

THE BATTLE FOR VEHICLE REPAIR BUSINESS:

Who Will Win?

By Phil Sasso



There is a war going on across Canada. In fact, it extends across all of North America. It's a battle for automotive repair customers.

The competitors? The battle positions dealers, franchise chains, and independent service stations against one another. And the stakes are high. It's your very livelihood. Be on your guard. Only the strong will survive.

O.K. maybe I'm being a little melodramatic.

But the competition is heating up for customers and panel of experts at the recent Global Automotive Aftermarket Symposium in Chicago predicted there will be a big fallout in the coming few years.

The repair shops that survive and thrive will be those that understand not just how to best service cars, but also how to best serve customers.

Car Age vs. Car Generation

Old thinking looked at the age of the vehicle to determine which service center vehicle owner's favoured. But recent research sees things differently. Researchers have gone from looking at service center choices by vehicle age to looking at them by owner number.

"When you look at the aftermarket connection, the first owner is very

car dealer-oriented," said Canadian researcher Dennis DesRosiers, founder and president of the independent consulting firm DesRosier Automotive Consultants Inc. "You get at the other end, the fourth and fifth owner is very much a DIYer and all things in between. In the United States you have five owners of a vehicle through its life. In Canada we have four owners."

Looking at decisions by demographics, there are some interesting models, DesRosiers said. Take a retired boomer, for example. They tend to keep their vehicles longer, focus on more upscale vehicles and are very dealer-loyal. At age 65 to 70, ownership stretched out into 10 to 15 years since they tend to drive only a few thousand miles a year.

On the other hand, typically an entry-level ownership for young drivers is a third owner or fourth owner of a vehicle, says DesRosiers. So he's not as likely to go back to the car dealer for maintenance. He tends to favour chains or independents.

Although first owners may be loyal to their dealerships, they tend to only be loyal for light repairs and minor maintenance, said US researcher Bill Thompson, CEO of IMR Inc. "It's not necessarily that they're [bringing the dealer] tremendous amounts of

heavy repair."

"Even though they tend to drive half as much, a lot of the older population tends to be reasonably mobile," said Tom Langer, president and founder of TLG Research, Inc. Since they're likely to find themselves anywhere in the country at any time, they're very brand and warranty sensitive. They're looking for service centers that can serve their warranty nationwide. "That's something that a corner shop might not be able to offer without a connection through maybe one of the program groups or something."

Technician Shortage Affects Independents

"We're about to see a fairly significant outflow of technicians and shop owners as they reach retirement age," said Langer. "We're facing a shortage of somewhere between 40,000 and 60,000 technicians," said Langer of the North American workforce. He believes that will create stratification among technicians in dealerships, independent and franchise specialty shops with dealers winning top technicians.

"Car dealers can simply pay the techs more, offer them better benefits, draw them with retirement plans and things like that," said Langer. "A

smaller shop just simply doesn't have the opportunity to do [the same thing], just based on size and volume. So they clearly have a draw and a pull to the technicians."

"The second group that tends to do very well are the franchisers, because they have a very strong business model," said Langer. "Walk into a Meineke or a Midas or one of those and follow their model ... there's usually a master tech in there somewhere running the shop and there are a whole lot of people making \$8 or \$10 an hour doing basic exhaust brake maintenance work. The turnover tends to be high but they deal with it because they've got the strong management in place."

"I'm not predicting the demise of the independent repair garage," said Langer. "Except for those who haven't come to realize that if they're not making appropriate investments in technology and people, they're going to lose both to the dealers and to the franchise specialists. And with them will go the vehicle owners."

"I think everybody thought that ... dealership closing equals share gain for aftermarket," said IMR's Thompson. "[But] they got rid of their lowest most inconsequential performing dealerships. And as a result, dealership share has bounced back. I think they will continue to try and be the first touch point and maintain that touch point throughout, as long as they possibly can."

"That's not to say that there is no migration to the aftermarket," said Thompson. "There absolutely is. The migration starts [with] oil changes and tires and brakes and things along that line ... in that first span of those four to five years. You know, a car gets paid off and the real question is what happens after that point in time?"

"We're talking about 150 billion plus dollars service market," said Thompson. "And every percentage matters. Every one point matters"

The length of first ownership has gone up, said DesRosiers. "I think the current Polk data ... is somewhere north of 60 months ... and that's gone up by 10, 15 months in the last few years. In Canada, your first owner —



hang on to your hat — owns for 96 months."

Canadian Baby Boomer Boom

Canada has the largest baby boomer group as a percentage of population of any country in the world, said DesRosiers. "Even more so than the United States. So, it's a pretty big issue for us to monitor."

"As you get older and older, the importance of reliability increases quite dramatically," said DesRosiers. "As the importance of reliability increases with the boomer — you end up back to your car dealer. And so the car dealers are actually doing quite well."

The Future of Independent Canadian Shops

"From a purely Canadian perspective, the independents have typically been somewhere 30 share to 40 share, give or take," said DesRosiers. "[It's been the same] for a long, long, long, long time. I've got 42 years of looking at this."

"What I've never been able to figure out is how they do survive," said DesRosiers. "In the face of the chains and the car dealers and the issues ... They don't have the best location. They don't [have] the money for advertising and marketing. They can't do the training. They've got human resource issues all over the place. Yet they seem to be to hold share."

"I just think that they have this personal relationship with their customer," said DesRosiers. "Everybody in the market ... is looking for Joe. And that Joe might work at a car dealer. He may work at a chain. But he's very likely working at an independent where you can build that relationship, personal soft relationship and that will hold share."

"I'm totally bullish on this industry," said Langer. "I grew up in this business. I'm so excited about the future of it. I'm excited for a lot of the independents that I meet here because they've figured it out. They've got it."

"I couldn't agree more," Thompson said. "There's a ton of opportunity. It's not doom and gloom by any stretch of the imagination. And to all of our points, there's time. There's a lot of ducks to aim at. Pick your duck. The key is knowing what these trends are, what's actually happening so you can actually intervene at the right points as a company."

"And there's a lot of business out there," added DesRosiers. "Canada, U.S., Mexico, collectively is north of \$200 billion. And so — and even the largest player is only ... a small piece of that. And so do the work. You should be able to do it. Find it. There is a spot for it."

"No reason to get depressed till you have a hundred percent share. Then you got nothing else to do," said Thompson.

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