

#SA Expertise

Electric Vehicles: How Will They Impact the Motor Vehicle Aftermarket?

It's a question on the minds of everyone in the motor vehicle aftermarket: How will electric drive vehicles impact the industry? Here is how Schwartz Advisors (SA) views the emergence of electric drive vehicles and how this technology might affect the aftermarket in the coming years.

Electrification or Electric Drive?

The industry talks about electric drive in general terms, pitting battery electric vehicles (BEVs) against internal combustion engine vehicles (ICEs). There is, however, a big difference between electrification and electric drive. The increase in efficiency and decrease in cost of small electric motors will result in the use of electrically driven water pumps, compressors, turbochargers and other vehicle systems. Sensors, electronic modules and vehicle connectivity will increase voltage requirements. The result will be a change in the vehicle's electrical architecture and a gradual move to 48-volt electrical systems. That change will affect every facet of the aftermarket's support of vehicle service. As an investor in this industry or a manager running an aftermarket company, you need your 48-volt strategies locked down.

AGM or Lithium Ion Pack?

Will the industry move primarily to ICE-based hybrids using stop/start? Or will it embrace mild hybrid systems backed by Absorbed Glass Mat (AGM) lead acid batteries? Or, will the market leapfrog those systems in favor of full lithium ion packs that handle a larger portion of propulsion responsibilities? One school of thought says that lithium cell cost will fall further and faster than previous estimates, making it cost effective to handle the majority of travel on pure battery range. Another school says that travel patterns, especially in the United States, will favor ICE powertrains augmented by AGM-backed systems long into the future. We see AGM micro hybrids and gains in ICE efficiency working for the United States and many other countries, but we also think that China and Europe will push hard for complete BEV vehicles. Global players will need both products.

Major or Minor Service Impact?

Will electric drive have a major or minor impact on aftermarket parts and service? Those who say "minor" will tell you that service shops have already felt the decrease in powertrain service because of the increased quality of engines, transmissions and differentials. They note that the majority of vehicle service today is undercar or electronic-module related. They also note that BEVs have cooling systems and transmissions and all kinds of power electronics that could require service. They also talk about the very long time it takes to cause a major disruption to the 270 million vehicles in operation and the fact that ICE hybrids are forecast to represent about 50% of the new car production in 2035.

Those who believe that electric drive will have a "major impact" say that BEVs will require virtually no service. They point toward the Chevy Bolt owner's manual. The Bolt, which is a BEV, has major service interval differences compared to other Chevrolet products.

We are in the “minor impact” camp. It’s important to note that BEVs will result in entirely new aftermarket services. Battery pack remanufacturing will create storage cells for solar. Induction charging systems will emerge for installation in both homes and roads. These systems will require service and smart aftermarket players will have a BEV strategy in formation.

For more information on Schwartz Advisors or to contact us for more insight and commentary on this and other topics related to the North American motor vehicle aftermarket, please visit www.schwartzadvisors.com.

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