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AUTOMOTIVE INSIGHTS

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PEARSON HAM GROUP

Independent Aftermarket Q1 2023 Review

April 2023

Today in the UK Independent Aftermarket



Suppliers must find a balance between falling volumes and rising prices



Prices continue to rise across the market



High rates of returned products continue to present challenges

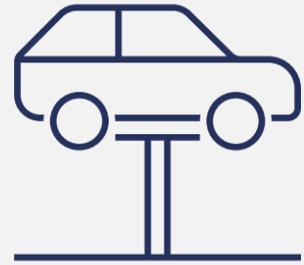


Impacts of Brexit and Covid still being felt in the market



Falling volumes must be addressed with effective pricing strategies

Make better business decisions with Factor Sales Automotive Insights



We produce **actionable insights** for the UK Independent Automotive Aftermarket (IAM) based on our **unique data**, collected from 100's of UK motor factors

Our insights inform decisions across **several business areas**

Make better business decisions – based on data

Pricing Strategy

How can I create a more effective pricing architecture?

How should I benchmark & price versus specific competitors?

What regional and other variances do I need to be aware of?

Price Optimisation

Where may I be under-priced and leaving money on the table?

Am I over-priced versus key competitors in certain products?

How can I estimate the impact of price change on volumes?

Ranging

How is the demand in the aftermarket market changing?

Are there product gaps in the categories that I sell?

Am I holding too much stock in declining categories?

Sales & Marketing

Which categories are competitors gaining market share in?

What other products are my customers buying and where?

Where should I be focussing my account management activities?

Significantly higher prices are offsetting decreasing volumes

Price-Volume-Mix (PVM) analysis for UK IAM: Q1 2023 vs Q1 2022

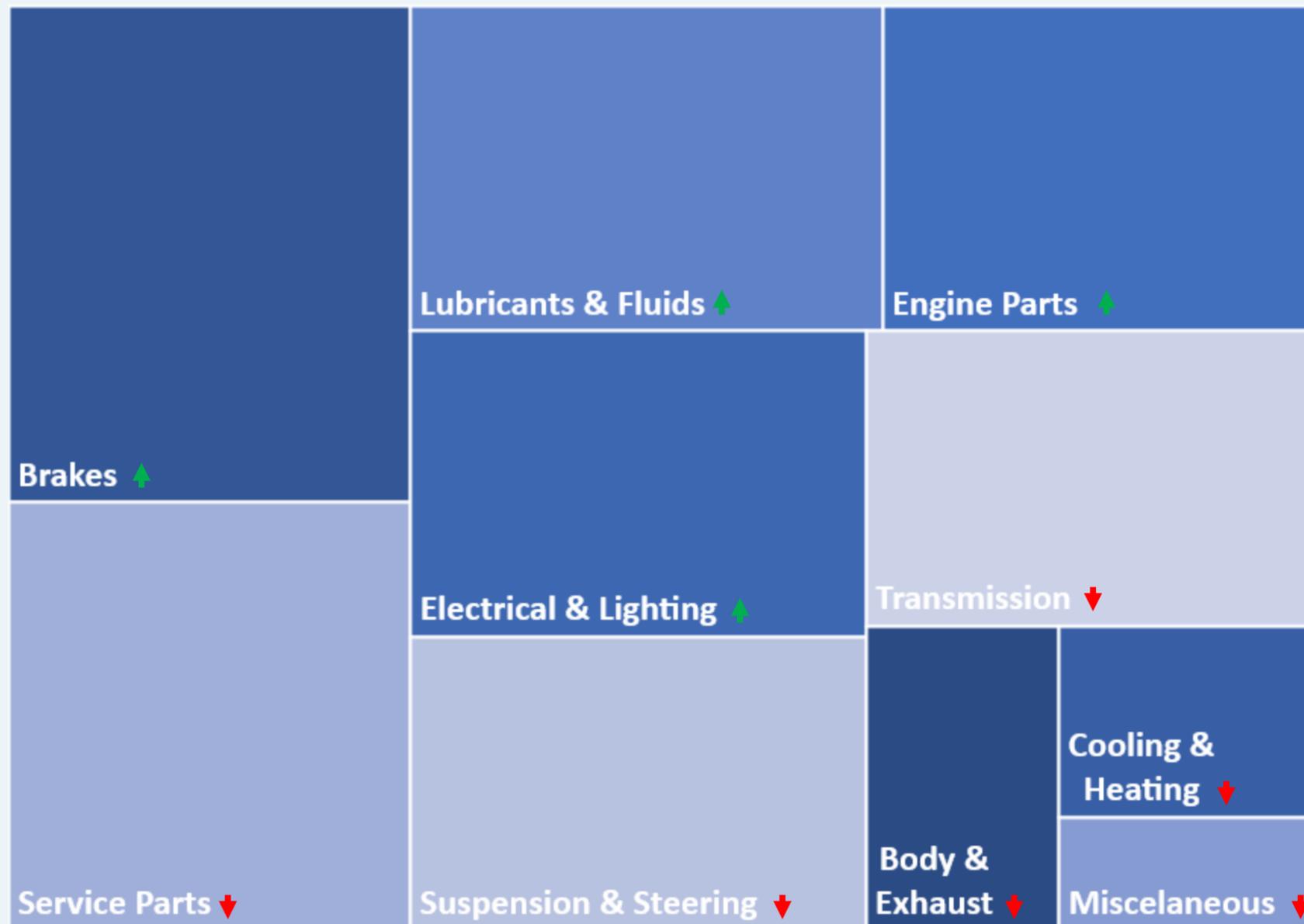
- Overall the market has increased in size by 1.1%
- A large price effect (attributed to the inflationary environment) offset a significant drop in volumes
- The mix effect was small in comparison but suggested a move by customers towards lower priced items

For more information on how these effects are calculated, please see our full review article



Only 4 of 10 catalogues saw sales revenue growth in Q1 2023

Sales by Catalogue, Q1 2023



Arrows indicate growth or decline in sales vs Q1 2022

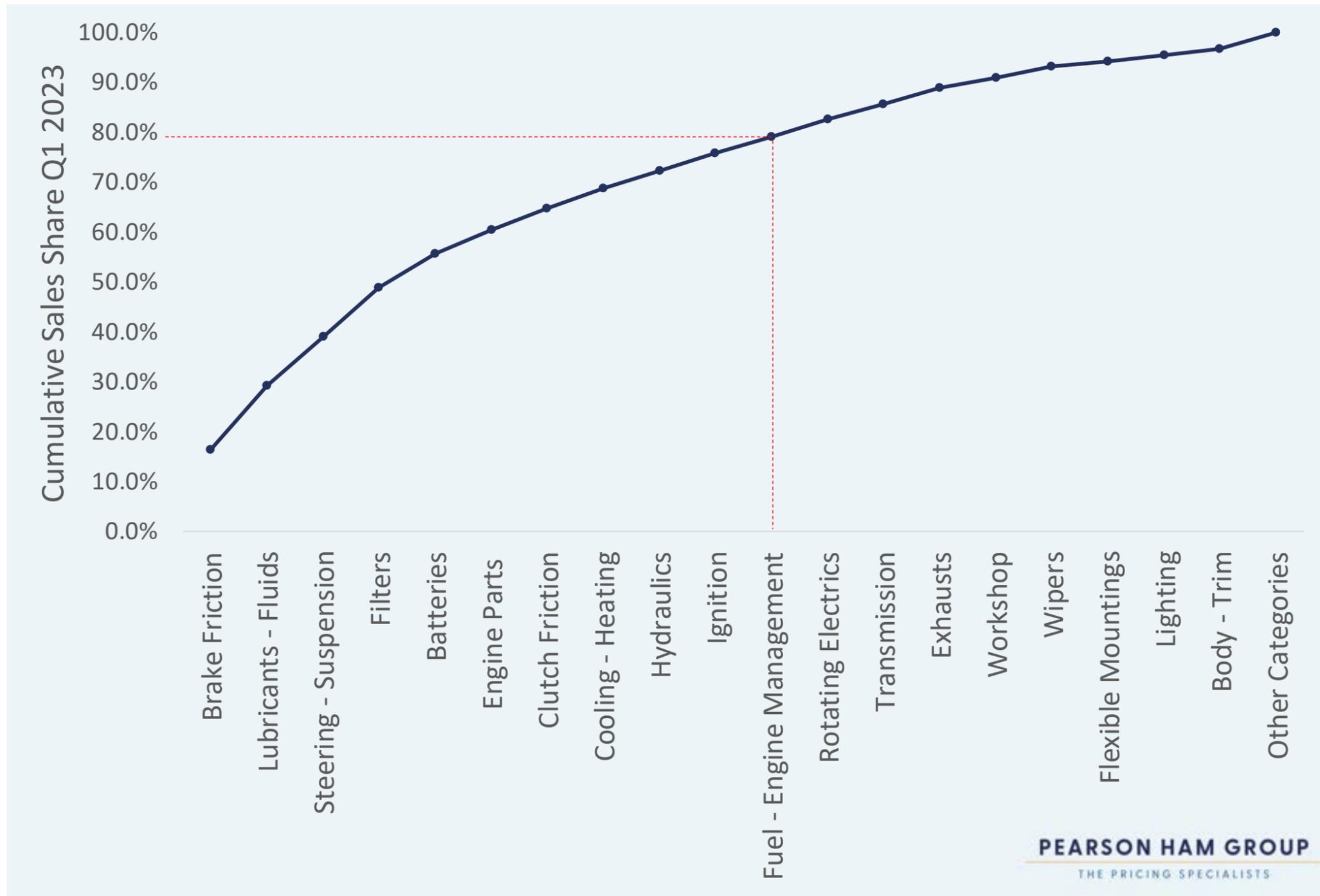
Whilst the ranking of turnover for each catalogue remained broadly similar in Q1 2023 as it did in Q1 2022, growth rates varied considerably.

Only 4 catalogues; Brakes, Electrical & Lighting, Engine Parts, and Lubricants & Fluids showed sales revenue growth in Q1 2023.

Body & Exhaust saw the greatest rate of decline.

Action: If similar trends continue through to the middle of the year, diversification of product ranges would be recommended for some suppliers.

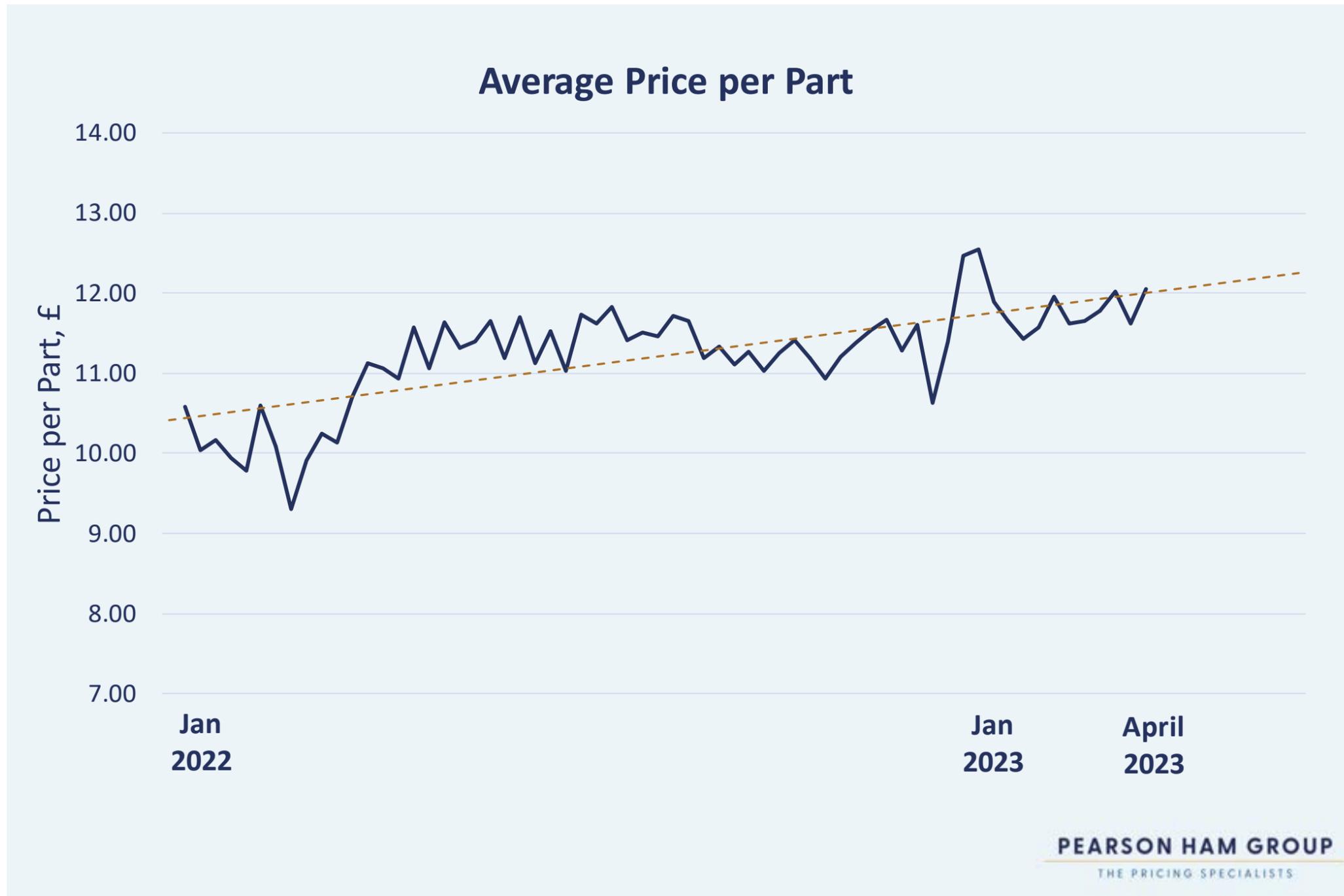
One third of categories account for 80% of the market



Just 11 of the 36 tracked categories controlled 80% of the Q1 2023 revenue sales share

Action: Applying the right level of focus to ranging and pricing within these categories can maximise sales and margin opportunities

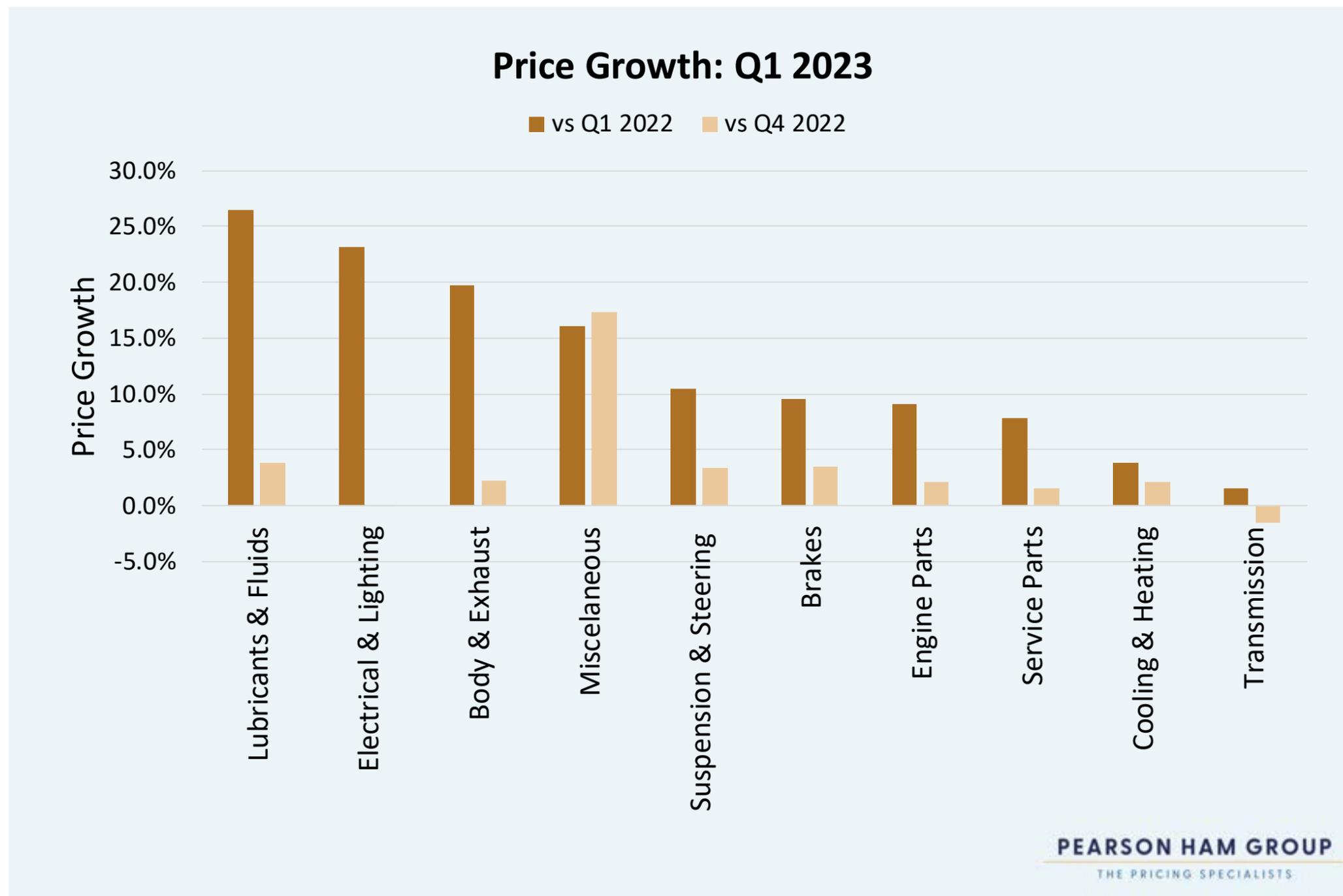
Revenue growth continues to be driven by rising prices



In Q1 2023, prices have risen by **13.9%** on average since the start of 2022, and the trend does not appear to be slowing

Action: Suppliers with dynamic, data-led, pricing strategies are likely to benefit from this strong competitive advantage in today's market.

Price inflation was not uniform across catalogues



All catalogues have seen prices rise in Q1 2023 compared with 2022, however the rate of increase varies. We have observed price increases slowing down – will this continue?

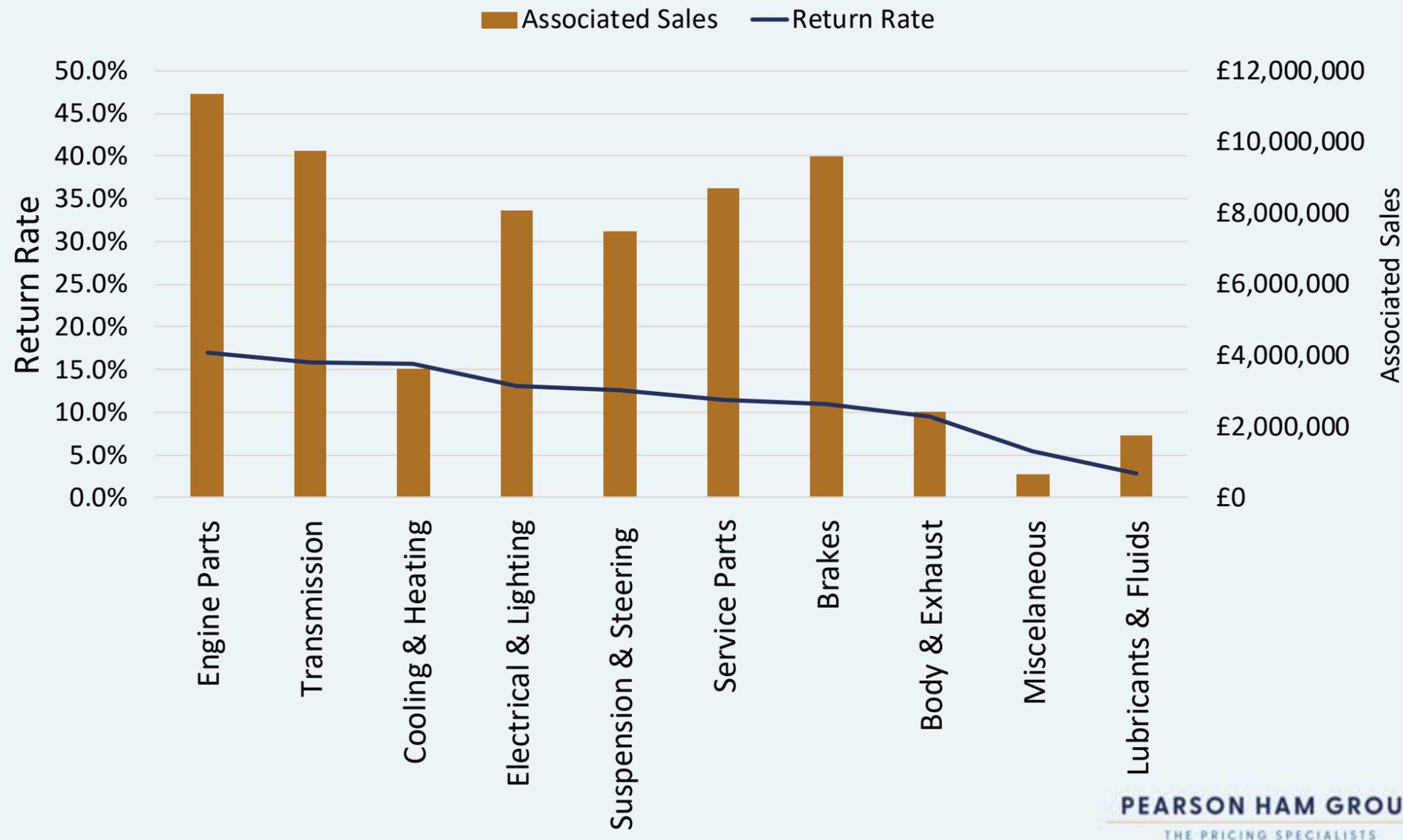
Prices in the Lubricants and Fluids catalogue saw the greatest yearly increases, whilst Transmission was the only category to see prices decreasing (Q4 vs Q1.)

Action: To create the most effective price strategies combine market movements and expected impact on volumes alongside cost variances.

Please read out review article for more details.

Returned parts continue to erode the net revenue sales of suppliers

Q1 2023 Return Rate and Associated Sales of Returned Parts



Return rates remain high, moving from an average of 11.2% to 11.4% between Q1 2022 and the same period in 2023.

The associated value of returned parts is significant, and both suppliers and factors can benefit from joint action to reduce return rates

Action: Review your most impacted categories/products and benchmark against competitors to identify underlying trends and take mitigating actions if required.

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Contact Us

Our passion is to provide data led insights, to enable businesses to make better pricing decisions.

Arrange a demo with us to learn more.