

Around Circle

www.circleleasing.co.uk

Keep an eye on the Market

With most bodyshops relying heavily on insurance approvals for work volume, it pays to keep an eye on how the market's changing. An analysis of recent financial results by UK motor insurers reveals some interesting trends.

The motor market made a £1billion loss in 2008, despite falling claims levels and marginally improving rates, according to research firm Watson Wyatt. It is therefore not surprising that insurers continue to focus on controlling costs within their supply chain, although a market-wide policy price increase would be a longer-term solution.

Insurers talk about how price-focused and competitive the market is, which they blame on the increasing influence of aggregator sites. This type of site - originally pioneered by Admiral who launched Confused.com - has increased price transparency and allows consumers to see the tangible financial impact of increasing their excess, rejecting a courtesy car and omitting legal expenses cover.

Whilst the long term profitability of insurer

customers is an obvious concern for bodyshops, many will be interested in the number of policies sold, and whether policyholder numbers are growing or shrinking.

If you are an Aviva or Allianz approved repairer, for example, you might have recently experienced a larger-than-average reduction in claims volumes as both recently reported bigfalls in the motor insurance premiums they are writing. In the first half of 2009, Aviva's net written premium value for private motor fell by 22%, while Allianz's Broker Motor gross written premium fell by 20%. Kwik-Fit's motor book is also down by 3%.

In contrast, Chaucer reported an increase in private car written premiums of 31%, it attributes to aggregator sites. Axa's internet-only brand Swiftcover now has policyholder numbers in excess of 650,000 and has recently purchased SIMS, which previously handled its claims on an outsourced basis.

Fortis, too, is continuing to grow and has recently won the sales, underwriting and claims administration of Tesco Motor

Insurance policies from RBS Insurance. Admiral is one of the few genuinely profitable motor insurers and continues to buck the trends - its half-year profits from car insurance were up 18% to £101 million.

Although it is difficult to drill down to the make-up of a particular insurer's book, there are certain market indicators you can look to for guidance, such as insurer-manufacturer affinity schemes. Here, Fortis has been recently selected to sell and administer Toyota-branded insurance. Such information can prove useful when negotiating parts discounts, marketing your bodyshop business, training and manufacturer approvals and determining the make-up of your courtesy car fleet.

Amidst all the market turmoil, there is a positive outlook for forward-thinking bodyshops. More Than Director Mark Christer recently claimed that the rise of aggregator sites has seen the entry of over 60 new direct writers coupled with motor policyholder loyalty dropping from a typical five years with one insurer to just one or two years. This creates huge opportunities for the marketing-savvy bodyshop to capture customers for life, irrespective of which insurer or aggregator site a customer uses.

**Article compiled by Hadfield Associates.*

Contents

Pg2. Managing Director's Viewpoint

Pg2. The shape of things to come

Pg3. Q&A with GVS Bodyshops

Pg4. Circle service goes 24/7

Pg4. Spotlight on...



Managing Director's
Viewpoint

Back in February, we presented to the ABP club our predictions for the market this coming year. The key messages revolved around the shortage of cars, price rises, reduced funders and continued pressure on the euro. As we come to the final quarter of 2009 it is interesting to reflect on these observations.

Supply of new cars remains challenging as volumes to the rental sector have indeed reduced. The market is recovering but nowhere near the pace of previous years.

The finance sector remains a troubled supply chain with bail-outs and mergers commonplace in the last 12 months. The disconnect between bank base rates and lending rates remains and, despite protests, the cost of borrowing money is unlikely to become cheaper anytime soon. The business car finance sector has struggled to source adequate funding and we have seen many competitors exit the courtesy car lease marketplace. Our belief is that the banking and finance sector will remain cautious and expensive, long after this recession ends.

The strength of the euro remains a major problem for sterling and car manufacturers. We predicted some significant price rises and these have occurred at a pace. Used car values have risen as supply of new cars has diminished and new prices have climbed. Many pundits predict a price stabilisation on used but remain alarmed on the prices on new cars.

As for Circle we were acutely aware of the downward trends and prepared the business for the long haul. Our objectives were all around survival and consistency and so far, we remain firmly on plan. Sadly others have been less fortunate and we believe more will follow.

Aidan Minogue
Managing Director, Circle Leasing

The shape of things to come



Sales Director
Marc Studholme

There is a growing sense that the green shoots of recovery are emerging and that the recession may be over. Yet, clearly, the next few years will remain difficult.

The world has changed. But what have we learnt? And how are the big picture changes impacting our businesses?

There is a focus on being leaner and more efficient, with tighter budgets and effective outsourcing certain to continue. The need is to evolve, as downward pressure is maintained on cost bases. Depending on your current position, this can be a personal opportunity or a threat.

More and more organisations will retreat to core business activities. Peripheral activity will either be disposed of or disinvested, suggesting that the partner able to take on greater responsibility may well be the one that benefits the most... assuming they have the resources to cope.

The Courtesy Car, like any rental product, has seen each element of its cost model stretched over the past 12 months; increased new car pricing, volatile used car markets, turbulent interest rates, and increases in government taxes. While we would hope the market will stabilise, it is unclear at this stage precisely how the product will develop in 2010 and beyond. Who could have predicted scrappage

two years ago, which has taken much of the allocation that could have been offered to the sector?

Recent releases that suggest vehicles are becoming easier to purchase will have some element of truth, yet it is the profile of vehicles procured that requires closer scrutiny. We can see the car buyers generally downsizing and the smaller cars in great demand, so we anticipate the larger car market will be freer flowing.

If the general market trends are for smaller vehicles, how should a repairer prepare? Will the Group A Courtesy Car be in greater demand as it fits "like for like"? Will the average repair value decrease? Will cycle times improve as more standard vehicles require repair? What are the needs and wants of the typical small car driver?

Now is clearly the time for us all to prepare and consider how the market will evolve, positioning our resources accordingly. The market will never be the same again. Our challenge is to ensure it can be as good as possible in a totally new environment.

The word on the Fleet



Fleet Services Manager
Danny Harris

I just wanted to make you all aware of the fact that more of the vehicles we are supplying have alloy wheels as standard. This is not something that we at Circle have introduced, more a case of manufacturers improving their vehicle specifications. It seems that wheel trims are becoming a thing of the past! To assist our customers, Fair Play now includes a section on fair wear and tear on alloy wheels. We encourage you to carefully monitor damage and recharge it to your end users.

Another area where we try and help our customers save time and money is when those unfortunate insurance write-off's happen. Our customers are good at liaising with their insurers, but sometimes we, as the registered owners of the vehicle, are not informed. Our involvement is paramount to the final settlement of such claims and we have set up a process on MyFleet that again helps us to help you. Read more about MyFleet on page 4.

Open to question

We'd like to welcome Dave Sargeant, Operations Director of GVS Bodyshops. Formed in summer 2008, they operate from three sites in Halesowen, Redditch and Cheltenham, serving an area that covers the whole of Gloucestershire, Worcestershire, Warwickshire and Birmingham. The workforce is now 60 strong across the sites and there is a total working space of 34,000 square feet.

How's business at the moment?

Business is really good. A lot is to do with our ability to pick up past relationships when we were Gemini. Former customers and work providers have been very loyal, which is excellent for us. Our first business site at Halesowen was busy with work from esure Insurance as Gemini had a great relationship with them and we're keen to spread that across the group. We also have strong relationships with Fortis and RBS, as well as enjoying several manufacturer approvals, including Audi and Volvo.

How do you manage to keep busy in this climate, then?

I hope because of the way we treat our customers and how we have kept our promises. I think this philosophy is reflected in our work volumes.

What are your significant business concerns?

There are not many right now, I have to be honest. We're in a much stronger position than we were before. Staff retention is not an issue. I have more and more good people contacting me for positions that are now available. Work volumes are good, and we run lean and mean. I don't see volume increasing but I do see efficient bodyshops staying in business.

What about training of staff?

All staff at Redditch and Halesowen are fully trained for PAS125, and we have the schedule of training for Cheltenham. Everyone is trained to ATA standards. We want to be in a position in the industry where we succeed as it's all about survival of the fittest.

Are there opportunities for you to expand further at the moment?

We're constantly looking. We have another two sites in the pipeline at the moment and would like to grow by that amount by the end of the year if we can. We haven't set a specific goal, but would like five sites in order to secure regional dominance. Expansion is

likely to take us slightly north, but we will stay tight enough to move staff around and have flexibly. We will shortly be looking at a central claims model from which we filter claims out to our different sites.

When did courtesy cars come onto the scene for you?

The first time I saw them was back in the early 1990s when I worked for Lex Body Centres. They had five Mini Metros on the fleet. When I left there, in 1999, they had grown to around 90 courtesy cars. At the start, courtesy car management was a real challenge.

So have you learnt from that challenge?

Oh yes. We make sure we look after the courtesy cars as we go along. No last-minute panics. We don't remove wheel trims to make the cars look ugly. We do our best with Circle to ensure we pick the most attractive models from the selection they give us.

Would you describe your processes as watertight where courtesy cars are concerned?

Yes. I think we're very good with this. I use the Circle website where it explains clearly what to look for, what to do and what not to do where damage, speeding fines and other issues are concerned. Why pay out on

unnecessary end-of-contract charges when there is every piece of help available to ensure you can avoid them?

What are some of the most surprising things that have happened with your courtesy cars?

In the old days, we had a car returned and it was driven by a farmer. When he opened the boot to empty his belongings, there was a sheep and a bale of hay in the back!

What do you think will be the most significant changes the industry will see in the next five years?

Consolidation and some firms going out of business, but I guess that will always happen. I think a challenge will be getting ahead of vehicle technology changes. That's why PAS125 is really important. I think electric courtesy cars could be quite exciting as that's where the environmental pressure is pushing us.

Do you think cars will stop crashing? Could technology see the end of repair work?

You might think so, but then explain to me why we still repair so many dented rear bumpers of cars with sophisticated parking sensors fitted? Humans will always make mistakes.



The Circle service goes 24/7



Ever felt the need to confirm your courtesy car contract end dates at eleven o'clock on a Saturday morning? Or wanted a copy invoice late one evening when you're trying to close off an accounting period? Well, now you can access your live fleet data online at any time, thanks to MyFleet, the groundbreaking free new service for all Circle Leasing customers.

Access to Myfleet is via Circle's website, www.circleleasing.com. Simply visit the site to activate your account, then you will immediately be able to:

- **view your contract end dates**
- **view the status of pending orders and collections**
- **view and download copy invoices**
- **view and download End of contract appraisal forms**
- **view current live stock**
- **report on any aspect of your Fleet management**
- **and much more**

Circle's Managing Director Aidan Minogue believes MyFleet will prove an invaluable resource for repairers. "We live in a rapidly changing world that will no longer accept the restrictions of 'office hours'. Recent feedback told us that customers wanted to view their live fleet data online.

"We have listened to their requests and developed a resource that's not only helpful and convenient, but also user-friendly and secure. Now Circle is effectively never closed."

For more details, visit www.circleleasing.com, or talk to your Account Manager.

Spotlight on



Jacqueline Del Pistoia
Stock Requisition Manager

What exactly do you do at Circle Leasing?

I purchase all the vehicles for Circle, manage the stock and liaise with all our supply partners.

What are the most satisfying aspects of your job?

Knowing that the vehicles I help source are the vehicles our customers want and they receive them when they need them.

Which three words describe you?

Never shuts up.

Tell us about your first job.

I came over from Italy as an Au Pair 14 years ago and it lasted six months! I then went into the Travel industry.

If you weren't doing your current job, what would you really like to try?

Only winning the lottery would make me want to leave my current job. And then I'd still work part time.

What's your favourite car of all time?

Any Ferrari because they're Italian.

Who or what makes you laugh?

My children, they do or say something funny every day.

It's my round. What are you drinking?

Brandy and Port please.

You're off to a desert island alone. Name one song, one book and a luxury you'd take with you.

Chocolate would be my luxury and can I take more if I skip the song and book please?

