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Motor Body Repair Shops Taking Strain

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Motor body repairers in South Africa – as well as similar businesses in most other countries in the world – are taking a huge amount of strain due to the pandemic as it has limited travel and hence the number of accidents and subsequent body repairs.

Many of these companies are in dire straits financially and a number are not going to make it into the future. Supporting facts for these assumptions were revealed at the International Bodyshop Industry Association (IBIS) Connect Africa webinar staged internationally last week.

> *71% of the companies surveyed said they would have to retrench staff and virtually all said they would have to change their business model to cater for the "new normal.*

Graeme Reid, programme executive of the Lightstone market research company, went so far as to say that recent research had shown that as many as three out of four small, medium and micro enterprises (SMMEs) do not expect to be able to sustain their businesses post a July lockdown. This will include many companies in the automotive sector.

Reid added that 71% of the companies surveyed said they would have to retrench staff and virtually all said they would have to change their business model to cater for the "new normal". Overall unemployment in SA is expected to exceed 50% of the population due to the pandemic and subsequent damage to the economy. A survey showed that 26% of employees in the motor body repair industry had been retrenched by the end of June.

Consolidation of businesses, with big groups getting even bigger, was one of the expected outflows of the restructuring, while increased automation is another expectation for the motor body repairers.

The Lightstone executive added that despite the lowest repo rate since the 1980s – 3.5 % – the GDP for 2020 is expected to show a drop of 7–10%, exacerbating the current economic recession. Reid said that new vehicle prices were expected to rise by at least 7% in the course of the year despite the low inflation rate.

He said that the total new vehicle market for 2020 was expected to fall below 400 000 units for the first time since 2009 and that it is estimated that it will take 3-4 years for the motor industry to recover from this global crisis – far longer than the COVID-19 pandemic is expected to be a factor.

Reid stressed the importance of continuing to build customer relationships and brand image in this tough economic period as investments for the future.

The number of insurance claims in South Africa due to collisions dropped by 75% in April and May which impacted directly on the body repair industry, according to Brett Atkins, production director of the Clear Strategy Group, under the umbrella of GiPA, a global market information partner specialising in eh automotive industry.

Martin Hendriksen, MD of Clear Strategy, showed that the vast majority of the 12.7 million vehicles on SA roads carry no insurance and more than 80% are older than 15 years

> *84% of those interviewed in recent survey said they were seriously contemplating keeping their vehicle longer than usual due to the economic uncertainty.*

Turnover in the body shops was down by at least 30% for the April-May period; the biggest drop in history. It also seems that only 12% of accidents were declared to insurance companies, often because the claimant does not want to pay a big excess and rather pays for the repairs personally and does not claim on insurance. Some of these people also went to smart repairers instead of major body repairers to keep costs down.

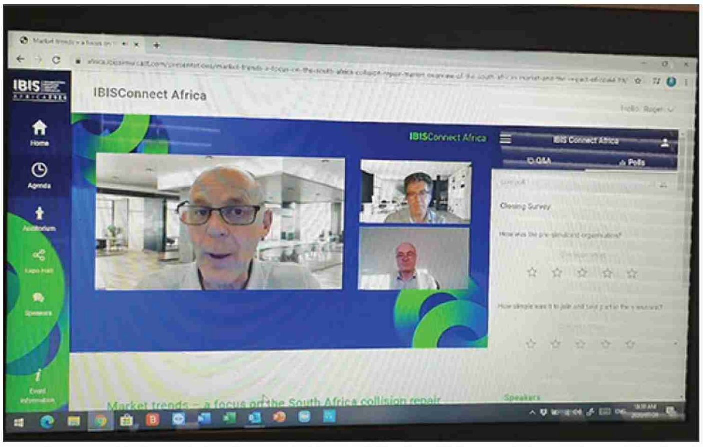
One positive for the body repairers was that there were few delays with parts supply in SA, which is a major problem encountered elsewhere in the world at this time.

Research showed that 84% of those interviewed in recent survey said they were seriously contemplating keeping their vehicle longer than usual due to the economic uncertainty caused by the pandemic.

Ian Groat, the publisher of Automotive Refinisher magazine, said that a problem in South Africa is the oversupply of short term insurers (about 100 of them) and motor body repairers (an estimated 1 650) all fighting for the business, which made it difficult for body shops to be viable and sustainable.

Groat also bemoaned the fact that insurance companies were using a threshold for writing off vehicles that was far too low. This encouraged the vehicles to be repaired – often poorly – and to be put back on the road. In certain cases, these damaged vehicles were evidently bought for their VIN tags which were then affixed to cloned stolen vehicles and sold to unsuspecting buyers.

Steve Kessell, operations director of the Collision Repairers' Association (CRA), pleaded for financial assistance from government to encourage the training of apprentices. "The current profit of a body shop is only in the region of 1.5%–4% which is not sufficient to provide funding for training technicians". ■



The Global Market Information Partner (GiPA) team opened proceedings on the IBIS webinar. They are: Eric Devos (left), GiPA president; Brett Atkins (top right), production director at the Clear Strategy Group, and Martin Hendriksen, managing director of the Clean Strategy Group.