

Automotive Aftermarket Services Market Assessment & Commercial Diligence



PE sponsor evaluates inorganic investment & roll-up opportunity in the automotive aftermarket services space

Objective

A private equity client asked BCE to support commercial diligence for a provider of PoS software in the automotive aftermarket service space. The client required a clearer understanding of market size, customer insights, and the competitive landscape to better understand opportunity for the business. In addition to commercial diligence on this standalone investment, the client also required a better understanding of how the business complemented existing investments held in the automotive aftermarket services space.

Approach

BCE conducted a rapid, four-week market diligence effort to inform deal recommendations and develop a strategy for how to accelerate growth for the business.

BCE began its analysis by conducting a thorough review of ~100 open sources to familiarize itself with the automotive services PoS software space and populate call lists for primary research. BCE then conducted primary research interviews with ~60 market participants. These conversations were used to support three distinct components of work: market sizing, customer analysis, and competitive analysis. BCE also conducted targeted research on strategic accounts for the target organization to evaluate risk in the portfolio.

BCE then synthesized and analyzed all data collected to assess the relative attractiveness of the target, synergy/expansion opportunity given existing assets in the aftermarket services space, and areas of competitive strength based on customer feedback on the target.

Outcome

BCE used its analysis of target strengths and weaknesses to drive recommendations around areas of short-term investment for the business. We also evaluated potential retention levers and developed a tactical approach to mitigating risk of attrition for strategic accounts. Findings allows for the PE sponsor to negotiate more favorable deal terms and ultimately proceed with the acquisition.

BCE also recommended further areas of analysis to determine potential franchising approach that would combine operations for multiple assets and entail a more concerted push in the automotive aftermarket services space.

Acquisition Target meets market standards in Function 16 & 17, Function 14, and Function 15 features but falls short on Function 18 and mobile support options

A lack of a clear "best choice" has forced customers to internally develop Product 1

System Requirement Features	Customer System Requirements								Acquisition Target Analysis	
	Customer Perception of Competitors						Acquisition Target			
Competitor	Competitor	Competitor	Competitor	Competitor	Competitor	Competitor	Competitor	Acquisition Target		
Customer size Segments	Large	Med-Large	All	Small-Med	Small-Med	Small	Small	Med-Large		
Function 16 & 17	Strong	Moderate	Weak	Strong	Strong	Limited Customer Feedback, Low Recognition	Strong	Strong	• Target is frequently employed across medium and large sized Market A players	
Front-end Ease of use	Strong	Weak	Limited Cust. Feedback	Weak	Strong		Moderate	Moderate	• On par with market leaders for accurate Market A pricing	
Back-End System Integration	Moderate	Weak	Weak	Weak	Strong		Moderate	Weak	• Mid-tier performer with a relatively slow Factor A with directional challenges	
Function 15	Weak	Strong	Weak	Strong	Moderate		Strong	Moderate	• Poor integration with platform causes reduced efficiencies for customers	
Function 4	Weak	Weak	Weak	Weak	Strong		Moderate	Moderate	• Ability to serve multi-location companies with offering B	
Function 14	Moderate	Weak	Limited Cust. Feedback	Weak	Strong		Moderate	Strong	• Mid-tier features that struggle to organize volume of data for customers of scale	
Mobile Support	Moderate	Limited Cust. Feedback	Moderate	Moderate	Moderate		Strong	Weak	• Top performer with 10 customer service and helpful representatives	
Additional Service Offerings	Weak	Moderate	Strong	Weak	Weak		Moderate	Strong	• Lack of software type puts target at a disadvantage to competitors	
Market Share Estimate	30%	7.5%	-	10%	10%		-	10%	20%	• Differentiates from competitors through reduced offerings

Customer 7 brands are at high risk of termination due to frustrations with an outdated system causing inefficiencies with back-end integration

Initial research suggests that Customer 6, also owned by the same parent company, is also at risk of termination

