

Changing the model?

Building effective distribution in a multi-channel world.
Strategic advice in automotive distribution in Australia & worldwide

“GM Holden is a foundation member of ICDPA. We value their research into all facets of the distribution channel & insights into automotive retail activities. Access to European research via ICDP is intuitive & compliments the Australian curriculum. As globalization of the automotive industry evolves, it is important for Holden to utilize ICDPA research for the development & execution of strategic network plans.”

Paul Fischer
Network Development
Manager GM Holden

WHO IS ICDPA?

ICDPA is a collaborative programme researching and providing strategic advice into all aspects of vehicle distribution, including the supply & retailing of new & used vehicles, after sales, network structures & operations. The research is funded by ICDPA members: automotive manufacturers, importers, dealers, industry suppliers & representative bodies.

ICDPA's mission is to investigate practical ways for participants in automotive distribution to achieve systematic improvements in value delivered to customers. Our work focuses on developments in the Australian market, with appropriate linkages & correlations made with associated developments in Europe, the US & Asia.

ICDPA's value to its Members lies in its:

- Expertise in the whole sector, reflecting the key skills & experience of the ICDPA team
- Independence from any interest group
- Breadth of the Membership, encompassing a cross-section of leading automotive industry players
- Unparalleled confidential access to all stakeholders & recognised research & analysis integrity
- Our international network of automotive thought leaders.

WHAT IS ICDPA?

ICDPA is part owned by ICDP Europe, which has provided highly credible & independent research for the European automotive industry since 1992. This link provides ICDPA with access to a unique & extremely talented resource base.

In Australia, ICDPA is staffed by four dedicated staff, plus consulting academics from Australia & overseas tertiary institutions. In addition, ICDPA has access to a wide variety of skills & expertise from the 20 plus researchers in Europe. The research team in France, Germany, Italy, Spain & the UK provide ICDPA with leading edge thinking in the automotive industry. The developments in these five mature European markets provide a useful data source for comparison with the Australian automotive market.

Since ICDPA's establishment in 1998, the research activity has been most insightful & well supported by ICDPA Member organisations.

ICDPA Members – 2006

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- Automotive Training Aust.
 - DaimlerChrysler
 - BDO Kendalls
 - Esanda
 - Ford
 - GE Fleet Services
 - Holden
 - Inchcape
 - John Deere
 - Mazda
 - MinterEllison
 - Mitsubishi
 - Motorama Group
 - Oracle
 - Peugeot
 - Pickering Group
 - Porsche
 - PrixCar
 - Saab
 - Summit Investment
 - Swann Insurance
 - Toll AutoLogistics
 - Toyota
 - Unipart
 - Yamaha

Examples of ICDPA's contributions include:

- Exploring the key ingredients of improving efficiency & cost distribution. For example,
 - Devising new methods of measuring channel process efficiency & effectiveness
 - Introducing Lean concepts & operational methodologies to the Australian automotive industry
 - Observing & adapting lessons from other retail & service sectors for automotive distribution.
- Benchmarking new vehicle supply & identifying leading edge practices
- Evaluating the challenges facing franchise parts distribution channels
- Analysing & benchmarking manufacturer & importer consumer websites
- Providing guidance for end of life vehicle & closed loop supply chain issues
- Researching a wide range of marketing strategy issues facing the industry including:
 - New, used & certified vehicle channels & profit models
 - The fleet market.

HOW DOES ICDPA PRESENT ITS RESEARCH?

ICDPA presents its research findings via hardcopy reports & presentations through which the researchers present their key findings. The presentations usually number 7 per year. Alongside being presented with leading edge thinking on the research topics, the presentations provide an ideal networking opportunity for ICDPA Member organizations.

Full Members are entitled to one-day 'in-house sessions' covering any research topic. These sessions could be for senior management briefings, dealer meetings etc.

ICDPA 2007 – 2009 RESEARCH PROGRAMME:

THE FRANCHISED DISTRIBUTION MODEL IS UNDER STRAIN

Global vehicle production & supply is a mature industry, with producers competing for a static demand for vehicles & parts, through a proliferation of distribution channels. The core of the traditional distribution system, the franchise dealer model, is under increasing threat, particularly if overseas markets provide any guide. ICDPA, through feedback received from Members, has identified that there is a clear need for a quantum

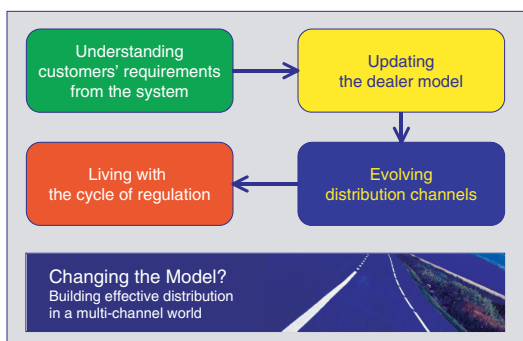
improvement in operational effectiveness in retail distribution (matching reforms seen in production methods over the last decade), particularly at the dealer level, both to reinforce profitability & to improve customer fulfillment & value.

In this context, there is a need for answers & for specific solutions to problems, such as:

- Distributors & repairers are facing increasing levels of cost & complexity, & declining margins & reduced freedom for local initiative
- Manufacturers & national sales companies are struggling to retain control over the channel to market, & also to manage the trade-offs between short-term volume priorities & longer-term value creation
- Suppliers of all types are facing relentless cost pressures from customers & competitors alike.

Progress will be possible only by breaking through what are currently regarded as inevitable trade-offs & by establishing new ways of thinking & operating.

ICDPA themes for 2007-2009



CORE RESEARCH PROGRAMME THEMES

Based on Member input, the research programme through 2007-2009 will focus on four major themes:

- Understanding customer's requirements from the distribution system. This will entail:
 - Continuing to explore the ingredients of customer satisfaction & fulfilment by research & measures & their attainment, in theory & across other retail & service sectors
 - Analysing the relevance to customers of franchise network packages & policies, including
- Standards for sales & after sales facilities, customer facing processes & service levels
- Taking account of varying requirements by customer segment. For example, luxury, volume
 - Looking at market trends & requirements in particular, the evolution of the aftermarket, both franchise & independent operators
 - Assessing the impact of new systems, communications & vehicle technologies on customer requirements, & on the capability of the distribution system to fulfill these innovations
- Updating the dealer model in response to growing strains. This will entail:
 - Analysing dealer network effectiveness & profitability for vehicles, parts, service & finance & insurance
 - Assessing the future prospects for the various drivers of profit alongside the ongoing requirements for investment, training & the development of capabilities
 - Reviewing distributor & repairer formats & structures, including the development of dealer groups, & examining the impact of multi-branding & additional outlets

"PrixCar continues to view its participation in ICPDA as an integral part of its corporate awareness programme. We see benefit not only in the aspects of industry that directly impacts upon our operation, but equally in the insight of those impacting all other elements within the total supply chain."

Keith Ross
General Manager
PrixCar

Changing the model?

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| | 2007 | 2008 | 2009 |
|---|---|------------------------------------|-------------------------------|
| Understanding customers' requirements from the system | Evaluating standards and measures | Aftermarket evolution and channels | Technology and the customer |
| Updating the dealer model | Dealer network effectiveness and profitability; distributor and repairer formats and structures | | Leading-edge supply chains |
| Evolving distribution channels | Capabilities and training | Models of cooperation | Future channel scenarios |
| | Lessons from other sectors and geographies | | |
| Living with the cycle of regulation | Monitoring and analysis of relevant regulation | | Social & Environmental Issues |
| | European Block Exemption - monitoring | | |

- Furthering benchmarks of the new vehicle supply system, including identification & exploration of leading edge practices.
- Evolving distribution channels. Exploring the issues involved for all players managing the complex web of relationships including:
 - Analysing the role & importance of national sales companies, as well as other service providers in the sector
 - Exploring possible models of cooperation involving dealer groups & other intermediaries
 - Continuing assimilation of lessons from other retail sectors & geographies
 - Charting the development of processes & capabilities throughout the distribution system.

All the above will feed into a consideration of longer term system evolution, the outlook for new business models & players, & the development of channel scenarios for sales & aftersales beyond 2010.

- Living with regulation. This will involve:
 - Monitoring & analysing regulations applicable to the automotive sector
 - Analysing & commenting on social & environmental obligations
 - Keeping a watching brief on developments with the European Block Exemption & assessing its possible impact on the Australian market.

THE RESEARCH

ICDPA will adapt details of the research programme to meet changing needs & interests of Members as these needs evolve.

ICDPA's research activities & methodologies provide a cost-effective means of addressing complex issues for Members.

- The research methodology will include carrying out structured interviews with relevant players & complemented by quantitative surveys, where appropriate
- Monitoring key sectoral developments & experiments & presenting relevant case studies on innovative approaches in both format & process
- Analysing the cost of distribution in order to quantify & integrate many factors which impact dealer performance to assess trends & sensitivities & also to consider the impact of alternative channels & distribution functions
- Elaborating & debating future distribution channel & system scenarios
- ICDPA hosts regular subject matter experts from ICDP Europe.

COMMUNICATING RESULTS, KEEPING YOU INFORMED & IN TOUCH

ICDPA will communicate results of its research programme in a variety of ways encompassing:

- Presentations to Members during the course of the year to debate the findings & implications of the research activities
- Workshops to present specific research material & to discuss potential ways to move forward
- Research reports, presentations & briefings are distributed to each Member by a hard copy. Additionally, Full Members will be provided with copies of PowerPoint presentations to use in-house
- In-house seminars will be available for all Full Members giving either an overview of the programme to a wider audience, or looking in detail at individual topics.

ICDPA will continue to experiment with different means of communication & participation to respond to Members' needs.

"Swann Insurance utilizes its membership in ICDPA by being updated on all aspects of the motor industry from manufacturer through to the retail sale. In addition the support given to conference agendas in Europe by ICDP personnel has proven invaluable to our Dealer Network."

Andrew Hickman
Sales & Distribution
Manager Dealer
Swann Insurance

Changing the model?

"ICDPA have provided us with up to date, relevant information covering all aspects of the automotive supply chain. This has allowed our company to make informed decisions and keep abreast of challenges, trends and best practice within our industry through the in-depth research and networks they have formed internationally."

Manjula Kumar

Business Development
Inchcape Motors Australia

ICDPA also offers individual Members specific tailored inputs as required. Team members are available as in the past to provide practical guidance & recommendations on individual company issues & strategy. These activities will be charged separately.

MEMBERSHIP – THE ‘HOW’ & THE BENEFITS

ICDPA Membership is open to any organisation engaged in automotive distribution. Members contribute to programme in two ways:

- By way of time, contributing to the research & participating in debate of the results & their implications
- Via membership, provide research funding to enable ICDPA to undertake the agreed research. The fee scale allows companies of different size & backgrounds to participate on a cost-effective basis.

Membership for the programme is envisaged for a three-year period.

Full Members

Includes participation in all ICDPA meetings; all research reports; participation in the definition of the research direction; electronic copies of research presentations; 1/2day individually tailored in-house seminar; & participation in special breakfast meetings.

Support Members

Includes participation in all ICDPA meetings; all research reports.

In return ICDPA delivers valuable information & insights to Members:

- Benefiting from pooled research funding on topics which have been selected by Members effectively multiplying the value of the annual fee several times over
- Generating a level of understanding & perspective gained from ICDPA's holistic approach to vehicle distribution, grounded in an established presence in the key markets of Australia & Europe
- Developing strategies & tactics derived from ICDPA's analysis of the sector & its independent position in the marketplace
- Networking opportunities & discussion with experts & with peers across the breadth of ICDPA Membership
- Arranging business briefings by our international associates for Members traveling overseas.

CONTACTS

Graeme Addison, Executive Chairman

Mob 041 236 48 33 or graemea@ozemail.com.au

Darryl Cleeve, Executive Director

Mob 041 225 41 06 or dcleeve@bigpond.net.au

Roberto Colanzi, Associate Director

Mob 041 228 88 00 or roberto.icdpa@bigpond.com

www.icdp.net

ABN 37 080 987 873