

# Aftermarket wars

How dealers can compete and win with the aftermarket for service

BY HEATHER HUDSON

It's an aftermarket anomaly that's the envy of dealerships for miles around.

Last year, the service department of Nurse Chevrolet Cadillac in Whitby, Ont., churned out 15,500 oil changes. A whopping 54 per cent of them were on vehicles they didn't sell. Another 8 per cent were off brands.

What's their secret? A sophisticated service bay that gets vehicles in and out in 29 minutes or less—helping them compete with repair shops that dominate the aftermarket.

"We're competing with them head on," says General Manager Dave Duggan. "You get your mats washed, a brake efficiency test, an alignment check and a check for malfunction codes, all on a computerized printout and a car wash, for the cost of a conventional oil change of \$49.95 or \$69.95. It's more than a Jiffy Lube can offer."

It's a smart move. According to Statistics Canada, the Canadian automotive aftermarket is about a \$23 billion business. Dealerships would do well to find ways to compete with independent repair shops and, ultimately, the biggest fish to fry: Canadian Tire.

"Canadian Tire is the largest player in the aftermarket DIY auto parts industry in Canada, commanding an estimated 9.2 per cent share of total auto aftermarket sales and the leading online tire and wheels retailer," reads a 2015 Raymond James report.

## AN AFTERMARKET ANALYSIS

A 2016 Outlook Study from the Automotive Industries Association of Canada (AIAC) indicates that the aftermarket is alive, well and on a path of growth. Their research found that

the parts and service business took in about \$21 billion in 2015, a little ahead of projections from their previous outlook study in 2014.

Some of the factors that drive the growth of the aftermarket are a growing number of vehicles on the road—record sales for new cars in Canada equals more vehicles in service bays—and the increasing average age of vehicles.

"Research shows that the average age of vehicles in Canada in 2015 was just shy of 10 years old. The aftermarket will clearly benefit from having these vehicles stay on the road longer," says AIAC President Jean-Francois Champagne.

Even though the aftermarket segment is growing, the industry continues to be highly competitive with challenges of its own.

Champagne says that with the emergence of online retailers, there's increasing pressure on margins, particularly when it comes to parts distribution. Some new models don't need as much maintenance.

"We're seeing a newer type of vehicle that's stretching the time between oil changes and brake pad repairs, etc., as well as electric vehicles that are built with fewer parts," he says.

Plus, increasingly complex vehicle technology often requires specialized training and expensive tools that independent shops and dealerships alike need to manage.

He says we'll hear a lot more about telematics in the coming years. Access to data to properly service or maintain a vehicle is a growing concern for the aftermarket.

If an OEM chooses to collect data and redirect information exclusively to its dealer network, there's certainly an aftermarket advantage for dealers.



**Nurse Chevrolet Cadillac's success proves that if dealers have a desire to build their service departments and a budget to make it happen, customers will come.**

"It's very good if you're a dealer servicing your original brand but if you're not, you're in the same boat as the aftermarket industry. It's important to have fair and equal access to that data for all stakeholders so there continues to be consumer choice," says Champagne.

To that end, the AIAC is active in the Right to Repair movement, working to ensure the CASIS agreement between automakers and the aftermarket, which includes providing telematics, is upheld.

## HOW CAN DEALERS COMPETE IN THE AFTERMARKET?

Like Nurse Chevrolet Cadillac, many dealerships are looking at ways to compete with aftermarket shops using a variety of tactics. Some of the most effective include:

### Price matching

Lexus offers the Lexus Tire Price Match Promise under which dealers match an advertised price, including online quotes in Canada, on tires from any of the 15 top tire brands sold by participating Lexus dealers. It's a strategy that removes the primary differentiator when it comes to consumer choice: price.

### CRM outreach

Many dealerships are putting their CRMs to great use by reaching out to customers to initiate a service visit. When they make it possible to book appointments online, straight from an email, it's customer service that will keep their dealership top-of-mind and encourage customer loyalty.

### IF YOU CAN'T BEAT 'EM, JOIN 'EM

According to Duggan, a complete redesign of the service department



can go a long way to providing swift, efficient service that many aftermarket shops will struggle to compete with—even if it means defying the suggestion of OEMs.

“In this day and age, everyone wants their car done fast. The major mistake all manufacturers make is to tell dealers to build cookie cutter dealerships that aren’t set up to do fast services.

“We simply didn’t have the ability to do what the aftermarket does, which is a push/pull method. A conventional bay with a technician working on [a vehicle] will have cars piled up behind it that need to wait until that car gets its oil changed,” he says.

Their new assembly-line design means cars move every six minutes, enabling them to serve up to 10 cars an hour “instead of one car every half hour.”

While they don’t take appointments, they do offer a live camera feed that customers can check online to see if there’s a line-up.

Nurse Chevrolet Cadillac’s success proves that if dealers have a desire to build their service departments and a budget to make it happen, customers will come.

Not yet satisfied with the volume that’s coming through, (“We have another 25 per cent capacity to grow”), Duggan says their sights are set on attracting more off brands.

“Our strategy now is to get this to go directly after the aftermarket, hit them where it counts with a lot of media play about our 29-minute service and what we do compared to what they do. We’ll see if we can get another piece of their pie.”

With a multi-billion dollar business at stake, that’s a big piece of pie.