

Otomotiv Sektörünün Gelecek Dönem Yolculuğu 2022

SIMON • KUCHER & PARTNERS
Strategy & Marketing Consultants



www.simon-kucher.com



LOCAL DYNAMICS: FROM PURCHASE CRITERIA TO OMNICHANNEL IN TURKEY

Cem Balıkçioğlu



GLOBAL DYNAMICS: GROWING TRENDS IN AUTOMOTIVE

Matthias Riemer



CHINA FOCUS: LEARNINGS FROM EV WONDERLAND

Dr. Jan Y. Yang



SOURCE OF INPUTS

Experience &
Benchmarks

Consumer
Research - TR

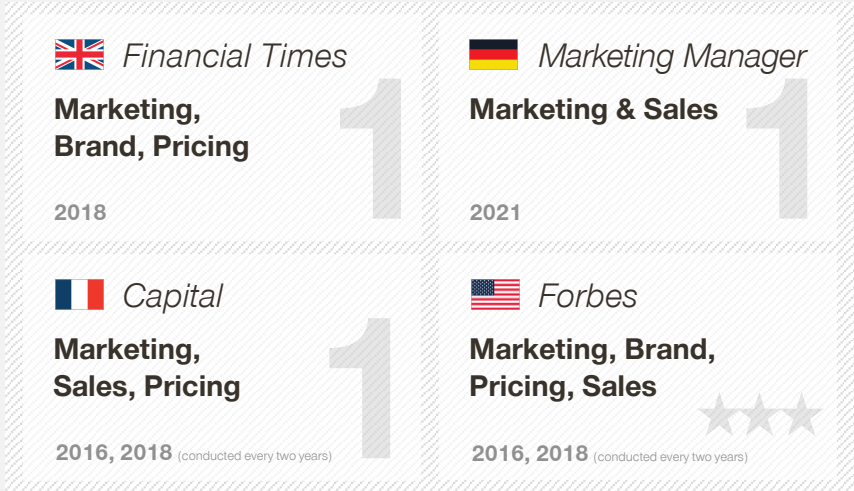
Consumer
Research - Global

Simon-Kucher & Partners at a glance



SIMON • KUCHER & PARTNERS
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#1 for TopLine improvement



Global footprint



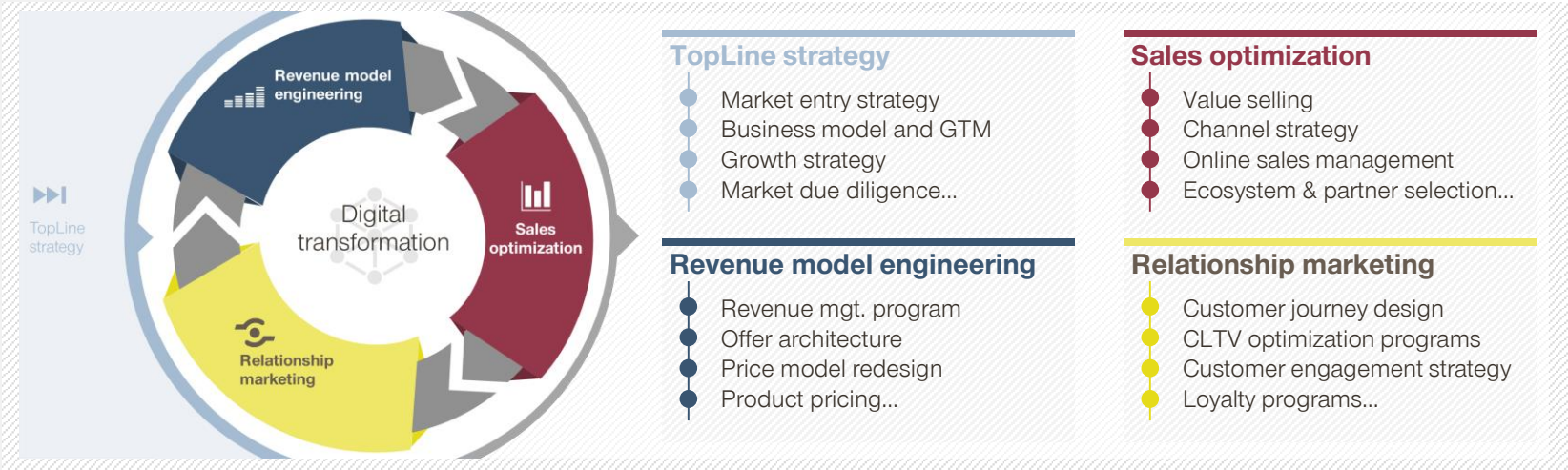
Source: Simon-Kucher & Partners; 1 Selection

Simon-Kucher & Partners | Otomotiv Sektörünün Gelecek Dönem Yolculuğu | Şubat 2022

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

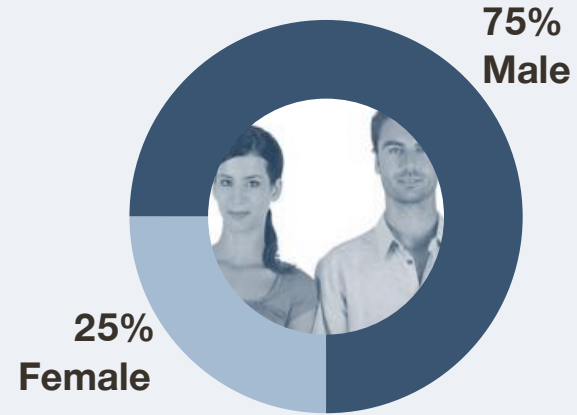
Industries	Automotive OEM	Automotive OES	Energy	Industrials	Digital leaders
Automotive and machinery	BMW	Bosch	EnbW	ABB	Adobe
Consumer and retail	Daimler	Brembo	Enel	General Electric	Ebay
Financial services	Great Wall Motors	Bridgestone	Eon	Infineon	LinkedIn
Industrial goods/services	Kia	Continental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

Portfolio of TopLine consulting services¹

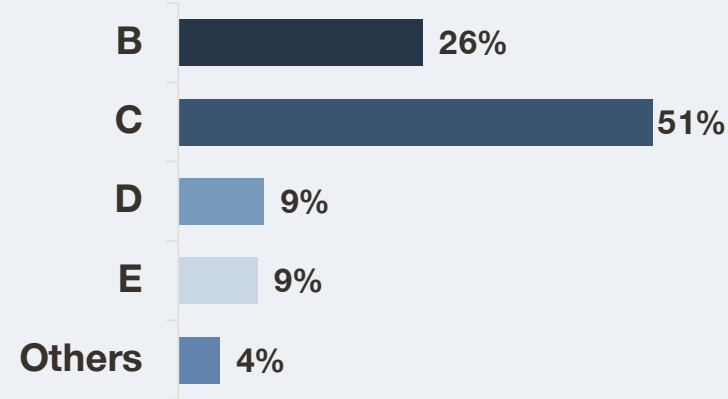


We surveyed 1,000+ consumers in Turkey in the automotive sector about their preferences

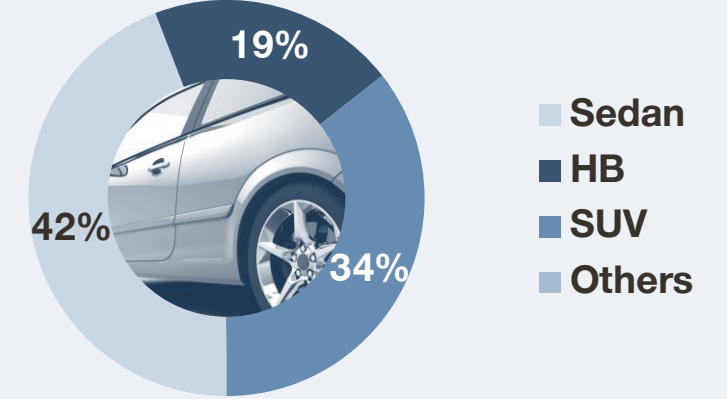
Gender



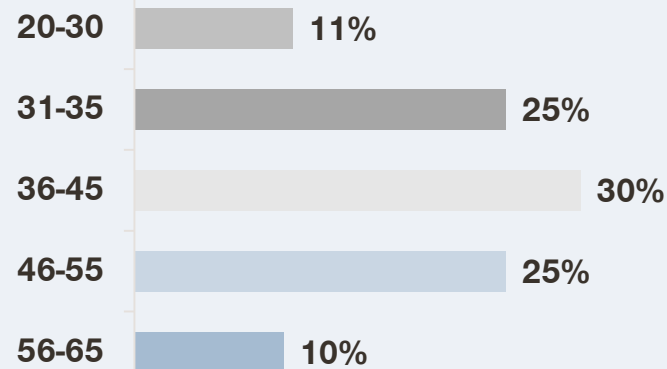
Segment type



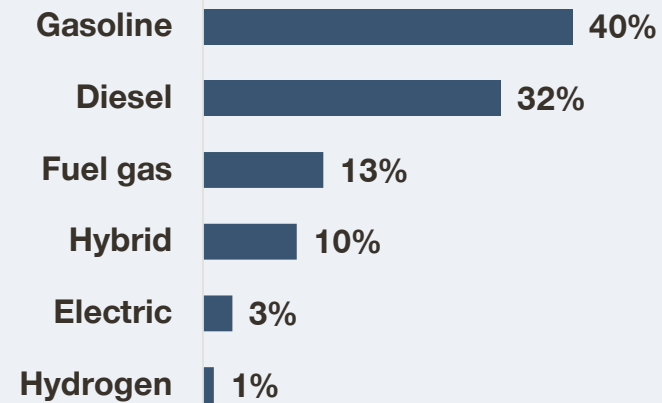
Body type



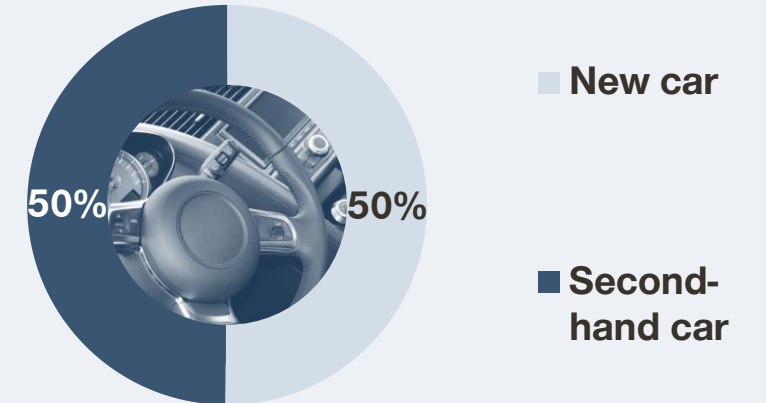
Age



Fuel type

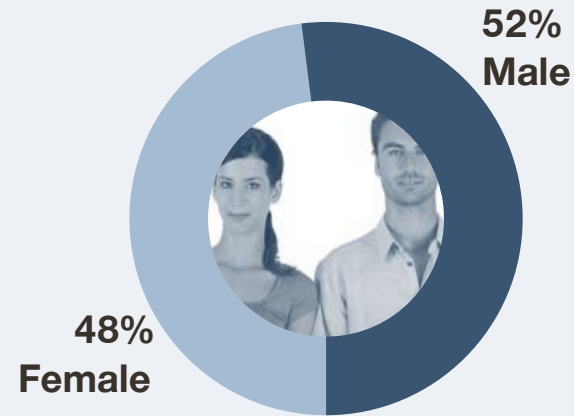


Purchase condition

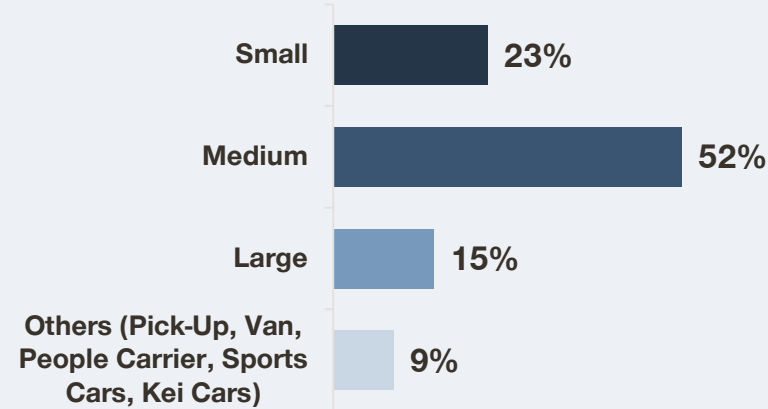


... and with 10,000+ consumers surveyed globally in the automotive sector

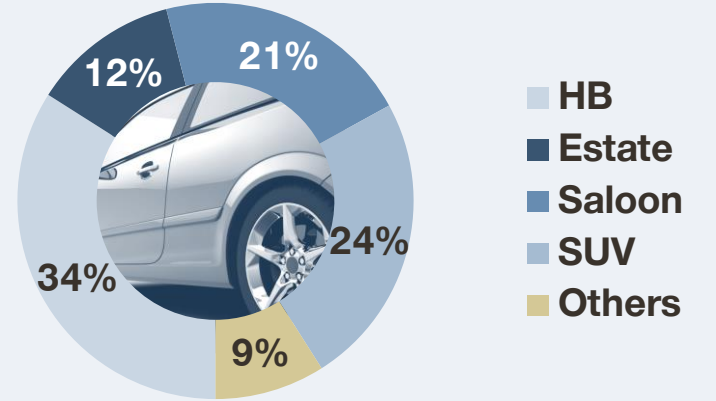
Gender



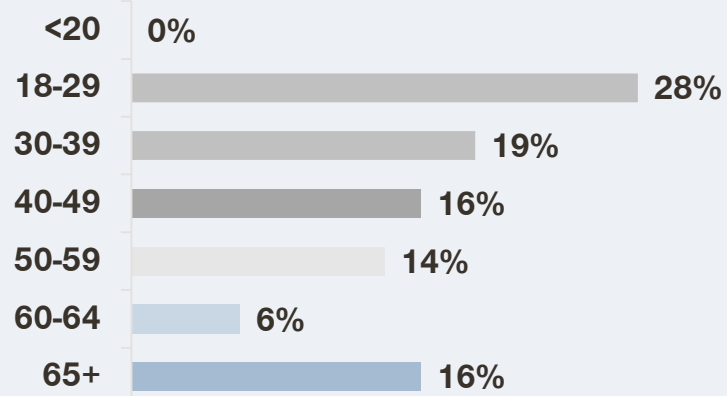
Segment type



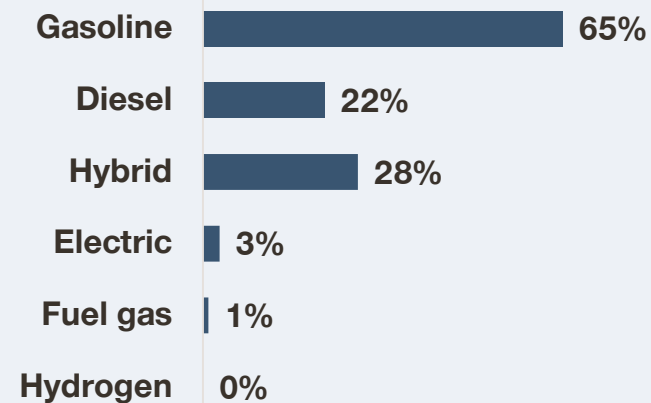
Body type



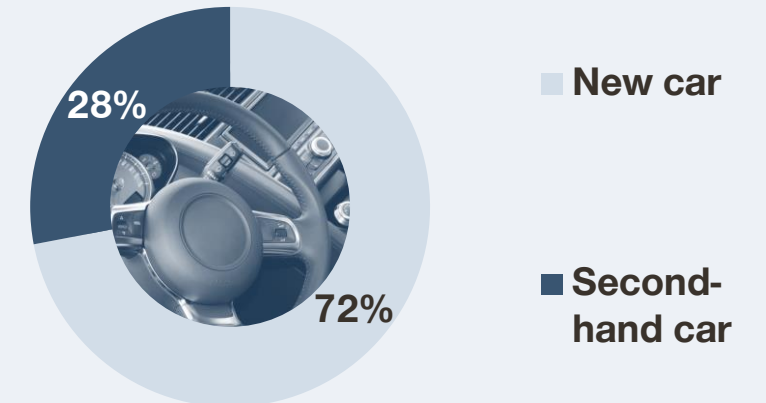
Age



Fuel type



Purchase condition



* Global quotas have been determined to reflect the global market characteristics.



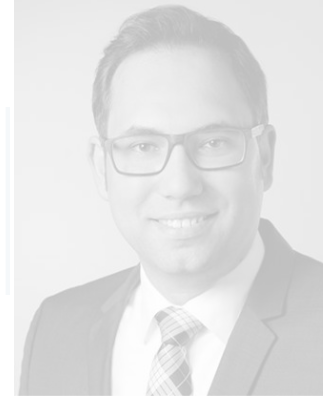
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Price took over brand loyalty

Top Purchase Criteria

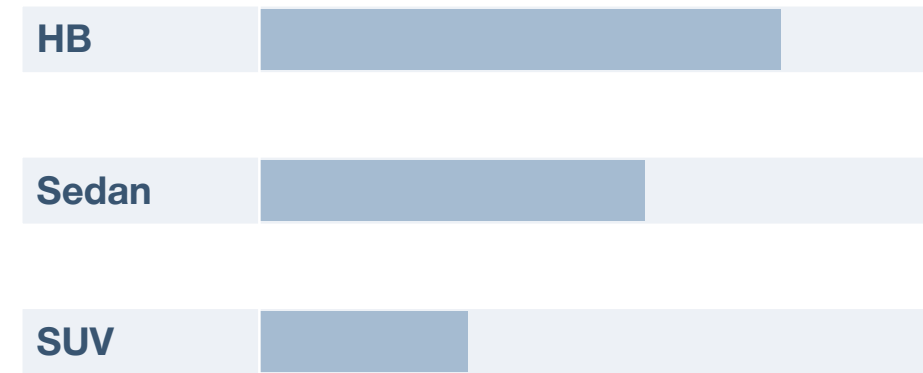
New Car Sales...

	2020	2021
Brand	#1	▼ #3
Security	#2	◁ ▷ #2
Price	#3	▲ #1

Second-Hand Car Sales...

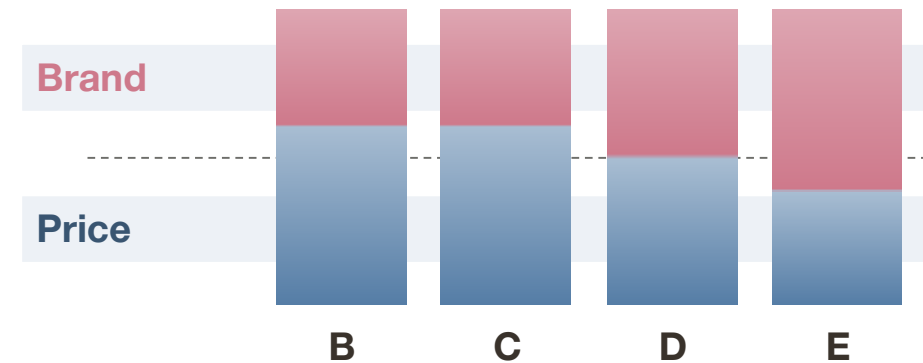
	2020	2021
Condition	#1	▼ #4
Security	#2	◁ ▷ #2
Brand	#3	◁ ▷ #3
Price	#4	▲ #1

Price Sensitivity, by Body Type



SUV owners are less price sensitive when buying a new car

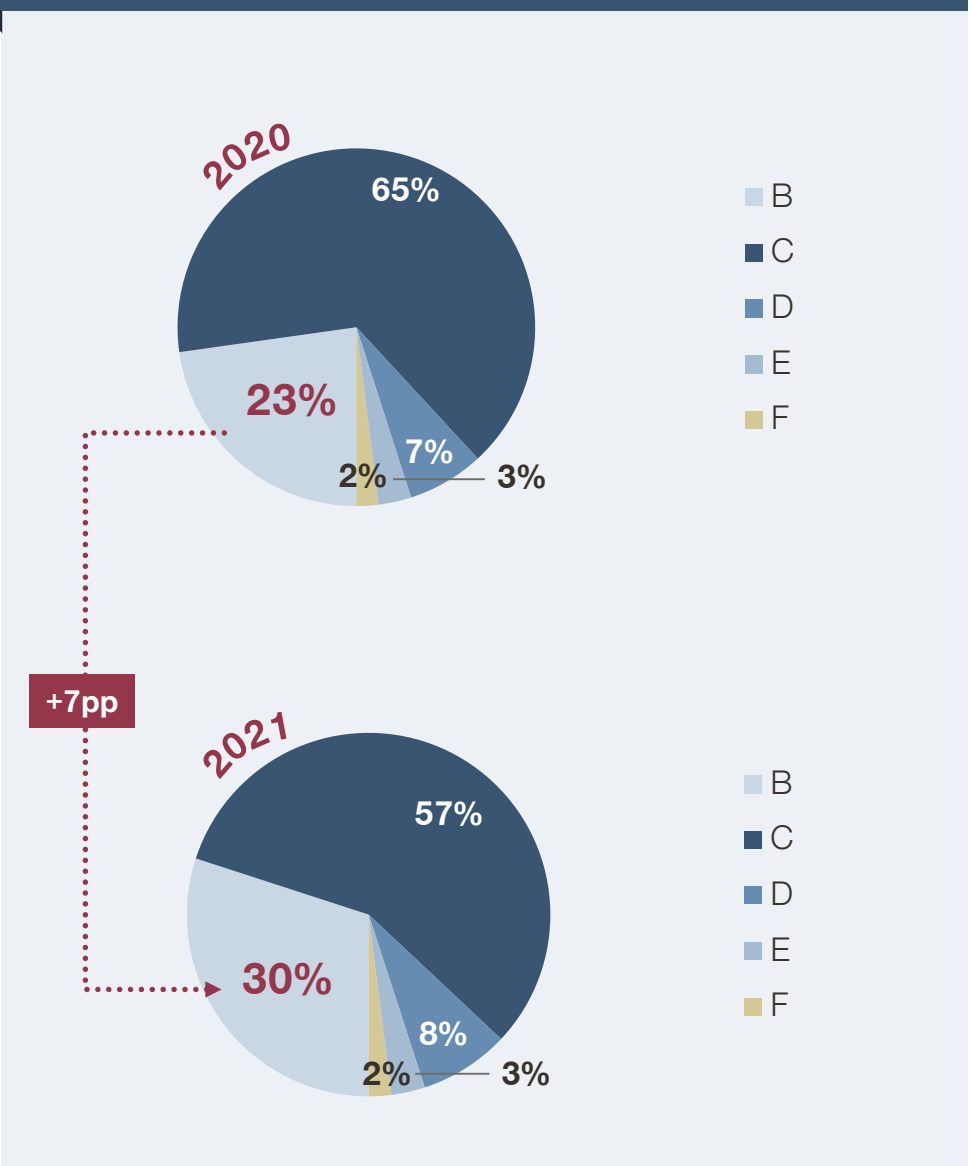
Brand vs. Price, by Segment



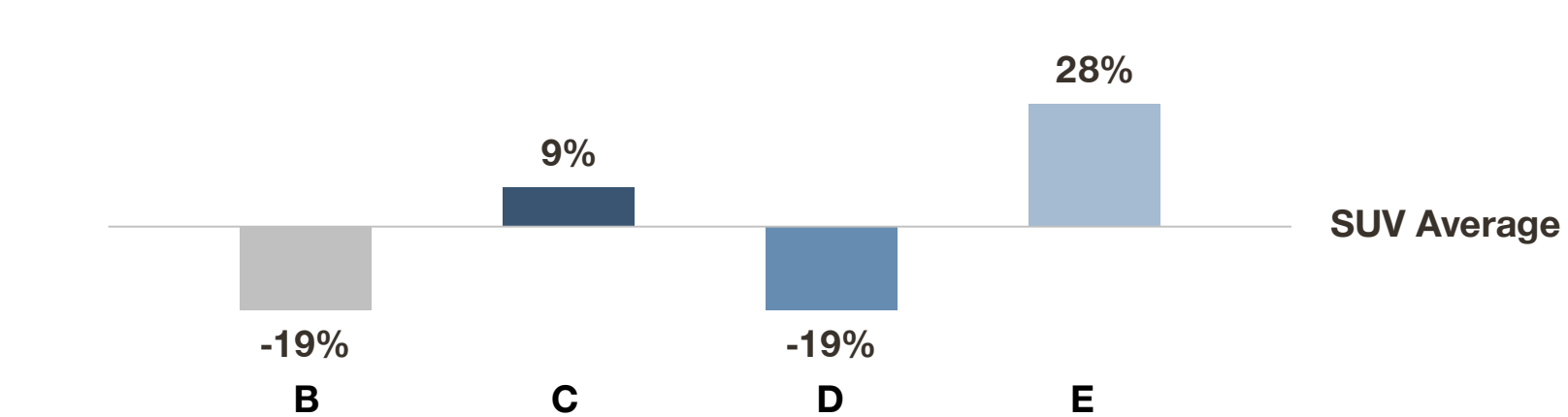
Higher the car segment, less importance on price – brand becomes the dominant criterion

Retail can be improved through right questions: SUV Example

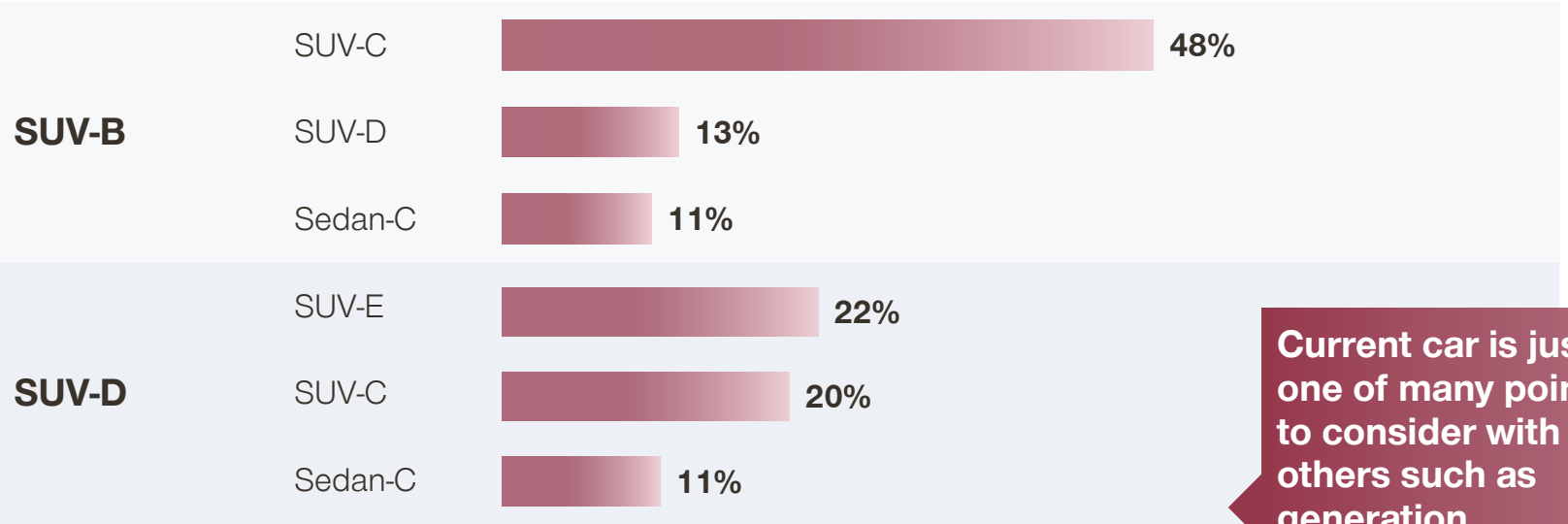
SUV Sales vs, by Segment



SUV Loyalty, by Segment



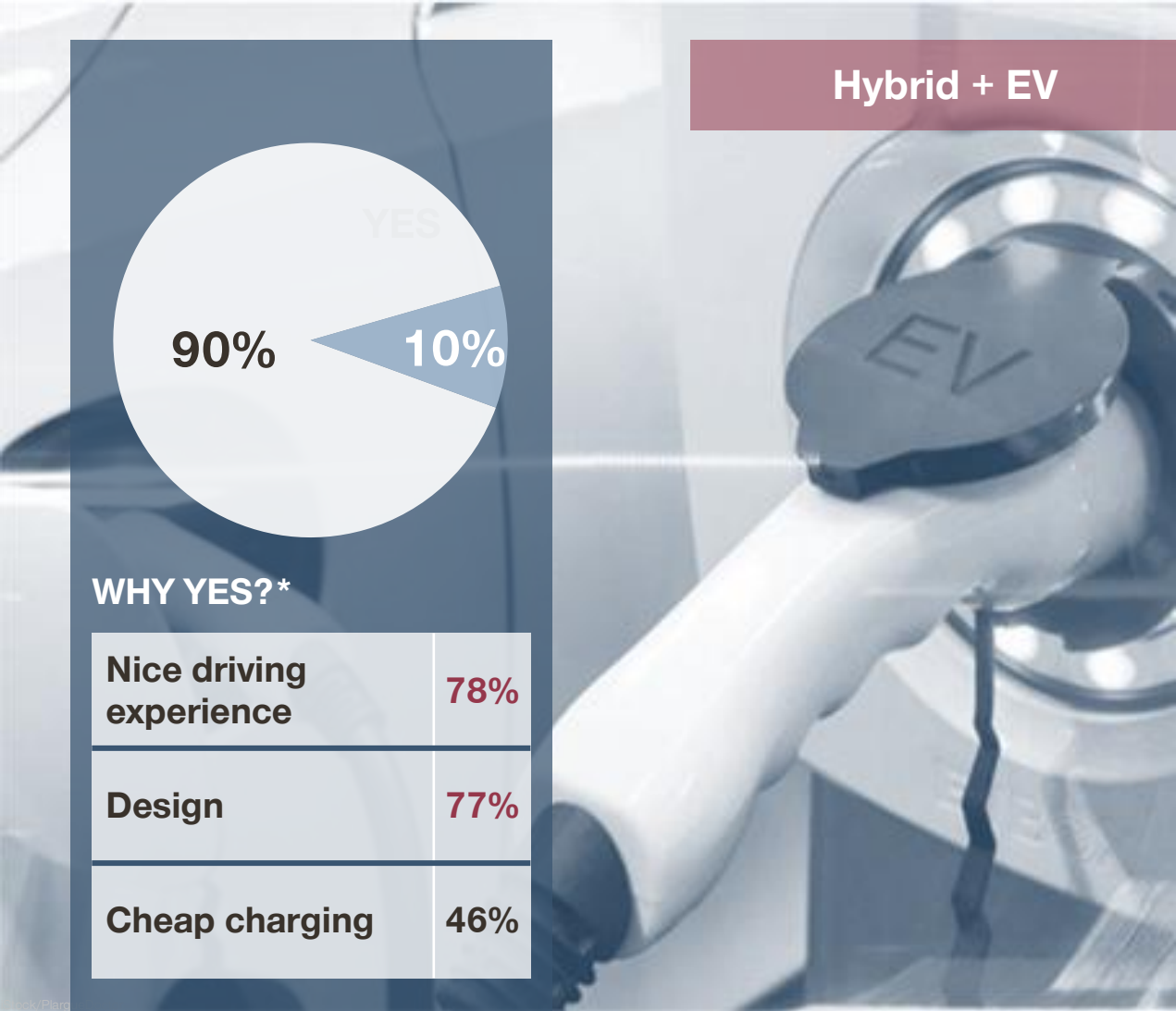
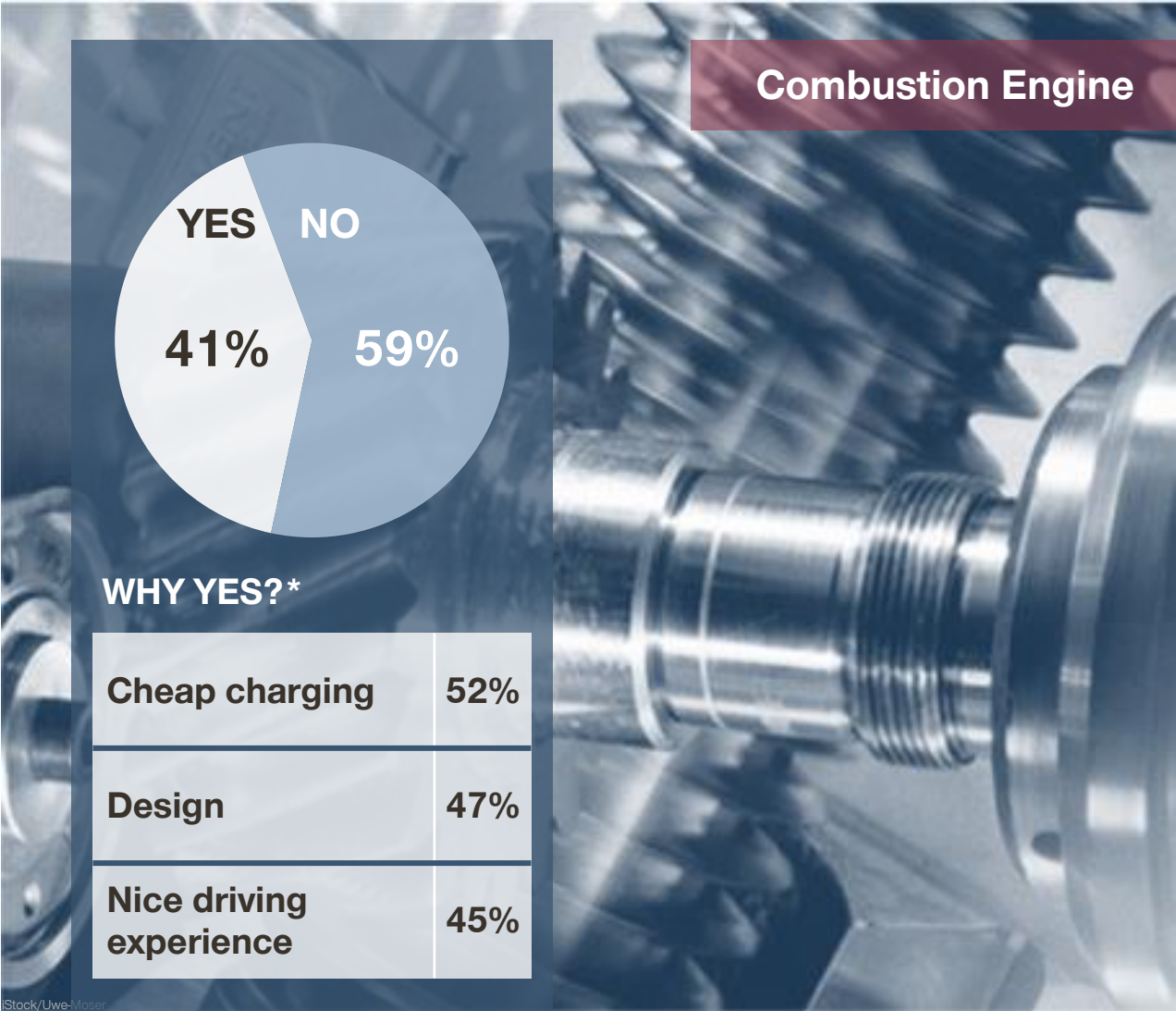
Likely to change to...



Current car is just one of many points to consider with the others such as generation, occupation, security concern...

Electrical Vehicles: Experience Matters

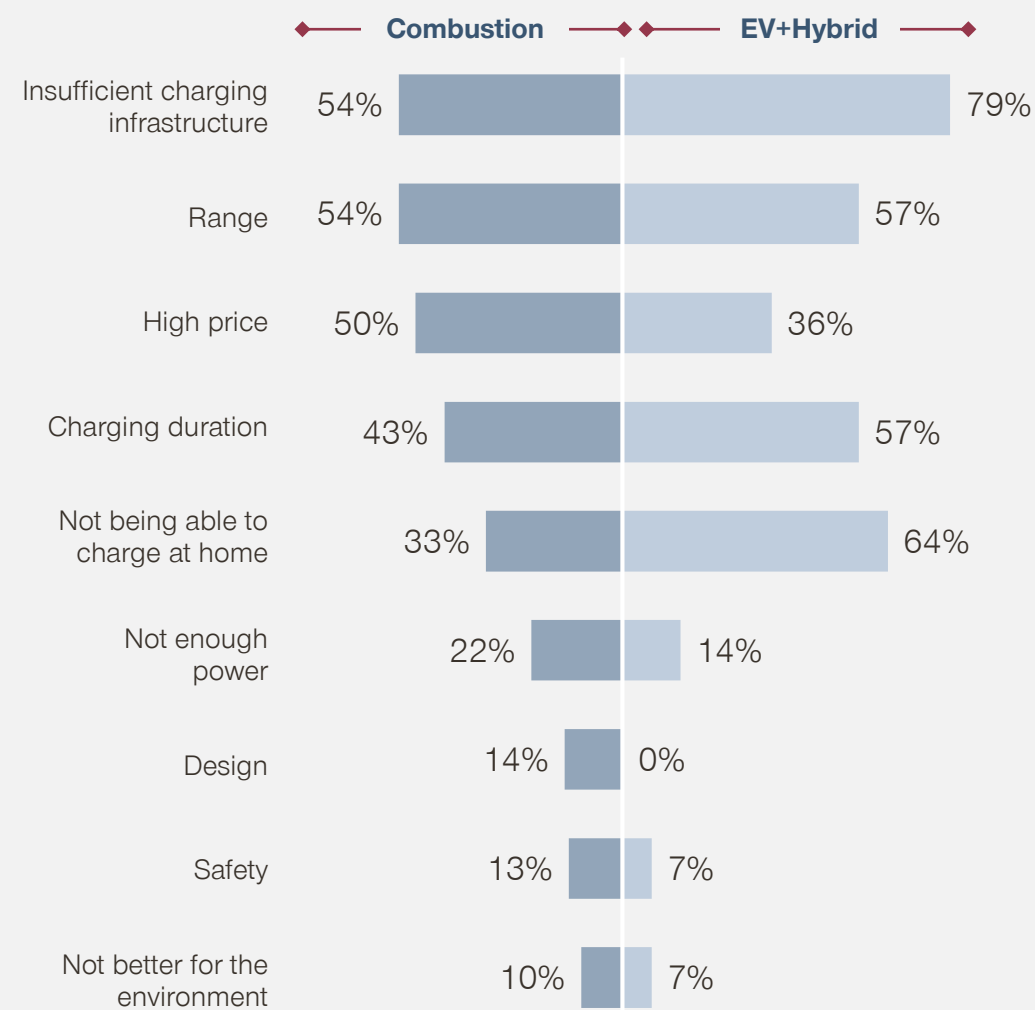
Would you buy an EV as your next car?



Source: Simon-Kucher & Partners Automotive Research Survey 2022, *other than envoromental and regulative criteria

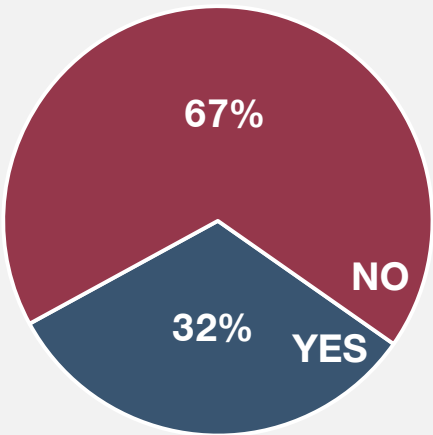
Not enough infrastructure can slow down the trend

Main reasons not to consider an EV

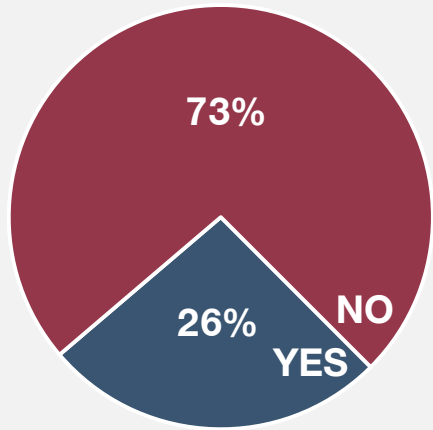


Enough EV chargers for...

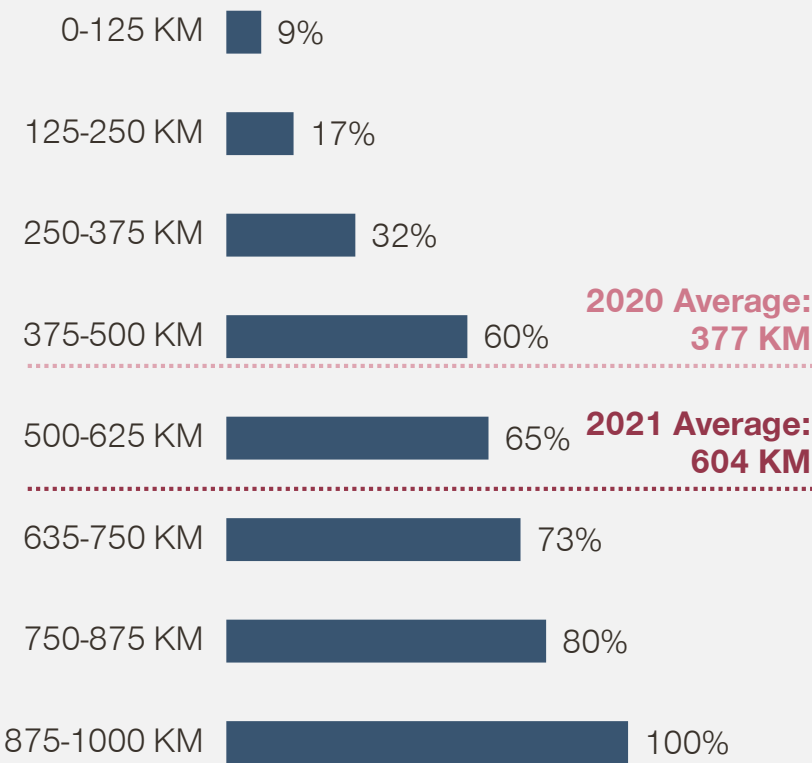
... daily use?



... travel / long journey?

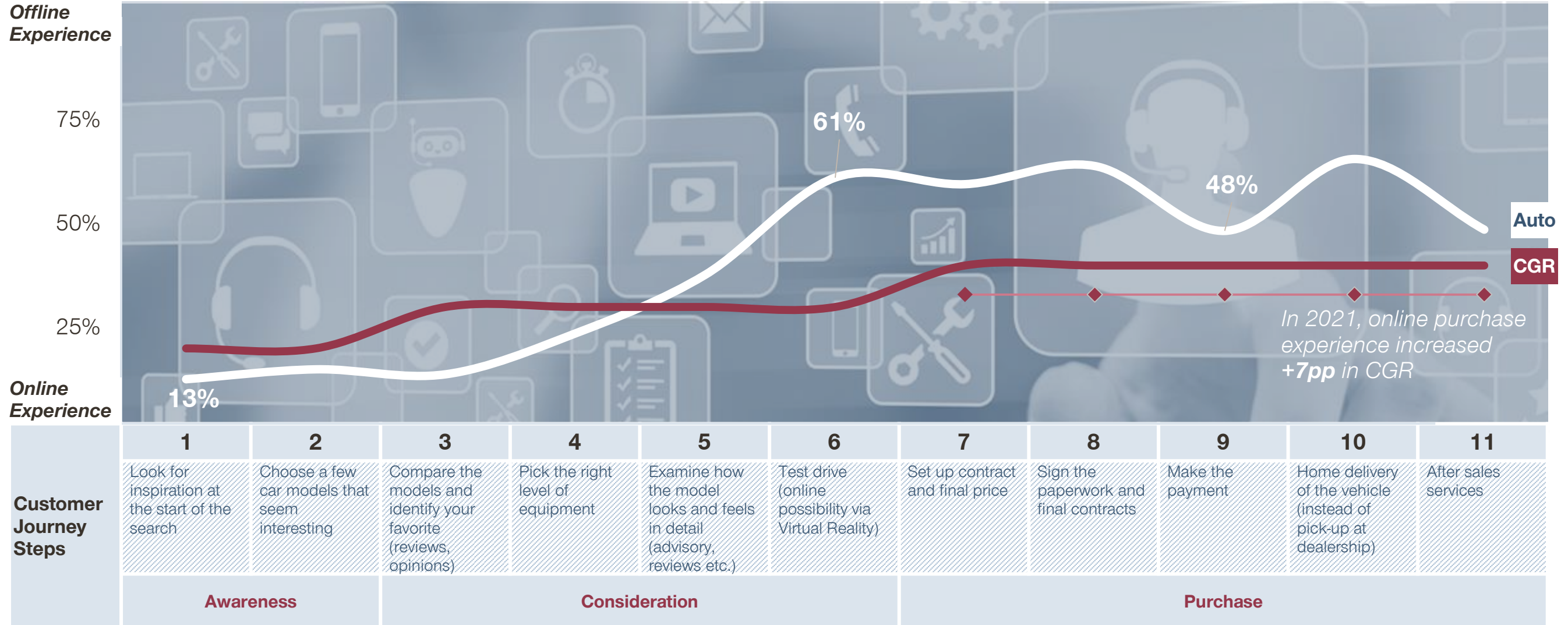


Expected Range



Source: Simon-Kucher & Partners Automotive Research Survey 2021&2022

Online experience decrease from awareness to purchase steps in automotive industry, with an exception in payment and after sales steps



Several OEMs are focusing on improving the online car purchase experience for end-customers, across the customer journey

Payment

Many OEMs, such as **Tesla, Vovlo, Mercedes-Benz, and Stellantis brands**, enable customers to complete purchases and payments online, discover financing options (including 3rd party affiliates like **Affirm**), and customize payment terms

Examine the model in detail

Polestar Spaces: Re-imagining physical stores where specialists instead of salespeople on commissions, guide customers through online purchases

Jaguar Land Rover Off-Road VR: Incorporating VR into physical stores to better demonstrate unique features of models through VR experiences

Dealers do not have to be obsolete, they can be «experience centers» with high tech knowledge experts

Compare & identify a favorite

Examine the model in detail

Test drive

Payment

After sales services

After sales services

NIO Service: NIO offers lifetime free car connectivity to owners, enabling purely online regular maintenance reminders, roadside rescue, and scheduling of basic repairs at home.

Test drive

Many OEMs, such as **Ford, Alfa Romeo, Volkswagen, Hyundai, Honda, and Toyota** allow customers to take «virtual test drives» accompanied by a dealer representative, at the comfort of their homes using VR headsets

Compare & identify a favorite

Using mobile devices and computers, customers can easily explore models, configure, and interact with cars thanks to virtual/augmented reality (VR/AR) systems, which is a popular concept for OEMs, such as **Porsche and Bentley**, as well as independent platforms, such as **RelayCars**. Furthermore, customers looking to buy a car can schedule virtual showroom walk-arounds with dealer representatives for assistance and consultation. This is valid for several OEMs on a grand scale, such as **Škoda, Kia, and Renault**. Some OEMs, however, currently use these technologies on a region-based or dealer-based manner.

Key take-aways

Price took over brand loyalty: Start strong in reverse market by building loyalty system NOW!

Key points: Do not make cheap or free offers, create switching costs, from extending warranty to gamification that can be marketing item

Enhance retail points: Do not stick to personas, instead prepare set of questions to guide

Key points: Personas rarely leads to actions, set of questions leading to decision trees usually works better

EV experience matters: Help people experience the usage not only through pictures

Key points: Maximize testing through test drives or sparing certain volume on car rentals

Charging: Future of the EV will depend on how strong the infrastructure is. Do not play alone!

Key points: Network optimization is vital especially for intercity travels, set up a sharing model with suppliers

Online channel: Get ready for online sales to get closer to current consumer goods

Key points: Online sales is less costly, online sales is traceable, data can be reused

Retail experience: Convert dealership into experience center

Key points: Drive your retail from sales person to consultant, build up experience center for EV or digital items



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Global perspective: Three key trends in Automotive



Electrification



Connectivity

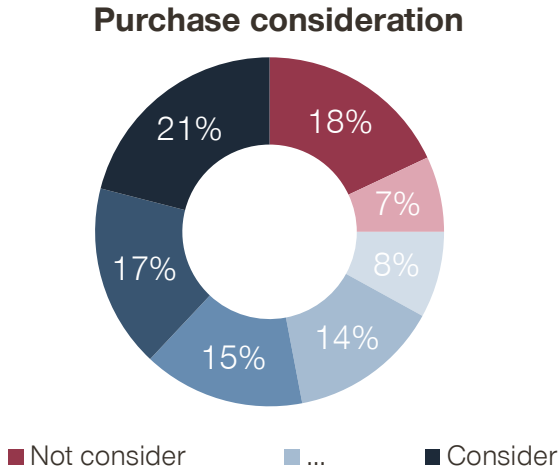


Subscription

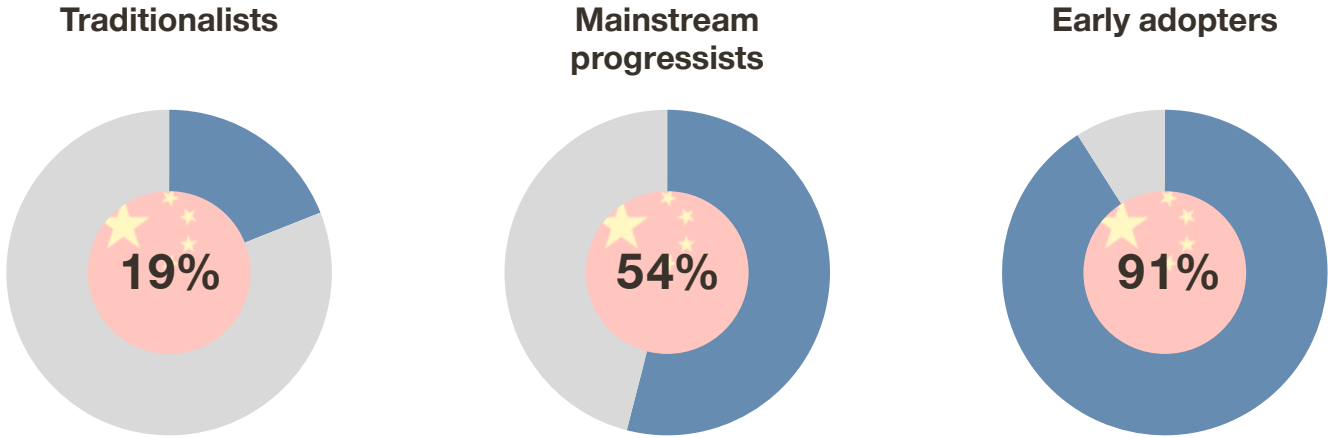
Electrification goes main stream and customers are open to try out new EV brands

Global interest in electric vehicles

53% of customers would be interested in EV

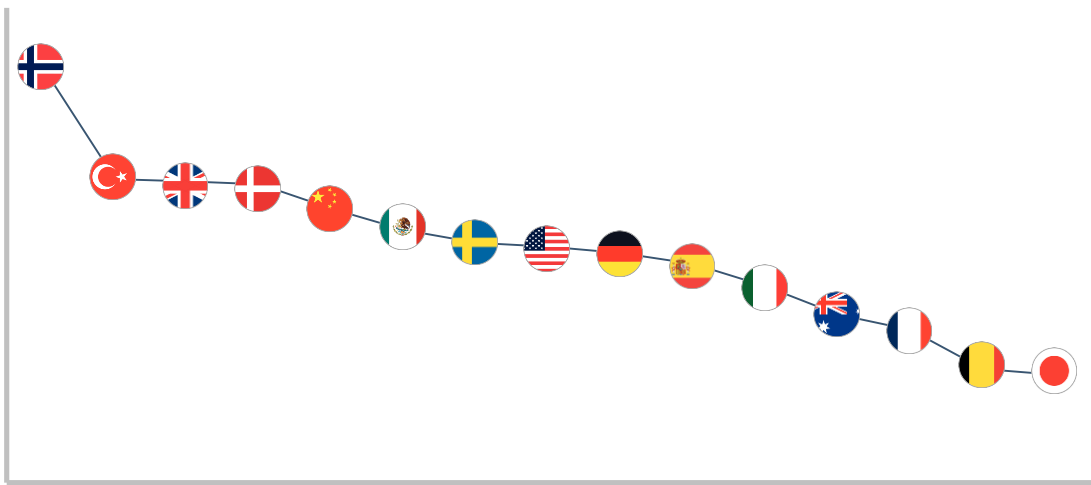


Would you consider buying a Chinese EV?

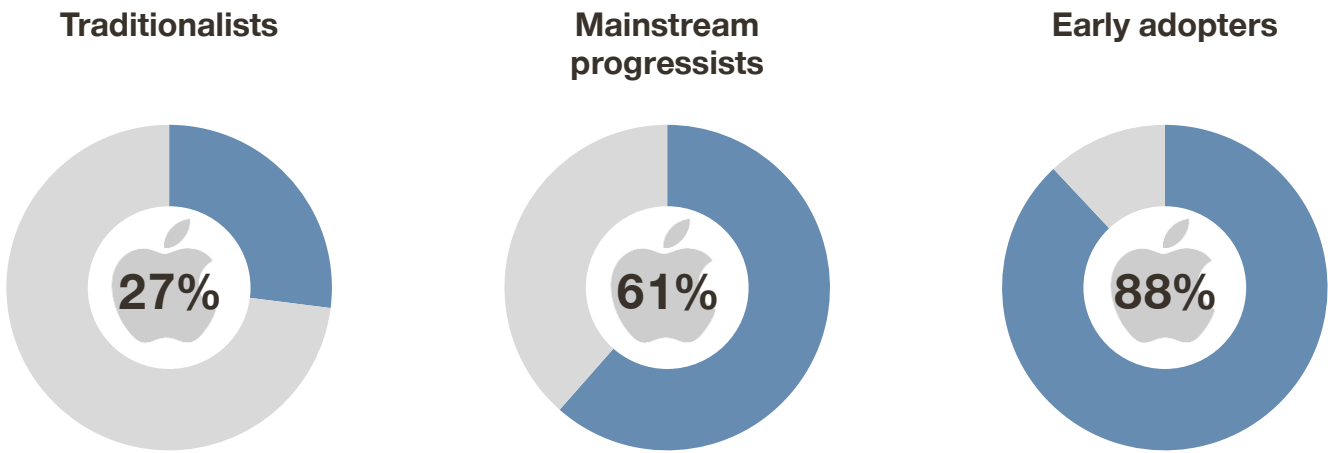


Country perspective on electric vehicles

Share of consumers that consider EV most

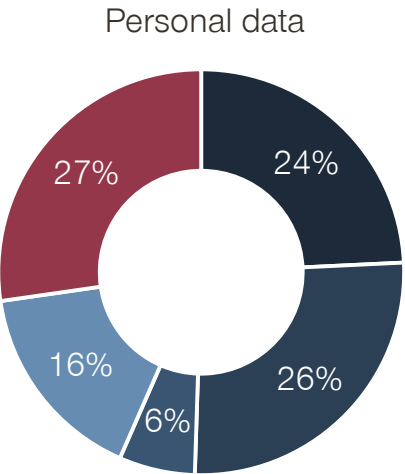
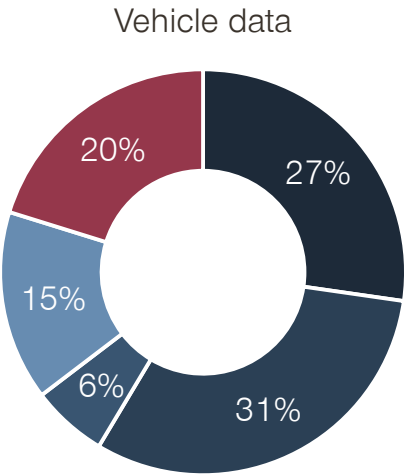


If Apple made an electric “iCar”– would you be interested?



Customers are open to in-car advertising and sharing vehicle or even personal data is becoming widely accepted

Are you willing to share connected car data?

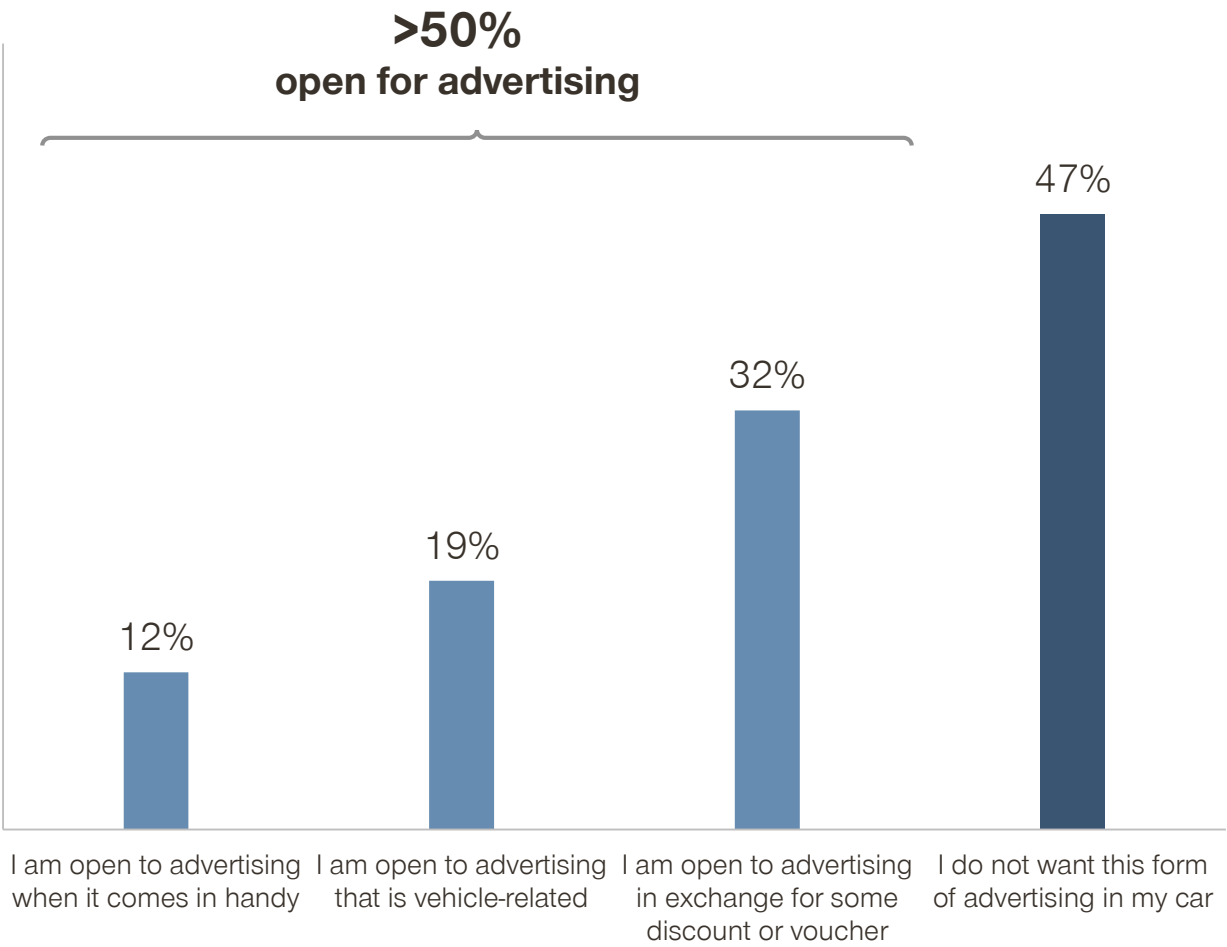


- Yes, without restrictions and without payment
- Yes, with restrictions and without payment
- Yes, without restrictions and with payment
- Yes, with restrictions and with payment
- No, I would not be willing to share any of that data

Country perspective

- Top-3 countries willing to share data without restrictions or payment: **Spain, China, Mexico**
- Top-3 countries not willing to share data: **United States, Australia, Germany**
- Highest (lowest) monthly incentive to share data: **China (Japan)**

Would you accept advertising in your car?



Enabling a completely new array of revenue sources (data monetization, ad platform business, ecosystem development...)

Vehicle data

- Weather and outside temperature data
- Road hazards
- Road conditions
- Battery level for electric vehicles
- Technical conditions
- Fuel/electricity consumption and behavior
- ...

Personal data

- Starting and end point of itinerary
- Current location
- Picture and video material from outside the car
- Acceleration patterns
- Driving behavior
- Preferred entertainment channels
- ...

**Algorithms to
optimize ads slot
allocation and
maximize ads
revenue
(dynamic value-
based price
models)**

**20% off on the menu
for a battery charge in
our parking**
(based on battery level and
navigation data)

**Discover Podcast
series**
(based on topic interest in
radio)

**Drive-in coffee to go on your
way to work.**
50% off! Now 1,49€
Pay directly with
your car wallet

**Winter complete tires
of brand A at a 15%
discount**
(based on tire sensors)

**30-min massage
discovery for 9€**
(based on vehicle sensors
and erratic driving
behaviors)

**Unbeatable insurance
offer**
(based on vehicle sensors
and safe driving behaviors)

Buying behaviors in constant evolution – a lot is shifting towards subscription



2011

DVD rental



CD purchase



Individual
magazine purchase



Individual purchases of
sanitary products



Grocery shopping



2022

Subscription for
video streaming

NETFLIX

Subscription for
music streaming



Subscription for
newspapers & magazines



Subscription for
shaving products



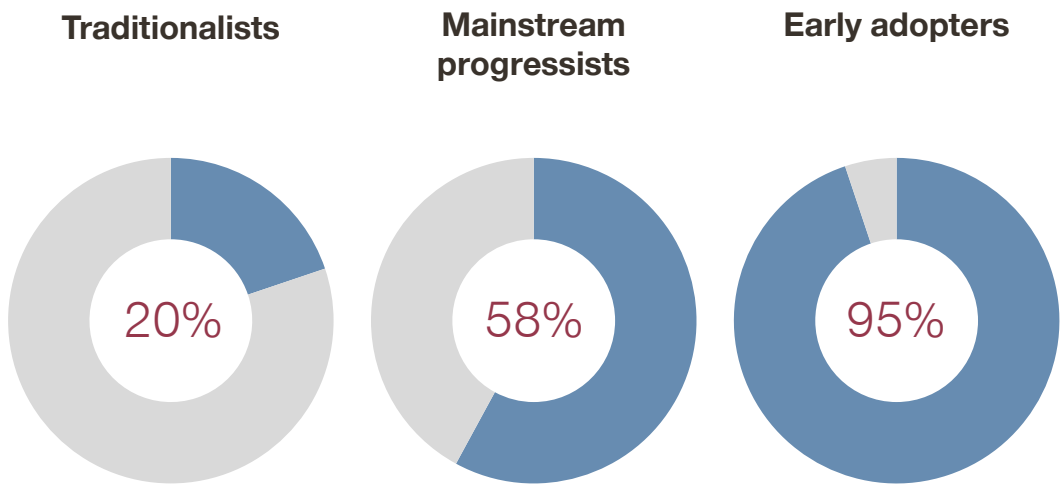
DOLLAR SHAVE CLUB

Subscription for
meal kits



Car subscriptions are gaining more and more traction in key markets, but monetization can be challenging

Would you be interested in a subscription?



Subscription characteristics with highest customer value

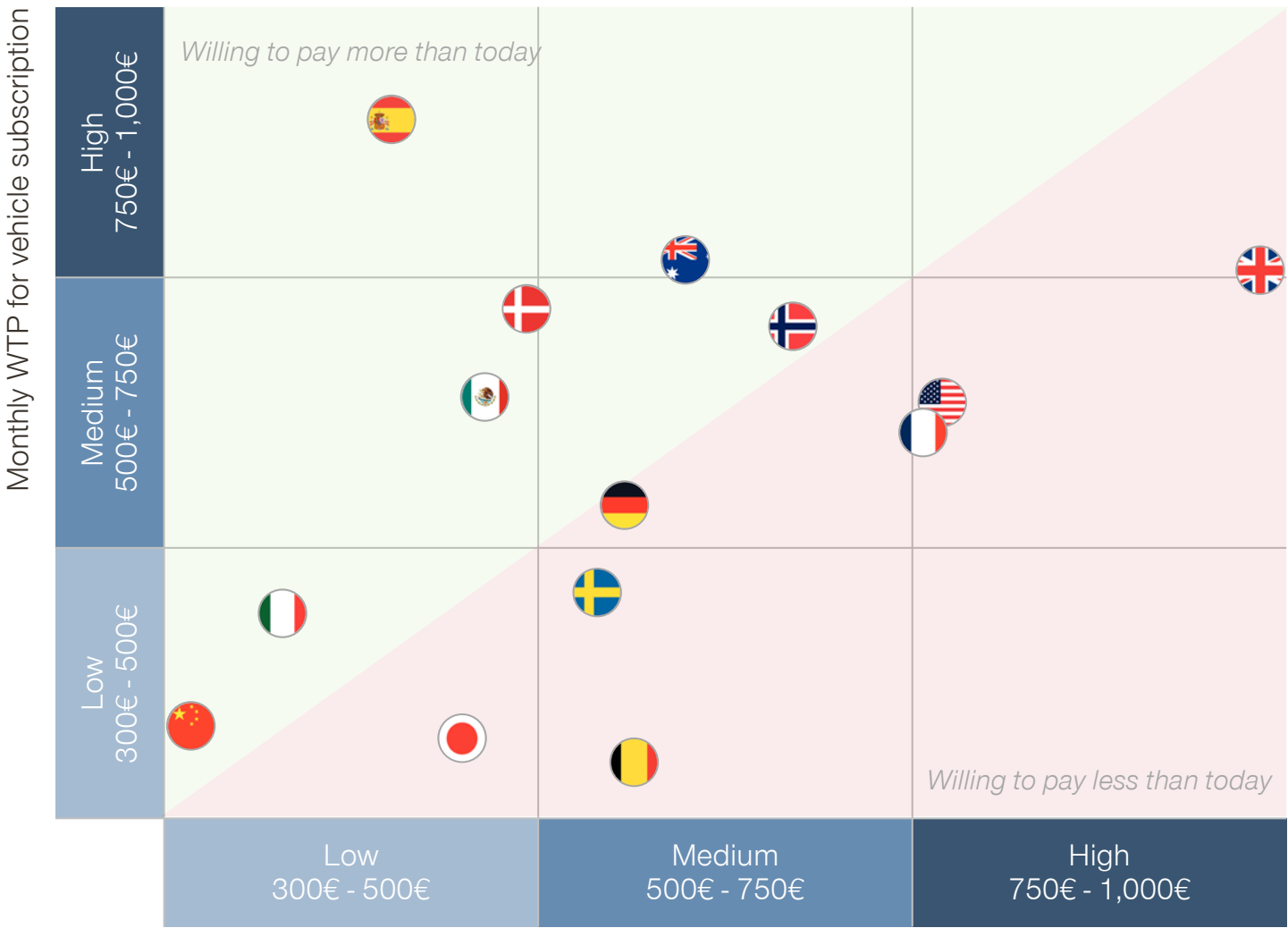
- All costs included payments
- Lower capital expenditure
- Mobility guarantee



Subscription characteristics with lowest customer value

- Short cancellation period
- Vehicle swaps
- Time saving & convenience

How much does your current car cost per month?
And how much would you be willing to spend on a subscription?





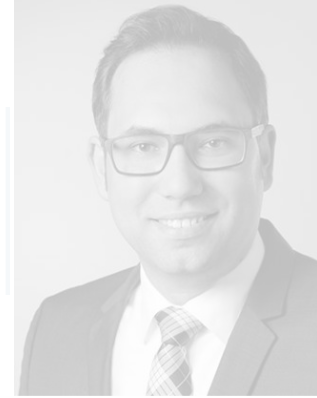
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China focus: Three key trends in Automotive



China continues to rock



Gen Z on the rise

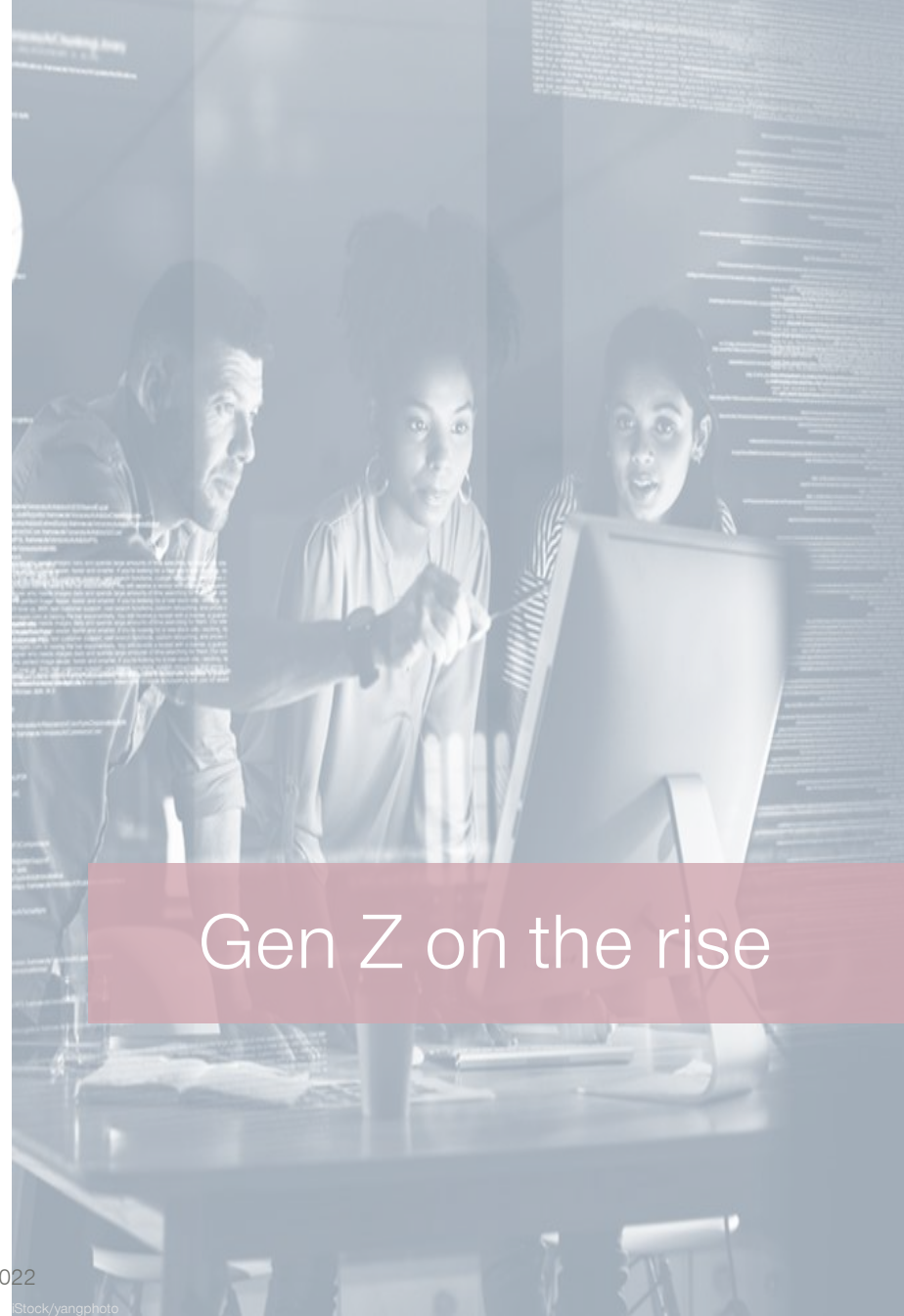


One size fits none

China focus: Three key trends in Automotive



China continues to rock



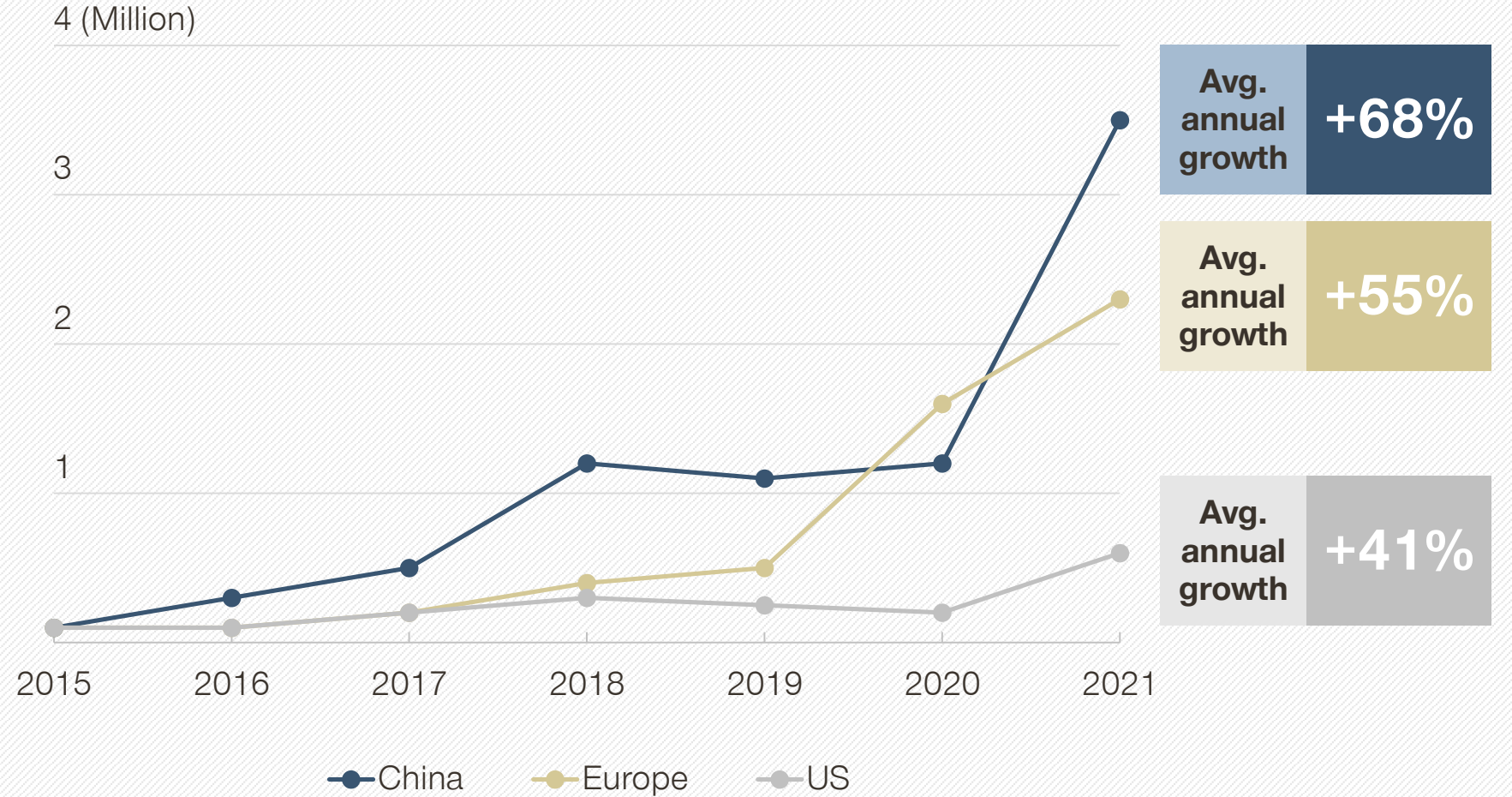
Gen Z on the rise



One size fits none

Average annual growth of China: +68%

China, Europe leading global EV growth Annual EV growth 2015 to 2021



In 2021 3.2m EVs were sold in China, i.e. half of all electric cars sold worldwide, and 2 million more than were sold in the country in 2020

The Chinese car makers are riding the waves of electrification



2021 - Top 25 car makers by market cap, \$Bn (truncated)



1	Tesla		905.72	
2	Toyota		258.47	
3	Volkswagen		126.60	
4	BYD		102.98	
10	Rivian		57.19	
12	Lucid		46.28	
13	Great Wall Motor		44.54	
15	NIO		39.32	
16	SAIC		34.79	
18	Xpeng		34.48	
20	Li Auto		30.60	
22	Geely		21.45	
25	Mahindra		14.23	



Among Top 25...

- ✓ **7** are Chinese carmakers, out of which
- ✓ **3** are pure EV players
- ✓ Pure EV players command nearly **50%** of market cap of Top 25

Chinese brands own the domestic EV market in China



Top 10 EV models by sales volume in China 2021 full year

Make	Model		Country of origin
SAIC GM Wuling	Hongguang Mini EV	395,451	
BYD	Qin EV	187,227	
Tesla	Model Y	169,853	
Tesla	Model 3	150,890	
BYD	Han EV	117,323	
BYD	Song EV	104,244	
Li Auto	ONE	90,491	
Chery	eQ	76,987	
Changan	Benben EV	76,381	
GAC	Aion S	73,853	

- ! **Only one** foreign brand, Tesla, made it into 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!**

China focus: Three key trends in Automotive



China continues to rock

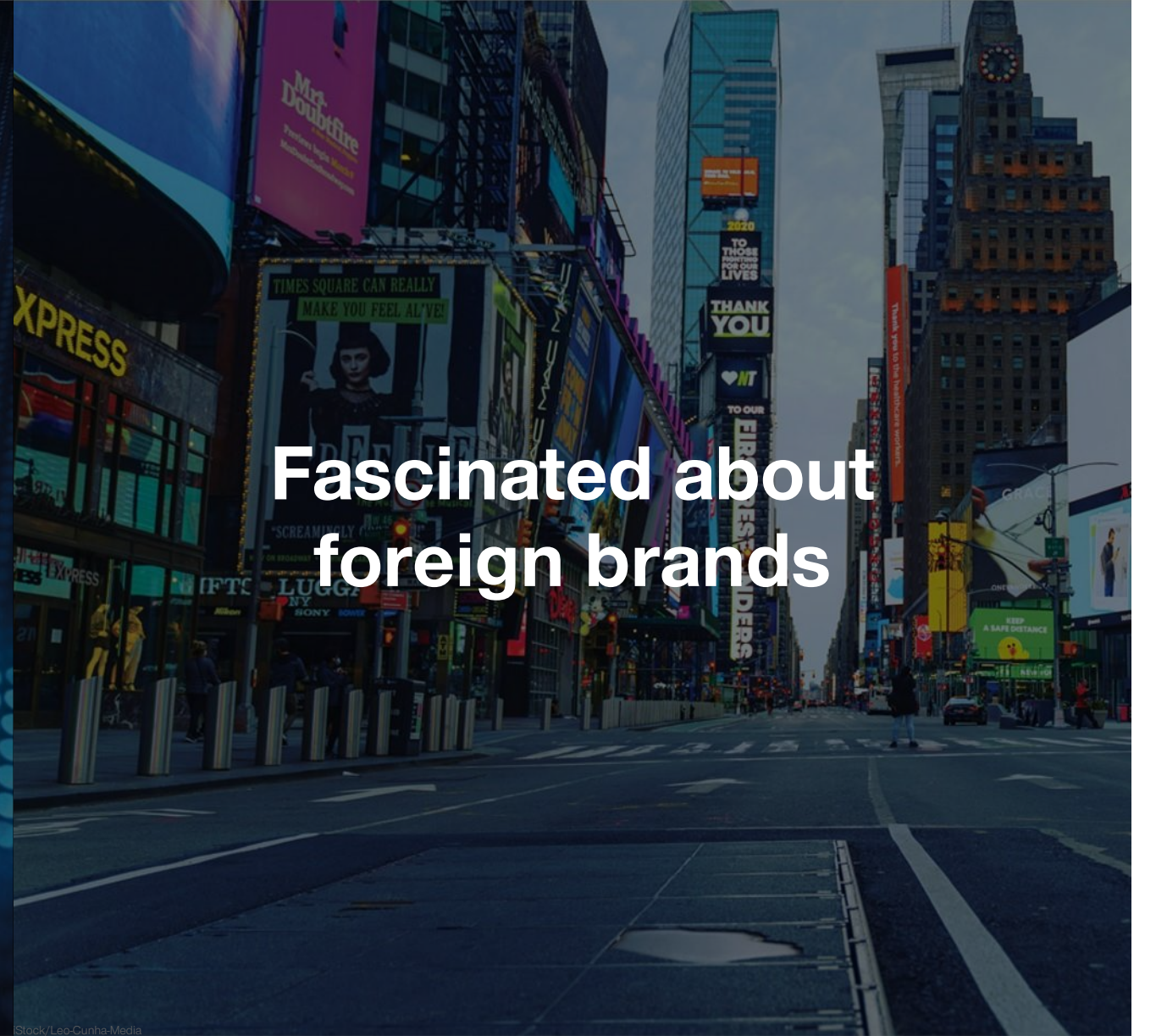


Gen Z on the rise



One size fits none

What comes to your mind when you think
about a typical Chinese consumer?



Meet the New Chinese Consumer



**Self-
aware**



**Lovin'
China Chic**

Learnings from Simon-Kucher's recent projects in China



Phygical
(Physical & Digital)



Soviral
(Social & Viral)

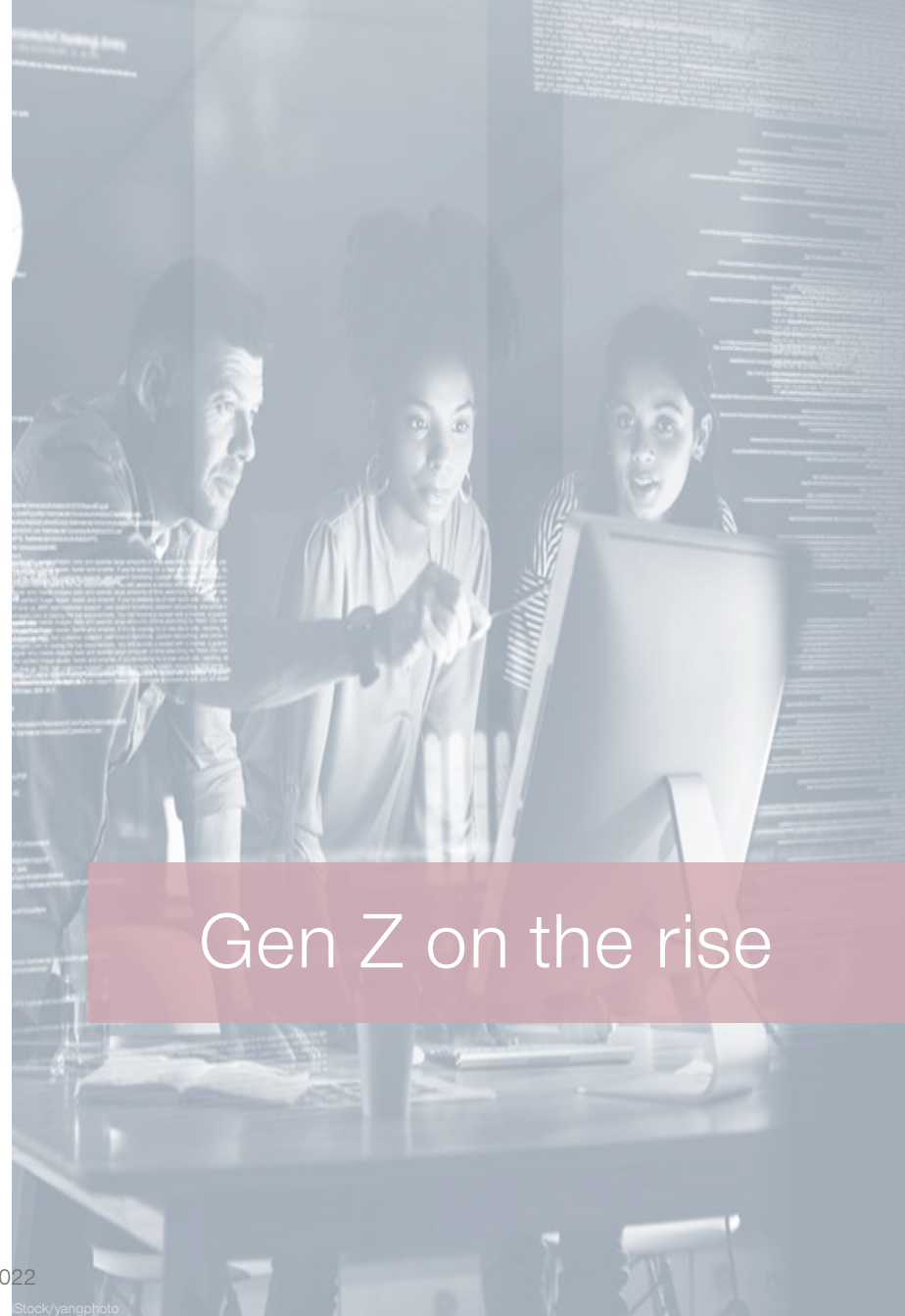


Glocal
(Global & Local)

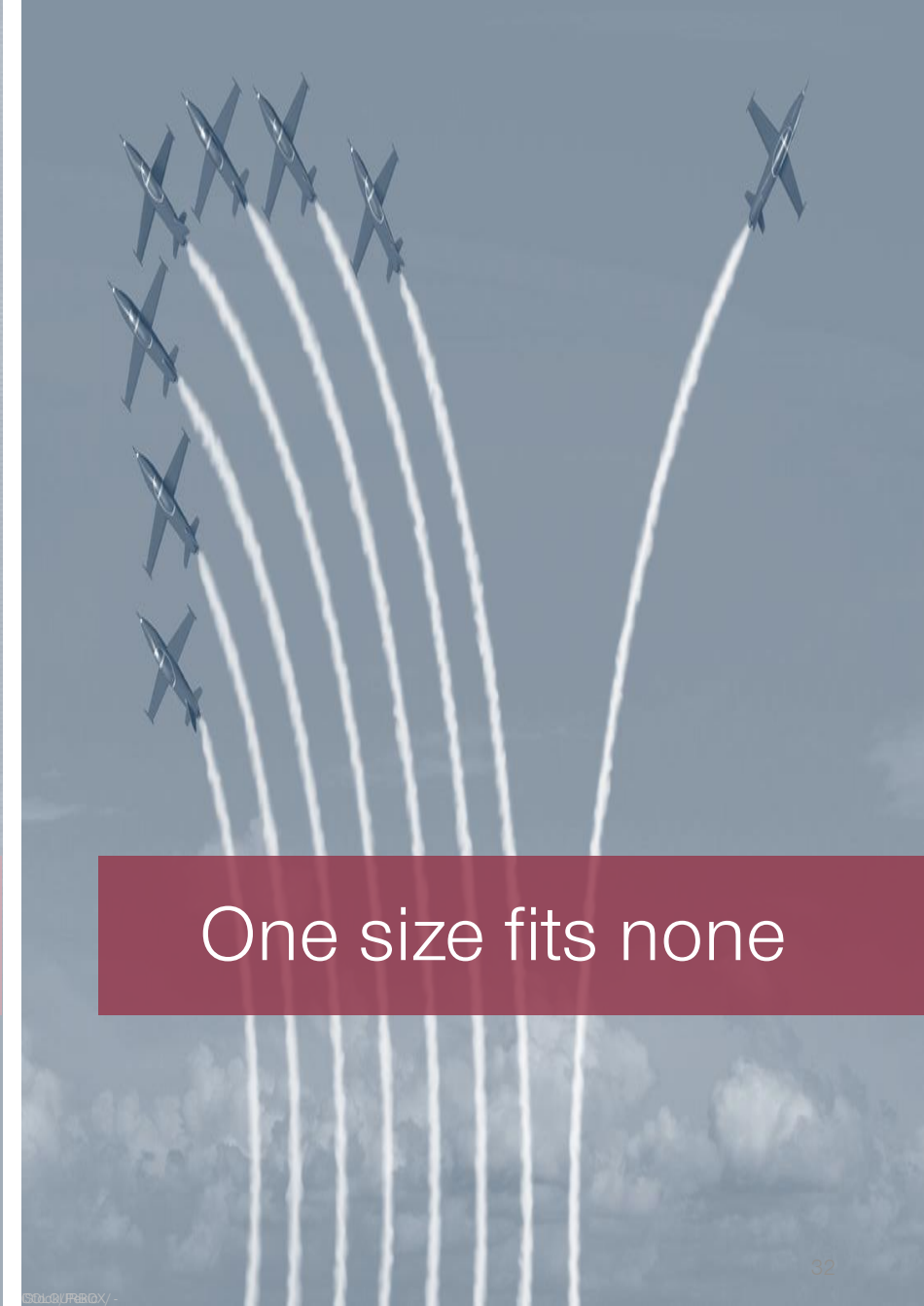
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China continues to rock



Gen Z on the rise



One size fits none

There are at least four distinct customer segments in the Chinese auto market

Four customer personas for Chinese EV drivers

Category 1: EV drivers with focus on Plug-in-Hybrid vehicles

23%

- Price sensitive
- Paying attention to cost-performance ratio



Category 2: EV drivers with focus on small pure electric models

31%

- Price sensitive
- Paying attention to minimum range requirement and basic service requirement



Category 3: Mainstream drivers of pure electric models

35%

- Best charging and range option within the affordable price range
- Willing to pay for efficiency and advanced feature



Category 4: High-end EV drivers

11%

- Time sensitive
- Willing to pay a premium for value-added services



It is not about the price, but productizing the price

Nio



Wuling Hongguang



Zooming onto Hongguang Mini EV



Hongguang Mini EV

Hongguang Mini EV's success story continued in 2021, up over 250% year on year, an undisputed EV bestseller

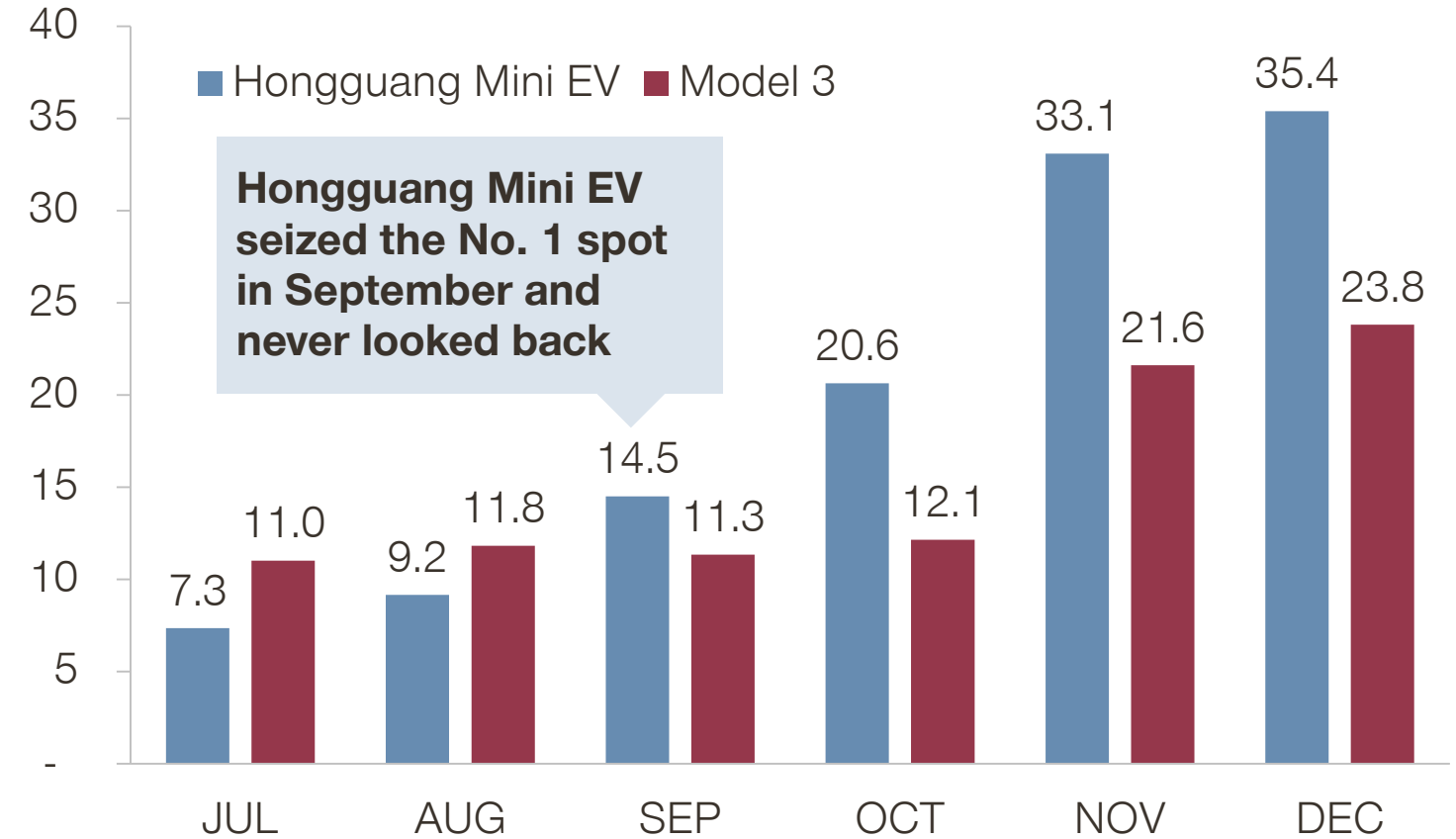


The Hongguang Mini EV is coming to Europe. Nonetheless, given European environmental regulations, the price is estimated to be higher than in China...



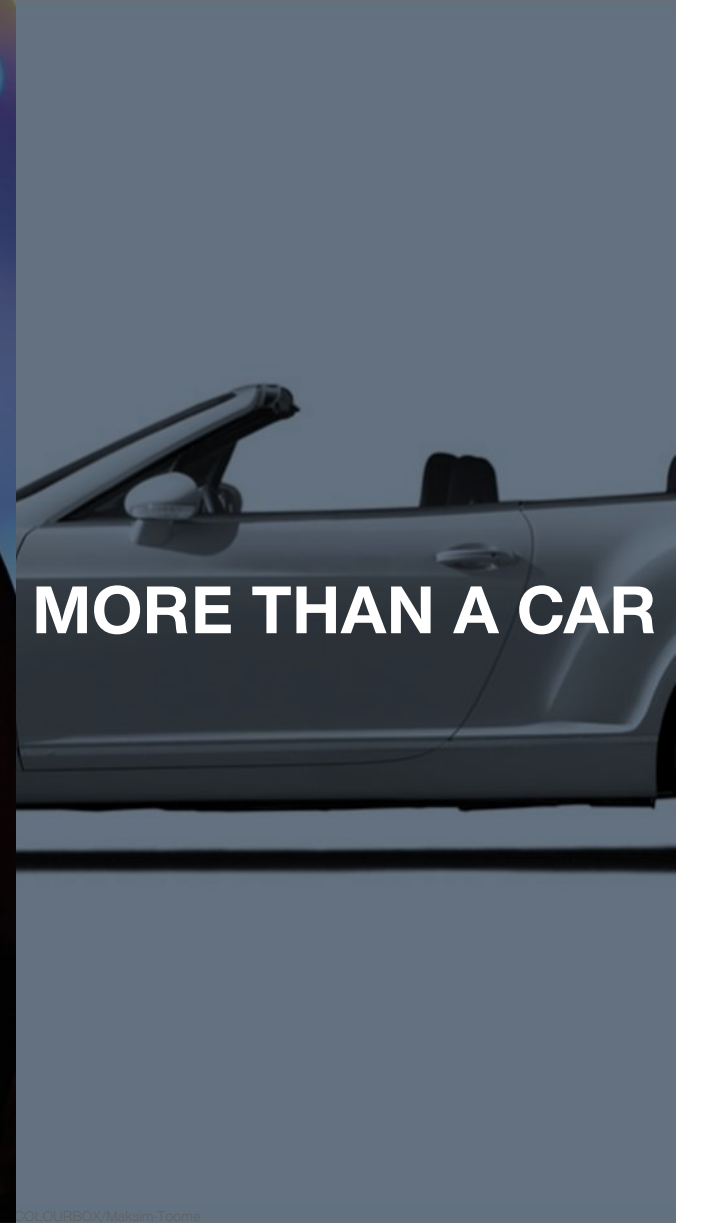
Sales development of Hongguang Mini EV vs. Model 3 – 2020H2

Units sold in k on a monthly basis

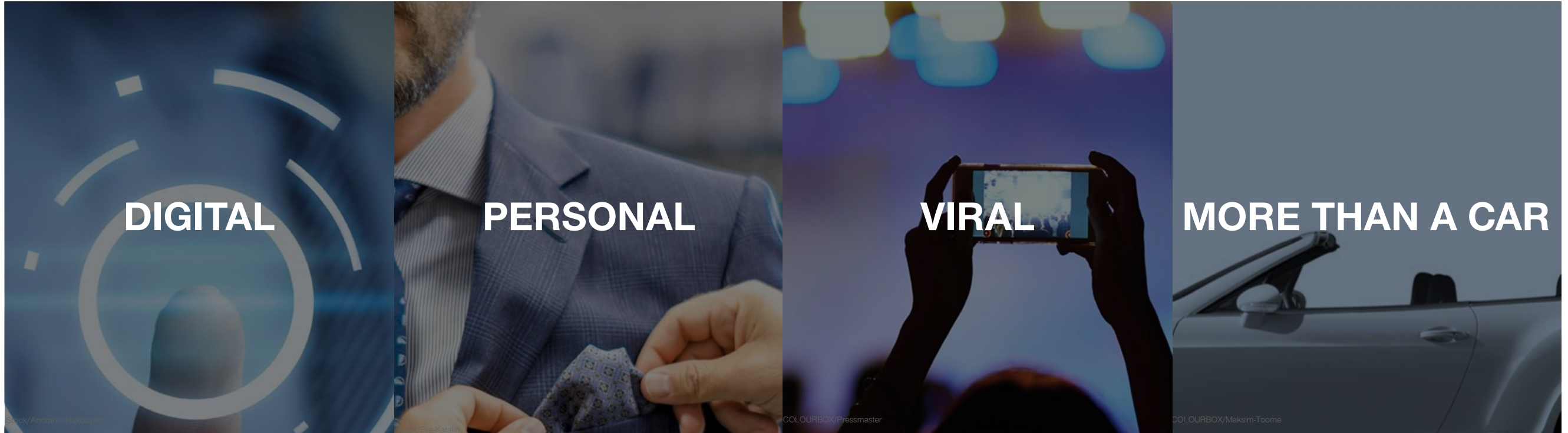


✓ Full-electric, length **2.9m**, no-frills, battery **13.9kWh**, warranty **8 years**, free **24x7** roadside assistance

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



Key take-aways from Chinese EV players



- **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)



Customized Information

Global Automotive Study 2022: Extended & Customized Results

Extended results of Global Automotive Study 2022 can be made available and customized according to your needs¹. We can deliver further analyses and insights on the Automotive sector, such as:

- **Purchase criteria, channel preferences, brand specific customers' price perception, ...** based on ...
- **Customer demographics, brand, body type, segment, fuel type, ...**

You can send a message and get in contact with us by clicking [here!](#)



Publications

Pricing Strategies: What the West can Learn from Chinese Car Manufacturers

(...) the automotive industry is changing drastically, and digitalization is a key cause. From battery and AI innovations, which are changing the way cars are designed, to an increase in eCommerce, transforming the way buyers shop cars. In the final part of this series, we reveal how Chinese car manufacturers are quickly adapting to this new world, understanding that personalization and precision marketing tools are key to dominating the market. [Read more](#) ▶

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



Webinars

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 **March 4th, 2022**. [Read more](#) ▶

You can also check out previous Automotive Breakfast Club webinars by clicking [here!](#)

Thank you!

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