

Background | DMS provider Keyloop makes a power play

Keyloop • DMS systems provider Keyloop, known among other things for Autoline, changed the terms for its external partners in May. This has caused concern in the market, as Keyloop is demanding higher payments for integrations with its platform.

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4 July 2023 - 10:53 | Last updated: 4 July 2023 - 12:57

Keyloop changes the rules of the game

DMS provider Keyloop, known for systems such as **Autoline** and **Eva**, shook up this year a market traditionally characterised by stability. Changes in the DMS world are normally linked to acquisitions. Until two years ago, Keyloop operated under the name **CDK**, and seven years earlier it was part of **ADP**, the company specialising in payroll solutions.

In recent years, the business model of DMS providers has come under pressure. In the past, the DMS provided virtually every service a dealership needed. Today, dozens of specialist companies offer specific solutions for different processes. At the same time, large customers such as importers and dealer groups have managed to negotiate more favourable terms and lower fees.

While **Imaweb**, provider of **I'Car**, chose to expand its product offering, Keyloop selected a different strategy. The company has decided to charge external providers that connect their solutions to the DMS through Keyloop's API - such as workshop software, planning tools or lead-management systems - a commission of up to **30% of the revenue generated through Keyloop**.

This API prevents dealers from having to enter the same information several times. However, several providers told *AM*, on condition of anonymity, that Keyloop is also demanding access to their accounts and the signing of strict confidentiality agreements.

"Necessary"

Keyloop Benelux declined to comment on the new contractual terms. Speaking to the US publication *AM Online*, Chief Alliances Officer Megan Harvey said the changes were necessary.

"We have created a new partner ecosystem to ensure secure data flows and deliver the best possible experience to our customers. Some partners were bypassing our IT infrastructure because they did not want to pay our fees, which was having a negative impact on the user experience. Now every partner pays for a single API and can offer all its products through it."

Under the new model, Keyloop charges between **20% and 30%** of the revenue that passes through the DMS.

According to Harvey:

"For many partners, this does not represent a significant change in costs. Apple charges 30% and Salesforce 25%, so our compensation is in line with what is standard in the digital sector."

She also said that no partner had ended its relationship with Keyloop.

Discontent in the market

Neither Keyloop's Dutch partners nor its Dutch customers were willing to comment publicly on the policy change. Off the record, however, there is considerable dissatisfaction.

Several providers describe the new terms as "**ridiculous**", although they acknowledge that Keyloop's dominant position leaves them with few alternatives.

"We have no choice but to pass this loss of margin on to dealers," one of them said.

In practice, this means that prices would not need to rise by 30%, but by almost **40%**, because the corresponding percentage must also be paid to Keyloop on the additional revenue.

A market dominated by a few players

The DMS market is controlled by a small number of large providers. According to several sources, **Keyloop** is the market leader, followed by **Imaweb** (I'Car). The other two relevant players are **Incadea** and **Wincar**, the latter being the only major Dutch provider and counting **Ford** among its main customers.

Because of industry consolidation, many large dealer groups currently work with several DMS providers, although some brands maintain exclusive agreements with a single provider.

DMS providers obtain most of their revenue from the licence fees paid by dealers, normally on a per-user basis. Changing providers is a complex and costly process, creating a significant barrier to exit. As a result, many dealers have used the same system for decades.

Criticism of the Apple comparison

The criticism is not limited to companies that connect directly through the API. Keyloop's own partners may also be required to pay a commission on their revenue.

One of them said:

"Comparing itself with Apple is simply ridiculous. Apple actively helps generate sales and only charges the end customer a commission, not the provider. Keyloop had no role in creating our commercial relationships and, on top of that, it already charges users licence fees."

Discussions are currently continuing between Keyloop, its partners, prospective partners, dealers and industry associations.

Because changing DMS provider is complicated and some brands work exclusively with Keyloop, most parties will probably end up accepting the new terms. However, several voices believe Keyloop risks abusing its dominant position.

At brands such as **BMW** and **Volkswagen** - where **Pon** negotiates the contracts - there is concern about Keyloop's growing power and the risk that dealers themselves will ultimately bear the cost increases.

A major BMW dealer said:

"If Keyloop believes it can impose policies of this kind because of its dominant position, it will inevitably provoke a reaction. With the arrival of the new agency model, we are looking for ways to regain greater control over our own data. This combination of circumstances is forcing us to reconsider all our decisions."

Two different strategies

The rapid consolidation of the industry is forcing DMS providers to look for new sources of revenue.

Keyloop has chosen a model based on charging commissions to technology partners.

By contrast, **Imaweb** has decided to broaden its product portfolio, explains its chief executive, **Oscar Derksen**.

"Large dealer groups are continuing to grow, and we want to grow with them. Our DMS remains the main platform, but we are offering an increasing number of our own digital solutions, such as photography tools supported by artificial intelligence."

Derksen believes opportunities exist wherever the market still leaves room for innovation.

"We are constantly looking for innovative companies that we can bring into our group. In principle, we do not develop new services ourselves. After an acquisition, we allow the existing teams to continue developing and integrating their solutions into our DMS platforms."

Imaweb sees significant potential in **Digital Dealer Solutions (DDS)**, including digital marketing, online reputation management and the application of artificial intelligence in different areas.

In addition to intelligent photo editing, the company has developed **Inspect**, a tool that scans a vehicle, automatically detects dents and scratches, and generates an estimate of the repair cost.