

Evolving Customer Preferences Steer Changes in GCC Automotive Sector

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COVID-19 movement restrictions drive e-commerce transactions, with increased preference for used cars a positive for aftermarket



Movement restrictions and other health safety precautions caused by the COVID-19 pandemic have intensified online and e-commerce purchases across the automotive and transport mobility sector across the GCC.

The overall customer journey has been transformed by lockdown measures and changes in attitude and behaviour as consumers avoid service centres, and providers adapt to changing circumstances in the maintenance and aftermarket sectors.

With the rise in contactless services as well as a boom in e-commerce, new business models are likely to emerge as more companies evolve, and further development in this space will have a huge impact in the automotive sector in the region.

“Customer preferences are changing,” said Subhash Joshi, Middle East Director of Mobility and Regional Head for Frost & Sullivan, the growth strategy consulting and

research firm. “Vehicle maintenance trends are becoming more convenience oriented and customers are now more inclined to avail of services at their home or at their workplace, rather than invest time in a service centre. We expect on-demand and on-call mechanic services, which are being piloted in the UAE, Saudi Arabia and Oman, to become mainstream services.

“Similarly, on the aftermarket, especially during the period between March and April, there has been a spike in online sales of brake parts and accessories,” Joshi added. “Penetration of e-retailing of spare parts, which was less than three per cent, is already at five to seven per cent in 2020. We expect this trend to remain as online accessibility for accessories, spare parts, brakes and batteries are launched.”

Vishal Pandey, Director at Glasgow Consulting Group, echoed this sentiment as he commented: “The demand for online services is likely to see a huge surge as consumers will be more likely to stay indoors and have services come to them rather than expose themselves to the outside world.”

Due to increased financial pressures, a growing inclination towards used cars has spurred aftermarket maintenance spending both in terms of servicing and parts due to extended car life span, with sales of used cars also outpacing new vehicles.

“As people are being financially cautious and overall consumer confidence remains low, consumers will defer major purchases of new vehicles,” Pandey said. “An increased willingness of people trying to use old cars has also created an opportunity for the aftermarket component and sales to grow.”

The average life span of vehicles in the GCC has increased from 7.4 to 7.5 years to 8.1 to 8.2 years, meaning a rise on average spend on maintenance due to the average age of vehicle and mileage, offering a positive for the automotive aftermarket.

“The ratio of used car sales in 2014 and 2015 in the GCC was about 0.8 for every new car. In 2019, the UAE was almost equal to the UK which averaged 3.5 used cars for every new car sold,” Subash added, highlighting how an increase in online platforms for used car sales will further strengthen the market.

“Penetration of e-retailing of new cars, which used to be 0.25 per cent, has already increased to approximately two to three per cent,” Subash explained. “Between January and March this year, used car transactions on online platforms have already recorded an 8.5 per cent increase. Therefore, how the customer journey is to be defined will greatly impact on the GCC region.”

Joshi and Pandey were panellists on a webinar hosted by Messe Frankfurt Middle East for Automechanika Dubai, the largest international automotive aftermarket trade show in the Middle East, on June 1 on the ‘Impact of COVID-19 on GCC's Automotive Aftermarket’.