

News for automotive and aftermarket editors from Trend Tracker Limited

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For immediate release

Body repair: opportunities for franchised dealers

Significant changes ahead in the car body repair market are threatening the already weak bodyshop sector, while also opening up new opportunities for businesses prepared to invest, according to the latest MFBI report* on the sector published by Trend Tracker Limited.

Growth in smaller repairs demand: The average value of individual repairs is falling resulting in a higher proportion of repairs falling near to or below motorists' policy excess charges, and while insurance companies are providing less work, demand for smaller repairs ordered by private motorists and fleets is rising. Bodyshops capable of making their cost structures for small jobs more competitive could win more of this profitable business back from SMART repair specialists – business already totalling 1.49m repairs this year, representing 27% of total repair demand, and forecast to grow to 2.0m repairs over the next five years.

New regulation will force out competitors: When the EU Paint and Products Directive comes into force next year, MFBI expects many bodyshops to close rather than invest in the new equipment needed for water based refinish paint as well as the new equipment required to repair moiré complex cars – overall, the number of UK bodyshops is forecast to fall by 19% from 4,560 this year to 3,700 outlets now to 3,700 by 2011. Another 'adapt or die' factor is the proposed BSI 'PAS 125' body repair code of practice, which could raise the bar too high for many to reach. The brunt of the decline will be borne by small bodyshops, which MFBI forecasts will nearly halve in number from 2,330 in 2006 to 1,260 in 2011. However, there will be opportunities for stronger players to grow with this decline in the numbers of competitors.

Technology will favour specialists: A third major repair market shift is being brought about by new automotive technology: the advent of new safety-critical electronic systems, new structural designs and new steels and alloys is already requiring new investment by repairers, and often, in manufacturer- and even model-specific training and equipment. MFBI expects insurers will have to place more major repairs with manufacturer-approved bodyshops to ensure that cars' safety-critical features are correctly repaired. As these expert repairers experience rising demand, they can be expected to be able to raise their labour rates, since few generalist all-makes independent bodyshops will be able or willing to make the necessary investment to satisfy insurers' corporate liability concerns.

At present, MFBI estimates there are just 1,040 franchised dealer bodyshops in operation, less than half the number a decade ago and representing less than a quarter of all bodyshops; while some franchised bodyshop overheads can be shared with other dealership departments, the attraction of subsidising a department with low labour rates, so far static demand and shrinking repair times has been unattractive compared with the returns available from mechanical service and repair. But the prospect of more, higher-value structural repair work from insurers anxious to ensure that manufacturers' specifications are followed could encourage those franchised bodyshops that remain to revalue their scarce expertise in the expectation of improved rewards.

Overall, the car body repair market is on the verge of long-term structural decline, according to *The Car Body Repair Market in the UK*, published in August 2006.

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At 5.6m repairs, 2006 market volume is more or less back to where it was in 1996, and MFBI expects repair market value in 2006 to be *below* its 1996 level in real terms, at £4.7bn. The company forecasts no increase in repair demand for the next five years, while in the longer term the market is expected to shrink markedly due to the adoption of collision avoidance technologies and other 'active safety' systems.

Market Polarisation

While it is declining, the body repair market is also showing signs of polarisation – with SMART (Small and Medium Area Repair Techniques) specialists encroaching on a growing, smaller repairs segment of the market which generalist bodyshops' cost structures are not low enough to compete in, and a shrinking but still important demand for major structural repairs of high-tech vehicles which only marque specialists capable of investing in new equipment and training will be able to perform to manufacturers' specifications.

Similar trends have already affected the mechanical servicing and repair market, in which fast-fits have appropriated a big share of low-tech wear-and-tear replacements, and increasingly complex technologies have created demand for well-trained specialists at the expense of less well-equipped generalist garage operators.

In both the body and mechanical repair sectors, the principal victims of this polarisation will be the non-specialists in the 'middle market', whose fixed costs are too high to be competitive on small jobs, and whose capabilities don't match the technical demands of increasingly complex vehicles – or of increasingly demanding regulation. **The Car Body Repair Market in the UK, published August 2006, info@trendtracker.co.uk*

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Notes for editors

Details of the contents of this MFBI report, *The Car Body Repair Market in the UK*, priced at £795, can be downloaded from www.trendtracker.co.uk, or obtained via email to: info@trendtracker.co.uk or by calling Charles Oakham on +44 (0)870 421 4350.

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About Trend Tracker Limited

Trend Tracker conducts qualitative and quantitative research for a wide range of automotive clients, besides publishing Trend Tracker and MBFI brand studies on the vehicle, motor finance, aftersales, body repair and other automotive segments. The company also assists clients in implementing performance improvement through training and development programmes.

Average repair costs by marque (£), 2005

