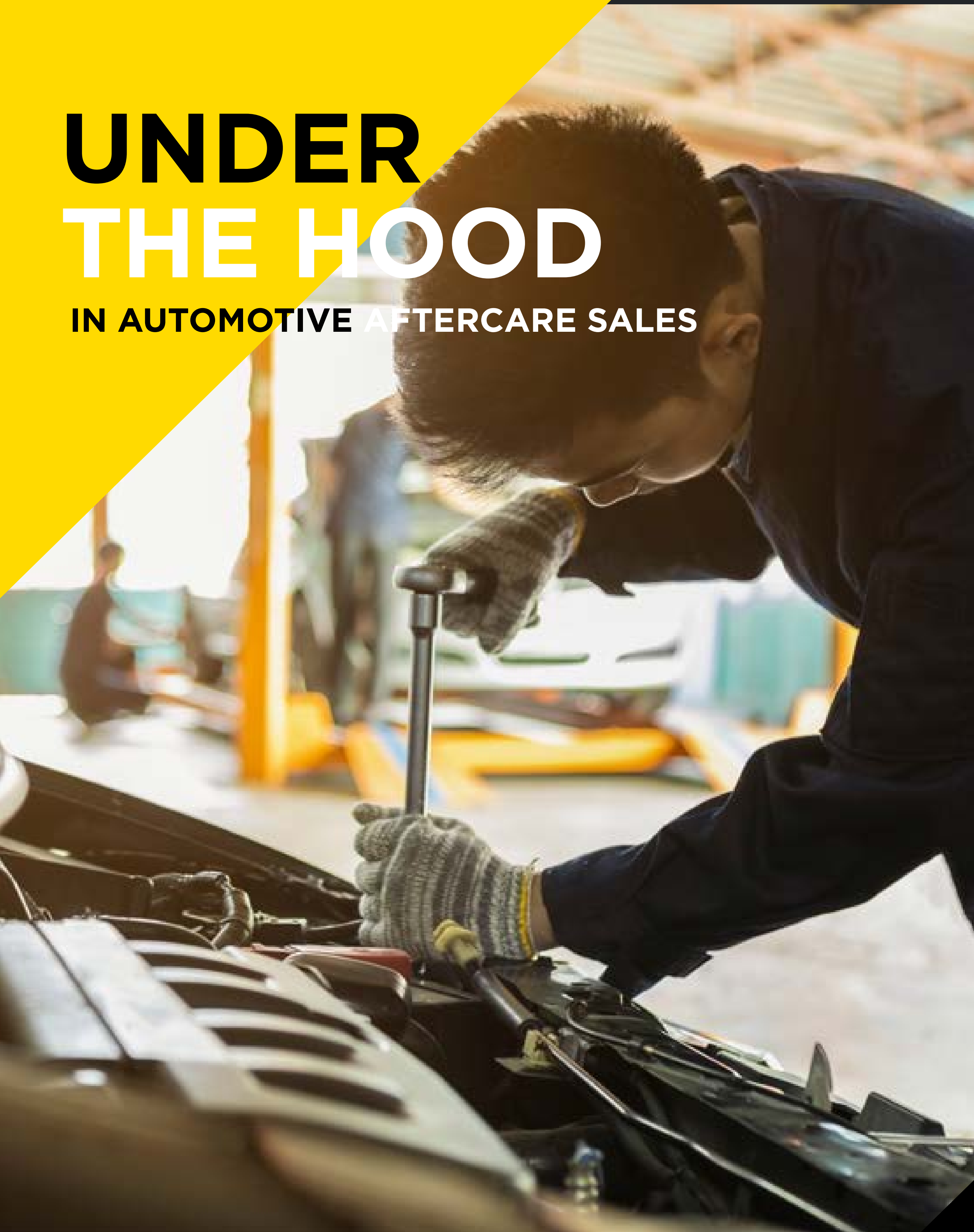
UNDER THE HOOD

IN AUTOMOTIVE AFTERCARE SALES



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CONSUMER SNAPSHOT

Motoring is big business, and with it comes big opportunity for sales. Nowhere is this more true than in the automotive aftersales market – and for good reason. For most of us, the purchase of a vehicle is the second largest transaction we will make during our lives, next only to buying a home. It's also one of the most important; being crucial to many of us for work, transporting large goods, visiting friends and family or for those much needed getaways.

Cars are no longer a technical commodity. They are a social commodity, which guarantee social participation and give modern people personal mobility assurance. This shift in the way people live has seen the automotive industry focus on the end users and their needs as opposed to focusing solely on vehicle production.

Here, we will delve deeper into how this shift in consumer behaviour will continue to have a significant impact on the automotive aftermarket and what implications this could have for the future.

As such, keeping vehicles in the best condition is just as important to consumers as the initial purchase itself, presenting an opportunity for Manufacturer Franchise Dealerships (MFDs) to boost their bottom line by selling service, repair and MOT services.

However, with the introduction of PCP/HCP contracts to boost new car sales, are MFDs taking full advantage of the contractually obligated period for mandatory services during the contract period?

What are the motivations for car owners to look elsewhere – and what is the full scale of the opportunity for MFDs to build this market?

To discover more about their views and to gauge the scale of the opportunity within the aftersales market, Stericycle Expert Solutions commissioned a survey of UK motorists to determine their views on the aftersales market, offering insights and analysis that can help shape aftersales marketing strategies and improve customer retention and attraction in an increasingly competitive marketplace.

Consumer snapshot

In order to build the most useful picture yet of the aftersales market opportunity, Stericycle Expert Solutions spoke to 1,500 UK motorists who had either bought their car outright, through PCP or HCP purchase agreements, or via part exchange. Of those, some 70% had a vehicle three years or older – giving a representative split of those about to enter the market for an MOT, and those already looking for the best option for the mandatory road safety test.

Sales fluctuation

This will undoubtedly affect sales of cars in general; however, what it also means is that people will hold onto their cars for longer, to ensure they have access to the social freedom they are used to.

Of those responding to the survey, nearly half owned a hatchback (48.8%), with more than a quarter of those having bought their car new (54.91%). Of those who bought second hand, 25.4% purchased their car from an independent dealer, with 19.67% buying from an MFD.

Of those, women were more likely to buy a second hand car from an independent dealer than men (13.9% to 10.59%), with men marginally more likely to buy new from an MFD than women (27.79% to 25.98%). There was no statistically significant difference in men or women who choose to buy a second hand hatchback from an MFD.

The second most popular type of car was an SUV or Crossover, representing 8.33% of motorists in the UK, followed by a family saloon (6.33%), both of which are more likely to have been bought new. Buying hatchbacks directly from the previous owner was the sixth most common type of car sales in the surveyed group, representing 6.33% of car purchases.

Perhaps unsurprisingly, the least popular way to buy a car was by auction, representing just 1% of the total group surveyed, regardless of vehicle type.

Crucially, more than half of the motorists who took part in the survey were already in the aftersales market. Of that number, 53.34% either bought the car without a warranty, or have seen it expire in their ownership. Of those respondents, 69.54% had a vehicle at least three years old and nearly a fifth (18%) had a car more than 10 years old.

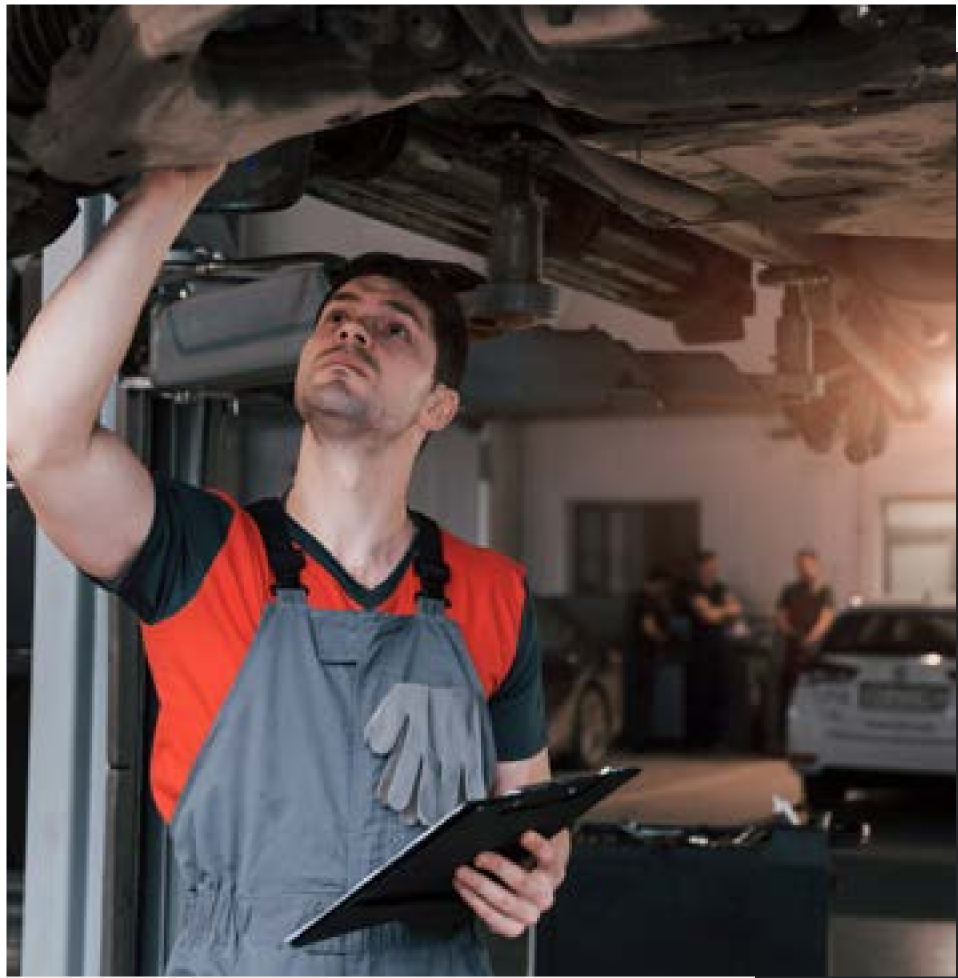
Freedom to explore

Once a motorist becomes an owner, the only true freedom they have is to decide where to go – either in terms of their destination or where they purchase associated services. That is because in most circumstances, purchases associated with vehicle ownership are stressed – that is to say ‘it has to be done’ – either to keep the vehicle running, or to ensure it can legally take to the road.

Therefore, if a dealership or franchise is to disrupt purchasing decisions and challenge preconceptions about their preferences, it is important to understand the different factors that play into a motorist’s decision making process regarding where to get a service.

Currently, most motorists will look towards an independent garage for an MOT or to have general repairs done, representing 42.27% of the marketplace.

Of this group, the majority are older, more experienced motorists, with the number of people opting for an



independent garage steadily increasing over time, from 35.85% of 17-24 year olds to 44.62% of those aged 55+.

Matching this trend is available finance, with 53.54% of those on a household income of £15,000 or less favouring an independent garage for an MOT, steadily declining until the £25-001-£35,000 income bracket, where independents are favoured by 35.6%. Around a third of higher income brackets also prefer an independent first, with the notable exception of those earning £65,001-£75,000, who are marginally more likely to go to an MFD or an independent dealer.

The same trend emerges when you look at those requiring maintenance or repairs, with independent garages or dealerships preferred by those with a lower average income compared to higher incomes, who are more likely to favour MFDs for repairs and maintenance. In fact, those with an income of £75,000+ are nearly three times more likely to approach an MFD (35.96%) compared to those earning £15,000 or less (12.6%).

Cost, then, is clearly a major factor in the decision making process, but is that deciding factor?

Key repairs

To look further into this, we examined four main common repair or maintenance tasks to discover more about the triggers that make someone choose an independent dealership over an MFD.

Car key replacement

Excluding those earning £65,001-£75,000, all income groups are more likely to favour an MFD over an independent garage for a car key replacement. Those earning £75,000+ are most likely to need a replacement key, 24% of people in this earning group having sought a replacement.

Electrical inspection/repair

Independent garages are favoured by those earning £0- £45,000 and those earning £65,001-£75,000 for any electrical work, with those earning £45,001-£64,000 and £75,000+ heading to an MFD in the first instance.

Major engine or bodywork repairs

The lowest income bracket is more likely not to have this work done, suggesting either living with the damage or disposing of the vehicle are preferred options. All other earning categories will opt for an independent garage in the first instance, with only those earning £75,000+ approaching an MFD first.

Replace wear and tear parts

Only those earning above £65,001+ will favour an MFD over an independent garage, with 25.9% of every other earning category preferring to seek the services of an independent garage first.

> “29.07% of motorists say nothing would prompt them to switch from their MFD to an independent dealer”

Reasons to shift

Delving deeper into these behaviours, we asked our respondents to explore reasons why they would change from an MFD to an independent garage or dealer for MOTs, maintenance or servicing.

In all circumstances, 29.07% of motorists say nothing would prompt them to switch from their MFD to an independent dealer or garage. While on the face of it, the retention of nearly a third of customers seems positive, a different picture emerges when you ask motorists if they would switch from an independent to an MFD – with 37.5% saying nothing would persuade them to move to an MFD.

And while cost is undoubtedly a major player in this decision, it is not as big a part of the thought process as may be imagined, even for those on lower incomes. For those currently with an MFD, cost was only a contributing factor. Of those earning up to £15,000, 37.50% said the MFD became too expensive, or they didn’t have enough money to spend on their car, as did 38.19% of those earning £15,001-£24,000.

However, customer service is more important. Looking at MOTs specifically, and at those earning under £15,000, 62.5% cited three reasons to change garage: poor service or customer service from their usual place; convenience; better service or customer service from an independent. By comparison, 92.72% of those earning £15,001-£24,000 selected the same three reasons.

Meanwhile, 88.57% of those earning more than £75,000, picked customer service issues, with convenience, and a better quality service or customer service from an independent the most compelling reasons in this category.

While customer loyalty for those already using independent garages appears stronger, 49.35% overall still say better customer service would persuade them to change – and 34.73% stated a roughly comparable price would make a customer of an independent garage move.

With similar trends occurring for those looking for servicing or maintenance work, it is clear there is still significant leeway for an MFD to capture a larger share of the aftersales marketplace – primarily by offering better customer service.

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Does loyalty exist?

The actions of a customer may not always match their opinion of the service they choose to use. As we have already determined, there appears to be a greater sense of loyalty from a motorist in independent garages than there is in an MFD, but how far does that loyalty extend?

We asked UK motorists their opinion of MFDs for three key areas of work: repairs, maintenance and other work. Just over a quarter of motorists (25.64%) said they regarded MFDs as their preferred option, while a further 29.31% said MFDs were an option for the work. Meanwhile, 15.45% said they would be a last resort, while 17.18% said they had no opinion. Only 10.6% said they wouldn't consider them for any of the three types of work.

So while a significant proportion of UK motorists said they could not be persuaded to change from an independent garage or dealership for work to their car, it appears that nearly 90% would be open to changing their mind.

The importance of good customer service is further validated by looking more closely at the age split of motorists whose views are more entrenched on whether or not to change their preferred garage. Although only a marginal change in attitudes, older drivers are more likely to say they don't want to go for an MFD for maintenance (11.54%), repairs (11.15%) or other work (11.54%), compared to 10.38% for 17-24 year olds for maintenance, 9.43% for repairs and 9.43% for other work – showing that bad customer service really does stick with people.

> “Unsurprisingly, the most popular reason compelling motorists to seek a garage (61.8%) was knowing an MOT or service was due”

Trigger points explained

As mentioned already in this analysis, many of our purchasing habits when it comes to motoring are as a result of stressed decisions. Understanding these decisions is key to developing strategies that can change the opinion or habits of a potential customer – or to improve the standard of customer service to improve retention and how an individual feels about your brand.

To understand which triggers were most compelling for the motorist to seek a garage, Stericycle Expert Solutions asked its survey group of 1,500 UK motorists to select up to three reasons most likely to prompt them to get their car looked at.

Unsurprisingly, the most popular reason – for 61.8% of motorists – was knowing an MOT or service was due.

The second most popular reason (42.5%) was for maintenance to fix a problem with the car, while 23.53% of people said damage to the car that required repair would cause them to seek out their preferred garage or service centre. Women were more likely to know their vehicle was due an MOT and service (63% compared to 60.29% of men), and women were also more likely to take their car to a garage for repair than men (26.22% compared to 20.29% of men).

Younger drivers were much more likely to visit a garage for repair than any other group, representing 39.62% of 17-24 year olds and 32.51% 25-34 year. olds compared to just 18.27% of those aged 55+.

The youngest age group was also most likely to take their car to a garage for upgrades – whether cosmetic or functional – than any other age group, with 11.32% of 17-24 year olds looking for aftermarket customisation compared to 6.58% of 25-34 year olds and less than one per cent of those aged 55+.

While only 8.13% of motorists selected a dealership notification for a software upgrade as a reason to visit a garage, this type of update is still in its relative infancy and doesn't quite capture the full potential of the developing EV marketplace, or the growth of the 'connected car'.

We strongly expect to see this market grow in future, hand-in-hand with smartphone integration, driverless vehicles and improving 5G-connected functionality.

While the new 5G mobile phone network does offer the opportunity for remote updates, manufacturers would be well placed to insist on a dealership visit. Rather than purely for sales reasons, safety-critical systems affected by any software upgrades should be properly tested at the forecourt before a car is allowed back on the road post-update. As always, road user safety simply must come first.

Quite the opposite actually. We anticipate that despite car travel per person falling, motorists will hold on to their vehicle to ensure they have the freedom of choice to keep mobile. Population growth will result in a steady increase in mileage travelled in private cars in the future. So demand for quality service in the automotive aftermarket will rise at pace.

DISRUPTING THE CUSTOMER JOURNEY

If knowledge is power, timing is everything and this is particularly pertinent when it comes to applying our understandings of the customer journey, and also when to get in touch – and how.

Most of the respondents to our survey told us their MOT or service was due within 6-9 months (20.53%), with 12.6% saying they don't know when it's due. People appeared less likely to know if their car was due an MOT or service within one to three months of their scheduled date, representing just 10.23% of motorists, and 8.34% said it was due within the month.

With that in mind, it is understandable that most motorists like to be reminded of road-legal critical work, with only 4.93% of motorists preferring no contact over imminent MOTs and 9.33% for general maintenance notifications.

As this hints, consumer preference on which medium they are contacted on does depend on the service being offered. However, clear patterns can be determined that show how consumers interact with their dealership.

Regardless of why you need to contact a consumer, email should be the first port of call with 52.16% of respondents preferring this means of contact. Just under one in ten (9.56%) prefer contact via telephone call, showing consumers now prefer non-invasive contact. This extends to crucial work such as MOTs, with only 11.33% of motorists saying they preferred a call.

If London can be looked to as a source for emerging trends, it is telling that app notifications could be one to watch out for. Respondents from the capital were between two and ten times more likely to prefer that mode of contact than other areas of the UK.

This trend repeats across all five of the key contact purposes. The East Midlands, however, is least likely to prefer a push-notification straight to their mobile phone, with just 10.4% of respondents there saying they'd like an MOT reminder that way.

However, with a text message preferred by exactly a third of respondents, it may be that connectivity is an issue. Welsh households, meanwhile, were least likely to want to be contacted about MOTs, indexing above any other area with 14.1% of those in wider Wales saying they preferred no contact – something that's replicated by the 13.56% of people in Cardiff specifically saying they wanted no contact.

Perhaps most interestingly, motorists were more likely to say they would like an email about a special offer (53.27%) than any other outreach reason next to MOT reminders (54.6%).

This galvanises the notion that a good offer, combined with strong customer service, is pivotal to attracting a customer to a particular garage.

The road ahead

When it comes to looking after their vehicle, it is clear that motorists value good service as much as they do price. And with nearly a fifth of motorists owning a car more than a decade old, they're committed to ensuring that their vehicle stays on the road as long as possible – not something that is particularly surprising given the upfront purchase price.

And while a large proportion of motorists say they would never consider moving from either their MFD or independent garage no matter what, the truth is somewhat different – with just one in ten seeming to have their view so entrenched that they could not be persuaded to change.

It stands to reason, then, that improving the customer experience and communicating that to your customers and potential customers is key to not only improving retention, but to attracting new business.

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AN RPM INSIGHT GUIDE

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