2019 Automotive Workshop Health And Growth Research

March 2019

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Objectives and Methodology

Research Objectives

The overarching goal of the research is to assess Mechanics' sentiment in relation to workshop performance and management, as well as current and future trends in the market.

The specific research objectives of this study are to:

- Understand the workshop service offering
- Explore how workshops are performing and the outlook for the future.
- Identify current and future market trends.
- Explore the strategies being undertaken to boost profitability and achieve growth

Methodology

The research was undertaken via CATI telephone interview

The fieldwork took place 4th – 11th February 2019

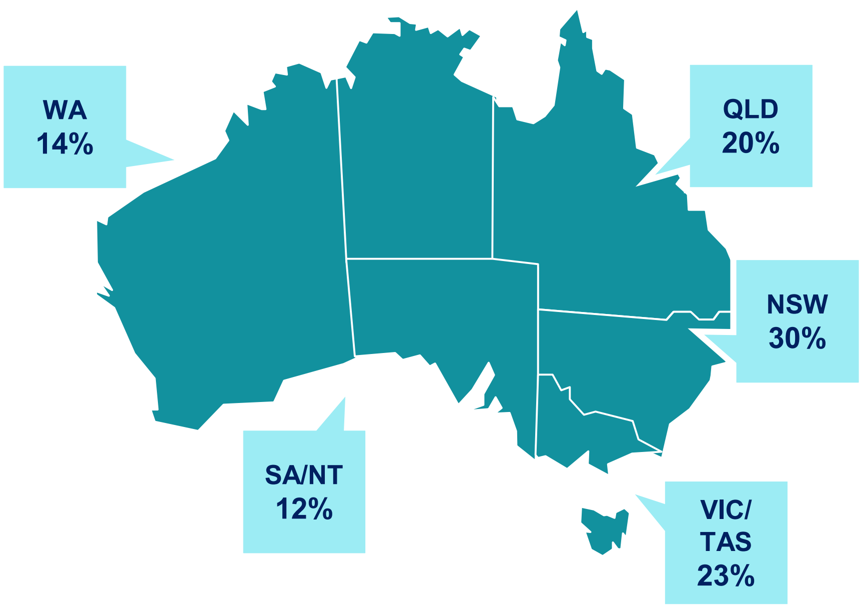
202 responses were collected

Quotas were set to ensure a representative spread of workshops across states.

Sample Profile

In-line with last year our sample includes workshops across all states, including a good split of metro and regional areas

Business location



Metro

61%

+0% vs 2018

Regional

39%

+0% vs 2018

S4. Where is your business located?
Base: All respondents 2019 n=202, 2018 n=250

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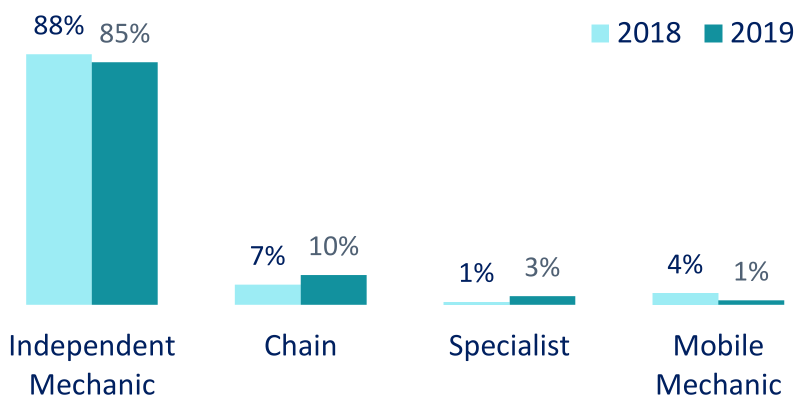
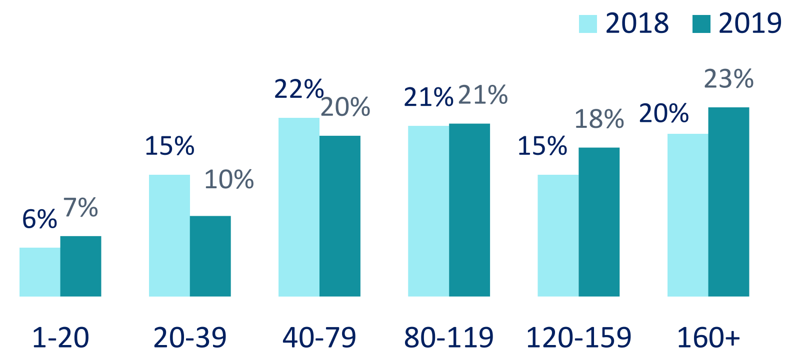
The sample continues to be primarily comprised of independent mechanical workshops with three or more service bays

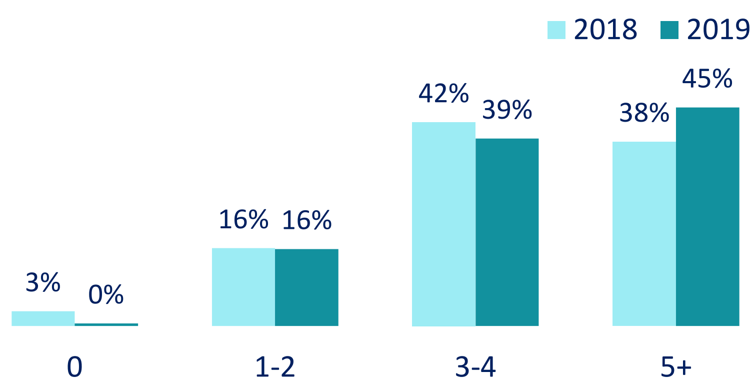
WORKSHOP TYPE



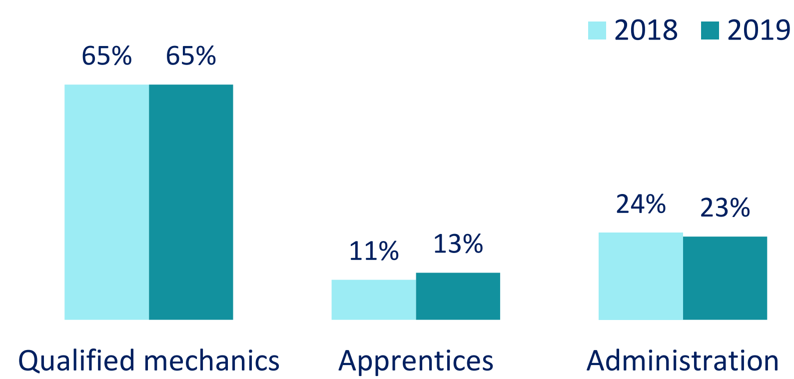
NUMBER OF VEHICLES SERVICED/REPAIRED IN LAST MONTH



SERVICE BAYS



SHARE OF STAFF



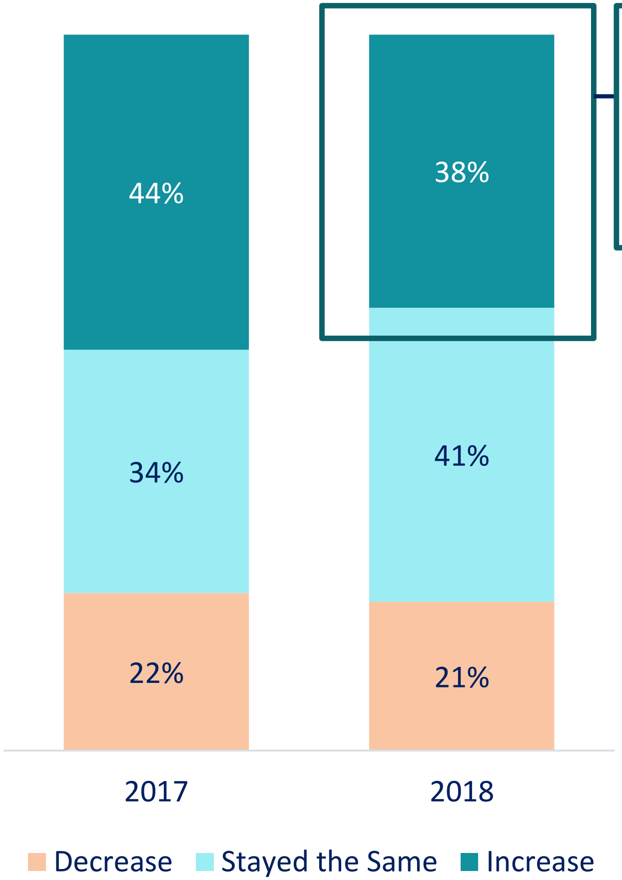
S1. Is your business primarily…? / S2. How many vehicles did your business service or repair in the last month? / A1. How many service bays do you have at your workshop?/ A2. How many staff do you employ at your workshop?
Base: All respondents (n=202)

The Segments: One Year On

50% OF BUSINESSES ARE NOW FALLING WITHIN THE **BUSINESS AS USUAL SEGMENT**

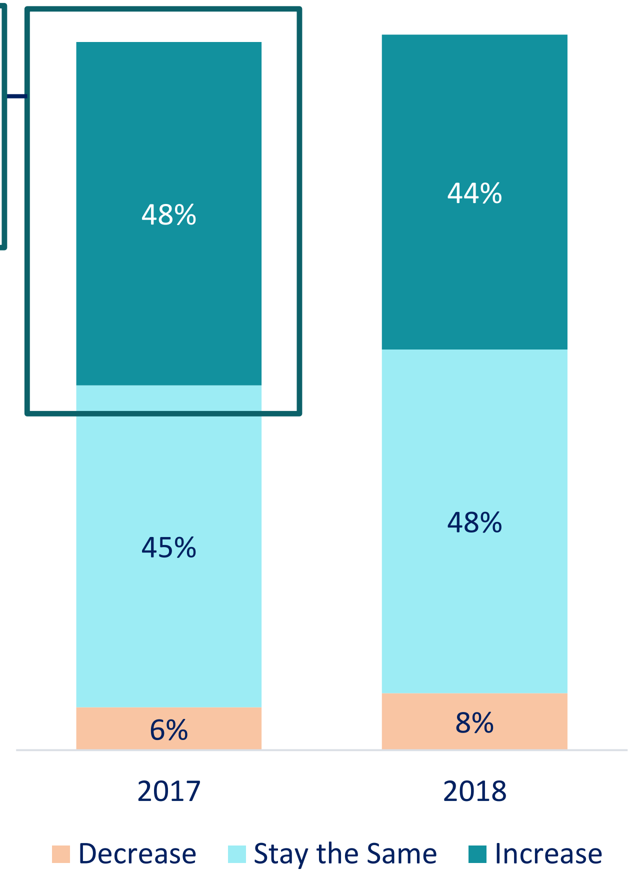
There continues to be a high level of optimism in the market (though this positivity does not always translate into reality)

CHANGE IN NUMBER OF VEHICLES SERVICED PER MONTH IN LAST 12 MONTHS



Last year's growth predictions for 2018 were 10% higher than reality.

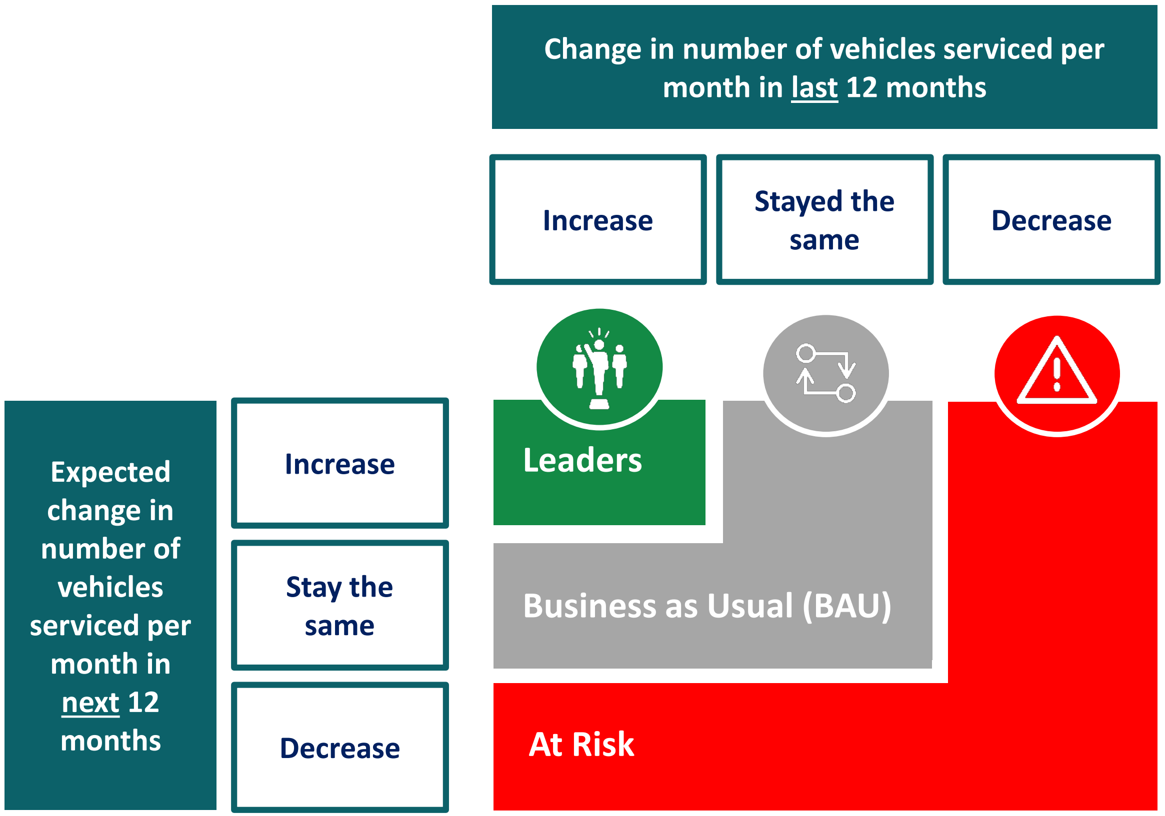
EXPECTED CHANGE IN NUMBER OF VEHICLES SERVICED PER MONTH IN NEXT 12 MONTHS



A6 Would you say that the average number of vehicles you service per month has increased, decreased or stayed the same, compared to the previous 12 months?
A7. Looking ahead 12 months, would you say that the average number of vehicles you service per month will increase, decrease or stay the same?
Base: All respondents 2017 (n=250), 2018 (n=202)

Past and projected growth were then used to split the market into three groups: 'Leaders', 'Business as Usual' and 'At Risk'

THE SEGMENTS



A6 Would you say that the average number of vehicles you service per month has increased, decreased or stayed the same, compared to the previous 12 months?
A7. Looking ahead 12 months, would you say that the average number of vehicles you service per month will increase, decrease or stay the same?
Base: All respondents (n=202)

One year on, more businesses are sitting in the Business As Usual segment and fewer are classified as Leaders

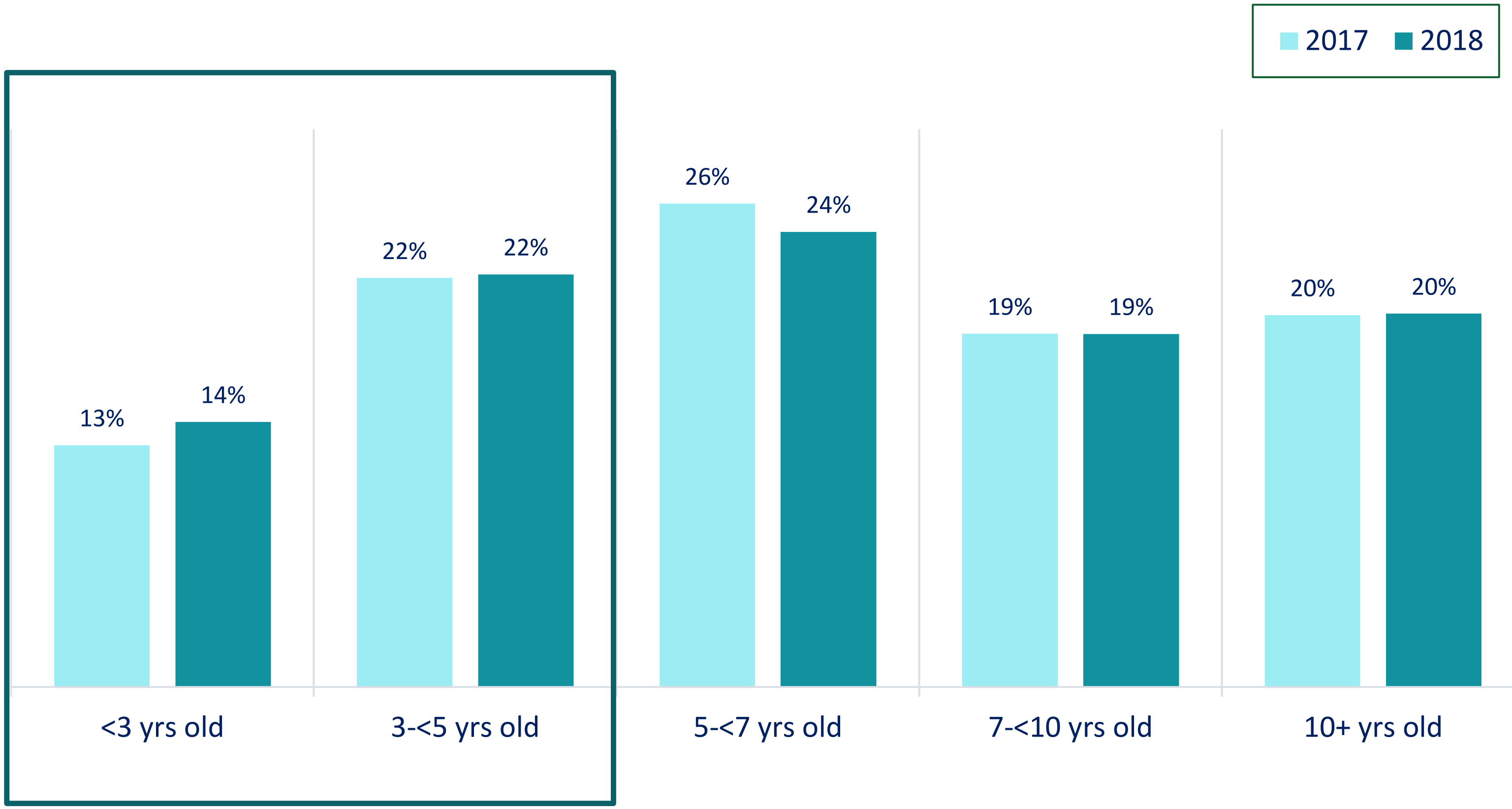
PROPORTION OF BUSINESSES IN EACH SEGMENT

	LEADER		BAU		AT RISK	
	2017	2018	2017	2018	2017	2018
	33%	27%	44%	50%	22%	23%

A6 Would you say that the average number of vehicles you service per month has increased, decreased or stayed the same, compared to the previous 12 months?
A7. Looking ahead 12 months, would you say that the average number of vehicles you service per month will increase, decrease or stay the same?
Base: 2017. Leaders (n=83); Business As Usual (n=110); At Risk (n=57). 2018 Leaders (n=54), BAU (n=101), At Risk (n=47)

At an overall level, independent workshops continue to service a sizeable number of vehicles under 5 years old

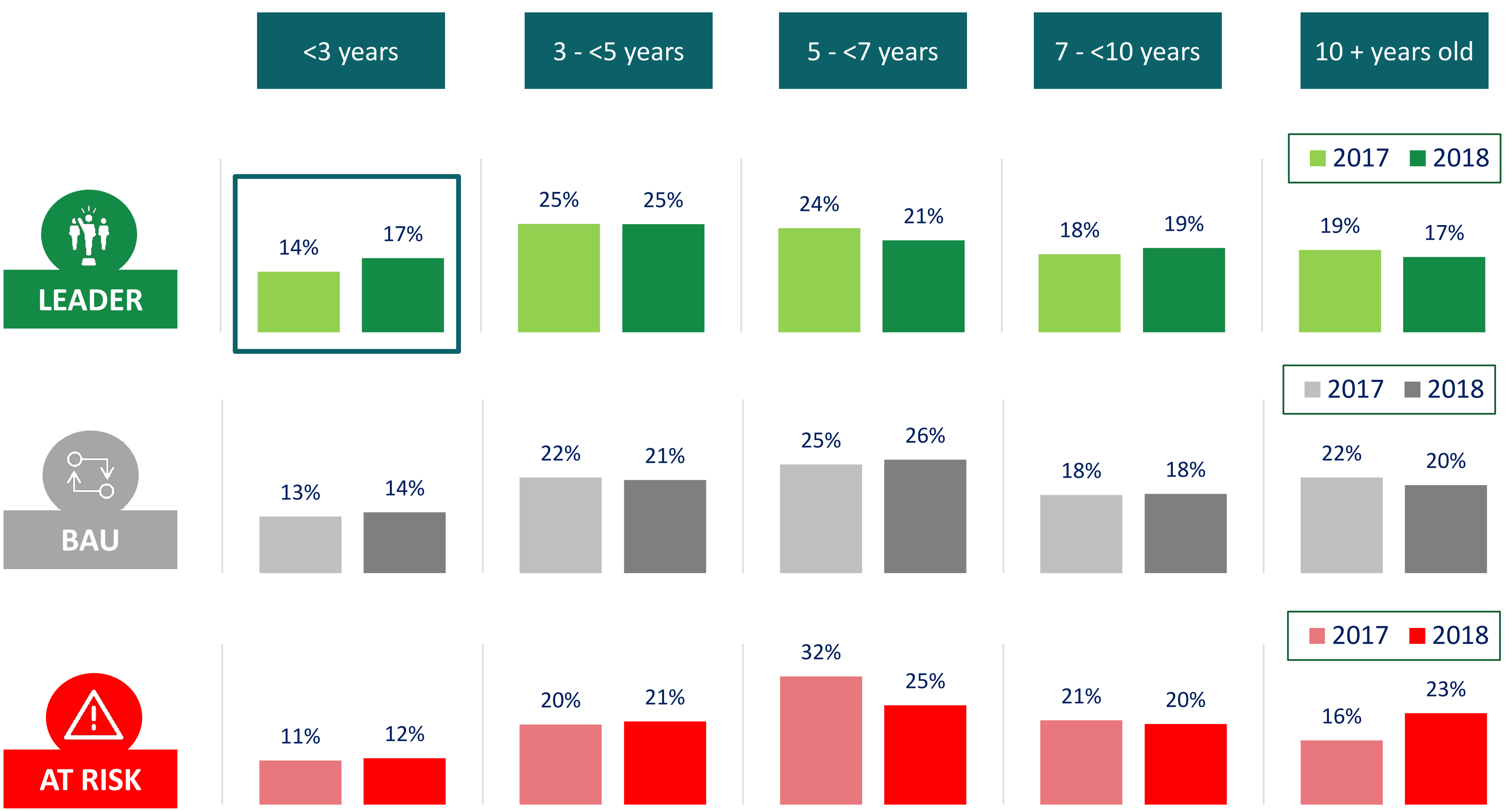
AGE OF VEHICLES SERVICED



Q3. Approximately what percentage of the vehicles serviced in your business in 2018 were in the following age brackets?
Base: All respondents 2017 (n=250), 2018 (n=202)

Leaders still attract the highest proportion of vehicles under 5 years old, growing their customer base in this space slightly since last year

AGE OF VEHICLES SERVICED



Q3. Approximately what percentage of the vehicles serviced in your business in 2018 were in the following age brackets?
Base: 2017. Leaders (n=83); Business As Usual (n=110); At Risk (n=57). 2018 Leaders (n=54), BAU (n=101), At Risk (n=47)

At an overall level, the types of vehicle entering independent workshops is also unchanged vs. last year

TYPES OF VEHICLE SERVICED

	2017	2018
Petrol	59%	57%
Diesel	36%	37%
LPG	4%	4%
Hybrid/electric	2%	2%

Q4. What proportion of the vehicles serviced in your workshop in 2018 were…?
Base: All respondents 2017 (n-250), 2018 (n=202)

However, BAU businesses have seen a rise in the number of diesel vehicles they are servicing (in line with the growing proportion of diesel vehicles in the car parc)

TYPES OF VEHICLE SERVICED

	LEADER		BAU		AT RISK	
	2017	2018	2017	2018	2017	2018
Petrol	58%	58%	60%	55%	61%	61%
Diesel	37%	35%	35%	40%	34%	34%
LPG	4%	5%	3%	3%	4%	4%
Hybrid/electric	2%	3%	1%	2%	2%	1%

Q4. What proportion of the vehicles serviced in your workshop in 2018 were…?
Base: 2017. Leaders (n=83); Business As Usual (n=110); At Risk (n=57). 2018 Leaders (n=54), BAU (n=101), At Risk (n=47)

Maximising Resources

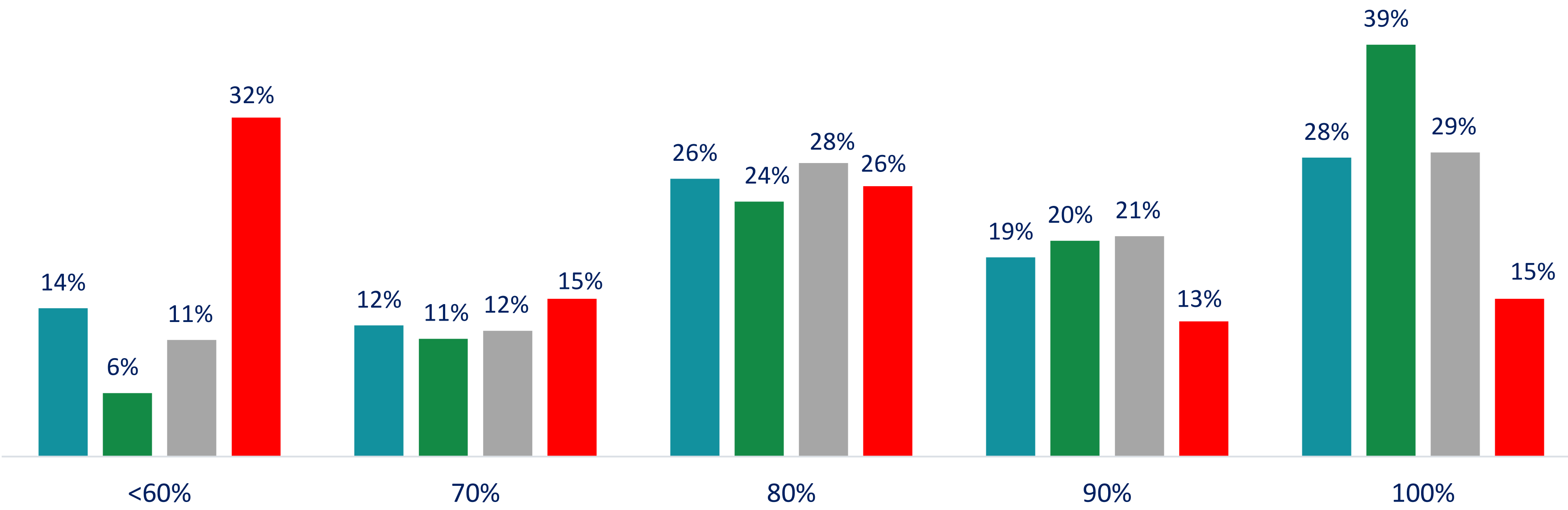
INDEPENDENT AUTOMOTIVE WORKSHOPS ARE TYPICALLY RUNNING AT **82% OF MAXIMUM CAPACITY**

Leaders and BAU are both running at high levels of efficiency, but many At Risk workshops have significant un-used capacity

PROPORTION OF MAXIMUM CAPACITY THAT WORKSHOP IS RUNNING AT EACH MONTH

AVERAGE

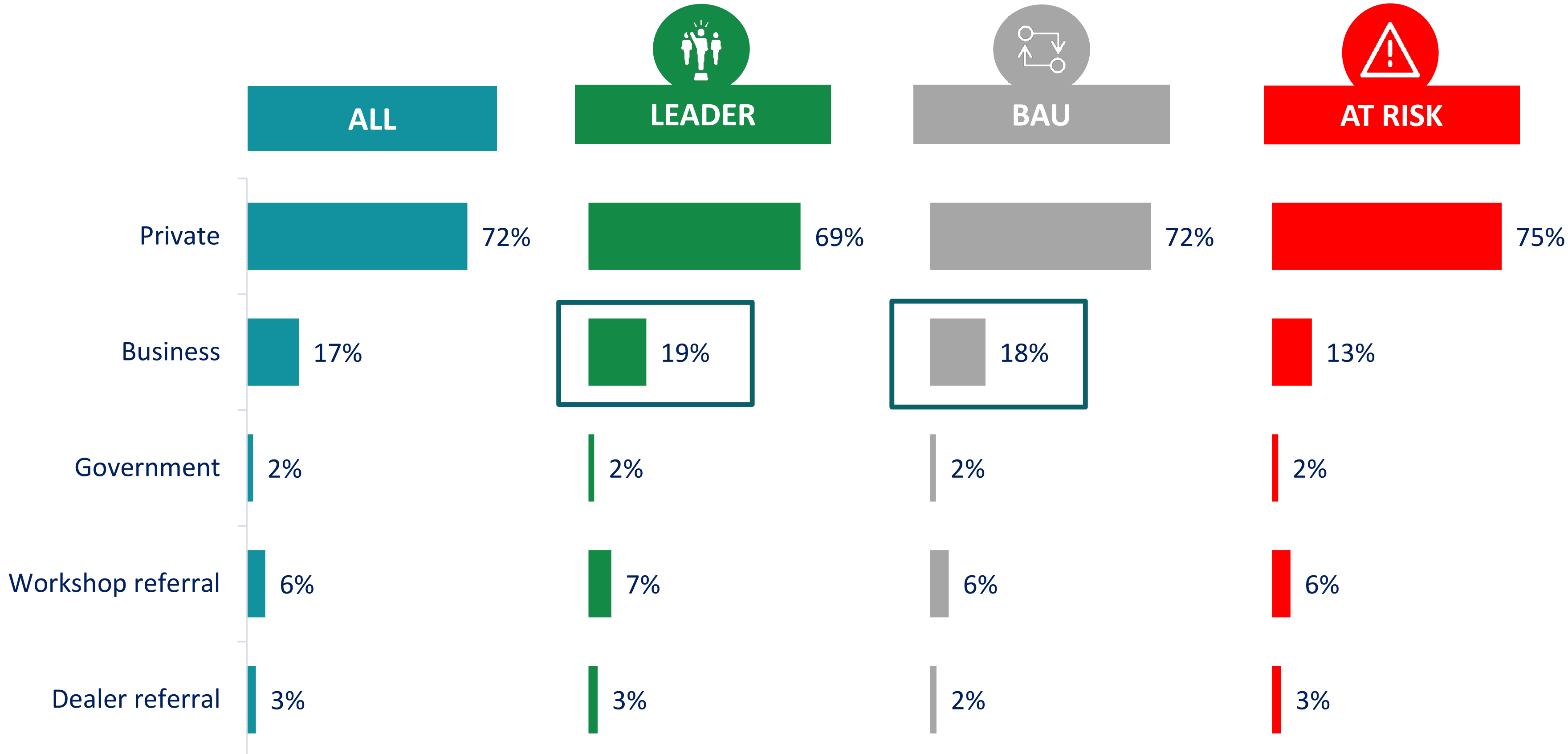
ALL	LEADER	BAU	AT RISK
82%	87%	83%	72%



Q8. On average, what proportion of maximum capacity does your workshop run at each month?
Base: All respondents 2018 (n=202), Leaders (n=54), BAU (n=101), At Risk (n=47).

Which is likely to be partly attributable to the fact that Leaders and BAU are picking up a more diverse portfolio of customers than the At Risk segment

CUSTOMER TYPES



NB. Last year's data not shown due to an additional option 'Dealer referral' being added this year

Q15. What proportion of your turnover comes from the following sources?
Base: 2018 All Respondents (n=202(, Leaders (n=54), BAU (n=101), At Risk (n=47)

Looking to the future, Leaders have a more wide-ranging approach to growing their customer base than either the BAU or At Risk segments

WANT MORE BUSINESS FROM…

	ALL	LEADER	BAU	AT RISK
Private Only	15%	15%	16%	13%
Fleet Only	6%	6%	5%	9%
Private & Fleet	14%	19%	16%	6%
Private, Fleet & Referrals	19%	33%	13%	15%
Mainly Referrals	7%	9%	5%	11%
No Growth Desired	39%	19%	46%	47%

Q16. Ideally, how would your customer base change over the next 12 months?
Base: 2018 All Respondents (n=202(, Leaders (n=54), BAU (n=101), At Risk (n=47)

And while both Leaders and BAU businesses aim to attract more women as customers, increasing their satisfaction is a higher priority (delivering to their existing female base)

GOALS FOR BUSINESS (% AGREEING)

	ALL	LEADER	BAU	AT RISK
Increasing number of women using workshops	59%	63%	60%	53%
Increasing level of satisfaction among female customers	81%	85%	81%	74%

Q21. To what extent do you agree the following are goals for your business?
Base: 2018 All respondents (n=202), Leaders (n=54), BAU (n=101), At Risk (n=47).

Increasing Profitability

59% OF LEADERS
ARE **MORE**
PROFITABLE
THAN LAST YEAR

Leaders have achieved significantly higher levels of profitability growth over the last year than either the BAU or At Risk segments

CHANGE IN PROFITABILITY OVER LAST YEAR

	ALL	LEADER	BAU	AT RISK
More profitable	34%	59%	28%	17%
The same	36%	30%	47%	21%
Less profitable	30%	11%	26%	62%

Q11. Looking at the last 12 months, how did business profitability changed?
Base: 2018 All Respondents (n=202), Leaders (n=54), BAU (n=101), At Risk (n=47).

This will partly be an outcome of the fact that Leaders are more actively monitoring and pursuing profitability targets

JOB PROFIT TARGETS

	ALL 2017	ALL 2018	LEADER 2017	LEADER 2018	BAU 2017	BAU 2018	AT RISK 2017	AT RISK 2018
Have a Target	21%	33%	28%	43%	15%	33%	13%	23%
Target		48%		45%		45%		

NB. Base size too low to show At Risk Target

Base: All respondents (n=202). Q10. Thinking now about the performance indicators used to measure your workshop's performance, what is your target for…?
Base: 2018 All Respondents (n=202), Leaders (n=54), BAU (n=101), At Risk (n=47).
Base: Have a Target: 2018 Leaders (n=23), BAU (n=33)

With Leaders also more likely to be monitoring and targeting higher productivity levels (further enhancing their ability to grow profit margins)

LABOUR UTILISATION TARGETS

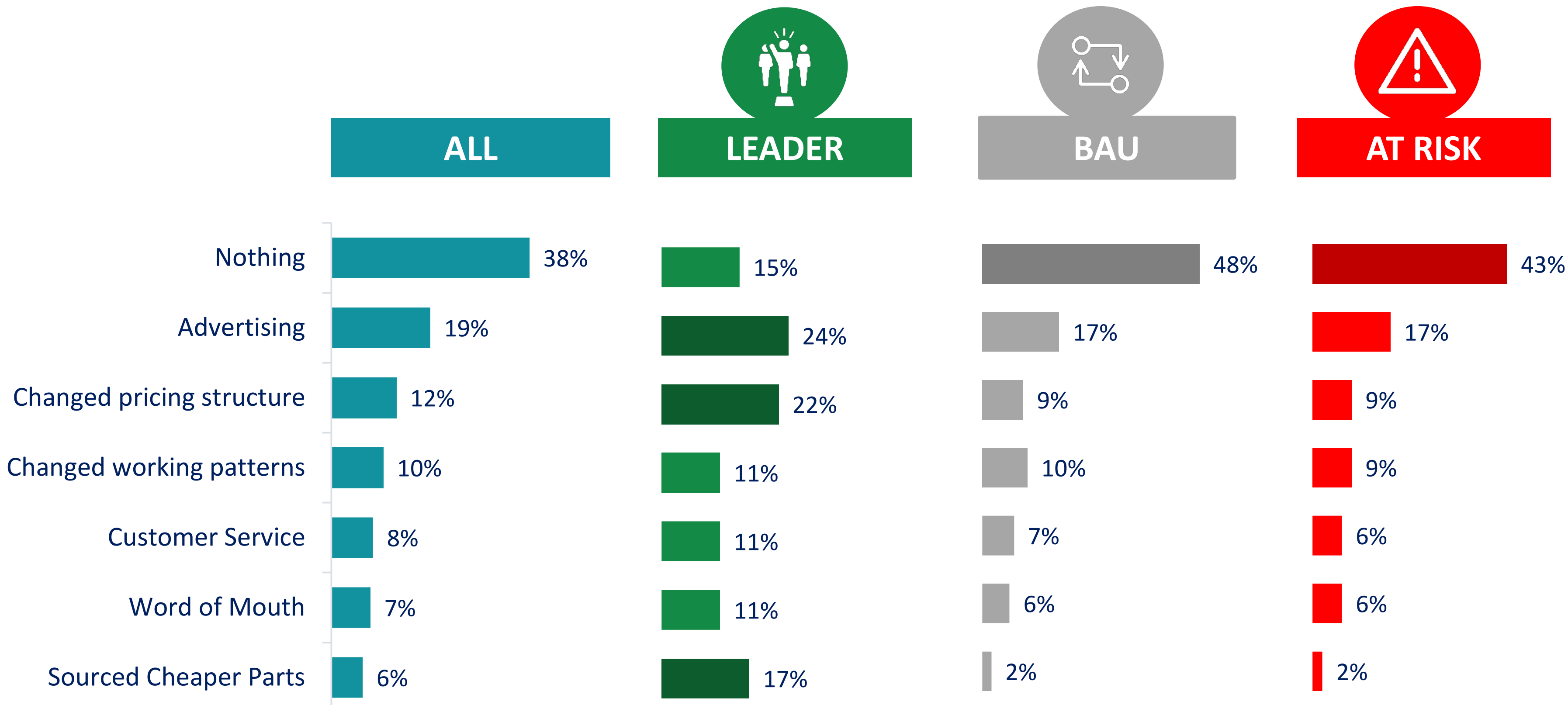
	ALL 2017	ALL 2018	LEADER 2017	LEADER 2018	BAU 2017	BAU 2018	AT RISK 2017	AT RISK 2018
Have a Target	16%	39%	22%	54%	13%	33%	16%	34%
Target		74%		74%		70%		

NB. Base size too low to show At Risk Target

Q10. Thinking now about the performance indicators used to measure your workshop's performance, what is your target for…?
Base: 2018. Leaders (n=83); Business As Usual (n=110); At Risk (n=57). 2019 Leaders (n=54), BAU (n=101), At Risk (n=47)
Base: Have a Target: 2018 Leaders (n=29), BAU (n=33)

Overall, Leaders have a more diverse approach to achieving growth, proactively employing a range of solutions to improve their business

ACTIONS TAKEN TO IMPROVE PROFITABILITY



Q12.What did you do to increase profitability over the last 12 months?
Base: 2018 All Respondents (n=202), Leaders (n=54), BAU (n=101), At Risk (n=47).

Strategies for Future Growth

93% OF LEADERS
ARE LOOKING TO
GROW THEIR BUSINESS

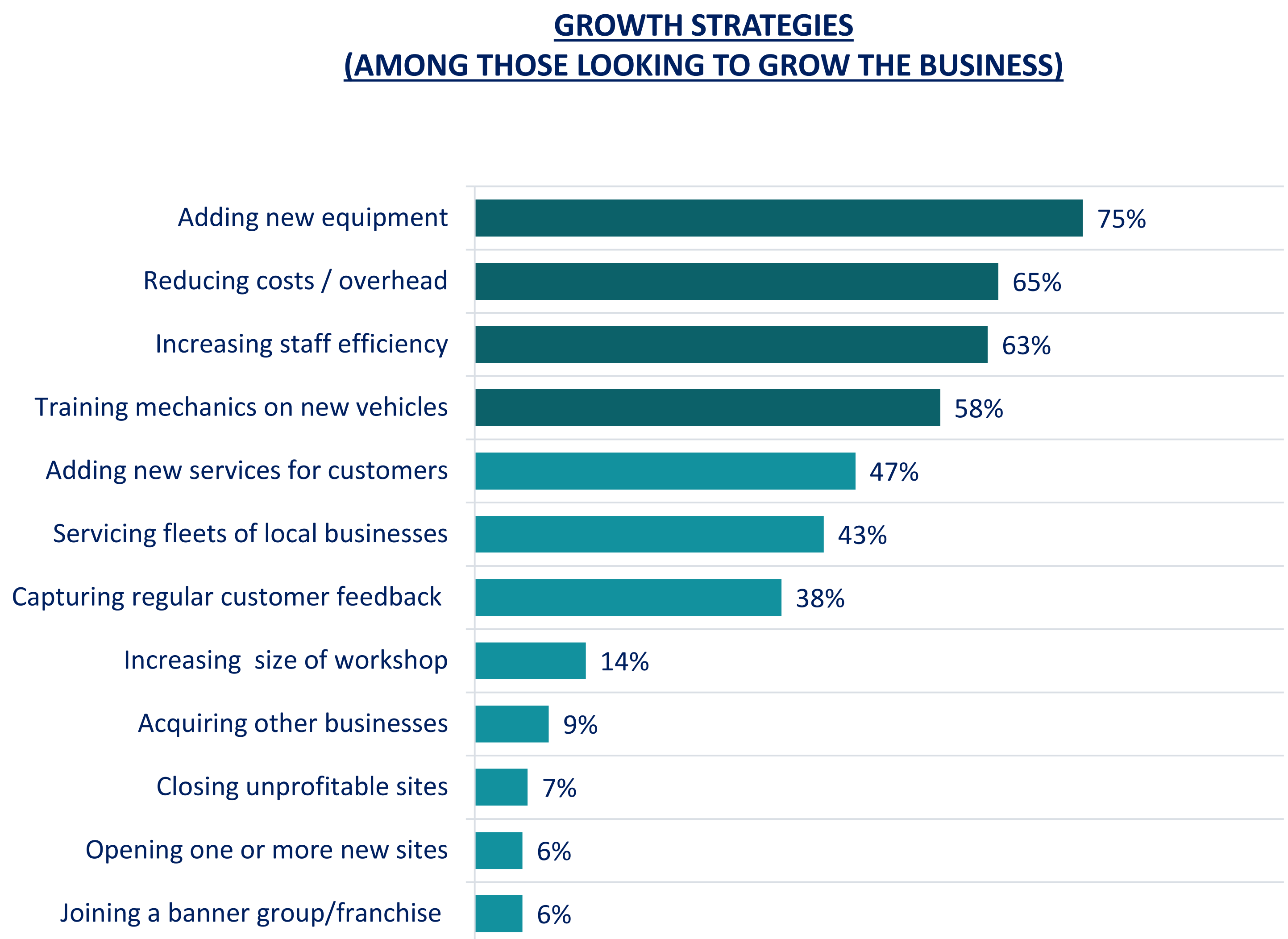
Leaders are much more committed to growing their business than with BAU or At Risk businesses

'LOOKING TO GROW THE BUSINESS'

ALL	LEADER	BAU	AT RISK
76%	93%	69%	70%

Q17. Which of the following are you doing to grow your business?
Base 2018 All Respondents (n=202), Leaders (n=54), BAU (n=101), At Risk (n=47).

Among businesses looking to grow, key priorities including investing in technology and staff, while also seeking to reduce overheads



Q17. Which of the following are you doing to grow your business?
Base 2018 Leaders (n=54), BAU (n=101), At Risk (n=47).

While these strategic priorities are similar across segments, Leaders place much more value on these goals, while the At Risk are mainly concerned with cutting costs

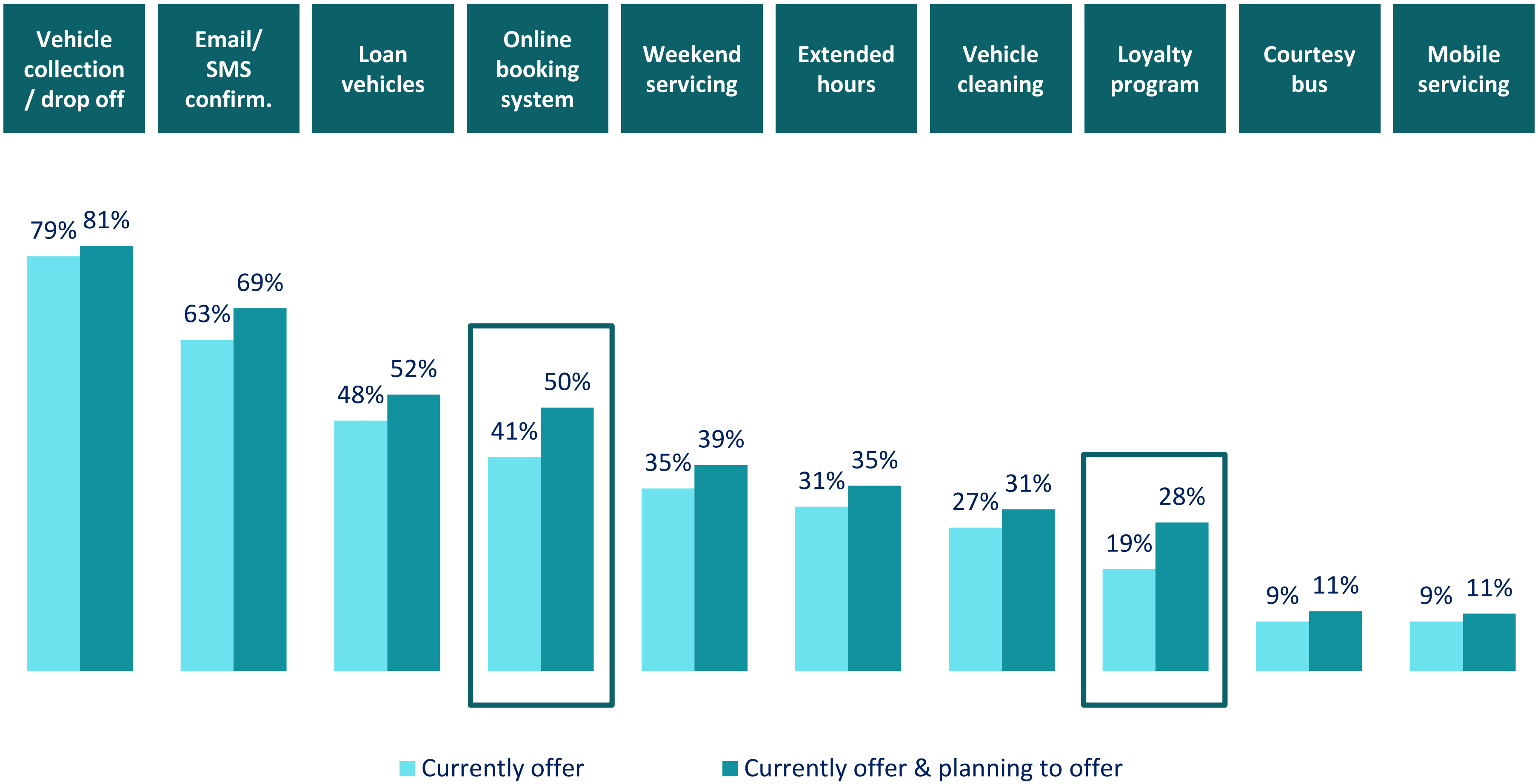
GROWTH STRATEGIES
(AMONG THOSE LOOKING TO GROW THE BUSINESS)

	LEADER	BAU	AT RISK
Adding new equipment	80%	76%	67%
Reducing costs / overhead	62%	61%	76%
Increasing staff efficiency	72%	63%	52%
Training mechanics on new vehicles	66%	56%	48%
Adding new services for customers	54%	44%	42%
Servicing fleets of local businesses	52%	43%	30%
Capturing regular customer feedback	38%	40%	33%
Increasing size of workshop	20%	11%	9%
Acquiring other businesses	12%	9%	6%
Closing unprofitable sites	6%	7%	6%
Opening one or more new sites	8%	7%	0%
Joining a banner group/franchise	8%	4%	6%
Number of actions taken	**4.8**	**4.3**	**3.8**

Q17. Which of the following are you doing to grow your business?
Base 2018 Leaders (n=54), BAU (n=101), At Risk (n=47).

Looking at the future service range, online booking and loyalty programs are two key areas where businesses will be looking to expand their offering

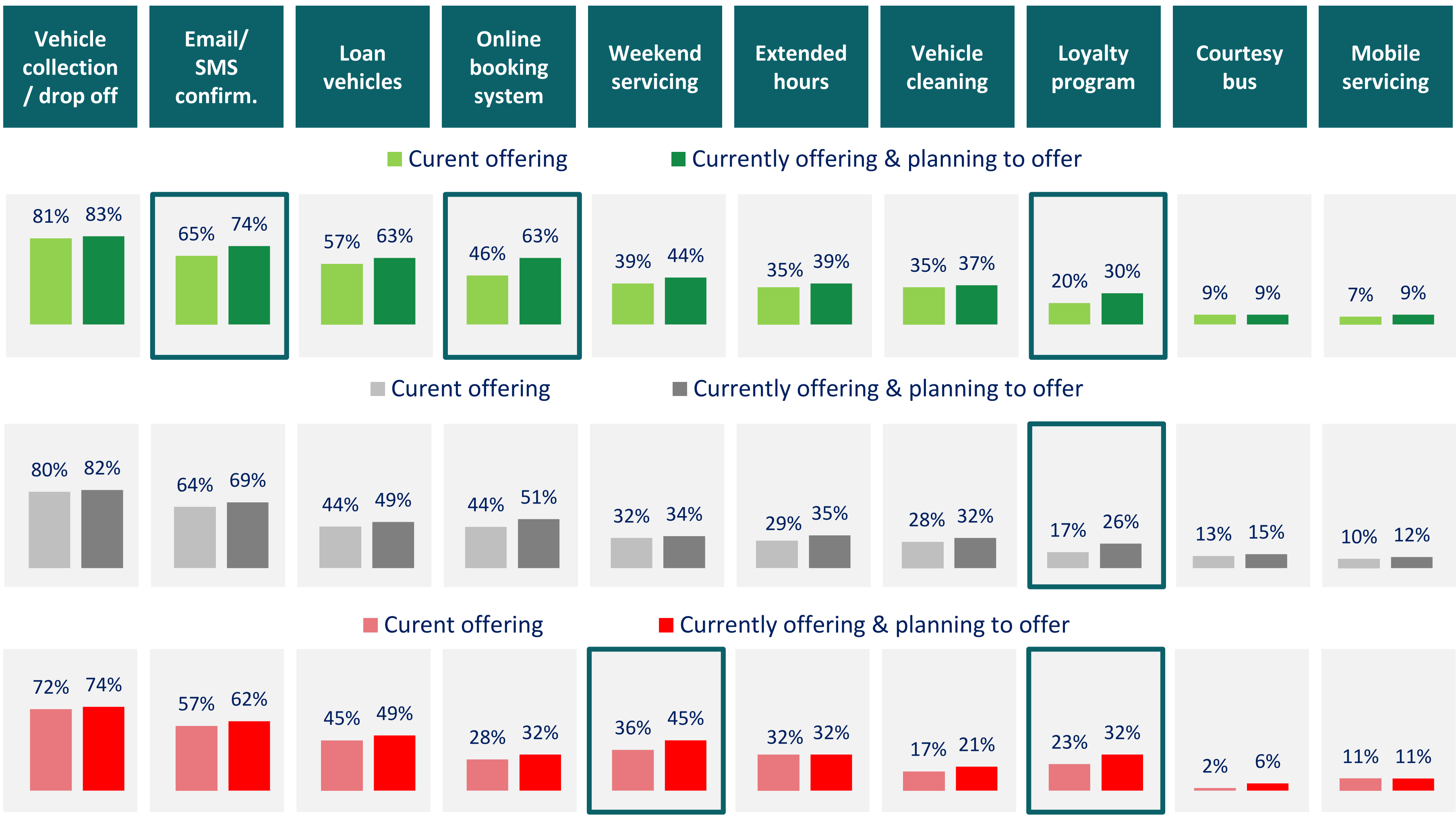
PLANNED SERVICE OFFERING FOR 2019



Q18.Which of the following services do you currently offer/ are you planning to offer in 2019?
Base: 2018 Leaders (n=54), BAU (n=101), At Risk (n=47).

Leaders again stand out for their commitment to improvements across numerous areas, with potential concerns about At Risk appear to be planning to work longer hours

PLANNED SERVICE OFFERING FOR 2019

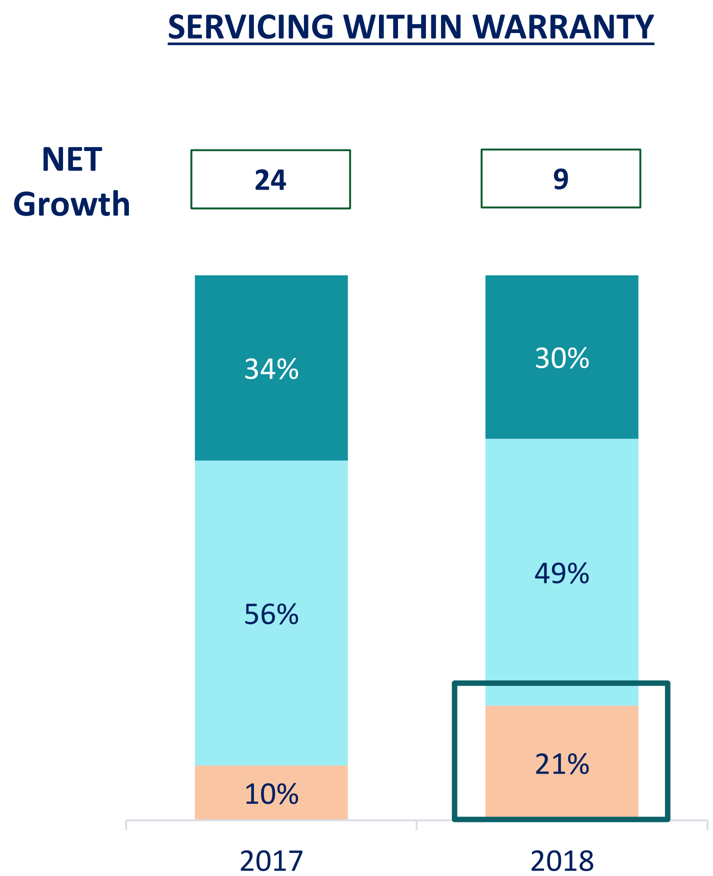


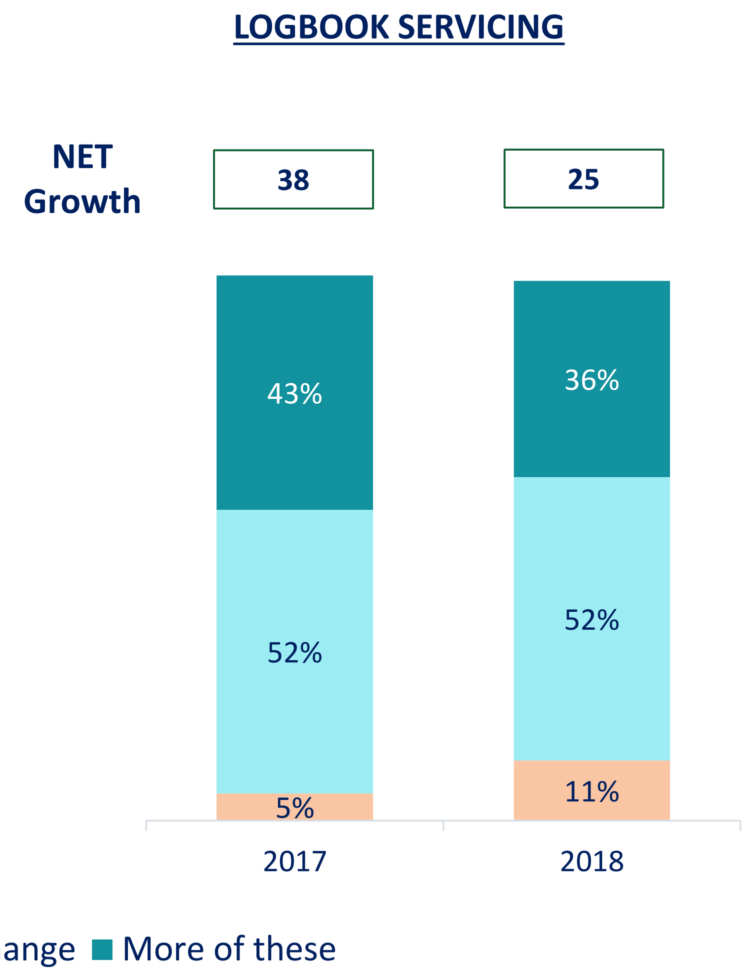
Q18.Which of the following services do you currently offer/ are you planning to offer in 2019?
Base: 2019 Leaders (n=54), BAU (n=101), At Risk (n=47).

Industry challenges

47% OF BUSINESSES ARE CONCERNED ABOUT CONSUMERS THINKING **THEY MUST RETURN TO THE DEALER FOR SERVICING**

Attracting vehicles within warranty is likely to be more challenging going forwards, with growth in this section of the market slowing vs. last year

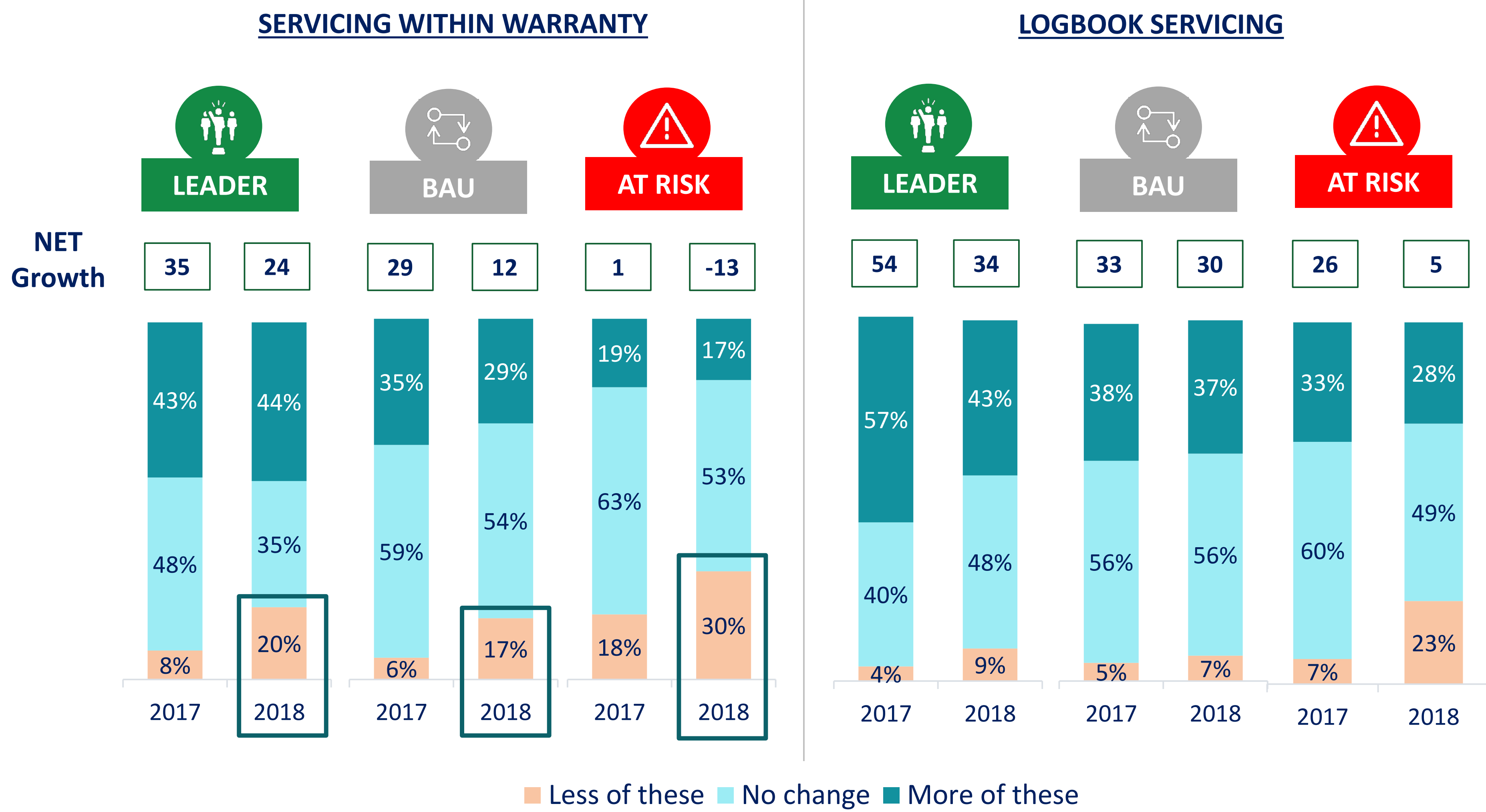




NB. In 2017 phrasing used was ‘warranty services’ and in 2018 phrased used was ‘servicing within warranty period’

Base: All respondents (n=202). Q5. What trends are you seeing in your workshop in terms of the types of vehicle or service you’re being asked to undertake?
Base: 2017 n-209, 2018 n=202

Leaders continue to be the workshops most likely to have seen an increase in servicing under warranty, but the rate of growth has slowed since last year



NB. In 2017 phrasing used was 'warranty services' and in 2018 phrased used was 'servicing within warranty period'

Base: All respondents (n=202). Q5. What trends are you seeing in your workshop in terms of the types of vehicle or service you're being asked to undertake? Base: 2017. Leaders (n=83); Business As Usual (n=110); At Risk (n=57). 2018 Leaders (n=54), BAU (n=101), At Risk (n=47)

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Misconceptions relating to the necessary requirements for servicing within warranty are an industry wide issue, with staffing also a concern for Leaders and BAU

BARRIERS TO GETTING MORE CUSTOMERS (AMONG THOSE LOOKING TO INCREASE CAPACITY)

	ALL	LEADER	BAU	AT RISK
Consumers thinking they must return to the dealer	47%	45%	42%	54%
Capped price service programs	42%	35%	36%	54%
Not enough trained mechanics	35%	39%	44%	21%
Extended warranties	28%	16%	24%	41%
Parts availability and delivery	16%	13%	18%	15%
Access to service and repair information	15%	10%	16%	18%
Economy/downturn in market	7%	6%	2%	13%

Q9. What is holding you back running your workshop at maximum capacity?
Base: All Respondents 2018 (n=202), Leaders (n=54), BAU (n=101), At Risk (n=47).

Although both Leaders and BAU businesses identify a lack of trained mechanics as a barrier to growth, Leaders are more likely to invest time training their staff

TRAINING STAFF

	ALL	LEADER	BAU	AT RISK
Train staff	72%	85%	70%	60%
Hours on training (per month)	7 hours	7 hours	6 hours	6 hours
Use formal training (among those training staff)	79%	80%	73%	89%
Use Mentoring (among those training staff)	46%	52%	46%	32%

Q19. What forms of professional development training do you use within your business to upskill yourself and/or your staff?
Q20. On average how many hours per month do you and your staff spend on professional development training?
Base: 2018 Train Employees (n=168), Leaders (n=46), BAU (n=71), At Risk (n=28).

Leaders and BAU are similarly aware of the personal limitations which are a barriers to growth – but Leaders are more likely to address these limitations with formal training

TRAINING SELF (OWNER)

	ALL	LEADER	BAU	AT RISK
Train staff	67%	68%	69%	63%
Hours on training (per month)	6 hours	7 hours	6 hours	3 hours
Use formal training (among those training staff)	71%	80%	67%	68%
Use Mentoring (among those training staff)	32%	40%	28%	32%

Q19. What forms of professional development training do you use within your business to upskill yourself and/or your staff?
Q20. On average how many hours per month do you and your staff spend on professional development training?
Base: 2018 Owners who train themselves (n=113), Leaders (n=30), BAU (n=58), At Risk (n=25).

Thank You

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