

# CHARTING THE DECLINE IN SMR WORK

by Toby Procter

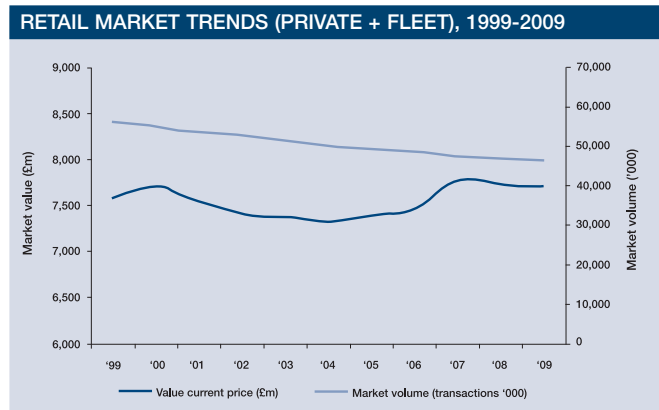
“ A further negative factor influencing the market for retail SMR is a decline in the average mileages driven ”

The Trend Tracker Car Service and Repair Update report, published last month, describes a declining trend in retail service and repair demand over the past decade, despite the growth in car ownership. It also measures how well franchised retailers, independent garages and fast-fits have fared in attracting custom from the owners of different car brands.

As anyone involved in the servicing and repair business will attest, vehicle build quality has improved immeasurably - as has the quality of spare parts. As a direct consequence, vehicle manufacturers have been able to increase service intervals, reduce service content and extend new car warranties.

These are but a few of the reasons why the retail market for car servicing, maintenance and repairs (SMR) has not increased in line with the apparent growth in the number of cars on the road.

However that long, sustained growth in car ownership came to a halt last year. The UK car parc, having grown by 13% in the 10 years from 1999, shrank by 0.7% in 2009, reversing 64 years of growth that helped to



sustain the retail car service and repair market in the face of negative factors including improving quality.

A further negative factor influencing the market for retail SMR is a decline in the average mileages driven by car. The Government's National Travel Survey says they dropped by 9% in the decade to 2008, to 13,985 km per year (8,740 miles). The rise in household multiple car ownership, as well as congestion, are probably to blame.

One positive market value driver has been increases in labour charges by workshops, no doubt designed to compensate both for inflation and a reduction in the work available to workshops. From 1999 to 2009, franchised retailers' labour rate increases exceeded inflation by 36%, while independent garages raised their charges by a more modest 15% above Retail Prices Index (RPI).

But these labour rate hikes have not been able to offset the decline in demand for retail car servicing and repair in the first decade of the new century.

## MARKET VOLUME

At current prices the value of the private, business and fleet car service and repair market (excluding MOTs) has, after some downward fluctuations, increased by just 2% over the ten years, 1999-2009. But in real terms, taking out the effect of RPI inflation, the value of the market dropped by 21%, 1999/2009, to stand at £7.70 billion last year.

The main reason for this real-terms fall is that the number of retail services and repairs carried out dropped 17% from 55.9 million to 46.6 million. Back in 1999, garages could count on seeing an average 2.04 service/repair transactions per motorist per year. By last year, Trend Tracker estimates they could expect to see customers an average of only 1.50 times yearly.

## FIGHTING AGAINST THE TIDE

Declining demand has already taken its toll on the providers of servicing and repairs. Today's UK motorists now have one-third fewer garage outlets of any type to choose from than in 1999 - 20,195, down from over 30,000. Further casualties are inevitable, with the volume of service/repair demand in five years' time forecast to fall from what is available now.

Any franchised dealership group obviously needs to run faster just to stand still in this market, especially since the average age of the car parc has increased since 2007, reducing the volume of cars under manufacturer warranty. Acquiring market share is the only way to grow. But how?

Offering financial incentives through service plans is one way forward. The Ford network, among others, offers all owners a fixed price service, regardless of model or vehicle age. And Ford is not alone in promoting a scheme which allows scheduled servicing to be paid for in monthly instalments.

BMW Group pioneered low servicing contract charges with the launch of Mini. Both manufacturer and retailer may share the cost of betting on competitive prices to drive motorists back from independents to dealerships, with more customers making up for lower labour rates.

In the same way, some retail groups are offering similar packages to their used car customers - a large and relatively untapped source for retail service and repair business, according to Trend Tracker.

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Today's UK motorists now have one-third fewer garages to choose from – 20,195, down from over 30,000 in 1999. Trend Tracker's forecasts for market value and volume, running forward to 2015, suggest a 5% fall in real-terms value compared to 2009, and a 3% fall in volume demand.

Of course, none of these trends move very fast. The largest real-terms fall in SMR market value preceded the recession of 2008/09 since when the decline has levelled off somewhat, perhaps because drivers are putting off changing cars and spending more on maintaining their existing cars.

However the current high rate of unemployment, and rising road tax and fuel costs hitting motorists' pockets, might just oblige car owners to put off all but essential repairs and obligatory MOT tests. Indeed a YouGov online survey of 2,245 adult drivers for Ford, in May this year, found 15% of them had skipped or postponed routine servicing of their car to save money.

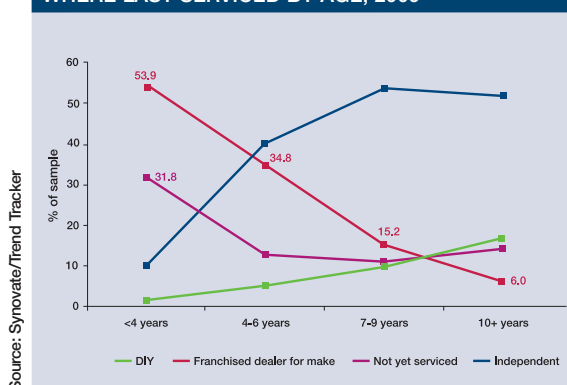
### TRACKING AGE

Looking at the whole range of service, maintenance and repairs – and not just routine servicing – independent garage workshops carried out 51.3% of all retail servicing, MOTs and repairs in 2009, franchised retailers accounted for 26.3%, and fast-fits for 7.1%.

However, the Trend Tracker report confirms how franchised dealership workshops lose work as cars age. For cars up to four years old, franchised workshops retained 53.9% of routine servicing business in 2009 and this would have been higher if not for the large number of interviewees (31.8%) saying their car had not yet been serviced. The magnitude of 'not yet serviced' is an inevitable consequence of extended routine service regimes.

As cars age, though, franchised workshops retain fewer customers for servicing (see chart) and the independent garage sector benefits.

WHERE LAST SERVICED BY AGE, 2009



### ABOUT THE REPORT

The new Car Service and Repair Trend Tracker Update 2010 report combines in one volume an update of data from three long-established Trend Tracker reports covering the UK market for retail mechanical car servicing, maintenance and repairs.

It is based on analysis of consumer survey data from up to 18,000 different motorists, gathered during a rolling 18-month period and going back to the early 1990s, as well as extensive B2B research.

Details of the report can be downloaded from [www.trendtracker.co.uk](http://www.trendtracker.co.uk)

But as the Trend Tracker study points out, the migration of servicing custom from franchised workshops to independents is generally a consequence of changes in car ownership to second and subsequent owners.

### MARQUE LOYALTY

As in Trend Tracker's 2008 survey, Honda drivers are still the most loyal to franchised dealerships for the make when it comes to having their cars serviced. Honda dealers successfully retained the custom of 39.5% of Honda cars of all ages for servicing in 2009.

Combined, the retailers for the prestige German makes - Audi, BMW and Mercedes-Benz – retained the servicing custom of 38.8% of these brands' drivers. Toyota dealers also recorded a well-above average performance in 2009 by retaining 35.6% of its owners for routine servicing.

At the bottom end of the routine servicing loyalty table, only 16.1% of Rover and MG owners said they used the dealership for their make to service their car (the XPart network took on support for the brands' retailers after the demise of MG Rover in 2005).

Fiat dealers retained a lowly 16.7% and the Nissan network 22.9%. Most other makes surveyed were much nearer the all-marques average dealer-for-make servicing retention of 27.8%.

Looking at the figures another way, half of the Rover and MG owners surveyed had used independent garages for their last car service (50%), while at the other end of the scale only 31.7% of all Honda owners had used an independent garage. Some 45.2% of Fiat owners had used an independent garage.

Across all brands and ages of cars surveyed, independent garages accounted for 38.4% of all services carried out.

■ *Author Toby Procter is director of Trend Tracker ([www.trendtracker.co.uk](http://www.trendtracker.co.uk)) who compiled this report.*