

Press Release

Survey: Regulation 1400/02 not achieving its objectives so far?

Solihull/Frankfurt – September 13th, 2004 The International Car Distribution Programme (ICDP) and Urban Science International have conducted a small survey investigating life for manufacturers and dealers under the New Block Exemption regulation 1400/02.

How is the new regime settling down? What are the major areas of difficulty and opportunity? Will the aims of the regulators be met by the framework they have put in place?

The survey

In total, 34 dealers and 18 manufacturers and national sales companies across the EU took part in the survey. The results are not statistically significant, nor do they claim to represent the complete views of the players or markets concerned. However, through the wide range of views expressed they give a clear impression of the main issues and challenges facing the industry with regard to the new Block Exemption.

Dealer findings

Dealers feel that they are struggling under the weight of enhanced standards and other criteria that they are now expected to meet in both the sales and service and repair areas. These requirements appear to stretch the spirit of the regulations by increasing manufacturer control over franchised networks rather than reducing it as the regulators had hoped. The predicted outcome is that profits will suffer and further consolidation of small dealers into dealer groups will occur over the next few years, especially in the continental European markets. The removal of the location clause in October 2005 is expected to reinforce these trends.

Manufacturer findings

The manufacturers feel that they have not had to alter their overall strategy a great deal to adapt to the new rules, but that enhanced competition from different sources will oblige them to continue to focus on efficiency and effectiveness in many areas of activity. They too foresee pressure on margins and further dealer rationalisation, but alongside it an opportunity for more efficient dealers to expand the scale and scope of their operations at the expense of weaker ones.

Customers will benefit despite doubts the regulation will meet regulators expectations

Overall, neither party believed that the regulation would succeed fully in meeting the regulators' expectations; the feeling was however that customers would benefit from the changes it has introduced.

Early days.....

Nevertheless, it is early days for the new framework, from both the regulators' and the industry's perspective. Further adaptation of strategies and policies can be expected from all parties, but the concern remains that the path much of the industry has chosen in response to the new rules might not prove to be the best one for delivering long term value and welfare benefits to players and customers alike.

To obtain a copy of the survey, please contact ICDP or Urban Science.

ICDP

The International Car Distribution Programme (ICDP) is a collaborative research programme into all aspects of the car distribution system – new and used car supply and retailing as well as parts, service and repair. It is an independent project run by industry experts and academics, funded by participants from carmakers, dealers, car industry suppliers, representative bodies and governments. ICDP is a research body. It does not represent any of its members or their individual policy views.

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Urban Science International

Urban Science helps companies around the world to evaluate, structure and manage their retail sales channels to achieve competitive, cost and customer-relationship advantages. We apply sophisticated data analytics, experience-based strategic insight and advanced scenario planning tools to build end-to-end sales channel solutions that get results. Urban Science delivers results through three Practices:

Network Solutions

Quantify channel potential, improve market share and lower sales channel costs.

Site Solutions

Measure performance and drive market success on a dealer-by-dealer basis.

Customer Solutions

Build lifetime relationships, spur customer acquisition and boost marketing ROI.

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