AFTERMARKET BUSINESS WORLD™

MARCH 2013

Optimism ahead

Independent shops have high hopes for 2013

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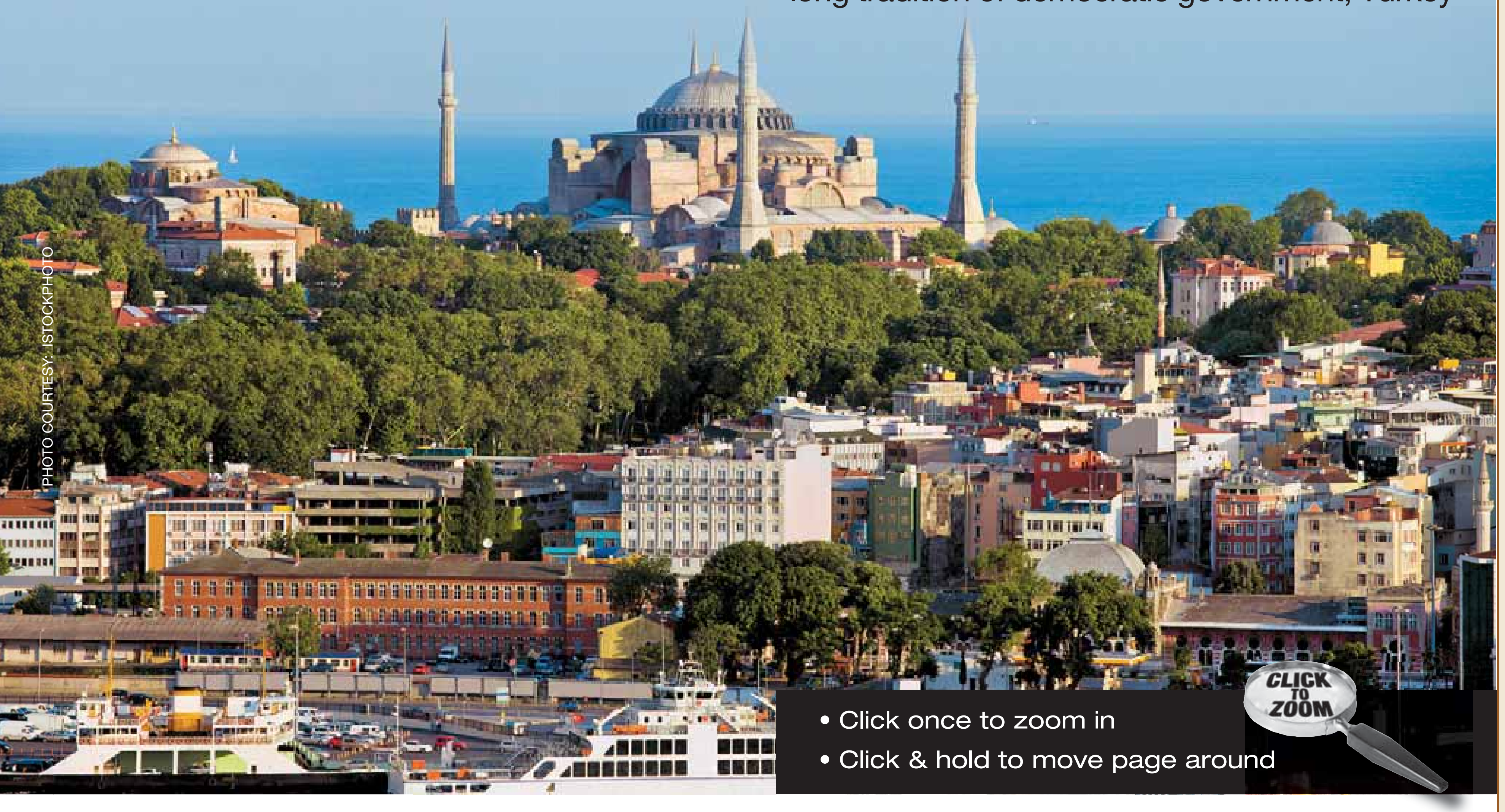
EXPECTED INCREASE IN VEHICLE OWNERSHIP TO BOLSTER TURKISH AFTERMARKET

ANDY ADAMS | Contributor

At first glance, Turkey may seem like an unlikely outlet for US aftermarket parts and services, but it deserves a more thorough assessment.

This Eurasian country occupies a fairly unique position: sitting at the crossroads of Europe and Asia and bordered by a mix of eight diverse countries — Bulgaria, Greece, Georgia, Armenia, Iran, Azerbaijan, Iraq and Syria. This straddling of two different cultures is further highlighted by the fact that although its population is largely Muslim, its government is a secular, parliamentary representative democracy. Since 1933, it has had universal suffrage for both sexes, with every Turkish citizen over the age of 18 having the right to vote. Despite its long tradition of democratic government, Turkey



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INTERNATIONAL
Vendors: Initiatives bolster Turkey trade

CUSTOMERS
Dealerships: Parts departments have high tenure, low turnover, says new study.

Research

Independent Repair Shops: Optimism ahead: Independent shops have high hopes for 2013, in terms of sales and gross margins holding steady, or even increasing.

Online Special Reports

FROST & SULLIVAN
Brakes: Brake pad sales hit the 100 million mark is 2012, as the rising average vehicle age places and ever-growing amount of cars within prime replacement age.

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Opinion

Donny Seyfer
Make the most of what you have

AASA's OAC
Russia trade mission in talks

Bob Moore
Cloud computing

Mark Smith
Loyalty at a price?

Stephen Barlas
TPMS manual changes sought

RUSSIA AT A GLANCE

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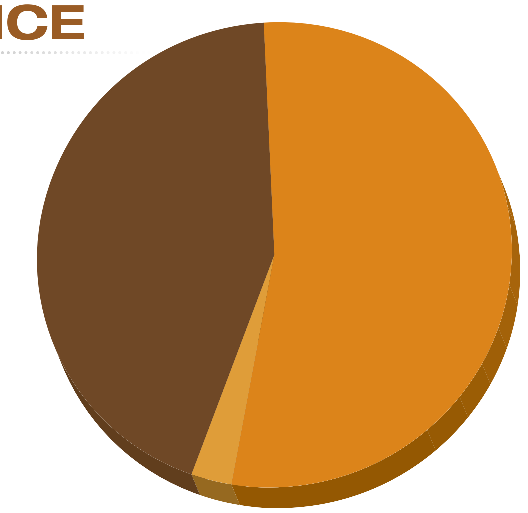
TURKEY VEHICLE MAKEUP, 2011

- Passenger cars (639,734)
- Buses (32,891)
- Trucks (516,506)



SOURCE: U.S. Department of Commerce

has been accused of infringing on its citizens' right to free expression, including one of the world's biggest crackdowns on press freedoms.

Another major blot on its international reputation is its poor history of human rights violations. This has proved to be a major stumbling block in Turkey's efforts since 2005 to join the European Union (EU). Non-membership has not, however, markedly affected Turkey's economy. Although it experienced some downturns during the global recession, it did not suffer as greatly as some of the other European countries, such as Greece and Spain.

Over the long term, this EU refusal of Turkey's entry may prove to be a costly mistake for Europe as the country turns east to increase trade with its Muslim neighbors. However, this trade has been affected by the ongoing conflict in Syria, one of Turkey's main land export routes to the Middle East. This has been offset to some extent by the opening of Iraq's borders, which has provided Turkey with an opportunity to export its goods via this route.

Turkey is defined by the International Monetary Fund (IMF) — a 188-country organization working to foster global monetary cooperation — as a European Commission market economy, having progressed over the last 10 years from a country that borrowed from the IMF to one that now lends to the same organization. In 2011,

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Brakes Raybestos
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Turkish aftermarket

Turkey had the fastest growing economy in Europe with an expansion of 8.5 percent. This economic growth has led to Turkey becoming the world's 16th largest economy and one of the leading producers of, among other things, motor vehicles. In 2012, Turkey's main trading partners were Germany, Russia and Iran, although it also ranked as the US's 21st largest goods export market.

Turkey's first car assembly plant was established in Istanbul in 1959 to manufacture cars under license from Ford. In the same decade, licensed production of Renault and Fiat models also began. Since the beginning of the 1990s, incentives have been given to investors in order to increase the production of motor vehicles. Three of the top four vehicle producers, Ford Otosan, Oyak Renault and Tofas Fiat, are partnerships between foreign and Turkish carmakers with the fourth, Toyota, being now wholly Japanese owned. From its beginnings in the 1960s, vehicle production output has risen until it now ranks as the sixth largest automotive producer in Europe. Four of the country's top 10 overall exporters are automotive firms, which gives some idea of the importance of the automotive industry to the economy. In all, there are currently 15 commercial vehicle and passenger car manufacturers in Turkey, and seven tractor manufacturers. The foreign car makers in Turkey are Fiat, Mercedes, Renault, MAN, Peugeot, Land Rover, Ford, Isuzu, Hyundai, Toyota, Honda, Mitsubishi and Tata. Many of these producers are located in the industrial Marmara region, the smallest but most densely populated (with approximately 30 percent of the overall population) of the seven geographical regions of Turkey. The vast majority of vehicle production is for the export market, but Turkey also has a growing domestic market, which has great potential with some 70 percent of households still not owning a car.

To put this in perspective, in 2009 there were 104 cars per 1,000 people in Turkey, compared with 500 per 1,000 in countries such as Germany and France. Despite this low level of car ownership, an expected increase in per capita income will boost consumer spending power in the next few years, leading to a growth in the market for motor vehicles and associated parts and services. This growth in vehicle ownership could, however, be restricted by the country's punitive Special Consumption Tax (SCT) on vehicle purchases, which can raise the domestic purchase price of a vehicle by between 60 percent and 100 percent above the pre-tax price.

Running parallel with the production of motor vehicles is a strong automotive parts sector. This sector is made up of major multinational producers and local companies producing a wide range of parts mainly for export including batteries, tires, spark plugs, carburetors, castings, injection-molded parts, fuel injection systems and transmission parts, among others. Export of these parts represents some 30 percent of the total automotive exports from Turkey.

The combination of a large and diverse vehicle manufacturing industry and likely increase in private vehicle ownership means that Turkey has great potential as an outlet for US aftermarket parts and services. While new car sales are set to increase in the coming years in line with increases in disposable income, there is also likely to be an increase in car ownership among the lower-paid sector of the population. This section of the populous will most likely only be able to afford the purchase of used cars. This, in turn, could lead to a large market for service and customization parts. Because of its unique geographical position, Turkey could also be used as a staging point (subject to any trade restrictions) for trading with neighboring countries such as Iraq, Iran, Syria and beyond — countries who might otherwise be hostile to trading directly with US companies.

Anyone considering doing business in the Republic of Turkey should realize before starting out that it is a complex and challenging market that requires persistence, adaptability, careful planning and patience. It has been said that it should be treated like a semi-developed country with problems likely, including contradictory trading policies and regulations, time consuming and unpredictable legal and regulatory framework and lack of transparency in tenders. For these and other reasons, a proven and successful quick-entry strategy into the Turkish market is via an experienced local partner. ▫

Economic initiatives deliver recipe for more industry trade with Turkey

JAMES E. GUYETTE
News Correspondent

Turkey is inviting American manufacturers and entrepreneurs to have a seat at the table. The nation is undergoing a major push to become a leading global technological and economic presence by 2023, which marks the centennial anniversary of the modern-day republic's founding.

A series of reciprocal policy agreements and trade missions between the U.S. and Turkey have been established to encourage increased commerce between the two nations. (See this month's *Aftermarket Business World* cover story.)

Vendor Newsmaker

Q&A

HAYDAR YENIGÜN
General Manager,
Ford Otosan (Turkey)

Q What is the extent of Ford's presence in Turkey? How well has it been doing?

A What did Yenigün have to say? Continue reading.

Read full interview

TRENDS & MARKET Analysis

In January, Turkish governmental and economic development officials presented a lineup of "Investment Opportunities in Turkey" conferences in Los Angeles, San Francisco and Seattle.

"Half of Turkey's population is under 30 years of age and Turkey is one of the fastest growing economies of the world," says Gurkan Suzer, the commercial attache for Turkey in Los Angeles. "Despite the financial turmoil around the world, Turkey offers great investment opportunities."

M. Ilker Aycı, president of the Investment

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10 Donny Seyfer
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> Turkey represents tremendous potential with investment opportunities for foreign investors.

Support and Promotion Agency of Turkey (ISPAT), says Turkey ranks 13th among the most attractive destinations for foreign investment dollars in the world, and ninth among emerging countries.

"This is a great time in Turkey's history," says Aycı. "As a booming country with a GDP growing at an average annual rate of 5 percent for almost a decade, Turkey represents tremendous potential with numerous investment opportunities for foreign investors." Experts agree this trend will continue into the future as the country vigorously pursues its goal of becoming one of the top 10 economies in the world over the next 10 years.

"Turkey is a country that has experienced strong structural change over the last decade," Aycı continues. "This factor has guided the country into a phase that numerous experts have characterized as a transformation process. And, as with all deep evolutionary reforms, new challenges and opportunities arise."

According to the statistics from the Turkish Automotive Distributors Association (ODD), in 2012 the domestic passenger car and light vehicle market shrank by 10 percent compared to 2011, with sales declining to 777,761 units. The ODD attributes the drop to "government measures to cool the economy," an increase in the special consumption tax and a general overall slowing of the domestic financial arena.

Catching the technology wave

Confidence remains high, however, that the automotive sector will move forward with accelerated expansion as incentives are emphasized along with renewed efforts to embrace technological innovations.

At a September global leadership conference in Istanbul, former U.S. Vice President Al Gore observed, "Turkey has caught the technology wave rising across the world just in time."

Research firm TechNavio forecasts that Turkey's motorcar market will annually grow by 8.4 percent through 2015.

"The automotive market in Turkey will witness a shift toward the Middle East and North Africa for exports," says a TechNavio analyst who helped prepare the company's report. "Presently, the production is focused on exports to Europe and the U.S. Therefore, Turkey will have to find other export markets in the Middle East and North Africa to eliminate its dependence on the unstable European automotive market," the analyst says. "Government intervention for setting up production, a young population and R&D units will attract considerable foreign investments to the automotive segment in Turkey, and these are some of the factors that will boost the export of automobiles in Turkey."

Hulusi Senturk, chairman of the Turkish Standards Institute (TSE), recently announced that a $35 million Automotive Test Center is going to be constructed in the northwestern Bursa province. Noting that it would be the largest...CONTINUE READING

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> TechNavio anticipates the global infotainment marketplace to reach $99.8 billion by 2016.

Sound advice: Infotainment installers must be in tune with proper training

JAMES E. GUYETTE
News correspondent

As automotive audio systems rapidly evolve from two knobs and a row of push buttons – with maybe a slot for an 8-track or cassette – into highly sophisticated in-cabin computers, video screens, navigational assistance and driver operational aids, static is emitting from federal safety authorities concerned over the consequences of distracted driving.

TRENDS & MARKET Analysis

And aftermarket add-ons in this infotainment and audio-video-navigation (AVN) category are very much in tune with retrofitting these ongoing technological advancements, especially as more motorists opt to keep their existing vehicles in a tight economy. For collectors of classic cars, there are a number of firms offering modern-day audio and communication capabilities ensconced behind vintage faceplates in the dash.

Installers, in turn, are being called upon to obtain the proper training and expertise needed to implement and service an array of electronics extending well beyond the skills that previously sufficed at yesteryear's Stereo Hut.

More than 110 AVN vendors and seven of the top 10 automakers had their wares on display at January's Consumer Electronics Show (CES), which ranks as the largest annual convention hosted in Las Vegas.

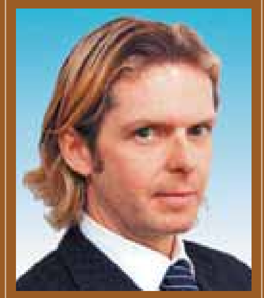
Among OEMs, the Consumer Electronics Association (CEA) forecasts that sales of factory-installed vehicle technologies will increase by 11.3 percent in 2013 to nearly $8.7 billion. Aftermarket head units that support Internet radio are projected to see sales nearly double this year, surpassing 2 million units.

About 15 percent of American households now own a vehicle with a connected communication/entertainment system. "CEA expects this figure to rise quickly in the coming years as car companies make these solutions available across more models," according to Steve Koenig, the organization's director of industry analysis. Research firm TechNavio anticipates that the global marketplace for this type of equipment will reach $99.8 billion by 2016.

All this comes amid enhanced governmental scrutiny as the National Transportation Safety Board (NTSB) is addressing distracted driving on its "Most Wanted List of Transportation Challenges." While the tighter focus is on texting or yakking on phones and other portable devices, operating infotainment systems is another element of the agency's attention. At least 3,092 people were killed in "distraction-affected crashes" in 2010, accounting for about one in 10 fatalities on the nation's roadways.

Objecting to what the CEA terms an "abstinence only" approach, "the NTSB ignores established realities of human behavior, as well as the fact that in-vehicle technology – when used correctly – can make for vastly safer roadways," says Michael Petricone, the CEA's senior vice president of government and regulatory affairs. "Rather than calling for broad regulations or outright bans, policymakers should encourage...CONTINUE READING

Vendor Newsmaker Q&A



STEVE CRAWFORD
Vice President, GM aftermarket, Alpine Electronics of America

Q What are some steps that a business owner can take to sell more aftermarket infotainment systems?

A What did Crawford have to say? Continue reading.

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Global parts e-marketplace debuts

inTelligentparts uses technology to make international purchasing easier

BRIAN ALBRIGHT
Contributor

Sourcing parts internationally can present a number of logistic and financial challenges, particularly for smaller distributors. A new Web-based trading portal called inTelligentparts (www.intelligentparts.com) hopes to make the process easier and more cost effective, which will allow smaller warehouse distributors to compete on more even footing with their larger counterparts.

TRENDS & MARKET Analysis

The New York-based, online parts marketplace was conceived as an international trading portal that would make it easier (and less costly) for U.S. buyers to obtain imported parts. "We saw an opportunity for small and mid-sized WDs and some large dealership groups to be able to get low-cost country pricing," says Joe Zucchero, CEO of inTelligentparts. "A lot of these guys are competing against the big six retailers, and they go to market 30 points behind because of acquisition costs."

Zucchero, the former COO of CARQUEST Technologies, formed the company with executive vice president Frank Pagano in 2011. Zucchero and his partners already had experience in China, so they began lining up suppliers there using their existing contacts. The next step was to develop an e-commerce model that would streamline the process of buying imported parts and hopefully reduce costs in the process.

"We're playing on our own expertise in direct importing, technology and the aftermarket," Zucchero says. "Buyers get low-cost pricing, direct import, and access to high-quality parts in partial container loads, which is huge for them. Sellers have complete control of their pricing and whether or not they want to do business with a given customer."

> "We're playing on our own expertise in direct importing, technology and the aftermarket."

Early in 2013, the company revamped its website to more closely resemble the Amazon.com shopping cart motif. Buyers get free access to the vendor database and full-service brokering from the company in exchange for an 8 percent fee per transaction, while vendors pay $750 for a 12-month membership. (A 90-day free trial is also available.)

Buyers can contact the vendors directly via the site, or by using the inTelligentparts brokering service. After registering and saving vendors to a user "favorites" page, they can also automatically generate request for quote (RFQ) documents to any vendor. The site provides confirmation of the purchase, as well as updates on shipping status. Once a shipment is ready, buyers make a wire transfer payment to inTelligentparts, with a detailed invoice that shows all costs. Vendors are paid before product is shipped, and shipments are tracked through UPS. Either party can stop the process at any point, and buyers can use their own freight-forwarding partners if they choose.

The value-add...CONTINUE READING

Technology Newsmaker
Q&A

BRET TOBEY
CEO and Co-Founder, Carvoyant

Q What is the telematics business case for aftermarket repairers?

What did Tobey have to say? Continue reading.

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> Dealership employee productivity tends to max out and level off at the three-year mark.

Dealership employment stabilizes

Parts departments have high tenure, low turnover ratings says new NADA study

BRIAN ALBRIGHT
Contributor

Most key service, parts and sales positions at auto dealerships have higher average salaries than the median household income in their regions, and employees in dealer parts departments have some of the lowest turnover in the industry. Those are the findings of a new dealership workforce study that examined salaries and retention rates in the industry for thousands of dealerships.

TeNADA University, the educational arm of the National Automobile Dealers Association (NADA) released the 2012 Dealership Workforce Study Industry Report at the end of 2012. DeltaTrends designed the study and completed the data collection, while a team from Northwood University analyzed the national and regional data for the industry report.

According to the findings, most key dealership positions in the report had higher individual average salaries than the median household income, and all exceeded the national average individual wage index. In addition, job retention, turnover and tenure at dealerships were more favorable than the national norms in most job categories.

The national wage index used for the study was just $42,980. According to Ted Kraybill, president and founder of DeltaTrends, the national averages for most dealership positions far exceeded that, including service managers ($99,105), service advisors ($60,678), B-techs ($52,415), parts managers ($86,556), and parts counterperson ($45,829).

According to the data, the average service advisor in a luxury franchise makes approximately $74,000 annually, compared to a service advisor at a non-luxury store ($56,000 per year). Not surprisingly, turnover is lower at luxury franchises. B-techs, meanwhile, earn $60,000 a year at luxury stores, versus $50,000 at non-luxury locations.

To measure tenure and turnover, the study asked whether employees had reached their three-year anniversary at each location. "Productivity tends to start to max out and level off at the three-year mark," Kraybill says.

For service managers, the average rate of turnover was 19.5 percent nationally, with a three-year retention rate of 69 percent. For service advisors, the turnover rate was 36 percent, and just 54 percent were at the three-year mark. Comparatively, B-techs had a 24 percent turnover rate, with 61 percent having reached their three-year anniversary.

The parts department, meanwhile, has some of the lowest turnover in the dealership. At the parts counter, the turnover rate is 16 percent, with 68 percent of those employees reaching their three-year anniversary.

"I think one thing you see is that there is a more predictable schedule in the parts department," Kraybill says. "They tend to work fewer weekends, and the hours scheduled for...CONTINUE READING

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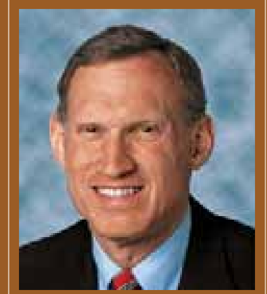

TOM LIBBY
Lead Analyst, North America, Polk

Q With new vehicle registrations increasing, will we see any impact on the age of vehicles on the road?

A What did Libby have to say? Continue reading.

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10 Donny Seyfer
12 Bob Moore
14 Stephen Barlas
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Make the most of what you HAVE

> If you don't offer to take care of things your customers worry about, you are making a mistake.

After last month's column on the importance of increasing hours per repair order for repair shop success, it occurred to me that a follow up might be in order.

I recently attended an ASA conference and listened to Vin Waterhouse — which offers financial solutions for repair shops — deliver a passionate plea for shops to take a serious look at how they sell their work. I had been sitting next to a young shop owner, and we were sharing ideas about making his business profitable. Something I tried to get my friend to understand was that his hours per repair order indicated he was running a fix-it shop. Simply put, his techs nail down the customer's prime item, repair it and send it back to the streets of Denver, leaving necessary maintenance unperformed or even unidentified to the customer. Fortunately for me, Waterhouse's presentation reinforced that idea. The question that remained afterward was how do you make the shift from an activity-based relationship to a real partnership with your customers? Making the shift to working on fewer cars for the same or better dollars is not an overnight change. There are several internal and external issues that may have to be resolved. Let's start with the internal issues, as we have the most immediate control over those.

The single biggest obstacle to more hours per RO is probably sitting right on top of your shoulders. Many shop owners feel that offering to thoroughly inspect a car for maintenance and reliability needs is somehow dishonest or that upselling needed work is wrong. Let me assure you: for the one customer that might decline your offer, there will be many more who are hoping someone will tell them how to take care of their car. Women customers are expert buyers (I hate the word consumer). They understand the value of making things last, and they put a good deal of value into knowing that they have a reliable vehicle. You are not taking advantage of women customers by offering to perform services they need. You are making a huge mistake, which could lead to the end of your relationship with them, if you do not offer to take care of the things they worry about. When you and your employees stop thinking like you think and start thinking like your primary customers and decision makers, you will start offering maintenance inspections on a regular basis. I suggest that you do not perform them for free. Just like you, customers recognize that something free is either worth nothing or has strings attached. Charge for a thorough inspection and offer a complete estimate of the needs, prioritized in the event that the customer is unable to buy all the work at one time. This effort with our existing customers brought our average RO up to 3.4 hours in the first month more than 20 years ago. You will also see your retention rate go up. So what if you do all these things

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DONNY SEYFER
Operations Manager
Seyfer Automotive, Inc.

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Russia trade mission in **TALKS**

> OAC is investigating a potential trade mission held in conjuction with Automechanika Moscow.

Amid the gloom of the European economic crisis in 2012, one bright spot has emerged. Thanks to the country's oil reserves, the Russian economy is growing. Its gross domestic product (GDP) growth rate exceeded European and global GDP growth rates.

According to "An overview of the Russian and CIS automotive industry" by Ernst & Young, Russia's economic health is creating a boom in consumer spending, especially in automotive sales. Russia's automotive market now is Europe's second largest after Germany. The Association of European Businesses notes that Russia is approaching the 3 million mark in auto sales and that it's expected to surpass Germany as the largest car market in Europe.

In 2012, major carmakers announced expansions in Russia. Ford, Renault and GM, and Volkswagen signed agreements with the Russian government to increase local production, build engine factories and invest in research and development. In December, GM announced it will invest $1 billion in Russia over the next five years.

The Ernst & Young report notes that Russia's supplier sector has restructured, creating new investment opportunities. Its retail segment has been reshaping through more efficient operations, consolidation and market expansion.

Since its founding in 1924, the AASA Overseas Automotive Council (OAC) has promoted the export of North American automotive aftermarket components and products into global markets. Its networking events throughout the year bring together aftermarket suppliers with buyers from around the world – and in 2013, its schedule may include a trade mission to Moscow and St. Petersburg in late August!

Working with the U.S. Commercial Service, the U.S. Department of Commerce and Messe Frankfurt, OAC is investigating a potential trade mission held in conjunction with Automechanika Moscow. Early plans include one-on-one meetings with Russian customers, tours of local distributors and networking events. The Council is moving quickly to finalize plans for this event so that participants can secure visas and other needed documentation for the trip.

OAC's goal is to be the industry's "go to" source for networking and knowledge on global business. Its events and initiatives make the OAC organization a valuable tool for companies looking to expand their sales footprint into international markets.

The OAC is planning other outstanding networking events in 2013. Visit its web site http://www.aftermarketsuppliers.org/Councils/OAC for all the latest details.

OAC strives to be the premier international community for all North American manufacturers and exporters, and all international importers, distributors and agents who participate in the automotive aftermarket. ▫

DAN PIKE
Vice President, Membership and Member Services, AASA

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Cloud COMPUTING

> Cloud computing provides what IT always needs: more capacity and more capabilities.

Last month, I suggested that some aftermarket executives are unclear, if not uncertain, about cloud computing and have little idea of how to use "the cloud" strategically in a time when it is becoming essential.

The cloud is the next evolutional step in the use of the Internet. "Cloud" is a euphemism to describe a decentralized network that enables online users to interact with companies and/or one another effortlessly and with minimal hardware and software. Instead of having to have software and databases loaded locally on a computer, users in a cloud environment can connect and interact with computers, as well as less complex devices like smart phones, ultrabooks, readers and tablets. And their devices need only have minimal apps, instead of the complete programs that are required on PCs. Additionally, information like catalogs and product data are not required locally on the user's device. The most current versions of both the software and the information that the software queries are resident in the cloud. This means that the user is always using the most up-to-date version of the software and is getting the most accurate data within it.

So, what does all that geek speak mean in terms of the aftermarket? Why does top management need to know anything about the cloud? This clearly is an IT responsibility, isn't it? The answer: yes and no. There are at least two reasons for C-types to be familiar with the cloud concept.

In a typical company today, IT cuts across all disciplines, but it primarily is used tactically and seldom pressed into strategic duty. For example, manufacturing needs a new process flow; sales needs a new communication tool; marketing needs to track a program. These are all important elements, but all tactical in nature. Why is this? Is it that when strategic uses of IT have been evaluated in the past the costs were not commensurate with the return? Has there been a need to build too much infrastructure? To add too much headcount? If so, this is the very reason top management needs to be familiar with the cloud concept.

Cloud computing provides what IT always needs: more capacity and more capabilities. The cloud can render both on the fly. Not only that, it can do so without an investment in new hardware, training of new personnel, or licensing new software. The second biggest benefit cloud computing brings to the table is that its services can be had on a subscription or pay-per-use basis. The cloud can provide a real-time extension of a company's existing IT capabilities in a variety of capacities.

For example, cloud computing deployed with an aftermarket sales force can facilitate the implementation of advanced channel partner relationship management. Sales people can intact with software and information in the cloud to do everything from examining sales histories,

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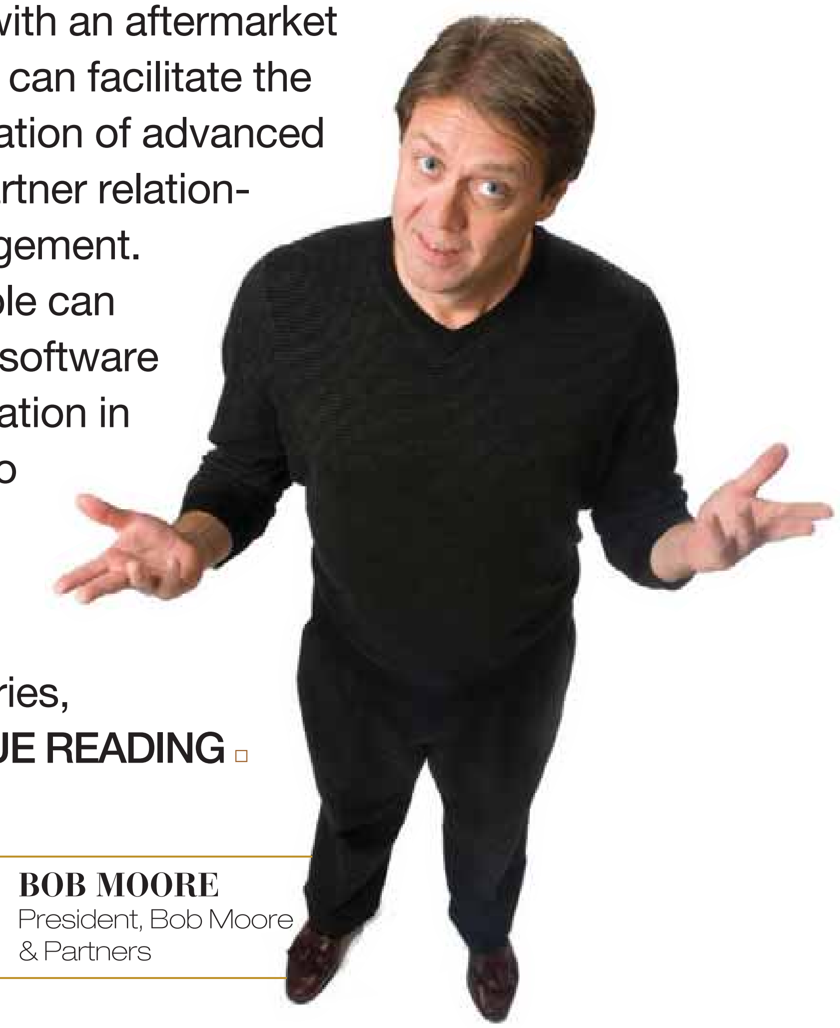

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12 Bob Moore
14 Stephen Barlas

Loyalty, but at what **PRICE?**

Instant rebate cards are preferred and a very easy sell; all you have to do is ask your customer.

I have written several articles about loyalty, building customer bases and retaining customers. Most have followed the same old euphemisms, sayings and generally understood principles that, when properly applied, do yield some success. These small achievements lull us into doing the same things over and over, and any small progress gives us hope that one day we will be able to grasp the lofty goal of having happy, loyal customers that will come back. Why? Because, it is, after all, progress. Right? Then comes along January and February.

In the automotive business, January and February act as our two months of Lent. We pretty much do without a lot — especially customers. When March rolls around, we feel revived and ready to live and prosper for the next 10 months before having to once again suffer.

With a dismal sales forecast in January and February, we always try to come up with a promotion to really show our customers that we will work harder, smarter and faster. And coming from the old school sales mentality, we almost fell victim again to a promotion that would yield a few customers, many of which were not new, but did, however, reward the loyal base for buying something during the last two months of winter.

My wife and I, along with our store managers, brainstormed one evening, trying to come up with a clever advertising plan. My wife said something of genius: “The local Price Club seems busy all year long.” That’s it. We are going to start our own discount club! Dare we? Dare we not? We could offer a very simple discount card with a set discount rate and a simple set of rules available to all existing and new cash customers. Plus, we get to collect the customers’ phone numbers and email addresses. Using this, we could put social media and marketing to use to really promote other things that we are particularly good at. So I called up our local printing company and placed an order for the cards.

Most price clubs charge a membership fee, but we were going to offer the card as a value added bonus. If a customer purchased more than a certain amount, we’d throw the card in for free as a way of encouraging repeat business. The cards had arrived at the store, and our first such customer was at the counter. “Do you currently have one of our discount cards?” I asked and happily explained the process. He said, “Great, I’ll take one. How much?”

My customers were willing to pay for the right to get a pre-set discount. I was elated. I had entered into a realm in which the automotive business had only dabbled. Loyalty-rebate cards have just met their match. Rebate cards are great. Instant rebate cards are preferred and a very easy sell, as all you have to do is ask every customer that comes in the store or calls if they have a discount card. I’m telling you, if they don’t have one, they want one. It’s like going to a maximum-security prison and offering get-out-of-jail-free cards.

This discount program taught us a few things about our customers and ourselves that we did not know. Customers hate not getting a discount more than they like getting the best...

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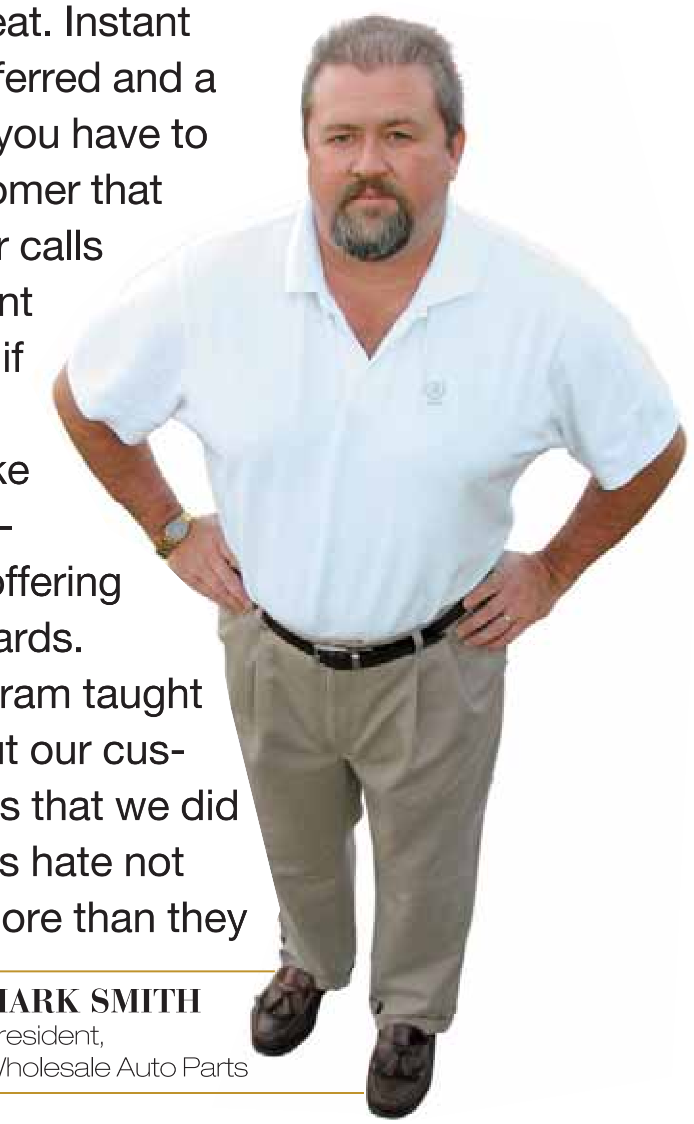

MARK SMITH
President,
Wholesale Auto Parts

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TPMS manual changes SOUGHT

> Customers deny responsibility for 'mystery' parts and expect service providers to pay for it.

Are aftermarket retailers and service providers paying the price for the failure of auto manufacturers to disclose key information about tire pressure monitoring systems (TPMS) in owner's manuals? That is the argument a couple of aftermarket trade associations are making to the National Highway Traffic Safety Administration (NHTSA). NHTSA has asked small businesses to weigh in on a number of existing regulations that have come up for review under the Small Business Regulatory Enforcement Fairness Act of 1996. One of the rules up for review concerns TPMS.

Patricia Wirth, president, Automotive Oil Change Association (AOCA), says dealer information overstates the life cycle of TPMS sensors, which only extends to battery life anyway, not sensors. So when a fast lube checks tire pressure on a car, the sensor valve stem can break, through no fault of the technician. The average breakage response cost is $103, and thus far 88 percent of customers — who have received no education or anticipated maintenance/cost schedules from automakers — deny responsibility for what Wirth refers to as "mystery" parts and expect the service provider to pay for it.

Unlike all other vehicle maintenance requirements, owner's manuals say nothing about TPMS maintenance schedules and/or anticipated component replacement benchmarks; i.e., 5 years/30,000 miles for replacement of sensors; 1 year/10,000 miles for sensor valve stem replacement; etc.

The problem for tire retailers is a bit different. Roy Littlefield, executive vice president, Tire Industry Association (TIA), says consumers, after having new tires installed and finding that their TPMS "telltale" indicator will not go off, take the car to the dealer, who installs a new sensor with the customer going back to the retailer and billing him for the repair cost. Littlefield says that represents dealer "extortion."

On most vehicles, the low-pressure symbol serves two purposes: to indicate a tire with low inflation pressure and to indicate a malfunction. Since the owner's manual is not required to explain the difference, the burden often falls on the tire retailer, who must explain why a telltale that stays illuminated after the bulb check represents a low tire and a telltale that blinks for 60-90 seconds and then stays illuminated represents a malfunctioning TPMS. Littlefield argues that when vehicle manufacturers use the letters "TPMS" to indicate a malfunction, it should be explained in the owner's manual to avoid confusion.

Both Littlefield and Wirth want NHTSA to upgrade TPMS system information manufacturers should include in manuals. Manual contents are specified under Federal Motor Vehicle Safety Standard S4.5.

STEPHEN BARLAS
Washington Correspondent

Fighting glass changes

One of the major aftermarket auto glass installers has some big problems with a proposed new federal glazing standard. Rich Glover, AVP of Manufacturing and Distribution, Safelite Glass Corp., wants the NHTSA to alter its proposed changes to Federal Motor Vehicle Safety Standard (FMVSS) No. 205...CONTINUE READING

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CONTENTS

CONTENTS

INDEPENDENT SHOPS HAVE HIGH HOPES FOR 2013

KRISTA MCNAMARA | Managing Editor

Sales and gross margins are expected to hold steady or even increase throughout 2013, independent repair shops report.

The results of the 2013 *Aftermarket Business World* Independent Shop Study show 42 percent of respondents anticipate sales and gross margins this year to hold steady, while another 45 percent expect to see an increase between 1 percent and 10 percent.

The Internet is having little impact on sales strength, with 83 percent reporting the make no parts sales online. Social media is grabbing the attention of shops, however, with 50 percent of respondents who use social media saying they utilize Facebook to promote their shop's services, coupons and specials. Another 26 percent use Google+.

Shop respondents consider quality and OEM form, fit and functions the primary needs of their customers, and more than half — 54 percent — use three to four suppliers for their product needs.

Auto parts retailers are the preferred supplier for 42 percent of survey respondents, with parts availability, inventory options and fair pricing the most important supplier qualities that shops look for.

METHODOLOGY: The *Aftermarket Business World* Independent Shop Study was fielded to *Aftermarket Business World* and *Motor Age* readers via email who operate independent repair facilities. The results aim to show general market trends, not statistical certainties, and should be used as such.

Auxiliary Lighting

47% of independent shop respondents use 1-2 suppliers for their auxiliary lighting product needs.

Preferred supplier

Auto parts retailer	36%
Warehouse distributor	32%
Jobber	24%

Most important supplier quality

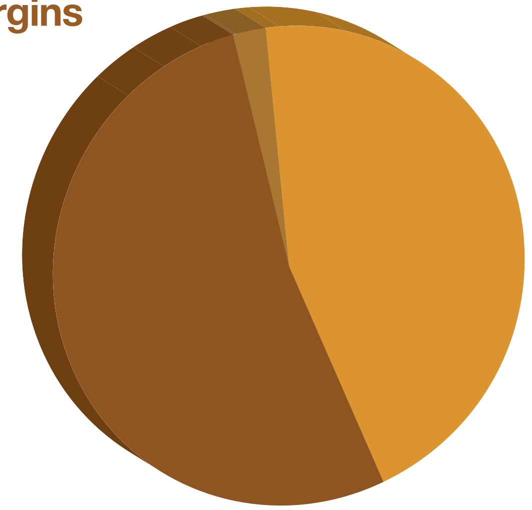
Fair pricing	31%
Parts availability	29%
Inventory options	11%

Expected 2013 gross margins

45% To Increase

53% To Hold Steady

2% To Decrease

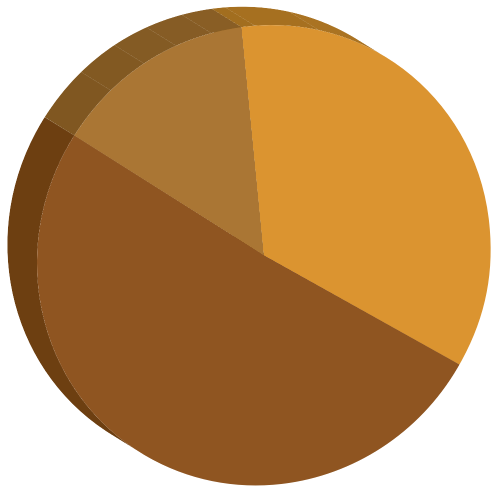


2012 auxiliary lighting sales

35% Increased

51% Held Steady

14% Decreased



2013 lighting sales expectations

To hold steady	47%
To increase 1-5%	28%
To increase 6-10%	12%
To increase 11-15%	4%

Customer needs

Quality	32%
OEM form, fit, function	24%
Price	22%
Availability	19%
Brand	1%

74% of respondents who utilize social media use

FACEBOOK

to promote their shop's auxiliary lighting services.

77% of independent shops report they make no auxiliary lighting sales over the Internet.

Brakes

54% of independent shop respondents use 3-4 suppliers for their brake product needs.

Preferred supplier

Auto parts retailer	44%
Jobber	30%
Warehouse distributor	23%

Most important supplier quality

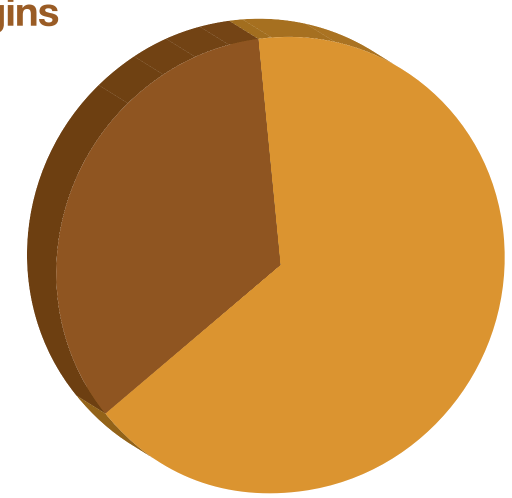
Parts availability	38%
Fair pricing	23%
Inventory options	22%

Expected 2013 gross margins

66% To Increase

34% To Hold Steady

0% To Decrease

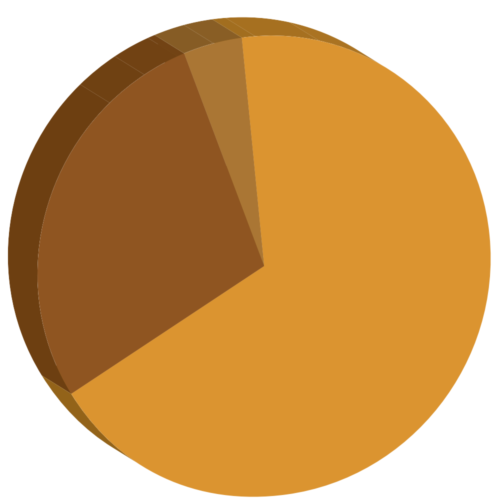


2012 brake sales

68% Increased

28% Held Steady

4% Decreased



86% of independent shops report they make no brake sales over the Internet.

2013 brake sales expectations

To hold steady	30%
To increase 6-10%	28%
To increase 1-5%	17%
To increase 11-15%	9%

Customer needs

Quality	47%
OEM form, fit, function	20%
Price	18%
Availability	10%
Warranty	3%

75% of respondents who utilize social media use

FACEBOOK

to promote their shop's brake services.

Chassis

57% of independent shop respondents use 3-4 suppliers for their chassis product needs.

Preferred supplier

Auto parts retailer	48%
Jobber	29%
Warehouse distributor	21%

Most important supplier quality

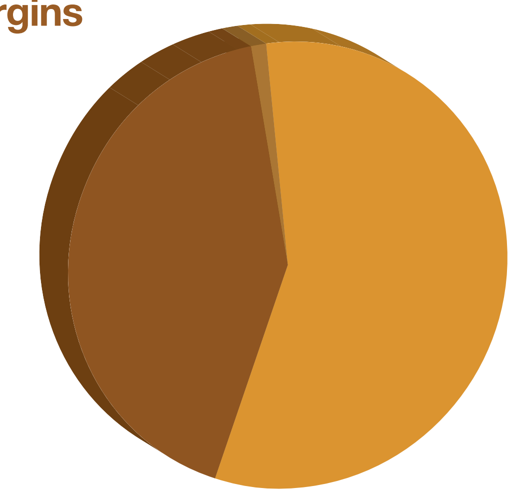
Parts availability	43%
Fair pricing	20%
Inventory options	15%

Expected 2013 gross margins

57% To Increase

42% To Hold Steady

1% To Decrease

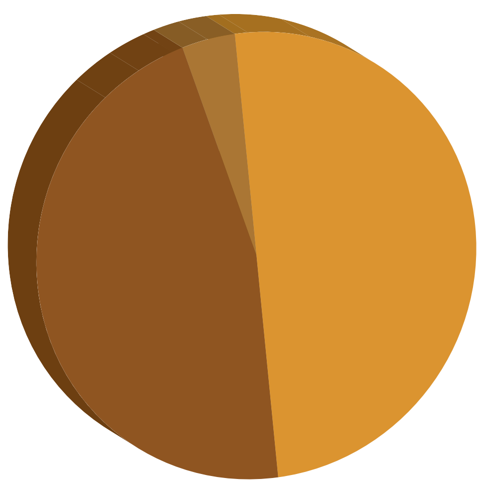


2012 chassis sales

48% Increased

48% Held Steady

4% Decreased



89% of independent shops report they make no chassis sales over the Internet.

2013 chassis sales expectations

To hold steady	41%
To increase 1-5%	31%
To increase 6-10%	20%
To increase 20%+	4%

Customer needs

Quality	39%
Availability	24%
OEM form, fit, function	17%
Price	17%
Brand	3%

80% of respondents who utilize social media use

FACEBOOK

to promote their shop's chassis services.

Fuel Pumps

60% of independent shop respondents use 3-4 suppliers for their fuel pump product needs.

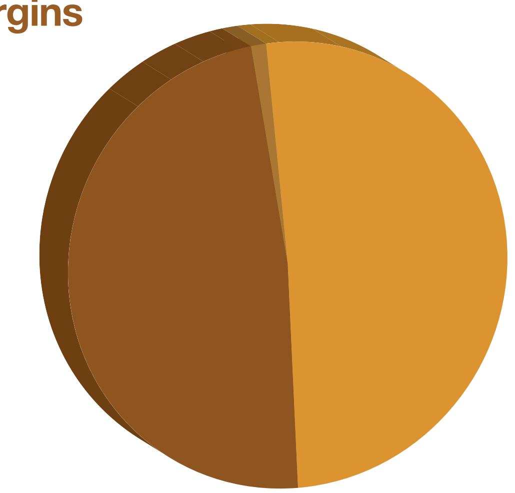
Preferred supplier

Auto parts retailer	40%
Warehouse distributor	32%
Jobber	21%

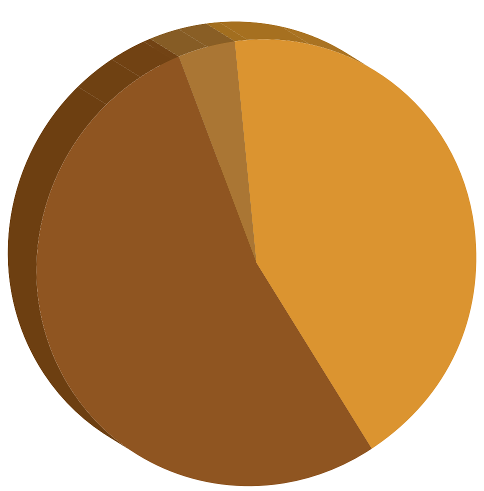
Most important supplier quality

Inventory options	28%
Parts availability	24%
Fair pricing	22%

Expected 2013 gross margins



2012 fuel pump sales



80% of independent shops report they make no fuel pump sales over the Internet.

2013 fuel pump sales expectations

To hold steady	46%
To increase 1-5%	26%
To increase 6-10%	17%
To increase 16-20%	5%

Customer needs

Quality	38%
Price	23%
OEM form, fit, function	23%
Availability	10%
Brand	3%

72% of respondents who utilize social media use

FACEBOOK

to promote their shop's fuel pump services.

Oxygen Sensors

57% of independent shop respondents use 3-4 suppliers for their oxygen sensor product needs.

Preferred supplier

Auto parts retailer	38%
Warehouse distributor	33%
Jobber	19%

Most important supplier quality

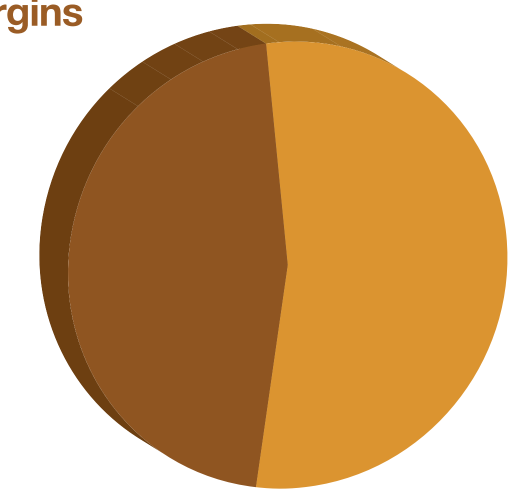
Inventory options	32%
Parts availability	30%
Fair pricing	21%

Expected 2013 gross margins

54%
To Increase

46%
To Hold Steady

0%
To Decrease

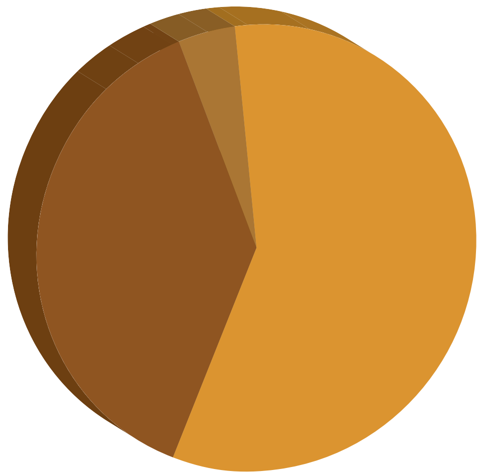


2012 oxygen sensor sales

58%
Increased

38%
Held Steady

4%
Decreased



81% of independent shops report they make no oxygen sensor sales over the Internet.

2013 oxygen sensor sales expectations

To stay the same	41%
To increase 1-5%	29%
To increase 6-10%	20%
To increase 11-15%	6%

Customer needs

Quality	38%
OEM form, fit, function	28%
Availability	16%
Price	11%
Brand	7%

72% of respondents who utilize social media use

FACEBOOK

to promote their shop's oxygen sensor services.

Water Pumps

51% of independent shop respondents use 3-4 suppliers for their water pump product needs.

Preferred supplier

Auto parts retailer	48%
Warehouse distributor	29%
Jobber	20%

Most important supplier quality

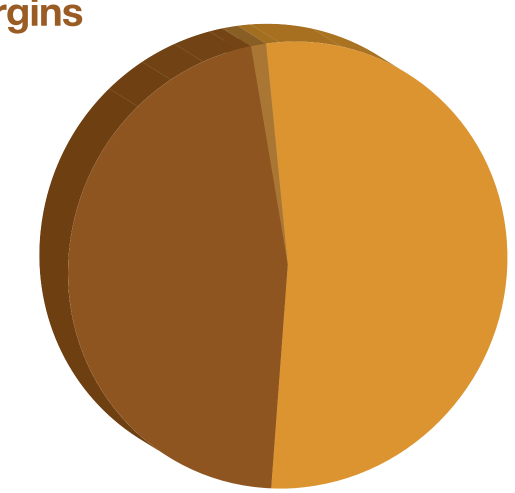
Inventory options	30%
Parts availability	25%
Fair pricing	19%

Expected 2013 gross margins

53% To Increase

46% To Hold Steady

1% To Decrease

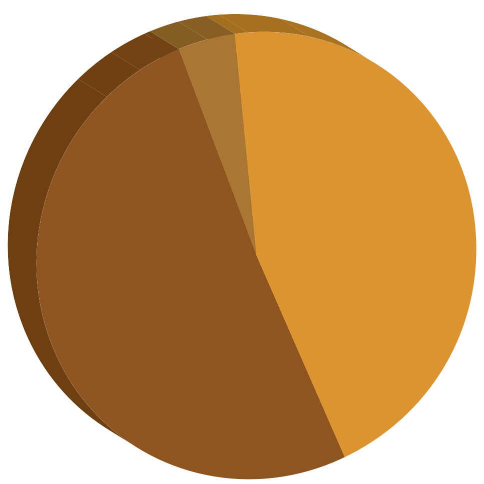


2012 water pump sales

45% Increased

51% Held Steady

4% Decreased



85% of independent shops report they make no water pump sales over the Internet.

2013 water pump sales expectations

To hold steady	49%
To increase 1-5%	22%
To increase 6-10%	16%
To increase 11-15%	5%

Customer needs

Quality	46%
OEM form, fit, function	15%
Availability	14%
Price	14%
Warranty	6%

71% of respondents who utilize social media use

FACEBOOK

to promote their shop's water pump services.

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