Revenue Elevation in the Auto Industry

Using AI in the Auto Aftermarket Space

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Overview of Auto Aftermarket Industry

The global Auto Aftermarket industry is estimated to be almost $288.20 billion and is growing at a 3.7% CAGR.

According to Statista, the size of the USA Auto Aftermarket is projected to reach almost 202 billion U.S dollars in 2021. The market contracted amid the outbreak of COVID but is expected to increase to almost 230 billion dollars.

According to Technavio USA will register the highest growth rate of 100% as compared to other regions and hence will garner significant business opportunities for aftermarket players from 2019- 2024.

Where does the Problem arise in the Auto Aftermarket

The Auto Aftermarket is a highly unorganized area that has three main problems. The first problem is that of managing in a fragmented market or kilo SKU's going into kilo outlets. This creates a long supply chain that goes from manufacturer to retailer and passes through various geographies and distributors.

This gives rise to the second problem which is that due to being unorganized, the management tends to make decisions based on assumptions due to a lack of granular understanding of the distribution system in the aftermarket.

This leads to the company not being able to retain its retailers since there is a lack of understanding in what to upsell and what to cross-sell to a retailer.

The third problem arises due to a limited understanding of influencer behaviour and buying patterns of the influencers regarding the aftermarket parts so that a company can grow the revenue. The Voice-of-Customer is very important for aftermarket parts promotion and the overall aftermarket strategy of a company.

AI in the Auto Aftermarket

According to Jeff Barrette of Barrette Digital, up to 73% of company data goes unused as an effective source for insights. The same applies to the Auto Aftermarket which has been slow to integrate AI within its operations. The decisions are made on spreadsheets or standard BI tools that are not calibrated enough to handle complex data which AI/ML models do.

There are three types of growth here. The first could be organic growth which could be due to an increase in purchasing power, increase in vehicle parc size and GDP of the country.

The second type of growth would be due to traditional sales and marketing techniques which could include aggressive selling through discounting, branding and hence would increase visibility.

The third type of growth would be through an analytical system. It is here where the company would require the use of AI/ML models which could give insights and recommendations to the company for its aftermarket revenue growth.

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Also, optimizing the promotion would deepen the engagement with the influencer and would result in repeat purchases by the influencer. This is the region where companies today need to invest to increase market share in the Auto Aftermarket space.

Selected use cases in the Auto Aftermarket:

1. **Retailer Attrition Signal**: This is the case where the Retailer is showing signs of attrition and the frequency of buying has decreased over time. So, at this point, AI/ML models can be used to predict retailer attrition unless a new strategy is employed to keep the retailer.

2. **Product Bundling**: An analytical modelling is used to identify products that are being purchased together. This insight is used to develop the selling proposition of product bundles to retailers.

3. **Retailer Segmentation**: Retailer clusters are formed based on buying behaviour on which aftermarket companies can define retailer segment-specific sales strategies to accelerate growth.

Digilytics as a pioneer in Revenue Growth Management

Digilytics, is a pioneer in providing easy-to-use AI products for Revenue Growth Management to the Auto Aftermarket Industry.

Digilytics RevUP helps in:

⇒ **Improved Understanding of Customer Behaviour:**

1. AI-enabled techniques to segment customers and develop unique growth strategies

2. AI-enabled customer-level signals to detect opportunities to upsell & cross sell

3. Near time signals to detect and address customer attrition

4. Health of distribution network: Distributor reach, Part reach and Retailer reach, Service Reach

⇒ **Granular Visibility of Revenue Underperformance**

1. Granular Visibility and Diagnostics of Revenue Performance

2. Market Share, Product Category, Geography, Channel Partner, Organisation

3. Proactive Intelligent Assistance to highlight revenue underperformance

4. Internal Benchmarking across markets, customer segments and product categories

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$\Rightarrow$ **Improved Control over Retailer Sales**

1. AI-enabled recommendations for market actions

2. Easy-to-use assistive tools for Sales Managers to navigate from Diagnosis to Actions

3. Share observations and communicate actions with relevant individual or group

4. Performance views to support near-time understanding of customer behaviour and market movements

About Digilytics AI

At Digilytics AI, we aim to drive business value leveraging our platform. In an ever-crowded world of clever technology solutions looking for a problem to solve, our solutions start with a keen understanding of what creates and what destroys value in your business. Founded in 2014, by Arindom Basu, the leadership of Digilytics is deeply rooted in leveraging disruptive technology to drive profitable business growth. With over 50 years of combined experience in technology-enabled change, the Digilytics leadership is focused on building a values-first firm that will stand the test of time. The leadership strongly believes in the ethos of enabling intelligence across the organization. Digilytics is headquartered in London, with presence across India.

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