Automotive Systems & Communications Service

Briefing - Current Events in Context

No. 21 - 2006 - 19. September

Germany in Europe - Automechanika 2006

1. **Main themes**
2. **System Providers who were there - Multi-nationals - DMS and Specialists**
3. **System Providers who were there - German Nationals - DMS and Specialists**
4. **Conclusions**

This year's Automechanika provided an excellent overview of the changes taking place in the European market - especially in Germany.

At the Dealer System Provider (DSP) level, many of the changes are the result of actions in the past year by Americans. Notably...

- The proposed "merger" of UCS and Reynolds & Reynolds in the USA has been responsible for "freezing" decisions not only for R&R in Europe (and the USA), but also for some of its Partners.

This, plus the earlier acquisition by ADP of Kerridge and the withdrawal of UCS from Germany, is expected to have an impact on the future approaches of European Dealers and OEMs to their systems planning, and on the opportunities for other DSPs.

1. Main themes

1.1. Very little money and no desire for major change!

Many Dealers in Germany - which has been a difficult market in recent years - have no good reason to change their DMS.

- This has acted as a brake on sales, and a stimulus for "affordable" evolution of existing systems.

The most significant evolution is the launch by **gedas (T-Systems)** of ***VaudisPRO*** - a relatively low-cost upgrade of the 25-year-old *Vaudis* which is used by close to 2,500 VW-Audi Dealers in Germany. Also...

- **AMS** is doing something similar for the equally venerable Ford ***DARTS***.
- **DCS Automotive** - now owned by **R&R** - is doing the same for ***Formula 1***, the main DMS used by BMW Dealers in Germany. **(But see later comment on R&R.)**
- Pressure is reported in other Networks for continuation of **several old Nixdorf-based DMS** - e.g. *GODICS* (GM-Opel), *CICOS* (Citroen) and *PETACS* (Peugeot), plus ***Autonom*** (GM-Opel).

Over 5,000 "legacy" DMS are still in operation in Germany, with a large majority of the users not wanting an expensive major change.

This situation also provides opportunities for **Specialist DSPs** to add sub-systems around the DMS which offer a quick benefit for a reasonable cost.

- ***Note***: Our ***Analysis of Specialist DSPs in Europe*** covered many of them. Also see 3.1. later

1.2. Continuing expansion of "multi-Brand"... going from "vertical" to "horizontal" influence

The trend for Dealers to add another Brand, and for Groups to acquire other Groups, is continuing.

In parallel, **DSPs are adding interfaces** to allow their customers to support new Brands on their existing DMS. **The smaller DSPs often appear to be quicker to do this than the "multi-nationals".**

 Tel. 44 (0)1628 525 960 Fax: 44 (0)1628 530 210 E-mail asto40@dsl.pipex.com Web: www.woods-seaton-com

- Locally-based DSPs including **ASC**, **abis-REICOM**, **Betzemeier**, **EDS-MMS**, **Freicon**, **Procar** and **ZLS** are active in this way.

The effect of these Dealer actions, combined with the BER - which requires OEMs to provide their interface specifications to the DSPs which their Dealers wish to use - is to...

- **weaken the historical "vertical control" which OEMs have had over DMS decisions, and...**
- **strengthen the "horizontal influence" of multi-Brand Dealers.**

It is becoming impossible to operate as a DMS provider covering a "single-Brand".

This raises some interesting questions for...

1.3. OEMs who are DMS providers

Historically, several OEMs / Importers in Germany have provided DMS for their own Networks.

- The most prominent was **VW** with ***Vaudis*** . (But it sold that almost 5 years ago to **gedas.**)

The number of OEMs selling DMS has reduced, and **Toyota Deutschland** is now the most prominent.

But even its powerful Brand has not been able to stop some of its Dealers using other types of DMS, including those of ASC and ZLS.

1.4. The VW situation

For several years, the 2,500 *Vaudis* users in Germany have been the largest target for new systems... when they have the money to pay for them... and of interest to almost all of the DSPs.

This year, the activity has increased dramatically. For example...

- **Up to 10 German DSPs** are actively trying to sell their DMS to the VW-Audi Dealers. Several have already gained "foot-holds" or are even more established.
- **gedas (T-Systems)** has developed an "evolution" called ***VaudisPRO*** to hold the *Vaudis* users until it is ready to deliver the SAP *DBM* and R&R *Incadea* based DMS which VW and the German Dealer Association have recommended under the ***gevario*** project name.

  Comment: But some *Incadea* Partners are "frozen" by the UCS-R&R situation in the USA.
- It is reported that the **wholly-owned Dealers of VW**, starting with **VW Raffey Hamburg**, are inviting offers to supply a SAP-based DMS for their operations.

  Comment: It appears that several SAP Partners, including gedas (T-Systems) have been invited, so that although only one type of system is specified, any of several different DSPs could win the implementation and support business.

  This is a fascinating situation. Raffey is a deal which gedas needs to win, and which the other SAP Partners will need to be sure is not subject to any "special bias" towards gedas in the decision. If not, why would they invest in making offers?

For the VW Dealers it is "*wonderful to have so much choice*" but this also presents them with "*the problem of needing to decide what to do*".

1.5. The UCS-R&R situation

When the plan to "merge" UCS and R&R was announced, it was known that it would have the potential to change many situations in Europe. But that it could have such an immediate and dramatic impact - even before it is finalised - became sharply clear at the Automechanika.

- **R&R was able to answer no questions about its future plans** for merging DCS Automotive with its *Incadea* and consultancy operations, or about any product developments.

  It is having to wait until the Shareholders have approved the deal. ***Note***: **R&R reports that there will be no antitrust action by the authorities in the USA.**

  - The most important question in Europe is probably whether the ***Formula 1 Evolution*** project, promised to the BMW Dealers by DCS Automotive, will continue.

  The only comment by R&R was... "***We will look after our customers***".

Comment: The R&R people in Europe are probably as unhappy as their customers about the “freeze” on planning and announcements.

They are a remote “outpost” in a high-level financial re-structuring action in the USA over which they can have little or no control.

There are important implications in this and other recent American actions…

1.6. European views on American strategic actions

At the Automechanika there were many comments - from different sources - about the way in which actions by ADP, R&R and UCS in the past year have been taken with their own financial and growth interests as the main priority.

- The feeling of having no control over what happens in Europe is strong, especially about the latest UCS-R&R deal, in which the international component is at present approximately 5% of the whole.

Comment: But, if “Europe” does not like the situation, firstly it should not have driven itself into a vulnerable position which has allowed the Americans to acquire its main DSPs, and secondly it should consider what it can do to have more local influence in future.

There are no easy answers. But the UCS-R&R deal may present an “opening” which will allow two major newcomers - **Microsoft and SAP** - and the **local DSPs who have not (yet?) been acquired**, to gain stronger positions in the market.

Dependent on what is decided when UCS and R&R are one organisation, the opportunities for these others in Europe could improve.

1.7. Microsoft, SAP and their Partners

SAP, via its Partner **IMG**, now has its first ***DBM*** “live”, and is working towards another at the end of this year.

- Some of its Partners, notably **Global-E-Net** which co-operates with the **VW Dealers’ VAPS**, and **DCS Automotive** (now **R&R**) are ahead with their versions of SAP-based DMS.

SAP is expected to develop relationships with a range of Partners internationally, with a step-by-step strategy to become a full global provider of DMS.

- SAP will probably have several Partners in Germany offering *DBM* in the same market area - e.g. the VW Network.

  In principle, it probably would like to organise them so that they operate in “parallel” market areas, and do not compete “head on”.

  But that will not be easy to do, both because there could be some legal issues if it tries to restrict the competition, and the multi-Brand market will make it more difficult to define a “market area” which does not overlap others.

  In one sense, SAP will be in the same situation as an OEM with its Dealer Network, in which it is increasingly difficult to restrict them to specific market areas.

  Given time, the market will decide which Partners operate in which area(s).

Microsoft with its Partner **Infonizer** is also working to establish a global Partner Network. So far the Infonizer DMS is operational in three European Groups. More news of progress is awaited.

Comment: Both SAP and Microsoft are well aware of the need for tight control of product development if real multi-Brand capability is to be offered.

They are in the very early stages of a long, difficult process… but they are being watched very carefully by the established large DSPs.

1.8. Small Dealers co-operating

One of the most interesting announcements at the Automechanika was by **EDS-MMS**. It has agreed with **ANAG**, a Dealer co-operative in north Germany, to supply an *ASP*-based version of its *Carlo* DMS (*Incadea*) for use by ANAG’s members.

- ANAG has about 280 Dealer Members, mostly in the VW Network, but others in Opel and Renault Networks, who use it to buy a wide range of products and services.

Comment: Dealer co-operatives are emerging in various formats and several European countries, and offer the smaller Dealers an opportunity to buy on terms which are closer to those which large Groups can obtain.

- In the context of the BER and the growth of Groups, it is an important development.

This is the first situation of which we are aware, in which the co-operative has arranged to supply a DMS to its members. The VAPS subsidiary of the VW Dealer Association has also organised systems for its members, including the *B.ON.D* DMS provided by Global-e-Net.

2. System Providers who were there - Multi-nationals

Categorisation of DSPs is not “black and white”.

- “Multi-national” can cover a DSP operating in Austria, Germany and Swtzerland or one operating in Europe, North America and other regions of the world.

The two largest multi-national DSPs were present...

- **ADP** showed its three DMS currently sold in Germany... ***Autodata***, ***Autosys*** and ***Dracar+***.

  But it also has a large population of ***Autonom*** in operation - although it is suggested that GM’s move to an *Internet* portal in 2008 may present some support difficulties for this 25 year od system.

  - An ***ASP*** version of ***Dracar+*** is now offered.
  - ***Dracar+*** has been guaranteed to remain in operation until 2016, and ***Autosys*** until 2010.

  Comment: Acquisitions can have strange effects. The CEO of Autosys, which was acquired by Kerridge before it was acquired by ADP, is now the head of ADP’s combined German business.

  - Previously he was a predator of ADP’s customer base. Now he has to protect and enlarge it.

  Kerridge *Autoline* is also sold and supported in Germany, but by **T-Systems** which was selected by **DaimlerChrysler** to deliver it in its Network - not in any other.

  - After its acquisition of Kerridge, ADP would probably prefer to sell and support *Autoline*. But the DC / T-Systems relationship is well established.

  Overall, 5 types of DMS “owned” by ADP are operating in Germany, with different sets of customers loyal to each of them.

- **Reynolds & Reynolds** showed its ***Incadea*** DMS, plus ***Formula 1*** and ***EuroPlus*** which it acquired with DCS Automotive.

  - It also has customers in Germany for the **DCS Automotive version of the SAP DMS**.

  Comment: R&R was not one of the Partners on SAP’s stand, because they agreed that, while the UCS-R&R situation is not resolved, it would be more appropriate to have separate stands.

  As R&R can answer no questions at present about its future, that makes sense.

Another large-scale multi-national is...

- **T-Systems / gedas** - which was on two different stands...

  T-Systems had its own stand, concentrating on its two Partnerships, one with **ADP-Kerridge for *Autoline* in the DC Network**, and the other with **R&R *Incadea* for the BMW Network**.

  gedas - perhaps for the last time - was on the VW stand, showing its ***VaudisPRO*** and an early version of its planned **SAP *DBM***.

  - The gedas name will go at the end of this year.

  A single Dealer Systems organisation within T-Systems has been defined, with separate sales and marketing departments for BMW, DC and the VW Family of Brands.

  Implementation and support services are being combined.

Microsoft and SAP as multi-national DSPs...

Both of these organisations make ADP and R&R look like dwarves in absolute terms. But at present they have only small, emerging positions in the DMS business.

❑ **Microsoft** did not have a stand, but its Partner - **Infonizer** - was present, and supplies the DMS which MS will offer via its Partners in international markets.

☆ **A review of Infonizer systems in operation, and MS progress, is planned for later in 2006.**

❑ **SAP** had a large stand, which it shared with seven Partners...

- **gedas / T-Systems** - showing its planned version of *DBM* for VW, and also presenting its wider capabilities in the automotive market with SAP.
- **Global-e-Net** - which reports that it has supplied SAP Finance / Accounting modules to 400 VW-Audi Dealers in Germany, with 50 of them also using its *B.ON.D* DMS.

  It plans to convert to *DBM* when it is practical to do so.

  This is the largest penetration of SAP-based DMS in Germany.
- **IBM** - which is implementing the very-large-scale DMS for BMW's German subsidiary Dealers, using its variant of the DCS Automotive *Quantum* software.
- **IMG** - which is furthest advanced with *DBM*, having a pilot operating in Switzerland, and working on an implementation in Germany. It has adopted the name ***CARBON*** for its DMS operation.
- **itelligence** - a SAP Partner operating at the OEM level, which is also ready to deliver *DBM*.
- **Mieschke Hofmann und Partner - A Porsche Services Company** - which is involved in several DMS implementations and projects.
- **Wegos** - the Partner of **MAN Trucks** for delivering a version of its SAP-based DMS to its independently-owned Dealers..

SAP is also making a direct implementation of *DBM* for a Dealer Group in Germany.

☆ **A review of SAP and its Partners, and *DBM* in operation, is planned for later this year.**

Seven smaller multi-nationals were present...

❑ **ASC**, which operates in the German-speaking countries, showed its ***C/A/R/E*** DMS which is used by large multi-Brand Groups and individual Dealers in several OEM Networks.

Comment: ASC is one of those who could benefit if any openings emerge when the UCS-R&R deal is finalised.

❑ **Aucon** - which is based in the Netherlands, but has a growing operation in Germany, showed its ***CARIT DMS*** and ***CRM*** system.

Its starting point in Germany was with the Kroymans Group, but it is gaining other Dealers.

Comment: Aucon is one of those who could benefit if any openings emerge when the UCS-R&R deal is finalised. It does not offer *Incadea*-based systems in Germany, as it does in the Netherlands.

❑ **AutoMaster** - although not operating in Germany - was present to show its large-scale IMS-DMS, and to discuss its operations in other countries, including Central Europe, France and the UK.

Comment: AutoMaster is one of those who could benefit if any openings emerge when the UCS-R&R deal is finalised.

❑ **EDS-MMS** - which is primarily based in Germany, but has Partners in several other countries - especially for delivering ***Carlo*** to GM Networks. At the Automechanika it announced its certification by **Chevrolet**, strengthening its position in the GM Family.

It also announced two significant deals...

- The ***ASP CARLO*** system for the 280 Dealers of **ANAG**. (See earlier.)
- An ***Internet*** service to connect **VW and Audi Dealers in Germany to the OEM**, via a strategic Partnership with **Arcor**, a network provider.

The new network is certified by VW AG, and competes with others in the market. One major VW Group has already signed for it.

Comment: EDS-MMS is making a major "push" into the VW-Audi market with *Carlo* and its Arcor network.

Unlike some other Partners of R&R *Incadea*, it is **not waiting for any "clarifications"** which may come when the UCS-R&R deal is finalised. **It knows where it is going. *Very interesting!***

Note: During the summer, there were strong rumours from various sources in the market that R&R was close to acquiring EDS-MMS.

But the UCS activity probably stopped any plans which may have existed, and subsequent progress by EDS-MMS - e.g. with ANAG and Arcor - suggests that R&R has lost any opportunity.

- **Freicon Automotive Europe** - which is primarily based in Germany, but has a subsidiary in Austria, and Partners in France and Italy, was showing its ***FILAKS+*** DMS.

  It recently gained **FIAT approval in France**, and has been widening its Brand coverage in Germany.

  Comment: Freicon is one of those who could benefit if any openings emerge when the UCS-R&R deal is finalised.

- **Sage-Cogestib** had a stand, but is understood to have no operations in Germany at present. **It is hoped to report more on its plans later in the year**.

- **Werbas** - owned by **Sumitomo**: Although primarily based in Germany, Werbas sells its systems in several countries via Partners, and announced a **new Partner in Italy**.

  It expects to reach a total of 10,000 users of its original *Werbas* and **new *CAR-S*** DMS by the end of 2006. Although mostly selling to Independent Dealers and Repairers, Werbas has been gaining in the Authorised sector, including in the GM Family of Brands.

2.1. A multi-national Specialist DSP

- **LexCom** - based in Germany, provides EPCs and Technical Information systems for several Brands internationally.

  Most prominent on its stand was ***PartsLink24***, its multi-Brand on-line Parts locating and ordering channel. (See ***The On-line Parts Market - 2006***). This is progressing in numbers of users, and in the Brands covered - the most recent additions being the **Fiat Family**.

  Comment: The vision of a full multi-Brand Parts system with **a common user interface** is coming a little nearer to reality. This would make sense in the marketplace.

3. DMS Providers who were there - German nationals

Five DMS Providers were present…

- **abis-REICOM** - showed its ***KFZ*** DMS which is widely used by small Authorised and Independent Dealers and Repairers. It already has several OEM interfaces, including **BMW**, **SEAT** and **Skoda**, and is working on **VW-Audi**.

  Comment: abis-REICOM is another of the small, low cost national DSPs who are attractive to small Dealers, especially at a time when they are not making much profit.

  It has been in business since 1987, and has a "track record" of stability and steady progress which is relevant in the market.

- **AMS** - is the combination of the two organisations which existed to support the **Ford *DARTS*** DMS when UCS sold its German business.

  Sensibly, instead of competing with each other, they have merged and support about 250 Dealers.

  An "evolution" of *DARTS*, with a new Accounting module and *Windows* user interface, is being developed to allow the system to continue for a long time.

  In addition, AMS co-operates - including sharing a stand - with two specialist DSPs…

- **Carano** for a Showroom Management system
- **'Ntire** for Financial Management and Reporting.

Comment: This strategy is not what UCS would have wanted, but the customers are said to like it.

- **Betzemeier** - was showing its ***WerWiSo*** DMS which now has a full set of certified interfaces for **VW-Audi**, with some customers who are already using them. It is also continuing to gain customers in the Renault Network.

  Progressively it is extending the range of OEMs it can support, and offers competitive prices.

  A significant announcement this year is an **exclusive Partnership with Datev**, in which Datev will introduce Beztemeier's *WerWiSo* to its customers

  Note: Datev is a co-operative for Accountants, Tax Consultants and Lawyers in Germany. They provide services for several thousand Dealers who, as a result, do not need their own Accountants.

  It has 5,000 employees and 39,000 members and annual revenues of Euro 500million.

  In principle it should be able to introduce a lot of business to Betzemeier. The agreement does not affect the arrangements via which Datev extracts data from many types of DMS for its accounting work. (See **http://www.datev.de**)

- **Procar -** was showing its ***ec@ros*** DMS which is mainly delivered via *ASP*. It is dominant in the **Skoda** Network, and also supplies DMS for the subsidiary Dealers of **SEAT**. It has also entered the **VW-Audi** Network.

  Like other DSPs, it is finding that its customers are adding other Brands, and it provides interfaces for several, including Fiat, Hyundai and Kia.

- **ZLS Software** - was showing its ***UNICAR*** DMS. Most of its customers are in the Peugeot, SEAT and Toyota-Lexus Networks, but some interfaces are provided for several others.

  It is also providing interfaces for **VW-Audi**, particularly for use in the Authorised Repairer part of the market.

  Comment: ZLS is another of the lower cost national DSPs which has a significant number of small, medium and large Dealer customers.

***Comment* on the National DMS Providers**:

These five national DSPs have more than 2,500 customers in total. Typically they are very competitive in their pricing, and aim to have friendly, long-term relationships with their customers, in a "small business to small business" way.

- Corporations - including OEMs - do not always understand or value these relationships.

Note: Unfortunately there was not enough time for an update on a sixth DMS Provider...

- **Weiss Blau** - which provides small DMS to smaller Dealers. It has tended not to appear on the lists of "approvals" of the OEMs, and has sold its systems independently.

Several other small DMS Providers were not present at the Automechanika, e.g. **Hafu Software**.

3.1. German nationals - Specialist DSPs

Three Specialists were present...

- **Carano** - provides showroom, "CRM" and Fleet Management systems.

  It shared a stand with AMS, but is **not** exclusively linked with it.

- **'Ntire** - provides business planning, analysis and reporting systems.

  It shared a stand with AMS, but is **not** exclusively linked with it.

- **SEG** - provides its ***easy-car-solution***.

  This is a set of applications which have been developed separately and then integrated to surround the DMS to enhance its usefulness, including...

- Financial Management, Book-keeping and Controlling
- Cash flow forecasting and planning
- Print Server and Archive
- Workflow management.

It is available for use with any DMS, but needs interfaces for its operation,

So far SEG has concentrated on the VW and BMW Networks, and particularly on larger Dealers and Groups.

Comment: SEG's *easy-car-solution* can help to extend the lives of older types of DMS, and is also relevant for more modern systems.

3.2. Two on-line Specialists

Several on-line services were on show at the Automechanika, including **AutoScout24** and **Mobile.de** which provide vehicle marketing facilities for Dealers and consumers.

But two other Specialists are notable…

- **eBay** - has launched an on-line Service Appointments facility, for consumers to find and contact Dealers and Repairers.

  Comment: This enters an area which OEMs and Dealers would probably consider more appropriate for their Web sites to cover.

  But eBay is going into any area in which it can earn revenues. It may be a little ahead of the market in terms of consumer readiness to book appointments on-line.

  Certainly it should stimulate Dealers to use "CRM" techniques to persuade their customers to make appointments directly with them, and not to "go shopping" on the *Internet*.

- **Summit Auto** - is now fully operational with its ***Auto Finder*** Business-to-Business on-line used vehicle remarketing system.

  It appears to be unique in Germany so far, with Fleets and others putting vehicles for sale into *Auto Finder*, and Dealers buying on-line with an array of supporting services to help them including…

  - Logistics to deliver the vehicle, with the cost included in the buying price.
  - Vehicle condition guarantee.
  - Finance cover for the purchase.
  - Insurance for sale to customers.

  Comment: *Auto Finder* could be said to be a modern, more extensive version of the *AutoSell* on-line channel which Kerridge launched about 15 years ago.

  The *Internet* and Sumitomo's far greater resources have delivered "the next generation".

4. Conclusions

The consolidation of DSPs in the German market (and Europe more generally), has not yet reduced the level of competition to that which exists in the USA.

- EU regulations require OEMs - willingly or unwillingly - to provide interface specifications to all DSPs which their Dealers want to use.

  This is allowing the smaller DSPs to widen the range of OEMs they cover in a way which is not yet possible in the USA, where OEMs can refuse to co-operate, with impunity.

  All DSPs have a chance to compete, as can be seen in the German VW-Audi Network.

It is too early to assess the full impact of the acquisitions, mergers and withdrawals of American DSPs on European actions in future.

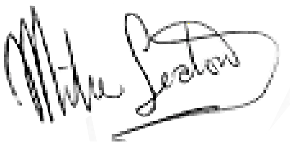
- Not all Americans fully understand European cultures, and the sudden realisation in Europe that two significant “local” DSPs - Incadea and DCS Automotive - are now a very minor component in an action which is being driven by financiers in the USA, has had an impact.

There are concerns that the new UCS-R&R organisation could consider further heavy investment in international markets an unacceptable load on its financial performance.

- But until there are unequivocal announcements from UCS-R&R, everyone is “guessing”.

* * * * *

As always, comments, queries and suggestions from Subscribers will be welcome.



Mike Seaton

Note

For more details of DSPs and market situations, this *Briefing* can be read alongside this year’s 4 European Analyses…

- ***The on-line Parts Market in Europe***
- ***European Developments & Trends 2006 - Volume 1 - The Market, OEMs and DSPs***
- ***European Developments & Trends 2006 - Volume 2 - Dealers & Groups***
- ***European Developments & Trends 2006 - Volume 3 - The growing array of Specialist DSPs***.