

Operational Review

— Autocentres



Leverage the Halfords Brand

Description

The strength of the Halfords brand and the wider Group capabilities will help to ensure the success of our Autocentres. While Retail and Autocentres are separate parts of our Group, their capabilities are clearly linked, and cross-selling our services is a key part of our strategy going forwards.

Objectives

- To operate common offers across both Autocentres and Retail, using our knowledge of each customer base to encourage customers of each to become customers of both.
- To sell jointly-sourced products.
- To explore opportunities to cross-sell.

2016 Progress

- All centres now using Halfords anti-freeze in addition to oil and batteries.
- Development commenced on new electronic point of sale system, which will enable centres to hold and sell Retail stock.
- Trial of email marketing to Retail customers.

Continued progress on our strategy to attract and retain customers by building trust.

Like-for-like sales increased for the 10th consecutive quarter and customer service metrics improved.

Financial performance

Total Autocentres revenues were up 4.1% and, on a LFL basis, up 2.5%. Gross margin improved by 90 basis points in the year, reflecting a lower tyre mix and an increase in service, MOT and repair margins. Operating costs increased by 5.8%, with the majority of the increase coming from new centres opened in recent years and the balance due to pay rises, enhanced training and investments in support functions. Underlying EBITDA increased by 13.2% to £8.6m.

Eleven new Autocentres were opened and two were closed, taking the total number of Autocentre locations to 314 at the end of the year. 24 centres were refurbished during the year, taking the total new or refurbished to just over 10% of the estate. 10-15 new centres will be opened in the year ahead and any sub-optimal centres will continue to be closed.

Strategic progress

The Autocentres strategy was launched in November 2014 and remains in place; with the focus on building trust with our customers. We continued to make good progress and we are seeing the improvements come through in customer service measures, but there remains much to be done.

The standards in our centres continued to improve, evidenced in an improvement in customer retention and Net Promoter Score. We have introduced a new quality team, with the objective of continuing to improve the quality of workmanship. Following the trial of a new centre concept in Croydon in 2014 we have been rolling out to the rest of the estate some of the elements that have worked well, including

customer service pods, TV screens, Wi-Fi, coffee and large viewing windows. In the year all eleven new centres were opened in the new concept style and we also refreshed 24 centres. We will continue to refresh centres during FY17.

During the year we have increased the number of services you can book on the web and added timed slots. We have trialled more customer-focused opening hours, such as Sundays and weekday evenings, and we are rolling this out on a gradual basis. We also trialled interest-free credit during the year and rolled this out across the business in February 2016.

In terms of leveraging the Halfords brand, we have continued to run a basic car check service consistently across our stores and garages. In addition to using Halfords car batteries and oils, our garages are now also using Halfords antifreeze. For the first time we have started to send emails to the Halfords Retail customer database to promote Autocentres' services.

We have continued to invest in our people; training around 750 technicians in the year and continuing to invest in our apprentice scheme. Our training programmes are now externally recognised by the Automotive Technician Accreditation. We are also introducing a new technician pay grading to suitably reward technicians and provide a clearer development path.

Outlook

We remain committed to new centre openings, along with the continuation of a roll-out across the wider estate of the refresh programme. We are also investing in a new electronic point of sale system, which will enable us to stock and sell Retail products in our centres, jointly source parts with Retail and implement an e-diary.

 Read the [Chief Executive's Statement](#) on pages 4 to 5

 See our [Key Performance Indicators](#) on pages 22 to 23