



AUSTRALIAN AUTOMOTIVE
AFTERMARKET ASSOCIATION

COVID-19 WORKSHOP IMPACT RESEARCH

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PREPARED BY:
ACA Research, May 2020



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OBJECTIVES

STRATEGIC OBJECTIVE

To evaluate the impact of the COVID-19 pandemic on the Australian aftermarket workshop sector, identifying insights that the AAAA can leverage to inform and educate industry operators, and also advocate on behalf of the industry.



METHODOLOGY & SAMPLE

METHODOLOGY

The research spoke to 307 aftermarket businesses across Australia during May

RESEARCH METHODOLOGY



SAMPLE

N = 317
AUTOMOTIVE BUSINESSES

Sample was sourced from the AAAA's membership base, and associated networks



KEY SEGMENTS

- INDEPENDENT WORKSHOP
- CHAIN WORKSHOP
- FRANCHISE WORKSHOP



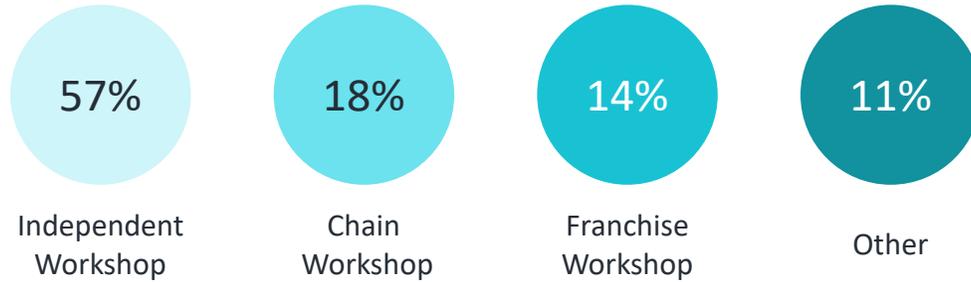
SURVEY METHOD & TIMINGS

- 10-minute online survey
- 4th – 25th May 2020

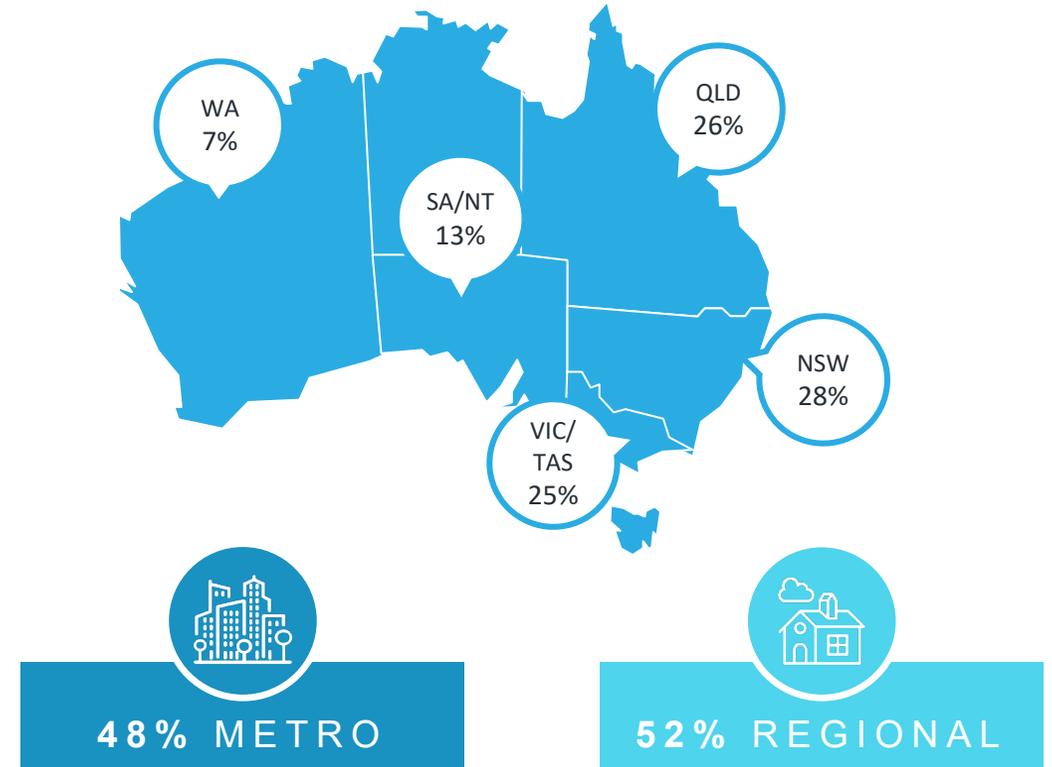
SAMPLE

This report focusses on the 275 workshops that participated in the research to date, looking at the key differences between our independent, chain, and franchise operators

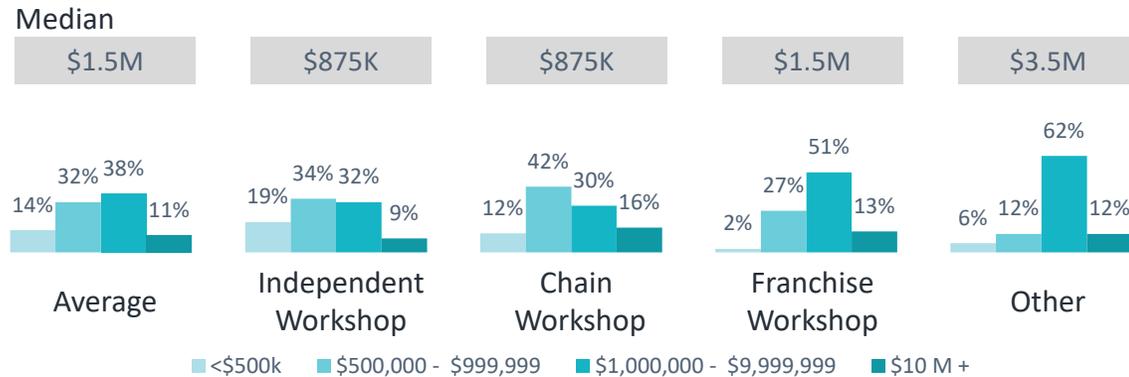
WORKSHOP TYPE



LOCATION



ANNUAL TURNOVER



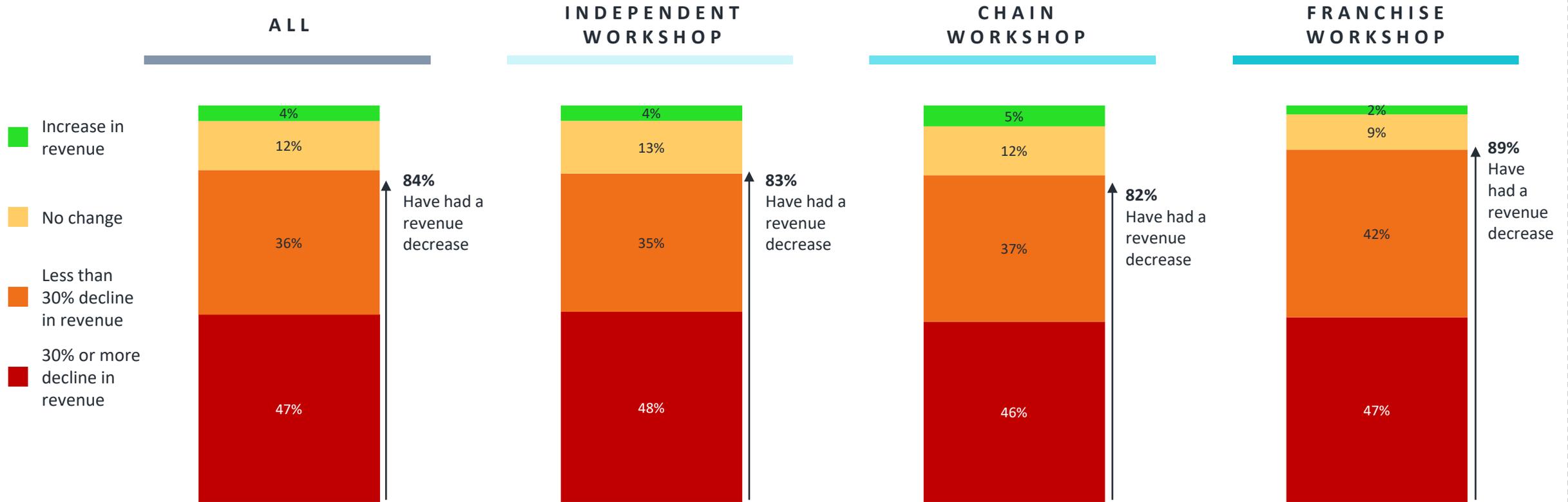


IMPACT OF COVID-19

COVID-19 IMPACT ON REVENUE

As a result of the downturn in traffic caused by declining consumer activity and the government lockdowns, one in two automotive workshops have seen revenues reduce by more than 30% (the threshold for JobKeeper eligibility)

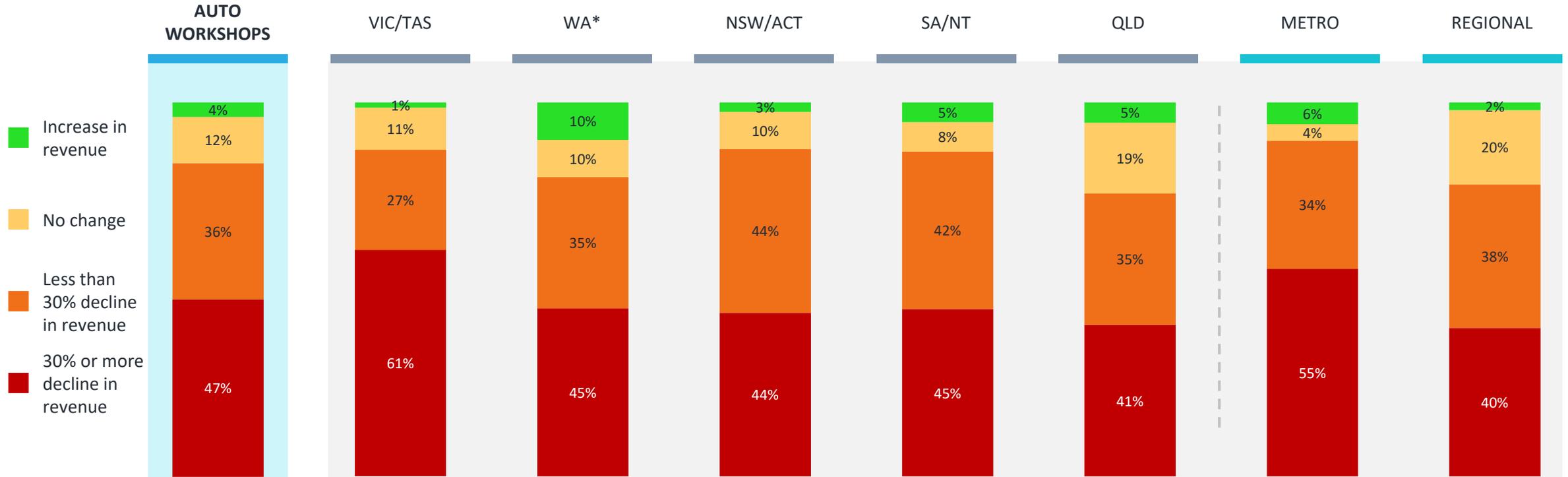
COVID-19 IMPACT ON REVENUE



COVID-19 IMPACT ON REVENUE BY REGION

The impact varies by state, with Victorian workshops most significantly affected (potentially off the back of the more restrictive approach taken by the state government); as could be expected, regional workshops have also faced relatively fewer issues

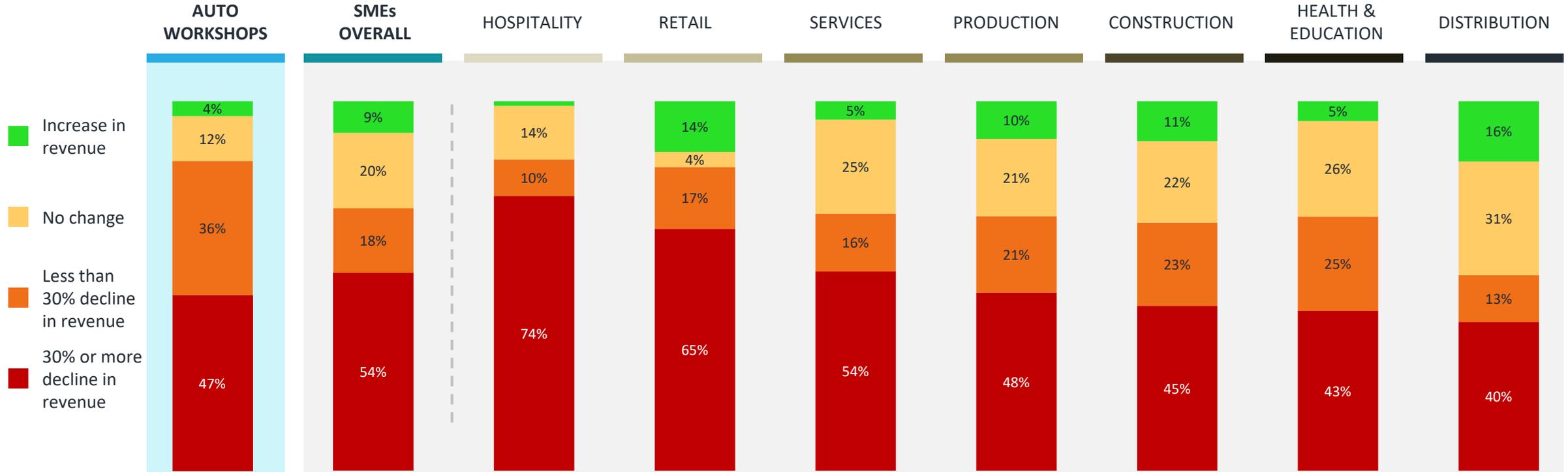
COVID-19 IMPACT ON REVENUE



COVID-19 IMPACT ON REVENUE COMPARED TO SME TRACKER

Across the industry, this level of financial impact puts automotive workshops in line with other significantly impacted industry sectors (e.g. retail and hospitality)

COVID-19 IMPACT ON REVENUE

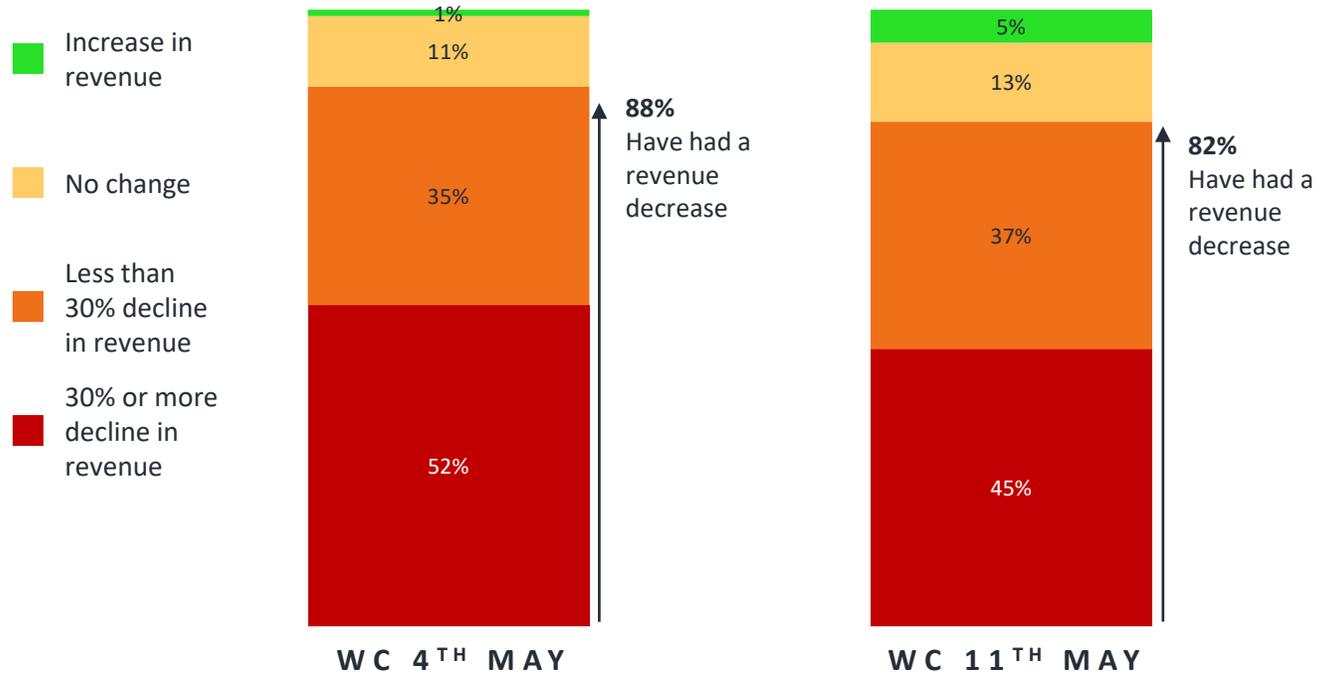


COVID-19 IMPACT ON REVENUE COMPARED TO SME TRACKER

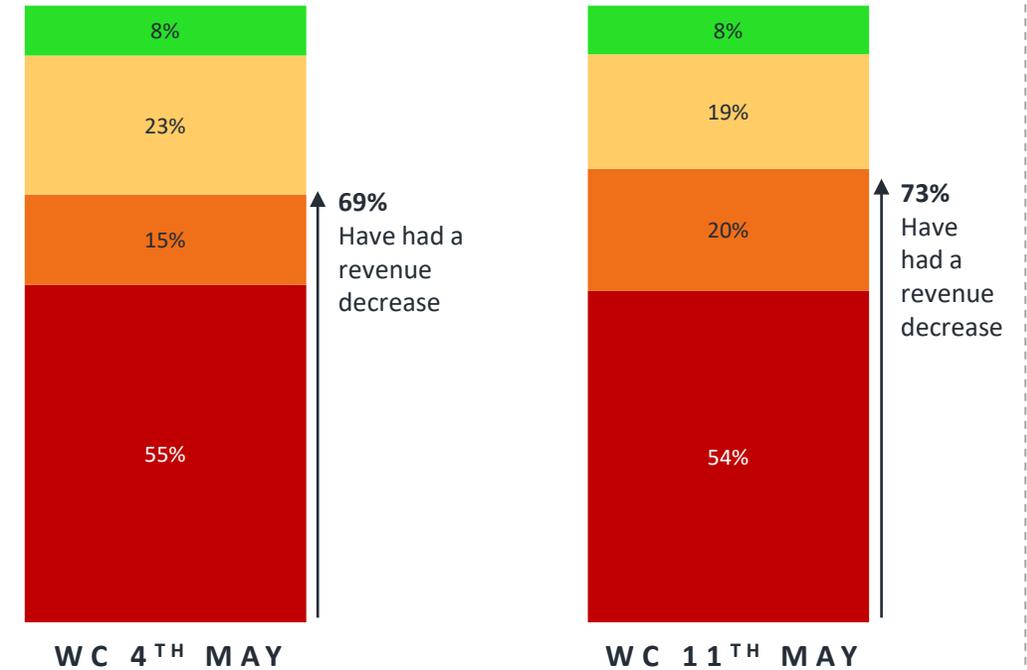
However, looking at the trend over time, there is some positive feedback; we can see that automotive workshops are already moving past the worst of the impact, despite the broader SME community continuing to trend down

COVID-19 IMPACT ON REVENUE

AUTO WORKSHOPS



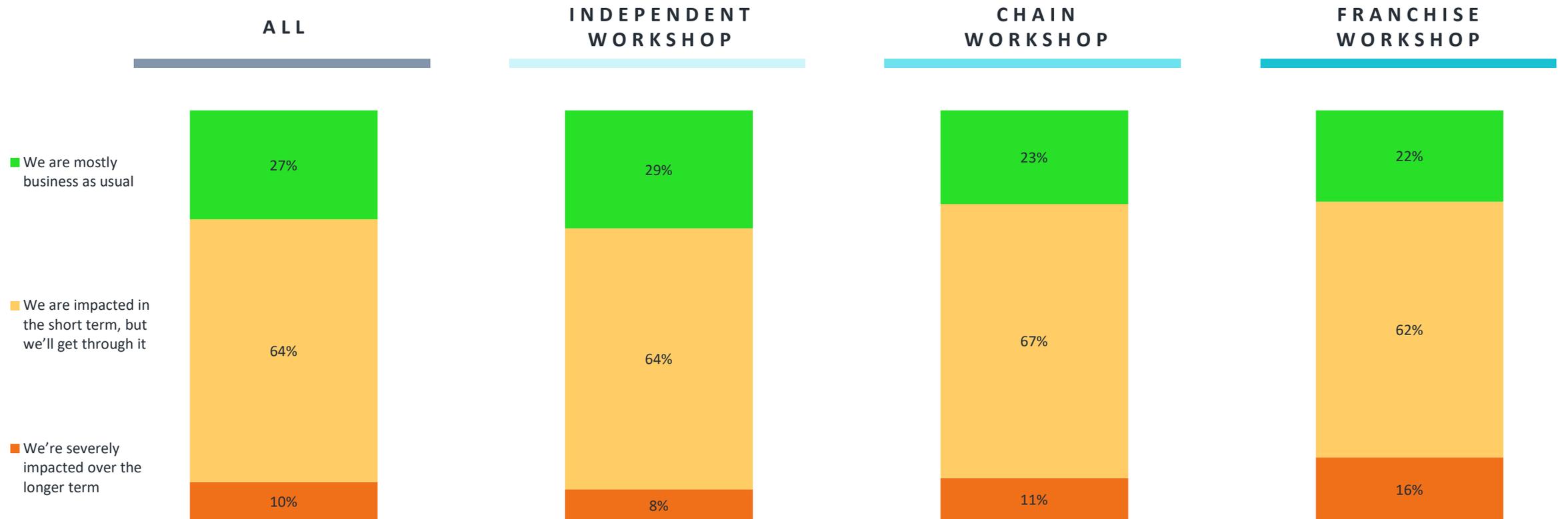
SME TRACKER



CURRENT BUSINESS OUTLOOK

Reflecting this, despite most automotive workshops being impacted to some extent by the COVID-19 pandemic, it is typically seen as a short-term situation; this suggests a belief that business will return to 'normal' as the economy re-opens

CURRENT BUSINESS OUTLOOK

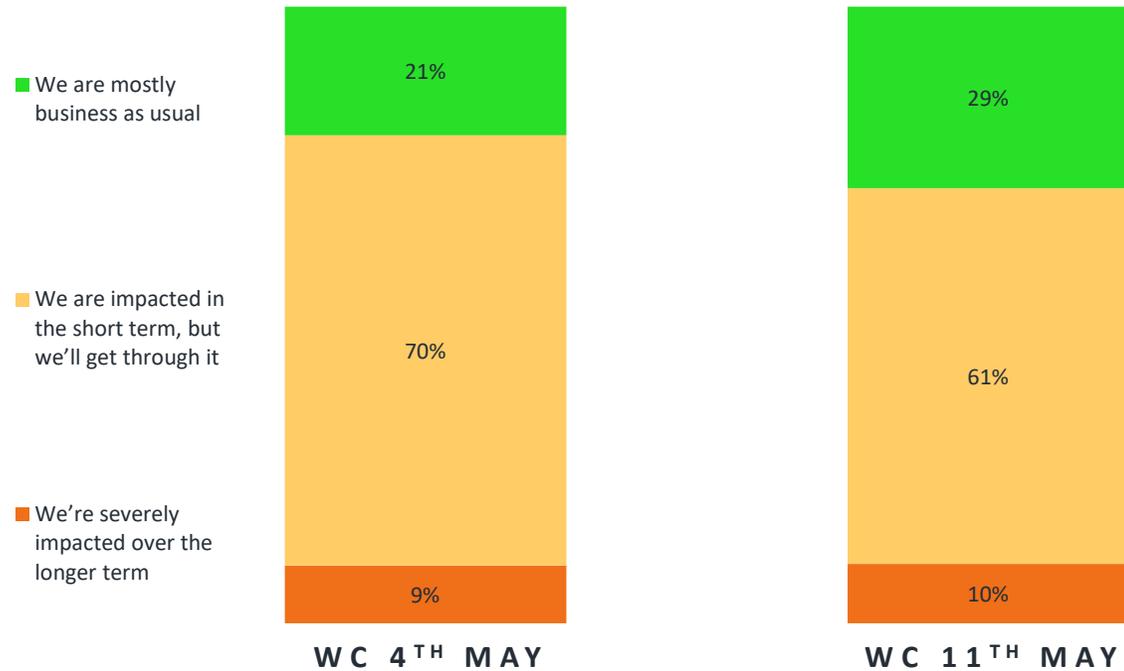


CURRENT BUSINESS OUTLOOK

The fast-moving nature of the pandemic means that we can already see optimism increasing over the two week fieldwork period (in line with government announcements around re-opening businesses / loosening lockdowns)

CURRENT BUSINESS OUTLOOK

AUTO WORKSHOPS



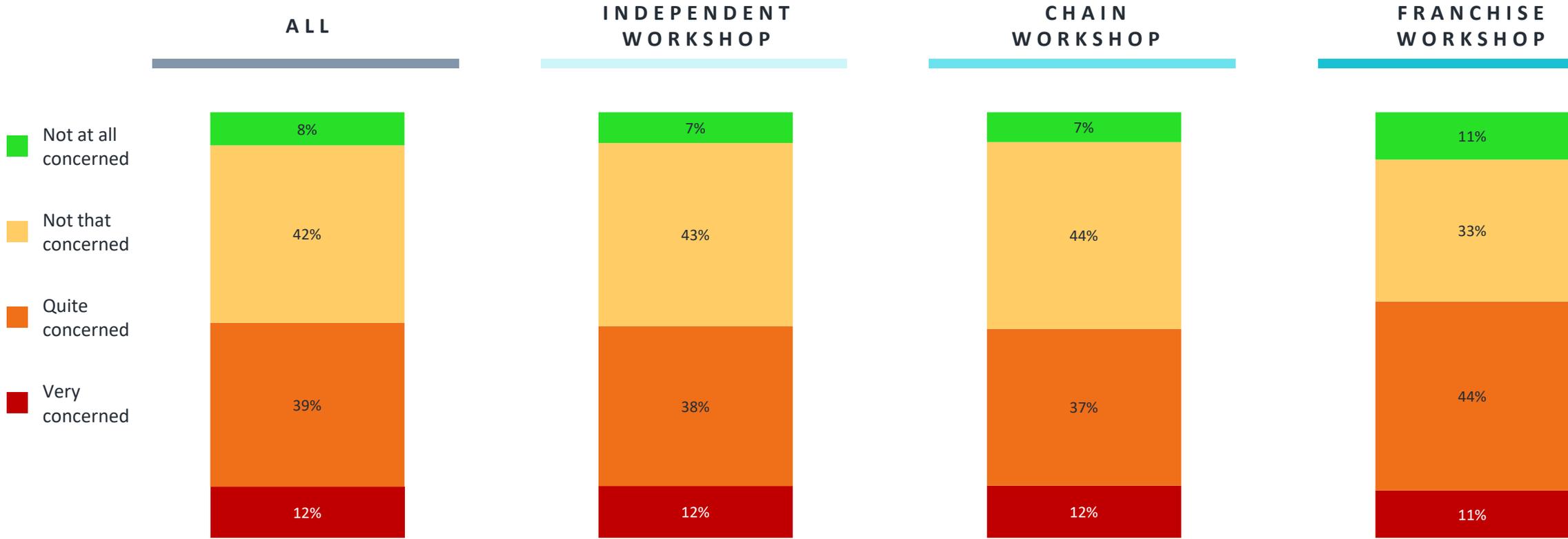
SME TRACKER

NOT ASKED IN SME TRACKER

COVID-19 IMPACT ON BUSINESS SURVIVAL

Despite a level of uncertainty about the future, few workshops are concerned about the ultimate survival of their business

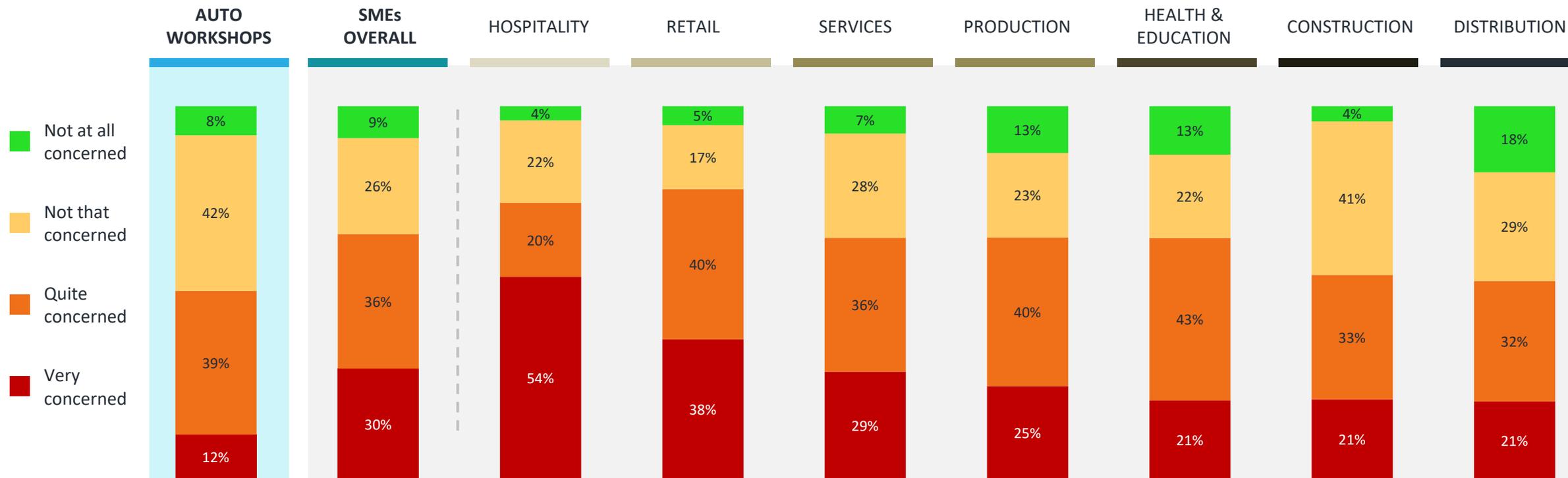
CONCERN ABOUT BUSINESS SURVIVAL



COVID-19 IMPACT ON BUSINESS SURVIVAL COMPARED TO SME TRACKER

With above average levels of confidence that they will have a future beyond the pandemic

CONCERN ABOUT BUSINESS SURVIVAL



COVID-19 IMPACT ON BUSINESS SURVIVAL

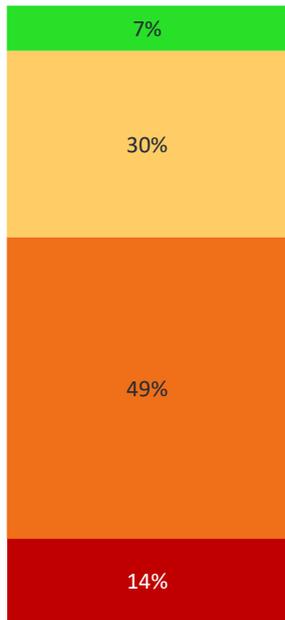
We can again see this shifting through the fieldwork period, with automotive workshops (and the broader business community) becoming less concerned about the business failing

CONCERN ABOUT BUSINESS SURVIVAL

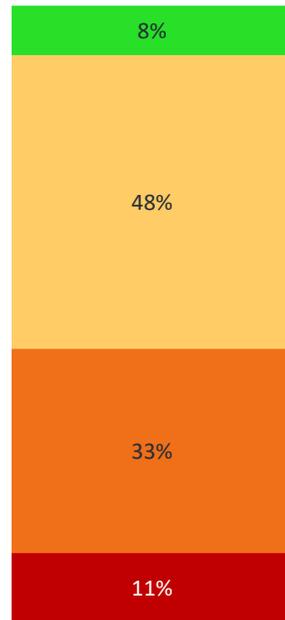
AUTO WORKSHOPS

SME TRACKER

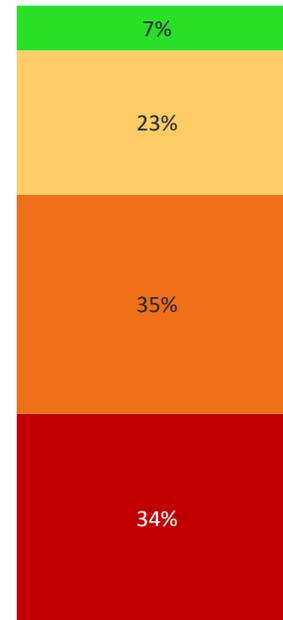
- Not at all concerned
- Not that concerned
- Quite concerned
- Very concerned



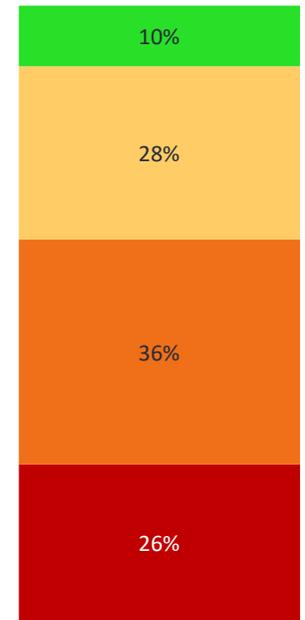
WC 4TH MAY



WC 11TH MAY



WC 4TH MAY

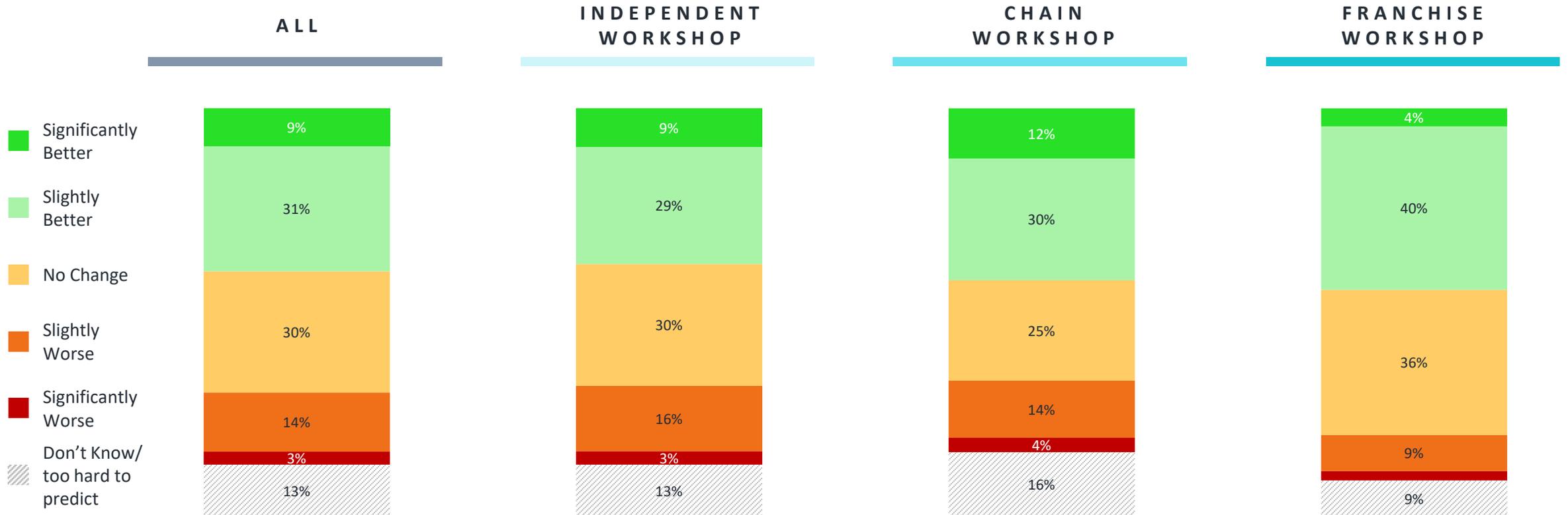


WC 11TH MAY

EXPECTED REVENUE CHANGE

Reflecting this, most appear to feel that we have hit the floor, with many expecting improvement in the weeks ahead

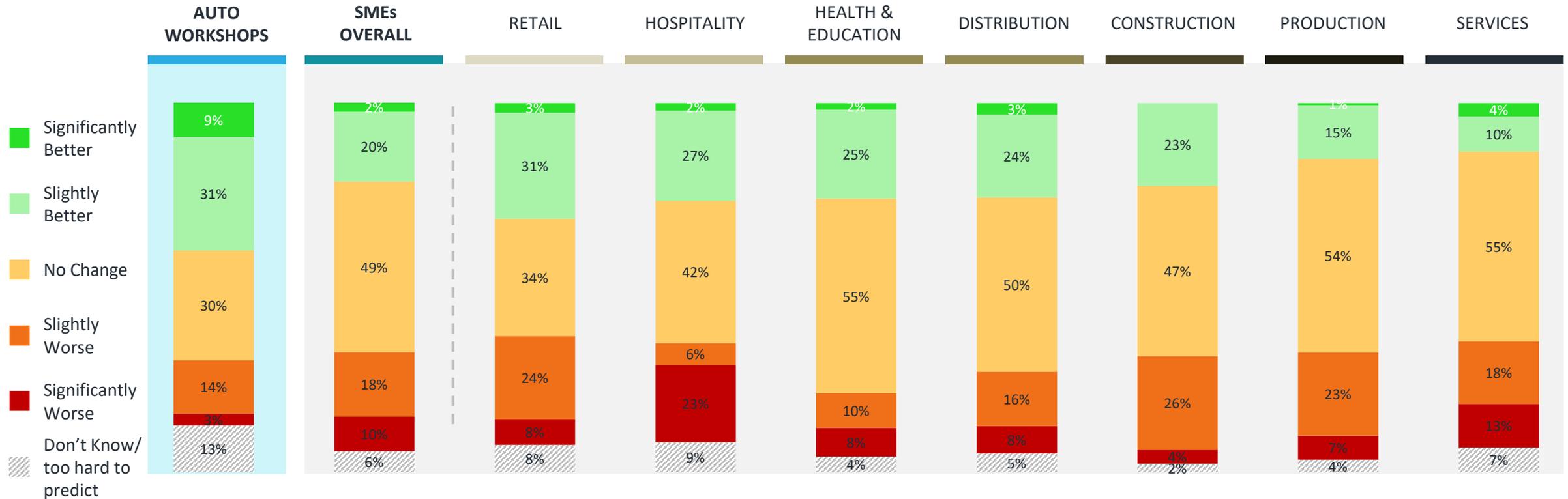
EXPECTED REVENUE CHANGE IN 4 WEEKS



EXPECTED REVENUE CHANGE COMPARED TO SME TRACKER

We again see that despite a certain amount of uncertainty, the level of optimism within the automotive workshop sector is higher than many other industry groups; the closest comparison point is retail, which is also expecting to see swift improvement as consumers re-enter the marketplace

EXPECTED REVENUE CHANGE IN 4 WEEKS



EXPECTED REVENUE CHANGE

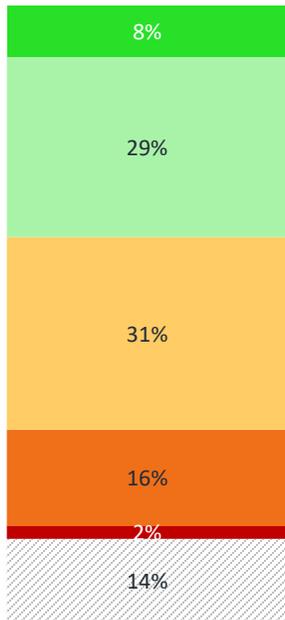
Looking at this over time, we see that while the sentiment is generally trending in a positive direction, a level of uncertainty does remain within the automotive workshop sector

EXPECTED REVENUE CHANGE IN 4 WEEKS

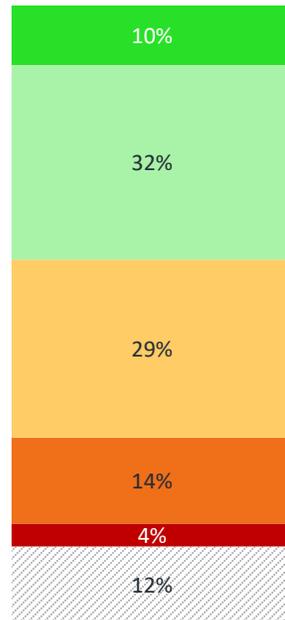
AUTO WORKSHOPS

SME TRACKER

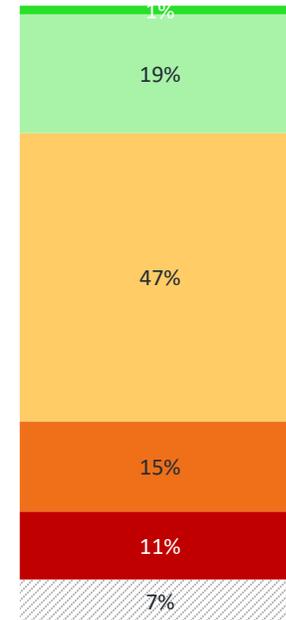
- Significantly Better
- Slightly Better
- No Change
- Slightly Worse
- Significantly Worse
- Don't Know/ too hard to predict



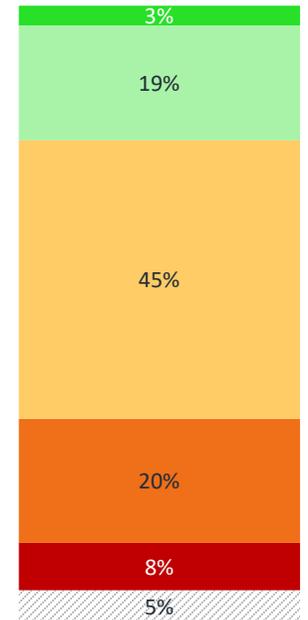
WC 4TH MAY



WC 11TH MAY



WC 4TH MAY



WC 11TH MAY

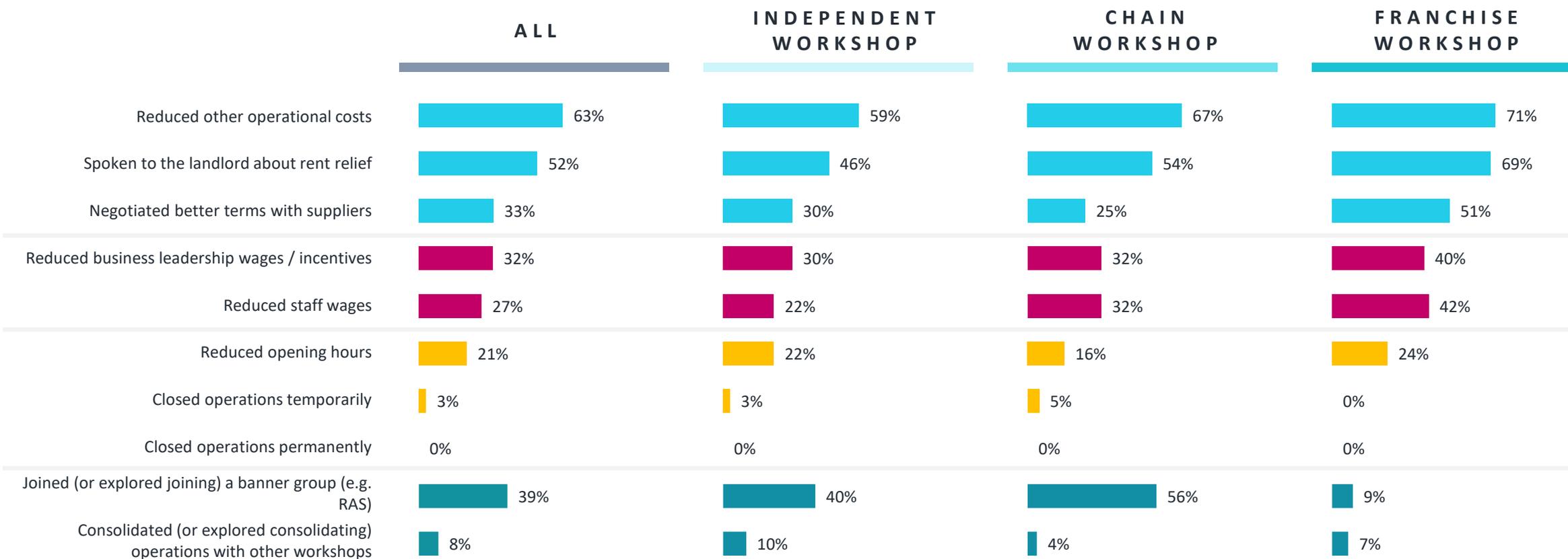


RESPONSE TO COVID-19

ACTIONS TO REDUCE IMPACT

Most automotive workshops have sought to reduce their cost base as a primary response to Covid-19, negotiating better terms with suppliers or seeking rent relief; around one in three workshops have however had to reduce staff wages as a result of the pandemic

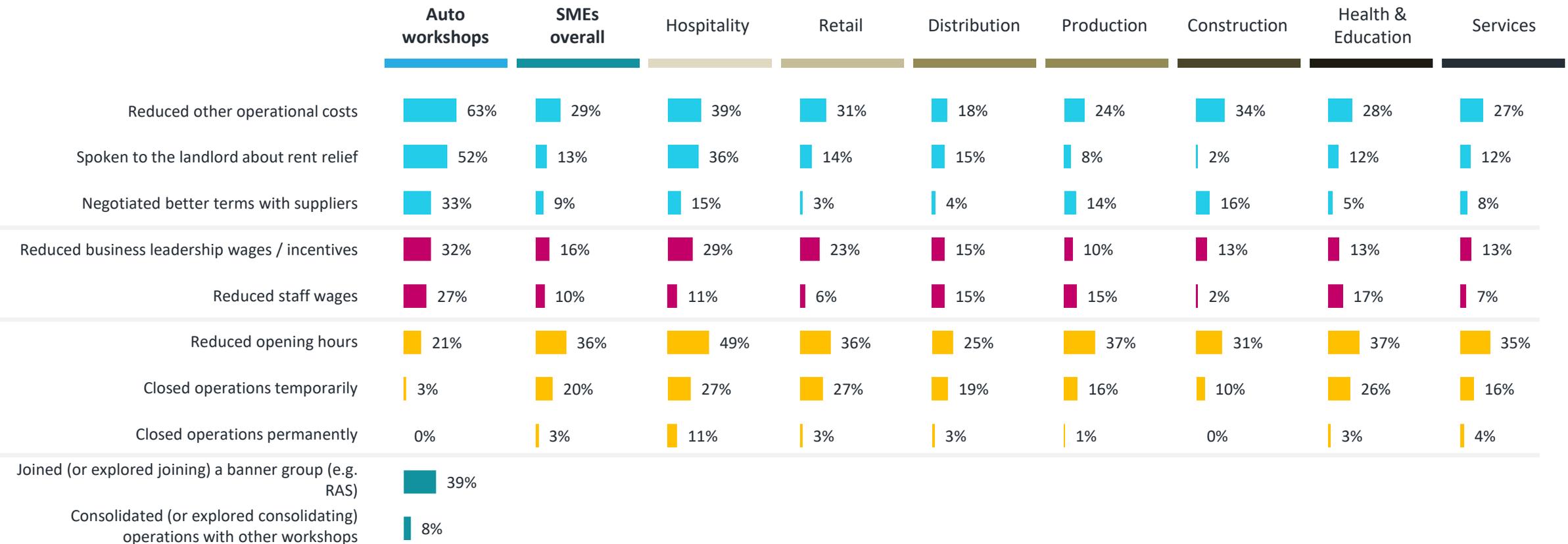
ACTIONS TAKEN TO REDUCE IMPACT



ACTIONS TO REDUCE IMPACT COMPARED TO SME TRACKER

The automotive workshop sector in particular has displayed a more effective approach than other industries in being able to bring operational costs down, before having to take a hit on staff wages or workshop opening hours

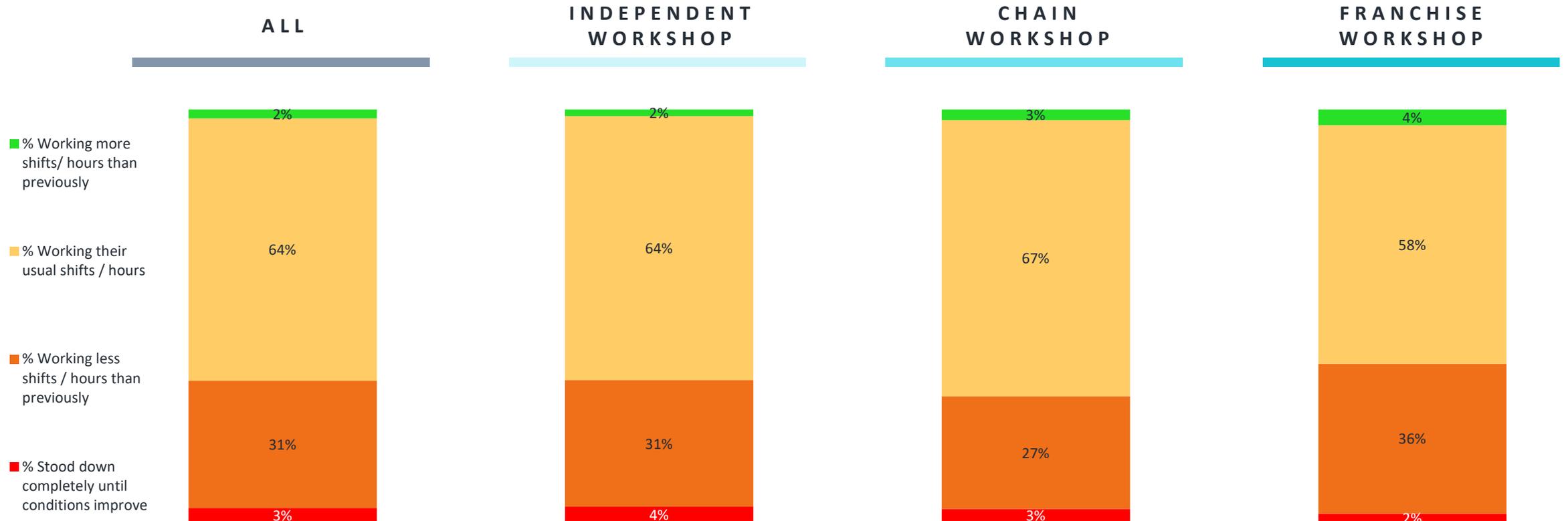
ACTIONS TAKEN TO REDUCE IMPACT



CHANGES IN EMPLOYEE WORKING SCHEDULES

The reduction in staff wages lines up with the changes to employee's working schedules; roughly one in three staff members are working less shifts or hours than they were previously

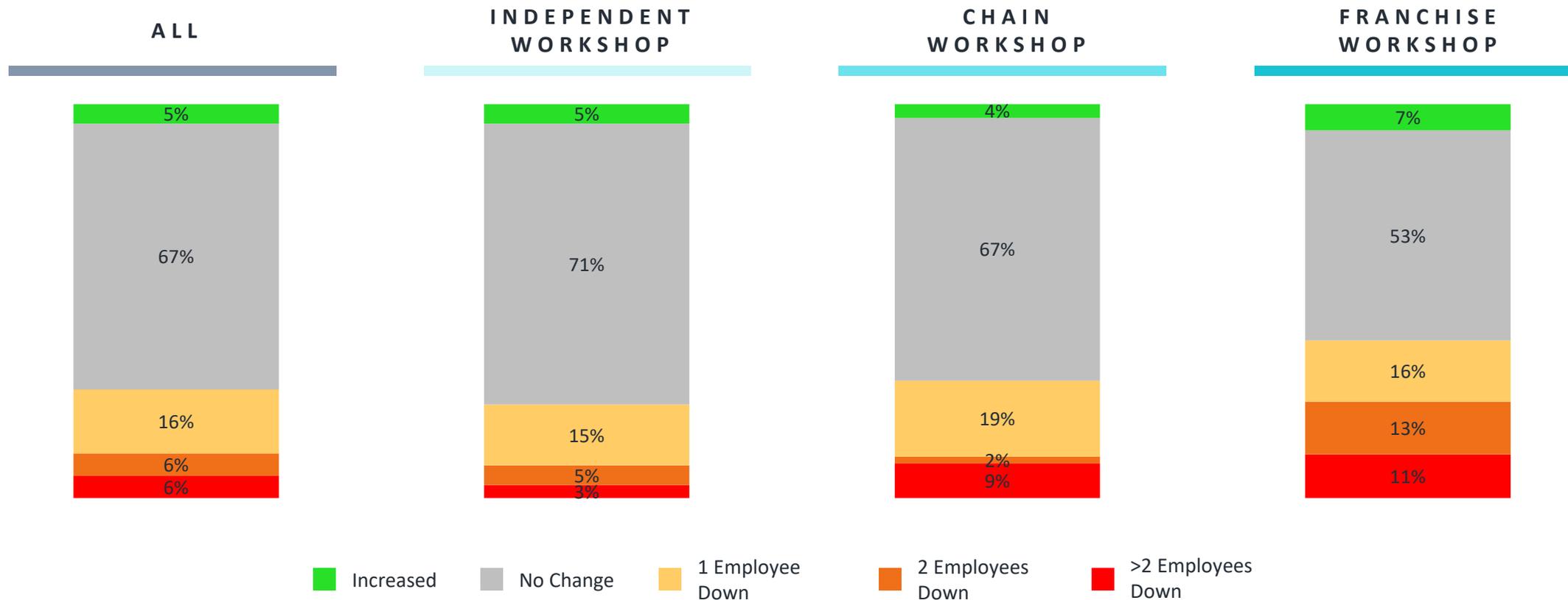
CHANGES IN EMPLOYEE WORKING SCHEDULES



CHANGE IN NUMBER OF STAFF

Workshops appear more likely to reduce hours than cut staff entirely; this approach will allow them to ramp back up more swiftly as business picks up again

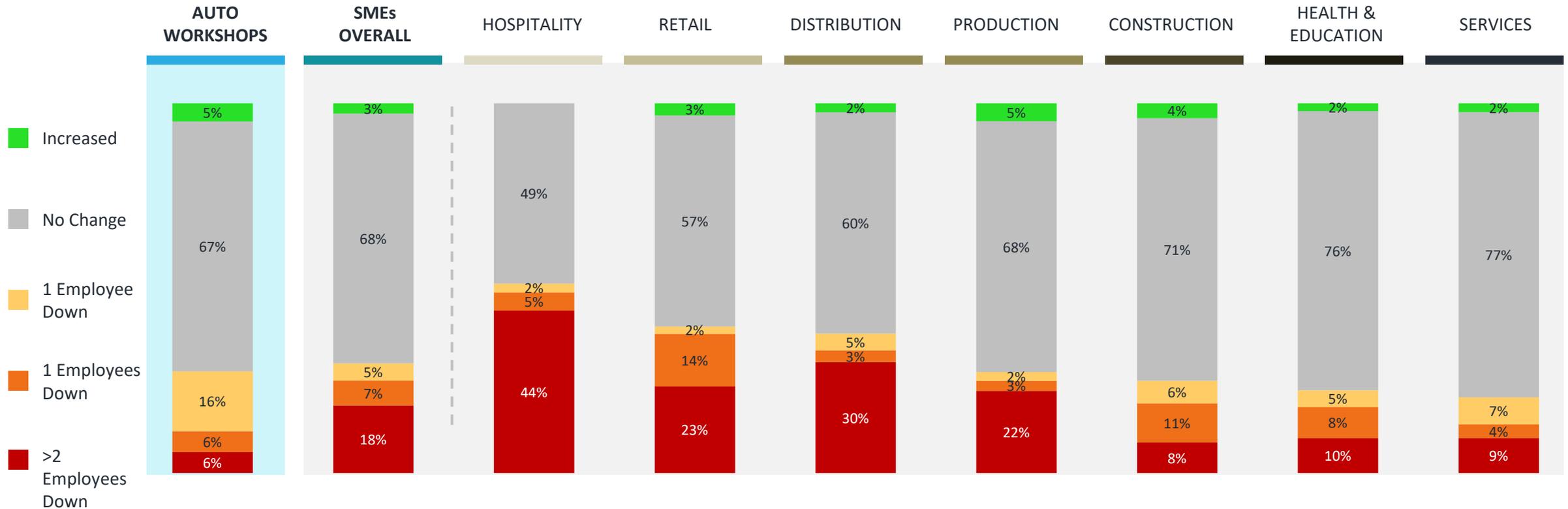
CHANGE IN NUMBER OF STAFF



CHANGE IN NUMBER OF STAFF COMPARED TO SME TRACKER

This again fares relatively well compared to other industries, with more heavily casualised sectors such as Retail and Hospitality more likely to put staff off completely

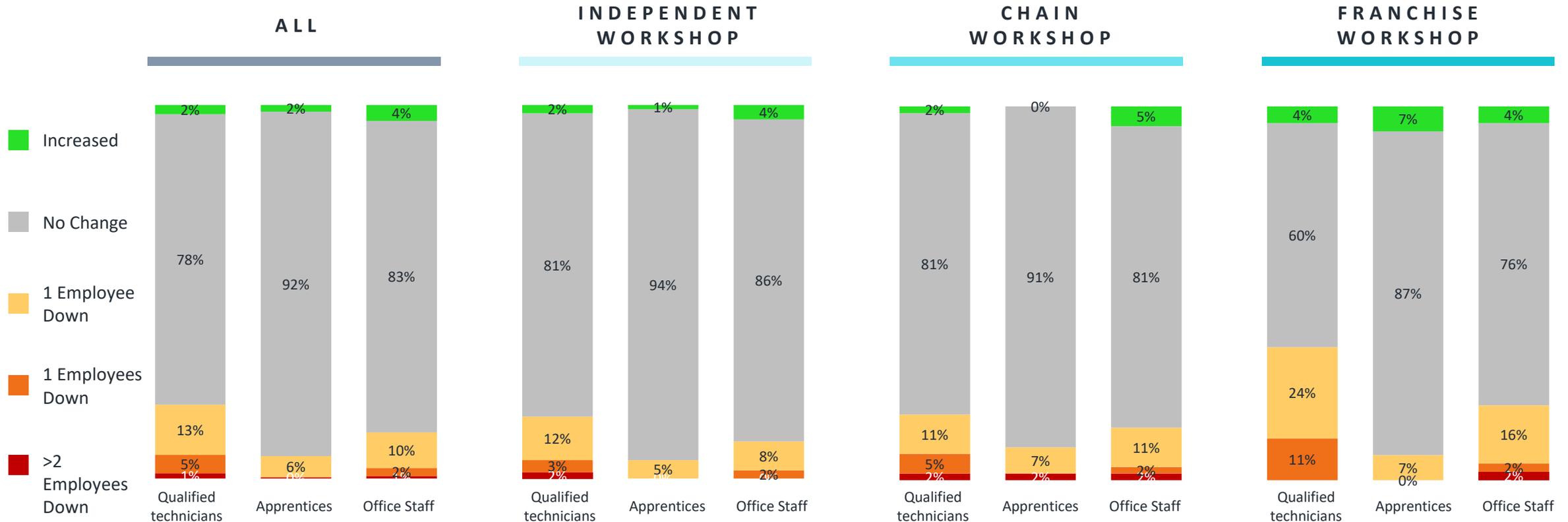
CHANGE IN NUMBER OF STAFF



CHANGE IN NUMBER OF STAFF

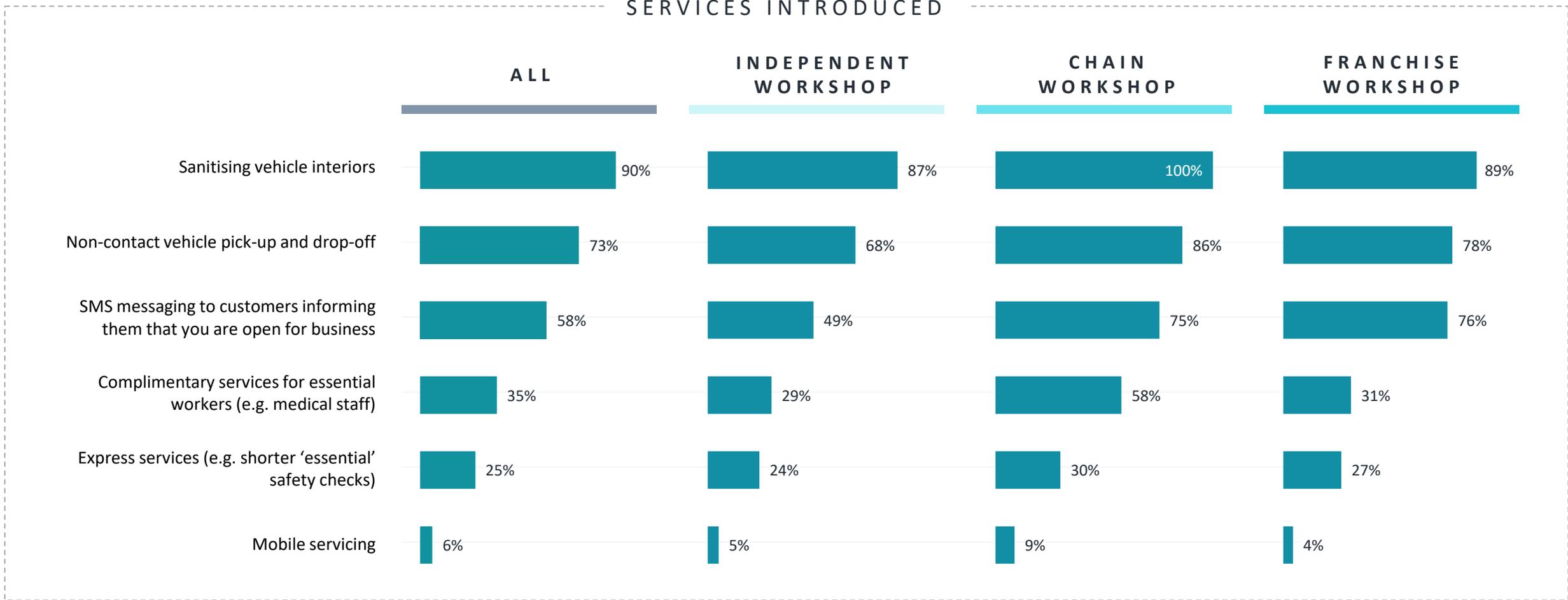
Across the board, we see that few workshops have made significant cuts, with job losses also spread between the different types of employee (i.e. one technician and/or one admin or office staff member)

CHANGE IN NUMBER OF STAFF



SERVICES INTRODUCED

Many workshops have introduced cleaning and non-contact servicing to reduce the barriers for customers concerned about potential infection risks; while they were introduced in response to these specific circumstances, will some of them become more common going forward?



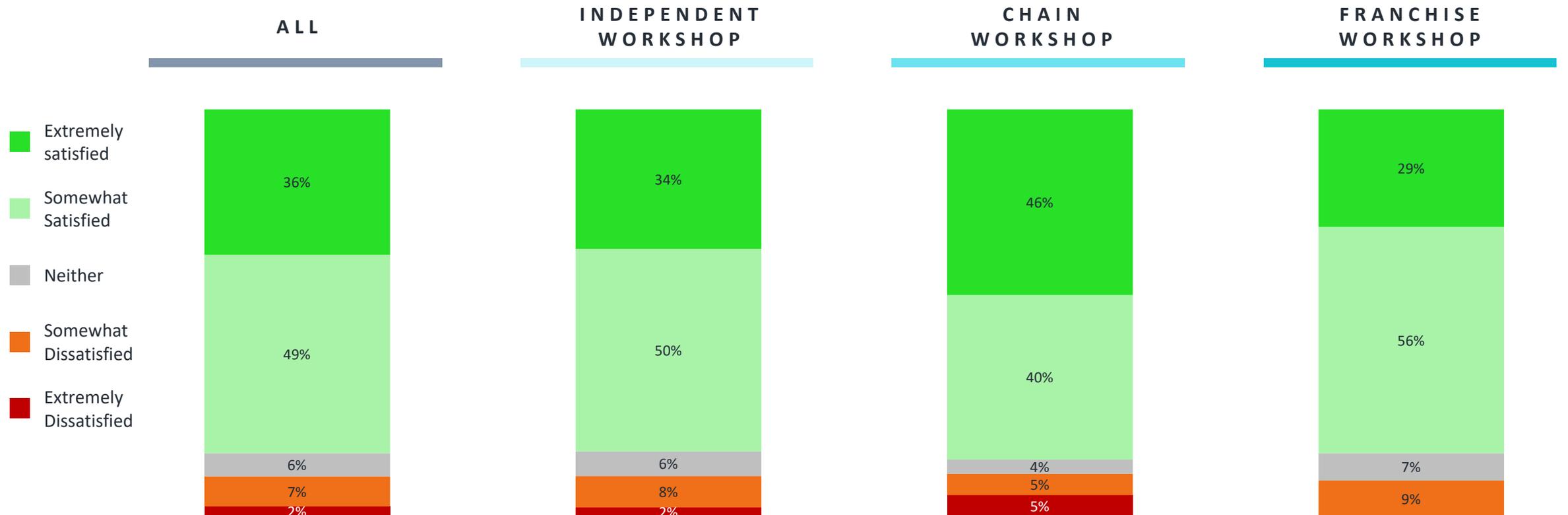


GOVERNMENT SUPPORT

GOVERNMENT RESPONSE

Across the board, automotive workshops are generally satisfied with the Government response to Covid-19

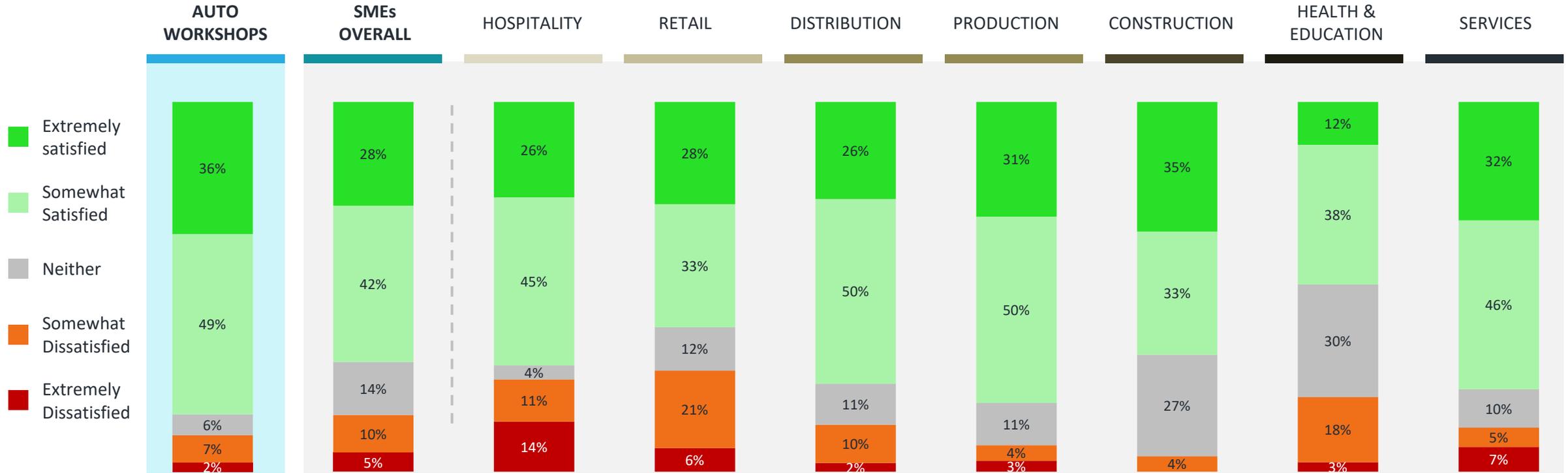
SATISFACTION WITH GOVERNMENT RESPONSE



GOVERNMENT RESPONSE COMPARED TO SME TRACKER

Significantly more so than the Retail & Hospitality industries, which experienced similar downturns in revenue as a result of the crisis; this suggest the government support and plan for emerging from lockdown aligns more accurately with workshop's needs

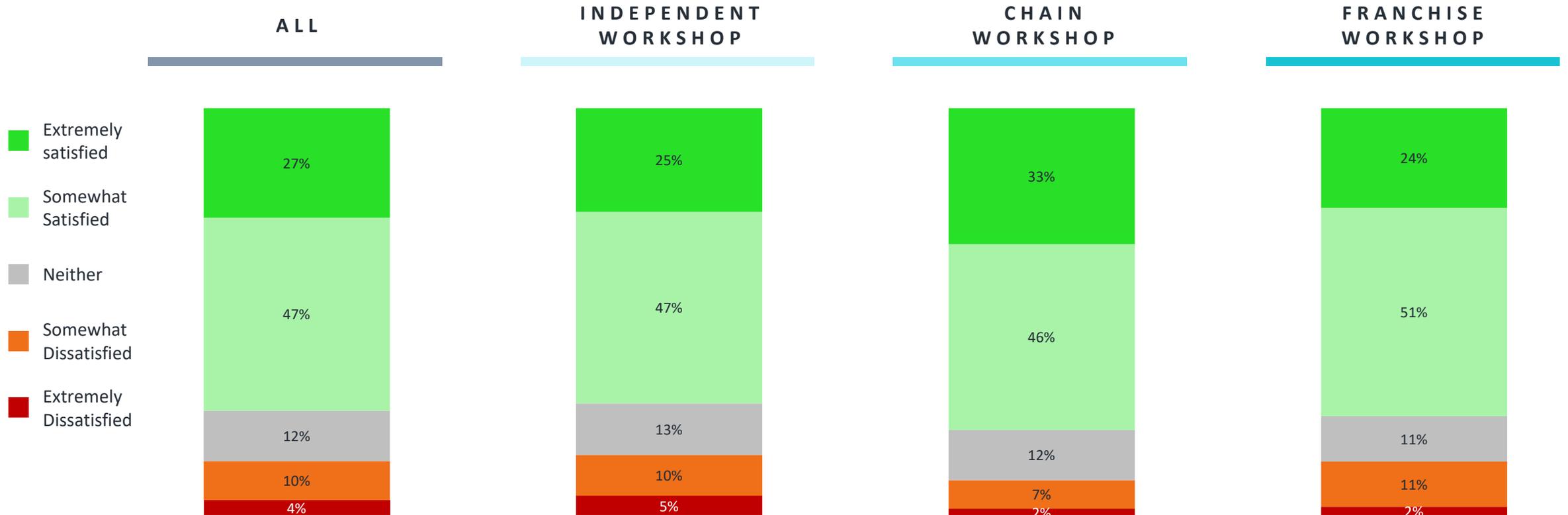
SATISFACTION WITH GOVERNMENT RESPONSE



GOVERNMENT STIMULUS PACKAGE

Reflecting this, we see a high level of satisfaction with the Government's stimulus package; Chain workshops particularly stand out here, with their financial systems potentially better geared to capturing and reporting the information required to qualify for the different stimulus packages

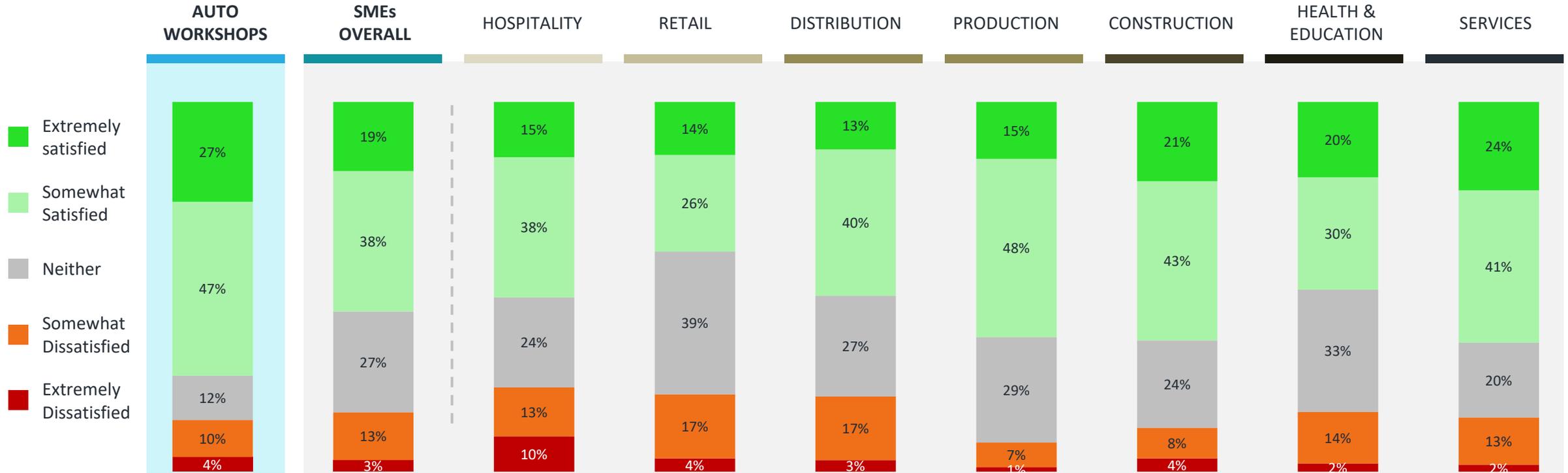
SATISFACTION WITH GOVERNMENT STIMULUS PACKAGE



GOVERNMENT STIMULUS PACKAGE COMPARED TO SME TRACKER

On the whole however, it appears that auto workshops feel well supported by Government, with the sector again faring well in comparison to other industry sectors;

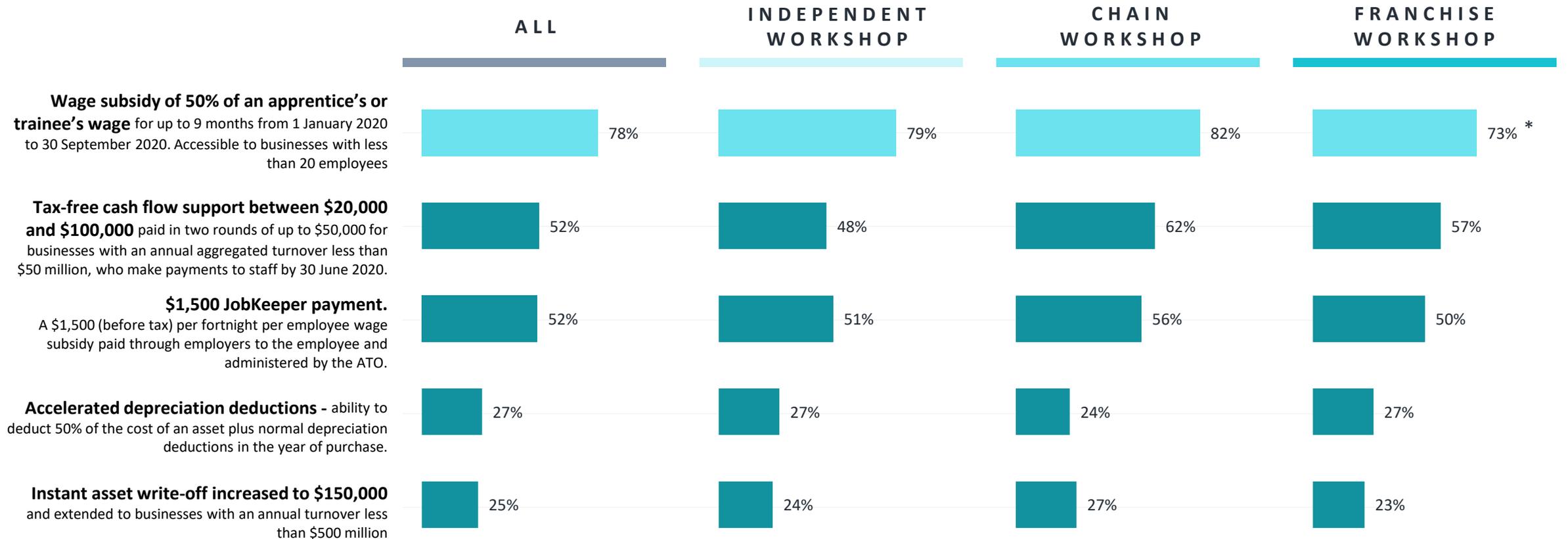
SATISFACTION WITH GOVERNMENT STIMULUS PACKAGE



GOVERNMENT STIMULUS PACKAGES

It is no surprise then that the industry has made good use of government support; apprentice wage subsidies will play a key role in supporting that part of the workforce, while a number are also taking this opportunity to invest in new equipment (through the instant asset write-off / accelerated depreciation)

GOVERNMENT STIMULUS PACKAGES USED/WILL USE



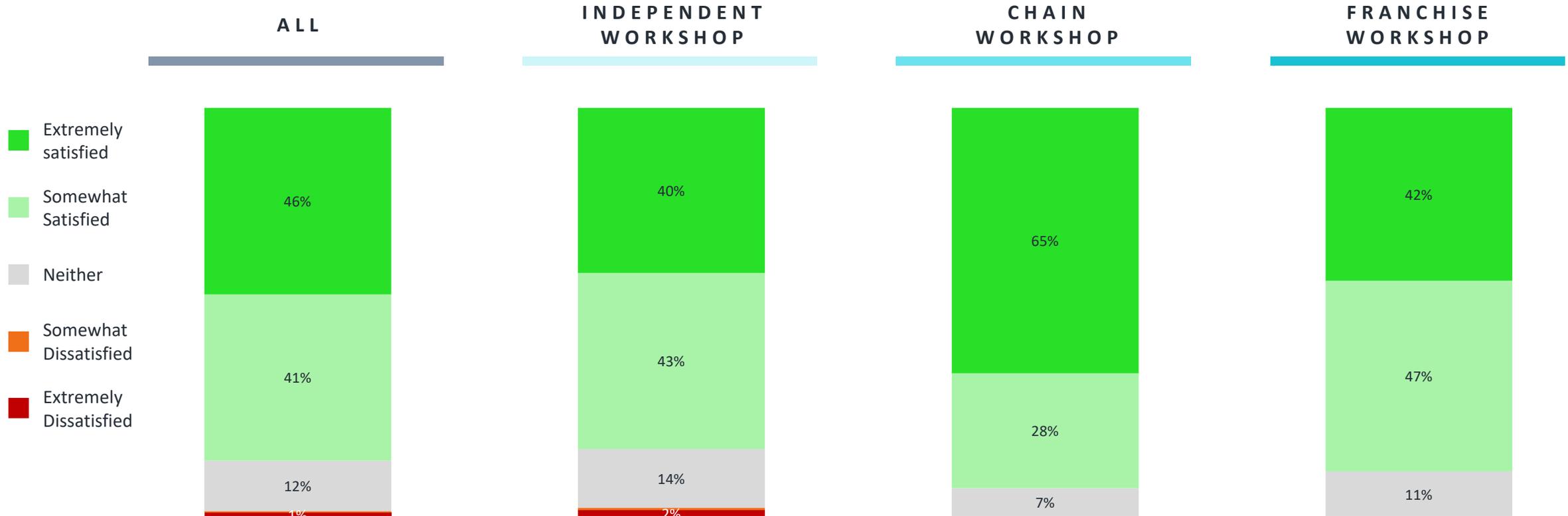


AAAA SUPPORT

AAAA SUPPORT ACTIVITIES

Reflecting on the work done by the AAAA through this period, we also captured high levels of satisfaction with the support provided to members to date during the pandemic

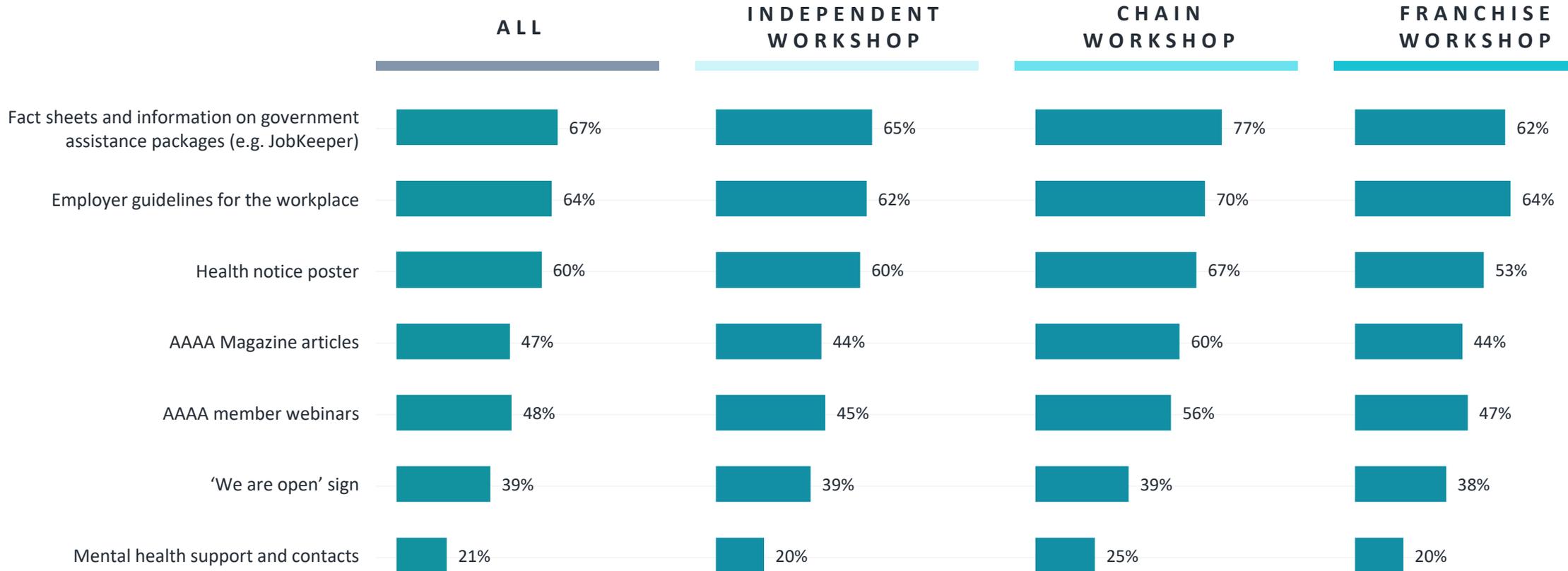
SATISFACTION WITH AAAA SUPPORT FOR MEMBERS



AAAA SUPPORT ACTIVITIES

This is underpinned by high levels of usage of a wide range of AAAA content and information; while fact sheets, employer guidelines, and the health notice poster are most widely used, magazine and webinar content have also been widely consumed within the member base

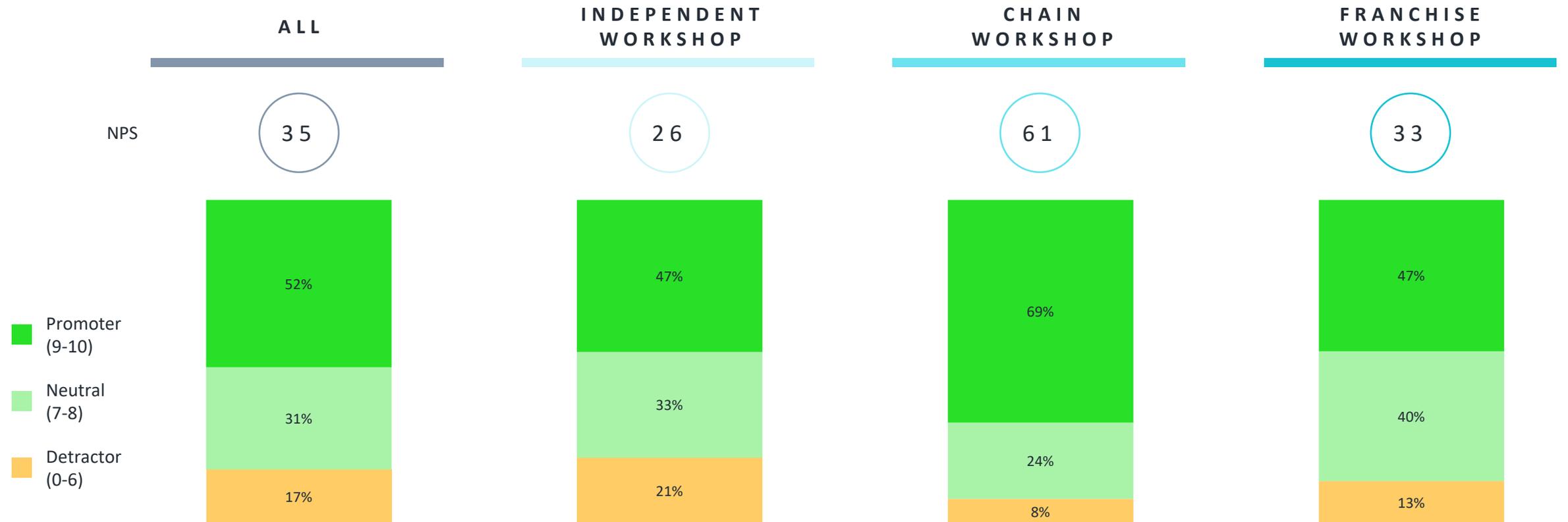
SUPPORT ACTIVITIES PARTICIPATED IN



LIKELIHOOD TO RECOMMEND THE AAAA

Off the back of this, it is therefore no surprise that the membership remains likely to advocate for the AAAA; Chain workshops again stand out here, but they are typically the cohort most actively involved with the industry body

LIKELIHOOD TO RECOMMEND THE AAAA



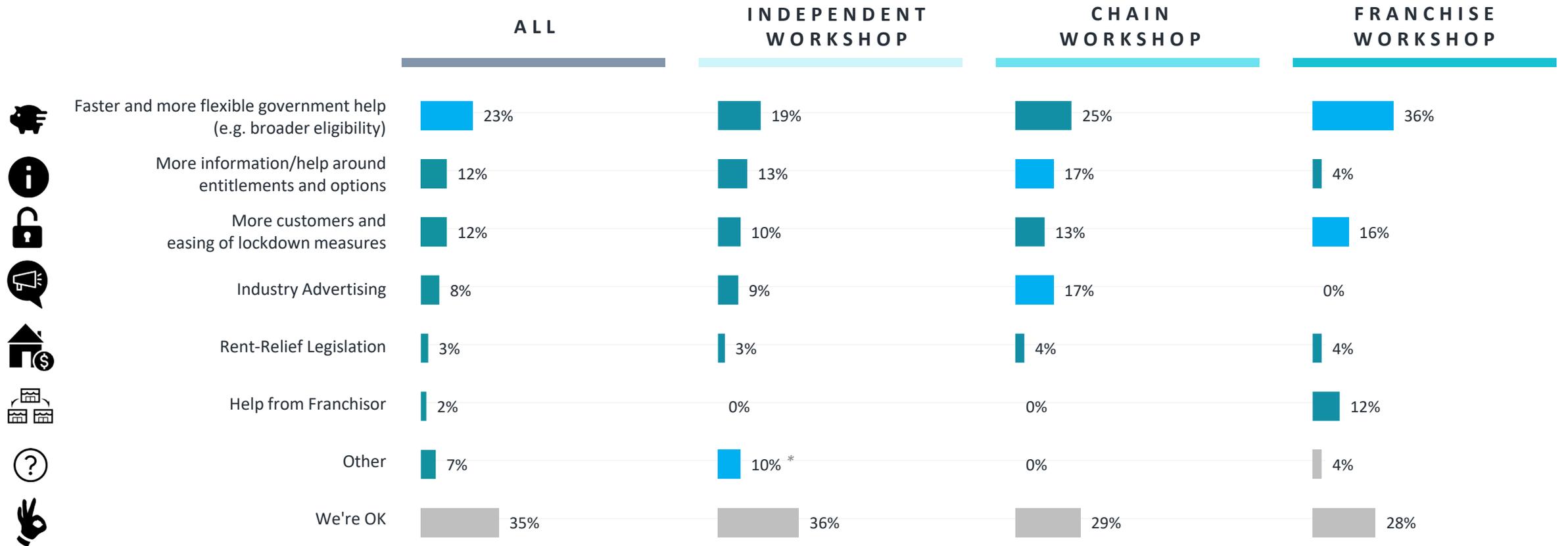


OTHER SUPPORT NEEDS

OTHER HELP AND SUPPORT NEEDED

Looking at their needs more broadly, workshops requests can broadly be summarised back into expanded financial support, and increasing the demand for their services (either by reducing restrictions or through industry-led promotional activities)

OTHER HELP AND SUPPORT NEEDED



OTHER HELP AND SUPPORT NEEDED

They would however also benefit from greater certainty around the longevity of government support programs; making decisions about the future becomes both challenging and confronting with that uncertainty hanging over them

OTHER HELP AND SUPPORT NEEDED

INDEPENDENT WORKSHOP



Certainty that the government is going to pay Jobkeeper for the full 6 months that was passed into legislation. In the last week the media have been driving home that Jobkeeper is not needed to the full extent the government introduced. **There is no certainty from the government that Jobkeeper will remain in it's current form for the full term originally advised,** instead we have the government stating in the media that Treasury will be conducting a review at the end of June. Business owners can not make business decisions when there is so much uncertainty. Give us certainty around Jobkeeper so we can get on with making informed confident business decisions.



Hopefully Lock down will lift soon and we will see an increase in bookings so we can retain our staff - It is a week by week situation

CHAIN WORKSHOP



Job Keeper is good **but we won't know if we qualify until close to end of May,** but have to make the top-up payments for a month before we know if we are applicable. We've submitted for the Stimulus package with our BAS but haven't seen the payment come through yet.



Industry advertising that we are allowed to be open and it is business as usual in the automotive sector. **Stressing the importance of regular servicing to keep the vehicle safe and in good condition.** Also, emphasising that it is a **good time to get your car serviced if you are working from home** and a good time to have a problem looked at that you haven't had time to do before as it could take a couple of days.

FRANCHISE WORKSHOP



Just to finally get the **Apprentice assistance package asap,** We applied for this on the 5th April and are still waiting to get anything



We have been sharing staff between other stores within the same group to help each other cope on the busy days and also keep our staff working so as not to lose any of their regular pay. We also switch all staff back from full time to part time contracts to assist the business financially, however at this point the business has not been affected so those staff **members were paid a bonus to make up for any lost wages.**



SUMMARY

SUMMARY

Our key themes can be summarised across these four topic areas

SUMMARY THEMES



IMPACT OF COVID-19

The automotive servicing industry was heavily impacted by the lockdowns, with most seeing revenues drop significantly.

Looking across industries, the best comparison points here are retail and hospitality, which are also highly dependent on a level of consumer activity.

Despite this, most looked at it as a short-term impact, with a level of confidence about the ongoing viability of their business (more so than many other sectors).



RESPONSE TO COVID-19

There are a few key factors driving this confidence; a reduced cost base, temporary staff cuts and the introduction of new services.

- Many workshops were able to negotiate improved supplier terms and rent relief.
- They also introduced temporary (rather than permanent) staffing cuts, reducing wages and hours.
- They have also introduced new services to maintain some level of activity through the shutdown, such as non-contact vehicle pickup/drop off.



GOVERNMENT SUPPORT

Across the board, automotive workshops are satisfied with the Government response to Covid-19, with many of them making good use of the support packages on offer (apprentice wage subsidies, JobKeeper, etc)

As a result, satisfaction with Government support sits significantly higher than the retail & hospitality industries, which experienced similar downturns in revenue as a result of the crisis.



AAAA SUPPORT

Strong satisfaction levels follow through when it comes to the support AAAA has provided for its members during the crisis.

Reflecting a wider level of confusion across the industry about eligibility for Government support, the AAAA's fact sheets and employer guidelines have proven very helpful for impacted businesses.

Despite this, many are also looking for further information about the support schemes, greater surety around the life of the programs, and for industry-led consumer-focused communications activities.



AUSTRALIAN AUTOMOTIVE
AFTERMARKET ASSOCIATION



THANK YOU

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