



Automotive Systems & Communications Service Briefing - Current Events in Context

No. 3 - 2007 - 8. February

Topic...	The Region affected
1. DCS Automotive will be retained by R&R-UCS	- Europe
2. NADA Briefings	- Mainly North America

1. DCS Automotive to be retained by R&R

The following, unedited, notification has been received...

Reynolds and Reynolds announced today that it intends to retain European-based DCS, which Reynolds acquired in July 2006, and position the Dealership Management System (DMS) provider for future growth.

DCS Group, which is a leading DMS provider to more than 4,500 automotive retailers in Europe, has built a track record of business success and market leadership throughout Europe. The company serves customers principally in France, Germany, Switzerland, Spain, Portugal, and the United Kingdom; it has established a leading market presence in France, Germany, and Switzerland. DCS Group's products and services also are endorsed by leading automobile manufacturers in Europe, including BMW, PSA Peugeot Citroën, Renault, Nissan, Volkswagen, and Audi.

Reynolds Executive Vice President Dan Agan said, "DCS has built a remarkable track record of success and leadership in the European market for more than 30 years. The business enjoys very strong customer relationships and they offer the types of products, services, and expertise that make a difference for dealerships. Reynolds and Reynolds already benefits from a significant presence in the U.K. and the Benelux Region, and it's great to add strength to that presence with DCS."

Hein Nederveen, the country manager for Reynolds for the Benelux countries, has been appointed Managing Director Europe.

Comment - Organisation

Although R&R did not formally announce that it was trying to sell DCS Automotive, there were numerous (very strong) reports in the market that a possible sale was being discussed - in parallel with the sale of Incadea - leading to the inevitable uncertainties about its future.

Now it is confirmed that R&R intends to make DCS Automotive a significant player in Continental Europe.

- Subsidiaries in France, Germany, Spain and Switzerland are expected to be combined with the existing R&R-UCS business in the Benelux Countries.

Note: Benelux was the only part of the Kalamazoo business on the Continent to be retained by UCS.

- Although not specifically stated, it seems logical that the relatively small operations of DCS Automotive in the UK will be combined with Kalamazoo-UCS, which is based in Birmingham.

Whether this means that the UCS *Power* DMS, which was withdrawn when UCS sold its French, Spanish and German operations, will return to those Countries is not known.

Comment - Product Range

We calculate that this move makes R&R-UCS the owner of one of the largest ranges of DMS types, currently with at least 15...

- UCS is still supporting 2 types of "legacy" DMS in the Benelux.



- UCS-Kalamazoo in the UK supports two "legacy" types, as well as the modern *Power*.
- R&R-UCS has another 8 types via DCS Automotive - if its involvement with SAP's DMS is included. It is currently still the owner of Incadea.
- In the USA and Canada, it has *ERA*, and *Power* is sold in the USA.

Note: We calculate that ADP also has at least 15 types of DMS, with 4 in North America and 11 in its international markets.

But, of course, the objective of both is to reduce the number of types to 1 or 2 in the long-term.

In the meanwhile, having 15 types of DMS to manage is probably not what UCS originally hoped to achieve when it acquired R&R.

- But life has a way of bringing little bonuses!

Comment - Impact on Customers

Assuming that R&R-UCS is taking a serious, long-term interest in developing the DCS Automotive business in Europe, the customers who depend on the more modern of its products, e.g. *DCSNet* in France, *Euro-Plus* in France and Germany, and *F1 Evolution* in Germany, may now feel more reassured about their future.

- The SAP business of DCS Automotive will need to be resolved. It has customers in Germany and the UK, and DCS Automotive is involved with SAP in an implementation in the Middle East.

With its need to concentrate on its core North American business, which generates over 90% of its revenues and profits, R&R-UCS will probably want its European operations to be largely self-managing and motivated.

Comment - Incadea

Currently we have no information about any progress towards a sale. As with many things in Europe, it is almost certainly proving to be a more complex process than R&R-UCS originally hoped.

Question: Is it possible that R&R-UCS will also decide to retain Incadea?

Answer: This seems highly improbable. The original statement that it would be sold was not equivocal, and UCS - which is in charge at R&R-UCS - does not usually go back on what it has said.

2. NADA Briefings

This year's Convention was at least two days too short for everything which was of interest to be covered. As usual, many of the really significant developments were not evident in the Exposition Halls, but were taking place "outside" or "behind the scenes".

Currently we think we will need three *Briefings* to cover the topics...

- **No. 4 - 2007: Developments in the DMS sector.**

R&R-UCS is the focus of attention, for three reasons...

- ① Its statements about its position.
- ② What the market thinks about its intentions.
- ③ The impact on, and opportunities for its competitors - not least ADP.

Never has the DMS business been so "fluid" - although it is subject to several constraints.

- **No. 5 - 2007: Developments in the Specialists sector.**

The number and variety of Specialist DSPs has not reduced, despite acquisitions.

Several consolidators are active in the market.

- **No. 6 - 2007: Microsoft in the market - an attempt to explain the roles of its many Partners.**

On numerous occasions it was clear that the market does not yet fully understand Microsoft.



- It shared a Booth (Stand) with multiple Partners of various types.

At times, even some Microsoft people did not seem to have a clear picture of how it will operate in this market - but that happens in all large Corporations - and some which are not so large, as we found on several other Booths.

Other topics will also be covered, including...

- The progress of **STAR**.
- The "**Open Data Access**" issue, which has become a very warm topic in the past two weeks.

More than a year ago, R&R - apparently well before it was in serious negotiations with UCS - launched its project to "Secure" its DMS.

As reported on several occasions, the security aspect was also being used to cover a commercial objective which has led to very strong reaction in the market, initially from the **Open Secure Access - OSA - Consortium**.

- Consortium members are primarily those who are negatively affected by R&R's move, which they see as "an attempt to lock them out of its DMS unless they pay up".

But, in January, *Automotive News* ran articles on the issue, especially about its impact on Honda.

DaimlerChrysler and NADA issued strong comments on the topic just before the Convention, and ADP issued its statement about security and open access, all of which - in principle - question the basis of the original R&R move.

Other OEMs are understood to be reviewing the implications of R&R's intentions.

The battle lines are being drawn!

Comment: The response of UCS, which was not the owner of R&R when the original statement was made, will be one of the key factors in determining how the combined R&R-UCS is viewed by the market in future.

- Nobody is arguing against the need for security - which has not been sufficient in the past.

The argument is about use of a controlling position to gain commercial benefit.

This is an issue which is not only relevant to the USA.

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

Mike Seaton