AUTOMOTIVE INDUSTRY

The European Aftermarket in 2035: The Winners Are Being Determined Now

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This article is part of a series examining the outlook for Europe's automotive aftermarket industry through 2035.

For decades, the European automotive aftermarket ran along simple lines: more cars meant more repair work. But new technologies and changing consumer behaviors are rendering this model

obsolete. The European car parc is set to grow more slowly than in the past. In tandem, the switch to electric vehicles (EVs) is dramatically reducing the need for routine maintenance while increasing the potential value of repair shop visits through the sale of more complex parts and services. As a result of these factors, we expect the European aftermarket to expand at a CAGR of just 1.7% through 2035 compared with 4.7% from 2021 to 2025.

Meanwhile, AI and digital technologies are transforming the sector in other, equally fundamental ways. They are changing how repair shops carry out work, reconfiguring the customer journey, and opening the door to new entrants.

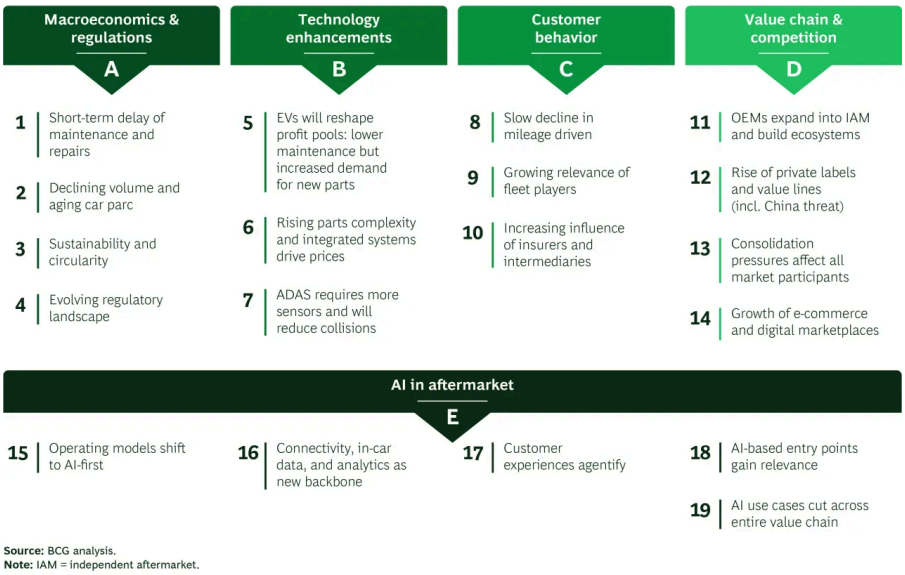
To stay competitive in this challenging environment, aftermarket players need to invest in new technical and data-based capabilities, such as remote diagnostics and AI-enabled interfaces, so that they can build stronger relationships with their customers and serve them better. AI is rapidly becoming a core technology for the whole sector, but most players today still have little understanding of AI or treat it as an efficiency tool. Instead, they need to act with urgency and build capabilities that leverage its full potential. We believe that by 2035, the winners will be those that use data and AI to strengthen the customer relationship rather than simply repairing the most vehicles.

While electrification, AI, and other data-based technologies are accelerating the shift away from traditional commercial approaches, aftermarket players must also contend with increasing regulation and navigate new ecosystems. Here's how we see these forces playing out through 2035. (For an explanation of the research underpinning this article, see the sidebar.)

– Five Trend Clusters

For the research exercise that informed this article, we decided to group our research data into five overarching mega-trends: macroeconomics and regulation, technology enhancements, customer behavior, value chain and competition, and AI. Within these trends, we identified 19 specific developments. (See the exhibit).

The European Aftermarket 2035: 19 Trends Will Shape the Future from Volume Growth to Value and AI-Driven Transformation



Source: BCG analysis.
Note: IAM = independent aftermarket.

Volume Is No Longer the Main Growth Engine

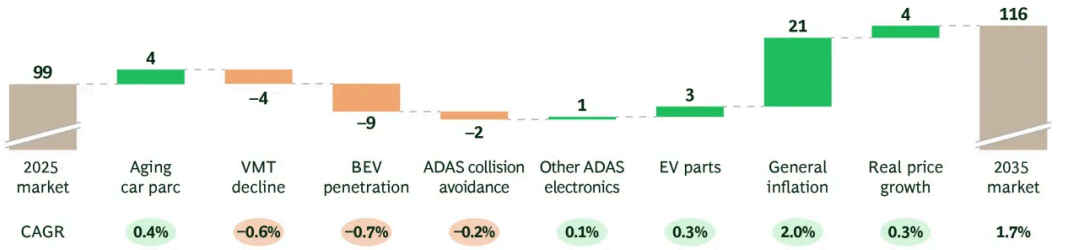
After experiencing a robust CAGR rate through the early years of the decade, we expect the European aftermarket to grow more slowly through 2035, with the overall market increasing to €116 billion from €99 billion in 2025 (at the wholesale level, excluding labor but including both the independent aftermarket and original equipment suppliers). While many players will continue to follow a volume-based strategy, those that build the capabilities enabling them to create greater value from each repair shop visit will pull ahead of rivals.

Several factors are driving this market trajectory (see Exhibit 1).

EXHIBIT 1

Inflation and Electric Cars Have the Biggest Impact on Aftermarket Growth

Total aftermarket revenues at a wholesale level excluding labor (in € billions), 2025–2035[1]



Car parc and powertrain mix

Aging car parc

Growth in car parc projected to be +0.4% p.a. through 2035, with the share of older vehicles (over 16 years) expected to be more than one-third by 2035

VMT decline

Kilometers driven per vehicle declining at approx. −0.6% p.a., reflecting normalization post-COVID and structural shifts in mobility[2]

BEV penetration

BEV parc increasing from approx.12 million to approx. 90 million from 2025 to 2035, with lower spend per vehicle vs. ICE, driving approx. −0.7% p.a. negative impact

Product effects

ADAS collision avoidance & other electronics

Penetration of ADAS supporting both approx. −0.2% and +0.1% p.a. market growth

EV parts

BEV penetration effect partly offset by EV-specific components (thermal management, high-voltage connectors), contributing approx. +0.3% market growth p.a.

Price growth

General inflation

Long-term inflation assumed at approx. 2% p.a. across core European markets

Real price growth

Higher parts complexity creates pricing effects, with total price contribution approx. + 0.3% p.a.

Sources: S&P Global Mobility; Wolk; BCG analysis.
Note: Twenty-three countries, including Nordics, UK & Ireland, CEE & Poland, Iberia, Italy, Greece, DACH, and Benelux & France ; ADAS = Advanced Driver Assistance System; BEV = battery electric vehicle; EV = electric vehicle; ICE = internal combustion engines; VMT = vehicle miles traveled.
[1]Aftermarket figures include passenger cars and light commercial vehicles.
[2]While kilometers traveled by light commercial vehicles (LCVs) is higher today than in 2019, the total for all European vehicles is below the 2019 level on weaker passenger vehicle usage.

Aging Car Parc. High new-vehicle prices are prompting many consumers to buy secondhand internal combustion engine (ICE) vehicles or drive their existing automobile for longer. While the European car parc is set to reach 343 million units by 2035, the pace of growth will be slower than previously—with a projected CAGR of 0.4% through 2035 compared with a CAGR of 1% from 2021 to 2026. In addition, we project that by 2035, over one-third of the vehicles on the road will be older than 16 years, up from 23% in 2021.

Structural Decline in Vehicle Usage. While the number of kilometers traveled by light commercial vans is higher than it was in 2019, the total for all European vehicles remains below the 2019 level due to weaker passenger vehicle usage. We expect this trend to continue, with kilometers driven per vehicle projected to shrink by 0.6% per annum through 2035.

Electrification. This is one of the biggest forces disrupting the European aftermarket. EVs require significantly less routine maintenance than ICE vehicles as they have fewer moving parts. But because their components are more technologically complex, repairs are more costly when they do break down. Pure battery electric vehicles (BEVs) (excluding hybrid EVs) are projected to make up 26% of the European car parc by 2035, up from 4% this year. The shift to EVs is expected to have a –0.7% per annum impact on yearly aftermarket growth through 2035. However, players that can create capabilities in high-voltage systems and thermal management will be able to capture new value pools.

ADAS. The introduction of Advanced Driver Assistance Systems (ADAS) will over time reduce collisions, lowering demand for aftermarket repairs. By 2030, about one-third of the car parc will have some level of ADAS technology. However, because they involve careful calibration and complex components and depend heavily on data, ADAS systems are likely to boost per-visit value for repair providers that have the necessary capabilities once parts become standardized.

Vehicle Architecture. Both EVs and modern ICE vehicles have far more complex parts than older cars, including electronic sensors and onboard computers. Partly because of this added complexity, annual price rises for OEM components are running at more than 2.5 percentage points above overall inflation in some countries. As a result of more technically sophisticated components and repairs, aftermarket companies will be able to capture higher value per customer visit. But repair shops will need advanced capabilities to do the work—posing a challenge for smaller, less-equipped players.

Macroeconomic Conditions. Inflation—specifically higher repair and maintenance costs driven by increased labor and materials expense—is the main factor driving the growth in aftermarket revenues through 2035. In Germany, the average cost of a repair rose 4% between 2024 and 2025. However, the growing cost of repairs and maintenance will likely cause many consumers to defer visits to the repair shop, particularly for nonessential work. Inflation affects aftermarket companies in different ways, with stronger players able to pass rising costs on to consumers while weaker ones are forced to absorb them. As a result, the overall rise in players' markup is far lower than inflationary effects.

A Changing Regulatory Landscape Offers New Opportunities

While value-based repairs and maintenance are becoming more important as a revenue driver, players across the aftermarket value chain face a shifting regulatory landscape. The EU's updated regulations governing end-of-life vehicles and batteries increase the compliance burden for parts suppliers and repair shops. The new Euro 7 component standard, introducing more demanding specification, durability, and environmental monitoring requirements later this year, is set to work in the aftermarket's favor, raising the quality bar for components and reinforcing demand for compliant, high-spec replacement parts. At the same time, the Motor Vehicle Block Exemption Regulation (MVBER) and emerging data access rules continue to safeguard the independent

aftermarket's access to vehicle data, repair information, and spare parts markets. For aftermarket players, the question is where to position themselves within emerging circularity value chains and how quickly to build the necessary capabilities while also contending with regulatory uncertainty.

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Fleets and Insurers Are Becoming More Powerful

Today's European repair shops are also grappling with the growing dominance of fleet operators and insurers. Fleet-owned vehicles are forecast to represent 20% of the European car parc by 2035, up from 8% in 2021. Like fleets, insurance companies also have an increasing say over which companies get to do repair work and how those repairs are carried out. Insurers handle around 70% of collision-related repairs and allocate work through their claims management platforms and preferred networks.

Both fleet operators and insurers impose new requirements on the aftermarket players seeking their business. Fleets—comprising corporate fleets, rental cars, and leased vehicles—and insurers represent a high-volume and stable opportunity for repair shops. But as they grow in power, these two sectors are becoming more professionalized and cost-conscious. Their focus on cost efficiency and standardization mean that repairers must operate with little flexibility and tight margins. In addition, to capture business, players must integrate their systems with fleet and insurance companies' own IT systems and digital ecosystems (a particular challenge for smaller aftermarket players). Otherwise, they risk exclusion from a growing segment.

Private Labels Are Gaining Relevance

Meanwhile, inexpensive private-label components, which are typically manufactured outside Europe, represent a rising threat to established tier 1 suppliers. Over the past five years, the market share of private-label players across EMEA has increased to about 20%, driven by the purchasing power of emerging buyer groups.

Market Consolidation Is Continuing

Against this backdrop, the rationale for consolidating is becoming more urgent. Across the value chain, aftermarket players are merging so that they can contend with growing compliance costs, margin pressures, and intensifying competition while being better able to afford investments in EV capabilities and digital technologies.

New Digital Entrants as a Market Trend

Online platforms are shaking up the traditional aftermarket value chain. They are establishing direct relationships with suppliers and repair shops, bypassing wholesalers. By helping repair shops locate and source cheaper components from third-party aftermarket suppliers worldwide—typically using a database of exact technical specifications backed up by wiring diagrams and benchmark diagnostic approaches—such platforms provide a low-cost alternative to traditional distributors. As they grow their customer bases and capture more data, they will pose an increasing threat to wholesalers over the next decade.

How AI and Digitization Are Transforming the Aftermarket

AI and digital technologies are set to revolutionize every aspect of the aftermarket. By building strong digital capabilities and optimizing customer and vehicle data, savvy players will be able to build deeper, more enduring customer relationships and tap growing sources of demand. Here are the main ways this transformation is unfolding:

Changing How Repair Shops Carry Out Maintenance and Repairs. Connected vehicles are the future of mobility. Automotive OEMs and their authorized repairer networks will use vehicle connectivity and the data generated by automobiles to carry out remote diagnostics, conduct preventive maintenance, and install over-the-air software updates. Connectivity will be a particular boon for OEMs and authorized repairers because of their structural access to vehicle data.

Rewriting the Rules of Customer Engagement. AI is revolutionizing the customer journey and creating new, more seamless entry points. Through AI tools, including agents and assistants, aftermarket players can engage with customers earlier, provide a more personalized experience, and automate tasks such as booking service appointments or making recommendations. Leading OEMs in particular are betting on the convenience AI provides to retain customers longer, increasing overall customer lifetime value before car owners switch to cheaper independent repair shops.

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Automating Activities Across the Value Chain. It’s not just repairs and maintenance that are affected by AI. In other parts of the aftermarket value chain, leading players are also rethinking how they deploy it. Rather than treating the technology simply as an efficiency tool, they are using it to improve pricing, demand forecasting, and scheduling. Wholesalers, for example, are using AI not only for dynamic components pricing but to automate the analysis of warranty claims and identify weak parts and shoddy installation work. Similarly, tier 1 suppliers are using AI-enabled tools to accurately identify parts and reduce the incidence of incorrect returns.

An AI-First Operating Model

To leverage AI’s full potential, players will need to move to an AI-first operating model. This is as much an organizational challenge as a technological one. AI-first means redesigning work around

human-AI collaboration, where agents handle execution and humans provide oversight and judgment. For aftermarket organizations, the starting point should involve identifying the biggest constraint in their operations—whether that's the accuracy of demand forecasts, technician scheduling, or customer communications—and applying AI to solve it. By tackling key pain points, an AI-first approach can transform the customer journey (see Exhibit 2). This approach works by relying on agents to do the heavy lifting, while humans provide oversight and problem solving if issues arise.

EXHIBIT 2

An AI-First Approach Can Help to Optimize the Customer Journey

Pain points and corresponding AI interventions along key aftersales touchpoints

Source: BCG analysis.

What Winning Looks Like

For repair shops, three core strengths will separate the winners from the rest: the technical depth to carry out higher-value, electrification-driven repairs; access to reliable sources of demand; and integration into the digital ecosystems through which demand flows. Scale will be important in helping organizations to get ahead. But even for players elsewhere along the value chain, adapting their position to reflect the market's evolving nature and integrating seamlessly into industry ecosystems will be paramount.

AI is set to be the common denominator in the industry's transformation, affecting all aftermarket players. Organizations that lack AI capabilities will be at a structural disadvantage. As well as enhancing players' performance, offerings, and competitiveness, AI will still be important in achieving operational excellence, given the sector's growing margin pressures and technical demands. However, companies will need to make changes in their operating models to benefit from the technology's positive compounding effects.

Given the evolving environment, different aftermarket player should adopt different strategies to flourish.

Wholesalers must become ecosystem orchestrators. Aftermarket wholesalers are well placed to play a central role in Europe's evolving aftermarket. But traditional distributors are under pressure from several directions and are in danger of being cut out of the value chain if they don't act. Low-cost players and e-commerce channels are intensifying price pressure and capturing a growing share of customer demand. Automotive OEMs, meanwhile, are building their own service ecosystems that do not depend on wholesalers. To thrive, wholesalers will need to become ecosystem enablers by building their own digital platforms, expanding into EV and electronic components, and strengthening relationships across the value chain.

Tier 1 suppliers should expand downstream. Tier 1 suppliers have an opportunity to expand into new areas, including new types of components, as well as connected diagnostics that leverage sensors to remotely assess vehicle health and anticipate issues. To do so, suppliers will need to build closer relationships across their customer base—with repair shops, wholesalers, and digital platforms—and create new technical capabilities. By moving downstream, they can diversify revenue pools, achieve closer proximity to how their parts perform in the field (creating valuable insights), and be in a stronger negotiating position with OEMs.

Automotive OEMs and authorized repairers must capitalize on their data advantage. OEMs and their networks of authorized repairers have key structural advantages that can't easily be replicated: customer relationships established at the point of sale, access to automobiles' service history, and vehicle connectivity through their digital products. They should use these advantages to make the service experience genuinely compelling by using AI and digital technologies for remote diagnostics and predictive maintenance. Authorized repairers should also consider expanding selectively outside their traditional channels. New OEMs, particularly from China, are entering European markets with limited aftersales infrastructure, creating partnership opportunities for authorized networks with strong capabilities and brands.

The Time to Act Is Now

The European aftermarket is in a state of transition, not decline. Volume is giving way to value and integrated ecosystems are replacing one-to-one transactional relationships. By 2035, the aftermarket will be more dependent on digital technologies, but also more concentrated than it is today. The power of fleets and insurers will increase, and access to customers will be channeled through digital platforms and AI-enabled interfaces.

Market dynamics will vary by geography. Countries in northern and western Europe with high EV penetration will feel the pressure on repair and maintenance volumes earliest and most acutely, with meaningful declines likely after 2030. The market trajectory in southern and eastern Europe will likely be slower, but the direction of travel will be the same.

In this environment, the basis of competition will evolve. While still important, scale alone will no longer determine success. Instead, players will need to combine operational strength with AI capabilities and build the customer relationships and ecosystem partnerships demanded by the new market structures. The companies that do are most likely to be the ones that look back at the current period as the moment they pulled ahead of the pack.

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