



Embargoed until Wednesday 1 November

Car dealers losing share of lucrative service market

Industry research shows manufacturers' dealer networks are losing share of the lucrative new car service and repair market to independent garages.

The latest industry research on the UK car service and repair market shows that franchised dealers' traditional near-monopoly of servicing and repairs of cars under manufacturer's warranty is declining. In 2002, the European Commission introduced legislation to make the car service and repair market more competitive by opening up the market to independent garages and the research shows that car dealers' share of the lucrative service and repair market for cars under four years old has fallen from 67% of all services and repairs in 2003/04*, to 65% in 2005/06*.

The *Castrol Business Services Repair Trend Tracker* research report* shows that independent garages have seen their share of warranty-period servicing and repairs rise from less than 18% in 2003/04 to almost 21% in 2005/06. Analysts at Trend Tracker, the automotive research company that carry out the research say that although the decline is small it shows that the regulations introduced in 2002 have begun to have an affect.

For car owners this is good news as it means that they are getting access to warranty-period servicing and repairs at lower cost from independent garages, but for car dealers it is less welcome. With car servicing accounting for 31% of a typical car dealership's total profitability, dealers have been able to exploit their virtual monopoly of the warranty-period service and repair market to significantly increase their labour rates. This has been necessary to offset the declining profitability of new car sales. Currently, new car sales contribute just 4% to a typical franchised car dealer's gross profits and these have been hit in the last two years by falling new car sales.

Increased competition from independent garages will mean that the manufacturers' dealer networks will be less able than in the past to simply jack up their service labour rates to compensate for declining revenues and profits elsewhere.

Some dealers, though, have bitten the bullet and are beginning to compete with independent garages to win a larger share of the service and repair market for cars aged four years and above – a market segment that independent garages have traditionally dominated. However, Trend Tracker's analysts point out that due to the development of more technically complex vehicles, a higher proportion of service and repair work will gravitate towards the manufacturers' dealer networks.

Trend Tracker's analysis of the market shows that this is beginning to occur, with previously simple tasks such as headlamp bulb replacement becoming dealer-only jobs with the widespread use of high-voltage Xenon headlamps. On some models, access to components such as headlamp bulbs requires either complete removal of the headlamp unit itself using specialist tools, or even removal of the complete bumper unit. This ultimately

results in significantly higher replacement costs, not just for the component itself, but involving more labour time too. As automotive technology advances, the cost of repairs is likely to increase significantly in future.

Trend Tracker’s analysts point out that further regulation of after-sales competition by the European Commission may become irrelevant due to more complex vehicle design. Trend Tracker research director Robert Macnab said: “As cars continue to become more reliable but contain increasingly technically complex and safety-critical electronic systems, cars may need less regular servicing, but when things do go wrong, they will need to be fixed by specially trained authorised repairers.” For further information about this research email info@trendtracker.co.uk

Percentage share of service and repair jobs by outlet and age of car, 2005/06

	Total	Age of car (%)			
		<4 Yrs	4-6 Yrs	7-9 Yrs	10+ Yrs
Base	2,426	478	623	597	730
Independent garage (no franchise)	46.8	20.7	47.7	57.8	54.0
Main dealer (for make of car you own)	23.3	64.6	25.2	10.6	5.1
A fast-fit centre (e.g. tyre and exhaust centre)	8.7	6.3	9.6	9.9	8.4
Did it myself	8.0	0.8	5.0	8.2	14.9
A friend	6.3	0.8	5.0	6.7	10.4
Some other provider	3.4	1.9	3.5	3.5	4.0
Don't know	2.6	3.3	1.4	3.5	2.2
Main dealer (for another make of car)	1.9	2.5	2.9	1.0	1.4
Total	100.0	100.0	100.0	100.0	100.0

Source: Castrol Business Services Car Repair Trend Tracker 2006

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Notes for editors

* The 2006 Castrol Business Services Car Repair Trend Tracker report is published by Trend Tracker Ltd on 1st October 2006 at £345.00. The latest trend data is based on comparing successive continuous rolling 18-month samples of 1,000 motorists.

The sampling period for 2003/04 – July 2003 to December 2004

The sampling period for 2005/06 – January 2005 to June 2006

Background

Castrol Business Services has sponsored the Trend Tracker car servicing report (and since 2005, the repair report) for over a decade, to bring unique market intelligence to businesses which use it to improve their service offerings.

Trend Tracker Limited prepares the annual Castrol Business Services Car Repair Trend Tracker report by analysing data provided in a survey of 18,000 randomly-selected motorists conducted consistently for this research since 1994 by Synovate. The 2006 Repair report is priced at £345, including a 122-page printed report and an electronic copy of the report.

For more information about the Trend Tracker report and data for feature articles, please call Charles Oakham on +44 (0)870 421 4350 or email charles@trendtracker.co.uk

About Castrol Business Services

Castrol Business Services was formed as a result of growing demand from Castrol's customer base for professional services in addition to the market leading lubricants it supplies. For over a hundred years Castrol has been a valuable partner and source of profit for automotive retailers as well as providing a competitive edge to Castrol's motor sport partners. As the market has evolved, Castrol has always been the leading innovator in the industry and has consistently added value to Castrol's core customer offer. Six years ago this quest to add value in every area led to the establishment of a consultancy operation focussed on delivering innovative workable solutions to enhance customer's profitability.

Due to the Castrol team's range of skills and unique insight into the motor industry, Castrol Business Services specialises in offering programmes that not only deliver profit and business improvements, but they are sustainable in the workplace and are easily incorporated into the everyday practises of a busy retailer.

Castrol Business Services is now a £5 million per annum operation. The diverse mix of experiences and qualifications held by the team means Castrol are able to offer a suite of services encompassing aftersales and parts programmes, financial and general management. More specifically Castrol's portfolio of expertise covers programmes expressly designed to meet the needs of OEMs and dealer groups. These include maximising parts sales in the retailer network, fast fit type operations including design, training and implementation, mystery shopping, capacity planning, retailer improvement, strategic planning to address Block Exemption rulings, tele-business and call centre solutions and customer satisfaction programmes. Retailer based services cover waste management, profit and process improvement, call centre based sale and service projects as well as the cleansing, ongoing management and sale of databases. Visit <http://www.castrol.com> and tap on to the Business Services tab.

For more information on Castrol Business Services, please call David Watson on 07795 062418 or email david.watson@uk.bp.com

About Trend Tracker

Trend Tracker is a UK-based independent, specialist automotive research company which undertakes bespoke client research programmes and publishes automotive market studies based on consumer and business-to-business research, including the Castrol Business Services-sponsored Trend Tracker reports on car servicing and car repair, and other MFBI-brand studies of the new and used car, car finance, service and repair and body repair markets in the UK.

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