

# AAAA Dashboard Q1 2018



# The voice of the independent aftermarket in Australia

Welcome to the Q1 2018 Edition of the Aftermarket Dashboard, a quarterly information service for members of the AAAA.

This industry publication captures useful statistical and related data, as indicators of the unfolding trends and health of the automotive aftermarket industry, and has been designed to provide regular insight on our industry.

We value your suggestions for improvement or feedback regarding content.

Data sourced from VFACTS New Car Sales Data, ABS Motor Vehicle Census, ACA Research Survey of Mechanical Workshops

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# 1. Current State of the Market

# Australian Economic Indicators

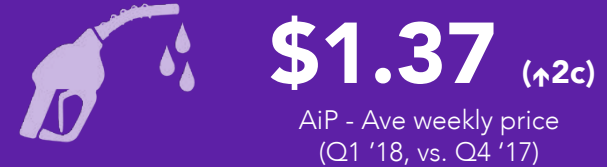
## Consumer Confidence



## Business Confidence



## Fuel Prices



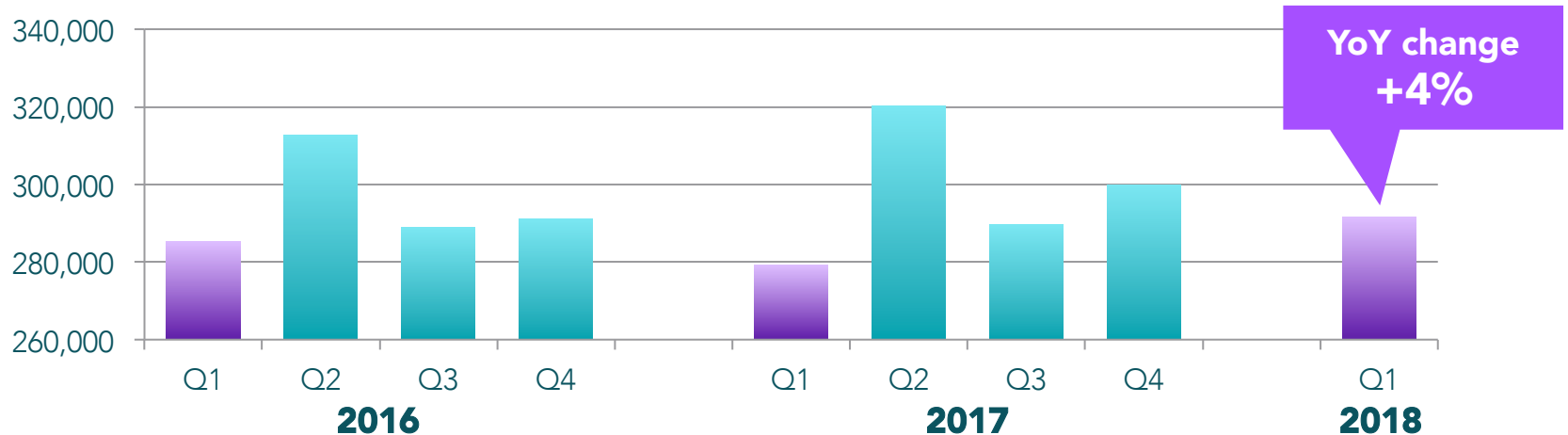
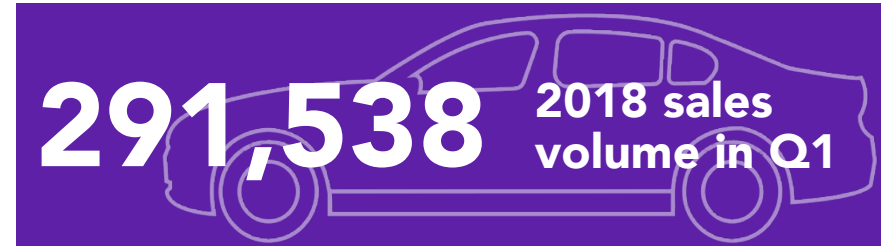
Despite consumer confidence continuing to trend up, it remains low by historic standards. The Australian public remain worried about global uncertainty, and the impact it will potentially have on local economic conditions.

Business confidence continues to rise, recording the best first quarter since 2014. While there are still some concerns about the economy, businesses are much more positive than consumers about their current (and future) position.

Australian fuel prices maintained the increases we saw in late 2017, with the quarterly average up another 2c on the recent peak. With national fuel reserves sitting at record lows, prices are also likely to increase again in the short to medium term.

# New Car Sales By Quarter

New car sales have increased by more than 12,000 units compared to Q1 2017 (4% year on year growth). Maintaining this pace could see 334,000 vehicles sold in Q2, and put the market on track to hit 1.2m vehicles in 2018.



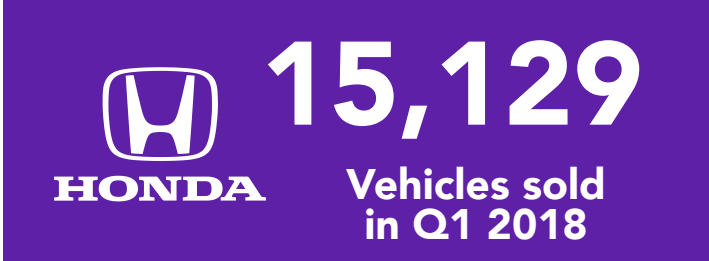
# New Car Sales By State

While share of total sales remains largely consistent, Victoria and the ACT recorded the strongest year on year gains, both increasing by 9% compared to Q1 2017. All other states except NSW recorded gains, with the nation's largest market remaining flat year on year.

| State                                       | Q1 Volume | % Chng (YoY) | Q1 Share |
|---|-----------|--------------|----------|
| New South Wales                             | 95,001    | 0%           | 33%      |
| Victoria                                    | 85,517    | 9%           | 29%      |
| Queensland                                  | 57,353    | 5%           | 20%      |
| Western Australia                           | 24,498    | 5%           | 8%       |
| South Australia                             | 17,311    | 3%           | 6%       |
| Australian Capital Territory <sup>↑</sup> 1 | 4,955     | 9%           | 2%       |
| Tasmania <sup>↓</sup> 1                     | 4,411     | 5%           | 2%       |
| Northern Territory                          | 2,492     | 6%           | 1%       |
| TOTAL                                       | 291,538   | 4%           |          |

# New Car Sales By Marque

| Q1 Rank          | Make       | Q1 Volume      | % Chng YoY | Q1 Share |
|------------------|------------|----------------|------------|----------|
| 1                | Toyota     | 52,465         | 8%         | 18%      |
| 2                | Mazda      | 29,749         | -2%        | 10%      |
| 3                | Hyundai    | 23,568         | 5%         | 8%       |
| 4 <sup>↑2</sup>  | Mitsubishi | 21,215         | 15%        | 7%       |
| 5                | Ford       | 18,391         | 0%         | 6%       |
| 6 <sup>↑1</sup>  | Nissan     | 15,761         | 5%         | 5%       |
| 7 <sup>↓3</sup>  | Holden     | 15,524         | -23%       | 5%       |
| 8 <sup>↑4</sup>  | Honda      | 15,129         | 55%        | 5%       |
| 9                | Kia        | 14,279         | 11%        | 5%       |
| 10 <sup>↓2</sup> | Volkswagen | 13,787         | 0%         | 5%       |
| <b>TOTAL</b>     |            | <b>299,948</b> | <b>4%</b>  |          |



**HONDA** **15,129**  
Vehicles sold in Q1 2018

Toyota again remains at the top of the brand charts, selling over 50,000 vehicles in the first quarter of 2018. This includes 8% YoY growth, demonstrating the continued strength of the brand.

Big movers in Q1 were Mitsubishi (up 2 spots), Nissan (up 1 spot), and Honda (up 4 spots), with Honda increasing its sales an impressive 55% compared to Q1 2017.

On the other end of the scale, Holden has fallen down the leader board, dropping three places compared to the start of 2017. Its current position just 395 units ahead of Honda leaves it at risk of further decline, with 9<sup>th</sup> placed Kia also setting aggressive growth targets as it chases 10% of the Australian light-commercial pick-up market.

*Plans for Kia's pick-up well advanced, but still needs head office approval... read more*



## 2. Servicing Insights

Proprietary AAAA  
research results



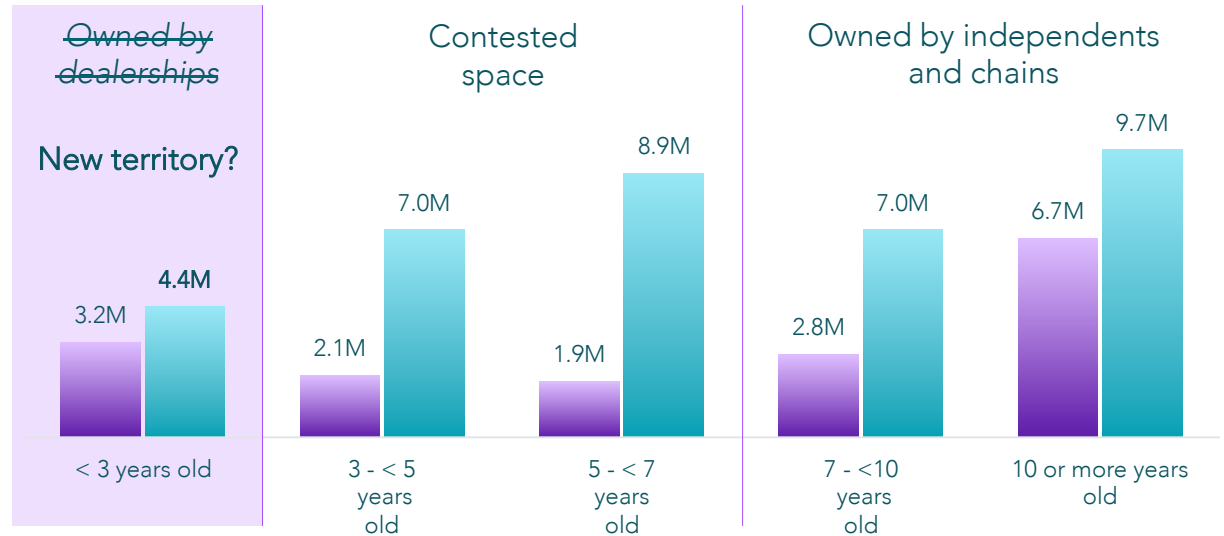
# Vehicles Seen By Workshops

Car Parc  
(million vehicles)

Seen by independents  
and chains  
(million vehicles)

There are more than 16 million vehicles in the Australian car parc, with independent and chain workshops recording more than 35 million visits each year (servicing, pink slips, repairs, tyres, etc).

We typically assume this is largely older vehicles, but 4.4m of these visits involved vehicles aged under 3 years old. With another 16m visits involving vehicles aged 3 – 7 years old, this highlights the trust many Australian consumers have in their local independent or chain workshop.



# Reasons For Choosing Independents & Chains



Cheaper  
than the  
dealership



Close by /  
convenient



Better  
quality



Loyalty



Friendly /  
welcoming



Both mechanics and consumers agree that the main reasons for selecting an independent or chain workshop include price, the quality of the service, loyalty to a particular mechanic, and the friendly or welcoming workshop environment.

One key difference is the value consumers place on finding a conveniently located workshop that's easy for them to access. This highlights the importance of local area marketing and knowledge for workshop owners and operators.

# Perceptions Of Servicing Costs

% Agreeing that this type of workshop 'is expensive'

Exploring price in more detail, we see that mechanics and consumers both see dealership service centres as much more likely to be expensive than independent workshops.

This highlights the fact that while we saw price as a key reason for choosing independent mechanics and chains on the last page, this shouldn't mean 'lowest prices', but could instead be interpreted as 'competitive prices', or even 'cheaper than dealerships'.



Mechanic's view



Consumer's view

|                           |     |     |
|---------------------------|-----|-----|
| Independent mechanic      | 7%  | 33% |
| Dealership service centre | 87% | 83% |

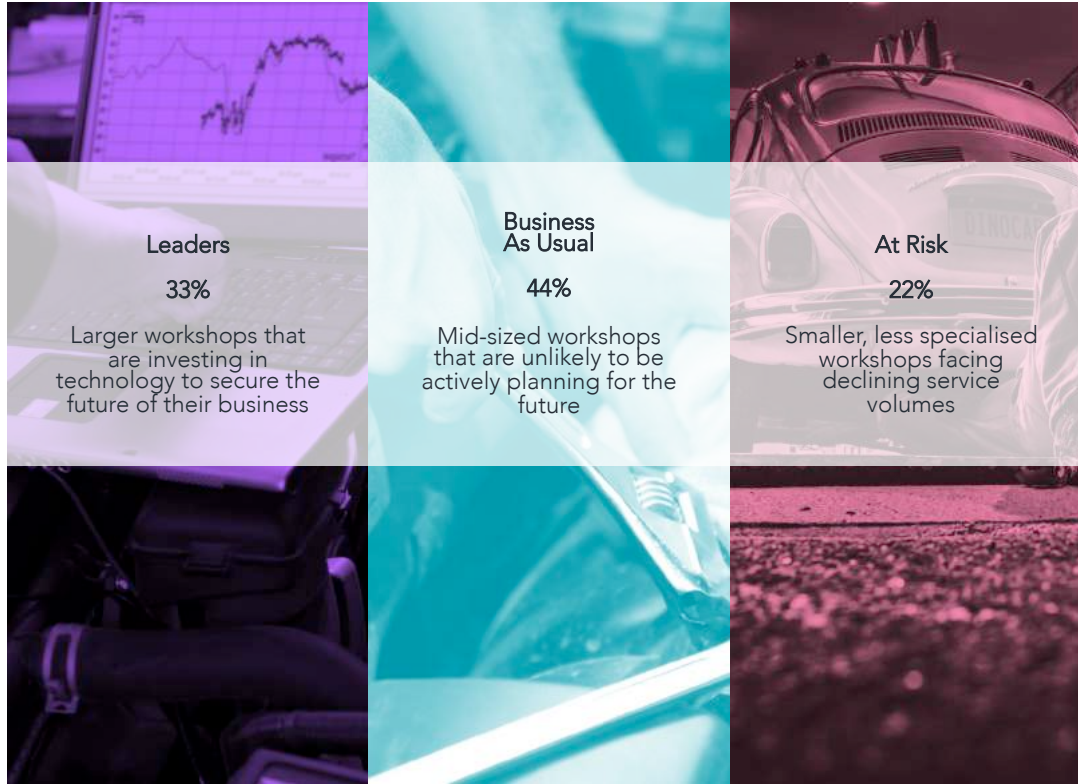
More than  
**8 in 10**  
consumers rate  
dealer service  
centres as  
expensive



# 3. Workshop Insights

Proprietary AAAA  
research results

# Workshop Segments



One in three workshops are actively and successfully growing their business, recording growth in vehicles serviced over the last twelve months, and predicting further growth in the year ahead.

Many others are however continuing with business as usual, or even facing declines in the volume of vehicles they have been or expect to be servicing. This emphasises the need to fully use all available resources to secure the future of their business.

# Workshop Trends

Vehicles being serviced have become younger over the past five years...

All workshops

44%

Leaders

61%

Business  
As Usual

35%

At Risk

39%

Expect to see an increase in servicing vehicles under warranty...

All workshops

34%

Leaders

57%

Business  
As Usual

38%

At Risk

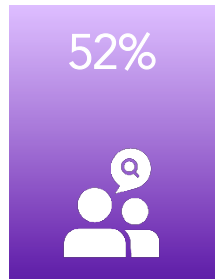
33%

Reflecting their greater level of investment in technology and training, Leaders are most effective at convincing consumers with new cars that they can competently services vehicles under warranty.

# Workshop Challenges

Across the board, labour shortages continue to impact independent and chain workshops, as they face issues finding and keeping good mechanics. Accessing technical information is also a challenge, although recent statements from the federal government and opposition around the importance of fair access are promising.

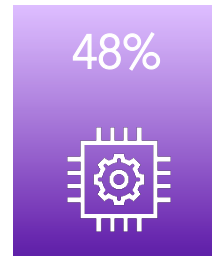
Other pressures include dealer workshops using capped price servicing to retain customers, and confusion around customer's ability to maintain their warranty if they go elsewhere, highlighting the ongoing need for consumer education in these key areas.



Attracting and retaining good mechanics



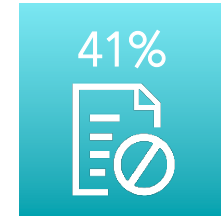
OEMs offering capped price servicing



Keeping up with new technologies in the latest vehicles



Getting access to technical repair and service information



Customers worried using an independent will void warranty

## 4. Industry Headlines

UTO NEWS

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(NA),



## AAA NEWS



### **ACCC backs independent repairers**

The Australian corporate watchdog has remained committed to working with auto industry bodies and the federal government aiming to resolve the contentious sharing of OEM technical information with independent repairers.



### **Mandatory Data Sharing Code a Major Priority**

The Hon. Michael Sukkar MP, Assistant Minister to the Treasurer, has left no doubt as to the priority that the Australian Government has placed on supporting the independent Australian automotive aftermarket industry, during his opening address at the Autocare 2018 Convention on Friday May 4.



### **Australia's 'religious' car servicing industry: GUD Holdings**

With Australia's new car industry now virtually non-existent, companies are now turning to the car care market and servicing sector, worth \$25 billion a year.



### **High-tech cars limiting independent mechanics**

Independent mechanics face an uncertain future as developing technology increasingly limits their ability to repair modern vehicles.

## AAA NEWS



### **Bapcor to entice Bangkok Toyota owners**

The first Burson automotive parts store to be opened in Thailand is being heavily stocked with Toyota parts because of the huge popularity of that brand in a country that is also one of the biggest manufacturers of utes in the world.



### **This auto play remains resilient to electric threat**

There are good reasons why automotive parts company Bapcor (ASX: BAP) made its first appearance on Morningstar's Best Stock Ideas last month.



### **Heavy Vehicle Disc Brake use tipped to increase**

Most heavy trucks on Australia's roads still run drum brakes but watch for the percentage of trucks utilising air disc brakes to potentially increase steadily in coming years.



### **Electric cars designed for China highlight of Beijing auto show**

Volkswagen and Nissan have unveiled electric cars designed for China at a Beijing auto show that highlights the growing importance of Chinese buyers for a technology seen as a key part of the global industry's future.





## About AAAA

The Australian Automotive Aftermarket Association, is the national industry association representing manufacturers, distributors, wholesalers, importers and retailers of automotive parts and accessories, tools and equipment, as well as providers of vehicle service, repair and modification services in Australia.

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## About ACA Research

With over 20 years of automotive experience, ACA Research has developed a detailed understanding of the automotive sector, Using this market knowledge, we design and deliver research that helps our clients understand and overcome their business issues, empowering them to move forward with confidence.

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