

BULLETIN

September
2011

Automotive research and strategic advice

www.icdp.net

EDITOR'S NOTE

In this issue recent ICDPA presentations, research and analysis activities offered to Members are summarised. For further information on the topics and issues raised in this Bulletin, please contact ICDPA.



2011 Seminars

Note:
All 2011 seminars
at KLTC

ICDPA will issue
a number of reports
in addition to these
2011 topics

✓ Technology & Legislation – CAR perspective	Melbourne	18 th March
✓ What Customers Want – new & used vehicles	Melbourne	13 th May
✓ Best Practice Retailing	Melbourne	24 th June
✓ What Customers Want – motorcycles	Melbourne	15 th July
✓ Body Repair Industry	Melbourne	16 th Sept
✓ Dealer Group Management	Melbourne	16 th Sept
Legal Issues	Melbourne	13 th October
Tax & Accounting Issues	Melbourne	13 th October
Auto Developments USA	Melbourne	February '12
✓ ICDP Europe Spring Forum	Brussels	30 th – 31 st March
✓ CAR Management Briefings	Michigan USA	1 st – 4 th August
ICDP Europe Autumn Forum	France	26 th – 27 th October

Please note, the revised schedule of ICDPA presentations for the remainder of 2011.

Members are also reminded of the dates for the conferences and seminars conducted by the Center for Automotive Research (CAR) in the USA, and ICDP Europe. If you would like information on these conferences please contact ICDPA.

ICDPA apologises for any inconvenience the amendment to the presentation schedule may have caused.

NEXT ICDPA SEMINAR:

**LEGAL ISSUES AFFECTING THE AUTOMOTIVE SECTOR;
AND, THE LATEST TAX AND ACCOUNTING ISSUES**

Thursday 13th October, 2011

At the next session, two topics will be covered by long term ICDPA Members, Minter Ellison and BDO.

In the first presentation, Minter Ellison will focus on a number of recent legislative changes which are likely to affect many ICDPA Member companies at both a manufacturing and retail level. The topics that will be covered include:

- the new *Personal Properties Securities Act*, which will mark a significant change in what constitutes a security interest under Australian law and how that security

Next ICDPA Seminar

Thursday 13th October, 2011

*Legal issues affecting the
automotive sector; &
the latest tax &
accounting issues*

**Kooyong Tennis Club
489 Glenferrie Road,
Kooyong, Victoria**

**8:30am for a 9am start
Concludes at noon**

interest is registered. A short introduction to the key concepts underpinning the PPSA and issues that are likely to be important to the automotive industry will be provided;

- the new Australian Consumer Law, with a focus on the 'consumer guarantees' regime as well as new repair and warranty obligations;
- recent changes to occupational health and safety regulations;
- the new 'Carbon Pricing Mechanism' laws; and
- current issues in franchising.

In the second presentation, BDO will focus on the accounting provisions for and the general operation of the Carbon Tax, including:

- the impact on Fuel Tax Credits
- the Income Tax and Indirect Tax treatment of the Carbon Tax permits
- the affect on business, and
- other tax changes are proposed in connection with the Carbon Tax announcement.

Previously, this session has proven to be very popular, and we request ICDPA Members register their attendance as early as possible. Members should email Jeannette Harlock ICDPA Administration Manager email: jworks@midnight.net.au to register for this session.

PREVIOUS ICDPA SEMINARS: ICDPA SEMINAR 15th July 2011

At the July session, two research topics were presented.

What customers want - motorcycles



(From left) Anthony Hinton, Honda; Peter Alexander, Polaris; Peter Nochar, Harley Davidson; Andrew Harper, Honda.

This presentation and research was undertaken by Carla Ferraro of the Australian Centre for Retail Studies, at Monash University. This research followed on from earlier ICDPA organised studies investigating consumer behaviour with regards consumer purchasing behaviour and decision making processes with regards the purchase of new and used vehicles and aftersales services.

This presentation centred on consumer focused research concerning the Australian consumer experience with regards to motorcycle purchasing, repair and servicing. The aggregated research provided Members with unique observations and analysis of consumers' key experiences, reactions and expectations, and provided an assessment of how franchised motorcycle dealers, national sales companies and importers can proactively engage with

prospective and existing consumers.

As per the earlier research into new and used vehicle purchasing and servicing, this research drew on customer perceptions of value-added processes and behaviours through the new motorcycle purchasing process and in the course of the after-sales period.

The research drew together a range of issues, findings and observations concerning consumer behaviour and the role the dealership environment plays in influencing and affecting consumers.

The research was especially well received by Members. A number of Members have since contacted ICDPA about using the research methodology to investigate what their existing and potential customers require and expect per the brand, product and service expectations from a manufacturer, national sales company, importer and distributor brand(s) for both motorcycles and motor vehicles.

Please contact ICDPA about how this methodology can be applied.

Global consumer and retailer trends

Experiential Retailing

- The brand connects with the consumer on multiple levels
 - **Differentiates** a store from the many competitors in the market
 - Once consumers are in-store, it provides a reason to **dwelt longer**
- Research by ooh! Media found that:
 - 87% of consumers agreed that experiential retailing made them feel better about the brand or store they were shopping in
 - Strong experiential retailing resulted in 68% of consumers **purchasing on the day or in the near future**, and 41% **recommending the product and store** to friends

This research was presented by Selma Mehmedovic of the Australian Centre for Retail Studies, at Monash University. Selma addressed a number of key attributes and characteristics of 5 consumer types: the Value Consumer, the Busy Consumer, the Green Consumer, the Bored Consumer, and the Digital Consumer.

Selma identified and illustrated how both local and international retailers are utilising a range of physical and electronic strategies, tactics, devices and concepts to engage with customers.

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This session added to the long series of similar presentations and research ICDPA has provided to Members, reviewing and considering best practice examples across the entire retail sector, and how they could be applied to the retail automotive sector.

ICDPA SEMINAR 15th September 2011

The Australian body repair industry: time for a change

Roberto Colanzi of ICDPA provided Members with the main observations, data, and findings from the study into the strategic and operational performance of the vehicle body repair sector.

ICDPA has prepared a number of previous reports addressing key features of the Australian automotive aftermarket industry, with special reference to the body repair industry. This included:

- Independent Repairer Systems in Australia and Europe (2007)
- European Automotive Repairer Case Studies: Recent Developments (2008)
- Crash or Crash Through: A Comparison of the Australian and European Repair Sectors (2008)

In addition, in December 2009 and January 2010, ICDPA was commissioned to undertake the review into the Motor Vehicle Insurance and Repair Industry Code of Conduct. A copy of the report is available at www.abrcode.com.au/.

The research was conducted through 3 concurrent methods

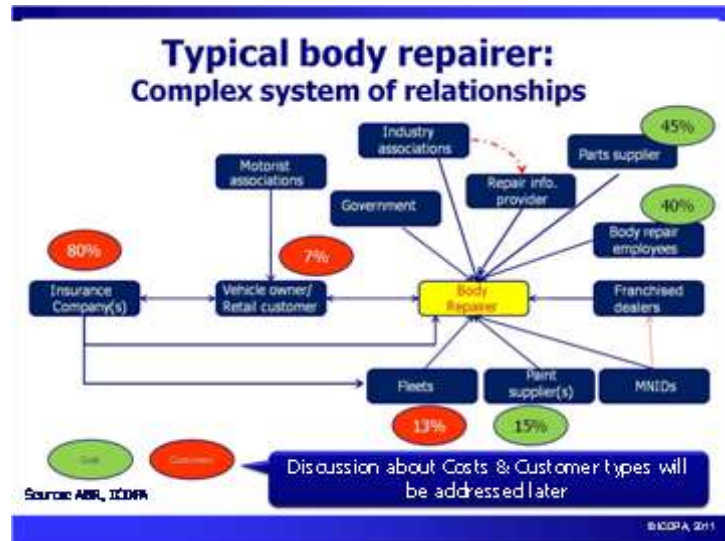
1. The organisation and execution of semi-structured interviews, and supporting questionnaire, with 36 Australian body repairers and related entities in the greater metropolitan Sydney, Brisbane and Melbourne;

2. Desktop research of publicly available industry and other data. International industry relevant data (from the US and Europe) sourced to provide comparisons with the Australian market were used and direct comparatives made wherever reliable Australian data was available; and
3. Interviews with Australian vehicle manufacturers, national sales companies and importers.

The research explored a range of issues including the 'information risks' present across the industry, the financial performance of the sector, the complexity of relationships (formal and informal, documented and undocumented) shared by repairers with a range of financial, stock and information providers.

The research pointed to suggested forecasts over the longer term of the industry. The research also investigated key current attributes of the industry, such as:

- training and equipment investments that are often undertaken without specific reference to specific vehicle marques, models or vehicle types,
- while limited specialisation does occur, the reasons are more to do with generating a marketing niche for the repairer, and
- the Australian sector, similar to international markets, concentrates on the successful operation of largely small independent repairer entities.



The research especially addressed the change in the typical repairer service profile, and the shift towards flexible and small area repair technology (SMART) and fast track repairs, both internationally and in Australia. Analysis and considerations were also made of the consideration of customer value and fulfilment, and the potential for dealers and manufacturers to work more closely with the body repair industry.

Creating superior performance through a values driven dealership culture



(From left) John Scotton, Holden; David Lloyd, Nissan; Gerard Crockford, Ford; Mark Woelders, Motorama.

ICDPA was especially pleased to have Mark Woelders, CEO of Queensland dealer group Motorama, provide Members with an analytical assessment as to the design, role and implementation of company values as a means to direct a dealer group's competitive advantage in retailing.

Mark illustrated how Motorama, a 50 year old three generation family company, is negotiating contemporary business and vehicle retail environments. In particular, Mark demonstrated how providing a blueprint to becoming a values driven organisation leads to the development of a 'winning' organisational culture.

Mark suggested that a great business and organisational culture is derived from a consistent approach to planning, which

incorporates deliberate strategies in driving values into the everyday fabric of the business.

Mark spoke to how Motorama has dealt with various challenges, and its managerial structure which takes into account the family ownership and the operation of a company board which functions with external directors.

ICDPA RESEARCH REPORTS

The Internet and developments across automotive

In August, ICDPA released a research paper, prepared by Roberto Colanzi, reviewing the more exciting and innovative developments that recently have been introduced in Australia and globally concerning e-marketing with specific reference to automotive retail. In particular, the paper focussed on:

- an overview of the growth rate of users accessing the Internet;
- the changing shape of internet access in Australia;
- how dealers are responding;
- the significance of social networking and how the industry is reacting; and
- how the industry is reacting in response to the growth of mobile access to the Internet.

Online capability is much more than providing product information

- Online experience a bigger part of the purchase decision
 - technology performance is critical
- Interoperability between brand, dealer, & other channels
 - 'Front' & 'back' office - e.g. trade-ins
- Capturing & leveraging customer browsing behaviour
 - Customer & stock profiling
- Persuading customers to maintain a relationship with you
 - Brands increasingly rewarding customers who identify themselves



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Since 2000, when ICDPA produced its first report investigating the affect and impact of the internet and related technologies on the automotive industry, a remarkable number of changes have since taken place, and the rapidity of change has remained consistently high.



Dealer performance

See ICDPA "Australian Franchised Dealer Website Rankings : reports for further information

- Across the Australian dealerships can start by:
 - Determine the dealership's saturation in search involving the website's position in search across major search engines for as many keyword phrases & use of analytics software, preferably provided by a third party
 - This is important as 85% of website traffic generated by search engines & 90% of the search engine users do not go past the first 3 search pages
 - Analyse Bounce Rates
 - Evaluate Site Performance & Conversion Statistics
 - Use of Heat Maps to Evaluate Marketing Effectiveness

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The paper especially identified issues concerning dealer e-marketing performance above all concerning engaging with customers. For dealers, the popularity of mobile websites was addressed, with some of the suggested issues dealers needed to consider included providing instant connectivity to customers, ensuring mobile users are able to obtain the information they need about a dealership on their preferred device; and promotion marketing and retailing strategies such as offering consumers a way to easily share dealer content, pictures and videos virally with their social network through 'like' and 'share' buttons.

ICDPA: GREEN DEALER

In 2007, ICDPA launched Lean Dealer™. The initiative provides ICDPA Members with a cultural change programme to help dealership principals and staff understand and implement a comprehensive range of lean principles. Lean Dealer™ provides dealers with improved profit opportunities, customer satisfaction and staff involvement.

Recently, ICDPA developed a second programme for dealers wanting to be at the forefront of sustainable retailing. This change programme is known as Green Dealer. Dealers undertaking the Green Dealer programme will be given the opportunity to build a sustainable competitive advantage over their competitors. The programme will:

- Develop a “green” culture within the dealership;
- Provide dealership staff with a range of ideas, concepts and initiatives to allow them to operate in a green and sustainable manner;
- Enable dealers to promote their green and sustainable credentials; and
- Deliver quantifiable ROI and cost savings to dealers.

Funding subsidies for dealers adopting this programme in Victoria can be secured via Carbon Down (from VECCI and Sustainability Victoria). Please contact ICDPA for further details.

ABOUT ICDPA

ICDPA is a unique automotive industry research organisation established in Australia in 1998. ICDPA is “unique” in that its research work is funded by the contributions of Member companies, who share exclusive access to the research and associated findings. ICDPA operates with its own research staff and works collaboratively with top Australian universities to increase and distribute leading analysis and thinking across the membership group. ICDPA’s mission is to promote thought leadership and innovation across the retail automotive industry in Australia. The research undertaken is conducted through leading methodologies and is independent.

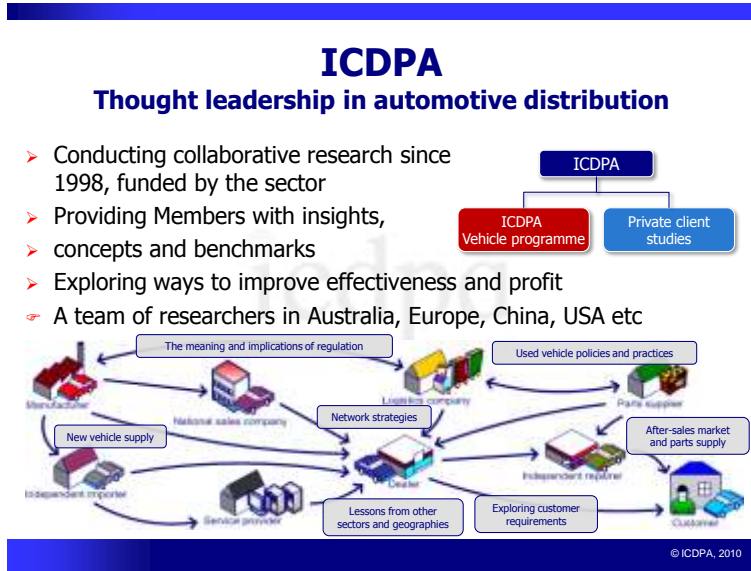
ICDPA can also assist and undertake a range of tailored research approaches and methodologies, and business improvement enhancement programmes.

ICDPA can assist Members with...

- Market surveys and analysis
- Focus groups
- Study tours
- International studies
- Expert witness reports
- Mystery shopping
- Dealer improvement programmes

ICDPA’s activities are underpinned by:

- An Australia-wide membership structure incorporating more than 20 organisations (vehicle and motorcycle manufacturers, importers, distributors and national sales companies, dealer groups, motor vehicle finance and insurance houses, logistics providers, accounting and legal service providers, and ICT suppliers);
- Cross-disciplinary teams of leading academics working alongside industry-based thought leaders on research projects;
- A team of in-house analysts and a suite of research methodologies that can be customised to individual Member needs.



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ICDP website: www.icdp.net

Automotive research and strategic advice

The ICDPA is a collaborative programme researching all aspects of car distribution, including the supply and retailing of new and used cars, after-sales, network structures and operations. It is funded by participants from car makers, dealers, car industry suppliers, representative bodies and governments. ICDPA does not represent any of its Members or their individual policy views.