

## SUPPLIER SPOTLIGHT

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# An untapped revenue stream ready to explore

**A** largely untapped aftersales revenue stream could put many thousands of pounds on the bottom line, according to automotive paint supplier Glasurit.

In the early days, smart repair services were viewed as something of a 'cottage industry'. For years the work was performed on part-exchange vehicles being refurbished for the forecourt by one-man bands. That said, many of these small operations have since grown into significant businesses.

However, manufacturers are now encouraging their networks to offer the service in-house particularly to retail customers, thereby providing an additional revenue stream.

Glasurit's Pro-Smart Retail System enables dealers to offer retail customers smart repair services as well as meeting vehicle preparation requirements for sales colleagues.

Glasurit is the automotive refinishing brand of the world's largest chemical company, BASF of Germany. BASF history stretches back 130 years and the parent company has an annual global turnover of £65bn, automotive accounts for 10% – £6.5bn.

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**DAVID BIBB  
BASF AUTOMOTIVE REFINISH**

Glasurit is the UK's premium automotive refinishing brand and is one of the largest suppliers of OEM coatings globally with more vehicle manufacturer approvals than any other paint brand in the UK.

UK smart repair revenue is worth an incredible £300m a year, according to industry figures, and Glasurit estimates just 10% of franchised retailers operate their own in-house service. This means there's an almighty chunk of revenue slipping through the network's fingers.

"In most instances the work is undertaken on the retailer's site, but they are paying for it as opposed to gaining revenue from it," said David Bibb, key account manager (VWG, Porsche, Mercedes-Benz) at BASF Automotive Refinish.

If a retailer is undertaking 20 services a day on average, Glasurit uses industry estimates that around 40% have sustained some kind of paint damage to warrant a smart repair.

Working on industry figures, the expectation is a dealer could convert 15% into smart repairs a day. With an average smart repair costing £200, this equates to £1,200 a day, £6,000 a week or £300,000 per year on turnover.

With an initial investment from as little as £20,000 for equipment, installation and technician training, offering smart repairs has the potential to deliver an impressive return on investment, upwards of 70% GP.

## Responding to change

Several considerations have galvanised manufacturers to encourage retailers to take smart repairs in-house.

For example, the onset of electrification means vehicles will have fewer

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serviceable parts that can go wrong, which will impact future aftersales revenue from service, maintenance and repairs (SMR).

Another consideration is the current dominance of PCP funding. Customers do not own their vehicles outright until the final payment is made and if they maintain their vehicle to the highest standard that increases the chances of maximising its value at the end of the finance agreement. They are more likely to gain if the car is worked on by manufacturer-trained technicians and the smart repair is covered by the brand's guarantee.

It also means manufacturers and their networks are less likely to have to rectify poor paintwork when vehicles are returned to the dealership at the end of the finance agreement.

"Vehicle manufacturers at head office are now looking to offer a smart repair solution to their retailers," explained Bibb. "The retailers' ability to remain profitable with the oncoming of electrification means they are having to look at additional revenue streams."

"The big opportunity is in retail because most cars are not owned by the customer (if PCP funded), so the retailer has to absorb that damage cost when the car comes back in for resale or they can earn revenue from it by offering smart repair while the car is still in contract."

## Future-proofing business

Volkswagen approached Glasurit in 2016 to help the brand deliver its smart repair,

called Clever Repair, across its Volkswagen brands – Audi, Škoda, Seat, commercial vehicles – and through its network of 700-plus retailers.

Volkswagen currently has more than 80 dealers actively delivering Clever Repair on site, while Volvo officially launched Glasurit as its smart repair partner this year.

Bibb said: "The quality of paint provided in the network should be the same as when the car comes off the production line in the factory. The manufacturers were worried seeing cars return to their networks with poor paint repairs and they wanted to offer a 36-month paint or perforation warranty."

"Taking smart repair in-house rather than outsourcing is providing an additional revenue stream at a time when aftersales business coming under pressure. This makes absolute business sense."

As well as helping to future-proof business for OEMs and their networks, it also provided Glasurit with a wider opportunity.

"We could see cars were already being produced with plastic components rather than (dentable) steel ones and we think by 2030 sales of EVs and hybrids will be 30-40%," Bibb explained. "We could see our normal paint sales root within the networks reducing, especially with the increase in collision-avoidance systems."

## Training

Crucially, delivering smart repair services does not require a fully-trained spray painter. Glasurit provides two- to five-day

training courses dependent on the level of an individual's competency and experience. But, it has even trained the dealership's valeters to undertake smart repairs.

Glasurit's UK training centre is based at ITAS in Milton Keynes.

This year, Glasurit has delivered 10 two-day smart repair courses for five dealer groups representing Volkswagen's brands. It expects to undertake another 10 by the end of this year with the momentum continuing next year. In 2018, the company provided five courses for the OEM's network and two in 2017.

Bibb expects to see the number of franchised dealers offering smart repair services to begin to gather pace and predicts 50% of them will have taken smart repairs in-house in the next five years.

## Try before you buy

Glasurit also offers 'dealer awareness days' at ITAS to dealer groups or brands whereby its network representatives are able to gain an insight into offering smart repair services including equipment investment and training requirements.

When it offered an 'open day' to Volvo's network, Glasurit had 50 retailer staff attend reflecting the level of interest in developing smart repair services. Employees included aftersales managers and financial directors keen to understand the impact operating smart repair services could deliver.

■ **Next time: Glasurit case study – Caffyns VW Clever Repair**

