Sustainable automotive retail
A survey
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Sustainable Automotive Retail: Executive Summary

Study Set-up

► Carried out in the period November 2022 to February 2023
► Survey of 23 automotive retailers/retailer groups in the passenger car segment in the DACH region as well as control group of 7 OEMs
► 26% of dealers each position themselves in the volume and luxury segments, 48% in the premium segment

83% of retailers state, that sustainability already has a material significance for their corporate activities.

More than half of retail have already implemented measures to foster the sustainable transformation, mainly focused on environmental topics.

Only 1 out of 3 OEMs assigns a significant role in the sustainable transformation to the automotive retail.

86% of OEMs rate their current support for the retail network in terms of the sustainable transformation as sufficient.

Yet only 40% of retailers say they receive active support from their OEMs, especially in implementing concrete measures.

The top needs for retail are financial support, a regular exchange and provision of information by the OEMs and regulatory guidance.
1. The relevance of sustainability for automotive retail is recognized

2. The OEM perspective on sustainability in Automotive Retail

3. Retailers wish for significantly more support from automotive manufacturers
Survey of 23 automotive retailers and 7 OEMs in DACH region on sustainability aspects and their status quo

The survey was carried out from November 2022 to January 2023
The relevance of sustainability for automotive retail is recognized
The majority of the retailers surveyed state that sustainability already has a material significance for their business activities today.

How relevant do you see the topic of sustainability for your current and future business activities?

- 83% Today, sustainability already has a material significance for our corporate activities
- 13% In 1–3 years, we see sustainability issues as a material part of our corporate activities
- 4% Not specified
- 1% Not specified

83% of the respondents consider sustainability to be an important topic today and in the future. In particular, 27% of premium retailers believe that sustainability issues will not come for another 1–3 years.
Whereas the environmental dimension is the most prominent out of the three ESG dimensions, followed by social and governance aspects.

Which of the following sustainability topics have you already dealt with in more detail in your company?

- Ecological issues (e.g., reduction of CO2 emissions, waste and pollution): 74%
- Social issues (e.g., worker protection and safety): 65%
- Sustainable & transparent corporate governance (e.g., transparent remuneration of management): 57%

74% of the respondents have already dealt with ecological issues and more than half with social issues and sustainable & transparent corporate governance. Volume traders in particular see a high level of importance in taking social aspects into account.
Yet, despite the high relevance for their daily business, only one quarter of surveyed dealerships have a written sustainability strategy...

Does your company have a written sustainability strategy?

<table>
<thead>
<tr>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>26%</td>
<td>74%</td>
</tr>
</tbody>
</table>

Luxury dealers groups in particular articulate their sustainability ambitions in a concrete sustainability strategy. However, the majority of the retailers surveyed do not have any sustainability strategy at all.
...and only half of the retailers have implemented concrete sustainability measures.

How would you rate your expertise as a company in the area of sustainability?

- 52% We have already taken a broad and in-depth look at the issue of sustainability and have implemented initial measures
- 35% We have already dealt with the issue and possible measures in detail
- 9% We had first contact with the topic and measures
- 4% We have not yet dealt with the issue

Only 52% of retailers have already dealt with the topic broadly and in depth, incl. the realization of concrete sustainability measures.
The majority of the measures implemented are in the area of energy and building management.

The majority of dealers focus on regulatory-driven measures and measures with high leverage with a focus on E. These also seem to be visible to the automotive manufacturers. Take-back programs for vehicles or vehicle parts currently has a low relevance (17%) for retailers, even though the introduction of circular products and increasing need for recyclability/reusability of vehicles and vehicle parts is one of the top ESG topics at all OEMs.
Still, the lack of a clear definition of sustainability for retail makes it difficult to translate into concrete measures – especially beyond the E.

How do you define sustainability within your company?

**BASIC UNDERSTANDING**
- Integrating holistic sustainable action and thinking
- Reducing CO₂ emissions (starting with production)
- Using resources carefully
- Seeing sustainability as fixed, indispensable element of the future
- Implementing a sustainability department in the company
- Optimizing work processes
- Implementing an eco-label for retailer groups

**CURRENT MEASURES**
- Embracing electromobility and alternative drive systems, e.g., as workshop replacement cars
- Reducing use of chemicals
- Recycling of plastic bags over seats
- Renting a flower meadow for preservation of biodiversity
- Wasteseparation and disposal
- Installing filtration systems
- Reducing energy consumption via efficiency measures
- Installting solar panels
- Implementing a sustainable lighting systems
- Tree planting for each sold car

A basic, comprehensive definition of sustainability including the different dimensions of E, S and G is not being present among retail at the moment. Instead of strategic sustainable guidelines, retail is already thinking strongly in terms of concrete measures, especially in terms of environmental measures.
The OEM perspective on sustainability in Automotive Retail
The large part of surveyed OEMs have not yet recognized the importance of retailers as sustainability ambassadors.

To OEM: What role does retail play in the implementation of your current sustainability strategy?

- Retail plays an essential role: 29%
- Retail plays a partially significant role: 71%

To OEM: Do you currently have a dedicated sustainability strategy that includes targets for retail?

- Yes: 43%
- No: 14%
- Not specified: 43%

Although the dealership is the interface between OEM and customer, only one-third of all OEMs surveyed assign an essential role to the dealership in their sustainable transformation. Nevertheless, 43% of OEMs have already integrated specific targets for the automotive retail network into their sustainability strategies.
As a result, only just over 50% of the OEMs expect retailers to be aware of the OEM’s sustainability strategy and ambitions and consider their support to be sufficiently

To OEM: In your estimation: How well are sustainability strategy and corresponding objectives currently known in retail?

- Each dealer group is familiar with our sustainability strategy and its objectives
- Dealer groups are partially familiar with our sustainability strategy and its objectives

To OEM: Do you believe that retail is able to implement the sustainability strategy with the current information and specifications?

- Yes: 86%
- No: 14%
- Not specified: 0%

57% of the surveyed OEMs state that retail is well informed about the companies sustainability strategy and targets, whereas 43% claim that retail is only partially familiar with the topic. OEMs also rate their current support for sustainable transformation as sufficient.
However, only just over a third of retailers say they receive support and guidance from the OEMs...

The OEMs' perception of providing retailers with sufficient support and guidance is not confirmed in the survey of retailers. Only a third receive active support from the manufacturers.
Specifically, retailers would like to see significantly more support and guidance from the OEMs in various subject areas.

To OEM: In which area do you currently provide support to retail?

- Building optimisation: 43%
- Information provision for customer interaction in sales: 29%
- Energy procurement: 29%
- Procurement and logistics of vehicles and spare parts: 29%
- Treatment and disposal of waste or waste water in the business: 14%
- Disposal and treatment of sold vehicles or parts after end of life: 14%

In which areas do you see the greatest need for additional support for the retail department with regard to sustainability?

- Information provision for customer interaction in sales: 86%
- Energy procurement: 42%
- Procurement and logistics of vehicles and spare parts: 72%
- Treatment and disposal of waste or waste water in the business: 42%
- Disposal and treatment of sold vehicles or parts after end of life: 58%

In particular, dealerships would like to see much more support in educating customers about sustainability aspects and in the area of circular economy, i.e., provision of vehicles and vehicle parts.
As customer interest in the topic of sustainability grows, the need for education by retailers also becomes more important.

Do you believe that sustainability is an important decision-making criterion in customers' choice of retailer?

- For some customers: 57%
- For very few or no customers: 39%
- No specification: 4%

According to retailers surveyed, sustainability is already relevant for more than half of all customers when making purchasing decisions. This proportion will continue to rise in the future.
Retailers wish for significantly more support from automotive manufacturers
Retailers face uncertainty regarding sustainability in a wide range of topics

Where do you currently have the greatest uncertainties in your company with regard to the topic of sustainability?

<table>
<thead>
<tr>
<th>Topic</th>
<th>Example</th>
</tr>
</thead>
<tbody>
<tr>
<td>Energy procurement</td>
<td>Little guidance concerning measures in sales and workshops</td>
</tr>
<tr>
<td>Employee willingness</td>
<td>Change Management</td>
</tr>
<tr>
<td>Reduction of combustion engines</td>
<td>Sufficient (sustainable) goods to sell</td>
</tr>
<tr>
<td>Too little self-determination for the implementation of measures due to manufacturers' specifications</td>
<td>Wastemanagement</td>
</tr>
<tr>
<td>Shortage of employees and skilled workers</td>
<td>Legal requirements</td>
</tr>
<tr>
<td>Change Management</td>
<td>Exchange with customers and communication</td>
</tr>
</tbody>
</table>

The surveyed companies face many uncertainties regarding sustainability. These range from legal topics to employee willingness and energy procurement.
To address the uncertainties, retail is already in active exchange with numerous stakeholders.

With which of the following stakeholders do you engage with in an active dialogue on sustainability issues?

- OEMs (Manufacturer): 83%
- Employees: 78%
- Customers: 52%
- Banks and investors: 39%
- Political actors and regulators: 26%
- None of the above: 4%
- No specification: 0%

83% claim that communication about sustainability issues is most present in the dialogue with OEMs, followed by employees. Such communication is least intense with political actors and regulators.
Still retailers claim that they require more support in order to successfully implement the sustainable transformation, especially in terms of financing.

In which area do you currently see the greatest need for support in implementing sustainable transformation?

- Financial support incl. application for funding: 35%
- Regular exchange with the manufacturer: 22%
- Understanding of regulatory requirements: 17%
- Information about the sustainability requirements of your customers: 13%
- Content-related or process-related support from sustainability experts: 9%
- No specification: 4%

The respondents argue that more financial support, exchange with manufacturers and knowledge about regulatory requirements are the top needs to successfully implement sustainability.
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