

State of the Aftermarket

Industry Report 2020

Including interviews with:



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THE GARAGE INSPECTOR



Quentin Le Hetet
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INSTITUTE OF THE MOTOR
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State of the Aftermarket

CONTENTS

Foreword Page 4

Simon Albert, Managing Director, Messe Frankfurt UK

Overview Page 5

Coronavirus & Lockdown Page 6

- MOT Extension
- Closed for Business
- Furlough
- Pulling Together
- Future Opportunities

Interview Page 9

Quentin Le Hetet, General Manager, GiPA UK

Technology Page 12

- Widening Gulf; Franchises & Independents
- Electrification
- Adapting to EV Service & Repair
- Slow Demand?
- ADAS & Automation
- DPF Dilemma

Interview Page 16

Wendy Williamson, Chief Executive, Independent Automotive Aftermarket Federation (IAAF)

Brexit & The EU Page 19

- Deal or No Deal?
- Negotiating Power & In-vehicle Data

Interview Page 21

Steve Nash, Chief Executive Officer, Institute of the Motor Industry (IMI)

Continued...

State of the Aftermarket

CONTENTS (CONTINUED)

Industry Skills	Page 24
<ul style="list-style-type: none">• Apprenticeships• Levy Clawback• Training• Training Providers	
Interview	Page 27
Andy Savva, The Garage Inspector	
Customer Expectations & Service Value	Page 30
<ul style="list-style-type: none">• Communication• Image• Consumer Perceptions	
Conclusions & Outlook	Page 33
<ul style="list-style-type: none">• Coronavirus & Lockdown• Technology• Brexit & The EU• Industry Skills• Customer Expectations & Service Value• Summary	
Acknowledgements	Page 38

Foreword

In these unprecedented times I hope this finds you, your family, friends and colleagues in good health.

It's approaching nine months since the commencement of the first nationwide Coronavirus lockdown, and who could have predicted then what we know now?

Like many others, our business has been majorly affected. In a normal year, Messe Frankfurt organizes over 420 events globally, but in 2020 that number has been reduced to around 150. Positively, our organisation is long-term orientated, and realises that once this storm is over, face to face events will return to normal. Our exhibitors feel the same, with high levels of commitment to the next Automechanika in Frankfurt and Birmingham. Messe Frankfurt will be there to deliver the exhibitions that you all appreciate.

In the meantime, we are in the middle of a three-year gap for the UK's flagship event, which is a long pause between opportunities for face to face networking, product sourcing and access to free training and advice. The need for that interaction remains.

"Our core purpose is to support the industry – by serving our audience with information, education and the ability to connect suppliers with customers – whether in a live format, or by other means. "

auto:resource, brought to you by Automechanika, is Messe Frankfurt UK's pioneering online platform for the UK's automotive aftermarket. As the Birmingham event does, auto:resource is designed to inform aftermarket professionals while connecting suppliers with their customers. It has been over 18-months in the making, fueled by the growth of digitalisation in the aftermarket and amplified by more recent effects of Covid-19.

This inaugural **State of the Aftermarket Report** has been

compiled over recent months and coincides with the launch of auto:resource. The report was commissioned to understand how this

year's events have impacted the UK aftermarket, what are the ongoing challenges we face as an industry, and importantly, where are the opportunities for businesses to succeed in what remains a crucially important sector for the UK economy.

I'd like to thank the contributors to this report, which includes our network of industry partners, experts, and the 12,000+ aftermarket professionals who completed the survey. I hope this proves valuable to your business and provides guidance, important insight and some optimism as we near the end of 2020, a truly exceptional year, and enter 2021 as we continue to build knowledge, stronger relationships and a resilient UK aftermarket industry.

We hope to see you all again soon!

With best regards,

Simon Albert

**MANAGING DIRECTOR,
MESSE FRANKFURT UK LIMITED**



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Overview

The UK aftermarket has faced its share of challenges in the past - both political and technological. However, 2020 has presented the additional and unprecedented challenge of the coronavirus (COVID-19), meaning businesses across the industry are facing another economic crisis.

The aftermarket is vast, contributing £21.6 billion to the UK's economy, according to figures from the Society of Motor Manufacturers and Traders (SMMT). The average household spends around £700 a year on vehicle maintenance, at one of the 42,000 service locations in the country.

The rapid increase in vehicle technology is arguably the biggest challenge facing the aftermarket at present. Those responsible for servicing and repairing vehicles have a growing task to keep up with the pace of change, as vehicle manufacturers adopt increasingly advanced technologies in to their production lines. Sensors are likely to become the most replaced components in a vehicle in the coming years, meaning that footfall into the repair sector will increase as vehicles become more complex.

But as repairs become more demanding so too will the expectations of the customer, underscoring the need for a professional repair by knowledgeable staff. For that reason, skills in our sector remains an important issue, and the need to meet that demand by upskilling our existing workforce and by attracting new talent to it.

Meanwhile, the UK has officially left the European Union (EU), with the official transition period ending on 31st December 2020. Yet as we near that deadline the aftermarket remains in a state of limbo. With no deal currently on the table the impact of trade tariffs and access to in-vehicle data remains uncertain.

COVID-19 and the unpredictable impacts of lockdown cannot be understated as a serious challenge facing our sector, but many would argue that perhaps it also presents an

opportunity. This remains to be seen, but as you will see, the information presented shows both paths are possible, as long as the industry remains committed to coming out the other side of the pandemic in a stronger position than in which it entered.

The aim of this report is to provide a detailed overview of the key issues currently impacting the UK aftermarket and their effect on the different businesses that make up the sector. By doing so, the aim is to provide valuable insights and advice for businesses facing up to each challenge.



Importantly, it should also reassure that no matter what challenges the industry faces there are also opportunities, and there is always a silver lining for those willing to find it.

Coronavirus & Lockdown

Twelve months ago, no one could have foreseen a global pandemic that would shake the automotive industry to its core, cut sales of new vehicles, and restrict the general public to their homes for the most part of a year. However, these impacts have resulted in shifting behaviours in the 'new normal', some which may ultimately offer as much opportunity as they have obstacles.

The onset of social distancing restrictions and avoidance of public transport resulted in a sudden surge of private cars on the roads, with many drivers using their cars to commute for the first time. Previously dormant vehicles were suddenly in need of servicing, and cars put under unfamiliar strain were in need of repair, resulting in a surge of work for many garages.

MOT

Without doubt the MOT has presented a challenge for the industry, and one which will have impacts for some time to come.

The six-month MOT extension announced in March had an immediate impact, with official DVSA figures showing just 746,161 MOTs were carried out in April. This is compared to 3,551,999 in April 2019 - a whopping **79% decrease**. May and June were also significantly down, although the lifting of lockdown did encourage more owners to carry out an MOT, bridging the gap somewhat.

However, while the UK adapted to the new normal in June and July, the government did not end the MOT extension until August 1st, creating two problems for workshops. Firstly, from the end of September until the end of January 2021, there will be almost double the demand for MOTs, as those extended MOTs merge with existing expiry dates. Secondly, in April to July next year, there will be a serious dearth of MOT work, effectively replicating the gaping hole from the same period in 2020.

"I think the MOT is going to be a big issue for the coming year in terms of the distribution of work across the months because in the UK, the MOT really prompts a lot of workshop entries," comments Quentin Le Hetet, General Manager at GiPA UK.

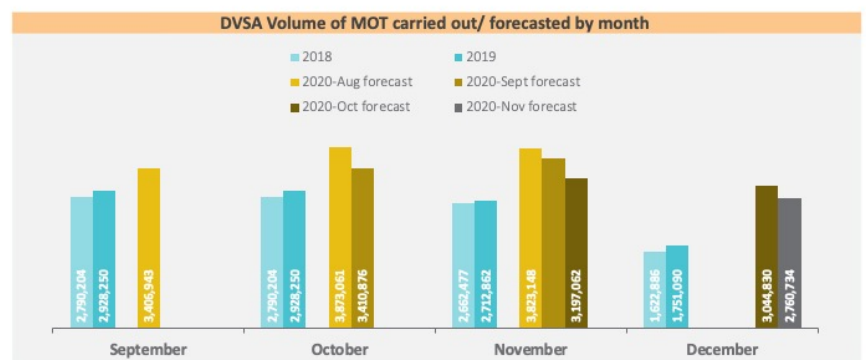
"But that is not the case in other countries because the UK is the only one where the MOT is done at the same place the car is repaired. Because of this, it really prompts a lot of work, as it is more convenient to have a service done with an MOT, and the failures addressed should there be any.

If garages have no MOT work to do in April, in May and June 2021, that's going to have a huge impact."

Le Hetet also highlights that current DVSA forecasts suggest a 73% increase in MOTs to be carried out in November, while December "will see nearly 2.9 million tests carried out, compared to 1.7 million last year."

Things may look bleak for a few years to come, especially in 2023, where just 7,708 cars and vans will enter the MOT

Impact of COVID-19 on MOT test



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3

market. It is hoped that, fuelled by initiatives such as the DVSA's 'Beat the Rush' campaign, some drivers will bring their MOTs forward to take advantage of what will be a quiet period for garages, but there could be repercussions for some time to come.

"I think one of the challenges we're going to be faced with is Q2 next year. While the demand is very buoyant at the moment and will continue to be so until the end of the year, it will be leaner times on the anniversary of the MOT extension" adds Wendy Williamson, Chief Executive of the IAAF. "And that's something we're talking to the DVSA about, to see if there are any initiatives that could help the sector at that point."

However, the buoyant demand at the moment does not come without its own challenges, as Barry Parker, owner at BTE Automotive observes,

"The additional stresses adopted by the automotive industry incurred by the government's MOT extension has been exponential.

Not only are workshops oversubscribed with MOTs, they are working hard to resolve the additional failures from these MOTs. With some failures being basic vehicle safety elements such as tyres and friction components, due to the demand, workshops cannot fulfil these repairs in an efficient time period."

CLOSED FOR BUSINESS

In a survey by Impression Communications, more than 60% of garages decided it was in their best interests to close during the first lockdown. This was largely due to a significant drop in business caused by the government's MOT extension and not being equipped to operate under social distancing measures. However, respondents also noted logistical reasons such as childcare, and the inability to source parts as a number of motor factors had also closed their doors.

With the closure of car sales dealerships many franchised garages elected to close along with their forecourt counterparts. This created something of an imbalance in the servicing market. On one hand, those wanting to service their vehicle may have chosen instead to visit an independent, increasing footfall in this area of the aftermarket. Others may have put off servicing, meaning busier times once dealers reopened.

"I haven't completely understood why franchised dealers closed their workshop during the first lockdown," added Quentin. "I think it was a very overcautious measure to take. The impact on their business was huge.

They were the only ones to be closed almost completely in terms of the servicing market."

The closures may also have taken their toll on the factor industry, although many offer trade to the public as well – meaning the 'have a go' market could have helped carry the sector through the hardest of times.

"Lockdown restrictions and the requirement for people to work from home for much of this year have had an inevitable impact on traffic volumes and miles travelled," says Andy Hamilton, CEO at Euro Car Parts (ECP).

"This in turn has had a knock-on effect for ongoing service and repair requirements in the independent aftermarket – as well as the numbers of drivers buying parts and accessories to fit themselves."

FURLOUGH

The decision to close led to most businesses taking advantage of the government furlough scheme. Even those who remained open chose to furlough some staff due to a shortage of work, and in the long run, saving the business money.

The 'flexible furlough' scheme introduced in July, enabled employers to bring back staff on a part-time basis, and acted as a lifebuoy for garages, especially as the MOT extension dried up further servicing work. It allowed for businesses to run at full capacity for some days but save money on quieter ones while retaining their staff.

Furlough also provided another opportunity, as Steve Nash, CEO of the Institute of the Motor Industry (IMI) highlights: "We soon learned that a lot of people found themselves idle, not through their own choice, and were quite keen to engage in training to keep themselves sharp. It was a good opportunity to address things like their knowledge around electric vehicles. So, we made a lot of our online training free and subsequently saw and are still seeing a lot of engagement there."

PULLING TOGETHER

The COVID-19 crisis has also provided opportunities for the aftermarket to showcase the best of itself. Garages and suppliers have been working to ensure key workers can remain on the road, or safe at work. Mirroring the wider automotive industry, where production shutdowns or enforced time off (in the case of Formula 1) led to the development and manufacturing of key medical equipment, parts suppliers have been doing their bit to ensure crucial PPE is distributed to those who need it.

"We've got some brilliant examples of the independent aftermarket responding," comments Williamson. "There are great examples of suppliers being really innovative with product, helping the health care sector with distribution, helping NHS staff with food banks, helping blue light workers, and the offer of free information and services from some of our service members has been selfless. So, I think overall it's been a fantastic spirit where people have rallied to really focus on supporting the health service, and those that need it to continue operating throughout this period".

FUTURE OPPORTUNITIES

There is no doubt that the shockwave caused by COVID-19 will continue to resonate for months, and years to come, across all industries and for all consumers.

For the automotive industry, it is likely new vehicle sales will drop by around a third compared to last year, making 2020 one of the worst years of the modern era for new registrations. But on the other hand, with less appetite for public transport and more people looking to drive, we're likely to see a reversing trend in car ownership patterns observed in recent years.

"Longer-term, independent garages' potential customer base is increasing in size, which we hope will also help to make up for some of the business lost in 2020," added Hamilton.

"While new car sales are down, demand for used cars is high, as an affordable private – i.e. socially-distanced – transport

option. This means the average age of the UK car parc is increasing, and there are more vehicles on the road that are out of warranty and coming into the independent aftermarket."

That increase in the car parc age will benefit the independent sector. However, for franchised dealers, the picture may be a bit less rosy.

"The franchised dealer cannot count on new registrations for new customers into their workshop," says Le Hetet.

"The car parc will age massively because of this lack of new registrations. We're talking in 2020 of about 1.5 million cars registered instead of 2.3 million last year.

"This means is that the car parc is simply not going to be able to replace the cars that are being written off at the moment. That's good for independent aftermarket players, and it's not good for franchised dealers because obviously they have a very strong customer base from the zero to three years old vehicle in the UK.

This means the client base of franchised dealers is also shrinking and for them the impact is going to be even more important."

Franchised dealerships will therefore need to develop schemes to bring drivers back to the fold. Some carmakers already run programmes offering servicing for models over four-years-old, and it could be expected that others will take up this position. They may need to. While new-car sales should improve next year, an economic crisis reduces the buying power of the customer and a new car, for many, will not be a top priority. To compound that, businesses may need to save money so renewing fleets will likely be held back.



Interview

Quentin Le Hetet

General Manager, GiPA UK



// We are talking about 1.5 million cars being sold this year compared to the expected 2.3 million. This means the parc will not shed the cars that were due to be written off with the influx of new models. Cars will continue to age, and this could follow us into the next 15 years until the cars that are zero to two-years old currently are being written off. //

Interview: Quentin Le Hetet

HOW HAS COVID-19 IMPACTED THE MOT MARKET?

According to the latest DVSA forecasts, the number of MOTs planned for November shows a 73% increase compared to the same period last year. At the moment, they believe there will be 2.9 million MOTs carried out in December, compared to 1.7 million in 2019.

The October forecast for December was actually higher than that, so this highlights that the 'Beat the Rush' campaign is actually working. It was instigated to help the industry by making drivers aware of the difficulties they may face in booking an MOT, and encouraging them to have it done earlier.

So, I think that while the high street may not be as busy as usual in the run up to Christmas, garages are going to be busy. And if you look at the franchised dealers, I think they have learnt the most from the COVID-19 disruption. I don't really understand why they closed their workshops during the first lockdown earlier this year. They had to close showrooms, but garages were allowed to stay open and it was an overcautious move. The impact on their businesses was huge.

But the increase in MOTs at the moment shows that the industry is busy, and that is good news. Capacity will be a big issue, but we could end up seeing garages, both independent and franchised, working together. We've seen traditional rivals come together in the fast-food market, with Burger King suggesting people go to McDonalds. Collaboration in times such as these is a good idea and would really benefit not just the industry, but drivers as well.

COULD THE MOT EXTENSION, WHILE THERE IS DEMAND AT PRESENT, HURT THE INDUSTRY IN Q2 NEXT YEAR?

I think the MOT is going to be a big issue for the coming year and that will also hurt the industry in terms of repairs. Unlike in Europe, where the testing is carried out at sites that don't offer servicing and repair, in the UK it is the garages carrying out the checks. This means a majority of workshop entries in the UK are due to the MOT. It prompts a lot of work in the mind of the motorist. And if they have no MOT to do that in April, May and June, that will impact the repair sector.

There were 770,000 MOTs carried out in April this year, versus 2.8 million in 2019, so that's a decrease in activity of 73%. Therefore, next year, it will likely only be this many vehicles again. The only addition to this number will be the vehicles

that have aged into the three-year bracket by then. But in addition, we will lose the cars that are written off, which means the figures will more or less balance each other out.

HOW HAD THE MARKET COPED PRIOR TO COVID-19?

Generally, feedback that we had from the market at the beginning of the year, before mid-March, was positive. Things had started very well indeed. The winter months were good in terms of workshop entries, and I think many businesses were expecting a really good year before the pandemic hit.

I think everyone is going to be very impacted by the crisis, by 11 months of reduced activity. A lot of workshops are, now that the furlough scheme is being extended, keeping staff on this scheme. But many of the jobs that have been 'removed' are not from the workshop floor, but other areas, such as reception, for example. So, technicians are doing two jobs, fixing the vehicles and booking them in, ordering parts, and so forth.



But these moves have allowed garages to stay open, even with reduced entries during the first lockdown, when they were permitted to do so. As we have seen, there were still over 700,000 MOTs carried out, and many key workers still needed their cars maintained.

But OE channels are struggling, as although they have the increased work of the MOT, this does not pay their overheads.

WHAT ARE THE LONG-TERM IMPACTS ON THE MARKET?

There are a couple of points to take into account when

thinking of this. Two things are related to the UK car parc, as for the first time in seven years, at least, it is likely to shrink this year. This is because new registrations are not compensating for the volume of write-off in the market. We are going to end 2020 with a decrease in registrations of about 36%. The parc will not shrink massively, but it will decrease.

So, the number of cars on the road when we start 2021 will be less, which means we cannot count on the new registrations for customers into the workshop and that impacts the franchised dealerships more.

The other point, which is key in thinking about how fast the industry's recovery is going to be, is that the age of the car parc will grow massively. This is because of the lack of new registrations. We are talking about 1.5 million cars being sold this year compared to the expected 2.3 million. This means the parc will not shed the cars that were due to be written off with the influx of new models. Cars will continue to age, and this could follow us into the next 15 years until the cars that are zero to two-years old currently are being written off.

TURNING TO TRAINING, SHOULD INDEPENDENT GARAGES BE CONCENTRATING ON IMPROVING THEIR SKILLS IN NEW TECHNOLOGIES AS CARMAKERS PUSH FORWARD WITH DEVELOPMENTS?

I think the difficulty that the independents face is 'when do I get trained?' given the fact that 'if I wait two months without seeing any of those cars, I'm going to forget what I just learnt. When do I start investing in more material, so that I can actually make a return on investment with my material? It's a complicated equation, but certainly, the independent market is not as prepared for new technologies as the OE channel.

The awareness of a business owner in the independent aftermarket needs to be raised and they need to be more informed. OK, it's not that complicated, it means training.

Another stat that I find quite interesting is the fact that, when we ask independent garages, what are the main challenges in your job today? 68% of people say their key thing is to find qualified mechanics. When we ask if training is a problem, only 2% of them say no. They don't see themselves as part of the challenge, getting technicians trained.

They also don't have the support that they can get from a network. So, they need to find the right qualified mechanic, and they also need to contribute to the qualification.

And I think this is where businesses could develop into a network of garages; a soft franchise, acting as a solace for some businesses. For some garages, it is essential and could be a really good way of getting access to training via the website and platform.

Technology

When it comes to vehicle technology, what's long been considered the biggest change for the aftermarket is the uptake in electric vehicles (EVs), which not only means a new propulsion system to learn, but the need to invest in both training and infrastructure.

However, vehicles continue to resemble less and less the cars of yesteryear, but more like computers on wheels. Gone are the days when cables were used for throttle control, the clutch and the braking system. Today, even hydraulics are taking a backseat to 'drive by wire' systems, where the systems are activated by sensors giving readings, such as how much pressure is applied, to those key components.

Add to this the introduction of autonomous systems. While much is made of 'driverless' vehicles being those where drivers are merely passengers, and the fact that such developments are still some time away, the truth is that such systems – in lesser forms – are in existence on most new vehicles today. Vehicle manufacturers are adding SAE Level 1 and Level 2 to vehicles today, calling for computers to take control of certain functions, but with the driver fully aware and ready to take control. Emergency braking, automated parallel parking and adaptive cruise control are examples of such functions.

WIDENING GULF: FRANCHISES & INDEPENDENTS

The adoption of technology in service and repair is where a significant divide can be seen between franchised dealerships and the independent aftermarket.

One will have access to the latest equipment needed to service vehicles from their particular marque, together with training programmes ready for implementation the moment new technology is released, while the other has to plan their own training, budgets and investment, for not just one but multiple makes of vehicle.

The big
TECHNOLOGIES
impacting the industry



HYBRID & EV
83%



ELECTRONIC TRADING
31%

CONNECTED & AUTONOMOUS VEHICLES
28%



ADAS
25%



CONNECTED CAR
19%

DIGITISATION
22%



However, the independent aftermarket does have an advantage in that often-believed fable that new cars will not filter into non-franchised workshops for three-years after registration. Therefore, the garage owner has the option as to when they train their staff and can invest over a longer period of time.

Of course, this does provide risks, in that should a vehicle enter the workshop in an earlier stage of its life, it may be turned away, and a customer may be lost. This could easily be the case with EVs, which will require the most investment from the independent sector. Not only will technicians need to be trained, but new tools and safety equipment will need to be purchased. If such things are ignored, it is not only the driver's life at risk, but also the technician's.

ELECTRIFICATION

As it happens, electric cars have been around for almost as

long as petrol and diesel variants, with an EV once holding the world land speed record; the 'La Jamais Contente' becoming the first road vehicle to travel over 100kph (62mph), achieving 105kph in 1899.

But modern EVs are more complex than their Victorian counterparts. The term EV encompasses both battery-electric vehicles (BEVs) and plug-in hybrids (PHEVs). There is also the increase in hybrid vehicles to consider, which use battery systems around a traditional internal combustion engine. EVs are also much more dangerous to work on without knowledge, with the UK Health and Safety Executive (HSE) highlighting the issues that technicians may face:

"Voltages present in electric and hybrid vehicles (E&HVs) are significantly higher (currently up to 650 Volts direct current (DC)) than those used in other vehicles (12/24 Volts dc). In dry conditions, accidental contact with parts that are live at voltages above 110 Volts dc can be fatal. Battery systems may contain chemicals that can be harmful if released. They also store significant amounts of energy that can give rise to explosion if not dealt with correctly.

"There are substantial differences in the designs of E&HVs from different manufacturers. Having information specific to the manufacturer and the vehicle being worked on is important in identifying what actions are necessary to work safely."

So far in 2020, the BEV market has grown 168.7% in the UK according to Society of Motor Manufacturers and Traders (SMMT) data, while PHEVs have increased sales by 91.5%. These increases are on small numbers and represent just 125,997 of the 1,384,601 passenger cars sold in Britain up to the end of October, but more significantly,

E&HVs have seen sales grow in a difficult year, whereas petrol sales have declined 38.9% and diesel by 55.1%.

The electric revolution is therefore in full swing. More carmakers are offering EV options, and there are many more on the way. The increase in appetite amongst manufacturers can be attributed to strict CO2 emissions targets set for each company to meet by the end of 2021, and the decline in the sale of diesel vehicles.

For the aftermarket, crucially, EVs have been around for some time. Hybrid vehicles have been popular for even longer, dating back beyond the traditional three-year drop into the sector. This means such models are entering workshops now, with more emerging every day.

ADAPTING TO EV SERVICE & REPAIR

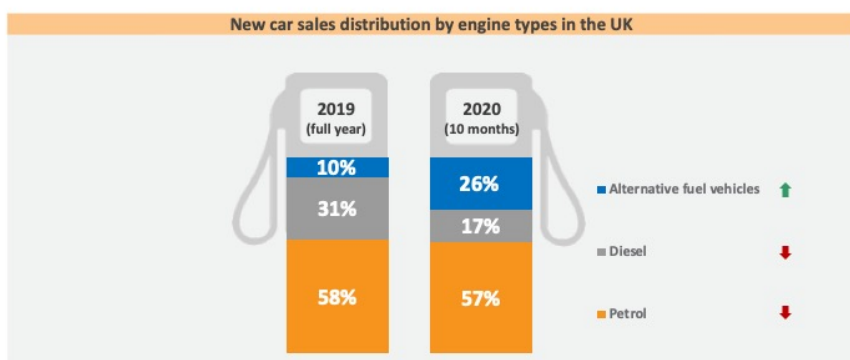
For the garage and bodyshop sector, EVs require more awareness, not just of the vehicle themselves but of the infrastructure and working practices required within the business. Safety signage is required to highlight that the vehicle on the ramp is electrified, insulated tools are a must, and technicians will need to wear rubber gloves for a start.

The components and service items will be different as well. For example, lubricants for the air conditioning systems must not be conductive, as they are in regular vehicles.

Putting the wrong product into an EV won't just be damaging for the car, it could prove fatal for the technician.

There is also the concern that traditional hard-wearing items won't need replacing as often. Regenerative braking takes most of the pressure away from the pads and discs, meaning they will last much longer than on petrol and diesel models. Tesla founder Elon Musk has speculated that

New car sales distribution by engine types in the UK



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2

brake pads could outlast the lifetime of the vehicle itself.

The electric motor is also less complicated than the internal combustion engine, with fewer parts, meaning less likelihood of something going wrong. This will affect the fast-fit sector the most, as the industry here is devoted to the faster side of vehicle maintenance. Garages that focus on service and repair have time to train and learn about EVs, while new businesses that focus on renewing battery cells and other electrified components will start to grow in the coming years.

"With the car parc soon to be dominated by alternative drivetrains, repairers need to equip their staff with the knowledge and skills to enable safe repair while meeting their health and safety responsibilities," comments Dean Lander, Head of Repair Sector Services at Thatcham Research.

"Anyone who could come into contact with an electric vehicle, whether in a support or technical role, should have the knowledge required to identify an electric vehicle. Training all staff is imperative to avoid the risk of electrocution."

But cars will always need servicing and the issue of reduced maintenance brings us back to the issue of EV training. Could a garage afford to turn away a customer who may only need their car serviced once every so often?

SLOW DEMAND?

Of course, the internal combustion engine is far from dead. Let's not forget that so far this year, 1.25 million vehicles sold in the UK had some form of a petrol or diesel engine. Sales of pure ICE vehicles will end in 2030, while hybrids and plug-in hybrids will continue until 2035.

Not everyone will want an EV, and many will still not want a BEV. Despite increases in range, coupled with a growing charging infrastructure, there are still obstacles to contend with. Not everyone has access to off-street parking for example, so wall boxes are not an option. Many will need to drive longer distances than the range of their vehicle, and a 30-minute stop out of necessity, not desire, will add to their schedules. There are also issues regarding towing, while the haulage industry will find it difficult to adapt, especially with the time pressure of logistics.

Therefore, until 2035, there will still be plenty of ICE-variants sold in the UK. With the average age of the UK car parc growing, it may be a further 10 years until BEVs take a majority of the market. This means garages will be servicing ICE until 2045 at least. But the consensus amongst experts in the industry is that while petrol and diesel may be around for some time, it would be foolish to delay preparing for alternative powertrain servicing.

"With just 10 years until ICE sales stop or at least seriously reduce, it will be essential to adapt to new technologies," suggests Tom Denton, Automotive Author at Automotive Technology. "Training is therefore not a luxury, it is an investment."

ADAS & AUTOMATION

The urgent push for electrification has rather taken priority over other automotive technology developments, however perhaps the second most important area of research amongst carmakers is that of autonomous driving. While we may think of futuristic driverless vehicles in regard to this phrase, such technology is with us today. In fact, SAE Level 1 and 2 technology is prevalent on cars today, while a handful of manufacturers are planning to release vehicles with SAE Level 3 in the coming years.

The levels of automation as mandated by SAE International are:



LEVEL 0 - features limited to warning and momentary assistance

LEVEL 1 - features providing steering OR braking and acceleration support

LEVEL 2 - features providing steering AND braking support

LEVEL 3 - automated driving under limited conditions where driver is constantly ready to take back control

LEVEL 4 - automated driving that cannot operate unless conditions are met

LEVEL 5 - total automated driving.

Systems such as automatic emergency braking, blind spot warning and lane departure warnings are examples of Level 0 technology while lane centering and adaptive cruise control are Level 1 (separately, working together is Level 2).

So, the future is already here, and cars feature a multitude of sensors to ensure the advanced driver assistance system (ADAS) is able to function without putting the driver at risk.

“The challenges presented by ADAS-equipped vehicles have been widely discussed,” adds Lander. “To provide clarity to the sector, the UK Insurance Industry Requirements (IIR) for the safe repair of ADAS-equipped vehicles was launched in early 2020. The IIR represented a first step in supporting the repair sector, which must now move to upskill their workforce to deal with a car parc that is becoming increasingly technically diverse.”

“How can there be anything more high-tech than the modern car?” asks Steve Nash of the IML. “If you take all of the devices that you interact with and put them in a package that is capable of going hundreds of miles an hour, operating through all temperatures in dynamic circumstances, that is what the modern car is. You look at ADAS, and that morphing into more sophisticated systems, it’s unbelievable.”

DPF DILEMMA

One piece of technology that was installed in vehicles back in 2010 has, and still is, creating an opportunity for garages. The diesel particulate filter (DPF) first featured a decade ago and was a controversial addition to cars at the time, with many drivers lamenting the ‘lack of power’ in models fitted with the system, which helps to reduce nitrogen oxide (NOx) emissions from diesel vehicles.

The DPF has changed the perception of diesel vehicles. While they are known for their prowess on motorways around the

country, before the introduction of the DPF, drivers had a simple choice – diesel or petrol. Now, however, the DPF needs to be used on long journeys in order to regenerate and clear out the contents, using such conditions to get hot and burn trapped particles. This means drivers who don’t do long journeys but simply go from home to the shops, or the school run, would no longer benefit from the efficiency of a diesel, as such usage would actually cause more harm.

Over the last few years, this has led to a rise in engine cleaning options for the aftermarket. Treatments range from simple additives sold in retail locations, to chemicals being introduced to the engine to break down carbon and ‘flush’ the system. There are also more extreme options that require the removal of the DPF to clean it separately from the rest of the system.

For a garage, while the opportunity to conduct an engine clean will no doubt prove to offer less profit than replacing, say, an inlet manifold, DPF or exhaust gas recirculation (EGR) valve, it can lead to repeat custom, improved relations between vehicle owner and business and, more importantly, an increase in the lifetime of a vehicle, which adds to the likelihood of repeat custom.

WHAT ARE THE BIGGEST CHANGES FACING THE UK AFTERMARKET?



**Hybrid/EV
Brexit & Parts
Technology**

Business Models

Service Demand

Skills

E-Commerce

Covid

Economy

Costs

Consumer Behaviour

ADAS

Digitalisation

Consolidation

Used Vehicles

Interview

Wendy Williamson

**Chief Executive,
Independent Automotive Aftermarket
Federation (IAAF)**



“However, I think one of the challenges we're going to face is when we get to Q2 next year. While the demand that is very buoyant at the moment and will continue to be so until the end of the year, we will see leaner times in Q2 next year. And that's something that we're talking to the DVSA about, to see if there are any initiatives to help the sector at that point.”

Interview: Wendy Williamson

HOW DID THE SUPPLY SECTOR COPE WITH COVID-19? WHAT CHALLENGES OR OPPORTUNITIES DOES IT PRESENT TO THE AFTERMARKET?

I think the sector has coped fantastically well, and we've got some brilliant, brilliant examples of the independent aftermarket responding. We've had examples of suppliers being really innovative with product, helping the health care sector, NHS staff, blue light workers, reaching out to offer free of charge services. So, I think overall, it's been a really fantastic spirit where people have rallied to focus on supporting the health service and those that need it to continue operating throughout this period.

At the outset, in March, when this first hit us, it was clear people were not quite sure what the best thing to do was. But, as a sector, we've remained open right from the off.

Probably one of the biggest challenges we had throughout the lockdown was the deferment of the MOT for six months. But obviously that was put back in August. And I think since then, the whole sector has responded incredibly well to catching back up with all those vehicles that were given extensions. There have been a few availability issues, but again, everyone's been working hard to make sure that motorists get their cars MOT'd in time.

However, I think one of the challenges we're going to face is when we get to Q2 next year. While the demand that is very buoyant at the moment and will continue to be so until the end of the year, we will see leaner times in Q2 next year. And that's something we're talking to the DVSA about, to see if there are any initiatives to help the sector at that point.

But I think overall it's been one where the true innovation of the independent sector has shone through.

WITH THE INCREASE IN VEHICLE TECHNOLOGY, WHAT STEPS ARE BEING TAKEN TO ENSURE EVERYONE HAS FAIR ACCESS TO SERVICE A VEHICLE?

We're facing challenges on a number of fronts. Obviously, we've got the block exemption renewal coming up in 2023. Currently, we're doing a lot of work on that. The European Union has just gone out with a public consultation on that, which we are still, as the UK, participating in. And clearly, that's always regarded as our mother regulation, giving us the

right to repair cars from day one, the right to produce parts of OE matching quality, and the right to access data.

But also, we will have our own focus in the UK and with the UK government, albeit that will probably wait until Brexit and COVID have settled down.

The other challenge we're facing, which is a challenge we felt we'd really won, is around the type approval legislation that came in September. This is a European piece of legislation, and the rights meant the vehicle manufacturers were forced to keep the OBD port open and gave us the right to electronically processable information.

The UK did its own consultation back in the summer. And essentially, they are adopting very much the same regulations as in Europe. So that was positive news. But now the legislation is actually in place we're seeing the vehicle manufacturers now challenging bits of legislation, and their interpretation of mass data is not the same as we felt was laid down in the legislation.

They're now disputing the fact that it's retrospective to Euro 5 vehicles, and another area they're challenging is that they're trying to suggest that the VIN on the vehicle would be classified as personal data.

These are all areas that we felt we had legislation in place to protect the aftermarket, but we're now having to go back and improve it to try and demonstrate that it's not the spirit of the legislation. And again, we're going very much through the EU at this stage. Things may change in the future, but it would appear the UK is very much aligning themselves still to the legislation that's coming out of the EU.

Finally, I regard the issue of cybersecurity as a very serious threat and one that we need to make sure we take on board and look at it from the motorist's perspective. Yes, we want to make sure we're driving around in cars that are secure, but not at the expense of everything having to be channelled through the vehicle manufacturer. There needs to be choice, and technology should not be an excuse for wiping out your competition.

WITH THE UK HAVING LEFT THE EU, DOES IT PRESENT MORE OPPORTUNITY TO CHAMPION THE DOMESTIC MARKET WITH THE DOMESTIC GOVERNMENT, OR IS LOBBYING IN EUROPE STILL IMPORTANT?

It is double the effort because at the moment all the legislation that has touched us in this sector appears to be adopted by the UK. The UK appears to be aligning very much with the EU legislation, but that could change any time.

We've been so used to having vehicles which are approved in the UK, throughout Europe, and all the information is readily available. But some of the scenarios that I've been looking at with the various government departments over the last 18 months or so means you have to look at vehicle data access on a new basis. So, you've got information sitting on servers where you've got to deal with the vehicle manufacturer and the EU.

If we end up with no deal, that information won't necessarily be accessible to the UK and that's not to say that it won't be accessible, but it won't just be subject to a separate deal. So in all these areas, until we've got a much better idea of the actual deal and what it will mean for the aftermarket, everybody's left in limbo in terms of really not knowing what to do.

In terms of the lobbying effort, we're still very much involved with what's going on in FIGIEFA as well as starting the process of lobbying directly in the UK government.

DISCUSSING TECHNOLOGY, FROM YOUR VIEW, IS THE AFTERMARKET PREPARED FOR ELECTRIC VEHICLES?

The whole aftermarket needs to gear up to this change. We've got new technologies and we've got new parts coming on stream, while there are some fantastic examples of garages setting up to specialise in electric vehicles. A focus area will be making sure that the parts are available for it, because this is going to be a growth area. Having said that, I think we're

Only 1/4



of businesses feel the UK aftermarket is equipped with the skills and training to keep up with these technological developments

going to have the internal combustion engine around for a good few years yet.

But with the government pushing forward with the ban on sales of internal combustion vehicles coming in for 2030, they are going to have to start investing in the infrastructure and making these vehicles more affordable, because they are still a premium. And whilst there's a premium, demand may be slowed, but take that away and the demand on these vehicles is going to go up significantly.

I'm just not sure at the moment that the supply is there to satisfy the demand and this leads us back to the whole Brexit debate in terms of if we start to diverge with regard to approvals and cars coming out of Europe.

If we're assuming the pattern is going to be the same across Europe in terms of moving from ICEs to electric, we just need to be careful that we've got access to affordable electric vehicles to make sure that we comply with 2030.

Brexit & The EU

On the face of it, after 4 years of dominating headlines, Brexit should have been completed over a year ago. The UK officially left the European Union (EU) at the end of January 2020, starting a transition period that will run until 31st December 2020. Until then, the UK will follow EU legislation and remain part of the customs union with the hope this period would allow the country time to prepare its own laws and, more crucially, negotiate a free-trade deal with the EU.

However, with COVID-19 understandably taking priority, it can feel as though Brexit is something of an afterthought in headline politics today. Yet discussions around a deal are ongoing – even at this late stage, while the UK government is finally announcing details of laws that will mirror EU regulations, but under British control.

DEAL OR NO-DEAL?

One of the biggest threats to the entire automotive industry remains the lack of clarity over a potential free-trade deal with the EU. This will allow for an unrestricted flow of goods across borders, reducing customs times and therefore transit periods. However, without such a deal, World Trade Organisation (WTO) tariffs will be applied to all goods entering and exiting the UK – and unless businesses can absorb these additional costs, which may be unlikely, especially as finances are being squeezed by the economic shockwave induced by COVID-19, then the end user will have to pick up the tab.



According to the SMMT, the total value of trade in automotive parts and components was worth around £18 billion to the UK economy last year. Around £10 billion of this came from the EU. While a vast majority were destined for vehicle manufacturing, the aftermarket is also a beneficiary of these parts.

The SMMT suggested in 2016 that based on tariffs levied on parts coming into the UK from outside the EU, an average 4.5% rate could be applied to components in the event of a no-deal Brexit, costing the sector between £350 million and £875 million a year. Alongside this, there is the potential for disruption as customs checks are carried out on all imported parts to the UK.

Factors, therefore, need to ensure good stock levels or domestic supply chains are in place for the first months of 2021, until such time as imports and sales are able to balance each other out. Even so, questions must be asked as to how many suppliers and factors can absorb the tariffs.

“We’ve been creating and adapting contingency plans for all of the possible post-Brexit scenarios for the past 18 months,” says Andy Hamilton, of ECP. “Our customers remain our absolute priority and we are doing everything we can to ensure we continue to offer unbeatable service.”

“As part of our commitment to maintaining a seamless supply chain, we’ve continued to work in close partnership with our suppliers, and thanks to our national distribution centre in Tamworth, we believe we’ll be able to maintain continuous deliveries across our nationwide UK and Ireland branch network.”

NEGOTIATING POWER

For years, industry bodies representing the aftermarket have been dealing with the European Commission to ensure fair access to vehicle information, and equal rights for independent garages and bodyshops in comparison to carmaker-backed franchised dealerships. Manufacturers keen to see vehicles remain in their networks have

attempted to block access to critical systems, meaning only their repairers could service a vehicle. These attempts have been unsuccessful thanks to extensive lobbying.

Brexit represents a challenge for these industry bodies. While speaking with the European Commission, UK groups were part of a larger ensemble, speaking as one to uphold the rights of the aftermarket. Now, however, as the UK forges its own policies, it will be left to these groups to act alone – or so it might first appear.

"I think the really important thing is that we keep engaged with what's going on in Europe so we can actually use that as a very strong argument for saying 'actually it's good for Europe, it's good for the UK'," comments Wendy Williamson, of the IAAF.

"So, rather than just turn our back on Europe, more than ever, we need to be engaged with what they're doing so we understand the arguments and the debate that's going on in Brussels to provide us with a good argument in the UK."

However, keeping this momentum with Europe does add to the workload. "The UK appears to be aligning very much with the EU legislation but that could change any time," adds Williamson.

The issue of no-deal can also affect the aforementioned data access, as Williamson explains: "You've got information sitting on servers where you've got to deal with the vehicle manufacturer and the EU. If we end up with no deal, that information won't necessarily be accessible to the UK, or may be subject to a separate deal."

Until we've got a much better idea of what the actual deal is and what it will mean for the aftermarket, everybody's left in limbo."



Interview

Steve Nash

**Chief Executive Officer,
Institute of the Motor Industry (IMI)**



“Apprenticeships overall are down about 60% across all industries but the automotive market is down significantly more. While I understand that as a business the first thought must be to survival and recovery, we will end up paying a price for that. It depends how quickly employers get back to looking into recruitment.”

Interview: Steve Nash

HOW HAS THE IMI BEEN OPERATING THIS YEAR?

We've been working remotely since the original lockdown in March, and the whole team has been really busy. We've been working with the government, the regulators mainly, to make sure we've got the right accommodation for people who are undergoing training in the automotive industry at this time. There was a massive amount talked about GCSE and A-levels and so on, but of course we deal with upwards of about 35,000 people a year who are going through automotive qualifications in one form or another.

We've been trying to help apprentices who found themselves out of work. Sadly, there has been a number of apprentices whose contracts were terminated and there were provisions within government to help those people continue. We did everything we could to help them either get re-employed or to use the government facilities they put in place to help those people, especially the ones who were close to completing their training with their end point assessments so that they actually qualified.

DO YOU SEE THE NUMBER OF APPRENTICES DROPPING OUT AS HAVING A BIG IMPACT ON THE SKILLS WITHIN THE AFTERMARKET?

Absolutely. Right up to the lockdown we were having meetings with employer groups and you could summarise the agenda as being attraction and retention. How do we find people? How do we hold on to them? We've been discussing this ever since we came out of the recovery from the financial crash of 2009. At that time, people were laid off and companies stopped taking on apprentices. The industry has created its own kind of long-term shortage that we were still trying to address up to the beginning of the first lockdown in March. That problem has not gone away. In fact, it's just being exacerbated because apprenticeship intake in automotive has been down, at last count around 87%, so, it's nigh-on halted this year.

Apprenticeships overall are down about 60% across all industries but the automotive market is down significantly more. While I understand that as a business the first thought must be to survival and recovery, we will end up paying a price for that. It depends how quickly employers get back to looking into recruitment.

But even this may be restricted by other situations. It's going to be more difficult to attract people from former eastern European countries now because of Brexit. That plugged a lot of skills gaps in the industry.

HOW DAMAGING COULD A SKILLS SHORTAGE BE TO THE AFTERMARKET?

We're in the middle of a kind of technical revolution, with the industry being squeezed from every side toward a new future. Take electric vehicles for example. We would have been there eventually, but the speed of which the industry is adopting these is thanks to new regulations, and the aftermarket is being pulled along at speed.

Next year, the first stage of new emission targets come in. The UK will mirror what's going on in Europe. So we've got CO2 reductions across fleets scheduled for 2021, 2025 and 2030. The level of reductions can only be achieved through electrification at the moment.

And that's happening really, really fast. Registrations of electrified vehicles are overtaking internal combustion engines over the last few months, that's a position we didn't think we would see for another five years, although registrations of vehicles are low at present due to the coronavirus pandemic.

There is also a massive amount going on in the background around autonomous and highly connected cars as well, and I think we'll see some new legislation and regulation around that. Not having new talent coming into the industry at a time when you need it most is going to be a challenge.

TRAINING IN EVS WAS SLOW TO PICK UP, IS THE REPAIR SECTOR EMBRACING IT NOW?

The number of technicians training for EVs is increasing, and we're seeing that reflected in the programmes we run. It's the one that has the biggest uptake at the moment. I

think we were in a situation, really up to the early part of this year, where predominantly the engagement on electric vehicles was largely from the franchise dealers. It was almost exclusively their province because obviously the manufacturers make that happen. But it's beginning to move, certainly in amongst the larger national chains. However, I think people are beginning to realise now, with something like 35 million vehicles on the road, the internal combustion engines are not going to disappear overnight by any means.

There are those garage owners who are of the view that training in the technology is not important because they'll be retired by the time it becomes mainstream and filters into the independent sector. But there are a lot of others now who are taking the view that there's an opportunity there to become experts on the new technology.



WHAT CAN BE DONE TO ATTRACT PEOPLE TO THE AUTOMOTIVE INDUSTRY?

Our industry hasn't been punching its weight against other industries when it comes to attracting young people. We need to get our act together in terms of getting young people to consider automotive as a career.

That's one of the upsides of all the technical challenges, because it's a change of image which will be a positive thing when it comes to attracting young people. Without a doubt the industry has had a PR problem. There are a lot of brilliant employees in our sector, and we need to make it clear that we do not just offer jobs, but careers. We need to highlight that there are a lot of people in senior positions that joined the industry as apprentices.

And of course, if we can get away from the sort of Phil Mitchell in EastEnders and the bloke on Coronation Street, the image that a lot of the media seem determined to constantly keep pedalling, that will help too!

I do a lot of speaking for schools and colleges and I said to a bunch of youngsters, who are always interested in new technologies, how can there be anything more high-tech than a modern car? If you take all of the computer technology, all of the devices that you interact with and put them all together in a package that goes hundreds of miles an hour, that operates through all temperatures in dynamic circumstances; that's what a modern car is. When you start to look at modern systems, you look at ADAS and what that means and see that morphing further into autonomy and other things, it's an exciting time to be involved in the industry.

Industry Skills

As we have already seen, cars are becoming increasingly high-tech, with a growing number of systems taken away from the mechanical workings and instead being governed by sensors. Automated software is also increasing in availability while connected aspects of the vehicle mean consumers are now effectively manoeuvring 'computers on wheels'.

This advancing level of technology has already been highlighted as a challenge in itself, but this cannot be overcome without broaching another barrier the aftermarket is currently facing – a lack of skilled workers.

All of the challenges highlighted in this report can feed into another, but perhaps the issue of skills will resonate within most of them. Technology means the industry needs a different type of worker, while political issues are possibly going to prevent employees coming from overseas. In addition, COVID-19 has seen the industry caught in an economic crisis, with workforces likely to be trimmed – and that has implications for the next-generation of workers as apprenticeships are typically the first casualties of any reduction in worker numbers.

APPRENTICESHIPS

"Apprenticeships across all sectors are down around 60%, but in the automotive industry, the numbers are lower than in other markets," says Steve Nash, of the IMI. "Whilst I understand that, and I understand your first priority as a business has to be survival and recovery, we will pay a price for it."

It is true the automotive industry has not been as successful at attracting younger people as other industries when it comes to considering a career. But apprenticeships are critical for ensuring the repair sector, whether it is independent, franchised, fast-fit or bodyshop, can continue to offer high levels of service for some of the most technologically advanced cars ever seen.

"We employ roughly between 12,000 and 14,000 young technical apprentices every year in the sector," adds Nash. "The majority of those are employed by the big dealer groups, as you would imagine. You've got companies taking on up to 500 a year and that benefits the whole sector in the long term because that's the supply of people that will filter through the whole industry."

The UK government is trying to help with the introduction of incentives for employers to take on apprentices. One company taking advantage of these is franchised dealership group Lookers, who currently employ 6,700 people, with apprentices taking 7% of these roles.

Lookers see the incentive payment for apprentices as a driver to financially secure their apprenticeship program moving forward and are modelling to bring in considerable funds as a result of the intake before 31st January 2021. These funds will secure future apprenticeships for years to come, under the 95% Government contributed co-investment model.

"Our continued investment into apprenticeships is a result of the recognised value they generate for the business; for every £1 invested we realise a return of £20," says Matt Clay, Group Qualifications Manager at Lookers. "The current Government support package will build upon the commercial impact of our apprentices, enabling us to secure the financial future of the Program, having moved into the Government co-investment model."

LEVY CLAWBACK

One area the IMI is pushing the government to change is the apprenticeship levy clawback. Currently, any funds made available that haven't been used after two years are taken back by the Department for Education. However, due to the current situation caused by COVID-19, the industry

body wants this clawback paused, and is also asking employers to use the funds they have to secure the workforce of the future.

“The point we’ve been making to Gillian Keegan, who is the Skills and Apprenticeships Minister, is that if you give businesses a bit of a breather on the levy clawback for a year or so, they’ll get back to hiring young workers,” adds Nash. ‘That money will get spent because it can’t be spent on anything other than apprenticeships. I do believe if we can persuade the government to play ball, that will make a difference and help kick start apprenticeships again.”

TRAINING

The increase in technology as seen in previous chapters means that training is an ever-present need in the aftermarket. But ensuring that access to training is difficult, especially for independents, which is an issue because this will allow them to adapt to new technologies, tools, and repair practices.

“Others invested and didn’t adapt. From my ‘training’ perspective the challenge for those who invested but have not adapted will be to see the need for continuous development and training. In other words, learn to make use of an investment specifically, or in general, realise that ‘the times they are a changing’ and if they don’t get on the EV and ADAS bandwagon soon it will be too late,” comments Tom Denton, of Automotive Technology.

“We have a lot of ‘EV deniers’ in the aftermarket. I suspect this is fear of change, which we have seen many times before. Those who embraced fuel injection, and electronic control compared to those who didn’t want to leave carburettors behind for example. Training and development are now essential.”

For bodyshops, where panel repair was once the most complex areas that technicians had to focus on, there is an increasing need to be aware of technologies within the vehicle. Competence is critical,” adds Dean Lander from Thatcham Research.

“The competencies required to manage new technologies that were once niche but now mainstream are ever-expanding. ADAS reinstatement requires precision, while EV safety is fundamental, with loss of life a potential outcome for the uninitiated.

Training is therefore an essential need for the sector. Skills must be constantly updated, and competence should be proven for safety’s sake – both within the bodyshop and on the roads.”

The most popular sources of
TRAINING
over the next 5 years



**INDEPENDENT
TRAINING
PROVIDERS**

34%



**FREE ONLINE
DEMOS & TUTORIALS**
27%

SUPPLIER

19%



**PAID ONLINE/
DIGITAL COURSES**
8%

MOTOR FACTOR

8%



OTHER
5%

TRAINING PROVIDERS

The increased need for training sees technicians taking time away from the workshop, meaning a drop in efficiency for a repair business. There are different attitudes to this. Some garage owners will simply book work around training dates, seeing it as essential. Others will decline training opportunities as for them, completing work and generating revenue is more important.

However, training providers, suppliers and factors are now developing programmes to ensure garages can, and do, take part in lessons that can futureproof a business.

“Independents that partner with us can access the expertise and resources they need to upskill their teams, via our AutoEducation Academy,” comments ECP’s Andy Hamilton. “As an example, by ensuring they have the skills and knowledge required to service and repair ADAS-equipped

vehicles, we can help them bring in more revenue and deliver better outcomes for their customers.

“The same applies to hybrids, and longer-term, EVs; for the time being, independents that get ahead will have a competitive advantage in this space, retaining their longstanding customers as they trade up into the newest, cleanest technologies, and winning new customers at the same time.”

Another area that is opening up to garages is the increase in online training programmes. The COVID-19 pandemic has seen many training providers look to develop online courses to ensure the safety of technicians.

“I’ve talked to a number of the manufacturers who have said that they’ve had their academies largely closed through the year due to the lockdown,” adds Steve Nash.

“Going forward, they will stick with roughly a 50/50 split in face-to-face training and online. Some will split single courses between these methods. It makes a big difference, and it does have a positive impact on productivity in workshops. ”



Interview

Andy Savva

The Garage Inspector



“The best time to plan is when you’re busy, because when you’re not seeing work coming in, you put drastic actions into place that will only benefit in the short term, such as introducing ‘come and get me’ servicing prices that will not help the business in the long term. Currently, garages are seeing a positive cash flow, and I’m encouraging owners now to put some time aside and think about the next 6 to 12 months ahead.”

Interview: Andy Savva

HAVING SEEN THE IMPACT FROM THE BUSINESS PERSPECTIVE, HAS COVID-19 BEEN A CHALLENGE OR A BENEFIT FOR THE AFTERMARKET?

I think it's been 100% beneficial. We all had that initial shock at the beginning of this, asking questions like 'what do we do now' in March when the initial lockdown came in. Most garages stayed open, others closed for perhaps for one or two weeks before realising they were an important part of the cog in keeping people moving. I think that consumers have realised the importance of independent travel. Garages have been absolutely ravaged with work, so for me it's been nothing but a positive in that view.

Then we have the debacle with the MOT, so now everyone is dealing with that challenge over the next few weeks, months and even years. So for me, there's always a positive out of a negative, and I'm really pleased to see a lot of my garage customers and the whole aftersales market rising to the challenge.



I do focus on the independent market as I believe that is where there is the most value for people. And all those that I know have been very busy. I think the problem they have had is trying to manage that busyness. Prior to lockdown, their lead times were one, two or three days, today they're booked solid for two or even three weeks.

Also, finding staff has been difficult because everyone needs staff. There's been a shortage for so many years and we have to put a blame to that. But there's been a lot of positives.

HAS THE INCREASE IN PARANOIA OVER PUBLIC TRANSPORT LED TO AN INCREASE IN USED-CAR SALES AND WILL THIS HELP THE INDEPENDENT SECTOR?

I deal with three used-car dealerships and they cannot get enough stock at the moment. Prices have gone up as a result of all this, so that's good for them as well. But it's supply and demand. At some stage, there's going to be a shortage of supply in vehicles because production stopped at one point and was slow to increase, so that will hit the aftermarket.

Then when we get to April through to June next year, there will be a lack of MOTs during that period. So you have to manage your business, you have to start thinking now what you will do then. That includes managing staff – it may be that garages can offer staff holidays during that time, or look at other ways to reduce the possibility of technicians working when there are no vehicles to service. It's no good coming to April and realising you don't have a lot of MOTs. Forward planning needs to take place for that period, otherwise it will impact businesses hard.

The best time to plan is when you're busy, because when you're not seeing work coming in, you put drastic actions in place that will only benefit in the short term, such as introducing 'come and get me' servicing prices that will not help the business in the long term. Currently, garages are seeing a positive cash flow, and I'm encouraging owners to now put some time aside and think about the next six to twelve months ahead.

WHAT ARE THE ECONOMIC PRESSURES THAT GARAGES WILL FACE GOING FORWARD?

There are three things. First, there are staff levels, which has always been a challenge but is more so now due to the current work levels that are being experienced. Therefore, it is likely that salaries will increase as businesses will have to pay a premium on the right price. This could push garage owners outside their comfort zones but finding someone with the right credentials will require more pay. Then there is the question of what to do with the existing staff, as you cannot have someone come in with more money and keep them on the same pay.

The second thing is what you do to deal with the lull period in April to June next year. There's also the issue of the reduced registrations in September of this year, as in three

years' time this means there'll be fewer cars coming into the MOT market in that month as well.

Then there is also the challenge of technology. The level of tech in vehicles is increasing and the question is, how are we going to keep up with that, and what investments are we going to make. The time has come for businesses to question whether they can remain as an 'all makes' garage as technology is really pushing many down that route.

There's also the EV question. I've got a controversial view – yes, it is going to happen but the impact on the servicing sector will not be as big as people believe because the high-wearing components that we are used to will last much, much longer. So what will garages repair?

Diversifying might be a strong option for businesses at this time, with some concentrating on EVs to pool all the work together.

DOES THE ISSUE OF TECHNOLOGY MEAN GARAGES WILL NEED TO SPECIALISE AND CHARGE MORE FOR WORK?

One of the problems the industry faces with all this technology is the extra tooling needed, and how do businesses recoup that cost and the return on investment. For example, years ago, people were charging a decent amount for wheel alignment, now they're giving it away. Air conditioning was the same, as popularity increased and the market got flooded with machines, garages had to compete on price. The same will happen with ADAS. The pressure is on the garage to ensure they keep doing the work.

Equipment manufacturers drop their prices to continue selling the tooling, and then new garages to the market can charge less as their investment is less, which leads to a competition on price.

But garages cannot base their prices on what the competition are doing.



Customer Expectation & Service Value

Not all issues facing our industry stem from the development of the latest technologies or decisions emanating from Westminster. Ultimately, we operate in a service industry, so it would be foolhardy to focus purely on the headline issues at the expense of your customer.

In an industry that traditionally struggles to build a reputation as an honest and reliable sector, increases in vehicle technology mean even more potential for customer confusion, misunderstanding and potentially, accusations of malpractice. Couple that with growing social media influence where one bad review can lead to a serious drop in footfall, many businesses now treat the customer as king – sometimes with consequences.



COMMUNICATION

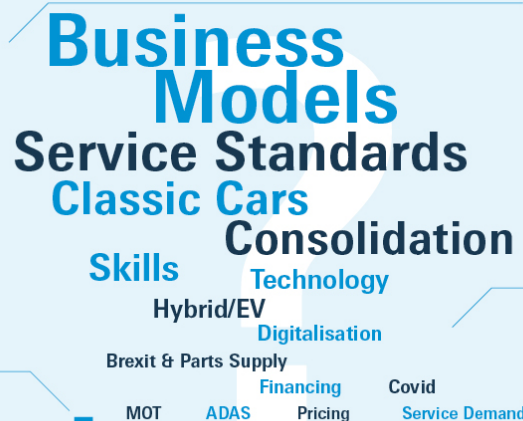
As vehicles become more complex, servicing and repair can take longer. In addition, the increasing number of different parts means increasing potential for the wrong item, or a different specification, to be delivered. Therefore for workshops, communication between garage and factor is key.

“There is a constant need for communication, and this is now becoming more and more important in what we're

doing,” says Hayley Pells, Owner of Avia Autos. And the necessity for this communication is becoming more and more critical to ensure parts supply is accurate. It is getting more difficult to get the correct parts, and it is now becoming more impactful when those parts supplied are wrong.

“We really do need to make sure that we get the work that we can do heading out as soon as possible to facilitate our cash flow. We can't really just leap from one job to another like we did previously. With reduced numbers of deliveries and even higher expectation from worried and anxious clients, we're being squeezed in the middle.”

WHAT ARE THE BIGGEST OPPORTUNITIES FACING THE UK AFTERMARKET?



There is also the issue of communication with the customer. According to a survey carried out by the RAC, around 56% of drivers say they've been left struggling to understand the language used by mechanics when describing faults with cars and what needs to be done to fix them.

This has led to unease around the reputation of workshops, with 15% stating a garage carried out work that was not

agreed, while 26% said they were upset as the cost of repairs was far higher than quoted.

"It's getting more expensive to maintain and repair the modern motor car," adds Pells. "With that expense does come an increase in expectation from all motorists that we will tell them exactly what is going on, what has gone wrong and, importantly, how they're going to avoid a component failing like that."

IMAGE

The servicing and repair sector has an image problem. Many are fearful of being 'ripped off' by workshops that see an opportunity to make easy money by charging for work that does not need completing. There is also the issue of the industry being seen as dirty and unprofessional, a stereotype that is not helped by its portrayal on television – take a look at soaps such as EastEnders and Coronation Street.

For bodyshops, the issue of image is more important. "A bodyshop is not traditionally a repeat business for most everyday drivers," says Dean Lander, Head of Repair Sector Services at Thatcham Research. "A positive local reputation, driven by word of mouth, is important but often hard to secure for small businesses.

"Most bodyshop business is gained through B2B contracts and approved networks for an insurer, fleet or vehicle manufacturer. To maintain credibility with these customers, quality and service along with efficiency are key.

"The industry does suffer from an image crisis when trying to attract new talent. The perception of rough, dirty and male-dominated workplaces, as seen on TV, doesn't help. There is a lack of exposure in the education system for the career opportunities presented by the auto repair industry and as a result we have a generational challenge to overcome."

Garages do therefore need to ensure they maintain professional standards, not only to retain customers, but to increase footfall.

"We have been established for over 30 years and our focus has always been the client, the relationship and the longevity of the business received from our clients," says Barry Parker,

CHANGE

in business is driven by



COVID-19
31%



TECHNOLOGY
30%

CUSTOMER PURCHASING PATTERNS
13%



ECONOMY
13%

DIGITISATION
8%



COMPETITION
3%

Owner at BTE Automotive. "By working in a personable way we ensure we are retaining clients, and through our support for the Working for Good scheme, we create an opportunity that can be used organically to increase footfall and creditability within the community."

CONSUMER PERCEPTIONS

Not so long ago, many drivers were able to repair their own vehicles, relying on workshops only for the trickier jobs. However, cars have now evolved so much that even changing a headlight bulb may require stripping out the engine bay, while replacing a battery could end up requiring an ECU reset. This means garages are welcoming customers who either expect to be 'ripped off' as they believe they know how simple the job should be, or those who expect a high level of service on a vehicle so technologically advanced.

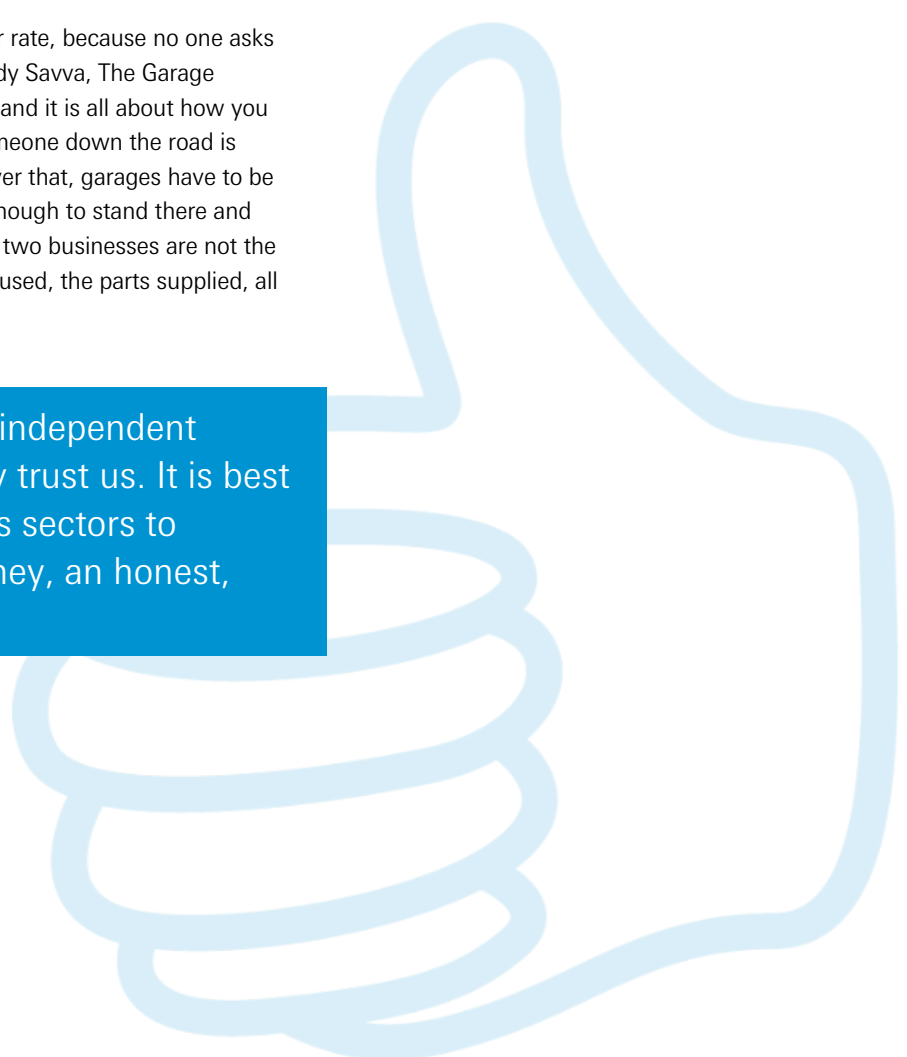
For some businesses, this causes issues with confidence. Many garages are only just coming round to the idea of charging for diagnostics, something the franchised dealer market has been doing with no trouble for years. This fear is born of being asked why a charge could be so high for simply plugging a machine into the car. Indeed, many

customers liken the process to the cheap code readers that can be bought online for a few pounds. Fear of explaining the difference, means this crucial service is given away for free, rather than, as is the case in the franchised sector, being subject to at least an hour's labour.



"No consumer questions a labour rate, because no one asks what the labour rate is," says Andy Savva, The Garage Inspector. "They ask for a quote, and it is all about how you dress up that quote. Because someone down the road is charging £99 and your price is over that, garages have to be brave enough and professional enough to stand there and explain the differences, that your two businesses are not the same; your experience, the tools used, the parts supplied, all cost different amounts."

"Customers come to independent garages because they trust us. It is best placed in all aftersales sectors to provide value for money, an honest, trustworthy service."



Conclusions & Outlook

The challenges facing the aftermarket do not exist in isolation with one challenge influencing another, yet this should not make the path ahead any more daunting. By understanding the dynamics at play and with forward-thinking positivity we can identify areas of opportunity for businesses within the sector. To capitalise on them will require taking steps forward sooner, rather than later.

CORONAVIRUS & LOCKDOWN

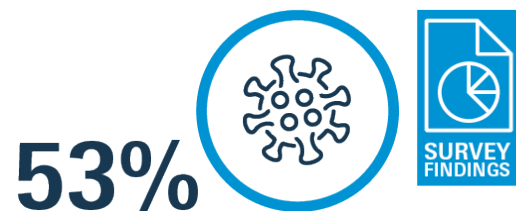
The impact of COVID-19 will likely be felt for years, especially through the MOT, which will continue to see serious fluctuations in demand for some time. Existing and yet to be seen campaigns to help bring testing forward should help. We have seen this with the DVSA's Beat the Rush campaign, but the fact an MOT anniversary is only guaranteed if the test is taken 30-days before expiration means it is up to new registrations to fill the void caused by the lockdown and MOT extension.

Next year will see an additional 167,911 passenger cars become due for their first MOT in April, and 192,649 in May. This will not make up for the millions lost, but as time goes on, with the right promotion and campaigns, garages should start to recoup in these months.

Let's not forget things could have been worse. Had the 4-1-1 MOT system been introduced by the UK government then 2021 would have seen more pain, with those 360,560 vehicles not being eligible for their first MOT until 2022. The decision to scrap these plans followed months of lobbying by various aftermarket industry bodies, highlighting the important work they do to protect the sector.

In the survey conducted for this report, 31% of respondents felt that COVID-19 would impact their business for six months,

while 28% believed their business would be feeling the effects of the pandemic for two years. When asked how the situation had impacted the entire aftermarket economically, 56% said it had done so 'by a large amount'.



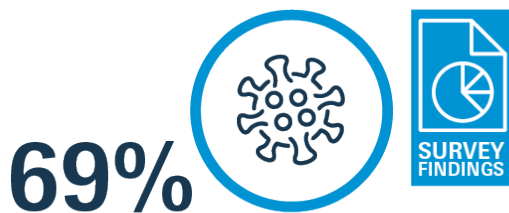
of businesses believe that it will take 18 months to two years for them to recover to pre Covid-19 levels

However, speaking with industry leaders for this report, it is clear that while there will be an impact, the **independent workshop** sector has the most to gain from the current situation. This is thanks to an increase in vehicle usage, a slowdown in new-car sales and a need for servicing and maintenance on an aging car parc. Drivers are also making shorter journeys, which can increase the stress on some vehicle components, especially in diesel cars.

These shorter journeys do, however, have an impact on **bodyshops**. With fewer miles comes fewer issues surrounding body repair due to accidents. During the pandemic, claims volumes have plummeted, according to Thatcham, with reports that these were 20% lower than normal during the peak of the first lockdown. Recovery to pre-lockdown levels has not yet been seen.

But even here there is room for optimism, thanks again to the increase in vehicle usage due to the decrease in public transport and subsequent increase in journeys made by car. As traffic volumes rise, so too does the possibility of body repair. Thatcham state that more insurance policies are being written thanks to this, showing a growing car ownership.

Franchised dealers it seems are likely to be impacted more by COVID-19 than other sectors. For starters, showrooms have been closed during lockdowns, and the loss in sales of vehicles will see an economic impact that could lead to closures in the worst case, or job losses and loss of custom in other areas, including servicing. Add to that an aging car parc, it is crucial for dealerships to take action now to mitigate the movement of older vehicles into the independent sector. Keeping hold of these vehicles will keep their servicing alive as the new-car market declines, and is likely to take some time to return to pre-lockdown levels.



of businesses believe that it will take 18 months to two years for the UK aftermarket to return to pre Covid-19 levels

For **factors and suppliers**, the impact of COVID-19 will be economic, but as parts supply is tied into the servicing and repair of cars, and with the increase of cars on roads, there will still be a need for those services.

The main issue for these businesses will be supply levels and ensuring that they can continue to provide products and services when required. Smaller factors may have needed to place staff on furlough during the first lockdown as demand dwindled, but it must be hoped that the industry is now back up to full strength, and operations have been able to adapt to new practices introduced as part of the 'new normal'.

TECHNOLOGY

Coming into 2020, the biggest challenge facing the automotive aftermarket was coming from the introduction of new technologies. This is not new; vehicles have changed dramatically in the last two decades, with more electronic software additions and autonomous items added in the name of safety and security.

This will only continue. In addition, the pressure carmakers are under to introduce low-and zero-emission vehicles means in coming years there will be an explosion of these vehicles

available to consumers. From the subsequent growth in sales we should expect to see more of these models coming into the aftermarket.

**Only
1/4**



of businesses feel the UK aftermarket is equipped with the skills and training to keep up with these technological developments

When it comes to new technologies, it is ultimately going to be the **franchised dealers** who will have the easiest ride. Technicians employed by carmakers will have access to the latest tools and equipment, while manufacturers will train them on all new technologies they release.

In addition, there is the comfort factor for drivers when faced with a new technology, that the person who sold it is the best person to service it. This may see the average age of a vehicle coming into the independent sector increase, if the latter does little to highlight its competence with such technologies.

For **independents**, the thought might be that most new technologies will not apply to them until around three-years after their introduction, when cars will come into workshops. However, ADAS has been around for longer than this period and therefore workshops that are not already up to speed with awareness, training and tooling will be left behind quite quickly.

Investment is the biggest challenge in the independent workshop, with the need for new tools and equipment, spending on training and ensuring the workshop is safe. We could, therefore, see garages start to work together, forming local mini-networks where each specialises in a certain

technology or manufacturer, and recommends others when the customer's car falls outside their criteria.

This would lessen the financial impact but will also reduce the amount of work that can be accepted, so such moves will need to be thought through carefully.

There is also the issue of manufacturers using the increase in vehicle technology as a way of excusing the blocking of access to vehicle systems, something which various industry bodies including the IAAF are fighting against in Europe. Connected cars can also work to bring drivers into the franchised dealer network by communicating with them the instant a fault is identified. This would almost wipe out competition in the industry and is again something that is being fought against. Therefore, independents need to ensure they are aware of what is going on beyond the workshop.

Fast fits are most at risk from the introduction of battery-electric vehicles (BEVs). These will require less work on brakes, and no exhaust repairs. Tyres will still be an essential commodity while steering and suspension repair will also become more important as misalignment in this area could have an effect on vehicle range. However, it is unlikely that the traditional internal combustion engine will die out completely, and it may not be until 2045 that we see BEVs take over the majority of the UK car parc.

SKILLS

The automotive aftermarket has had an image problem for some time, and it is not appealing to a younger audience when considering careers. In addition, the increase in technology means the need for more training, which can take away time working on vehicles.

The majority of those surveyed said that responsibility for training lies with suppliers and manufacturers of equipment (52%), while 41% believe the industry end-user, for example the garage workshop, should take responsibility.

Around 34% of respondents confirmed that they would be looking to an independent training provider to conduct training for their business in the next five years, but interestingly, 27% suggested that they would look to free online courses, compared to 8% for paid internet-based options.

Again, it is the **independent aftermarket** that could suffer most from a shortage of skilled workers and the increased need for training. While there may be a return on investment in taking on an apprentice, or sending staff on courses, the fact remains that the initial investment needs to be made. Many independent workshops have a number of overheads that they look after themselves, and keeping a business trading is the priority.

A consequence of the COVID-19 pandemic has been the lifeline offered by training courses. A growing number of providers are looking to provide online seminars to deliver their lessons in a safe, and Covid-compliant format. This means technicians do not need to travel, and in some cases can follow online training courses in evenings, time off, or when there are few vehicles in the workshop.

You can expect, therefore, for independent garages to start to improve their training attendance via online platforms in the coming months and years.

Many will still argue you cannot replace the value of live, in-person training, and look forward to that format being able to safely resume. Maybe the long-term solution is a hybrid one.

The **franchised dealer** market again is best placed with a larger budget and manufacturer-backed training schemes in place. In addition, these networks have a better image and are therefore more attractive to apprentices. However, while their training will be conducted here, it is likely that many apprentices, when qualified, will eventually move on and many would end up in the independent market. Therefore, the latter will bypass the apprentice system. This reduces the investment required for independents, but they miss out on crafting a technician in their own mould, rather adopting someone who has learnt their trade elsewhere.

Fast fits are in a good position when it comes to apprenticeships, with larger networks and budgets available, and less training required due to the nature of their businesses. Factors are in a good position for the same

reasons, although business skills that are required could again help the independent aftermarket further down the line.

BREXIT & THE EU

The political landscape at present is varied and complex. Alongside Brexit, there is the constant gesturing between carmakers and governments, while the image within the industry is another area that politicians look to exploit at times in order to gain popularity amongst voters – incidents such as the potential move to a 4-1-1 MOT system ‘to save motorists’ money’ is one such example of this.

Ultimately, the biggest political story of the year is Brexit. While the UK has left the European Union, there is a transition period until the end of 2020. After this, the UK either has a deal with Europe, or will have to go alone, and see increased tariffs and customs checks.

This will have a bigger impact on **suppliers and factors** than the workshop sectors. They will need to ensure that their warehouses are stocked by the end of the year to mitigate any disruption in the supply chain, and this will involve a large cost outlay as a result. At this late stage it is likely these plans are already in place, so should a deal materialise the spending may not seem worth it. However, you would expect any spending on stock will ultimately be recouped through sales.

Perhaps the biggest worry is the introduction of tariffs on parts imported from the EU. It is unlikely these additional costs can be absorbed completely by these businesses, so prices will have to go up as a result. However, the UK has announced some free-trade deals, and one with Japan will see parts from some suppliers and factories in that region come in tariff-free.

For **Independent and franchised workshops**, Brexit will have a minimal impact should a no-deal see a rise in parts prices, as they will need to pass this cost onto the customer, if the garage is willing. The ability to bring in skilled workers from outside the country will arguably be the biggest impact of Brexit on these sectors.

The bigger political impact will be in the development of regulations. However, industry bodies are committed to working with governments to ensure fair access for the independent sector, giving the vehicle driver a choice as to

where they have their repairs carried out.

With the UK mirroring EU regulations for the time being, this is a positive move, as lobby groups can easily monitor how these laws are being adopted, and any challenges that may arise from them. It does mean a doubling of the workload, but again, this will provide leverage to the UK sector, by comparing it to Europe.

CUSTOMER EXPECTATIONS & SERVICE VALUE

Finally, managing customer expectations will be crucial as the aftermarket looks to improve its image at a time when feedback is widely spread through open social media channels.

While **franchised dealerships** will have a dedicated customer base thanks to the offer of aftersales care, **Independent workshops** need to counter a number of challenges. For example, with factors displaying prices on their websites, offering deals to customers, this increases the pressure on garages when it comes to setting prices.

There has been an increase in customers asking if they can supply parts, a move which independent garages are urged to decline. Instead, they need to improve their confidence around their pricing and become more transparent, showing that the cost of parts is not the main factor in a repair quote, but the knowledge and experience of a reputable technician is what the customer is paying for.

The introduction of online garage management systems will also help workshops to communicate with customers, keeping track of their workloads and ensuring driver details are always to hand. This will see increased communication, which again, in this day and age, is expected by customers. This is another investment, but one which will allow efficiency in the workshop to increase.

For **bodyshops**, the issue surrounds the fact that when a car comes into this market, it is often not by choice. Therefore,

consumers do not understand the processes of the work involved in body repair, and although repeat demand is not guaranteed, communication remains key.

SUMMARY

Driven by continued technological and political developments, coupled with unforeseen impacts from a global pandemic, the UK automotive aftermarket is changing at pace. For some, the need to adopt a responsive and reactive approach to unpredictable developments throughout 2020 might lead to a sense of not being in control.

Yet the challenges listed in this report, whilst critical, are ultimately manageable. With considered and proactive planning to counter those challenges, and with the support of industry partners, there are opportunities for the taking.

Overall, the independent sector will be the most challenged, but at the same time, the knowledge in the industry is enough that it can overcome. The biggest issue is investment by businesses, but working together with their factors and suppliers will help garages to ensure the longevity of their business, and for the UK aftermarket to demonstrate the resilience it is known for.



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