



CAPRICORN

...it's just easier!

Other resources in step 6b:

- No resources available

Don't ignore the changing landscape

History is littered with stories of highly successful businesses that failed due to their inability to adapt to a changing environment.

Kodak is a classic case studied by business schools around the world.

In its heyday, Kodak was a multibillion dollar company dominating the photographic industry around the world. The fundamental reason Kodak collapsed was that it failed to recognise digital photography as a threat to its film-based business model. As late as 2007 Kodak management was still in denial about digital photography. What is even more amazing is that Kodak actually invented the first digital camera back in 1975.

What we can take out of this is that in order to survive businesses have to be willing to evolve with technology and customer demand. Sticking heads in the sand and thinking that change is all too hard can only lead to a slow and painful death.

Auto Skills Australia (ASA) recently released their 2014 Automotive Environmental Scan in which they trace the condition of the automotive industry. A full copy of the report can be found at www.autoskillsaustralia.com.au.

Just as the photography industry went through massive change in the 1990s and 2000s, the automotive industry is currently facing its period of increasing change. Although the Scan is based on the Australian market, many of the same issues will apply to New Zealand automotive workshops.

The report highlighted business rationalisation and consolidation as the single biggest factor facing the automotive industry.

Just over 40 per cent of the industry are non-employing businesses and these are closing in increased numbers. The Scan highlighted several key factors affecting the automotive industry which are contributing to the rate of closures. These include:

1. **Reduction in vehicle accident rates** – Due to advancements in crash avoidance technologies there has been an overall downward trend in the rate of motor vehicle accidents. It is hard to see this trend changing and as vehicles become more reliable there is the real possibility they will need less maintenance.
2. **Cost of equipment required to repair modern vehicles** - A lack of investment in capital equipment is limiting the capacity of small workshops to service and repair modern vehicles. The fact that the average age of an Australia motor vehicle is 10 years has enabled many businesses to focus on older technology vehicles. However, with an increasing affordability of new vehicles there is likely to be a greater turnover of new vehicles which may hasten the exit of many operators.
3. **Slump in consumer spending** – Consumers in general are more reluctant to spend money on body repairs and maintenance. Fears of higher insurance premiums and the heavy depreciation of motor vehicles are key considerations for consumers in deciding whether to spend money on their vehicle.
4. **Government policy regulation** – Regulatory impost by government in the form of payroll taxes, OHS regulation, workplace insurance premiums, rising utility costs and a host of other administrative requirements are stifling the capacity of small business to invest in capital and labour and consequently expand their business.
5. **Attracting skilled workers** –Those businesses that want to recruit new staff are focusing on qualified tradespeople and these are quite rare in today’s labour market. Labour shortages were felt to be a result of:
 - Attraction towards other industries such as mining, resources and construction
 - Not enough people entering automotive trades
 - The poor quality of available candidates
6. **Apprentice recruitment** - The current economic environment is impacting on apprentice recruitment. There is a feeling that apprentices will disrupt operations by requiring extra supervision and training. Around 50 per cent of businesses don’t employ apprentices and have no plans to do so in the next 12 months. The upskilling of existing employees is more of training priority.
7. **Ageing workforce** – ABS Census data shows that the automotive workforce is ageing rapidly. Without suitable increase in the entry and retention rates of younger workers, the labour forces will be increasingly dominated by older workers, many of whom are already on the cusp of retirement.

The Automotive Environmental Scan highlighted that those workshops seeking to survive will need to have innovation at the core of their business models, along with modern workshop facilities, ongoing investment in staff training and capital equipment, and a keen customer focus and service outlook.

Furthermore, to survive and prosper such businesses will need to be regular employers of apprentices and offer career progression as well as financial incentives in order to attract and retain staff. Many argue that this corporatised, professionally managed and clean workshop image is exactly what is required to change public perceptions and help entice future recruits into the automotive industry.

This is line with TaT's belief that the single greatest quality a business owner needs is the ability to change. All top workshop operators have a common theme of wanting to improve and grow. They are always evaluating their business and networking with other businesses to pick up ideas. Their constant struggle for perfection is what keeps them ahead of the game. For these businesses the future is increasingly buoyant as slowly but surely their competition goes out of business.

So here's the challenge. Pull your head out of the bonnet and ask yourself 'What do I need to do to ensure the prosperity of my business into the future'.

Maybe you need to purchase some new equipment, invest in staff training, join an industry networking group, work on your marketing, give the office a makeover or recruit a new apprentice.

Honestly evaluate your business and list all the things that need improving. If you have staff run an after-hours planning session to get them involved. This will help you generate your list and also give your staff a sense of interest in the future success of the business. Every workshop operator should be able to generate a list. If you can't, we can only assume your business is perfect and making millions.

A full copy of the Automotive Environmental Scan can be found at www.autoskillsaustralia.com.au.

The place to start is www.tatbiz.net.au/capricorn

Just go for it!