging from Revenue & Price Modelling to B2B Selling, covering all types of vehicles from the backbones of the industry to its frontiers of innovation.

Collaborating with experts from similar industries and important markets, the Automotive Breakfast Club has you covered for all your company may need.

Next event will be held on **May 7th, 2021**. [Read more](#) ▶

You can also subscribe for the Automotive Breakfast Club by clicking [here!](#)

In November and December 2020, we surveyed 1,000+ consumers in the automotive sector about their preferences

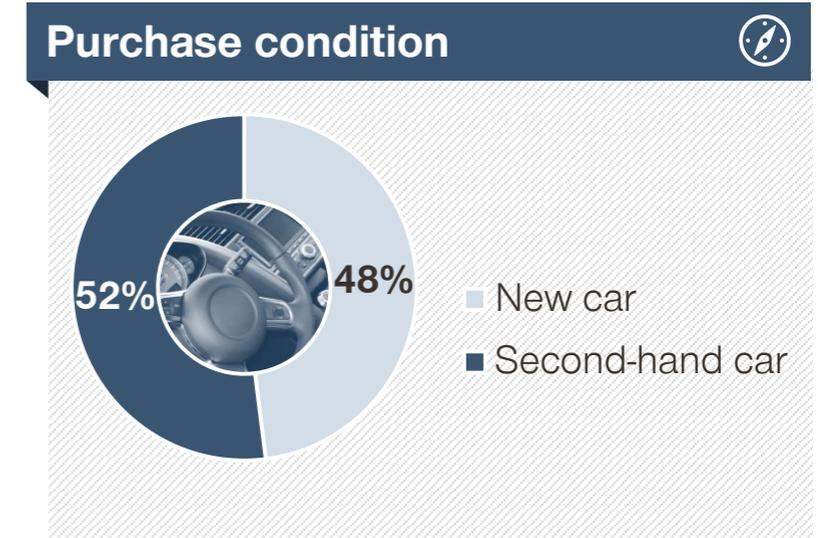
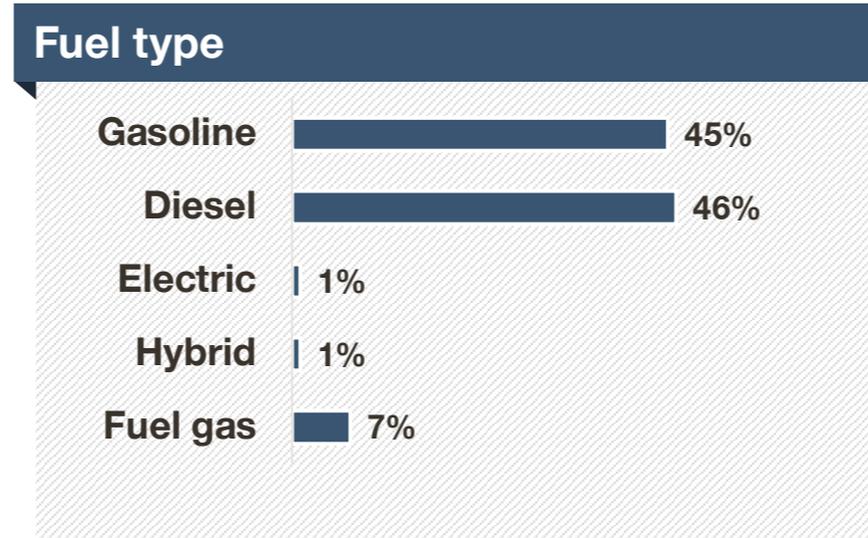
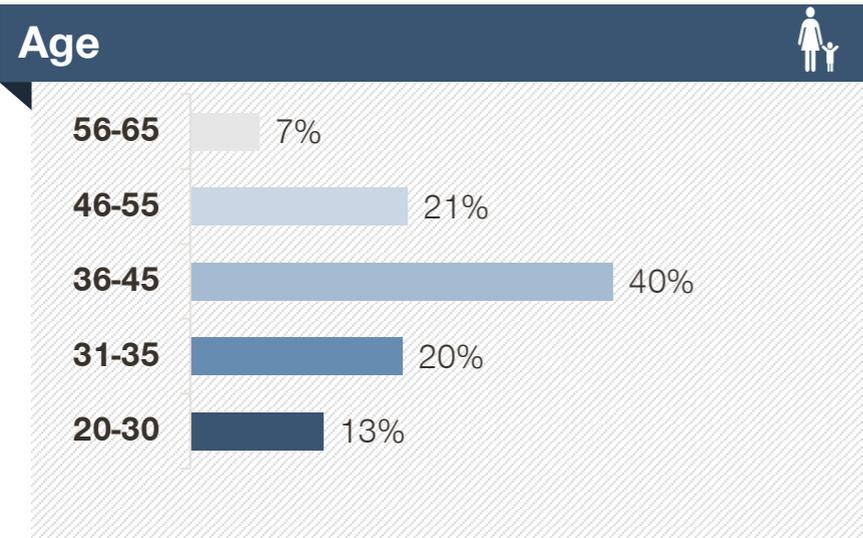
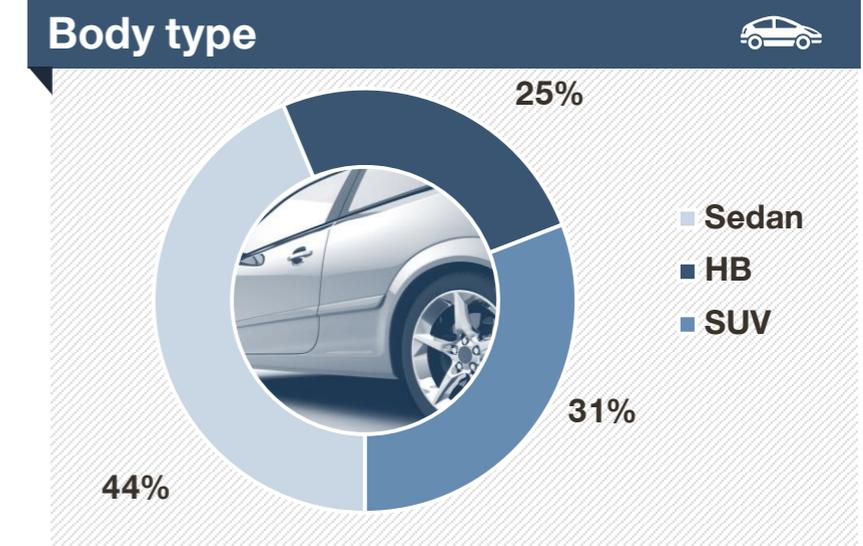
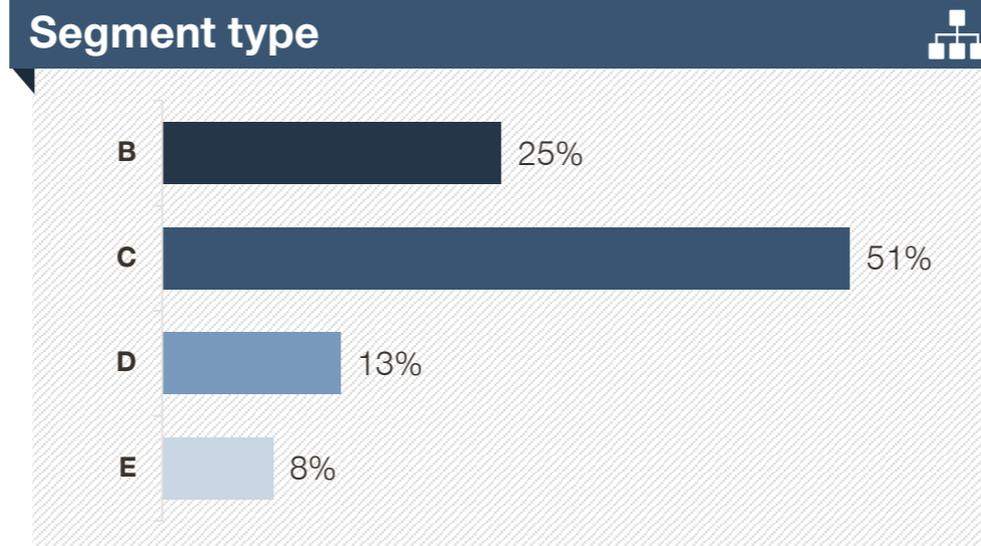
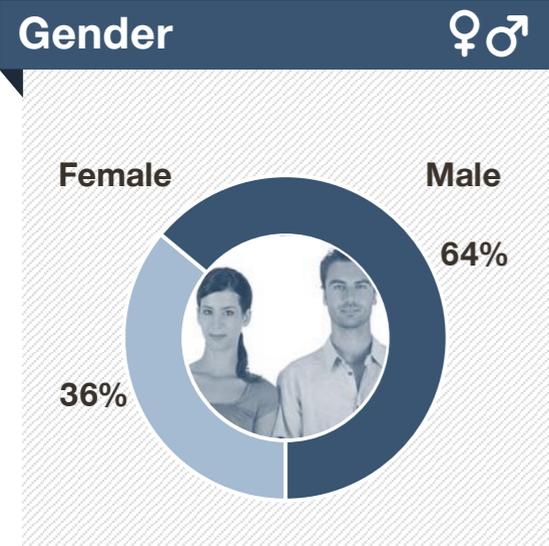


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To reach sustainable growth in these challenging conditions, OEMs cannot essentially turn to their conventional tool kit. They need to asses and review their strategic priorities, reprioritize their investments and develop new skills to execute these strategic objectives.



In 2021, there will be a significant bias towards C segment; meanwhile E segment will keep its sales...

Only New Car Sales

They WILL have a...

Consumers NOW have a...	They WILL have a...				Overall ranking for future consideration*
	B	C	D	E	
B e.g. Opel Corsa, Volkswagen Polo, Renault Clio, Nissan Micra, Citroen C3, Toyota Yaris, Honda Jazz N: 120	68%	32%	~0%	~0%	#1 C Segment Cars #2 D Segment Cars #3 B Segment Cars #4 E Segment Cars * Future consideration is calculated by using 2020 realized mix of car body type
C e.g. Seat Leon, Volkswagen Golf, Volkswagen Jetta, Peugeot 308, Renault Megane, Hyundai i30 N: 293	6%	85%	10%	~0%	
D e.g. BMW 3 Serisi, Volkswagen Passat, Audi A4, Mercedes C Sınıfı, Ford Mondeo, Volvo S60, Citroen C5 N: 78	7%	35%	55%	4%	
E e.g. Mercedes E Serisi, BMW 5 Serisi, Jaguar XF, Volvo S80, Saab 9-5, Audi A6 N: 60	~0%	11%	13%	76%	

Since a portion of D and E drivers are considering switching to the C segment, it is crucial to provide C-segment models that will meet their expectations.

* Percentages may not total 100 in each row due to rounding.

Source: Simon-Kucher & Partners; Automotive Research Survey Nov. - Dec. 2020, Q12-Current Segment, Q20: Bir sonraki otomobil alımınızda aşağıdaki araç segmentlerinden hangilerini almayı düşünürsünüz?; ODD, Ocak-Kasım 2020, segment distribution ; * Rows might not add up to 100% due to the exclusion of the other body types.

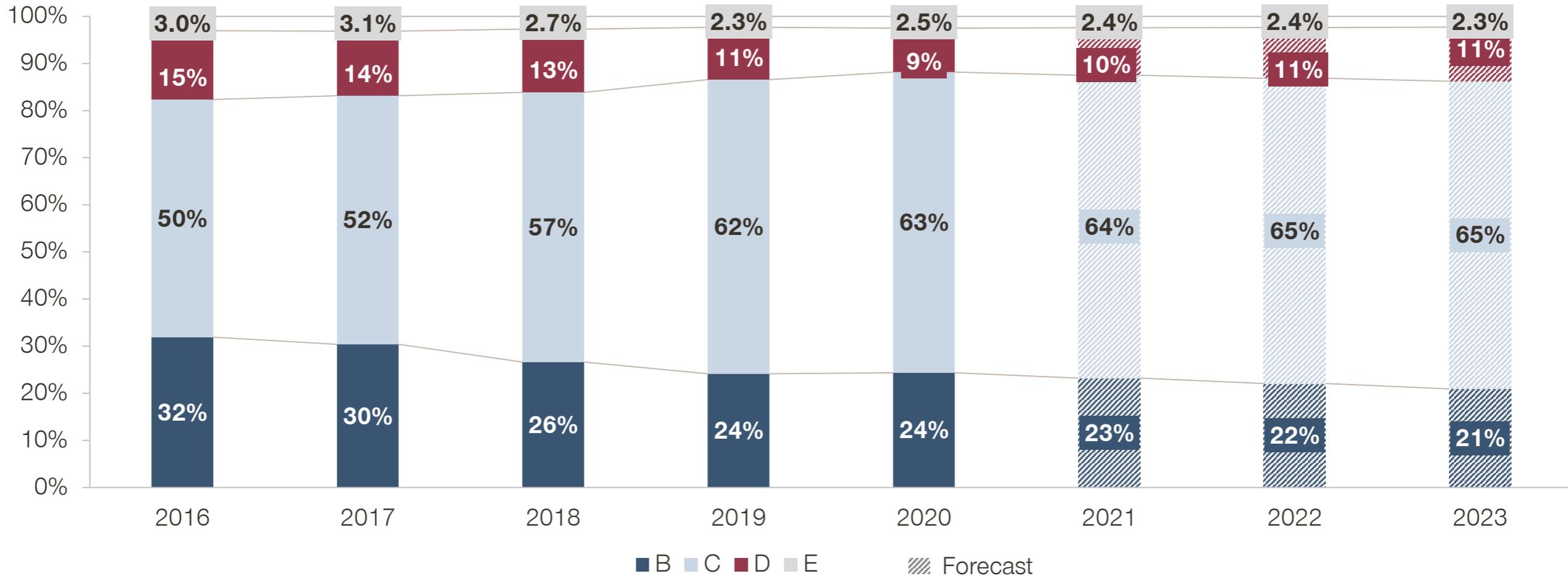


...C-Segment cars can reach to 65% of total market, while E will keep its niche market



Turkish Automotive Market Sales Mix by Car Segment

Only New Car Sales



Source: Simon-Kucher & Partners; Automotive Research Survey Nov. – Dec. 2020, Q12-Current Segment, Q20t: Bir sonraki otomobil alımınızda aşağıdaki araç segmentlerinden hangilerini almayı düşünürsünüz?; ODD, Ocak-Kasım 2020, 2019, 2018, 2017, 2016, segment distribution 2021 and 2022 forecasts have been calculated using the trend of historical data. Due to the fact that other segment types are not included, the percentages may not add up to a 100.



Consumers tend to preserve their current car's body type for future considerations...

Only New Car Sales

They WILL have a...

		Sedan	Hatchback	SUV
Consumers NOW have a...	Sedan N=239	72%	10%	19%
	Hatchback N=137	27%	54%	19%
	SUV N=189	20%	11%	70%

Overall ranking for future consideration *

- #1 Sedan
- #2 SUV
- #3 Hatchback

* Future consideration is calculated by using 2020 realized mix of car body type

!

- Overall, **Sedan** owners **are the most loyal to their car.**
- 46%** of hatchback drivers **will be able to change their cars**

* Percentages may not total 100 in each row due to rounding.

Source: Simon-Kucher & Partners Automotive Research Survey Nov. – Dec. 2020, Q20: Bir sonraki otomobil almanızda seçtiğiniz markaların hangi modellerini almayı düşünürsünüz?; ODD, Ocak-Kasım 2020, body type distribution *Rows might not add up to 100% due to the exclusion of the other body types.

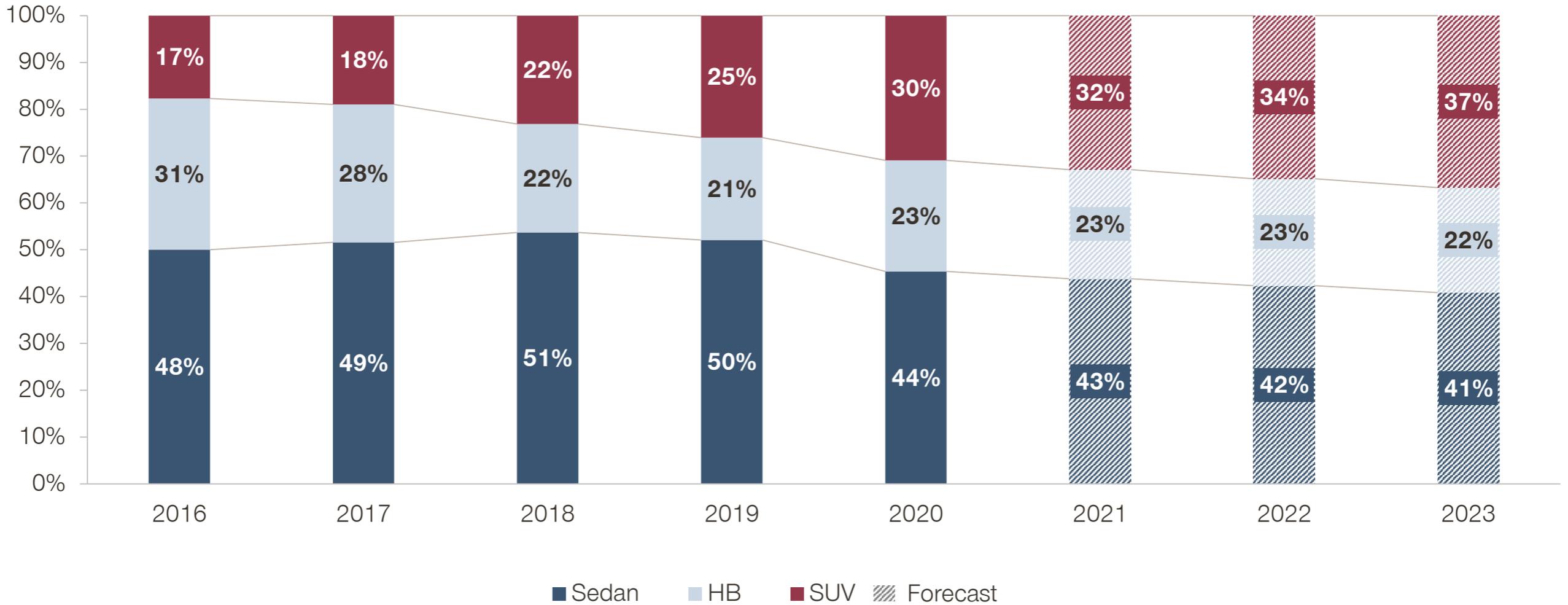


...SUV segment will continue to grow, with a lower gear, Sedan will keep its dominance



Turkish Automotive Market Sales Mix by Car Body Type

Only New Car Sales



Source: Simon-Kucher & Partners; Automotive Research Survey Nov. – Dec. 2020, Q12-Current Segment, Q20: Bir sonraki otomobil alımınızda aşağıdaki araç segmentlerinden hangilerini almayı düşünürsünüz?; ODD, Ocak-Kasım 2020, 2019, 2018, 2017, 2016, segment distribution 2021 and 2022 forecasts have been calculated using the trend of historical data and the 2023 forecast has been calculated by incorporating the results of the SKP survey and consumer preferences.



Body – Segment Matrix shows the most loyal car owners

Who is SATISFIED with their car?

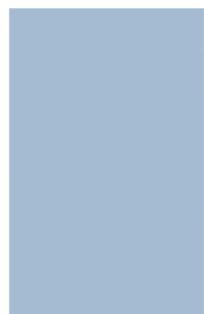
Reading example: Current Sedan-E users is prefers Sedan-E in their future consideration +14.5pp more compared to Sedan segment preference average

+14.5pp



Sedan – E

+6.7pp



HB – C

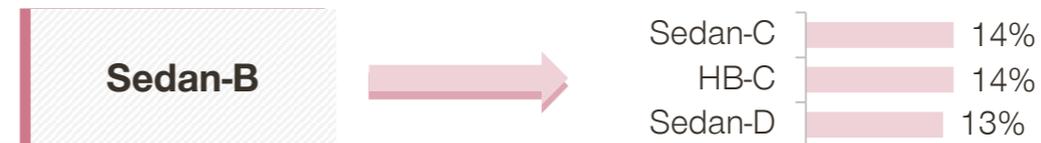
+11.9pp



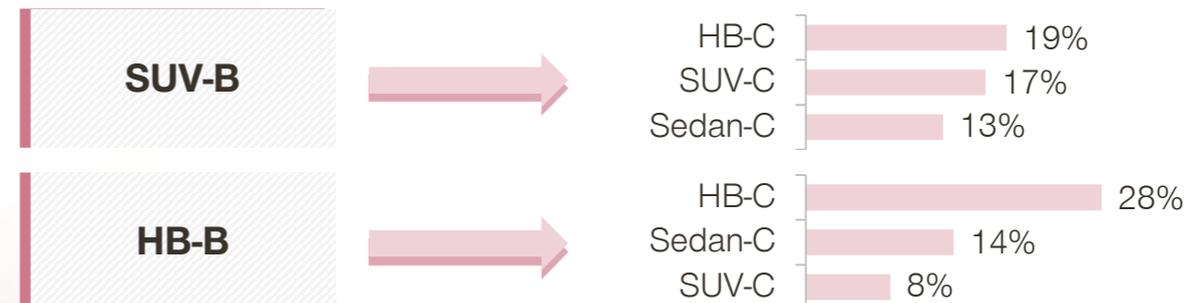
SUV – C

Who is NOT?

Upgraders to higher segment (HB or Sedan)



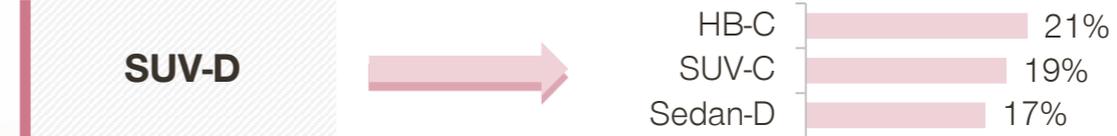
Upgraders to higher segment (Regardless of body type)



Main SUV potential



Unhappy

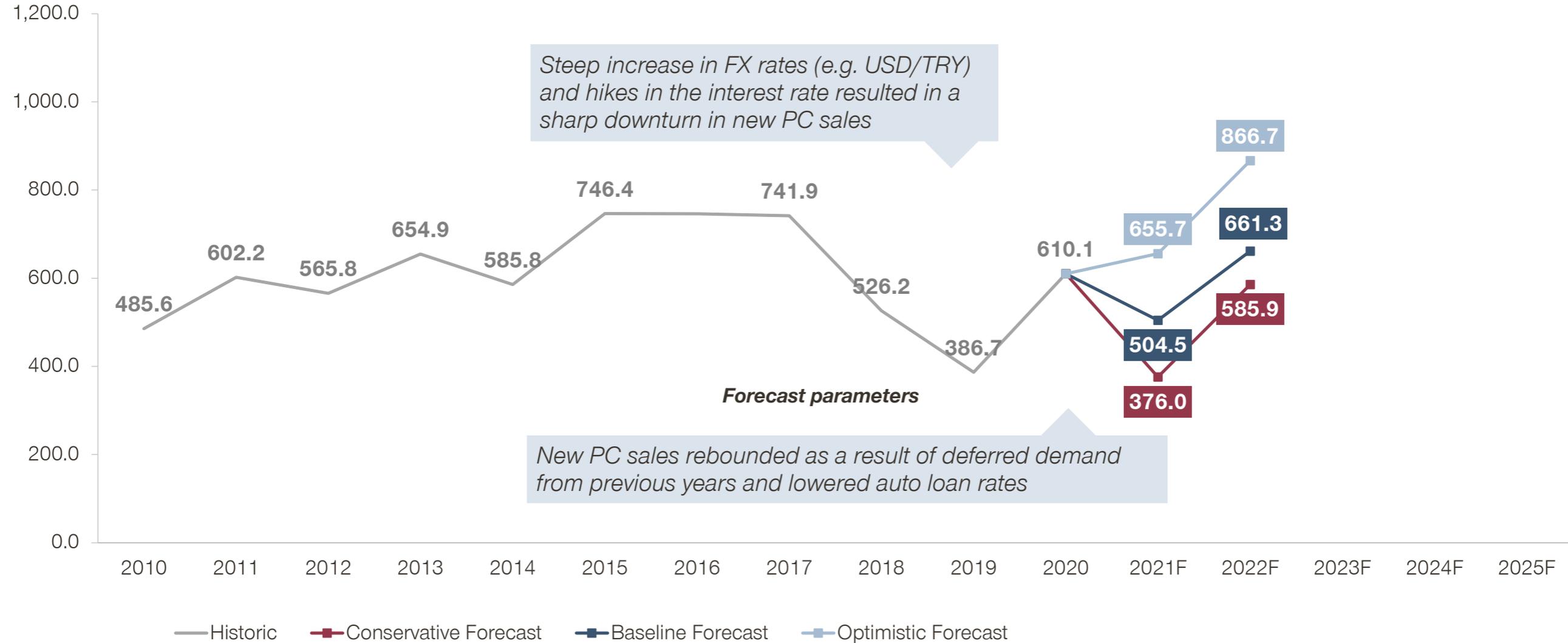


Source: Simon-Kucher & Partners Automotive Research Survey Nov. – Dec. 2020, Q20-Future Body Type/Segment: Bir sonraki otomobil almanızda seçtiğiniz markaların hangi modellerini almayı düşünürsünüz?, *Other segments and body types are excluded from analysis.



SKP has modeled three possible scenarios for the future of the automotive sector, bearing in mind the growth effect of auto loan and Exchange rates

Number of new Passenger Car (PC) registrations (sales) in Turkey (in '000)



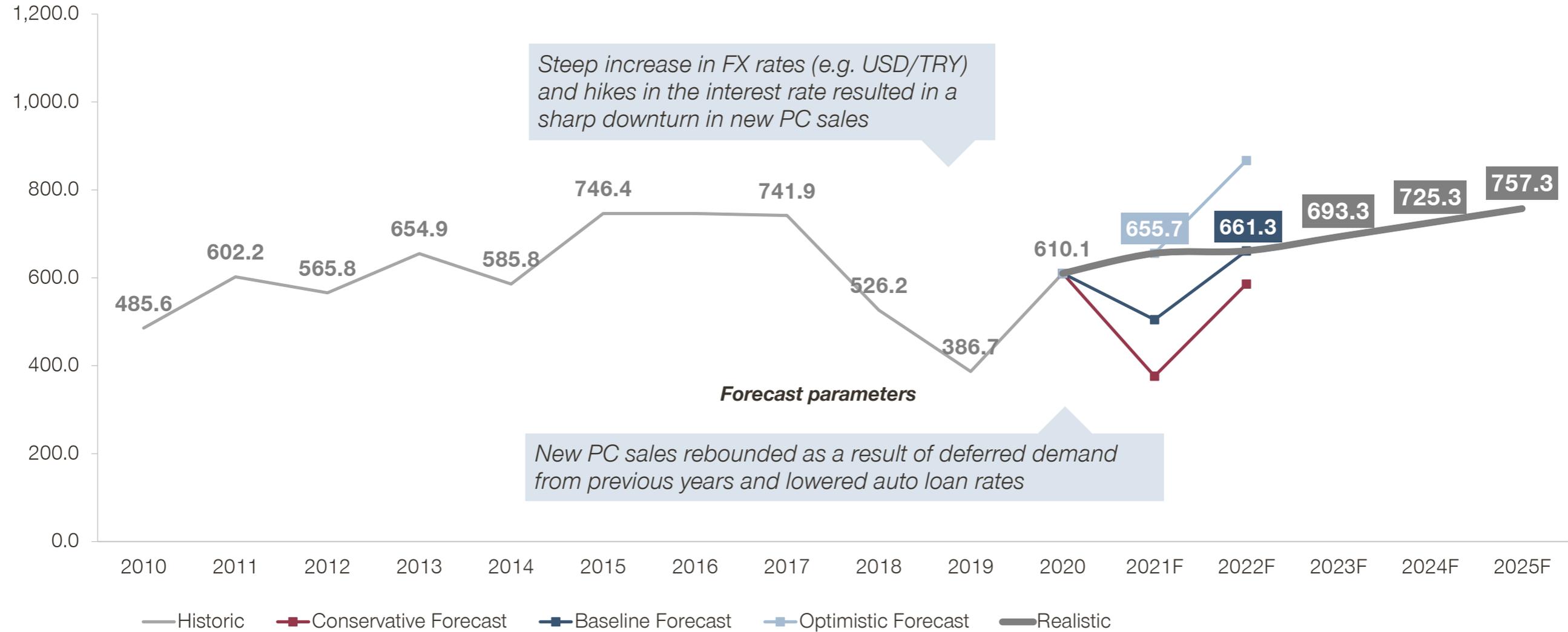
PC=Passenger Car
Source: Simon-Kucher & Partners, Turkstat, IMF, World Bank, Bloomberg, CBRT

Drivers for new passenger car sales/ registrations are primarily GDP per capita, average auto loan rate and FX rate (e.g. USD/TRY)



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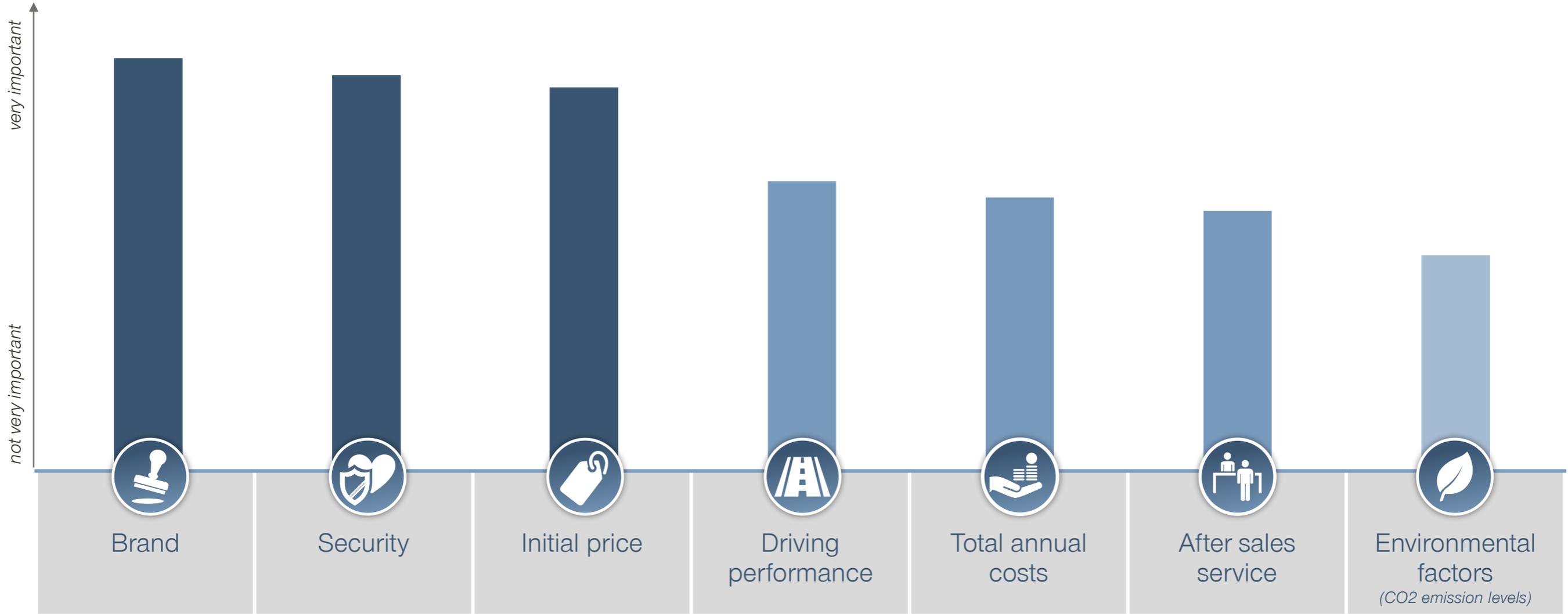


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Consumer decide on 7 different purchasing criteria, 3 of them are the most important in overall view



Source: Simon-Kucher & Partners Automotive Research Survey Nov. – Dec. 2020, Q30: Bugün bir otomobil alacak olsanız nasıl veya nereden satın almayı tercih ederiniz?, Q31: Bugün bir otomobil alacak olsanız, "CEVAP Q26" alacağınızı söylediniz. Otomobil satın alırken aşağıdaki kriterlerden hangileri sizin için önemlidir?



Brand segment through price PERCEPTION reveals 5 main brand segments and 2 subgroups below 'Premium'

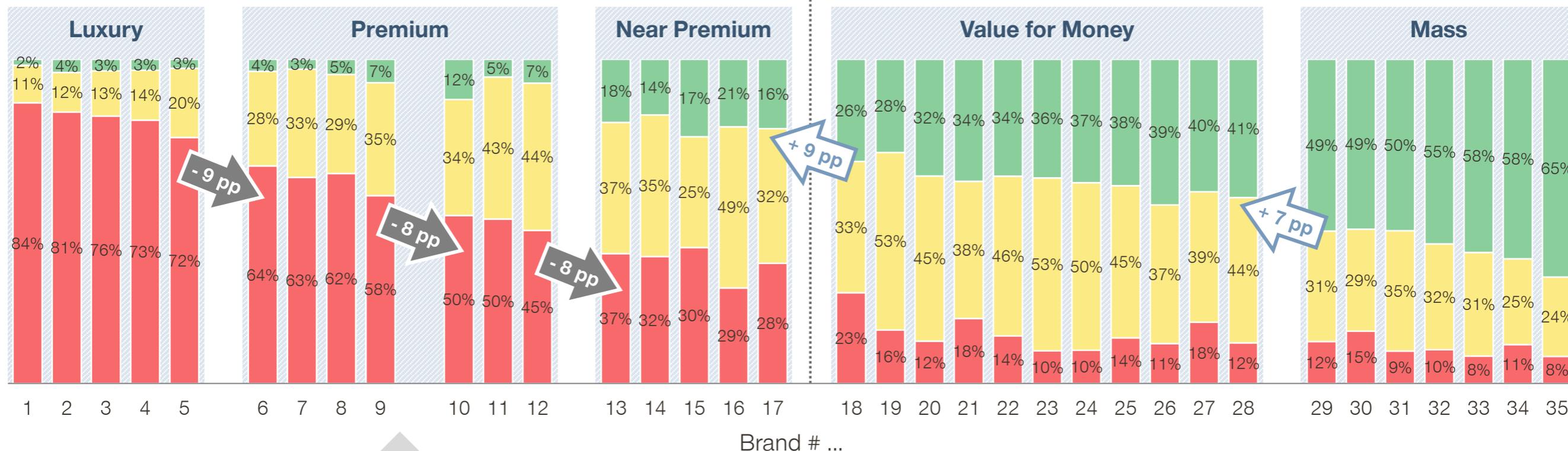


Consumer Price Perception of Brands

N = 1014

- Sorted by expensive % -

- Sorted by cheap% -



A significant jump can be seen within the «Premium» group

! Based on consumers' jumps in price perception, it is possible to identify five segments of OEMs.

Too expensive that the car cannot be purchased Expensive but can be purchased The price of the car is at a purchasable level

Source: Simon-Kucher & Partners; Automotive Research Survey Nov. - Dec. 2020, Q17: Araba modelinden bağımsız olarak lütfen aşağıdaki markaların sizin gözünüzdeki fiyat imajını belirtiniz;

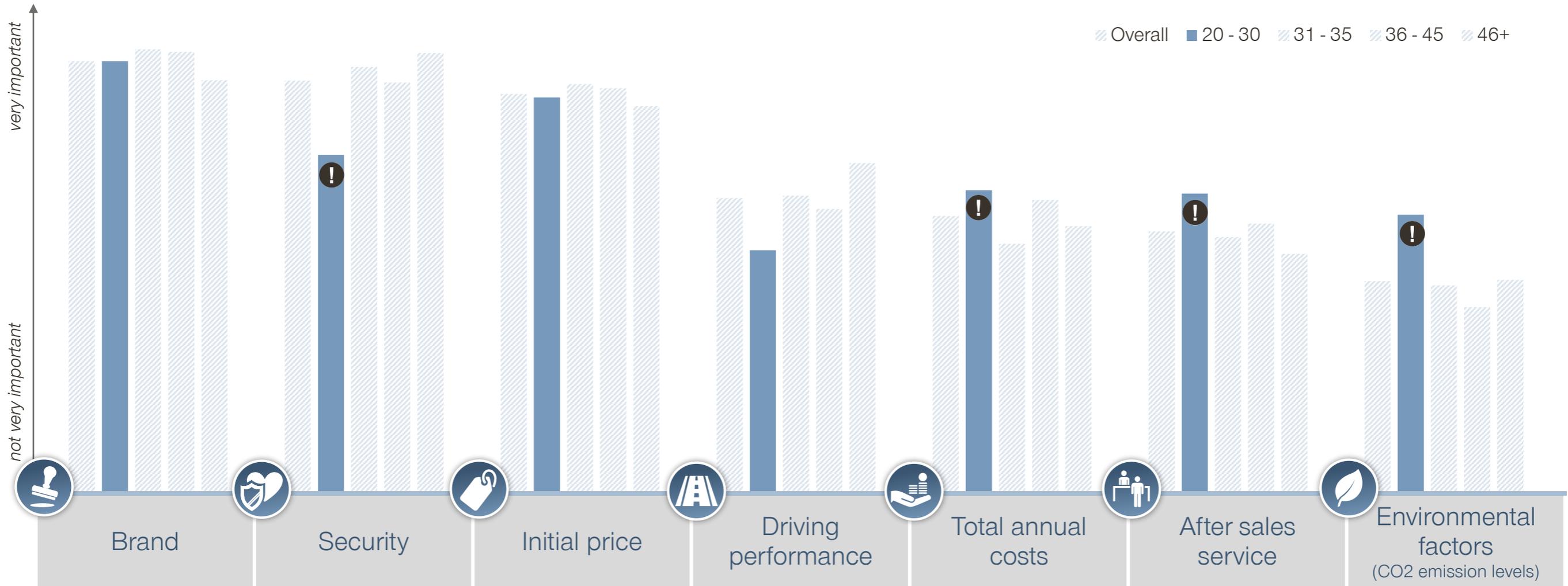
SUV drivers expect a better brand image than others and security becomes a significantly less important criteria, due to the nature of an SUV car



Source: Simon-Kucher & Partners Automotive Research Survey Nov. – Dec. 2020, Q30: Bugün bir otomobil alacak olsanız nasıl veya nereden satın almayı tercih ederiniz?, Q31: Bugün bir otomobil alacak olsanız, "CEVAP Q26" alacağınızı söylediniz. Otomobil satın alırken aşağıdaki kriterlerden hangileri sizin için önemlidir?



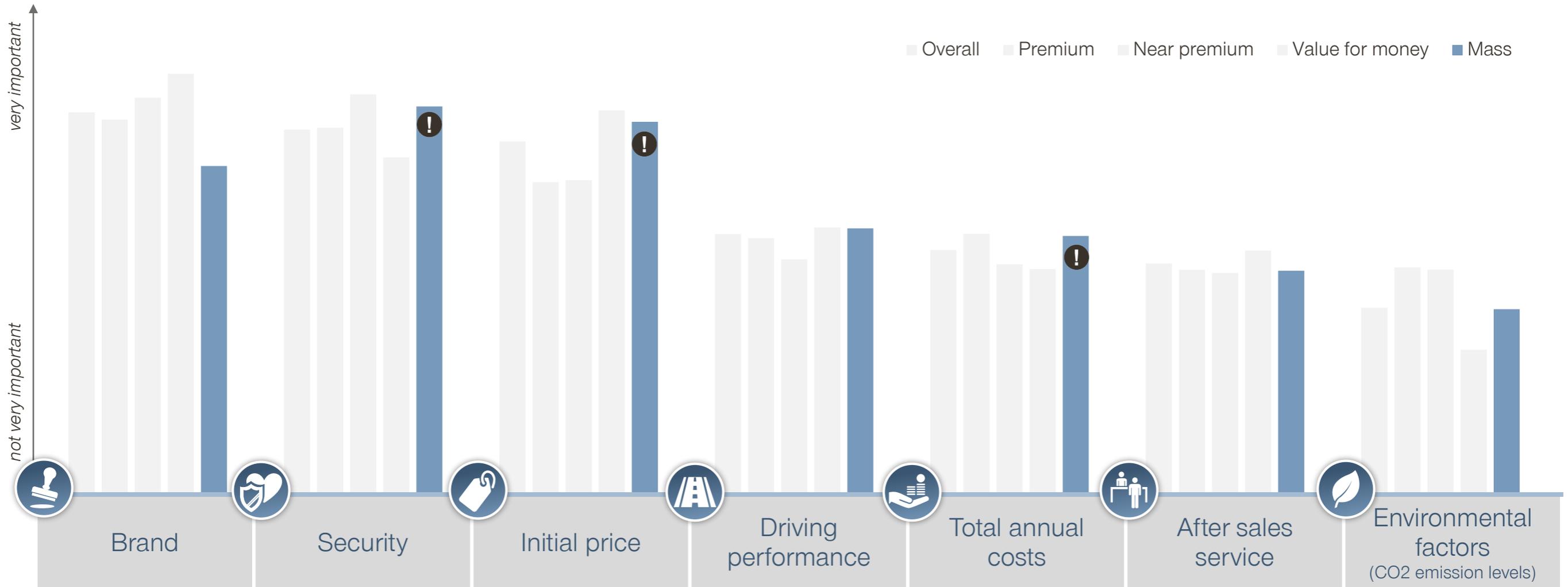
The young generation (20 – 30) gives less importance to security but more on total annual costs, after-sales service and environmental factors



Source: Simon-Kucher & Partners Automotive Research Survey Nov. – Dec. 2020, Q30: Bugün bir otomobil alacak olsanız nasıl veya nereden satın almayı tercih ederiniz?, Q31: Bugün bir otomobil alacak olsanız, "CEVAP Q26" alacağınızı söylediniz. Otomobil satın alırken aşağıdaki kriterlerden hangileri sizin için önemlidir?

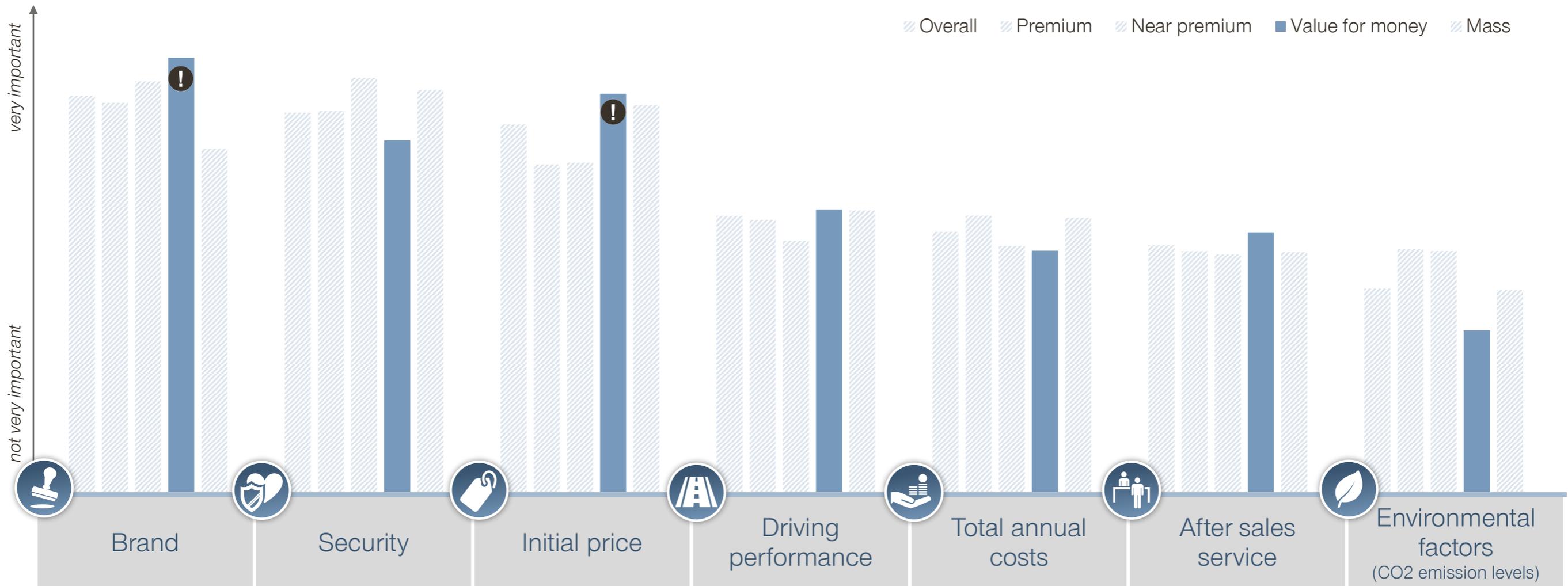


Mass drivers look for a cheaper and safer alternatives within its car segment



Source: Simon-Kucher & Partners Automotive Research Survey Nov. – Dec. 2020, Q30: Bugün bir otomobil alacak olsanız nasıl veya nereden satın almayı tercih ederiniz?, Q31: Bugün bir otomobil alacak olsanız, "CEVAP Q26" alacağınızı söylediniz. Otomobil satın alırken aşağıdaki kriterlerden hangileri sizin için önemlidir?

Value for money car owners pick the best available brand image that is already within their car segment

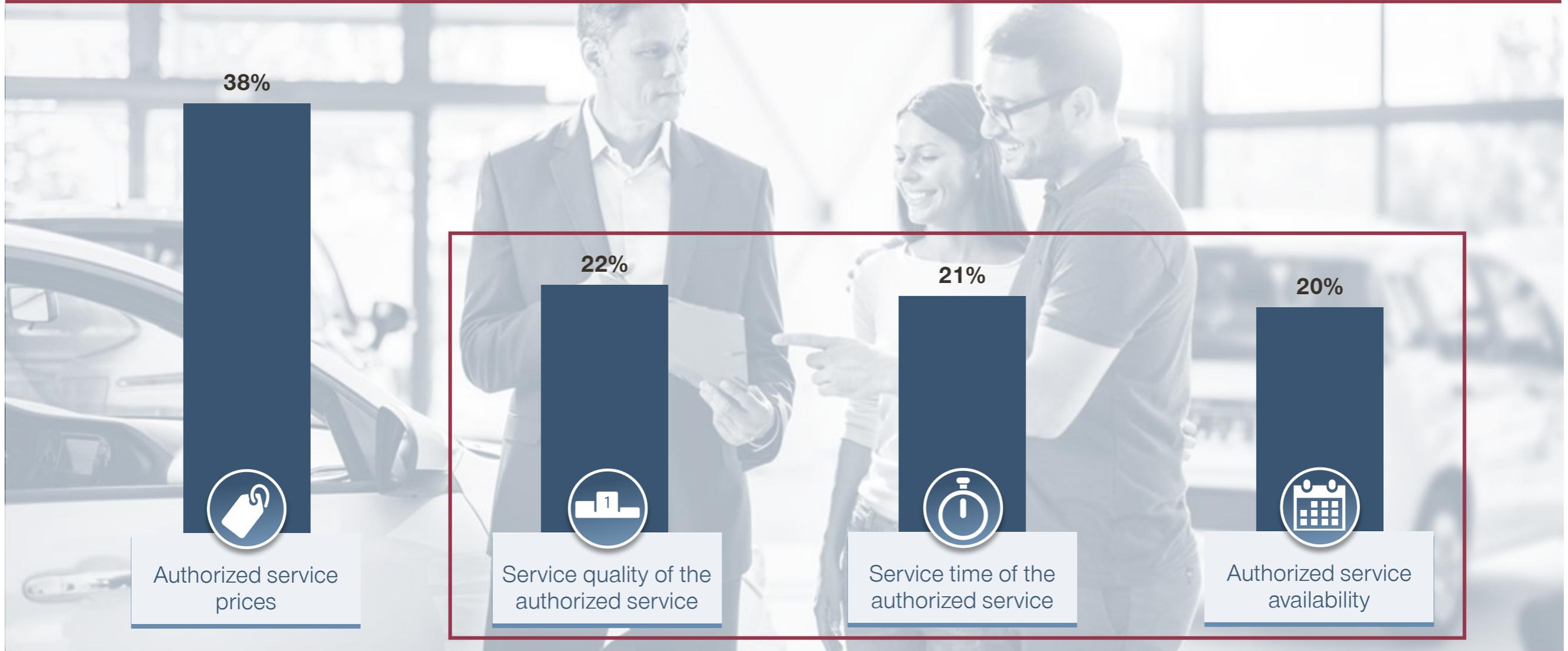


Source: Simon-Kucher & Partners Automotive Research Survey Nov. – Dec. 2020, Q30: Bugün bir otomobil alacak olsanız nasıl veya nereden satın almayı tercih ederiniz?, Q31: Bugün bir otomobil alacak olsanız, "CEVAP Q26" alacağınızı söylediniz. Otomobil satın alırken aşağıdaki kriterlerden hangileri sizin için önemlidir?



Service quality and duration play an important role in establishing relationships with customers during the service process

How effective are the following criteria in your decision **not to take your vehicle to the authorized service shops?**



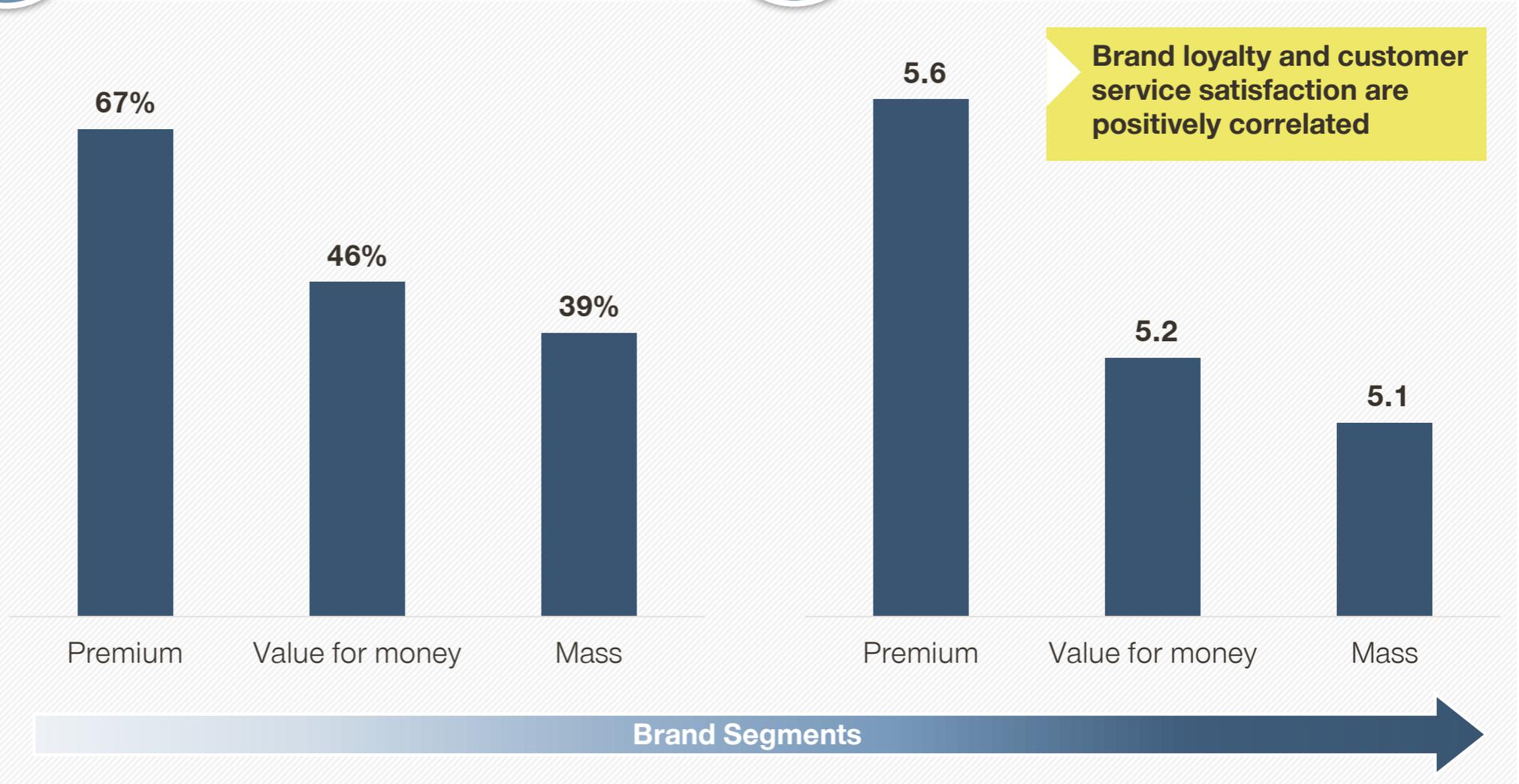
From premium to mass brand segments, both brand loyalty and customer service satisfaction decrease respectively



Customer Brand Loyalty Score (100 High Loyalty)



Customer Service Satisfaction Score for Brand Segments (7 High Satisfaction – 1 Low Satisfaction)



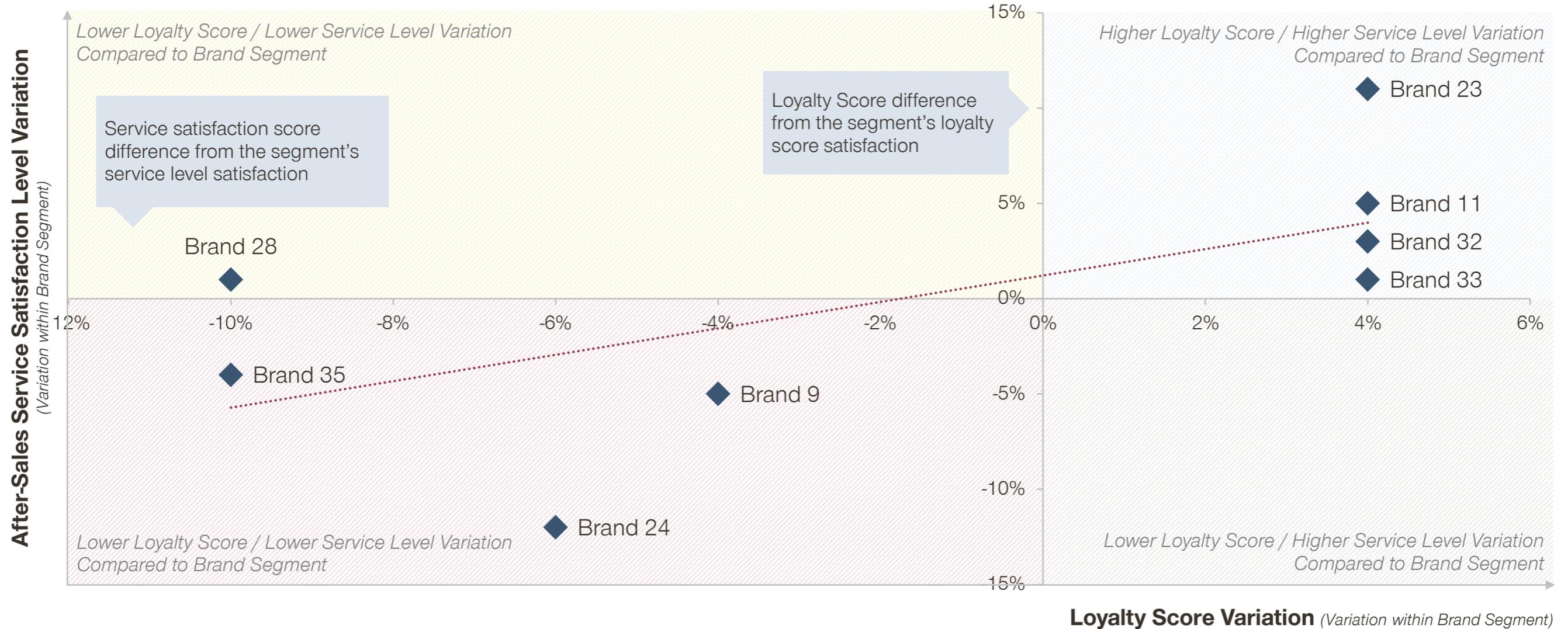


Better performing brands in after-sales service levels have better loyalty levels compared to other brands in their segments



After-Sales Service Satisfaction & Loyalty Score

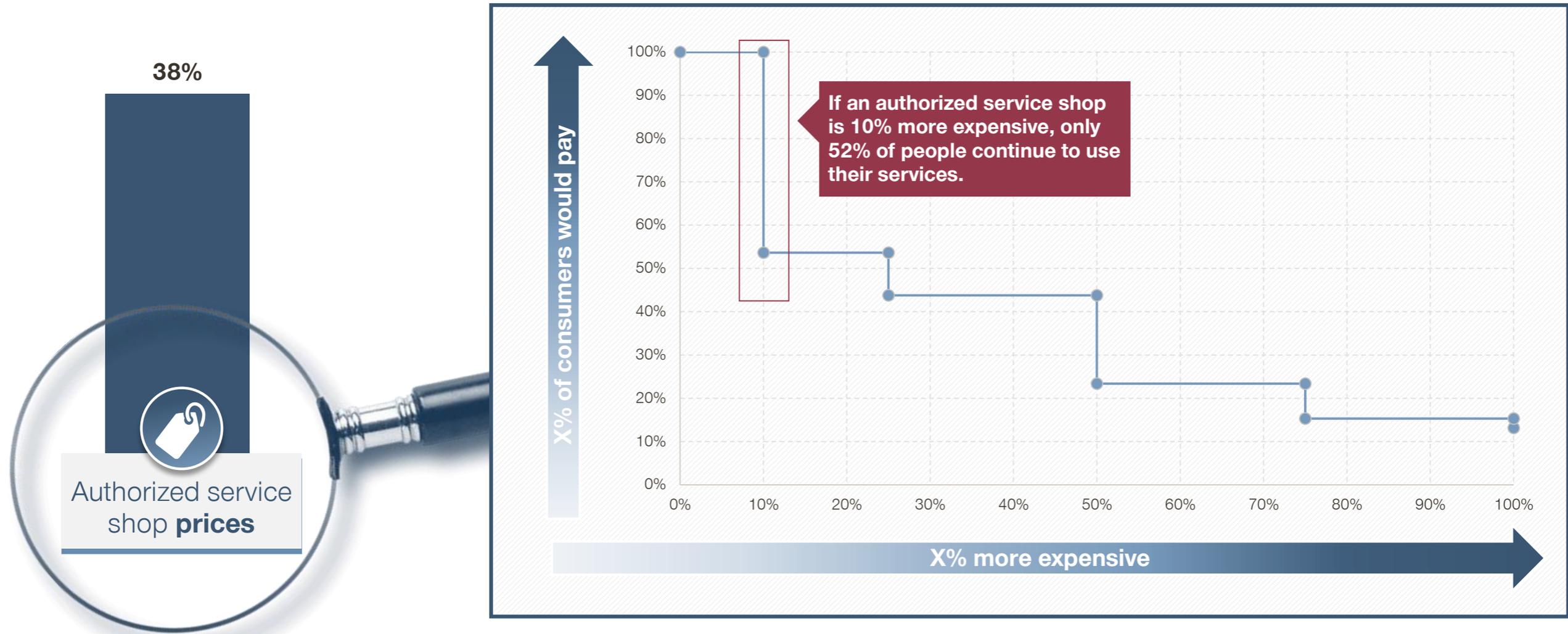
Within their brand segment, brands with **better after-sales services** have **higher loyalty scores**.





Price plays the most critical role in the customer's decision-making mechanism

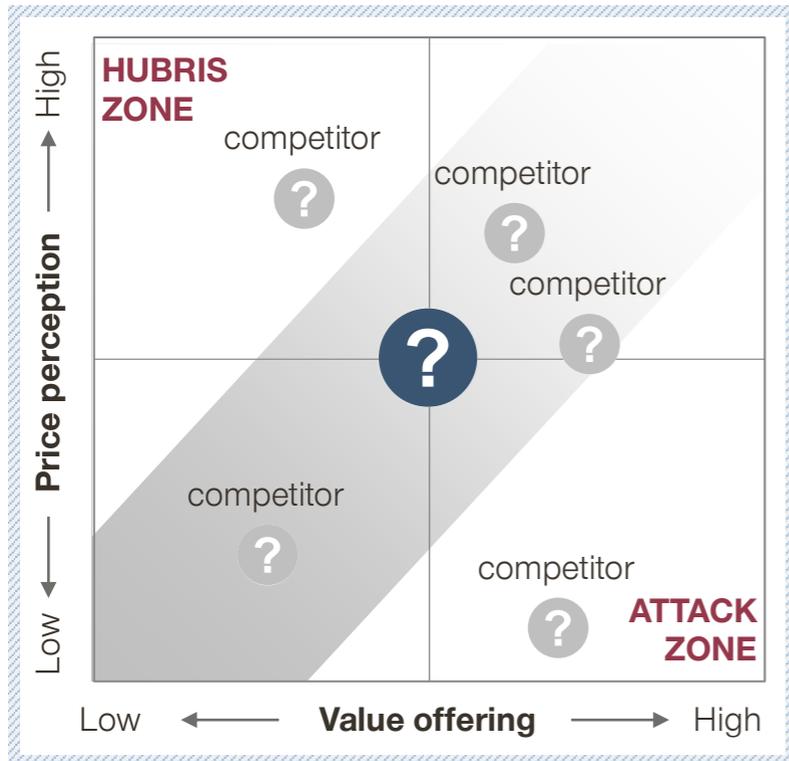
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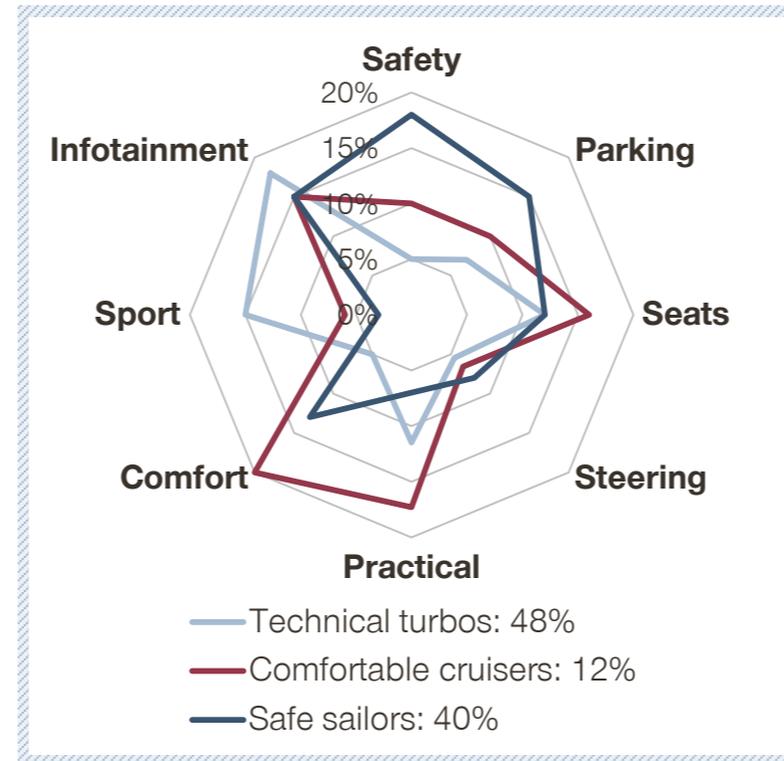


Understand where you are in the market, your customers and define your trim/pricing strategy accordingly...

Value Map



Customer Segmentation



Recommended Trim & Package structure

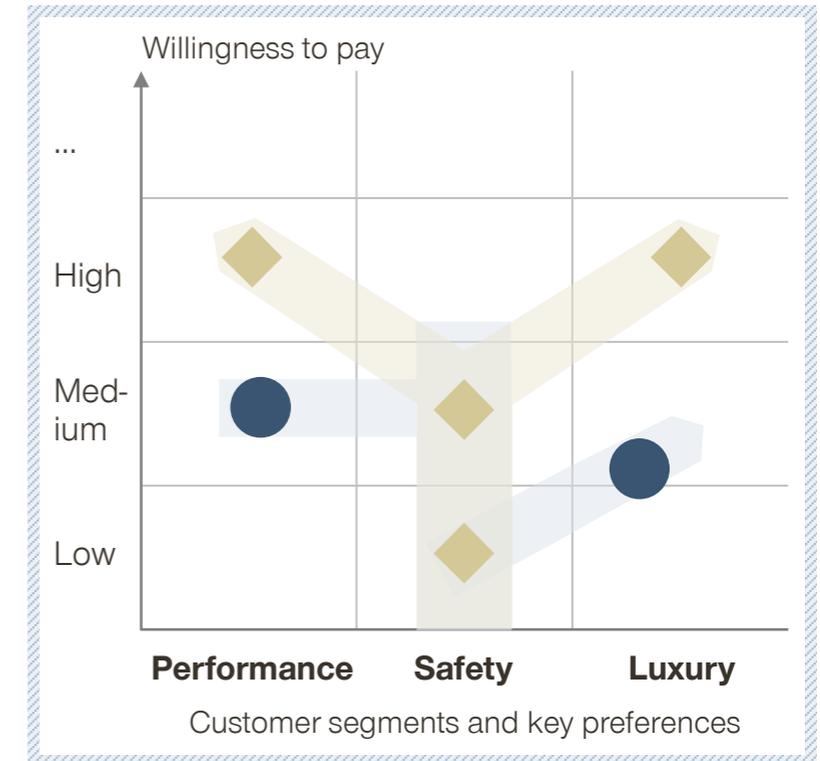


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- What are the main purchasing criteria, how do they differ?
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9 – 28



Future of the Products

- How will the interest into EV's will evolve?
- What are the important factors that will determine its penetration?
- What will be the new revenue streams with the evolving technologies?

29 – 43



Future of Omnichannel and Customer Engagement

- How should the customer experience needs to be evolved?
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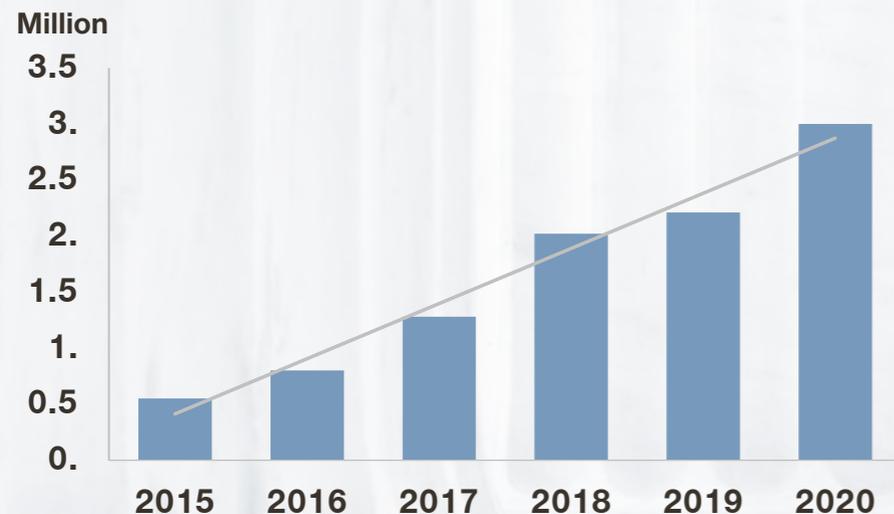


Global electric vehicle sales are already growing at rapid pace, and are expected to grow even faster

Global Benchmark

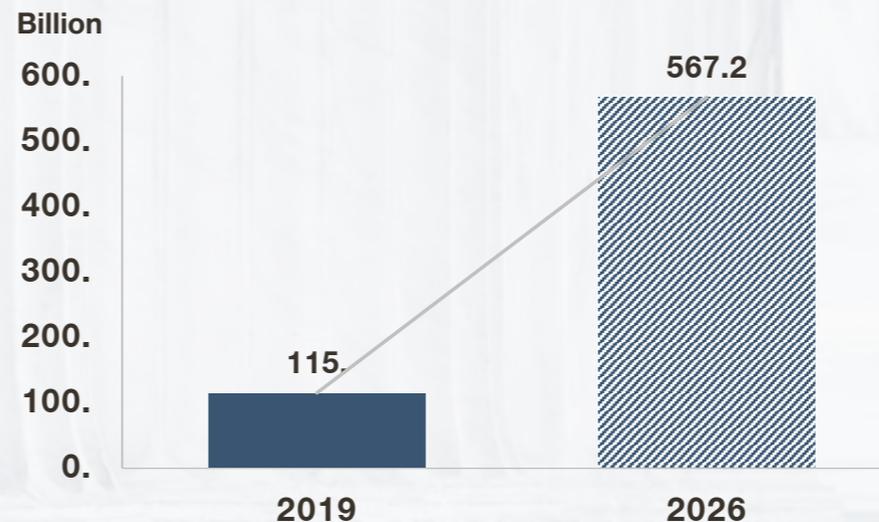
Plug-in electric light vehicle sales worldwide 2015-2020

Global plug-in electric light vehicle sales from 2015 to 2020 (in million units)



Size of the global market for electric vehicles in 2019 and 2026

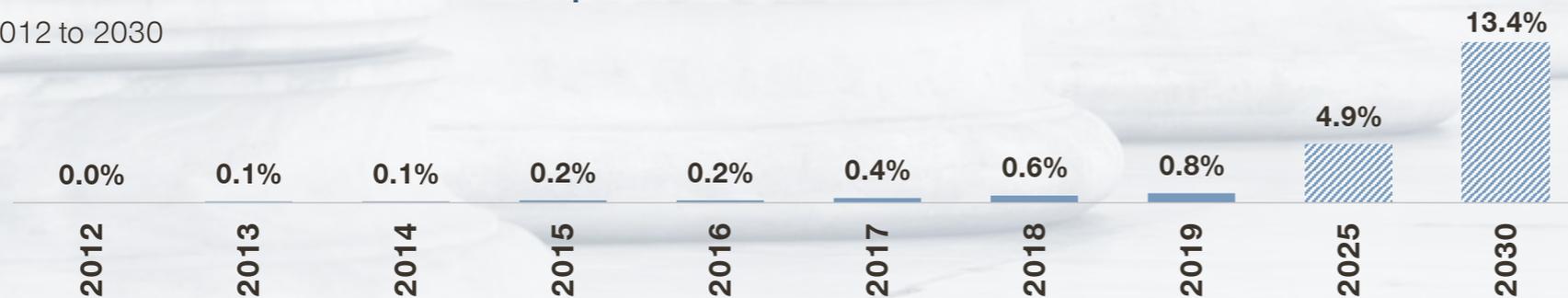
Revenue in billion U.S. dollars



- In 2020, electric light vehicle sales worldwide broke a record with 3 million units!
- An even greater growth is expected in the coming years in terms of revenue and electric vehicle share.

Electric car share in IEA's* Sustainable Development Scenario

From 2012 to 2030



* IEA: International Energy Agency

Source: Simon Kucher & Partners / <https://www.iea.org/data-and-statistics/charts/electric-car-share-in-the-sustainable-development-scenario-2000-2030>, <https://www.statista.com/statistics/271537/worldwide-revenue-from-electric-vehicles-since-2010/>; <https://www.reuters.com/business/autos-transportation/global-ev-sales-accelerating-government-help-needed-iea-2021-04-29/>

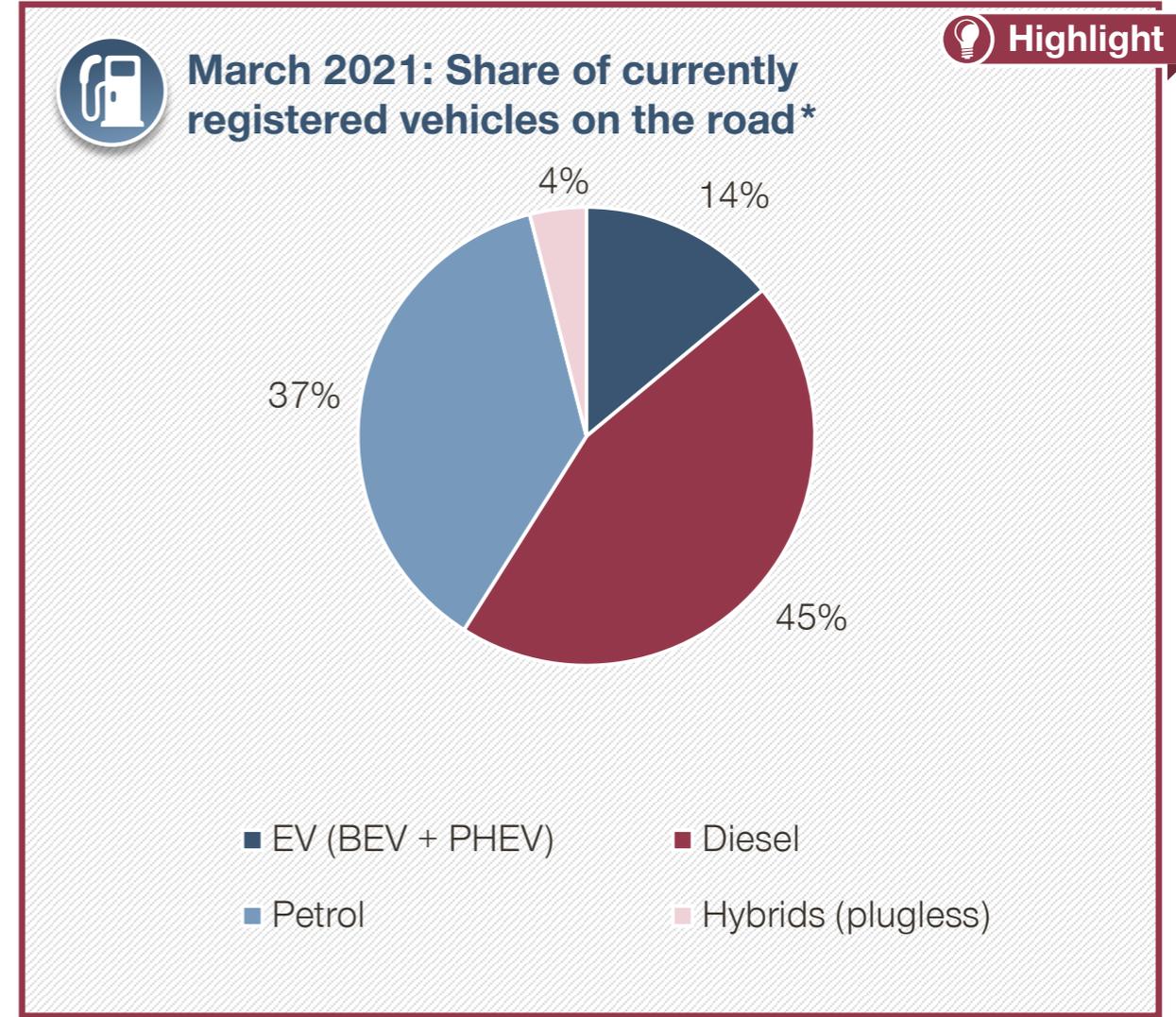
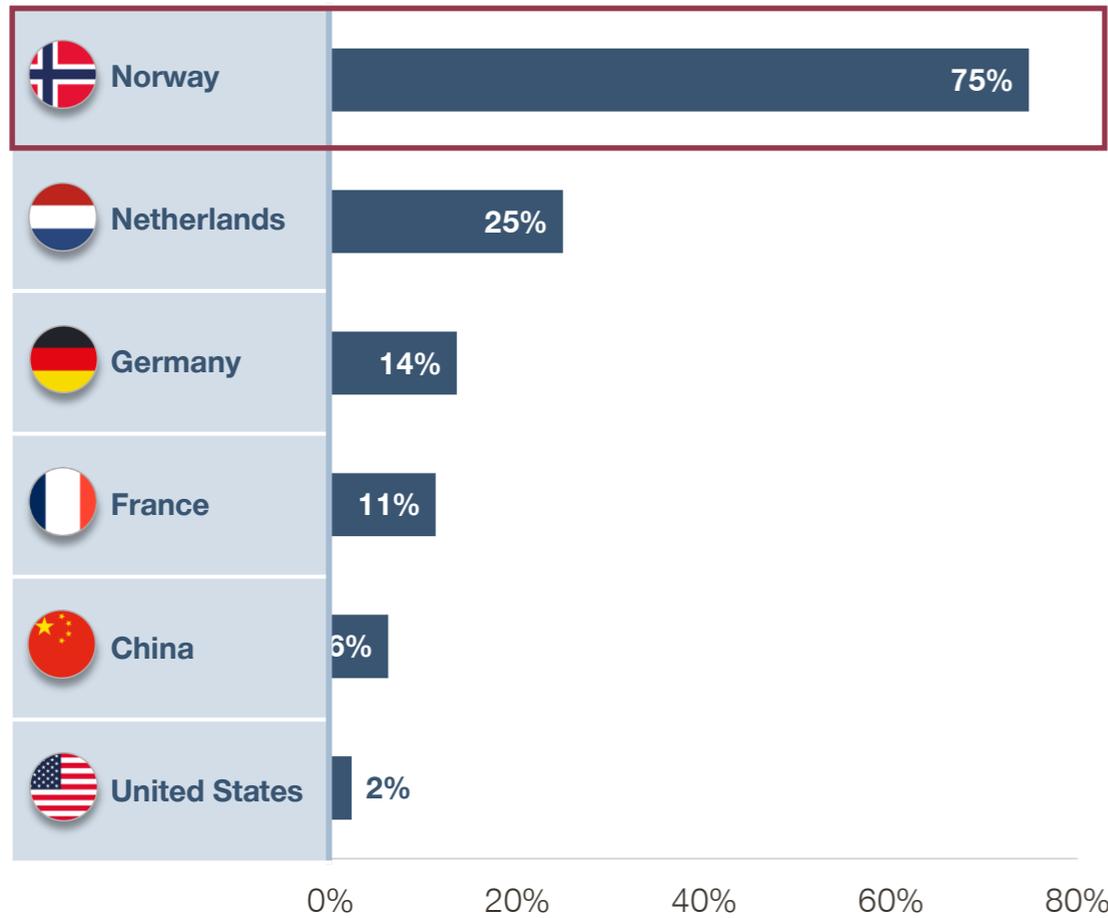


In Norway: 75% of the vehicles sold in 2020 were EVs and EVs make up 14% of the current cars on the road

Global Benchmark



Electric vehicles sales as a share of new vehicle sales in selected markets in 2020



Highlight

Source: Simon Kucher & Partners, OFV, Share of Vehicles on the Road; <https://ofv.no/>, EV Sales in 2020: <https://www.statista.com/chart/17344/electric-vehicle-share/>; *: Other fuel types like hydrogen have been excluded from analysis.



More than half of consumers are interested in EVs; and charging related concerns are the most important mind changers



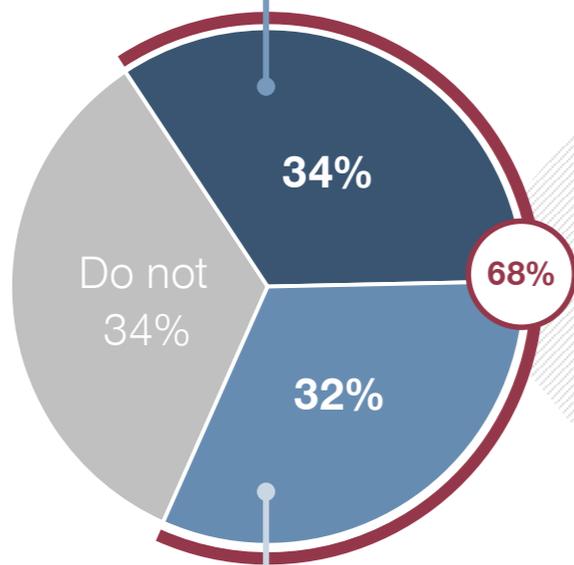
Turkey's Road to Vehicle Electrification

Compared to global benchmarks, Turkey has a **long way to go** in the **adoption of Electric Vehicles**, survey results can shed a light on the path Turkey will take by helping understand **consumer behavior** and **expectations**.

EV or Hybrid Consideration

N=1014

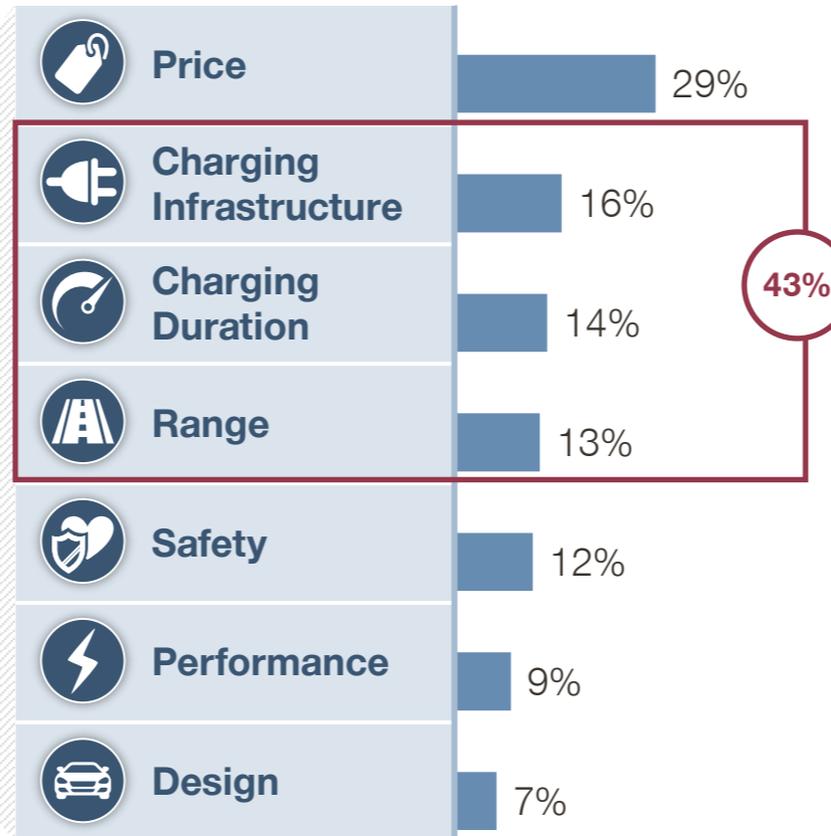
I am willing to pay more for a more environmentally-friendly vehicle if it has the same standards as my current vehicle



I am willing to have fewer accessories and less equipment and software if it is more environmentally friendly

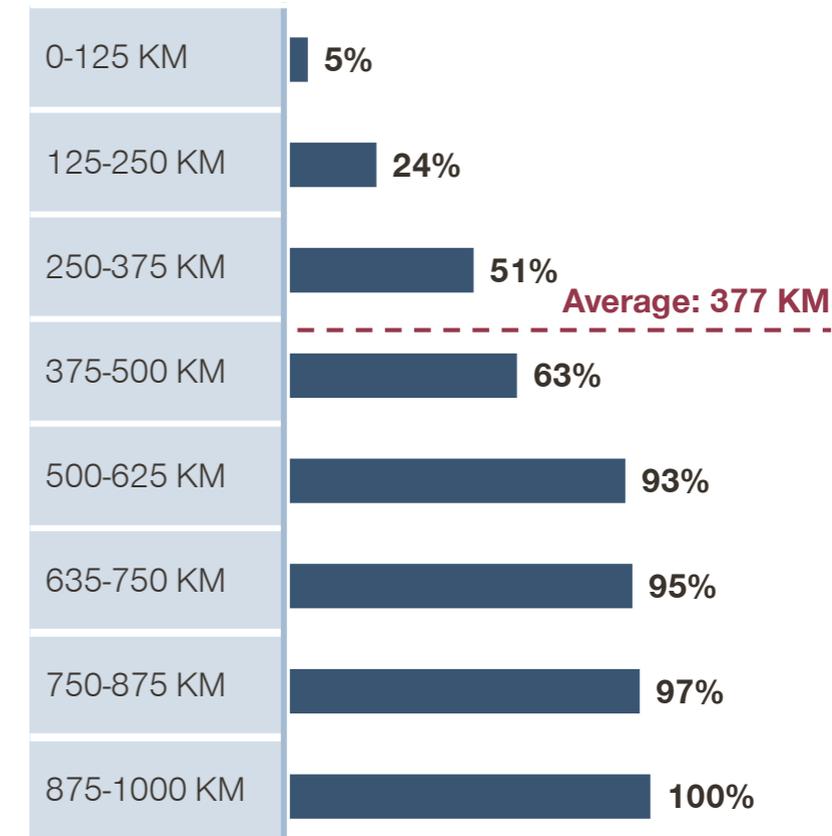
Criteria for considering EV

N=668



Expected Range

N=668

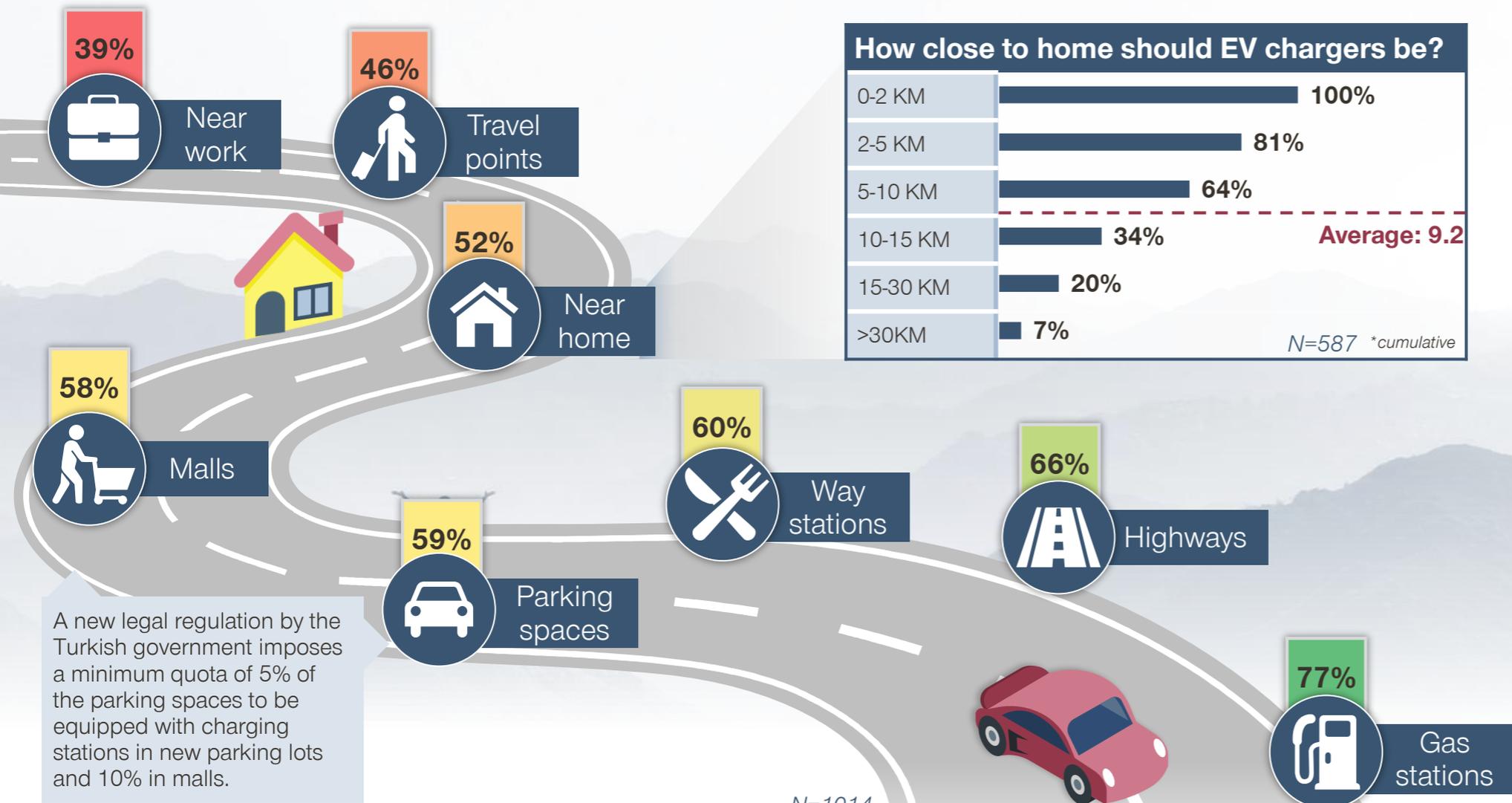


Source: Simon-Kucher & Partners; Q44: Aşağıdaki ifadelerden hangisi sizin bu konudaki fikrinizi en iyi yansıtıyor?; Q46: Bir sonraki otomobil satın almanızda elektrik motorlu bir araç satın almayı düşündüğünüzü varsayalım. Elektrikli bir otomobil satın alırken aşağıdaki kriterler sizin için ne kadar önemlidir? ; q47: Bu aracın menzili sizce kaç kilometre olmalıdır?; q53: Bir sonraki otomobil satın almanızda elektrik motorlu bir araç satın almayı düşünmediğinizi varsayalım. Elektrikli bir otomobil satın alma kararınızda aşağıdaki kriterler ne kadar etkilidir?; TEHAD



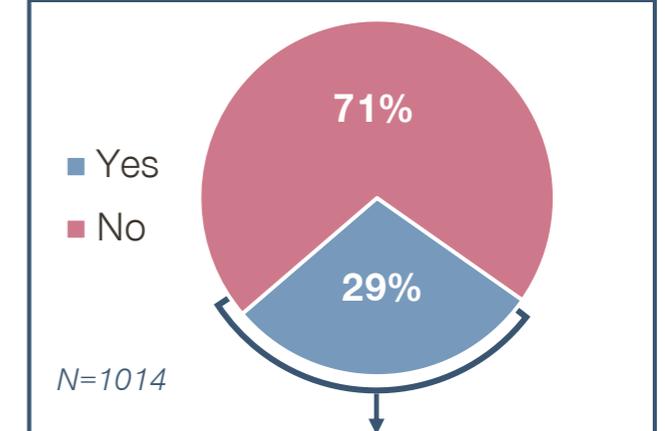
Additionally, there is a strong belief that current EV charging infrastructure is underdeveloped and consumers expect additional chargers on their commute

Where do consumers expect to see EV chargers?

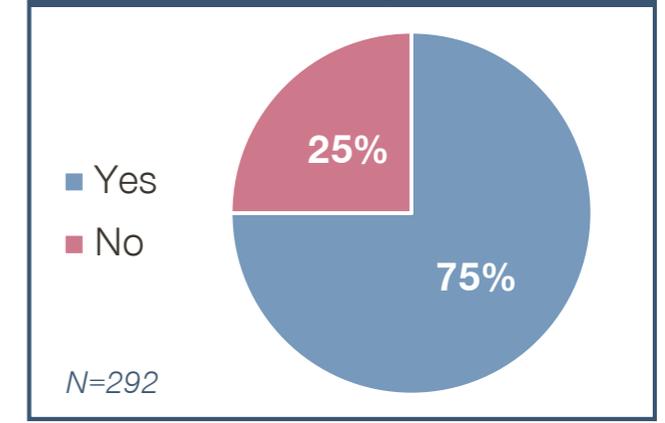


A new legal regulation by the Turkish government imposes a minimum quota of 5% of the parking spaces to be equipped with charging stations in new parking lots and 10% in malls.

Do you think there are enough EV chargers for daily use?



Do you think there are enough EV chargers for long trips cross-country?



Source: Simon-Kucher & Partners; q48: Lütfen elektrik motorlu bir araç satın almayı planladığınızı düşünün. Aracınızı şarj edebileceğiniz istasyonların nerelerde olmasını beklersiniz?; q49: Evinize/iş yerinize yakın herhangi bir yerde şarj istasyonu olmasını beklediğinizi belirtiniz. Sizce bu istasyonlar evinize en fazla kaç kilometre mesafede olmalıdır?; q50/51: Mevcut şarj istasyonları altyapısını rutin ihtiyaçlarınız için yeterli buluyor musunuz?



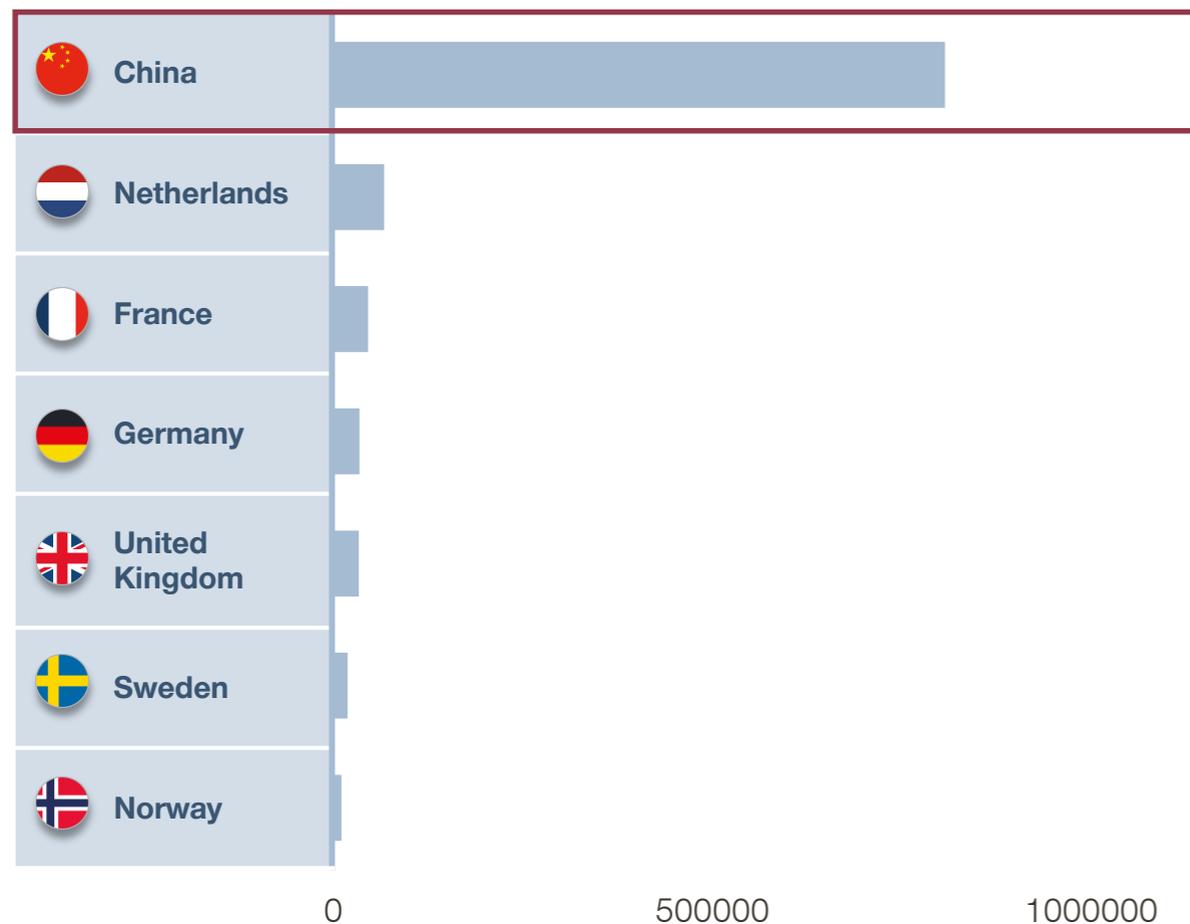
Compared to other countries, China has built up an incredible amount of public Electric Vehicle chargers

Global Benchmark



Public EVSE chargers by country, 2020

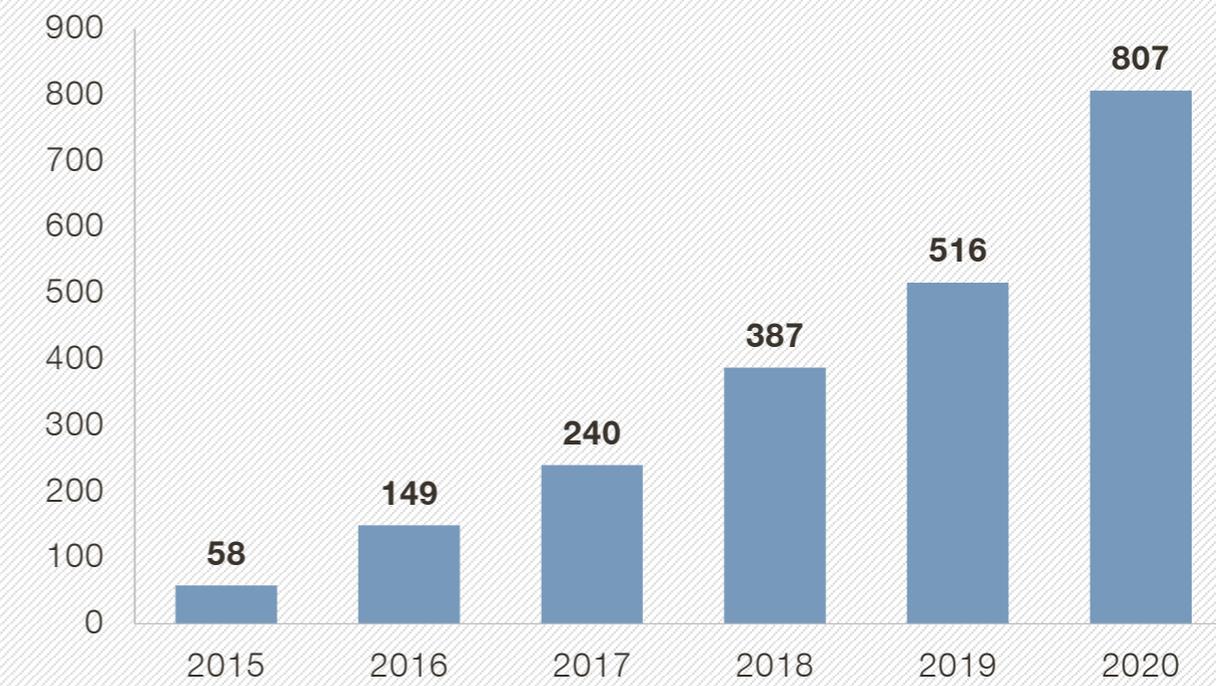
Number of publicly available electric vehicle chargers (EVSE) in 2020,



Highlight

Public electric vehicle charging pole number in China 2015-2020

Total number of electric vehicle charging stations in China from 2015 to 2020 (K Units)



Source: Simon Kucher & Partners, <https://www.statista.com/statistics/993121/china-public-electric-vehicle-charging-station-number/>, [https://www.eafo.eu/countries/european-union/23640/summary/compare](https://www.statista.com/statistics/993121/china-public-electric-vehicle-charging-station-number/#:~:text=In%202020%2C%20there%20were%20over.stations%20in%20the%20previous%20year.,https://www.eafo.eu/countries/european-union/23640/summary/compare)



The Chinese car makers are riding the waves of electrification



Top 25 car makers by market cap (truncated)



1	Tesla		837.08	
2	Toyota		204.12	
3	Volkswagen		104.27	
4	BYD		99.67	
5	NIO		94.02	
11	Great Wall Motor		51.25	
13	Evergrande		47.71	
16	SAIC		41.66	
17	Geely		40.72	
18	Xpeng		38.51	
20	Li Auto		29.17	
25	Changan		13.29	



Among Top 25...

- ✓ Pure EV players account for **48%** of market cap
- ✓ **9** are Chinese carmakers, out of which
- ✓ **4** are pure EV players



Chinese brands own the domestic EV market in China



Top 10 EV models by sales volume in China 2020 full year

Make	Model	Sales Volume	Country of origin
Tesla	Model 3	137,459	
Wuling	Hongguang Mini EV	120,106	
GWM	Ora R1	46,774	
GAC	Aion S	45,626	
BYD	New Qin EV	41,219	
Chery	eQ	38,249	
Li Auto	ONE	32,624	
BYD	Han EV	28,772	
Nio	ES6	27,945	
BMW	5 Series PHEV	23,433	

- ❗ **Only two** foreign brands Tesla and BMW made it to the Top 10
- ❗ **A wake-up call** for German carmakers, which have been selling over **1/3** of their cars in China
- ❗ Last but not least, Chinese EV players are on their way to **Europe!**



EV of the year 2020 in China?





EV of the year 2020 in China!



Hongguang Mini EV

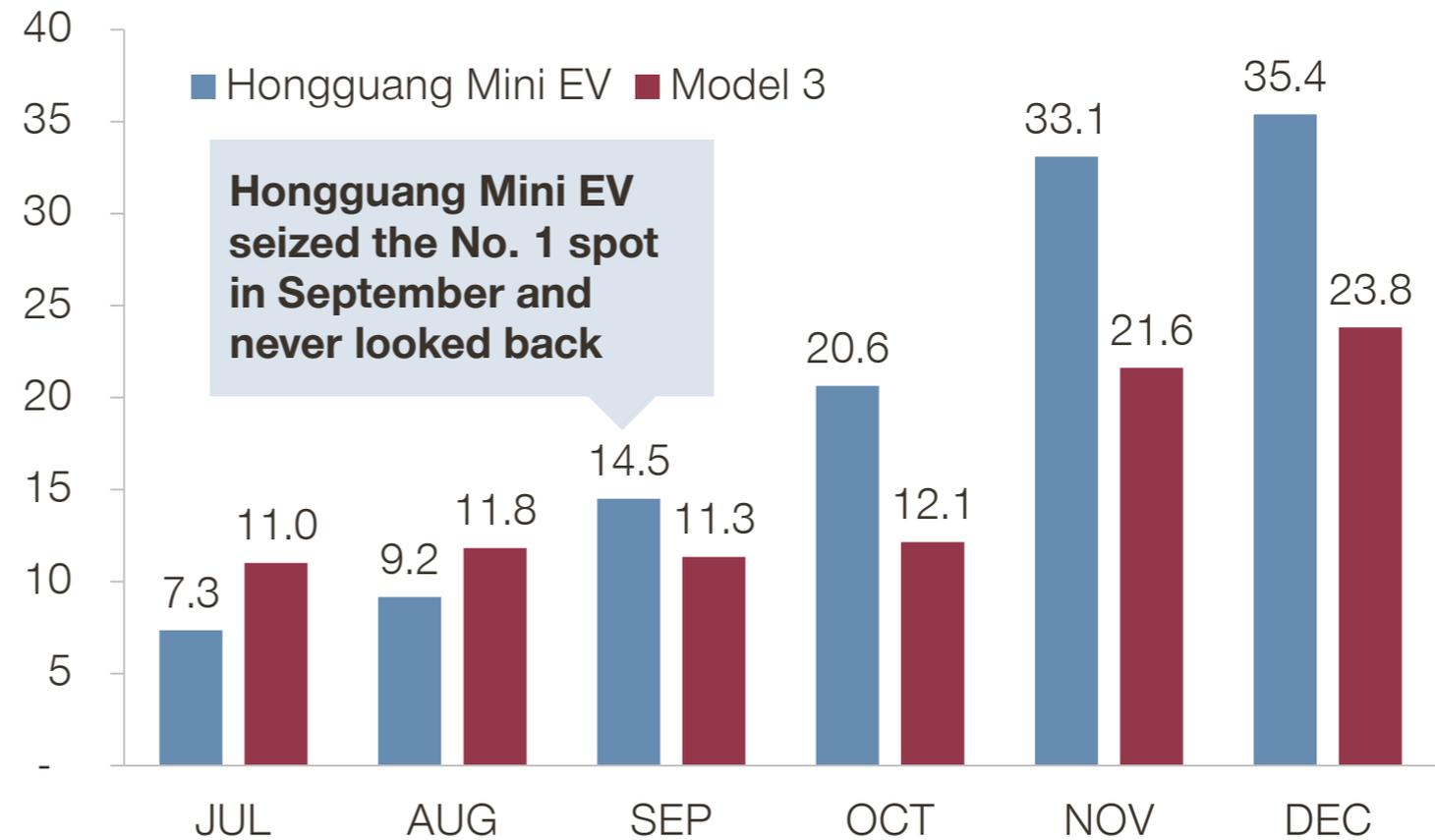


The Hong Guang Mini EV is coming to Europe. Nonetheless, given European environmental regulations, the price is estimated to be higher than in China...



Sales development of Hongguang Mini EV vs. Model 3 – 2020H2

Units sold in k on a monthly basis



✔ Full-electric, length **2.9m**, no-frills, battery **13.9kWh**, warranty **8 years**, free **24x7** roadside assistance

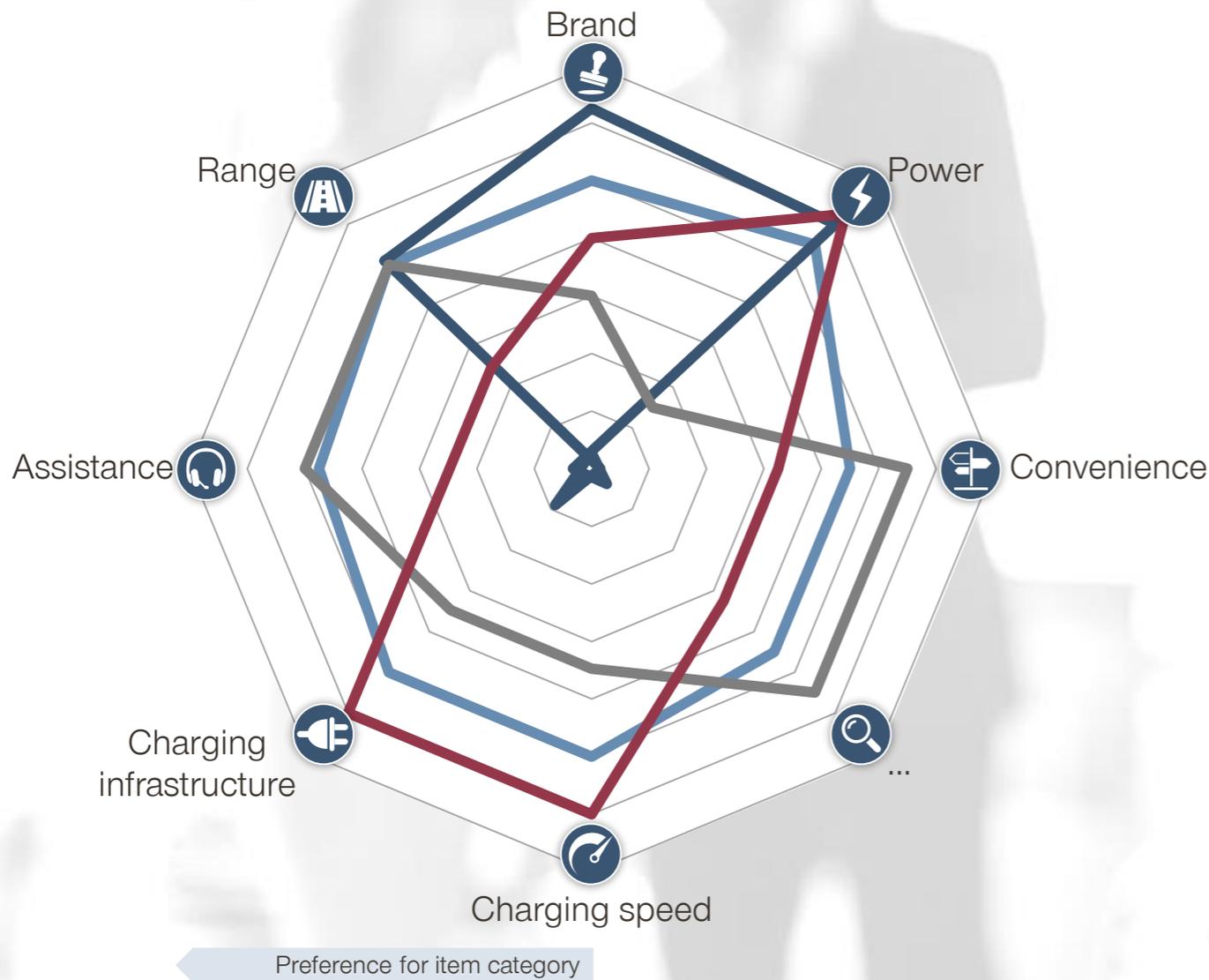
Source: desk research, Simon-Kucher & Partners



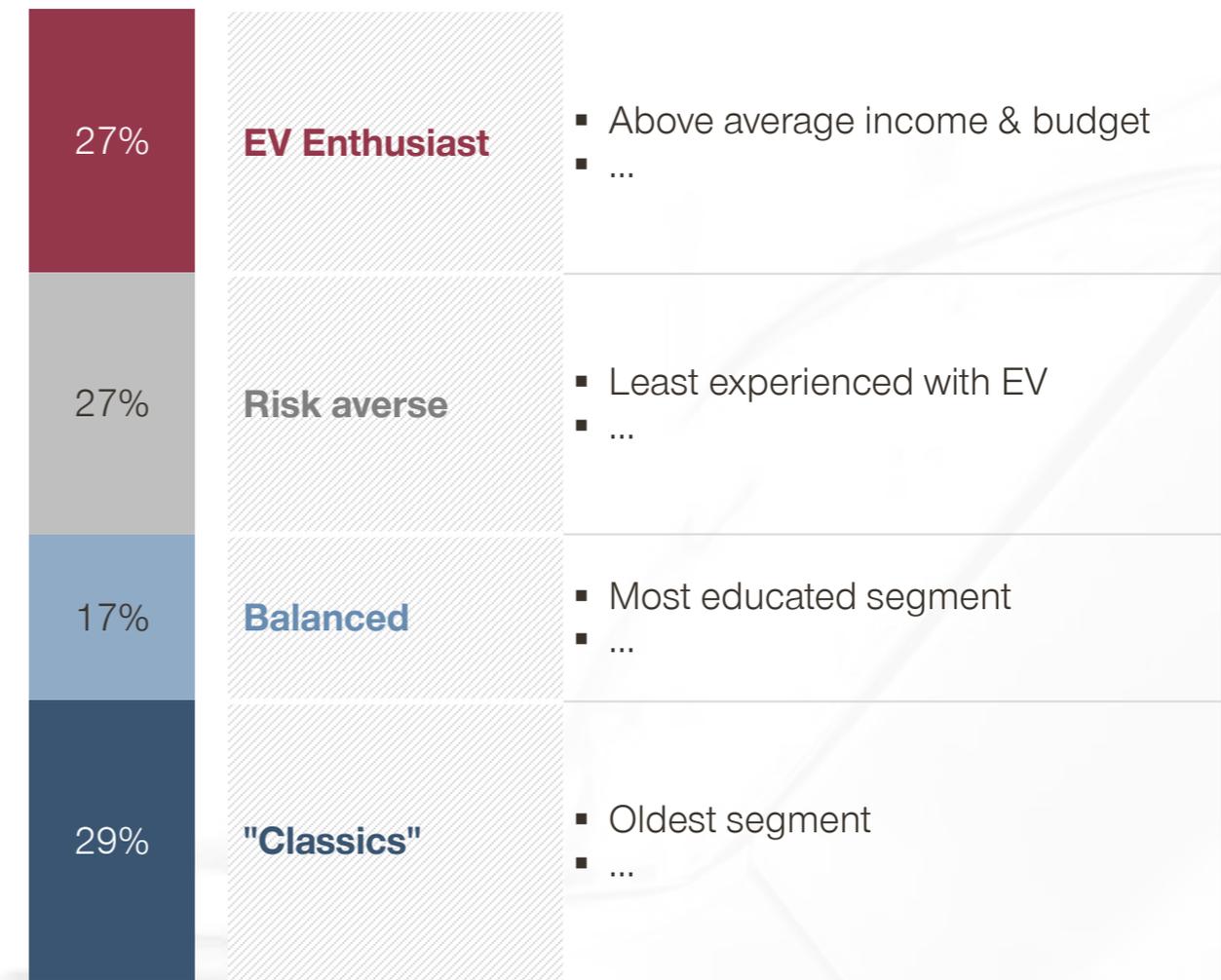
A successful EV market model needs to address new EV-related consideration drivers and resulting in new customer segments

Project Example

Customer segments C-Segment EV



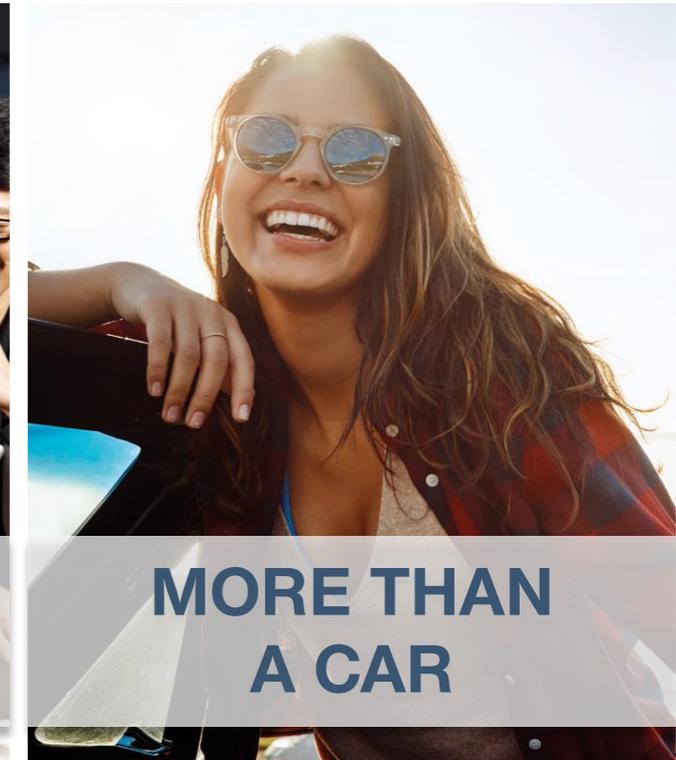
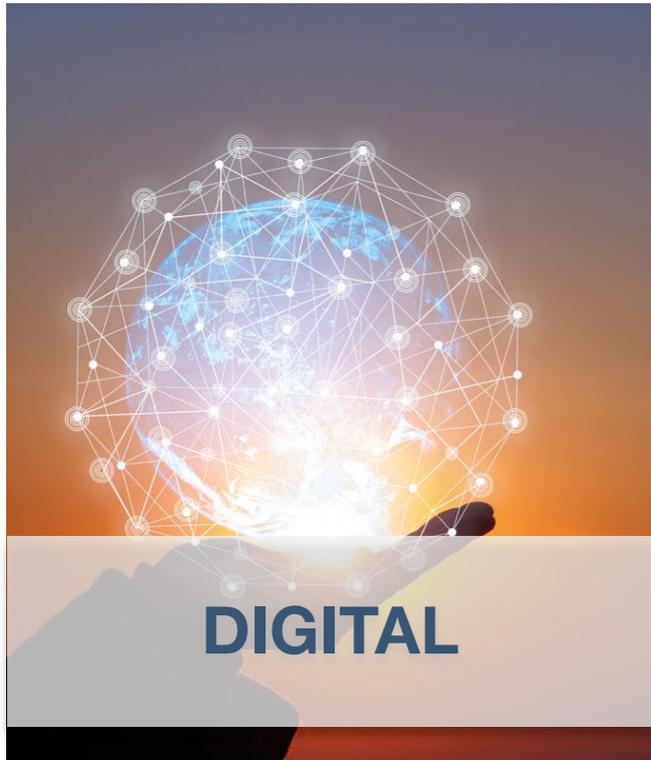
Segment shares



Source: Simon-Kucher & Partners; Note: Values modified for confidentiality reasons



What do the Chinese EV makers do differently in marketing and sales?



- **Everything** that can be digitalized is digitalized
- **Seamless** multi-platform integration
- **Location-based** service offerings

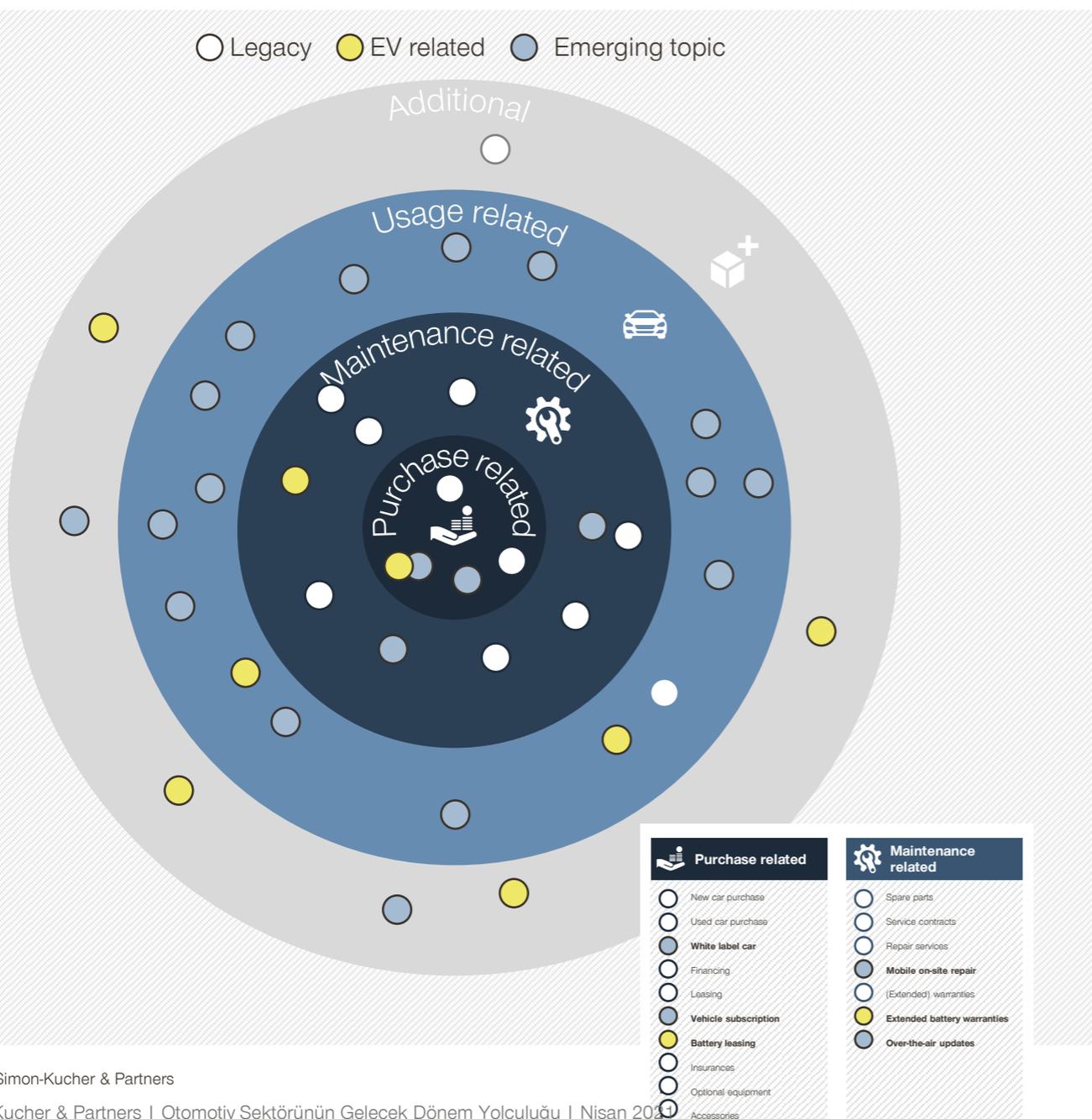
- Dedicated **CONSULTANT** instead of SALES REP
- **Highly personal** approach without being perceived **too pushy**

- **ACTIVE** fan communities with user generated content and **CONSTRUCTIVE CRITISM**
- **70%! sales** through word-of-mouth

- **“Accessories” redefined**
- Co-branding appealing to **Generation Z** without alienating the older
- Expected **greater CLTV** (Customer Lifetime Value)



Next to the core product, car companies should also look into business extensions through new (digital) revenue models...



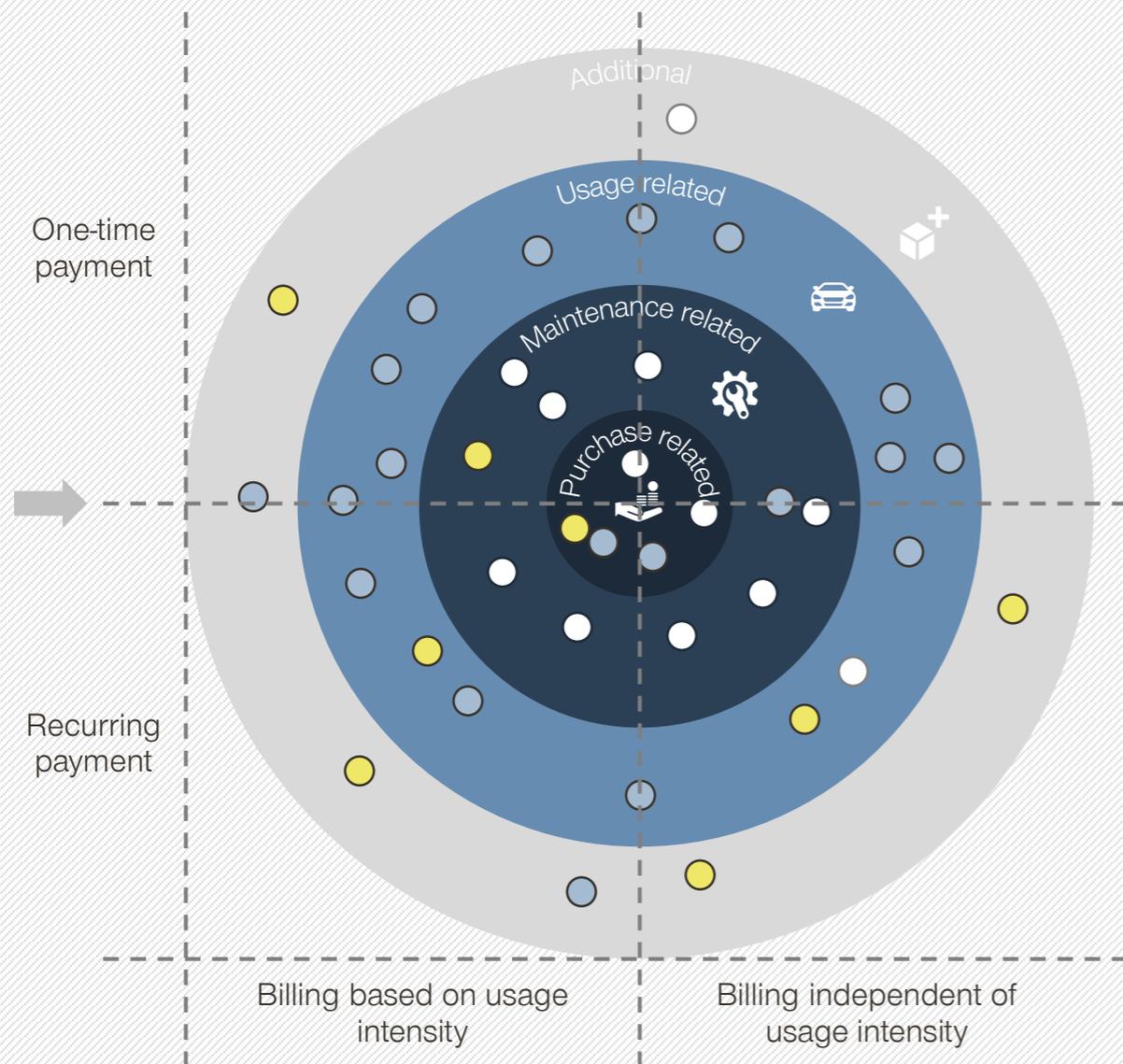
	Usage related	Additional
Physical	○ Parking services	○ Micro-mobility (e.g. e-scooter sharing)
	○ In-car delivery services	○ Credit card
	● Public charging stations	● Power supply (incl. solar)
	● Wallbox (incl. installation)	● Energy storage in car (based on bi-directional charging)
	○ Short time car rental	○ Merchandising products (e.g. textiles, wearables, ...)
	○ Car sharing	○ Lifestyle products (e.g. (E-)bikes, ...)
Digital	○ Ride sharing	○ Events (e.g. driving experiences, ...)
		○ Additional services at destination
	○ Connected services - Internal (real-time) apps and updates	○ Ride hailing
	○ Connected services - Remote services and diagnostics	○ Data monetization (e.g. data insight sales)
	○ Connected services - External device and network integration	● (Automatic) Payment services (e.g. for tolls, fuel/charging, ...)
	○ Connected services - Maintenance and assistance	
	○ Fleet services	
	○ In-car advertising/ head-unit as marketplace	
	○ P2P car sharing	
	○ Corporate car sharing	

Source: Simon-Kucher & Partners

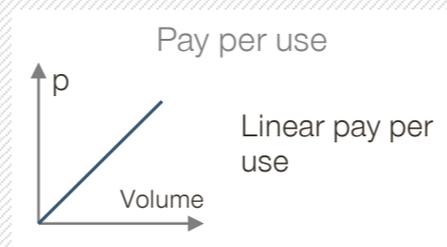


... and consider how chosen price models will influence value extraction across the entire product or service lifecycle

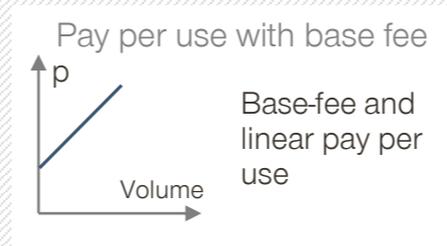
Typical existing patterns in the market



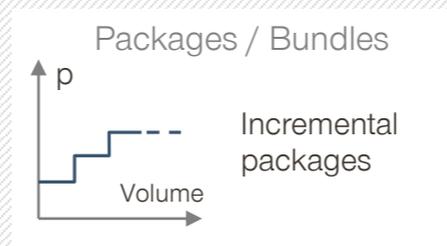
What price model to offer?



- Comes in many different shapes and configurations of the price curve
- Final price is directly related with the usage of the good provided



- Usage independent base fee
- Final price depending on combination of base-fee and usage



- Price for a combination of goods / value that is provided
- Predefined packages or a calculated price paid in retrospective
- Price not directly linked with usage of single units within package



- Price not connected to the actual usage of the good
- Unlimited usage of service or products possible

Usage-dependent price

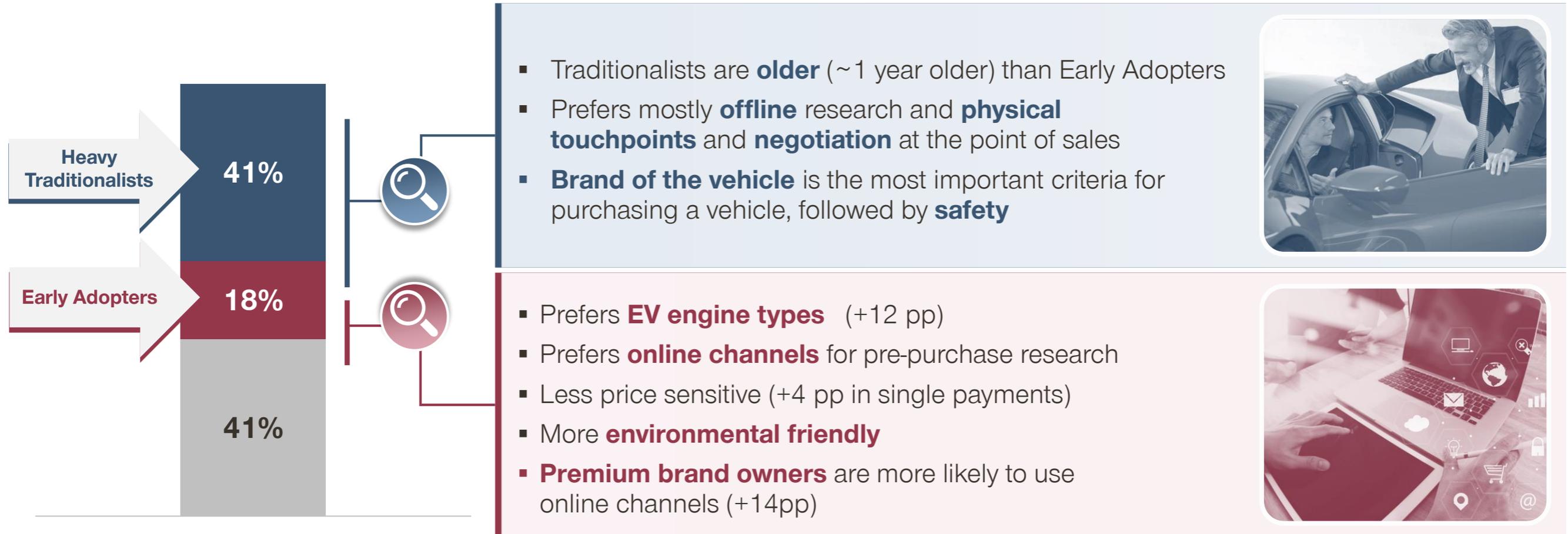
Usage-independent price

Table of contents

	<h3>Future of the Market</h3> <ul style="list-style-type: none"> ▪ How the market will evolve in terms of volume, body type and car segment? ▪ What are the main purchasing criteria, how do they differ? ▪ What is next for right pricing and trim line strategy? 	<p>9 – 28</p>
	<h3>Future of the Products</h3> <ul style="list-style-type: none"> ▪ How will the interest into EV's will evolve? ▪ What are the important factors that will determine its penetration? ▪ What will be the new revenue streams with the evolving technologies? 	<p>29 – 43</p>
	<h3>Future of Omnichannel and Customer Engagement</h3> <ul style="list-style-type: none"> ▪ How should the customer experience needs to be evolved? ▪ How the expectation for online sales develops? ▪ What are the next steps for increasing customer satisfaction and brand loyalty? 	<p>44 – 60</p>

To reach sustainable growth in these challenging conditions, OEMs cannot essentially turn to their conventional tool kit. They need to asses and review their strategic priorities, reprioritize their investments and develop new skills to execute these strategic objectives.

A growing share of the market is expecting an omnichannel experience

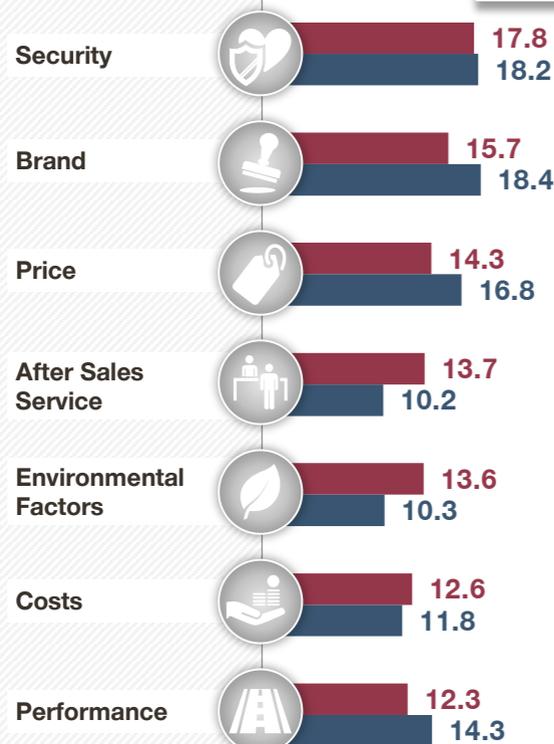


❗ It is becoming increasingly important for distributors to get to know their customers for omnichannel management

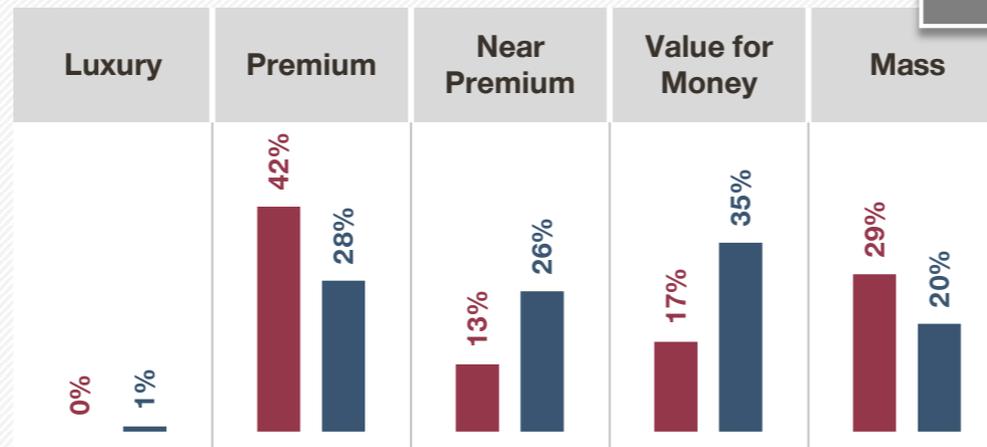
The Early Adopters segment pays greater attention to environment, service & TCO, less on more traditional aspects such as brand, price or performance



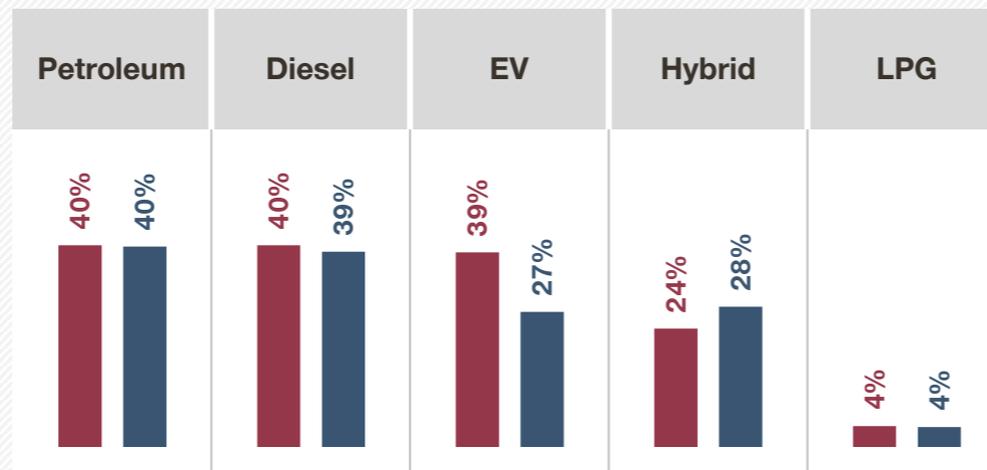
Purchase Criteria*



Current Car's Brand Segment*



Future Engine Type Consideration*



Early adopters constitutes **18%** of total market, however...

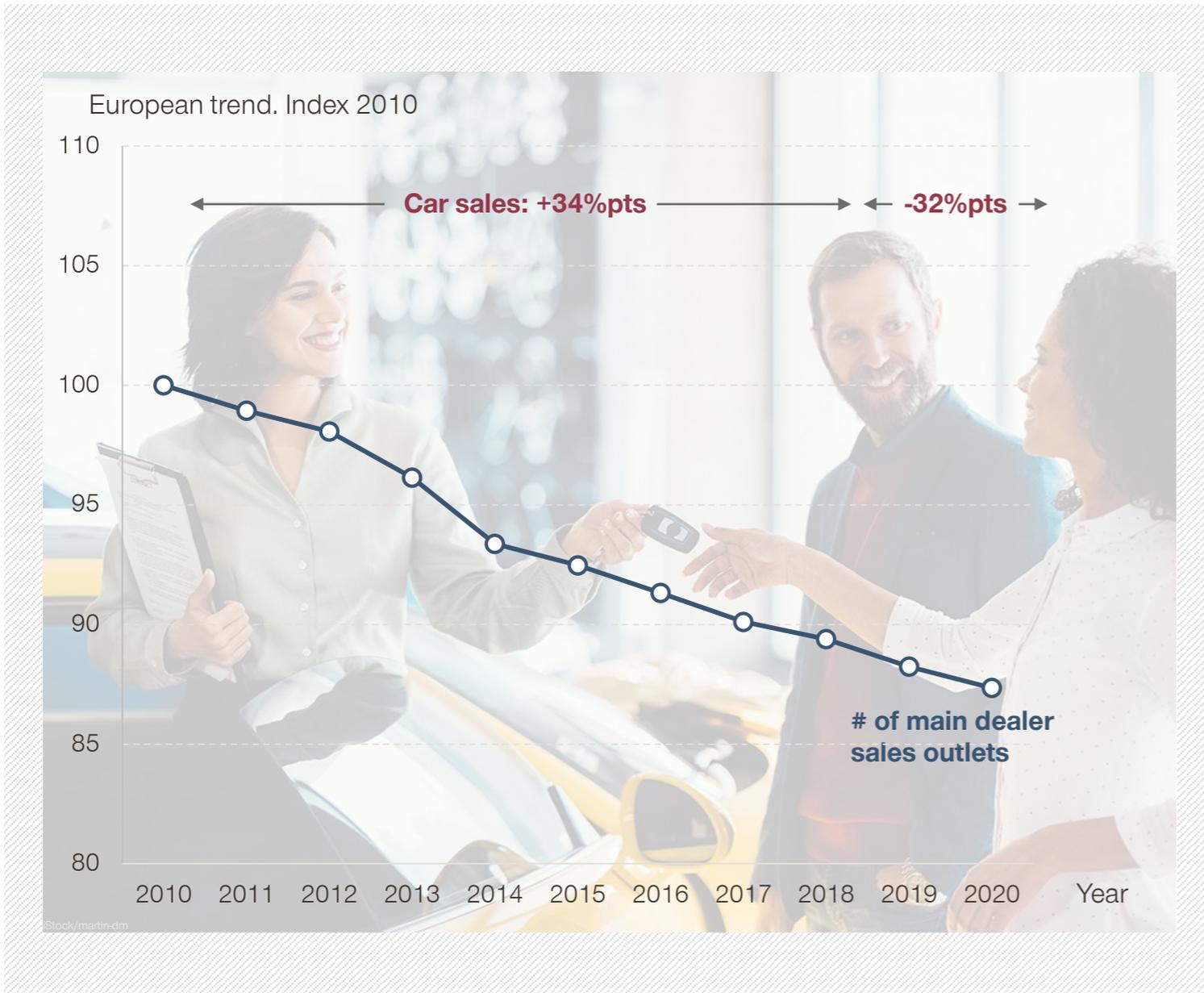
- **42%** of them are premium car owners
- EV preference is **50%** higher vs. heavy traditionalist

Early adopters...

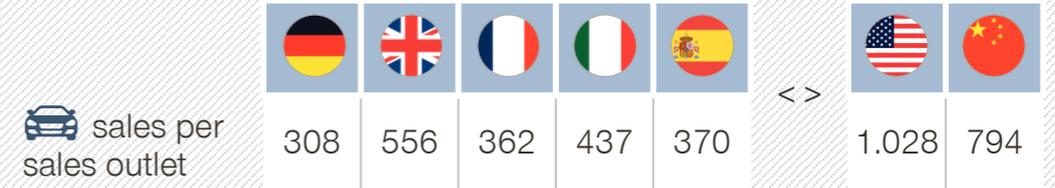
- Give **34%** MORE importance to aftersales vs. heavy traditionalist
- Give **32%** MORE importance to environmental factors vs. heavy traditionalist
- Give **15%** LESS importance to price vs. heavy traditionalist

« The **omnichannel customer journey** has even made its way into habits of heavy traditionalists, while it has been **warmly welcomed by Early Adopters** »

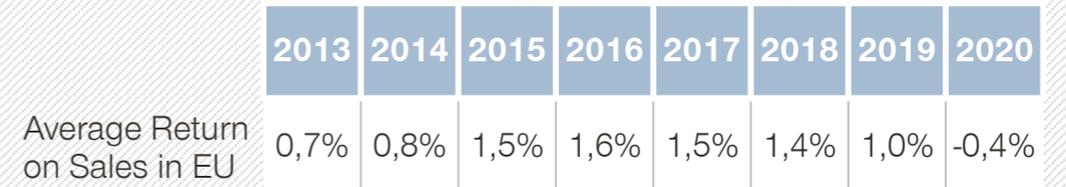
A consequence? Traditional car distribution is a model under threat



Too many too small dealers...



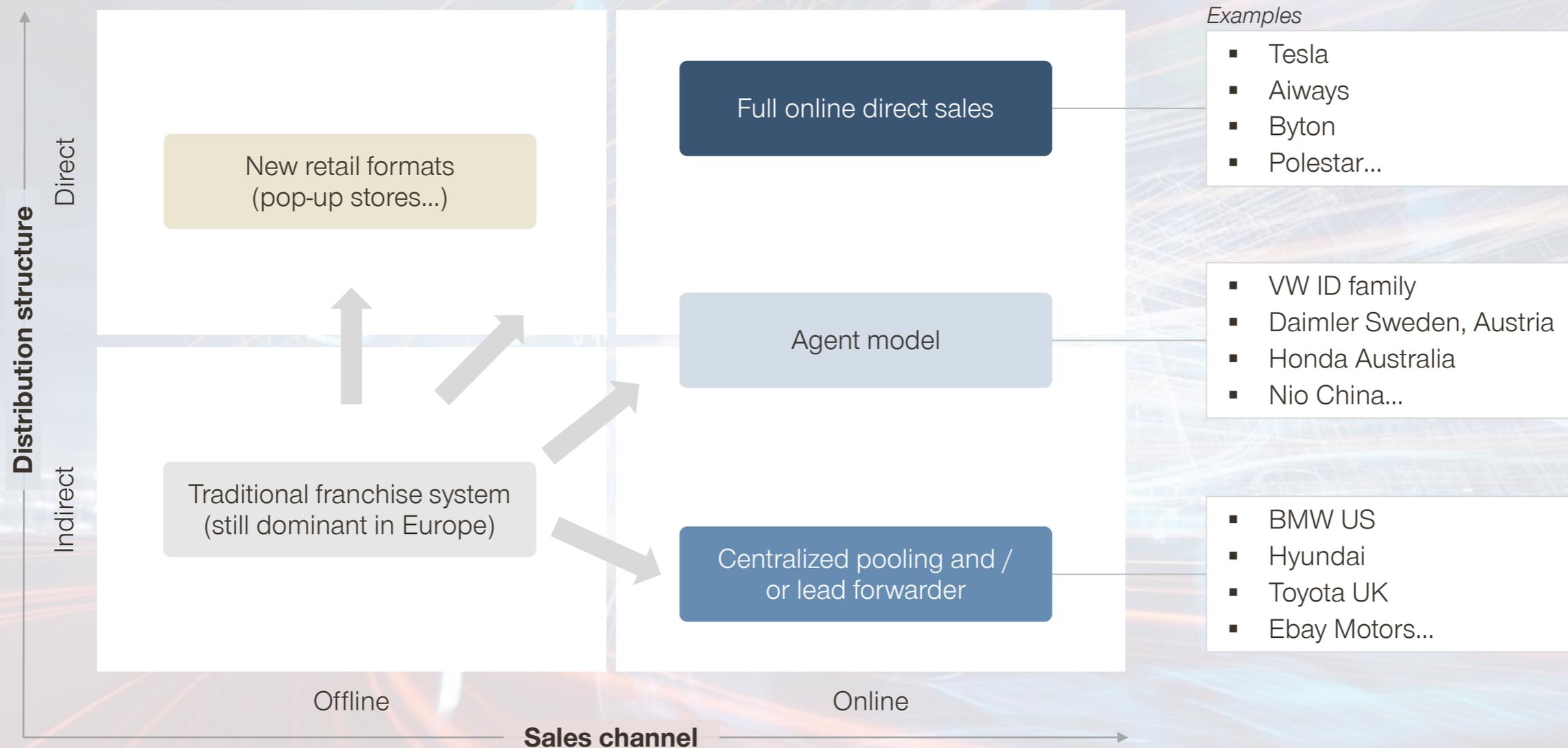
...not profitable enough...



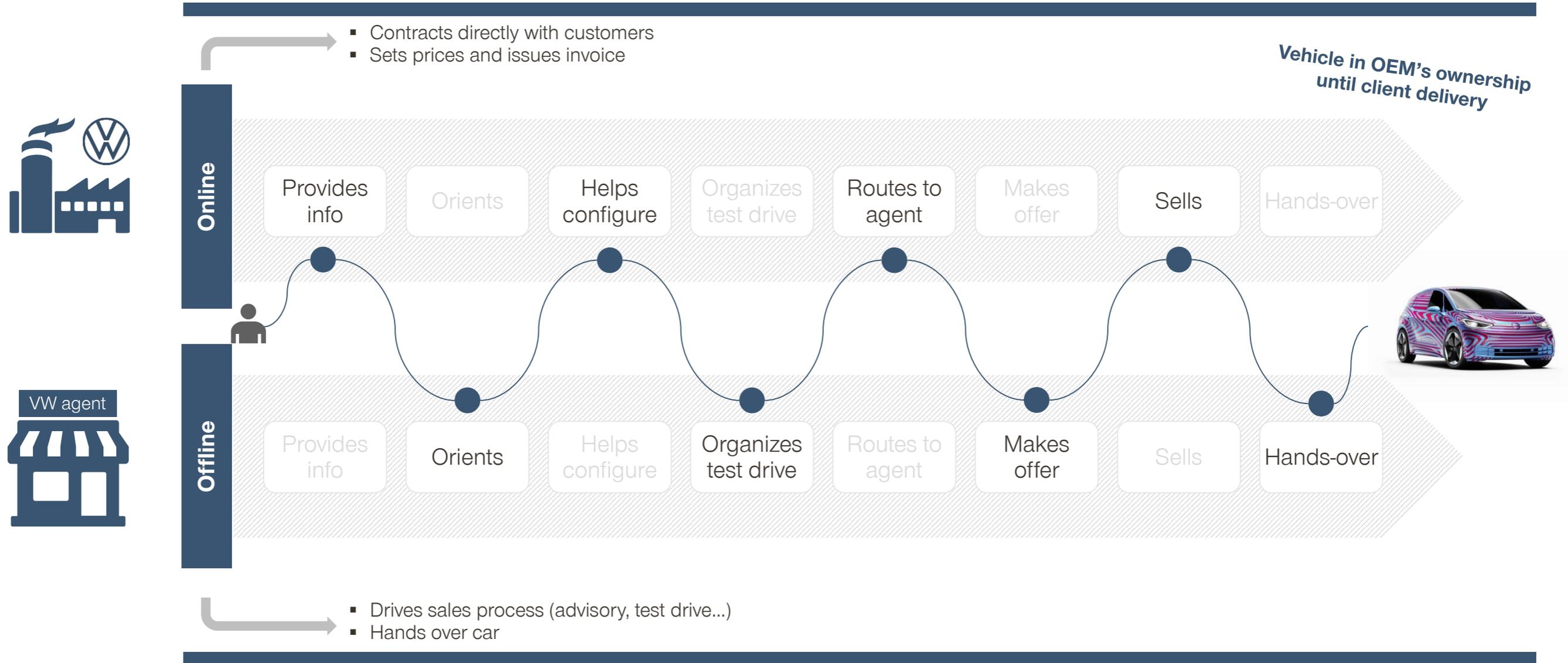
...and not addressing market expectations

- Lengthy inflexible process
- Low price transparency, unpleasant negotiations
- Poor digital capabilities

The ongoing shift of customer expectations has spurred the emergence new distribution models in recent years



One of those is the agent model, bringing the OEM (or the distributor) much closer to the end-customer



Another one is a D2C online set-up from manufacturers

New entrants

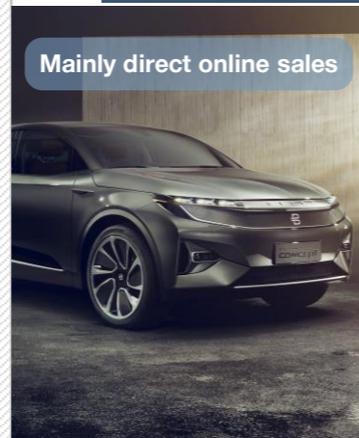
AIWAYS

100% direct online sales



BYTON

Mainly direct online sales



LYNK&CO

100% direct online sales



POLESTAR

100% direct online sales



TESLA

100% direct online sales



...

Established players

FIAT

Multiple online sales pilots



MERCEDES

25% online sales in 2025



PORSCHE

>10% online sales in 2025



RENAULT

Multiple online sales pilots



VOLVO

100% online sales in 2030



...

This evolution will help the industry focus more on customer engagement, in particular for early stages of the customer journey

Simplified customer journey

			Simplified customer journey					
			Awareness/Consider	Purchase	Post Purchase - Usage	Post Purchase - Service	Re-purchase	
Established OEMs	Majority of OEM	No global program to drive customer engagement and spur loyalty		✗	✗	✗	✗	✗
	Porsche	Loyalty ecosystem with points earned at partners to be redeemed for charging...	Monetary	✗	✗	✓	✗	✗
	VW Group	Gamification app Boneo: reward system linked to own car and avatar	Monetary	✗	✗	✓	✗	✗
	BMW	Reward program for plug-in hybrid vehicles to incentivize electric charging	Monetary	✗	✗	✓	✗	✗
	Ford	Points through loyalty for free service, roadside assistance, access to events...	Monetary	✗	✗	✓	✓	✗
	Suzuki	Status through transactions to get service, insurance, accessory discounts..	Monetary	✗	✗	✓	✓	✗
	Opel	Parts and service discount depending on vehicle's age	Monetary	✗	✗	✗	✓	✗
	Volvo	Parts and service discount, free service check-up depending on vehicle's age	Monetary	✗	✗	✗	✓	✗
	Nissan	Point-based reward systems to redeem for service, parts and accessories	Monetary	✗	✗	✗	✓	✓
	VW, Audi	Discount granted for next vehicle purchase	Monetary	✗	✗	✗	✗	✓
Newcomers	JLR, Peugeot...	Discount granted for next vehicle purchase	Monetary	✗	✗	✗	✗	✓
	Tesla	Sale via referral program: 1,500km free charging and chance to win a model Y	Monetary	✗	✓	✗	✗	✗
	Nio	Multi-faceted brand ecosystem to raise awareness and boost consideration	Non-monetary	✓	✗	✗	✗	✗
	Byton	Community app for car reservation, news, photo collection...	Non-monetary	✓	✗	✗	✗	✗

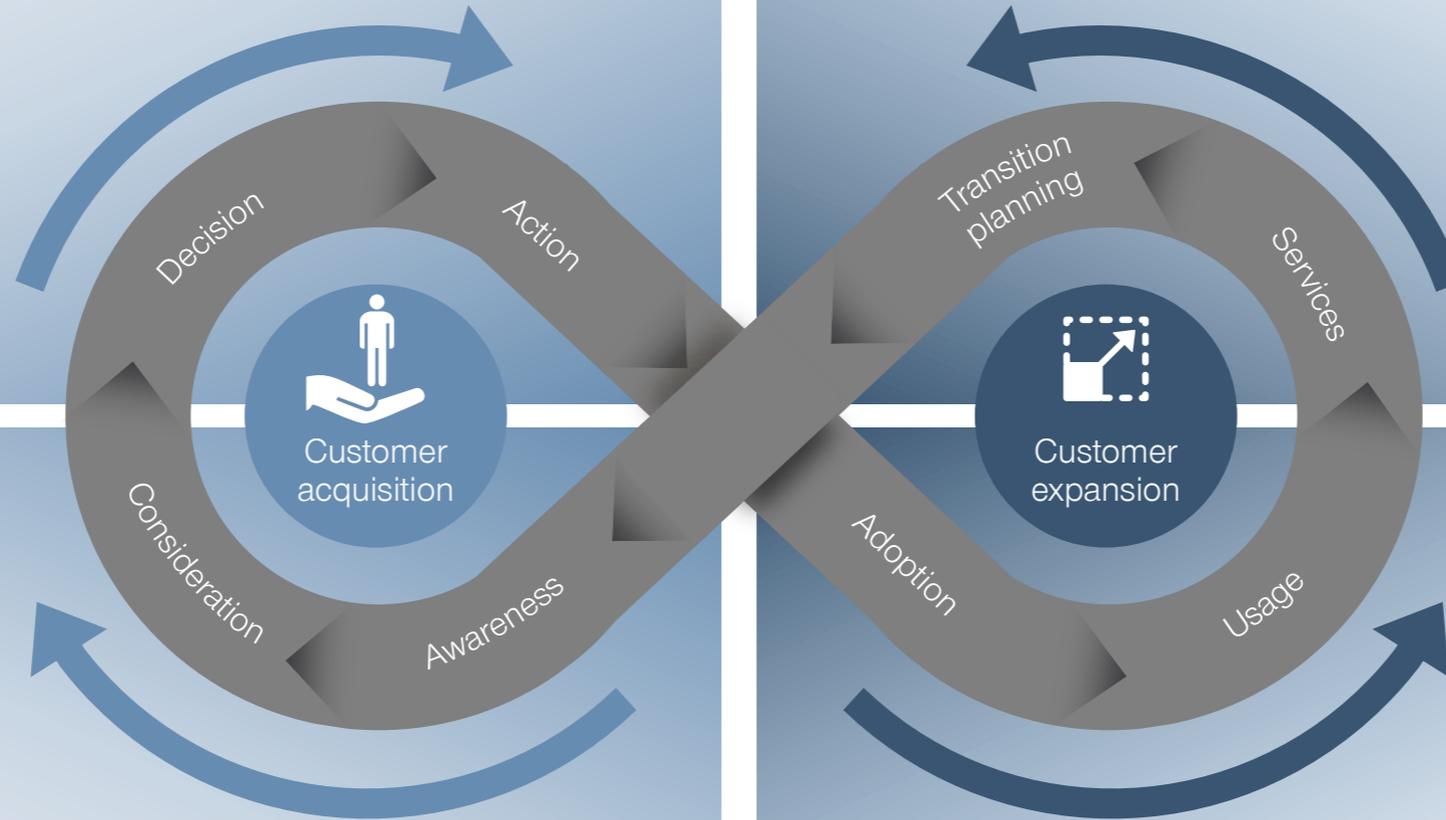
Type of engagement / incentive  Monetary  Non-monetary

Source: Simon-Kucher & Partners

In order to do so, we believe the following 4-step approach can help better orient the customer journey and leverage new possibilities to connect

2. Link

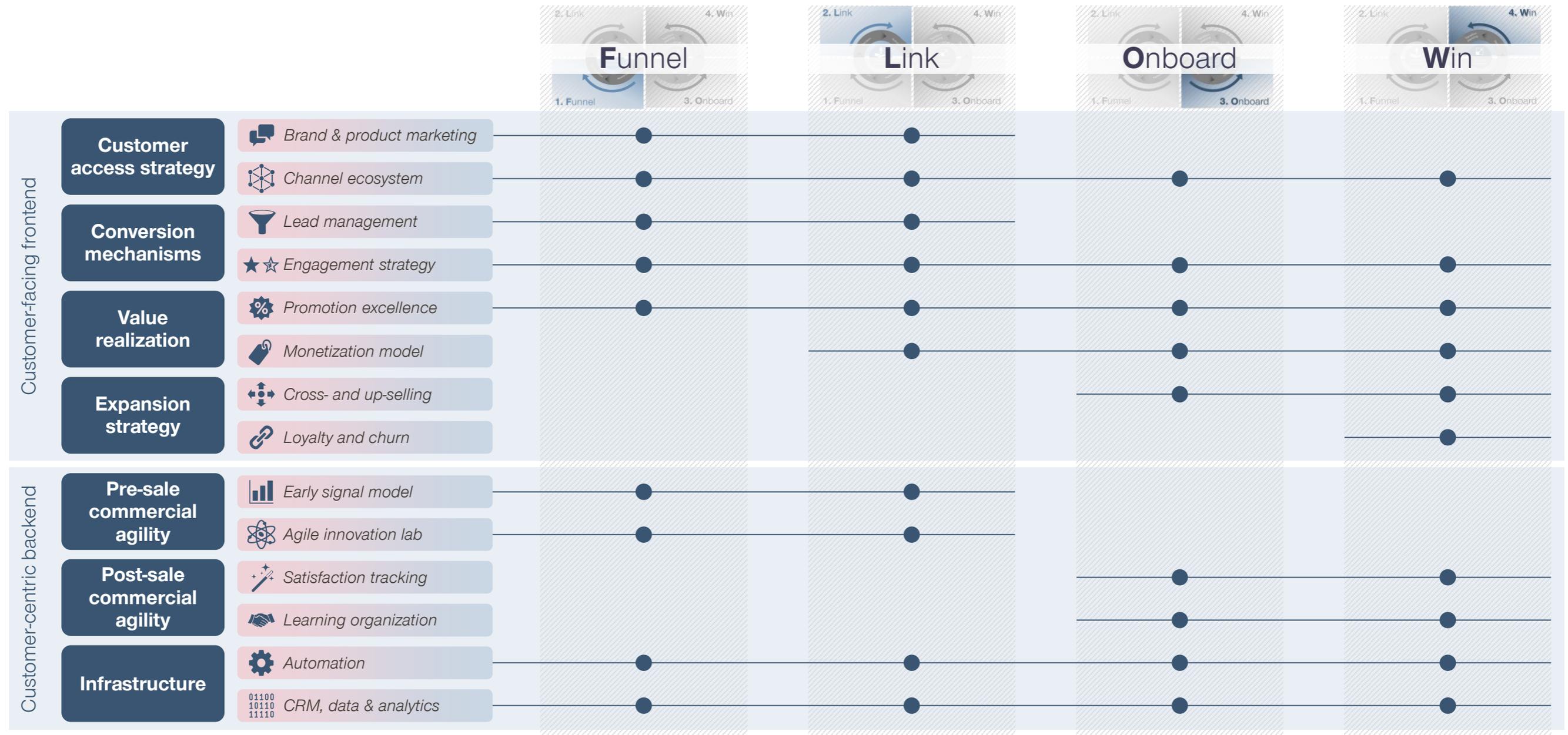
4. Win



1. Funnel

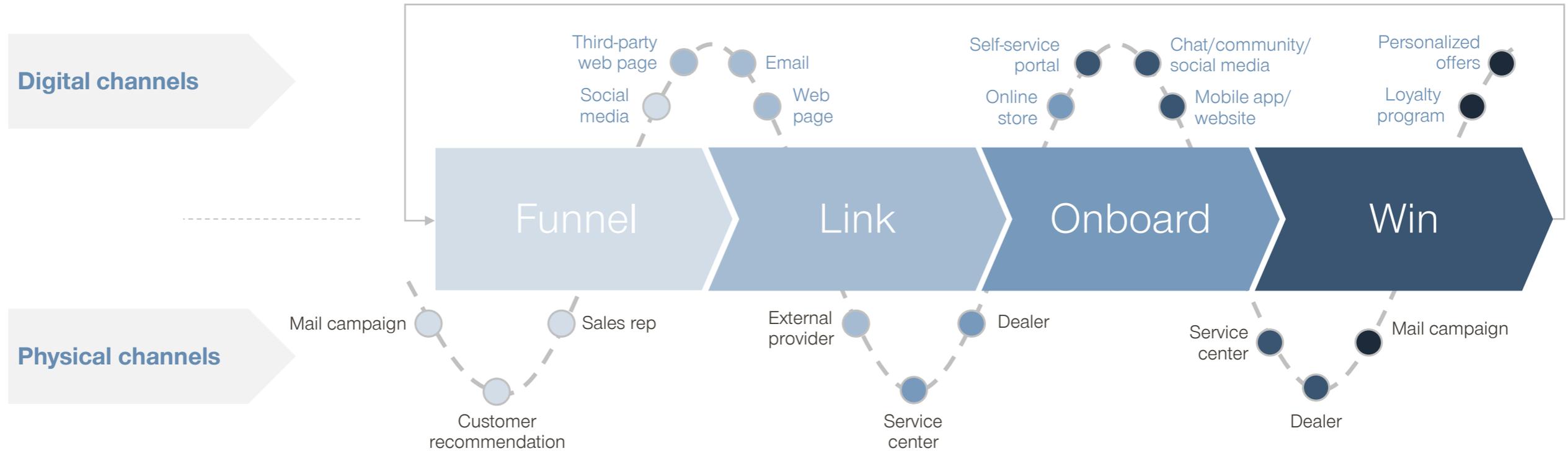
3. Onboard

Customer lifetime value enhancement can be broken down in multiple commercial processes



Source: Simon-Kucher & Partners

Holistically define which channels play a role in your marketing activities and how touchpoints are connected



Typical pain points

"I don't like spam."

"The product portfolio isn't well structured, which makes it hard to decide what's right for me."

"One of the modules is extremely delicate."

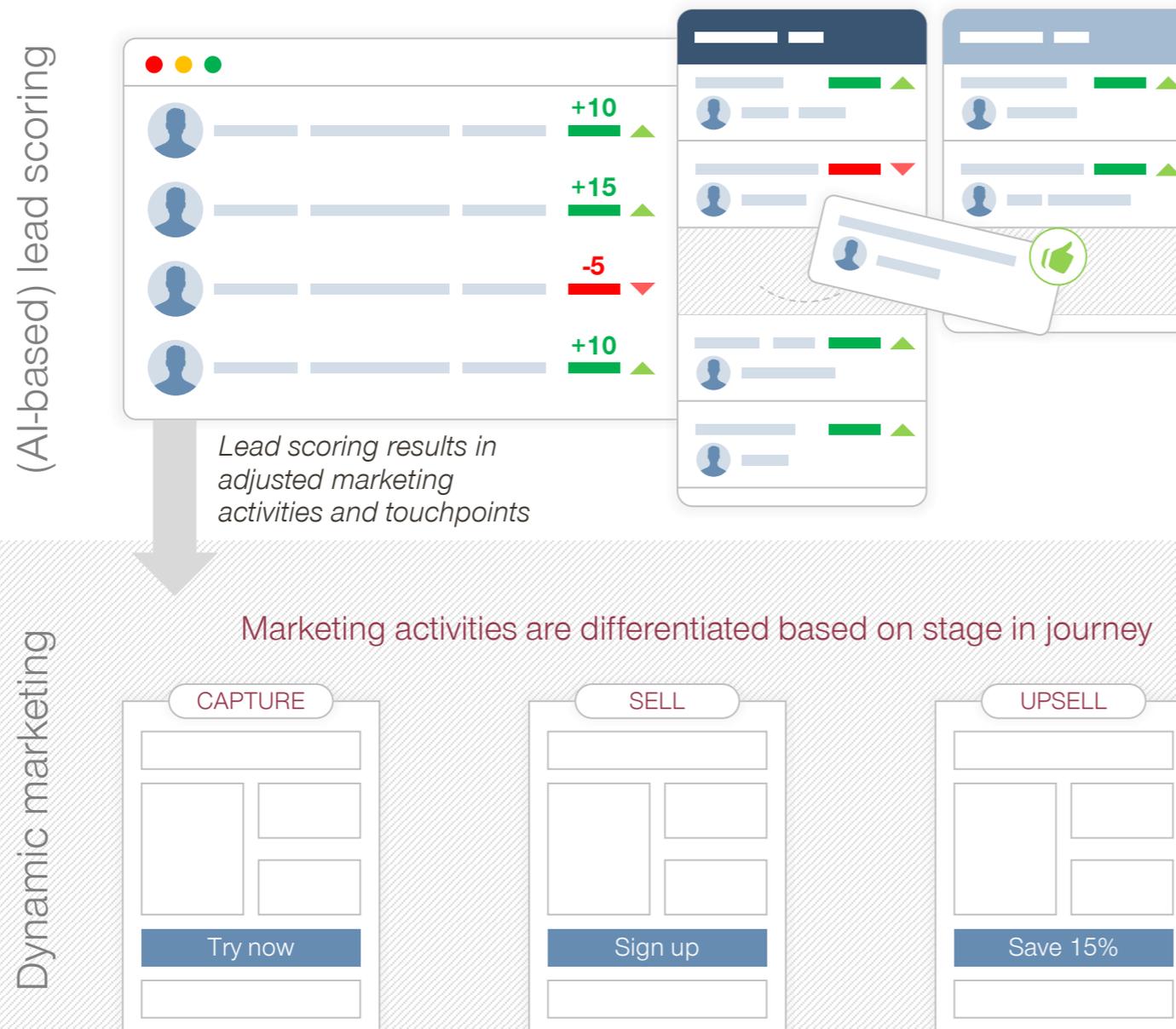
"I expect a reward if I'm loyal to the brand."

"Sales rep gives misleading information."

"Prices online are lower than at my local dealer."

"I have to wait ages to get served."

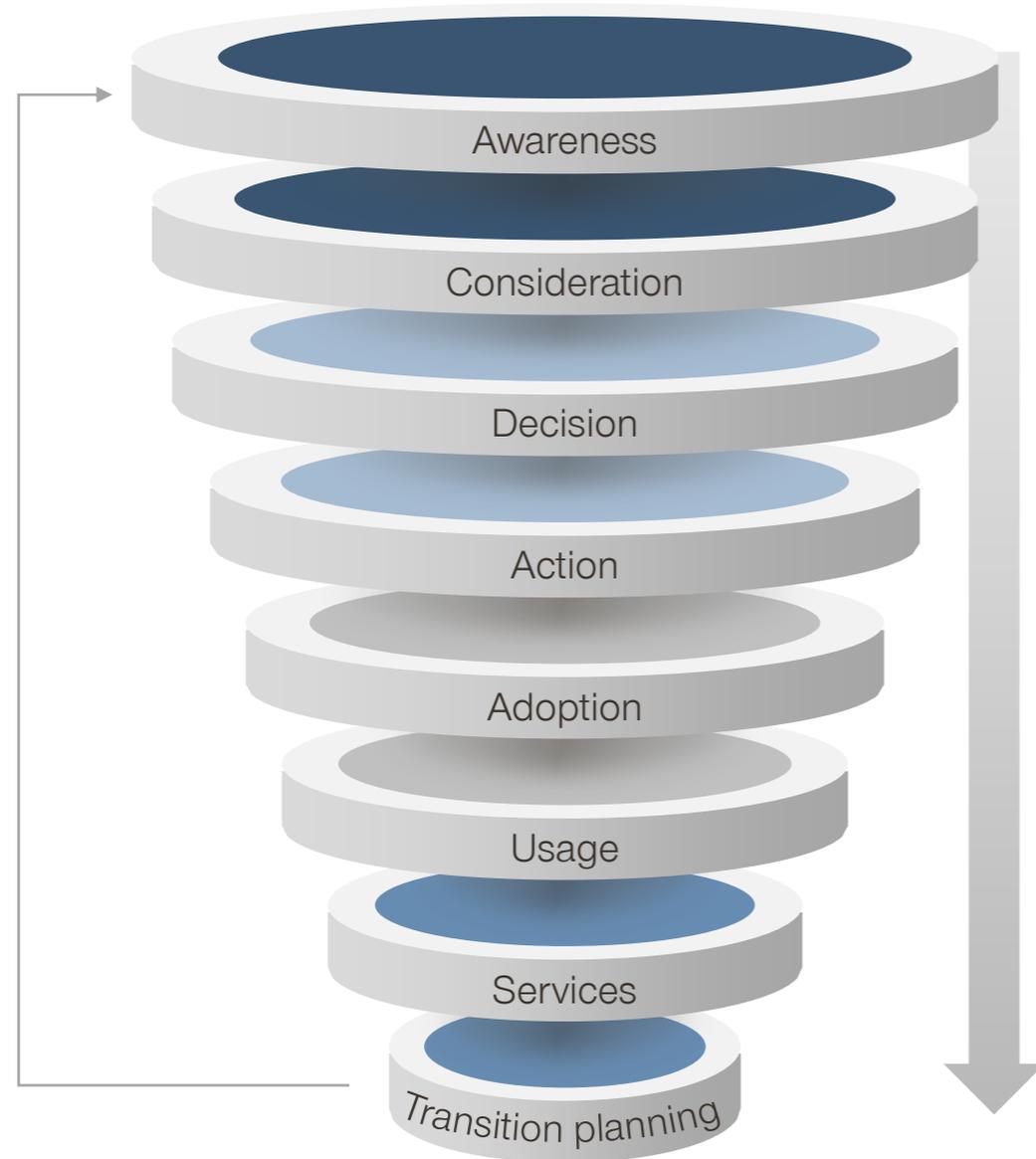
Tailor marketing activities and touchpoints to your customers' movement through their personal funnel



(Digital) leads and contacts are scored and selectively targeted

- Scoring across a variety of digital metrics (pages visited, time spent in configurator, social media indicators, etc.) enables scoring of lead maturity
- Targeted lead handover and/or marketing automation occurs when certain scores are met

Drive brand and product engagement throughout the customer lifecycle with targeted measures

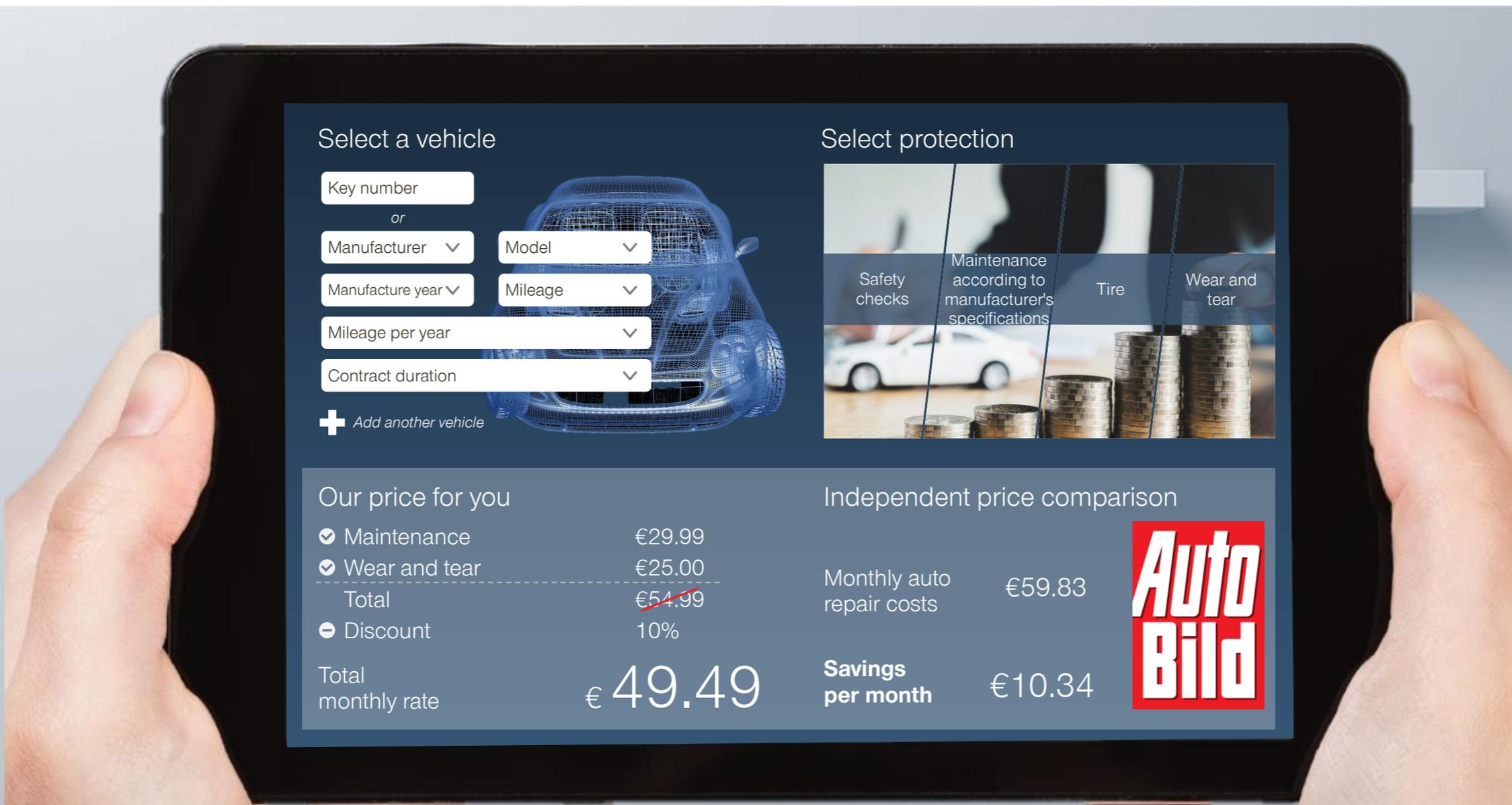


Strategic focus

Engagement levers

F unnel	 Promote	<ul style="list-style-type: none"> Gamification and quizzes Referral schemes Network challenges ...
L ink	 Convert	<ul style="list-style-type: none"> Network challenges Point programs ...
O nboard	 Satisfy	<ul style="list-style-type: none"> Learning programs Experience platforms ...
W in	 Retain and extend	<ul style="list-style-type: none"> Member clubs Panini measures

Use portfolio selling and behavioral economics to upsell customers and cross-sell products and services



Select a vehicle

Key number

or

Manufacturer Model

Manufacture year Mileage

Mileage per year

Contract duration

+ Add another vehicle



Select protection

Safety checks	Maintenance according to manufacturer's specifications	Tire	Wear and tear
---------------	--	------	---------------

Our price for you

✓ Maintenance	€29.99
✓ Wear and tear	€25.00
<hr style="border-top: 1px dashed #ccc;"/>	
Total	€54.99
● Discount	10%
Total monthly rate	€ 49.49

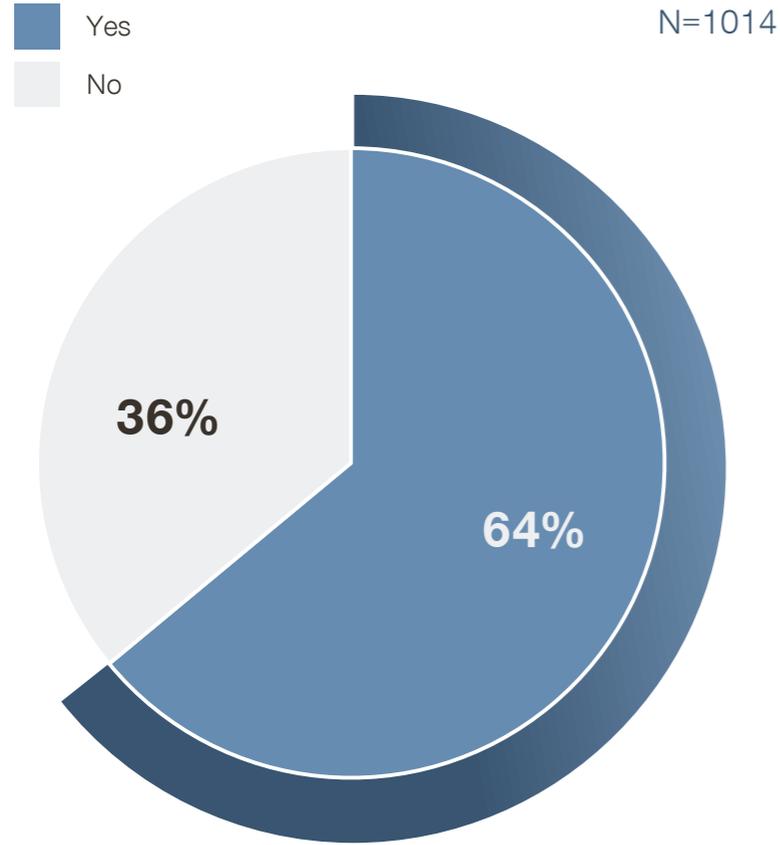
Independent price comparison

Monthly auto repair costs	€59.83
Savings per month	€10.34

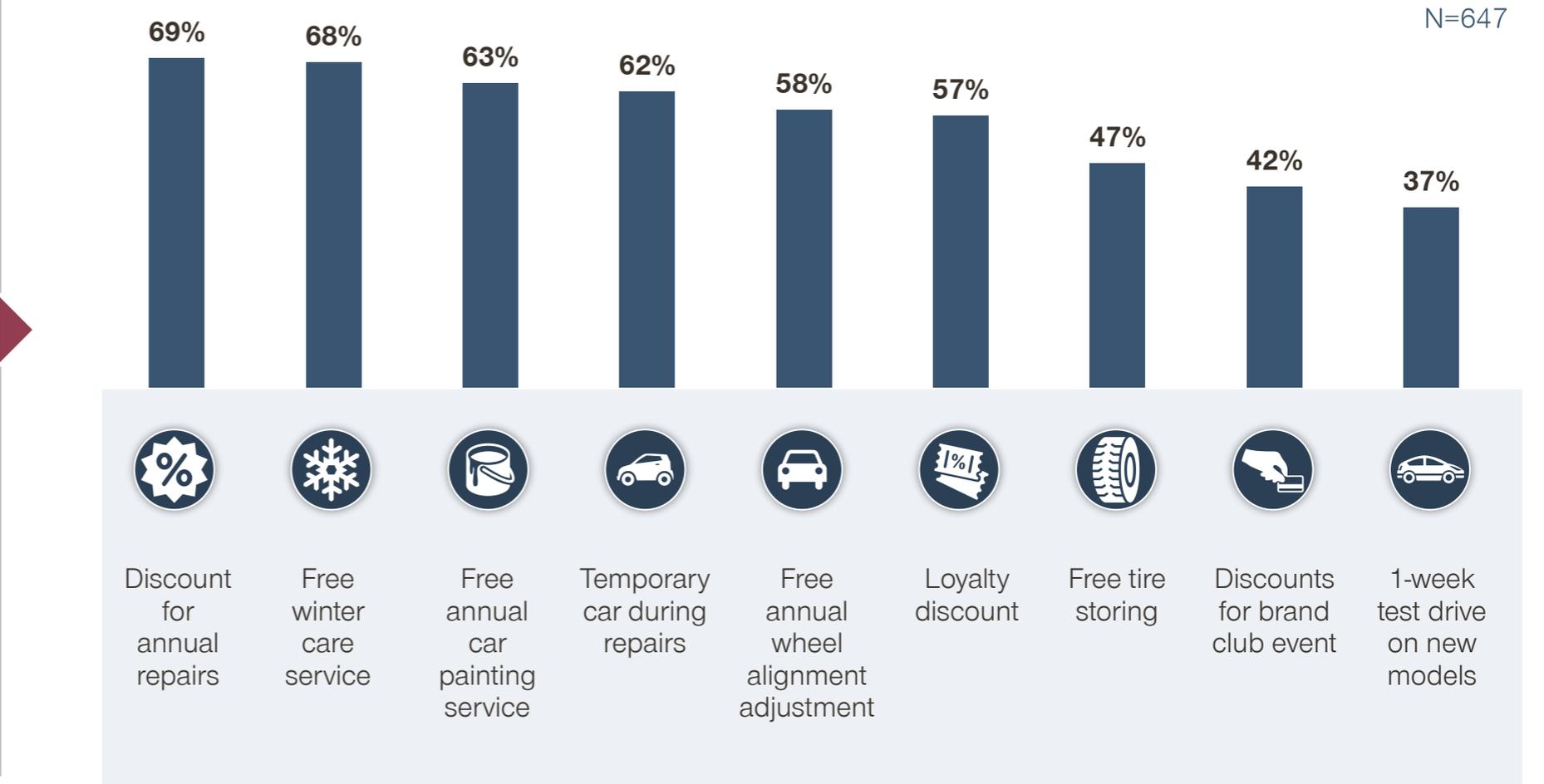


Here in Turkey, two-thirds of people are interested in a loyalty program and are particularly incentivized by annual free services or discounts

Would you be interested in a reasonably priced loyalty program?



Which of the following services would raise your interest within the scope of the loyalty program?



Source: Simon-Kucher & Partners Automotive Research Survey Nov. – Dec. 2020, Q38: Yeni bir otomobil alırken makul bir ücret karşılığında üye olabileceğiniz bir sadakat programına (satış sonrası avantajlı ek hizmetler sunan marka programları) katılmak ilginizi çeker mi?, Q39: Sadakat programı kapsamında aşağıdaki uygulamalardan hangileri ilginizi çeker?

Example from one of the most valued OEM worldwide (based on market cap): the inspiring Nio brand-access ecosystems

Nio House

(exclusive clubhouses¹ for users and friends)



Living rooms



Forums



Lab



Library



NIO café



Joy Camp

Nio Life

(strategic cooperation outside of the car environment)



Global community of designers



Food safety management system (ISO9001)

Source: Simon-Kucher & Partners. Nio. Note: 22 Nio houses, as of 2020 all located in China

To summarize...

There are three type of players in the industry:

Those who shape what happens

Those who observe what happens

And those who asked what has just happened

Thank you!

Your experts at Simon-Kucher & Partners

SIMON • KUCHER & PARTNERS
Strategy & Marketing Consultants



Cem Balıkçioğlu

Partner

Tel. +90 21 240137 50
Cem.balikcioglu@simon-kucher.com
www.simon-kucher.com

SIMON • KUCHER & PARTNERS
Strategy & Marketing Consultants



Antoine Weill

Partner

Tel. +49 69 905010 610
Antoine.weill@simon-kucher.com
www.simon-kucher.com

SIMON • KUCHER & PARTNERS
Strategy & Marketing Consultants



Matthias Riemer

Senior Director

Tel. +49 221 36794 320
Matthias.riemer@simon-kucher.com
www.simon-kucher.com

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Istanbul office

Esentepe Mahallesi
Harman Sokak No: 7 – 9
Nida Kule Levent, 24. Kat
34394 Şişli İstanbul, Turkey
Tel. +90 21 240137 50

- ✓ Worldwide leading revenue management expertise in automotive sector
- ✓ More than 50 years experience in consulting
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