Insights from Australian Automotive Dealer Association (AADA)

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I am pleased that NADA has asked me to contribute to its dealer newsletter.

Over the years the AADA has truly benefitted from the relationship we have developed with NADA. The time our associations spend understanding the dealership environment in international markets, allows us to develop valuable knowledge which benefits all our dealer members.

South Africa and Australia share a love of all the good things in life - the outdoors, sport, braai/BBQ and good wine. They also love their cars and both countries have some of the best automotive dealers in the world. As somebody who grew up in and regularly returns to SA, I often reflect on the similarities and differences between the Australian and SA automotive markets.

There are of course differences, the biggest of which is that for almost a decade Australia has no longer manufactured passenger vehicles and all its new car stock is imported. This stands in contrast to SA which still makes well over half a million cars a year. The desire to retain automotive manufacturing and the people employed by the industry strongly influences SA Government policy settings, with incentives for OEMs and tariffs on vehicle imports.

Conversely, the end of manufacturing in Australia has seen the removal of almost all tariffs (though strangely a 5% tariff still applies to cars sourced from SA!!!) and the opening of the Australian market to virtually all car brands. This has not always been to the benefit of the ealers, with many now saying that there are simply too many brands selling too many cars in Australia.

But despite these differences there is plenty of common ground between our markets. For starters, right-hand drive status means there is a fair degree of crossover in the vehicle models available in each market with many international OEMs grouping both countries together in their production and marketing plans.

Saffas and Aussies seem to like the same vehicle types as evidenced by South Africa's love for the "bakkie" and Australian's love for the "ute". We see this in the top selling vehicles in both markets.

For a decade the Toyota Hilux and the Ford Ranger have been the top two selling vehicles down under. The same two vehicles hold the top two positions in South Africa, where Hilux has been a runaway success over a long period of time. More generally, Toyota is the major OEM in both markets holding more than 20 % market share.

Australia and South African are also both undergoing a wave of new Chinese brands entering our respective markets. This is a phenomenon which is turning the established order on its head, providing dealers with immense challenges and opportunities.

These differences and similarities underscore how important it is for dealers and their associations to constantly monitor developments overseas and to maintain strong relations at the international association level.

About eight years ago, the AADA started hearing about a new distribution model being rolled out in South Africa called the agency model. We were able to connect with Dealers in SA and glean information which eventually helped our members understand the agency model, putting them on a good footing to negotiate with manufacturers who eventually rolled it out in Australia.

Similarly, Australia may be ahead of SA in electrifying its vehicle fleet, but this will enable SA dealers to learn from the mistakes and experiences that markets like Australia experience through selling more EVs, PHEVs and Hybrids.

These are just a few examples of how looking at developments in our industry in overseas markets can benefit dealer businesses. It is the "one percenters" that count in the automotive retail game and sometimes looking to experiences abroad and learning from international markets could make all the difference.

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