Executive Summary

2016 Outlook Study
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$21 billion and growing

AUTOMOTIVE INDUSTRIES ASSOCIATION OF CANADA
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The 2016 Outlook Study data collected and analysed by DesRosiers Automotive Consultants Inc.
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The Canadian automotive aftermarket hit an all-time record of $21 billion in 2015, propelled by surging vehicle registrations. The outlook for the market is strong, with forecasts predicting continued expansion over the coming years.

The most notable trend from the last and current Outlook Study has been a surge in new light vehicle sales; they reached all-time record highs in Canada over the past two years. This growth has positive long-term implications for the aftermarket outlook as these record volumes of new vehicles age into their prime aftermarket years.

The aftermarket sector, as a whole, employed approximately 388,100 Canadians in 2015, up 2.2 percent from 379,800 employees in 2014. Employment in both the core and total aftermarket has been on an upward trend with all categories showing growth between 2014 and 2015. Ontario was the province with the largest aftermarket sector, with 128,200 employees. Quebec and Alberta had the second and third largest workforces with 87,400 and 55,100 employees respectively.

According to Statistics Canada data in 2015, there were 4,656 automotive parts and accessories and tire store retailers in Canada. While this represents a positive year over year change compared to the 4,645 stores reported in 2014, this is still lower than the count in the previous Outlook Study (4,756 stores).

In terms of automotive repair and maintenance establishment, in 2015, Statistics Canada reported 23,050 establishments in Canada, which includes all general maintenance, collision, glass, and other specialist outlets. Ontario had the largest number of automotive repair and maintenance outlets (8,383 establishments), accounting for 36.4 percent of all such shops in the country. Quebec followed with the second highest number of these outlets, and was home to the largest number of gas stations.

In 2015, DesRosiers Automotive Consultants (DAC), with the support of the Automotive Industries Association of Canada (AIA), conducted the first bay count study in order to provide an analysis of the total number of bays across the country handling automotive repair and maintenance. Taking into account major chains, new vehicle dealers, and independent outlets, the study found that in 2014, there were a total of 16,683 general maintenance locations operating an estimated 107,032 service bays. Independent outlets had the largest share of locations and service bays when compared against all other channels.

When compared to 2014 Consumer Price Index (CPI), the operating cost of passenger vehicles witnessed a 7.1 percent decline. The biggest factor for this shift has been the drastic drop in the cost of gasoline (-16.5 percent), which overshadowed increasing prices in other areas. With regard to the aftermarket, the aggregate price of auto parts has decreased, while the cost of repair services has grown steadily in the past two years.

The Canadian light vehicle market set another all-time record high in 2015. Light vehicle sales in Canada totalled approximately 1.90 million, up 2.63 percent from the 1.85 million units sold...
in 2014. The rapid growth of the sport utility and luxury vehicle segments continue to be a big contributor to these record highs. In 2015, the compact sport utility class overtook compact cars as the most popular segment (375,836 compact sport utility vehicles were sold vs. 369,757 compact passenger cars).

Based on 2015 vehicle registration data from IHS, there were 25.6 million light vehicles registered in Canada. This reflects a remarkable 4.4 percent increase from the 24.5 million operating vehicles recorded in 2014. With regard to age, the average vehicle in the Canadian fleet is 9.6 years old. That figure has been steadily increasing in recent years, a trend that can be attributed to increased vehicle reliability leading to longer ownership cycles. Another trend that has been observed is the continued swing in favour of light truck ownership among Canadians. In recent years, both sales and registrations of light trucks has been growing, with light truck registrations matching passenger car registrations for the first time ever in 2015.

For the second year in a row, there has been a recorded decrease in distance driven, according to data gathered by Transport Canada. A deeper look at the statistics show a general decrease not only in distance driven, but in travel time and fuel consumption, which are other key characteristics of vehicle usage. This reduction in kilometres driven requires further study as the data set matures. If proven to be an ongoing trend, this may have significant implications for the aftermarket: it could partially offset predicted growth due to the increased number and age of vehicles on the road.

Over the last five years, the incidence rate for a number of specific vehicle repair categories has been on a downward trend. The overall decline in these categories can be attributed to improvements in the quality of automobile technology, resulting in increased reliability and durability of many vehicle parts. Newer vehicle technology is leading to declining Do-It-Yourself (DIY) rates because as vehicle complexity increases, self-repairs are becoming more difficult.

Based on an analysis of the most recent data gathered by DAC, retail sales, excluding collision repairs, in the Canadian light vehicle aftermarket totalled $21.0 billion in 2015. Relative to the size of the aftermarket in 2014 ($20.4 billion) this represents a 2.6 percent increase. The size of the aftermarket is expected to continue growing over the next coming years.

Ontario was the largest market for aftermarket retail sales, accounting for $7.2 billion of the $21.0 billion total. This represents just over a third of the total market, all concentrated within Canada’s most populous province. Following Ontario, the Prairie region accounted for 23.0 percent of the aftermarket, with retail sales valued at $4.8 billion. Quebec was the third largest region with a total of $4.4 billion in 2015.

Vehicles between eight and 11 years-old accounted for $5.7 billion of the $21.0 billion total market in 2015. These vehicles represent the largest segment with regard to the aftermarket, followed by the 15-year-and-older segment, and the 12-to-14-year-old segment, which accounted for $4.3 billion and $3.7 billion respectively.

There was a recorded $3.0 billion worth of retail sales for DIY parts in 2015, the second highest recorded figure in five-years. This represents 11 percent average annual growth since 2011. However, the market for Do-It-For-Me (DIFM) parts or parts installed professionally has grown an average of 3.6 percent per-year over the same period, outpacing DIY/retail part growth.

Labour was at a five-year high in 2015, accounting for $8.8 billion dollars of the total $21.0 billion aftermarket. At the same time, business for professional services in the aftermarket grew at an average of 2.9 percent annually, culminating in the record-high observed in 2015.

While the outlook for the aftermarket is positive, it should be noted that there are a number of dynamics at play causing some analysts to question the direction of the automobile industry as a whole. Many concerns surrounding its future have been focused on the idea of “disruptors”. Ride sharing, alternative powertrains and connected/autonomous vehicles have the potential to completely reshape the automotive industry as we know it. An introductory examination of these issues is presented in the report. However, more data must be gathered to better understand changes in consumer behaviour, trends in vehicle technology, ride-sharing, and their implications on the automotive aftermarket.