



IS THE AGENCY MODEL WORTH SAVING?

A broken system or a misunderstood model? It's time to rethink what agencies really bring to the table.

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Abstract

Rewiring the Auto Industry: Can the Agency Model Really Drive Change?



Imagine a world where car manufacturers have completed **control over pricing, marketing, and customer data**. A world where dealerships evolve from intermediaries to **strategic partners in delivering unparalleled customer experiences**. This is the promise of the agency model in the automotive industry.

In our latest analysis, we delve into the transformative journey of leading brands, who have chosen to adopt the Agency Model for their new vehicle ranges. In contrast, some manufacturers have preferred to stick with the traditional dealership model, each with varying results.

Discover how these pioneers are overcoming challenges, leveraging new opportunities, and setting the stage for a future where mobility is redefined. Join us as we explore the origins, successes, and future strategies of the agency model, and learn how it is poised to become the cornerstone of the automotive industry's next chapter.

Our analysis is based on research sources from KPMG, as well as anonymized interviews with key players in the industry — both manufacturers and distributors — who are directly or indirectly impacted by the Agency Model. As the topic is subject to current events, the latest information dates back to early March at the latest.



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01

On the Road to Direct Sales: the Dream of Agency Model

Evolving Automotive Sales Models: from Indirect to Direct Approaches: The Agency Model

Sales models are essential for **guiding the customer journey from first contact to purchase**, with an emphasis on long-term relationship building, profitability optimization, and growth.

Each model raises challenges in terms of **control, costs, brand image management and customer relations**. Manufacturers must balance flexibility, costs and strategic alignment to choose the combination best suited to their objectives

Let's take a step back to the 19th century — the early days of the dealership distribution model.

Historically, OEMs (Original Equipment Manufacturers) have always relied on the dealer distribution model, a practice emerging in the late 19th and early 20th centuries. It started in the United States with brands like Waverley Electric and Ford Motor Company, especially with the rise of the iconic Ford Model T. It wasn't until after World War I that this model spread across Europe with manufacturers such as Renault, Peugeot, and Mercedes-Benz. **The boom in mass production led to establishing specialized dealerships capable of not only selling vehicles but also providing maintenance services, meeting the growing demands of an expanding automotive market.**

The traditional dealership distribution model, as we know it today, has not changed much over time. **It allows OEMs to partner with dealerships, leveraging dealers' reputations, local expertise, and established customer relationships. This approach offers liquidity, cost-effective distribution, and enables OEMs to concentrate on product innovation without the need to manage inventory or retail operations.** While the dealership model has been dominant for over a century, allowing manufacturers to reach a broad audience through local partners, it has revealed certain limitations in the digital age.

Meanwhile, consumer expectations are shifting toward greater transparency, personalization, and speed, gradually paving the way for more direct distribution models to emerge.

Tesla disrupted the market in the early 2000s by introducing a direct-to-consumer distribution model.

Tesla is widely recognized as the catalyst for this shift. As early as 2008, with the launch of its first model, Tesla adopted a **direct sales model, eliminating intermediary dealerships in favor of showrooms and online stores. Such a model enables OEMs to interact directly with customers through online platforms and exclusive retail locations, while bypassing traditional dealers.**

This approach gives OEMs full control over pricing, marketing, and customer data, allowing them to manage the entire sales process more effectively and unlock additional sales opportunities throughout the customer lifecycle.

The direct sales approach marked a significant break from the traditional model, demonstrating that direct sales could be successful on a large scale for an automaker.

As a result, traditional OEMs are increasingly reevaluating indirect sales models in favor of direct sales, aiming to better align with market dynamics such as digitalization, electrification, rising competition, evolving consumer preferences, and the shift towards Mobility as a Service (MaaS), all while pursuing enhanced profitability.

Direct Sales Models in a nutshell

- No intermediary dealership
- Showrooms and online sales
- Full control over pricing, marketing, and customer data
- Better management of the entire sales cycle

A new era in distribution: the Agent Model is redefining who owns the customer.

The Agency Model redefines the relationships between automotive manufacturers (OEMs), dealership networks, and customers by restructuring traditional roles and responsibilities.

Unlike the traditional dealership model, where dealers purchase and resell vehicles, the Agency Model positions OEMs as direct sellers. This allows OEMs **to control pricing, margin strategies, and residual value management**, while retaining ownership of the vehicles until they are sold to the end customer via their National Sales Company (NSC). This strategy is also strongly focused on **enhancing the customer experience and improving database management**, leveraging opportunities in digitalization, communication, and the integration of offline and online channels. This unified approach enables a better understanding of future consumer needs. In short, the Agency Model allows for long-term impact across the entire value chain.

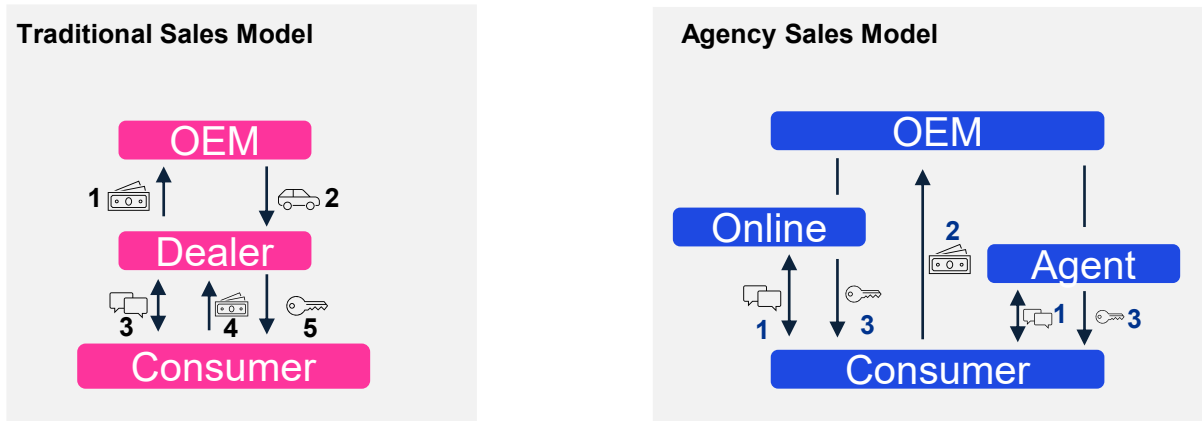


Figure 1 : Consumer purchase path and definition of roles and responsibilities between the Agency Model & Dealership distribution models

For dealerships, which become agents, this shift reduces the commercial risks associated with inventory acquisition and allows them to focus on complementary services and customer relationships. However, it also results in a loss of flexibility in pricing and margins.

The Agency Model can also be adapted in different extents for an OEM, through what is known as the "non-genuine" model, which ensures modularity in activities and provides partners with flexibility in allocating responsibilities.

	Customer touchpoints									
	Pre-sale			Sale				Aftersales		
	Offline interface	Online interface	Test drive	Negotiations	Adjacent services	Financial services	Billing & invoicing	S&M (physical)	S&M (OTA)	Battery mgmt
D2C	~		~			~		✓	~	
Agency	✓		~	~	~	~		✓	~	~
Dealership	✓	✓	✓	✓	✓	✓	✓	✓	~	~
Customer touchpoint level of importance	↘	↗	↘	↘	↗	↗	→	↘	↗	↗

✓ In control of the partner ~ Limited partnership control or dependant on preferred model by OEM

Figure 2 : Overview of the customer journey across different retail models (Source: Company websites, interview programs, KPMG analysis)



02

The Wisdom of the OEMs Who Never Shifted their Strategy

Challenges and Shifts of the Agency Sales Models adoption

Mercedes-Benz was one of the traditional automakers pioneers to officially adopt the Agency Model for its new electric vehicle lineup in 2021. Prior to this, discussions and experiments had already taken place within the industry, but Mercedes-Benz truly initiated a movement toward broader and more structured adoption.

It only took a few months before other manufacturers such as Stellantis (Peugeot, Citroën, DS Automobiles), Volkswagen, and BMW announced revising their distribution strategies and experimenting with or adopting this model on an incremental basis, relying on progressive implementation at the geographical, automotive group, and/or vehicle range level.

Nevertheless, early experiences reveal OEMs are struggling to turn their traditional distribution model into a successful Agency Model strategy with different level of success so far.

Let's try to understand where automakers stand today in their automotive distribution strategy.

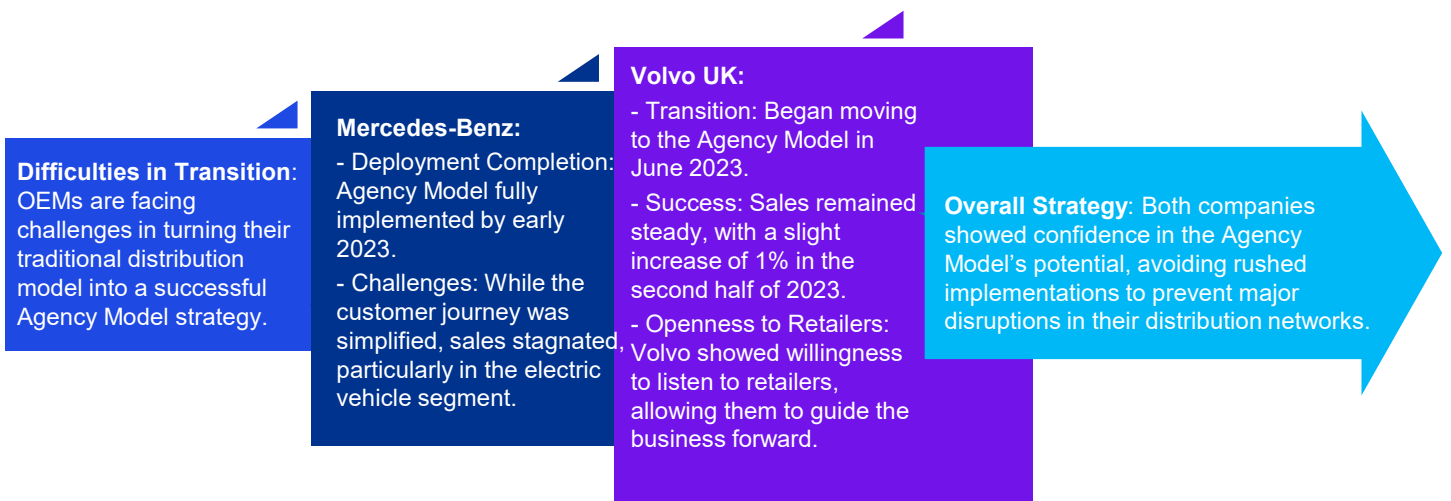


True believers in Agency Model transformation

Mercedes-Benz completed the deployment of its Agency Model in early 2023, but initial feedback revealed significant challenges. Although the brand is satisfied with the simplification of the customer journey, the implementation has resulted in **stagnant sales**, particularly noticeable in the electric vehicle segment.

A similar situation has been observed at **Volvo UK**, which began transitioning to this model in June 2023 and has shown a willingness to listen to retailers, demonstrating openness to letting them drive their businesses forward. As a result, passenger-car sales remained steady and experienced a **slight increase of 1%** in H2 2023.

Altogether, **the adjustments made by these two automakers to ensure the shift reflect a clear confidence in the potential of the Agency Model.** They have been vigilant not to rush implementations that could have caused major disruptions in their distribution network.



A transition to an Agency distribution model paved with obstacles...

Despite their confidence in the potential of the Agency Model transition, both Mini and Volkswagen have faced delays in deploying their strategy across Europe, influenced by logistical difficulties, heavy processes to be revised, negotiations with dealers, and strategic adjustments based on feedback from other brands.

The Agency Model was adopted by **Mini** in France on January 1, 2024, following its deployment in Italy, Poland, Sweden, Norway, and Finland. New or nearly new cars are now sold through the Agency Model within the brand's dealership network. **The model is viable**, but requires strong support, particularly in terms of governance, tools, and training/defining the agents' roles. Since day one, Mini has notably **relied on high-performing IT systems at launch** (with the necessary costs and investments carefully considered in advance), but also, and more importantly, on **a coherent market positioning** in terms of pricing in France. The combination of these two factors, along **with a particular focus on continuing to address launch issues**, has greatly contributed to the viability of this model. This is also reflected in the commercial performance, as the number of vehicles sold through the Agency Model has been steadily increasing since its deployment, with figures aligning closely with those from Mini's record year in 2021. The changes regarding the customer experience are also well-received by consumers, with uniform pricing reducing negotiation and a general time-saving benefit shared with the distributor.

For Volkswagen, the delays are more complex, involving various adjustments to the deployment roadmap, particularly for their key brands such as Audi, Seat, and Skoda. The brand has faced resistance from dealers, concerned about the loss of commercial flexibility and potential impact on margins.

Volkswagen started with the Agency Model for certain electric vehicles and has firstly postponed the transition for other segments until 2025 and 2026. Nevertheless, Volkswagen Group has taken an additional step by questioning the transition to the Agency Model for 100% electric vehicles. **The Group is now evaluating the benefits of reverting to an indirect sales model in the short to medium term for this segment.** However, Volkswagen Group confirmed in December 2025 that they would end the sale of EV under the agency model for all customers in Europe.

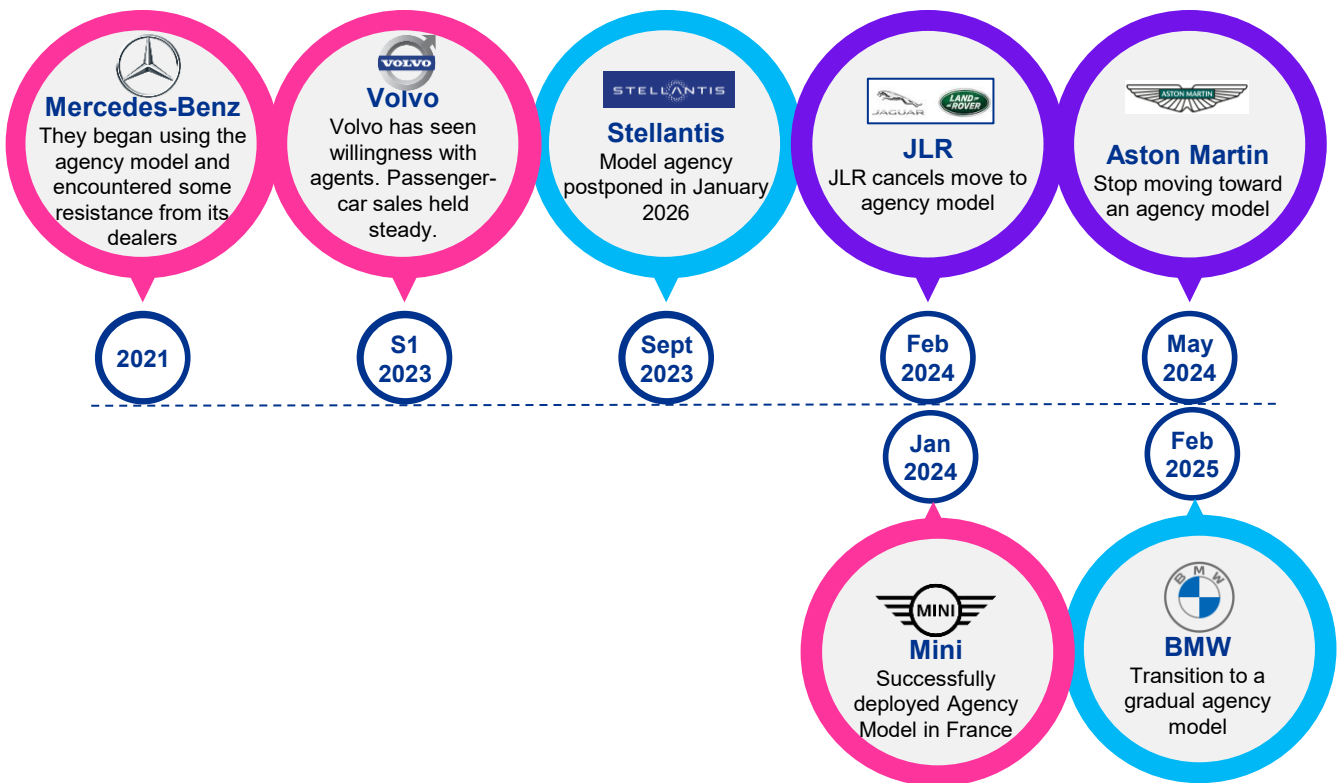
The Stellantis group, on the other hand, is starting to show signs of stepping back from adopting the Agency Model. Indeed, the group has already faced several delays in deployments across Europe. As it was initially scheduled for implementation in 2023 for premium brands such as Alfa Romeo, DS, and Jeep, the timeline has been pushed back several times due to operational and technical challenges. These delays are mainly attributed to issues with system integration encountered during pilot phases in countries such as Austria, Belgium, Luxembourg, and the Netherlands. In light of these challenges, Stellantis has opted to reevaluate its strategy.

Rather than rolling out the Agency Model brand by brand in a progressive manner, the manufacturer now plans to **transition its brands to this model by the end of 2026. This decision aims to minimize complexities and ensure a smoother transition for its dealer partners.** Lastly, Jean-Philippe Imparato, Head of Stellantis Europe, has become increasingly cautious in his communication about the Agency Model and stated at the Paris Motor Show that he "will not impose the Agency Model."

..sometimes fatal, leading to a halt in the transformation and a return to the original distribution model.

Meanwhile, several other brands, such as Jaguar Land Rover, Aston Martin, and Lotus, have completely abandoned their rollout toward the Agency Model. Lotus, for instance, decided to discontinue the Agency Model and revert to a franchised retailing approach. This decision was driven by system disruptions that caused extended delivery times and declining customer satisfaction. Equally, Aston Martin dismissed the Agency sales Model, perceiving it as reducing car dealers to 'prep centers' rather than integral participants in the sales process.

BMW announced at the **2025 IAA Mobility in Munich** its **transition to the agency model**. Initially planned for 2026, the rollout has now been postponed to 2027. According to the group, this delay results from adjustments aimed at ensuring both a swift implementation and an optimal operational excellence. At BMW, the shift to the agency model is expected to follow a **gradual approach**, as is already the case at MINI. Having **already implemented** this model with MINI, the group anticipates the challenges and pitfalls that such a transition may occur

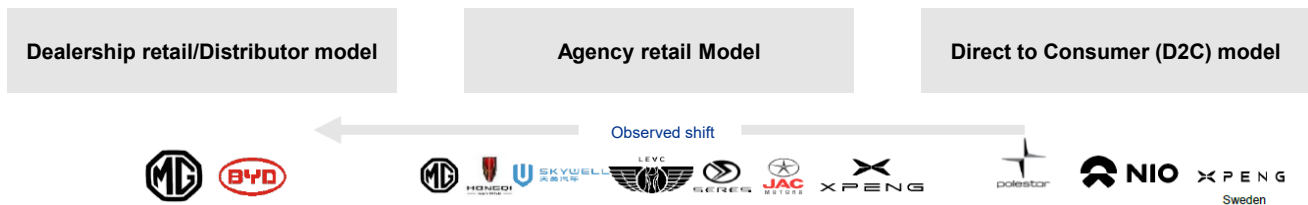


One's misfortune is another's gain: an opportunity for automakers who have intentionally decided not to go down that path...

However, **not all OEMs were inclined to transition to an Agency Model distribution strategy**. Historical players such as **Renault, Toyota, and Hyundai have chosen to retain their traditional dealership models for the foreseeable future**, a decision that highlights the struggles their competitors are facing. **Dealers continue to play a crucial role in maintaining customer satisfaction and enhancing brand perception**. OEMs also emphasize the trust-based relationships with their dealers, which they believe are worth the investment, rather than risking the large inventory costs associated with direct sales models. Luca de Meo, ex CEO of Renault, has highlighted the complexity and risks of this model in a diversified market, while carefully monitoring the performance of brands that have already implemented it.

...an opportunity that Chinese automakers, eager for European market share, are quick to seize!

Furthermore, **several new market entrants, including Chinese brands MG and BYD, have intentionally opted for and successfully implemented the traditional dealership model in Europe**. Their established dealer networks across the continent have positioned them as strong competitors, enabling newcomers to capture market share while continuing to outpace local competitors. In contrast to Tesla's direct-to-consumer approach, these brands have opted for a different Go-To-Market strategy by heavily investing in expanding their sales force within dealerships. This approach has proven effective, as **it allows these companies to leverage the established infrastructure of local dealerships, creating a wider physical presence and improving accessibility to customers**. Given the current market situation, dealerships are increasingly open to welcoming new brands and optimizing their spaces by offering new models and expanded product ranges. Many dealers see newcomers' strategy as an opportunity to diversify their offerings and maximize their showroom potential. It creates a favorable environment for new Chinese OEMs to quickly gain traction and carve out their share of the market. For instance, MG has already established over 180 sales points in France building a robust market presence and a strong brand awareness.





03

Breaking the Illusion

What lessons can we learn from the current situation regarding OEMs' rollout of the Agency Model?

The move towards a more direct distribution model is anticipated to gain momentum in the coming years, with an increase in online sales, digital showrooms, and home services. Brands are expected to continue to adopt hybrid models, combining direct sales and partnerships with agents to optimize the customer experience.

Such a distribution model in the automotive industry addresses the current needs of consumers for more transparency, convenience, and control. This transformation is underway, but it is already redefining the relationship between manufacturers and customers, enhancing the car-buying experience to be more user/customer centric and innovative. Several deployment strategies can already be observed within the industry, with some groups leaning toward a full transition to the Agency Model by brand, as seen with BMW, while others adopt a gradual approach, transitioning incrementally across different ranges. Both strategies, however, start to raise concerns about brand fatigue due to the prolonged and complex transition.

Considering the initial insights of OEMs' positions, one might then question whether these early attempts signify the onset of failure. The initial feedback is very mixed, with significant concerns from dealerships who believe the model limits flexibility and negotiation levers, directly impacting the customer experience and overall sales.



Tensions with dealers, exacerbated by **uncertainties over margins** and **new contractual terms**, play a significant role in the delays. For instance, Mercedes-Benz has faced resistance from its dealers, who even came together to take legal action during their rollout in Australia. Faced with the same issues, Stellantis ultimately adopted a more collaborative approach with its partners to adjust the terms and better align the interests of all stakeholders before large-scale implementation. There is a **real change management challenge** that OEMs need to address with dealers to ensure their network follows and is committed to the transformation. As a result, **dealers have heavily invested in their infrastructure and fear losing part of their entrepreneurship, business and margins**. Most of the time, they have not anticipated such a transformation in their roles. All the work carried out by dealerships in a traditional distribution strategy is often underestimated and/or poorly analyzed ahead of the transformation.

Customer experience and overall sales are often impacted as well. While the Agency Model can simplify the customer journey, it has not always been positively perceived. The challenge of selling a model without intermediary dealerships, combined with fewer incentives and increasingly less favorable regulations, may indirectly lead to a decline in EV sales. **From a customer perspective, dynamic pricing and competitive promotional offers are often decisive**. Beyond customers who are deeply loyal to a brand, the purchasing decision is heavily influenced by the opportunity to benefit from more competitive prices for a similar vehicle of a different brand at another dealership.



Being a consumer also means **having expectations shaped by one’s culture, country, and habits**. For instance, France is a country with a strong culture of negotiation and a deep attachment/loyalty to the relationship with the dealer — often the same one serving generations within a family. The purchase process, “getting started”, vehicle delivery, and test drives are also meaningful experiences that many consumers expect to find as part of their journey at the dealership. This is why the deployment of the Agency Model must be rigorously assessed considering the cultural context of the target country or region.

The rollout of the Agency Model can significantly **impact the residual value of vehicles, primarily due to several risks related to market perception and price management**. A misalignment of prices with local supply and demand dynamics, coupled with accelerated vehicle depreciation, could lead to a perception of overvaluation. This would impact the entire used car market that is highly influenced by centralized price management and increased transparency.

Consumers might foresee a more challenging or less competitive resale market for used vehicles, causing some vehicles to lose their appeal on the secondary market. Moreover, customers may prefer to wait for direct promotions from manufacturers or choose alternatives like long-term leasing or competing brands if residual values are perceived as low. This impact can be especially significant depending on the market positioning of the product range concerned by the Agency Model — from mainstream to premium, and across EV, HEV, PHEV, or ICE segments.

The robustness and maturity of technical tools and software are crucial success factors for OEMs, in addition to having top-tier sales forces. These elements enable large-scale transformation and ensure the effective deployment of their distribution strategy under the Agency Model. German-owned OEMs, (Mercedes-Benz, Volkswagen, BMW), are the furthest along in this transformation own the most robust tools. In contrast, Stellantis has experienced delays primarily due to system integration issues. In Belgium, Stellantis’ sales have also halved since the implementation of the agency contract, and the group is determined to resolve the issues encountered during the pilot phase and regain stability before making further decisions on the roll out.

Amid numerous Human Resources challenges in the automotive industry, including workforce freezes and reductions, **the rollout of the Agency Model incurs hidden costs in recruiting specialists to ensure successful deployment**. Additionally, insights from both dealers and OEMs highlight significant challenges related to Contractual and Tax Regulations in the Agency Model Transformation. Brands express a need for expert assistance to support the transition, as each region has its own regulations that may protect the dealership model to varying degrees, limiting manufacturers’ ability to sell directly to customers.

Ensuring that all the addressed topics are covered is merely a prerequisite for hoping to reap the benefits of such a transformation. Furthermore, the key success factors for the successful rollout of the Agency Model for OEMs remain challenging. **These factors can depend on several variables including: brand’s type, product range, maturity and reach of its distribution network, region of deployment, maturity of tools, and deployment strategy.**



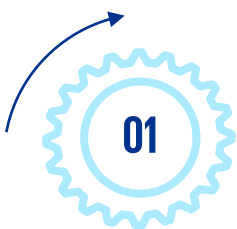
04

Time to Face the Gaps: key areas for improvement & opportunities to consider

Where do we go from here? Key areas for opportunities & improvements

It seems increasingly unlikely that the Agency Model is the right one transformation strategy at present. At a time when the key success factors are so numerous, localized by region, liaised with corporate culture, the scope of transformation and the costs involved are so substantial, it's legitimate to ask whether brands that have begun this transition are not doomed to complete it.

For them, we can nevertheless support OEMs and dealers in better engaging their transition to **an hybrid approach** that could represent a relevant solution. It would allow both OEMs and distributors to benefit from an optimized customer journey by leveraging several levers. In parallel, brands that haven't made the transition can decide also benefits from these opportunities for their sales strategy.



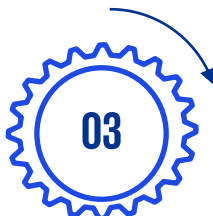
Increased standardization of sales procedures

Establish brand-driven service standards to ensure a consistent experience across the distribution network. Invest in dealer training to harmonize customer interactions with OEM expectations.



Shared data between OEMs and distributors

Implement shared CRM systems, enabling effective coordination of marketing and sales actions. Provide distributors with customer insights to enable them to further personalize their exchanges.



Unified digital sales platform

Develop a unified digital platform integrating dealer systems to enable real-time management of inventory, financing and offers. Guarantee seamless continuity between online requests and dealership interactions to enrich the customer experience.

All things considered, **the adoption of the Agency Model within the automotive industry cannot be reduced as a one-size-fits-all solution**. Its consistency depends mainly on how well the transition stage is being handled as well as the strategic positioning the OEM is aiming at.

For those who have already integrated and deployed this new distribution model, there is no turning back. The challenge now lies in making the most of it, refining its implementation, and unlocking the true benefits for all the stakeholders including the network. **For OEMs that have decided to only implement it to a reduced scope** (specific range or sales channel), **the focus should remain on strengthening this experience**, carefully assessing the outcomes, and avoiding premature expansion to other product lines. **For those who have not yet transitioned toward this new distribution model, it seems more prudent to carefully assess the related consequences prior jumping into it**. Risks and uncertainties around value creation have forced some competitors to head back to the traditional distribution model.

Across all scenarios, success depends on learning from past experiences, recognizing the pitfalls already encountered, and stay aware of market (network and client) signals. The future of the Agency Model does not lie in uniform adoption but in a differentiated and pragmatic approach.



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