AM
AUTOMOTIVE MANAGEMENT
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YOUR MAP FOR THE ROAD AHEAD

- BREXIT AND AUTOMOTIVE RETAIL IN THE NEXT DECADE
- THE POSSIBILITIES OF MOBILITY AS A SERVICE
- ELECTRIFICATION AND AUTOMATION
- SALES, SERVICE AND REPAIR IN 2030
- RESTRUCTURING FRANCHISED DEALERSHIP NETWORKS
- THE DISRUPTERS AND INNOVATORS
- THE CONNECTED VEHICLE

Automotive Retail CONGRESS

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MAY 21, 2019. RICOH ARENA, COVENTRY

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Automotive Retail CONGRESS

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I want to ensure that you are aware of *AM's* newest development, which we have launched with the aim of giving you and your fellow senior managers easy access to high-level experts and research into the changes looming for our industry.

The Automotive Retail Congress will help you shape to your business plans in the next decade. It will include forecast trends in new and used car sales, the aftermarket, national and local government policies, consumer habits, investment priorities, partnership opportunities and new business models.

We expect it to provide inspiration and potential solutions to our rapidly evolving industry. We encourage you and your senior-level colleagues to attend.

If you would like to attend the Automotive Retail Congress, which is on May 21 at the Ricoh Arena, Coventry, visit www.amretailcongress.co.uk for more information and to book online.

Yours sincerely,

Tim Rose
Editor
AM magazine, AM-online and AM Events

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AGENDA

Session 1: The automotive retail outlook 2021

The UK automotive forecast
Understanding the economic forecast for the automotive sector, including manufacturing and retailing.

The UK automotive outlook after Brexit
Tackling the biggest issue on the business agenda.
Professor David Bailey, Professor of Industrial Strategy, Aston Birmingham Business School

Used car 2030
Identifying the key trends in the used car market and how they will help shape the landscape over the next decade.
Philip Nothard, customer insight and strategy director, Manheim Remarketing

Aftermarket 2030
How connectivity, new vehicle technology and mobility solutions will affect aftersales and customer relationships.
Dr Andrew Tongue, research director, ICDP

The disrupter view
Discusses disruption in mobility and subscription services, together with the opportunities and threats.
Ed White, group chairman, White Clarke Group, and David Betteley, chairman, Tomorrow's Journey

The MaaS view
Emerging companies and established brands are exploring the opportunities that a shift to mobility as a service creates.

The manufacturer view
Understanding the challenges and opportunities faced by vehicle manufacturers over the next 10 years and how strategies will adapt.

Session 2: The 2030 automotive retail market

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New car 2030
Explores innovations that are set to rewrite the automotive sector – electrification, connectivity, shared mobility and autonomous vehicles.
Cristiano Carlutti, expert associate partner, McKinsey

Session 3: Automotive retail business 2030

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The investment view
Examining investment opportunities, including emerging and established disrupters, manufacturer R&D and how retail groups can remain attractive to shareholders.
Mike Allen, head of research, Zeus Capital

The adapter view
Barclays takes to the stage to provide insight into a new era of banking and how businesses can adapt.
Nick Kerigan, managing director, future payments in cards & payments, Barclaycard

Conference chairman: Tony Whitehorn, former president and chief executive, Hyundai UK

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AM IN-DEPTH: FINANCE & FUNDING /

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- How the FCA motor finance review affects dealers
- DiC changes
- Commission disclosure
- Funding pressures
- Building cash reserves

In 2016, 52% of respondents to our Brexit poll said they wanted to leave the EU. Now, as we face six more months of uncertainty...

...60% WANT TO REMAIN

FULL POLL RESULTS / IMPACT ON VEHICLE & PARTS SUPPLY / STAFFING ISSUES /

PAGES 6-13

EDITOR'S LETTER

Thank goodness the March new car market wasn't abysmal, because there are plenty of other things to feel anxious about at the moment.

Are we coming out of the EU or not? Will we get a trade deal or not? Our Brexit insights on pages 6-13 show many of you have already experienced the impact of a Government seemingly unable to govern, and some indeed now regret the vote that led to the current saga. It'll all get sorted out one day, I keep telling myself.

Meanwhile, as we finalised our in-depth dive into Finance And Funding (page 41) and prepare to discuss the future of retailing and finance at our May 21 Automotive Retail Congress, the International Monetary Fund published a report alerting financial institutions to its concerns over borrowing levels. It sees the risk of global downturn rising as the credit cycle "is maturing".

Meanwhile, looking at the collapse of Debenhams, evolving consumers continue to bite UK businesses that fail to keep pace. The debt-riddled mid-market department store has struggled while lower-cost, lower-end stores such as The Range and B&M have risen rapidly and higher-end brands such as Next and John Lewis have succeeded in omni-channel retailing to survive.

Is there a lesson here in deciding firmly which end of the market to trade in?

T. Rose

MEET THE TEAM

Tim Rose
Editor

Tom Sharpe
News and features editor

Stephen Briers
Editor-in-chief

Jeremy Bennett
Head of digital/ associate editor

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BREXIT: MOTOR RETAIL SWINGS TO 'REMAIN'

Three out of four respondents in *AM*'s 'second referendum' believe 2016 Brexit decision has damaged the motor retail industry

The political and economic turmoil triggered by 2016's EU referendum vote appears to have transformed *AM*'s Leave-supporting majority of Brexit survey respondents into a win for Remain.

Three years after car retailers proved to be an accurate barometer of the public mood, with 52% indicating they would vote Leave, 54% of respondents to the 2019 follow-up survey claimed that they voted to remain when they entered the ballot box on June 23, 2016.

More significantly, a 59.6% majority of voters in our latest survey said they would choose to stay in the EU if they were given the chance again.

Of the 40.6% of respondents who said they voted 'Leave', 14.3% admitted that they would change their vote given a second chance.

Sue Robinson, the director of the National Franchised Dealers Association (NFDA), insisted that, despite *AM*'s referendum-mirroring survey result in 2016, "a majority of NFDA members, polled before the referendum, voted to remain".

She added: "NFDA is not surprised by the swing in sentiment, if there is, in fact, a swing. The potential impact of Brexit on the UK automotive industry and other important sectors was downplayed by politicians.

"Now that the consequences are a little clearer, it is not surprising that some leavers are reflecting on the challenge that lies ahead."

BITTER BREXIT EXPERIENCE

Almost three quarters (72.6%) of respondents to *AM*'s 2019 Brexit poll said the automotive retail sector had suffered as a result of the Brexit vote. About a quarter (24.4%) claimed it had not.

David Bailey, Professor of Industrial Strategy at Aston Birmingham Business School, said it was hard to accurately differentiate the effects of Brexit on the retail sector from those created by negativity and taxation changes surrounding diesel vehicles and the impact of the Worldwide Light harmonised vehicle Test Procedure (WLTP).

Bailey, who will speak at *AM*'s Automotive Retail Congress on May 21, said he was not surprised that many car retailers would have voted in favour of leaving the EU, however. He said: "Often (car retailers) are confident people, who feel that they can navigate through choppy waters.

"I'm not surprised that many of them may have voted to leave, but I'm equally not surprised that reality seems to have dawned."

Imperial Cars' operations director, Neil Smith, said he did not vote in the referendum, as he felt unable to decide given the lack of information.

However, he added: "The Brexit situation only has to hit the confidence of 10% of consumers and that's 10% of potential car sales put at risk. That would hit the sector extremely hard."

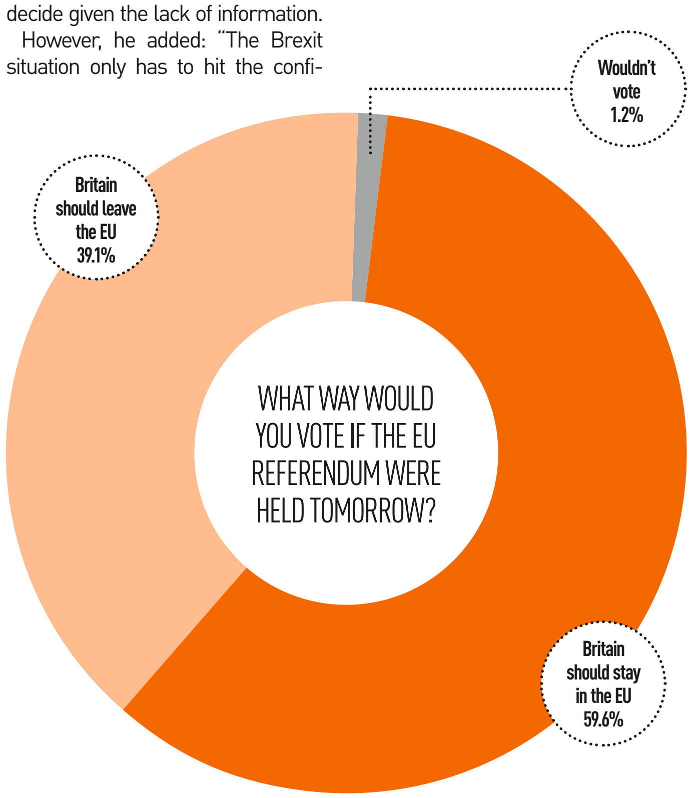
Paul Goodwin, managing director of Arbury Group, described the three years since the vote as a "disastrous period in terms of the flow of information reaching businesses and the general public about Brexit".

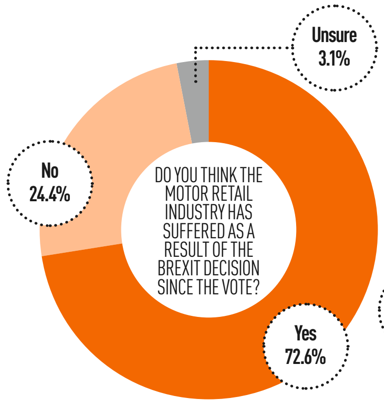
"For me, the biggest concern is that there has never been a bigger disconnect between Government and the people," he said.

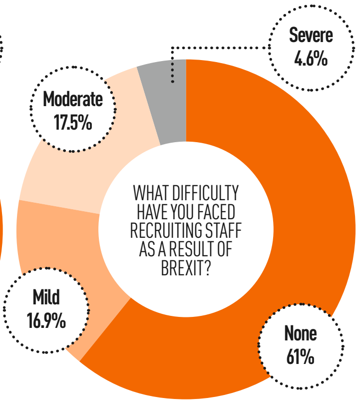
LEGAL LOWS

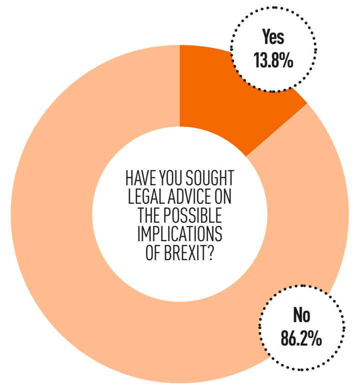
Despite the limited flow of information, *AM*'s 2019 survey reflected retailers' earlier apparent reluctance to seek legal advice to assist their Brexit preparations.

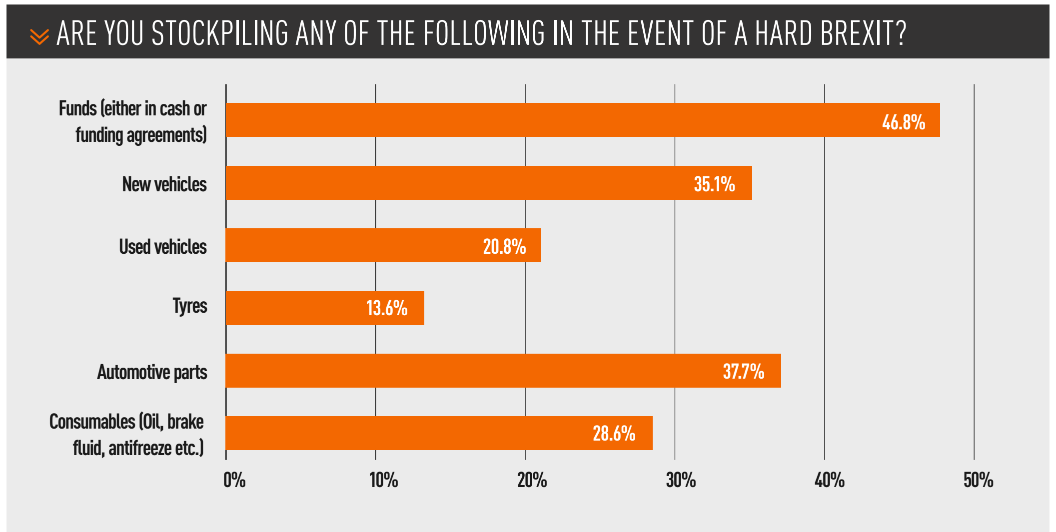
In 2016, just 5% of respondents said they had sought legal advice. Three years on, that figure had risen to just 13.8%.











Goodwin was the only retailer *AM* spoke to who had. He said: "Our solicitors helped us to alter some of the wording on our contracts with customers and suppliers to account for potential pricing changes in the event of additional post-Brexit taxes and tariffs."

Bailey said he was surprised that retailers had not sought legal counsel in greater number "given the amount of time and effort that legal companies have put into researching the impact of various outcomes".

However, Nona Bowkis, legal advisor at Lawgistics, said legal professionals had little advice to offer at the moment.

She said: "A lot of the bigger legal firms have issued advice, but that's been more to do with supply chains. Very little has filtered down into the key issues which will affect car retail.

"For now, it's a futile exercise. We'll be ready to go as soon as we know what is actually going to happen."

Goodwin said Arbury's manufacturer partners had been supportive and kept him updated on their Brexit plans.

However, just 42.4% of our survey respondents said they had received assurances from their manufacturer partners about vehicle supply post-Brexit. *[See 'Brexit: The impact on vehicles and parts supply' on Page 8.]*

Retailers have clearly been making preparations, with 46.8% saying they have stocked up on funds; 35% on new cars; 20.8% on used cars; 13.6% on tyres; 37.7% on parts; and 28.6% on consumables in anticipation of potential import restrictions.

EU WORKFORCE EXODUS

The Brexit vote has had "no impact" on recruitment, according to 61% of respondents, with just 4.6% stating that their business's staffing had been severely affected. *[See 'Brexit: The impact on staff' on Page 10.]*

Many of the worst-affected areas may be those outsourced to third parties.

Martin Peters, sales director at valeting service provider Autoclenz, said: "The truth is that UK residents just don't want to fill the kind of labour-intensive jobs that we offer.

"Talk that the UK might only accept skilled workers earning over £30,000 is completely arse about face. Currently, 78% of our operatives are Eastern European. If the flow of labour stops, then we will have serious issues."

He added: "The idea that these people have come here to take our jobs is simply a myth."

Bowkis said changes to EU employment law will be at the top of Lawgistics' agenda once the Government's exit plan is finalised.

While the impact of legalities on the employment of foreign nationals in the automotive sector may not be fully felt until after Brexit, there are suggestions that a shifting dynamic between the UK and EU may already be having an impact.

AutoTech Recruit managing director, Gavin White, said the migration of skilled technicians from the EU had not escalated since the Brexit vote, but had been ongoing for a decade.

He said: "I think it is an EU-related issue. As funding has been channelled into countries like Poland, so workers have been going back to work in their home nations."

TOM SHARPE

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BREXIT: THE IMPACT ON VEHICLES AND PARTS SUPPLY

To offset the risk of gridlocked ports and 10% tariffs in the event of 'no deal', some manufacturers pushed as much stock as possible into the UK in Q1

Prior to the original March 29 Brexit day, car manufacturers filled the UK to the brim with new stock to avoid the fallout of a 'no deal' exit, with some dealers telling *AM* that brands had pressured them to pre-register as many cars as possible.

Fraser Brown, the managing director of automotive retail consultancy company MotorVise, said: "I have been told that some Volkswagen Group brands have auto-shipped every vehicle in Port of Tyne, Sheerness, and Grimsby to dealers, regardless of their ability to store them.

"Other manufacturers offered huge incentives for dealers to register vehicles at the end of March."

A Volkswagen Group spokesman said that while it had increased its UK stock by 20,000, to 54,738 vehicles as *AM* was going to press, it had sufficient storage capacity not to push them out to its dealers.

Mike Jones, ASE chairman, said the approach to new car supply differed depending on the franchise.

He said: "Pre-reg over Q1 is actually on the same level as last year, there hasn't been an industry-wide boost in that direction.

"Every manufacturer and dealership is just planning as best they can with the information they have, but it's moving and morphing all the time."

A LOGISTICAL 'NIGHTMARE'

Olivier Thouard, customs and tax director at Gefco, a logistics specialist that moves vehicles for Peugeot, Citroën, Ford and Jaguar Land Rover, confirmed that it has been working with its partners over the past 12 months to get greater volumes of vehicles into the UK in Q1.

He said manufacturers had filled Gefco's stock facilities to the brim, leaving no space for them to continue this tactic into Q2.

Thouard said that in the event of a no-deal Brexit: "There will likely be delays as vehicles are either stopped in port or asked to move to another location to be checked if vehicles are not allowed to stop."

Karl Davis, managing director at Coachworks Consulting, said some of his clients reported chaos at some ports as the extra vehicles created log-jams that delay dealer deliveries.

He said the situation has not been helped by a lack of transparency on the whereabouts of some ordered vehicles.

Davis urged all manufacturers and national sales companies to prioritise the delivery of dealer orders and keep their retailer partners in the loop.

"Some deliveries are being significantly delayed by this stockpiling, which isn't just disappointing customers, but impacting which accounting period sales will be shown in," he said.

"One client told us the delayed delivery of cars wiped out £250,000 profit which would have gone into March and Q1.

"These delays will also have a negative impact on the motivation of sales staff as sales targets are being missed and that is hitting their pay packets."

Ben Waller, associate director at automotive distribution researchers ICDP, said the pull forward of vehicles has affected logistics into and within the UK and has put pressure on storage space at both centralised distribution centres and at dealers.

Waller said: "Many carmakers have bought additional storage capacity, but have still run out of space and so have been pushing some cars through to dealers."

He said there is a risk of "significant overstocking and discounting over the coming months".

Waller said this extra inventory will incur significant additional costs for both carmakers and dealers: "The impact of the contingency planning on the new vehicle supply chain into the UK has been significant, including ships being held at European ports in March due to lack of unloading capacity at UK ports, the costs of additional carmaker storage and the cost and management pressures generated by additional stock arriving early at dealerships during a peak sales month of March."

A further complication is that registrations fell in Q1, with ongoing uncertainty over Brexit partly to blame. This means dealers' ability to absorb additional supply is limited.

Brown said that while some manufacturers are distressing the market through wholesale stock pushes, others are managing stock to make sure they are being sold through natural retail demand.

He said: "Some manufacturers will be looking at the minimum volume necessary to sustain a market and a dealer network viability in 2019. Vehicles will move to the most profitable markets until Brexit settles down.

"Although there is political uncertainty in the UK, it should never be discounted as a market. It's still one of the largest and most mature vehicle markets in Europe."

Ian Plummer, Auto Trader's manufacturer and agency director *[see our interview with Plummer on Page 35]*, said manufacturers have already shifted to holding three quarters of their stock in the UK anyway, with the remainder build-to-order. The potential for a no deal Brexit will accelerate that trend.

He said: "Some brands planned to get cars into the UK early. It mitigated the risk in Q1 and we see that continuing into Q2.

"If you have no visibility on the future, the best way to mitigate the risk is to get vehicles into the UK now."

Waller said: "Unlikely though no-deal seems, the contingency and scenario planning for a worst-case Brexit by several carmakers anticipates a fall in sales similar to that following the 2008 financial crisis.

"While extra inventory has been brought into the UK, carmakers remain cautious and, like everyone else, are hoping that contingency plans will remain on the shelf or will have to be absorbed as an expensive insurance policy."

> "THE CURRENT UNCERTAINTY IS AN OPERATIONAL AND PRODUCTION PLANNING NIGHTMARE FOR CARMAKERS, COMPONENT SUPPLIERS AND LOGISTICS SERVICE PROVIDERS" **BEN WALLER, ICDP**

THE EFFECT OF TARIFFS

In the event of a no-deal Brexit on the new leave date of October 31, the UK would switch to World Trade Organisation rules, resulting in a 10.6% tariff on all finished cars and trucks. To prevent disruption to supply chains, the UK has set the tariff on car parts imported from the EU at zero.

Erik Jonnaert, the secretary general of ACEA, the European association of vehicle manufacturers, said profit margins in the automotive industry are significantly lower than 10%.

"These extra costs will either be passed on to the consumer or will have to be absorbed by the manufacturers," he said.

SMMT chief executive Mike Hawes said: "The car tariff could result in an average £1,500 uplift to sticker prices."

David Bailey, professor of industrial strategy at Aston Business School, who will be speaking about the Brexit saga at *AM*'s Automotive Retail Congress on May 21, said model ranges may shrink as a result.

Niche products or models already pushing the boundaries on price for some franchises may no longer be viable following a 10% price increase.

THE EFFECT ON VEHICLE PLANTS

According to SMMT estimates, 1,100 trucks enter the UK from the EU every day to deliver parts worth a total of £35 million to car and engine plants; 5,100 cars and 5,750 engines are exported and 1,300 vehicles are distributed to UK dealerships.

Hawes said a 'no-deal' Brexit risked delays due to border checks, increased red tape and subsequent queues at ports.

Several UK car manufacturing plants had scheduled shutdowns around March 29, but now the leave date has been postponed, shutdowns may be extended, rescheduled, or at best, rendered unnecessary.

Waller said: "The current uncertainty is an operational and production planning nightmare for carmakers, component suppliers and logistics service providers as production requires clear and fixed scheduling and sequencing of supplied parts.

"Plant shutdowns often have a short-term impact on the stability of the production schedule, and this may mean delays in supply of new cars from UK plants – even in the event of no disruption to supply into the UK in the coming weeks – which dealers may struggle to explain to customers."

LANDING COSTS

Brown said manufacturers need certainty on what the landed cost of their vehicle is going to be.

"Manufacturers will want to get the profit bagged for every vehicle as long as there is certainty around that landed price."

He said that extended negotiations "will throw exchange rates into flux and the potential tariffs will remove any certainty around a vehicle's landed UK price".

For vehicles leaving on ships that take six weeks from leaving the factory to arriving at UK ports, there is no clarity on what that landed price will be.

While models built in non-EU markets such as Japan will be less affected, Asian manufacturers with plants in Europe, such as Kia, may not be able to avoid price rises.

TOM SEYMOUR

SMUGGLER'S PARADISE?

Under WTO rules and a no-deal Brexit, a tariff of 10.6% would be added when a vehicle crosses the UK-EU border.

However, the UK Government said it would not introduce checks or controls on goods moving from the Republic of Ireland to Northern Ireland.

There will instead be an "honesty-box" approach, with all exports to Britain through NI paying the relevant tariffs electronically, rather than at border control in Ireland or in a UK port. This puts the onus on the EU for any border infrastructure that has to be put in place.

Mike Jones, ASE chairman, suggested that the scheme raised the possibility of dealer groups in NI registering and then shipping pre-reg vehicles to mainland UK to avoid the 10.6% price hikes.

The fact that a UK industry is even talking about the possibility of what sounds like smuggling highlights the level of confusion about what is going to happen in the event of a no-deal Brexit.

David Boyd, managing director at Roadside Kia in Coleraine, said: "We have been given no indication that NI would be treated any differently, so 10% tariffs would still be applied to cars arriving here."

Dr Holger Hestermeyer, Shell reader in international dispute resolution at King's College London and currently Mid-career Fellow at the British Academy, said the politics surrounding Brexit are so toxic, that it is guesswork to think of what policies will be put in place at borders.

Hestermeyer said: "The UK's Department for International Trade (DIT) has announced that the UK will not check the NI border – and, indeed, that the UK will not impose tariffs.

"The position seems to be that there would be no controls, but still some form of monitoring. I have seen no official announcement how precisely this would work – and it raises the question whether this does not imply imposing a border in the Irish Sea."

Hestermeyer said there is a very real possibility of goods being transported through NI to avoid tariffs and clarity will be needed.

He said: "As currently announced, the NI tariff policy has little chance of surviving – or even being implemented as it stands."

A WTO spokesman said: "We have no comment until the situation regarding the UK's departure from the EU is clearer."

PARTS SUPPLY

The fact that parts won't attract tariffs in the event of no deal will reassure dealers worried about costs going up.

However, any confusion or increased red tape may delay the flow of parts. It's a system that has become extremely slick, with Steve Nash, IMI chief executive and former after-sales director for BMW Group UK, saying that when he was working for the German premium brand, he could get parts from Germany, onto a train and onwards to any destination in the UK within 24 hours.

Nash said: "Customers and dealers are used to having the convenience of parts availability on a 24-hour turnaround.

"Dealerships have also moved away from having the ability to stockpile large quantities of parts. They have got so used to having multiple parts deliveries a day that if the industry was called on to store more parts, there wouldn't be the capacity to do so."

Nash said it would then have to come down to the manufacturers to make sure they had parts warehouses big enough to store inventory.

Davis said one dealer client hedged its bets by instructing its sites to increase their stock holding of fast-moving service parts to cover at least three months' worth of disruption should supply issues arise.

He said: "We would advocate any well resourced group or single site do the same, as they will eventually work their way through the stock no matter what happens with Brexit.

"The challenge will be whether the manufacturers would be able to meet a wide-scale increase in demand for these parts."

BREXIT: THE IMPACT ON STAFF

Automotive employers are being forced to increase salaries to attract workers as Brexit uncertainty and ongoing industry training issues shrink the pool of potential recruits

Increases in automotive pay alongside an increase in the number of vacancies in the sector suggest that Brexit is having an effect on motor retailers' recruitment.

CV Library's analysis of the job market in March found that automotive industry salaries had increased 5.2% year-on-year and vacancies were up 3.1% in the month, compared with February. It also recorded a 3.5% increase in new applications to the automotive industry.

Lee Biggins, founder and chief executive of CV Library, said: "In response to uncertainty surrounding the outcome of Brexit, automotive employers increased their hiring efforts by pushing up salaries and job seekers have been listening."

Steele Dixon, an automotive recruitment specialist, said it is enjoying its best quarter in its 58-year history, following a 75% increase in its business in Q1.

Ed Steele, Steele Dixon managing director, said his company specialises in the senior end of the market, and in that area there has been no hesitation for people to move jobs.

The company has worked on nine financial director vacancies over the first three months of the year, which Steele said is unusually high.

"It's been said that you hire financial directors when you're in a downturn and marketing directors when things are good, but that's not the reason behind these appointments," he said.

"They have been down to businesses needing to replace people, rather than groups that are struggling financially and need someone to wrestle things back."

Steele said the 2008 recession forced dealer groups to continue to run lean on staff and that practice has never really changed. Combined with the ongoing decline in the number of franchised dealerships in the UK, that makes drastic headcount reductions unlikely in the near future.

Steele said he has been encouraged by the fact that some dealers are already building up stocks of CVs so they can have candidates ready to go if a vacancy comes up.

He said: "The recruitment market feels very positive right now. As this Brexit saga goes on and on, I think it becomes less relevant to the people at the coalface that are getting on with the job."

Automotive Recruitment Consultants (ARC) works with a wider cross-section of automotive retail vacancies and director Chris Highfield said there has not been an industry-wide pause on recruitment due to Brexit.

However, he said sentiment did start to change in the run-up to the original March 29 exit date.

Highfield said: "Initially, there was a problem when the referendum announcement came out. We saw a drop in the market, but that started to level out over the following months.

"As we've got to the back end of 2018, that feeling has returned as we get closer to a leave date."

This has manifested with dealer groups not looking to replace someone that leaves. If a team of four can tackle what was previously done by a team of five, they will make do.

He sympathised with the position dealers have been put in.

Highfield said: "If you don't know what's going to happen with your business in the future, you do become more cautious and investing in staff or training is naturally going to come under review.

"It's a commonsense approach."

He thinks the outcome of the Brexit process is less important than settling the issue: "People just want to know that it's sorted either way and I think when we get a decision and we can move forward, people will generally start to feel a bit more comfortable."

However, not everybody is convinced that uncertainty is the only thing affecting recruitment. An end to freedom of movement will have an impact on the number of people available to take on valeting and facilities management roles.

Ousman Njie, director of Coventry-based independent used car retail operation Motonet.com, said his business was already feeling the effects with its vehicle preparation "really suffering" due to the decision of a Polish employee to return home ahead of the official departure date.

Heath Evans, managing director of Assured Group and chairman of the Association for Contract Valeting, said there has been a consistent contraction of labour available for the valeting part of the industry.

Evans said consistent uncertainty is reducing the pool of contract staff available to take on unskilled jobs, the majority of which he said are filled by those from Eastern European countries. Assured ➔

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Group saw its recruitment pool drop by 40% last year.

Evans said: "There is no appetite from British unskilled workers to take on these jobs, mainly down to the level of pay."

He said there is also a lot of confusion for seasonal staff around whether they are allowed to stay in the UK after Brexit or whether they will get access to healthcare.

Nor are the effect confined to EU citizens. The Porsche Retail Group managing director Ade Smith said he was concerned about the impact of Brexit on aftersales teams and said one of his centre managers had decided to return to New Zealand after the referendum result.

The Government has indicated in a Home Office White Paper that it will look to offer lower-skilled and unskilled migrants from "low-risk countries" the ability to seek work for up to a year in post-Brexit UK. This scheme would run until 2025.

The Government hopes this measure will help businesses that are reliant on immigrant labour to continue trading after the end of freedom of movement.

Those using this route would not be able to bring family members or access benefits.

Steve Nash, IMI chief executive, said it's all too easy to throw every problem the motor industry is facing into the Brexit bucket.

He said cutting back on recruitment and training is something the industry has been guilty of during every downturn.

However, Nash said there has been a noted increase in the number of technicians from Eastern Europe either returning home or moving to other more prosperous markets as the pound has weakened.

He said: "If they are working here to send money back home, it has become less viable.

"Those technicians went some way to helping fill that need for technicians in the UK, but, regardless of Brexit, we have always been in a situation where there has not been enough technical staff to fill the roles available."

Nash said the confusion around the Apprenticeship Levy has exacerbated the impact of Brexit as dealers struggle to understand how they can access funding to get new blood into the industry.

Nash, previously aftersales director for BMW Group UK, said he understood how immediate the motor retail industry can be, particularly when a downturn hits.

He said: "You have some groups like Sytner that ramp up investment in training and recruitment, but others will be cautious and find themselves in a situation where they're not able to as easily accelerate when things swing back the other way."

For those dealer groups struggling to recruit or find candidates in the current climate, Nash urged dealers to investigate the potential of the Apprenticeship Levy – and not just for technical roles.

He said: "There are apprenticeships available for finance and management roles.

"The job is changing so dramatically with the onset of electric vehicles. EVs, advanced driver assistance systems and automated technology is something to get young people excited about when convincing them to join the industry."

Highfield agreed that the industry needs to be more forward-thinking about its recruitment needs. Of the 200 or so vacancies ARC is working on, about 30% are for technicians.

He said: "The problem you have with a pause or slowing of training in the industry is that you can't get enough people ready for the future on technical roles.

"We're seeing a mixture of that and then, from an anecdotal perspective, immigrants that came over to work in technical roles are also leaving due to Brexit. Overall, it means there are fewer candidates and there aren't enough people being trained to fill the gap."

Highfield said this cyclical nature of the industry has happened time and time again – there's political or economic turmoil, business becomes cautious and cuts back on training, then you're left with a skills gap. TOM SEYMOUR

> **IF YOU DON'T KNOW WHAT'S GOING TO HAPPEN WITH YOUR BUSINESS IN THE FUTURE, YOU DO BECOME MORE CAUTIOUS AND INVESTING IN STAFF OR TRAINING IS NATURALLY GOING TO COME UNDER REVIEW**
> CHRIS HIGHFIELD, AUTOMOTIVE RECRUITMENT CONSULTANTS

ADVERTISING FEATURE

BCA builds for the future with apprenticeship and graduate development

By Stuart Pearson, COO, BCA UK Remarketing

BCA's commitment to developing its people continues with significant uptake for both apprenticeship and graduate development programmes.

The programmes have been established to provide the current workforce with up-to-date training, to build a future skills base that meets the future needs of the industry and to attract the best new talent with the potential to become future business leaders.

BCA now offers an expanding list of more than 35 different qualifications covering a wide range of disciplines, with a 'Lean improvement practitioner' course the most recent addition.

Apprentice numbers at BCA increased significantly during 2018, with a combination of new recruits undertaking qualifications, from Level 2 business and administration right through to a number of existing employees studying for qualifications at Level 7 – master's degree.

The success of the original graduate programme launched just five years ago, has already seen a number of successful candidates rise quickly through the business into influential leadership roles.

In 2019, the business launches its new 'BCA Fast-track Management Programme' which allows both new graduates and current employees the opportunity to cover an accelerated cross-divisional programme.

■ Log on to bca.co.uk or call 0844 875 3480

BCA

THIS MONTH'S NEWS HIGHLIGHTS

IN DETAIL
To view the full story go to am-online.co.uk/news

MAR

15

VW AND WINTERKORN SUED OVER ALLEGED EMISSIONS FRAUD
The US Securities and Exchange Commission is attempting to sue Volkswagen and its former chief executive Martin Winterkorn (right), claiming that VW issued more than $13bn (£9.8bn) in bonds and asset-backed securities between April 2014 and May 2015 – a time when, it alleges, senior executives were aware that 500,000 vehicles exceeded legal emissions limits.

25

ENDEAVOUR TAKES OVER HYUNDAI WESTFIELD STORE

Endeavour Automotive has taken over the operation of Hyundai's Westfield Stratford City car retail store just 13 months after Motorline took control of the operation from Rockar and Hyundai Motor UK. It will be operated as a satellite facility of its Hyundai North London showroom.

Speaking to *AM*, Endeavour's managing director, Adrian Wallington (pictured, right, with Endeavour founder John Caney), said that all the existing staff at the store – some of which are original Rockar recruits from its opening in 2015 – will be retained.

26

HALLIWELL JONES PLANS SITE EXPANSION FOR BMW RECALL
Halliwell Jones' Warrington BMW dealership has lodged a planning application, which, if successful, would allow it to make use of derelict land to store 150 vehicles in preparation for the arrival of vehicles subject to the brand's "safety-critical" recall.

27

PENDRAGON WINS APPEAL OVER 'MISLEADING' USED CAR AD
Pendragon successfully appealed its £134,000 conviction for advertising an ex-rental car as having "one previous owner". In an appeal hearing at Teesside Crown Court, Judge Howard Crowson found that the ex-business use of the car would have had no effect on its value.

28

JLR ARCH RESTRUCTURE IS BEHIND SCHEDULE
Jaguar Land Rover's Arch Concept car dealership network restructure remains just 60% complete, despite hopes that an "aggressive" original schedule would deliver changes to almost every retail site by the end of 2018. *AM* understands some AM100 groups have deferred work due to Brexit and concerns over long-term return on investment.

29

HENDY ACQUIRES WESTOVER GROUP
Hendy Group's acquisition of Westover Group should put it into the top 15 of the AM100 from 29th place last year. Hendy generated £555 million revenue in 2017 against Westover's £336m. Hendy chief executive Paul Hendy (pictured) said it would remain "business as usual" as the new businesses were integrated into the group.

APR

1

VWFS AND DROVER LAUNCH MONTHLY SUBSCRIPTION SERVICE
Volkswagen Financial Services and Drover are trialling a vehicle subscription service offering access to a vehicle from £514 a month. Calculated on a 'just add fuel' basis, the price includes the car, comprehensive insurance, VED road tax, servicing, maintenance and breakdown cover, with no deposit.

TRADE CENTRE GROUP REPORTS 44% TURNOVER GROWTH IN 2018
The Trade Centre Group reported a 44% rise in turnover, to more than £253 million, and pre-tax profits of £21m in 2018. The results include sales generated by the group's new Coventry car supermarket. Chief executive Andy Coulthurst (pictured) said: "We will continue to make further investments in 2019 to improve our efficiency and service levels, including launching an in-house dealer management system"

2

VOSPERS OPENS FIVE-BRAND EXETER SUPERSITE
Vospers opened the doors to its £15 million car retail super site, bringing together Ford, Mazda, Alfa Romeo, Jeep and Fiat dealerships in one 45,000 square-foot development in Exeter. The opening came days after Lookers 'cut the ribbon' at its £10m three-storey Volkswagen showroom in Battersea.

3

FORD UNVEILS NEW PUMA AND EV KUGA MODELS
Ford announced the return of the Puma and unveiled its new Kuga SUV as it outlined plans to introduce a range of electric vehicles. The all-new Kuga SUV will be the first Ford to feature mild-, full- and plug-in hybrid (PHEV) powertrains alongside traditional engines.

ADVERTISING FEATURE

The technician of the future

By Alistair Horsburgh, CEO, CitNOW

Electrification and connected vehicle technology, along with the autonomous future of vehicles, mean the aftermarket will change dramatically in the coming years, and the skills technicians require will evolve.

To find out how the role of the technician will change, CitNOW surveyed automotive professionals, and motoring consumers as part of its 'The Workshop Professional of the Future' report.

In five years' time, the majority of technicians believe hybrid and electric vehicle knowledge will be the most important skills in the workshop, followed by mechanical knowledge and the ability to use electronic diagnostics tools. The top three skills of the past 10 years were seen as mechanical knowledge, the ability to work in a team and being a problem solver, so there has been a significant change in skillset.

Three quarters (76%) of technicians believe electric and hybrid technology will be most popular on new cars in 10 years' time and workshop expertise in these will be twice as important in the next decade, increasing from 18% to 42%. In addition, almost nine out of 10 technicians (89%) said they either 'strongly agree' or 'somewhat agree' that the growing use of technology will be an increasingly important skill.

With this growth in the use of technology in the workshop, personalised video will play a key part. Technicians will need to rely on video to explain the unfamiliar terms to the consumer such as battery conditioning, battery packs etc. and hone their presentation skills to be able to offer simple explanations of the more technical elements of the car.

■ **For more details, please contact us at reply@citnow.com, call 01189 977 748, or visit www.citnow.com**

CitNOW

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FREE

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Employees at our 2018 Best Dealerships felt supported, respected and recognised for their good work. They have strong connections with their supervisors and can share their opinions or feedback. They also feel rewarded, with chances to progress their careers, training and a broad range of staff benefits.

If your workforce feels similarly, register your dealership for our 2019 programme, run in partnership with Best Companies Group. It's totally FREE and there is no risk – if your survey results are not strong enough to make the listing, no one outside your business will ever know. But if they are, you will be celebrated as one of the best.

Benefits

What the businesses that become 2019 AM Best UK Dealerships To Work For get:

- FREE use of AM Best UK Dealerships To Work For logo for your recruitment marketing
- FREE Best Dealership To Work For trophy to display in the workplace, and press release templates for your use
- FREE registration to our flagship Automotive Management Live 2019 exhibition at Birmingham NEC, where the awards will be presented
- FREE publicity in *AM* magazine and AM-online
- FREE The head of the overall highest-scoring dealership will receive a VIP invitation to the 2020 AM Awards, to join *AM* on the front tables, and to be presented with their award again on the grand stage at our flagship event
- OPTIONAL You can purchase a detailed report from Best Companies Group, with your employees' anonymised responses to each of the survey's questions, verbatim comments and benchmarking data. This is purely optional. No purchase is necessary to take part
- A risk-free way to assess and promote your dealership

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BARCLAYS

Q1 MARKET REVIEW

MILD MARCH FALL HIDES BIG SHIFTS IN NEW CAR MARKET

Plummeting Mondeo and Fiesta drag Ford below 10% market share for first time since 1911

For a country going through difficulties/an existential crisis (depending on your viewpoint), the March 2019 registration figures look quite reassuring. A fall of 3.4% for the month and 2.4% YTD looks more like a ripple than a tsunami. However, it should be remembered that March 2018 was a terrible month, with the "Beast from the East" driving buyers off the forecourts. A more meaningful comparison is with March 2017, which was 18.5% higher than March 2019 – that is a loss of 104,000 sales in two years.

By far the biggest loser has been Ford, whose registrations are down 17.3% YTD. As discussed last month, the biggest fall in unit terms has come from the Fiesta which has lost more than 9,000 units YTD (-28.5%), but, percentage-wise, the large cars are in the biggest trouble. Ford has pretty well given up on the Mondeo (down 47.1% to just 1,338 registrations YTD – fewer than the Mazda 6).

Meanwhile, the Ford Edge is looking distinctly blunt, with YTD sales down 76.1% to a negligible 231 units. The just-announced Puma, a B-segment crossover due later in the year, needs to be a major success if it is to stop the rot.

In fact, Ford's continued market leadership in the UK, dating back to 1977, cannot be guaranteed. Volkswagen (8.5% market share) has more than halved the gap to Ford (9.7% market share). Indeed, this is the first time Ford has fallen below 10% of the UK market since it opened its first UK factory – and that was in 1911.

The main reason behind VW's growth is the increase in the sales of crossovers and SUVs. The new C-segment T-Roc has added 4,000 registrations YTD, while the Tiguan (a bit bigger, but in the same segment) has increased sales by 7.6%. VW's crossover onslaught will continue this year with the B-segment T-Cross, which is just going on sale (how many VW salespeople, let alone customers, will manage to remember the T-Cross, T-Roc, Tiguan, Touareg hierarchy?). To add insult to injury, even the big Touareg is having a mini-sales boom, with registrations quadrupling to 975 units YTD at a time when most big non-premium crossovers are struggling.

Behind VW, Vauxhall has had a mini-revival in the first quarter, with market share up from 7.4% to 7.6% YTD. The rise has come from creditable increases by models such as the Grandland X (up 64.2%) and Crossland X (up 43.9%), but also increases that seem to defy logic. Does a rise of 15% in registrations of the Corsa really reflect a new-found enthusiasm among the buying public for choosing this pensionable supermini over a new Fiesta or Polo?

Behind Vauxhall comes the usual Mercedes/BMW/Audi triumvirate, but the real interest comes further down the table. Kia (4.3% market share YTD) has overtaken Nissan, and is not far behind seventh-placed Toyota. That is a remarkable performance for a brand that was bankrupt in the late 1990s, and whose revival is not much more than 10 years old.

However, there is one storm-cloud over Kia, and its parent, Hyundai, in Europe. Transport and Environment (T&E), an environmental organisation, has analysed all the major car companies to see how they are placed to meet the 2021 target of 95 g/km of CO_2. They said the two groups in serious danger of having to pay fines were Fiat Chrysler (FCA) and Hyundai-Kia. In early April, 2019, FCA said it would pay Tesla to pool its sales with FCA's to meet the EU target (the EU allows manufacturers to pool sales before the figures are calculated, primarily so that companies in the same group can have a single calculation – e.g. BMW and Mini). Fiat's move suggests that T&E's calculations are correct, in which case Hyundai-Kia will have to change its model mix to sell more low-CO_2 cars – and a few hydrogen-powered halo models are not going to make much of a difference.

At a segment level, the market is consolidating remorselessly. Despite all the talk 10 years ago about how the number of models is proliferating, just three segments now account for 80.6% of total sales (supermini, lower medium and SUV). That compares with 71% seven years ago. Some of the other six segments look to be near extinction.

City cars are down to 7.1% share and the future looks difficult. A petrol-engined city car struggles to meet the CO_2 target of 95g/km on the new WLTP cycle, and an electric city car will be an expensive niche vehicle for at least a few more years.

Upper medium models are already down to just 2.1% market share, and the segment only continues because a few manufacturers sell enough of them globally to make UK imports worthwhile. The closely related Compact Executive segment is faring slightly better, at 4.4% market share, but is still down by 19.4% YTD. As Jaguar has found with the XE, remaining buyers are wedded to their traditional Audi/BMW/Mercedes choices.

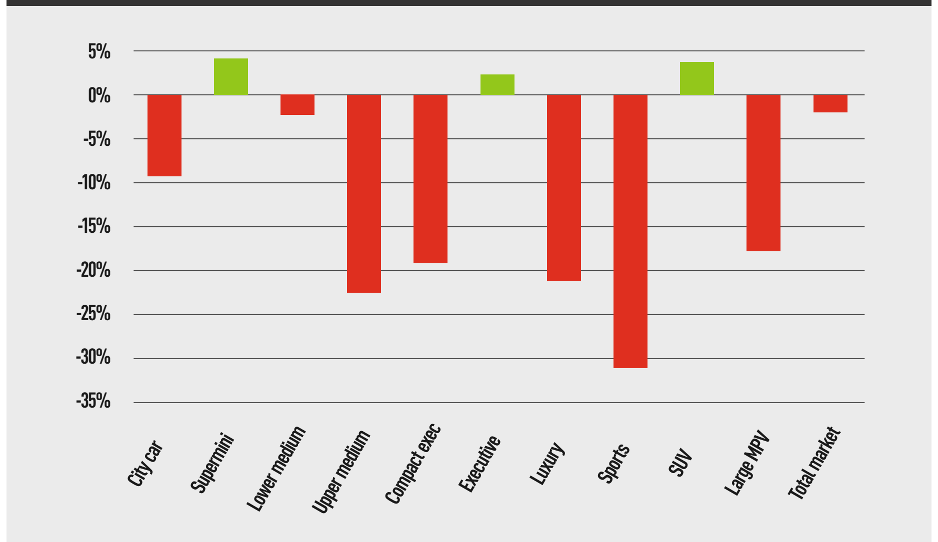
Of the other segments, Executive (e.g. 5-Series) and Luxury (e.g. S-Class) are relatively stable (luxury is down by 21.3% YTD, but it is close to its long-term average of 0.4% market share). However, affordable sports cars may become affordable sports *car* – only the Mazda MX-5 appears to have much of a future.

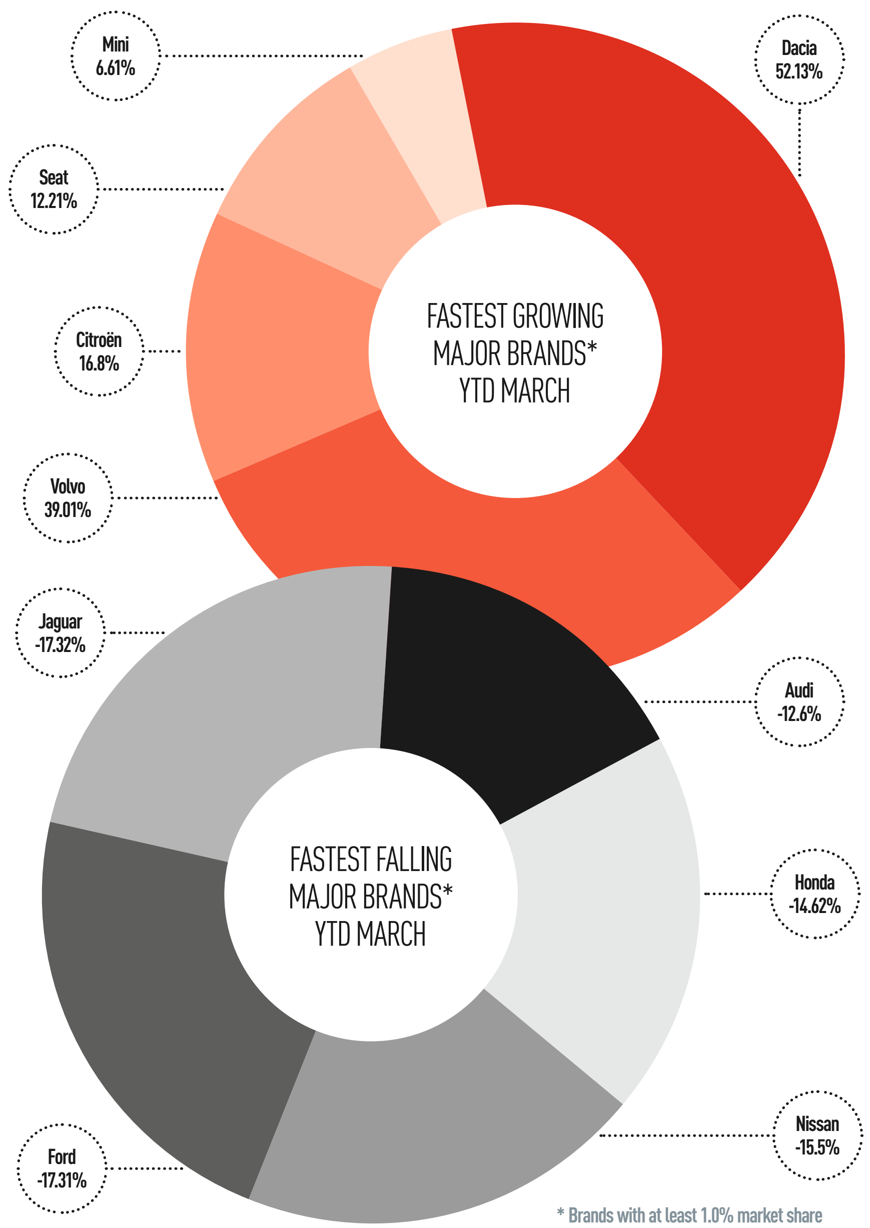
Luxury sports models and supercars are doing reasonably well, but sports cars overall are down to a record-low market share of just 1.1%. It is no coincidence that two of Ford's crossovers (Kuga and Puma) recycle the names of sports cars (albeit with new spelling in the case of the Cougar/Kuga). Crossovers really are the new sports cars.

Meanwhile, large purpose-built MPVs appear to be on death row. Mercedes has sold more van-based MPVs than Ford has sold Galaxies and S-Maxes YTD – what is the point of designing a new MPV when you can get the same sales from adding windows to a van?

DAVID FRANCIS

SEGMENT PERFORMANCE YTD MARCH 2019





* Brands with at least 1.0% market share

SPONSOR'S COMMENT

By Richard Jones, managing director, Black Horse

I continue my reflections on the four key focus areas in the FCA's report on the motor finance market by today looking at product information and disclosures.

The FCA's concern, following mystery shopping, was around intermediaries, brokers and dealers not divulging key product features and other regulatory disclosures, including the existence of commission, early enough in the sales process to inform customer decisions.

It is vitally important that customers receive key regulatory disclosures and product features, such as implications of mileage, repayment, and vehicle ownership, before agreeing on the appropriate finance product for their needs. These terms must be explained in clear, plain English and be easily understood by all customers. As per CONC (Consumer Credit) legislation, the existence of commission in particular must be disclosed before entering into an agreement, with the amount also being disclosed if a customer requests.

It is perhaps widely assumed that a customer would know or expect a commission payment to be made. But we must not rely on this. It is incumbent on the intermediaries to be as transparent as possible about the benefits they receive for introducing customers to lenders.

Only once a customer understands the full package can they determine if it is the right one for their needs. The ability to monitor, track and control what information is provided to customers is of huge benefit to dealer groups and finance providers alike. Customer contact programmes and mystery shopping provide valuable feedback to individuals at the front of the customer journey, ensuring a collaborative culture of continuous improvement. We must all strive to drive forward standards and further improve professionalism and customer service across the industry.

NEW CAR REGISTRATIONS

'Additional friction' ahead puts SMMT's -2% estimate for full year in doubt

A 3.4% decline in the crucial March plate-change month's new car sales has left the SMMT's forecast of a 2% market decline by the year's end looking optimistic.

As a result of falls in private and business registrations, Q1 – traditionally the strongest period of the year – has ended down 2.4% year-on-year, a 16,015-unit reduction.

The Society of Motor Manufacturers and Traders fears there is "additional friction" ahead, due to continuing political and economic uncertainty. The industry is still working through WLTP-related supply delays, too.

Private registrations were down 2.8% in March and 0.8% in Q1, fleet registrations rose 0.3% in March, but fell 0.9% in Q1, and business registrations slumped 44.8% in March and 41.4% in Q1.

1 VAUXHALL
Sales rose 2% (746 units) in March, thanks to the Corsa (up 13%) and its crossovers, Crossland X (up 47%) and Grandland X (up 43%), which offset a -22% decline in Astra sales.

2 TOYOTA
A 7.4% drop (1,663 units) in March was mostly due to Rav-4 (-69%) and Auris (-89%) being run out ahead of their replacement models arriving in volume. Sales of the Yaris and C-HR rose 20% and 2% respectively, however.

3 VOLVO
Everything but the V40 hatchback outperformed March 2018 for Volvo, up 26.5% (2,183 units). The XC40 SUV, launched last spring, has become its best-seller with 2,577 sales in the month and 4,134 in Q1.

	March					Year-to-date				
Marque	2019	% market share	2018	% market share	% change	2019	% market share	2018	% market share	% change
Ford	40,755	8.90	50,257	10.60	-18.91	67,774	9.67	81,957	11.41	-17.31
Volkswagen	38,335	8.37	37,843	7.98	1.30	59,519	8.49	57,458	8.00	3.59
1 Vauxhall	37,769	8.25	37,023	7.81	2.01	54,924	7.83	54,535	7.59	0.71
Mercedes-Benz	33,536	7.32	33,194	7.00	1.03	51,873	7.40	51,173	7.12	1.37
BMW	30,330	6.62	31,649	6.68	-4.17	46,753	6.67	47,393	6.60	-1.35
Audi	28,132	6.14	29,968	6.32	-6.13	41,876	5.97	47,915	6.67	-12.6
2 Toyota	20,874	4.56	22,537	4.75	-7.38	31,981	4.56	33,215	4.62	-3.72
Nissan	19,962	4.36	24,561	5.18	-18.72	29,402	4.19	34,794	4.84	-15.5
Kia	18,345	4.00	18,094	3.82	1.39	29,954	4.27	28,751	4.00	4.18
Land Rover	16,680	3.64	16,655	3.51	0.15	23,840	3.40	23,815	3.31	0.1
Peugeot	16,318	3.56	16,301	3.44	0.1	25,242	3.60	24,643	3.43	2.43
Hyundai	16,317	3.56	18,526	3.91	-11.92	24,777	3.53	28,004	3.90	-11.52
Renault	13,723	3.00	14,531	3.07	-5.56	19,030	2.71	19,604	2.73	-2.93
Škoda	13,637	2.98	13,300	2.81	2.53	21,992	3.14	21,611	3.01	1.76
Mini	12,992	2.84	12,352	2.61	5.18	18,134	2.59	17,009	2.37	6.61
Seat	12,682	2.77	11,829	2.50	7.21	20,635	2.94	18,390	2.56	12.21
Citroën	11,023	2.41	9,050	1.91	21.8	17,136	2.44	14,671	2.04	16.8
3 Volvo	10,420	2.27	8,237	1.74	26.5	16,204	2.31	11,657	1.62	39.01
Honda	10,043	2.19	11,896	2.51	-15.58	15,485	2.21	18,137	2.52	-14.62
Mazda	8,791	1.92	10,085	2.13	-12.83	13,058	1.86	14,172	1.97	-7.86
Fiat	8,325	1.82	8,524	1.80	-2.33	10,956	1.56	11,544	1.61	-5.09
Jaguar	8,182	1.79	6,797	1.43	20.38	11,294	1.61	9,709	1.35	16.33
Dacia	7,443	1.62	4,013	0.85	85.47	10,926	1.56	7,182	1.00	52.13
Suzuki	6,224	1.36	6,466	1.36	-3.74	11,980	1.71	11,323	1.58	5.8
Mitsubishi	3,612	0.79	3,929	0.83	-8.07	5,516	0.79	5,997	0.83	-8.02
Lexus	3,137	0.68	3,006	0.63	4.36	4,406	0.63	4,073	0.57	8.18
MG	1,814	0.40	1,114	0.23	62.84	3,016	0.43	1,775	0.25	69.92
Porsche	1,630	0.36	2,659	0.56	-38.7	2,415	0.34	4,074	0.57	-40.72
Smart	1,015	0.22	1,201	0.25	-15.49	1,706	0.24	2,067	0.29	-17.46
Jeep	986	0.22	1,322	0.28	-25.42	1,547	0.22	1,728	0.24	-10.47
Abarth	867	0.19	1,107	0.23	-21.68	1,232	0.18	1,527	0.21	-19.32
DS	763	0.17	1,656	0.35	-53.93	1,074	0.15	2,108	0.29	-49.05
Subaru	632	0.14	761	0.16	-16.95	880	0.13	978	0.14	-10.02
Alfa Romeo	615	0.13	1,004	0.21	-38.75	1,023	0.15	1,458	0.20	-29.84
SsangYong	438	0.10	613	0.13	-28.55	712	0.10	865	0.12	-17.69
Bentley	254	0.06	229	0.05	10.92	429	0.06	410	0.06	4.63
Maserati	155	0.03	276	0.06	-43.84	276	0.04	436	0.06	-36.7
McLaren	65	0.01	132	0.03	-50.76	141	0.02	213	0.03	-33.8
Infiniti	45	0.01	160	0.03	-71.88	93	0.01	313	0.04	-70.29
Lotus	26	0.01	36	0.01	-27.78	33	0.00	60	0.01	-45
Alpine	22	0.00	0	0.00	0.00	43	0.01	0	0.00	0.00
Chevrolet	1	0.00	15	0.00	-93.33	3	0.00	17	0.00	-82.35
Other British	428	0.09	335	0.07	27.76	689	0.10	509	0.07	35.36
Other imports	711	0.16	826	0.17	-13.92	1,057	0.15	1,219	0.17	-13.29
Total	458,054		474,069		-3.38	701,036		718,489		-2.43

FINANCE OFFERS

Q2 'business as usual' despite Brexit doubts

Dealers have pushed through the first quarter and despite the delay to Brexit and a broadly flat Q1 for private registrations (down 0.8%), UK customers are continuing to buy cars.

One dealer told *AM* that some customers brought their purchases forward to avoid potential 10% price increases in the event of 'no deal'. This may account for why private registrations are not down as much as they could have been.

According to Mike Jones, ASE chairman, there have been no sweeping changes with incentives and PCP and PCH deals are what is keeping the market in relative health as it continues to get on with the job despite the lack of clarity on the future of the UK's relationship with Europe.

Jones said: "We've only just closed Q1, but all signs point towards Q2 proceeding as normal.

"Incentive plans will continue to flex, but everything around that right now is business as usual. Despite the level of uncertainty politically, the market is actually performing well.

"For the vast majority of people in the UK, a car is a necessity and the continued success of PCP and PCH automatically bring people back to the market and they have to make a decision at the end of that contract. That is what is keeping the market going."

While dealers are getting on with the job, they have to consider the potential for a no-deal Brexit and what this will do to new car prices and manufacturer's incentive plan strategies this year.

Fraser Brown, managing director of MotorVise, said: "New car price increases in the event of a no-deal Brexit, with currency fluctuations and tariffs combined, could take you from £15,000 for a family car up to north of £20,000.

"In the event of a no-deal Brexit, incentive programmes are likely to soften and then you'll see prices rise three or four times gradually over the next six months."

Ford, the UK's biggest volume player, is continuing with its broad support of 0% APR across the majority of its model range, an indication that the strategy on incentives for the biggest player in the UK remains largely unchanged.

Models such as the Ka and Fiesta are affordable at £99 or £178 a month in Q2. The sportier Fiesta ST-2 is the only model across Ford's range of representative examples that has an APR above 0%.

Andy Barratt, Ford of Britain managing director, said: "New models like the Fiesta and Focus Active are gaining strong traction with our customers.

"Despite the economic uncertainty in large part caused by Brexit, we continue to expect a strong sales year for Ford in the UK." TOM SEYMOUR

TOP FINANCE DEALS FOR RETAIL BUYERS

Model	Finance type	Deposit	Term	Monthly payment	Final payment	APR	Offer ends
Ford							
Ka+ Zetec 1.2 Ti-VCT 85PS	PCP	£3,427	24	£99	£6,147	0.00%	30/06/2019
Fiesta Zetec 1.0 100PS 5dr	PCP	£4,713	36	£178	£6,349	0.00%	30/06/2019
Fiesta ST-2 1.5 200PS 3dr	PCP	£5,035	36	£225	£9,436	2.90%	30/06/2019
EcoSport Zetec 1.0 EcoBoost 100PS	PCP	£4,791	36	£185	£6,899	0.00%	30/06/2019
Focus Zetec 1.0 125PS	PCP	£5,378	36	£210	£7,917	0.00%	30/06/2019
C-Max Zetec 1.0 EcoBoost 125PS	PCP	£6,535	36	£239	£6.921	0.00%	30/06/2019
Grand C-Max Zetec 1.0 EcoBoost 125PS	PCP	£7,226	36	£259	£7,100	0.00%	30/06/2019
Kuga ST-Line Edition 1.5 EcoBoost 150PS FWD	PCP	£5,962	36	£295	£11,293	0.00%	30/06/2019
Mondeo ST-Line Edition 2.0 EcoBlue 150PS	PCP	£7,001	36	£269	£10,515	0.00%	30/06/2019
S-Max ST-Line 2.0 EcoBlue 190PS	PCP	£9,545	36	£289	£12,961	0.00%	30/06/2019
Galaxy Titanium 2.0 EcoBlue 150PS	PCP	£10,059	36	£289	£11,997	0.00%	30/06/2019
Edge ST-Line 2.0 EcoBlue 238PS AWD	PCP	£10,449	36	£425	£17,886	0.00%	30/06/2019
Tourneo Custom Titanium L1 H1 2.0 EcoBlue 130PS	PCP	£10,613	36	£279	£14,261	0%	30/06/2019
Ranger Wildtrak 3.2 TDCi 200PS	PCP	£12,172.63	36	£299	£12,468	0.00%	30/06/2019
Volkswagen							
Up Beats 1.0 60PS S/S 3dr	PCP	£3,331.80	36	£115	£4,183	0.00%	30/06/2019
Golf Match 1.6 TDI 115PS manual	PCP	£4,553.73	47	£225	£7,184.70	2.50%	30/06/2019
Polo SE 1.0 80PS manual	PCP	£3,871.99	47	£155	£5,937.30	5.20%	30/06/2019
T-Cross SE 1.0 TSI 95PS 5spd manual	PCP	£4,637.23	47	£169	£7,456.50	5.60%	30/06/2019
T-Roc S 1.6 TDI 115PS 6spd manual	PCP	£4,295.17	47	£215	£8,770.50	5.90%	30/06/2019
Tiguan Match 2.0 TDI 150PS 2WD 6spd manual	PCP	£6,383.37	47	£265	£10,287.90	5.20%	30/06/2019
Tiguan Allspace Match 1.5 TSI 150PS 2WD manual	PCP	£6,651.99	47	£279	£12,140.10	5.20%	30/06/2019
Touareg 3.0 TDI SEL 231 PS 4MOTION 8spd DSG	PCP	£7,573.70	47	£405	£20,526.30	0.00%	30/06/2019
Golf SV S 1.6 TDI 115PS manual	PCP	£4,072.78	47	£259	£5,733.90	2.50%	30/06/2019
Golf Estate Match 1.6 TDI 115PS 6spd	PCP	£4,712.84	47	£235	£7,441.20	2.50%	30/06/2019
Arteon Elegance 2.0 TDI 150PS SCR DSG	PCP	£8,625.71	47	£315	£13,226.40	3.30%	30/06/2019
Passat Saloon SE Business 2.0 TDI 150PS manual	PCP	£6,182.61	47	£275	£8,582.40	3.30%	30/06/2019
Passat Estate SE Business 2.0 TDI 150PS manual	PCP	£5,227.71	47	£289	£9,085.50	3.30%	30/06/2019
Touran S 1.6 TDI 115PS 6spd manual	PCP	£6,317.76	47	£259	£8,190.90	3.30%	30/06/2019
Sharan S 1.4 TSI 150PS 6spd manual	PCP	£6,370.40	47	£309	£8,432.10	3%	30/06/2019
Mercedes-Benz							
A 180d SE	PCP	£4,399	48	£269	£10,350	5.70%	30/06/2019
B 180 Sport	PCP	£4,479.83	48	£359	£10,100	6.34%	30/06/2019
C-Class Cabriolet 180 AMG Line	PCP	£6,677	48	£409	£15,700	5.70%	30/06/2019
C-Class Saloon 180 SE	PCP	£6,299	48	£319	£10,875	5.70%	30/06/2019
C-Class Estate C 180 SE	PCP	£6,399	48	£329	£11,300	5.70%	30/06/2019
C-Class Coupé 180 AMG Line	PCP	£6,078	48	£399	£13,500	5.70%	30/06/2019
CLA Coupé 180 AMG Line	PCP	£4,729	48	£279	£10,275	5.70%	30/06/2019
CLA Shooting Brake 180 AMG Line	PCP	£4,729	48	£289	£10,425	5.70%	30/06/2019
CLS 350 d 4MATIC AMG Line Coupé	PCP	£10,949	48	£589	£22,075	5.70%	30/06/2019
E-Class Cabriolet E 220 d AMG Line	PCP	£9,512.15	48	£519	£19,300	5.70%	30/06/2019
E-Class Coupé	PCP	£7,132.32	48	£499	£17,675	6.40%	30/06/2019
E-Class Saloon E 220 d SE	PCP	£6,571.93	48	£379	£14,150	5.70%	30/06/2019
E-Class Estate E 220 d SE Estate	PCP	£6,828.27	48	£349	£15,125	5.70%	30/06/2019
G-Class G 350 d	PCP	£14,999	48	£899	£49,500	6.40%	30/06/2019
GLA 180 Urban Edition Sport	PCP	£3,689	48	£249	£11,325	5.70%	30/06/2019
GLC 4MATIC URban Edition	PCP	£7,099	48	£349	£16,625	5.70%	30/06/2019
GLC Coupé GLC 250 4MATIC Urban Edition	PCP	£8,399	48	£409	£19,000	5.70%	30/06/2019
GLE Coupé GLE 350 d 4MATIC AMG Line Night Edition	PCP	£9,999	48	£659	£25,075	5.70%	30/06/2019
GLE 350 d 4MATIC AMG Line Night Edition	PCP	£9,703.67	48	£559	£22,100	5.60%	30/06/2019
GLS 350 d AMG Line	PCP	£9,999	48	£799	£28,650	5.70%	30/06/2019
S-Class Saloon S 350 d AMG Line	PCP	£12,499	48	£629	£22,475	0.00%	30/06/2019
S Class Coupé S 560 AMG Line Coupe	PCP	£15,052.01	48	£1,189	£33,050	6.40%	30/06/2019
SL 400 AMG Line	PCP	£10,952.22	48	£755	£23,525	6.40%	30/06/2019
SLC 180 AMG Line	PCP	£6,674.78	48	£379	£12,150	6.40%	30/06/2019

HAVE YOUR SAY
Do you agree with these opinions?
Get in touch by email - tim.rose@bauermedia.co.uk

VIEWPOINT

AN (EM)PATHETIC AFTERSALES EXPERIENCE

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

This is a story about empathy – the "ability to share someone else's feelings or experiences by imagining what it would be like to be in that person's situation".

Recently, my car was due for a service and, as my local dealer lacks an online booking system, I decided to ring.

I didn't get through to the retailer, but was instead redirected to the central call centre, where I gave my details. They said they would book me in on the agreed day for "a service and MOT". I thanked them for their efficiency, but pointed out that the MOT was not due for another year.

I was then told I could drop my car off on the day, but not until 8am, when the aftersales department opened. Even for a university employee, this is a little late in the day, but I turned up promptly and became the head of a queue of four people standing in the freezing cold.

Eventually, the staff, who could be seen inside, opened the doors and invited us to sit down while they got on with switching on computers and getting themselves coffee. The car was booked in and I left the dealership.

Half-way through the morning, I got an unexpected email containing a video clip pointing out to me that my car had four tyres and four brakes and that one of the tyres had been classed as 'amber' while the others were 'green'. I understand the thinking behind this approach, and I am sure some customers greatly appreciate the chance to see the underside of their car and have their wheels counted. But I had more immediate questions: Why is one tyre more worn than the other three? Is it the way I was driving? Is there a problem with the balance or alignment? Is there a problem with the suspension? Am I safe?

The video informed me that the rest of the underside of the car was fine, but they had had to put oil in the engine. Previously, I had assumed this was what happened at a service. Maybe I need to lower my expectations.

Two hours later, I got a chirpy call from aftersales reception, who said that despite problems with their power washer the previous day, my car had been cleaned and was ready for collection.

I dutifully turned up to find that my car had not been cleaned. One of the staff obviously had been returning the dirty-but-serviced vehicle at a speed reminiscent of a Scandinavian car rally.

At this point, I was given a card saying I could book the car in for a free 'service wash'. As a fellow customer in the queue observed, this was not much of an offer as you had to book in advance, bring the car, wait around and hope their pressure washer was working.

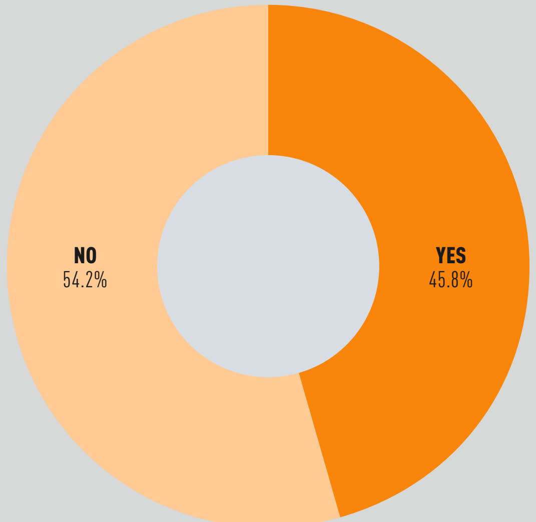
I am anticipating a text from the dealership in the next couple of days asking me whether I feel I received a '10-out-of-10' service.

It shouldn't take much empathy to understand this customer's response.

"I AM SURE SOME CUSTOMERS GREATLY APPRECIATE THE CHANCE TO... HAVE THEIR WHEELS COUNTED"

AM POLL

IS IT RIGHT FOR THE FINANCIAL CONDUCT AUTHORITY TO EXPECT DEALERS TO DISCLOSE FINANCE COMMISSION?



The industry appears split on whether the FCA is right to require dealers selling consumer credit to tell a customer they are earning commission from the finance house.

Our poll shows a small majority of voters think it is unjust. "Tesco is not expected to tell you how much they make on a can of beans – how is this different?" said one. Another stated: "How many other businesses declare their profits? Another trend of the out-of-touch FCA demonising profit."

One added: "As margins get tighter, dealers rely on the commission to afford to get the deal done. Making the commission transparent will mean dealers will be pushed hard. Inevitably, this will mean only the strong will survive."

Another concluded: "Where does this all end? It's too much interference in what should be natural economics and competition."

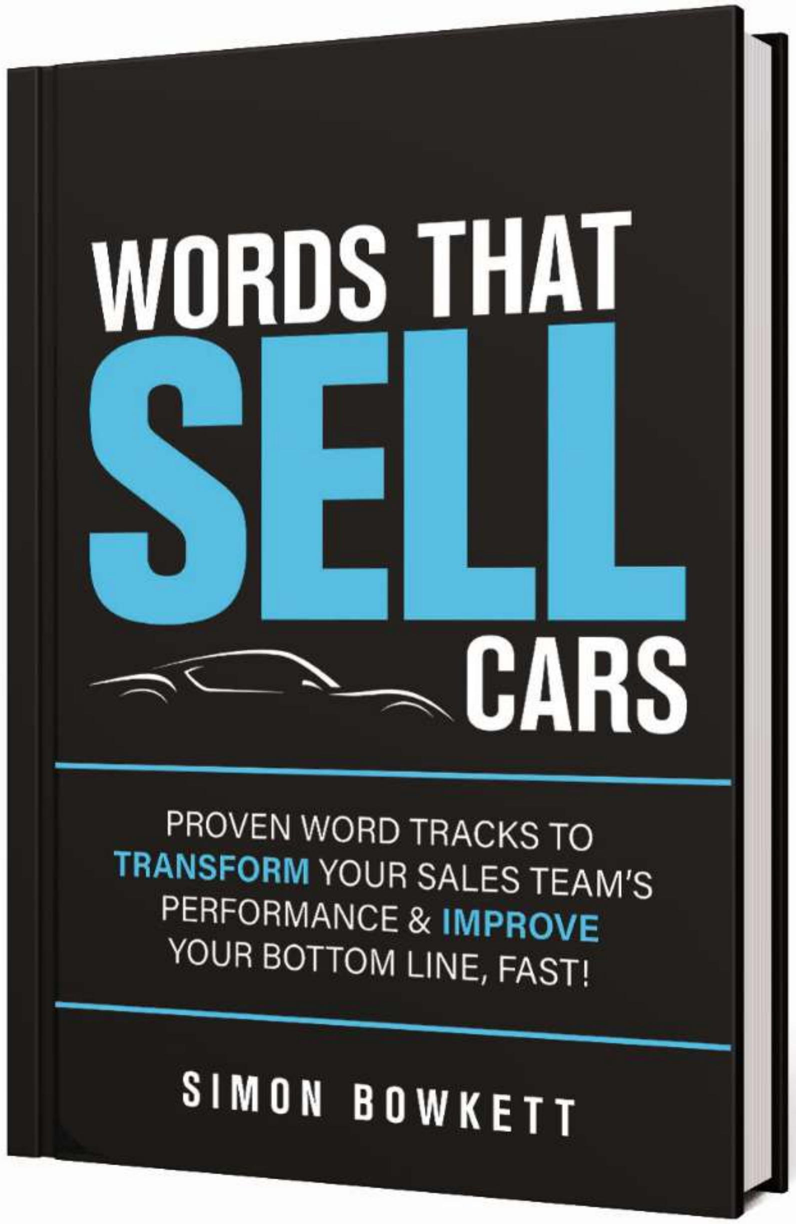
Voters who back the FCA's commission rules said disclosure "takes away the mystery" and "will help to self-regulate the market and prevent poor customer outcomes".

Some said the industry's business model is to blame. One stated: "If dealers weren't under so much pressure to discount vehicles (which begins by manufacturers placing inflated list prices on vehicles) they wouldn't be so pressurised to inflate their earnings from finance. The worst aspect of acquiring a vehicle for many people is being put under pressure once in front of the 'business manager' in the dealership, whether by inducement or time-limited promotions."

■ Read *AM*'s in-depth look at Finance and Funding on Page 41

NEXT MONTH: ARE CARMAKERS' 'STORES' IN SHOPPING CENTRES A FAD OR HERE TO STAY?

VOTE NOW AT AM-ONLINE.COM/POLLS



Order online now from am-online.com/SymcoBook

EXCLUSIVE DISCOUNT OFFER FOR *AM* DEALER READERS

Give your sales teams the edge by ordering *Words That Sell Cars*, the new book by Symco Training's Simon Bowkett, at half-price

Simon Bowkett, the managing director of Symco Training, has agreed to make his new book, *Words That Sell Cars*, available at a special price to *AM* readers*.

In the book, which normally costs £14.99 on Amazon, Bowkett shares his years of experience and advice that will benefit staff on the showroom floor and improve the effectiveness of the whole sales team in this online-driven era.

"Even now, with new technology and the internet, people still want and need to speak to people. In this book, we look at the process for the modern world and we talk about the word tracks that you can use to deal with the whole sales process," said Bowkett.

Symco Training is subsidising the cost of the book, meaning that AM readers can pick up their own paperback copy of *Words That Sell Cars* for just the £7.45 price of postage and packaging. This offer is limited to one copy per dealership.

Bowkett is an experienced automotive industry sales trainer, and has presented at a number of *AM*'s events. As managing director of Symco Training, he has been delivering, developing and innovating sales training for the real world since 2000. With keen observation of the theories of human behaviour, and real-world experience, he is confident he knows what is needed to successfully manage and motivate a dealership's sales team.

"THIS IS A JOURNEY. YOU'LL ALWAYS BE LEARNING AS YOU GO ALONG. I FIND SELLING CAN BE THE LOWEST-PAID EASY WORK OR THE HIGHEST-PAID HARD WORK.
SIMON BOWKETT, MANAGING DIRECTOR, SYMCO TRAINING

The book is in two sections. Part one, entitled 'It's All In The Mind', examines the mindsets of both the sales executive and the customer, and how sales people can successfully build rapport.

Part two focuses on 'The Road To A Sale', and contains numerous pieces of advice, from the test drive to objection handling and follow-ups.

Bowkett said: "This is a journey. You'll always be learning as you go along. I find selling can be the lowest-paid easy work or the highest-paid hard work.

"Be a student of sales. Study people and work out what makes people tick. Some of the best salespeople I know are people watchers. Remember – you're not in the motor car business, you're in the people business."

**Terms & Conditions: Offer applies to UK franchised dealers only. Offer limited to one copy per dealership. Orders must be placed via Symco's website. Offer closes on July 1, 2019.*

> IF THE FRANCHISE ASKS US TO DO SOMETHING, WE'LL DO IT, BUT IF IT'S NOT RIGHT WE'LL TALK TO THEM ABOUT A SOLUTION TO MAKE IT BETTER FOR ALL PARTIES
>
> TONY DENTON, BATCHELORS MOTOR GROUP

FACE TO FACE: BATCHELORS MOTOR GROUP

THE 'A LA CARTE' DEALER

Narrowing franchise partners and taking an agile approach to pay models, online sales and business premises have paid off, MD Tony Denton tells Tom Seymour

Whether you agree with it or not, the 'gin palace' approach to franchised dealerships – big, glass-clad premises near an arterial road – is well established, but who has thought of opening dealerships in an Indian restaurant and a protein shake warehouse?

The answer is Tony Denton, Batchelor Group's owner and managing director, who continues the food-related theme by saying he believes in treating the franchised business like an à la carte menu.

"If the franchise asks us to do something, we'll do it, but if it's not right we'll talk to them about a solution to make it better for all parties," he said.

"Providing you accept that with franchising, then achieving the targets and selling the cars becomes attainable."

David Batchelor founded Batchelors in Ripon in 1988, with the help of Vauxhall's dealer development programme. Eight years later, he had repaid Vauxhall and was "rowing his own boat".

At about the same time, he added a Suzuki franchise in Ripon to the side of an already established bodyshop. In 2000, he added a multi-franchise business, Chapmans of Pickering, which had Škoda, Fiat, Isuzu, Subaru and Proton outlets. This rapidly expanded Batchelors' franchise partners, taking the total to eight when it added Mitsubishi in 2010.

Denton joined Batchelors a year later, having worked in motor retail in various positions at different groups in the area. However, he was faced with a decision at that point on whether to continue in the automotive industry at all.

LEARNING (NOT) TO FLY

He had finished all of the theory aspects of the airline transport pilot licence examinations and, after five years, had completed 90% of the flight hours needed to become fully qualified.

"I was looking at the next bout of expenditure on the flight training. I'd moved from single engine to twin engine and I was five hours away from a commercial test," said Denton.

Then Batchelor asked him if he would consider buying the business.

Denton said: "I took a long, hard look at myself. I do like a challenge and learning to fly had become more about the challenge rather than the prospect of it becoming a long-term career for me.

"I didn't think the opportunity to own a franchised group was something that would pass my way. I took the chance with both hands and as soon as I let my pilot training lapse, that sealed my decision."

It took about 18 months to create a management buyout team, and he bought out his partners to take control of the business in 2014.

DOWN TO EARTH

Once he took on the business, Denton had to make some tough decisions. Batchelors had grown with multiple franchises and was faced with upgrading its Pickering site to continue with Škoda.

It was also facing challenges with its single-site Vauxhall franchise and Denton needed to get the business back in the black after a £285,000 loss in 2013.

He decided to close the group's Chapmans of Pickering multi-franchise site in 2014 and a year later he terminated the Vauxhall franchise.

"The catalyst for change was being terminated by Škoda at the Chapmans site. It was a very successful business and we had 9% market share in the area with the brand.

"But we were under some pressure to improve facilities. The scope in Pickering was limited and, at the same point, there came another interested party out of town and I think Škoda thought, wrongly, that their proposition was better than ours."

This period of cutting businesses reduced Batchelors' representation to just two franchises – Mitsubishi and Suzuki.

In 2016, the business moved banks from HSBC to Lloyds and this triggered Denton's current business plan to invest in IT, move dealer management systems from CDK to Pinewood and then, in 2017, to pursue opportunities to expand with the two Japanese brands.

He said: "We don't do anything by halves. If you're going to have disruption, just have it all in one go."

Within 2016/17, Batchelors also refurbished its Suzuki Ripon site at the same time as switching to a new DMS, new website and looking to acquire York locations.

In 2018, Denton found himself on the other side of the termination process, as he was acquiring the Suzuki franchise in York from a group who was exiting.

It added York Mitsubishi in February of this year too.

The group also has its own used car specialist site in Ripon, called Signature Motors, where Batchelors retails vehicles that do not fit with the franchised side of the business.

THE 'SUZUKI VINDALOO'

When looking at York as a potential territory for expansion, Denton found franchises that were on the table, but there was nowhere to put them.

Planning permission is tricky in any city, but York's cultural heritage made it particularly difficult. When building on land for a new dealership was ruled out, the group needed an opportunity that was pre-existing and fairly quick to convert.

Denton said: "We knew the opportunity was coming in York. But we had to find a property. Within York, there are two or three places you can go. We had to really think outside the box for the sort of properties we could acquire.

"Which is why we've ended up in a former Indian restaurant."

The building that houses Suzuki

York was previously known as the Bengal Brasserie. The office of Tony Denton's son, Antony, the group marketing manager and sales manager for Suzuki York, sits where the gas hobs would once have been turning out chicken tikka masalas.

Tony Denton said it took Suzuki just 10 minutes to agree to the idea.

"That is the beauty of that franchise. They worked with us and had the blue sky thinking to know it could work," he said.

"Suzuki as a business is very conscious of dealer profitability and opening things that are going to work.

"Their view was it was a good location at the side of the ring road, there was a petrol station at the back, it's at the side of York's busiest fish and chip shop and we are surrounded by other dealerships.

"With the right marketing and the right people running it, we had a recipe for a Suzuki vindaloo."

Batchelors had to think outside the box for its Mitsubishi site in York too, with the business converting a former 9,000 square foot protein shake warehouse into a new dealership. Again, Denton said, Mitsubishi supported the idea very quickly.

The changes he has made have put the group back into profit and it has been in the black for the past six years.

> THE PEOPLE AT THE TOP UNDERSTAND THAT IT'S THEIR FRANCHISE, BUT, ULTIMATELY, IT'S OUR BUSINESS
>
> TONY DENTON, BATCHELORS MOTOR GROUP

He said although the group's return on sale is lower than he would like, at under 1%, he is proud of the turnaround.

"I think the swing on that, all the changes and the profitability is a real success," said Denton.

He estimated that group turnover would be £36 million this year, with a group profit before tax (PBT) of about £220,000. In 2018, Batchelors reported its revenues were £17m, with £105,000 PBT.

The group is expecting to double its new car sales this year to 1,000 units as a result of the York business. Its used car sales are also expected to almost double, to 1,400 units.

The group is at 100% "would recommend" on JudgeService and 95% for overall satisfaction.

BUILDING BRAND RELATIONSHIPS

Denton counts himself lucky that he has been able to build on the relationships the group has with its existing franchise partners Suzuki and Mitsubishi.

Batchelors is a strong performer for its franchises, hitting its targets for Mitsubishi and hitting 200% of target for Suzuki.

Denton said working with the two brands has allowed the group to get back on target without onerous demands that would have stunted growth.

"The people at the top understand that it's their franchise, but, ultimately, it's our business," he said.

"I know that I could ring any of the senior directors right now and they would answer the phone."

He said Suzuki and Mitsubishi "get the balance right, particularly around family".

Batchelors retains its position as a family business. Denton and his wife, Karen, are both directors and shareholders and he joked that neither of his sons – Antony and Alex, trade sales and group buyer – even asked if they could join the business, they just made the assumption.

Antony, laughing, said: "Yeah, pretty much."

Before Tony Denton acquired the business, he said, it had been offered to a lot of other groups. But he is adamant that getting swallowed up by a larger dealer group and disappearing into the sunset is not on his agenda.

He said he plans for his sons to eventually take over the running of the business. Both have been around the motor trade since they were young and both took on part-time work at the age of 14, valeting cars and working their way up in the trade.

For now, Denton's aspirations are to add another location, grow with existing franchises and transition into a chairman role when the time is right for his sons to run the group "in their mid- to late 20s". If the group wanted to expand further to six or seven sites, that would be down to Antony and Alex, he said.

THE NEXT STEP

Batchelors' next goal is to increase turnover to £50m, and Denton said the group is currently being courted by a few other franchises. However, he added: "Having three franchises without adding another tier of management internally would be challenging. I'm not saying we have closed the door on representing other brands, but my desire would be to expand with existing brands."

Denton said this is because the group already knows the people, the products and the systems, and, more importantly, the brands know how Batchelors operates.

'TLC NOT PLC'

Denton has a 35-minute drive between Ripon and York and acknowledges that his first time running a multi-site business "has been a learning curve", with the little fires he used to put out becoming more difficult as his time is split between the two locations.

However, he said he has been able to meet this challenge by surrounding himself with a team that have an eye for detail and understand Batchelors' motto of being 'TLC, not PLC'.

He said: "It has to be a great experience every time a customer

A family business: Tony Denton, centre, with sons Antony, left, and Alex, right

Batchelors' York Mitsubishi showroom is situated in a former protein shake warehouse

SELLING ONLINE

To make sure it can facilitate customers who want to buy online, Batchelors created its own sales platform with its Harrogate-based web developer.

Denton said his millennial sons are quick to pick holes in the group's online strategy.

"I saw it as a definite need. People like transacting online," he said.

"There are a number of local businesses, not just motor businesses, that have got absolutely appalling websites and I'm worried for them."

There have been tweaks along the way. Denton found that when it came time for people to pay online, some were bailing out. This led to adding the option to finish payment at the dealership.

If a customer values a part-exchange online, Batchelor's website can retain that information and recalculate pricing depending on which vehicle they are looking at.

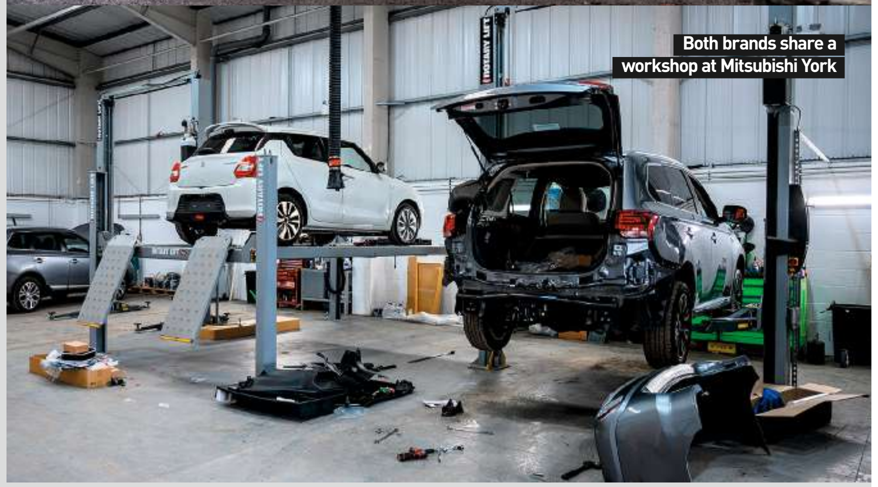
Antony Denton said Batchelors has had customers walk in, browse stock and then refuse to leave details other than a name. But then it will see that person valuing their part-exchange online, choosing add-ons and accessories and then paying in full online.

The majority of Batchelors' online sales have been finance business on used cars, rather than new. It has the facility to sell new cars online directly, but it's almost always older used models.

Antony said: "We've generally found that online is a mix of the sales process. Another customer reserved online, test drove the car and went away and then bought online through our website.

"It was really important for us to give the customer the option to deal with us how they like."

Batchelors' York Suzuki site is housed in a former Indian restaurant



Both brands share a workshop at Mitsubishi York

touches the business, whether that's live chat, on the phone, email or on-site."

The company adopted the motto in 2012. Batchelors was feeling the pressure of competition from other Vauxhall dealers surrounding it and felt it needed a point of differentiation to help customers understand why they should consider a single-site operator in Ripon.

Denton said: "'TLC not PLC' was a marketing campaign that we've just never dropped.

"Over the last few interviews when recruiting for York, they have said the motto to us and they know that's what we're about."

Antony Denton said that the fact Batchelors is family-owned has become a recruitment attraction for those who have worked elsewhere in the industry and don't like the way PLCs operate.

Tony Denton has worked for PLCs and said his old business partners describe the feeling of being in such a business as: "A box, a bread bun, a burger, a gherkin, a slice of cheese and a toy. Next.

"Even if someone in the kitchen says to change the recipe, you can't change it. Our philosophy is that if something's not working, we can change it."

However, Denton said smaller businesses can also have issues and one thing non-PLCs can be guilty of is changing things too quickly.

The motor trade loves a key performance indicator (KPI) and tracks progress across all departments. Missing a KPI with an agile business often prompts immediate action, but Denton's experience means he has learned to be more patient.

He said: "Changing things can often mean you wade out deeper into the swamp. I'm conscious of not reacting too quickly and I'm getting better at that."

He said this is because compared with "normal" businesses that take stock with year-on-year performance, Denton believes the motor trade is fixated on month-to-month progress, picking the business apart every 30 days.

"Sometimes you just need to let the cement dry," he said.

"We are governed by outside companies that provide us with information all the time, all telling us what is hot and what's not.

"There's so much data available and the motor trade as a business has become overly complicated over the years. Fundamentally, we fix cars and we sell cars. You've got to stick to that and not let it become overcomplicated."

HOW BATCHELORS CHANGED ITS SALARY SCHEME

Batchelors was struggling to recruit at its Ripon base, so it decided to increase the basic salary for sales executives from £13,500 to £17,000.

The old payment plan focused on vehicle units, but the new plan was more focused on the sale of additional products, such as service plans, GAP insurance, finance, paint protection and extended warranties.

The new scheme was devised as part of Antony Denton's Suzuki manager accreditation programme. It wanted him to do a case study and he chose to look at remuneration.

The team was initially receptive, but became more nervous that they had to work a little bit harder beyond the sale of the vehicle to earn the bigger money.

Where Denton believes Batchelors' approach differed to that of a PLC was that it continued to run both pay plans at the same time over a quarter. The sales executive could then choose which one paid them the most.

After the three-month trial, every sales executive chose the higher basic.

Denton said: "As an employee, you're looking at it thinking that the pay plan is changing as a way to pay less.

"If we change it, we want it so we earn more as a business and they can earn more as a salesperson."

FACTFILE

TURNOVER £17m (2018)
PROFIT BEFORE TAX £105,000 (2018)
NEW CARS SOLD 500
USED CARS SOLD 750
NUMBER OF STAFF 45
SALES FRANCHISES Suzuki (2), Mitsubishi (2)
NUMBER OF LOCATIONS 5

10 MINUTES WITH…

Ian Plummer, manufacturer and agency director, Auto Trader

What are the other marketplaces that you believe offer motor retailers the most to learn from?

Booking.com, Skyscanner, Rightmove, Zoopla – they are about big-ticket items too. Think about what big-ticket consumers spend a lot of money on – number one is their home, number two their car and number three is usually a big holiday. In two of those three industries, you have very effective marketplaces. In cars, that marketplace doesn't really exist in the way it ought to – to help consumers find their next new car in the same easy way as those other marketplaces. What those places do is what we try to take inspiration from. It's the notion of ease of search, of transparency, of speed and simplicity of search, these are all things we aim to deliver. They are things those marketplaces are already very good at.

Do manufacturers now accept that consumers won't go to each individual brand's website to find their car, and that they will use sites like AutoTrader to shop in one place?

Clearly some brands engage with that journey more than others. All are relatively realistic to the fact that customers needing a hotel use websites such as Booking.com, and then may go to the relevant website of the individual hotels for more information and even to transact. In the same way, I think they do recognise that the car buyer needs to do the same thing. The car industry has some ingrained practices that suggest it would love consumers to come to the brand website. But Google estimates 60% of car buyers don't visit the brand website, they're probably going to marketplaces like ourselves or to independent publishers who allow them to compare different makes and models and, more importantly, to move from one to another. Once they recognise this, they do recognise the power of those marketplaces to provide a coherent, consistent journey similar to what they show on the brand site.

> "GOOGLE ESTIMATES 60% OF CAR BUYERS DON'T VISIT THE BRAND WEBSITE, THEY'RE PROBABLY GOING TO MARKETPLACES LIKE OURS
> IAN PLUMMER, AUTO TRADER

Some are keen to bring the consumer from that marketplace back to the brand website. Some are conscious a consumer will come to a marketplace to find a new car and happily stay there, and are working with us to provide all the tools to allow the consumer to find out everything they need about that car and then engage with the retailer in an easy way.

The success of Auto Trader is built on a powerful consumer experience. That brings consumers to us. They also come because the stock is here, and the stock is coming because the retailers see consumers are here. We keep building the best consumer experience, providing easy search by finance and adding in deal-building capabilities, such as part-exchange valuation. We make a virtuous cycle which should deliver value to the consumer, then the other things will follow.

Are online sales a growth opportunity for the industry?

Anything which delivers a consumer experience that is better and more diverse than we have given traditionally is a good thing. So long as the industry believes – and I don't think many do by now – that there's only one consumer journey, ending in traditionally interacting with the retailer and doing the paperwork in the dealership, that is likely to put off a number of buyers. Anything that makes the process more transparent, more seamless, and unlocks different journeys for different people, will unlock much more and new opportunities to deliver cars to people in new ways.

Different finance products will unlock new opportunities for some people to engage with cars. Give someone a monthly subscription to a car, for example.

So will short-term subscription models become a feature of the market in future?

It will allow us to give more varied solutions to a consumer base. The trio of fundamental aspects of a car usership experience that people are looking for is value, convenience and flexibility. It depends on which of that trio each individual ranks most highly.

Our parents' generation would have bought their first new car in their mid-40s, having bought five or six used cars before that, and the new car was aspirational. Our generation likely bought our first new car in our 30s after two or three used cars. The fear of retailers and brands is that Generation Z doesn't want to own cars any more, they want usership. But people still tell us they want exclusive access, and the Generation Z members we interviewed recently told us they would like to get their first new car at the age of 23, after just one used car, and on a monthly payment. So people still plan to get one, and finance is enabling them to do so. The more accessible you make it to more people, then it's an opportunity more than a risk.

So, in attracting a customer at such a young age, it's the brand's and dealer's opportunity to win their loyalty with the right experience and level of satisfaction, isn't it?

There's always an opportunity, if they keep the experience and satisfaction across sales and aftersales, and use the CRM tools available. The challenge is that consumers are less inclined to be loyal now. They change so frequently, that they feel like trying something else.

How do you see the market evolving in 2019?

We have focused on developing a new car journey that we believe allows consumers a much easier search for their ideal car. It's helping to better match their demand to an industry level of supply. What happens currently is that more than 100,000 new vehicles will be buried from view, under wraps in compounds or in transport.

The product we put in place last year tackles this. We are aiming to offer a one-stop shop, allowing consumers to shop across Auto Trader and compare cars across new, used and nearly new, because they usually don't have a clear view of what they are looking for.

We are also trying to give a level of transparency around price. New car pricing is so murky with the manufacturer RRP not really worth an awful lot. The consumer knows they're rarely likely to pay that for most volume car brands – there's an expectation of always getting some support from the brand or retailer. By showing the level of discount available on Auto Trader, we're bringing transparency to that journey.

> “WE DWARF THE MANUFACTURER SITES, WITH 10 TIMES MORE MINUTES SPENT ON SITE THAN THE COMBINED WEBSITES OF ALL MANUFACTURERS IN THE UK
>
> IAN PLUMMER, AUTO TRADER

Consumers don't even know that 75% of new cars are held in stock in the UK and are ready to buy. They expect they will need to tailor their car and get it built at the factory. Consumers are telling us they would pay more to get the car they want quicker, rather than having to wait for long delivery times.

But aren't you creating a nationwide competition?

It's not across the whole nation, it's within a 50-mile radius. By doing it this way, we're allowing people to see a fair price, but a local price, but it avoids the risk of the most desperate retailer – who is prepared to sell cars at a potential loss – making their price visible to everybody who has no intention of crossing the country to buy their car.

With 9.3 million monthly unique users coming to Auto Trader, we dwarf Google – with four times as many automotive term searches. We dwarf the manufacturer sites, with 10 times more minutes spent on site than the combined websites of all manufacturers in the UK.

That gives us huge scale. We see what the consumer is actually doing and thinking about cars. We are now gathering their feedback, what they actually like about their cars, rating their own model, and we have more than 250,000 reviews by now.

So consumers can see the expert review from our editorial team, and information from people actually owning one today.

What success have you had with new cars so far?

The first new car stock went online in August 2018. Since the start of this year, we have seen 1.3 million unique users engaging with new cars on Auto Trader. In the first 10 days of March, we had 1.1 million ad views of new cars on our site. There are currently 32,000 new vehicles listed. Clearly, that figure is dwarfed by what we do with used cars, but the opportunity is significant. It will be a paid proposition as of July 1. We are having discussions with retailers about the value they are gaining from this – more than 1,000 already put their new car stock on Auto Trader.

How are you tackling the complexity of incorporating all manufacturer incentives and sales campaigns to correctly reflect new car pricing?

Auto Trader is working with vehicle manufacturers and their captive finance houses to plug their own retailer offers into the new car stock advertising. We already have links with retail offers with eight manufacturers and we are in advanced discussions with 10 others. We're looking to engage with all manufacturers to factor in finance and deposit contributions into each individual stock advert.

Some of them are less speedy to engage because it's quite sensitive data. We have partnered with Codeweavers, the same company we partner with for all the retailer finance solutions and that provides us with a pipe through to the captive finance houses.

TIM ROSE AND TOM SEYMOUR

FACT FILE

COMPANY: AUTO TRADER
HEADQUARTERS: LONDON
TURNOVER: £330M (2017/2018)
PROFIT BEFORE TAX: £211M

ADVERTISING FEATURE

Instant quality control of valet and images

By Michaela Gunney, UK sales director, Secure Automotive Support

Secure's newly developed digital Auto Imaging app means our automotive industry clients can now book valets and images with the benefit of instant quality control (QC) and immediate acceptance or rejection.

Our Auto Imaging division app improves image quality, speed of upload, and instant QC. It is being used by AM100 dealer groups, used car superstores and fleet solutions businesses across the UK.

Digital backdrops

Instant upload is possible during the capture process, or digital backdrop changes can be added before automatic upload to your choice of website.

Real-time quality control and digital editing of internal and external shots is of the highest quality – we believe that backdrops should sell your dealership as well as the car. Quality shots of your site have a positive effect on those looking at a multitude of similar vehicles online.

Video voiceover and branding

Our professional video solution offers automatic stabilisation and optional branding with bespoke music, text, voiceover and logos all available.

The Secure Dealer Portal shows the percentage of vehicles displaying videos on the web.

Vehicle tracking software shows what cars need videos and are available at any given time.

Unified valeting and imaging

Secure Automotive Support is a UK-wide operation providing drivers, valeting services, inspection and progress chasers at almost 400 locations.

We manage volume spikes, chemical and equipment supply, health and safety matters, along with all current compliance legislation, so that our clients can concentrate on their core business.

With our Auto Imaging division firmly established, we provide an unmatched unified solution.

■ **Call 01480 216 700 or visit www.secureplc.com and www.autoimaging.co.uk**

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ADVERTISING FEATURE

'Ballpark figure?' Stop the shopper

The 'what's my car worth?' question has to be handled carefully, says Simon Bowkett of Symco Training

How do you deal with customers who say: "Can you give me an idea of what my car is worth? I won't hold you to it, just a ballpark figure."

Often you will get this in the first couple of minutes of the sales process, and you cannot really give them a figure at this stage. But you can't just tell the customer: "Hold on a minute, we don't work that way." That won't work with today's clued-up buyers. We need to find a way to work with the grain, not against it.

Word track

Try something like this: "Sure, I'd be happy to get that for you. Let me show you the science we use to get the best price for your car. We're not just going to go to some website or guide, or just pluck it out the air. I'm sure you've been to some websites already.

"If you tell me all the good things about your car, I'm going to take some photos of it and give them to my boss. He's called Darren. Even though it's a car we might sell ourselves here, what Darren usually does is call a few independent buyers. They're the people who don't have the overheads that we have here. That's going to take 20 minutes or so, are you all right for time?"

That's how you set the agenda. And after you've looked at their trade-in, you can then follow up with: "As I said, that's going to take Darren 20 minutes or so. While he's doing that, let me show you how well the new car drives."

Stop the shopper

Sometimes you will be dealing with a customer who you can tell is determined to shop around the other dealers who sell your brand, to get the best price for their car. Watch my new sales training video on the *AM* website this month (am-online.com/symcotraining, or at symcotraining.co.uk) to find out how you can adapt the word track above to psychologically convince the customer that there is actually no need to shop around at all. It won't work on every customer, of course, but it's been very successful for me.

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To find out how our low-cost, IMI-approved online training programme can help train your team, visit symcotraining.co.uk/freetrial and start your free trial today.

FCA GROUP

After a torrid 2018, MD Arnaud Leclerc is counting on premium products and customer experience to turn things around. Tom Sharpe reports

The description of the FCA Group as a "challenger brand" by its managing director in the UK, Arnaud Leclerc, felt like a stark appraisal of its position during a recent interview with *AM*.

While Leclerc may have been referring specifically to the Fiat, Alfa Romeo and Jeep range's push for greater prominence in the fleet sector, the comment could easily have been applied across the group as a whole, following its fairly dismal 2018 registrations performance.

Perception of the group's status in the UK has clearly altered as it has continued to struggle to live up to the profile of its brands (including Maserati, which suffered a 24.3% decline in registrations during 2018) to slip well into the wake of other similarly-equipped groups such as Volkswagen and the PSA Group.

In Q1, Fiat's registrations were down 5.1% compared with the same period in 2018, and its market share was just below 1.6%.

In last month's *AM*, our market intelligence review observed that "Once market share falls below 1.5%, it is questionable whether a car company can still be called mainstream".

During the same period, Alfa Romeo's registrations declined by 29.8%, after the honeymoon period following the launch of the Giulia and Stelvio into the premium saloon and SUV segments failed to materialise.

Jeep, the clear focus of the FCA Group's hopes at its annual Capital Markets Day last summer, shed 10.5% of its Q1 registrations year-on-year, leaving it with a market share of just 0.2%.

In its efforts to start 'challenging' again, FCA Group's tactic seems to involve launching an increased number of headline-grabbing iconic models and a focus on delivering the levels of service expected by the type of customers who buy such products.

> "IT'S IMPORTANT THAT WE ARE SEEN TO BE MAKING AN EFFORT TO UNDERSTAND AND ADDRESS THE CONCERNS OF OUR RETAILERS"
> ARNAUD LECLERC, FCA GROUP UK

Leclerc – just 14 months into his role at FCA UK – said: "In the UK, it has been very much a period of building strong foundations to enable us to further build strong brands.

"When I joined, I realised straight away that the focus had to be on customer experience. It was clearly something that we needed to emphasise within the FCA brands and really try and compete in the premium environment.

"We must trust the network to deliver that experience."

Dealer attitudes

If happy franchisees are best placed to deliver a positive customer experience, then the FCA Group's partners might not be in an ideal state of mind to fulfil Leclerc's goals.

He said: "In 2018, we tried to build a stronger relationship and partnership with our retail network. When you do that, you are able to be a little more demanding of them."

However, the group's brands made up four of the bottom six in the National Franchised Dealers Association's (NFDA's) Dealer Attitude Survey Winter 2018/2019.

When franchisees were asked to rate the FCA Group's brands 'overall' with a mark out of 10, FCA's brands fared poorly: Abarth's score slipped from 4.7 to 4.4 between surveys; Fiat rose marginally from 3.6 to 3.7; Alfa Romeo went from a lowly 2.1 to 3.5; and Jeep remained flat at 3.4. All of FCA's brands were below the survey average of 5.8.

Profitability and the future of its respective ranges were central to retailers' concerns.

FCA is launching an increasing number of headline-grabbing iconic models, such as the Alfa Romeo Stelvio and Giulia NRING

When asked about their current profit return, respondents to the survey rated Citroën (2.3) and BMW (2.6) worst, but Jeep (2.7), Alfa Romeo (3), Fiat (3.1) and Abarth (3.5) duly followed – some way off the average score of 5.0.

More worryingly, perhaps, was that Fiat, Jeep and Alfa Romeo slipped to the foot of the results when retailers were asked about their brand partners' future profit return prospects: Fiat scored 2.9, Jeep 3 and Alfa Romeo 3.2, against an average of 5.3.

Leclerc conceded: "There's still a lot to do, but since I started my role here I have been working to build relationships and that's at the heart of what I intend to continue doing."

FCA has a "franchise board", led by Motorvogue managing director Jon Pochin, and Leclerc said that a recent restructure has introduced sub-committees to address specific issues within the network.

The board meets once a quarter, said Leclerc, who also places an importance on seeing his brand directors out in the field and talking to retailers.

He said: "I've asked for all brand directors to be in the field as much as possible and spend at least 20% of their time away from headquarters each month.

"It's important that we are seen to be making an effort to understand and address the concerns of our retailers."

Model for success

Retailers are clearly influenced by a brand's ability to deliver new products and the NFDA survey indicates that the absence of an alternative fuel vehicle (AFV) from any of FCA's line-ups is a concern.

The four brands finished bottom of the survey when retailers were asked how satisfied they were with their AFV offerings.

The replacement for the Fiat 500 is due to reach dealerships in 2020, however, and will be sold purely in electric (EV) form – quickly transforming the manufacturer's approach.

At the Geneva Motor Show 2019 in March, meanwhile, Fiat showcased the Centoventi, an EV concept considered to be a precursor to the new Panda.

The Centoventi featured a modest 60-mile range as standard, but allowed owners to swap and add battery packs, boosting that capability to 300 miles.

"While our AFV plans have yet to be announced in any great detail, what I can say is that by 2022 we will be able to offer 30 EVs and hybrids," said Leclerc. FCA plans to phase out diesel by the same deadline.

"It's fair to say that we're not yet there and some of our competitors are already saying that they are ready for the EV future."

Leclerc is proud of the influence of the recently introduced flagship Jeep Grand Cherokee Trackhawk and Alfa Romeo Quadrifoglio models to the FCA Group line-up and feels retailers should be encouraged by the profile and profit margin that such vehicles bring.

While the limited-edition Alfa Romeo Giulia and Stelvio Quadrifoglio NRING stole the headlines for the Italian brand following a public debut at the Goodwood Festival of Speed last summer, the Trackhawk's £89,999 price tag and 710PS V8 engine asserted the 4x4 brand's presence in a super-premium part of the segment.

"That's a car that will really help to build profile," said Leclerc.

He added: "Quadrifoglio and NRING are part of the Alfa Romeo DNA now, too. The UK is our biggest market for these products, so we have to encourage all our retailers to sell them and offer the levels of service that the customers expect when buying them."

The FCA Group has its own UK training centre, near its Slough headquarters, and Leclerc said this had helped it to meet retailers' needs for increased technical and sales training as more special editions enter the line-ups.

Leclerc believes the new Wrangler, launched earlier this year, will conquest former Land Rover Defender customers.

Jeep expects to double its 2018 Wrangler sales of 448 in 2019, according to Leclerc, but those sales expectations suggest it will remain very much a niche product.

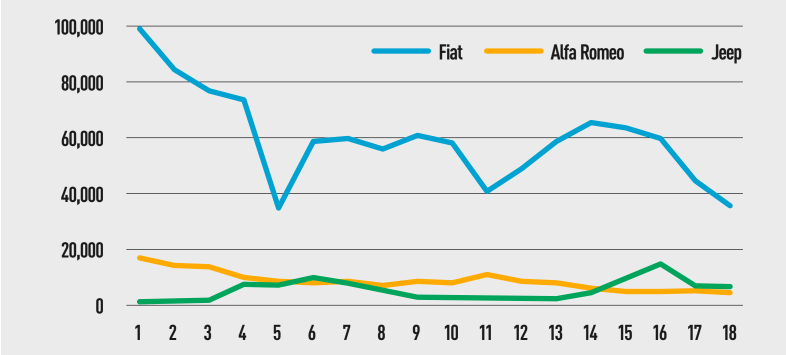
Abarth is another brand that appears to have an importance not reflected by its sales volumes.

Leclerc said: "Abarth isn't the most important in terms of volume for FCA, but if you take the volume we have done in 2018, that was a record for the brand and that shows the potential. 50% of that growth last year was conquest."

Retailers' FCA investment

FCA Group has been the subject of more than one AM100 franchised

FCA GROUP REGISTRATIONS 2009-2018



KEY PRODUCTS

Alfa Romeo Stelvio

With prices starting at £36,990, Alfa's SUV was aimed at Jaguar F-Pace and Volvo XC60 territory when it launched in 2017, but registrations fell well short of its key rivals, hitting 1,131 last year.

Fiat 500

Still the group's biggest selling car 12 years after its 2007 re-launch as a retro city car, the 500's sales were down 3.2% in 2018 (at 24,666). A new, EV-only Fiat 500 will be launched in 2020.

Fiat 500X

Updated at the end of 2018, the 500X is Fiat's entrant to the growing C-SUV segment. Registrations in 2018 declined by 35.5% (to 3,107), but were up 44.2% in Q1 2019 (to 1,181).

Jeep Renegade

The Renegade performed well in its first full year on sales, 2016, but registrations slumped by 46.8% in 2018 and just 687 registrations in Q1 2019 left it down 11.4% year-on-year.

FCA's strategy is to deliver an increased number of multi-brand centres, such as Snows Group Southampton

retailer's portfolio restructure in recent months, but Leclerc insists that the 211-site network is in good shape.

Last year, Cambria Automobiles pared back its representation of Fiat, Alfa Romeo and Jeep, closing its loss-making Blackburn motor park – which held Fiat, Alfa Romeo and Volvo businesses under the Doves brand – its Alfa Romeo and Jeep operations in Chelmsford and replacing Fiat at Warrington with its first Peugeot franchise.

But Leclerc celebrated developments elsewhere in the network which have furthered a strategy to deliver an increased number of brand centres – with all brands on a single site.

"Certain conversations have been difficult since I started," he said.

"When you're delivering 15% market share, those conversations don't happen. We're not there yet, but we have a plan, a lot of new product development under way and retailers are also seeing that and investing in our brands."

Snows Motor Group opened its £2 million FCA Group brand centre in Southampton in January 2018 – a month after opening a new Fiat and Abarth site on the Isle of Wight.

Vospers brought the four FCA brands together in its £15m multi-brand site at Matford Green Business Park, Exeter, in March this year.

FCA Group's UK network now comprises: 146 Fiat franchises; 97 Abarth; 50 Alfa Romeo; 61 Jeep; 73 Fiat Professional; 37 brand centres; and 43 combined Alfa/Jeep locations.

Leclerc said the physical franchised retail network is his current priority and there are no plans to introduce an online new car sales platform just yet.

But following a tie-up between Amazon and Fiat in Italy in 2016 and the delivery of Stelvio test-drive booking via the online retailer last year, he suggested the UK would be the second-most likely place for a trial.

One development that the network should benefit from is a new lead management platform, which is being built by a third-party supplier.

Leclerc said: "The customers we pass to our retailers need to be 100% qualified.

"That system will also help us to understand our customers' journey and what they expect from us."

Fortunes in fleet

Leclerc is keen to see FCA succeed in fleet and feels the varied appeal of the group's cars, SUVs and LCVs makes it a key "challenger" to the UK's biggest sector players.

He said the group began to focus on its long-terms goals in the fleet sector in 2018.

"We clearly wanted to decrease our presence in short-term rental," said Leclerc.

The effect of this on the brands' fleet registration figures was marked. In 2018, Alfa Romeo's fleet registrations declined by 17.2% to 1,522 (2017: 1,839), Fiat's by 42.8% to 12,052 (2017: 21,070) and Jeep's by 5.8% to 3,258 (2017: 3,460).

Leclerc said the shift had allowed FCA Group to emphasise the approach to customer service delivered by its business centre network and allowed its team of back-office fleet sales and support staff and its field-based team of fleet managers to help drive standards higher.

"In the UK, we are considered a 'challenger brand' so our next priority is very much to ensure that people get to know the strength of the products that we have and the value they offer".

First-rate customer service and a franchised dealer network that is prepared and equipped to meet the needs of fleet customers will be vital.

FCA has 15 strategically positioned specialist business centres and while Leclerc's ambition from 2018 to develop up to 40 such centres was still on the cards, he said he is not willing to grow quickly at the expense of quality.

"I have faith in our retailers, but this is a specialised area of the business and certain standards have to be met," he said.

"The ambition is still there to grow the business centre network, but we are determined to maintain the highest standards for our fleet customers and, as such, it's not a short-term goal.

"It is better that we are able to offer the very best customer service from strategic locations and be sure that we are able to offer the levels of knowledge and service that we demand."

IN-DEPTH
FINANCE & FUNDING

Credit, cash and how to keep the wheels turning

An *AM* special supplement on the FCA's motor finance review, DiC schemes, commission disclosure, and business finance

Tim Rose, *AM* editor

Money makes the world go round, so the *Cabaret* song goes. But we have moved on in the almost 50 years since, and maybe credit would replace money in a 21st-century version.

In the business of retailing big-ticket items such as cars and LCVs, the availability of credit for individuals and businesses is crucial, which is why we are examining the subject in 'The Future of Motor Finance' at Automotive Management Live on November 7 and bringing you this in-depth look at finance and funding. In 11 pages of articles, we examine the recent report from the Financial Conduct Authority and we expand on the particular issues of difference in charge schemes and commission disclosure.

We also examine business finance. As the Brexit saga rumbles on, and growth in the UK economy is forecast to slow, business funding and liquidity will become ever more important in supporting daily operations and in picking up any businesses that come on the market.

Adam Mepham, motor sales director

We are proud to be invited to contribute to this special supplement focusing on finance and funding. The motor retail market has been in a constant state of change and progress in recent years, which has meant that dealerships and supporting businesses have had to move at pace to continue to be successful in the industry.

At Barclays Partner Finance, we are hugely enthusiastic about what the future holds. With exciting new strategies, initiatives and solutions, combined with a considered approach, we are looking to deepen existing relationships and establish new strategic partnerships, by leading the way in point-of-sale finance.

In our Q&A on page 56, I give our view on the future of the market and the final findings of the Financial Conduct Authority's review.

Richard Jones, managing director

It was great to see the Financial Conduct Authority publish its long-anticipated report on motor finance. At Black Horse, we welcome the overall findings and the opportunity to work with the FCA and the industry to respond. We felt it important, as a leading industry finance provider, to reflect on the four key areas identified by the report, in this finance and funding supplement.

We have undoubtedly witnessed the market taking a more progressive approach in adopting higher standards since the FCA's adoption of motor finance regulation in 2015, the objective of which was to deliver good and fair outcomes and value to the end-customer.

In discussing the 2019 report and its recommendations, we must remember that its purpose is to ensure the market is working well – for both a sustainable industry and for consumers. This is something we should all welcome.

HOW THE MOTOR FINANCE REVIEW AFFECTS DEALERS

The Financial Conduct Authority's findings on commissions, information disclosure and affordability have big implications for the industry

The Financial Conduct Authority's (FCA) review of the motor finance industry is likely to have wide-reaching implications for the automotive retail sector.

The report, prompted by the FCA's desire to learn more about the sales process and record levels of car finance amid concerns about a lack of transparency and potential conflicts of interest, focused on three main areas – commissions, information disclosure and affordability.

Launched in April 2017, the review analysed loan data from 20 motor finance providers, mystery shops of 122 motor retailers, and a survey of lenders.

David Bilsborough, owner of Cheshire Cars and founder member of the Independent Motor Dealers Association (IMDA), said the FCA's method of mystery shopping was a common practice in retail and retailers should expect it.

But he added that those who comply with FCA requirements had nothing to fear.

"If you disclose the full facts of the finance deal to a potential buyer in a clear and timely fashion before they have signed the agreement or handed over any money, that person can't turn around and say that you didn't give them the pre-contract information they needed to make a decision," he said.

However, Andrew Smith, FCA subject matter expert for consumer credit and motor finance at Paxen Consulting, said it was somewhat unfair and unrepresentative for the FCA to judge the whole market without seeing the complete sales process, including commission disclosure. He believes its conclusions should have been based more on in-depth interaction with lenders and brokers.

COMMISSION MODELS AT RISK

Among the key findings of the report were concerns about the widespread use of commission models that give brokers wide discretion when setting interest rates for customers. This can incentivise the broker to charge a higher rate and lead to conflicts of interest, with a link between higher commissions and increased interest rates, the report concluded.

The FCA estimated that such commission models could be costing customers a combined £300 million more per year than if they had used a flat fee model. For example, on a typical motor finance agreement of £10,000, higher broker commission under the reducing difference in charges (DiC) model can add about £1,100 more in interest charges for the customer over a four-year term.

The review also highlighted concerns that lenders are not doing enough to monitor commissions and protect the customer. And it warned that pricing and affordability for customers could be adversely affected if such commission arrangements break the link between credit risk and the customer's interest rate.

The FCA said it is assessing what action it will take, but possible courses of action include consulting on changes to its consumer credit rules, banning DiCs and

similar models, or limiting broker discretion.

Adrian Dally, the head of motor finance at the Finance and Leasing Association (FLA), said the FCA's findings were broadly in line with issues it had also identified, chiefly DiCs. But he added that the figures were out of date and said the automotive retail industry has made big strides since then.

"When we had a look into DiCs in 2014, we took a clear position that it had had its time," he said.

"The FCA's figures relate to 2017. At the time it carried out its research, half of the near-prime and prime used car market was still using DiCs, but two years down the line we have moved on and the vast majority have exited that model."

Car finance expert and ex-National Association of Commercial Finance Brokers director Graham Hill said in many cases, dealers and brokers will increase the annual percentage rate (APR) to be able to provide customers with the opportunity to pay off the finance owed on a part-exchange, or greater discounts or "freebies" in other areas. These could include tanks of fuel, car mats, GAP and breakdown insurance, roadside assistance, warranties and paint protection, or even options on the vehicle itself, he said.

"The position is by no means as straightforward as dealers upselling the interest in order to line their pockets," he said.

"Setting an arbitrary cap will have a similar effect to what happened with payday lenders, ultimately resulting in less choice for the consumer and jobs and companies going to the wall."

Jerry Page, a director at iComply, said it's only a matter of time before the FCA will require full commission disclosure, to everyone's benefit. He cited the example of independent financial advisers (IFAs), who were subject to similar action by the FCA's predecessor, the Financial Services Authority.

"If you go back 15 years, IFAs were required to disclose commissions and it didn't destroy their business," he said.

"After all, if you get a mortgage or a life insurance policy, you can see how much commission is paid to the introducer, so why shouldn't it be an obligation for motor finance?"

But James Tew, chief executive of iVendi, said this would only add further complexity because both the commission the lender pays the broker and the commission the dealer receives from that broker will have to be disclosed. The bottom line, he said, was that the lender will be required to have greater operational oversight of their brokers and dealers, which is often difficult because the lender only gets involved at the end of a sale when it receives the consumer's application.

"The FCA is more concerned about the total amount of commission received rather than what the dealer and broker earn individually," he said.

"But the important thing is that it's done in a transparent manner.

"I would imagine that the FCA will make these changes in small steps, demanding greater oversight and understanding by lenders of how their product is being sold by their introducers. It also suggests the greater use of digital processes to check how the transaction has been done."

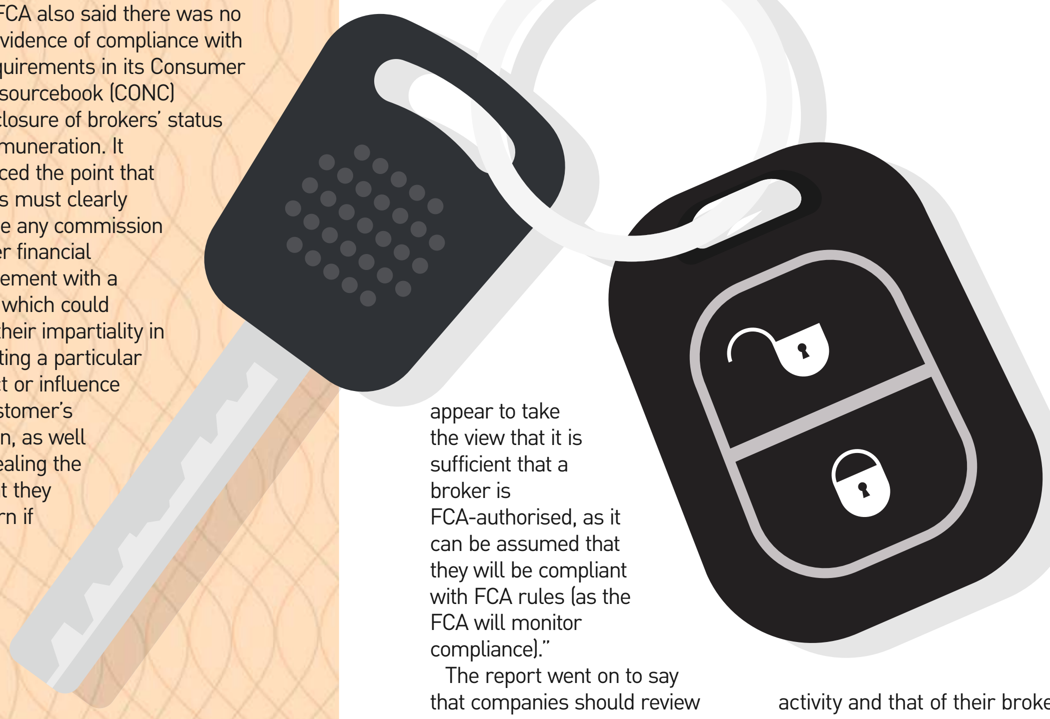
> **IT'S ONLY A MATTER OF TIME BEFORE THE FCA WILL REQUIRE FULL COMMISSION DISCLOSURE, TO EVERYONE'S BENEFIT**
>
> **JERRY PAGE, ICOMPLY**

TRANSPARENCY CONCERNS

The next area the FCA shone a spotlight on was the provision of sufficient, timely and transparent information to the customer. The review's mystery shops found instances where it was unclear whether pre-contractual disclosure and explanations were being made in enough time to enable customers to make an informed decision.

Where customers had been given sufficient time, the FCA found explanations were not always complete, clear or easy to understand.

The FCA also said there was no clear evidence of compliance with the requirements in its Consumer Credit sourcebook (CONC) on disclosure of brokers' status and remuneration. It reinforced the point that brokers must clearly disclose any commission or other financial arrangement with a lender which could affect their impartiality in promoting a particular product or influence the customer's decision, as well as revealing the amount they will earn if asked.



On the lending side, the review also raised doubts about whether and to what extent lenders implemented controls to ensure that brokers – and retailers acting on their behalf –complied with CONC.

"Our work suggests that some lenders may be unduly reliant on contractual requirements and the provision of standard documentation and procedures, and may not monitor brokers sufficiently closely or act where issues are found," said the report.

"We were particularly concerned that some lenders appear to take the view that it is sufficient that a broker is FCA-authorised, as it can be assumed that they will be compliant with FCA rules (as the FCA will monitor compliance)."

The report went on to say that companies should review their policies, procedures and controls to ensure they are complying with all the relevant regulatory requirements and are treating customers fairly.

Martin Hill, the managing director of DealTrak, said it came as no surprise that many lenders were accused of having insufficient oversight of their car dealers and brokers – a specific requirement of the CONC sourcebook.

He said the fact that only five out of the 20 lenders interviewed demonstrated systems and controls 'broadly in line with CONC requirements at the time', meant the majority had dealer and broker arrangements which appear to be unfit for purpose.

Smith said lenders will need to rely on their own individual approaches and judgement when assessing their distribution network. The downside, he said, was that brokers and dealers will have to contend with multiple audits carried out on them for each lender they deal with.

"The FCA will be looking for each individual lender to evidence that they are taking direct responsibility and ownership of their monitoring activity and that of their brokers and dealers, implementing and maintaining a regime of continuous oversight, feedback and improvement, as per CONC," he said.

"The key point here is, as the FCA states, the lenders are potentially exposed to issues of enforceability if introductions have not been made correctly, or if those making introductions are incorrectly authorised."

Another problem, said Smith, was current schemes for internal remuneration and incentives for brokers and dealers to sell financial products. Changing that will require a big shift in culture, he said.

However, he added that evidence from other sectors suggests that once the new processes are embedded and managed properly staff "become motivated and incentivised by quality and good customer outcomes, as well as obviously being financially viable".

"There are a number of approaches and strategies I have devised, for example, which provide a balance between rewarding good productivity and viability along with high-quality work and good customer outcomes."

AFFORDABILITY ISSUES

The third and final issue the FCA identified was around affordability assessment. The regulator said it was not satisfied that all lenders surveyed were complying with its rules for assessing creditworthiness, including affordability.

The regulator also reiterated that businesses are expected to have reviewed their policies and procedures in view of the new rules and guidance it published in November 2018 and to make any necessary changes, adding that it would follow up to make sure it had been done.

"Some lenders still don't ask customers for enough basic information about their income and outgoings," said Page. "There's still a lot of work to do to make lenders consistent in their approach and to demonstrate that the product the customer gets in the end is something they can afford."

INDUSTRY REPERCUSSIONS

As far as potential areas where the FCA could demand change, Hill said lenders could be required to revise and reframe their systems and controls regarding dealer and broker relationships.

That way, he said, they will be complying with the FCA's requirement on the provision of clear information and not misleading the consumer.

"Open and transparent disclosure is seen by the FCA as a fundamental prerequisite, and, historically, many dealers and brokers have been uncomfortable with this level of openness with a customer," he said.

"This could be because many customer-facing staff feel inadequately trained or not prepared to have some of the conversations around commissions or finance products, possibly because declaring certain information may cause the customer to ask questions regarding commission or interest rates that the dealer or broker may not feel comfortable answering.

"Fortunately, this is something that can be remedied by formal interventions from senior management at that dealership or brokerage. In other words, senior management decides what compliant performance looks like, and then makes sure their systems and controls are suitable to police and monitor this approach."

Smith said the review could also open the door to claims management companies if the FCA challenges the enforceability of some DiC model agreements. Therefore, he said brokers and dealers need to examine their past sales practices and identify potential exposures.

Gerry Keaney, the chief executive of the British Vehicle Rental Leasing Association, said the FCA needs to take a more active role in supervising lenders, retailers and brokers, particularly around unfair commission models, stepping in with enforcement where required. He added that there needs to be greater focus on affordability assessments and lenders ensuring their brokers comply with CONC.

"The time for excuses has passed," he said.

"There is no place in the motor finance sector for companies that are unwilling to embrace the FCA regime and actively demonstrate their compliance."

ALEX WRIGHT

> **THERE'S STILL A LOT OF WORK TO DO TO MAKE LENDERS CONSISTENT IN THEIR APPROACH AND TO DEMONSTRATE THAT THE PRODUCT THE CUSTOMER GETS IN THE END IS SOMETHING THEY CAN AFFORD**
>
> **ANDREW SMITH, PAXEN CONSULTING**

blackhorse

The FCA's MOTOR FINANCE REVIEW analysed

It was great to see the long anticipated FCA's report on motor finance being published. Its purpose is to ensure the market is working well for both a sustainable industry and for consumers. This is something we should all welcome.

At Black Horse, we look forward to the opportunity to work with the FCA and the industry to respond.

Commissions

More needs to be done to protect customers from higher risk commission models. It is worrying that the FCA found that customers can pay considerably more due to some forms of commission that generate a higher risk of poor customer outcomes and a greater distribution in customer rate and dealer commission. The regulator implicitly reinforces the fact that a car finance proposition must stand in isolation from both a regulatory and a customer value perspective. Often the finance offer can be considered as one part of an overall package, together with the price of the car being sold, the part-exchange offer and other services such as warranties, servicing and insurance. This enables flexibility in how the overall offer is constructed for any given customer, often to help tailor the package to a customer need. However, the car finance offer must stand up to scrutiny in its own right and will be judged as such.

Product information and disclosures

Intermediaries, brokers, and dealers need to divulge key product features and other regulatory disclosures, including the existence of commission early enough in the sales process to inform customer decisions.

The FCA's report states that it is vitally important that customers receive key regulatory disclosures and product features such as implications of mileage, repayment, and vehicle ownership, before agreeing on the appropriate finance product for their needs. These terms must be explained in clear, plain English and be easily understood by all customers. As per Consumer Credit Sourcebook (CONC) legislation, the existence of commission, in particular, must be disclosed before entering into an agreement. The commission amount must also be disclosed on customer request. It is perhaps widely assumed that a customer would know or expect a commission payment to be made, but this must not be relied upon. It is incumbent on the intermediary to be as transparent as possible about the benefits they receive for introducing customers to lenders. Only once a customer understands the full package can they determine if it is the right one for their needs.

Lender controls

Finance providers should not assume that FCA authorised intermediaries are fully CONC compliant.

The FCA feels that some lenders are not taking reasonable steps to manage CONC adherence within their intermediary networks. They need to ensure that they have oversight of the sales processes in operation across their networks. They also need to be aware of the information provided to customers throughout these journeys and have confidence that customers get the right outcomes.

- Training and guidance – finance providers have a role to ensure that dealers and brokers have access to up-to-date product guides and training materials. Reinforcing some of these as mandatory will deliver regulatory requirement consistency (for example on key product information and commission disclosures which may impact customer decisions).

- Tools and management information – finance providers can support intermediaries with accessible management information to help them self-regulate on certain items, such as discounting or financial promotions, etc.

- Feedback loops – via programmes such as mystery shopping or customer contact post-sale, finance providers are able to understand who is performing well and who needs more support. This should form part of an ongoing dialogue and enable continuous improvement and the sharing of best practices in the customer journey.

There are no excuses for the lacklustre provision of guidance, information, and support from finance providers to their intermediary partners.

The purpose of the FCA's report is to ensure the market is working well for both a sustainable industry and for consumers.

Affordability

Affordability measures must be aligned with the latest guidance issued as part of PS 18/19.

The FCA's concern here is that some lenders' affordability assessments are not aligned; in particular there were a small number of cases where policies were focused on credit risk rather than affordability. This could have a significant adverse impact on a customer's financial situation.

Lenders and intermediaries have a key role to play in demystifying the finance purchase process for customers. At the time of purchase, this includes assessing current affordability and seeking to reach an understanding with customers on the factors which may impede affordability through the lifetime of the product. It means ensuring that customers are aware of the terms and conditions of their usage. This requires a clear explanation of the benefits of the product and any add-ons such as guaranteed future values, servicing and insurance so that customers do not unknowingly incur additional charges.

In a rising interest rate environment, this becomes all the more pertinent. Lenders must help their customers consider if they can afford the product long-term, particularly if housing costs go up. Half of all customers choose their car finance product based entirely on monthly payment with only passing consideration to overall costs, which could be extremely problematic in the future.

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IN THE CUSTOMER'S BEST INTEREST?

The FCA's inquiry raised serious concerns about car dealers and brokers manipulating finance rates to increase commissions

In its report published in early March, the Financial Conduct Authority (FCA) found a lack of evidence linking a customer's interest rate under the Difference in Charges (DiC) commission model and their credit score, because the rate was being determined by the broker or dealer's ability to earn commission.

It added that it was not clear why brokers should have such wide discretion when setting the interest rate under DiC.

In total, the FCA estimated that these commission models could be costing customers £300 million more per year than if they had used a flat fee model. For example, on a motor finance agreement of £10,000, higher broker commission under the Reducing DiC model can add about £1,100 more in interest charges for the customer over a four-year term.

The FCA said the onus was on the lender to prove that any differences in commission rates were justified, based on the work done by the broker or dealer. The review also warned that pricing and affordability for customers could be adversely affected if such commission arrangements break the link between credit risk and the customer's interest rate.

It also raised concerns about commission disclosure, particularly with DiC and similar models, adding that lenders are not doing enough to monitor commissions and protect the customer.

"DiC is a difficult issue to deal with because, in the main, dealers that use it do so appropriately and only a minority don't," said Louise Wallis, head of business development at the National Franchised Dealers Association (NFDA).

"My concern though, is that if dealer discretion is limited too much, you run the risk of reducing competition, so any changes need to be carefully thought through."

THE DIC DEBATE

Martin Hill, the managing director of DealTrak, said that when DiC was introduced, it was seen as a way of dealers providing flexibility in their commissions without being detrimental to the consumer. But he said the FCA now clearly views that model as problematic and open to abuse.

"DiC can encourage some dealers or brokers to maximise finance commissions in a way that is detrimental to the consumer in areas such as affordability and sustainability," he said. "Also, there have been many historical examples of dealers requesting very short [debit-back] or no debit-back terms from their lenders.

"Whereas this can be legitimately requested as part of a balanced rates and terms package for several reasons, it has previously led to accusations that the dealer can hold on to larger levels of commission – even if the customer cancels their agreement early due to the perceived high interest rate they have been paying. This, in turn, may lead lenders to focus on ways in which this risk can be mitigated in their dealings with dealers and brokers."

David Bilsborough, the owner of Cheshire Cars and a founder member of the IMDA, said the dealers who have likely been abusing DiC are those with a large stock that they sell off cheaply in the hope of making up their margin on commission from the finance deal. However, he said most dealers he knew offered fair and affordable interest rates and commissions.

Andrew Smith, FCA subject matter expert for consumer credit and motor finance at Paxen Consulting, said he didn't have a problem with DiC if the broker or dealer could justify their commission. One example of this, he said, was if they had to arrange finance for someone who is self-employed or has just changed jobs or address and further work is required to verify their identity or income.

"If a dealership or broker genuinely has to undertake a greater level of work to secure a particular finance deal for a

customer in difficult or exceptional circumstances, then they should be remunerated accordingly," he said.

"The issue, however, is with brokers whose income relies solely on finance who load the interest rate purely so they can earn a higher commission."

Smith said banning DiC, which the FCA is reportedly considering, would be the wrong move: "In the right circumstances, it genuinely rewards the broker or dealer for their work. Unfortunately, there's not one silver bullet, because motor finance is such a diverse industry with so many different models."

Mel White, business development director at Jigsaw Finance, said: "The market has operated with these models for a number of years and our experience has found that competition within the market has also had a policing effect on the rates offered to customers. In addition, lenders have capped both rates and commissions in recent years, so it is not an open cheque book."

POTENTIAL FIXES

The FCA said it's still assessing what action to take, possibly consulting on changes to its consumer credit rules, banning DiC and similar models, or limiting broker discretion.

Adrian Dally, head of motor finance at the Finance and Leasing Association, believes the FCA will ban DiC and require full commission disclosure in the same way as with mortgages, insurance and investments. In turn, this will help improve consumer confidence, he said.

"The FCA has found clear quantifiable evidence to indicate that if the rules of the market are changed to prohibit the use of DiC type models the consumer stands to benefit," he said. "Now they are looking at all of the options available and doing a cost-benefit analysis of each, which they will consult on before implementing the necessary changes."

One alternative already being used by dealers is a single interest rate, and, in some cases, the same commission rate, regardless of the balance to be paid or the vehicle's age, said James Tew, chief executive of iVendi.

"Many dealerships I have spoken to over the last 12 to 24 months told me that since they introduced a fixed APR model they have actually done a lot better in terms of finance deals," he said. "The problem is that the dealer may still struggle to justify its commission if, for example, the consumer does the whole process online without its help."

> **"MANY DEALERSHIPS I HAVE SPOKEN TO TOLD ME THAT SINCE THEY INTRODUCED A FIXED APR MODEL THEY HAVE ACTUALLY DONE A LOT BETTER IN TERMS OF FINANCE DEALS**
>
> JAMES TEW, IVENDI

Another solution is to have a flat fee for every finance deal written with a lender, but that may reduce the revenue dealers make on their car finance. The unintended consequence of all this may be an increase in car prices.

"The elephant in the room, in respect of changes to DiC, is the impact on income," said Shaun Harris, sales director at Codeweavers. "It seems inevitable that there will be some knock-on impact on the price of cars, notably in the used market.

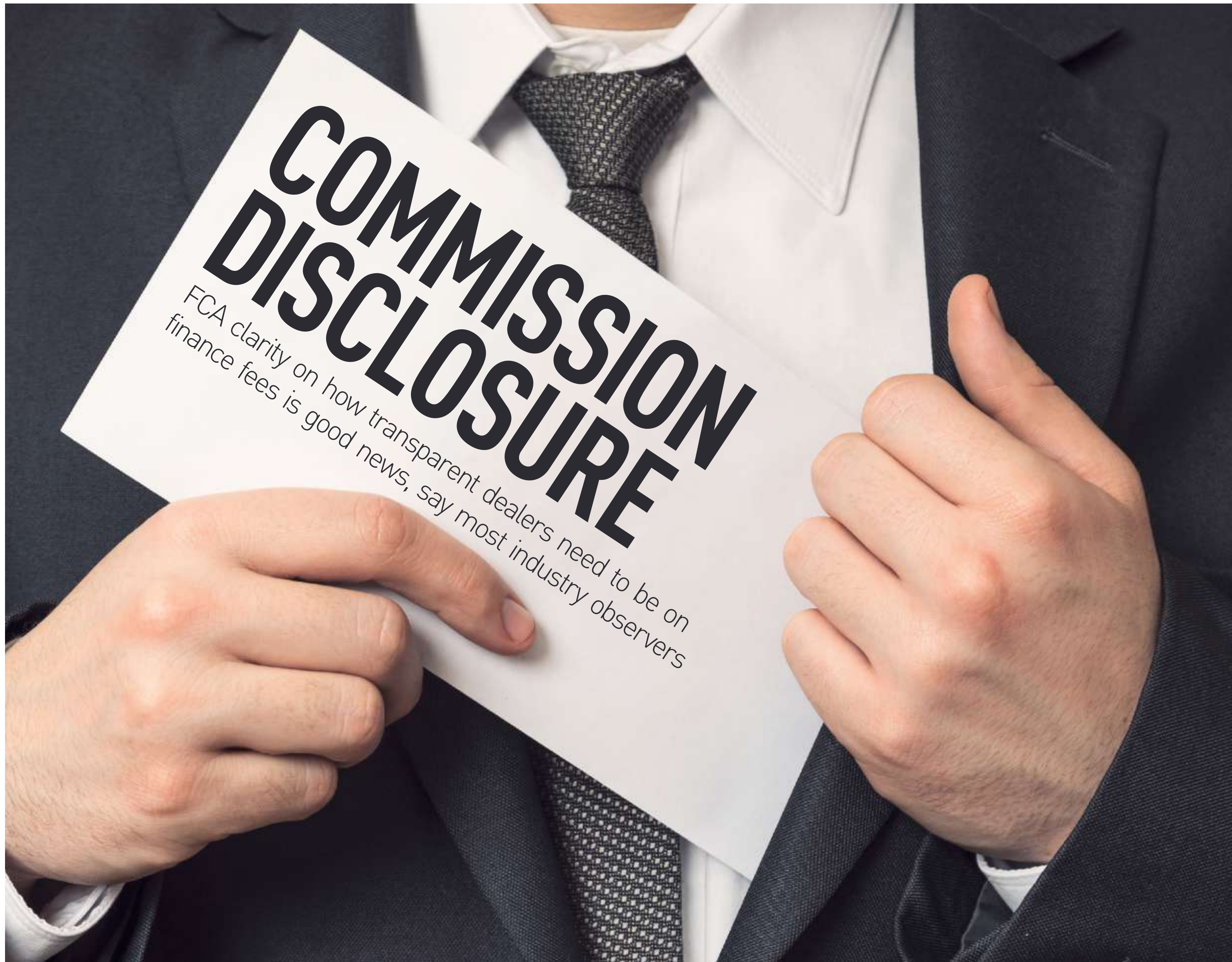
"For this reason, and to ensure an orderly change, I expect that a rapid domino effect will take place as lenders follow one another to reflect the regulator's desired position well ahead of any cut-off date."

THE RISK TO REVENUES

In some cases, dealers who previously relied on DiC will suffer a steep decline in profit. And the small margins made on the vehicle's sale, particularly in used cars, mean ancillary products are often the only area where they can make up the shortfall.

Hill said dealers needed to focus on ensuring any commission they earn from finance and insurance (F&I) sales is derived from a wider selection of products such as GAP insurance, service plans and warranties. This also benefits customers because they have a greater choice of products relevant to their needs, he said.

"Also, selling ancillary products such as insurance can drive more loyalty to other parts of the business, such as aftersales," he said. "This approach demands a wider vision in terms of F&I thinking, and of course can come with additional regulatory responsibilities, especially if the dealer is going to be undertaking general insurance activity." ALEX WRIGHT



COMMISSION DISCLOSURE

FCA clarity on how transparent dealers need to be on finance fees is good news, say most industry observers

The Financial Conduct Authority's (FCA) review of motor finance has been critical of dealers, as credit brokers, for failing to follow the Consumer Credit sourcebook (CONC) handbook rules on disclosure of commission.

Published in 2014, as the FCA took responsibility for regulating consumer credit, CONC rule 4.5.3 states: "A credit broker must disclose to a customer in good time before a credit agreement or a consumer hire agreement is entered into, the existence of any commission or fee or other remuneration payable to the credit broker by the lender or owner or a third party in relation to a credit agreement or a consumer hire agreement, where the knowledge of the existence or amount of the commission could actually or potentially affect the impartiality of the credit broker in recommending a particular product, or have a material impact on the customer's transactional decision."

CONC rule 4.5.4 continues to set the tone: "At the request of the customer, a credit broker must disclose to the customer, in good time before a regulated credit agreement or regulated consumer hire agreement is entered into, the amount (or if the precise amount is not known, the likely amount) of any commission or fee or other remuneration payable to the credit broker by the lender or owner or a third party."

Adrian Dally, head of motor finance at the FLA, said previous guidance on commission disclosure was "quite grey" and it wasn't specific to motor retail. A lot of the motor finance review is spelling out very specifically what the FCA now expects from dealers.

He said: "Members were doing this voluntarily before, but now this clarifies the FCA's views on how businesses should approach commission disclosure. It levels the playing field and having that certainty and clarity is a benefit for all."

Karl Werner, MotoNovo Finance deputy chief executive, said the FCA's conclusions have been clear. Dealers and other motor finance brokers fell short of the required regulatory standards.

The CONC rules on commission were not warmly welcomed by dealers when first published.

Where dealers do not disclose a commission they may called on by the regulator to defend their decision. This means they must record robust reasoning, and the processes of determining, why they believed a commission or fee would not influence the recommending of any product, nor affect the

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customer's decision to sign.

Werner said: "Where any dealer's reluctance to share the availability of commission exists, the review makes it clear that this must end now."

Werner said the FCA has been clear on the kind of controls lenders need to have in place to ensure dealers and brokers are aware of all of their responsibilities.

This includes controls around pre-contract disclosure of the availability of commission.

However, Werner said it is also clear that implementation standards too often fall short – and this needs to change.

He said: "The road ahead outlined by the FCA will require greater oversight by lenders.

"We are committed to ensuring dealers are not just compliant with the FCA requirements, but brilliant at using finance clearly and fairly to create sales. There is nothing to fear from creating a better customer experience."

Werner said transparency for the industry is a no-brainer and compliance with the FCA's rules is simply a hygiene factor.

Dealers are already using finance online as a marketing tool.

Werner said that by building in commission disclosure into the finance process, there will be increased trust for customers choosing dealer finance.

He said: "I have no doubt that we will see a positive impact on consumer trust in dealer finance giving rise to greater confidence in the entire traditional dealer model.

"With this will come sustainability and longevity for the sector in the face of emerging broker models that feed on the back of dealers' efforts."

Ivendi chief executive James Tew also believes better solutions and processes must be put in place: "This is very much a clear shot across the bows for motor finance companies and their approach to operational oversight of introducers [brokers]. The ultimate sanction is probably that full disclosure of commission at the point of sale is made mandatory.

"It may already be too late to avoid this, but the industry could certainly attempt to pre-empt any FCA action."

Neil Smith, operations director at Imperial Cars, said customers understand dealers need to be remunerated for facilitating finance.

He does not see commission disclosure as a deterrent, but as a part of the normal sales process: "We'll do what needs to be done to the letter of what the FCA requires. We're certainly not going to fight it."

Tony Denton, the owner and managing director of Batchelors Motor Group (see our interview with him on page 30), said any dealer reluctance will be due to a lack of understanding of the rules.

"With all sectors, there are always bad apples and the net is closing on them," he said.

"Finance providers and the banks need to be accountable here. If they follow CONC, then car dealers, almost by default, will all become compliant."

Batchelors uses fixed-rate APRs, to help customers' comparisons. Denton said: "Customers expect us to receive remuneration for the work we do. Reputable lenders and dealers have nothing to fear.

"The alternative is for our trade to halt offering convenience and drive everyone to the banks and that would be a really bad outcome for everyone."

A finance and insurance director at a large franchised dealer group, who asked to remain anonymous, believes much of the industry has already moved to flat commission rates in an attempt to make sure sales executives are unbiased.

Yet isn't the FCA's concern aimed at dealership level? Manufacturers' finance houses continue to incentivise their franchised dealer networks to achieve high volumes of PCP renewals and repeat business, at the same time as making their offers attractive to prime customers through low APRs and deposit contributions.

The FCA hinted that these manufacturer-driven finance sales demands are a concern. Its research found PCP dominated discussions for new car sales, and in some cases the customer's clear desire to own the vehicle outright was ignored or not given sufficient weight in the process.

"Lower monthly costs associated with PCP were generally promoted as the most attractive feature for customers when compared with other HP products. However, it was not always clear that there was sufficient balance between the benefits and downsides of various finance options offered or available," said the FCA review.

While other dealers were confident commission disclosure would not affect the sales process, the anonymous dealer thinks it will become a barrier to getting a deal done with the customer.

"The number of questions we now have to ask during the sales process is phenomenal. You have to ask yourself if we're doing all this for the customer or reluctantly covering ourselves for a future scenario where we could get sued?"

> WHERE ANY DEALER'S RELUCTANCE TO SHARE THE AVAILABILITY OF COMMISSION EXISTS, THE REVIEW MAKES IT CLEAR THAT THIS MUST END NOW KARL WERNER, MOTONOVO FINANCE

COMPARING COMMISSIONS

Neither Smith nor the dealer group F&I boss envisage a scenario where customers are shopping around to see which dealer has the lowest commission.

Smith said the key thing for consumers is whether they are happy with the deal, the APR and the monthly payments.

He said: "Consumers are fully aware of interest rates at the dealership, and personal loans. They know what's reasonable and what isn't. If a dealership set an APR at 19%, they simply wouldn't sell any vehicles.

"Yes, finance is an additional revenue stream, but as long as it's not an abhorrent level of profit and it's not to the detriment to the consumer, I think that's OK."

The growth of websites such as Carwow suggests consumers want transparent pricing, and confidence that they are getting a great deal. Some industry observers question why this trend wouldn't apply to point-of-sale finance – consumers can already visit aggregator websites to compare offers on personal loans and insurance.

The F&I boss said he thinks consumers would be surprised by how little commission there is in a car deal, so added clarity could help increase trust. He thinks part of the process should also explain that if a finance deal is ended early, the dealer will lose a percentage of their finance commission.

He said: "Customers aren't going to go through the process of finding the right vehicle, building the deal and then do that across all other suitable vehicles to compare the level of commission at different dealerships or groups.

"They want to know they are happy with the overall deal and it's right for them. If it's a reasonable deal, the commission disclosure is just wallpaper, it's there in the background." TOM SEYMOUR

The FCA review is an opportunity for dealers

Motor retailers are increasingly vital to the sale of motor finance, says Barclays Partner Finance's Adam Mepham, and lenders will work with them to achieve better customer outcomes

Q Were the findings of the FCA's review of motor finance a surprise?

A The interim FCA Motor Report, published in March 2018, pointed to a focus from the regulator on commission structures. The final findings, unsurprisingly, have indeed called out commission arrangements, affordability assessments and disclosure of information, which gives the industry a clear steer on what lender standards are expected. We welcome the review and findings, as ultimately we are working together to provide better customer outcomes. From our perspective, anything which drives greater transparency and, therefore, consumer trust, is a good thing.

Q How has Barclays evolved the way it works with its dealer partners in recent years?

A We made a strategic decision three years ago that our focus would be on the AM250 dealer groups and the largest independents in the UK market. Our approach is to share a close working relationship, helping to create stronger ideas and innovative new strategies. If we are able to provide a relationship where the customer benefits and the dealer benefits, then that is success.

Q Commission disclosure and difference in charges (DiC) products were identified by the FCA as problem areas. What is Barclays doing, or has it already done, in these areas?

A In 2016, we identified that DiC models were no longer fit for the market and since then we have moved away and developed commission constructs that support good customer outcomes.

Additionally, it was clear to us that we needed to apply strong client oversight in the marketplace, so we created a dedicated team reviewing business practices and ensuring standards are met. We are able to take a step back, review with a Barclays lens and use our experience to identify potential improvements. Importantly, this area of our business seeks to work with dealers and support them in developing their systems, controls and approach to offering finance.

Q What's the key challenge to the sector?

A For me, the key challenge to our sector is the rise of non-traditional lenders from the fintech (financial technology) community. I believe that legislation such as the new EU Payments Services Directive, PSD2, rightly encourages other sectors to look to consumer lending as an opportunity. What I believe we will see are new entrants from some surprising areas. As a result, it is key that lenders are putting consumers at the heart of what they do and understanding what a consumer is looking to achieve. That way, we can develop products and services that will naturally be attractive and engaging to the end user. A good example of this is our Sign Anywhere product, which uses plain English to help customers understand their finance agreement, which they can then sign digitally on their mobile device. In particular, when we combine this with an end-to-end customer journey, it significantly supports what customers are looking to achieve in the buying journey.

Q Should dealers see the FCA's review as an opportunity?

A If we can continue to drive trust and transparency within the market, this can only be a good thing. So yes, I would encourage all dealers and lenders to see this as an opportunity. We should all be reviewing our products, services, systems and controls to make sure they are driving consumer experience forwards. In essence, this is an opportunity for us all to improve and that can only be a good thing for the consumer and our dealers.

Q Do you see the dealers' role in the sale of motor finance becoming more or less important in the medium term, and why?

A The expectations of the modern consumer are high. I believe this is largely down to us all spending so much time in the digital world, where we can expect quick answers, access information pretty much whenever we want and products are just a click away. I don't see that the human element in all of this has degraded, in fact I see that the human element has been elevated and is now more important than ever. With this in mind, it is critical that dealers have fantastic digital experiences for their customers, but, importantly, this needs to be matched and hopefully exceeded by the physical experiences dealers deliver. These physical experiences, such as the enquiry process, product demonstration and explanation, handover of vehicles and more, must be executed at the highest possible level of quality to exceed the expectations of customers. Yes, dealers are incredibly important to the sale of motor finance and I feel their importance will continue to grow.

Q How can finance companies work even more closely with their dealer partners in the future?

A A key call-out from the FCA review is that lenders need to take more control on dealer oversight. We need to apply a collaborative approach, guiding dealer partners by calling on expertise from our own business and the wider Barclays group, which will deliver real added value in areas such as conduct. What is key is how we support our partners here and now, but also focus on the long-term plan for all of our partnerships and it is right that dealers look to lenders for support and guidance.

Q What tools and systems have you developed to support your dealer partners as consumers explore their car purchase options online?

A With the motor industry moving ever closer to a retail model, customers are expecting to be able to self-serve to some degree. We have to be at the forefront of this demand and an example of this is through our latest solution, Sign Anywhere, which gives customers complete control of the finance application journey and enables them to start, review and complete the agreement wherever and however they choose, using the device of their choice.

Q What helps to differentiate Barclays from your rivals?

A Of course, we have great technical ability and a strong brand; however the core strength for me are our area sales managers and regional sales directors. The passion, experience and love of the sector is incredible and constantly makes me feel proud to be part of the business we work for. I am not the only one who is impressed – our dealers tell us that each year when we measure the performance of our relationship through client surveys. We are also a business that wants to give back and stewardship is a core value across the whole of Barclays. We engage with our wider communities in many ways, for example by taking part in fundraising initiatives, offering skills development sessions in local schools and community initiatives. Importantly, we have seen how these activities translate into a great culture in our daily work.

> "A KEY CALL-OUT FROM THE FCA REVIEW IS THAT LENDERS NEED TO TAKE MORE CONTROL ON DEALER OVERSIGHT. WE NEED TO APPLY A COLLABORATIVE APPROACH
>
> ADAM MEPHAM, MOTOR SALES DIRECTOR

COMPANY PROFILE

Barclays Partner Finance
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BARCLAYS

FUNDING YOUR BUSINESS IN A MARKET DECLINE

Cost controls and transparent performance updates are essential to retain lenders' confidence

In an uncertain market, forecast to continue its decline from the 2016 peak of 2.7 million new car sales, business funding may become more challenging for motor retailers as banks become more cautious, but investment in stock, people and manufacturer standards remains high.

The International Monetary Fund warned this month that "the credit cycle is maturing" and challenged global financial institutions to "act now to head off the growing risk of a major downturn".

"Corporate debt and financial risk-taking have increased. The creditworthiness of borrowers has deteriorated... loans to highly indebted borrowers continue to be of particular concern," said Tobias Adrian, the IMF's financial counsellor and monetary and capital markets director.

David Kendrick, partner at UHY Hacker Young in Manchester, believes banks are taking a more pessimistic view of the automotive sector now.

"They are definitely nervous about the automotive space, whether that's linked with the demise of High Street retail or property or the potential onset of electric vehicles, I am not sure. Stronger businesses are getting supported, but there is selectiveness about new funding.

"The ways dealers are combating that is looking at all funding lines, whether that's utilising all their used car vehicle funding or leveraging the balance sheet to generate working capital. People are looking at their own businesses and being a bit more savvy utilising their capital."

Kendrick said his clients are very conscious of costs now: "Some businesses have had a good 10-year run of strong profits and when profits are strong, it's amazing how costs can creep and additional head count seep back into the business."

> **"[BANKS] ARE DEFINITELY NERVOUS ABOUT THE AUTOMOTIVE SPACE... STRONGER BUSINESSES ARE GETTING SUPPORTED, BUT THERE IS SELECTIVENESS ABOUT NEW FUNDING"**
> DAVID KENDRICK, UHY HACKER YOUNG

He believes manufacturers have begun lowering the capital expenditure pressure on dealers, with a 'softening of manufacturer requirements', which frees up capital for investment elsewhere, such as in digital technology.

John O'Hanlon returned to motor retail in 2017 with his new venture, Waylands Automotive. Some 18 months after the sale of Ridgeway, the AM100 dealer group he ran with owner David Newman, O'Hanlon bought Wayland's first Volvo franchise, in Reading, from Jardine Motors. He has since acquired three more Volvo dealerships at Oxford, Swindon and Newbury, and relocated the Reading operation into a new £6m VRE-compliant site.

O'Hanlon said: "We work with both HSBC and Volvo Financial Services to fund the acquisitions. We fund capital expenditure from bank loans (for larger projects) and retained profits of the business.

"With a business that can demonstrate medium-term profitability and strong cash flow, a reasonable business case can be provided to funders that allow the investments to be made. It's important that the funders understand your business and not just the headlines.

"The new car market is down overall, but, as a Volvo dealer in the Thames Valley, we have a real opportunity to grow the business. By sharing our ambitions and our progress against these ambitions we demonstrate that we can be relied on and that they can have confidence in our business."

O'Hanlon believes by ensuring Wayland's key funders understand its short- and medium-term strategies and performance relative to the market, their confidence to invest in the business will continue.

Transparency, no surprises and regular updates on operational performance and achieving strategic goals means O'Hanlon maintains a trusted relationship with funders.

It includes sharing budgets and plans in detail before the start of the year and updates every month alongside quarterly meetings to discuss strategy – although more regularly if a transaction is ongoing.

O'Hanlon instils good business practice at his sites and insists that the basics are covered every day without compromise. Maintaining strong management controls over the company's working capital means all stocks are funded and debts are paid when due. Weekly meetings to a strict agenda drive rapid operations decisions from Wayland's management team.

DEBBIE KIRLEW

IS CASH KING?

Dealer groups are increasingly looking to shed debt and review practices around working capital to brace against falling new car sales and an unpredictable political landscape

While automotive leaders cannot predict the UK's future relationship with Europe, they are clearly building up cash reserves to face the challenges ahead.

A recent report from UHY Hacker Young, the national accountancy firm, shows the top 100 dealerships in the UK have reduced their debts by 22% over the past 12 months, to £9.7bn, down from £12.5bn in the previous year.

Dealers understand that if confidence wobbles and the car markets sour, the danger will come from lack of cash flow, not short-term lack of profits.

UHY Hacker Young said the debt reduction has significantly improved the financial strength of the sector ahead of the expected Brexit-related slowdown in car sales.

Paul Daly, partner at UHY Hacker Young, said UK dealerships have been gradually de-risking since the 2016 EU referendum, in the knowledge that big-ticket purchases such as cars are the first to suffer when consumer confidence fails.

The fall in sales of diesel cars following the Volkswagen dieselgate emissions-cheating scandal also prompted dealers to start reducing risk.

Daly said dealerships have managed to shed debt by reducing capital investment, off-loading property assets (through sale and leasebacks) and becoming more focused on cash generation. In some cases, non-core overseas assets have also been sold.

Daly said: "The cutting of debt among UK dealerships has put them in a much stronger position.

"To date, dealership results have fared well despite the fall in new car sales, owing to the strength of the used vehicle and aftersales markets. However, preparing to weather any post-Brexit storm through debt reduction seems a very sensible move by the sector."

Daly said the risk of a post-Brexit sales slump and the potential 10% tariffs on EU-manufactured vehicles is fairly severe, but added that lower gearing would certainly help to manage any challenges that occur.

There are risks involved with focusing too much on cash rather than profit, such as depressing return-on-sales (RoS) figures, particularly in an industry where average ROS is below 1%.

Daly said: "There's clearly a balance to be had, but I think if you look historically at the sector, they are highly geared businesses, so I don't think there's a risk of too many businesses going too far with focussing on building up cash."

Steve Le Bas, audit partner at BDO, said while it was good practice for dealer groups to build up cash reserves to absorb any shocks, there has been no

> "MORE AVERAGE DEALERS THAT PERFORMED WELL IN GOOD TIMES... WILL STRUGGLE AS THE MARKET COMES UNDER PRESSURE
> STEVE LE BAS, BDO

specific push in this direction by the groups he is working with, which range from £100m-£1 billion in annual turnover.

Le Bas said dealers have told him Brexit is less of a concern to consumer confidence than a potential change in Government through a general election.

BDO has not recorded any significant movements in the market to sell off property or reduce headcounts either.

Le Bas said: "It's actually quite difficult to build cash, particularly if your stock is funded, it's not going to release much cash. You can sell excess property or close sites if you're in a position to do so.

"Dealers have had a good five or six years and I think where we'll see businesses caught out are those more average dealers that have performed well in good times, but will struggle as the market comes under pressure."

Le Bas said cash generation can start with cost control, although this will not result in massive change overnight.

He said: "Some dealers are looking at costs more closely than others and the need to build cash is a concern, but we're not seeing businesses in dire straits that have woefully unprepared."

Le Bas did say that dealers are looking to take their destiny into their own hands and there has been less of an appetite to invest in facilities or start multi-million-pound dealership developments.

While Daly said he doesn't think there will be large redundancies hitting the sector this year, he does think dealers need to review headcounts.

"Headcount is unfortunately one of the areas that does need looking at. It's not until you take a step back and look at how the headcount has expanded over the last years that it can become clear that things aren't in balance," he said.

"I think it's more likely that if people move on from a site, they may not get replaced, rather than lots of job cuts."

Daly said UHY Hacker Young has tracked an increase in sale and leaseback deals in the industry as a way for groups to generate some cash.

"There is an appetite from the pension fund market to invest in dealership property right now, particularly if it's a site that has been newly refurbished," he said.

"Dealers have always been of the mindset that they want to own their property, but I don't think it [sale and leaseback] should be discounted as an option, particularly with some of the returns available."

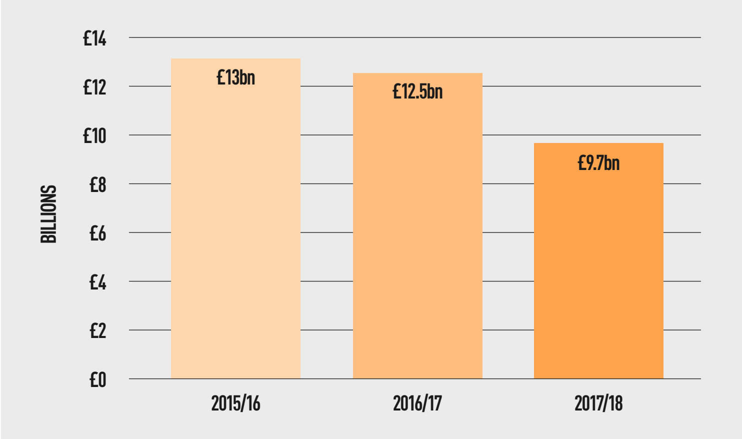
John Clark, John Clark Motor Group chairman, said the ability to free up cash in de-stocking vehicles is difficult due to many manufacturers pumping product into the market for Q1 and Q2 to absorb any Brexit fallout.

Clark agreed with Le Bas's view that

"A FAST AND THOROUGH EVHC... INSTANTLY INCREASES CUSTOMER SPEND
KARL DAVIS, COACHWORKS CONSULTING

"I DON'T THINK IT [SALE AND LEASEBACK] SHOULD BE DISCOUNTED AS AN OPTION, PARTICULARLY WITH SOME OF THE RETURNS AVAILABLE
PAUL DALY, UHY HACKER YOUNG

AM100 TOTAL DEBT LEVELS 2015-2018



more dealers are sitting on their hands over dealership investment due to the political uncertainty, so that is safeguarding some level of cash.

Clark said reviewing headcount is difficult because "how can you do that if you're still busy with customers?"

He said dealers' fleet departments in particular could be hit due to the 8% downturn in the market in 2018.

Daly said a review on working capital may reveal many potential improvements: "'Back to basics' is a cliché, but we are still seeing big disparities between dealerships from the level of cash in their businesses and it all comes down to tight processes."

HOW SHOULD DEALERS BUILD RESERVES AND LIQUIDITY?

Clark said dealer groups have had an eye on building cash and controlling costs "for a long time" due to continued pressure on margins and profitability. He said Brexit has not changed that.

John Clark Group is reviewing all of its supplier contracts to make sure they provide the best value for money. It has cancelled several digital marketing contracts this year after realising it can tackle some areas more efficiently internally.

Karl Davis, the managing director of Coachworks Consulting, said while not every dealer will have the opportunity to significantly cut their debt, all can examine practices that may have slipped when the market was buoyant.

At an operational level, Davis said, dealers need to scrutinise processes and behaviours in both sales and aftersales because there are "easy wins" in boosting cash flow and liquidity.

"In car sales, for example, ensuring finance customers sign their paperwork at least 48 hours before taking delivery of their car can speed up the transfer of balance payments from the finance houses, which is particularly critical during peak trading periods such as month-ends and especially in plate-change months," he said.

Davis added that retailers can set a policy of taking bigger deposits for new cars and where lead times are long, such as with premium and luxury brands, this can easily amount to hundreds of thousands of pounds being held by a retailer over a period of time.

"Setting a policy of larger minimum acceptable deposits is best practice in any business, as it not only improves cash flow but also strengthens the customers' commitment to see the purchase through to delivery, with the anticipated profit being more likely to eventually land."

Davis said retailers should reconsider cash-consuming corporate deals where payment terms leave dealers waiting for a month after delivery of the car to the fleet customer until full payment is made.

In aftersales, actively promoting and selling service plans at handover can also provide a major boost, especially if the plan is self-administered and cost collected as a one off up-front payment.

Davis said: "One of our best-performing clients consistently does this and has built up a £1m fund of customer prepayments.

"And let's not forget the opportunity to generate revenue as each car enters the workshop, as undertaking a fast and thorough eVHC, then sharing best advice with the customer in a compelling and expert manner instantly increases customer spend."

A volume brand Coachworks Consulting has been working with has seen revenue increase by £15,000 per month per site in labour sales alone. Davis made it clear this was not overselling, but just effectively advising the customer. TOM SEYMOUR

DEALER MASTERCLASS

POWERED BY AM

DEALER MASTERCLASS COMMERCIAL PARTNERS: VISION OF YOUR MARKET

At Automotive Management Live on November 7, the Dealer Masterclass programme will deliver advice and knowledge to dealer management on a range of key topics that will assist them with the efficient and effective running of their sales and aftersales operations. Over the next six pages, they offer a sneak preview of the intelligence that will be shared on the day.

Find out more about Automotive Management Live at: www.automotivemanagementlive.co.uk

AUTOWEB DESIGN Automotive Digital Solutions
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JudgeService
Marketing Delivery DATA DRIVEN MARKETING
CitNOW

Make e-commerce work seamlessly with your physical sales operation

'We always overestimate the change that will occur in the next two years and underestimate the change that will occur in the next 10." When considering the automotive industry, it is certainly heading towards e-commerce, however we are unsure of when this will materialise entirely. We believe that implementing e-commerce in automotive online showrooms is the logical next step in order to stay in line with the changes in customer behaviour.

E-commerce should be used as a method to unite the online showroom to the physical dealership, not replace it. Rather than having two distinct channels, the two should work together to create the ultimate experience for the customer, no matter how they wish to complete their user journey.

We think customers should have the freedom to configure their own deal, whenever and wherever convenient for them. It's the experience that customers have come to expect, moving forward with customer behaviour trends. In-store still matters, with 40% of consumers expressing that it is important to have a personal connection at the dealership (Coxautoinc, 2015).

Car buyers are becoming increasingly confident with their purchases, essentially becoming their own salespeople. This is a result of spending more time considering their decision online, utilising vast amounts of information, including product reviews, offers and comparisons. Eventually, e-commerce will save showroom time for both parties.

As e-commerce is relatively new within the automotive industry, it requires research, development and ongoing testing for it to be successful. We can make a judgement on what other industries are doing, but what works for them may not necessarily work for us. E-commerce shouldn't act as a replacement for lead generation, because it is still vital to catch those at the earlier stages of the conversion funnel, especially when 88% of consumers won't buy a car without test driving it, (SilverBullet, 2019).

> "E-COMMERCE SHOULD BE USED AS A METHOD TO UNITE THE ONLINE SHOWROOM TO THE PHYSICAL DEALERSHIP, NOT REPLACE IT

There are some concerns against e-commerce, one of which is that it will increase competition from more distant dealerships. However, there are ways to reduce the risk of this, by focusing on triggering positive associations on why customers should buy from your brand, to stand out against the competition, and build brand loyalty.

Additionally, consumers today rely on online reviews. These have become so important that 94% of people have avoided a business because of negative online reviews, according to ReviewTrackers. As a complementary feature to e-commerce, dealerships should consider using a customer feedback service or engage with customers on social media and review platforms.

By 2030, it is predicted that the automotive industry's share of online purchases will overtake that of appliances. In our opinion, it's never too soon to start thinking about your digital strategy for the future.

For more information or to learn more about Autoweb Design, please visit www.autowebdesign.co.uk or get in touch on 01757211700 or holly.duncan@autoweb.co.uk.

AUTOWEB DESIGN Automotive Digital Solutions

No car was ever sold or serviced without a conversation...

...And today's car shoppers and owners prefer to message over any other form of communication. LivePerson Automotive powers messaging for dealers to win customers throughout the car buying process, keep those customers loyal during the ownership journey and earn the right to sell them their next new vehicle.

LivePerson Automotive powers messaging on thousands of dealer websites, many manufacturer sites, and ensures that when a consumer wants to message with dealers on Apple, Facebook, Google AdWords or sites like Auto Trader UK, they can.

In fact, we were the first to offer Apple Business Chat to car dealers. ABC offers a new way for automotive companies to interact with millions of iOS users through messaging. With it, consumers will be able to see (and tap) a message icon beside your listings across iOS key dealer discovery points: Safari, Maps, Siri and Spotlight. Shoppers can then gather information, schedule appointments, and more with brand app customisations – all within the native Messages app.

Since launching in the UK, dealers have been able to sell more cars a week. In fact, Stoneacre sold a car within 24 hours of going live on Apple Business Chat and three within the first week.

Higher show rates, larger R.O. sizes and improved CSI with service texting

Soon, dealers in the UK will be able to automatically remind car owners of service appointments, and communicate to them throughout the servicing of their vehicle. Our service-based product has been a proven tool for increasing work approvals by 41%, as well as delighting both dealers and car owners with the ease of communication offered from text. Both dealers and car owners can send pictures and videos to improve communication, and dealers can automatically offer mobile pay to check-out. No downloads, updates, time-outs, or logging in/out. All conversations are date-stamped, stored and easily retrieved.

To learn more and start building your own conversational commerce plan, just reach out: Text 020 3095 7289 | caomarketing@liveperson.com | liveperson.com/solutions/automotive

LIVEPERSON AUTOMOTIVE

Why the future of online motor retail may mean less for consumers, rather than more

By Rob Severs, vice-president data and insight, iVendi

It's common to think about advancing technology as something that always brings the consumer more – more choice, more information, more options.

However, at iVendi, we believe the future of online motor retail may bring less. Well, maybe not less exactly, rather the final outcome that you are looking for, delivered as soon as possible in the buying process.

Consider this in relation to vehicle search, for example. We tend to believe it is a good thing if a customer carries out an online search and the result returns hundreds or even thousands of cars. But it can also be interpreted as a sign of failure. Why doesn't it just deliver the nearest thing to the exact car the customer wants?

The same criticism can be applied to almost every stage of the online motor retail journey. What we should ultimately be aiming for is providing the right vehicle and the right finance package at the right place and right time.

How do we achieve this? The answer potentially lies in anticipating the customer's needs as much as possible, using advanced forms of profiling.

There are two main types now becoming available. The first looks at a user's past activity. If you know someone has been searching for a specific model of hatchback, priced between £7,000 and £8,000, aged less than three years old, having covered about 15,000 miles, with a finance deal showing payment range between £140 and £160 a month and a deposit of £500, you can provide them with options from your stock.

The second reverses that process, using data gathered over time. It works by looking at a dealer's used vehicle stock and suggesting the profile of a prospective customer. This will include factors such as gender, age, marital status, residency type, dependents, occupation and income. It can even drill down to profiling customer types on a derivative basis so identifying the difference between purchasers of a five-seater versus seven-seater of the same model.

However, these examples show only the first wave of the technology. In the future, the level of granularity available about how customers behave, about their needs and desires, is likely to increase exponentially. We are not talking about the annoying pop-up ads that follow a lazy Google for something you may want to buy, but using big data to create an almost intuitive customer journey.

It's about using the information you know about a customer to target their requirements as accurately as possible at the earliest stage in the process.

Of course, there is a second layer to this thinking, which is that some customers will always want to take a longer, more winding route to their purchase, trying out all the different options and choices before making a final decision. Technology will have to meet their needs too, but for successive generations who are increasingly accustomed to online retail making their lives as easy as possible, delivering the right car first time is very likely to be the preferred option.

> **WHAT WE SHOULD BE AIMING FOR IS PROVIDING THE RIGHT VEHICLE AND THE RIGHT FINANCE PACKAGE AT THE RIGHT PLACE AND RIGHT TIME**

All paths can lead to quicker car sales (and Rome)

"It's not the destination, it's the journey."

Consumer journeys are becoming more fragmented and unique as different paths and digital pit stops are chosen by buyers before making a purchase. Over time, these paths and digital pit stops are likely to become more unique and diverse.

This makes mapping your customer journey and optimising each step of the experience an ongoing process, as both digital and non-digital touch-points or micro-moments continue to evolve to meet consumer demand.

We will all have to keep an eye on rapidly evolving expectations:

- **Search experience**
- **Website experience**
- **First contact**
- **Dealership experience or digital transaction**
- **Delivery experience**
- **Post-purchase follow-up**
- **Routine aftersales experience**
- **Distress aftersales experience**
- **Vehicles experience**
- **Social media experience**

The checklist for a smoothly paved customer journey can be daunting, expensive and confusing for dealerships. "Do I really need all of these? Can I automate any of the actions? How much will it cost?"

The answer has been clear: Optimising each micro-moment to increase customer satisfaction will lead to more enquiries and quicker car sales.[1]

Over the past three years, our research has proven customer satisfaction has a direct correlation with used car stock turnover – improving vehicle sales by an average of six days with a 20% increase in promoter score. **This could mean £75,520 more for your yearly revenue if you currently sell circa 40 cars per calendar month at £800 profit per unit.**

Investing to improve each micro-moment, customer feedback on the process, online reviews, social media content, and Google star rankings are all crucial for growing revenue.

Where exactly do reviews fit in?[2]

According to various experts, reviews should be on top of your list. Buyers read reviews and consume online content before making a purchase.

Independent, verified customer reviews outweigh unverified (perhaps fake) reviews as buyers' sophistication increases.

Ensuring these reviews are found on your website increases traffic and optimises your search results, generating more prospects and leads.

Getting insight as part of the review process also enable you to prioritise other actions.[3]

According to our research, dealership experience is just as important as your customers' digital experience. Salesperson attitude, attitude at handover and the clarity of how paperwork was explained are all vital to drive customer delight – and nurturing raving fans!

Of course, these behaviours propel each other, but, as mentioned previously, a 20% improvement in promoter score means an average of six fewer days to sell a car.[4]

At JudgeService, we are committed to ensuring our clients are well geared for the future.

We will continue to ensure that the measurement of customer journeys is optimised with tools such as reputation management software, online verified insight and reviews, APIs, digital content generation, social sharing and more.

Our authentic, granular insight will continue to help our clients enhance their customers' experience, enabling our clients to be the winners in the world of tomorrow.

No one will remember the fastest losers.

> **This could mean £75,520 more for your yearly revenue if you currently sell circa 40 cars per calendar month at £800 profit per unit.**

Data is the backbone of a successful customer contact strategy

Dealers are increasingly handling and processing customer data. Following the enforcement of the General Data Protection Regulation (GDPR) in 2018, dealers are capturing, on average, 80% of mobile numbers and 88% of email addresses from customers making an enquiry. Of these, 70% of customer consents are captured for marketing emails, 56% for marketing via mobile.

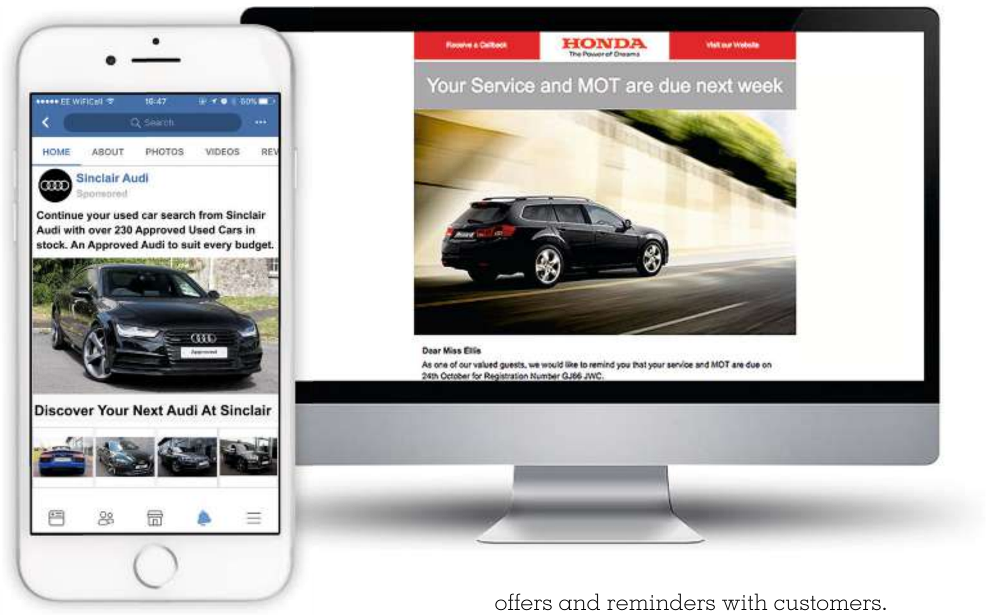
Post-GDPR, dealers still have a vast amount of data at their disposal. The key to a successful sales and aftersales strategy lies in how that data is used.

Prospective car buyers still visit a showroom in person, but dealers also need to handle enquiries from inbound phone calls and emails, website enquiry forms, third-party classified sites, brokers and car price comparison sites, and various social media platforms. This challenge isn't exclusive to sales teams, either – it affects aftersales departments equally.

Dealers have access to automated systems giving them the ability to join up data from a range of sources, and use it to provide customers with a seamless experience.

For instance, a prospective buyer will likely look elsewhere if a dealer does not have a specific vehicle in stock. But instead of losing the sale, Marketing Delivery's Car Alerts system lets dealers automatically alert that customer to details of relevant new stock as it arrives at the showroom, using captured data to close a sale that might otherwise have been lost.

Another example might be a new or used car buyer receiving automated reminders shortly before an MOT or scheduled service is due.



Research carried out by Marketing Delivery suggests that more than 60% of customers are more likely to book scheduled aftersales work if they receive a well-timed email reminder a few weeks ahead of time.

By the same measure, customers who have just purchased a car don't want to receive marketing for other new vehicles they now have no intention of buying.

Customers are more likely to be receptive to marketing messages if a business provides them with timely, relevant information. Contacting customers on the most appropriate channel can have a similar effect. 75% of people in the UK use email daily, and they are more likely to consent to email marketing, making it the single most important platform to share relevant offers and reminders with customers.

Furthermore, more than 50% of UK car buyers are active on a social media platform, making it ideal for lead generation. Marketing Delivery's SocialStock system enables dealerships, groups and manufacturers to target local customers or website visitors with dynamic Facebook adverts. Tailored to a brand or showroom location, promoted social media posts can provide dealers with a valuable tool to maximise visibility and engagement.

For the motor retail sector, data should form the backbone of a successful customer contact strategy. However, customers will increasingly look unfavourably on those dealers who fail to also secure consents, and prove unable to use the data in a joined-up way to issue personalised, relevant and timely communications.

How video will evolve

Working in a sector which is evolving at a pace that is outstripping the digital transformation of the past 20 years means CitNOW's personalised video tools will be the key to blending digital and physical

A BASIC REQUIREMENT, NOT A 'NICE TO HAVE'

With almost 10 million videos hosted on the CitNOW platform in 2018 alone, video is now a necessity in the everyday operations of a retailer. Not only that, CitNOW research has found more than 50% of customers believe an online video tour of a used car for sale is an important or essential part of the used vehicle listing, which rises to 60% among those looking to purchase in two years.

Many manufacturers and dealer groups now train their technician apprentices in the use of video and video skills are fast becoming a 'must have' when recruiting sales staff.

The greatest gains in the short term will be seen on the web, where video is becoming an 'expected' digital asset by consumers when searching for a vehicle online.

BRIDGING THE GAP

In a digital-first world, video bridges the gap between the physical and virtual worlds, allowing retailers to forge relationships with customers from afar. Video blends both online and offline seamlessly by delivering the forecourt or workshop onto the devices of customers.

CitNOW statistics show personal video in response to a used car enquiry reduces the number of no-shows by 30%, because the relationship has already become personal. When used in the workshop, red work conversions can increase to 80%. With figures such as these, we expect video to be used in more areas of the customer purchasing and owning experience over time.

The use of video – as part of the new car process, to keep a lead warm while waiting for a new model in the showroom, or for post-sales parts and accessories – will become more common and will enhance the overall customer experience.

ELECTRIFICATION

With fewer moving parts, EVs require less aftercare, but routine servicing is still necessary and the work required is less obvious. Unfamiliar terms such as 'battery conditioning', 'battery packs' and different service cycles will need to be explained. Explainer videos tagged onto personal eVHC videos will help educate customers in these situations.

Sales staff will need to plug knowledge gaps, address concerns such as range anxiety and using public chargers, and highlight benefits. Video is the perfect tool for this – a long verbal or written explanation can be presented in minutes via video.

APPS

Video distribution channels will evolve, from the current email and SMS, into apps. Manufacturers are developing sophisticated brand apps to deliver more connected services and to make the lives of their customers easier. Some already incorporate service bookings and the option to request a video. As app usage increases, it is inevitable videos will be accessed this way, too.

TECH ADVANCES

Cameras on iPhones and Android phones are extremely high-quality and will only improve further with technological smartphone advances. The arrival of 5G will make watching and uploading video content on handsets faster, of higher quality and with lower latency (the time for a video to play). In addition, video demonstrates in-vehicle technology in just a few minutes.

PERSONALISATION

With 84% of customers saying being treated like a person and not a number is important to winning their business, personal video messaging will become even more important to maintain consumer interest and to engage car buyers.

CITROËN C5 AIRCROSS: AIMING TO CONQUEST WITH FAMILY-FRIENDLY COMFORT

Citroen's Advanced Comfort programme gives the C5 Aircross SUV a softer ride than some of its rivals

The cabin feels more premium than that of the Cactus

Three individually folding rear seats offer family-friendly practicality

In an increasingly congested SUV market, Citroën is bidding to carve its own niche by selling its new C5 Aircross with the promise of class-leading comfort.

The C3 hatchback led the way with technologies from what Citroën calls its Advanced Comfort programme back in 2016, and the C4 Cactus followed. Now the C5 Aircross takes up the baton.

A new model in a range now bereft of a family saloon, it delivers some of the flexible space of the C4 Picasso MPV along with some more rugged appeal.

The C5 Aircross stands 1,670mm tall – taller than the Kia Sportage or Peugeot 5008 – and, while the absence of a four-wheel-drive option communicates a lack of off-road focus, 230mm of ground clearance does provide a comfortable ride.

Citroën's Grip Control system can be specified as an option, which does a great job of meting out extra traction in a range of conditions, and includes a hill descent assistance function.

Meanwhile, the Citroën Advanced Comfort programme employs hydraulic bump stops at the top and bottom of the suspension's stroke to smooth out rougher road surfaces.

Said to have been developed as a result of the brand's work in the World Rally Championship, it is quickly apparent that the simple but effective system does the trick.

The C5 Aircross's wide, soft seats do lack a little lateral support, but 15mm more padding than the norm boosts comfort.

Progressive steering and a chassis which will yield to the physics of sharper steering inputs continue the relaxed feel.

This is not the most dynamic of the current crop of SUVs, but ridding it of the harsh ride of some rivals will be welcomed by many potential customers.

Priced from £23,225 for the 130PS 1.2-litre petrol-engined Feel trim version, to £32,725 for the Flair Plus fitted with a 180PS two-litre turbodiesel and the PSA Group's latest eight-speed automatic gearbox, the focus remains on comfortable and accommodating family transport.

> "C5 AIRCROSS WIDENS OUR AUDIENCE FURTHER, GIVING OUR RETAILERS MORE OPTIONS. IT ALSO GIVES US A PRESENCE IN A PART OF THE MARKET WE HAVE NOT BEEN IN BEFORE
> KARL HOWKINS, CITROËN UK

The mid-range Flair trim is expected to account for most sales – 52% – while the petrol/diesel mix will be close to 50:50, with the BlueHDi 130 taking the lion's share.

Fleet:retail split is expected to be 48:52, with residual values averaging 49% at 30,000 miles and 36 months supporting a £230-a-month 36-month 5.9% APR PCP offer for the mid-range Flair 1.2 PureTech 130 (£25,325) in conjunction with a £5,813 customer deposit and £500 manufacturer contribution.

There are cues from the Cactus – most notably the plastic 'airbumps' on the lower portion of the doors and side skirts – but the C5 Aircross feels more premium.

The door cards and some more discreet surfaces feel a little cheap, but elsewhere, the tactile climate control rocker switches and a chunky leather steering wheel provide a greater sense of quality.

The cabin feels a match for the likes of Kia and Hyundai, if not Volkswagen or Peugeot.

The boot can be adjusted from 580 to 720 litres by sliding the three individual rear seats fore or aft, or up to 1,630 litres by folding them flat.

As should be expected of a family-focused car, there's plenty of safety technology – automated emergency braking, lane-departure warnings and blind-spot detection are standard. The range-topping Flair Plus trim adds traffic sign recognition, speed recommendation, automatic high-beam headlights and a 360-degree reversing camera.

An array of engine options are available and a plug-in hybrid is due early next year.

For now, the 'entry-level' 1.2-litre petrol engine will be easy to recommend to potential customers.

Citroën has stepped well and truly into the SUV fray with the C5 Aircross. TOM SHARPE

£23,225 - £32,725

1.2 130PS AND 1.6 180PS PETROL; 1.5 130PS AND 2-LITRE 180PS DIESEL

0-62MPH 8.2 – 11.8 SECONDS; TOP SPEED 117 – 134 MPH

6SP MANUAL, 8SP AUTO

35.2 – 56.3MPG

106 – 131G/KM

Q&A

KARL HOWKINS, MANAGING DIRECTOR, CITROËN UK

How important is it for Citroën to have a flagship SUV such as the C5 Aircross?
It's important in three ways. There's always the need for a halo. C3 Aircross has done okay for us, although we expected better – it is a car that should bring people into the showrooms. C5 Aircross fills that same brief and widens our audience further, giving our retailers more options. It also gives us a presence in a part of the market we have not been in before. We're a different brand to those that are already there – a bit more quirky.

Is the aim of the C5 Aircross to attract conquest customers?
We're predicting that about 70% of C5 Aircross sales will be classed as 'conquest', with about 30% of customers moving from other models in the range. It's not just about conquest, it's also a vehicle that will help us retain those customers looking for something a little larger and more premium-feeling.

What is its marketing strategy?
Our marketing strategy as a whole has been changed quite significantly this year, with an added emphasis placed on the French-ness. The 'van rouge' adverts have made a welcome return and there are other billboard adverts which reflect that, too. Our French colleagues seemed quite surprised that we were keen to emphasise the French aspect of the Citroën product.

Last year you told *AM* that Citroën's UK franchised retail network of 158 was "probably 10 to 12 too heavy". Has that situation changed?
We lost 12 sites at the end of last year and the network size reduced from 156 to 144 – that size is about right for us now. Three new partners that we haven't been with before have agreed to join the franchise and I guess that's down to relationships. I've spoken to them and in some cases they are people that have known me from before I joined the brand, so it's good that we can work together. They're showing faith in what we're trying to do.

What measures has Citroën taken to help it achieve a degree of resilience to Brexit?
We're planning for the worst-case scenario and hoping for the best. We've pulled a huge amount of stock forward into Q1. At this stage, we still don't know what to expect, but we're doing all we can to mitigate the effects of Brexit.

REVIEW RATINGS

PARKERS	TOP GEAR	WHAT CAR?
★★★★☆	★★★★☆	★★★★☆

KEY RIVALS

Renault Kadjar
✔ LOW STARTING PRICE, REAR LEGROOM
✘ PERCEIVED AS UNDERSTUDY TO NISSAN'S QASHQAI

Peugeot 5008
✔ STYLISH INTERIOR, SEVEN-SEAT OPTION
✘ COMMANDS VOLKSWAGEN-RIVALLING PRICE

Kia Sportage
✔ STYLING, SEVEN-YEAR WARRANTY
✘ FIRM RIDE, THE DEFAULT CHOICE IN THE SEGMENT

SEAT ARONA SE TECHNOLOGY LUX

REPORT PROGRESS

Seat dealers registered more than 4,800 Aronas in the first three months of 2019

PRICED FROM: £20,505

105PS 1.6 TURBODIESEL

6SP MANUAL

65.7MPG

114G/KM

ARONA OVERTAKES IBIZA IN SEAT DRIVERS' AFFECTIONS

Even at the most affordable end of an affordable brand's line-up, the SUV craze is being effectively harnessed to grip the attention of car buyers.

In the first quarter of the year, Seat's Arona – a car perhaps more accurately classified as a crossover – generated 726 more registrations than the Ibiza hatchback (4,802 to 4,076) in a period which saw registrations rise 12.2% for the brand as a whole.

Early in its life, it is clearly delivering.

Reaching showrooms during the height of the SUV craze, with prices starting within £200 of the Kia Stonic and Hyundai Kona, at £16,750, the Arona draws on the styling of the quickly established Seat Ateca to catch the attention of car buyers.

Roof rails, a 1,552mm height (108mm taller than an Ibiza), and the option of a contrasting roof colour all feed into the SUV-lover's psyche.

Whether last summer's decision by Seat, as part of its Easy Move range strategy, to remove all optional extras from its models to make customers' options clearer has made the transition to a purchase any simpler is up for debate, though.

A total of seven trim levels (SE, SE Technology, SE Technology Lux, Xcellence, Xcellence Lux and FR and FR Sport) offer a range of strengths to be decoded and explained by dealership sales executives.

Thankfully the Arona handed to *AM* for a three-month extended test came in the well equipped SE Technology Lux trim, with the out-of-favour but ever-so frugal 1.6-litre 105PS TDI diesel powerplant and a six-speed manual gearbox.

At £20,505, it's not a third of the way up the range and Seat is able to promote a £189 monthly payment through its latest 0% APR online PCP offers.

It should prove an affordable family vehicle on an ongoing basis too, by virtue of 65.7mpg claimed fuel economy and 114g/km CO_2 emissions. It will accelerate to 62mph in 10.5 seconds and has a 115mph top speed.

Seat's Front Assist monitoring system, automated emergency braking and tiredness recognition system – standard on all Arona trim levels – helped it to achieve a five-star rating in the Euro NCAP safety test.

Among SE Technology Lux's standard features are the Seat Full Link eight-inch touchscreen infotainment system with Bluetooth and smartphone mirroring, adaptive cruise control, heated front seats, a wireless phone charger and a Beats sound system.

On the face of it, Seat's small package appears to be delivering on many fronts. TOM SHARPE

AM's Arona is in the well equipped SE Technology Lux trim

✓ STYLING TAPS IN TO THE SUV CRAZE AND IS ALREADY DELIVERING SALES

✗ IS SEAT'S EASY MOVE RANGE CONCEPT REALLY MAKING LIFE EASIER FOR CAR BUYERS?

CURRENT MILEAGE 0 1 1 2 0

START MILEAGE 0 0 6 5 0

KEY RIVALS

Kia Stonic

✓ £20,720 FOR THE ALL-SINGING 'FIRST EDITION', 7-YEAR WARRANTY

✗ LOWER TRIM LEVELS LACK VISUAL IMPACT

Nissan Juke

✓ AFFORDABLE AND DISTINCTIVE, SURPRISING REAR LEGROOM

✗ SOGGY DYNAMICS, FEELS DATED, AWAITING REPLACEMENT

MITSUBISHI OUTLANDER PHEV 4H

REPORT PROGRESS

THE BENEFITS OF PHEVS GO BEYOND LOWER TAX RATES

Last November, the national press reported claims from a fuel management company that a large proportion of company car drivers with plug-in hybrids (PHEVs) were not charging them.

In the same month, the Government changed the funding criteria for PHEVs, stripping subsidies from cars with a pure electric range of less than 70 miles.

I can understand that for some business motorists, particularly higher rate income tax payers, the PHEV's lower benefit-in-kind (BIK) tax rate is a big attraction. A comparison on the *Fleet News* car tax calculator between an Outlander PHEV and a diesel Audi Q5, with similar P11D value, found the Audi would cost a higher rate taxpayer an extra £3,600 per year. Ouch!

But I still cannot perceive why anyone with a PHEV would never charge it. With grants, it is pretty cheap to install a home charger – my 7kw Pod Point cost about £350 – and it turns taking the kids to school and local nights out into low-cost journeys, with the added satisfaction of not pumping out emissions.

I can't help feeling a bit smug when driving on electric around Peterborough. My focus has changed from getting somewhere quickly to driving more efficiently. Our test Outlander recently turned in its best electric performance yet. On a Mother's Day trip to Norfolk, with five of us and a dog aboard, it managed 25 miles on a full charge before the petrol engine cut in.

May my smug smiles long continue. TIM ROSE

PRICED FROM: £39,500

BENEFIT IN KIND TAX RATE: 16% (2019/20)

2018 AFV SEGMENT SHARE 12.2%

✓ PEACEFUL LOCAL JOURNEYS, IT ENCOURAGES A NEW MINDSET.

✗ I FORGET HOW TO OPEN THE FUEL CAP

CURRENT MILEAGE 0 2 1 9 9

START MILEAGE 0 0 3 7 2

NISSAN LEAF TEKNA

REPORT PROGRESS

RANGE ANXIETY IS NOT HELPED BY DEALER MISINFORMATION

In my previous review, I detailed Nissan's efforts aimed at ensuring the transition from internal combustion to electric was as trouble-free as possible. But how effective have those efforts been?

There aren't many Leaf owner reviews on the mainstream consumer motoring sites, but I found 19 on three of the biggest – Parkers, Honest John and CarBuyer.

Among the 19, there is universal consensus that the Leaf is a pleasure to drive and is offered with the right features. Boot space, driving comfort (only having to use one pedal), acceleration, blind-spot warning, emergency braking, silent running and pre-heat function come in for praise across the three websites. The majority on parkers.co.uk give the car a maximum five stars. "Surprisingly roomy for a milk float," concludes one.

But then there are the battery life and recharging issues. Officially, the Leaf's range is 168 miles. One reviewer claimed that is "widely over-estimated" and said its real-world range is 128 miles at an average 33mph. Another claimed their car rapid-charged just once.

Worse still, one reviewer claimed a salesman told him the car could get from Glasgow to Ayr and back (a little over 70 miles) with a range of 80 miles when he set off and yet he wasn't able to make it without a recharge.

Dealers have their work cut out reassuring and educating customers. Perhaps putting the salient facts on the side of a bus and driving it around the country would get the message across. JEREMY BENNETT

PRICE: £30,055 (EXTRAS: METALLIC PAINT – £575, PROPILOT PARK – £1,090)

SEGMENT SHARE 10.13% (Q1 2019) (SOURCE: SMMT)

COMBINED RANGE (WLTP): 168 MILES

✓ GREAT LEVELS OF EQUIPMENT AS STANDARD

✗ RISKS OF CONFUSING CUSTOMERS

CURRENT MILEAGE 0 7 2 7 5

START MILEAGE 0 2 5 1 2

GUESS THE CAR COMPETITION

THIS MONTH'S WINNER

Mark Gretton, local business development manager at Inchcape Volkswagen Van Centre, Cheltenham, correctly identified the Ford Probe in last month's issue.

See if you can identify this month's model for your chance to win a £20 John Lewis voucher. Email 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, May 10

TRAINING & EDUCATION

JUST 7% OF DEALERS USE THEIR FULL APPRENTICESHIP LEVY FUND

Two out of three survey respondents reclaimed 25% or less of their own money

Clued-up car retailers are continuing to attract the talent of tomorrow, but Apprenticeship Levy confusion is depriving many of access to the funding that could help them to develop.

AM's Training and Education Survey 2019 suggested that there is a gulf between the minority of retailers who are effectively accessing the funding and those who have yet to get to grips with the levy, which was introduced in April 2017.

Two thirds (66%) of car retailers who pay into the Government's Apprenticeship Levy pot have drawn down just 25% or less of the fund they are entitled to, according to the survey's results.

While 43% said they had been able to claw back more, only 7.3% said they had used the full amount available to them.

Some 83% of respondents said just 25% or less of their workforce had received training funded by levy contributions.

Just 16.7% stated that a higher proportion of their staff had benefitted from Apprenticeship Levy funding.

Steve Nash, the chief executive of the Institute of the Motor Industry, said: "That it is clearly confusion around the Levy that is holding many retailers back from recruiting more apprentices with its proceeds is a travesty.

"To date, just 15% of the Levy pot has been spent."

The levy, imposed on companies with a total pay bill of more than £3 million a year, amounts to 0.5% of their total pay bill.

At the end of last year, *AM* reported that just £370 million had been drawn down from the Government's £2.7 billion pot, according to Department for Education (DfE) data.

Employers that contributed had to use

> "THAT IT IS CLEARLY CONFUSION AROUND THE LEVY THAT IS HOLDING MANY RETAILERS BACK FROM RECRUITING MORE APPRENTICES WITH ITS PROCEEDS IS A TRAVESTY
>
> STEVE NASH, IMI

those funds by April 2019, when they were due to be redirected to SMEs and other DfE projects.

The results of *AM*'s survey showed the extent to which retailers need to invest in their workforces in order to address the current skills shortfall.

A total of 52% said they will hire more people in 2019 than the year before, with the largest proportion (41.8%) stating that the skills shortage was most keenly felt in their workshops.

Victoria Stubbs, Vindis Group's director of HR, said a commitment to attracting and training young recruits reduced the ongoing need to recruit staff through improved retention.

In December, Vindis joined forces with Anglia Ruskin University to launch a graduate degree course, offering one candidate ongoing support and work experience during their studies.

The group has also started a schools outreach programme, something just 41.7% of respondents engage in.

Stubbs said: "We have struggled to attract fresh faces, but with our apprentices and outreach projects we are starting to get a new crop of really promising young candidates coming through.

"About two-and-a-half years ago, we decided that we wanted to forge strong relationships with local schools. We wrote to 40 in the vicinity of our key dealerships and the reaction was really good.

"We started to visit to talk about everything from application writing to interviews and what they might expect from working life."

Vindis also opened its doors to work placements, with 10 completed since last summer and 60 applications in the pipeline.

In total, 60.4% of AM survey respondents said they accommodated work placements, with manufacturer partners channelling apprentices or school leavers into 62.5% of businesses.

Vindis has 40 apprentices in its business and Stubbs said access to the levy funds has led to a more mature crop.

"There has been a shift in expectations too," she said. "The people joining us from outside the sector are keen to know what their next step is and how they can get there."

Arnold Clark has about 5,000 pending apprenticeship applications, according to early careers manager Suzanne Sherry, and the group uses its Apprenticeship Levy funds in the group and its associated GTG Training business.

She said: "We know that in order for our business to continue to grow, survive and thrive in a dramatically changing industry, our workforce has to do the same and that demands investment in the right recruitment and training." TOM SHARPE

RESOURCES

HOW TO RECRUIT GENERATION Z
Annapurna Recruitment business development manager Fridtjof Storde examines Generation Z's characteristics and expectations to identify the recruiting techniques that will best attract them.
www.am-online.com/RecruitingGenerationZ

SPEAKERS FOR SCHOOLS (S4S)
Founded in 2011 by ITV's political editor, Robert Peston, S4S can assist business leaders in their efforts to reach out to the young recruits of tomorrow through visits to the schools and colleges where they study.
www.am-online.com/S4S

IMI APPRENTICESHIP LEVY ADVICE
The Institute of the Motor Industry (IMI) continues to be a valuable asset for car retailers looking for advice on how best to access and make use of the Apprenticeship Levy funds available to them.
For more information, call 01992 511 521 or email enquiries@theimi.org.uk.

TALENT ON THE MOVE

KRISTIAN ELVEFORS, MANAGING DIRECTOR, VOLVO CAR UK

Kristian Elvefors has been named as the new managing director of Volvo Car UK, replacing Jon Wakefield.

Wakefield, who has spent three years as Volvo's UK managing director – following three years as sales director – will move to Sweden to become the managing director of the manufacturer's home territory on June 1, swapping roles with Elvefors.

In his new role, Wakefield will also work closely with newly appointed senior vice-president of global commercial operations, Björn Annwall, in the integration and management of Volvo across the EMEA region.

Elvefors, a veteran of 16 years at Volvo in Sweden, has led the brand's Swedish operations since 2015 and will bring "huge Volvo experience to the UK market", the brand said in a statement.

Wakefield leaves Volvo Car UK having overseen a period in which new car volumes grew from 32,000 in 2013 to just more than 50,000 in 2018. Volvo's Q1 registrations were 39% ahead year-on-year, putting its target of 60,000 in 2019 within reach.

Wakefield said: "I have thoroughly enjoyed my time with Volvo Car UK, where we have achieved so much in recent years.

"We have moved the business forward considerably for all Volvo partners, and I am hugely grateful for the combined efforts of the great team here at Volvo Car UK, the strong retailer network and our suppliers in making these results happen."

STUART ROWLEY, PRESIDENT, FORD EUROPE

Ford has appointed Stuart Rowley as the new president of Ford of Europe as part of a series of personnel changes at the top of the manufacturer.

Rowley joined Ford Motor Company in 1990 as financial analyst for Ford of Britain, before progressing through a number of roles to become chief operating officer for Ford North America.

He has responsibility for the operational leadership of the business unit, including acceleration of the European transformation strategy.

STEVE CATLIN, HEAD OF SALES, AUDI UK

Steve Catlin will replace Peter Brookes as head of sales at Audi UK in June.

He is currently the head of sales at fellow Volkswagen Group brand Seat UK.

Catlin has worked within the Volkswagen Group since 2015, joining from Vauxhall where he was retail sales director.

He will report directly to Andrew Doyle, director of Audi UK.

Brookes, who had previously founded BMW dealer Knights Group, will "pursue new challenges".

ALLAN RUSHFORTH, MANAGING DIRECTOR FOR EUROPE, MARQUE GROUP

Former Lookers managing director Allan Rushforth has joined Marque Group as its new managing director for Europe.

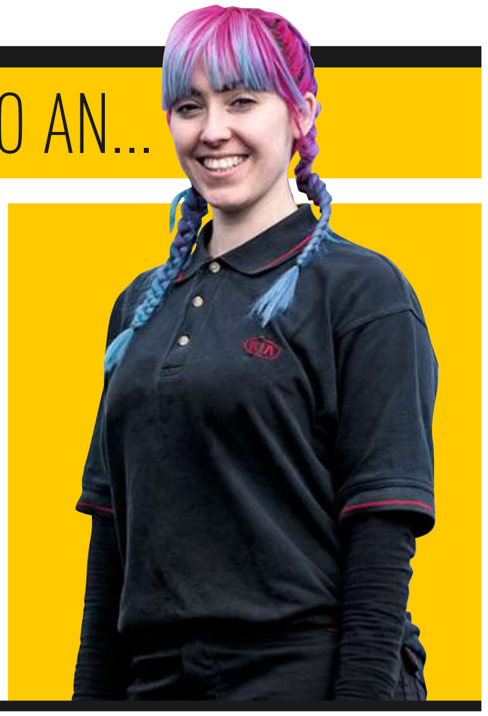
Rushforth, who previously held the posts of chief operating officer at Hyundai Motor Europe and vice-president of Nissan's global sales, joins to lead the strategic direction of its UK and European-based businesses as it expands its strategic footprint and influence across Europe, the Middle East and Africa.

He was MD of Lookers in 2017, reporting to Nigel McMinn, chief operating officer.

EIGHT QUESTIONS TO AN...

APPRENTICE LIGHT VEHICLE TECHNICIAN

Mercedes López of RRG Kia Bury on managing workload, getting it 'right first time' and that crucial morning cuppa



Describe a typical day in your apprenticeship

LOPEZ: My working day starts with a morning briefing. Next, I will empty the workshop of any customer cars or courtesy cars, so that the ramps are free to start the day.

Usually, I have 15-20 minutes to get some general housekeeping done, such as emptying the bins, before I am designated my first job.

I have been in my apprenticeship position for 18 months and I can carry out a number of tasks autonomously. I can confidently service a vehicle and can actively spot faults and recommend work required. I have my mentor working alongside me, who quality-checks my work.

Besides servicing, I can be involved in maintenance work, such as brake discs and pads, tyres and four-wheel alignment. I also clock on to some warranty jobs.

The only thing left to mention is the high importance of ensuring everybody has their morning cuppas delivered at 10am...10.15 at the very latest!

What are the most challenging aspects of your role?

LOPEZ: The need to work to such time constraints can be difficult for the qualified technicians, but more so for an apprentice. Even though I am grateful for the freedom and trust my colleagues have for me, sometimes I think it gets overlooked that I am still learning.

The workload in the garage can sometimes hit crazy levels. It's a battle trying not to get too caught up in efficiency figures, and pressure from the service advisers and workshop controller to get things done. It is all about trying to find this harmony between being quick and efficient, yet ensuring everything is done right first time.

How is your employer helping you to overcome them?

LOPEZ: They allow me to test myself with tasks I haven't previously encountered, and give me the chance to try and figure things out for myself. I secretly love that they don't give away anything too easily. They challenge me to think for myself, to come to my own conclusions, and to learn first-hand. After all, every day is a school day.

I cannot fault any of my colleagues, as they are all brilliant techs and truly great teachers. They always make time to help me if they see me contemplating over something too long, they are always willing to talk me through something that has me puzzled, and offer up so many pearls of wisdom to make my job so much easier.

What attracted you to this area of expertise?

LOPEZ: I have always been into car styling and specs and always felt so at home behind the wheel, at racetracks and walking around car shows. It wasn't until a certain stage in my life that it dawned on me I could take this passion and make it into a career.

After attempting an academic route that did not work well for me, I ended up in a job that kept me well within my comfort zone. It wasn't until I had some life experience, that I had the 'cojones' (as we say in Spanish) to enrol on a Level 2 college course. Ever since then, I've been pulling engines out with my dad, rebuilding them, carrying out repairs to my own trusty Fiesta ST, and I've been loving every second of it.

What is the most important thing you've learned so far in your training?

LOPEZ: Coming to terms with how important it is that I do my job correctly was a massive lesson for me. It has been drummed into me, that no matter the age, badge, value of the vehicle, I am to provide an unrivalled service and to treat each job as though it would be my mum jumping in the driver's seat. When you stop to think about the massive negative impacts that could be caused by any negligence on my behalf, it really does cause me to be cautious with everything I do.

I take my time, I work methodically to my own routine, in order to ensure all bases are covered. I never guess, I always ask for help where appropriate, and will always ask for a second opinion if I am unsure. MATT DE PREZ

QUICK-FIRE QUESTIONS

What drives you?
Being my own hero and realising that I am reaching goals that once seemed unattainable.

What is your favourite app?
Either the Frankie & Benny's app or Instagram

How do you relax?
I am a bit of a film nerd and appreciate movies of all genres.

AM

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THIS MONTH'S QUESTION TO THE *AM* TEAM:
What's your favourite riddle?

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News and features editor Tom Sharpe
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▸ **What belongs to you, but other people use it more than you?**
Web producer Elizabeth Howlett 01733 468655
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▸ **Why is a raven like a writing desk?**

PRODUCTION
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▸ **What has two legs and flies?**
Production editor Finbarr O'Reilly 01733 468267
▸ **What gets wetter the more it dries?**
Senior designer Chris Stringer 01733 468312
▸ **Life**

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Brought to you by AM NFDA NATIONAL FRANCHISED DEALERS ASSOCIATION

Automotive Management LIVE is shaping up to be the best day you'll spend away from your business this year

Our best practice sessions are designed for senior decision-makers, managers & operational executives in automotive retail businesses from groups of all types and sizes.

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