Key Insights:

- Approximately half of all vehicles owned or leased by Canadian households are five years or older, while just over a quarter are three years old or less indicating future demand and growth in aftermarket products and services.

- Canadians service their vehicles up to 4 times per year and are very loyal, with the majority (70%) of households using the same service centres each year. Opportunities exist to send more frequent communications to coincide with their needs and employ retention strategies such as sending newsletters, in order to maintain the relationship.

- Communications by mail is widely recalled by Canadians and is more likely to generate a response over TV, radio or internet advertising. These findings support the use of Canada Post products such as Lettermail™, Addressed and Unaddressed Admail™ and Publications Mail™.

Recent research conducted by Canada Post regarding Canadian attitudes and behaviour towards vehicle ownership, maintenance and repairs, shows that addressed mail, flyers and brochures resonate with Canadians, in addition to traditional mass media most often used by this industry. An overview of the automotive industry as well as research highlights are summarized below.

The Automotive Industry in Canada:

Based on the most current Statistics Canada data, we know that the automotive industry has experienced strong retail sales growth of both new and used cars which in turn impacts after-sales parts and services.

Retail Sales by New and Used Car Dealers¹:

- Retail sales by new car and used/parters dealers has shown significant growth in the last 5 years, increasing +15.7% to $95.6B in 2007.

- Used car, recreational and parts dealer retail sales alone, increased almost 30% (29.7%) for the same 5 year period.

Volume of New Motor Vehicle Sales²:

- The number of new motor vehicle sales in Canada has increased +3.9% in the last 5 years, with the majority of the increase (+9.3%) coming from the sale of commercial vehicles (ie. light and heavy trucks, minivans, sport utilities, vans, coaches and buses).

Pricing of New Motor Vehicle Sales³:

- Since 2003, the total percentage of vehicles owned per household has grown at almost the same rate (+5.7%) as the number of households (+6.5%). This increase is largely due to the popularity of trucks and/or vans within each household (+14.5%).

- The percentage of households with a leased vehicle has also shown significant growth (+17.4%) in the last 5 years, increasing from 1.2M (in 2003) to 1.4M of households leasing at least one vehicle in 2007.

<table>
<thead>
<tr>
<th>New motor vehicle sales</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unadjusted</td>
<td>1,026,046</td>
<td>1,275,195</td>
<td>1,507,310</td>
<td>1,666,227</td>
<td>1,695,339</td>
<td>1,701,584</td>
</tr>
<tr>
<td>Seasonally adjusted</td>
<td>1,026,046</td>
<td>1,275,195</td>
<td>1,507,310</td>
<td>1,666,227</td>
<td>1,695,339</td>
<td>1,701,584</td>
</tr>
<tr>
<td>Passengers</td>
<td>865,745</td>
<td>829,103</td>
<td>846,222</td>
<td>869,161</td>
<td>859,003</td>
<td>859,003</td>
</tr>
<tr>
<td>North America</td>
<td>634,728</td>
<td>542,914</td>
<td>574,626</td>
<td>575,182</td>
<td>551,004</td>
<td>551,004</td>
</tr>
<tr>
<td>Overseas</td>
<td>230,767</td>
<td>277,189</td>
<td>232,594</td>
<td>294,079</td>
<td>308,000</td>
<td>308,000</td>
</tr>
<tr>
<td>Commercial vehicles</td>
<td>760,992</td>
<td>725,692</td>
<td>785,688</td>
<td>805,166</td>
<td>833,535</td>
<td>833,535</td>
</tr>
<tr>
<td>North America</td>
<td>594,356</td>
<td>563,637</td>
<td>675,205</td>
<td>661,244</td>
<td>727,900</td>
<td>727,900</td>
</tr>
<tr>
<td>Overseas</td>
<td>166,636</td>
<td>162,055</td>
<td>100,483</td>
<td>144,087</td>
<td>105,635</td>
<td>105,635</td>
</tr>
</tbody>
</table>

Source: Statistics Canada, CANSIM table (for 2003) and catalogue no. 63-003.-
Last modified: 030-01-12

[¹] Retail sales by new car and used/parts dealers has shown significant growth in the last 5 years, increasing +15.7% to $95.6B in 2007.

[²] The number of new motor vehicle sales in Canada has increased +3.9% in the last 5 years, with the majority of the increase (+9.3%) coming from the sale of commercial vehicles (ie. light and heavy trucks, minivans, sport utilities, vans, coaches and buses).

[³] Since 2003, the total percentage of vehicles owned per household has grown at almost the same rate (+5.7%) as the number of households (+6.5%). This increase is largely due to the popularity of trucks and/or vans within each household (+14.5%).
There are almost as many two vehicle households as there are single vehicle households with those in the Prairies most likely to have three or more vehicles in the country (21% with 3 or more)⁴.

51% of 2 person households and 57% of 4 person households have two vehicles where those with 5 or more people are most likely to have 3 or more vehicles (29%).

Rural households are also more likely than urban to own two or more vehicles.

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Rural households are also more likely than urban to own two or more vehicles.

Age of Vehicles:

- Overall, only a small proportion of all the vehicles owned or leased by Canadians are relatively new. Less than one in ten (9%) of all vehicles in Canadian households are less than one year old with a further 18% between one and three years old. The majority (52%) of vehicles are five years or older, with 23% over 10 years old.

- Vehicles that are over 10 years old are most likely to be found in rural areas (33% vs 21% in urban) and in the Prairies (34%) and BC (32%).

Media Spend:

- In 2007, $1,018M in advertising expenditures was invested by Canadian automotive organizations for traditional mass marketing media (newspaper, TV, radio, magazine and out of home)³. Another $28M of advertising expense was spent on direct mail media in support of the marketing of both service and sales of vehicles⁴.

The Automotive Aftermarket:

- The automobile aftermarket is a $16.1B industry that employs more than 220,000 people⁴.

- The industry is composed of companies that manufacture, distribute and install automotive replacement parts, accessories, tools, and equipment⁴.

Current Challenges:

- Consumers are diverse, informed, value their time (convenience) and have many options (eg. Do it themselves, choice of service centres, etc.)

- Increase in new car dealers, dealer-offered servicing and DIYers (“Do It Yourself”)

- Consumers are deferring regular vehicle maintenance due to current high costs (eg. for gas)

- Small, independent garages/service providers competing with large chains

- Excess inventory management due to overproduction in recent years

Where Vehicle Repair and Maintenance is Performed:

- Service centres (75%+) are the dominant choice for vehicle repair and maintenance with 13% to 18% preferring to do it themselves (ie. DIY).

<table>
<thead>
<tr>
<th>Service</th>
<th>Service centre</th>
<th>Do it yourself</th>
<th>Friend or family</th>
<th>Don't perform</th>
<th>Don't know</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tune-ups</td>
<td>79%</td>
<td>13%</td>
<td>5%</td>
<td>2%</td>
<td>2%</td>
</tr>
<tr>
<td>Scheduled maintenance</td>
<td>78%</td>
<td>14%</td>
<td>5%</td>
<td>3%</td>
<td>1%</td>
</tr>
<tr>
<td>Breaks or mufflers</td>
<td>77%</td>
<td>13%</td>
<td>7%</td>
<td>1%</td>
<td>2%</td>
</tr>
<tr>
<td>Bodywork/ collision repair</td>
<td>76%</td>
<td>6%</td>
<td>4%</td>
<td>10%</td>
<td>5%</td>
</tr>
<tr>
<td>Oil change</td>
<td>75%</td>
<td>18%</td>
<td>5%</td>
<td>0%</td>
<td>1%</td>
</tr>
<tr>
<td>Tire change</td>
<td>75%</td>
<td>15%</td>
<td>7%</td>
<td>2%</td>
<td>1%</td>
</tr>
</tbody>
</table>

Q6. Do you typically take your vehicle(s) to a service centre, or family or friend for the following types of maintenance and repair services or do you perform this work yourself? N=804

*Percentages may not add up to 100% due to rounding.
Types of Service Centres Used:

- Car dealerships and local mechanics represent the most popular type of service centre (60%), followed by local service providers (54%), retail auto centres (34%) and car repair specialists (30%) (Note: multiple responses).
- B.C. shows the highest preference for car dealerships and retail auto centres while Atlantic is more likely to prefer local service providers.
- 79% of Canadians consider workmanship as the most important criteria for choosing a service centre followed by customer service (61%), experience (61%), and reputation (55%). Price was rated as very important by 44% of Canadians.

Average Spend on Vehicle Repair and Maintenance Services:

- Canadians spend on average $1,141 per year with B.C. spending the most on repair and maintenance services ($1,336 per year) with Quebec, who has the highest rate of 1 vehicle households, spending the least ($516).
- As expected, households with more vehicles tend to spend more on these services: the typical one vehicle household spends about $822 annually compared to $1,129 for two vehicle households and $2,216 for households with three or more vehicles. Also, higher income households are more likely to spend more on vehicle maintenance and repair than lower income households.
- Rural households spend on average more per year and also have a higher percentage of having more than 1 vehicle and older cars.

Frequency of Service:

- Compared to other regions in Canada, the proportion of households in BC who take their vehicles in only once a year is somewhat higher for tune ups (41%), scheduled maintenance (26%), and tire changes (25%). This could be a reflection of the less harsh weather conditions in coastal BC.
- Households are neither more nor less likely to bring their vehicles in for maintenance services irrespective of the age or current market value of the vehicle. Household income also does not appear to be a significant factor on how frequently a vehicle is brought in for service.
- Urban residents (35%) are somewhat more likely to take their vehicles to a service centre for an oil change four times a year than someone who lives in a rural area (22%).

Automotive Advertising and Communications:

- Mass media advertising on TV and radio (66%) and newspapers or magazines (61%), along with flyers and brochures (58%) were the most likely to be remembered. Mail addressed specifically to the respondents (42%) was also widely recalled. Conversely, few respondents remembered phone calls to the house (15%) or email advertisements (9%) from service centres.
- Higher income households ($80k+ annual household incomes) were more likely to recall TV (71%), newspapers or magazine ads (71%), flyers or brochures (64%) and addressed mail (55%) than the average overall.
Likelihood of Responding:

- Addressed communications are considered by Canadians to be the most likely to be responded to (17%), followed by newspaper or magazine ads (14%) and flyers or brochures (12%). Email ads are the least likely to be responded to at 5%.

- The likelihood to respond to various promotional communications is also similar among respondents irrespective of age or income.

- Interestingly, compared to respondents with older vehicles, those with vehicles less than one year old are somewhat more likely to respond to both addressed mail from a service centre (27% claimed likelihood to respond was “4 or 5 out of 5”), as well as newspaper or magazine advertisements (19%).

![Likelihood of Responding to Various Communications from Service Centres (% Rating “4” or “5” out of 5)](image)

<table>
<thead>
<tr>
<th>Communication Type</th>
<th>Men</th>
<th>Women</th>
<th>18-34</th>
<th>35-44</th>
<th>45-54</th>
<th>55-64</th>
<th>65 or more</th>
<th>All</th>
</tr>
</thead>
<tbody>
<tr>
<td>Use the same service centre each year</td>
<td>66%</td>
<td>76%</td>
<td>60%</td>
<td>68%</td>
<td>71%</td>
<td>79%</td>
<td>81%</td>
<td>70%</td>
</tr>
<tr>
<td>Use some, but not all, of the same service centres each year</td>
<td>26%</td>
<td>19%</td>
<td>30%</td>
<td>25%</td>
<td>23%</td>
<td>16%</td>
<td>15%</td>
<td>23%</td>
</tr>
<tr>
<td>Use different service centres each year</td>
<td>5%</td>
<td>4%</td>
<td>5%</td>
<td>5%</td>
<td>4%</td>
<td>2%</td>
<td>4%</td>
<td>4%</td>
</tr>
</tbody>
</table>

Q11. Which of the following statements most closely describes your use of service centres for maintenance and repair work to your vehicles? N=804

Trends to Watch:

- Women (76%) are more likely than men (66%) to return to the same service centre year over year.

- Age also influences the degree of loyalty to a service centre. The proportion of 18-34 year olds who use the same service centre each year is 60%. This increases steadily with age, peaking at 81% for those 65 years of age or more.

![Gender and Age Distribution](image)

- While the economy is in a downturn, consumers will become even more careful with their purchases and will hold off buying cars or hold onto cars longer.

- Environmental trends will continue to influence purchasing decisions (ie. fuel efficiency/carbon emissions, smaller cars, hybrids).

- Impact of baby boomers retiring on the industry (eg. replacing/upgrading cars prior to start of retirement).

- Automotive advertising online continues to grow with some third party sites selling vehicles in addition to everything from online loans to delivery.

- Dealers are slowly catching up and adding online features that allow visitors to view inventory, schedule sales and service appointments, fill out financing applications and see the manufacturers’ suggested retail price.

1 Statistics Canada, CANSIM Table 080-0014, catalogue no. 63-005-X, Last modified December 18, 2008.
4 http://www.aiacanada.com/Information has been used with permission from the Automotive Industry Association of Canada.

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