

# DIGITAL READINESS IS NOT A STRATEGY DURING UNCERTAINTY, IT IS SURVIVAL

Why GCC aftermarket is shifting from reactive to predictive service and data-driven ecosystems

Mobility | Middle East (GCC) & Global

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## 1- WHAT'S IMPACTED

### GLOBAL

- ▶ **Single chokepoint exposure:** Market size growth stress-tested as Hormuz closure caused a 95% drop in commercial transits; freight rates surged 3-4x. Demand for parts holds; ability to fulfill hasn't.
- ▶ **Aging fleets:** Average vehicle age ~12 years globally has compounded the urgency of parts supply disruption as the maintenance frequency rises as vehicles age.

### REGIONAL (ME)

- ▶ **Supply fragility:** ~85%-90% parts imported; Red Sea disruptions adding 10-15 days, spiking lead times.
- ▶ **Multiple SKUs:** 50+ active vehicle brands in GCC generate 100,000s of SKUs; inefficiency with manual cataloguing.
- ▶ **Digitalization gap:** Distributors managing multi-brand inventory report 25%-40% order error rates; also fuels counterfeit parts.

## 2- TEMPORARY SHIFTS

- ▶ **Buffer stocking:** Wholesalers & retailers panic-buying 60-90 day inventory leading to surge in warehousing costs.
- ▶ **Margin compression:** Workshops bearing the brunt of landed cost inflation as freight increases pass downstream; margins down by 10%-15%.
- ▶ **Supplier pivoting:** GCC buyers accelerating shift to Asian-origin parts (India, China) to cut lead times.

## 3- STRUCTURAL SHIFTS

- ▶ **Predictive triggers:** Early fault detection enables procurement planning advantage and lead time buffer, E.g. Solera; workshops investing in digital health check tools.
- ▶ **Demand forecasting through AI:** AI powered demand tools reduce the cost of holding larger safety stock, cutting importer dead stock by ~20%-25%.
- ▶ **Inspection digitalization:** GCC's mandated vehicle testing moving to automated, data-linked systems - gives real-time visibility into which parts are under stress/demand across the national fleet.

## 4- TAKEAWAYS BY STAKEHOLDER

### ENTERPRISES & WORKSHOPS

- ▶ **Digitize workshop operations:** Adopt AI-powered workshop management and e-inspection to reduce cycle times and build customer service histories.
- ▶ **Build long term data assets:** Telematics integration enables predictive maintenance, converting walk-in traffic into subscription-based service contracts.

### GOVERNMENTS / POLICYMAKERS

- ▶ **Import Traceability mandate:** Require digital parts traceability in GCC import and customs workflows.
- ▶ **Privatization of vehicle inspection:** UAE/KSA opening up creates a USD 500M opportunity, plus adjacent compliance tech.

## 5- INVESTMENT OUTLOOK

- ▶ **B2B procurement:** Digital parts marketplaces replacing phone/WhatsApp ordering; current adoption is in early stage.
- ▶ **Parts intelligence:** AI-powered multi-brand catalog platforms & inventory tools; reducing overstock and emergency airfreight spend.
- ▶ **Warranty tech:** Usage-based maintenance contracts tied to real-time health data.
- ▶ **Inspection tech:** UAE/KSA private players opening digital inspection and compliance platforms.

## Where does your organization stand?



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