

Leading edge automotive industry consultants



Background briefing
for the international media

March 2007

Summary

Specialist automotive consultancy and support services company

- Produces research on emerging markets/environment/component re-cycling
- Serves the aftermarket via OEMs (Parts Cataloguing/Dealer/Billing Services)

Clifford Thames is highly respected

- Leadership in its areas of activity and growing in environmental issues
- An extremely enviable record of delivering what the client needs

Genuinely global footprint

- Headquartered in the UK with a highly successful new operation in Poland
- Present in Europe/North and South America/Asia Pacific including China

Leading consultant in providing emerging market intelligence

- Produces detailed emerging markets research (China/India/Poland/Russia)
- Educating the OEM to support the 'aftermarket' to retain customer loyalty

Highly innovative leading edge research/practice models

- Dealer Density Index research is a unique planning tool for OEMs
- Best Practice Business Process models for dealers are leading edge

Loyal and growing customer base

- Ford has been a client for forty years and GM and Toyota for more than ten
- Recent new wins include Honda, Mercedes Benz and Nissan

Experiencing very strong organic led growth

- Very strong top line growth
- High level of earnings visibility

Clients

Our client list is truly global coming from every key manufacturing region of the world.



Overview

Clifford Thames is a long established 'tier one' supplier to the global automotive industry. It is a highly respected consultancy.

The activities of Clifford Thames are grouped into four business units.

- Research and Consultancy
- Parts Cataloguing
- Dealer Services
- Billing Services

In many respects unique

It is unique in many respects with no identical competitor. However, several large well known IT companies have divisions that offer some (but not all) of Clifford Thames's services. In the main, its direct competitors are the 'in house' departments of OEMs.

Over 40 years in the automotive industry

The company started printing specialist publications for car manufacturers in 1964 but moved in the mid 1980s to become the designer/provider of sophisticated electronic data bases used by OEM appointed dealers in servicing and repairing vehicles. All manufacturers store parts data differently so Clifford Thames offers bespoke solutions based on its core platform.

Clifford Thames is the industry leader in this respect and it has a blue chip OEM client base that is genuinely global. It works with well over 20 of the leading car manufacturers and now has offices in eight countries throughout the world having recently opened operations in China and Poland with embedded staff working in another two. Its publications are translated into more than 25 languages. Employees are both multi national and highly qualified.

Its primary focus has been on supplying specialist data and services to the automotive aftermarket (dealer franchises) in the form of electronic parts catalogues, aftermarket service programmes, billing platforms, support services and technical and training communications.

Consultancy and research activity growing rapidly

However, in recent times it has developed a significant research capability and is now an industry authority on emerging markets (China/India/Middle East/Poland/Russia etc) and how the OEMs should approach building efficient profitable dealer networks. Manufacturers have paid insufficient attention to this and customer loyalty rates are much too low as a result.

Increasing 'voice' in environmental issues

Clifford Thames also researches in depth issues such as component re-cycling and the financial and environmental costs incurred during the 'through life' ownership of a car. These are becoming all the more important as governments and manufacturers re-assess the role of the car in society. CT looks into the 'through life' carbon footprint of car ownership

Worldwide presence

The company has embedded employees working with OEMs throughout the world and of particular note is its partnership with the Japanese Management Association. This body represents Japanese industry and is credited with introducing 'just in time' manufacturing (JIT) to the car industry. CT partners in logistics and processes.

A few background facts about Clifford Thames

- The company has been in the automotive industry for 43 years
- Company database contains build details of 130 million vehicles
- Data is used in over 160 countries
- Over 25,000 dealers use the company's data
- Company publishes in 25 languages
- Our employees speak 34 languages
- Senior management each has on average 22 years experience in the car industry
- 75 million car registration details are stored in the database
- There are 15 million vehicle descriptions in the database
- Details of 20 million parts are also stored
- 10,000 people regularly visit our website
- 95% of our staff regularly talk to clients

A few background facts about the automotive industry

- 35% of new cars in the UK are not serviced at all
- Global vehicle assembly is forecast to grow by 3% compound for the next four years
- Asia Pacific represents 50% of this growth (China 30%/India 7%)
- 110 new vehicle models were introduced in China in 2006
- 84% of new vehicles in China were sold by the top ten manufacturers
- Main outcome of Block Exemption changes has been dealer multi-branding (Circa 25%)
- Model proliferation: Risen 42% in the last three years
- In the UK 62 manufacturers offer 322 models and 6,114 variants
- A typical D segment volume brand car was worth 50% less in 2005 than an equivalent model in 1997
- Approximately 82% of a vehicle's weight is recycled (European target is 95% by 2015)
- Remanufactured parts contain 85% of the original and cost 50% of a new item
- A stolen car can be worth 50% more when stripped down for parts
- In 2002 20% of a vehicle's value consisted of electronics
- By 2010 it will be 40% (Delphi)
- In 1960 the average US vehicle lasted 92,000 miles
- By 2010 it will be closer to 200,000 miles

Unique selling points

The company has many unique selling points which are highlighted below. Later on these are commented on in more detail.

- Leading provider of auto aftermarket information/consultancy/support services
- Increasing voice on 'through life' environmental/economic costs of car ownership
- Highly innovative problem solver/solutions provider
- Long standing client relationships
- Excellent new business pipeline
- Low replacement cycle exposure (business is driven by 'mission critical' needs)
- Long term client contracts offer very good future stability
- Highly experienced management & excellent skills base throughout the company

Clifford Thames is a company that is key to the automotive industry yet few outside the business really understand its importance in ensuring that 'full lifecycle ownership' of a car is as trouble free as possible when it comes to maintenance and repair as well as being environmentally acceptable.

The company uses a leading edge method of measuring customer satisfaction and offers a model for repairers to adopt to ensure that the customer receives an efficient fairly priced service that is also profitable for the dealer.

Key to the manufacturer is the protection of residual values within its model ranges. Poor standards of aftermarket service can be directly linked with low residual values and declining volume sales.

Clifford Thames provides an extremely important link in this respect in offering solutions to the industry that offers a high quality service to customers that is also profitable for the dealer and protects/enhances the manufacturer's brand image.

In the years to come a manufacturer's brand image will also reflect its attitude towards the environment. This will encompass 'clean lean manufacturing', a leading position as regards emissions and a highly responsible approach to vehicle/component scrapping/recycling. Clifford Thames intends to become an even more informed authority on these subjects.

Overleaf, we highlight the specialist support services offered by Clifford Thames.

The core business activities

Research and Consultancy

The company is increasingly moving towards offering specialist research and consulting services to the global automotive industry. The environment is fast becoming one of its core areas of expertise.

These are being tailored to augment its existing activities of Parts Cataloguing, Dealer Services and Billing Services because there is clearly a market for well informed authoritative comment on the environment, markets, dealer networks, component pricing and so forth.

We list its Research and Consulting activities below.

- 'Through life' cost of ownership issues for OEM customers
- Environmental issues
- Market/Dealer analysis by country and region
- Accident/Collision repair best practices
- Competitive parts pricing analysis
- Dealer systems analysis and best practice
- Dealer processes and best practice

Research and Consultancy provides the platform by which the company can develop its more traditional activities therefore offering clients a fuller range of services.

One such service is the 'Dealer Density Index'. This takes data from a variety of sources and, after applying a formula, arrives at a conclusion as to whether there are too few or too many dealerships.

This information is vital for manufacturers, particularly in emerging markets. It throws up some interesting points. There are far too many dealers in Germany, the UK is about right in terms of density, India and Russia need to double their current numbers but China is another matter which we cover later.

The company is also examining issues such as recycling and the genuine 'through life' cost of owning a car. The car industry is not really looking at the carbon footprint of parts (which is significant) and prefers to look at what is recyclable rather than what is actually recycled.

There is a case to be made for parts to be manufactured to last for slightly less time but be far more environmentally friendly. Being 'green' involves a cost but Clifford Thames believes a balance can be struck that benefits the environment, customer and the OEM.

These studies linked to its already leading edge EPC/Dealer Services databases are capable of costing the price of various solutions and offering these up to the industry for examination and adoption.

Parts Cataloguing

This business is genuinely global with the company compiling, maintaining and publishing parts catalogues for many leading car manufacturers. The company is often brought in at a very early stage in a new model programme to ensure that repair techniques can be made as efficient as possible, be it the replacement of mechanical parts or accident repair.

Most solutions are bespoke but based on its core platform because manufacturers use different methods to store and distribute data. CT provides the systems, resources and management as part of a full outsourcing service. Clifford Thames can also migrate historic data into a new web based format and its systems are unique in this respect. It is the industry leader in the field of electronic parts catalogues (EPCs).

Clients include Ford Asia/Europe/USA including Land Rover, Jaguar and Volvo. The division also works with GM worldwide and Saab is also an individual customer. Clearly, there are many other well known OEM clients as well.

Parts catalogues can vary enormously from market to market. For example, in Europe, there is a practice of 'replacing' parts or sub-assemblies. However, in India, the very low cost of labour encourages 'repair'. CT is able to tailor its EPCs to suit both markets.

Dealer Services

Clifford Thames manages data supplied by the manufacturers to provide applications, information and services to dealers to help them manage their businesses more profitably. Clifford Thames uses the OEM channel to reach the dealer.

These services are usually 'Europe wide' and involve liaising with European headquarters, national sales/distribution operations, major dealer groups and the dealer network.

Applications and services include 'lean' inventory management, wholesale parts marketing, service marketing, customer relations management, distance learning and training, implementation support and market rollout.

The company is increasingly offering consultancy services to the industry covering best practice and the maintenance of higher servicing standards. This is most certainly required in emerging markets.

Billing Services

This division manages third party billing relationships for the OEMs and their franchised dealer networks. Clifford Thames provides billing and invoicing platforms, invoice and money management services and reporting.

These are usually long term contracts and are increasingly covering items not usually supplied by a manufacturer such as tyres, paint and other consumables and even items such as 'branded' in car entertainment systems.

This division is growing rapidly through the capture of new dealerships as well as through the introduction of additional products. Examples of these new services are the billing of service/repairs for fleet users and the billing of wholesale parts to large fleet customers who carry out their own repairs.

Unique selling points developed

Leading provider of auto aftermarket information/consultancy/support services

The company is genuinely global and its client base spans the entire spectrum of automotive manufacturing throughout the world. Clifford Thames is the industry leader in providing EPCs to the global automotive industry's franchised dealers as well as innovative dealer services and 'best practices' based around information services.

Highly innovative problem solver/solutions provider

This paper has already highlighted much that is innovative about Clifford Thames. However, there are other areas being developed that will be business drivers in the future.

We have already highlighted the 'Dealer Density Index'. This throws up some interesting conclusions. Germany has 50% too many dealers, the UK is at the correct level but Russia and India are way below what is required. China however, is another matter.

According to the index, the country has 50% too many dealers and this is supported by the fact that some manufacturers are not opening up any more for the time being. For example, Toyota intends to double its current sales volume in China in the next few years without opening any further new dealerships. The position will correct itself as the market grows but, for the time being, there is an imbalance.

This service is innovative and very valuable to the industry because setting up a distribution/dealer network in a new country is very expensive.

Too many dealers leads to insufficient levels of work, poor profitability and, ultimately, to a sub standard service. This then becomes a vicious circle that is difficult to break free from. Clifford Thames offers solutions that maximise the throughput in dealer workshops thus increasing profitability and reducing repair times.

Research and advisory capability covering markets/environment/re-cycling

Clifford Thames is rapidly building a name for offering high quality research and advice to OEMs who are either entering markets for the first time or expanding. The service focuses on both the Western and emerging markets and offers solutions as regards dealer density, service practices, best policy as regards profitability and 'through life' ownership financial and environmental costs. The company also examines the merits of more component re-cycling.

The environment

Much is written about carbon emissions when a car is in use. However, far less is discussed about the environmental costs of maintenance and recycling. Clifford Thames fully intends to become an industry authority on this subject. Measuring a car's 'green credentials' simply by looking at its emissions when in use is far being the entire story.

After market responsibilities

Manufacturers do not have first class reputations as regards 'aftermarket' responsibilities and this is of particular significance in China where there is no established concept of brand or dealer loyalty at the moment. This needs addressing urgently.

As regards the numbering of parts, there is no established 'Western' practice in China and the indigenous dealers often call the factory spares department who then go on to the production line and hopefully find the correct component. A single component used in one model can have thousands of different part numbers instead of one. If China is to export to the West, this needs to change and Clifford Thames is an industry leader in this respect.

Long standing client relationships

Some of Clifford Thames's clients have been with the company for well over 20 years, one for over 40 years. Other relationships date back over ten years and the company has a reputation for offering outstanding service.

Excellent new business pipeline

In the last year Clifford Thames has won a substantial amount of new business and also renewed existing contracts. This together with its new initiatives and plans offer exciting prospects for organic growth.

Low replacement cycle exposure (business is driven by 'mission critical' needs)

Clifford Thames has limited exposure to the car replacement cycle. This is because its business is linked strongly to technical and legal changes that require new servicing data whatever the health of the underlying market.

Long term client contracts offer very good future stability

Clifford Thames works with its clients on a long term basis and its contracts reflect this. Having such agreements enables the company to plan for the medium and long term with confidence.

Strong highly experienced management

All senior management are from the automotive industry supported by high quality computer sciences graduates.

Excellent skills base throughout the company

All employees are highly skilled and receive first class training. For example, the choice of migrating some business to Poland was made because its local pool of available labour is technically as good as that in the UK, language skills are strong but salary costs significantly below those in Britain.

Other information

Head office:

Springfield Lyons House,
Chelmsford Business Park,
Chelmsford,
Essex,
CM2 5TH

Tel: 01245 236600

e-mail: www.clifford-thames.com

Strategy and Business Development Director:

Richard Barber (rbarber@clifford-thames.com)

CEO:

David Riemenschneider (davidr@clifford-thames.com)

Shareholders:

3i (38%)

Current and past senior management (62%)