



# International Opportunities for UK Aftermarket Companies

with a focus on China, India and the Middle East



# CONTENT

---

FOREWORD .....	3
UK OVERVIEW .....	4
CHINA .....	6
CHINA CASE STUDY.....	9
INDIA .....	10
INDIA CASE STUDY.....	13
MIDDLE EAST.....	14
MIDDLE EAST CASE STUDY.....	17
CONCLUSION .....	18
METHODOLOGY AND SOURCES.....	19

# FOREWORD



## EXECUTIVE SUMMARY BY

Mike Hawes  
Chief Executive,  
Society of Motor Manufacturers  
and Traders (SMMT)

The UK automotive industry is globally respected for its world class levels of engineering and production quality. Our products are shipped to more than 100 countries worldwide and exports of British-built cars are now at record levels. Our components are in increasing demand, too, with some £4.6 billion worth of vehicle parts exported annually – and, as the following pages outline, the opportunity to grow that business is significant.

Earlier this year, we published the first in a series of reports demonstrating the value and importance of the UK's £21.1 billion automotive aftermarket. Even in this mature market, the potential for growth is significant, with consumers expected to increase their maintenance spend to £28 billion by 2022 as the car parc continues to grow. However, that's still only a fraction of the £500 billion global opportunity, so it's no surprise that UK-based suppliers are increasingly looking further afield to grow their businesses. SMMT is committed to helping our members by strengthening trade links and opening up new opportunities in existing and untapped markets.

That's why, alongside the work we do on the ground with our international trade missions and delegations, we commissioned Frost & Sullivan to explore the opportunities in three key emerging markets: China, India and the Middle East. Together, these three aftermarkets are worth some £54 billion, and with UK suppliers currently accounting for a market share of just 0.2%, the potential for growth is phenomenal. In fact, as this report finds, UK aftermarket companies could, even by just keeping pace with the market's natural growth in these regions, double their income to £195 million over the next seven years.

This report highlights the size and nature of the business opportunities available in China, India and the Middle East Gulf Cooperation Council region, including Saudi Arabia, United Arab Emirates, Bahrain, Qatar, Oman and Kuwait. The data is supported by advice on how to tackle the challenges presented by entering new markets, including the need to understand local buying trends, cultural conventions and regulation.

I hope the market intelligence and insight contained in these pages give you the background needed to exploit further opportunities overseas.

A handwritten signature in black ink, appearing to be 'MH', followed by a long horizontal line extending to the right.

# UK Overview

## What the UK aftermarket produces

**1** UK based parts suppliers sold approximately £4.6 billion in automotive components and accessories to countries worldwide 2015.

**2** Germany purchases more components and accessories from UK-based parts suppliers than any other country, but there are emerging opportunities for British aftermarket companies in China, India and the Gulf Cooperation Council (GCC) region.

**3** UK-based parts suppliers sold an estimated £78 million of automotive aftermarket parts and accessories to China, India and the GCC region in 2015.

**4** Brake pads, turbochargers, transmission components, steering/suspension parts and lighting are among the major automotive products supplied to export markets by British-based companies

**5** Frost & Sullivan forecasts the value of UK-supplied automotive aftermarket parts and accessories to China, India and the GCC region to grow to £195 million by 2022, based on current growth projections in each region.

With a value of £21 billion, the UK aftermarket is among the largest in Europe, with British suppliers at the forefront of developing products and services for rapidly evolving vehicle technologies. What sets the UK market apart is the larger share occupied by independent operators, making the UK Europe's most dynamic and competitive market. The independent aftermarket captures 64% of industry revenue in Britain, but in Germany, Italy and France the OEMs and franchised networks exert more influence. UK-based suppliers are respected for their quality and service, providing a wide range of automotive components and systems to customers around the world.

UK-based companies exported approximately £4.6 billion in automotive parts and components in 2015, according to data from the International Trade Centre. This total includes original equipment as well as aftermarket parts and covers all types of vehicles – from passenger cars to heavy trucks and equipment.

### Introduction

While 'made in UK' is a sought after badge of quality, UK-based suppliers currently have a modest 1% share of the £500 billion global aftermarket. Germany, France, Italy and Spain report higher export volumes for automotive parts and accessories than the United Kingdom.

The figures underscore the potential for UK-based suppliers to sharply increase their growth by successfully penetrating new markets. Today, Germany accounts for more than 20% of parts exported by UK-based suppliers, making it Britain's largest customer, followed by France and Spain.

Conversely, China, which produces more aftermarket parts than any other country, accounts for just 4% of UK-based suppliers' exports. India and the Middle East, both of which show growing potential as export markets, only account for a combined 3% of sales today.

### The UK Aftermarket

With an estimated 32.7 million cars and light commercial vehicles, the UK has the world's ninth largest vehicle population. Although the UK automotive aftermarket is one of the most dynamic and sophisticated in the world, growth rates are much lower than in China, India and the Middle East, where tens of millions of people will become vehicle owners for the first time in the coming years.

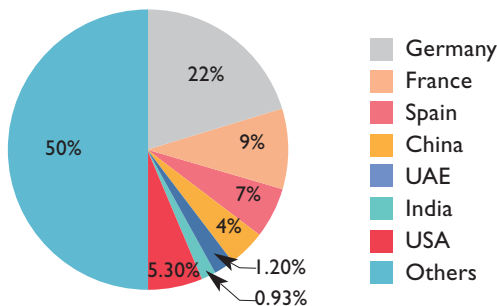
In the UK, the automotive aftermarket is characterised by a high degree of choice and competition. Many suppliers offer the same parts under different brands, and often through multiple sales channels, driving down prices for consumers. The regulatory framework is generally supportive.

### Needing British Parts

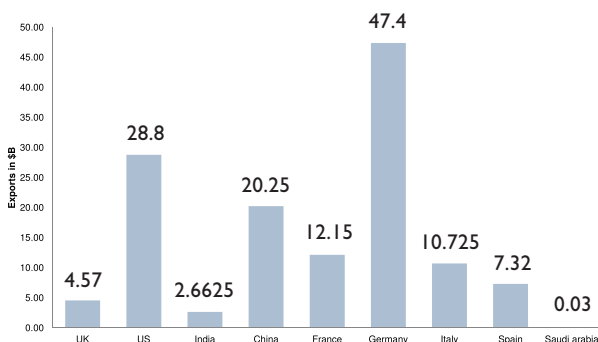
With the vehicle population rising quickly in China, India and the Gulf Cooperation Council GCC region (including Saudi Arabia, United Arab Emirates, Bahrain, Qatar, Oman and

## Where the UK aftermarket exports to:

Volume by percentage of countries UK exports vehicle parts to, 2014



Vehicle parts value exported by countries, 2014



Kuwait) of the Middle East, British companies should seize opportunities to provide more of the spare parts needed to keep these cars on the road. Consumers in China and India are keen to gain access to high quality aftermarket parts as an alternative to poor quality counterfeits and the perceived high cost original equipment. In the Middle East, vehicle owners are almost completely dependent on imports for everything from brakes and filters to collision parts, under-the-bonnet components and accessories.

In general, British brands are well received throughout Asia and the Middle East, and evidence suggests that UK-based parts suppliers could find a large base of new customers receptive to their products.

Industry growth rates in these regions average 10 to 15% annually, compared with 3% in Britain. China – home to 151.6 million cars and light commercial vehicles – is on pace to surpass the United States as the largest vehicle parc within the next decade.

### Emerging Export Markets

However, British companies will find a different competitive landscape in other, high-growth regions.

There is a need for high-quality aftermarket parts in China, India and the GCC countries to service the growing vehicle base, but traditional distribution channels may not exist or be hard to navigate. Consumers and workshops are eager to purchase parts from European suppliers for guaranteed quality and after-sales service, but government policies may favor localisation over imports. Customers are willing to pay more for British brands over poorly engineered alternatives, but a lack of vehicle knowledge and experience may confuse them when choosing parts for their cars.

British suppliers have considerable opportunities to build loyalty with a new and large group of potential customers throughout Asia and the Middle East. With proper research and planning, UK-based aftermarket companies can play a key role in modernising the automotive aftermarket industry in emerging regions and enjoy high growth rates for doing so.

### Quantifying the Opportunity

According to Frost & Sullivan’s analysis, the aftermarket opportunity for UK-based parts suppliers is largest in China (£42 million), a function of its higher vehicle population than India and the GCC region. Frost & Sullivan forecasts more than 160 million additional vehicles in operation across China by 2022, driving revenue for British suppliers to an estimated £108 million.

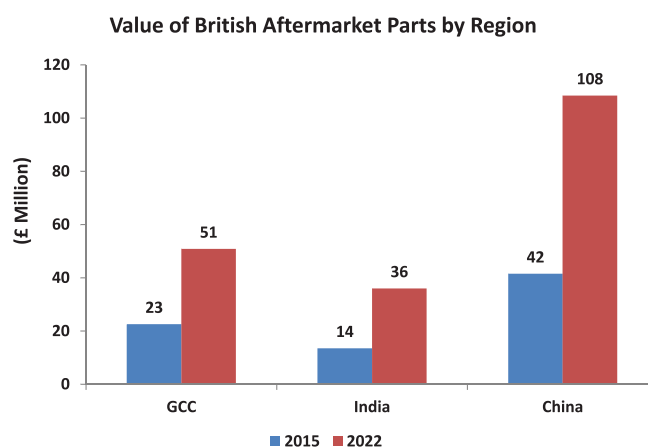
However, most UK-based companies selling parts in China and India are working mainly with OEMs and are not very active in the aftermarket. The confirmed aftermarket opportunity for UK-based parts suppliers in India (£14 million) is considerably smaller. By contrast, all component sales to the Middle East are aftermarket parts, since there is no vehicle assembly in the region.

As a result, the combined aftermarket opportunity for UK-based parts suppliers more than doubles from £78 million in 2015 to £195 million by 2022, simply by keeping pace with industry growth across the three regions.

### Conclusion

British parts suppliers that can successfully position their products as an alternative to original equipment parts (too expensive for many consumers) and counterfeits (low quality) will play a key role in modernising these markets, attract millions of potential new customers and grow their businesses.

## How the UK compares to the global aftermarket



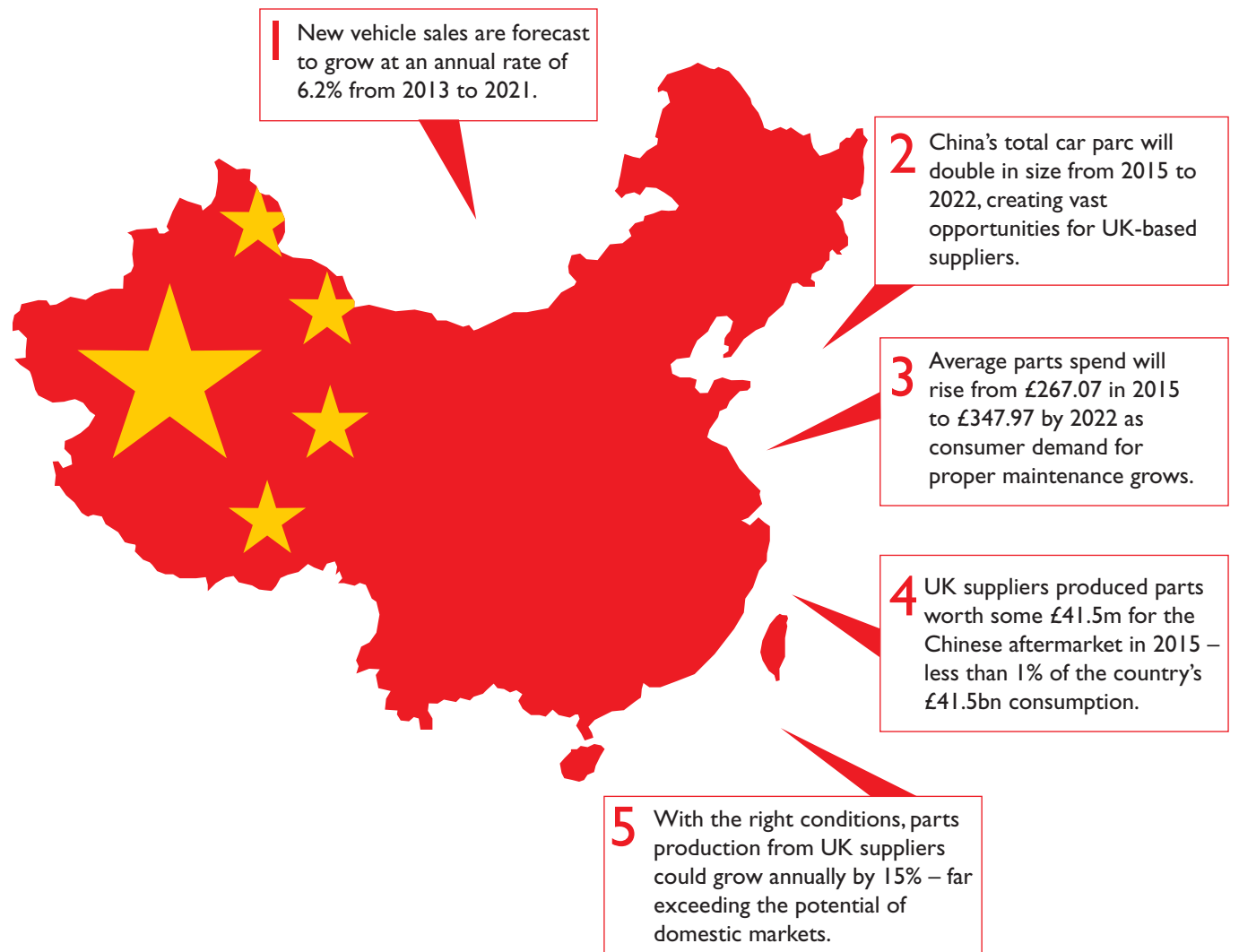
Vehicles in Operation, 2015 (million)	
United States	253.3
China	151.6
Japan	62.5
Germany	45.2
Brazil	41.9
Russia	40.7
Italy	37.9
France	32.8
United Kingdom	32.7
Canada	23.8
Spain, India	23.1
<b>GLOBAL</b>	<b>1,106.9</b>

Note: Includes light commercial vehicles  
Source: Frost & Sullivan and LMC Forecasting



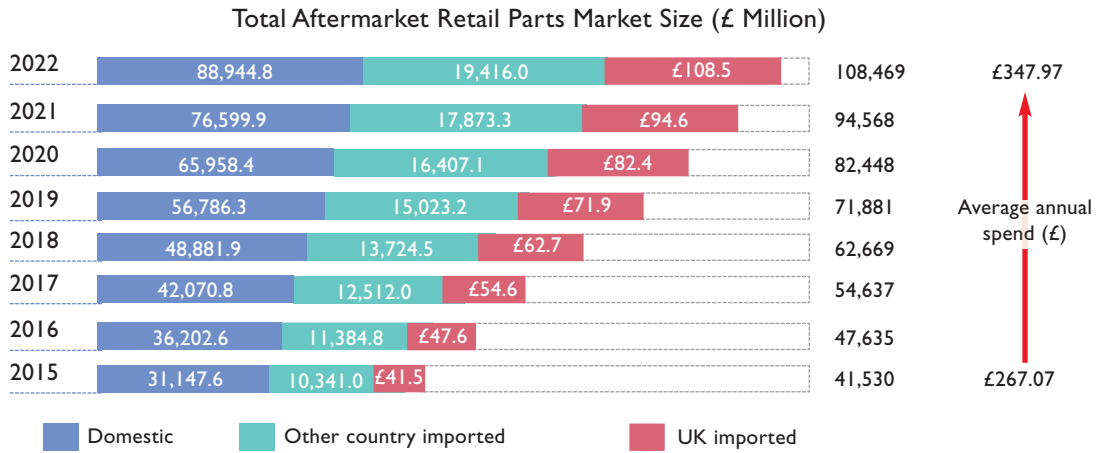
# CHINA

With the world's fastest growing economy and rapidly expanding levels of car ownership, China offers big opportunities for UK aftermarket companies looking to grow their businesses.

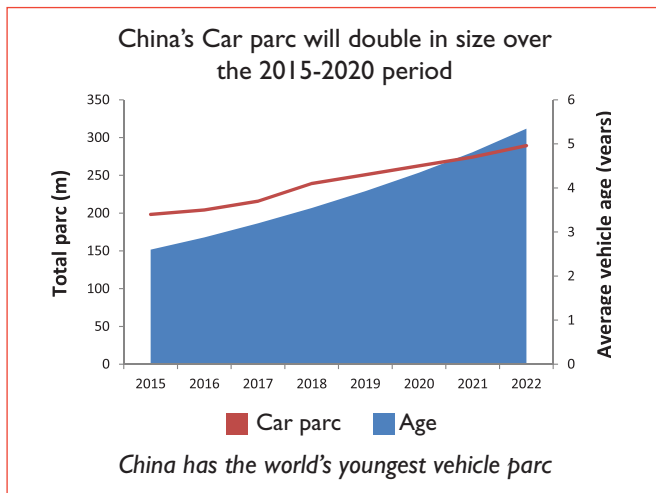


## Market size & value

The Chinese aftermarket is anticipated to grow at a rate of 14.7% CAGR between now and 2022



## Car parc size and Age



## Top Selling Models (2015)

	Model	Sales in 2015
1	SAIC GM Wuling Hongguang	655,531
2	Saic Vw New Lavida	472,832
3	SAIC GM Wuling Baojun 730	321,069
4	Faw VW New Sagitar	279,892
5	FAW VW new Santana	276,242
6	FAW VW New Jetta	274,932
7	SAIC WW Tiguan	255,751
8	SAIC GM Buick Excelle	176,242
9	Dongfen Nissan Sylphy	138,289
10	Great Wall Haval HS	23,212

## Auto Parts Cities

### Overview

An auto parts city is a place where repair shops and small distributors are located together. Emerging in the early 1990s, auto parts cities provide a platform for small distributors to share resources—related products, information, and a good location—to reach customers.

A typical auto parts city could have more than 250 distributors in an area of 250,000 square metres, with many vendors offering different products such as brakes, filters, lighting, and electric components.



An auto parts city tyre shop service in Sichuan Province, China



# CHINA

## Market insight

### Market trends

- New vehicles sales in China are set to grow at an annual rate of 6.2% from 2013 to 2021.
- Proliferation of counterfeit parts makes it difficult for suppliers to properly position their products.
- High growth of Internet users means more Chinese consumers are buying parts online.
- Unlike the mature regions of North America and Europe, where two-step and three step distribution models are common, China has a more complex network of small- and mid-size parts sellers that makes it harder to reach customers directly.

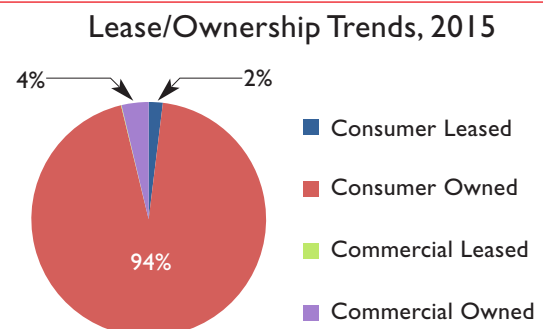
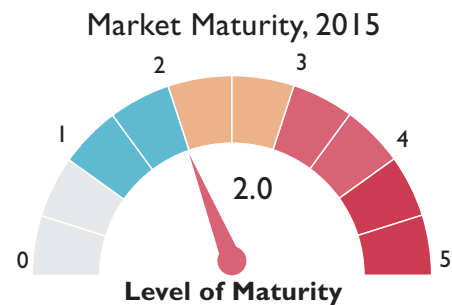
### Key regulations

- **“Guiding Opinions on Promoting the Automotive Repair Industry Transformation and Upgrading to Improve the Quality of Service”**: A piece of legislation allowing for authorised parts dealers and workshops to sell OEM parts to aftermarket workshops, encourages cross-channel parts sales (OES to IAM).
- **"Right to Repair"**: As in the UK, this regulation requires OEMs to publicly release vehicle maintenance and technical information of newly introduced models, including those that are imported.
- **Circulation restrictions**: Circulation restrictions and quota systems regulating when and where people can drive, as well as the development of public transport, will reduce average kilometres driven significantly.

### Cultural conventions

- The Eastern region contributes about 55% of China's GDP, but more than half the population lives in the Central and Western regions.
- Many Chinese are first-time vehicle owners, and so they may lack the knowledge and understanding of how to properly maintain and repair their vehicles.
- A high proportion of consumers buy their car parts and accessories online through sites such as Tmall, Taobao and Autozi.
- Most independent workshops source parts from Auto Parts Cities, which feature clusters of distributors specialising in braking, suspension, exhaust and other products.

## Key market indicators



### Recommendations

**Identify coverage gaps:** With more than 100 vehicle brands present in China, it is impossible for suppliers to meet the industry's all-makes-and-models benchmark. The high degree of fragmentation means there are many hard-to-find parts that offer opportunities to fill coverage gaps or identify niche segments.

**Find a local partner:** A Chinese joint-venture partner is legally required for foreign entities doing business in the country. A strategic partnership will also help the exporter navigate the cultural differences effectively.

**Defend intellectual property:** Theft or infringement of intellectual property by competitors and even partners is a common concern for companies doing business in China. With active lobbying of business leaders in the UK and abroad, exporters can push for stronger protections of their product specifications and tooling.

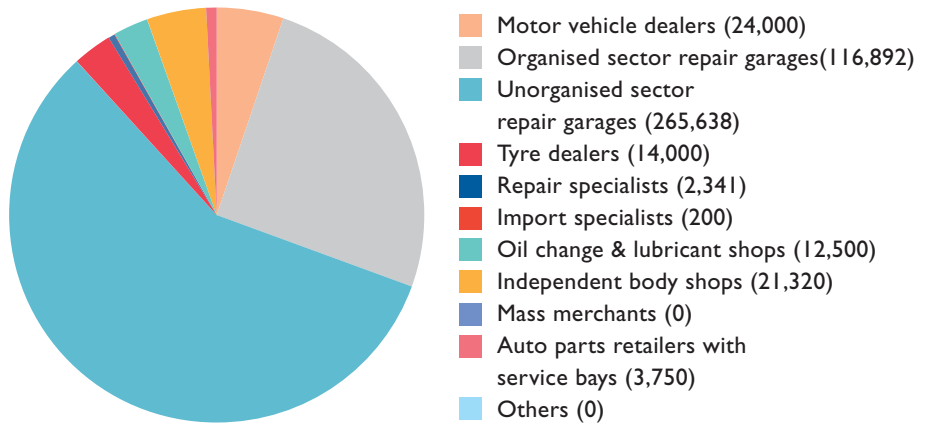




## Distribution channels

There are an estimated 265,000 "unorganised sector" workshops in China. These are loosely defined as workshops with dirt floors, lacking in modern tools/equipment, more likely to use counterfeit parts, and generally do not meet the operational standards of a typical independent workshop in the UK.

## Type and number of service locations



## Top distributors by channel

Parts Seller	Channel	Market Strategy
Volkswagen	OES	Largest OEM in China. 2,750 dealerships
Bosch Car Service	Retail	More than 2,000 franchised service centres
Tmall.com	eRetail	18th most visited website globally and the seventh most visited site in China
Jiangsu CarZone Investment	Warehouse Distributor	200 physical stores and 12 warehouses covering 15 Chinese provinces

## Case study: ATP



**Malcolm Morris**  
OEM Sales Manager, ATP

“**Research the market thoroughly and get a Chinese partner — localisation is encouraged**”

Malcolm Morris, ATP's OEM sales manager, says high growth in China's car parc and a lack of affordable high quality replacement parts led the company to open its first factory in Guangzhou in 1997. The Chinese remanufactured parts industry is expected to be worth £3 billion in the coming years, and ATP is well placed to capitalise, with 6% of its turnover already generated there.

Remanufacturing in China is a complex domain due to lack of awareness about the segment and strong competition. “True remanufacturing doesn't always happen – there's still a lot of repair activity,” says Morris. Other challenges include the country's large geography, regulation, intellectual property theft, and a lack of cultural knowledge. Localisation is encouraged, so the best advice, says Morris, is to get a Chinese partner.

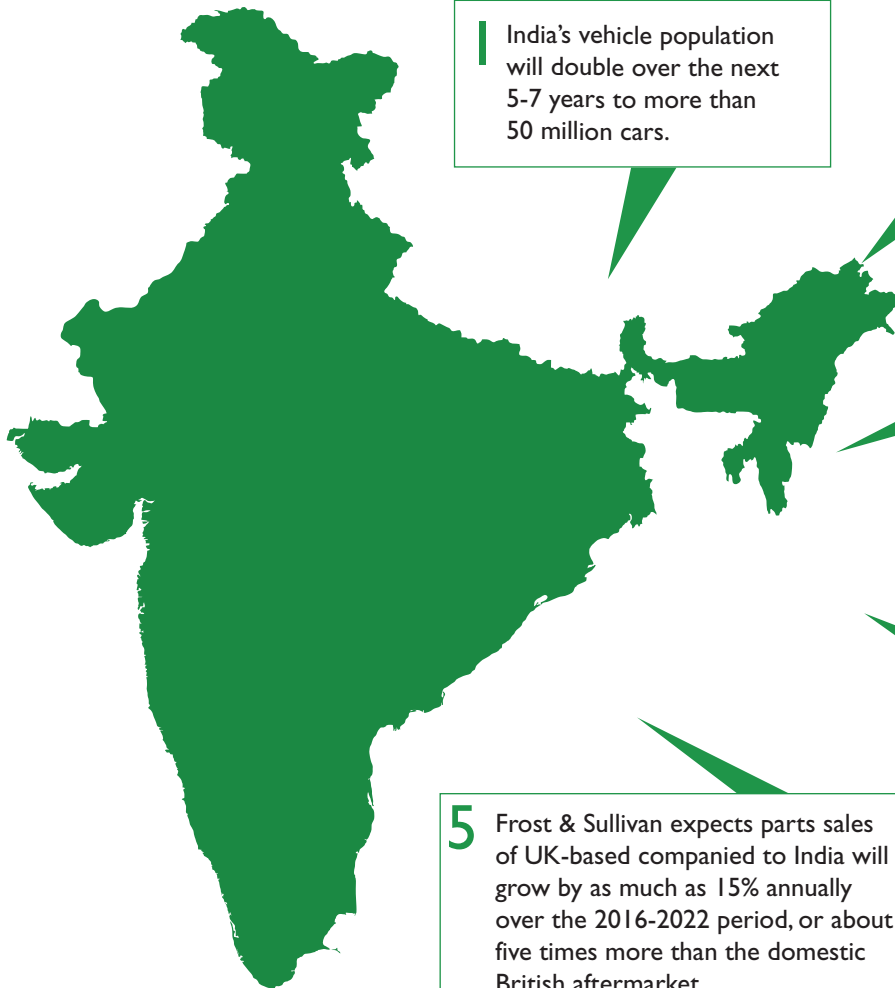
These challenges haven't stopped ATP from growing in China, and by positioning itself as a supplier of eco-friendly, recycled parts – a key value proposition in China where pollution remains a major concern – it hopes to expand its influence in the country even further. It is now exploring the potential for a second factory in the Shanghai area.

<b>Company</b>	ATP
<b>Established</b>	1969
<b>HQ</b>	Staffordshire, UK
<b>Turnover</b>	£8.5 million
<b>Employees</b>	200
<b>Locations</b>	UK, US, China
<b>Exports to</b>	35 countries

Founded by its current owner and chairman Alan Smart, ATP supplies remanufactured transmission, gearboxes, electronics and other parts globally to OEMs, including Aston Martin, Ford, JCB, Jaguar Land Rover and Volvo, as well as to the independent aftermarket.

# INDIA

India's automotive aftermarket is a fast-growing industry with customers that are highly receptive to British brands.



1 India's vehicle population will double over the next 5-7 years to more than 50 million cars.

2 Total parts revenue will grow from an estimated £6.69 billion to £14.98 billion over the 2015-2022 period, with tyres, lubricants and other parts replaced early in the vehicle lifecycle driving much of the growth.

3 India has a higher share of company-owned vehicles than personal-use automobiles, suggesting that UK parts suppliers should target company fleets rather than consumers to grow their sales.

4 UK suppliers sold parts worth about £14 million to the Indian aftermarket in 2015 – less than 1% of the country's £6.69 bn consumption.

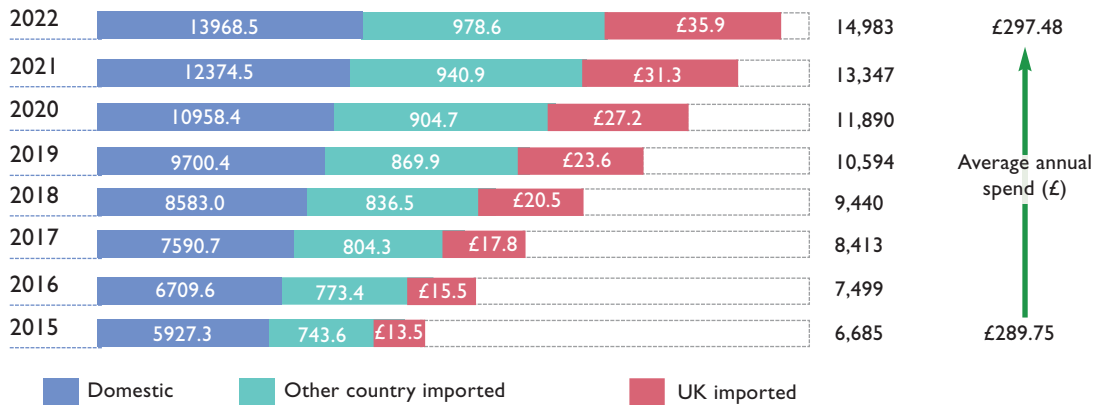
5 Frost & Sullivan expects parts sales of UK-based companies to India will grow by as much as 15% annually over the 2016-2022 period, or about five times more than the domestic British aftermarket.



## Market size & value

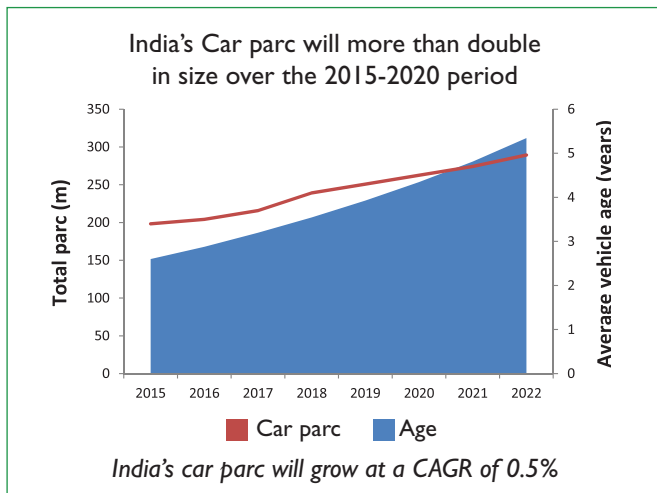
The Indian aftermarket is anticipated to grow at a rate of 12.2% CAGR between now and 2022

Total Aftermarket Retail Parts Market Size (£ Million)



Average spend will increase as vehicles age and parts quality improves

## Car parc size and Age



## Top Selling Models (2015)

Model	Sales in 2015
1 Maruti Suzuki Alto	272,096
2 Maruti Suzuki Desire	235,110
3 Maruti Suzuki Swift	170,395
4 Maruti Suzuki Wagon R	170,395
5 Hyundai Elite i20	130,126
6 Hyundai Grand i10	124,072
7 Maruti Suzuki Celerio	82,961
8 Maruti Suzuki Omni	78,927
9 Mahindra Bolero	73,365
10 Honda City	64,777

## Two Wheelers in India

A unique feature of the Indian aftermarket is the strong presence of two-wheel motorcycles and scooters as the primary mode of personal transportation. There are more than 150 million two-wheelers registered for use across India, compared with just 23.1 million cars.

India's road network of more than 4.7 million kilometres (2.9 million miles) is the second largest in the world. However, traffic in India is particularly bad in the densely populated cities of Mumbai, Pune, Kolkata, New Delhi and Chennai. Roads may also be in disrepair, increasing vehicles' maintenance needs.

Continued growth of India's economy will spur the development of additional road infrastructure, as well as a new generation of vehicle owners. British companies are well positioned to establish brand recognition and loyalty with these future consumers.



Two-wheelers are considered a more economical way to travel by many people in India, but car ownership is rising



# INDIA

## Market insight

### Market trends

#### Increased consumer commitment to vehicle maintenance:

As per Frost & Sullivan's study on passenger vehicle service patterns in India, 90% of consumers invest in regular maintenance to increase the performance and life of the vehicle.

**Counterfeit parts:** These account for as much as 45% of passenger car aftermarket parts sales. In general, consumers don't distinguish the difference between real and counterfeit parts, and mechanics/suppliers promote these fake products heavily.

**High degree of price sensitivity:** Parts manufacturers need to adopt pricing policies that take into account the limited buying power of many Indian consumers.

### Key regulations

- **Auto Mission Plan 2006–2016:** The Indian Government's 10-year plan for the development of the Indian automotive industry into a global hub has resulted in favourable policies that are attracting global OEMs and automotive parts companies to the country.
- **Vehicle Inspection:** Government plans to set up inspection and certification centres in all states over the next several years. They will be privately run but controlled by the respective state government. Currently, private vehicles do not undergo this fitness test.
- **Counterfeit parts:** The Automotive Component Manufacturers Association of India has proposed the incorporation of specific aftermarket standards in the Motor Vehicles Act. This is currently being considered by the government, but the outcome remains uncertain.

### Cultural Conventions

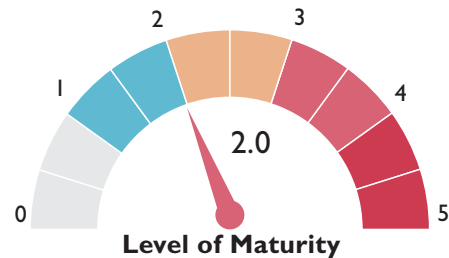
**Repair rather than replace:** Many Indian vehicle owners and mechanics prefer to repair worn or expired parts rather than replace them due to cost. As a result, service intervals and replacement rates for many parts are generally lower than in the UK.

**Poor condition of roads:** The use of substandard raw materials in road building, overloading, and weather conditions causes increased wear of parts, resulting in the need for faster replacement.

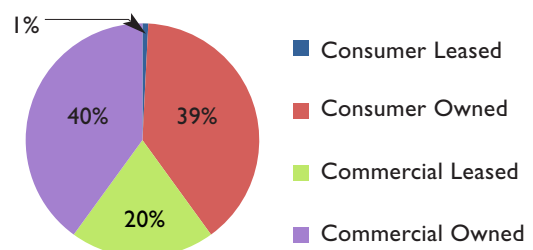
**Insurance:** Only third-party liability coverage is required, but between 30 and 40% of vehicle owners do not renew their policies.

## Key market indicators

### Market Maturity, 2015



### Lease/Ownership Trends, 2015



### Recommendations

**Focus on Indian nameplate coverage:** Maruti Suzuki, Tata Motors and Mahindra & Mahindra make up more than 60% of the passenger vehicles driven in India. UK-based suppliers must be able to support these brands to gain market share.

**Multi-brand service chain outlets:** Bosch Car Service, Mahindra First Choice, myTVS, Carnation, Castrol Pitstop and others are growing quickly across India to service the fast-growing car parc. Part suppliers should align with this growing customer base.

**eCommerce:** Indian consumers will increasingly use the Internet to find the parts and service they need for lower prices and access to brand-name products. UK-based parts suppliers should make themselves available online to find customers searching for British brands.

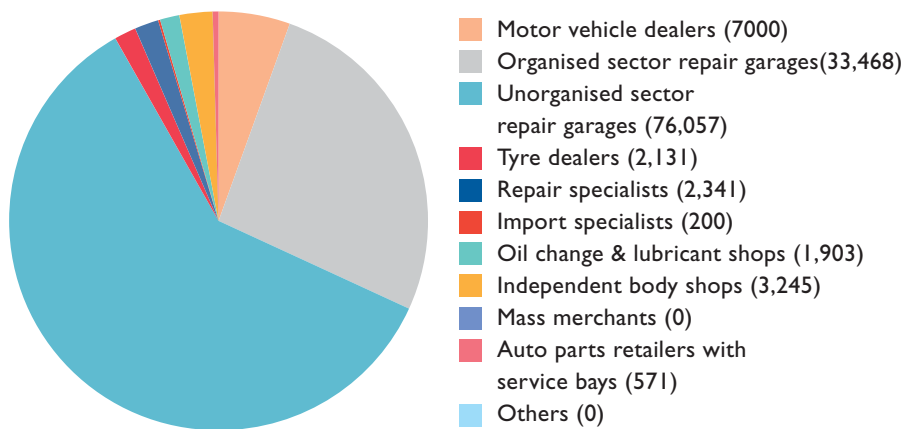




## Distribution channels

India is attracting investment from auto parts service providers eager to build brand loyalty with its growing population of vehicle owners. Bosch Car Service, MyTVS and Mahindra First Choice are among the service chains that have announced plans in recent years to increase the number of locations across India.

## Type and number of service locations



## Top distributors by channel

Parts Seller	Channel	Market Strategy
Maruti Suzuki	OES	The largest OEM in India 1,200 dealerships
Bosch Car Service	Retail	More than 260 locations, with plans to grow to 700
India Motor Parts & Accessories	Warehouse Distributor	More than 50 branches nationwide

## Case study: GKN



**Chris Saunders**  
Director of Group External Relations, GKN

GKN established operations in India in 1989, where it currently has eight manufacturing sites, including four dedicated to the company's Driveline division. GKN Driveline supplies parts to Maruti Suzuki, Honda, Ford and several other OEMs manufacturing automobiles in the country. GKN's overall turnover from its India operations is £125 million, including £90 million from its Driveline division.

In the past, electricity shortages, labour laws and bureaucratic hurdles have impeded the company's growth in India, but recent changes have GKN optimistic about its future here. The company expects its business in India to grow thanks to economic reforms by the new government and growing car sales.

Things are going so well that GKN plans to establish two more factories in India to support continued growth of its Driveline division, including aftermarket service parts for vehicles entering the prime replacement age. The company aims for 6%-7% annual growth from its India operations.

"The UK government needs to support British companies producing outside the UK as they add value to the nation," says Chris Saunders, Director of Group External Relations at GKN. "The profits as well as the technological benefits (of doing business in other regions) are received by the UK."

<b>Company</b>	GKN Driveline
<b>Established</b>	1989
<b>Turnover</b>	£ 25 Million (in India)
<b>No. of employees</b>	2,500 (in India)
<b>Company locations</b>	8 (in India)
<b>Currently exporting to</b>	33 countries

Worcestershire-based GKN Driveline is one of the world's largest automotive industry suppliers of drivshafts, differentials and other components that transmit engine power to the wheels.

# GCC

The Gulf Cooperation Council (GCC) region of the Middle East covers Saudi Arabia, United Arab Emirates, Bahrain, Qatar, Oman and Kuwait. It is home to millions of high-income consumers who are dependent on imported parts to keep their vehicles running.

1 The GCC automotive aftermarket will enjoy double-digit growth of about 12% annually once oil prices rebound, but for now rates have been cut in half, over the past two years.

2 The total vehicle population will grow by 50% over the 2015-2022 period, reaching 21.2 million.

3 Average spend per vehicle will grow sharply over the forecast period, driven mainly by demand for collision repair parts and a rebound in oil prices.

4 UK suppliers produced parts worth about £23.0 million for the GCC aftermarket in 2015 – about 0.4% of the region's £5.75bn consumption.

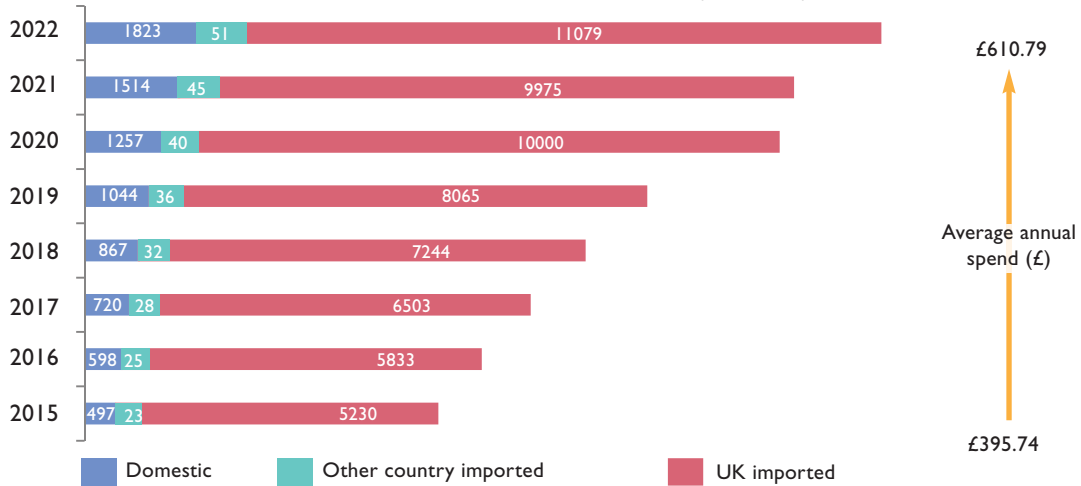
5 Frost & Sullivan expects UK-based suppliers to increase their parts sales to the GCC region by an average of 12% to 15% annually over the next 5-7 years, which is four to five times faster than the domestic British aftermarket.



## Market size & value

The GCC aftermarket is anticipated to grow at a rate of 12.3% CAGR between now and 2022

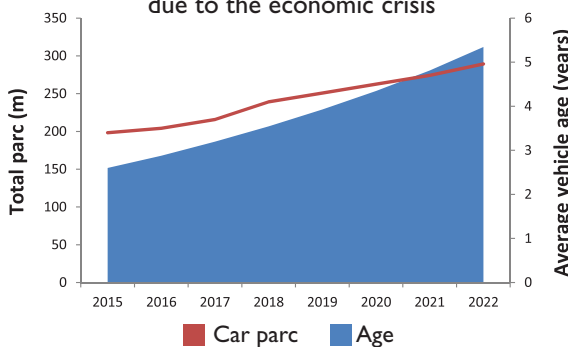
Total Aftermarket Retail Parts Market Size (£ Million)



Average spend will increase as vehicles age and parts quality improves

## Car parc size and Age

GCC's vehicle parc growth will slow down due to the economic crisis



GCC has the highest vehicle age compared to India and China due to historically high sales.

## Top Selling Models (2015)

Model	Sales in 2015
1 Toyota Hilux	69,000
2 Hyundai Elantra	61,936
3 Hyundai Accent	55,720
4 Toyota Corolla	53,719
5 Toyota Yaris	39,100

## GCC Aftermarket - A High Degree of Specialisation

Distribution channels are structured very differently in the GCC aftermarket, with parts sellers such as Autostar and JAPCO highly specialised on a few brands.

GCC distributors are typically not offering all-makes-and-models. Most focus on US, Japanese or Korean nameplates. In

other ways, these businesses also operate in the same way as a traditional motor factor. They often employ outside field sales representative and offer same-day/next-day commercial delivery to independent workshops.



### Autostar

Jobber/retailer with 33 stores and eight workshops in Saudi Arabia

One of the largest sellers of ACDelco products



### Juffali Auto Parts (JAPCO)

Wholesaler/motor factor with 20 stores and six workshops in Saudi Arabia

Exclusive Bosch distributor



## Market insight

### Market trends

- **Few large distributors:** Customers may lack the size and scale of operations of parts sellers in other regions.
- **High degree of specialisation:** Many distributors carry parts for only a few selected nameplates/ vehicle brands.
- **Demand for collision parts:** Saudi Arabia's highways are known for high speeds and poor road conditions. Accident rates are higher in the GCC region than in the UK, and suppliers aligned with insurance companies are enjoying higher growth.
- **Low oil prices:** Reduces government spending and limits disposable income of vehicle owners.

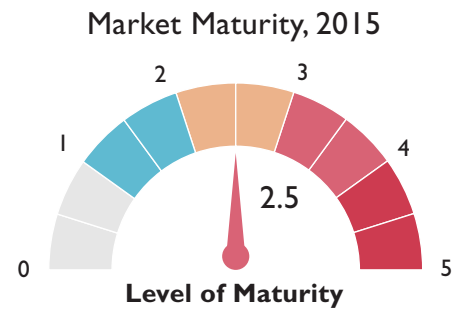
### Cultural conventions

- **High per-capita incomes:** The standard of living in the GCC is comparable to the best in the world, so price sensitivity and average income is less of an issue than in China and India.
- **High ratio of cars per household:** Many households have more than two cars at their disposal. This has led to congestion on city roads and highways.
- **Aggressive driving:** Some regions are known for high speeds and sudden braking. This drives demand for routine maintenance parts such as tyres and brakes.

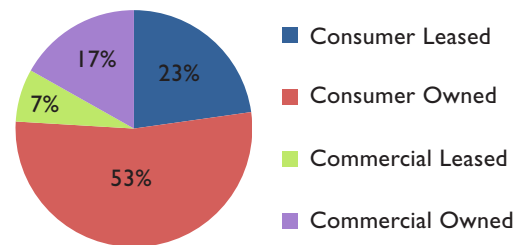
### Legislative/Trade Factors:

- **Government spending:** Drives the economy and income levels. Until oil prices rise again, many consumers will have less income for parts and accessories.
- **Dependence on imports:** There is very little manufacturing of automotive parts in this region. Except for some batteries and tyres, all aftermarket parts are imported.
- **Cluster development:** There are programmes to encourage parts manufacturing in the GCC region. Government support may be available.
- **Testing/validation:** Saudi Arabia's Ministry of Commerce and Industry requires minimum performance standards for certain automotive parts (e.g. brakes, filters) sold in the country.

## Key market indicators



### Lease/Ownership Trends, 2015



### Recommendations

**Target coverage gaps:** There are no significant all-makes-and-models parts sellers in the GCC aftermarket, so there are coverage gaps for UK-based suppliers to fill.

**Focus on Japanese brands:** Toyota accounts for about 30% of the vehicles in operation across the GCC, making Japan the largest exporter of automotive parts to the region. Market share growth is limited for suppliers that cannot cover Japanese brands.

**Cater to the premium segment:** Despite the high income levels of many GCC motorists, there are many counterfeit parts sold in the aftermarket. However, consumers will buy premium, high-margin automotive parts if properly educated. British brands are highly regarded in the GCC aftermarket.

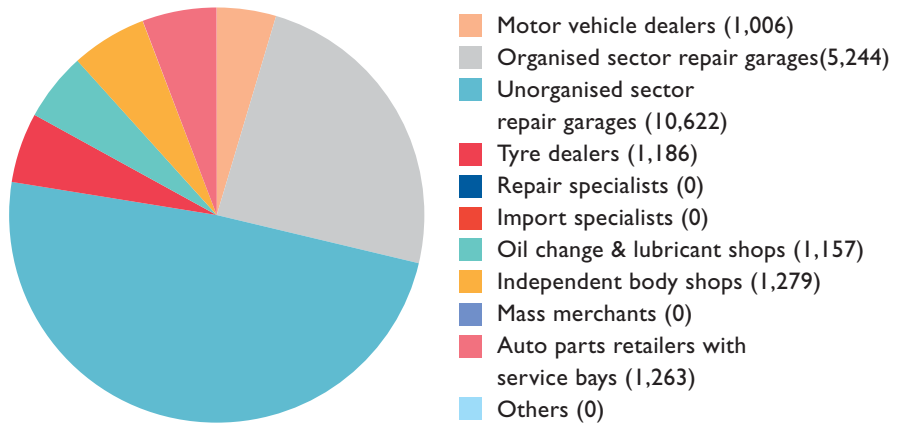




## Distribution channels

There are fewer service channels available to consumers in the GCC aftermarket compared to the UK and other countries. About half of the 21,757 service locations across the six-nation region do not meet Western operational standards. Many are broadly classified as roadside “puncture” shops that provide roadside assistance to motorists with flat tires and other maintenance/repair needs.

## Type and number of service locations



## Top distributors by channel

Parts Seller	Channel	Market Strategy
Abdul Latif Jameel	OES	Seventh largest distributor of Toyota parts in the world and one of the largest companies in Saudi Arabia
Takwa	Retail	46 branches focused on wholesaling of parts for US brands
Juffali Auto Parts (JAPCO)	Warehouse Distributor	Exclusive distributor of Bosch auto parts in Saudi Arabia

## Case study: First Line



**Kevin Neaverson,**  
Global Sales Director,  
First Line

“ **Having local language speakers in the team is the best way to establish new business relationships and secure business in the Middle East** ”

First Line is an independently owned parts manufacturer with more than 30 years of experience supplying quality automotive components to the global aftermarket. The company’s portfolio includes more than 36,000 SKUs (stock-keeping units) featuring chassis, engine and brake parts, with all-makes-and-models coverage of the UK automotive aftermarket.

With headquarters in Oxfordshire, England, First Line is widely recognised for its success in exports. The company has again featured in the latest Sunday Times HSBC International Track 200 ranking, making it three appearances in the last four years and by far the most consistent aftermarket supplier in the study.

First Line established its operations in the Gulf Cooperation Council (GCC) region two years ago with guidance and support from UK Trade & Investment. The company operates a warehouse in Dubai making six deliveries a day to workshops across the United Arab Emirates.

From Dubai, First Line also sells parts into Africa, India and New Zealand, as well as the Middle East. It took a year for the company to adjust to business practices in the Middle East, but now First Line enjoys sales growth every month. Plans are under way to open a second office in Abu Dhabi.

<b>Company</b>	First Line
<b>Established</b>	1970
<b>Turnover</b>	Not disclosed
<b>No. of employees</b>	200
<b>Company locations</b>	10
<b>Currently exporting to</b>	60 countries

# CONCLUSION



The world's total car and light commercial vehicle population is predicted to grow 25% from 1.11 billion in 2015 to 1.38 billion in 2022. A large majority of these extra vehicles will be driven in China, India and the Middle East, where increasing GDP and rising incomes will allow millions of people access to private automotive mobility for the first time.

This means there will be a corresponding increase in demand for parts and services to keep these vehicles in operation. British companies can play a key role in helping consumers in these regions navigate the often-confusing automotive aftermarket and build a loyal base of new customers.

In addition to the high growth of new vehicles and drivers, the immaturity of similar industry structures in China, India and the Middle East means motorists in these regions are looking for more options when it comes to parts and service.

Distribution is very fragmented, making it harder for vehicle owners and mechanics to find the parts they need than in mature markets such as the UK. Quality is also an issue, with low-priced counterfeit and grey market products confusing many customers looking for the value and quality that British customers take for granted.

Demand for alternatives to original parts, which may cost more than aftermarket products, and low-quality counterfeits continue to grow in the emerging regions of China, India and the GCC region. The door is open for UK-based suppliers to offer the value consumers deserve.

UK-based parts suppliers are already supplying a wide range of products – including brakes, transmissions and electronic components – to emerging regions. However, British companies capture less than 1% (£78 million in 2015) of the aftermarket parts sold in China, India and the UK. But with average industry growth rates in the 10-15% range, there is the potential for suppliers to double their revenue over the next five to seven years just by keeping pace with the market as a whole.

Suppliers exporting parts to emerging regions are seeing annual growth rates that are four to five times higher than the 3% they can expect in the UK.

To take advantage of these opportunities, UK-based suppliers will need to understand the unique cultural and regulatory aspects of these markets. This often means finding a local partner and, unsurprisingly, hiring employees able to speak the local language.

Exploring these markets takes commitment, resource and management time. But for UK firms, a wide range of support is available from the Society of Motor Manufacturers and Traders (SMMT) and UK government, to help companies navigate local bureaucracy and find the right partners.

With confidence and support, British-based parts suppliers can succeed in these markets and play a major role in modernising vehicle ownership for millions of people while growing business and creating jobs at home.

# METHODOLOGY AND SOURCES

The value of the aftermarket in each region is based on the total value of automotive parts and accessories for passenger cars in each region. It does not include the cost of labour.

The value realised by UK suppliers includes all parts and accessories that were exported by a British-based company to the region in question. It also includes all parts and accessories that were manufactured and distributed by a UK-based supplier within the international market.

## **Key sources**

[www.smmmt.co.uk](http://www.smmmt.co.uk)

<http://trademap.org/>

[www.frost.com](http://www.frost.com)

## **Report Authors**

Stephen Spivey, Principal Consultant – Automotive Aftermarket

Catherine Hutt, Principal Consultant – Automotive Retail & Aftermarket

Benny Daniel, Consulting Director - Mobility

Oindrila Bhar, Industry Analyst – Automotive Aftermarket



Frost & Sullivan combined in-house data and secondary sources with primary research for this report. Interviews were held with a variety of aftermarket participants in China, India and the GCC region to validate findings and confirm key figures. Our thanks go to all who contributed.



