

## Industry White Paper:

*Strategic Analysis of Automotive Industry in the Gulf Cooperation Council (the GCC) - Passenger Vehicle (PV), Commercial Vehicle (CV), and Auto Component (Parts, Batteries, and Tyres) Industry*



Presented to:



Prepared by:



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**"We Accelerate Growth"**

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## Market Overview

# Market Overview

Growing Passenger Vehicle Parc enabling higher demand for Parts, Batteries, and Tyres in the GCC

## Vehicle Sales

- The GCC PV sales are expected to grow at a CAGR of ~6.8 per cent between 2012 and 2017, to reach 1.7 million units in 2017 from 1.2 million units in 2012
- PV parc is likely to reach 16.4 million units by 2017 from 12.0 million in 2012.

## Auto Components\* in the GCC

- Parts, Batteries, and Tyres replacement market demand across vehicle categories (PV and CV) estimated at USD 6.73 billion in 2012, likely to reach USD 13.46 billion by 2017 (at CAGR of 14.9 per cent)
- PVs contributed nearly 80.0 per cent (USD 5.36 billion) in 2012, overall demand expected to reach USD 11.0 billion by 2017

## Auto Components\* Regional Level

- The Kingdom of Saudi Arabia (the KSA) and The United Arab Emirates (the UAE) are the largest markets (~82.8 per cent put together), followed by Kuwait

(\*) Auto Components include Parts, Batteries, and Tyres

Note: All figures are rounded. The base year is 2012. Source: Frost & Sullivan analysis.

# Market Overview - Market Engineering Measurements

The GCC Parts, Batteries, and Tyres Market is largely based on imports\*, and most of the key global suppliers present through local offices or distributors

## Parts, Batteries, and Tyres Market: The GCC, 2012

### Market Overview



Decreasing  Stable  Increasing 

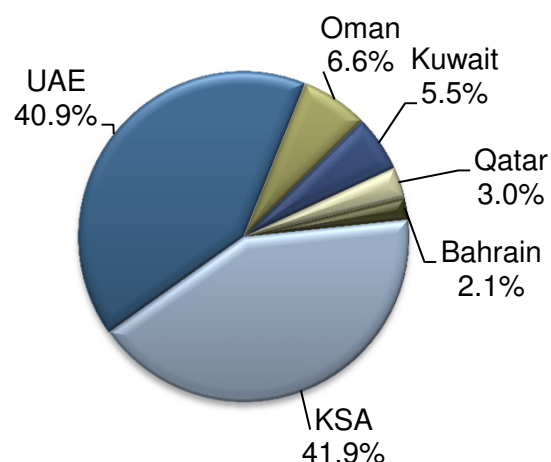
(\*) Local manufacturing of Batteries is done in the KSA

Note: All figures are rounded. The base year is 2012. Source: Frost & Sullivan analysis.

# Top-level Strategic Factsheet/Market Snapshot

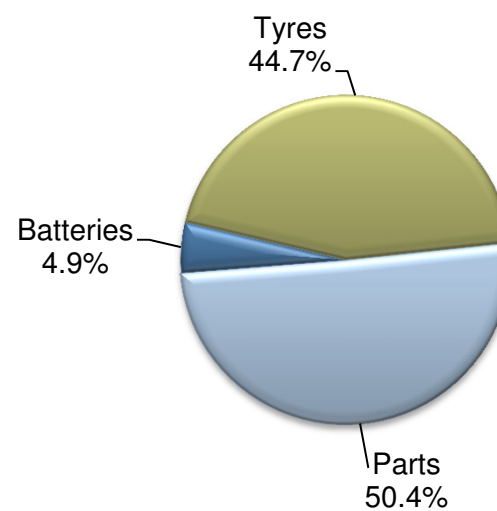
The KSA is the largest market followed by the UAE; Parts were the key contributor in overall components, followed by Tyres

**Parts, Batteries and Tyres Market: Per cent of Revenue by Countries, the GCC, 2012**



**Total Market Value: USD 6.73 Billion**

**Parts, Batteries and Tyres Market: Per cent of Revenue by Type of Components, the GCC, 2012**



**Total Market Value: USD 6.73 Billion**

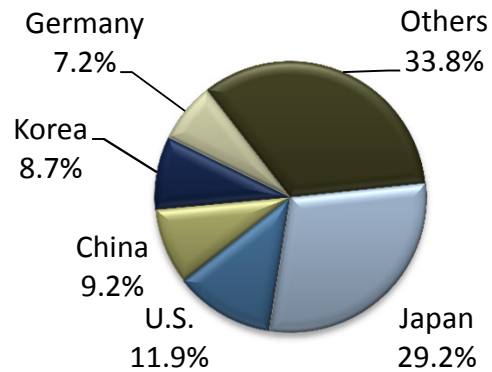
- The KSA is the largest market in the GCC followed by the UAE
- Parts lead the overall Market

Note: Market size estimations only includes imported components . All figures are rounded. The base year is 2012. Source: Frost & Sullivan analysis.

# Top-Level Strategic Factsheet/Market Snapshot

The GCC imported 29.2 per cent of the components from Japan, followed by the U.S.

**Parts, Batteries, and Tyres Market: Per cent of Revenues by Exporting Countries, the GCC, 2012**

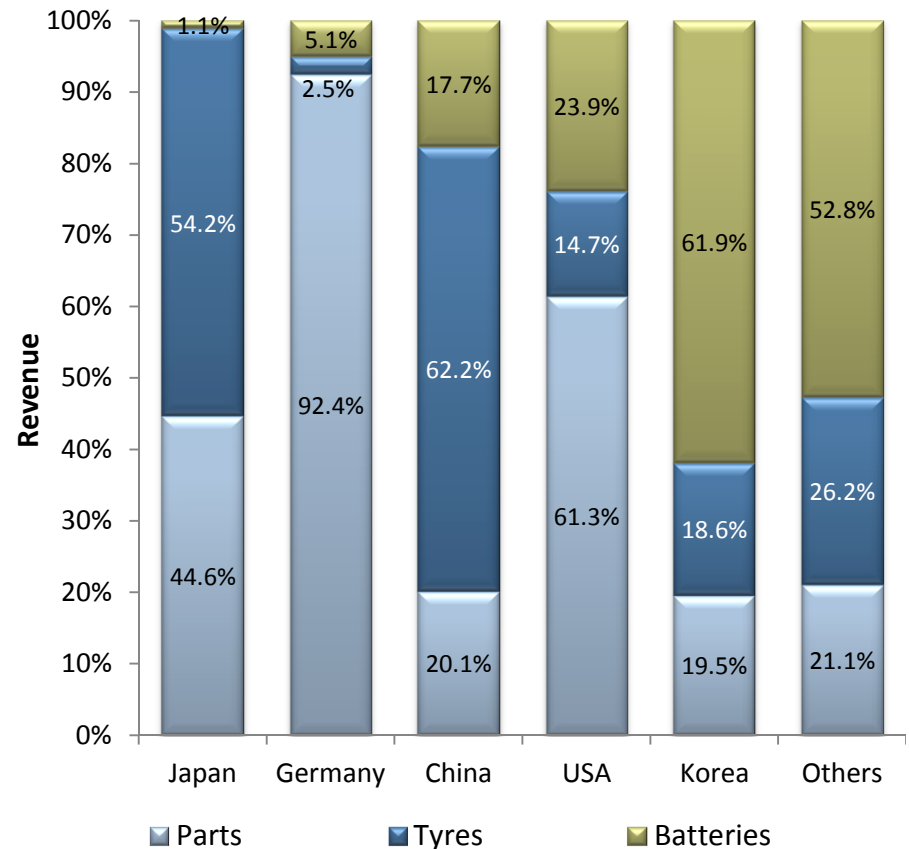


**Total Market Value: USD 6.73 Billion**

Other include Eastern and Western European countries, Thailand, India

- Imports from Japan were the largest followed by the U.S. and China

**Parts, Batteries and Tyres Market: Country-wise Per cent of Revenue by Type of Components, the GCC, 2012**



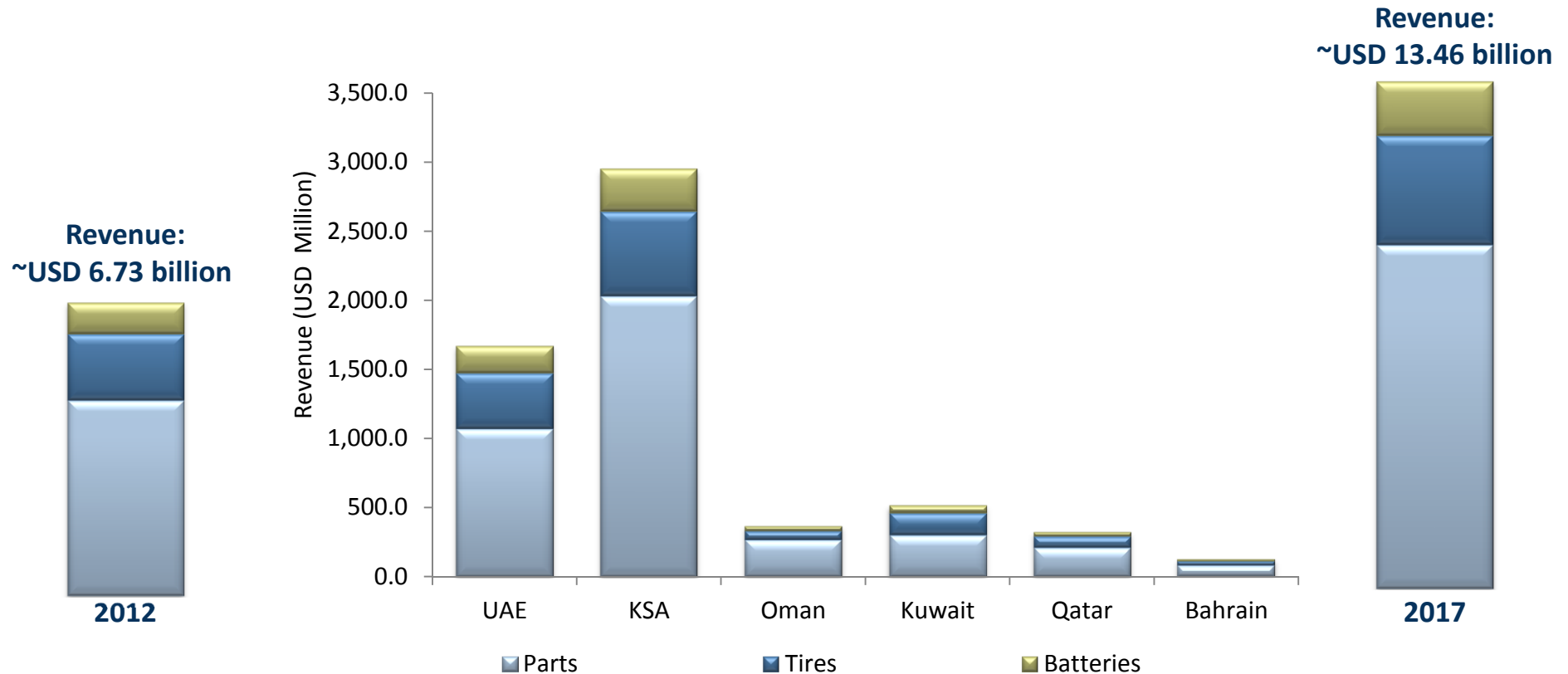
Other include Eastern & Western European countries, Thailand, India

Note: Market size estimations only includes imported components . All figures are rounded. The base year is 2012. Source: Frost & Sullivan analysis.

# Total Market Revenue Snapshot

The GCC Parts, Batteries and Tyres Market likely to grow at a CAGR of 14.9 per cent till 2017 to reach USD 13.46 billion from USD 6.73 billion in 2012

## Parts, Batteries, and Tyres Market: Revenue Forecast, the GCC, 2012 and 2017



Note: Graph in centre represents country-wise data for 2017 in USD Million

Note: Market size estimations only includes imported components . All figures are rounded. The base year is 2012. Source: Frost & Sullivan analysis.



# Competitive Positioning of Key Industry Participants

Global Participants dominate the GCC Market through imports, manufacturing limited to batteries

## Parts, Batteries, and Tyres Market: Competitive Landscape, the GCC, 2012

Key Market Participants			
Auto Parts	Tyres	Batteries	Lubricants
Robert Bosch	Hankook	Exide	JX Nippon, Total Lubs
Schaeffler (LUK, FAG, INA)	Bridgestone	AC Delco	Mobil (ExxonMobil)
Mobis, 3M	Yokohama	Antara and Gulfstar, Oman	Gulf Lubricants
Mitsui	Goodyear	Solite, Platin Batteries	Woqod
Blaupunkt	Toyo	BBG Group FZCO	Atlantic; Showa Shell

Hankook and Bridgestone are the market leaders across categories and regions

Exide, AC Delco, Gulfstar have local production facilities in the GCC

Market leader in Qatar, entered UAE market in 2010  
Key participant in KSA and the UAE

Source: Frost & Sullivan analysis.



## **Research Scope, Objectives, Background, and Methodology**

## Research Scope

Base Year	2012
Study Period	2008 to 2017
Forecast Period	2012 to 2017
Vehicle Type	Passenger Vehicles
Auto Components	Parts (Mechanical, Collision, Maintenance) Tyres Batteries
Geographical Scope	The KSA The UAE State of Kuwait Sultanate of Oman State of Qatar Kingdom of Bahrain
Aftermarket Definition	Aftermarket refers to those non-warranty parts and services (maintenance and repair) that are installed/performed on a vehicle once it has left the dealer for the first time

Source: Frost & Sullivan analysis.

# Research Aims and Objectives

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## Aim

The aim of this study is to research, analyse, and forecast the Parts, Batteries, and Tyres Market and Distribution Practices followed in the GCC

## Objectives

- Provide an overview of key macroeconomic factors in the GCC
- Provide a strategic overview of the GCC vehicle industry, market drivers and restraints, industry growth, key vehicle segment details, and vehicle parc
- Provide market size and forecasts of vehicle sales, vehicle parc, and automotive components market by type of key components; breakdown of components by share of exporting countries; breakdown by key region/countries, 2012-2017
- Competitor Analysis: Analyse competitive factors. Who are the key competitors?

Note: All figures are rounded. The base year is 2012. Source: Frost & Sullivan analysis.

## Key Questions this Report Will Answer

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### **Parts, Batteries, and Tyres Market: Key Questions This Study Will Answer, the GCC, 2012**

What is the business environment of the automotive industry in the GCC, its dynamics, and impact on the overall parts, batteries & tyres market?

How large is the vehicle market in the GCC, what is the current vehicle parc, how it will grow over the next 5 years?

What is the total demand for Parts, Batteries & Tyres and how is this market likely to grow over the next 5 years?

What are the key components and their details by countries in the GCC?

What are the key exporting countries for each component within the GCC countries?

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Source: Frost & Sullivan analysis.

# Research Methodology

Includes primary research based on Frost & Sullivan's bottom-up methodology as well as secondary data sources

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- Includes primary research based on Frost & Sullivan's bottom-up methodology as well as secondary data sources.
- The information provided by market participants is qualified through:
  - Verification interviews with up/downstream market participants
  - Secondary research
- Primary and secondary research data are combined with analyses of the market to provide a basis for the unit, revenue forecasts for vehicles, and each product category
- Market valuation data is then compared with known industry information as a means of verifying and validating market size. Known data includes:
  - Vehicles in operation (VIO)
  - Replacement rates of products with similar exposure, life expectancies, and warranties
  - Growth trends, product and technology trends, pricing, and application coverage

Source: Frost & Sullivan analysis.

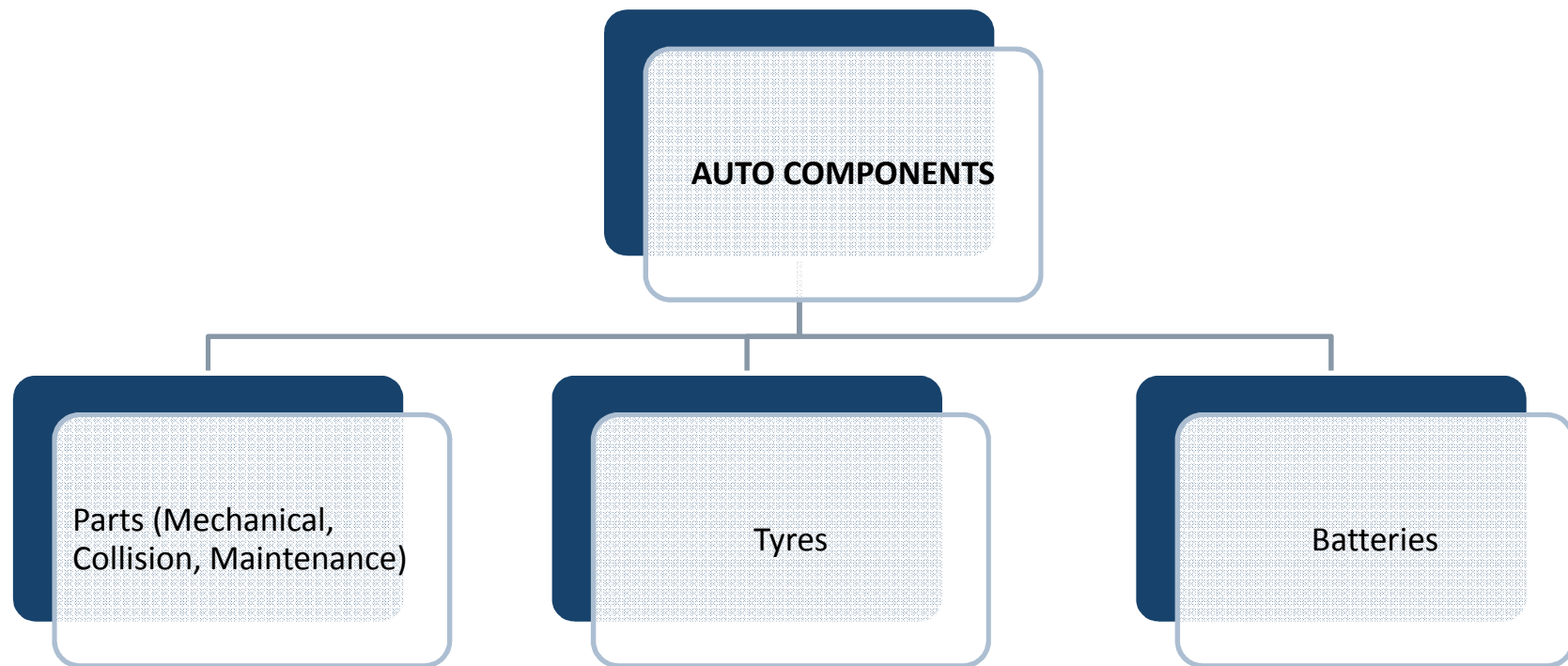


## Definitions and Segmentation

# Parts, Batteries, & Tyres Segmentation

Three key segments covered

## Category of the Components Studied, the GCC, 2012



Note: This does not include service cost, used parts sales. Source: Frost & Sullivan analysis.



# Vehicle Segmentation

Classification based on Global Models

## Vehicle Segmentation and Respective Models, the GCC, 2012

Segment	Model
Car A	Spark, PICANTO, Alto, ATOS/ i10
Car B	Aveo, Jazz, Accent, Rio, Yaris
Car C	Optra, Cruze, Corolla, Civic, Tiida, Sunny, Mazda3, Elantra, Cerato, Focus, Lancer
Car D	Epica, Malibu, Camry, Accord, Altima, Fusion, Mazda 6, Galant, Sonata, Optima, Mondeo
Car E	Caprice, Taurus, Crown Victoria, Aurion, Avalon, Maxima, Azera, Opirus
Sports	Camaro, Mustang, GT-R, 350Z, Challenger, Audi R8, Audi TT
Pick-up	Silverado, Sierra, F-Series, Hilux, Navara, Nissan Pick-Up, Mitsubishi P/UP
Adventure 4X4	Nativa, Land Cruiser, Veracruz, RAV4, Armada
SUV C	Captiva, Terrain, Tucson, Santafe, Sportage, Escape, CR-V, X-Trail, Qashqai
SUV D	Acadia, Prado, Fortuner, Edge, Murano, Durango, Envoy, Explorer, Pathfinder, Pajero
SUV E	Tahoe, Suburban, Yukon, Sequoia, Expedition
Luxury Car 3	Audi 3, Cadillac BLS, Volvo C70, Jaguar S-Type, Benz CL-Class, C Class, B Class, BMW 1-Series
Luxury Car 4	Audi A5, Lexus CT, Volvo S80, Benz SL-Class, CLS Class, BMW 5-Series, BMW 6-Series, Peugeot 607
Luxury Car 5	Rapide, BMW 7-Series, Audi 8, Maybach 62, RR Ghost, RR Phantom, Jaguar XJ, Panamera
Luxury Car 4	Range Rover, Escalade, BMW X-3, Land Rover LR4, Cadillac SRX
Luxury Car 5	BMW X6, BMW X5, Audi Q7, Benz M-Class, Benz GL-Class

Source: Frost & Sullivan analysis.

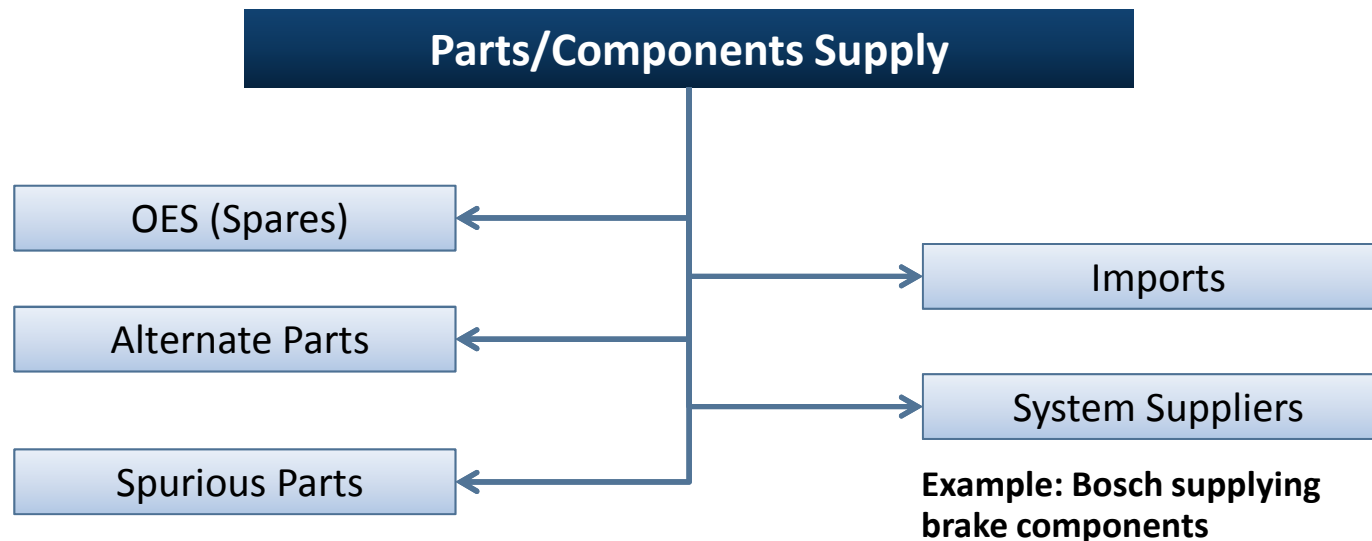


## Distribution Structure

## Distribution Channels

Various routes followed for supply of parts, batteries, and tyres in the GCC, this market is highly dependent on imported components

### Parts, Batteries, and Tyres Market: Distribution Channel Analysis for Parts, Batteries, & Tyres, the GCC, 2012



Note: OES - Original equipment spares

OE Parts - OE fitted brands supplied in independent after market

Alternate parts - Brand other than OE brand supplied in the independent after market

Spurious - Products which are not original and branded as original popular brands in the market

Imports - Legal imports

System suppliers - They supply the brand under their name

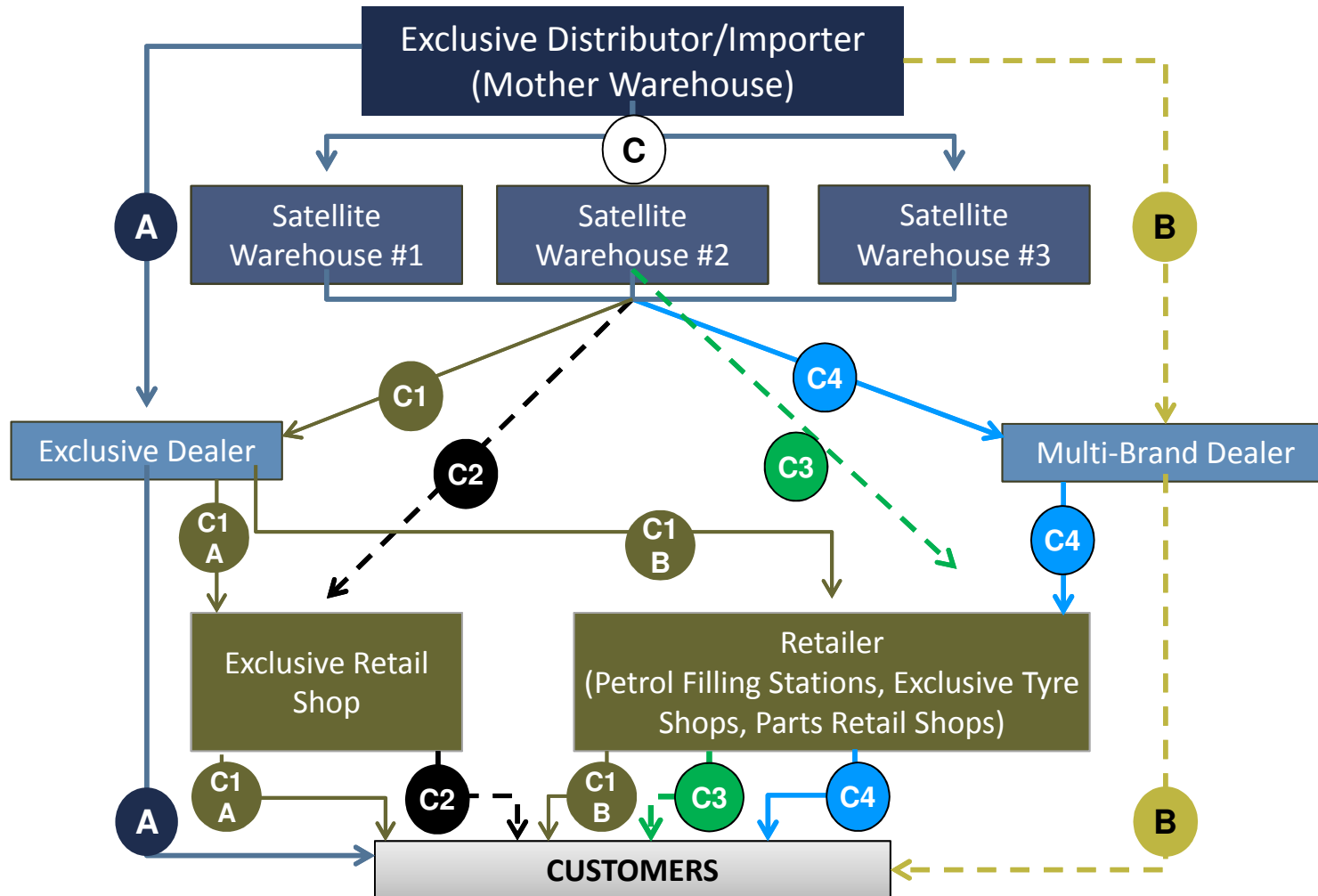
Source: Frost & Sullivan analysis.

## Distribution Channels (continued)

In most cases, three routes are followed to serve end customers in the GCC:

Direct supply through exclusive dealers; direct supply through multi-brand dealers, or supply through retailers

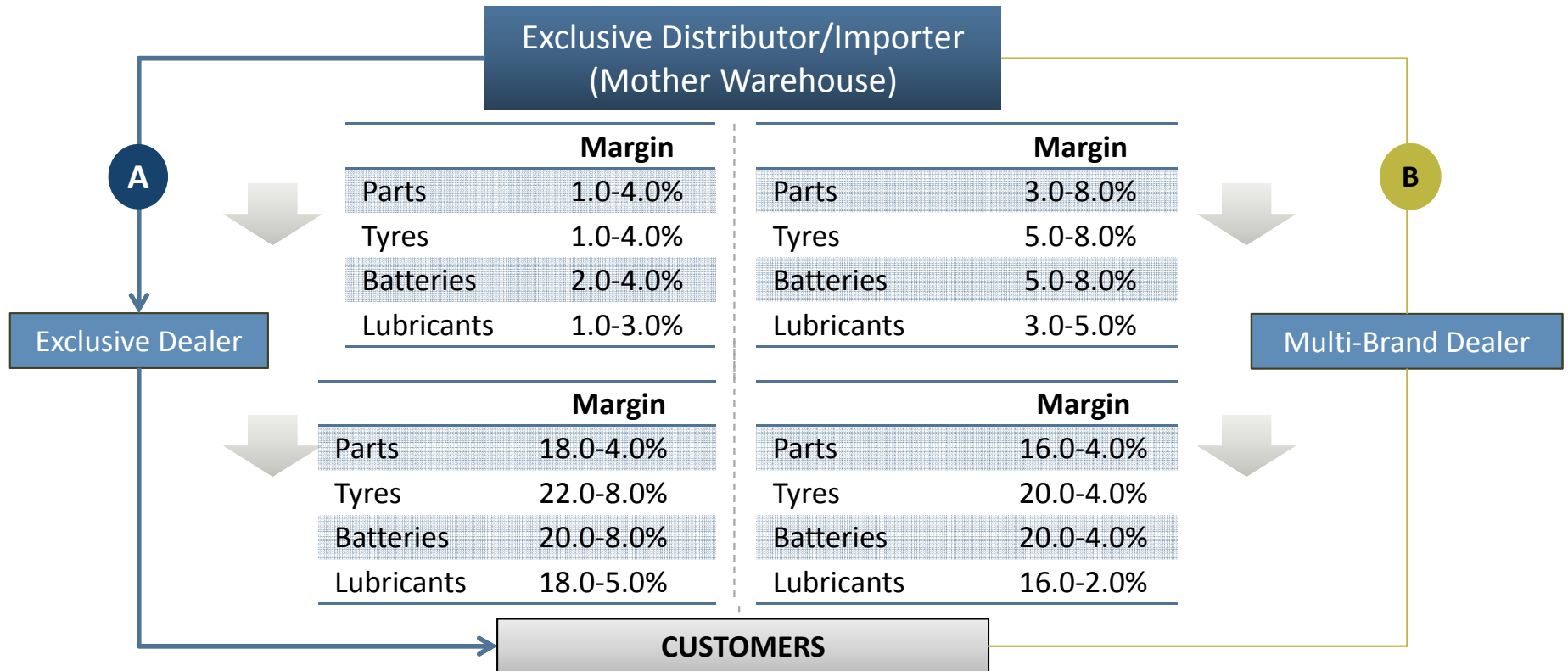
### Parts, Batteries, and Tyres Market: Distribution Channel Analysis, the GCC, 2012



Source: Frost & Sullivan analysis.

## Distribution Channels (continued)

Routes to markets A and B: Direct supply to customers through exclusive and multi-brand dealers



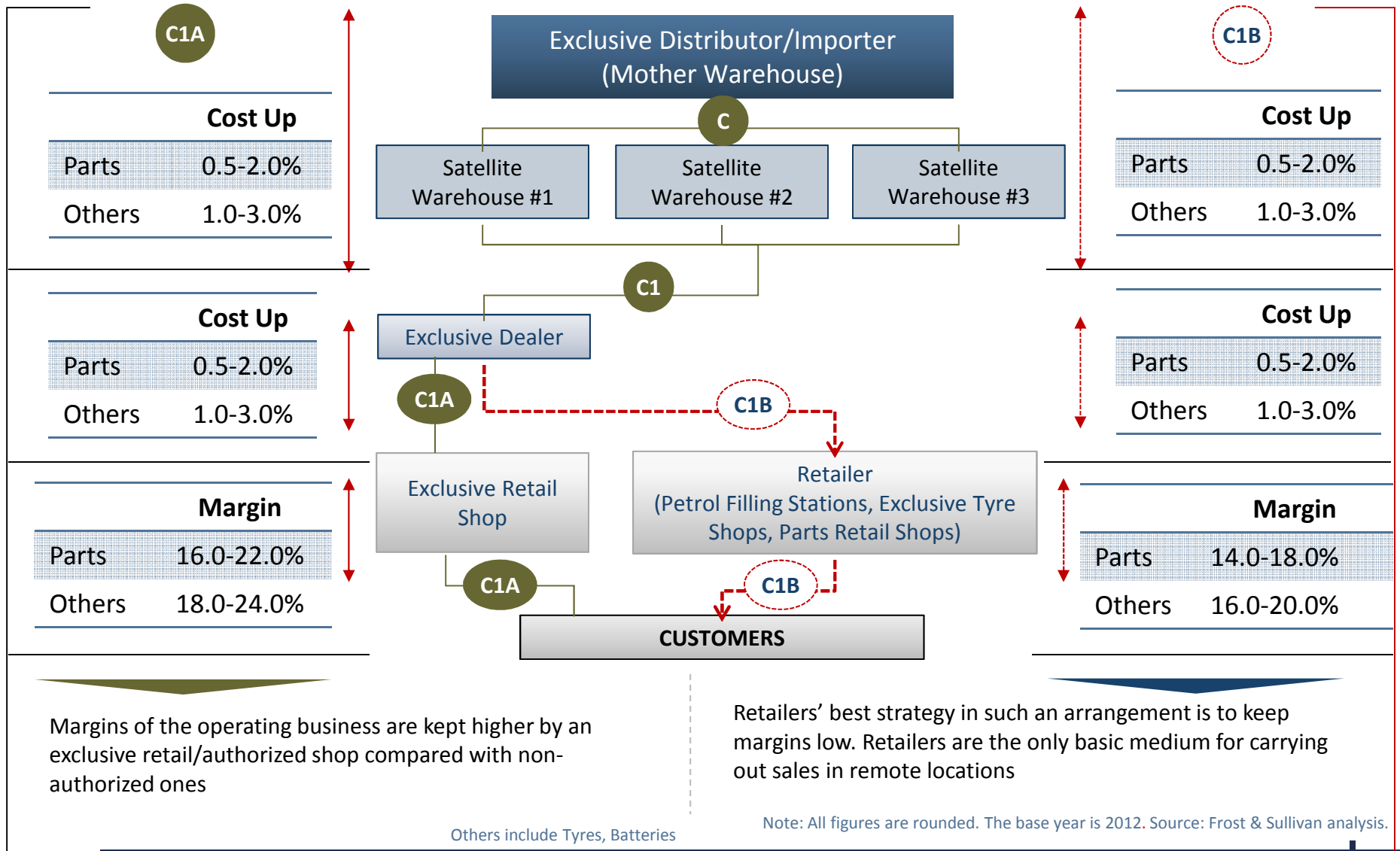
Such a module is used when a dealership and a multi-brand outlet are located in the same city and are fed by the mother warehouse

A multi-brand dealer is an outlet that has arrangements with exclusive distributors of various brands

Note: All figures are rounded. The base year is 2012. Source: Frost & Sullivan analysis.

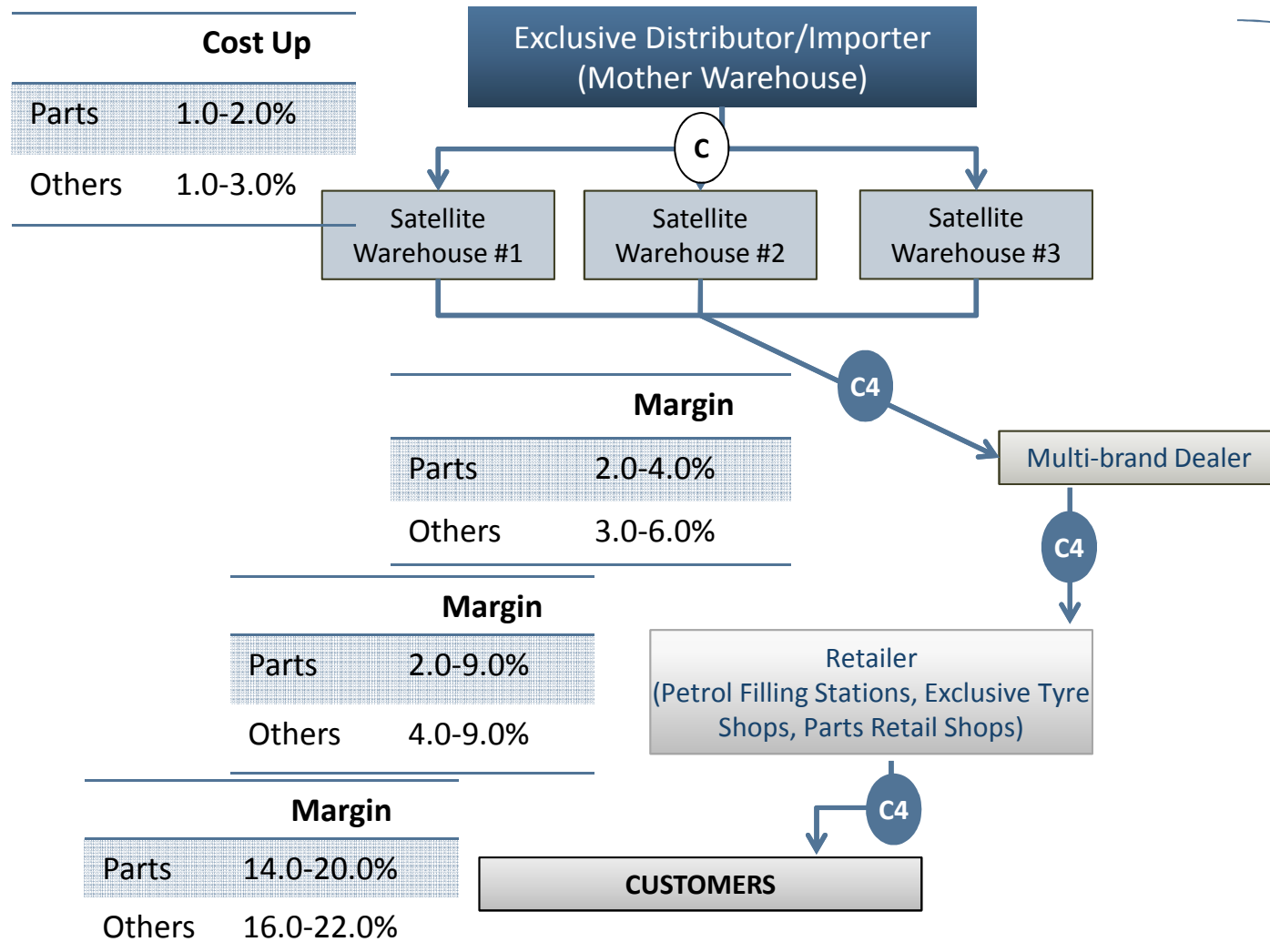
# Distribution Channels (continued)

Route to market C: Supply through satellite warehouses to exclusive dealers and retailers



# Distribution Channels (continued)

Route to market C: Supply through satellite warehouse to multi-brand dealers and retailers



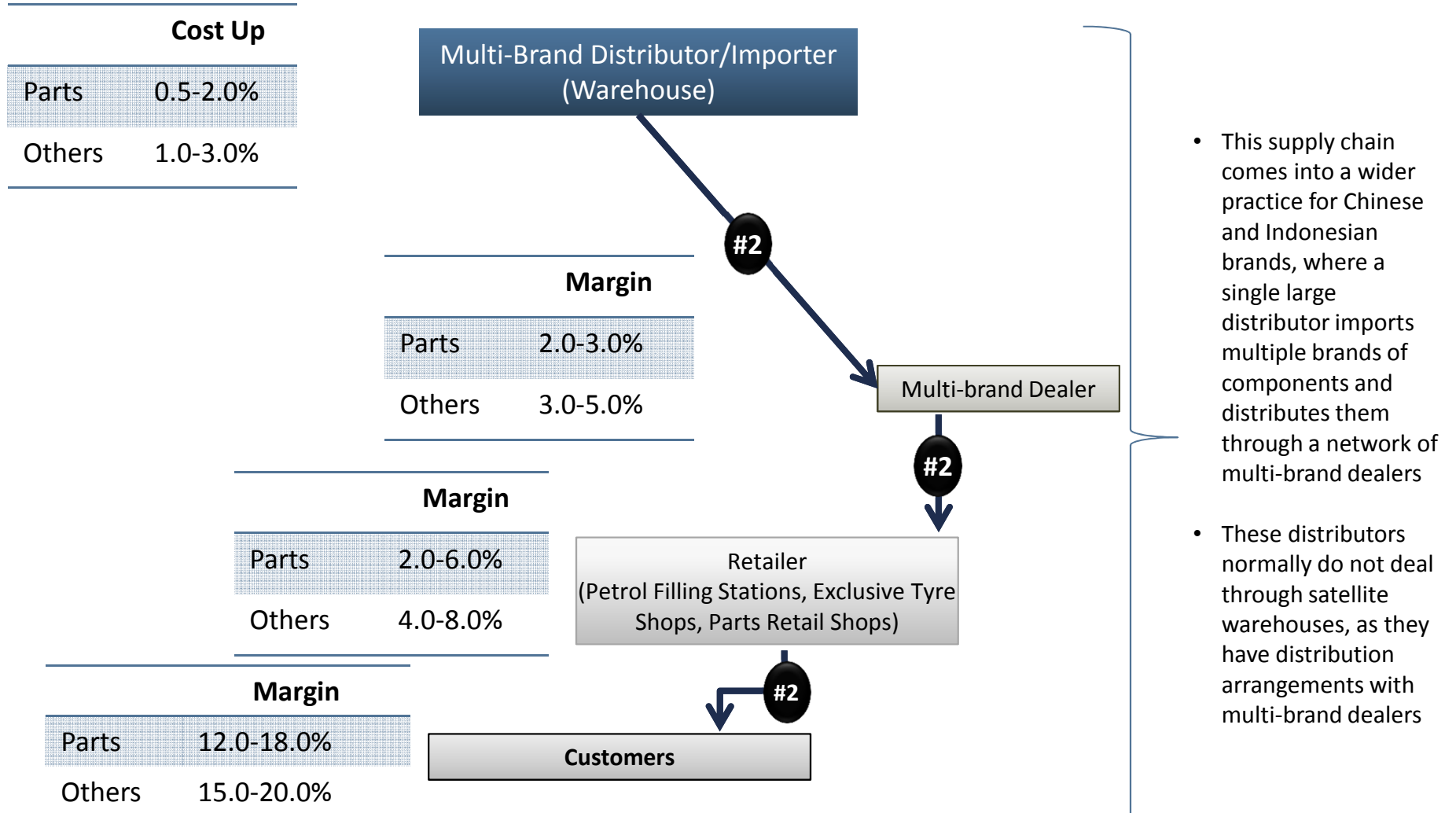
- This supply chain comes into a wider practice when analysing distribution of components to remotely located cities
- This is one of the basic aspects that creates the need for satellite warehouses
- In this case, distributors operate through their own fleet of trucks to transport these components to remote locations make their presence and availability perennial. This helps them to sell components in large volumes.

Others include Tyres, Batteries

Note: All figures are rounded. The base year is 2012. Source: Frost & Sullivan analysis.

## Distribution Channels (continued)

Route to market #2: Multi-brand distributors or importers cater to customers through multi-brand dealers and retailers



Others include Tyres, Batteries

Note: All figures are rounded. The base year is 2012. Source: Frost & Sullivan analysis.



# Distribution Channels (continued)

## Stakeholders involved in Aftermarket - Their Roles and Responsibilities

Channel Holders	Partners/Stake	Roles and Responsibilities
Exclusive Distributor/Importer (Mother Warehouse)		<ul style="list-style-type: none"><li>• An exclusive distributor is appointed by a Part/Component manufacturer for the distribution of its Part/Component brands in the independent aftermarket. The independent aftermarket caters largely to the needs of independently-owned garages, workshops, and retail shops.</li><li>• Exclusive distributors import Parts/Components from the manufacturer and sell to Exclusive Dealers, Multi-Brand Dealers, Retail Shops.</li><li>• Exclusive Distributor operates from a Mother Warehouse located in key cities like Riyadh and Jeddah in the KSA. The requirement of these key cities is fed by these mother warehouses.</li><li>• One critical point to note here is that in the GCC market an Exclusive Distributor can also be a Multi-Brand Distributor depending upon arrangements/terms and conditions between the manufacturer and distributor.</li><li>• Few of the exclusive distributors operate through their own retail shops to cater customer requirements directly.</li></ul>
Satellite Warehouse		<ul style="list-style-type: none"><li>• Satellite Warehouse is owned by exclusive distributor/importer to service those areas or territories that are not adequately serviceable by the mother warehouse.</li><li>• The Parts/Components are supplied by the mother warehouse to the satellite warehouse for serving smaller territories. These parts/components are then supplied to exclusive or multi-brand dealers and retailers of those areas.</li></ul>

Source: Frost & Sullivan analysis.

## Distribution Channels (continued)

### Stakeholders involved in After Market - Their Roles and Responsibilities

Channel Partners/Stakeholders	Roles and Responsibilities
Multiple Brand Distributors/Importers	<ul style="list-style-type: none"><li>• Multiple Brand Distributor is the Exclusive/Non-Exclusive Distributor who deals in various brands to cater to the large volume of the market</li><li>• This Type of Distributors/Importers come into a wider practice for dealing in Chinese and Indonesian brands where a single large Distributor imports multiple brands of Part/Component and distributes it through a network of Multi-brand dealers</li><li>• These Distributors normally do not deal through Satellite Warehouses as they have Distribution arrangements with Multi-Brand Dealers</li></ul>
Exclusive Dealer	<ul style="list-style-type: none"><li>• Exclusive Dealers deal in Single brand of Parts/Components</li><li>• These Dealers purchase Parts/Components from Exclusive Distributors/Importer sand sell directly to Retailers and Customers</li><li>• Few of these Dealer shops/outlets are owned by Exclusive Distributors</li><li>• This practice is predominantly followed in large cities</li></ul>

Source: Frost & Sullivan analysis.

# Distribution Channels (continued)

## Stakeholders involved in Aftermarket - Their Roles and Responsibilities

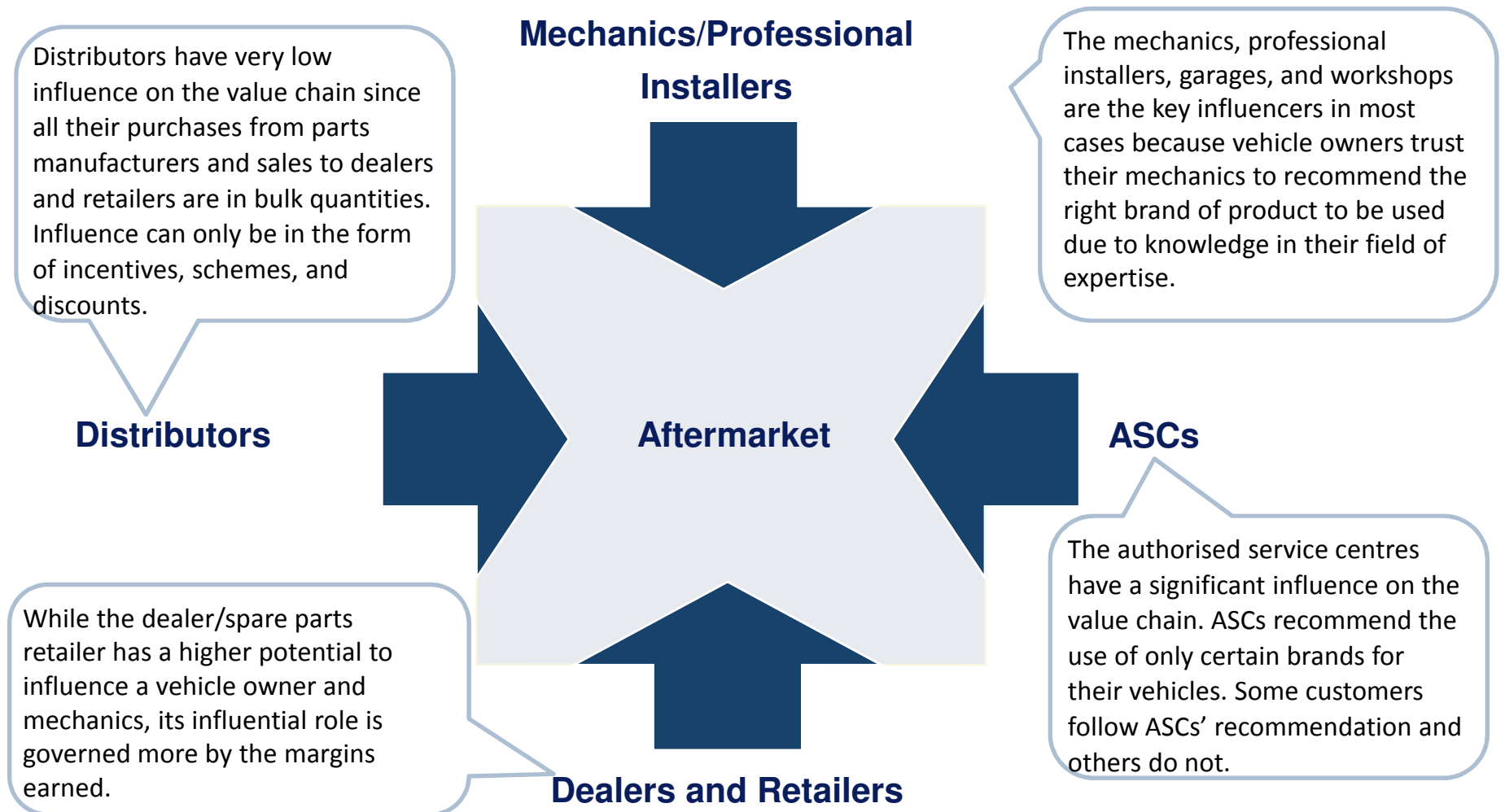
Channel Partners/Stakeholders	Roles and Responsibilities
Multi-Brand Dealer	<ul style="list-style-type: none"> <li>A Multiple-Brand Dealer sells different makes/brands of the Parts/Components</li> <li>A Multiple Brand Dealer specialises in Parts/Components sales by vehicle type (PVs, SUVs, Multi-utility Vehicles, CVs)</li> <li>They perform the function of aggregation and break the consignment into smaller sizes</li> <li>They also provide the service of supplying different makes of the same Parts/Components to their buyers/end customers</li> <li>They buy Parts/Components from Multiple Brand Distributors, Exclusive Distributors and Importers. They sell tyres to Retailers and end users/customers</li> </ul>
Exclusive Retail Shop	<ul style="list-style-type: none"> <li>Exclusive Retail Shops are normally owned by Exclusive Dealers or Exclusive Distributors</li> <li>These exclusive shops deal in limited number of brands</li> </ul>
Retailer (Petrol Filling Stations, Exclusive Tyre Shops, Parts Retail Shops)	<ul style="list-style-type: none"> <li>A retailer is a mass merchandiser who sells exclusively to end users; he does not further sell to any other channel member</li> <li>A retailer can exclusively deal in one part (for e.g. tyres) or can be a auto part seller or a Petrol Filling Station</li> <li>The retailer normally buy Parts/Components from an Exclusive/Multiple Brand Dealer, but in some of the cases they directly buy from Multiple Brand Distributors or Exclusive Distributors</li> </ul>

Source: Frost & Sullivan analysis.

# Key Influencers in the Aftermarket

Mechanics/Professional Installers, Distributors, Dealers/Retailers, and Authorised Service Centres (ASCs) are the key influencers

## Parts, Batteries, and Tyres Market: Key Influencers in the Aftermarket, The GCC, 2012



Source: Frost & Sullivan analysis.

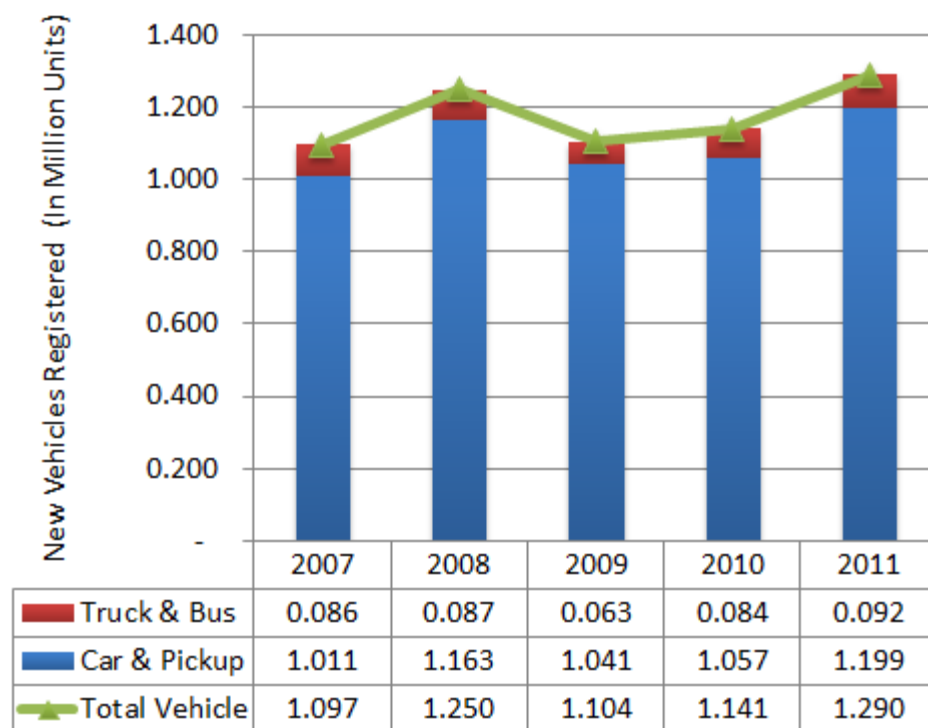
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## Vehicle Sales & Vehicle Parc

## Vehicle Sales – Past Trends

In 2012, nearly 1.35 million new vehicles were registered in the GCC

### New Vehicles Registered, Past Trends, the GCC, 2008-12



#### Indicator - Year 2012

Estimated Number of New Vehicles Registered	<u>1.35 million</u>
Estimated Number of New Cars & Pickups Registered	<u>1.25 million</u>
Cars & Pickups as per cent of New Vehicles Registered	<u>92.4%</u>
Estimated Number of New Trucks & Buses Registered	0.10 million
Trucks & Buses as per cent of New Vehicles Registered	7.6%
CAGR in New Vehicle Registration in 2008-12	<u>4.2%</u>
CAGR in New Cars & Pickups Registration in 2008-12	4.4%
CAGR in New Trucks & Buses Registration in 2008-12	1.7%

- Car & Pickup segment saw a major growth, from 1.0 million vehicles in 2008 to 1.2 million vehicles in 2012 (CAGR 4.4 per cent)

Source: Government Bodies, e.g., Department of Transportation, Department of Traffic, and Frost & Sullivan Analysis

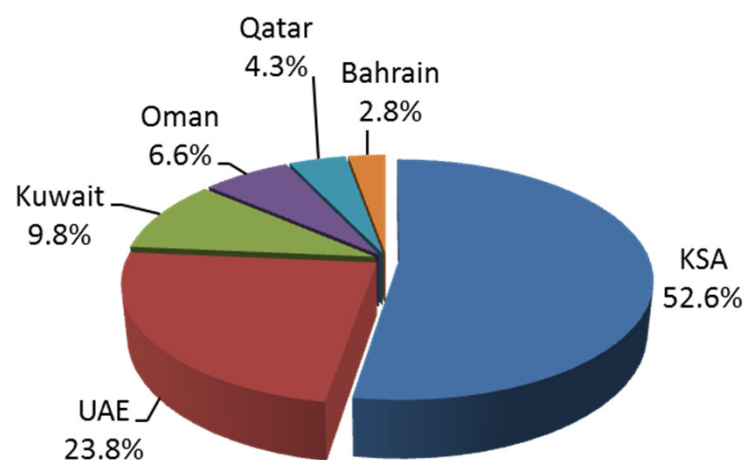
## Vehicle Sales – the GCC Country Shares

In terms of new vehicles registered, the KSA led the GCC with nearly 53.7% share

### New Vehicles Registered by Country and Vehicle Segment, the GCC, 2012

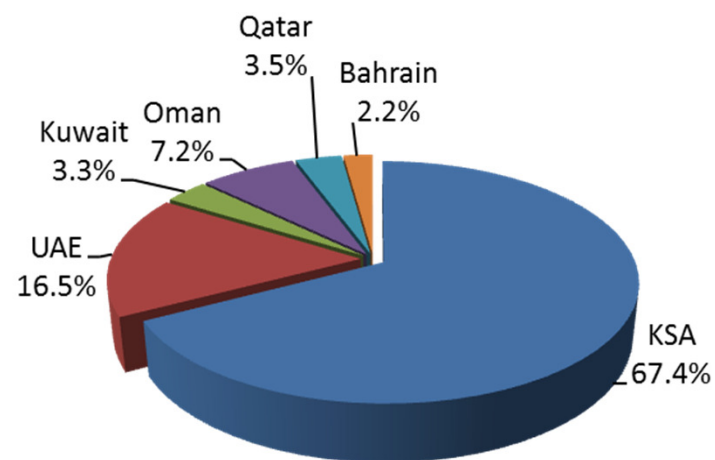
#### Car & Pickup

Total Volume: 1.20 million



#### Truck & Bus

Total Volume: 0.09 million



- In terms of total new vehicles registered, the KSA led the GCC with nearly 53.7 per cent share, followed by the UAE with 23.3 per cent share
- Kuwait had 9.4 per cent share, Oman 6.7 per cent share, Qatar 4.3 per cent, and Bahrain 2.8 per cent

Source: Government Bodies, e.g., Department of Transportation, Department of Traffic, and Frost & Sullivan Analysis

## Key Drivers for Vehicle Sales (Continued)

Crude Oil Price is the single-most important factor controlling the GCC's economic growth

- Regression and correlation analysis of key economic factors suggested Crude Oil Price as the single-most important factor controlling the GCC economy; good economic growth enables good vehicle sales
  - Crude oil exports and prices in four of the key GCC countries (KSA, Kuwait, Oman, and the UAE) have the highest correlation coefficient in the range of 0.8-0.9. Any change in the crude oil price is likely to impact the economy positively or adversely
- Demand for passenger cars is expected to grow further with increasing population in the GCC due to increase in workforce for increased infrastructure and manufacturing investments
  - Future demand of the GCC automotive industry would be largely supported by the growing economy and favourable oil prices; GDP growth of the GCC economies is expected to be robust
  - With approximately 30-35 per cent of the GCC population expected to enter the vehicle market, there are enormous untapped opportunities for vehicle manufacturers
- Other key drivers for the GCC economy and vehicle sales are as follows:
    - Government expenditure drives the GCC economy
    - Service sector growth drives passenger vehicle sales and imports drive CV sales
    - Higher employment and economic growth increase per capita income, driving vehicle sales

*Source: Government Bodies, Frost & Sullivan Analysis*



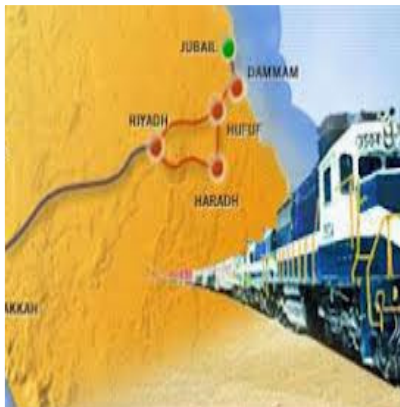
## Key Drivers for Vehicle Sales (Continued)

Increasing spend on Public Transportation and Goods Transportation System might impact vehicle sales in the long term



### Public Transportation

Investment in the rail sector, low-cost airlines, and public transportation facilities like buses and metro for both intra and inter-city travel can impact vehicle sales and car usage. This would impact demand for cars in the next 5-6 years.



### Goods Transportation – the GCC Rail Project

To further promote inter-country trade, the GCC nations to speed up process on the GCC Rail Project and complete it by 2017; sales of long-haulage vehicles to be negatively affected.

*Source: Government Bodies, Frost & Sullivan Analysis*

# Vehicle Sales Forecast

Sensitivity analysis of drivers and restraints suggested three scenarios for vehicle sales growth – Realistic, Conservative, and Optimistic

## CAR & PICKUP – SCENARIO ANALYSIS

Scenario	Description	CAGR 2012-17
Conservative Scenario	GDP grows in the range of 4.0-4.5% with marginal growth in the services sector and Government expenditure on infrastructure development	4.5%
Frost & Sullivan Scenario	Realistic Scenario by Frost & Sullivan considers population to continue growing at the current rate, service sector growth to increase at an average rate of 6.5%, and per capita income to show similar growth - riding on a growing economy	5.9%
Optimistic Scenario	Government expenditure increases by an average growth of 8-10% along with other factors as discussed in Realistic scenario	7.0%

## TRUCK & BUS – SCENARIO ANALYSIS

Scenario	Description	CAGR 2012-17
Conservative Scenario	Considers improper and time lagging execution of plan laid down for infrastructure development. The GCC implements Euro III compliance by 2013 and Euro IV by 2015, which will largely reduce old vehicle imports in these countries	7.4%
Frost & Sullivan Scenario	Realistic Scenario by Frost & Sullivan considers custom duties to remain the same, thereby not affecting imports; global crude oil prices to remain on the higher side; and the GCC to continue pumping at current extraction rate	8.7%
Optimistic Scenario	Considers investments planned for infrastructure development in road, power, and real estate materialise as scheduled. Emission norms continue to be the same for another 2 or 3 years, which means that old vehicles will continue to be imported (old trucks in more than 16 tonne GVW category dominate over 35% market). Custom duties to remain the same for coming years, thereby not affecting imports	10.3%

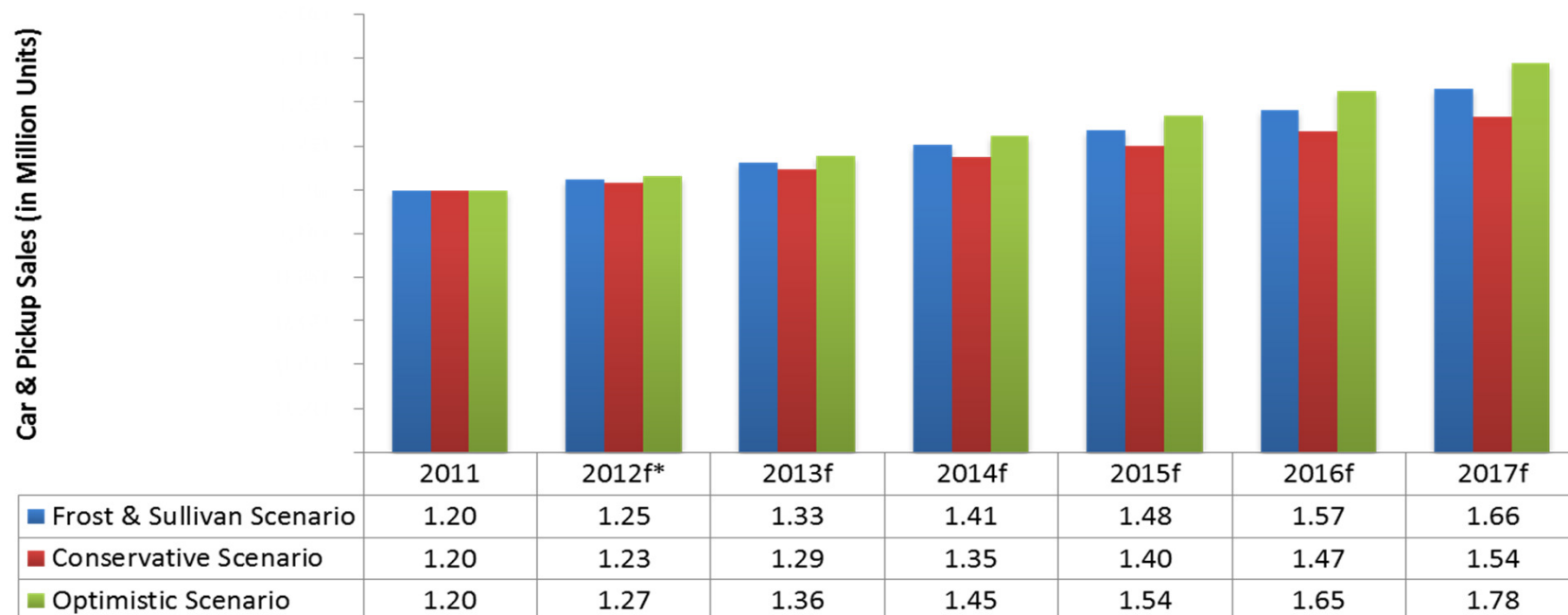
CAGR: Compound Annual Growth Rate, Source: Frost & Sullivan Analysis

# Vehicle Sales Forecast – Car & Pickup

Frost & Sullivan's Realistic Scenario forecasts a CAGR for the GCC's Car & Pickup sales at 5.9 per cent in 2012-17

Car & Pickup sales in the GCC to grow from 1.29 million in 2012 to 1.66 million in 2017

## Vehicle Sales Forecast, Scenario Analysis, CAR & PICKUP, the GCC, 2012-17



Year	2007	2008	2009	2010	2011	2012	2013f	2014f	2015f	2016f	2017f
Car & Pickup (Million units)	1.01	1.16	1.04	1.06	1.20	1.25	1.33	1.41	1.48	1.57	1.66
Growth %		15.1%	-10.5%	1.6%	13.4%	4.4%	6.1%	5.9%	5.0%	6.1%	6.1%

F\* = Forecast

f = forecast; CAGR: Compound Annual Growth Rate: Source: Frost & Sullivan Analysis

# Vehicle Sales Forecast – Truck & Bus

Frost & Sullivan's Realistic Scenario forecasts a CAGR for the GCC Truck & Bus sales at 8.7 per cent in 2012-17

Truck & Bus sales in the GCC to grow from 0.092 million in 2012 to 0.155 million in 2017

## Vehicle Sales Forecast, Scenario Analysis, TRUCK & BUS, the GCC, 2012-17



Year	2007	2008	2009	2010	2011	2012	2013f	2014f	2015f	2016f	2017f
Truck & Bus (Thousand Units)	80.0	91.8	63.3	84.2	92.9	102.4	111.7	122.0	132.7	143.7	155.5
Growth %		14.7%	-31.1%	33.1%	8.8%	11.7%	9.1%	9.3%	8.8%	8.3%	8.2%

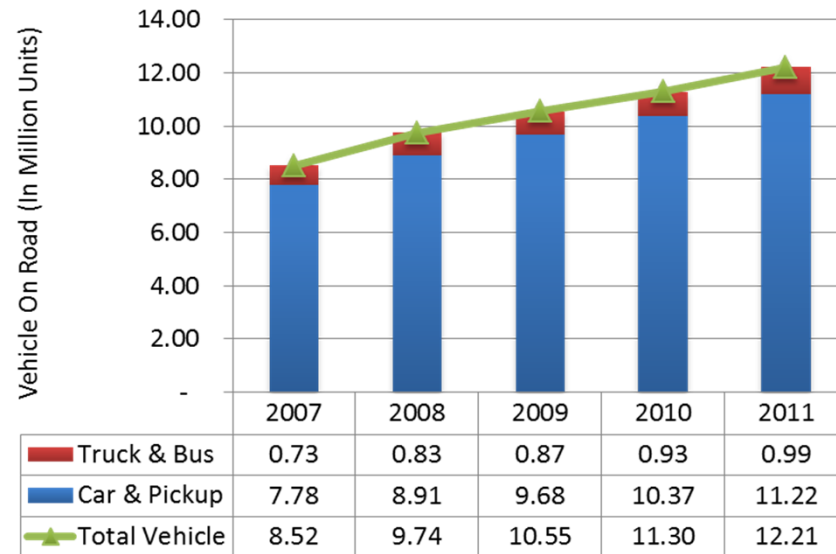
F\* = Forecast

f = forecast; CAGR: Compound Annual Growth Rate: Source: Frost & Sullivan Analysis

## Vehicle Parc – Past Trends

The GCC is the largest market in MENA in terms of vehicles running on road and had a healthy CAGR of 7.8 per cent in 2008-12

### Vehicle Parc, Past Trends, the GCC, 2008-12



- In 2012, the GCC had a vehicle parc of 13.14 million units (nearly 12.07 million car & pickup and remaining 1.07 million truck & bus).

#### Key Indicators

Estimated Number of Running Vehicles	<u>13.14 million</u>
Estimated Number of Running Car & Pickup	<u>12.07 million</u>
Car & Pickup as per cent of Running Vehicles	<u>91.9%</u>
Estimated Number of Running Truck & Bus	1.07 million
Truck & Bus as per cent of Running Vehicles	8.1%
CAGR in Vehicle Parc in 2008-12	<u>7.8%</u>
CAGR in Car & Pickup Parc in 2008-12	7.9%
CAGR in Truck & Bus Parc in 2008-12	6.5%
Average Vehicle Lifetime	15 years

#### Facts & Assumptions:

- Vehicles classified into 4 categories to arrive at parc numbers: Car, Pickup, Truck, & Bus
- Average lifetime of a vehicle considered as 15 years
- Yearly salvage per cent and exports per cent for all 6 of the GCC countries considered separately

Parc – Vehicle Parc is a global automotive industry terminology for active vehicles on road after accounting for attrition due to accidents and end-of-life requirements; Source: Traffic Departments and other government bodies, Frost & Sullivan Analysis

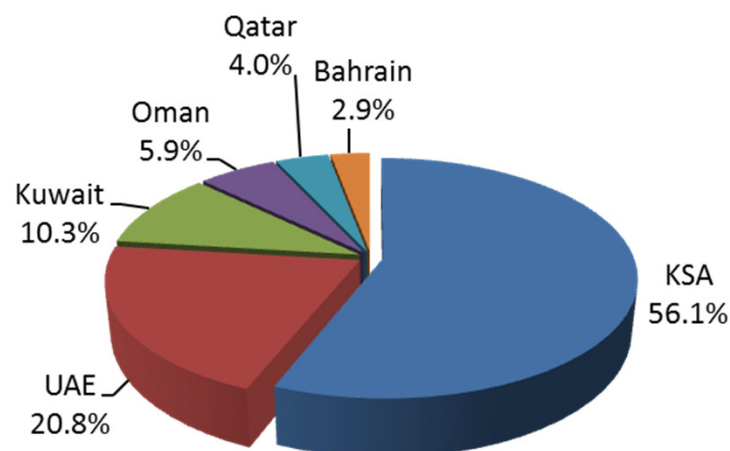
## Vehicle Parc – Country Share, the GCC

In terms of vehicles running on road, the KSA led the GCC with overall parc of 6.86 million vehicles in 2012

### Vehicle Parc by Country and Vehicle Segment, the GCC, 2012

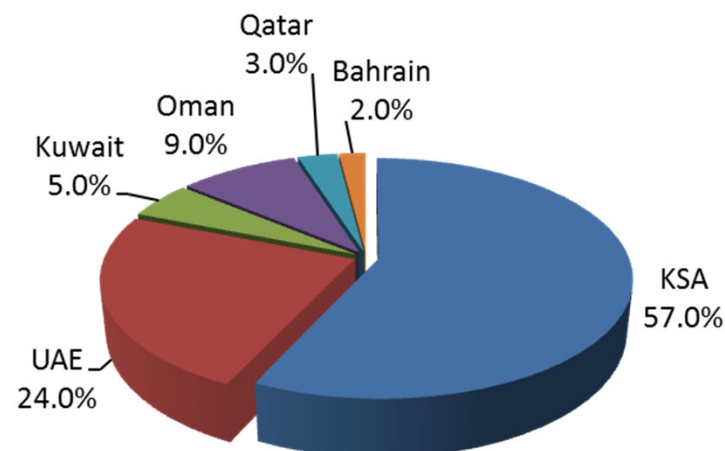
#### Car & Pickup Parc

Total Volume: 12.07 million



#### Truck & Bus Parc

Total Volume: 1.07 million



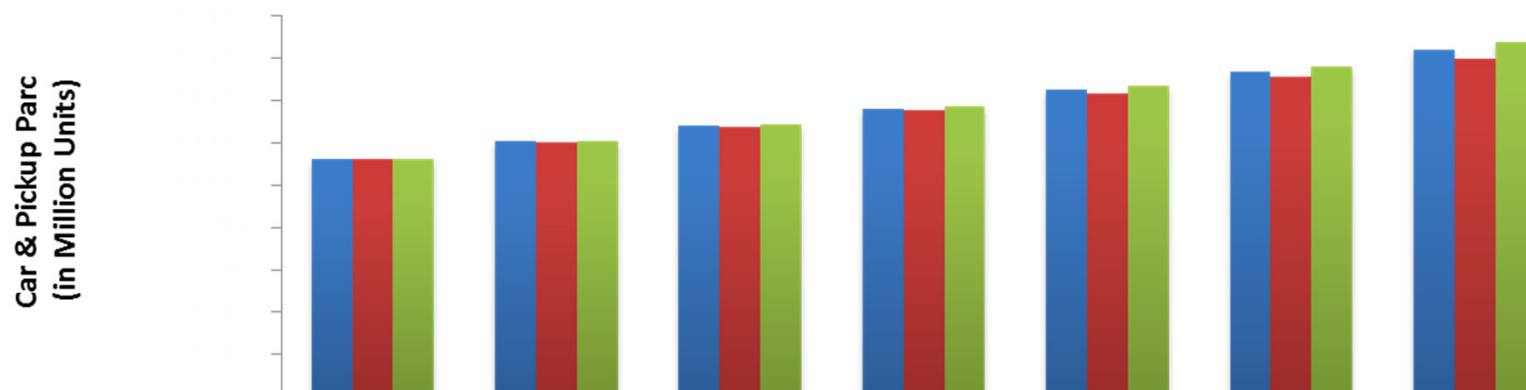
- In terms of vehicles running on road, the KSA led the GCC with overall parc in 2012 (nearly 56.2 per cent in the overall the GCC vehicle parc), followed by the UAE with 21.0 per cent share.
- Kuwait had a 9.8 per cent share, Oman 6.1 per cent Qatar 3.9 per cent and Bahrain 2.9 per cent.

Source: Government Bodies and Frost & Sullivan Analysis

## Vehicle Parc Forecast – Car & Pickup

Increasing vehicle sales directly impact number of vehicles on road. Realistic scenario by Frost & Sullivan suggests sales growth of ~6.8 per cent in 2012-17; projecting CAGR of ~6.3 per cent in vehicle parc

### Vehicle Parc Forecast, Scenario Analysis, CAR & PICKUP, the GCC, 2012-17



	2011	2012f*	2013f	2014f	2015f	2016f	2017f
■ Frost & Sullivan Scenario	11.22	12.07	12.79	13.62	14.53	15.38	16.36
■ Conservative Scenario	11.22	12.05	12.74	13.51	14.35	15.11	15.97
■ Optimistic Scenario	11.22	12.09	12.85	13.72	14.69	15.63	16.73

Year	2007	2008	2009	2010	2011	2012	2013f	2014f	2015f	2016f	2017f
Car & Pickup (Million units)	7.78	8.91	9.68	10.37	11.22	12.07	12.79	13.62	14.53	15.38	16.36
Growth (%)		14.5%	8.6%	7.2%	8.1%	7.6%	6.0%	6.5%	6.7%	5.9%	6.4%

Car & Pickup Parc – Optimistic scenario expects Car & Pickup parc to reach 16.73 million units in 2017 from 11.22 million units in 2011 (CAGR of 6.7 per cent), whereas Realistic Scenario by Frost & Sullivan expects it to reach 16.36 million units by 2017 (CAGR of 6.3 per cent).

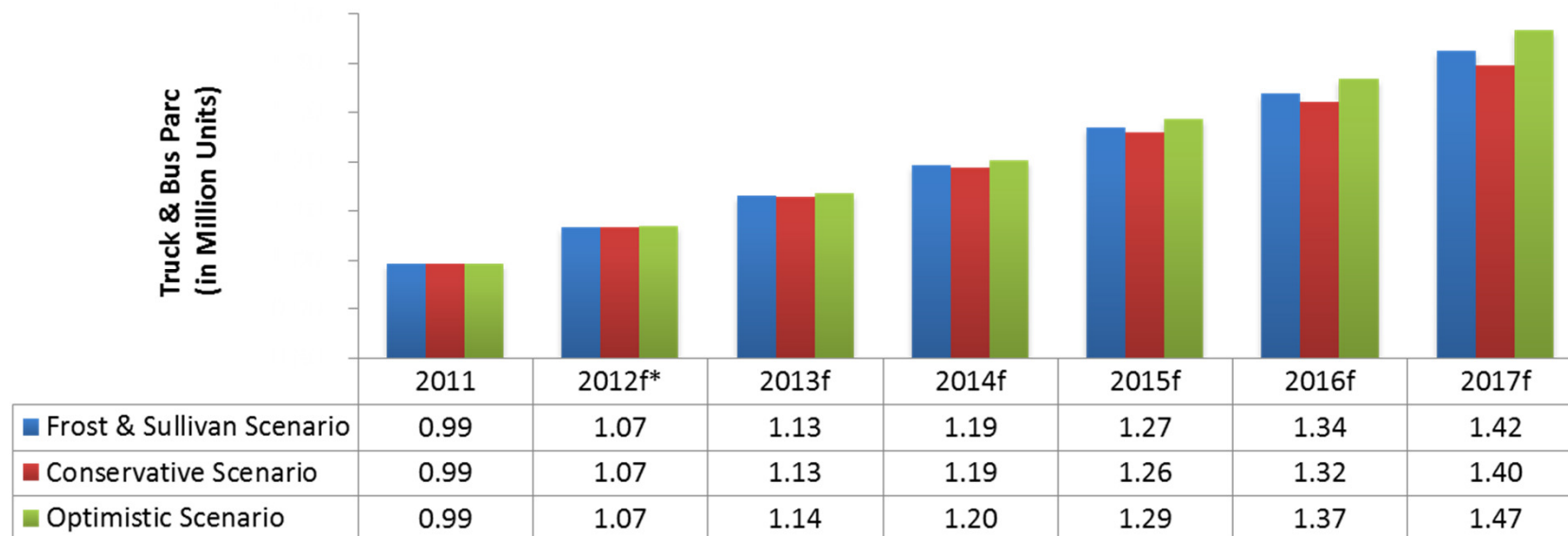
F\* = Forecast

f = forecast; CAGR: Compound Annual Growth Rate; Source: Frost & Sullivan Analysis

## Vehicle Parc Forecast – Truck & Bus

Realistic Scenario suggests a sales growth of ~8.7 per cent in 2012-17; projecting a CAGR of ~5.9 per cent in vehicle parc

### Vehicle Parc Forecast, Scenario Analysis, TRUCK & BUS, the GCC, 2012-17



Year	2007	2008	2009	2010	2011	2012	2013f	2014f	2015f	2016f	2017f
Truck & Bus (Million units)	0.73	0.83	0.87	0.93	0.99	1.07	1.13	1.19	1.27	1.34	1.42
Growth (%)		12.9%	5.3%	6.2%	7.3%	7.4%	6.1%	5.4%	6.4%	5.4%	6.3%

Truck & Bus Parc – Optimistic Scenario estimates Truck & Bus parc to reach 1.47 million units by 2017 from 0.99 million units in 2011 (CAGR of 6.5 per cent), whereas Realistic Scenario by Frost & Sullivan estimates it to reach 1.42 million units by 2017 (CAGR of 5.9 per cent ).

F\* = Forecast

f = forecast; All numbers are in Million Units; CAGR: Compound Annual Growth Rate; Source: Frost & Sullivan Analysis

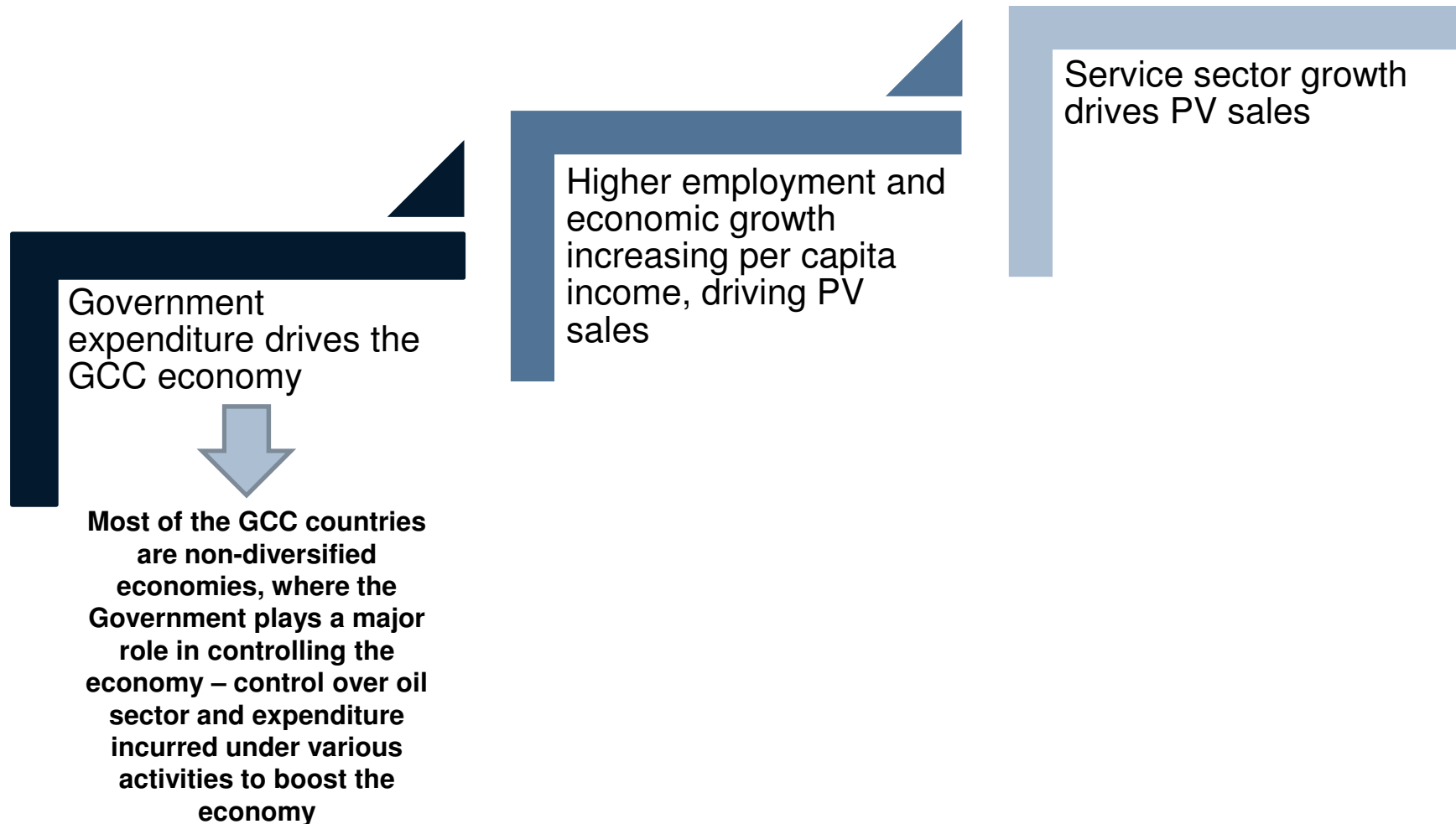




## **Mega Trends and Industry Convergence Implications**

# Mega Trends

Service sector growth, increasing working population, and dependency on government expenditure are the key factors driving growth in the GCC



## Mega Trends (continued)

Additionally, Crude Oil Price is the most important factor controlling growth of the GCC economy; good economic growth enables good vehicle sales

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- Non-Diversified Economy – The Government's role in economic output is vital, it controls the oil economy. The Government plays a major role in the GCC economy through its control over the oil sector and expenditure incurred under various activities to boost the economy.
- Crude Oil Price is the most important factor controlling growth of the GCC economy; good economic growth enables good vehicle sales. Moderation in economic growth expected due to moderation in crude oil prices, these are likely to moderate close to USD 91 per barrel by 2017.
- Higher Government expenditure is a direct driver for growth in cars – Government expenditure has a direct correlation to increase in income level in the economy. This increase finds its way to the car market as there are relatively less avenues for expenditure in other areas like entertainment.
- Service sector creates employment and income generation - Employment to grow at a 3.0 per cent thus generating high per capita income. Employment shows high correlation with PV sales.
- Per Capita Income growth drives sales - Growth in the service sector will drive the per capita income thus leading to growth in PV sales. The service sector will create higher employment opportunities and rise in per capita income in years to come.
- Per Capita income which shows high correlation with PV sales is likely to grow at a CAGR of 2.6 per cent over the period 2012-2017.

Source: Frost & Sullivan analysis.

## Mega Trends Impact on Component (Parts, Batteries, & Tyres) Industry

High reliance (compared to other countries) on Government expenditure to drive the GCC economy – A key driver for Vehicle & Parts, Batteries, & Tyre sales

### Mega Trends Impact on Vehicle and Component Industry, the GCC, 2012-2017

Mega Trends	Degree of Impact	Impact Timing
Higher Government expenditure	8	Present
Service sector growth	5	1+ years
Per Capita Income growth	5	1+ years
Investments in Public Transportation System	4	4+ years

Impact Ratings: 7-10 = High; 4-6 = Medium; 1-3 = Low

Source: Frost & Sullivan analysis

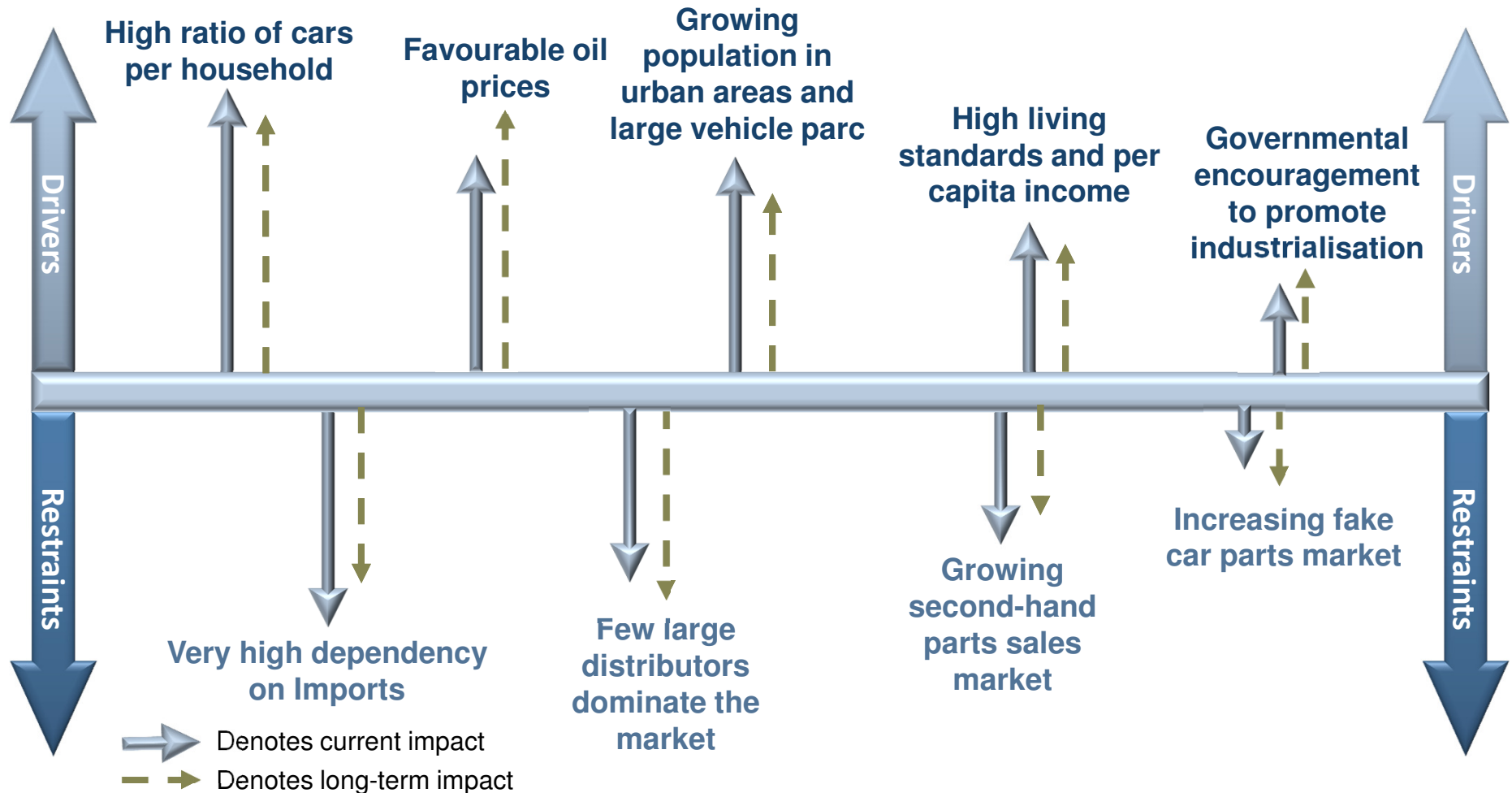


## **External Challenges: Drivers and Restraints in Parts, Batteries, & Tyres Market**

# Parts, Batteries & Tyres Market - Drivers and Restraints

One of the highest per capita incomes in the world, a stable economy, high population growth rate are the key factors for significant development of the GCC automotive sector

## Parts, Batteries, and Tyres Market: Key Market Drivers and Restraints, the GCC, 2012-2017



Source: Frost & Sullivan analysis.

## Market Drivers - Impact and Duration

Governmental encouragement to promote industrialisation & growing population in urban areas likely to have long-term impact on PV and component market

### Parts, Batteries, and Tyres Market: Key Market Drivers, the GCC, 2012–2017

Drivers	1-2 Year	3–4 Years	5 <sup>th</sup> Year
High ratio of cars per household	H	M	M
High living standards and per capita income	H	M	M
Growing population in urban areas and large vehicle parc	M	H	H
Governmental encouragement to promote industrialisation	M	M	H
Favourable oil prices	M	M	M

Impact Ratings: H = High, M = Medium, L = Low

Source: Frost & Sullivan analysis.

## Market Restraints - Impact and Duration

Growing second-hand car parts market and increasing fake car parts market in key countries like the KSA and the UAE is/will largely impacting the parts, batteries, & tyres sales

### Parts, Batteries, and Tyres Market: Key Market Restraints, the GCC, 2012-2017

Restraints	1–2 Year	3–4 Years	5 <sup>th</sup> Year
Very high dependency on imports	H	H	M
Few large distributors dominates the market	H	H	M
Growing second-hand parts sales market	H	H	M
Increasing fake car parts market	M	H	H

Impact Ratings: H = High, M = Medium, L = Low

Source: Frost & Sullivan analysis.





## **Forecasts and Trends: Parts, Batteries, & Tyres Market**

# Market Engineering Measurements

The KSA, Oman, Kuwait, Qatar, and Bahrain are growing markets in the GCC, whereas the UAE is perceived as a mature market

## Parts, Batteries, and Tyres Market: the GCC, 2012

### Market Overview

MEASUREMENT NAME	MEASUREMENT	TREND
Market Stage (Nascent, Growth, Mature)	Growth	—
Market Revenue (2012)	USD 6.73 B	▲
Market Size at End of Forecast Period (2017)	USD 13.46 B	▲
Base Year Market Growth Rate	11.5%	▲
CAGR 2012-2017	14.9%	▲
Market Concentration (per cent of base year market controlled by top three competitors)	40.0%	—
Number of Competitors (active market competitors in base year)	More than 200	▲

TREND	Decreasing	Stable	Increasing
	▼	●	▲

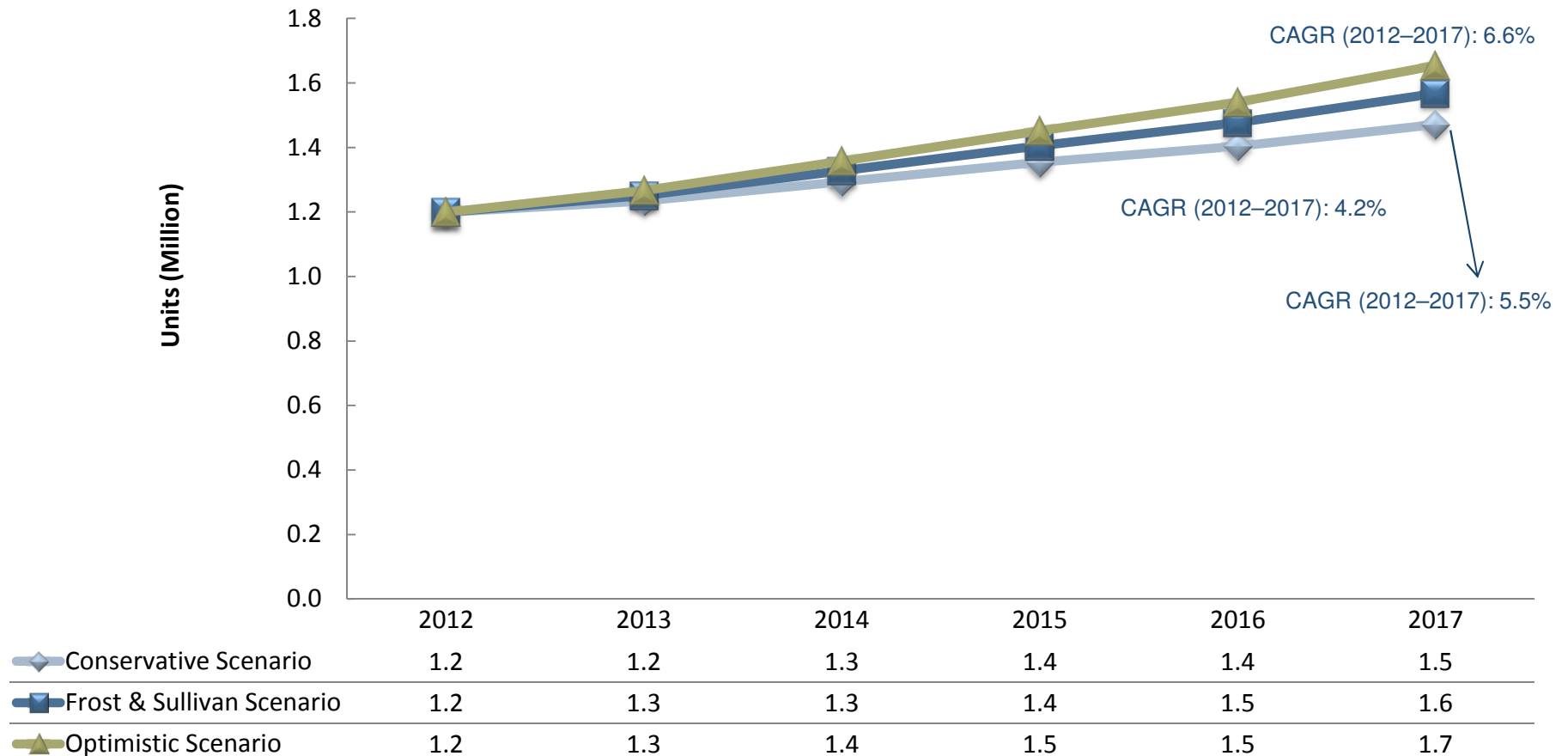
Note: Market size estimations only includes imported components

Note: All figures are rounded. The base year is 2012. Source: Frost & Sullivan analysis.

# PV Sales Forecast Scenario Analysis

PVs likely to witness 5.5 per cent growth over the next 5 years

## Parts, Batteries, & Tyres Market: Passenger Vehicle Sales Forecast by Scenario, the GCC, 2012 to 2017

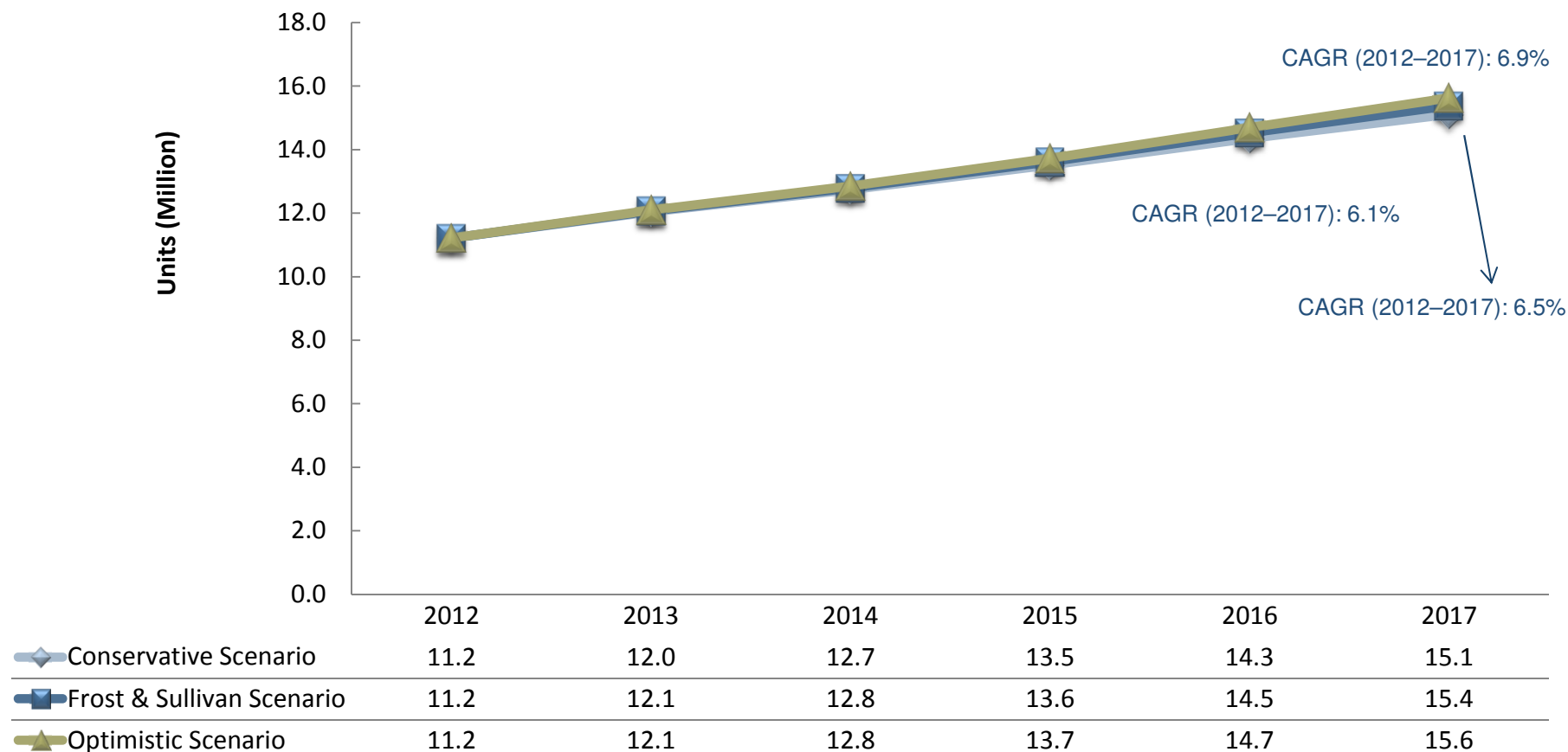


Note: All figures are rounded; the base year is 2012. Source: Frost & Sullivan analysis.

# PV Parc Forecast Scenario Analysis

Vehicle parc in the GCC likely to witness CAGR growth of 6.5 per cent to reach at 15.4 million units by 2017

## Parts, Batteries, & Tyres Market: PV Parc Forecast by Scenario, the GCC, 2012 to 2017



Note: All figures are rounded; the base year is 2012. Source: Frost & Sullivan analysis.

# Forecast Scenario Assumptions to 2017

Increasing urbanisation, dependency on public transportation system, population, and per capita income growth would be the key deciding factors for vehicles as well as part market growth in near future for the GCC

## Parts, Batteries, and Tyres Market: Forecast Assumptions, the GCC, 2012

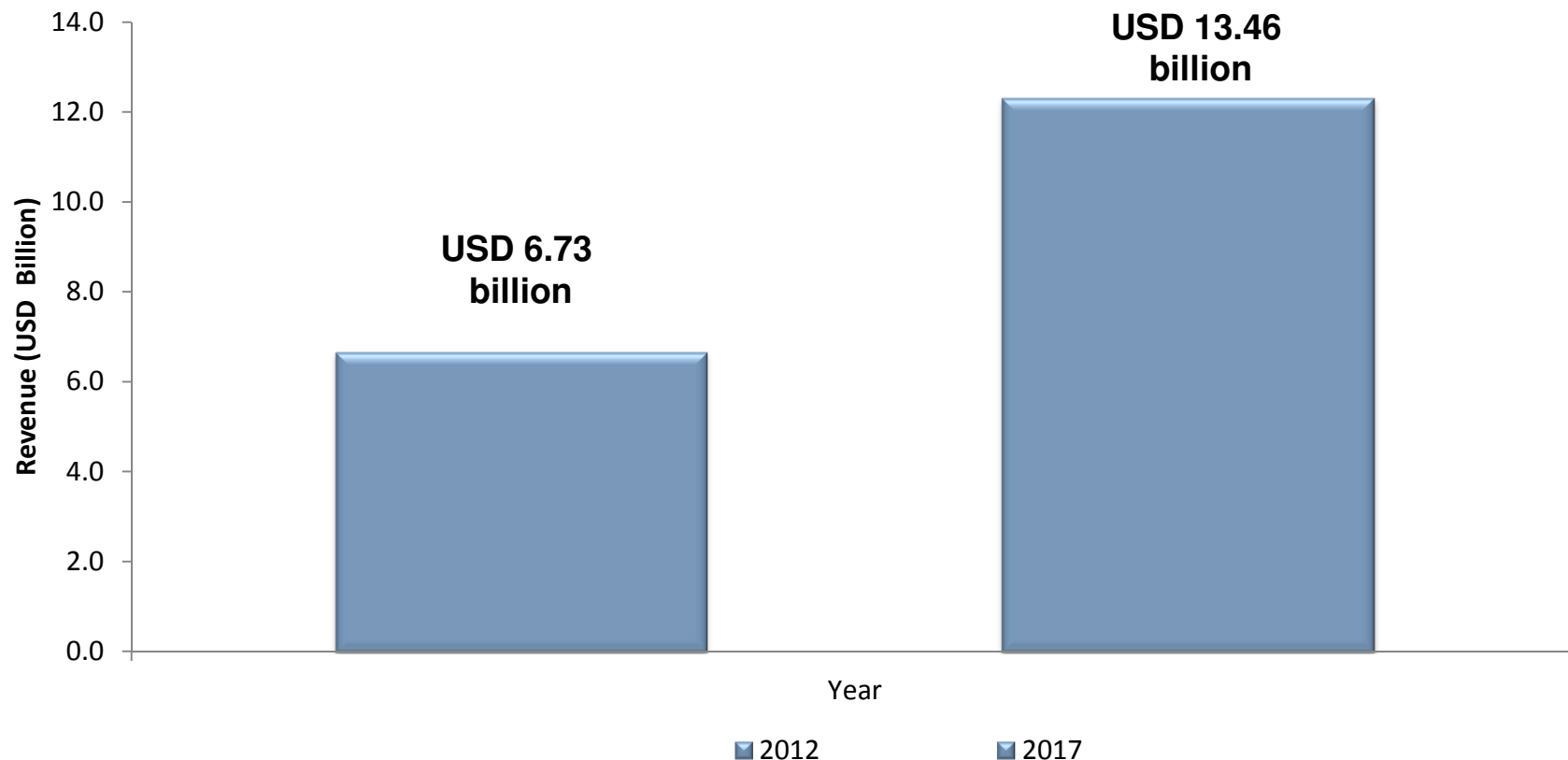
	Increasing Urbanisation	Dependency on Public Transportation System	Population Growth and High Per Capita Income	Increasing focus on setting up local manufacturing facilities to generate employment	Easy availability of low-cost fuel
Optimistic Scenario	Relatively high growth in urbanisation rate across key cities in the GCC, which accounts for large car population cities like Riyadh, Dubai	Limited improvement in public transportation system across the GCC countries, the transportation infrastructure will almost remain same	Strong growth in population and sharp reduction in unemployment rates and increased per capita income	Significant attention provided by the Government in developing employment with norms of hiring majority of local manpower	Relatively low fuel prices
Frost & Sullivan Scenario	Relatively moderate growth in urbanisation rate across key cities in the GCC, which accounts for large car population cities like Riyadh, Dubai	Moderate improvement in public transportation system and limited to few regions like Dubai (the UAE) and Riyadh (the KSA), the transportation infrastructure will see moderate improvement	Moderate growth in population and moderate reduction in unemployment rates and increased per capita income	Moderate planning and delayed execution in setting up manufacturing-based economy	Relatively moderate fuel prices
Conservative Scenario	Low growth in urbanisation rate across key cities in the GCC which accounts for large car population in cities like Riyadh, Dubai	Good improvement in public transportation system across the GCC countries, the transportation infrastructure will be developed across the GCC and dependency on the system, irrespective of weather conditions, will increase	Limited growth in population across the GCC and no reduction in unemployment rates and increased per capita income	Focus only limited to few countries with limited interest of global participants to setup manufacturing bases in the GCC	Low fuel prices

Source: Frost & Sullivan analysis.

## Parts, Batteries, & Tyres Market - Revenue Forecast

In 2012, the market witnessed 11.5 per cent growth over 2010 and is likely to witness healthy growth of 14.9 per cent CAGR between 2012 and 2017

**Parts, Batteries, & Tyres Market: Revenue Forecast, the GCC, 2012 and 2017**  
**CAGR = 14.9 per cent**



Note: Market size estimations only includes imported components . All figures are rounded. The base year is 2012. Source: Frost & Sullivan analysis.

## Parts, Batteries, & Tyres Market - Revenue Forecast Discussion

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- The GCC's per capita income being among the highest in the world, the automobile industry has traditionally fared well in this market
- Most of the major brands are present in these markets offering intense competition and wide choice
- Consideration of the safety angle in the Middle East region that is often in turmoil, companies quite often set up their regional headquarters (the GCC) in the UAE
- The GCC auto market is no exception to the global auto trends as replacement parts from many countries are available

Note: Market size estimations only includes imported components . All figures are rounded. The base year is 2012. Source: Frost & Sullivan analysis.

## Segment Revenue Forecast Discussion

Most components are being imported in the GCC

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- The total market has witnessed healthy growth of 11.5 per cent in 2012 over 2011
- Parts were the largest contributor in the overall components market across the GCC countries; however, in the KSA dominance of tyres was high when compared to the other GCC countries
- Aggressive driving, sudden braking, and harsh weather conditions in key cities like Riyadh increase tyre demand
- Most Parts, Batteries, & Tyres are imported in the GCC
  - The UAE serves as the key feeder market for the GCC
  - Some brands are manufacturing batteries in the GCC
- Better servicing facilities today have car owners keeping their vehicles longer. In particular, brake parts and batteries are experiencing double-digit growth

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Source: Frost & Sullivan analysis.



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## **Competitive Analysis: Parts, Batteries & Tyres Market**

# Competitive Environment

With minimal local manufacturing for auto spare parts, the country depends on imports to meet local demand

## Parts, Batteries, & Tyres Market: Competitive Structure, the GCC, 2012

<b>Number of Companies in the Market</b>	200+ with revenue greater than <u>USD 1M USD</u>
<b>Competitive Factors</b>	Local distribution network, regional presence through own outlets, globally proven parts quality and performance, technology, reliability, customer relationships
<b>Key End-User Groups</b>	Vehicle Owners and Taxi segment
<b>Major Market Participants</b>	Auto Parts - Robert Bosch; Schaeffler; 3M, Mobis, Mitsui Tyres - Hankook; Bridgestone; Yokohama; Good Year; Toyo Batteries - Exide; AC Delco; Antara; Gulfstar; Solite Lubricants - Total Lubricants; Mobil (ExxonMobil); Gulf Lubricants
<b>Market Share of Top 10 Competitors in Each Product Category</b>	60.0 per cent
<b>Other Notable Market Participants</b>	Woqod; Altlantic; JK Tyres; Apollo
<b>Distribution Structure</b>	Retail sales; OES sales through service centres

Note: All figures are rounded. The base year is 2012. Source: Frost & Sullivan analysis.

## Competitive Environment Discussion

With minimal local manufacturing for auto spare parts, the country depends on imports to meet local demand

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- The future composition of the car market in the GCC will, to a large extent, dictate the mix of the auto spare parts industry. Additional factors contributing to this market are climate and long travel distances. The heat and sand can be very hard on automobile components, making replacements more urgent than in other places.
- The influx of used cars here, factored in to increase the market's size as a high proportion, requires parts and reconditioning before being sold to the GCC retail market.
- The thrust in local production in the UAE has focused on battery assembly, tyre retreading, and automobile radiators. It is estimated that over 50.0 per cent of the production for batteries/radiators is exported.
- The KSA is focusing on setting up tyre manufacturing units and targeting the GCC due to tax advantage (no tax if goods are manufactured and supplied within the GCC).
- Presence of 60+ tyre companies in the GCC makes this market difficult to penetrate.
- Japanese parts are considered to be of good quality, German products are associated with highest quality and high prices, while parts from the U.K. are of medium-to-good quality, available, and very expensive. Parts from South East Asian manufacturers, such as Taiwan or Korea, are of a much inferior quality and are readily available at low prices.

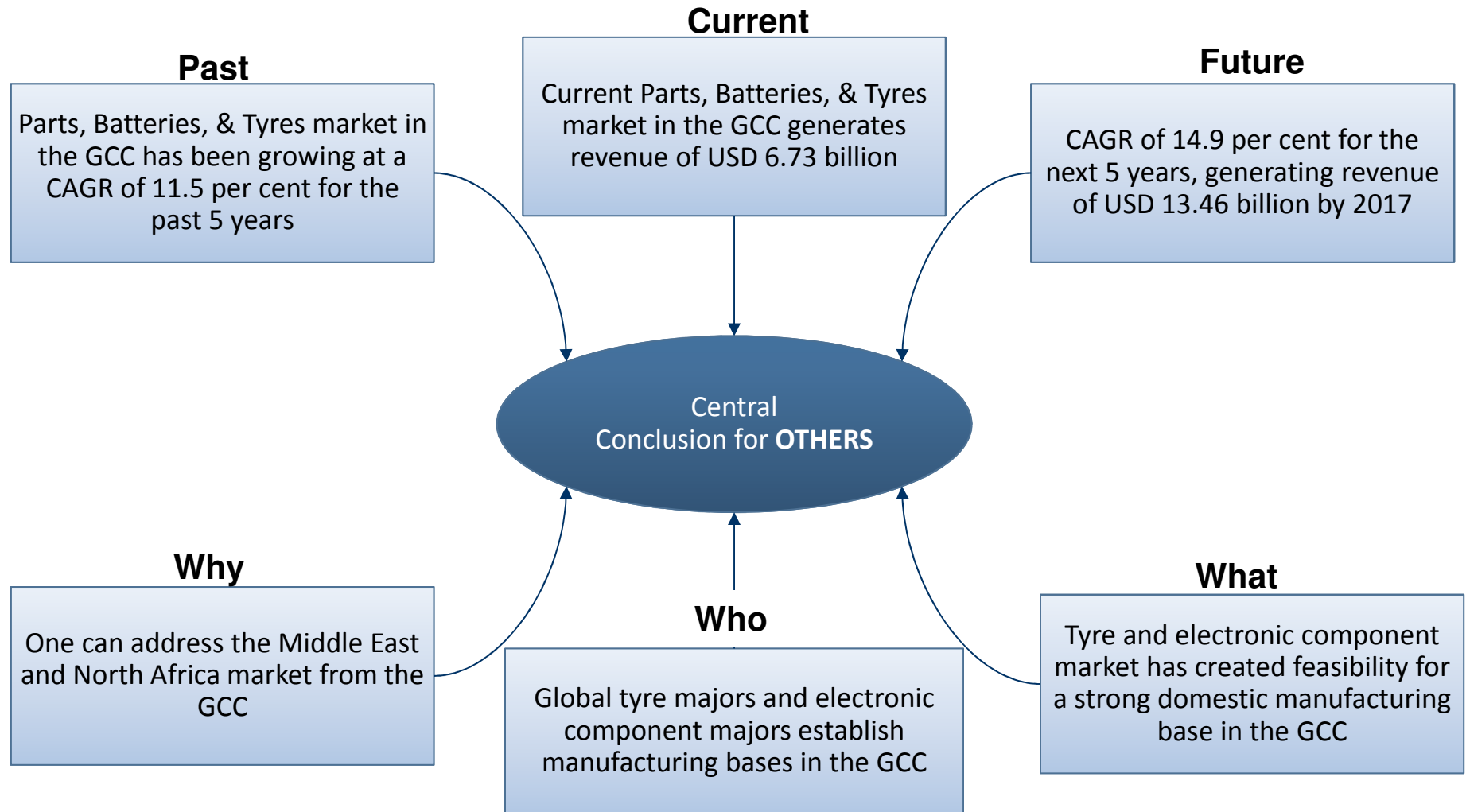
Source: Frost & Sullivan analysis.



## Conclusion and Outlook

# Key Conclusions and Future Outlook

## Parts, Batteries, & Tyres Market: Key Conclusions, the GCC, 2012-2017



Source: Frost & Sullivan analysis.

# The Last Word - Three Big Predictions

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**1**

The tyre market in the GCC is feasible for any global tyre major to establish a local manufacturing base

**2**

The plastic components market will drive more investments into the GCC for establishment of manufacturing bases

**3**

Majority of Parts, Batteries, and Tyres demand will continue to be addressed by Japanese majors

Source: Frost & Sullivan analysis.



# Appendix

# Table of Abbreviations Used

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▪ GCC	Gulf Cooperation Council
▪ UAE	United Arab Emirates
▪ KSA	Kingdom of Saudi Arabia
▪ PVs	Passenger Vehicles
▪ CVs	Commercial Vehicles
▪ CAGR	Compound Annual Growth Rate
▪ USD	United States Dollar
▪ M	Million
▪ B	Billion
▪ VIO	Vehicles in Operation
▪ OES	Original Equipment Spares
▪ APMG	Autos Parts Merchant Group
▪ R&D	Research & Development
▪ GDP	Gross Domestic Production
▪ PPP	Purchase Power Parity
▪ FOB	Free On Board
▪ CIF	Cost, Insurance, and Freight
▪ SUVs	Sports Utility Vehicles
▪ MPVs	Multi Purpose Vehicles

Source: Frost & Sullivan research.



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- A detailed description of the methodology can be found [here](#).



Source: Frost & Sullivan research.

# Automotive Practice—Program Areas and Domain Expertise

A team of 25 automotive analysts, consultants, and research experts managed three functional areas in the MENA region complemented by global teams functioning seamlessly to provide global automotive expertise.

## Middle East and North Africa (MENA Automotive Practice)



Source: Frost & Sullivan research.

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