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Electrification: Driving evolution in the independent auto aftermarket

Executive summary

The European automotive aftermarket is a powerhouse industry, projected to reach €220 billion in 2024 with an annual growth rate of 4.5 percent through 2030. As mobility needs remain constant, the demand for vehicle maintenance and repair continues to drive the market forward.

The aftermarket is undergoing a transformative phase where electrification plays a pivotal role. However, several other factors are also driving this evolution: increased competition for vehicle owners, greater price transparency driven by the growth of e-commerce, a trend of consolidation with wholesalers expanding their business scope, and mounting pressure on companies to enhance their sustainability efforts.

Despite concerns that electrification might reduce demand in the aftermarket, MEKO's insights suggest a different outcome. The cost of maintaining electric vehicles over their lifespan is expected to match that of traditional vehicles. This assessment is based, in part, on experiences from Norway, the country with the highest number of electric vehicles in the world and the longest history of electrification. MEKO is the leading aftermarket operator in Norway, with specialized expertise in electric vehicles at its workshops, as well as training programs for automotive technicians beyond MEKO.

MEKO has a strategy that both anticipates and capitalizes on the factors driving change in the automotive aftermarket. The company leads the market in Northern Europe, managing the entire value chain — from sourcing spare parts to running workshops — positioning itself as the most comprehensive partner for vehicle service and repair.

The European automotive aftermarket: Large and steadily growing

The need for mobility is constant. People and goods will always require transportation, meaning vehicles must be manufactured and maintained. This makes the automotive aftermarket a significant market, projected to be worth around €220 billion by 2024, with an average annual growth rate of 4.5 percent through 2030[1].

The independent aftermarket: Essential for service and repair

The independent automotive aftermarket plays a crucial role within the broader market, where independent companies are responsible for repairing, maintaining, and servicing vehicles outside the manufacturers' networks. In Europe, this sector includes approximately 30,000 companies, collectively creating 350,000 jobs[2].

According to the industry organization FIGIEFA, vehicle manufacturers produce only about 20 percent of the components needed for repairs. The remaining parts are supplied by original equipment manufacturers (OEMs) and independent parts producers who exclusively serve the independent aftermarket.

Independent parts wholesalers are key players in ensuring the efficient delivery of replacement parts across Europe's supply networks. It is vital for distributors to be as accessible as possible to workshops and vehicle owners, providing the right parts at the right time and at the right price, enabling workshops to operate without unnecessary delays for customers.

MEKO operates across the entire value chain, from purchasing spare parts to distribution, and manages its own workshop concepts and brands to assist customers quickly and efficiently. With a presence in eight markets across Northern Europe, MEKO is the largest player in the region.

Drivers of change in the auto aftermarket

Society is undergoing a necessary transformation toward reduced emissions, which is also impacting the automotive aftermarket. However, other factors are driving the development and transformation of the aftermarket:

- **Electrification:** The shift from fossil-fuel-powered cars to battery-powered vehicles

[1] Total market size valued as average of three market data sources (Presedence Research, Market Data Forecast, Graphical Research).
[2] www.figiefa.eu/en/fact-figures.htm

continues, even though the pace has slowed due to economic downturns and reduced subsidies. Over time, the trend toward electrification and its positive impact is unquestionable.

- **Increased competition for vehicle owners:** The automotive aftermarket is intensely competitive, and corporate vehicle ownership is steadily increasing. The fleet segment is expected to grow by 6 percent annually, reaching 15 percent of the total vehicle fleet by 2030, with electric vehicles expected to make up 56 percent. Therefore, the leasing market will be crucial for growth[3].

- **Online sales:** E-commerce is steadily increasing and is also transforming the automotive aftermarket. By 2025, online sales are expected to account for up to 17 percent of the total European aftermarket, potentially growing to 30 percent by 2030[4].

- **Wholesaler diversification and expansion:** Several major players in the automotive aftermarket are growing through acquisitions and expanding into areas related to repair and service, such as tire and glass services.

- **Increased focus on sustainability:** Alongside industry-led initiatives, new regulations and directives are being implemented to accelerate the sector's green transition. At the same time, societal expectations for sustainability in the automotive aftermarket are growing.

Electrification: Evolving the business, yet familiar

What happens when electrification is fully realized? Will the independent automotive aftermarket still exist, given that electric vehicles require fewer parts and services?

The business appears to persist or even grow, given MEKO's experiences from Norway and other markets. They indicate that while electrification brings changes to the business, the overall cost of service and repair over an electric vehicle's lifespan remains the same or perhaps even higher than before. There are fewer spare parts in an electric car, but experience so far points to more extensive repair work for components such as brakes, tires, and windshields. In addition, the electric car features advanced technology that also requires specialist expertise in the workshop.

[3] McKinsey Aftermarket Model 2023, BCG Aftermarket 2030

[4] McKinsey – Ready for inspection: the automotive aftermarket in 2030, BCG - At the Crossroads: The European Aftermarket in 2030, Wolk & MEKO analysis, company websites.

MEKO's response to industry changes — leading the transition

MEKO's strategy is tailored to meet — and lead — all the critical changes occurring in the automotive aftermarket.

The strategy focuses on four areas:

- **Better Operations:** At MEKO, we aim to always be the industry's most available partner for our customers. We strive to be geographically close and offer the best solutions in a timely manner. To maintain our leading position, we are committed to continuous efficiency improvements and optimizations.

- **Better Workshops:** Workshops are one of our most important customer groups. A key focus of our strategy is to continually develop our workshop concepts to meet the needs of workshops and the expectations of drivers.

- **Better Mobility:** It is increasingly important for drivers to choose convenient and sustainable services. We are working diligently to facilitate modern car ownership and create new offerings.

- **Sustainable Growth:** We are growing in areas adjacent to our core business. We are also expanding geographically through carefully selected acquisitions that complement and strengthen our business. Together, these initiatives form the foundation of the fourth focus area in our strategy — Sustainable Growth.

How MEKO is creating a more sustainable business

We are working across all levels of the company and in all areas to enable more sustainable mobility:

- **Climate and supply chain:** We have implemented a climate policy to reduce our emissions. A crucial part of our effort is also being a responsible purchaser, ensuring control over all parts of the supply chain. Additionally, we are actively working to become a more attractive, open employer and aim to increase the share of circular products in our range.

- **Better workshops:** We are engaged in several projects to reduce the environmental impact of our workshops and continuously educate our staff to improve their knowledge of more sustainable work methods. And not least: We strive for diversity among our employees in terms of background and gender — this is how we ensure a truly great workplace and the best expertise.

- **New services:** We are investing in new services that create a smaller environmental footprint. This includes everything from reusing spare parts to better informing our customers about how they can choose more sustainable options.

First to spot new trends – with MEKO's Mobility Barometer

To drive development in the aftermarket, deep knowledge is essential. That's why we conduct the MEKO Mobility Barometer every year — the most comprehensive survey of mobility habits in the Nordic region. Each year, more than 4,000 people are surveyed in detail about their habits and opinions.

One trend has remained consistent since we began the survey in 2022: The car continues to be the overwhelmingly most popular mode of transport. But will it continue to play a major role in the future? According to people in the Nordics, the answer is clear: A vast majority believe it will.

For further information, please contact:

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This is MEKO – the market leader in northern Europe

MEKO's vision is to enable mobility — today, tomorrow, and in the future. Our aim is to be the most comprehensive partner for everyone who drives, repairs, and maintains vehicles in Northern Europe. We are the market leader with a presence in eight countries, 600 branches, and 20,000 workshop customers, including 4,500 workshops operating under our own brands. These include Mekonomen, MECA, Balti Autoosad, BilXtra, FTZ, Fixus, Inter-Team, Koivunen, and Sørensen og Balchen — among many others.

Short facts

President and CEO: Pehr Oscarson

The share: MEKO has been listed on the Nasdaq OMX Nordic Exchange in Stockholm since May 29, 2000.

Revenue 2023: SEK 16,762 M

Affiliated workshops: 4 528*

Number of branches: 662*

Average number of employees: 6 339*

**Second quarter 2024*