

## Automobile sector

The signals from the automobile sector were optimistic last year: car dealers reported positive sales figures for the second year in a row in 2007. New car sales were up about 5% year-on-year in the first ten months. The storm over the revision of the block exemption for car dealerships, which came into force in 2005, has also abated somewhat. Fears that garages would start to die out have not been borne out so far. On the contrary, companies have taken advantage of their new-found freedom and reduced dependence on importers, and the network of dealerships has in fact grown. However, the liberalization of the market has indeed led to structural changes in the Swiss automobile sector. Companies that lost their dealership contracts with importers have transformed themselves into service and repair businesses and their numbers have increased. This Swiss service market had hitherto been rather fragmented, but a large German chain came on the scene last year with plans to open 20 to 25 branches in Switzerland over the medium term. If drivers are lured by its business model, a combination of motoring shop and repair workshop, there may yet be some ructions in this industry over the longer term. Bodywork companies are facing uncertainty due to a new strategy on the part of insurers, which are offering to handle repairs for their customers as part of the claims settlement. Some are even giving discounts to customers who choose this option. The bodywork firms are now concerned that their prices may come under increased pressure if this model becomes widespread.

### Sales growth and price pressure for garages

Looking back at 2007, the 60 or so garages that took part in our survey were pleased with their performance. The industry benefited in 2007 from growth in car ownership among the Swiss population, the persistently upbeat economy and the excellent job market. While the garages said they were satisfied with last year's sales growth, they were less impressed with the earnings situation because price rises were only moderate. For most people (apart from enthusiasts), the price is a key factor when buying a car. As a result, Switzerland's dense dealership network is fiercely competitive in terms of price in particular, which puts pressure on margins. Expectations for the current year remain positive. The garages anticipate a further slowdown in sales and earnings growth, but they see prices accelerating slightly.

### Service stations continue to profit from convenience boom

Service stations also had a good year in 2007, with both sales and earnings proving to be good. Rising energy prices fed through to higher prices at the pump, but fuels are a product group in which differentiation is difficult, making price a decisive sales argument. This translates into a tough price competition between service station operators, pushing margins down. Additional offerings are thus all the more important, and the growing number of increasingly large shops and convenience stores are steadily contributing more and more to service stations' sales. The investment and hiring seen last year – with even more planned for 2008 – is to be seen in this context of service stations extending their offering beyond fuel in order to compete in this challenging environment. ■

