

Capricorn State of the Nation 2020

A report on the industry, by the
industry, for your workshop

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STRONGER WITH
CAPRICORNTM

A message from our Group CEO



Capricorn embarked on an ambitious project to look under the bonnet of **our industry**.

We wanted to better understand the mood amongst Members, to really get a handle on the issues, trends and **challenges affecting you, your business, and the industry** as a whole.

More than 1500 of you took part in the most substantial piece of research ever conducted by Capricorn in its 40-year history, and this research represents an investment in **understanding our industry, the automotive workshop, and our Members**. The result, this report, is brimming with insights that will help us to help you create stronger businesses and it sets a benchmark against which we can all **measure our success**.

It identifies many of the challenges we face, including changing technology, skills shortages, falling margins and evolving customer demands. But it also finds a **real optimism about the future**: a firm belief there will be a **strong** market for vehicle maintenance and repair for many years to come.

Personally, I was rapt to see that the number one reason people want to work in **our industry is to make customers happy**. It showed me, yet again, that our Members are salt of the earth people who have a **passion** for what they do.

Since we surveyed Members, the world has changed dramatically. COVID-19 has created economic uncertainty that could affect the automotive aftermarket for several years. That said, ours should be one of the first industries to improve and this inaugural **“state of the industry”** study will help us **track that recovery**.

This is not a report to leave on a shelf. It’s a resource that will guide us all towards a more successful future. I hope you will find it as fascinating, insightful and useful as I do.

A handwritten signature in black ink, appearing to read 'David Fraser'.

David Fraser
Capricorn Group Chief Executive Officer

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a more successful future.**

How to use this report

Ever wondered how your turnover compares to the guy down the road? Or whether other workshops of a similar size are struggling with the same challenges you are?

Capricorn's State of the Nation report is your opportunity to find out.

More than 1500 Members across Australia and New Zealand responded to our survey. It has created an incredibly useful view of the industry, across all workshop types, throughout both countries.

This report sets the benchmark against which you can compare yourself.

It's filled with data, graphs, charts, information and advice, to not only show you how your business measures up but to help you meet challenges and identify opportunities to grow.

It is just another way Capricorn is delivering on our promise to you: that **we're stronger together**.

- Look for the bullet points on select pages for a quick snapshot of the information.
- Check the graphs and charts for a breakdown of the data, to see how you compare.
- Take action on the recommendations on page 41 to help improve your business.

5 Key Takeaways for Auto Repair Shop Owners

More details inside the report.

- We struggle to maintain work-life balance, yet it is a crucial first step to long-term success.
- Succession planning is a big, gaping hole across the board - alarmingly so in Members moving towards retirement age.
- We need to get savvy about what services we charge for and how much we charge.
- We are too reliant on passive marketing streams like word-of-mouth referrals and repeat customers.
- To attract a new generation, the industry is going to have to show a much more lucrative value proposition to running an auto repair business.

We Love What We Do

We are an industry that loves what we do and the businesses we run.

It's no surprise to learn we have a passion for vehicles, that we enjoy solving and fixing problems, and that we take a great deal of satisfaction in the variety of our work. For most of us, that's what attracted us to the auto trade in the first place.

What may come as a surprise, though, is the focus on customer satisfaction: the number one thing many of us say we enjoy about working in our industry is making customers happy.

Generally, we're confident about the future. But that's not to say everything is rosy.

Even prior to COVID-19, we were an industry facing challenges. Larger workshops are worried about staffing, efficiency and lower margins. Many smaller businesses are struggling with capped-price servicing (specifically in Australia), keeping up with technology, and work-life balance. Overall, many of us are dissatisfied with the industry's financial rewards – while still considering financial rewards a key measure of success.

So, who are we, exactly? The graphs and charts in this section show a breakdown of Members who took part in the survey.

How do you compare?

- On average Members' businesses have 4.5 employees, see roughly 30 vehicles per week and have three hoists.
- The average annual turnover for Members is approximately \$882,000.
- Ninety-one per cent of Members who responded are independent workshops. The rest are part of a chain, group or franchise.
- Members have been working an average of 24 years in the industry and running their own workshop for 18.



What do you enjoy most about working in the automotive industry?

“There’s variety from day to day; no two days are ever the same. This pushes us to be better and keeps everyone on their toes. Complacency is not an issue when we are challenged on a daily and weekly basis.”

Capricorn Member, Sydney NSW

Sample characteristics

Figure 1.1



Figure 1.2

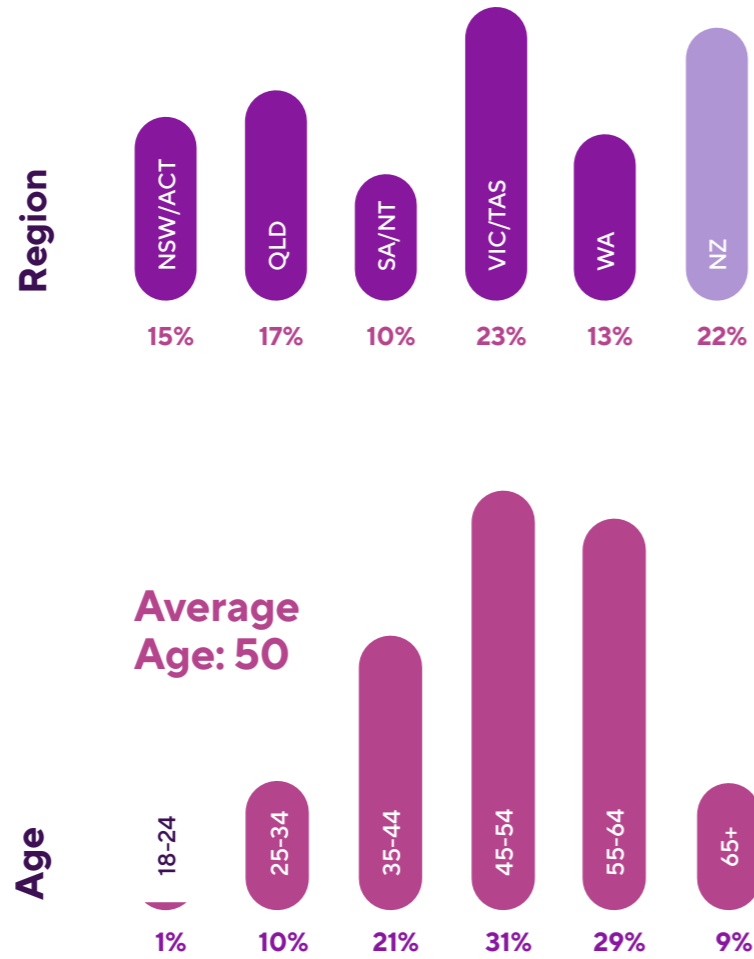
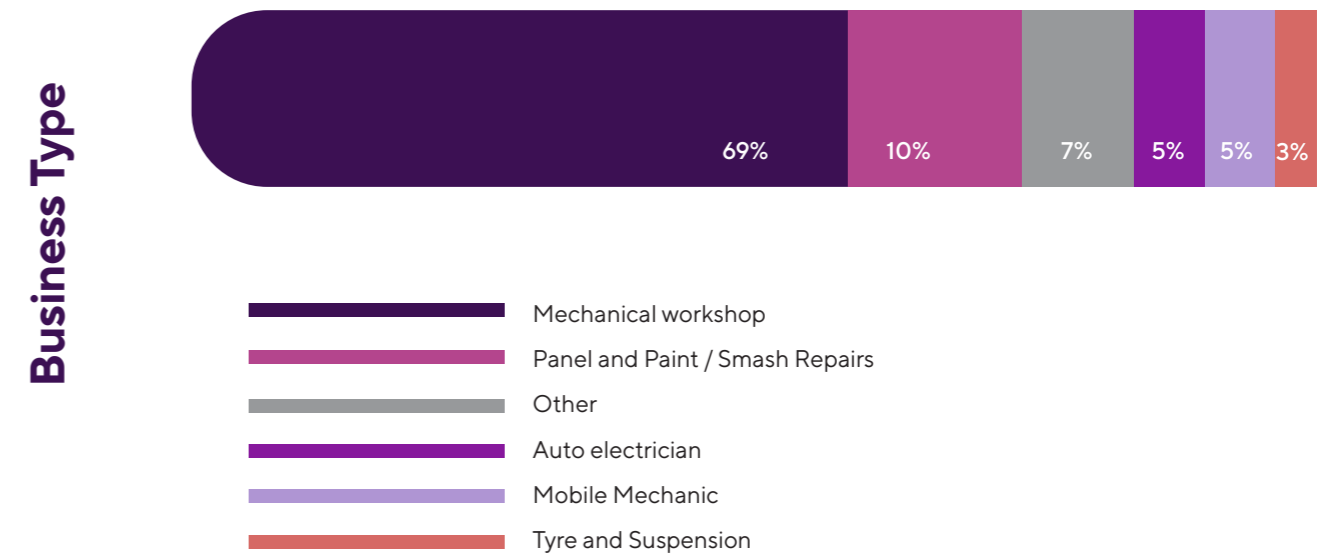


Figure 1.3

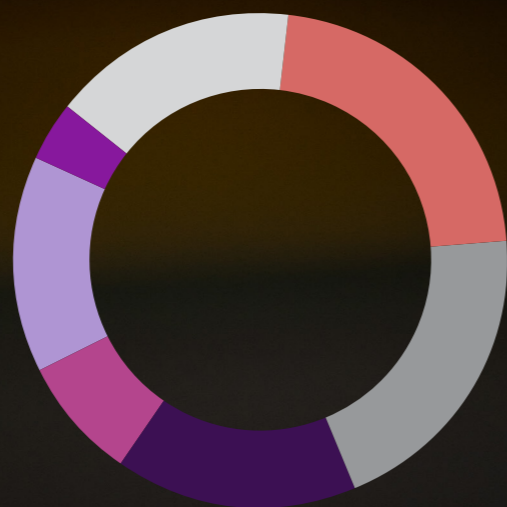


Q2. What best describes your business?

Figure 1.4

Annual Turnover

- 4%** \$2.5 million +
- 16%** \$1 - \$2.5 million
- 22%** \$500k - \$1 million
- 20%** \$250 - \$500k
- 16%** \$100 - \$250k
- 8%** >\$100k
- 14%** I'd rather not say



Q70. How much does your business generally turnover each year?

The average annual turnover for Members is approximately

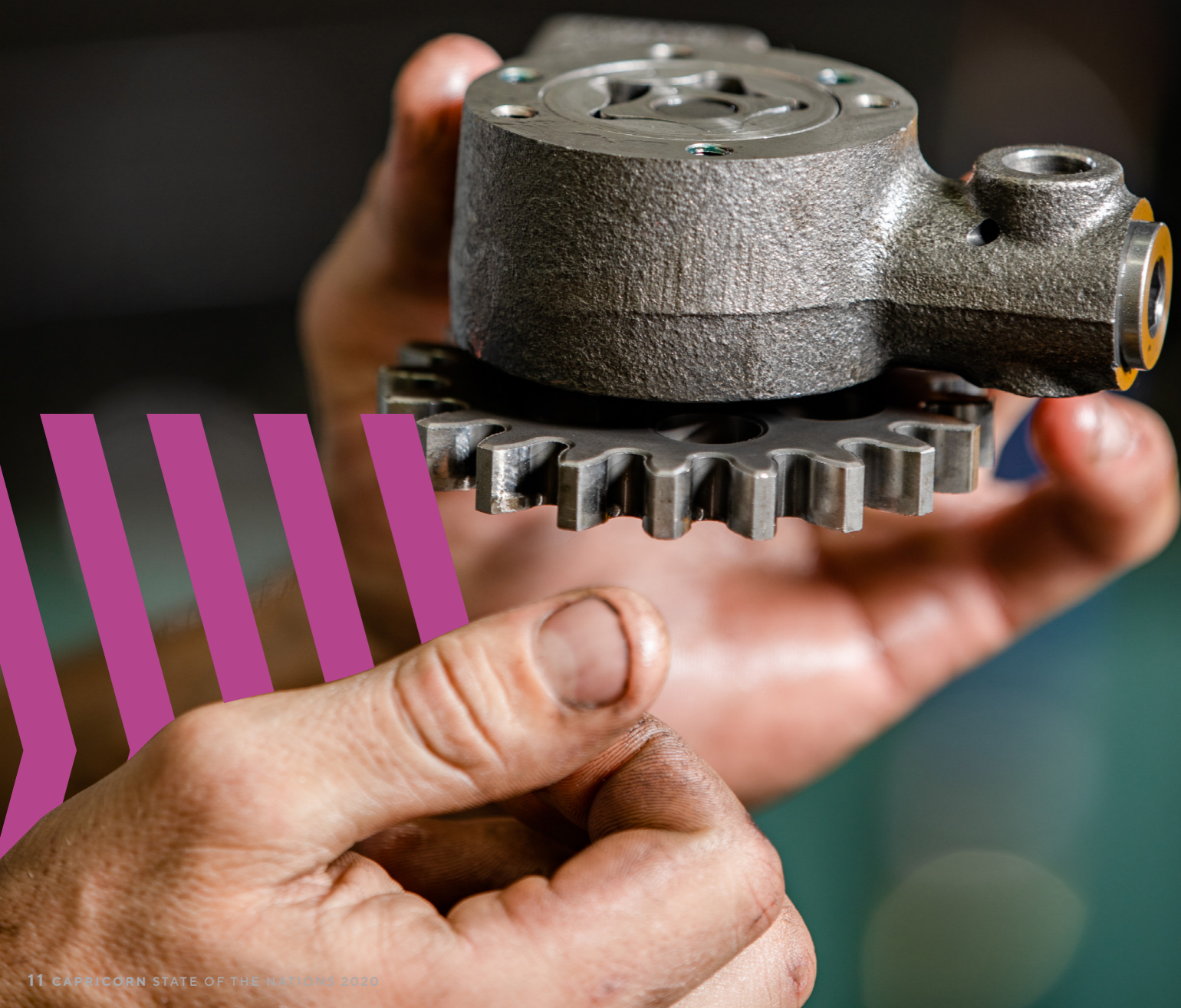
\$882,000

Figure 1.5

Positives of Working in the Industry

	TOTAL	Mechanical Workshop	Auto Electrician	Panel & Paint	Mobile Mechanic	Tyre & Suspension	Other
Making customers happy	26%	28%	16%	27%	16%	35%	25%
Working with Cars/Passion for automotive	17%	19%	11%	16%	20%	7%	7%
The fun of problem solving/Fixing things	16%	16%	26%	16%	20%	2%	11%
No one day is the same as another	10%	10%	20%	7%	12%	7%	9%
Meeting new people every day	9%	8%	1%	12%	5%	28%	14%
Self employment/Flexibility of working solo	6%	5%	6%	5%	19%	9%	9%
Financial reward	3%	4%	3%	1%	2%	0%	2%
Working with friends and family	2%	2%	3%	5%	1%	2%	5%
Other	4%	4%	6%	5%	2%	5%	5%
Nothing	8%	8%	9%	8%	4%	9%	18%
	n 1500	1036	80	152	81	43	108

Q6. What do you enjoy most about working in your industry?



Confidence

Before the outbreak of COVID-19, the vast majority of Members felt confident about the future of both the automotive industry and their businesses. The economic effects of the lockdown, especially in New Zealand, may have altered this somewhat since the survey was taken.

That said, our confidence in the industry's future comes mostly from our belief that there will always be a market for what we do — engines will always need servicing, tyres will always need replacing, and motorists are always going to have accidents that require repairs to the vehicle.

When it comes to their own businesses, 44 per cent of Members say they feel either very or extremely confident in the future. Another 43 per cent are moderately confident. What's driving that? Largely, a loyal customer base – the knowledge that customers will keep coming back.

On the flip side, there are some Members worried about changing technology, the stresses of their workload, and the impact

of competitors, financial factors, and economic or environmental changes. Looking at specific skills, most Members feel confident with customer service and working “on the tools”, but they are slightly less confident when it comes to managing the business and staff or doing admin. Growing the business, planning for the future, and marketing are the areas where Members are least confident.

- **Members who are very or extremely confident in their business's future are significantly more likely to say it's due to a loyal customer base, and they expect future growth.**
- **86 per cent of Members are very or extremely confident with customer service roles and skills.**
- **Just 32 per cent of Members are very or extremely confident with marketing tasks.**



Why do you feel confident about your business's future?

“Although arguably the challenges in running a successful auto business are greater than they have ever been, this also brings opportunity for those who rise to the challenge to meet and exceed the demands and expectations of today's consumers.”

Capricorn Member, Auckland NZ

Figure 2.1

How confident are you in the automotive industry's future...

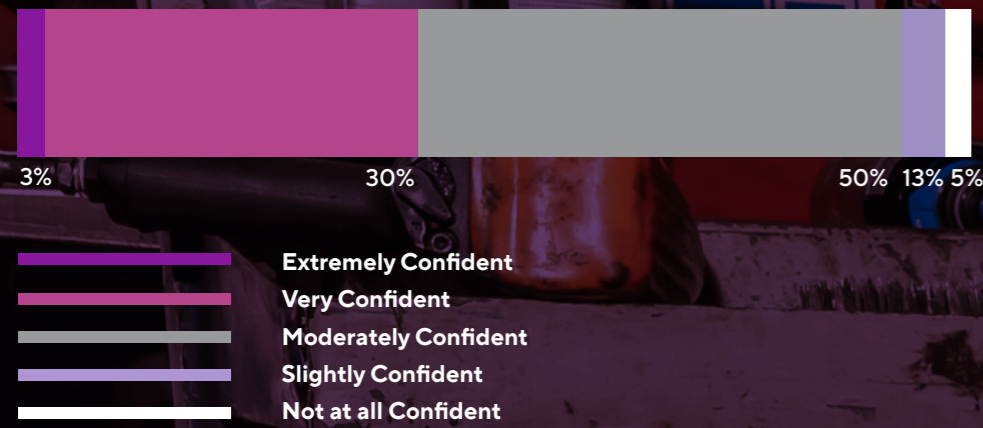


Figure 2.2

Reasons for level of Confidence in industry's Future

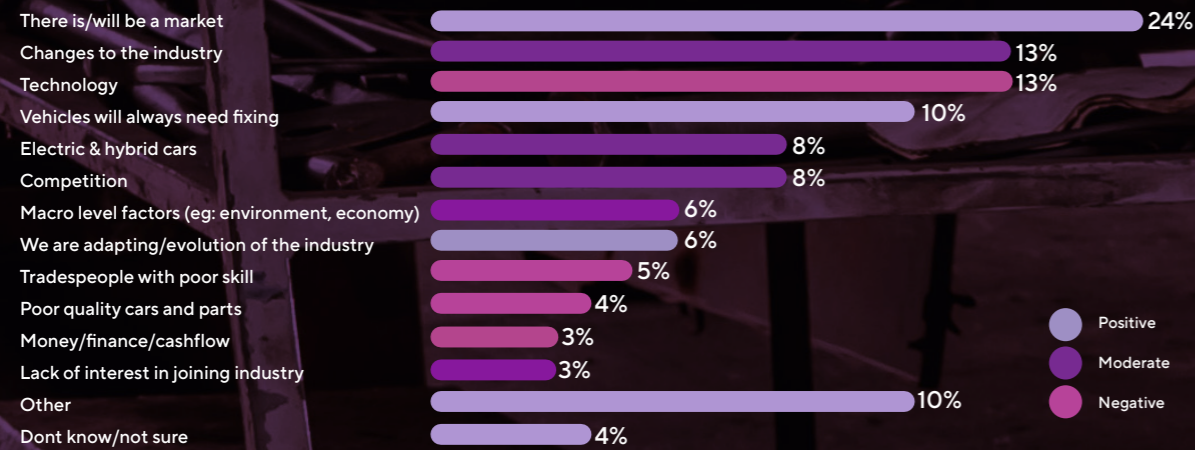


Figure 2.3

How confident are you in your business's future...

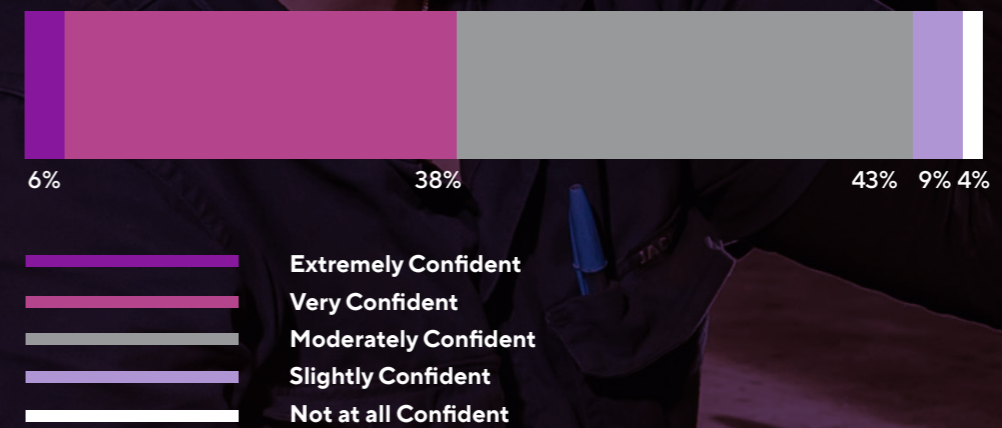
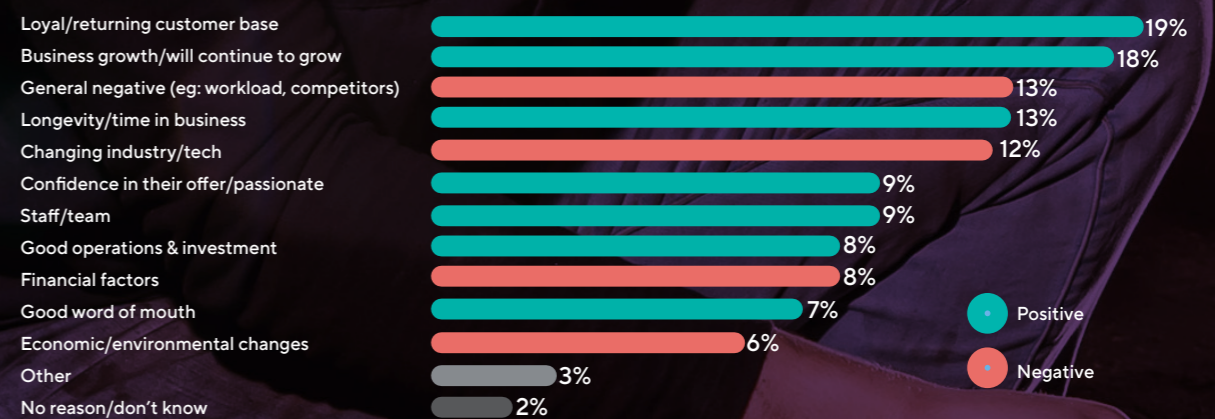


Figure 2.4

Reasons for level of Confidence in Business's Future





Challenges

We are not an industry without challenges.

Whether we're running a large or small workshop, many of us struggle to maintain a good work-life balance, and to take a break or holiday. Around a third of us are also worried about changing technology, have financial concerns or are worried about finding good staff. (See figure 3.1.)

The challenges aren't necessarily consistent across the industry. Two in five Australian Members are concerned about their ability to access technical information, while two-thirds of New Zealand Members face a major challenge finding staff.

Capped-price servicing and longer dealership warranties are troubling Members, with a third of independent workshops and 42 per cent of chain, group and franchise workshops expressing concern.

Capricorn Group Chief Executive David Fraser said extended warranties have seen the average age of a car visiting an independent workshop leap from three years to between five and six years.

"Sixty per cent of all cars under four years have a service agreement," he said.

"This means the OEM dealers have five to six years to build a relationship with a customer, or to create programs or campaigns that block out the non-dealer workshop."

Lower margins, too, are worrying two in five Members. (See The Case For Charging More, page 28.) The response to COVID-19 will also have created new challenges we must all rise to meet.

- **24 per cent of Members are worried about the impact of price-comparison websites.**
- **51 per cent of independent Members worry about the impact of changing technology.**
- **63 per cent of group, chain and franchise Members are worried about finding qualified staff, and 55 per cent are concerned about lower margins.**
- **62 per cent of New Zealand Members are concerned about the industry finding qualified staff in the future.**

How do we combat longer dealership warranties?

“Play to your strengths. Your customers like dealing with the person who is working on their car, they like to shop local, they trust you, and they’re more likely to recommend you to others.”

David Fraser, Capricorn Group CEO

Figure 3.1

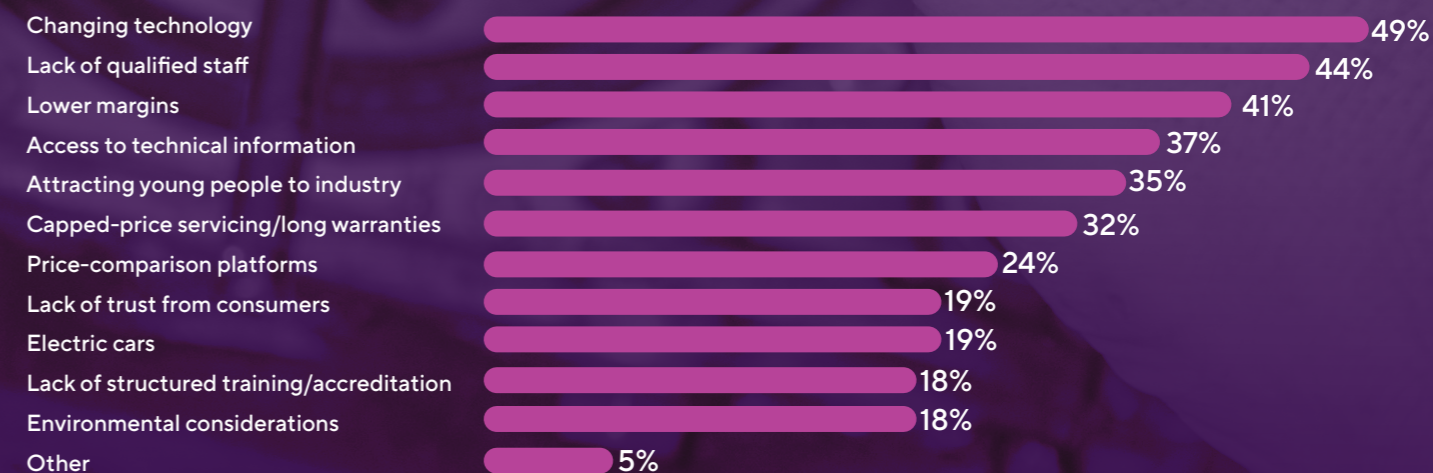
Biggest Challenges Running an Automotive Business

	TOTAL	Business Type						
		Mechanical Workshop	Auto Electrician	Panel & Paint	Mobile Mechanic	Tyre & Suspension	Other	
Having a good work-life balance	46%	46%	46%	46%	48%	40%	50%	
Finding time to take a break or holiday	46%	44%	56%	52%	39%	49%	51%	
Finding good staff	36%	36%	27%	45%	15%	51%	36%	
Changing technology	29%	30%	37%	23%	37%	16%	28%	
Balancing different parts of your role	29%	30%	19%	32%	28%	26%	28%	
Financial concerns	28%	26%	31%	37%	26%	28%	30%	
Access to technical info & diagnostics	25%	27%	38%	14%	39%	7%	13%	
Price-sensitive customers	24%	23%	32%	17%	27%	37%	31%	
Running an efficient business	21%	21%	25%	27%	10%	23%	24%	
Customers supplying their own parts	17%	18%	33%	2%	27%	23%	8%	
Capped-price services / Long warranties	16%	20%	4%	3%	17%	5%	2%	
Quoting jobs for customers	15%	17%	11%	11%	13%	14%	9%	
Finding good apprentices	14%	14%	15%	23%	2%	7%	11%	
Finding new customers	12%	12%	10%	8%	7%	16%	16%	
Marketing & promoting your business	11%	12%	9%	5%	12%	12%	15%	
Keeping staff long-term	9%	9%	6%	10%	5%	19%	13%	
Competing workshops	8%	8%	2%	6%	7%	16%	7%	
Other	8%	7%	5%	16%	4%	9%	14%	
	n	1519	1050	81	155	82	43	108

Q7. What are the biggest challenges that you face in running an automotive business?

Figure 3.2

Biggest Challenges Facing the Automotive Industry



Q8. And in your opinion what are the biggest challenges faced by the automotive industry?

What does success look like?

We are a positive bunch, with a third of Members seeing themselves as very or extremely successful.

So, what does success look like? More than half of Members say success means receiving customer referrals, good profitability (or lack of financial stress), providing high-quality work and having a good work-life balance.

The more employees we have, the more emphasis we place on staff when calculating our success. That includes staff loyalty and having a good workplace culture. Smaller businesses are significantly more likely to place weight on repeat customers and earning customer trust.

The higher a Member's turnover, the more successful they are likely to feel. Yet those who feel very or extremely successful are significantly less likely to believe profitability defines their success. (See figure 4.2.)

Of those Members who say they do not feel successful, two-thirds are measuring their success based on their profitability (or not feeling financial stress). More than a quarter base it on efficiently managing cash flow and nearly a third on whether they can pay themselves a steady wage.

Capricorn Group CEO David Fraser said, worryingly, this indicates some Members are under financial strain. He recommended Members spend time with their accountant to help identify where there are opportunities to improve profit and cash flow.

"It's important to manage your balance sheet, not just your profit and loss, as changes in assets and liabilities also impact cash flow," he said.

- 42 per cent of Members say success means having lots of repeat customers. This was particularly the case in smaller workshops.
- Smaller businesses are more likely to measure efficiency on a month-to-month viability basis and are far more likely to be under more financial stress than larger businesses, which are more likely to use software.
- Only a third of Members appear to be tracking their financial viability using software.

Why is investing in the correct software vital for every workshop?

"For a small workshop, investing in a cloud-based Workshop Management System will streamline your business, improve productivity and give you back some time for yourself and your family. The cost is less than one takeaway coffee a day."

David Fraser, Capricorn Group CEO

The higher a Member's turnover, the more successful they are likely to feel.



Figure 4.1

Perceptions of Success

What does success look like to Members?

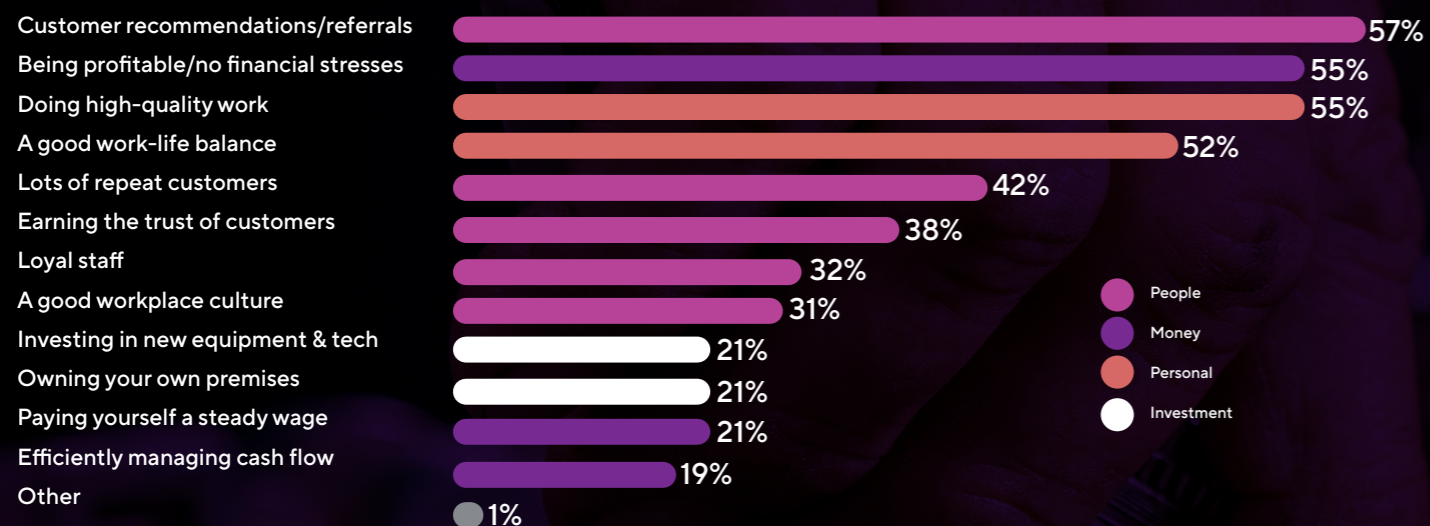


Figure 4.2

Personal Success

How successful do Members feel?

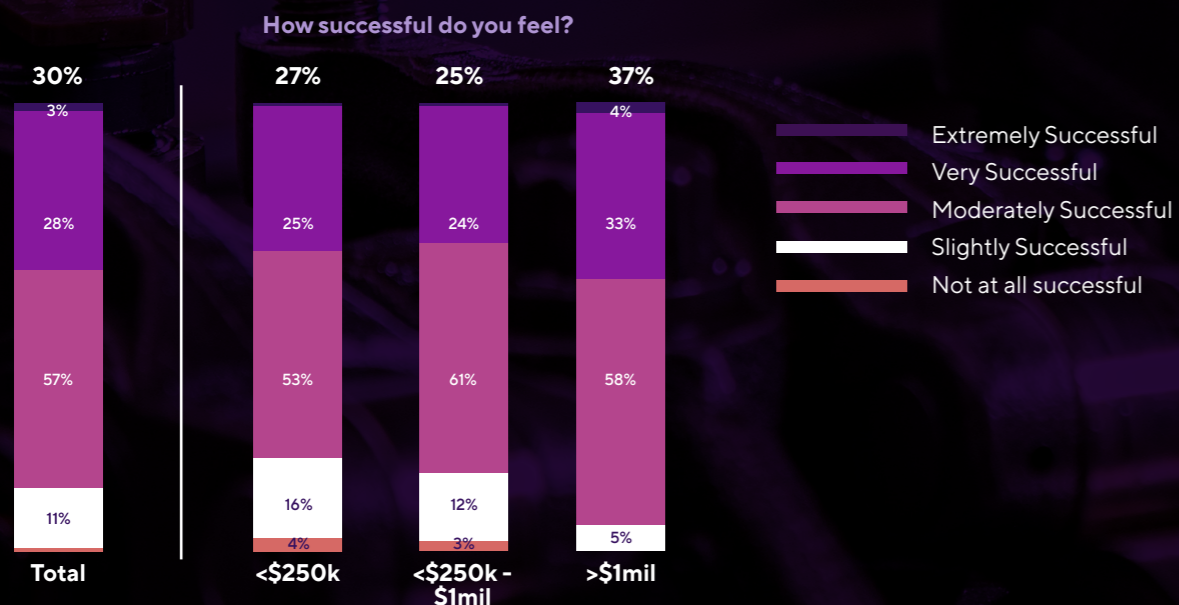


Figure 4.3

Efficiency

How do you measure efficiency?







Our Customers

For many of us, our customers are the reason we do what we do. Making our customers happy is the thing we enjoy most about working in the automotive industry.

Perhaps that's not such a surprise, when you consider repeat customers make up three-quarters of Members' annual turnover. (Interestingly, this proportion decreases amongst businesses with an annual turnover of more than \$1 million.)

Referrals comprise just over half of the customer base overall. The pattern for referrals is similar to repeat customers, with businesses with higher turnover likely to have fewer customers resulting from referrals.

Customer behaviour is changing, with almost one in 10 customers now supplying their own parts. It's a challenge we're still adapting to. While two-thirds of Members are willing to fit supplied parts, there's not a consensus on how best to charge. Worryingly, more than half of Members willing to fit customer-supplied parts say they don't offer a warranty on the part – which may lead to issues arising down the track.

Where are our customers coming from? Three-quarters of us are relying on word-of-mouth marketing, supplemented by digital options such as websites and Facebook (see Figure 5.3). We could be doing much more to drive customers through our doors.

- **38 per cent of Members say being successful means earning the trust of customers.**
- **60 per cent of Members agree that customers now expect more service for less money.**
- **Just nine per cent of Members charge a higher labour rate to fit customer-supplied parts.**
- **Only 30 per cent of workshops are using Google Reviews for marketing.**

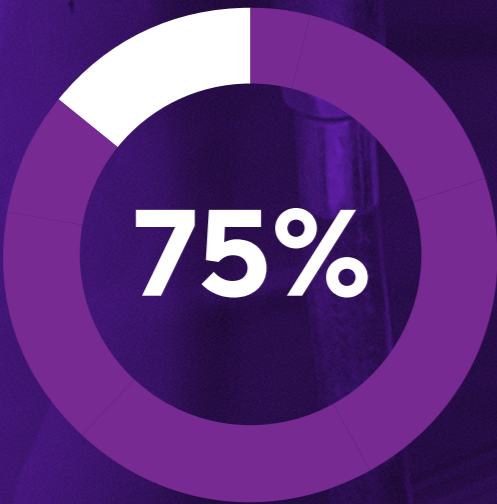
How do we stop customer-supplied parts hitting our profitability?

“Hourly rates for labour need to increase significantly to lower the financial impact on your business when customers supply their own parts. Keeping parts’ prices competitive will mean the customer has nothing to gain by purchasing their parts online.”

Mark Cooper, Capricorn Chairman

Figure 5.1

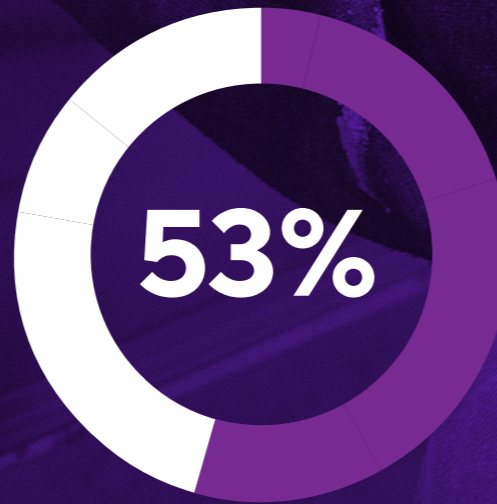
Repeat Customers



By Annual Turnover



Referrals



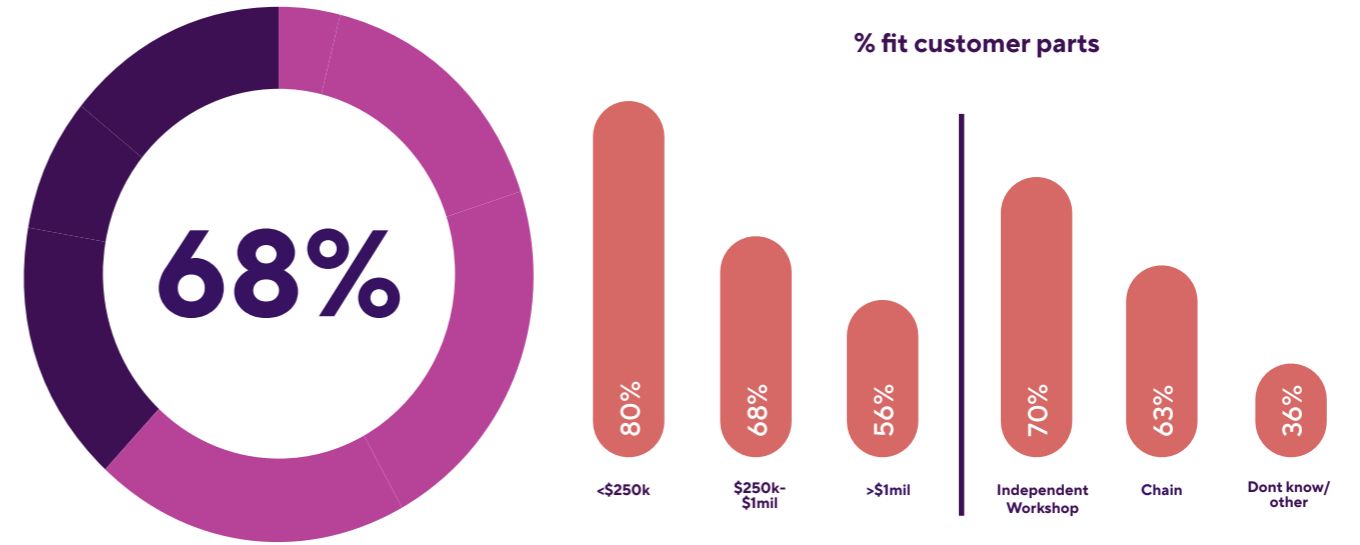
By Annual Turnover



Q20. What proportion of your customers would you estimate are repeat customers?
Q21. And what proportion of your customers would you estimate came to your business as a result of a recommendation or referral from another customer?

Figure 5.2

Do you fit customer-supplied parts?

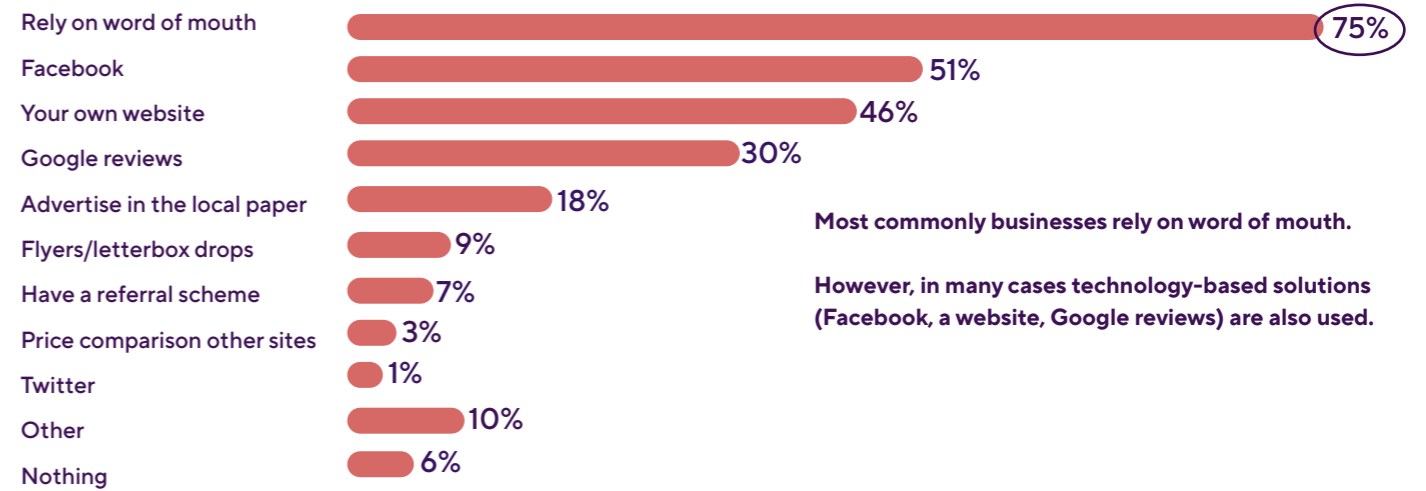


Our Customers

Figure 5.3

Marketing & Promotion

What do you do to market your business?



Most commonly businesses rely on word of mouth.

However, in many cases technology-based solutions (Facebook, a website, Google reviews) are also used.

Know your value. Charge more because you're worth it.



The Case for Charging More

It's time to start charging more.

Forty-one per cent of Members say lower margins are one of the biggest challenges facing the industry.

Rents have increased. Parts are more expensive. Wages bills are higher. Insurance companies keep raising premiums. Price comparison websites are putting downward pressure on our prices. Consumers are demanding more and more services at a lower cost.

And it's Members who are being squeezed.

It's time for that to change. It's time for Members to improve their profitability. It's time we charge more.

You work hard, you have specialist skills and knowledge. Know your value. Charge more because you're worth it.

By not adjusting charges to accommodate the increased costs they incur and the complexity of running their business and servicing and repairing the modern-day vehicle, workshops risk their ability to remain competitive in the long-term.

Reduced profit margins reduce a Member's capacity to invest in what's required to grow and maintain their business. They also make it harder to increase wages, attract the right talent, and retain the skilled workers who are the backbone of any workshop.

There's a misconception we need to charge less to attract customers. The reality is you can lower your prices to attract price-sensitive customers, but the moment a competitor charges even less, you won't see those customers again.

No one wins in a race to the bottom.

It's time to change the conversation you have with your customers. It should be about value. Talk about the years of expertise and knowledge you've built up. Have confidence in explaining why it is you charge what you charge. Trust and believe in yourself.

It's time to give yourself permission to charge more.

Brad Gannon
CEO of Capricorn Automotive

Some Easy Wins

Tiered rates on servicing and parts

Look at the model used by insurance companies and internet providers and give customers a choice of tiered levels of charges for services and parts.

- Gives customers the opportunity to pay less if they want to and provides clarity about what they're paying for.
- Allows you to optimise the services you're providing, so you're not over-servicing.
- Allows you to legitimately charge for costs you will incur, like diagnostics and data subscriptions.

Passing on diagnostic costs

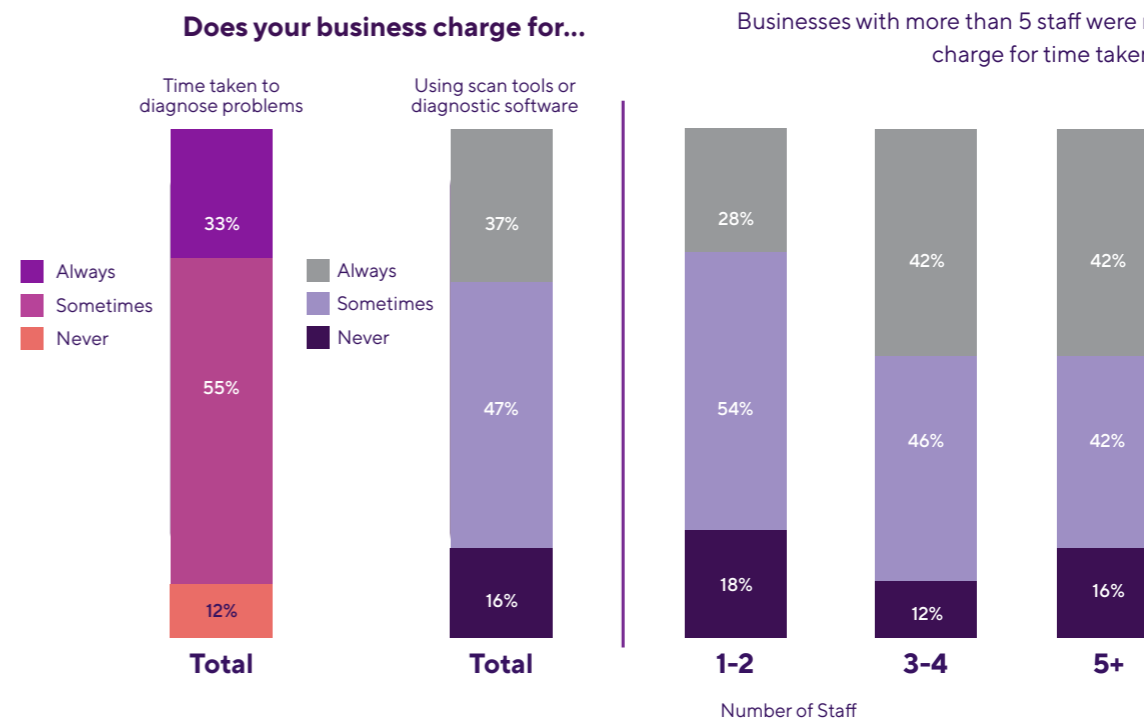
Stop giving away diagnostics for free. This is a service we can and should be charging customers for, but only a third of Members are doing it.



Figure 6.1

Diagnostic Costs Scan Tools & Time Taken

Only a third always charge customers for use of scan tools and diagnostic software, as well as the time taken for diagnostics. Businesses with more than 5 staff were more likely to always charge for time taken.



Q41. Does your business charge customers for a) Using scan tools or diagnostic software on vehicles? b) The time taken to diagnose the problems on customers' vehicles?

Estimating service times accurately

How much efficiency, productivity and revenue are lost by incorrectly estimating how long a job will take?

- More than 60 per cent of Members say it is hard to accurately estimate service times.
- Yet only 38 per cent of Members are using software-based “time guides”.
- While over a third use software to help estimate a job, three quarters of Members don’t rely on the software only. They use it as an input and also overlay their experience before making the final call (i.e., quoting or invoicing the customer).

Fix your mark-up on parts

Many Members have a relaxed approach to adding a mark-up on parts, yet this is an important part of revenue streams. On average, businesses tend to apply 31% mark-up to their parts.

Figure 6.2

Setting Prices on Parts By Business Type

Just under half of businesses apply a set mark-up to parts, with a third matching the recommended retail price. One in 4 use their best judgement, or decide based on the cost of the part or nature of the job.

	Business Type							
	Column%	TOTAL	Mechanical Workshop	Auto Electrician	Panel & Paint	Mobile Mechanic	Tyre & Suspension	Other
Add a set % mark-up for all parts		43%	43%	47%	53%	39%	29%	41%
Matching the retail price		35%	39%	34%	18%	44%	36%	26%
Decide the mark-up depending upon the cost of the part		27%	29%	28%	8%	34%	21%	28%
Using your best judgement		24%	26%	22%	12%	27%	14%	20%
Decide on the mark-up depending on the nature of the job		21%	22%	31%	11%	34%	7%	22%
Other		4%	0%	3%	21%	2%	7%	7%
Don't know		1%	0%	0%	0%	0%	0%	6%

Q44. How does your business set its price on parts which you charge customers? Q45. What percentage mark-up do you tend to use?

Technology - It's Complicated

Technology is radically changing our industry.

As the tech in vehicles changes, so does the tech we need to repair and service the vehicles. No wonder half of Members say changing technology is the number one challenge facing the industry and nearly a third say it's one of the biggest challenges they face in their own business.

Yet, we mostly have a positive outlook. Seven in 10 of us are confident we are capable of dealing with changing technology and about half of us say the industry is ready to embrace whatever advances are around the corner.

Four in five of us are using scan tools, with mechanical workshops, mobile mechanics and auto electricians the most likely to embrace them. But the survey found mobile mechanics and auto electricians are lagging behind and are the most likely to have to turn away customers because they don't have the knowledge needed to do the job.

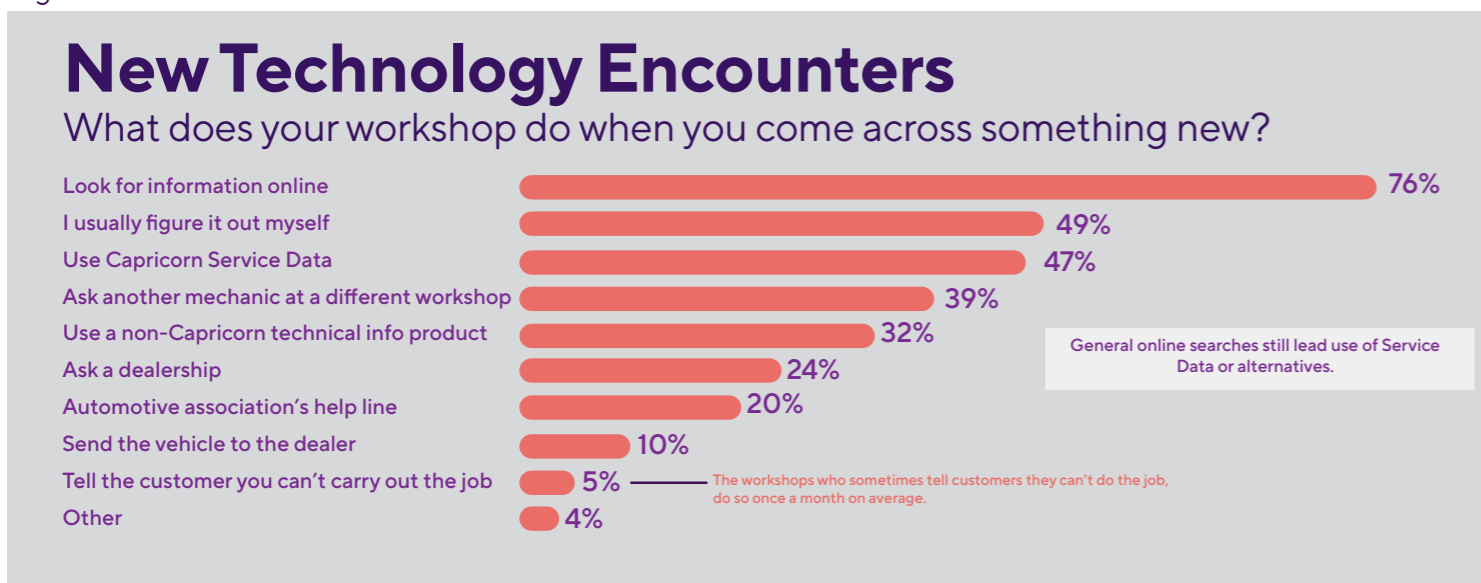
A quarter of us say access to technical information and diagnostics is a problem (see Figure 7.1) and more than three-quarters of Members surveyed resort to searching for information online.

Capricorn Chairman Mark Cooper said investing in the right software is vital as it allows Members to access the correct information quickly.

"This leads to improved workshop efficiency and increased profitability," he said. "Customer satisfaction will also improve when their vehicle is repaired efficiently, in a single visit."

- About 20 per cent of Members are worried about falling behind technology, while about 10 per cent see themselves as "too old to worry about it".
- Three-quarters of Members report needing to send vehicles to dealers, on rare occasions.
- Three per cent of vehicles are sent to dealers, mostly for software updates.
- Ninety-two per cent of auto electricians are using scan tools regularly, only 44 per cent of tyre and suspension workshops do the same.

Figure 7.1

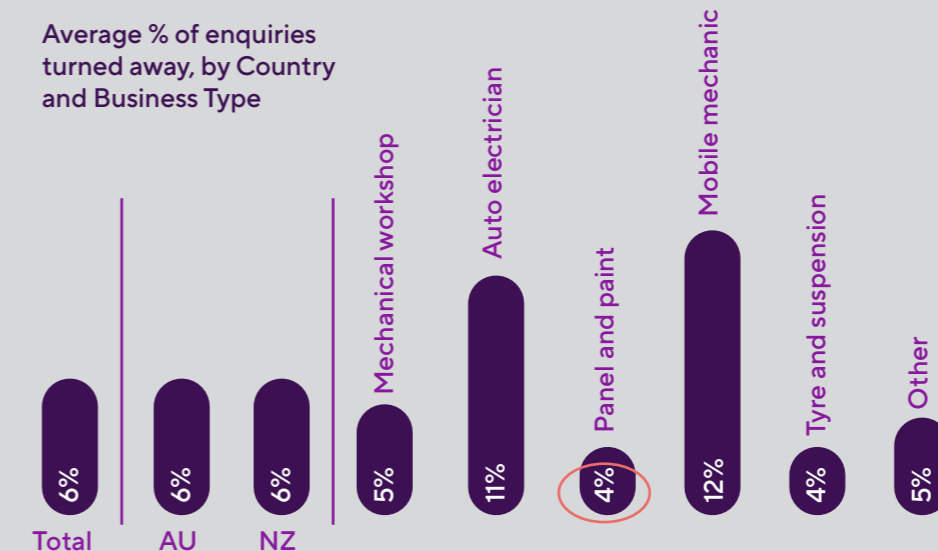


Enquiries turned away

Due to time/knowledge deficit

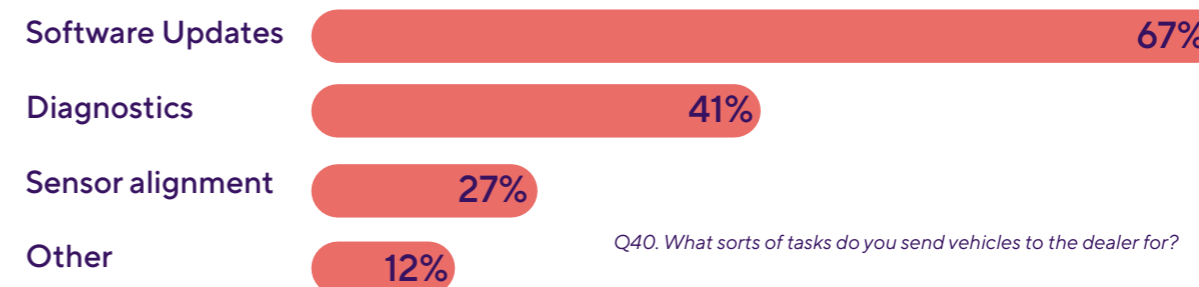
Figure 7.2

Mobile Mechanics and Auto Electricians are the most likely to have to turn customers away due to lack of knowledge or time to complete the job (which, given the context, we suggest includes lack of time to solve problems and, perhaps for Mobile Mechanics, lack of equipment). Panel and Paint businesses tend to give most jobs a go.



Q36. What proportion of customer enquiries to service or repair a vehicle do you turn away due to lack of time or understanding of that type of vehicle?

Why are vehicles sent to dealers? Figure 7.3



Q40. What sorts of tasks do you send vehicles to the dealer for?

What is the impact of not investing in technology?

"If Members fail to keep up with technology, they will eventually go out of business. Keeping up with technology is critical for our Members' future success."

Capricorn Chairman Mark Cooper



The Future of Work

Are we doing enough to prepare our industry for the future?

While Members are generally confident about the future, more than a third of us are concerned about the ability to attract young people to the industry and only around half of us would actually recommend an automotive industry career to them.

Finding good staff is already the third-biggest challenge faced by Members, with one in 10 finding it difficult to keep staff long-term (this leaps to two in 10 for tyre and suspension workshops).

Why isn't our industry a more attractive place to work? Pay rates could be one issue: the hourly rate for technicians increases only marginally, no matter the level of experience (see Figure 8.2).

When it comes to training, Australian workshops are leading the way, investing significantly more than their New Zealand counterparts.

Two-thirds of workshops either employ or have previously employed an apprentice, with most Members saying it was about training the next generation and passing on their skills.

Panel and paint businesses are significantly more likely to have had an apprentice. Of those who haven't, most say it is because their business is too small.

- Nearly 90 per cent of Members agree it's important to recognise and reward staff.
- 60 per cent of Members are very or extremely confident training and mentoring staff.
- Finding good staff is a particular challenge for tyre and suspension businesses and panel and paint.

How do we ensure a strong future for our industry?

"Everyone who enters the industry does so for the love of it. But with so much competition in the labour market, it is important that our best people are compensated sufficiently and see a long-term future in the industry for themselves and their families."

Brad Gannon, Capricorn CEO of Automotive



Figure 8.1

Apprentices

Reasons for taking on an apprentice

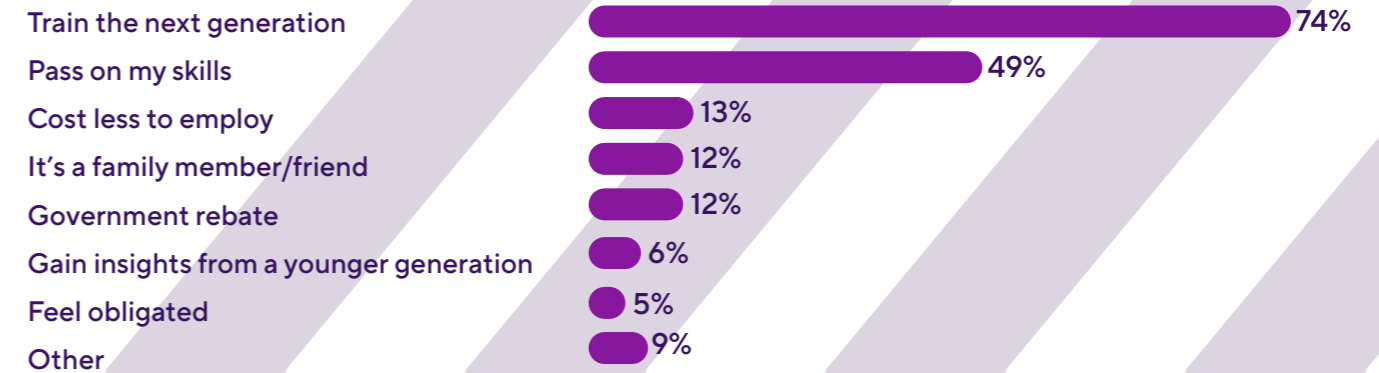


Figure 8.2

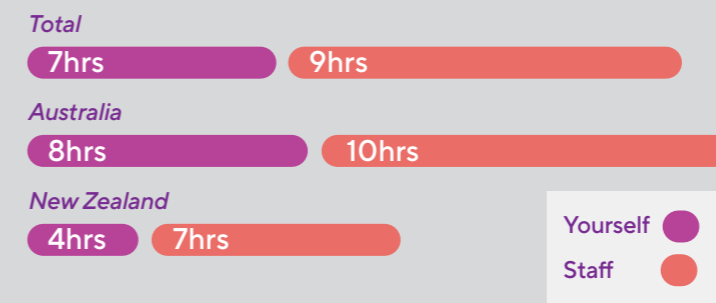
Staff Rates, Experience and Training

Average Hourly Rates

Average hourly rate	Less than 5 years' experience	More than 5 years' experience
Mechanical Technicians	\$29	\$32
Electricians	\$31	\$35
Panel beaters/Spray painters	\$30	\$32

The difference in hourly rate is similar across roles, and only increases marginally with greater experience.

Hours per month spent on training for...



Australian businesses appear to invest more time in training. The larger the business (i.e., more employees), the more time is invested in staff training. Training time does not differ significantly across business types.

Q31. On average, what average rate (per hour) does your business pay its fully qualified technicians (i.e., not apprentices)?
Q47. On average, how much time per month do you spend on training for yourself?

Succession Planning

Are we doing enough to prepare our own businesses for the future?

Worryingly, the evidence suggests we're not.

Nearly two-thirds of workshop owners have no succession plan in place at all. Of those, a third say it's "too early" for them to have a retirement plan.

But it's not just young Members who haven't put plans in place, nearly half of those over age 55 have also not planned for what will happen to their businesses after they retire or are no longer around. (see Figure 9.1).

Nearly a quarter of Members say they haven't even thought about what will happen to their business in the future, although two-thirds believe they will be able to sell or transfer ownership of their workshops.

Capricorn CEO of Automotive Brad Gannon said he understands these are difficult conversations, but they are vital to any workshop's success.

"Without a long-term succession plan in place that identifies what knowledge and skills need to be developed and maintained within the business, too much will continue to fall back on the owner," he said.

"A succession plan allows you to work on the business, not just in the business. And it means when you ultimately need someone to take over or take on a greater load, you have the opportunity to do that."

- Just 39 per cent of Australian and 34 per cent of New Zealand Members have a transition plan in place for retirement.
- Thirty-one per cent of Australian and 41 per cent of New Zealand Members believe it's too early for them to have a succession plan in place for their business.
- Twenty-nine per cent of Members are aged 55 to 64 years and nine per cent of members are aged 65+.

Why should every Member prioritise succession planning?

"The goodwill you create in your business has a value, and that value is yours. Without a succession plan, that risks being lost. You close the doors, the goodwill can't be passed to anyone else, and you don't get the true reward for all your efforts."

Brad Gannon, CEO of Capricorn Automotive

Figure 9.1

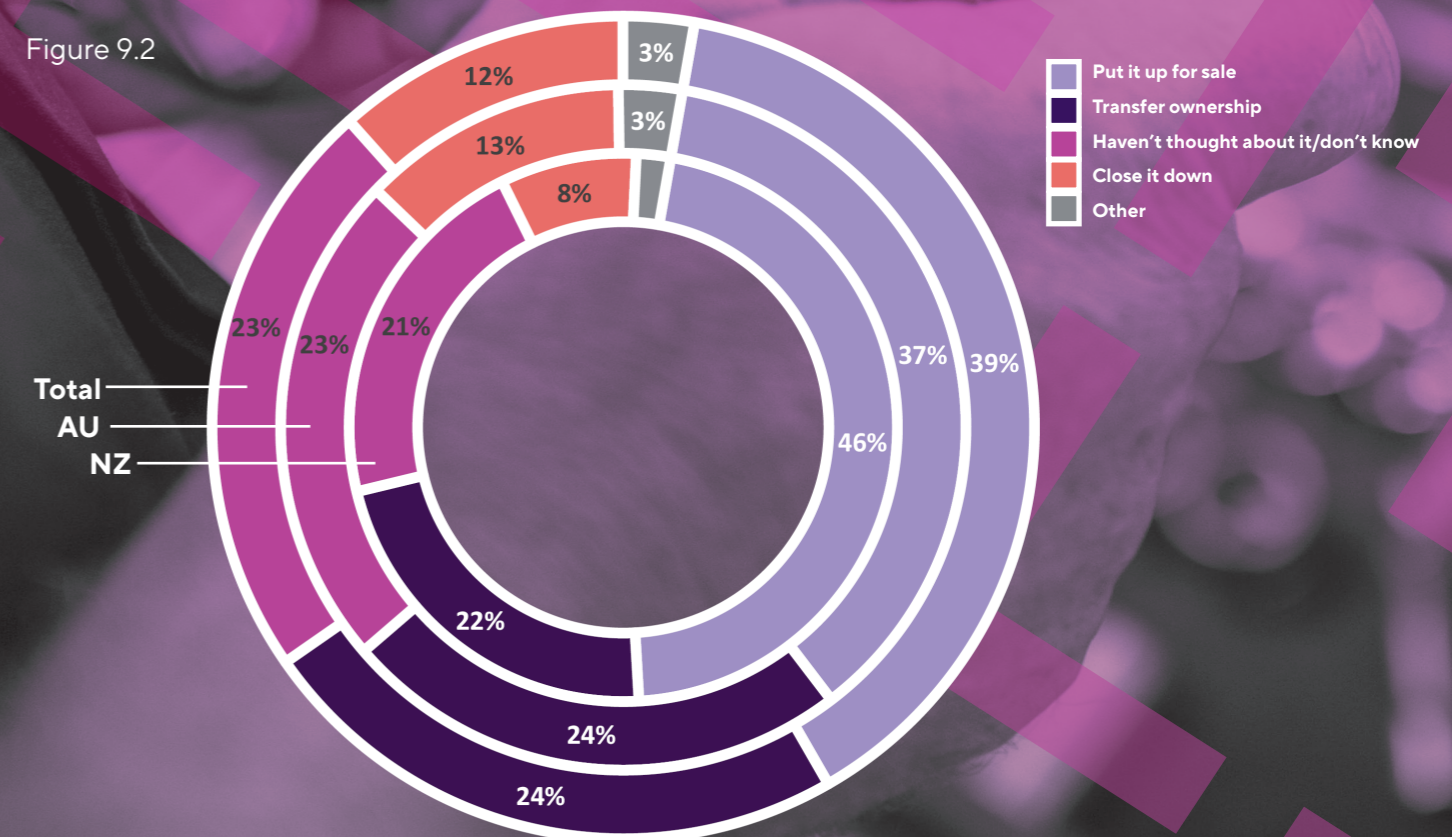
Future Planning

Do you have a transition plan in place for retirement?

	Column %	By Age		
		TOTAL	18-34 yrs	35-54 yrs
Plan in place	38%	13%	31%	56%
No plan	33%	39%	32%	32%
It's too soon to think about transition and retirement	29%	47%	37%	12%
	684	76	323	228

Future Planning Business after Retirement

Figure 9.2



Q19. When it's time to retire, what is most likely to happen to your business?



Recommendations

- **Make time for a break.** You need rest. A healthy work-life balance is a crucial first step to long-term success. Pay yourself with time off like you'd pay your bills – on time, in full, and non-negotiable.
- **Don't be afraid to charge more.** Lower margins are a concern but there are some easy wins for your bottom line. Charge for diagnostics, increase hourly labour rates and estimate your service times accurately.
- **Switch how you measure success.** Don't just use profit and loss as your metric for success; look at your whole balance sheet. Spend time with your accountant, understanding what the figures really mean.
- **Change your marketing strategy.** Don't just rely on word of mouth and referrals to bring in new customers; do some targeted marketing. Asking customers for Google Reviews is particularly useful.
- **Let's work together on pay rates.** Attracting the next generation of technicians, and keeping our best staff long-term, is going to require making the industry more lucrative for the people who work in it.
- **Cover yourself when it comes to customer-supplied parts.** If you're willing to fit them, charge extra for labour. Ask the customer to agree that if the part is faulty, they'll pay for your labour to remove and replace it.
- **Invest in scan tools and other tech.** Don't fall behind your competitors or risk turning away business because you don't have the tools you need. Buy scan tools and recoup the costs by charging customers for diagnostic tests.
- **Get your succession plan in place.** It's never too early to plan for the future. Even if you're years away from retirement, what will happen to your business if the unforeseen happens?



Methodology

Between 28 November and 9 December 2019, Capricorn Members across Australia and New Zealand were invited to take part in an online survey.

A total of 1519 surveys were either completed or partially completed. The results were collated and analysed by market research consultants at TKP and interpreted by the team at Capricorn, to produce this report.

1250 Members completed the survey, including 984 in Australia and 266 in New Zealand.

We received 269 partially completed surveys (200 from Australia and 69 from New Zealand), which were also used to formulate the results in the relevant sections.

About Capricorn

Capricorn is a Member-based organisation supporting businesses in the automotive industry. We have more than 21,000 Members and almost 2,500 committed Preferred Suppliers across Australia and New Zealand.

We offer our Members a broader range of services, including equipment finance, travel services and business protection. Being a cooperative means our Members are our owners, too.

Capricorn was established in 1974 by a small group of Western Australian service station owners to increase their buying power and level the playing field with the big multinational oil companies.

About State of the Nation

Capricorn is committed to keeping a finger on the pulse of what's happening within the automotive industry in Australia and New Zealand.

State of the Nation 2020 is the first in what will become an annual research project designed to gain an in-depth understanding of what's happening in our industry and what's important to Capricorn Members.

The goal of the research is to arm Capricorn with insights that can be used to create valuable, interesting and thought-provoking content for Members. It will also help Capricorn discover new ways we can help Members' businesses grow and succeed.

This document does not, nor is it intended to, constitute legal, financial or other independent professional advice. Please consult your professional adviser before relying on any information contained herein.