# “Independent Garage Workshop” position paper

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## The position of the Independent Garage Workshop

The current role of the Independent car Workshop is hugely important in Europe, especially in maintenance, repairs and second hand vehicle sales. With an average lifetime of up to 18 years, an aveage ownership period of 3-4 years and an annual maintenance and repair spend of €600-€800 per car, it is likely that every car in Europe is or has been looked-after by an Independent Workshop at least once during its life.

Based on interviews with 30 end-user customers, on why they currently choose an Independent Workshop to deliver the required service, we see five factors achieving consistently high scores:

- ***Quality/reliability***: Independent Garage Workshops are generally smaller, often family run businesses, with a local and very personal connection with their customers. This contributes to the development of a very high degree of trust in the quality and reliability of the service provided, including 'after service' arrangements.
- ***Flexibility***: The sense that the small personal operation is more able, or perhaps more willing to react to the customer's needs in terms of timing and the extent of services required.
- ***Objectivity***: A strong belief that advice given will be objective and will keep the customer's interest in mind at all times.
- ***Price:*** An expectation that the hourly labour rate and indeed that the overall price in the Independent Workshop can be lower, which is important, particularly for the less well-off and those with older cars.
- ***Proximity:*** Because Independent Garages tend to be small, numerous and therefore very local, customer driving distances can be short (average 3km in the Netherlands compared to 21km average for a franchise dealer).

To cater for the diversity of customer needs, the range of different business models among independent workshops is extensive. In the Netherlands, for example, roughly one third of Independent Garages are part of a Service chain while two thirds are completely independent. The services offered range from high quality service and repair, to specialists in very specific services, to those who operate low-cost multi-brand workshops and everything in between.

Overall the strong presence of Independent Workshops in the marketplace provides great benefits for the consumer. The competition that they bring to the market ensures greater consumer choice at competitive prices, driven by competition. The open market in Europe encourages this diversity, choice and strong competition among those businesses that are striving to satisfy the different customer needs. The result is a large and vibrant Independent Garage sector without which, it would be hard to imagine how the 300 million vehicles on European roads could be kept operating as safely and as environmentally sound as they are.

At the same time, the automotive industry is changing rapidly, but improvements in technology should improve the offer for consumers rather than acting to limit their choice. A number of such 'disruptions' that could significantly impact the Independent Workshops, and eventually on the customer are anticipated but need not have such a negative outcome. Although there is a serious risk that current levels of free choice and competitive value for consumers in the market might reduce or disappear, this need not be the case but action will be needed to prevent it.

## Disruptions that are solved by the market

### PROFESSIONALISATION, SCALE AND ADAPTATIONS TO NEW TECHNOLOGIES

In the European Auto sector, the service and repair channel has been shrinking due to a combination of market overcapacity and improving car quality leading to a lower annual maintenance spend. As a result of this, the Independent Workshop channel is declining; in Italy the decline is estimated at around 5% per year but this will vary in the different countries. At the same time, the technologies in cars being produced are changing rapidly and it is increasingly complicated to execute maintenance and repairs.

As a result, scale and professionalism is increasingly important for those seeking to operate profitably with many networks in the sector consolidating towards regional operations. The challenge for Independent Garage Workshops is even greater, as they are traditionally organised on a local-scale, embedded as part of the local community.

For some time now, Independent Garages have increased their investments in tools, in gaining access to the latest technical information and in technical training. The increasing requirement for such a level of investment will be a particular challenge for the smaller workshops and there may well be somewhat of a "shake out" as a result.

In addition to investing in new capabilities and tools, it is also anticipated that an increasing level of specialisation may also be necessary. Specialisation may be in relation to a specific brand, specific types of repair or, for example, a specific technology (such as Electric Vehicles).

A further trend may see an increasing level of business collaborations between Independent Workshops. Rather than having to invest in acquiring diagnostic tools for all brands, networks of Independent Workshops may emerge where specialist work referrals become an important feature. New third party diagnostic tools are beginning to appear which connect to vehicles of various brands which should address the difficulties faced by multi-brand garages to date compared to single brand specialists.

### END-USERS AND INDEPENDENT GARAGES LESS CLOSELY TIED IN THE FUTURE?

We see an increasing presence and influence from Web-based operators in the digital market place, e.g., Auto Scout, different ownership and mobility models, e.g., private lease, car2go, Uber, and new types of consumer-driven IT players entering the automotive marketplace, e.g., Google and Apple. These trends may push current Workshops towards a more back-office role. In the future, there is an increasing likelihood that the driver of a car will not be the owner of that vehicle and may have less interest or influence over service and maintenance choices.

These phenomena will drive intermediation of the channel, producing both risks and opportunities for Independent Garage Workshops. On the one hand, it may create downward pressure on prices resulting in the Independent Workshop offer becoming a commodity service. At the same time, the process of intermediation provides the opportunity for a garage to market their value proposition widely and more clearly, by using these new developing channels.

The trend is inevitable, and will most likely have a direct impact on, for example, the price and inevitably on the price-quality balance. That said, in other sectors new types of business and business models have emerged in order to take advantage of this trend of demand aggregation. This is likely to require Independent Garages to develop business models that are currently relatively unknown to them. In order to address this challenge, Independent Garages will need to become significantly more engaged with the digital world. The marketplace is likely to ensure that those who do so will be more likely to thrive while those who do not may struggle.

# Disruption where the Independent Garage also needs regulatory support

## VEHICLE GENERATED DATA IS A KEY TO STEERING CUSTOMER BEHAVIOR

The modern vehicle is changing into a modern data warehouse and analytics engine. A modern vehicle collects in-vehicle generated data and processes most of it within the in-vehicle telematics-system. These in-vehicle telematics systems are developed, monitored and updated by the respective vehicle manufacturers and are under their full control, so that only the vehicle manufacturer has full access.

The range of microprocessors and sensors in a modern car can provide unique insights into the current state of the vehicle, its performance and the behaviour of its drivers.

McKinsey research suggests that, depending on the use and the benefits, 90-98% of car users would be willing to share their car's collected data, and 55-75% are willing to pay for data-related services that provide a tangible benefit. Openness in relation to this data does not appear to be a hurdle for most drivers.

Independent Garage Workshops may face significant challenges from this in two main areas. Firstly, remote access to the in-vehicle generated data, functions and resources such as the in-vehicle display is currently restricted by Vehicle Manufacturers. Secondly, translating vehicle-generated data into valuable information and insights will require a significant improvement in current access arrangements in relation to repair and maintenance information (RMI) as stated in the Ricardo Report.

This issue cannot be solved by the Independent Garages alone. They will have to work hard to be able to make use of the data that becomes available, for example by building up an analytics capability, jointly as groups of Independents or via service companies. Yet, this would only be beneficial if the Independent can access the same data, functions and resources at the same time, quality and geographic location as the vehicle manufacturer.

In order to achieve this, we believe there is an urgent need for regulation on vehicle telematics to be put in place, building on the existing regulatory framework for access to RMI. We strongly believe that basic key principles need to be established that can then guide the regulatory framework (while ensuring both security and privacy) around vehicle-generated data, functions, resources and interfaces for Independent Garages, based upon the conviction that in the end, it is the consumer who should be in the driver seat:

- Freedom of choice for the consumer in relation to whom their technical & personal data is sent, and from whom he/she may wish to buy car-related services (maintenance and repair) and other convenience services
- This would require similar access conditions to be put in place for Independents in relation to vehicle-generated data with the possibility to evaluate and aggregate such data in the vehicle telematics system.
- In-vehicle generated data would have to be made available via an existing interface.
- To ensure competition, the same opportunity to present services directly to consumers via the in-vehicle display must also be available to professional Independent Garages.
- 'Interoperability by design' is a key requirement to ensure that necessary data can be easily accessed and utilised by Independent professionals to benefit the consumer.

To fulfil these basic principles an interoperable, standardised secure and open-access platform as mentioned in article 12 of the eCall regulation is needed.

For the full text of the position of CECRA on vehicle telematics and connectivity, please visit http://www.cecra.eu/statements/2016CECRAPPconnectivity03102016.pdf