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1. CURRENT INDUSTRY CHALLENGES

Digital technologies have changed the way consumers approach driving, from automated parking and steering to monitoring car stats via digital devices. This evolution has affected every aspect of the retail and market scene. Today's technosavvy consumers use apps and social media to feel a sense of belonging and connectedness. These expectations also apply to the automotive industry, which needs to reflect on how these trends will impact current and future automobile sales.

Economic conditions such as low interest rates play a key role when it comes to success in this industry.

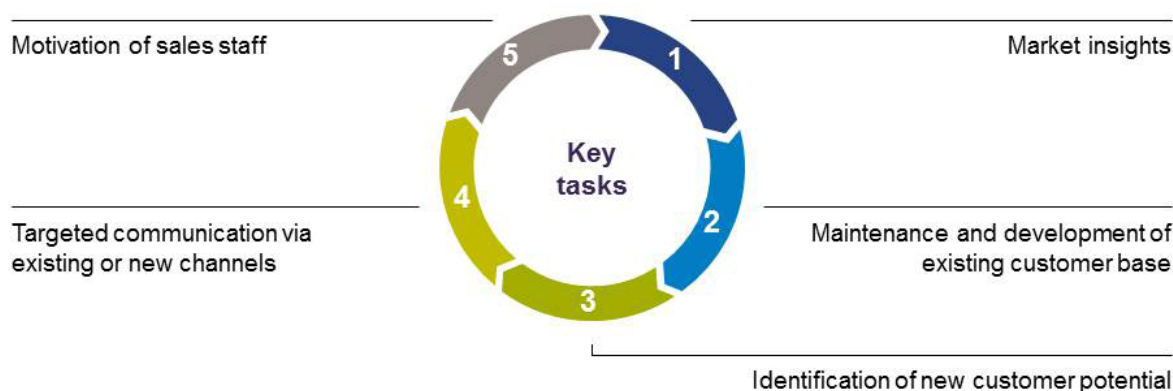
These issues remain an ever-present challenge due to the volume pressure from manufacturers and cost-intensive business models. Ineffective sales networks increase intra-brand competition and ultimately result in the loss of market share.

How can retail respond to this situation?

Knowing one's own market as well as the ongoing maintenance of one's customer database are essential for a successful automobile dealer. Another key factor is the identification of new customer potential. Targeted customer communications and more tailored advertising campaigns will also continue to grow in importance. It's crucial to motivate one's own sales team and provide them with the tools they need to exploit the available market potential. If an automobile dealership consistently neglects one or more of these issues, declining turnover and even bankruptcy are not far behind.

Another consideration is the role of the automobile sales personnel of the future. Conventional ideas about the automobile sales process from

the previous decade are becoming increasingly outdated. For example, factors such as the ability to obtain information online via sales platforms, new automobile portals and automobile configuration tools are changing the way consumers approach and implement purchase decisions. Visits to an actual automobile dealership for each stage of the sales process are being increasingly replaced by Internet-based actions. This means that automobile sales personnel can no longer wait passively for customers to show up at the dealership. Instead, consideration must be given to how to engage consumers early on in the information and decision process.



Where can we find potential customers, and how can we influence them to make a purchase at our dealership?

In the coming pages, we'll show how geomarketing answers these and other key questions currently faced by the industry.

This includes insights for managing one's markets, such as strategies for deploying outside sales force staff, as well as identifying untapped

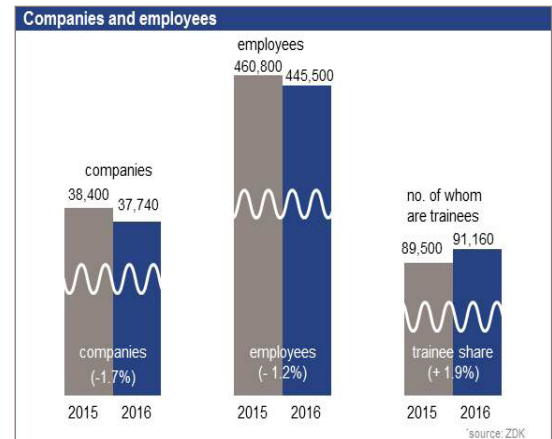
potential. A geomarketing approach also makes it possible to minimize wasted resources when implementing advertising campaigns by improving customer communications in both the commercial and private sectors.

2. MARKET SITUATION

Despite the aforementioned challenges, automobile turnover increased in Germany in 2016. More automobile sales as well as increased after-sales turnover boosted turnover 9.9 percent to around €172 bil. Both new and used automobile retailers in both the private and commercial sectors were able to achieve up to two-digit growth rates. Particularly good news is the fact that the proportion of new automobile business among private customers is again on the rise (35 percent in the previous year).

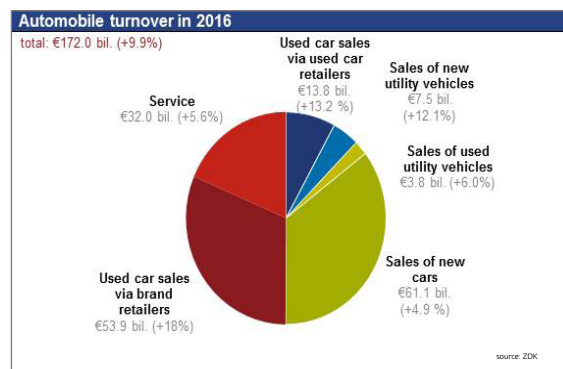
After-sales retail has also improved. The total turnover for the industry was around €32. bil., which corresponds to an increase of 5.6 percent and an average capacity utilization of 85 percent.

But it's important to note that despite these positive figures, the number of dealerships in Germany declined by around 700 locations last year. The trend toward hiring more trainees nonetheless continued in 2016.²



The tire segment experienced stagnating sales in 2016, but not dramatically so. The assumption is that the downturn has already been weathered and that things will improve in the future.³

In addition to the turnover figures from previous years, we'd like to consider the situation with respect to consumer demand. This encompasses private customers and their purchasing power for specific segments as well as commercial customers interested in the private and/or commercial vehicle segments.



² source: KBA, DAT, ZDK

³ source: Reifenpresse

3. INSIGHTS AND TRANSPARENCY THROUGH DATA ON POTENTIAL

How can the service-marketing mix (product, price, advertising, sales) be optimized to maintain and acquire customers?

One way is through the ongoing maintenance and development of existing customers both among automobile dealerships and independent retailers or chains. This involves using accurate, good-quality internal company data for better serving customers and driving the after-sales business.

External market data can also be incorporated for deeper insights. Examples include automobile registration numbers, address data and data on

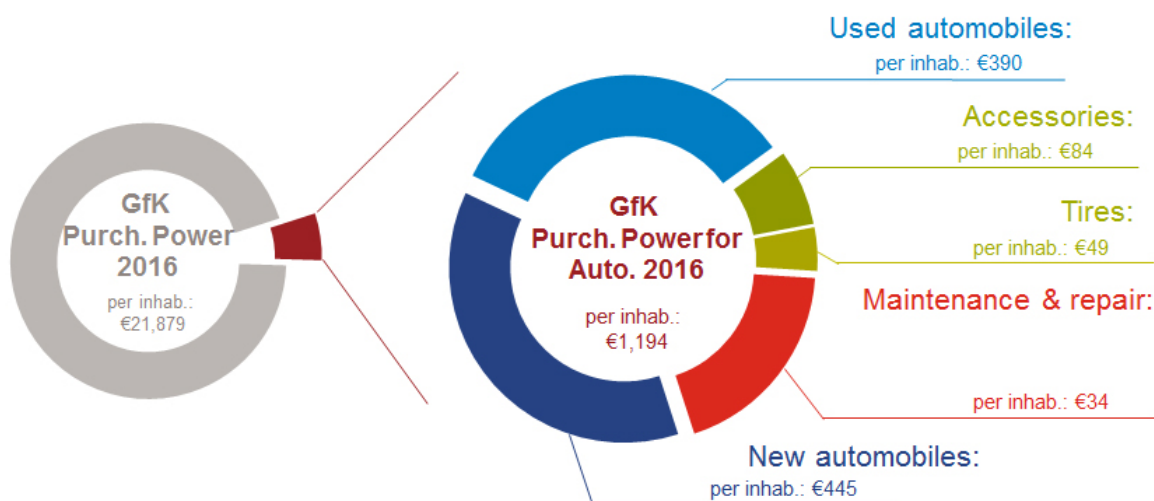
potential at the level of postcodes or even street segments.

A combination of various external data sources is also a possibility. This can provide a decisive competitive advantage in markets in which there is a lack of internal company data.

**How much money do German households have available for automobile purchases?
And how does this vary by region?**

GfK Purchasing Power for Automobiles answers these questions. This industry-specific data offers detailed information down to the street-segment level on regional consumer preferences for new and used automobiles as well as for premium and more budget-oriented models.

GfK Purchasing Power for Automobiles is part of the GfK purchasing power datasets

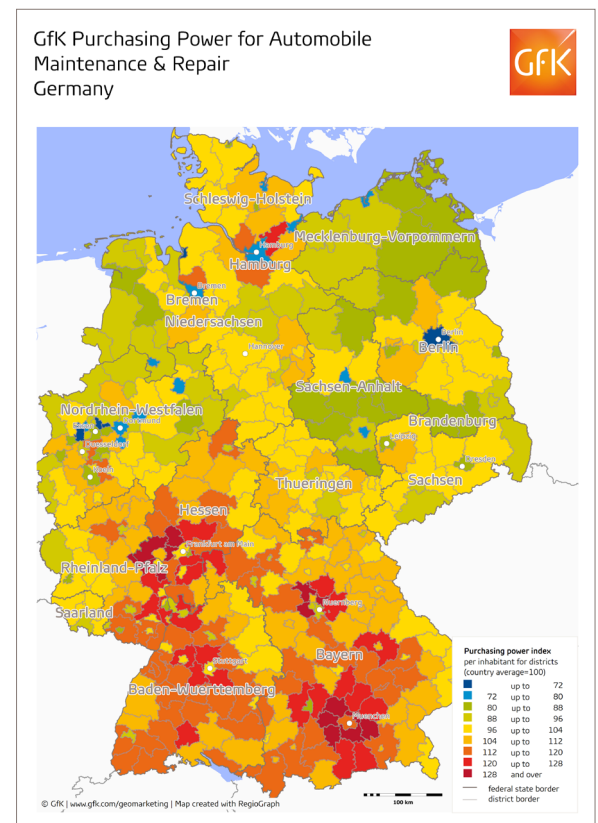
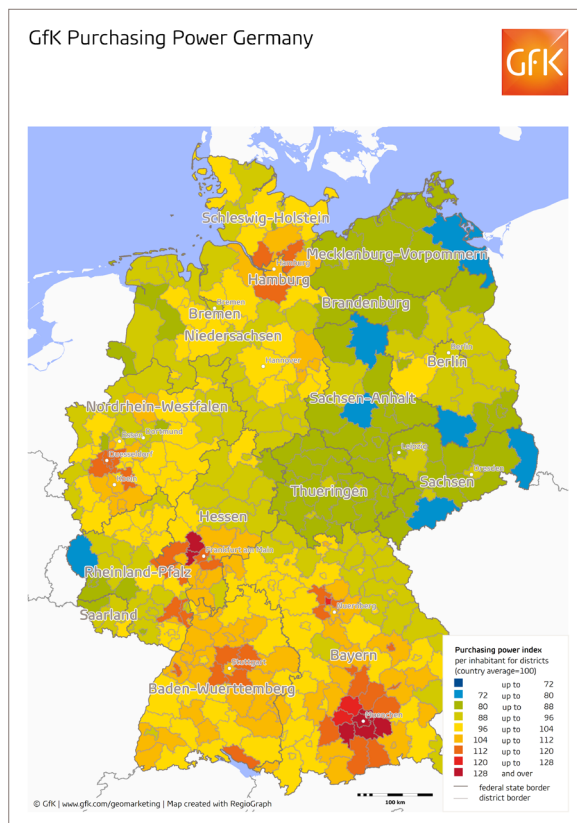


These insights help automobile manufacturers and retailers align their product lines and advertising campaigns with regional consumer preferences, thereby securing an edge over competitors.

External data of this sort makes it possible to get a detailed overview of the distribution of regional potential. The insights can be used to evaluate regional sales opportunities, optimize sales territories and direct marketing activities according

to the available potential, and objectively analyze new markets and locations.

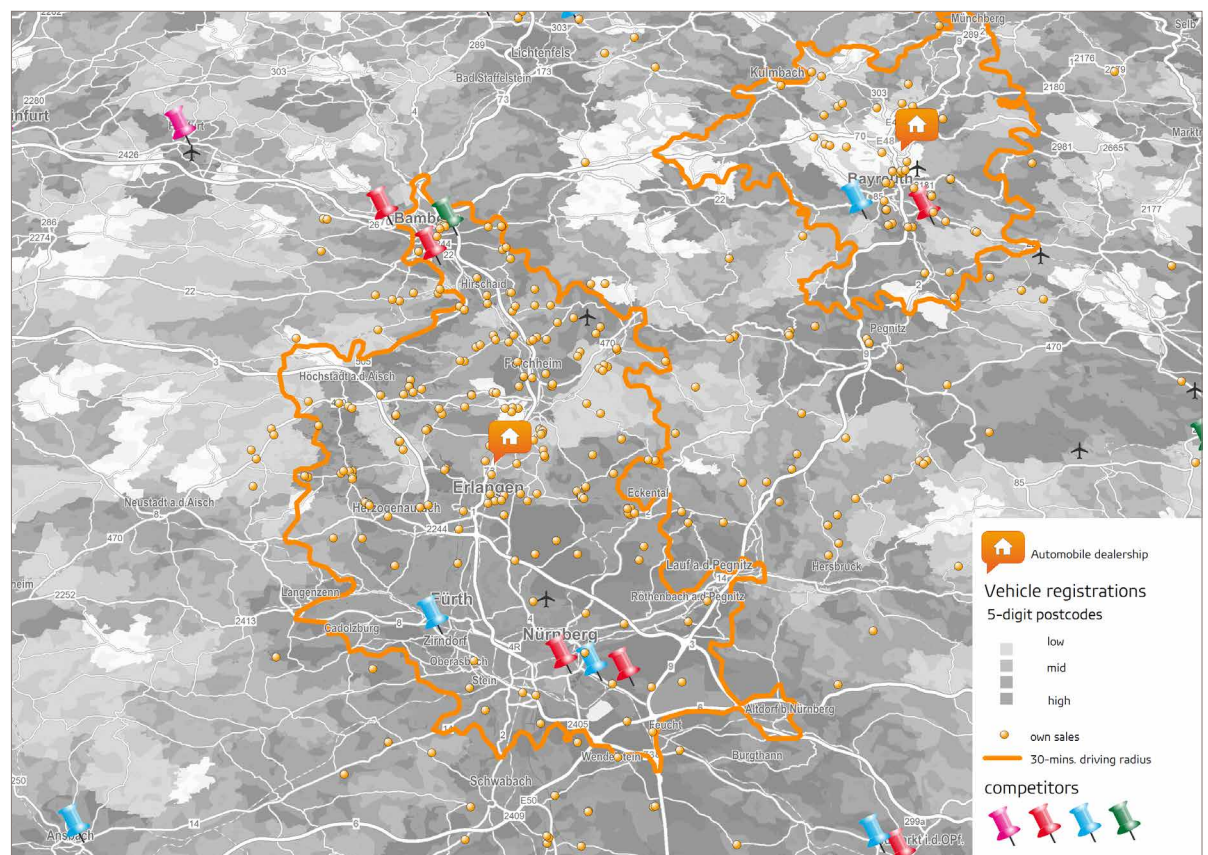
The illustrations below reveal regional differences in the general purchasing power as well as the demand levels for specific automobile-related services.



4. GEOMARKETING FOR AUTOMOTIVE RETAIL

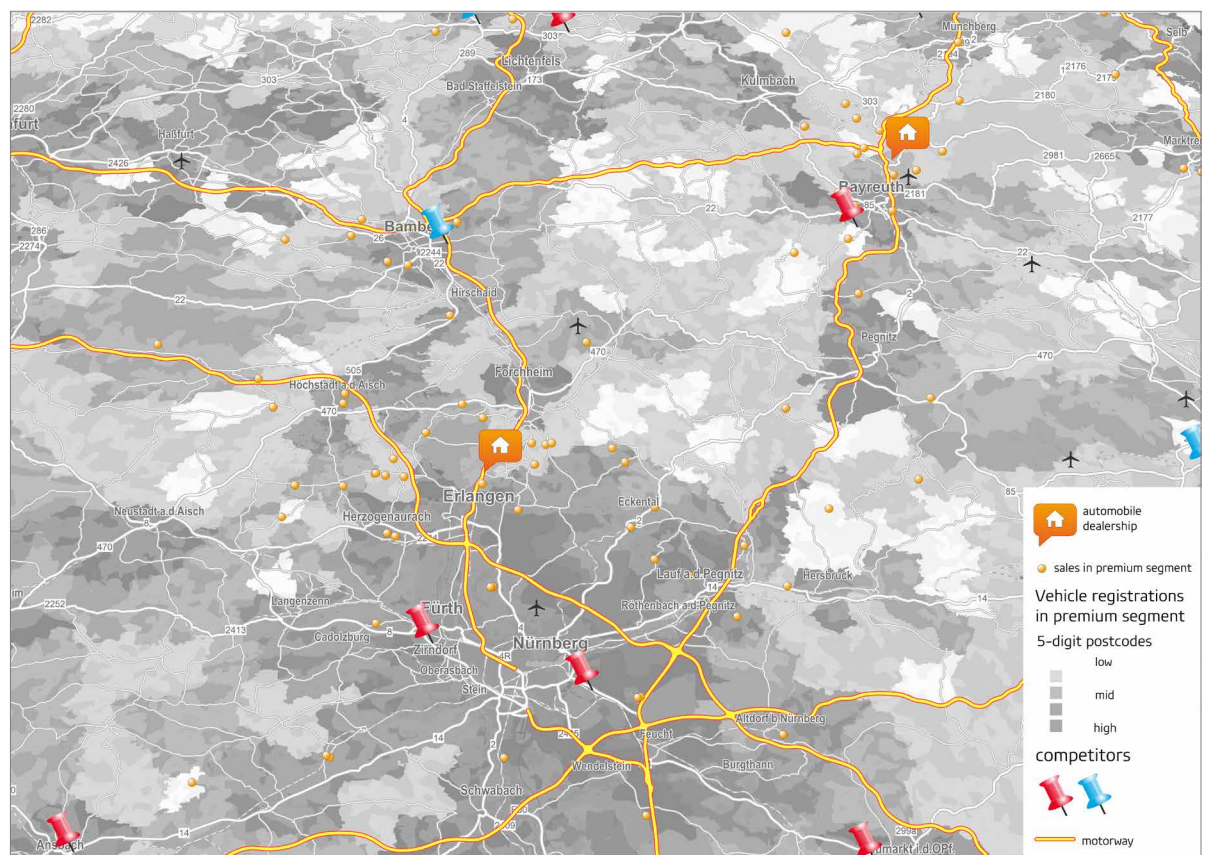
Evaluation of customer data as well as registration numbers and inventory information

As previously mentioned, knowing one's own market and the continual maintenance of one's customer data are essential to a successful automobile dealership. A regional evaluation of this data helps in the maintenance of this customer information and also provides support for business decisions. Company data and registration numbers for any given region can be displayed and cross-referenced with company sales figures.



Evaluating the competition and identifying coverage gaps

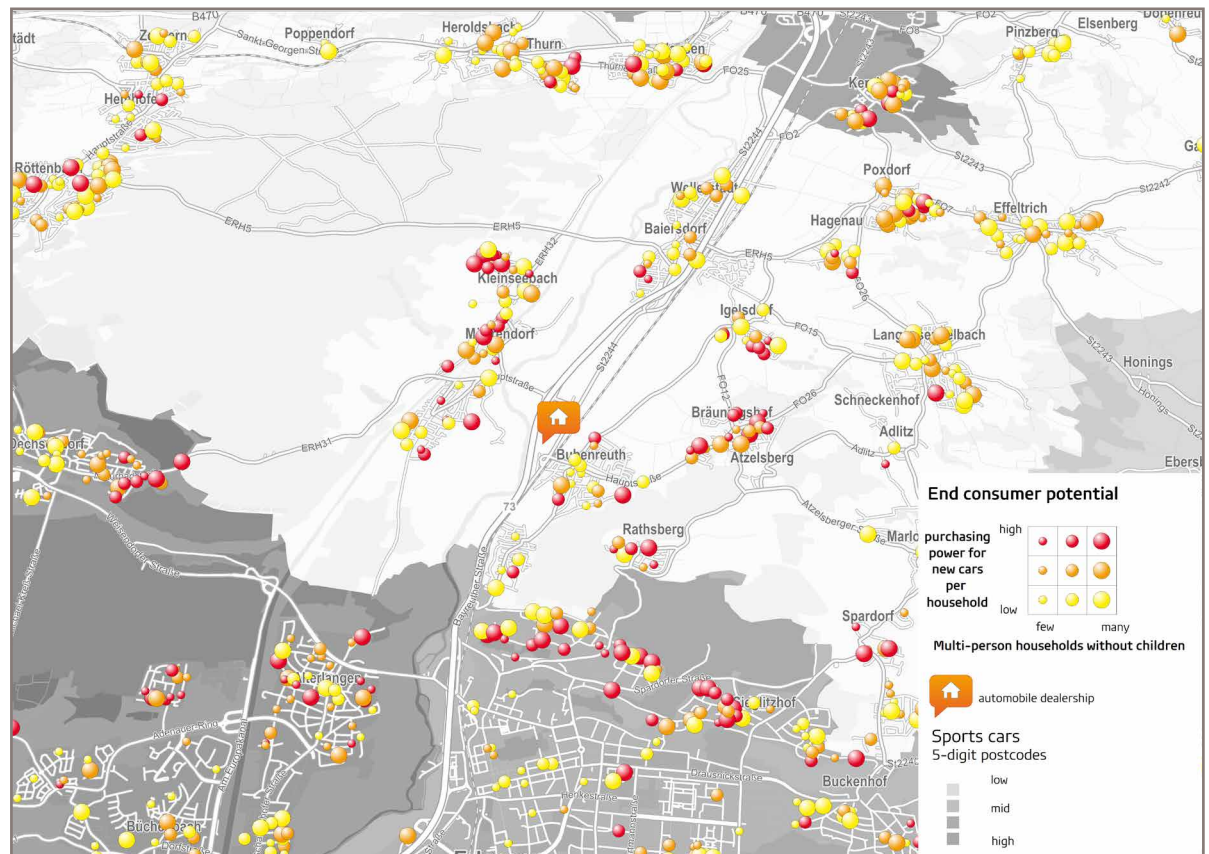
Where are competitor locations, and what kind of advantages do these sites have? How does the drawing power compare between certain locations and those of competitors? Are there any coverage gaps in our sales structure? A geomarketing approach answers these questions and displays the results on digital maps.



Pinpointing potential in the private automobile market

Geomarketing offers an enhancement to conventional advertising methods such as newspaper ads and inserts. With geomarketing, customer communications can be optimized and streamlined for both existing and new channels. To ensure future success, it's also important not just to continually evaluate one's own data and the competition, but also to identify untapped market potential. The chief goal in this regard is to identify sales

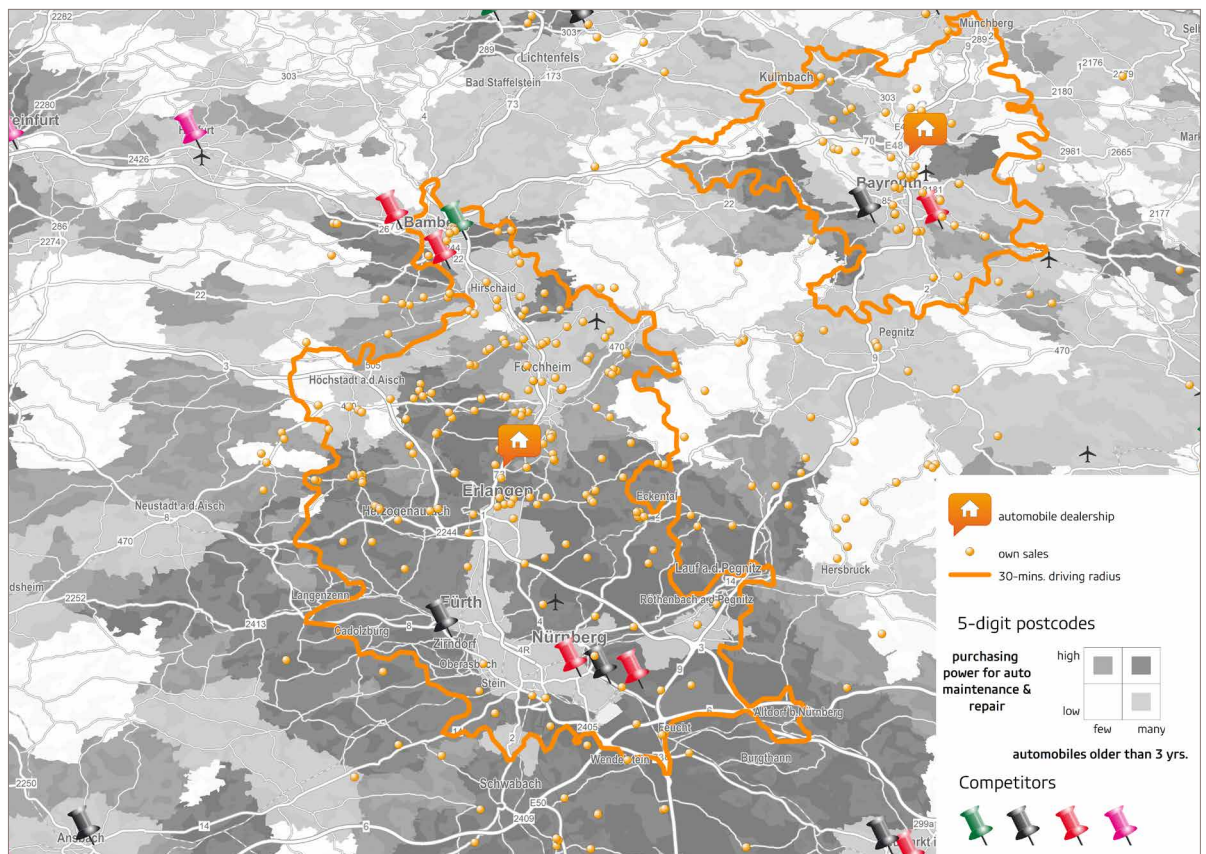
potential on a region by region basis. Below is an example from the upscale private customer segment. The illustration reveals the distribution of multi-person, high-income households without children in a specific region. This kind of visualization can be done at the level of postcodes, or even street segments.



Locating potential in the private after-sales market

Alongside new and used automobile sales, the lucrative after-sales business is of ever-increasing importance to many automobile retailers. But this is an increasingly tight market due to the growing number of automobile businesses and the associated pricing pressure. Automobile businesses of all types must therefore come up with a strategy for attracting customers over the

long term. So what is the best way forward? How can one survive in the declining service market? Is long-term success even possible? A geomarketing approach is helpful in this regard because it allows for a comparison of one's USPs with those of competitors.



Identifying potential in the commercial market

Essential aspects of successful customer communications, advertising campaigns and outsale sales force tasks include a sound knowledge of the commercial segment in one's active markets, the industry mix and its unique requirements as well as additional information such as company and fleet size. Relevant addresses for the commercial vehicle sector (such as skilled labor and logistics companies) or the occupational group of free-lancers for the luxury segment can be visualized

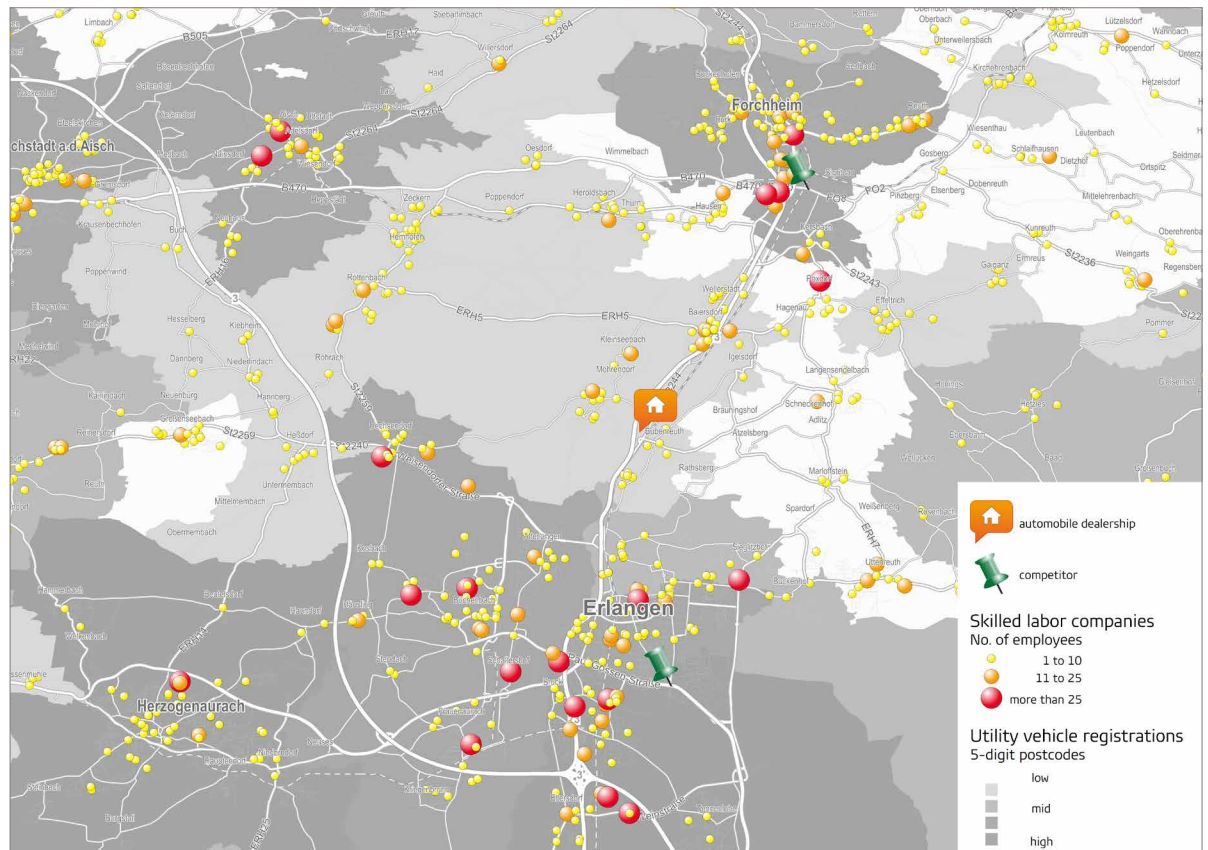
and analyzed on digital maps. This makes it possible to identify commercial agglomerations and extract insights that can inform customer communications and outside sales force or vendor strategies. Comparing one's existing addresses and information about their regional distribution is also helpful.

Sample extract of business categories:

1700--- construction services ---

- 1711 installation and construction of heating and cooling systems
- 1721 painting, wallpapering, and decorative work
- 1731 electrical work
- 1741 masonry and stonemasonry
- 1742 stucco, acoustic and other installation work
- 1743 terrazzo, tiling, marble and mosaic work
- 1751 carpentry
- 1752 flooring installation and work

- 1761 roofing and metal work
- 1771 concrete work
- 1781 water drilling
- 1791 steel construction
- 1793 glass and glazing
- 1794 excavation
- 1795 demolition
- 1796 installation or building of construction equipment
- 1799 other construction specialties



5. SUMMARY

Greater market insights translate to more transparency and successful sales. Automobile dealerships can align their communications with consumer preferences and expectations, thus minimizing wasted resources resulting from less targeted approaches.

More transparency makes it possible to more efficiently manage markets and sales operations. Geomarketing has a positive impact on virtually every aspect of the sales process, as illustrated below.



If an automobile dealership knows its markets well, it should know where its customers are located. This knowledge makes it possible to manage markets efficiently and identify new sales potential. The dealership can optimize its advertising campaigns by customizing communications according to regional market trails and preferences. This improved understanding of one's customers and the potential market demand increases the quality of leads and likelihood of successful sales.

Geomarketing insights allow automobile dealerships to take a more efficient and effective

approach to managing their markets and optimizing sales potential, such as through identifying which target groups prefer which automobile models. Retailers can then use these insights to tailor B2B and B2C advertising campaigns to the unique needs and preferences of these customers.

This transparency with respect to market potential also provides support for retail investment decisions. Knowing the location of one's target groups improves the efficiency and effectiveness of campaigns and communications, while simultaneously conserving resources.



About GfK

GfK is the trusted source of relevant market and consumer information that enables its clients to make smarter decisions. More than 13,000 market research experts combine their passion with GfK's long-standing data science experience. This allows GfK to deliver vital global insights matched with local market intelligence from more than 100 countries. By using innovative technologies and data sciences, GfK turns big data into smart data, enabling its clients to improve their competitive edge and enrich consumers' experiences and choices.

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