

# Brabners temperature check: The automotive industry

To gauge the sentiment of the UK automotive sector, we surveyed 75 UK-based industry decision makers from car-makers and component manufacturers to retail dealerships and regulators, to identify the biggest opportunities and threats currently affecting one of the country's most important industries.

We hope you find this snapshot both useful and informative.

## Key findings

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9 out of 10 (92%) respondents expect their UK profits to increase in the next three years

96%

Almost all (96%) respondents anticipate recruitment challenges in the years ahead

89%

89% believe the number of UK car dealerships will increase by 2025

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8 in 10 (79%) intend to invest in new technology to drive profitability

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7 in 10 (72%) plan to relocate some or all of their operations away from the UK

93%

93% believe manufacturer direct-to-consumer sales will increase

## The outlook

The sector is currently facing a turbulent time. The country's decision to leave the EU continues to be the cause of significant uncertainty, which is unsurprising given the highly international nature of its consumer markets, supply chains and ownership structures.

The possibility of increased trade barriers between the UK and Europe are already having an effect. At the time of writing, 72% of respondents expect to move at least some parts of their operations away from the UK, with the EU being the favoured destination for relocation.

However, it is not all doom and gloom and, despite the challenges, an outlook of positivity remains. Over seven in 10 (73%) say the UK is the most attractive market for expanding their operations, despite the relocations mentioned above, and nine out of 10 (92%) of respondents say they expect their UK profits to increase in the next three years.

In terms of what the sector would like to see from government, the focus was on accessing the EU market, developing connected mobility and skills.



83%

83% plan to increase prices to boost profit margins in the next three years

2 in 3 (65%) say negotiating lower prices from suppliers will be a key strategy

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64%

64% said that reducing production levels would have a positive impact on their business

# Exporting

Overseas markets are key for UK automotive businesses, and eight out of 10 (81%) respondents to the questionnaire say they are currently involved in exporting.

However, most (79%) said domestic growth was the main priority for the year ahead, with the EU and North America the next biggest growth targets. In fact, half (51%) said they anticipated a drop in exports to the EU in the next 36 months.



# New technology

The automotive sector is driven by technological advances, and it is digital technology, including augmented reality (76%) and vehicle-to-vehicle (V2V) communications (75%), rather than emerging fuel sources or engine and drivetrain advancements that emerge as most significant to businesses in the years ahead. This might come as a surprise to some, given the pressure on manufacturers to meet the 2040 deadline for ceasing production of petrol and diesel vehicles.

V2V technologies were the biggest target for investment over the next three years, with one in five (21%) singling it out as their main spending area, followed closely by app integration at 20%.

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Almost 8 out of 10 (79%) said domestic growth was the main priority for the next three years

51%

Half (51%) think it's likely their European exports will fall over the same period

# Retail and ownership

Respondents to the survey expressed confidence in the traditional dealership model (89% say numbers will increase), while also signalling that they expect direct sales from manufacturer to consumer to increase (93%).

Immersive digital technology is set to play a leading role in automotive retail evolution in the next three years, with 37% saying automation and AI will be the key trend and 29% highlighting virtual reality (VR) as a growing sales tool. VR is already gaining ground in the industry, for example with Land Rover launching its iGuide app, which provides users an immersive, interactive tour of their cars' features.

Ownership models, meanwhile, are widely anticipated to remain unchanged, with just 22% predicting car-sharing and ride-hailing schemes to grow most in popularity.



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# People and skills

Finding skilled people is a near-universal challenge in the sector, with 98% of respondents saying recruitment will be a key barrier in the next three years. Two in three (66%) say a lack of skilled workers is their main concern while 61% cite difficulties in employing people from overseas.

More than half (57%) see not being able to offer career progression as a chief limiting factor – suggesting staff retention is as much a challenge as recruitment.

**Skills by percentage of respondents who said they were in demand:**

