WORKSHOP BUSINESS CONFIDENCE STUDY NOW RELEASED

Hot on the heels of AAAA's detailed consumer insights survey, the results of the inaugural Automotive Workshop Business Confidence study are in

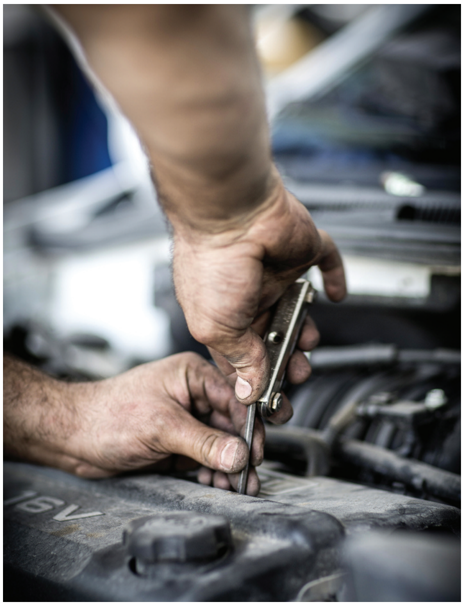
We are very pleased to be able to release the findings of another comprehensive study conducted for the AAAA on behalf of our members.

The inaugural Automotive Workshop Business Confidence study was independently conducted for the AAAA by ACA Research, and its findings follow quickly on from those of the detailed consumer insights survey which we shared with you in our last edition of *AAA Magazine*.

The point of this research was to assess the feelings of workshop owners and managers around business performance and management, as well as current and future trends in the market. Interviews were conducted via telephone between March 14 and April 27 of this year.

We were very pleased to hear that AAAA members reported they appreciate the information they receive from AAAA about the latest industry trends, and that they also value our action in lobbying for their interests. We will certainly continue fighting for you, and ensuring you have access to up to date information to make decisions about your business.

As with our consumer insights study, the full results of this Automotive Workshop Business Confidence survey are available free of charge to all AAAA members, however we wanted to cover off on some of the key highlights here. You can also read more about the report findings on page 11 of this magazine.



Who was surveyed

Two hundred and fifty independent Australian automotive service and repair workshop owners and senior management across Australia – including all states and a mix of metro and regional areas – took part, making it the first research study of this magnitude conducted by the AAAA. The majority had three or more service bays, and one in three workshops were servicing more than 120 vehicles a month, indicating a healthy level of demand.

Business performance

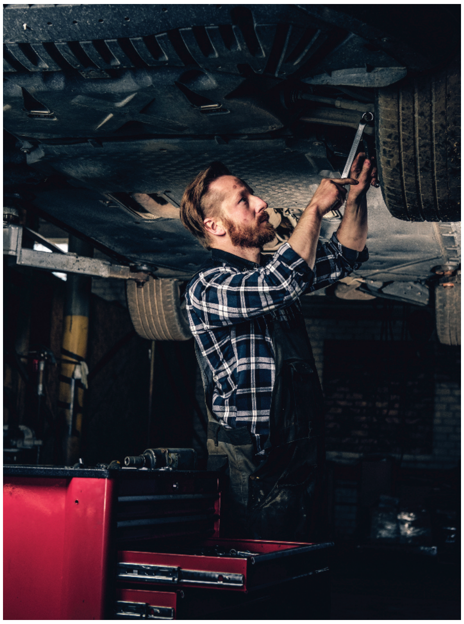
The research found that many workshop owners feel positive about the health of their business, with nearly eight in 10 stating their business has either maintained demand or enjoyed a growth over the past year. Overall it's a story of optimism; 44 percent reported an increase in the number of vehicles serviced in the last 12 months. About 20 percent of workshops were experiencing a year on year decrease – these are the workshops that are going to need additional services and support over the next five years if these workshops are going to remain viable in the medium term.

Looking to the future independent repairers are optimistic about the outlook for the year ahead, with just under half (48 percent) expecting demand to grow further while only six percent said they expected a decrease in demand. The rest (45 percent) noted they expect growth to be generally static in nature over the coming year.

Those that are expecting growth reported they felt this would be primarily driven through increased marketing efforts (21 percent) and building on positive recommendations (20 percent). The addition of more staff and/or expansion of the business was also noted as a possible driver of growth for 14 percent of respondents. It was positive to see that many of these workshop owners are actively working to create growth.

Are you a 'Leader', 'Business-as-Usual', or 'At Risk'?

ACA Research indexed previous growth against expected growth to identify three segments within the research sample; 'leaders', 'business-as-usual' and 'at risk'. From this data, almost half of Australian independent workshops are operating on a business-as-usual approach, while the leaders were more likely to be early adopters of market trends and more effective at generating higher levels of business activity within their workshops.



Profiling of these segments saw the leaders more likely to be larger businesses, whereas those in the at risk category were more likely to work in smaller operations found in metro areas, typically sourcing a higher proportion of their business from private customers.

Leaders and business-as-usual workshops appeared slightly more effective at picking up business customers. Leaders also tended to be younger, but were less likely to be the business owner. They also potentially have more structured administrative systems while employing higher numbers of qualified or apprentice mechanics.

Business Challenges

Attracting and retaining good mechanics, as well as keeping up-to-date with the latest technologies – including getting access to technical repair and service information – were noted amongst the most important challenges for workshops.

Staff retention was found to be a particularly important challenge for leaders, whereas 'at risk' workshops were more likely to be worried about competition from dealerships and a slowing economy. It was noted that independent workshops believe their expertise and quality customer service sets them apart from dealerships, which is why staff retention is so important.

It was common for those at risk to blame external factors for business decline, potentially indicating that they may not be taking action to overcome the issues they are facing.

Despite these challenges, almost half (43 percent) of business owners were not undertaking any active planning on how they will secure the future of their business. This lack of proactivity is concerning, with the mechanical services industry continuing to evolve at a rapid rate.

Thirty one percent noted they are investing in new technology, while 24 percent said they were trying to expand their business. Leaders were found to be more likely to have plans to achieve business growth, which could explain their greater optimism. At the same time, those at risk appeared to be focused on preparing for the worst.

When it came to using business performance metrics, one in four were found to have a job profit target, while slightly fewer set job utilisation targets. We believe setting targets for job profit and job utilisation will be important if workshops are to secure the business growth and profitability that they expect and need for the future.

When ACA Research reflected on businesses with active business planning, leaders were found to be more likely to be using targets to manage business performance and to be more strategic in preparing for the business growth they expect, particularly looking to utilisation targets.

Among those looking to exit their business, the majority were of the view that the business will be sold which assumes a level of interest in someone taking over the workshop although only a third were found to have an action plan in place. ACA Research warns that many of those without a plan may ultimately end up simply closing the workshop.

Two in five reported they own the land that their business is located on, with the land value found to be generally more than the business value. Those that did own the land were reported to be less likely to be motivated to sell.

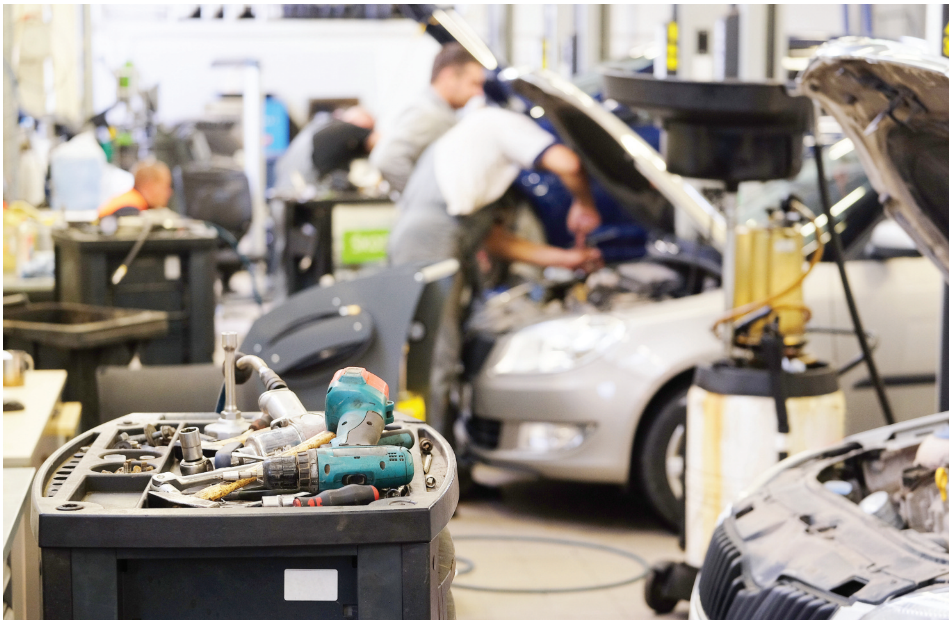
Specialisation and servicing trends

From the research study we can see that half of independent workshops claim a specialisation. Their speciality was found to be almost equally distributed between 4x4s (38 percent), diesel (36 percent) and European brands (34 percent). A further 10 percent specialised in hybrids/electric cars.

Interestingly, half of those who specialise claim to do so in three or more areas, suggesting their identification of 'specialisation' in these cases could be more of a marketing position than a genuine specialisation. Leaders were more likely to consider themselves specialists in a wider range of vehicles, and were found to be more confident than other segments when dealing with Euro brands and Hybrid/Electric vehicles.

Regardless of the actual level of specialisation, claimed expertise is an additional selling point that leaders may be using to attract more customers.

When it came to the types of vehicles increasing demand was reported for work on diesels, European brands and 4x4s, with these servicing demands reflecting the changing profile of the Australian car parc. Leaders in particular said they had noted an upsurge in demand for servicing both diesel and European vehicles.



Leaders (and to an extent those characterised as business-as-usual) certainly appear to be successfully picking up share in the growing sectors of the market and independent workshops were found to be picking up a higher share of diesel vehicles than national chains (36 percent compared to 20 percent) which given the growth in diesel vehicles within the Australian car parc, sees diesels underrepresented within national chain workshops.

Age of vehicles

A change was also being reported in the age of vehicles being serviced, with two thirds (61 percent) of leaders reporting a larger number of younger vehicles in their workshop than previously. Forty-three percent of business-as-usual mechanics reported no change, while 30 percent of at risk reported the vehicles they are servicing are getting older.

Leaders and larger workshops were also found to be more likely to be servicing vehicles within warranty and to also be the most successful at attracting customers with newer vehicles.

Reflecting the reported age of vehicles, logbook servicing and in-warranty servicing in the independent sector also appear to be on an upward trajectory, with leaders showing they have established customer trust in their ability to conduct services under warranty.

Market perceptions

Both workshop owners and customers were found to judge customer service, expertise and competitive pricing as key differentiators for workshops while leaders were more likely to emphasise the quality of their service as a choice driver.

Two in five workshops said they give customers a choice of parts to use when servicing vehicles, with those working in smaller workshops particularly likely to do so. Workshops were reported to potentially view this as a service differentiator, as it demonstrates their flexibility in catering to customer requests. A high proportion (77 percent) of independent mechanics also said they will fit parts that customers supply. However, the proportion of customers reporting they source parts themselves remains very low, with most unlikely to go to this level of effort.

Looking across the market, independent workshop technicians and customers were aligned in their views with regard to the value for money that independent workshops offer over dealerships (and national chains). Seven percent of workshops and 33 percent of consumers classified independent workshops as expensive, compared to 87 percent of workshops and 83 percent of customers who classified car dealerships as expensive. Customers and workshops were also in agreement that independent workshops offer a better quality of work than dealerships (but customers see a smaller gap than workshops).

Access the full report

This is just a quick overview at the findings from this very detailed benchmarking survey, but we hope it has given you an indication of what you can expect when accessing the full report.

To access your free copy of the report, AAAA members can contact Briana Bale in the National Office on 03 9545 3333 or email briana@aaaa.com.au

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