



AFTERSALES AFTER COVID-19: WHAT YOU SHOULD CONSIDER

Science Matters Insights with Piermichele Robazza, Solution Lead - Aftersales, Urban Science®

As businesses continue reopening across the United States, questions loom regarding the impact of the COVID-19 pandemic on the aftersales market. Early projections made for pent-up service demand once restrictions relaxed have not materialized. Rather, demand for service continues to mirror traffic on the road, and business lost during the depth of the pandemic is not expected to be recouped. However, this crisis, like many that have come before, provides an opportunity to introduce changes, and the dealer and OEMs willing to embrace these changes will come out stronger for the future. As we monitor and study the lasting effect that COVID-19 will have on the industry, here are some observations worthy of consideration.



TRACKING AFTERSALES OVER TIME.

The pandemic has greatly affected service repair order (RO) volumes across the United States. Data collected from manufacturers representing approximately 35% of industry sales show a rapid drop of RO volume starting in mid-March following the introduction of stay-at-home mandates. RO volumes dropped to their lowest level nationally in early April at 45% compared to last year's volumes, but have gradually come back since then, reaching a high of 88% in mid-June and plateauing after that.

Following stay-at-home mandates, RO volumes dropped to their lowest level nationally in early April at

45%

and have yet to fully recover.



More interestingly we have observed large variability across the country, with states like Michigan, New Jersey, and Massachusetts showing steeper declines compared to less populous states like Montana, Wyoming, and South Dakota. This can be directly linked to reduction in miles driven due to state-by-state differences in stay-at-home policies. Analysis by INRIX shows similar patterns in the decline of average personal travel miles driven since the beginning of the pandemic.¹

The recent relaxation of these policies has brought considerable improvements in both miles driven and RO volumes. However, after reaching a peak in mid-June, volumes have started to drop again especially in the month of July. The largest declines have been registered in Southern states and Michigan where coronavirus cases have resurged. This has been offset by a steady increase of business in states in the Northeast and Northwest, where the virus cases continue to stay low.

TOP AND BOTTOM 5 STATES WITH THE LARGEST DECLINE OF YOY RO VOLUME SINCE MID-JUNE

STATE	3/5	3/12	3/19	3/26	4/2	4/9	4/16	4/23	4/30	5/7	5/14	5/21	5/28	6/4	6/11	6/18	6/25	7/2	7/9	7/16	7/23	DIFF
KS	103	94	83	63	48	47	55	62	59	71	74	75	85	77	83	95	89	85	94	84	77	-18.7
MI	97	91	82	45	23	20	22	35	36	59	64	65	75	73	80	91	85	81	88	73	73	-18.1
OK	115	102	87	67	56	54	62	73	75	84	91	97	103	80	87	95	91	84	86	79	77	-18.1
MS	93	99	89	68	62	58	65	76	69	81	87	78	85	81	83	95	88	83	89	85	77	-17.6
LA	106	98	87	60	50	53	56	75	64	80	86	86	92	83	85	97	87	84	91	98	81	-16.3
NATIONAL	100	97	84	61	47	45	49	58	56	68	72	75	80	75	81	88	85	83	88	80	80	-8.3
MA	104	88	73	48	31	30	33	40	40	49	57	61	64	64	72	78	77	78	83	76	76	-2.6
CT	103	94	76	53	38	34	35	41	41	50	58	64	67	69	77	82	83	85	86	83	80	-2.3
NJ	100	94	79	47	30	26	28	36	36	51	57	61	69	64	73	80	81	78	83	78	79	-0.6
WA	98	93	80	61	40	43	47	53	50	61	63	65	72	67	76	82	80	79	89	77	83	0.7
OR	110	102	82	61	48	49	54	61	58	64	67	68	72	71	77	79	77	81	89	78	80	0.9

While mandates and laws restricting travel are significant, they are only part of the aftersales challenge. Another part has to do with the comfort level people have in increasing their travel regardless of official rules and regulations.

¹ "The Country's Reemergence Seen Through Vehicle Miles Traveled Data," <https://inrix.com/blog/2020/05/the-countrys-reemergence-seen-through-vehicle-miles-traveled-data/>

Overall, the increased volatility of the business — fueled by uncertainty regarding a potential second wave of the pandemic — has created a heightened sense of urgency for OEMs to not only hold, but also recapture aftersales customers.

Paying close attention to the relationship between the coronavirus and human behavior can help as we look forward to the future. We can expect that any reintroduction of stay-at-home orders will have an impact on travel which will translate, again, in lower RO volumes. Compounding this, more lasting changes to travel behavior may be with us for the long haul, like working-from-home practices introduced by many companies.



THE HIGHS AND LOWS OF THE PANDEMIC ROLLERCOASTER.

Although a number of scenarios are being posited by industry and health experts regarding the future of the COVID 19 outbreak, it is certain that the virus will continue to recur cyclically for the foreseeable future, which will challenge reopening processes and any steps towards full recovery. Hoping for the best but planning for the worst is always prudent — especially in the context of the levels of uncertainty we now face.

NEARLY

8 IN 10

Believe car dealerships and the auto industry can keep up with the changing needs of the future post-COVID-19.

We may have a vaccine. Or we may not. The math, however, is indisputable regarding certain projections. With fewer vehicles traveling fewer miles, there will be less need for repair and body work. There are, however, other market shifts that may buffer the industry against losses in other areas. A recent Capgemini survey² of 11,000 consumers found that fears about using public transportation and shared mobility services during the pandemic is increasing the number of young consumers considering buying a car. Nearly half (44%) of consumers say that they will use their car more often than public transportation.

Although the timetable for moving past the pandemic changes almost daily as new data filters in, consumer confidence in dealerships and the automotive industry itself remain strong. In a recent Urban Science Harris Poll,³ about half of consumers believe COVID-19 will change dealerships and the auto industry moderately or a great deal, however nearly 8 in 10 believe car dealerships (79%) and the auto industry (80%) can keep up with the changing needs of the future.

² "COVID-19 and the Automotive Consumer: How Can Automotive Organizations Re-engage Consumers and Reignite Demand?" <https://www.capgemini.com/wp-content/uploads/2020/04/COVID-19-Automotive.pdf>

³ "Around the Bend: How COVID-19 Impacts the Next Normal for Dealers," The Harris Poll/Urban Science, June 2020

Using technology to gain aftersales customers isn't going down "the road less traveled." In fact, it's one that's already been paved by companies like Netflix,[®] Amazon[®] and Spotify.[®]



Times of crises are always an opportunity to do extraordinary things and make up for past losses, particularly so in the automotive service industry. In our recent service-focused Harris Poll study,⁴ 83% of vehicle owners said there are ways to win their loyalty — with cost being a primary motivator. Discounts/coupons or bundled services were viewed by 88% of vehicle owners as the most effective way to get them into a service lane. As the economy sputters to return to some level of normalcy, financial incentives might be even more relevant now. Dealers and OEMs are better positioned than many smaller Independent Repair Facilities (IRFs) to step up to the challenge due to their "wide shoulders," financially speaking, creating the opportunity to start long-lasting relationships with new customers.



OEMs AND THEIR DEALERS CAN LEVERAGE TECHNOLOGY TO REINVENT THE AFTERSALES SERVICE EXPERIENCE. BUT THE CLOCK IS TICKING.

Through a combination of price, convenience and the fact that 13% of dealerships have closed over the past two decades, IRFs have been able to chip away at dealership light-duty maintenance and repair.⁵

Technology, however, offers OEMs and their dealerships a way to go forward in ways that offer the promise of outlasting the pandemic. Creating websites that provide direct-to-consumer OEM parts is a business sector that's exploding. In 2019, more than \$12 billion worth of auto parts and accessories were sold online.⁶ Amazon is responsible for 2/3 of that amount, but there's still a lucrative opportunity for dealerships — especially considering their advantages. Dealerships already have excellent access to a wide array of original equipment parts, warranty protection offered and backed by automakers, the technical expertise of dealership parts staffs, and dealerships' own credible brand.

⁴ "Dealer and Consumer Perspective on Automotive Aftersales Harris Poll Study," Urban Science, 2020

⁵ "As America's Cars Age, Deep-Pocketed Companies Pour Into Repair Business,"

<https://www.commercialappeal.com/story/money/cars/2018/11/20/car-repair-meineke-memphis/1942770002/>

⁶ "Amazon Dominates Online Parts Sales, but Dealers Still Have Advantages,"

<https://www.autonews.com/fixed-ops-journal/amazon-daominates-online-parts-sales-dealers-still-have-advantages>

Using technology to gain aftersales customers isn't going down "the road less traveled." In fact, it's one that's already been paved by companies like Netflix®, Amazon® and Spotify®. Customers know and trust the digital gateways pioneered in the tech sector. Better still, the technology exists for instituting "service with a swipe." Best of all, as vehicles get smarter, they can "talk" to their owners through OEM apps while providing service techs with service codes to pinpoint problems quickly, easily, and efficiently.

The power of technology was on display in full force over the last few months. It is something the pandemic demonstrated in markets as diverse as medicine (with tele-video patient/doctor examinations), and food service (with contactless delivery).

While dealers and OEMs have reported sharp downturns in their aftermarket sales, the business itself has been steadily increasing since the first of March — and those increases are happening online. In fact, according to Hedges & Company,⁷ there has been a 59% increase in automotive ecommerce in that timeframe. Specifically, OEM replacement parts sales are up 43%, and light truck and off-road parts sales gained 33%, with automotive aftermarket accessories posting a strong 61% increase. The message is clear: If OEMs and their dealerships don't move quickly, this unprecedented window for change may close, resulting in something every successful dealer loathes: leaving money on the table.



THE OBJECTIVE POWER OF SCIENCE.

It all comes back to the science. Since our founding, we've been a force for change. Our process of looking beyond what we know to what we discover through science continues to serve us and our clients very well.

At Urban Science, we specialize in identifying service-performance opportunities throughout all levels of the OEM network, including regional, zone, district and individual dealer levels, in order to maximize service-improvement efforts. We are dealer-science pioneers — a team of experts in the space for over 20 years. We have more clients in the auto industry than anyone else — 24 implementations and growing, with 16,000+ dealerships. Our data collection and standardization of about one million repair orders and sales records on a daily basis give us a consolidated view of the market which we use to help our clients gain valuable insights and succeed.

If you'd like to talk to someone about Urban Science and aftersales solutions, call or email me. And let us show you how we can apply the power of science to your challenges.

Piermichelle Robazza

Solution Lead - Aftersales Solutions, Urban Science
pmrobazza@urbanscience.com
+1-313-262-3034



⁷ "Updated 7/7/20: Coronavirus and Automotive Aftermarket Ecommerce News," https://hedgescompany.com/blog/2020/03/coronavirus-covid-automotive-aftermarket/#Archive_stats_and_dashboards