

Car Aftermarket - UK - November 2009

Report Price: £1500 / \$3000 / €2250



What is this report about?

The market for replacement car parts has been affected by a number of factors that are limiting growth, despite a rising car parc. Most significant are the longer warranties and service periods being offered on new cars, as well as the general improvements in reliability. Nevertheless, some segments of the market are seeing growth, as manufacturers increase the sophistication of vehicles, which consequently affects demand on the replacement market.

What have we found out?

- Although growth in the car parc may be slowing due to the decline in new cars sales since 2004, the proportion of older cars in the parc is rising which is creating an opportunity for increased sales of aftermarket parts and services in the UK.
- The decline in new car sales since 2004 means that the proportion of cars aged seven or more years now stands at 53% an 16.6 million cars and is accounting for a larger proportion of the parc. The seven year plus sector of the car parc is therefore the prime opportunity for the car aftermarket.
- An ageing car parc means that more cars are taking and failing a stricter MOT test with the failure rate standing at 35% of cars in 2007/08 compared with 30% in 2004/05. MOT-related repairs are an opportunity for garages and part suppliers to obtain a larger share of the replacement parts market.
- While 64% of cars under three years old are serviced by franchised dealers, this falls to 31% of cars aged three to six years as dealers lose market share for servicing older cars to independent garages whose labour charge-out rates are nearly half those of franchised dealers.
- A falling number of cars aged under five years in the car parc is a threat to franchised dealers' share and profitability from aftersales. To win back market share from independent garages, franchised dealers need to target owners of cars aged over five years for both servicing and repairs by offering either lower labour rates or lower parts prices.
- With owners of younger cars still believing they need to return a car to the dealer for servicing to maintain warranty cover, the independent garage sector would benefit from a generic marketing campaign to inform owners of cars under five years old that they can use lower cost independent garages for servicing without invalidating their warranty.

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