

Booming Car Sales Spill Over to Repair Shops

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A hastily refurbished shack open for car repairs Sunday on Oktyabrskaya Ulitsa, just north of the city center. The sign promises to fix “any difficulties.” **Igor Tabakov**

Combine a booming automobile market with the well-known hazards of driving in Russia — suspension-destroying potholes, deranged drivers clipping your side mirror, hungry traffic policemen fining you for burned-out light bulbs — and you wind up with many options for car repair, which some estimate to be a \$15 billion business.

Those with a valid warranty — or enough money — can go to dealership service centers that provide genuine replacement parts installed by specially trained mechanics.

They aren't difficult to find — there are about 4,000 official dealerships across the country, estimates Sergei Udalov, executive director of Avtostat, an auto market research center. But you'll pay through the nose for their services.

"Because a car's warranty will be void if it is serviced anywhere other than the official dealers, dealers can set the prices as they see fit," Udalov told The Moscow Times.

Know-Who Vs. Know-How

So if your warranty has expired, you've bought a second-hand car, or you're running on a budget, you're largely left to choose from the dozens of independent workshops offering "avtoremont" (auto repair) or "shinomontazh" (tire replacement).

The task can be bewildering. A "shinomontazh" sign could mean just that — tire changing — or a fully fledged car service. The only way to find out is to ask.

You're probably better off looking for "CTO" — the Russian acronym for service station.

As with most successful endeavors in Russia, you have to know the right people.

"Everyone usually has contacts for two or three decent car repair shops where you know specific people who won't cheat you," said a 32-year-old St. Petersburg car owner who drives a second-hand automobile she bought in Germany.

Chances are that someone is a lot like Avram, a mechanic working in northern Moscow who asked us not to use his surname.

His customers are mostly locals who found him through word of mouth, a marketing approach he terms "the people's radio."

He focuses primarily on customers driving foreign-brand post-warranty vehicles. "I couldn't charge more than 50 rubles to fix some ancient Zhiguli, could I?" Avram asked rhetorically.

For Avram, the market is very clearly divided. "For the first three years, you go to the dealer because you have a warranty. Then you come here because we're so much cheaper," he explained.

Business in the metal shed that houses his workshop is good — Avram, his business partner and their one trainee have "quite enough" customers, including car rental firms, to keep them busy.

Avram says he keeps prices down by using generic, non-original parts — mostly from the sprawling Kuntsevo auto market on the Western edge of the city.

But critics point out that budget "garazhi" have more dubious ways of keeping costs down. "They often don't pay taxes and avoid expensive rents," Udalov said.

It's easy to get smuggled parts if you know where to go, Avram said with a wink — so he never runs short.

Unclear Market Size

The number of unofficial repair centers makes it almost impossible to place a value on the service market.

Auto Business Review magazine estimates the 35 leading dealerships, who between them control 25 percent of the car sales market, also earned \$2.5 billion on servicing and spare parts in 2010. That would put the turnover for servicing new cars at \$10 billion, assuming servicing mirrors sales.

"That would be the absolute minimum. I think the real figure should be 20 to 30 percent higher [\$12 billion to \$13 billion]," said Sergei Baranov, the magazine's editor-in-chief.

If you assume drivers annually spend \$300 per Russian car and \$600 per foreign-brand vehicle in the country, the figure could be about \$14 billion to \$15 billion, he said.

Whatever the truth, the market is a large and growing.

ROLF Group, one of the country's largest auto distributors, estimates there were about 7.1 million post-warranty (three to eight year old) cars on Russia's roads in 2009, 8 million in 2010, and not less than 10 million this year.

And as numbers of post-warranty cars grow, the warranty service market will shrink toward the end of 2013 because of the collapse in car sales in 2009 and 2010, when the market contracted by 50 percent.

Generic Quality

Seizing the moment, ROLF has teamed up with a leading British brand to walk into an obvious niche — providing cheaper, non-affiliated servicing to post-warranty cars.

The group's White Service garage chain, developed with help and advice from Britain's Kwik Fit chain, is billed as Russia's first Western-style drive-in chain of garages.

The idea is to persuade drivers to trust their brand as much Avram's customers trust "the people's radio."

"It was the crisis that really gave us the impetus," said Igor Salita, executive director at ROLF, during an interview at the group's first garage at Vinogradovo, five kilometers from Moscow on Dmitrovskoye Shosse.

"In 2007 we had other priorities, like getting hold of enough cars to meet demand. Then the market collapsed and people started looking for other ways to make money — including the service market," he said.

ROLF approached Kwik Fit, which runs more than 1,400 drive-in service stations throughout Britain and Europe, and the new brand was launched as a franchise model at the end of 2009.

By the end of the first year, there were 70 franchised stations in 43 cities working under the chain's red-and-white logo.

The first ROLF-owned White Service repair station, at Vinogradovo, was opened last month.

Prices are fixed by a "menu" on display in each station and on the company's web site, so it provides transparency and reduces the chance of being ripped off even if the mechanic is not

your best friend.

Quality of workmanship will be guaranteed by certification programs run by French firm GNFA, which does training for companies like Renault.

There will be no need for customers or mechanics to visit "the right people" at the Kuntsevo auto market. Generic parts will be provided by ROLF's aptly named parts division, "We Love Parts," which sources from international manufacturers like Kayaba, Denso and Mobil.

"No one is doing this; we've got no competitors we can think of," Salita said.

But official dealers say they are not quaking in their boots.

"It's not really a new idea to have service stations unconnected to official dealers. I personally don't see how they will be able to offer the level of quality customers expect in expertise or replacement parts," said Michael Shishin of Avilon, an official Ford dealer that runs Moscow's largest official Ford service center.

Besides, generic parts might be cheaper, but you have to replace them four times as often, he added.

White Service says the market is too unknowable to set a target market share, but plans to open 450 service centers in European Russia and as far east as the central Siberian city of Krasnoyarsk by the end of 2015.

Price Differential

White Service promises to deliver at an average of 50 percent cheaper than an official dealership.

While it is true that authorized technical centers with qualified staff have never offered such attractive prices, some question the project's sustainability.

"Most franchisees of White Service still work with little or even no profit, simply to attract customers, said Baranov, whose magazine is launching a survey of service standards next year.

Some dealers, who got their franchise during the crisis in order to appeal to cash-strapped drivers, may be "digging their own grave," Baranov said.

"For example, there is a Ford dealership where regular maintenance costs about \$180. As a White Service partner this company in the same building — but in a different service bay — offers maintenance at \$100," Baranov explained.

"It's very good for ROLF, because they act as a provider of spare parts. But I'm afraid the attraction for franchisees is not quite so clear now," he said.

A Moscow Times staffer recently got a standardized "Tekh Osmotr," or basic technical audit and oil change, on a 2003 4.0-liter Ford Explorer with 130,000 kilometers on the speedometer using Ford's own-brand synthetic motor oil for 5,900 rubles (\$212) from official Ford repair

center Avilon.

White Service offers the same service for 4,049 rubles with Esso synthetic oil — 31.4 percent less.

Not quite a 50 percent discount. But both turn out much better than Avram's assessment of his competitive situation.

"Ford Explorer? Oil replacement and all? About five grand," he said when asked his own rate for that service. Then he breathed in through his teeth and said, "Of course, in an official dealership you'd pay 15,000 for that."

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