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# AM

AUTOMOTIVE MANAGEMENT

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**REGULATION / P6**

Breaching new EU data rules may cost dealers millions



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How 'customer champions' in service centres could broaden carmaker's reach



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\* Based on the top 10 automotive retail groups by turnover as listed in Automotive Management AM100 2016.





## To NSCs looking for higher new car sales: They're behind you

Panto season is upon us and the year-end is around the corner. Manufacturers are out there, busy 'negotiating' the targets for 2017. They are hearing from franchisees that the new car market has toughened and dealer profitability is under pressure. To which the manufacturers respond with cries of: "Oh no it isn't".

Well, "Oh yes it is", according to plenty of AM's sources.

The national sales companies should not be in denial. They can be the ones moving quickest to affect dealer profitability, with a swift move of a percentage point of margin from CSI or standards onto volume-related bonus to ensure the network helps them to maintain that retail market share and keep their factories busy.

But even some NSCs concede we have probably reached the peak in the UK's car market cycle, after two years of 2.6+ million registrations. Forecasts predict a 2.5m market in 2017, and the same again in 2018. The drop will be relatively gentle, and dealers will still have plenty of new stock coming through.

Many dealers tell us the greatest opportunity in the next few years will be in used cars. Despite supply returning to normal levels, wholesale values have not slumped. Dealers able to fill their forecourts with desirable cars, market effectively and turn stock quickly and profitably could see their investment rewarded in 2017.

Tim Rose  
Editor



Tim Rose  
Editor



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editor



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editor



Finbarr O'Reilly  
Production  
editor

Merry Christmas and a prosperous New Year to all of our readers. Our festive cover illustration this month was by George Williams of Spot On Caricatures.

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# Dealers 'are not ready' for new EU data rules

Data protection law coming into force in 2018 could see non-compliant dealers fined 4% of turnover or banned from processing data altogether

By Tom Sharpe

**D**ealers and their IT suppliers must be ready for the introduction of EU General Data Protection Regulation (GDPR) in 2018 or face huge fines or even a ban on using customer data, a data expert has warned.

As customer data-gathering and handling becomes an integral part of the sales and marketing processes, dealer groups of all sizes need to prepare for the legislation, which has "real teeth", according to **Martin Hickley, director of data governance, protection and privacy specialist Data Protection GO DPO.**

GDPR rules will demand greater levels of cybersecurity, the appointment of a dedicated 'data controller' and recording of dealer transactions.

It will govern the handling and security of customer data as well as customers' rights to 'opt out' or simply be 'forgotten' as well as any exchange of customer data between dealers, finance houses and manufacturers.

Should organisations fail to comply, the repercussions may include audits, public warnings and enforcement orders. For the most severe infractions, regulators can levy a fine amounting to 4% of a company's turnover from the previous year.

These measures are what **Elizabeth Denham, the UK Information Commissioner,** calls the "stick in the cupboard". However, according to Hickley: "These are not the real sanctions to worry about."

"The supervisory authority [the Information Commissioner's Office] has the power to order a temporary or permanent cessation of data processing and data transfers."

"If a business cannot process personal data, even temporarily, you may as well hang a 'closed sign' on your door. Furthermore, personal data breaches must be reported within 72 hours, and if you don't you can be fined."

Data collection and processing has become essential to many businesses – from determining when to approach a customer about a renewal, service or MOT to a vital product recall – but while many large groups are already moving to adapt their dealership management systems (DMS) and cybersecurity to become GDPR-compliant, Hickley fears that many are not even aware of the changes.

Writing for *Computer Weekly* in June, **Yves Le Roux, co-chair of the (ISC) EMEA Advisory Council and technology strategist for CA Technologies,** said 79% of Britain's medium and large companies were

unsure about their compliance.

**Tim Smith, group strategy director at GForces,** said: "Although recent instances of companies losing vast amounts of customer data have highlighted the importance of data protection, many dealers will assume that a third party, such as their web provider, will do this for them and conform to tight operational standards. Unfortunately, that's not always the case."

"Dealers need to be aware of their obligations with the new legislation and if and how they are protected."

"With fines of up to 4% of global turnover if they get it wrong, it's a risk the average dealer probably can't afford to take."

## Day-to-day dealer impact

Denham said GDPR would replace the Data Protection Act (DPA) 1998 in the UK on May 25, 2018, regardless of the Brexit vote.

"We will be members of the EU in 2018 and therefore it would be expected and quite normal for us to opt into the GDPR and then look later at how best we might be able to help British business with data protection, while maintaining high levels of protection for members of the public," she said.

"I acknowledge that there may still be questions about how the GDPR would work on the UK leaving the EU, but this should not distract from the important task of compliance with GDPR by 2018."

While there has been considerable discussion about the impact of the GDPR on businesses that deal directly with customers, the distributed model that exists in the motor industry has received less attention, said Hickley.

**NFDA director Sue Robinson** echoed Denham's assertion that GDPR would remain in place after a UK departure from the EU: "It is highly likely that domestic legislation will be updated to mirror these EU rules, simply to facilitate cross-border trade."

She added: "In light of these upcoming changes,

the NFDA is drawing together guidance for dealers to ensure UK dealers are properly equipped for the road ahead and understand their obligations."

"The guidance, which is being developed through a working group over coming months in conjunction with our legal advisers, TLT, is intended to set out the key steps that dealers will need to take to comply with the new legislative requirements. This should ensure our members are in the best position to protect and exploit their data in accordance with anticipated law in the future."

"We are focusing on the following issues: identifying common data flows; assessing how data is obtained, used and shared; and considering current and anticipated data applications and objectives as the market evolves."

"We would welcome written feedback from interested dealers on these issues."

Hickley and his team are also developing their own training and consultation service in partnership with training provider GMD People.

To ensure a dealer's GDPR compliance, he said before a customer's personal data can be recorded, they must be shown a data privacy notice (DPN) that is "transparent and in clear and easily understandable language". This will be "much more comprehensive than before, under the DPA".

## Who owns the customer data?

As with the earlier introduction of FCA regulations



"With fines of up to 4% of global turnover if they get it wrong, it's a risk the average dealer probably can't afford to take"

Tim Smith, GForces





on credit, GDPR is intended to put power back in the hands of consumers.

Customer data is a valuable resource for retailers and manufacturers and dealers have often clashed over who owns it. However, the new regulatory model provides an unambiguous answer: The customer owns their personal data.

According to Hickley, an organisation can only legally store and process personal data for specific purposes on behalf of the customer.

"When that purpose has come to an end, you have to erase that personal data," he said.

However, GDPR is likely to put some power back into the hands of the retailers, as they inevitably act as data gatherers on a day-to-day basis.

Hickley said GDPR is also much more prescriptive about how any data collected by dealers would be transferred onward to third parties.

"These will be significant barriers to vehicle manufacturers obtaining the personal data of drivers, to such a degree that I believe direct marketing from the vehicle manufacturer will decline considerably after May 2018.

"To combat this, manufacturers will increasingly rely on using online – either smart apps or the internet – to get the personal details of driver to connect to a vehicle.

"Failure to develop these applications could

seriously erode repeat vehicle sales for specific brands. This will reinforce the dealer being 'king' in the relationship with the customer."

To become "king", dealers first need to ensure that their house is in order, though.

#### What the DMS providers need to do

With so many data processes being completed on software provided by outside suppliers, DMS and CMS providers will need to guide their customers through the GDPR minefield during the coming year.

**Chris Poulson, CRM director at MDF360,** said: "We expect this to be a real area of challenge, but an area we will be helping our clients with.

"Having recently completed an audit of all enquiry/sales order forms, DMS's and showroom systems in place across a manufacturer network, it's clear there is a big difference between facilities to capture opt-in/out.

"There were 17 different showroom systems in place, only half of which catered for opt in/out of email, SMS, mail and phone channels, with the others mostly having a general opt in/out feature only.

"Assessing the forms, only two thirds had somewhere to capture opt in/out. Just one third had it across all channels, so there is work to be done, even at a process level."

**Simon Crace, operations director at MB Advertising Group,** which works with Bluesky Interactive, said: "While it will be painful implementing it, in the long term it's a positive step in our view.

## HOW CAN DEALERS ENSURE COMPLIANCE?

At the core of the new regulations is the data privacy notice (DPN) that must be shown to and consented to by consumers.

It must satisfy two conditions. The first deals with data collection and explains:

- Who is processing the personal data.
- How a customer can contact their representative to ask questions.
- What types of data are being processed.
- For what defined purposes data is being processed.
- How long the data will be retained.
- Who data will be transferred to, and, if not in the EU, the legal mechanism for this.

To satisfy the second condition – which lays out the legal basis for the processing of the data – the dealer must be able to:

- Present a single, completed contract.
- Demonstrate a legitimate reason for processing personal data.
- Show the customer has given their unambiguous or explicit consent.
- Explain the right of the data subject to complain to the supervisory authority.

Hickley said: "The customer must be able to object to processing

and withdraw consent as easy as [they can] give it.

"A clear and complete DPN is key to handling personal data, but it also links to the legal basis for collecting personal data.

"In effect, you say 'by ticking this box, I consent to my personal data being processed as described in the DPN'."

If a dealer is collecting data for anyone else, such as a finance house or manufacturer, it has to be made clear to the customer. A log of any data transfer must be recorded.

The legislation also incorporates seven rights and freedoms of the data subject:

- 1: The 'right to access' – a right of access to all their personal data, currently known as a subject access request (SAR).
- 2: The 'right to rectification' if data is wrong.
- 3: The 'right to be forgotten', or have their personal data erased.
- 4: The 'right to restriction' of processing upon request under certain conditions.
- 5: The 'right to data portability', i.e. get an electronic copy of all their personal data, or request it is transmitted from one data controller to another.
- 6: The 'right to object to processing'.
- 7: The right not to be subject to automated decision making processing that produces legal effects or significant affects.

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## Record profits

Syner and Peoples post record year-end profits.

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## Margin call

Mazda sales director Peter Allibon said dealers must work with manufacturers to maintain margins in 2017.

### CITROËN / DS



# Citroën tells franchisees half their sites will lose DS brand

**Citroën has informed the franchisees in its 182-strong dealer network that half of the sites will not continue to represent the DS Automobiles premium sub-brand from 2018.**

Citroën informed each franchisee individually this summer, after *AM* revealed last November that only about half of Citroën/DS dealerships would continue with the split-off DS business.

The official notice coincided with a period when the average profitability of the network has slumped from 1.2% to 0.5% after a lack of focus on retail sales.

## Citroën and DS Automobiles managing director Bek Hassan

told *AM* the brand knew franchisees had concerns, but he had not expected Citroën to come bottom for franchise value in the latest NFDA Dealer Attitude Survey.

"Clearly, the NFDA results were disappointing. We're not oblivious to the fact our dealers are saying they're unhappy, there's a problem, and the only thing we can do with that is react and work with them to resolve their problems," he said.

"I guess the separation of the two brands inevitably has caused some hesitation with our dealers, because

separation of brands happens almost once in a lifetime, and this is something new for our dealers."

The dealers who will lose DS were selected due to the lack of sales opportunity for the premium brand, with criteria based on local demographics and past DS sales performances.

Hassan said Citroën franchisees have since seen the product pipeline, with increased volume expected from new C3, and other models further ahead.

"We have these short-term challenges, yes, but ultimately we'll fix those challenges with our dealers. We'll do it together."

### IN BRIEF

## JACK TORDOFF

Jack Tordoff, MBE, founder and chairman of JCT600, received the top honour at the Yorkshire Post's annual business awards. He received the Individual Award for Excellence to a standing ovation at a ceremony in Leeds. Tordoff said: "You have just got to work hard."

## PROGRESS

Progress Motor Retail Group has acquired Spirit Škoda in Harlow to take its tally of Škoda sites to four. The Edinburgh Way facility has a nine-car showroom with the ability to display 50 used cars on its forecourt.

## GREENHOUSE

Greenhouse is to close the Waterloo Place dealership it acquired from WR Davies in Welshpool last year. The Shrewsbury-based group bought the site as part of a double deal with a site in Newtown, but it was deemed too "dated" and in a poor position.

## TOYOTA

Toyota is planning to produce long-range electric vehicles (EVs) in an apparent change in company policy. The new range, capable of more than 186 miles, could be on sale by 2020.

Toyota had cited the high price of batteries and lengthy charging times as its reason for sticking to a petrol-hybrid and hydrogen alternative fuel strategy.

## EVANS HALSHAW

Evans Halshaw has acquired a Lookers Hyundai dealership in Newcastle-upon-Tyne. The Scotswood Road deal shows Evans Halshaw's parent Pendragon's growing relationship with Hyundai following the acquisition of Hyundai Leeds in February and a Harrogate centre in September 2015.

### AUTO TRADER

**Almost two thirds of Auto Trader's £153.9 million half-year revenues were profit.**

It recorded a 21% rise in operating profits to £100.6m, as its revenues for the six months to September 25 rose 11% to £153.9m.

Auto Trader said the growth was down to 'retailer rate reviews' and a 7% reduction in the cost base following lower spend on headcount, marketing, overheads and depreciation and

amortisation. In contrast, industry data shows the average franchised dealer's profitability is on the decline.

Net external debt was reduced to £359.5m from £457.4m.

During the half-year, cross-platform visits increased by 36% to 58.5m, with the consumer audience four times larger than that of its nearest competitor, it said.

In addition, advert views were up 4% to 250m.

Average revenue per forecourt per month was up 13% or £179 to

£1,526, thanks to price changes and added-value initiatives.

However, the number of retailer forecourts advertising on Auto Trader fell 1% to 13,374, reflecting a drop in smaller retailers and those advertising other vehicles.

**Auto Trader chief executive Trevor Mather** said: "Trust and transparency are key purchase drivers in today's consumer buying journey. Auto Trader's recent Market Report found that only 7% of consumers trust car retailers."



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## PEOPLE NEWS

### BOB JOYCE



Business and financial adviser Grant Thornton has appointed Bob Joyce as an advisory consultant. Joyce joins the firm from Jaguar Land Rover.

### NEIL DAVIS



The former managing director of Lookers' parts division, Neil Davis, has joined Alliance Automotive following its purchase of the operation from the AM100 group.

### AMY BUCKLEY



Online sales platform Tootle has appointed Amy Buckley as its head of product and partnerships. Buckley will help to drive further growth in the C2B and B2B markets.

### BRETT HENDERSON



Brett Henderson has joined Aston Barclay as national operations manager. He will work with centre managers at Aston Barclay's Leeds, Prees Heath, Westbury and Chelmsford sites.

### CHRIS SWAIN



Martins Group has made Chris Swain its new franchise director for Renault, Dacia, Nissan and Peugeot. He joins from Westover Group where he was brand manager for 10 years.

### JONATHAN REYNOLDS



Jonathan Reynolds has joined Infiniti UK as head of fleet sales. Reynolds, who is moving from Mazda, will report directly to company director Barry Beeston.

### DUNCAN SANDS

Duncan Sands has been appointed as group aftersales director at Swansway. Sands has 30 years' experience, much of it with VW Group.

## PEOPLES



**Peoples has reported record profits, turnover and year-on-year sales for the fifth year in a row in its annual results to the year ended July 31.**

The largest independent dealership in Europe retailing only Ford cars and commercial vehicles made a pre-tax profit of £7.05 million on turnover that grew £23.9m to more than £260.6m for the period.

Sales across the group, which has four dealerships in the north-west of England and three in Scotland, totalled 18,354 vehicles, a year-on-year increase of 5%.

**Peoples' chairman, Brian Gilda, (pictured above)** put the performance – the best in the group's 33-year history – down to "laser-like focus" by its senior management team.

Gilda was scathing of the Government's hand in the UK's current economic situation, however, and said there would be no opportunity to take the "foot off the gas".

He said: "The combination of Government actions north and south of the border, along with the unknown implications of Brexit, could lead to a slowing of consumer confidence with the likely collateral damage on results.

"We will, of course, continue to review all revenue and cost items to ensure that we are as fit as we can be to best tackle the marketplace."

## SYTNER

**Sytner Group's latest financial results show increased revenue and record profits.**

In the accounts to December 31, 2015, turnover rose to £4.23 billion, compared with £3.66bn a year earlier. Pre-tax profit was at £94.2 million, up 16% from £81.1m in 2014.

A statement in the accounts said the results were "very strong", resulting in a "record annual profit before tax".

Looking to the future and, in particular, the trading environment in a post-Brexit UK, the group said: "The effect of Brexit will depend on any

agreements the UK makes to retain access to EU markets, either during a transitional period or more permanently.

"It is possible consumer confidence in the UK may reduce as a consequence of the uncertainty from the Brexit vote.

"That said, the group has not noticed any significant change in customer behaviours."

Sytner said its Graypaul Classic Cars business, opened in Nottingham in 2015, had exceeded directors' expectations.

This year, the group has disposed of two Honda dealerships in Redhill and Gatwick, and acquired Jaguar Bristol.

## EVANS HALSHAW

**Evans Halshaw has opened a new multi-million-pound Vauxhall dealership in Leeds.**

The facility, on the corner of Gelderd Road and Leeds City Ring Road, was completed last month.

The 20,000sq-ft dealership houses a showroom, reception

area, office space, workshop, valet and parts department.

**John Cooke, dealer principal,** said: "The high quality design mixed with cutting-edge Vauxhall models and our dedicated team of experts means we're confident our dealership will go from strength to strength."



## MOTORVOGUE

**Northampton-based franchised dealer Motorvogue has acquired three dealerships from West's Group.**

The sale means the exit from motor retail of West's Group. Owners Richard and Ann West began to downsize last year, selling its Cambridge Renault and Dacia business to John Banks Motor Group.

Motorvogue, headed by **Jon Pochin** and Peter Norman, has

taken over West's Renault/Dacia and Fiat dealerships in King's Lynn and its Renault/Dacia and Citroën outlets in Bedford.

Pochin said: "We have plans to completely redevelop the King's Lynn site early next year and with the addition of Alfa Romeo, Jeep and Abarth, we will be able to provide the very best choice for customers."

Motorvogue had revenues of £27.2 million and operating profit of £299,935 in 2015.

## JCB GROUP

**JCB Group is eyeing an AM100 place after achieving a 16th-place listing in a business league table.**

The group expects to be in next year's AM100 after its result in the annual MegaGrowth 50 awards, which ranks the 50 fastest-growing, privately owned businesses in Kent by turnover and staff numbers.

**JCB Group managing director Jonathan Bischoff** said: "The JCB Group moved to 111th place in the AM200 UK dealer listings this year, up 28 places from 2014."



## MAZDA

**Mazda Motors UK sales director Peter Allibon (pictured) said manufacturers and dealers must work together to maintain margins in 2017 as he celebrated record profitability within the brand's dealer network.**



The Japanese manufacturer recorded 7,189 registrations in September – its third- strongest month since the same month in 2010, and Allibon is keen to celebrate the successes of his dealer network.

Allibon said Mazda had been aiming for a 42% improvement on last September's sales of 4,950, but eventually achieved a 45% result, ending the month with a 1.79% market

share. Dealers' 1.1% return on sales, with the average dealer making £144,000 profit, was in line with 2015.

However, Allibon is in little doubt that dealers will come under pressure as volumes decline in 2017.

He said: "Over-supply means slimmer margins and online retail has only

compounded the issue: when a car is advertised online in one area at a heavily discounted price, that soon becomes a national price expectation on the internet.

"If manufacturers are sensible and manage the changing markets volumes well in 2017, it is a situation that can be managed."

## RICHARD HARDIE



**Richard Hardie has opened a new Fiat, Alfa Romeo and Jeep facility in Newcastle, following its acquisition from Vertu Motors.**

The dealership on Scotswood Road is expected to increase the group's annual turnover by 25% (2015: £47.1m).

**Richard Hardie director, Nick Hardie,** said: "We have enjoyed working with the Fiat group with great success at our Silverlink and

Ashington sites over the past eight years and have been keen to expand with their sister brands, Alfa Romeo and Jeep.

"When the opportunity came up to become a regional partner for FCA Group (Fiat Chrysler Autos), which would require us to acquire the Scotswood Road site, we jumped at the chance."

Earlier this year, Richard Hardie launched a new Fiat and Abarth centre in Sunderland.

## VANTAGE

**Vantage Motor Group has acquired Citroën Blackpool from Lookers – its first facility in the town.**

It is Vantage's second Citroën dealership in Lancashire, alongside Citroën Morecambe.

All 20 staff at the dealership, on Amy Johnson Way, will become part of the Vantage team.

The deal is the latest in a year of growth for Vantage, which has seen it acquire Toyota Leeds, Lexus Leeds and Toyota Wakefield at the beginning of 2016, as well as investing in a purpose-built Mazda centre in Oldham in March and a new Kia centre in Bradford in August.

Vantage Motor Group achieved a £200 million turnover in 2015.

## ADVERTISING FEATURE

# GAIN TRUST AND TRANSPARENCY WITH VIDEO, SAYS AUTO TRADER

By Andrew Howells, chairman, CitNOW



Hallelujah! That headline is so true, but it sounds so much better when it is on Auto Trader's website and not just CitNOW. Auto Trader goes on to say that video keeps users on your pages for longer, provides a detailed view, and presents a clear and professional

impression of your dealership. There's more of this good stuff available on Auto Trader. It's a smart introduction for any dealer who is not familiar with the advantages that come with 'smart video'.

This is all about lead generation. And Auto Trader has just had a big injection of volume. Last month, I provided its initial findings, which included a 17% increase in ad views (versus its own benchmarks) and longer dwell times. If you're spending money with Auto Trader, this is a great opportunity to leverage your spend, sell more cars and turn stock faster.

If you're unfamiliar with the process, it couldn't be simpler. Invest in a low-cost web video service such as CitNOW. Start making videos of used car stock, which can then be distributed where you want, including your own website. Add a simple request form for browsers who would like a personal video presentation. If you're using CitNOW, the request is sent directly to the video device in your dealership.

The smart dealer now makes one video and it gets watched by prospects on their own UVL (used vehicle locator), plus the Auto Trader, AA and Motors sales portals (Carzone in Ireland). That's helping used car sales grow by as much as 45%!

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## New car market

The SMMT has upgraded its new car market forecast for 2017 to 2,544,000 registrations, 5% lower than 2016's likely final result.

15

## Dealer profits

The average UK motor retailer made a profit of £68,000 in September, almost 7% down year-on-year.

19

## Used cars

Ex-fleet and part-ex values both rose in October month-on-month at the UK's biggest auction houses.

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# Land Rover leads the Q3 charge as VW tumbles

Overall registrations were up by 9,552 in Q3, but some brands did better than others

**R**egistrations in the third quarter of 2016 were actually 9,552 ahead of Q3 2015, despite industry talk of a slowdown in the UK's new car market.

Yet dealers have told *AM* that they are having to fight harder to entice as many private buyers as they have had. Sources report that discounted online offers and pre-registrations are a significant risk to their profits in the new car operation, as volume targets remain high.

The strongest performer in Q3 was Land Rover, which increased registrations by 7,368 cars. Its Q3 was driven by the Discovery Sport, Range Rover Evoque and Range Rover Sport. The last of these is due a revision this winter, including JLR's Ingenium engines and new infotainment and semi-autonomous driving systems. The Discovery is due to be

replaced soon too, and some dealers still have outgoing models to shift.

Mercedes-Benz was next-highest on the list, with a 6,583-unit increase in Q3 taking it just short of 50,000 new cars. It has had strong PCP offers on its A-Class and CLA-Class entry models, on 5.3% APR over 36 months with monthly payments around the £300 mark. Together, these two models accounted for more than half of Mercedes-Benz's increase, while the C-Class was responsible for

most of the remainder.

After two premium segment heavyweights, the third strongest growth brand was Kia. Its registrations jumped 4,646 units in Q3 year-on-year, to a 26,606 total. The Sportage SUV led its charge, with the new model introduced in the spring winning 4,312 more registrations than its predecessor did in Q3 2015. It's interesting that every other Kia model range declined in Q3, except for its new launch, the hybrid Niro.

Jumping to the brands that

declined most in Q3, it seems Volkswagen's problems are continuing. Its registrations were down 8,923 units in the quarter, to 53,454 new cars. Registration data shows lessened demand for the Golf, down 3,562 units to 17,377, and the Up also dropped by 1,736. The only model to grow its numbers was the Touran MPV – even VW's Tiguan SUV declined.

Market leader Ford fared only slightly better than Volkswagen, with a Q3 decline of 8,150 new cars to 83,028. The Focus suffered most, dropping 5,553 units against Q3 2015, while the Fiesta dropped by 3,758 registrations and the run-out Ka – now replaced by the Ka+ – plunged from 3,366 registrations in Q3 2015 to just 858 in Q3 2016. Bucking Ford's trend were the Kuga and EcoSport, as consumers continue to demand new SUVs.

“Discounted online offers and pre-registrations are a significant risk to [dealer] profits in the new car operation”

## THE STRONGEST

|               | Q3 2015 | Q3 2016 | Change |
|---------------|---------|---------|--------|
| Land Rover    | 13,717  | 21,085  | 7,368  |
| Mercedes-Benz | 41,706  | 48,289  | 6,583  |
| Kia           | 21,960  | 26,606  | 4,646  |
| BMW           | 43,946  | 47,046  | 3,100  |
| Mini          | 15,878  | 17,753  | 1,875  |
| Jaguar        | 8,084   | 9,819   | 1,735  |
| Hyundai       | 23,880  | 25,572  | 1,692  |
| Audi          | 47,291  | 48,890  | 1,599  |
| Dacia         | 5,923   | 7,478   | 1,555  |
| Honda         | 15,910  | 17,207  | 1,297  |

## THE WEAKEST

|            | Q3 2015 | Q3 2016 | Change |
|------------|---------|---------|--------|
| Nissan     | 41,544  | 41,254  | -290   |
| Mitsubishi | 4,910   | 4,209   | -701   |
| Seat       | 13,193  | 12,278  | -915   |
| Mazda      | 14,375  | 13,383  | -992   |
| Peugeot    | 27,256  | 26,210  | -1,046 |
| Toyota     | 27,659  | 26,414  | -1,245 |
| Fiat       | 19,191  | 16,544  | -2,647 |
| Citroën    | 20,855  | 16,012  | -4,843 |
| Ford       | 91,178  | 83,028  | -8,150 |
| Volkswagen | 62,377  | 53,454  | -8,923 |

## FINANCE

The percentage of private new car sales financed by FLA members through the point of sale (POS) reached 86.2% in the 12 months to September, up from 85.5% in the 12 months to August.

Figures from the Finance & Leasing Association (FLA) show that new business in the POS consumer new car finance market grew 9% by value and 3% by volume in September, compared with the same month last year. In Q3 2016 as a whole, new business was up 7% by

value and 3% by volume.

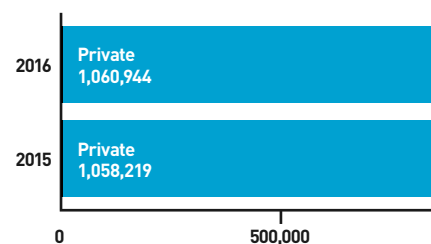
The POS consumer used car finance market also reported new business growth in September, of 8% by value and 5% by volume.

**Geraldine Kilkelly, head of research and chief economist at**

**the FLA**, said: "The POS consumer car finance market continued to grow in line with expectations in September. This contributed to strong single-digit new business volumes growth of 9% in the first nine months of 2016."

"POS consumer car finance continued to grow in line with expectations"

## REGISTRATIONS BY MARK



## NEW CAR MARKET

The new car market forecast for 2017 has been upgraded, following continuing growth in 2016.

The forecast released by the Society of Motor Manufacturers and Traders on November 1 predicts a 2017 new car market of 2,544,000 registrations, 5% lower than 2016's likely final result. That compares with the SMMT's earlier forecast of 2,481,000 registrations in 2017.

The re-forecast came after new car registrations grew 1.4% overall in October. While private demand was

## SEPTEMBER MOTOR FINANCE MARKET: NEW CARS

| New cars bought on finance by consumers through dealerships  |          |                         |                      |                         |                       |
|--|----------|-------------------------|----------------------|-------------------------|-----------------------|
|  | Sep 2016 | Change on previous year | 3 months to Sep 2016 | Change on previous year | 12 months to Sep 2016 |
| Value of advances (£m)                                       | 2,871    | +9%                     | 4,843                | +7%                     | 17,824                |
| Number of cars   | 161,301  | +3%                     | 282,288              | +3%                     | 1,044,798             |
| New cars bought on finance by businesses through dealerships |          |                         |                      |                         |                       |
| Number of cars   | 49,274   | +1%                     | 127,421              | +3%                     | 511,324               |

## FINANCE OFFERS

Suzuki, Dacia and Nissan currently have the most affordable monthly payments to access entry-level models in their range.

After a £1,192 deposit, the Suzuki Celerio 1.0 S22 costs just £79 a month over a 48-month period. The Dacia Sandero is close behind at £89, with a £1,105 deposit. Nissan's Micra is also priced at £89 a month, but customers have to put down a more substantial £2,556.31 as a deposit.

Looking at the other end of the scale is difficult, as performance models, by their nature, carry a greater cost. The Audi R8 Spyder, for example, is available after a £32,976.15 deposit for an eye-watering £1,499 a month, topping out the chart.

Discarding performance and premium models at the more expensive end of the spectrum and picking out volume products highlights some of the less competitive deals available in the market in the lead-up to Christmas.

While Citroën is offering a 0% APR on its Grand C4 Picasso Flair BlueHDI 120PS on hire purchase, it is £721.50 a month over a 36-month period, following a £2,886 deposit. To put that in perspective, the monthly payments on a Porsche 911 Carrera

Coupé are a more affordable £700.08 (if you are able to put down £19,400 upfront for the deposit, of course).

The C4 sits beside a BMW M4 and Mercedes-Benz S400h SE L in terms of monthly payment affordability. It sticks out as an anomaly in the analysis.

In Q4, some 48 models are on offer at 0%, across 13 different franchises, including Fiat, Nissan, Škoda, Toyota, Alfa Romeo, Mazda, Suzuki, Jeep, Seat, BMW, Volvo, Jaguar and Citroën. Fiat combines the lowest rate finance with the lowest monthly payment at £99 a month for its 500S 1.2 69PS over a 24-month deal after a £3,898 deposit.

Looking to higher APR rates, Citroën appears again, with a 9.9% APR on the C4 Cactus Rip Curl 1.2 PureTech 110PS on a three-year offer for £363.21 a month. It could be argued that Citroën is not going to market with the most competitive set of deals for dealers in Q4. Is it sitting back after a strong nine months in 2016? The figures say otherwise.

Citroën has split its registration figures from DS, but its quarterly performance has been getting progressively worse this year, with a drop of 15.4% in Q1, 19% in Q2 and 20.1% in Q3.

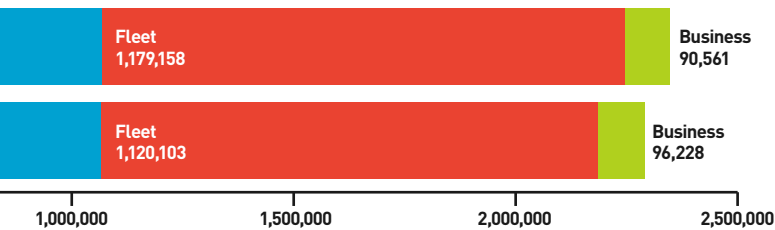
| Top finance offers for retail buyers              |              | For a searchable list of manufacturers' finance offers, go to <a href="http://am-online.com/offers">am-online.com/offers</a> |      |                 |               |      | Retail new car finance offers |
|---|--------------|--|------|-----------------|---------------|------|-------------------------------|
| Model   | Finance type | Deposit  | Term | Monthly payment | Final payment | APR  | Offer ends                    |
| <b>Suzuki</b>                                     |              |  |      |                 |               |      |                               |
| Celerio 1.0 S22                                   | PCP          | £1,912   | 49   | £79             | £2,322        | 6.9% | 31/12/2016                    |
| Celerio 1.0 S22                                   | PCP          | £122   | 49   | £122            | £2,322        | 6.9% | 31/12/2016                    |
| Celerio S23 Dualjet                               | PCP          | £153   | 49   | £153            | £2,718        | 6.9% | 31/12/2016                    |
| Celerio S24                                       | PCP          | £2,288   | 49   | £110            | £2,288        | 6.9% | 31/12/2016                    |
| Swift 1.2 S23 3 dr                                | PCP          | £0   | 49   | £179            | £3,478        | 0%   | 31/12/2016                    |
| Swift 1.2 S23 5dr                                 | PCP          | £0   | 49   | £189            | £3,546        | 0%   | 31/12/2016                    |
| Swift 1.2 S2-L 3dr                                | PCP          | £0   | 49   | £175            | £4,049        | 0%   | 31/12/2016                    |
| Baleno S2-T 1.0                                   | PCP          | £1,249   | 49   | £199            | £4,403        | 5.9% | 31/12/2016                    |
| Baleno 1.0 S25                                    | PCP          | £1,549   | 49   | £209            | £4,741        | 5.9% | 31/12/2016                    |
| S-Cross 1.6 DDGS S2-T 2WD                         | PCP          | £3,730   | 49   | £279            | £5,972        | 6.9% | 31/12/2016                    |
| Vitara S2-T 1.6 Petrol                            | PCP          | £2,593   | 49   | £199            | £5,496        | 2.9% | 31/12/2016                    |
| <b>Dacia</b>                                      |              |  |      |                 |               |      |                               |
| Duster Ambiance 1.6 16V 115                       | PCP          | £1,063   | 48   | £149            | £3,595        | 7.9% | 31/12/2016                    |
| Sandero Ambiance 1.2 16V 75                       | PCP          | £1,105   | 48   | £89             | £2,411        | 7.9% | 31/12/2016                    |
| Sandero Stepway Ambiance Tce 90                   | PCP          | £1,716   | 48   | £99             | £2,652        | 7.9% | 31/12/2016                    |
| Logan MCV Ambiance 1.2 16V 75                     | PCP          | £2,100   | 48   | £109            | £2,725        | 7.9% | 31/12/2016                    |
| <b>Citroën</b>                                    |              |  |      |                 |               |      |                               |
| C1 Flair 1.0 VTr 68PS ETG 5-door                  | PCP          | £500   | 36   | £192.75         | £5,231        | 4.9% | 31/12/2016                    |
| C3 Feel 1.2 PureTech 82PS                         | PCP          | £500   | 36   | £242.22         | £5,746        | 4.9% | 31/12/2016                    |
| C3 Picasso Platinum 1.6 BlueHDI 100PS             | PCP          | £500   | 36   | £352.13         | £5,765        | 4.9% | 31/12/2016                    |
| C4 Cactus Rip Curl 1.2 PureTech 110PS S&S         | PCP          | £500   | 36   | £363.21         | £7,355        | 9.9% | 31/12/2016                    |
| C4 Flair 1.6 BlueHDI 100PS                        | PCP          | £500   | 36   | £387.99         | £6,124        | 4.9% | 31/12/2016                    |
| C4 Picasso Flair 1.6 BlueHDI 120PS S&S EAT6       | HP           | £2,656   | 36   | £661.50         | N/A           | 0%   | 31/12/2016                    |
| Grand C4 Picasso Flair 2.0 BlueHDI 120PS S&S EAT6 | HP           | £2,886   | 36   | £721.50         | N/A           | 0%   | 31/12/2016                    |

The latest NFDA Dealer Attitude Survey results say it all. When asked 'how satisfied are you with the future profit return?' Citroën scored 3.5 out of 10 – the lowest of any manufacturer. Citroën's dealers

scored the brand 3.9 for bonus rates, the second-lowest rating after Jaguar, at 3.6. Reviewing its retail offer strategy may be necessary if it wants to avoid a network meltdown next year.

# WE'LL HELP YOU GET THERE



**ET SEGMENT**

down 1.1%, fleet registrations were up 4.2%, according to SMMT data.

**Mike Hawes, SMMT chief executive**, said: "September's number plate change is always a hard act to follow, so the market's growth in October, albeit moderate, is welcome news."

Year-to-date, the overall market remains ahead by 2.5%, with 2,330,663 new cars registered.

"The retail motor industry has demonstrated its resilience since the EU referendum with the market performing well year-to-date," said

**Sue Robinson, director of the National Franchised Dealers Association (NFDA).**

She said the Bank of England decision to hold interest rates at 0.25% and to revise upwards its UK growth forecast from 2% to 2.2% were positive signals for the UK economy.

"Record low interest rates, and the highest employment levels since recording started, will continue to support consumers' confidence and help the retail motor sector perform well despite challenges," she added.

**DEALER KPIs**

Source: ASE

| Key ratio                        | Rolling 12 months Sep 2016 | Rolling 12 months Sep 2015 | Benchmark |
|----------------------------------|----------------------------|----------------------------|-----------|
| Net profit as % of sales         | 1.21%                      | 1.30%                      | 3.0%      |
| Overhead absorption              | 53.1%                      | 54.1%                      | 80%       |
| Used: New sales                  | 1.0:1                      | 0.92:1                     | 1.5:1     |
| Expenses as % of gross           | 65.8%                      | 64.0%                      | 50%       |
| Sales per salesman               | 168                        | 196                        | 150       |
| Used vehicle stockturn (days)    | 54.7                       | 55.3                       | 45        |
| Return on used car investment    | 75.4%                      | 74.9%                      | 100%      |
| Overall labour efficiency        | 83.0%                      | 82.6%                      | 100%      |
| Service gross profit % on labour | 75.6%                      | 74.9%                      | 75%       |
| Service expenses as % gross      | 60.3%                      | 59.5%                      | 40%       |
| Hours per retail job card        | 1.56                       | 1.61                       | 2.5       |
| Parts gross profit               | 22.6%                      | 22.5%                      | 22%       |
| Parts expenses as % growth       | 43.8%                      | 44.0%                      | 40%       |
| Parts stockturn                  | 7.58                       | 7.67                       | 8.0       |

The average UK motor retailer made a profit of £68,000 in September, almost 7% down on the £73,000 made in the same month last year.

This leaves retailers £14,000 down on profits for the third quarter of the year and £24,000 down on a rolling 12-month basis, said performance improvement specialists ASE.

Despite the fall in profits, the return on sales percentage actually rose in the month as a result of a 4% drop in monthly turnover.

"Registrations were ahead for the month. However, this was bolstered with 25% of the registrations taking place on effectively the last day," said **ASE chairman Mike Jones**.

"While this is a mixture of opportunity, changing of internal fleets and registrations to hit target, actual dealer new car sales were down in September 2016 compared with the prior year."

**ADVERTISING FEATURE****BLACK HORSE COMMENT**

By Richard Jones, managing director, Black Horse



As we approach the end of another year, it may be tempting to look back at some of the unique challenges that 2016 presented or how we as an industry have adapted to these. However, I would prefer to focus on the here and now, and to look forward to

2017 and what we will be doing to support dealers and customers next year.

I have talked before about the importance of digital and our ongoing investment in this critical area, and I am delighted that we have recently launched a pilot scheme that will see new Black Horse customers receive a personalised welcome video when they begin their agreement with us.

**"2017 promises to be another year of changing customer behaviours and expectations"**

This would mean an end to generic paper-based welcome packs, and means we are keeping up with the kind of slick, personalised content that people consume on a regular basis via their smartphones and social media. Dealers will hear more about this in the coming weeks and months as we begin to roll it out, building a better overall customer experience.

In other news, I have just welcomed a new addition to my leadership team. Jim McCaffrey joins Black Horse as director of product, proposition and business enablement, having previously held a similar role in the insurance division of Lloyds Banking Group.

He will play a crucial role in our strategy and what we are doing to support dealers next year and beyond.

2017 promises to be another year of changing customer behaviours and expectations, especially in the digital space, and we will continue to work with our dealer partners to help you meet these challenges.

All the best for the festive season and a prosperous 2017.

Richard

## RISERS & FALLERS

### TOP 10

|               |         |
|---------------|---------|
| Infiniti      | 147.78% |
| Jaguar        | 47.76%  |
| Abarth        | 45.32%  |
| Smart         | 44.42%  |
| Bentley       | 42.89%  |
| SsangYong     | 38.65%  |
| MG            | 35.95%  |
| Jeep          | 35.34%  |
| Land Rover    | 25.81%  |
| Mercedes-Benz | 17.24%  |



Jaguar is having a cracking year. Its registrations rise of 48% means almost 10,000 extra units through its dealer network so far. Fuelling the growth is fresh product – the XE compact executive saloon and its XF big brother plus the new F-Pace SUV – and business finance offers that make the XE almost as accessible (£259+VAT monthly) as a VW Passat.

Partner brand Land Rover tells a similarly positive story. With Evoque and Discovery winning over customers and the soon-to-be-replaced Discovery on run-out, its dealer network is almost 15,000 units ahead year-on-year, up 26%.

### BOTTOM 10

|              |         |
|--------------|---------|
| Peugeot      | -4.43%  |
| Ford         | -5.09%  |
| Fiat         | -5.35%  |
| Seat         | -5.64%  |
| Citroën & DS | -6.48%  |
| Maserati     | -7.03%  |
| Lotus        | -9.42%  |
| Volkswagen   | -9.86%  |
| Aston Martin | -11.94% |
| Mitsubishi   | -19.23% |



## NEW CAR REGISTRATIONS

10-year market trends available:  
www.am-online.com/ami



| October       |         |                |         |                |          | Year-to-date |                |           |                |          |
|---------------|---------|----------------|---------|----------------|----------|--------------|----------------|-----------|----------------|----------|
| Marque        | 2016    | % market share | 2015    | % market share | % change | 2016         | % market share | 2015      | % market share | % change |
| Ford          | 21,411  | 11.88          | 22,081  | 12.43          | -3.03    | 275,631      | 11.83          | 290,409   | 12.77          | -5.09    |
| Vauxhall      | 14,949  | 8.30           | 15,891  | 8.94           | -5.93    | 217,905      | 9.35           | 227,991   | 10.02          | -4.42    |
| Audi          | 14,659  | 8.14           | 13,182  | 7.42           | 11.20    | 153,070      | 6.57           | 146,482   | 6.44           | 4.50     |
| Volkswagen    | 14,023  | 7.78           | 13,970  | 7.86           | 0.38     | 177,043      | 7.60           | 196,411   | 8.64           | -9.86    |
| BMW           | 13,541  | 7.52           | 13,938  | 7.85           | -2.85    | 152,197      | 6.53           | 138,247   | 6.08           | 10.09    |
| Nissan        | 11,792  | 6.55           | 10,392  | 5.85           | 13.47    | 131,628      | 5.65           | 135,359   | 5.95           | -2.76    |
| Mercedes-Benz | 11,334  | 6.29           | 9,924   | 5.59           | 14.21    | 148,226      | 6.36           | 126,433   | 5.56           | 17.24    |
| Kia           | 6,590   | 3.66           | 5,712   | 3.22           | 15.37    | 79,539       | 3.41           | 69,920    | 3.07           | 13.76    |
| Hyundai       | 6,585   | 3.65           | 6,049   | 3.40           | 8.86     | 80,234       | 3.44           | 76,672    | 3.37           | 4.65     |
| Peugeot       | 5,922   | 3.29           | 6,347   | 3.57           | -6.70    | 86,908       | 3.73           | 90,940    | 4.00           | -4.43    |
| Land Rover    | 5,645   | 3.13           | 5,192   | 2.92           | 8.72     | 69,289       | 2.97           | 55,073    | 2.42           | 25.81    |
| Škoda         | 5,427   | 3.01           | 4,924   | 2.77           | 10.22    | 68,737       | 2.95           | 65,068    | 2.86           | 5.64     |
| Toyota        | 5,332   | 2.96           | 6,164   | 3.47           | -13.50   | 86,250       | 3.70           | 87,768    | 3.86           | -1.73    |
| Mini          | 4,792   | 2.66           | 4,112   | 2.31           | 16.54    | 56,508       | 2.42           | 51,294    | 2.26           | 10.16    |
| Renault       | 4,360   | 2.42           | 4,550   | 2.56           | -4.18    | 72,472       | 3.11           | 63,771    | 2.80           | 13.64    |
| Volvo         | 4,027   | 2.24           | 3,684   | 2.07           | 9.31     | 38,888       | 1.67           | 36,075    | 1.59           | 7.80     |
| Seat          | 3,528   | 1.96           | 2,338   | 1.32           | 50.90    | 40,440       | 1.74           | 42,858    | 1.88           | -5.64    |
| Citroën*      | 3,515   | 1.95           | 4,683   | 2.64           | -24.94   | 57,308       | 2.46           | 71,021    | 3.12           | -19.31   |
| Fiat          | 3,397   | 1.89           | 4,408   | 2.48           | -22.94   | 53,265       | 2.29           | 56,275    | 2.47           | -5.35    |
| Jaguar        | 2,981   | 1.65           | 1,929   | 1.09           | 54.54    | 29,397       | 1.26           | 19,895    | 0.87           | 47.76    |
| Honda         | 2,783   | 1.54           | 3,368   | 1.90           | -17.37   | 52,439       | 2.25           | 46,931    | 2.06           | 11.74    |
| Dacia         | 2,280   | 1.27           | 1,401   | 0.79           | 62.74    | 23,203       | 1.00           | 21,787    | 0.96           | 6.50     |
| Mazda         | 2,213   | 1.23           | 2,921   | 1.64           | -24.24   | 41,977       | 1.80           | 40,844    | 1.80           | 2.77     |
| Suzuki        | 1,963   | 1.09           | 1,851   | 1.04           | 6.05     | 33,556       | 1.44           | 30,557    | 1.34           | 9.81     |
| Mitsubishi    | 1,136   | 0.63           | 1,571   | 0.88           | -27.69   | 15,889       | 0.68           | 19,671    | 0.86           | -19.23   |
| Porsche       | 929     | 0.52           | 1,144   | 0.64           | -18.79   | 10,728       | 0.46           | 10,703    | 0.47           | 0.23     |
| Smart         | 902     | 0.50           | 735     | 0.41           | 22.72    | 10,251       | 0.44           | 7,098     | 0.31           | 44.42    |
| Lexus         | 812     | 0.45           | 992     | 0.56           | -18.15   | 12,234       | 0.52           | 11,610    | 0.51           | 5.37     |
| Jeep          | 780     | 0.43           | 847     | 0.48           | -7.91    | 12,542       | 0.54           | 9,267     | 0.41           | 35.34    |
| DS*           | 687     | 0.38           | 1,159   | 0.65           | -40.72   | 14,454       | 0.62           | 5,708     | 0.25           | 153.22   |
| Abarth        | 274     | 0.15           | 310     | 0.17           | -11.61   | 3,399        | 0.15           | 2,339     | 0.10           | 45.32    |
| MG            | 257     | 0.14           | 159     | 0.09           | 61.64    | 3,562        | 0.15           | 2,620     | 0.12           | 35.95    |
| Subaru        | 256     | 0.14           | 201     | 0.11           | 27.36    | 3,063        | 0.13           | 2,935     | 0.13           | 4.36     |
| Alfa Romeo    | 227     | 0.13           | 396     | 0.22           | -42.68   | 4,265        | 0.18           | 4,320     | 0.19           | -1.27    |
| SsangYong     | 188     | 0.10           | 222     | 0.12           | -15.32   | 4,025        | 0.17           | 2,903     | 0.13           | 38.65    |
| Bentley       | 171     | 0.09           | 169     | 0.10           | 1.18     | 1,709        | 0.07           | 1,196     | 0.05           | 42.89    |
| Infiniti      | 119     | 0.07           | 166     | 0.09           | -28.31   | 2,619        | 0.11           | 1,057     | 0.05           | 147.78   |
| Maserati      | 79      | 0.04           | 120     | 0.07           | -34.17   | 1,191        | 0.05           | 1,281     | 0.06           | -7.03    |
| Aston Martin  | 51      | 0.03           | 77      | 0.04           | -33.77   | 708          | 0.03           | 804       | 0.04           | -11.94   |
| Lotus         | 20      | 0.01           | 66      | 0.04           | -69.70   | 298          | 0.01           | 329       | 0.01           | -9.42    |
| Other British | 63      | 0.03           | 73      | 0.04           | -13.70   | 667          | 0.03           | 640       | 0.03           | 4.22     |
| Other Imports | 168     | 0.09           | 245     | 0.14           | -31.43   | 2,946        | 0.13           | 1,842     | 0.08           | 59.93    |
| Total         | 180,168 |                | 177,664 |                | 1.41     | 2,330,663    |                | 2,274,550 |                | 2.47     |

\*Registrations for Citroën and DS were combined as Citroën until May 2015. As the Citroën figures for year-to-date 2015 include Citroën and DS registrations, please combine the 2016 registrations for Citroën and DS when comparing year-on-year results.



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# Dealers stocking up keeps values strong

Data from BCA and Manheim suggests franchised dealers and independent traders were stocking up in the first month of Q4, keeping values strong.

## Ex-fleet stock

Manheim reported that ex-fleet cars rebounded in average value since September's drop, rising by £635, or 6.8%, to £9,915 in October. At BCA, ex-fleet stock rose by £219, or 2.2%, to £10,236, setting a new record.

Year-on-year, BCA's average price was up £388, or 3.9%, while Manheim's was down £543, or 5.2%.

## Trade-in disposals

BCA's part-exchange cars in October averaged £4,644 in value, a £91 or 2% rise since September, and a new record. Manheim's trade-ins averaged £3,842, a £156, or 4.2%, rise.

Year-on-year, BCA's average was £243, or 5.5%, ahead, while Manheim's

trade-in average was up £199, or 5.4%.

**BCA chief operating officer for UK remarketing, Simon Henstock, said:**

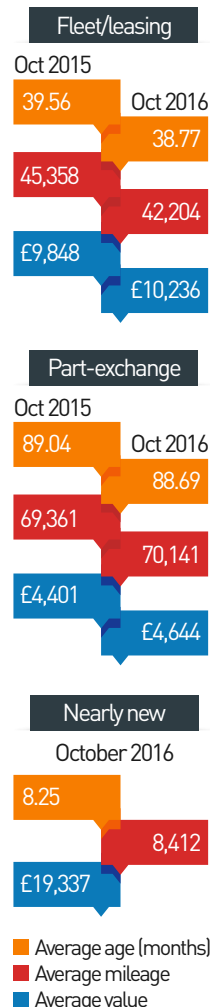
"With volumes remaining high, wholesale prices are unlikely to improve between now and year-end, and with the delicate balance between supply and demand likely to be maintained into the New Year, we may not see any significant spike in values or conversions in January 2017."

In the retail market, the Ford Galaxy (diesel automatic) was the fastest-selling car of the month in Auto Trader's national rankings for the second consecutive month. However, its average retail price was £7,982, down from £8,394 in September. It typically sold within two weeks of being marketed.

Close behind it were two hybrids: the Toyota Auris estate hybrid, at an average price of £11,982, and the Lexus RX450h SUV, priced £29,000 on average.

"With volumes remaining high, wholesale prices are unlikely to improve between now and year-end" **Simon Henstock, BCA**

## YEAR-ON-YEAR



## ECONOMIC INDICATORS

### PAY

↑ +2.4%

The average weekly wage, for September, including bonuses, was £505, a rise of 2.4% over the same period a year earlier. Excluding bonuses, wages were up 2.5% to £475.

### INFLATION

↑ +0.9%

The Consumer Prices Index rose by 0.9% in October, compared with a 1% rise on September, according to the Office for National Statistics.

### UNEMPLOYMENT

↓ -0.1PPTS

Unemployment for the three months ending September 2016 was 4.8%, down 0.1ppt on the prior three months and from 5.3% a year earlier – its lowest rate since July to September 2005.

### MORTGAGES

↑ +13%

The number of loans to first-time buyers in September was down 1% month-on-month, but up 13% year-on-year, according to the Council of Mortgage Lenders.

### CREDIT CARD BORROWING

↑ +2.9%

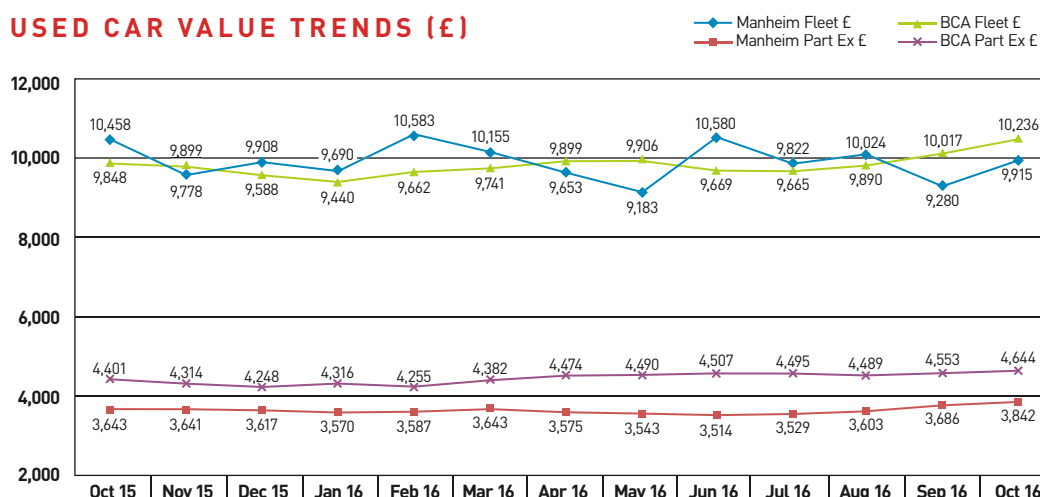
Credit card purchases in September rose 2.9% year-on-year to £9.6bn in value on a total of 167.5 million purchases (up 3.3%), according to the British Banking Association.

### HOUSE PRICES

↑ +7.7%

House prices rose 7.7% in September year-on-year, according to data from the Land Registry, which takes the average price of a house in England and Wales to £217,888.

## USED CAR VALUE TRENDS (£)



## Used cars bought on finance by consumers through dealerships

Source: FLA

|   | Sep 2016 | Change on previous year | 3 months to Sep 2016 | Change on previous year | 12 months to Sep 2016 | Change on previous year |
|---|----------|-------------------------|----------------------|-------------------------|-----------------------|-------------------------|
| Value of advances (£m)  | 1,177    | +8                      | 3,476                | +11                     | 13,299                | +13                     |
| Number of cars  | 107,263  | +5                      | 321,669              | +9                      | 1,238,682             | +11                     |
| Used cars bought on finance by businesses through dealerships |          |                         |                      |                         |                       |                         |
| Number of cars  | 4,016    | 0                       | 11,449               | +28                     | 42,634                | +11                     |



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# A year of acquisitions among uncertainties

Overall AM100 earnings were up in 2015, but outside the top 20 the picture is less rosy

By Piers Trenear-Thomas

When the spring 2016 AM100 was compiled last May, the year 2015 had just delivered a number of financial records for dealers and, while all the numbers were not yet in, confidence was high. There was speculation about the outcomes of certain future events, but the possibility of "headwinds" was not considered either severe or long-term.

Following the EU referendum and Donald Trump's win in the US, those headwinds are now the subject of even more speculation. For some, they are the perfect storm; for others, a refreshing spring breeze. Quite how it will all actually turn out is anybody's guess.

What is not guesswork, however, is the exact nature of financial performance in 2015. As hinted at in the spring AM100, earnings were, generally, on an upward trend. The total profit before tax figure for the top 20 earners exceeded the 2014 total by nearly £23 million.

Return on sales (RoS%) improved,

with six groups achieving 3% or better, as opposed to four groups last time. CEM Day again leads the pack with 4.4%, up on last year's 4%.

It would seem bankers' bonuses are substantially less challenged this year, since Porsche Retail has returned to near the top of the performance tables on just about every count.

The top 20 table for return on capital employed (RoCE) also makes good reading, although the average for 2014 was slightly better. It may be that increasing pressure on working capital, due in part to pre-registrations, has had an effect. It will be interesting to see if this trend continues into 2016 accounts, since, anecdotally, that pressure has increased.

A similar note of caution emerges from the EBITDA (earnings before interest, tax, depreciation and amortisation) numbers. Often seen as a measure of resilience, since EBITDA is effectively the operating cash profit, a fall in EBITDA could be considered a fall in the resilience of the industry. The top 20 groups generated more than £1 billion in 2014, but just above £915m in 2015.

Resilience will be an important factor for successful trading amid the current uncertainties in the global economy.

Notwithstanding those uncertainties, 2016 has been a year of

| Rank Autumn 2016 |                          | Turnover autumn 2016 adjusted for acquisitions |
|------------------|--------------------------|--|
| 1                | Pendragon                | 4,453,900                                      |
| 2                | Sytner                   | 4,434,417                                      |
| 3                | Lookers                  | 4,087,100                                      |
| 4                | Arnold Clark Automobiles | 3,353,319                                      |
| 5                | Inchcape Retail          | 2,662,400                                      |
| 6                | Vertu Motors             | 2,603,279                                      |
| 7                | Marshall Motor Group     | 1,955,761                                      |
| 8                | Mercedes-Benz Retail     | 1,917,935                                      |
| 9                | Jardine Motors Group     | 1,769,397                                      |
| 10               | TrustFord                | 1,628,682                                      |
| 11               | Group 1 Automotive       | 1,370,510                                      |
| 12               | JCT600                   | 1,144,890                                      |
| 13               | Listers Group            | 1,086,399                                      |
| 14               | Greenhous Group          | 888,502  |
| 15               | Park's Motor Group       | 845,000  |
| 16               | Robins & Day             | 826,209  |
| 17               | John Clark Motor Group   | 667,198  |
| 18               | Perrys Motor Sales       | 625,730  |
| 19               | Harwoods Group           | 553,247  |
| 20               | Renault Retail Group     | 551,921  |

| Rank Autumn 2016 |                          | Turnover (£000's) | Rank Autumn 2015 |                             | Turnover (£000's) |
|------------------|--------------------------|-------------------|------------------|-----------------------------|-------------------|
| 1                | Pendragon                | 4,453,900         | 1                | Pendragon                   | 4,000,400         |
| 2                | Sytner                   | 4,234,417         | 2                | Sytner                      | 3,665,451         |
| 3                | Lookers                  | 3,649,100         | 3                | Arnold Clark Automobiles    | 3,265,412         |
| 4                | Arnold Clark Automobiles | 3,353,319         | 4                | Lookers                     | 3,042,900         |
| 5                | Inchcape Retail          | 2,662,400         | 5                | Inchcape Retail             | 2,421,400         |
| 6                | Vertu Motors             | 2,423,279         | 6                | Vertu Motors                | 2,074,912         |
| 7                | Jardine Motors Group     | 1,669,397         | 7                | Mercedes-Benz Retail        | 1,734,104         |
| 8                | TrustFord                | 1,628,682         | 8                | Jardine Motors Group        | 1,528,657         |
| 9                | Marshall Motor Group     | 1,232,761         | 9                | TrustFord (was Ford Retail) | 1,441,278         |
| 10               | JCT600                   | 1,144,890         | 10               | Marshall Motor Group        | 1,085,883         |
| 11               | Listers Group            | 1,086,399         | 11               | JCT600                      | 1,025,429         |
| 12               | Mercedes-Benz Retail     | 958,968           | 12               | Listers Group               | 958,360           |
| 13               | Lei Shing Hong           | 958,967           | 13               | Peugeot Citroën Retail      | 795,358           |
| 14               | Greenhous Group          | 888,502           | 14               | Greenhous Group             | 774,811           |
| 15               | Group 1 Automotive       | 870,673           | 15               | Benfield Motor Group        | 699,749           |
| 16               | Peugeot Citroën Retail   | 826,209           | 16               | Ridgeway                    | 647,661           |
| 17               | John Clark Motor Group   | 667,198           | 17               | Group 1 Automotive          | 609,849           |
| 18               | Park's Motor Group       | 650,000           | 18               | John Clark Motor Group      | 604,114           |
| 19               | Perrys Motor Sales       | 625,730           | 19               | Perrys Motor Sales          | 530,949           |
| 20               | Harwoods Group           | 553,247           | 20               | Harwoods Group              | 474,626           |

(Autumn 2016 update using 2015 accounts)

"While 20 groups show enviable statistics...

That one in five AM100 groups is barely making a living is a rather less encouraging picture"

|                             | Rank<br>Autumn<br>2016 | PBT<br>£'000's |                          | Rank<br>Autumn<br>2015 | PBT<br>£'000's |                          | Rank<br>Autumn<br>2014 | PBT<br>£'000's |
|-----------------------------|------------------------|----------------|--------------------------|------------------------|----------------|--------------------------|------------------------|----------------|
| Arnold Clark Automobiles    | 4                      | 110,187        | Arnold Clark Automobiles | 3                      | 107,282        | Arnold Clark Automobiles | 3                      | 85,170         |
| Sytner                      | 2                      | 94,700         | Sytner                   | 2                      | 81,733         | Sytner                   | 2                      | 66,443         |
| Pendragon                   | 1                      | 70,100         | Lookers                  | 4                      | 62,300         | Lookers                  | 4                      | 46,600         |
| Lookers                     | 3                      | 68,600         | Pendragon                | 1                      | 60,200         | Pendragon                | 1                      | 37,600         |
| Vertu Motors                | 6                      | 25,825         | Vertu Motors             | 6                      | 20,858         | Mercedes-Benz Retail     | 7                      | 19,793         |
| Jardine Motors Group        | 7                      | 17,995         | JCT600                   | 11                     | 18,663         | Vertu Motors             | 6                      | 16,828         |
| JCT600                      | 10                     | 16,855         | Jardine Motors Group     | 8                      | 18,338         | JCT600                   | 11                     | 15,408         |
| Helston Garages Group       | 23                     | 16,115         | Mercedes-Benz Retail     | 7                      | 17,413         | Listers Group            | 12                     | 15,351         |
| Marshall Motor Group        | 9                      | 15,363         | Park's Motor Group       | 27                     | 16,049         | Park's Motor Group       | 22                     | 14,293         |
| Listers Group               | 11                     | 12,588         | Listers Group            | 12                     | 14,143         | Jardine Motors Group     | 8                      | 12,232         |
| TrustFord                   | 8                      | 10,879         | Helston Garages Group    | 21                     | 14,094         | Helston Garages Group    | 24                     | 11,699         |
| Peter Vardy                 | 29                     | 10,225         | Harwoods Group           | 20                     | 11,525         | Marshall Motor Group     | 10                     | 8,921          |
| CEM Day                     | 60                     | 10,050         | Marshall Motor Group     | 10                     | 11,460         | Ridgeway                 | 16                     | 8,169          |
| Harwoods Group              | 20                     | 9,577          | Stoneacre Motor Group    | 26                     | 10,716         | Harwoods Group           | 21                     | 7,846          |
| Currie Motors               | 62                     | 9,197          | John Clark Motor Group   | 18                     | 10,534         | John Clark Motor Group   | 18                     | 7,410          |
| John Clark Motor Group      | 17                     | 9,113          | Ridgeway                 | 16                     | 10,302         | CEM Day                  | 56                     | 7,354          |
| Dick Lovett Group           | 34                     | 9,061          | Perrys Motor Sales       | 19                     | 10,058         | Stoneacre Motor Group    | 25                     | 7,017          |
| Eastern Western Motor Group | 24                     | 8,940          | CEM Day                  | 58                     | 9,017          | Perrys Motor Sales       | 17                     | 6,779          |
| Porsche Retail Group        | 51                     | 8,767          | Group 1 Automotive       | 17                     | 8,442          | Currie Motors            | 66                     | 6,522          |
| Lloyd Motors                | 36                     | 8,314          | Dick Lovett              | 34                     | 7,509          | Group 1 Automotive       | 15                     | 6,436          |

(Autumn 2016 update using 2015 accounts)

|                          | Rank<br>Autumn<br>2016 | EBITDA<br>(£000's) |
|--------------------------|------------------------|--------------------|
| Arnold Clark Automobiles | 4                      | 261,953            |
| Sytner                   | 2                      | 129,874            |
| Pendragon                | 1                      | 117,500            |
| Lookers                  | 3                      | 86,900             |
| CEM Day                  | 60                     | 41,926             |
| Vertu Motors             | 6                      | 33,186             |
| JCT600                   | 10                     | 27,800             |
| Jardine Motors Group     | 7                      | 26,422             |
| Inchcape Retail          | 5                      | 26,100             |
| Marshall Motor Group     | 9                      | 19,190             |
| TC Harrison              | 52                     | 18,504             |
| Helston Garages Group    | 23                     | 18,012             |
| Listers Group            | 11                     | 17,004             |
| TrustFord                | 8                      | 14,509             |
| Peter Vardy              | 29                     | 13,359             |
| Sandcliffe Motor Group   | 48                     | 12,857             |
| Toomeys                  | 68                     | 12,232             |
| Harwoods Group           | 20                     | 11,649             |
| John Clark Motor Group   | 17                     | 11,084             |
| Dick Lovett Group        | 34                     | 10,893             |

|                        | Rank Autumn<br>2016 | RoCE % |                       | Rank<br>Autumn 2015 | RoCE % |
|------------------------|---------------------|--------|-----------------------|---------------------|--------|
| Porsche Retail Group   | 51                  | 36.7%  | Eden Motor Group      | 69                  | 32.9%  |
| City West Country      | 53                  | 34.1%  | Rybrook Holdings      | 29                  | 32.7%  |
| Eden Motor Group       | 63                  | 32.4%  | Hatfields             | 74                  | 27.8%  |
| Steven Egell           | 89                  | 30.6%  | CWC (UK Holdings)     | 66                  | 26.9%  |
| Hartwell               | 50                  | 28.8%  | Lookers               | 4                   | 23.5%  |
| Yeomans                | 73                  | 28.3%  | Allen Ford            | 46                  | 22.6%  |
| Hatfields              | 67                  | 23.7%  | Ridgeway              | 16                  | 21.8%  |
| Swansway Garages       | 27                  | 21.8%  | Harwoods Group        | 20                  | 21.4%  |
| Lookers                | 3                   | 21.2%  | Stoneacre Motor Group | 26                  | 21.4%  |
| Rybrook Holdings       | 30                  | 20.8%  | Yeomans               | 77                  | 21.0%  |
| Glyn Hopkin            | 32                  | 19.4%  | Swansway Garages      | 30                  | 20.7%  |
| Pendragon              | 1                   | 17.4%  | Vindis Group          | 35                  | 20.5%  |
| Blade Motor Group      | 85                  | 17.1%  | SG Smith Motor Group  | 75                  | 20.3%  |
| Helston Garages Group  | 23                  | 16.9%  | Drayton Group         | 54                  | 20.0%  |
| Chorley Group          | 99                  | 16.8%  | Drive Motor Retail    | 56                  | 18.6%  |
| Sytner                 | 2                   | 16.6%  | Westover Group        | 52                  | 18.6%  |
| Thompson Motor Company | 78                  | 16.5%  | Lifestyle Europe      | 84                  | 18.0%  |
| Stephen James Group    | 69                  | 16.5%  | GK Group              | 80                  | 17.9%  |
| Vindis Group           | 37                  | 16.0%  | Wessex Garages        | 93                  | 17.9%  |
| Lloyd Motors           | 36                  | 15.9%  | Glyn Hopkin           | 36                  | 17.7%  |

(Autumn 2016 update using 2015 accounts)

acquisitions. While the biggest deal so far this century was Pendragon's takeover of CD Bramall in 2004, the number and scale of the takeovers in 2016 is unprecedented. The total turnover changing hands, from Marshall's acquisition of Ridgeway to Motorline's purchase of Westlands, comes to more than £2.5bn.

Strange as it may seem, this has not dramatically changed the look of the top 20. The table to the left shows the top 20 by statutory 2015 turnover. The table above it shows the effect on the top 20 of their 2016 acquisitions.

Marshall moves from 9th to 7th, Group 1 moves from 15th to 10th and Parks moves from 18th to 16th. Everyone else remains at the same position.

For the rest of the AM100, the entry threshold remains much the same, at about £125m. The shares of turnover for the top 10, 20, and 50 move very slightly, but the differences are not statistically significant. So much for consolidation.

Maybe this is the beginning of a new era, when that much overused and inaccurate description – "the industry

is going through a phase of significant consolidation" – will finally be applied with some justification. It may be, but I am not so sure.

Returning to profitability, while focusing on the excellent performance of the top 20, it is all too easy to lose sight of the fact that while 20 groups show enviable statistics, they are the elite performers of the AM100 and 80 groups fall outside those parameters.

For example, the top 20 for RoS% has a spread from close to 2% to 4.4%. However, further down our list,

not published here, there are 11 groups between 1.5% and 2.0%; 30 ranging from 1% to 1.4%; 17 achieving from 0.5% to 0.9%. The remaining 22 includes 19 on break-even or a little bit better and three loss-makers.

That one in five AM100 groups is barely making a living is a rather less encouraging picture.

Can those outside the top 20 learn from their top-performing rivals?

Some speculate that there must be a magic key. Suggestions have ranged from franchise mix; geography (e.g. a north/



|                          | Rank<br>Autumn<br>2016 | £ PBT<br>per outlet |                            | Rank<br>Autumn<br>2015 | £ PBT<br>per outlet |   | Rank<br>Autumn<br>2014 | £ PBT<br>per outlet |
|--------------------------|------------------------|---------------------|----------------------------|------------------------|---------------------|---|------------------------|---------------------|
| Porsche Retail Group     | 51                     | 1,753,400           | CEM Day                    | 58                     | 819,727             | Thompson Motor Company<br>(Audi North West) | 87                     | 796,333             |
| CEM Day                  | 60                     | 913,636             | Harwoods Group             | 20                     | 720,313             | Currie Motors                               | 66                     | 727,800             |
| City West Country        | 53                     | 887,375             | Thompson Motor Company     | 88                     | 709,667             | CEM Day                                     | 56                     | 668,545             |
| Thompson Motor Company   | 78                     | 794,667             | Dick Lovett Group          | 34                     | 625,750             | Peter Vardy                                 | 31                     | 566,700             |
| Dick Lovett Group        | 34                     | 755,083             | Porsche Retail Group       | 57                     | 615,800             | Dick Lovett                                 | 36                     | 521,091             |
| Peter Vardy              | 29                     | 730,357             | Sytner                     | 2                      | 614,534             | Sytner                                      | 2                      | 515,062             |
| Sytner                   | 2                      | 712,030             | Currie Motors              | 67                     | 560,222             | Mercedes-Benz Retail                        | 7                      | 507,513             |
| Hatfields                | 67                     | 658,700             | Marsh Wall                 | 97                     | 557,750             | Harwoods                                    | 21                     | 490,375             |
| Harwoods Group           | 20                     | 598,563             | Arnold Clark Automobiles   | 3                      | 528,483             | CWC (UK Holdings)                           | 70                     | 466,000             |
| Currie Motors            | 62                     | 580,800             | Lookers                    | 4                      | 510,656             | Williams Motor Company                      | 33                     | 454,636             |
| Arnold Clark Automobiles | 4                      | 567,974             | John Clark Motor Group     | 18                     | 478,818             | Stephen James Group                         | 67                     | 434,714             |
| Peoples                  | 56                     | 529,800             | Hatfields                  | 74                     | 468,364             | Arnold Clark Automobiles                    | 3                      | 434,541             |
| Williams Motor Company   | 31                     | 485,231             | Peoples                    | 65                     | 461,333             | Peoples                                     | 63                     | 426,222             |
| Stephen James Group      | 69                     | 483,286             | Hughes Motor Group         | 100                    | 457,250             | Lookers                                     | 4                      | 419,739             |
| Halliwell Jones Group    | 40                     | 451,100             | Mercedes-Benz Retail Group | 7                      | 446,487             | TC Harrison Group                           | 51                     | 399,333             |
| Lookers                  | 3                      | 448,366             | SG Smith Motor Group       | 75                     | 430,714             | Halliwell Jones Group                       | 49                     | 384,100             |
| Steven Eagell            | 89                     | 440,875             | Spire Automotive           | 32                     | 419,941             | Bowker Group                                | 97                     | 379,800             |
| Helston Garages Group    | 23                     | 424,079             | Halliwell Jones Group      | 42                     | 415,800             | Hatfields                                   | 75                     | 373,364             |
| Marsh Wall               | 96                     | 406,250             | City West Country          | 66                     | 407,818             | Listers                                     | 12                     | 357,000             |
| Lloyd Motors             | 36                     | 395,905             | Parkway Derby              | 96                     | 403,400             | John Grose Group                            | 86                     | 352,500             |

(Autumn 2016 update using 2015 accounts)

|                          | Rank<br>Autumn<br>2016 | £ PBIT<br>per outlet |                          | Rank<br>Autumn<br>2015 | £ PBIT<br>per outlet |   | Rank<br>Autumn<br>2014 | £ PBIT<br>per outlet |
|--------------------------|------------------------|----------------------|--------------------------|------------------------|----------------------|---|------------------------|----------------------|
| Porsche Retail Group     | 51                     | 1,767,600            | CEM Day                  | 58                     | 1,125,545            | CEM Day                                     | 56                     | 987,273              |
| CEM Day                  | 60                     | 1,203,182            | Currie Motors            | 67                     | 906,800              | Thompson Motor Company<br>(Audi North West) | 87                     | 910,667              |
| City West Country        | 53                     | 964,625              | Thompson Motor Company   | 88                     | 847,667              | TC Harrison Group                           | 51                     | 684,333              |
| Thompson Motor Company   | 78                     | 957,000              | Harwoods Group           | 20                     | 819,188              | Mercedes-Benz Retail                        | 7                      | 673,769              |
| Dick Lovett Group        | 34                     | 810,000              | Sytner                   | 2                      | 681,880              | Peter Vardy                                 | 31                     | 647,600              |
| Peter Vardy              | 29                     | 798,286              | Dick Lovett              | 34                     | 667,500              | Currie Motors                               | 66                     | 639,800              |
| Sytner                   | 2                      | 792,714              | Porsche Retail Group     | 57                     | 630,400              | Sytner                                      | 2                      | 585,891              |
| Harwoods Group           | 20                     | 711,875              | Mercedes-Benz Retail     | 7                      | 613,128              | Dick Lovett                                 | 36                     | 565,909              |
| Hatfields                | 67                     | 676,200              | Marsh Wall               | 97                     | 612,500              | Harwoods                                    | 21                     | 564,313              |
| Arnold Clark Automobiles | 4                      | 626,412              | Lookers                  | 4                      | 609,016              | Stephen James Group                         | 67                     | 527,571              |
| Stephen James Group      | 69                     | 615,429              | Arnold Clark Automobiles | 3                      | 585,261              | CWC (UK Holdings)                           | 70                     | 523,143              |
| William Morgan Group     | 74                     | 611,750              | John Clark Motor Group   | 18                     | 559,136              | Williams Motor Company                      | 33                     | 517,727              |
| Toomeys                  | 68                     | 582,786              | Parkway Derby            | 96                     | 557,200              | Lookers                                     | 4                      | 516,135              |
| Currie Motors            | 62                     | 557,600              | William Morgan Group     | 90                     | 545,500              | Arnold Clark Automobiles                    | 3                      | 485,286              |
| Peoples                  | 56                     | 551,900              | SG Smith Motor Group     | 75                     | 522,286              | Inchcape Retail                             | 5                      | 482,883              |
| Lookers                  | 3                      | 541,176              | Spire Automotive         | 32                     | 507,353              | Peoples                                     | 63                     | 463,333              |
| Williams Motor Company   | 31                     | 540,308              | Hatfields                | 74                     | 499,545              | Bowker Group                                | 97                     | 454,000              |
| Halliwell Jones Group    | 40                     | 526,900              | Hughes of Beaconsfield   | 100                    | 495,000              | Listers                                     | 12                     | 438,651              |
| Pendragon                | 1                      | 502,500              | Inchcape Retail          | 5                      | 493,694              | Halliwell Jones Group                       | 49                     | 427,700              |
| Steven Eagell            | 89                     | 470,250              | Peoples                  | 65                     | 492,000              | JCT600                                      | 11                     | 422,133              |

(Autumn 2016 update using 2015 accounts)

◀ south divide); location (population density/urban area operating costs/etc); economies of scale (or the lack of them) and so on.

Taking each in turn, we will look at franchise mix first. A glance at the franchises operated by the top 20 suggests this is not the key. All franchises are represented, from prestige to volume, European, Japanese, Korean.

If you look a little deeper, it would be

fair to say that prestige franchises slightly outnumber volume.

Secondly, specialisation. There are multi-franchised, multi-location groups and single-brand groups with few sites represented. Specialists outnumber generalists, but not by much.

Location? All over the country, from the south-west to Scotland and all points in between.

Economies of scale? Here there is

a recognisable theme, which I repeat each year. Only two of the top 20 AM100 groups by turnover are present in the top 20 by RoS. This rises to four if you include the top 30 by turnover; eight for the top 40; and nine of the top 50.

This is a solid trend. Year after year, it is quite clear, with a couple of notable exceptions, that scale does not bring enhanced profitability.

So why seek scale? For some, it

appears to be investors demanding growth and management concentrating on delivering it. If organic growth does not deliver it fast enough, only acquisitions will do. But perhaps there is a deeper reason. It does seem – starting with Pendragon's property joint venture – that property management could be more important than car retailing. I wonder where that leaves the customer.

This picture is not confined to the

|                          | Rank<br>Autumn<br>2016 | RoS % |                          | Rank<br>Autumn<br>2015 | RoS % |                          | Rank<br>Autumn<br>2014 | RoS % |
|--------------------------|------------------------|-------|--------------------------|------------------------|-------|--------------------------|------------------------|-------|
| CEM Day                  | 60                     | 4.4%  | CEM Day                  | 58                     | 4.0%  | CEM Day                  | 56                     | 3.6%  |
| Yeomans                  | 73                     | 3.3%  | Park's Motor Group       | 27                     | 3.6%  | Park's Motor Group       | 22                     | 3.6%  |
| Arnold Clark Automobiles | 4                      | 3.3%  | Arnold Clark Automobiles | 3                      | 3.3%  | Helston Garages          | 24                     | 3.0%  |
| Porsche Retail Group     | 51                     | 3.2%  | Helston Garages Group    | 21                     | 3.0%  | Arnold Clark Automobiles | 3                      | 2.9%  |
| Hatfields                | 67                     | 3.2%  | Hatfields                | 74                     | 2.9%  | Westover Group           | 54                     | 2.8%  |
| Helston Garages Group    | 23                     | 3.1%  | Hughes of Beaconsfield   | 100                    | 2.9%  | Hatfields                | 75                     | 2.6%  |
| City West Country        | 53                     | 2.9%  | Westover Group           | 52                     | 2.6%  | John Grose Group         | 86                     | 2.5%  |
| Hughes of Beaconsfield   | 92                     | 2.8%  | Currie Motors            | 67                     | 2.6%  | Eden Motor Group         | 76                     | 2.3%  |
| Eden Motor Group         | 63                     | 2.5%  | Eden Motor Group         | 69                     | 2.5%  | Currie Motors            | 66                     | 2.1%  |
| Steven Eagell            | 89                     | 2.4%  | Harwoods Group           | 20                     | 2.4%  | Lifestyle Europe         | 80                     | 2.1%  |
| Peter Vardy              | 29                     | 2.3%  | John Grose Group         | 89                     | 2.4%  | Peoples                  | 63                     | 2.1%  |
| Fish Brothers            | 95                     | 2.3%  | Lifestyle Europe         | 84                     | 2.4%  | Sytner                   | 2                      | 2.1%  |
| Dick Lovett Group        | 34                     | 2.3%  | Yeomans                  | 77                     | 2.4%  | Spire Automotive         | 48                     | 2.0%  |
| Peoples                  | 56                     | 2.2%  | Stoneacre Motor Group    | 26                     | 2.4%  | Hartwell                 | 43                     | 2.0%  |
| Sytner                   | 2                      | 2.2%  | Sytner                   | 2                      | 2.2%  | CWC (UK Holdings)        | 70                     | 2.0%  |
| Westover Group           | 49                     | 2.2%  | CWC (UK Holdings)        | 66                     | 2.2%  | Lloyd Motors             | 41                     | 2.0%  |
| Lloyd Motors             | 36                     | 2.2%  | Dick Lovett              | 34                     | 2.1%  | Harwoods                 | 21                     | 1.9%  |
| John Grose Group         | 81                     | 2.0%  | Lookers                  | 4                      | 2.0%  | Lookers                  | 4                      | 1.9%  |
| Glyn Hopkin              | 32                     | 2.0%  | Peoples                  | 65                     | 2.0%  | Dick Lovett              | 36                     | 1.9%  |
| Robinsons Motor Group    | 42                     | 1.9%  | Lloyd Motors             | 41                     | 2.0%  | Robinsons Motor Group    | 40                     | 1.8%  |

(Autumn 2016 update using 2015 accounts)

|                          | Rank<br>Autumn<br>2016 | £ PBIT<br>per<br>employee |                          | Rank<br>Autumn<br>2015 | £ PBIT<br>per<br>employee |                      | Rank<br>Autumn<br>2014 | £ PBIT<br>per employee |
|--------------------------|------------------------|---------------------------|--------------------------|------------------------|---------------------------|----------------------|------------------------|------------------------|
| Porsche Retail Group     | 51                     | 33,101                    | CEM Day                  | 58                     | 23,316                    | CEM Day              | 56                     | 21,128                 |
| CEM Day                  | 60                     | 23,342                    | Helston Garages Group    | 21                     | 17,326                    | Helston Garages      | 24                     | 15,857                 |
| City West Country        | 53                     | 19,101                    | Harwoods Group           | 20                     | 16,142                    | Spire Automotive     | 48                     | 15,580                 |
| Helston Garages Group    | 23                     | 18,328                    | Hatfields                | 74                     | 15,479                    | Knights Group        | 98                     | 15,416                 |
| Hatfields                | 67                     | 18,276                    | Toomeys                  | 73                     | 15,454                    | Toomeys              | 65                     | 15,144                 |
| Toomeys                  | 68                     | 17,471                    | Dick Lovett              | 34                     | 14,406                    | Currie Motors        | 66                     | 13,886                 |
| Yeomans                  | 73                     | 16,443                    | Spire Automotive         | 32                     | 14,375                    | Hatfields            | 75                     | 13,778                 |
| Dick Lovett Group        | 34                     | 15,703                    | Drayton Group            | 54                     | 13,990                    | Mercedes-Benz Retail | 7                      | 12,762                 |
| Peter Vardy              | 29                     | 14,384                    | CWC (UK Holdings)        | 66                     | 13,740                    | Park's Motor Group   | 22                     | 12,729                 |
| Sytner                   | 2                      | 14,372                    | Sytner                   | 2                      | 13,508                    | Stephen James Group  | 67                     | 12,604                 |
| Peoples                  | 56                     | 13,972                    | Park's Motor Group       | 27                     | 13,478                    | Sytner               | 2                      | 12,497                 |
| Stephen James Group      | 69                     | 13,942                    | HR Owen                  | 37                     | 13,288                    | Dick Lovett Group    | 36                     | 12,158                 |
| Steven Eagell            | 89                     | 13,200                    | Arnold Clark Automobiles | 3                      | 12,936                    | HR Owen              | 44                     | 12,089                 |
| Harwoods Group           | 20                     | 13,137                    | Eden Motor Group         | 69                     | 12,877                    | Thompson             | 87                     | 12,088                 |
| Fish Brothers            | 95                     | 12,627                    | Ridgeway                 | 16                     | 12,268                    | Halliwel Jones Group | 49                     | 12,048                 |
| Glyn Hopkin              | 32                     | 12,611                    | Porsche Retail Group     | 57                     | 11,939                    | Eden Motor Group     | 76                     | 11,746                 |
| Eden Motor Group         | 63                     | 12,359                    | Lookers                  | 4                      | 11,934                    | Harwoods             | 21                     | 11,635                 |
| Arnold Clark Automobiles | 4                      | 12,291                    | John Clark Motor Grp     | 18                     | 11,931                    | Inchcape Retail      | 5                      | 11,157                 |
| Robinsons Motor Group    | 42                     | 11,749                    | Stephen James Group      | 60                     | 11,862                    | Peoples              | 63                     | 11,003                 |
| Lookers                  | 3                      | 11,363                    | Glyn Hopkin              | 36                     | 11,798                    | JCT600               | 11                     | 10,898                 |

(Autumn 2016 update using 2015 accounts)

UK. Research by the ICDP a little while ago showed that for all the larger groups across Europe, there was little correlation between franchise, location and profits.

My conclusion is – it's how you do it, not what you do it with, or where.

One group stands out, both in the scale of profitability and the composition. CEM Day, based in South Wales, regularly tops the profitability table. Its territory is not the most prosperous area in the UK, nor are its Ford, Peugeot and Fiat

franchises the greatest cash cows in the market, but its returns are stronger than any other group and it is still pulling away from rivals.

As you'll read in our interview with its directors on page 49, CEM Day is different from many groups in that it offers a reliable, wide-ranging one-stop-shop. Whether you want to buy, finance, lease, hire, or rent your preferred mode of transport, CEM Day can oblige.

Wherever the profit opportunity occurs, CEM Day has an interest in it.

Without a forensic examination to prove the proposition, the cause and effect seems logical. If you can cater for a wider range of customer needs, you are capable of delivering a wider range of customer value and if you do it yourself, the benefit flows to your bottom line.

So if it is how you do it, and some do it well, why has the performance of the industry as a whole remained largely static?

I will explore some of the possible reasons in my commentary overleaf.

■ The autumn update is based on statutory accounts for the immediately preceding year, therefore businesses sold after the end of that year will still figure in the tables. Any analysis of statutory accounts for a given year would be unrepresentative if businesses sold after that year ended were excluded.

■ For more insight into the UK's top dealer groups, see the Franchised Dealer Report 2017, published next month.

# Gizmos will not deliver extra profit without change from within



By Piers Trenear-Thomas

**E**very year in motor retail there is talk of a greater focus on the customer, or on process, or on investment in people. And every year not much seems to change.

This year's themes seem to be about the online experience, the impact of social media, utilising customer reviews, new or modified systems – particularly in aftersales – and the use of video.

These themes are all well and good and there are some really interesting apparent innovations out there. However, there is still the question of whether these opportunities will translate into a sustainable improvement in the business model.

Many of the initiatives seem to have too much of a one-size-fits-all, top-down imposition flavour.

Take the use of video. JCT600 talks of using video diaries to record a car's journey from arrival to handover. This sort of initiative is entertaining, it's different, it's personal. I can see a number of ways this can add value to the customer.

It is the sort of initiative which is very much "of the time". Instead of the holiday snap or the postcard of the past, we all now share video clips through WhatsApp (other media systems are available), making experiences much more entertaining and immediate.

By contrast, however, there is the video record of the health check. This seems to account for a huge number of the video clips in use. What is it for? Allegedly, it is a direct countermeasure for an endemic lack of trust in the service and repair process.

But where does this lack of trust originate? I don't think it originated in a customer's inability to see their car being checked over. It originated in broken promises and opaque descriptions of the problem I wanted solved (and worse, of the problem I did not know I had). This lack of trust is not addressed by a technician pointing a selfie stick at my number-plate followed by a cursory glimpse of my tyres and various bits of steel and rubber under my car.

The response to such a comment is often "but customers love it". This may be so, but what is the immediate outcome and what is the sustainable benefit?

There is a long-standing case study that is worth retelling. A factory manager was concerned about productivity. The assumption he wished to test was that the lighting level was an important factor. So he and an "improvement team" set about changing the lighting arrangements, while measuring productivity.

One scheme, one of the last tried, appeared to provide a significant improvement. This was then implemented.

After a while, they were surprised to find that productivity drifted back to where it was before. In fact, slightly

lower. Investigations revealed that productivity improved because their efforts indicated that someone cared and any change was better than none. It had nothing to do with the lighting. When they stopped experimenting, this was just confirmation that no one really cared, with the inevitable result.

So what is the long-term sustainable benefit of videos of health checks? I suspect a trend similar to the above experiment. An increase in "customer satisfaction" due to novelty, followed by regression to the norm.

The key to a sustainable improvement is a real analysis of customer value, and a thorough rebuilding of the processes that deliver it.

If you apply a "wizard plan" to an unchanged system, you will get the result the factory manager in the case study (and many after him) experienced.

The other key factor in successful improvement is that the people who know how to improve things are the people who do the work, not the inventors of wizard plans.

This means engaging those people in the making of change, which will only be effective if managers provide them with an appropriate structure to design the changes. That structure will involve understanding the whole process, from the perspective of the customer – getting facts about where it doesn't work, and why; designing experiments to test prospective changes; making suitable modifications and then embedding the new processes through the whole delivery system.

This cannot be done top-down, or from the outside.

I am sure the use of video is in general a good thing. I am sure that better systems can improve how people do their jobs.

However, if the definition of customer value has not improved, if operators have not gained an improved understanding of the purpose of what they are doing and if the processes they use have not changed and improved to align with value and purpose, then all the gizmos in all the world will not deliver one pound more profit.

Piers Trenear-Thomas compiles the AM100 annually, is an AM Awards judge, a Lean coach and managing director of TT Automotive Consulting.

"Lack of trust is not addressed by a technician pointing a selfie stick at my number-plate followed by a cursory glimpse of my tyres and various bits of steel and rubber underneath my car"



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# The people powerhouse at the heart of Lookers

Charles Hurst is a test-bed for many of its parent's processes and procedures, not to mention delivering consistently good returns (and many chief execs)

By Stephen Briers

**C**harles Hurst has a long track record of making money. The business, sometimes dubbed 'the Arnold Clark of Northern Ireland' due to its market dominance, consistently delivers return-on-sales figures of more than 2%.

Its sprawling 30-acre head office site in Belfast's Boucher Road has been both instigator and test-bed for many of the processes, procedures and cultural fundamentals that now imbue **Lookers**, including the 'customers for life' philosophy.


Since it was acquired by Lookers in 1996, Charles Hurst has also been the proving ground for a succession of managers who would head the overall group: Fred Maguire, **Ken Surgenor (now Charles Hurst chairman)** and current **chief executive Andy Bruce** among them.

Bruce was group operations director in charge of the Charles Hurst business the last time *AM* visited, in 2007. Back then, turnover was £230 million – 15% of Lookers' total – while the 700 employees sold about 9,000 new cars and 7,500 used cars.

The Boucher Road site alone accommodated 14 car franchises, a Yamaha motorcycle outlet, a parts distribution centre and a used car operation.

We said in our 2007 profile that if Hurst, as it is known internally, sneezed, Lookers reached for the Lemsip.

A string of acquisitions since then, most notably Colborne Garages in 2014, Benfield in 2015 and Knights and Drayton Group this year, have certainly diluted Hurst's status within the wider group.

Nevertheless, it remains a vital contributor, both in revenue and in the generation of new ideas, people and processes. Projected turnover for 2016 is £425 million, 

Andy Bruce is just one of the Charles Hurst graduates who went on to become chief executive of Lookers



## SURGING LOOKERS LESS RELIANT ON NORTHERN IRISH AND SCOTTISH ARMS

Lookers has changed chief executive twice and made a string of acquisitions since *AM* last visited Charles Hurst. Now the PLC relies less on its Northern Irish and Scottish businesses.

As our charts show on page 39, Lookers' sales and profits overall have risen at a much greater rate than its Charles Hurst business alone – in 2015, the proportion of Lookers' pre-tax earnings brought in by Hurst fell below 10% for the first time in four years.

Lookers' rapid rise in the past few years has been through takeovers of *AM100* dealer

groups: Benfield, Knights, Drayton Group and Colborne Garages in England, and Lomond Motors in Scotland. Doing so has either expanded upon, or introduced, franchised partnerships with Audi, BMW and Mini, Jaguar Land Rover, Mercedes-Benz and Volkswagen. All are growth brands.

While the acquisitions have grown its headline financials and provided scale, Lookers has actually slipped down the tables in the *AM100* Update on page 24 for profit before tax per outlet (in 16th place with

£448,366 this year, down from 10th and £510,656 last year) and its return on capital employed has declined from 23.5% to 21.2%.

Andy Bruce recently told the London Stock Exchange: "Our strategy is to have the right brands, the right locations and excellent execution. By implementing this, we are ideally placed to take advantage of growth prospects across all areas of the business as well as consolidation opportunities in the sector, not least because businesses of scale will be the winners in our sector."

# SPONSOR'S COMMENT

By Paul Gordon, managing director, Autotorq



For many years now I have been attending conferences, reading articles and watching videos about the need for dealers to behave more strategically and less tactically. To anticipate and plan for events rather than deal with things reactively.

In many ways, I agree with this. I think the smartest retailers are very strategic in their approach, which actually helps them be more effective when they need to be tactical and opportunistic. The Zara group is a great example and it's no accident that Amancio Ortega, the owner, is the richest guy in Europe.

However, too many people – who, like me, work around the industry, but not in it – are guilty of falling into the trap of forgetting that it's what you do that matters, not what you say.

The dealers I most admire are the ones who are implementing change or at least trying to. The ones recruiting more female sales people to reflect that women prefer a different sales process and experience. Those who employ digital experts who know how to drive and manage traffic rather than seeing the function as an unnecessary and indulgent cost base. And the groups that are making a virtue out of their strong regional proposition.

There are examples of dealers hiring ex-Apple sales advisers and seeing a spike in sales and, of course, the high-profile Rockar.

For me, these are tangible examples of strategic change in the automotive retail world, which should be applauded. There are others, no doubt, and although change is hard, scary and sometimes expensive, it is always necessary and as Darwin observed, the key to survival.

However, the challenge is to implement that change effectively.

There are lots of things dealers may want to do in terms of best practice, but the key to successful evolution is to do one or two things really well and be famous for doing them. Then strategy is implementation.

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## INSIGHT Leaders of the Pack: Charles Hurst

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10% of Lookers' total and up 8% year-on-year. About 60% of that (£260m) comes from the Boucher Road site; the rest from five other franchised sites, plus a smattering of tyre centres, an accident repair centre and a used car facility in Dublin.

Hurst will sell 12,000 new cars in 2016, of which 85% are retail, and 15,000 used – the fastest-growing part of the business. It accounts for 21% of all new cars sold in Northern Ireland, up from 13% in 2007 (the market has contracted following the recession, from 68,000 to 58,000, as Hurst continued to grow).

The purchase of 10 acres adjacent to Boucher Road increased its size by 50% and it now employs 900 staff at 20 franchises, including three motorcycle (BMW, Honda and Yamaha). The site is so big it has its own road signs, its own maintenance team and a road sweeper that cleans twice a week.

Profit-wise, Hurst contributes a slightly larger proportion of the motor division total relative to its turnover, according to the internal accounts. Bruce, who visits the business every few months, said that comes down to the company's "inherent efficiencies".

He explained: "We have an ability to centralise everything – it's a classic market area, hub-and-spoke business where the other Hurst sites are proper retail spokes. In the mainland, spokes are becoming hubs. Also, our ability to manage the detail because of the geographic compactness can't be underestimated."

Bruce described his time at Charles Hurst as his "favourite job – I knew every single figure in the business, which meant I was able to do the day job better".

The strength and awareness of the brand name in the local community is also a factor – the closest comparison is Arnold Clark in Scotland – which has

benefits when advertising on TV or radio and also when recruiting staff.

Not that those staff come fully formed: Hurst has been forced to 'grow its own' as its talent pool is smaller. However, Northern Ireland also doesn't have the same level of movement of staff between dealerships, which means investment in people pays off.

Many of the company's senior managers started in junior roles.

"We don't have to explain the culture to them; they are the culture," said Bruce.

His template is John Lewis: dependable and slightly upmarket, but with an appeal to a wider market. Does he believe this aspiration has been achieved?

"We've always been part of the community and dependable but we have become more sophisticated over time."

The evidence is in the numbers: a doubling of turnover and used car sales since 2007 suggests it is a business that understands how to win and retain customers.

Apart from the high-premium showrooms, such as Ferrari and Bentley, all dealerships sell new and nearly new cars only. Used cars are sold via the Used Direct business.

Surgeon explained the rationale: "Used car buyers do not want to walk around all the franchised sites to find the car they want. So they can just go to Used Direct and they are all there. It also means that the staff can be totally focused on selling new and nearly new."

**Group operations director Colin McNab**, who has been with the business for 35 years, is credited with putting greater emphasis on used car sales.

This includes creating two spin-off brands, 'First Time Buyers', where every car costs less than £6,000, and 'Premium Direct', for the likes of BMW, Mercedes-Benz and Audi.

McNab said: "We have



"We don't have to explain the culture to them [Charles Hurst managers]; they are the culture"

Andy Bruce, Lookers



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There are 21 award categories, plus the Business Leader of the Year award and an induction into the AM Hall of Fame for a business leader who has made a considerable impact in motor retailing during their career.

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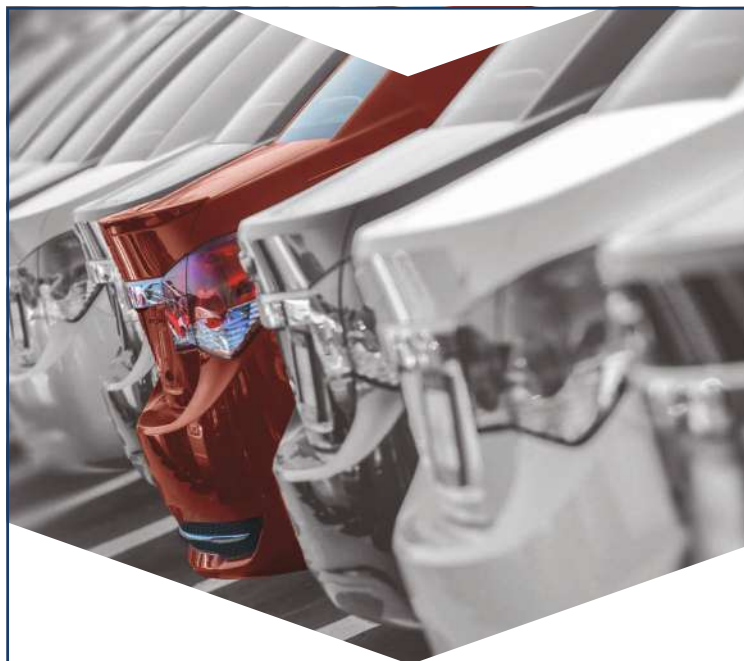
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opened the window wide and moved up and down the food chain. It's about offering choice and value and being more proactive. We have a buying team that focuses on our buyer profile and sources appropriate stock that suits that profile."

First Time Buyers is selling about 900 cars a year from a stock of 60, with an average value of £4,000. Return on investment is close to 300%, said Bruce.

The process is rigorously managed, according to McNab. "Margins are strong by virtue of the value of the car. Key is the price point, which is market-driven," he said. "They [the buying team] have to get it right at the start and they have a disciplined process."

"If over-aged stock [cars more than 90 days old] is more than 5% of total stock, then they are not allowed to buy any more stock. Once you stop supply, they focus on the problem at hand."

He also turned the sales process on its head: "Previously, we wanted everything from customers' address to their inside leg measurement. Now we say 'if you have £400 deposit and can afford £25 per week, you can afford anything on this site', and then we leave them alone."

"It changes the way customers are – they get excited about the fact they can afford any car and it puts them at ease."

This approach is now being introduced to the rest of the group, particularly for test drives. "We don't hold them to ransom," said McNab.

Premium Direct is selling 50-60 cars per month. Although the return on stock investment is smaller than First Time Buyers – about 20% – due to the low stock turnover, in terms of profit the two are similar.

Of the additional 7,000 used cars being sold by the business compared with 2007, almost a quarter are via the two new brands.

More recently, Charles Hurst introduced a transparent fixed price policy for used cars to remove the haggling element.

"It came about because people told us they didn't like haggling, so we took that away – and it's worked," said McNab. "We back it up with our price promise to give people confidence to come and buy and know they have got a good deal."

The initiative was trialled at the First Time Buyers operation as those buyers tend to be the most nervous. The business premise was skinny margins, high turnover, and customers were happy to pay the asking price.

However, when it was rolled out to the Used Direct operation, Lookers ran into some problems – buyers took a different view



**Above: Charles Hurst's Jaguar and Land Rover dealerships will be merged into one new facility next year at a cost of about £7.5m**

and wanted to feel a sense of victory in negotiating a lower price.

Consequently, it allows some "wriggle room" at the manager's discretion, up to a maximum of £100.

McNab recently introduced another brand to the used operation, called 'Loved By Us'. This refers to any car that Charles Hurst sold and subsequently serviced from new. It has been able to add a premium of £150 to the selling price.

"We know its history and we can say that we know everything about the car. Customers like that and they are willing to pay a little bit more for it," said McNab. "We are trying to tease out of our stock something different to go to market."

Expect to see Loved By Us make its way to Britain over the coming months, as long as Lookers can integrate it with its manufacturer partners' used car brands.

Strolling round the Boucher Road site with McNab ("I walk around four miles a day!" he said), it becomes clear why he is so highly valued by the business: the ideas tumble out of him. His latest is to extend the First Time Buyer concept into the First Time Driver, although this is no more than an aspiration at present.

"Their first car is often what they learned to drive in," he said. "We could either bring a driving school on board to use our cars or bring instructors into the business. It's an opportunity to capture the buyer when they are learning – it's customers for life in action."

Swathes of the Charles Hurst business have changed significantly since 2007, but one that has remained the same is how the business is divided between the twin elements of shared resources and autonomous management.

Every franchise is run as an individual profit centre, with managers given complete sovereignty to make decisions. But all back-office functions are shared, including marketing, administration, accounts, IT, switchboard and warranty.

Bruce described it as a "best of both worlds" approach, which also defines the wider Lookers business. "We have franchise-responsible businesses within a business that have

## 'WE GROW OUR OWN PEOPLE'

**Charles Hurst's management development programme and academy have become a breeding ground for new staff and new ideas, according to Andy Bruce.**

New employees go through a six-month structured classroom course, during which they are gradually introduced to the showroom environment with the support of a 'buddy'. All the time, managers and trainers are giving feedback on performance.

"We have introduced an incentive for the buddy; if the trainee passes after six months, the buddy gets £500," said Bruce. "It means that we grow our own people."

It has revolutionised staff retention. Hurst previously lost about 50% of its starters; now it loses just the odd one or two.

The last wave of intakes saw 10 trainees sales staff and six service advisers complete the course.

Hurst has also introduced a more rigorous vetting process for new recruits, putting them through a two-day induction course. Franchise bosses no longer do the interviews; they are undertaken by the trainers to ensure the process is consistent.

"Part of the process is you have to be able to get up and present to a room of people," said Bruce, "because if you can't, then you won't be able to sell a car".

Meanwhile the management scheme is a 12-month course; no one can be promoted at Hurst without successfully completing the training.

"We don't just look at customers for life; it's staff for life as well," said Bruce.



a singular focus on that brand, but they can tap into the buying power of a big business. That philosophy started here [at Hurst]," he said.

So if ever there were a dealer group pushing for the right to multi-franchise, it would be Lookers, right? Um, no – Bruce is dead against it.

"We don't believe in multi-franchising in one facility; we believe in brand specialism and autonomy otherwise you have compromises such as a lack of focus because people will gravitate to the easiest thing to sell," he said. "I can see the theoretical benefits, but the execution is very difficult. It's a unique situation [at Hurst]; it can't be replicated."

This belief extends to the workshops – most of the dealerships have their own. Again, the reason is a perceived risk that staff would focus on the busiest brands.

"We have around 140 bays across the site, but would we build

## COSMETIC REPAIRS ADD £500,000 TO BOTTOM LINE

The success of an insurance product for dent and cosmetic repairs launched a couple of years ago encouraged Charles Hurst to open its own repair facility, Carsmetic, rather than subcontract out a growing volume of profitable work.

"We built in a complete protection plan, including types, bumpers and wheels," said Andy Bruce.

"Customers see value in it, which means the sales staff see value in offering it. A lot of the work is used cars and we have a set price."

The centre started with one painter; it now employs 24 and recently moved to shift work to extend hours of operation. Turnover is £90,000 a month.

"We use powder paint, which dries quicker so we can offer a while-you-wait service for alloys. With the right processes, we could do it in an hour," said Bruce. "That would make our service stand out."

He added: "Margins are good; it is contributing more than £500,000 from a business that started 18 months ago."

a 140-bay workshop if we started with a blank sheet of paper? Probably not," said Bruce.

Its expanded site has enabled Charles Hurst to extend its interests into cosmetic repairs (see panel, above) and a dedicated new and used van centre, which also has a thriving rental service – an ideal way to generate the used stock the business craves. It has also set up a central valeting facility based on a production line system.

This is part of a £20m investment in the business since 2007, of which about £2m was on land acquisition. However, that total is likely to be dwarfed over the next few years as franchise demands rise.

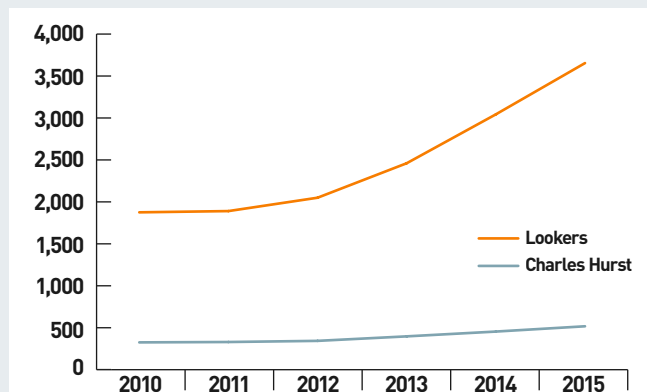
Take Jaguar Land Rover, for example. The two dealerships will be merged into one new facility next year at a cost of about £7.5m.

Bruce is typically sanguine about the investment, although he recognises it is causing problems for a lot of family-owned businesses.

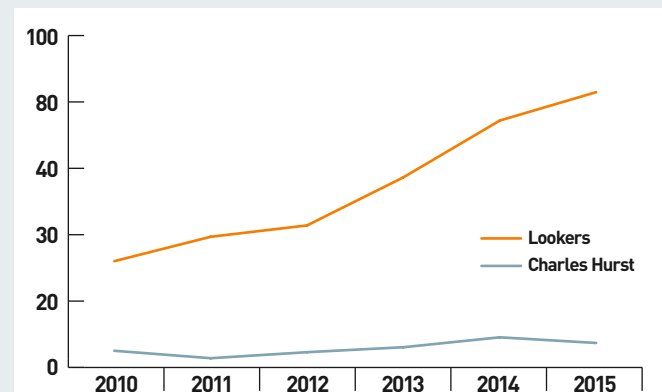
"Manufacturers want to take more control of how the retail businesses are presented. They want a standardised and unified approach across the country," he said. "It's an issue for family businesses who see themselves as entrepreneurs – they aren't able to be that any more."

"It's more formatted, but we are a corporate and we will continue to do it as long as it makes financial sense."

## TURNOVER (£M)



## PBT (£M)





# The opportunities of regional retailing

**Paul Gordon, managing director of Autotorq, discusses the opportunities available to regional retailers**

In the past 20 years, retail has moved from local to national to international. Most people reading this grew up with an appreciation that some shops were local to the area, such as the greengrocer, the optician and the chemist, while others were national and located on every high street. Woolworths, Tesco and Sainsbury's, for example.

Things have changed, however.

The supermarkets are now largely out-of-town superstores, notwithstanding their limited local formats, the owner-managed local shops have disappeared and suburban high streets all feature a combination of McDonald's, Starbucks, Subway and Costa.

Many of us will mourn the passing of the traditional high street, which was a reflection of the personality and character of each town.

It means localness and local values are irrelevant and have been replaced by globally enforced processes and procedures and consistent, but predictable, products.

There are, of course, some notable exceptions to the vanilla high street. Bettys, the world famous café tea rooms, has six locations across Yorkshire and McColls, although multi-regional, is still first and foremost a Scottish newsagent – very prominent locally, but with little differentiation south of Hadrian's Wall.

Both are strong brands and successful businesses.

The case for regional powerhouses in retail is perhaps best evidenced by Morrisons. Sir Ken Morrison had built a fabulously successful business from 119 stores across the north of England. In 2004, he was persuaded to buy its much larger rival, Safeway, which had 471 outlets and was based in the south of England. His address to his new staff members is remembered fondly: "Yorkshiremen are superior to everybody else, so you southern layabouts will now be doing things my way."

This acquisition over-leveraged the Morrisons balance sheet and, as importantly, resulted in the business losing its *raison d'être*. The brand was all about good, old-fashioned, no-nonsense northern values at a fair price. Well, people in the London suburbs could buy cheaper from Aldi and Lidl and the northern service values were not relevant. As a result, Morrisons has struggled, both with its identity and the move to an omni-channel world, and is seen as highly vulnerable.

So what about regionality when it comes to automotive retailing?

Traditionally, it has been very important. The dealership is part of the community and, in the case of some bigger groups, a major employer. In rural towns, this is especially so, and the strong, multi-generational, family-owned dealership often enjoys true brand status as important as the power of the car brand the consumer may choose to buy.

Some of the larger, multi-franchise



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## “The dealership is part of the community and in the case of some bigger groups, a major employer”

groups have been very smart at maintaining the power of this local affiliation while scaling their network and the variety of brands they offer.

Such an approach provides an opportunity for a very strong customer focus and facilitates a broader offering beyond car sales. It's not an accident that some of these major regional groups have been among the most successful at selling aftersales, servicing and finance. The basic principle of consumers, of course, is that all things being equal, they would rather buy from people they like.

So is the key to being a leader of the pack simply to be regional?

The answer is it's not the only option, but it is a strong and defensible strategy.

The major groups are growing by acquisition and organic growth. Just like mainstream retailing, the big are getting bigger. The arrival of US groups will accelerate this development. The biggest groups have the clout with the manufacturers and the ability to attract the talent – financially, but also in terms of support infrastructure, brand variety and career development. They also have the

biggest sites and the biggest marketing budgets – incredibly important in an increasingly competitive world.

With physical dealer visits continuing to drop and the cost of physical operations continuing to rise, the need for dealers to have a powerful and differentiated service proposition is more important than ever. If the customer comes to the dealership, the assumption must be that they have done lots of homework and preparation on the marque, model, features and finance plan.

The customer experience must be excellent. Lots of consultants are making a living talking to dealers about how to make this better and, frankly, lots of dealers need to improve here.

However, I suspect a strong regional group may find it easier than most.

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INTELLIGENT INTERACTION

# How to build 'a world-class organisation' (in 10 years)

Peter Vardy's ambition is not to make money, but to be the best place to work and the best place to buy – it seems to be paying off

By Tim Rose

**C**ar dealers are forever being told that tech-savvy millennials are taking over the world. Well, **Peter Vardy's** workforce has an average age of 36 and is innovating fast, but world domination is not its aim. The ambition? To build a world-class business.

The privately owned AM100 dealer group has grown steadily and profitably, and marked its 10th anniversary this year by issuing shares in the business to its workforce. For several years, it has donated 10% of its profits to the Peter Vardy Foundation, which supports good causes locally.

It puts great emphasis on working hard, working cleverly, so that everyone can reap the rewards – it's not all for the benefit of the Vardy family.

**Chief executive Peter Vardy** said: "The ethos is trying to be more like a family business, because we've got the ability to do that, not being a PLC and the size that we are. We try to make sure people don't take kindness for softness. But you've got genuine interest in doing the right thing by the people that work for you.

"We don't get out of bed every day to see how much money we can make. Obviously, it's part of the business, but I think the primary reason to get out of bed in the morning is to run a world-class business."

To that end, the group focuses on six objectives:

- To be a best place to work
- To be a best place to buy
- To develop the best manufacturer relationships
- To evolve its digital strategies
- To give 10% of profits back to society
- To achieve financial performance targets.

**Managing director Cameron Wade** said: "Only a sixth of what we do is about the straight financials, which is the right way to be. If you do the other five areas of the business incredibly well, your sixth one falls into place. We've shown that. You follow good processes all the time and put in place very good structures, then that will deliver the financial performance."

Vardy carefully planned the structure of the business before he bought his first dealership just over 10 years ago. He'd worked in a variety of roles in Reg Vardy, which his father, Sir Peter Vardy, had built into one of the largest UK dealer groups until its sale to Pendragon in 2005. After the sale, that ambition



"Only a sixth of what we do is about the straight financials, which is the right way to be"

Cameron Wade,  
Peter Vardy



Peter Vardy BMW and Mini Edinburgh, which won the AM award for best dealership this year

to build a world-class business, and the mentoring of Sir Peter in a chairman role, enabled Vardy to launch his own business in his mid-20s and acquire a portfolio of dealerships.

The result 10 years on is a very flat structure, with lots of ambitious people in roles that play to their strengths. Vardy wants it that way – the staff at the dealerships are focused on selling and delighting the customer, and all the support functions they need are provided by Vardy Central, based at Queenslie, outside Glasgow, which houses teams covering the accounts, marketing, digital, stock management, HR and customer contact centre.

It has a retail approach and runs the business weekly, rather than monthly, inspired by Vardy's visit to Asda's headquarters many years ago. Every Monday, the heads of business and heads of department go through a set agenda with key duties and key issues. The result, he said, is that if something is wrong it can be often fixed within a week.

Vardy said: "I would say Reg Vardy was fast, but this is Usain Bolt in terms of how quick this goes. Partly because I don't think we've got out of the start-up mentality, we're only 10 years in. There was that 'get away from zero as fast as you can'. You





get out of loss as quick as you can, and so that pace has probably stayed with the company.”

The result is a business that sells 25,000 cars a year from 11 dealerships, all to retail and SME customers. In 2015, it recorded operating profit before amortisations and donations of £12.1m.

“Because of the web, the old model of how many cars the dealership can do goes out the window. So how do you maximise the investment you’ve got at each site? Ironically, it’s by spending more money centrally to allow the guys on site to focus on the customer and the selling. So we do significant volumes of cars in our dealerships. And they are not all physically big sites,” said Vardy.

The Vardy Central operation was renamed from Head Office, to get away from the notion that a head office is most important, and Vardy and Wade emphasise that every person in the group is a crucial link in a chain.

That recognition shows in the £5 million worth of family-owned equity shares granted to its 800 staff through The Peter Vardy Partnership scheme last summer, and in the Peter Vardy Foundation, which allocates 10% of

**Peter Vardy: ‘We don’t get out of bed every day to see how much money we can make’**



## PETER VARDY, 2016 AM AWARD WINNER:

EXCELLENCE IN AFTERSALES –  
PETER VARDY VAUXHALL  
MOTHERWELL

A customer-centric approach to aftersales underpins Peter Vardy Motherwell Vauxhall.

The business understands customers are not always as technically knowledgeable as its staff, so empowers them through technology, such as CitNow video vehicle health checks.

Its service CSI rating shows it is a successful approach.

Service and parts revenues have risen consistently since 2013, despite being in a competitive marketplace, and the dealership has a strong parts business, which makes a solid and reliable contribution to its profits.

Customer retention is a major driver for Peter Vardy Motherwell Vauxhall and it has identified a direct correlation between the sale of service plans and overall customer retention and satisfaction.

Staff follow a structured sales process for service plans at both the point of the car sale and later, if required, at the point of a service being booked. As a result, it had a large portfolio of live plans ready for 2016, worth a quarter of a million pounds in revenue, before any upselling.

Its use of the video vehicle health checks has increased the retail hours sold per job card. In 2015, the workshop delivered more than 9,000 bespoke customer VHCs, which are completed whether work is needed or not.

Weekly meetings ensure customer comments are shared and individual performance is assessed, while exceptional performance is recognised and rewarded.



annual profits to local causes supporting children, the homeless and victims of human trafficking.

Vardy said colleagues understand what the company is about, and engage in it more, plus it brings the benefit that the better people want to work at Peter Vardy.

"By making a partnership and by having the foundation, I think we are pretty much putting our money where our mouth is, in saying it's not all about a return for the family. We can get a world-class organisation, we can get the best place to work, we can have customers think it's the best place to buy, and then we can give the money out where people really are struggling."

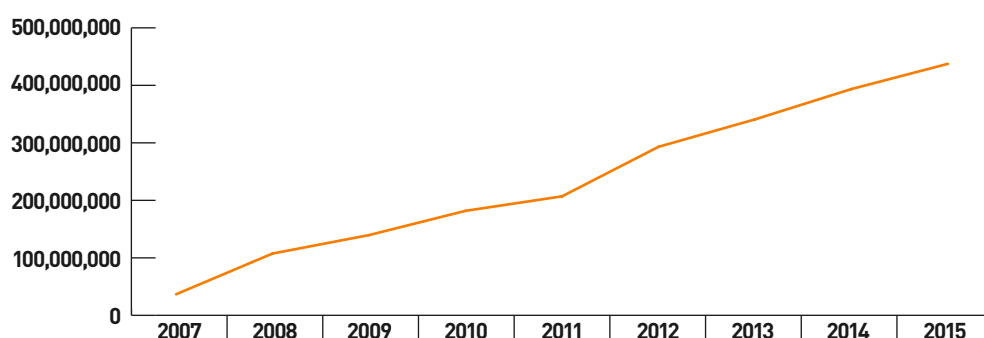
The partnership, he said, ensures that every pair of hands brings a free brain.

"One of the principles of the partnership scheme is that you ask every colleague, if it was their business, would they run it like this? Every single one of them." Employee engagement tracks at 90%.

This year the focus was 'passion for profit and war on waste'. In 2017, the partnership will focus on what to do or stop doing to influence the guest experience, including examining aftersales processes, and how to join a customer's online experience with their showroom experience, helped by a new dealership management system, Drive, from CDK.

"So what we're trying to do is empower all 800 of the

## TURNOVER (£M)



## VARDY VIEWPOINTS

"The old sales process is coming under real challenge. As people come into your showroom, at various different levels of the process, and you keep trying to take them back to step one, they get pretty hacked off. I think we're experiencing a real change in the management structure and in enquiry management programmes in dealerships, creating new roles and new processes."

"The industry says do the basics well and you'll make a lot of money. Actually some of the basics are changing, the execution is different. So, if you don't want to look at the basics of your business and evolve, you're on a bit of a sticky wicket. For me it's the exciting bit, because I didn't want to go in the motor trade and do the same as everybody else. I thought there's a great opportunity to move things on a bit. It's an exciting part of the job."



partners. They own part of the business the same as I do, so they've got a right to vote. So with the right to vote I expect an opinion," said Vardy.

The company operates a 'three-showroom strategy': digital showroom, physical showroom and database showroom. In practice, this means Vardy recognises each of the three requires different skill sets, different resources, and different processes. Under the digital showroom strategy, each dealership has staff responsible for digital leads who have received extra training in writing emails and text messages and using CitNow video devices, and every dealership has a turntable for photography and videography. In the physical strategy, the showroom teams in volume dealerships have vehicle handover specialists to free the salespeople to focus on the face-to-face selling.

"We have more resource per site than other people will, but again that's because of the volume. By putting so much volume through, you can then divide all the tasks and get clear accountability," said Vardy.

"The problem with a lot of businesses these days is people spend the biggest amount of their time on things that they are not good at. We've been restructuring businesses since the start really, not around what we've done, but what we thought was the most efficient. It's that whole idea of playing to your strengths – if you can re-engineer your processes and your job roles, it's brilliant for everybody."

Vardy acknowledged that much of the focus has been on sales, and aftersales will come more under the

management team's scrutiny from 2017. The business needs to become more customer-centric, said Wade, and consider how it can better utilise its facilities and time to serve people who may not actually want to come into a business to get their car serviced, but are required to, at times the business dictates.

Vardy believes there will be no single answer, but the business will become more "malleable" to what the customer wants. The key things are being open-minded, interrogating data, trialling solutions and testing them quickly.

Peter Vardy turned a profit within two years of its 2006 launch, and it has remained in the black since. Although annual profit before tax appears to be on a rollercoaster, Vardy has a robust explanation for it – its growth strategy.

In the past decade, the company has doubled in size every three years, buying businesses which can be improved. Unlike the national dealer groups, which are large enough to have turnaround teams to send into new businesses, the team Peter Vardy sends in to integrate the new businesses is built from those having success in the current business, so there is a drop-off in performance.

"If you look at the times when I've bought things you'll see that it's happened. When I've owned things for three years, you'll see it's very profitable, fourth year buy things, drop down again, builds back up again. The profit follows every four years," said Vardy.

After a record year, and gearing at its lowest

*"The most important thing for anybody in the motor trade is data. And unfortunately, the fight of who owns data, with the manufacturers or third parties, is actually making it quite difficult to have anything joined up in front of the customer."*

*"I know people outside expected me to perceive pressure from my dad, but I actually looked at it as a fortunate position in that I could get some advice, therefore I was less pressured because he was there and because of the legacy of what he had done. I'm slightly biased, I still think he has been the best business leader in the industry. It's not what he achieved, it's the way he went about it. The way he respected people."*

## AWARDS SPONSOR: EXCELLENCE IN AFTERSALES

# FUCHS COMMENT

Peter Vardy has won the AM award for Excellence in Aftersales for its Peter Vardy Motherwell Vauxhall site and Best Dealership for its Peter Vardy BMW and Mini Edinburgh site.

Commenting on Peter Vardy's first win of the evening, the judges said: "A customer-centric approach to aftersales underpins this business. It understands that customers are not always as technically knowledgeable as its staff so it uses technology to help them better understand. CSI is strong and service and parts revenues have risen consistently, despite being in a competitive marketplace, and it has a strong parts business, which makes a solid and reliable contribution to the dealership's profits."

The award was presented by Robert East of FUCHS Lubricants (development manager franchise dealer sector). He said the AM awards was the highlight of the year for the industry and a prestigious occasion in which FUCHS Lubricants were proud to have been involved as a sponsor.

LUBRICANTS.  
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**PETER VARDY, 2016 AM AWARD WINNER:  
BEST DEALERSHIP – PETER VARDY BMW AND MINI EDINBURGH**

Bought by Peter Vardy in 2007 from John Martin Group, this business is a strong performer that is still growing solidly in all aspects. It won the AM award after growing 2015 new car revenues by about 14%, service revenues by 12% and used car revenues by 20%.

Profit before tax almost doubled year-on-year and the dealership certainly shows it can make money from the metal, as earnings from new and used car sales

outweigh aftersales profits.

Peter Vardy BMW and Mini Edinburgh has focused on achieving upper-quartile performance in every department. As a result, it has outdone many of its peers, becoming a top performer in customer service, corporate sales, used car sales and parts, and driving local market penetration well past BMW and Mini's national market shares.

Short departmental meetings set a target each morning,

against which performance is measured and communicated to all team members at the end of the day.

Staff members are brought together regularly to hear about overall performance and to reward top performers.

The judging panel said the dealership was: "A stand-out performer, with solid improvements and a great culture of 'healthy discontent' that drives them to constantly seek to do more."

level since 2011 (it bought Jaguar, Land Rover and Porsche businesses in Aberdeen in 2012), Vardy is expecting to acquire again, and add a new volume brand to its portfolio. It's a question of finding the right business with the right brand, he said.

There is no great rush, with plenty more to come from the current businesses and new start-ups. Its CarStore car supermarket division in Glasgow, which was forecast to sell 4,250-4,500 cars this year, is about to be replicated at Dundee, and a third unspecified location will follow. The company also launched CarMoney, an online finance broker, this year, and has other online ventures in the pipeline.

Asked how the consumer trend of doing more and more online marries up with carmakers' continued demands for investment in physical facilities, Vardy conceded it is a problem – "a very scary topic".

"There is a role for the physical dealership, but are there going to be less? It is an area of concern if you're trying to grow your business at the moment. We are clearly putting a lot of money behind big used car supermarkets and digital businesses at the moment for that very reason. It is easily understood, because customers are using those channels. Whereas, with franchised dealerships, it's a bit less transparent, so we're going where the business is transparent – big used car supermarkets and digital businesses."

Peter Vardy has invested £14m this year in new premises for Jaguar Land Rover and Porsche in Aberdeen. The company is confident in the returns – it's the UK's

most successful territory for Land Rover, and the only Porsche outlet above Scotland's central belt.

As a youthful, privately owned motor retailer, Peter Vardy is well positioned to take calculated risks.

"Business leaders need to have big, hairy, audacious goals. You need to have some fun and also some excitement and vision so people can be energised by what we are trying to do as a company. Some of the things we are trying to do at the minute, like CarStore, like Car Money, they are really to inspire, set a bit of a vision, and try new things," said Vardy.

"I think if you're always worrying about the bottom line, you don't do things like that. If you're trying for a world-class business, then you have to have a go. You know some of them might not work, but if you do enough work in the background and have the aspiration, then they do.

Ultimately, the board of Peter Vardy measures the group's financial success by return on investment, not return on sales. "We will run as much as we possibly can through each individual dealership. Do 25,000 cars through 11 dealerships, forget the turnover figure, the key to the business is how much is put into it and how much is made.

"If we focus too much on the money, then best place to work and the best place to buy would go down the swanny, because I can make a lot more than I'm making today by taking a lot of things out, that I think currently improve guest experience. Say we earned £12 million out of 11 dealerships, but at the expense of best place to buy, why would I do that?"

**AWARDS SPONSOR:  
BEST DEALERSHIP****RHINO  
DESIGN  
COMMENT**

If you're looking for an award from within your industry, then surely this has to be the one that every dealership wants to win?

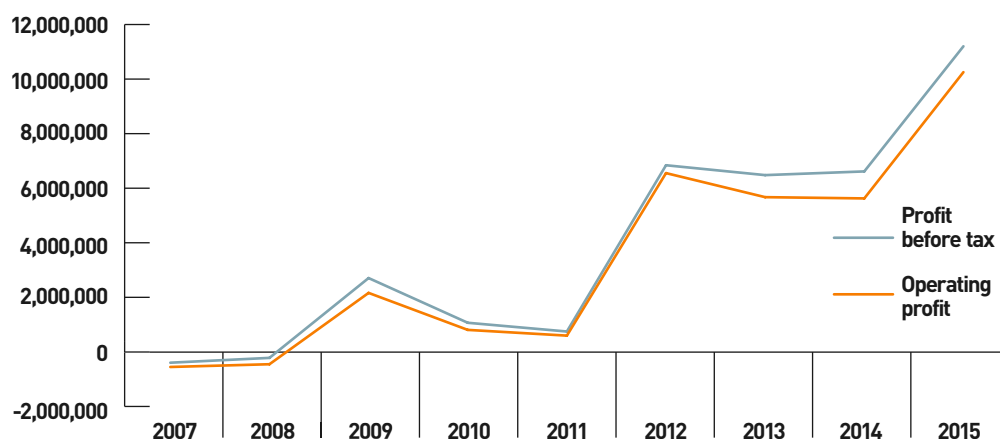
What greater accolade could an individual dealership receive than being the best at what they do? But it's not down to any one individual, it takes a team effort from all departments to return the percentage increase in figures that Peter Vardy BMW & Mini Edinburgh have achieved this year.

Any dealership that can almost double profit must be doing something right!

As leading automotive marketers, not only do Rhino Events generate new business opportunities and drive traffic for hundreds of dealers throughout the UK, but with over 20 years' experience and industry knowledge, we fully understand, from the inside out, the objectives and daily pressure to deliver the ultimate customer experience across all areas of a busy automotive business.

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**February 9 2017**  
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# Championing the best: The AA Garage Guide

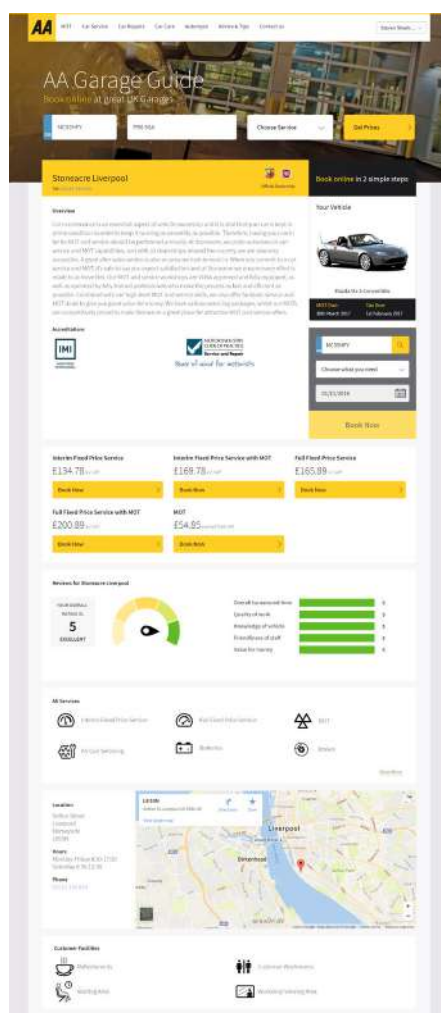
An SMR platform based on quality, and not price, is good for motorists and dealers alike

An online platform showcasing the UK's best garages and dealers sounds like an obvious idea, but, surprisingly, it didn't exist until the AA entered the market 10 months ago with its Garage Guide website. As with most considered purchasing decisions, there has been a consumer shift from offline to online in the aftersales arena, with consumers searching online for trusted sources before deciding on where to take their car for SMR.

Aware of this shift, the market has responded. Several entrants into the online service, maintenance and repair (SMR) space over recent years have followed the insurance market by taking the price comparison approach. They offer users the chance to search for the lowest price, or request quotes from garages, which are encouraged to bid against each other to 'win' the job.

As Lucy Burnford, director of the AA's Garage Guide, explained: "With the market intelligence the AA has to hand, we have been able to analyse motorist behaviour and consumer trends and determined that the aggregator model is not the best solution for motorists, or the motor industry."

There are several challenges with the price comparison model. Garages rapidly lose interest in quoting for work they do not 'win' and subsequently disengage with the platform. Indeed, garages that operate to high standards using quality parts and employ highly skilled technicians are not supportive of a model that requires them to reduce their prices to attract custom. Customers have low or no loyalty to price comparison sites, which ultimately means



the players in that space will have to fight for customer acquisition via pay-per-click (PPC) search, driving up the acquisition cost to unfeasible levels.

"Our research finds that when it comes to car maintenance, many motorists (and



AA members in particular) do not want the cheapest price – when it comes to something as important and potentially risky as ensuring your car is well maintained, selecting the best garage or dealer, as opposed to the cheapest, is the key decision-making factor. Indeed, we are already witnessing the demise of these price comparison sites, with several well funded or high-profile entrants withdrawing from the market.

This insight led us to the conclusion that there was a real consumer and industry need for a premium proposition based on quality and standards. Therefore, we built our Garage Guide to connect the millions of AA members with their nearest franchised dealer or high-quality independent garage at the exact point of needing an MOT, service or repair."

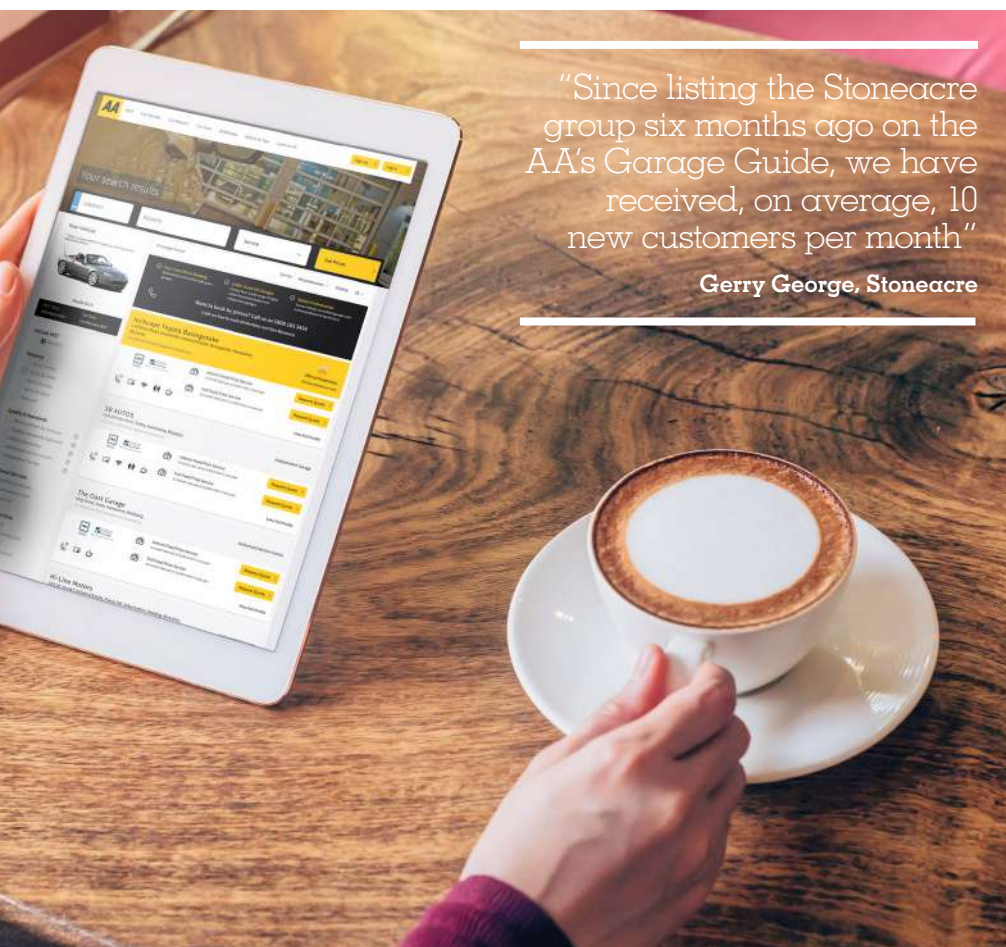
## Consumer insight

Some 89% of AA members agreed that 'trust and reliability are more important than price' when choosing where to take their car for SMR, so building a network

# JOIN IN

There couldn't be a better time to list your dealership on the Garage Guide. To join your dealership, please visit: <https://garageguide.theaa.com/join> or





"Since listing the Stoneacre group six months ago on the AA's Garage Guide, we have received, on average, 10 new customers per month"

Gerry George, Stoneacre

rooted in quality is core to the Garage Guide's proposition

"When we asked our members what challenges they face as car owners, they said they want the AA to advise them on everything car-related and help reduce the hassle and risk associated with owning and maintaining their cars.

Taking that insight forward, our new Garage Guide aims to transform the way motorists manage car maintenance and repairs, by intelligently using our customer data to alert them when MOTs, service and maintenance are required, and connect them with their best local dealer at the right time. Our platform ensures we are best-placed to drive both new and lapsed customers into dealerships."

#### Making waves

In the past 10 months, the Garage Guide network has trebled and now comprises more than 4,000 high-quality independent garages and some of the UK's best dealer groups, including Hartwell, Vertu, Marshalls, Stoneacre, Ridgeway, Perrys,

Parks, Renault Retail and Pentagon Vauxhall. Customer satisfaction scores are consistently high and deliver valuable feedback to dealers via our rating and review process.

Gerry George, customer service director at Stoneacre, has experienced positive results: "Since listing the Stoneacre group six months ago on the AA's Garage Guide, we have received on average 10 new customers per month, which we are thrilled with. It's a great opportunity for us to attract customers with older vehicles back into the franchise and re-engage them with our brands and the great value we offer as a franchised dealer."

#### Simply the best

The AA Garage Guide has a strict listing criteria and ranks search results by the quality of service, not by price.

"We looked carefully at the emergence of the online aggregators and felt strongly that there was a need for a quality-led proposition that offered motorists a whole-of-market view of the UK's best garages

and dealers. As a brand and a membership organisation, we want to help educate motorists to understand the value of trained technicians and accredited garages, moving them away from being swayed by a cheaper price. Instead, we want to help educate motorists to understand the value of trained technicians and accredited garages."

#### Industry support

Indicative of our commitment to championing quality and standards, the Garage Guide has secured the exclusive support of leading industry organisations The Motor Ombudsman (formerly Motor Codes) and the IMI – both of which have partnered with the AA to co-promote their businesses to the industry and motorists.

Bill Fennell, managing director of The Motor Ombudsman, said: "The collaboration with the AA Garage Guide is born from a shared focus on quality. We are committed to ensuring garages comply with the Chartered Trading Standards Institute-approved code of practice. This platform also provides an excellent opportunity to promote our subscribed service and repair centres to a potential audience of several million car owners".

Steve Nash, IMI chief executive, said: "Our relationship with AA Garage Guide offers us the opportunity to give valuable online exposure to businesses with technicians already on the [IMI] Professional Register. Attracting, retaining and developing skilled technicians is absolutely fundamental, not only to help individual businesses succeed in the competitive online marketplace, but also to drive up standards and levels of expertise within the wider marketplace. We believe the AA Garage Guide can play an important role in helping us to raise the profile of those businesses that are proud of their local reputation and have made genuine investment in delivering high standards of service through the hands of highly skilled operators."

#### Onwards and upwards

The Garage Guide will scale up further in 2017, with a variety of product enhancements in development to benefit dealers, supported by a larger team. It will also invest significantly in marketing and national advertising, following successful digital marketing, radio and print advertising campaigns that ran this year.

Guide. For more information or to enquire about listing call 03331 223 700

AA

Garage Guide

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5

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Stuart Smith, finance director, CEM Day:  
‘Diversity is one of our key strengths’

# ‘We live in uncertain times, but we thrive in periods of change’

Since weathering the banking crisis of 2008, the financial success of CEM Day has been closely tied to its finance, contract hire and leasing divisions

By Tom Sharpe

For the man charged with balancing the books of the various divisions of **CEM Day**, the challenges and risks of a diversified business are well worth the rewards.

**Stuart Smith, finance director**, said: “We are not a normal motor dealer in the same mould as many in the AM100. As well as our own finance, leasing and contract hire divisions we work with Ford, Peugeot, Fiat, Iveco, Ford Commercial and we have Nissan aftersales too.

“Diversity is one of our key strengths, but our real strength comes from a good, experienced board and a very good, clear vision for the direction of the group.”

He said it proved a formula that helped mitigate the effects of shrinking volumes, lower margins and expensive lending during the financial crisis and has since seen the group soar to top or near-top placings in the AM100 listings for return on sales (RoS), profit before interest and tax per site and profit per employee.

Smith is happy to be part of a business with an entrepreneurial spirit: “We live in uncertain times, but this is an entrepreneurial business and we thrive in periods of change.”

Its finance, contract hire and leasing divisions helped CEM Day to return growth in turnover through 2008 and 2009, and a 47% fall in profit before tax in 2008 (against the AM100 average fall of 139%).

“We are not a normal motor dealer in the same mould as many in the AM100”

Stuart Smith,  
CEM Day

Smith said: “The finance company basically services our used vehicle operation. With new cars, many of the vehicles go straight to the manufacturer’s finance operation, but with used, of course, we have the opportunity to do business and that really did help us when things went bad.

“During the crisis, we had to take advantage of the opportunities in our contract hire division. Funders were withdrawing from the market or becoming too expensive. Our relationships with our existing lenders were becoming strained, so we increased our facility and brought other lenders on board.”

Since then, however, CEM Day has been able to increase its contract hire and rental business by 80%.

“Our balance sheet is very strong now. We have expanded in both areas in terms of numbers of vehicles and deals and have moved very much into the public sector,” said Smith.

“Now there is the opportunity for us to increase our used car sales, aftersales and fleet operation further and, as we move into a period that seems to be defined by uncertainty, that should stand us in good stead.”

In its annual accounts for the year ended December 31, 2015, CEM Day achieved £10.1m profit before tax on a turnover of £230m.

Turnover places the business 60th in the AM100 update, but the business’ credentials are better reflected by its high placing in the annual survey’s other rankings.

▶ A record 4.4% RoS rate for its 2015 financial year saw it top the table – up 0.4 percentage points on last year and 0.8ppts on the year before.

The group's dominance for the past two years in pre-interest and tax profit per staff member and profit per outlet, meanwhile, was only broken by the high margins of the Porsche Retail Group, which posted figures of £32,733 and £1.77m against CEM Day's £24,196 and £1.2m respectively.

Earlier this month, CEM Day also moved up one place in the *FN50* – the UK's top 50 leasing companies, by size, as listed by *AM*'s sister publication, *Fleet News* – from 21st to 20th, despite an overall reduction in the size of its fleet, from 9,201 to 9,020.

This sits alongside a finance book of £12m, said Smith.

Reflecting on 2015's results, he acknowledged that "we're not quite forecasting that for 2016", but he said the group was currently in a "very positive place".

The group's growth in assets from £51m to £57.3m also showed its ability to invest in new premises and facilities.

## A focus on returns

The breadth of CEM Day's automotive business – which yields a £27.4m turnover from contract hire, £21.1m from short-term hire and £11m from aftersales – allows its directors to identify areas of growth they need to develop.

A focus on RoS means it is unlikely there will be further growth in its franchised business. Built on the foundations of an 80-year partnership with Ford – which has benefitted from custom derived from staff employed at a now closed car parts factory in Swansea as well as the manufacturer's Bridgend engine plant – CEM Day's 10 franchised locations also include Peugeot in Swansea and Haverfordwest, Fiat in Swansea (added in 2010) and a Nissan aftersales franchise for Swansea.

Smith said: "We are not actively looking to grow our franchised business. Compared to the other areas that we have moved the business into, the margins are very small and it can be hard to justify the investment."

CEM Day has invested in its facilities, with the construction of a FordStore in September 2015 – including a 12-vehicle showroom and an adjoining Ford Transit Centre – representing a £250,000 investment.

The facility, on Beaufort Road, Swansea, features separate areas for Ford's main range, Vignale premium model lines and the brand's performance line-up of Focus RS and Mustang coupé.

Smith said: "The response to the FordStore has been very positive. It is a huge step forward in terms of style and the customer satisfaction levels. It really has boosted footfall to the site and created a bit of a buzz around the Ford brand and the group. There are lots of new, interactive elements to the site and new models that have drawn people in.

"We are not actively looking to grow our franchised business. Compared to the other areas that we have moved the business into, the margins are very small and it can be hard to justify the investment"

Stuart Smith,  
CEM Day



"The Mustang has been a real surprise. It's a really fun car, a flagship for the Ford brand, but it has also attracted a lot of attention and genuine enquiries. Supply is outstripping demand."

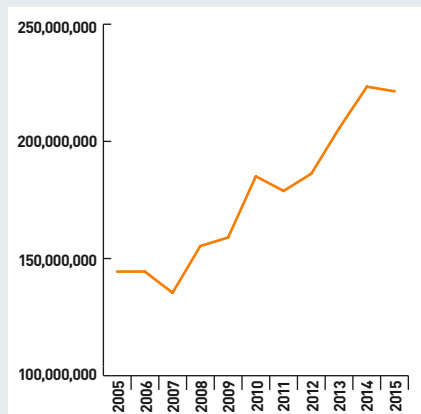
CEM Day also increased the scale of the Ford franchises' used car operation, Smith said, a trend which has been echoed across the group.

He said it had invested £4m in a former supermarket site next to its Ford car and van centres on Beaufort Road back in 2013, which processes cars coming back to market after their contract hire and leasing terms expire.

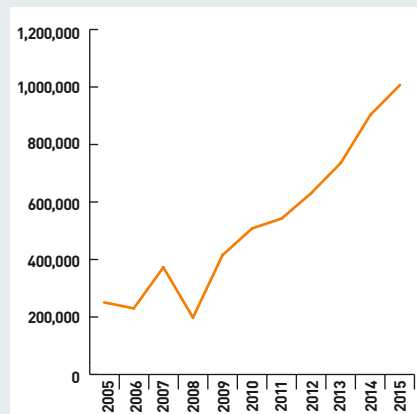
**CEM Day chairman and chief executive, Graham Day,** describes the sales operation as the glue that sticks the business together and the "passion" of the family.

The dealerships that allow the fleet side of the business to repair and dispose of vehicles more effectively ensure that the group doesn't struggle to find quality used car stock.

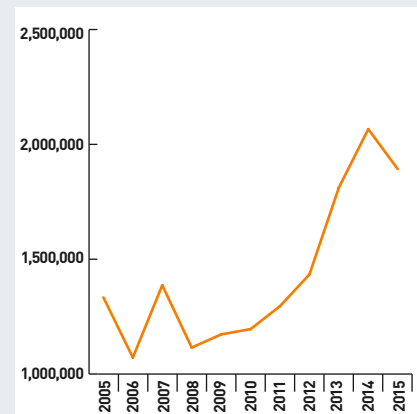
## TURNOVER (£)



## PROFIT BEFORE TAX (£)



## PROFIT PER SITE (£)







**Days Ford Swansea: Stuart Smith said the group is not looking to grow its franchised business**

A stream of cars that can tap into brands not supported by its franchises offer customers greater choice and give the group greater scope to profit from its financing capabilities, particularly via its six Motor Park used car sites – three in Swansea, and one each in Llanelli, Neath Abbey, and Haverfordwest.

A change in management has also seen Motor Park take a more proactive approach to sourcing cars from outside the part-exchange and ex-fleet stock.

Smith said used vehicle sales were up about 50% in 2016. He said: "Large investment in a site adjacent to our Swansea West operation has allowed us to refurbish cars and commercial vehicles ready for retail, streamlining our operation and bringing a flow of good-quality used cars back into the business."

"It not only props up our used volumes, but will boost our finance penetration also, which is good business."

#### Furthering its fleet ambition

In late 2015, CEM Day added a new Days Rental outlet at Exeter, adding to its existing portfolio of eight rental sites: Bridgend; Bristol; Cardiff; Gorseinon; Haverfordwest; Newport; Shrewsbury; and Swansea.

Smith said two further sites could be added as the group targets a fleet size of 14,000 to 15,000 vehicles, adding: "I don't expect we will go much bigger than that in the immediate future, but that is what we are targeting."

In February, it rebranded Days Contract Hire, its division serving the company car and van markets, as Days Fleet. The new name was part of a change that includes the group broadening its in-life fleet management and mobility services to a growing number of employers that may purchase company cars and vans outright or fund them through a third-party provider.

Days Fleet has employed a system developed by fleet management specialists Jaama to deliver apps that allow its fleet customers to track the status of fleet vehicles and keep tabs on servicing and costs.

**Days Fleet director, Aled Williams,** said this was



## ADVERTISING FEATURE

# WHY THE FIRST FIVE FCA NOTICES ARE IMPORTANT

By James Tew, director, iVendi



As you have probably noticed, the Financial Conduct Authority (FCA) has just issued an initial wave of notices to non-compliant dealers, stopping them from selling motor finance.

The five are the first to be named under the new FCA regulations, for "failing to be open and co-operative in the consumer credit sector".

It is a significant moment. To some extent, we have been in a holding pattern since the new FCA consumer credit regime came into effect, but now we are very much seeing the regulator get down to business.

Issuing five notices in such a short period of time is quite a high level of activity compared with the old system of regulation and could be a signal of intent. We believe the FCA is possibly setting out its stall and these could be the first of many.

The truth is that, even at this stage, we are coming across dealers pretty regularly who have not really got their head around all the implications of providing customers with meaningful choice, accurate information and consistency across their organisation.

We have been identifying these dealers as part of the work we are doing to use the iVendi Platform to help with FCA compliance, adopting our existing technology to make the tracking and recording of customer behaviour much easier for them.

The information can include the products customers have looked at, both online and in the showroom, the quotes generated, and how the original deal evolved into the final deal.

If the FCA were to investigate your dealership, we believe this is exactly the data they would want to see.



The iVendi Platform provides a complete online motor finance solution for dealers, motor finance providers, car portals and manufacturers. To find out more, visit [ivendi.com](http://ivendi.com), email [enquiries@ivendi.com](mailto:enquiries@ivendi.com) or call 0345 226 0503.

expected to boost the group's involvement in managed vehicles – company cars and vans – and 'grey fleet' vehicles as well as realising growth in the company's core funded fleet.

Williams said: "The fleet market has changed rapidly in recent years and continues to evolve very quickly. Clients and prospects are looking for total mobility solutions; that may embrace vehicle funding or may not.

"Days Fleet offers a wide range of ancillary in-life vehicle management products which are part of the mainstream enabling best practice management of cars, vans, drivers and journeys."

Williams believes the change of name will also help the fleet business expand its customer base. He said it would have been difficult to talk to potential clients about providing a "cradle-to-grave fleet solution" if the business had the words 'contract hire' in its name.

Days Fleet offers products and services including: fleet consultancy, whole life cost analysis, fleet management, maintenance management, accident management, mileage management, driver licence checking, telematics, fuel cards, temporary vehicle replacement, GAP insurance and vehicle movements as well as contract hire, sale and leaseback, salary sacrifice and flexi-hire.

#### Chasing growth in parts and aftersales

Smith said aftersales and parts supply is another area likely to provide CEM Day with growth in 2017.

To achieve this, it has a centralised parts wholesale centre for all franchises, 14 vans with telematics trackers to measure utilisation, a telesales centre with 20 dedicated direct lines that handle incoming calls in addition to booking services and rental vehicles.

It also introduced a service app and online service-booking facility and has online parts and accessories shops under the Motor Parts 4U brand.

The group has also been made an official parts supplier for the PSA Group as part of its new "hub and spoke" supply chain.

Smith said: "Aftersales has become an increasingly difficult area because of the reliability of modern vehicles and increased service intervals, but we have managed to maintain strong revenues. The group has widened its territories in terms of parts supply and the recent development, which has seen us become a PSA parts supplier for the region, has been very positive."

Its developments in parts supply, fleet and rental over the past 12 months have played a key part in the growth of its staff numbers, too – the business started the year with 567 and will finish 2016 with more than 600.

Sales staff use iPads on the showroom floor on a daily basis and are kept updated on the business' progress and any developments via monthly online updates delivered by the directors.

Smith conceded that the group was not a pioneer of the high-basic, low-commission model, which is starting to be adopted by some dealer groups, but said it placed an emphasis on satisfaction, with rewards for customer service part of the incentive model.

**Russell Day, sales director,** said: "One of the biggest things for us is the loyalty and quality of our staff.

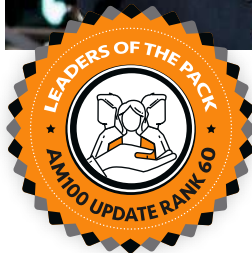
"We don't have outrageous packages for staff, but there's a culture that exists within the group and a sense of security. It's not down to reward necessarily; it's more to do with the working environment and the colleagues we work with."

Smith said training was carried out in-house and that FCA compliance was a central part of the process.

He said: "We run a finance business. The FCA rules and Treating Customers Fairly has to be central to our business."



**Russell Day, sales director, left, and CEM Day chief executive, Graham Day**



"There's a culture that exists within the group and a sense of security. It's not down to reward necessarily; it's more to do with the working environment and the colleagues we work with"

**Russell Day,  
CEM Day**

#### What the EU referendum means for CEM Day

A previous AM feature on CEM Day highlighted the economic make-up of the South Wales region in which it operates.

Since the decline of the mining industry, a high proportion of the population of south-west Wales has been on a low income.

Average weekly earnings for adults in full-time employment in Wales stood at £492.4 in April 2016, 91.4% of the UK average (£538.7).

The Welsh unemployment rate has reduced from a high of 22.9% in 2009 to 18.3% today, but this is still behind the UK-wide figure of 15.5%.

Russell Day said: "We've got a very unique base here. There are a lot of low-income, or public sector workers that have certain deals with manufacturers, or Motability recipients, so it's tough to get true retail business here. Some manufacturers struggle to understand this."

He said Ford's presence in South Wales had helped its market share, with many return customers sticking with the business despite the closure of the former Swansea plant. He said: "The repeat customers we've been serving for decades are our lifeblood."

Now Wales faces new uncertainty as the Government's austerity measures are compounded by the effects of June's EU referendum vote. Smith conceded that any change that causes interest rates to rise dramatically could have a profound effect on CEM Day's fortunes.

The new funding streams – delivered from a variety of sources, including key partner Barclays as well as Lombard, Black Horse, and Santander – developed by CEM Day have left it with a gearing ratio of 60.45%, which is high, but lower than a decade ago (2004: 77.7%).

Smith said: "Our business is traditionally highly geared and all we need is for interest rates to go up substantially and five years from now we could be looking at the core business as doing really well and the contract hire and rental business as suffering."

"The risks are not so much with contract hire, because that is operated on fixed rates of three to five years, but daily rental is funded on a variable rate. If that goes up and up and up, then it will have an effect."

"As it stands, Brexit does not seem to have had a significant effect on business and our growing used operation should see us well placed to offer our customers options if consumer confidence does suffer next year."



# Reports of the hybrid's death have been greatly exaggerated



By Professor Jim Saker

One of the most interesting statements about the motor industry over the past few weeks came when Rupert Pontin of Glass's was quoted on AM-online saying that "a new hybrid bought today could be effectively obsolete by the time it reaches the end of its normal life".

His argument was based on the premise that the technology underpinning electric vehicles (EVs) is advancing so fast that new, longer-range vehicles would do away with the need for hybrid technology.

"Hybrids are designed to solve two of the problems that EVs have faced in recent years – high cost and low range," he wrote. In support of this, he cited examples from the Paris Motor Show, including the Renault Zoe, with a 250-mile range and a price of £17,000. His conclusion was that electric vehicles could soon consign hybrids to the annals of automotive history.

The debate about what will be the dominant future power train is both complex and multidimensional, involving not only technology, but also Government policy and consumer perceptions. To say hybrids are designed to solve two of the problems of EV vehicles (high cost and low range) is a little strange, as they were primarily designed to reduce emissions and improve fuel efficiency. However, there are other potential problems with Pontin's thesis.

## EVs still face problems

I live in the East Midlands and every time I speak to friends living within the M25 they start to express an enthusiasm about EVs that may not be felt in other parts of the country. They comment that the number of charging points being installed in London is rising and, in addition, EVs are exempt from the London congestion charge. (I don't fully understand this argument, as I thought the purpose of the congestion charge was to reduce congestion. It appears somewhat counter-productive to encourage more cars into the city, however clean their emissions.)

However, many who live in urban areas don't have driveways where a car can be recharged and the prospect of cables hanging from first-floor windows is problematic. An increasingly popular Friday night prank in north London involves passersby unplugging EVs from charging stations.

But in Leicestershire or even within the City of Leicester, although many more people have driveways, there are not that many charging points available. **(Read AM's experience of living with an EV on Page 78).**

Undoubtedly, advances have been made and EVs are becoming increasingly convenient to use, with recharging times falling. I spoke recently to a company that makes rapid chargers, which could be positioned next to Costa Coffee shops (other coffee outlets are available) and recharge a vehicle within 10-15 mins.

New technology is being developed in Germany that would do away with charging spaces altogether, allowing the road surface itself to charge the car as it is being driven, which sounds like a great idea, if it can be done cost-effectively.

There is also the question of the electricity supply situation in the UK. We are often reminded about problems of peak demand, especially during winter. The prospect of millions of vehicles being charged through the national grid would potentially give rise to questions about the resilience of the nation's electricity supply situation. There will undoubtedly be a move towards more electric cars, but other options, including hybrid, surely have a future.

## Diverse powertrains are the future

Hybrid vehicles were scorned when they first entered the market, but through the persistence of Toyota almost every car brand has a hybrid in its range. They do not require additional infrastructure or additional Government investment. They are seen as being Ultra Low Emission and for most governments they fall into the lowest level of vehicle road tax. For many, the hybrid offering is equally, if not more, persuasive, than the pure electric offering.

Perhaps the most interesting challenge comes with the option of moving to hydrogen fuel cell technology, either as part of a hybrid offering such as the Toyota Mirai, or as a straight fuel-cell vehicle.

It has been estimated that it would only require 1,150 hydrogen refuelling stations to cover the whole of the UK. The problem is that these stations will be up to four times more expensive to install than conventional fuel stations. At the moment, hydrogen is relatively cheap, as it is produced as a by-product of other industrial processes. When it comes to producing compressed hydrogen from scratch, the cost of the process could be problematic.

The rise of electric vehicles will continue, but there is likely to be a mixed economy of powertrains on the road – the prediction that those sold tomorrow will be obsolete by the end of their life may be an overstatement.

Without sounding too philosophical, everything in life is a passing phase. The internal combustion engine has perhaps had a longer existence than it deserves, but hybrid technology could also easily be around longer than some expect.

**Professor Jim Saker is director of the Centre for Automotive Management at Loughborough University's Business School and an AM Awards judge. He has been involved in the automotive industry for more than 20 years.**

"An increasingly popular prank on a Friday night in north London involves passersby unplugging electric cars from their charging stations"



# Using data to optimise your forecourt

In today's automotive marketplace placing data at the heart of your business and utilising software to provide key insights can help you unlock your full business potential. Auto Trader's new best practice guide 'Optimising your Forecourt' explains maximising stock turn, addressing overage stock and driving maximum profit.

Every digital retailer focuses on optimising sales and in the automotive world that means concentrating on six key factors:

- days to turn and stock turn;
- understanding the difference between margin and profit;
- overage strategy;
- buying the right cars;
- pricing cars to the retail market and,
- using trade to dispose of overage cars.

The best barometer for any business is always profit, so a retailer who runs an efficient forecourt that maximises the number of vehicles it can sell in a year at the best possible margin is going to maximise profit. This is where collecting the right kind of data and analysing it is key.

### Days to turn

The first piece of data a retailer needs to gather is their days to turn, or how long it takes them to sell the cars on the forecourt. It's not just the cost of buying the car that counts but also the cost of keeping it as stock, (i.e. depreciation, fixed costs of managing forecourt, marketing costs, etc) which can range between £6-£13 at least, per car per day.

Any car that takes longer to sell than a business' average days to turn from day one is costing money through stocking costs and the fact it prevents a retailer from selling another car.

### Margin and profit

That's why there is a key difference between margin and profit. Margin is the selling price of the vehicle minus the cost of buying it. Margin is not changed by the passing of time, but profit most certainly is. That's because profit is margin minus the cost of keeping stock, and means while the margin on a car may be positive, when you take away the stocking costs you could be left with a loss.

That's why it pays, literally, to focus on days to turn - sell cars

more quickly, to make more profit. Then the more times you turn your stock in a year, the more profit you can make.

### Addressing overage stock

If the aim is to turn stock as quickly as possible what can a retailer do about stock that has passed their average days to turn? The answer is to be prepared by having an overage strategy and this can include shifting stock to trade.

### Stock desirability

So how do you stock fast selling cars? The key elements to bear in mind are 'desirability' and 'retail-back pricing'. Stocking cars that are in demand in your area and ensuring they are priced to market means you are much more likely to sell them quickly and make a higher profit.

Regionality is one of the main influencers of desirability as different cars sell better in different parts of the country at different times of the year, so it's imperative to buy cars that are in demand in your area. If a car does fail to shift then having a plan to move it on also pays, and it's why some retailers sell stock to trade that isn't selling to consumers (see The retailers' opinion). It may mean selling for a lower margin but it cuts your costs and frees up space for another car that can prove a quicker seller.

### Retail-back pricing

Retail-back pricing is a key strategy too. If you know what buyers are likely to pay for a given car, then it gives an indication on how much a retailer should pay for the car in the first place. It helps ensure stock is bought at the right price and allows for extra stock costs and expected margin.

It's a very competitive automotive marketplace; operating like a digital retailer can not only give you a winning edge in sales but also provide a more profitable business.

To download the new 'Optimising your Forecourt' best practice guide, visit [trade.autotrader.co.uk/optimisinyourforecourt/](https://trade.autotrader.co.uk/optimisinyourforecourt/)



### The retailers' opinion

**"I need to get rid of overage stock as soon as possible"**



"From day 0 to 15, I make sure the car is placed on the market in the right way and at the right price. From 15 to 30, I check if the pictures on my ad are nice enough, if the ad is viewed and if all the specs are clear. From 30 to 65 days, I look at competitors' prices and apply the right changes to my pricing in order to increase desirability and improve my price position. We have our own overage policy and cars stocked for longer than 65 days are considered a cost. That is why I need to get rid of overage stock as soon as possible."

**Matt Craig, Sales Manager Pentagon Scunthorpe**

**"I sold it quickly and made a good margin"**



"I use desirability to establish the retail price and the margin I may expect. If I know I am about to buy a desirable car, I will ask more margin. If the car is not very desirable, I know I will need to be more aggressive and set a lower retail price to get it gone quickly. I had the opportunity to buy a Skoda Octavia in part-exchange. It was beige with beige interior, not the most desirable car. I appraised it on i-Control, setting the retail price to obtain a good response rate and I managed to buy it cheaper than the price recommended by CAP. I sold it quickly and made a good margin – if I hadn't used i-Control, I would have paid the CAP price and made very little margin on that car."

**Matthew Bavin, Used Cars Manager Pentagon Lincoln**

### Supporting retailers to maximise profit

Auto Trader Retailer and Consumer Product Director,  
**Karolina Edwards-Smajda**



**We are always looking at ways to support our customers helping them to be successful in today's automotive marketplace. One of the key challenges they face is running an efficient forecourt that can drive business and deliver maximum profit.**

Utilising data is a great way to support these business objectives and retailers who focus on days to turn and stock turn are getting off to a great start. These are two key measures and capturing this data and interrogating it will provide a vital understanding of how your business is performing.

Knowing what your average days to turn and stock turn is enables you to focus on improving both. The more quickly you sell a car and the more cars you sell, the more profit you're likely to make. It's one way we support our customers through our software solution, i-Control. It captures key data and provides the insights that help retailers make more informed business decisions. It's why i-Control customers consistently enjoy a quicker stock turn than the market average. Between July 2014 and October 2016 i-Control customers had a stock turn of 12.7 versus a market average of just 5.7. So i-Control customers turn their stock twice as quickly as the market average, and as a result secure more business and make more profit. It's not the only way we are supporting our customers though.

In order to drive a quicker stock turn, retailers need to hold desirable stock for their area. i-Control provides a desirability rating for any given vehicle and for any given area. The one-to-five star rating helps retailers identify which cars are worth putting on their forecourt. Our data shows that cars below 1.5 stars desirability take almost 60% longer to sell than cars over 4.5 stars.

Also, knowing how quickly a car is likely to sell helps a retailer to know what price to pay for stock and what price to sell it for. Again, i-Control provides real time data on retail market prices so a salesperson can be sure of where to price a vehicle to help secure a quick sale.

Running an effective forecourt that maximises the number of vehicles that can be sold in a year, for the best possible margin, is not only every retailer's aim but ours too.

# Plugging the gaps in SsangYong's network

Embedding demonstrator-equipped 'customer champions' in service centres will broaden coverage, believes MD Paul Williams

## NEED TO KNOW

- SsangYong-funded staff will prospect and follow up leads
- Williams says plan will react to changing market
- MD still aiming to add 21 dealerships to network

By Tim Rose

There is a big hole in SsangYong's network – Greater London. As a niche franchise, SsangYong struggles to find representation in the capital. Many of the small dealerships that once could have accommodated the five-model brand inside the M25 have been demolished in favour of more lucrative housing projects. The remaining franchised dealers, with larger, modern showrooms, generally want to slot in a higher-volume brand that can cover the overheads more effectively.

The South Korean carmaker knows it has prospective buyers in London, people who have visited its website after seeing its marketing only to give up when they find no showroom nearby.

However, SsangYong Motor UK launched a project this autumn that may provide a solution. It is funding its own 'SsangYong customer champions', each currently completing a six-week training programme, covering all aspects from prospecting and sales processes to FCA compliance and handovers.

SsangYong will embed each champion, equipped with some demonstrator cars, into a network of authorised repair workshops located near to the M25 corridor: Kings Langley, Barnes, Edgware and Croydon, with another location to come in west London, near Heathrow. From there, they will follow up leads and take demonstrators out to prospective customers in their assigned postcode areas. They will take orders at the

customers' locations or back at the service centre, and will complete comprehensive vehicle handovers, most likely at the service centre, so that the customer knows who will be looking after their car in future.


"In this country, it's about specialism and volume and professionalism. As the costs have gone up in the UK, some of the things – not just the premises, but the number of staff and working capital – are levels of investment that are beyond a privately owned company," said **SsangYong Motor UK chief executive Paul Williams**.

"That's one of the reasons the UK has been more of a challenge. A small brand that has not historically done that well, we are trying to establish dealers. Where we have, we have generally done it very well. We just need more of them."

SsangYong is currently training four customer champions, and will continue to fund their salaries once embedded. As well as operating from the service centres, the team will also help the carmaker elsewhere, such as manning its displays at caravan shows and at pop-up stores in major shopping centres. More champions will be added as it progresses – the programme is intended to remain flexible for the modern market.

Williams said it is "fascinating why these big brands keep demanding more and more stainless steel and glass premises, when research tells you people don't go there".

He acknowledged that one reason SsangYong can experiment with new routes to market is that it doesn't have the legacy of a long-established large network of expensive showrooms. Yet the small scale of its franchised network has also caused problems for the carmaker.

Brand awareness was very low – among consumers, but also among the motor trade. However, SsangYong has been shown more interest since it has been using TV marketing and events and its vehicle parc has grown. 



## KEY SSANGYONG MODELS

Sales are climbing quickly at niche 4x4 brand SsangYong, which has been among the top five growing brands in the UK for the past two years. Its 2016 volumes – 4,025 car and 215 LCV registrations to the end of October – are small compared with the likes of fellow South Korean brands Kia and Hyundai, yet for its network of 54 franchisees, many of which were previously used car retailers, the growth is a welcome challenge.



### TIVOLI

Newest in the car range, Tivoli and the expanded Tivoli XLV are SsangYong's entry crossover SUVs, offered in 1.6-litre petrol or diesel versions. Prices start at £12,950.



### KORANDO

Priced from £16,250, this crossover SUV is sold in 2WD and 4WD versions with a 2.2-litre diesel. Also offered in van form.





Pictured with Paul Williams, chief executive of SsangYong Motor UK (centre), are the four new SsangYong customer champions. From left: David Payne, Daryl Small, Natalie Leslie and Mani Sanghera



### REXTON

The flagship 4x4 in the range, and a seven-seater too, Rexton is sold only with a 2.2-litre diesel, priced from £23,500. Also available as a van. A replacement is due in 2017.



### TURISMO

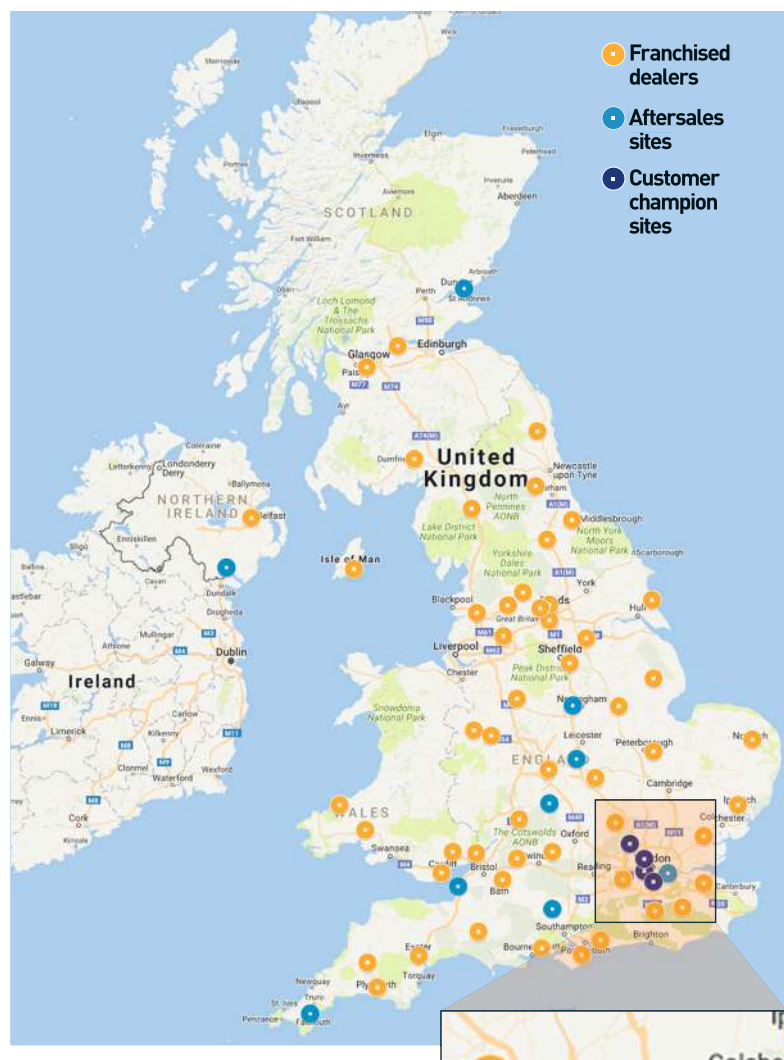
Also only offered with a 2.2-litre diesel, Turismo is a huge seven-seater 4x4 MPV with luggage space, so is favoured by taxi firms and rural large families.



### MUSSO

With 4x4 drivetrain, a 2.2-litre diesel and a £15,995+VAT starting price, the new Musso pick-up targets SMEs seeking value for money.

## SSANGYONG SITES



Recent recruits to the 54-strong network include Desira Group in Norwich and former Kia franchisee Stanley Cars in Bradford, and it expects to start 2017 with 65 dealerships in total and reach 75 further ahead.

Williams said the network expansion is pragmatic, in line with SsangYong's medium-term ambitions for 10,000 annual sales (double what it hopes to end 2016 with – to the end of October, it had 4,025 registrations, according to the SMMT).

"We want to sell enough per dealer to make sure that they make enough money and they're excellent at what they do. I'd rather have 75 dealers selling 150 each, than 125 dealers selling 100, because you'll get centres of excellence, you'll get profitability, you'll get investment, you'll get delight from the customer, rather than more dealers trying to compete with each other."

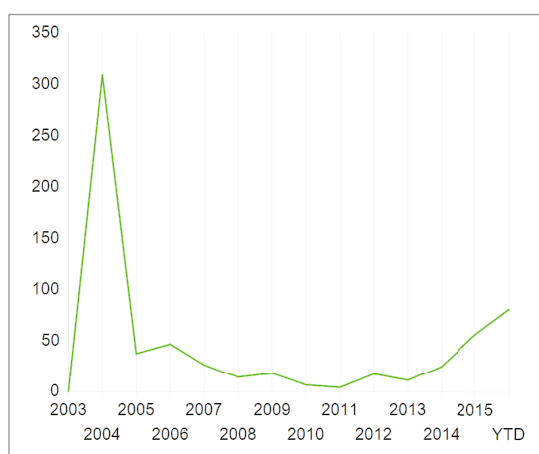
The M25 initiative is designed to complement the network's structure. Williams said it may mean the network peaks at 75 outlets, but that's not necessarily a bad thing.

"If you get 75 dealers selling loads of cars and with busy workshops, the business model is probably more successful," he said.

If the initiative works, it could be a new solution for niche brands seeking to cover high-cost major metropolitan areas, such as Manchester and Birmingham. Williams said the sales results will be measured and analysed for return on



## SALES PER FRANCHISE



investment, but he has no defined finish line for the initiative – he's certainly not expecting 1,000 sales in London next year. "I have no idea honestly how well this will do. I know it's the right thing to do. I know it's worth doing as an innovation. Then we've got to be smart about tailoring it."

SsangYong can take a longer-term view on it, because there are no fixed overheads on the project and the champions can be channelled in different ways.

Williams also hopes it will serve as a model for dealers' own sales recruitment. The SsangYong customer champions, who report to Kevin Griffin, the carmaker's head of retail, have been recruited from non-automotive technology retailing, are tech-savvy, and passed an assessment that identified their aptitude for the role. They are being paid a reasonable basic salary plus bonus linked to customer satisfaction.

Williams said: "What we've done here is invested time in a process, effort in a learning experience and knowledge base, and created a process that can be used nationally to augment and supplement the dealer network, because we know they need more people."

In some cases, a customer champion could be put into a SsangYong dealership, with short-term salary support from the carmaker, if it could fill a staff shortage. Equally, it could provide a low-cost solution for a franchisee with a large territory to cover, if they were to embed a customer champion into a workshop elsewhere rather than immediately invest in a second showroom.

"We know we need to have better people in our showrooms generally, and have them better trained. They need to be able to live, sleep, breathe SsangYong, because when you're small, you have to surprise people, you have to delight people. So we have to make sure we're actually better than others."

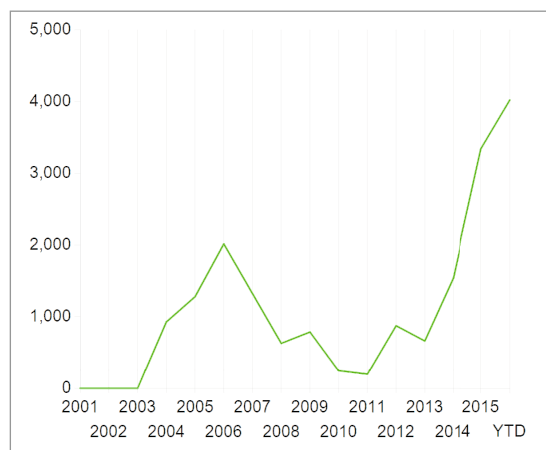
Alongside mystery shops and a customer survey programme, the brand is launching a training needs analysis of the franchised network followed by a leadership and development



"I'd rather have 75 dealers selling 150 each, than 125 dealers selling 100, because you'll get centres of excellence, you'll get profitability, you'll get investment, you'll get delight from the customer" **Paul Williams, SsangYong**



## ANNUAL REGISTRATIONS



4,025

SsangYong's registrations to the end of October

54

SsangYong's current number of franchised dealerships – it expects to start 2017 with 65

programme, accredited by the IMI, for its dealer principals. Williams hopes that doing so will ensure franchisees have the skillset for handling higher volumes of sales and finance.

The training is provided by ECR Training, headed by Mike Legge and Deborah Cooper. SsangYong's own field team will go through the same training as the dealer principals.

"We know if we don't develop the dealers, they will get to a point where they won't go any further and our ability to expand will be stifled. The pipe of product, of routes to market, is expanding and I want to improve the dealers' performance so they've got more capacity." The more vehicles they sell, the more opportunity for increasing service and parts revenue and building a used car opportunity, he said.

One area SsangYong's growth will come from is in sales to

SMEs of both its cars and van derivatives. About 75% of SsangYong's registrations are currently to private buyers, with the remainder being Motability, SME car purchases and commercial vehicles.

Now that the SsangYong network can offer a contract hire and leasing product, provided by Lex Autolease, and has launched the Musso pick-up, Williams expects the business market to take a larger share. "We won't sell less retail, we'll sell more of the others," he said.

He acknowledged that the network needs to improve its skillset to sell to business users. While the process and product knowledge applies equally to retail and business customers, expertise in the acquisition method has not been a strong point in a franchise network created largely from strong used car retailers.

"They're used to selling used cars and a few new ones, and along comes a customer asking 'how do you treat the VAT on this thing' and 'what's the benefit in kind' or 'can you organise a contract hire lease for me'. All of those things are a new learning process, a new environment."

SsangYong UK recently relocated to a new headquarters after it outgrew its original base. The new property, still in the same business park near London Luton Airport, is home to parts distribution (shipments are received daily from the European parts centre in Holland), offices for its support staff and senior executives, and a training room.

The premises has its own working showroom full of demonstrators, and this outlet will be Motability-approved, and will support the customer champions. A service centre is due to be added nearby. It will also manage any significant fleet sales.

Williams concedes the showroom's location isn't ideal: "Maybe people would say we could be dealing with passing trade. What's passing trade? Very few people visit showrooms these days, it's always by appointment. So it's about getting the communications out about what you offer, not necessarily where you are."

'We try to do shows and events that generate leads' – the SsangYong-sponsored Silverstone Classic 2015



## A FOCUS ON PROSPECTING

As a small brand with a relatively small budget, SsangYong cannot afford to waste anything, said Williams. This is why prospecting is a crucial part of its training programme for customer champions. The carmaker's marketing budget focuses on TV, digital, PR and events such as sponsorship of the South of England Horse Trials and Silverstone Classic.

"We try to do shows and events that generate leads. The more you do and the more you measure it, you can work out which bits work. And because we have these guys, we're really going to sweat it down to find

out if the customer is interested and if there's a sale, and if not why not.

"We work on a basis that we need five leads for every one sale. And what we do know is that our strike rate for demonstration to order is very high, 50%, because with our product people are generally delighted or surprised when they get in."

Lead responses have to be quick and informative, Williams said. Understand what the customer wants, equip them with what they want, even if that means customer champions work their shift responding on an iPad in the evening.

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# MAKING A VHC PROGRESS CALL

Here's a word track that works well in many dealerships, says Simon Bowkett of Symco Training.



Service managers often get frustrated because their staff don't get the VHC upsell calls right, and don't bring in the work that customers need to have done. Usually, as I explained in last month's article, it's because they haven't planted the seed effectively first.

- Make sure you tell the customer you are going to do a free health check on their car, when they bring it in to you.
- Make sure you tell them about the different colours on the VHC report, and what they mean.

Because if you just get on the phone and say: "Hi Mr Customer, so we've had a look at your car and we have found out that we need to sell you some tyres..." you are unlikely to be successful very often.

## How to structure the call

Instead, having introduced the VHC at the right time, you should structure the upsell call something like this: "Hello Mr Customer, this is Simon calling about the free health check that we said we'd do to your car. The good news is, when Dave was servicing your car he inspected all of the areas and most of them are green. There are one or two amber areas, but nothing to worry about there. I'll run through them with you when you come to collect your car.

"There's only one area that was red. Dave inspected the front brake pads and they are all the way down to 85% worn. Now to avoid that costly metal-to-metal contact, we do need to get them changed for you, and that's going to work out at £145 plus VAT."

## Assumptive sale

Now at this point, what I'm not going to say is: "Do you want to go ahead with that?" Instead, I'm going to close them assumptively, like this: "Do you understand the importance of getting those brake pads changed?" And when they say "yes", you say: "Great, I'll get Dave to do them and he'll be around later this afternoon for a more detailed explanation if you require. Look forward to seeing you at 4.30."

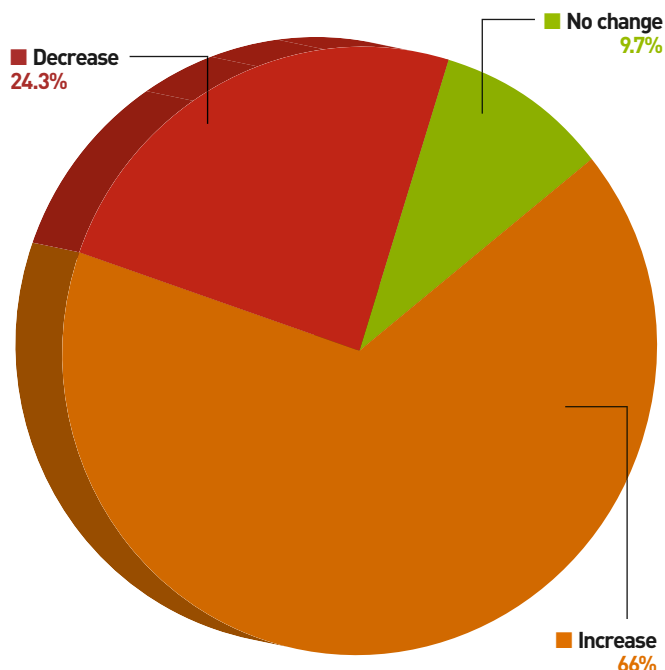
Try it in your dealership and see how it works for you. And watch my new sales training video on the AM website ([www.am-online.com/symcotraining](http://www.am-online.com/symcotraining), or at [www.symcotraining.co.uk](http://www.symcotraining.co.uk)) for more practical tips on how to use the VHC to upsell service work.

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## AM POLL

Do you expect your manufacturer to increase or decrease your new car targets in 2017?



"They don't know how to reduce dealer targets," was the remark from one dealer who voted in AM's latest poll. He was among the 66% who expect new car volume targets to rise in 2017. That result is despite predictions by the Society of Motor Manufacturers and Traders of a 6.1% drop in the UK's new car market next year. Perhaps dealers foresee carmakers cutting some of their rental and Motability allocations, but continuing to ask their dealer networks to take more.

Not all share those expectations, however. More than a fifth expect targets to fall. One respondent said its manufacturer had already issued 2017 targets and is going for fewer units and more profit. Another said: "With the exchange rate hit, it is inevitable that the manufacturers I work with put production overseas, where it is far more profitable."

■ Next month: What proportion of your customers take a test drive before buying?

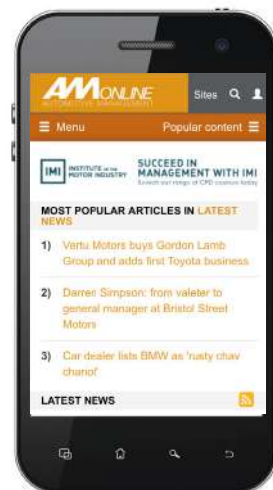
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# AM AWARDS: 2017

carwow

AutoTrader

## Welcome to this year's AM Awards sponsors

Preparations for the 2017 AM Awards are well under way. Plans have been drawn for the set design and production highlights for the event, which takes place at the Birmingham ICC on February 9, 2017.

There are 21 award categories, plus the Business Leader of the Year award and an induction into the AM Hall of Fame for a business leader who has made a considerable impact in motor retailing during their career.

Categories are available for sponsorship, allowing suppliers to gain the publicity and exposure of being associated with the highlight of the industry calendar.

This year:

**carwow is sponsoring the Manufacturer of the Year Award**

**Auto Trader is sponsoring the Digital Initiative of the Year Award**

We are delighted to receive the support of both carwow and Auto Trader for these two key award categories at what promises to be an industry highlight of 2017.

For more information on the AM Awards, including the sponsorship packages still available and details of how to book tables, go to [www.am-awards.co.uk](http://www.am-awards.co.uk)

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# essential tools for your aftersales department

Your dealerships' service staff need to be masters of many trades to serve growing numbers of customers effectively

By Tom Seymour

**S**everal years of high retail new car registrations have had a knock-on effect for aftersales departments. It means they need to be ready to handle increased numbers of customers all the way from the digital inquiry to the completed repair as smoothly and efficiently as possible.

AM has broken down the essential areas of focus for retailers in their aftersales department with best practice tips from Lookers, Trident Honda, Glyn Hopkin and Pebley Beach.

## SERVICE PLANS

**1** Service plans are an accepted way of locking in customers to the dealership, often with them introduced during the car-buying process.

**Richard Roberts, Trident Honda managing director** and chairman of the National Franchised Dealers Association's (NFDA) Aftersales Working Group, said 80% of his dealership's new cars are sold with a service plan.

Roberts incentivises his sales team with £25 for each service plan, to help penetration rates.

Trident staff explain the financial benefits involved to each customer. The current offer of £555 for five years' servicing represents a £795 discount over the period for a petrol vehicle or a £945 saving for the average diesel car.

**Iain Nickalls, Edynamix director**, said cross-referencing vehicle sales from the dealership management system can highlight any delivered vehicles that have not been presented with a service plan quote. Dealer staff can also sit down with customers and go through a live service plan, altering its length or increasing its mileage.

## CUSTOMER CONTACT PLAN

**2** There needs to be a thought-out plan for customer contact and using technology can help reduce administration and boost bookings.

**Debbie Palfreyman, Burrows Motor Company communications team manager**, helped to develop Edynamix's Proactive Follow-up system, and uses it to send customer reminders, control

operator calling lists, record inbound and outbound call information and manage follow-up data. Burrows' confirmed bookings for servicing rose from an average of 1,443 a month when they started using the system in 2012, to an average of 2,600 a month as of October 2016.

Roberts also uses automated technology to reduce the number of outbound booking calls by using email and SMS messaging.

Trident Honda emails customers 56 days before the service or MOT is due, followed by another email seven days later, and a letter to their home address. Only if none gains a response are calls made. The technique has meant a 95% reduction in outbound calls.

## OPENING TIMES



Dealerships are focusing on better customer convenience, extending opening hours and improving flexibility.

Glyn Hopkin is trialling longer and more flexible aftersales opening hours at selected dealerships. Its Buckhurst Hill aftersales centre in Essex is now open between 8am and 6pm, six days a week. Two teams of technicians work four days on, three days off.

**Paul Sozzi, Glyn Hopkin aftersales director**, said: "By providing more convenient hours for working people, we are seeing an uplift in booking volumes at the start and end of the day."

At **Lookers**, **Gavin Ruddick, aftersales director**, said its trial of extended hours earned positive customer response for earlier opening and later closing in larger conurbations.

Lookers trialled overnight and 24-hour shifts in some aftersales departments, but Ruddick said these were superseded by longer opening times.

He said: "The productivity in the early hours was poor and there was very little true customer demand for it. Many of our customers seek to have their vehicles serviced and repaired throughout the normal working week," which allows them to minimise the impact on their own free time.

Ruddick said a seven-day working week was under "serious consideration" for the future.



"When a customer brings their car in for service, it is a bit of a distress purchase – a free wash and vac does take away from this pain"

**Richard Roberts,**  
Trident Honda





## ONLINE BOOKING



Lookers simplified its online booking process after monitoring how customers used it. It has a dedicated customer portal linked to workshop capacity.


Ruddick said: "This allowed our customers to choose their booking, through pre-populated information we knew about them from the DMS. It cut the booking time down to

30 seconds."

The group has seen a 30% increase in online bookings as a result of simplifying the process.

Ruddick expects the process for the customer to be simplified further, while becoming more sophisticated at the back end. Manufacturers' launch of real-time telematics technology means cars will be able to send dealerships detailed diagnostic data, providing an accurate assessment of what is required ahead of coming into the workshop.

Glyn Hopkin receives about 150 online bookings a month, making up 10% of its aftersales volumes. Most of these bookings are made outside regular working hours, usually on weekday evenings. The low level of online bookings suggests that some customers still want to confirm their booking over the phone.

Sozzi said: "Despite the increasing popularity of online booking, we find the majority of customers still prefer to contact our dealerships by phone or in 

## ADVERTISING FEATURE

# SPONSOR'S COMMENT

By Iain Nickalls, director, eDynamix



The buzz word that has been doing the rounds for the past couple of years is "connected". Everything is becoming connected. Connected cars, connected buildings, connected watches, even connected fridges!

Yet we can walk into a dealership and suddenly things can start to feel a little disjointed, with advisers frantically clicking through multiple applications and screens to gather all of the information required to deal with a service customer who is about to walk through the door, or worse still, already sitting in front of them.

Often advisers will have six or more screens open – one for the core DMS system, one for service plans, one for vehicle health checks, and others for sending service work reminders, pricing tyres, sending videos and selling finance. This leads to inefficiencies and produces fragmented repositories of data and customer blind spots, which affects both profitability and the fulfilment of customer expectations. Management reporting also becomes confusing, time-consuming and error-prone when trying to piece together data from these disparate systems, which can prove extremely costly.

We launched eDynamix Connect in July, which harnesses the power of the cloud to provide a connected aftersales solution encompassing and embedded within the service core process. We did this with the aim of increasing customer retention, while reducing dealer costs. Connect provides one sign-on for all of the aftersales core functions, including service plans, eVHC with built-in video, proactive follow-up, repair and finance plans, surveys including links to Google review, online bookings and MOT cleansing.

Having a connected solution improves efficiencies, management reporting, staff engagement and morale, systems use and profitability, while helping to reduce costs, errors, staff turnover and customer blind spots. Get in touch to understand how we can help get your dealerships connected.

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person, highlighting the value of knowledgeable and helpful sales and aftersales teams."

### COLLECTION AND DELIVERY

Collection and delivery has become something busy customers expect.

Between 65% and 75% of Trident's customers choose collection and delivery. The cost of staffing the service is high, and may not be fully absorbed by customers' service plans, said Roberts, but Trident sees a need to provide that for convenience.

**Pebble Beach Group** does it slightly differently. It gives most service customers

a lift back to work or home. If the customer cannot get a lift back to the dealership, it will pick them up again.

**Dom Threlfall, managing director**, said: "We've invested a lot in these facilities and as an industry we risk moving to the point with collection and delivery where the customer will never come to the showroom and see anyone face to face."

### WHILE-YOU-WAIT SERVICING

The increased costs involved with collection and delivery or loan cars can be negated by while-you-wait servicing.

Lookers' research of 2,000 people showed 88% would prefer to wait for servicing if they knew they could be on their way within 60 minutes.

Ruddick said: "By increasing the amount of while-you-wait customers, you're providing what customers want and solving

other problems in the process. You're increasing throughput, reducing the costs involved with courtesy cars, collection and delivery and you're improving customer satisfaction."

Ruddick said Lookers' workshops each get 24 aftersales customers a day on average, of which 10 are while-you-wait.

Lookers is trialling multi-technician servicing across most of its franchises with teams of up to three per vehicle. Ruddick said: "The initial results are positive and [it] has allowed for a significant increase in the efficiency and capacity of service teams. This work continues as we look into the physical capacity of our ramps/workshop, rather than simply looking at the capacity of technician resource."

Some 5-10% of Trident customers currently use while-you-wait servicing. Roberts said: "It is something we have offered for a long time, as have other dealers. However, the results from the NFDA consumer survey report show that we may not be getting that message out there to customers as an industry."

The NFDA survey found just 4% of consumers see servicing while-you-wait as convenient, but 82% are open to the idea. It found they will wait for 1 hour 14 minutes on average for the service, vehicle health check and wash.

Threlfall said while-you-wait servicing can be tricky, because if other work is identified, it can lengthen the amount of time the vehicle is in the workshop.

He said: "The key is to manage expectations and make sure everything that is happening is communicated."

Roberts said he hopes to boost while-you-wait numbers by making sure the service team offers it as an option at the time of booking: "The quality of the work is not compromised as we ensure with while-you-waits the customer has a booked time slot, and we have allowed the time required for that job. If further work is found, this is rebooked at a later time unless the customer is happy to wait."



"By increasing the amount of while-you-wait customers, you're providing what customers want and also solving other problems in the process"

Gavin Ruddick, Lookers



### VEHICLE HEALTH CHECKS (VHC)



Threlfall said: "Consistency is really important with VHC. We call it the Starbucks approach. If you get a vanilla latte at one Starbucks, it will be exactly the same as at any other. I don't want customers coming in and seeing red work that has been identified suddenly turning amber when they're back the next time."

Many dealers use electronic health check systems to streamline processes.

Lookers uses vehicle health checks and sends out vehicle video updates to help demonstrate amber and red work to customers. Aftersales staff follow dedicated franchise VHC guides to ensure consistency.

Ruddick said: "Where customers have service plans in place to cover routine maintenance, they are much more willing to commit to red work that has been highlighted in a VHC."

Trident tasks the service team to health check every vehicle.

Roberts said: "It enables us to offer other required works to our customers and reassures them that their car has been checked fully for all safety-related items."

### UPDATES AND REMINDERS



Using Trident's DMS, the showroom can email customers a link to a website on which they can track a vehicle's progress through the workshop. Pebble Beach uses a similar system, which Threlfall described as a bit like "Domino's track my pizza".

Roberts said: "This helps the customer to know what stage their vehicle has reached, as well as reducing the telephone calls through our reception team."

Pebble Beach also uses a software package that can automatically text customers when their car is ready.

While the SMS service is convenient for most, Threlfall said: "Communicate in the way the customer wants. If they have specifically asked for a call, then call."

### ADDED EXTRAS



Roberts said: "When a customer brings their car in for service, it is a little bit of a distress purchase – the inclusion of a free wash and vac does take away from this pain. It is a service we have carried out for many years and is always appreciated by our customers."

Pebble uses automatic number plate recognition technology (ANPR), which is linked to the dealership's DMS to inform the front desk of the name and details for the customer about to come through the door. The front door of the dealership also has a digital screen that will display a welcome message with their name.

Pebble is also known for using masking tape to mark the position customers prefer their seat in.

Threlfall said: "I like to introduce little changes each month to keep things fresh. We've recently put a bell in the middle of the showroom and we ask customers to ring it if they have received great customer service."

"It's a bit of fun and it turns heads from everyone else in the showroom in the sales department who are asking what it's all about, and it's refreshing that it's about customer service, not sales."

# Personal, relevant, timely – the new standard for customer contact

**F**requent and irrelevant emails to customers can be more damaging to a dealer's reputation than no contact at all. It is something that everyone with an email address has suffered. Buy a new kitchen and, suddenly, the emails from kitchen suppliers begin to pour in. But it's too late, the message is irrelevant.

Jon Blythe, managing director at customer engagement agency Gecko, is familiar with the scenario and urges his clients, retailers and manufacturers alike, to eliminate the issue and set new standards in customer communications.

Blythe said: "I recently bought a Range Rover Sport from the local Jaguar Land Rover dealership. A couple of weeks after leaving the dealership with my new car, I started receiving emails about offers on the new Evoque. It was the last thing I wanted.

"Target customers with the wrong message at the wrong time and the response is always going to be the same. Zero.

"The worst thing is, once you have a positive and relevant message to share, the customer will probably have already gotten into the habit of diverting the material you send straight to their 'delete' folder.



"Target the right people with personalised messages and offers that you know will appeal to them and, chances are, your engagement levels will soar"

Alan Bateson, Volkswagen Group Ireland

"Poorly targeted communications don't hit the bull's-eye, it's as simple as that."

Gecko uses its expertise in data and campaign design to deliver manufacturer and dealer promotions via direct mail, email, smartphone messaging or social media.

Over the past 15 years, the business has had success with a number of manufacturers, one of

which saw an increase of 42% in its engagement levels. After a dealer group in the north put its promotional campaigns in the hands of Gecko's team of data analysts and designers, it saw an increase of 28% in aftersales bookings.

Blythe is in no doubt of the reason for the success: "It's simple. Our skill lies, first and foremost, in the way we process and interpret data.

"The first step in all of our relationships with clients is getting them to hand over all the customer data they have. That's what we work from. We're ISO 27001-accredited, so we're well equipped to handle customer data securely.

"The better [the] quality and more complete the data, the better the results, but we can refine what we have and use other sources and databases to build a picture of each customer and accurately target all communications in a really personal fashion.

"We have to mine data on location, customer ages, recent transactions, and the service intervals of their vehicle. It all builds a picture that means we can communicate with them in a relevant fashion."

Gecko's team of data analysts combines more than 500 demographic, geographic and lifestyle characteristics to create accurate customer profiles.

**A Gecko personalised direct marketing campaign generated more than 100 test drives for VW Group Ireland at the National Ploughing Championships**



To find out more, call 01133 910 704, email [hello@gecko.co.uk](mailto:hello@gecko.co.uk) or visit us



Open your exclusive  
National Ploughing Ch



They will also identify 'lookalike' customers, mapping where customers live to give a picture of potential targets for direct mail campaigns.

As well as its own technical and design specialists, Gecko owns its own printing facility, neighbouring its offices in Leeds, so it is equipped to deliver end-to-end campaigns in-house, keeping costs down and maximising efficiency.

Gecko recently won Alan Bateson, Volkswagen Commercial director at Volkswagen Group Ireland, as a client. It did not take long for Blythe and his team to convince him they could deliver on their promises of an end-to-end customer engagement process that delivers results.

Bateson said: "We started our relationship with Gecko five or six months ago and already it is a relationship which I see us carrying on for some time into the future. It's been a real success.

"Before we brought Gecko in, we had received a number of awards for our customer engagement, but we really wanted to move things forward a step, to keep evolving, and it was Gecko that stepped forward and said 'we can do that'.

"Gecko established a personalised direct marketing campaign for the launch of the Volkswagen Amarok V6 in Ireland, which surrounded the National Ploughing Championships, the biggest outdoor exhibition

in

Europe.

"Gecko were the first company that I've come across that made use of PURLs [personalised URLs] and that allowed us to send personal emails and direct customers to a specific site about the event – offering an off-road driving experience at the championships – rather than our own website.

"All customers were linked back to dealerships in their local areas too, which really maximised our chances of engagement."

Bateson said 50% of the 500 customers who responded to the campaign actively engaged with it and more than 100 took test drives at the ploughing championships as a result.

Volkswagen Group Ireland, which has a 24-dealer network and claims 41% sales growth in 2016, recently launched its "171" campaign with Gecko.

The promotional campaign will be delivered directly to about 14,000 customers.

Bateson said: "If our relationship with Gecko has shown us anything so far, it is that there is little substitute for a personal approach to direct marketing

for customers.

"Target the right people with personalised messages and offers that you know will appeal to them and, chances are, your engagement levels will soar."

Based on the success it has already achieved, Blythe said Gecko is preparing to grow.

A new website went live in November and the business is targeting new customers.

Blythe believes the business will grow even stronger in 2017 as retailers become more customer- and digital-savvy and see the advantages of reaching customers in their homes via post or, increasingly, a mobile device.

He said: "The last thing we want to do is compromise the personal service we are able to offer.

"We know our strength is that we can offer the full service, from technical expertise to design and print, but we do want to see growth.

"Hopefully, more and more retailers will begin taking advantage of the results our approach guarantees."


**GECKO**



# AM DEALERS THEIR TOP-RAT

## SERVICE PLANS

### Why full service support is key to your growth and ours



**By Neil Hodson, managing director, EMac**

The past 12 months has continued to see EMac expand its service plan activity, with a growing portfolio of retailers and manufacturers. Central to the business' growth has been EMac's full service proposition. All of the administration and customer management are taken care of by EMac's expert

team, enabling the dealer and their showroom team to focus upon face-to-face customer care. This full service support is proving increasingly valuable to dealers seeking to scale up their service plan activity and leverage the retention and lifetime value potential available.

As dealers build their service plan 'book', the vital care of these customers is integral to realising the full lifetime value and retention benefits of a service plan.

Our team takes care of all of this, from daily queries, such as changing a direct debit date, to saving potential cancellations and

setting up end-of-plan renewals. It all happens quietly and efficiently, leaving dealers to concentrate upon face-to-face customer engagement.

Speaking to dealers who have opted to run their own plans, it is clear that once a certain scale has been reached, this daily management becomes a real challenge without investing in additional people and technology. Even dealers with a modest book can find the daily burden creates stress for showroom resources.

In reality, we have probably hidden our expertise in this area under a bushel in the past, but with more dealers expressing an interest in outsourcing their service plan portfolios to us, it is very evident that our expertise can help dealers to scale up their service plan activity.

Alongside a range of digital innovations, we see that our absolute service plan focus and resource will be the cornerstone of some very ambitious growth targets in the year ahead.

**EMaC**  
THE SERVICE PLAN THAT REALLY WORKS

## PAINT PROTECTION

### Maximising dealers' profits in the constantly evolving paint protection market



**By Alan Graham, head of sales, Supagard**

Supagard has been the UK's market-leader in professionally applied automotive paint and interior protection products since 1988 and our reputation for quality is second to none. Many manufacturers, dozens of dealer groups and hundreds of retailers think so too and we

recognise the importance of supporting them to grow profitability and to meet the demands of new challenges in the constantly evolving marketplace.

All Supagard products undergo continuous and rigorous independent testing to maintain their technical superiority over other products and we continually invest in research and development to enhance the value to both dealers and their customers. In addition, our competitive price structure and no-quibble guarantees provide retailers with a strong competitive advantage.

The Supagard philosophy is simple – give our trade customers the best quality, value and service around and make it easy for them to sell our products and maximise their profits at the same time.

**Supagard®**  
PAINT AND FABRIC  
PROTECTION

## FINANCE

### Supporting dealers to provide superior offerings



**By Richard Jones, managing director, Black Horse**

We are delighted to receive the AM Dealer Recommended Award for the sixth consecutive year.

Black Horse, as part of Lloyds Banking Group, has made important investments in our people, internal processes and systems this year.

Further, in this era of ever increasing price competition, we recognise that car dealers need to be able to differentiate their offering to ensure high levels of footfall in their dealership. This year, we have supported our dealers to provide superior offerings and greater levels of customer service.

That is why all of us at Black Horse take great pride in those same dealers voting for us for this award. 2017 promises to be another year of evolving customer behaviours and expectations, especially in the digital space, and regulatory change.

We will continue to work with our dealer partners to help them meet these challenges and stay central to the car-buying journey.

**blackhorse**



# RECOMMENDED SUPPLIERS

**T**he greatest form of marketing is word of mouth. A business may have excellent products, but ultimately recommendations are a measure of outstanding service.

The results of AM's annual Dealer Recommended programme, which researches subscribing dealers about the companies they believe offer the best service, are in. Here, we present the recipients.

## WARRANTY

Take advantage of more than 40 years of industry-leading experience



**By Mike Cowling, head of products, Car Care Plan**

Car Care Plan is the UK's leading provider of warranty and asset protection programmes to the automotive industry.

Offering clients more than 40 years of industry-leading experience, Car Care Plan partners with more than 20 of the industry's leading manufacturers, as well as holding relationships with more than 3,000 UK car retailers to provide award-winning levels of cover to motorists.

The company is also active overseas, covering 26 territories through offices based in the UK, Russia, China, Turkey and Brazil. These relationships are supported by more than 400 employees and a range of in-house services including compliance, marketing, underwriting, IT and customer services.

The knowledge, experience, services and coverage offered by Car Care Plan means their clients are able to benefit from a complete end-to-end solution towards warranty and asset protection programmes through a single relationship.

■ To learn more about the award-winning products and services Car Care Plan can offer, visit [www.carcareplan.com](http://www.carcareplan.com) or call 0344 573 8000.



**Car Care Plan**  
An AmTrust Financial Company

## AUCTIONS AND REMARKETING

Delivering speed, efficiency and market-leading returns for sellers



**By Simon Henstock, chief operating officer, UK remarketing, BCA**

BCA is Europe's largest used vehicle marketplace, selling more than a million vehicles annually through physical and digital channels and delivering a range of specialist services including inventory and de-fleet management, logistics, buyer finance, dealer systems and remarketing partnerships.

BCA's remarketing programmes deliver volume, choice and availability for buyers and speed, efficiency and market-leading returns for sellers through a 24-strong UK network of centres. With BCA Live Online and e-Auctions delivering even more buying power, BCA's market-leading Appraisal and Autograde systems ensure vehicles are accurately described and graded, with BCA Assured powered by the AA building buyer confidence.

Buyers source stock through Auction View, a sophisticated search engine that brings sellers and buyers together in the digital space. Bespoke remarketing products serving the dealer sector include the cloud-based BCA Dealer Pro service to manage part-exchanges professionally and profitably and BCA Partner Finance, which provides independent dealers with flexible funding for auction purchases.

■ Visit [BCA.co.uk](http://BCA.co.uk) for more details.



## GAP INSURANCE

High-quality products, systems and training to grow your business



**By Jair Marrugo, managing director, MAPFRE ABRAXAS**

MAPFRE ABRAXAS is a market-leading provider of GAP insurance within the automotive sector. Working with some of the industry's leading brands, both dealer and manufacturer, we are dedicated to providing first-class customer service combined with high levels of ongoing support.

In addition to our full range of GAP products, we offer many other insurance products such as cosmetic repair insurance, warranty, service plan, roadside assistance, MOT insurance and tyre and

wheel cover. We are also in the unique position to offer our partners additional distribution channels to sell other insurance products to their customers outside the traditional point-of-sale and system solutions to remain compliant with the FCA GAP rules.

When a partner chooses to work with us, they get high-quality products that fit their customers' needs, combined with the systems and training they need to grow their business and help ensure the right outcomes for their customers are consistently delivered.



**MAPFRE**

**ABRAXAS**

Your life. Our world

# INDUSTRY PROFESSIONALS SHARE THE BEST ADVICE ON MOTOR RETAIL ISSUES

## Dealers go mobile when sourcing stock

By Simon Henstock, BCA chief operating officer, UK remarketing



Like nearly every industry sector, the motor trade is increasingly reliant on mobile devices as a business enabler. The era of having an office in your pocket is upon us and it seems hard to imagine how we would get through the day without reading

email and messages, checking social networks and accessing data online while on the move.

A recent BCA study found 44% of searches for stock were from mobile devices. It reveals a growing dominance of smartphones and tablets when searching for used vehicle stock, with more than 27% of customers using smartphones and 17% using tablets when sourcing vehicles from BCA's online stock search portal, Auction View.

To meet this demand, BCA continues to invest to ensure our customers can work with us across any platform.

Of course, the motor industry is part of a wider trend affecting every part of our lives. According to Ofcom, smartphones have overtaken laptops as the most popular device for getting online.

Ofcom said two thirds of people own a smartphone, using it for nearly two hours every day to browse the internet, access social media, bank and shop online. It found that a third of internet users see their smartphone as the most important device for going online.

This supports Google data, which indicated that mobile searches outnumbered desktop searches last year, and figures from IMRG (Interactive Media Retail Group), which showed that 51% of internet shopping is now conducted via mobile devices.



## Brand integrity and why it is important to you

By Martin Peters, sales director, Autoclenz Group



During recent negotiations on new and existing tenders, I kept hearing the same phrase: "Brand integrity". What does this mean and what relevance does this have to an outsourcing partner?

Your chosen outsourcing partner plays a crucial role in protecting and enhancing your brand, whether that be as a dealer group, individual dealership or indeed your own personal brand as an individual.

It is quite clear to me that, at the highest level, the choice of your outsourced valet partner is a much bigger decision that is no longer just about the quality of valet, operator numbers and cost control. In the current challenging times of labour shortages, Brexit, and all that goes with it, there are many "shortcuts" that can be taken to source any labour to get the job done. This is a very dangerous game.

At Autoclenz, every operator is checked through the UK Visas and Immigration portal for the right to work in the UK, as well as driving licence and identity checks. We work with an external agency, Intellect, to ensure any previous offenders in the industry are flagged, should they wish to join us. Furthermore, our stance on paying at least the minimum living wage of the day means you really do have peace of mind.

There is a cost to this, but rest assured your brand, whether personal, dealership or group will remain very much intact.

■ To find out more about the difference at Autoclenz, please call Lucy on 01283 554 682.





**K**nowledge is power, and businesses need as much expert advice and insight as possible to succeed. For senior managers in franchised dealerships, who are ultimately responsible for a multi-faceted service, retail and business-to-business operation, that need is even more pronounced. This is where *AM*'s Executive Panel can be of real help. The Executive Panel is made up of *AM* commercial partners who are all experts in their key industry segment – segments that can have a major influence on a motor retail business's bottom-line profitability and customer experience.

## How do you make time for personal development?

By Michelle Banister, director, GMD People



We are researching what managers in motor retail need to do their jobs better, and the skills they want to develop.

One question we ask is: "What do you perceive to be the biggest barrier to your own self-development?" You can probably

guess what the most common response is – time!

However, it is interesting how some people view personal development – it is certainly not just attending formal workshops and conferences or completing an e-learning module every now and then. It can be all sorts of things:

- Accessing resources online – e.g. TED Talks ([ted.com](http://ted.com))
- Sharing information with colleagues
- Learning on the job
- Reading books or specialist press
- Observing others
- Job shadowing, and so much more.

With access to extensive digital resources, learning on the go is the new norm. If you have a challenge, you want answers now – not in a workshop in three months' time.

Self-directed personal development is happening, probably without you thinking about it. Reflect on the new things you have learnt in the past few weeks. Find out what others do to develop themselves – you may be surprised!

Everything you learn is part of your continuing professional development (CPD), which is useful to record, especially if you are part of a professional body, such as the Institute of the Motor Industry. This applies to team members as well.

■ Visit our website, [www.gmdpeople.com](http://www.gmdpeople.com), for our previous *AM* articles, or contact us on 01327 831 371.



## The mobile opportunity for dealers

By Adam Price, managing director, AutosOnShow.tv



Motor retailers have always adapted to meet the changing needs of consumers. The industry is awash with statistics on the digital journey that motorists now take when choosing their next car. However, it is the growing dominance of mobile search that presents the next big opportunity.

Millennials expect to access information anywhere and at any time, with video a preferred method of research. Google suggests that video should cover key information points including fuel efficiency, design, safety features, and vehicle technology.

Video should play a key part in engaging customers through the buying process from brand messaging and test drives to personalised videos with a walkaround and quotes. In a time-pressured environment such as motor retail, it is vital that any video solution is simple and effective. From turntables that can image a car in seconds to app-based video tools that deliver consistent results, simplicity is key.

As part of BCA, Autos On Show understands the automotive industry and has developed a system that allows dealers to take advantage of the opportunities presented by mobile video. It delivers more than 50 million assets a month through client websites.

App-based solutions enable users to capture a perfect video walkaround of every vehicle, complete with professional and consistent images. Once the video is captured, it can be easily uploaded to a range of channels, from websites to social media and classified sites.

Video allows retailers to engage with the consumer across any device, across any channel and in any location and is an increasingly vital tool in the marketing box.



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**Audi Q2**

Audi positions the Q2 SUV as a crossover for couples.

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**Mitsubishi Outlander**

Mitsubishi dealers should capitalise on the family-friendly SUV at their disposal.

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**Nissan Leaf**

A crisis of confidence means leaving the EV at home.

## FIRST DRIVE: HYUNDAI IONIQ

# Hyundai strides ahead of AFV rivals

The Ioniq will be the first car to be offered with a choice of three alternative powertrains

By Tom Sharpe

**A**fter once focusing all its alternative fuel vehicle (AFV) attentions on its hydrogen-powered ix35 SUV, Hyundai has taken strides with the Ioniq hatchback.

Introducing electric, hybrid and plug-in hybrid (from Q2 2017) versions to the Korean brand's line-up, the Ioniq will be the first car offered with a choice of three AFV drivetrains.

At the UK launch of the new model, **Hyundai UK's president and CEO, Tony Whitehorn**, said he was eager to see how successful it would be, during "interesting" times that saw consumers looking for alternatives to petrol and diesel power.

"If they're going down the hybrid route, then the switch from an internal combustion engine is a much more straightforward switch now," he said. "The Ioniq hybrid is geared towards feeling as familiar and straightforward as possible."

"People no longer drive these kinds of cars because they are seen as 'eco-warriors'. It has become a lifestyle choice, and 'dieselgate' has played its part in that."

Whitehorn said he expected the electric and hybrid models would be split 50:50 between fleet and retail customers.

**Hyundai senior product manager, Sylvie Childs**, said the hybrid would account for an estimated 63% of all sales, followed by the electric (24%) and plug-in (13%).

"We hope to sell 4,000 cars by 2018. That's our target," she said.

The electric Ioniq's 28kWh polymer battery not only delivers 120PS and 295Nm of torque, but its 7% benefit-in-kind (BIK) tax band results in a monthly tax bill of less than £40 for a business user in the 20% income tax band. The 141PS/265Nm hybrid has a 15% BIK figure linked to its 79g/km CO2



The hybrid is 'geared toward' feeling familiar

"People no longer drive these kinds of cars because they are seen as 'eco-warriors'"

**Tony Whitehorn,**  
Hyundai

emissions. The hybrid also claims fuel efficiency of 83.1 mpg.

Hyundai claims the plug-in hybrid will do 31 miles on electric power, which helps to lower its CO2 emissions to 32g/km, also placing it in the 7% BIK band.

Prices for the Ioniq start at £19,995 for the hybrid SE, with the electric range starting with the Premium trim grade at £24,495 once the £4,500 EV grant is taken into account.

Among the standard kit on the hybrid SE are 15-inch alloys, DAB radio, Bluetooth, adaptive cruise control and rear parking sensors with a rear-view camera.

Autonomous emergency braking (AEB) and lane keep assist system (LKAS) are also part of the package.

The £21,795 Premium grade adds a seven-inch touchscreen infotainment system, featuring TomTom Live sat-nav, Apple CarPlay and Mirrorlink smartphone connectivity, heated front seats and keyless entry and engine starting before the range tops out with the £23,595 Premium SE's leather seats, blind-spot detection and 17-inch alloys.





L-R: The Hyundai Ioniq Electric and Ioniq Hybrid



Hyundai believes the EV and PHEV Ioniq will account for 37% of sales

The electric Ioniq is only available in Premium and Premium SE (£30,740 without the EV grant).

All versions of the Ioniq come with Hyundai's five-year unlimited mileage warranty on the vehicle and eight years and 125,000 miles on the high-voltage battery.

Any of Hyundai's 157 franchised dealerships can sell the full range of Ioniq vehicles, providing they install a charger through supplier partner Pod Point.

Technicians across the network have been trained to offer the Ioniq's three-year service plan, which delivers a service each year or 10,000 miles, for £349.

Unlike the quirky Toyota Prius, the Ioniq is conventional in its styling, defined by its falling roofline, which is central to its class-leading aerodynamics.

The electric version is defined by its blanked-off plastic front grille and copper-coloured highlights to its lower bumper and elements of interior trim including the air vent surrounds. The hybrid wears a choice of silver or blue.

In the front, interior space is on par with the likes of a Ford Focus, although rear headroom is more restrictive.

The hybrid's 433-litre boot falls to 350 litres in the electric version due to the battery beneath its rear seats.

Both the EV and the hybrid feel conventional and familiar, with no unusual contact points and keyless entry and push-button starting on Premium grades.

There is even the option to change gear with the steering wheel-mounted shifters of the hybrid's dual-clutch gearbox.

On a largely Welsh test route, the hybrid Ioniq gave a comfortable ride and fuel efficiency of just under 60mpg.

The EV felt like the more remarkable car during a near-140-mile drive into the Welsh countryside, though.

Both quicker (a 9.9-second dash to 62mph against 10.8 in the hybrid) and quieter, the electric claims a range of 174 miles. From the test drive, it appeared that well over 100 miles should be easily achievable on a single charge.

Hyundai claims the battery can be charged to 88% in just 33 minutes at a rapid charge point, or to full in four to six hours at a conventional fast-charger or 10 to 12 hours on a three-point plug.

Overall, I was left with a sense that Hyundai might have hit on something with the Ioniq. Just as the brand delivered choice to its customers by pioneering the Rockar store sales and marketing model at Westfield and Bluewater shopping centres, it is again offering choice where it did not exist.

Whitehorn is as pragmatic about the Ioniq's sales potential as he is about that of the Rockar project (which he estimates at 1,600 to 1,700 cars a year).

"I think we could sell 700 this year, but that would be going some. Next year it could be a lot more than 2,000," he said.

"I think, for the dealer network, it's a great opportunity. There's not many competitors and it's not the sort of thing that other manufacturers can offer.

"For some time, this has been the domain of Toyota and now we have entered the game and actually taken a leap ahead of them."

## SPECIFICATION

**Price** £19,940-£30,740

**Engine** 1.6-litre GDI petrol with 1.56kWh electric motor, 28kWh electric battery

**Performance** 0-62mph 9.8-10.8 seconds, 103-115mph

**Transmission** 6sp dual-clutch, single-speed

**Efficiency** 83.1mpg, 79g/km CO<sub>2</sub> or 11.5kWh/100km

**RV 3yr/30k** 32% (Electric), 59% (Hybrid)

**Rivals** Toyota Prius, Nissan Leaf, Renault Zoe, BMW i3

# 4,000

Hyundai sales target for the Ioniq by 2018

## WHAT YOUR CUSTOMERS WILL READ ABOUT THE HYUNDAI IONIQ

### TOP GEAR

Compared with the Leaf it's a little quicker, and a little roomier in the back and a little cheaper. Even so, the Ioniq EV is a bit underwhelming. The world of electric cars is moving fast, and it simply doesn't seem like six years' progress from the Leaf.

### EVENING STANDARD

As EVs go, it's a decent one – but as cars in general go, it's hard not to feel that plug-in motoring has a way still to go before it really plugs in and switches on to what makes other cars good and bad.

### TELEGRAPH

Both cars represent a good effort from Hyundai, with solid engineering, refinement and a bit of design flair together with keen prices that make the competition look, well, a bit over-priced.

AUDI Q2 - ON SALE NOW

# Couples' crossover joins Audi's Qs



By Tim Rose

**T**he latest addition to Audi's family of SUVs reached UK showrooms in November, and is well positioned to be a natural step up for current owners of its A3 hatchback.

Badged Q2, it joins the Q3, Q5 and Q7 SUVs, but is predominantly a crossover model, as Audi dealers will sell plenty of the two-wheel drive versions. The 4x4 Quattro derivatives are expected to account for about a tenth of the 13,000 expected annual sales.

The wheelbase is as per the A3 three-door, not the longer A3 Sportback, so buyers may find the back seat legroom a bit stingy and seating three in the back is a squeeze. But this car is pitched as a crossover for couples or singles rather than families – Audi's launch activity has been very focused on the young and urban. The carmaker has adorned its Q2's marketing campaign with the hashtag 'Untaggable' and a claim that this is a car not so easily defined.

The boot is fairly spacious so it will suit the company car user too – at 405 litres, it will squeeze in more stuff than the A3.

Dealers have a host of optional upsell opportunities, as many equipment packages, exterior colours and tones for interior trim and seat upholstery allow the customer plenty of creative space for personal configuration. Choose SUV-like dark arches and lower bumpers, or body-colour, and the blade covering the rear pillar is available in five colours.

Standard kit on SE trim includes 16in alloys, manual air-con, pre-sense



“Seating three in the back is a squeeze, but this car is pitched as a crossover for couples or singles rather than families”

collision mitigation, and Audi's smartphone interface, which supports Apple CarPlay and Android Auto displayed on its 7in multimedia screen once plugged into the USB connection. For an additional £1,550, buyers can upgrade to Sport trim (expected to be one in two

sold) and gain 17in alloys, cruise control, auto lights and wipers, sports seats and sat-nav. This model also includes a three-month trial of Audi's in-car connectivity service.

Top spec S Line models get some leather upholstery, 18in alloys, LED lights, leather steering wheel and specific S Line styling enhancements. It can also be specified with a digital 'virtual cockpit' on a 12.3in dashboard screen, and adjustable dampers controlled through Audi's drive select system.

The powertrain options for buyers are all familiar Audi units, but customers interested in absolute power and grip can hold out for Quattro all-wheel drive models in 2017 powered by either a 150PS 2.0-litre TDI or a 190PS 2.0TFSI.

“Together with its customisable design and choice of technology, it's whatever you want it to be,” is Audi's message.

Untaggable, indeed.

## SPECIFICATION

**Price** £20,230-£30,610

**Engines** 1.0TFSI: 115PS; 1.4TFSI: 150PS; 1.6TDI: 115PS; 2.0TDI: 150PS.

**Performance** 0-62mph 8.1-10.3secs, top speed 122-132mph

**Transmission** 6sp man, 7sp auto

**Efficiency** 52.3-64.2mpg, 114-128g/km CO<sub>2</sub>

**RV 3yr/30k** 44-45%

**Rivals** Mini Countryman, Nissan Juke, Mazda CX-3

WHAT YOUR CUSTOMERS WILL READ ABOUT THE AUDI Q2

## CARBUYER

Price and expensive options aside, the new Audi Q2 is a very tempting proposition. It oozes class, style and practicality by the bucket-load.

## THE TELEGRAPH

The Audi Q2 is the best compact SUV on sale, offering a good amount of space, great engines, a comfortable and quiet ride and lots of technology. However, it is also considerably more expensive to buy than any of its (admittedly non-premium) rivals.

## MOTORING RESEARCH

There's a call for a really nice car of this size, and the fact it drives so well broadens its appeal considerably. The Q2 manages what the Mini Countryman fails so abjectly at: looking good. Inside, it has the premium feel of bigger Audis, rather than the Countryman's small-car-got-bigger impression.





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## LONG-TERM TEST: MITSUBISHI OUTLANDER 2.2 DI-D GX4

## Dealers push family-friendly 4x4



Some dealers are currently offering the Outlander for £186 a month

## SPECIFICATION

|                        |   |
|------------------------|---|
| <b>Price</b>           | £33,134   |
| <b>Engine</b>          | 2.2-litre: 147PS  |
| <b>Transmission</b>    | 6sp auto  |
| <b>Performance</b>     | 0-62mph 11.6secs, top speed 118mph  |
| <b>Efficiency</b>      | 48.7mpg, 153g/km CO <sub>2</sub>  |
| <b>RV 3yr/30k</b>      | 43%   |
| <b>Start mileage</b>   | 3,644   |
| <b>Current mileage</b> | 5,119   |
| <b>Rivals</b>          | Hyundai Sante Fe, Kia Sorento, Land Rover Discovery Sport, Nissan X-Trail |

## WHAT'S BEING SAID ABOUT THE OUTLANDER

## PARKERS

It is competent on- and off-road and this version can accommodate seven passengers, although the furthest rear seats are only really for children. This latest version of the Mitsubishi Outlander is also much more practical than the previous generation.

## HONEST JOHN

The Outlander is safe, planted and secure and all models come with all-wheel drive, which helps in wet weather or snow. It's also capable in tougher off-road situations.

By Tim Rose

Industry observers still talk about the 'seasonality' of the car market, and that interest in 4x4s rises as the daylight hours shorten and the roads get wetter. So it seems apt that AM will be using our long-term Mitsubishi Outlander through the depths of winter, whether there's any truth in seasonality or not.

The Japanese brand hopes other consumers seeking a seven-seat 4x4 will take the plunge before the end of 2017. Some of its franchisees are currently tempting them with Q4 headline offers of £186 a month on a 5.9% 43-month APR PCP, after a £2,500 deposit contribution and the customer's £7,500 cash payment or trade-in. A second headline offer promises 0% APR HP and zero deposit, but it's only available over 36 months and involves monthly payments of £694. Both apply to

"The consumer's options for similar 4x4 seven-seaters are limited"

the £24,982 GX2 model, which doesn't have all the bells and whistles of our GX4 grade model, but which has rural families well in its sights.

With that GX2, parking sensors are optional and it has 16in steel wheels and no sat-nav. However the budget-restricted customer still gets a modern SUV experience, with auto wipers and lights, LED daytime running lights, dual zone climate control, cruise control and keyless entry.

An online trawl of rival brands shows the consumer's options for similar 4x4 seven-seaters are limited, unless they have significantly bigger budgets, so Mitsubishi sales executives must play to the Outlander's strengths when handling any enquiry. The closest rival is Nissan's X-Trail, which can be specified with all-wheel drive and seven seats at a list price only £500 higher than the Outlander GX2. There's also a Kia Sorento that meets the brief for £28,795.

However, for a fuller choice the buyer must consider cars above the £30,000 bracket – in some cases well above. This brings entry-specification Land Rover Discovery Sport, Toyota Land Cruiser, and Hyundai Sante Fe into play.

So while the PHEV version has helped to raise consumer awareness of the Outlander range, Mitsubishi dealers ought to capitalise on the family-friendly SUV at their disposal.

## Guess the car competition



David Murphy, parts and accessories manager at Prentice BMW & Mini in Portadown, correctly identified the Maserati Ghibli in last month's issue.

Have a go at identifying this month's mystery model to be in with a chance of winning a £20 John Lewis

voucher. Email [am@bauermedia.co.uk](mailto:am@bauermedia.co.uk) with 'Guess the car' in the subject line and include your job title and company in your entry. The closing date is Friday, December 9, 2016.



# THE RISE OF THE TRUSTED CONSUMER

By Neil Addley, managing director of NFDA Trusted Dealers



Marketers are often accused of being obsessed by youth. We tend to feature attractive young people in our marketing and use language and graphics to appeal specifically to them. Over the past year or so, every marketing conference has talked

about millennials as if they were some new species.

In the uncertain times we face following the Brexit vote, it is unlikely that any substantive decisions will be made until after the French and German elections next spring and autumn respectively. In the meantime, sterling is likely to remain low and, as inflation rises (it costs more to import stuff), interest rates are likely to follow.

In this environment, the millennials' budget will be squeezed, as monthly payments are affected by interest rates and finance subsidies are eroded by a weaker pound.

Contrast this with the trusted consumer. These more mature car buyers have an active preference for franchised dealers on used cars as well as new, they have decent incomes or pensions to which they now have ready access, and savings that will benefit from a rise in interest rates. Finally, according to the This is Money website, the over-55s in Britain are sitting on housing that is valued as greater than the GDP of Italy.

So, far from doom and gloom, we think this presents a huge opportunity to sell more used cars.

Trusted Dealers is in pole position when it comes to targeting this audience – partly because of our proposition, but also because of deliberate targeting in search marketing, social media and content. According to Comscore (September 2016), levels of engagement on the Trusted Dealers website are second only to those on Auto Trader.

So, if you want to sell more cars in the aftermath of the Brexit vote, you should become a Trusted Dealer.

■ If you would like more information, please give me a call on 01423 206 272 or email [neil@trusteddealers.co.uk](mailto:neil@trusteddealers.co.uk).



## NISSAN LEAF

# Confidence crisis means leaving the Leaf at home



By Tim Rose

Living with an electric car should be easy for customers who love planning out their lives and enjoy a pretty consistent routine. However, until there are multiple rapid chargers in every municipal car park, or a reliable 400-mile range on a full charge, using one daily for business transport could be a challenge.

It's still early days with our Nissan Leaf, and our confidence in its abilities is still growing. Daily commutes to the office have been a breeze, as we detailed last issue. However, for a recent round trip to Luton from Peterborough – a total distance of about 140 miles – I bottled it.

It was a last-minute decision, mind. I had started with a sense of challenge,

knowing that the Leaf would only need one rapid charge once my meeting was over to get me home again. So I scanned the internet – Zap-Map and Ecotricity gave me locations of charging points near Luton. However, none appeared to be public rapid chargers, and some seemed hard to access – one was at a local college, another at a rival carmaker.

Recalling that Nissan pledged its dealers would provide charging to Leaf owners, I searched for one close to my route home from Luton, and made contact via its Live Chat service.

A short while later, the dealership phoned me to say yes, I was welcome to call in and charge the Leaf. It's a plan, I thought, and told them I would be there about 4pm. Ah, responded the caller, who explained it only had a 3kw charger, so a full charge would be impossible. However, as the dealership was open until 7pm I was welcome to wait with a free coffee and get a few hours' charge into it.

More helpfully, the dealership did point out that Baldock services on the A1 had a rapid charger. But by this point I was losing confidence, and when further Googling revealed there is no single charging operator and I needed to download an app, I backed down and went for diesel power instead. Range anxiety... it is a confidence thing.

## SPECIFICATION

|                 |   |
|-----------------|---|
| Price           | £27,955                                     |
| Engines         | AC synchronous electric motor: 109PS        |
| Performance     | 0-62mph 11.5secs, top speed 90mph           |
| Transmission    | CVT auto                                    |
| Efficiency      | 155 miles per charge, 0g/km CO <sub>2</sub> |
| Start mileage   | 3,784                                       |
| Current mileage | 4,655                                       |
| RV 3yr/30k      | 28.6%                                       |
| Rivals          | BMW i3, Hyundai Ioniq, VW e-Golf            |

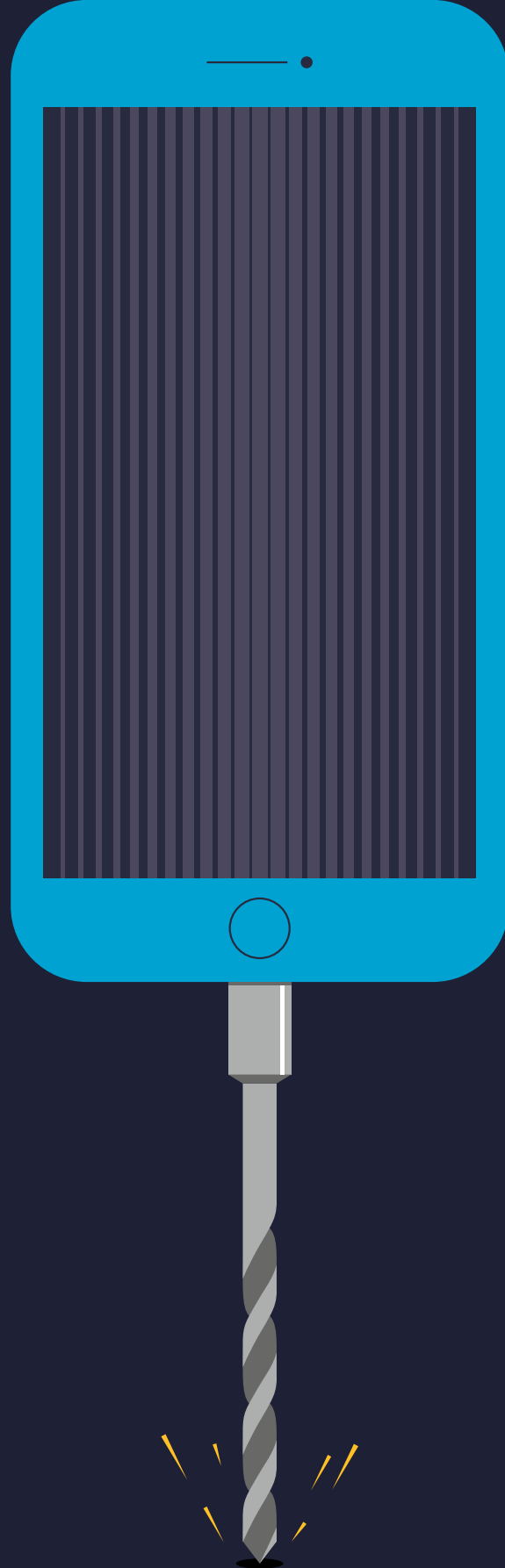


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- Develop and monitor the business plan for all sales areas with senior managers and Audi (UK) in order to meet business objectives, profit margins and market penetration.
- Formulate and agree marketing activities and budgets for the Audi Centre in order to create and maintain brand awareness.
- Ensure that Audi Franchise operating standards, policies, procedures and financial controls are regularly monitored and reviewed in order to maximise the business performance.
- Ensure that all staff are aware of Health and Safety requirements and regularly review with departmental managers in order to comply with Health and Safety regulations.
- Liaise on a regular basis with Audi (UK) representatives and Company senior management to review key performance indicators of the business. Ensure the business adheres to current UK legislation.

To apply for this position please email your CV with covering letter to [tracey.harvey@marriottmotorgroup.co.uk](mailto:tracey.harvey@marriottmotorgroup.co.uk)

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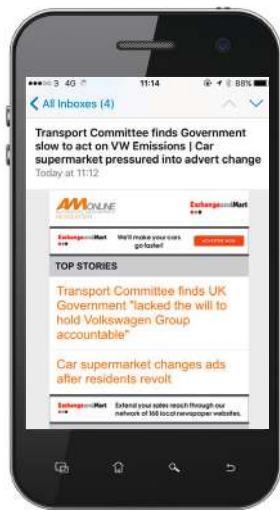
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| 11947 | Sales Manager               | Cambs        | OTE £55k    |
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## Face To Face: TrustFord

The manufacturer-owned dealer group is gearing up for a used car push and better engagement with customers, according to jet-setting chief executive Steve Hood.

## The critical points to the sale

Dealers and suppliers demonstrate how they can optimise enquiry management, the test drive, the finance proposal and the handover.

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Strategic insights and innovations from some of the top dealer groups in the AM100.



## First drive: Citroën C3

Airbumps are optional, but the brand finally looks set to get a strong performer in the B-segment.

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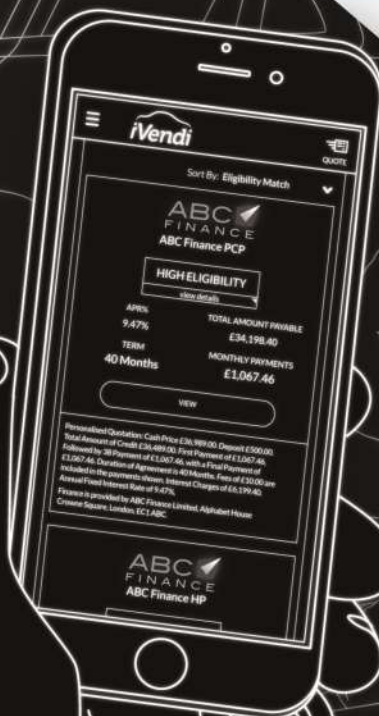


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