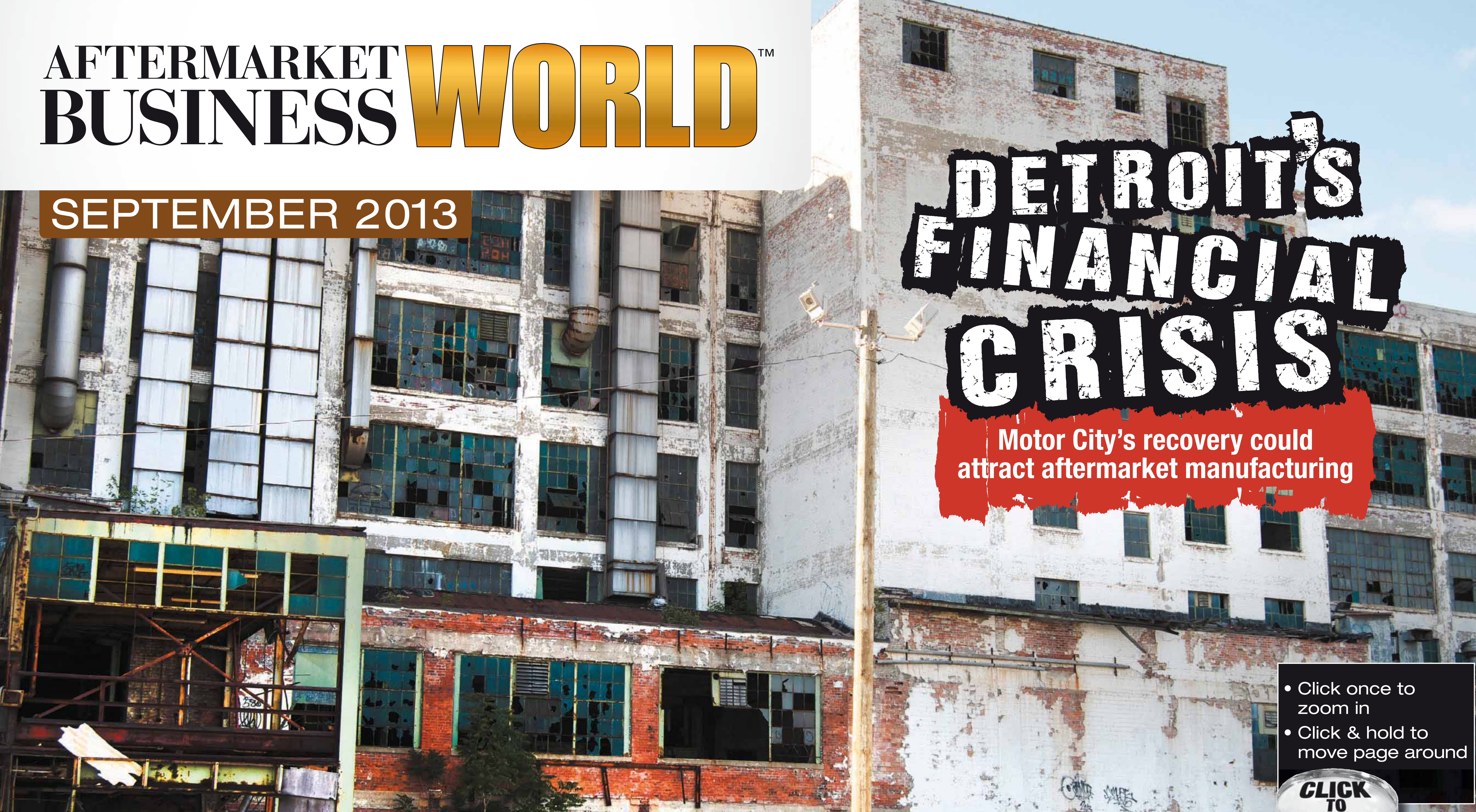
AFTERMARKET BUSINESS WORLD™

SEPTEMBER 2013



DETROIT'S FINANCIAL CRISIS

Motor City's recovery could attract aftermarket manufacturing

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CRACKING THE MARKET

Brazil's high import duties, low-cost suppliers create challenges for U.S. aftermarket

BY ANDY ADAMS | Contributor

In 2001, Goldman Sachs, the U.S. multinational investment banking firm, coined the acronym "BRIC" to describe the four countries of Brazil, Russia, India and China who, it predicted, would rank in the world's top six economies by 2032. As if to confirm this prediction it was announced in early 2012 that Brazil had overtaken the UK to become the world's sixth largest economy.

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Cracking the market

> Brazil's import tariffs on auto parts can range from 14 percent to 20 percent.

Despite its relentless economic growth, Brazil's average per capita income of $11,000 per annum still remains less than one third that of the UK's. However, even this disparity is gradually being eroded by an ever-increasing middle class with greater spending power. As of November 2012 the Brazilian middle class was estimated at 52 percent of the total population.

With the largest economy in South America, Brazil looked set to cement its high status on the world stage with its hosting of the football world cup in 2014 and the Olympics in 2016. However, this good news for the country's economy has been marred in recent months by widespread riots, which resulted in an 11.1 percent drop in the sales of new vehicles compared to the same time last year.

While a major percentage of Brazil's output is focused on agriculture and the processing of foodstuffs, its most important manufactured items are automobiles. Some of the world's major automobile manufacturers including Volkswagen, Ford, Fiat, Honda and Toyota have large manufacturing plants in Brazil.

In July 2013 the top four selling brands of cars in Brazil were 1- Fiat, 2- Chevrolet, 3- Volkswagen, 4- Ford. Luxury car sales have grown rapidly with the country's southeast dominating in terms of automobile fleet and new vehicle registrations. Sao Paulo is the leading state in the region and has the greatest number of vehicles.

The most popular types of vehicles are those with flex fuel systems with their multi choice of refuelling options. This popularity is encouraged by the Brazilian government's support for biofuel usage.

In 2011 Brazil overtook Germany to become the fourth largest vehicle market in the world with sales of some 3.6 million cars and light trucks. Aftermarket sales, however, have not grown in proportion.

Brazil has the fifth largest population in the world with an expanding wealthier middle class with increased spending power and a growing passion for classic cars, off road racing and

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Cracking the market

hot rods. This interest in vehicle customization is offset by Brazil's various vague restrictive laws governing vehicle modification. Despite the many restrictions in force, vehicle customization continues to grow in popularity in Brazil with aftermarket products most in demand being, tires, wheels, audio systems, suspension parts, performance items, turbochargers, high flow air filters, ECU reprogramming and exhaust systems.

Car ownership in Brazil stands at 297 vehicles per 1,000 people compared to 797 per 1,000 in the US. With new car prices up to a third more expensive in Brazil compared to a similar model in Europe, most of the car owning public has to resort to the used car market. Even though many of the second hand cars are in poor condition they are still a source of great pride for their owners.

Music is a very important part of Brazilian culture. Taken to the extreme, motorcycles often can be seen that have been retrofitted with stereo systems complete with large speakers strapped to the vehicle. Despite this love of music, in 2011 70 percent of new vehicles were sold without a factory fitted in-car entertainment system.

Brazil's main world trading partners are the U.S., Colombia, Germany, Japan, Argentina, China, Canada and the UK. In terms of trading position, China ranks at number one, accounting for some 14 percent of Brazil's trade flows. While Brazil's main exports to China are iron ore, soybeans and crude oil, manufactured items are China's main imports into Brazil. This has led to Brazil's local manufacturing industry struggling to compete with China's low production costs advantage. With China's advantage of cheaper production costs it can offset the Brazilian import taxes and tariffs, which make U.S. auto parts expensive and practically unaffordable for the average Brazilian motorist.

Import tariffs on auto parts can range from 14 percent to 20 percent with a further series of taxes and import fees on top. With its vast, low salaried workforce, China can produce inexpensive quality aftermarket parts, often with whole areas focused on the production of one genre of item.

In order to overcome Brazil's high import duties, some exporters to the country work around these restrictions by bringing their products into Brazil via the Free Zone in Uruguay as part of the Mercosor economic and

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Inspired by market, auto industry inaugurates innovations in Brazil

BY JAMES E. GUYETTE
News Correspondent

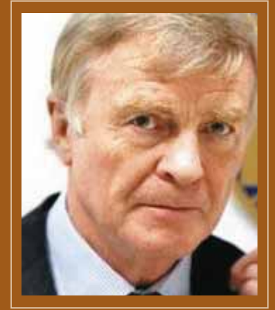
With a rising middle class driving an accelerated pace of automotive demand, Brazil's government has enacted a series of regulations, incentives and tax policies designed to put the brakes on vehicle imports and increase domestic production while pushing for cars that emit fewer pollutants.

TRENDS & MARKET Analysis

"The new automotive regime will promote green technology, help Brazilian consumers by significantly improving the fuel efficiency of light vehicles and, in the process, make Brazilian vehicles technically competitive with those in Europe, the U.S. and Asia," says Paulo Cardamone, managing director of IHS Automotive's Brazilian operations.

Known as INOVAR-AUTO, the nation's "Incentive of Technological Innovation of the Production Line of Automotive Vehicles" program will steer development of key systems such as direct injection, turbo- and supercharging, stop/start, advanced multi-speed transmissions, rolling resistant tires, light-

Vendor Newsmaker Q&A



MAX MOSLEY
Chairman, Global New Car Assessment Programme

Q How would you rate the effectiveness of occupant safety systems on vehicles sold in emerging auto markets?

A What did Mosley say? Continue reading online.

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> By 2015 Brazil could overtake Japan to become the world's third-largest car market.

weighting and other related technologies.

"These innovations will lead to a rapid improvement in the automotive industry and, more importantly, the lives of every day Brazilians – whether they drive a car or not – as this will be a huge contributor to reduced pollution levels in Brazil," notes Paul Haelterman, vice president of IHS Automotive Consulting.

According to forecasting from Roland Berger Strategy Consultants, by 2015 Brazil could overtake Japan to become the world's third-largest car market after China and the U.S., reaching 6.6 million vehicles by 2020. Growth of 8 percent per year in commercial vehicles between now and 2018 is also possible.

Citing the impact of INOVAR-AUTO, BorgWarner reports that it is "ideally positioned to support car manufacturers in complying with the new regulations" with a new production facility and engineering center. The company expects to benefit from the sharp rise in production in Brazil and strengthen its local market position as a leading supplier of environmentally friendly technologies, such as gasoline and diesel turbochargers, dual-clutch transmission technology, engine timing systems and emissions products for cars and commercial vehicles.

"The increasing demand for our fuel-efficient powertrain solutions is driving significant growth

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Motor City's recovery can attract aftermarket manufacturing

BY JAMES E. GUYETTE
News Correspondent

Folks toiling in the coal mines called it the "Hillbilly Highway." Gravel roads easing into asphalt as they headed northbound from Appalachia and other points south up to Detroit – often pronounced as DEE-troit – delivering on the promise of a solid middle class lifestyle born of work in an auto plant. The Motor City that for so long served as the pinnacle of the nation's automotive, industrial and economic might may present opportunities for aftermarket manufacturing sites upon completion of the city's bankruptcy proceedings.

TRENDS & MARKET Analysis

Once known as the "Paris of the Midwest" for its leafy boulevards and architectural splendor, "Detroit has more abandoned buildings than the entire area of Paris, France," according to economist Dr. Timothy G. Nash at Northwood University and the University of the Aftermarket in Midland, Mich.

"The problems Detroit has have been 60 years in the making," says Nash. Previously America's richest city, the population has plummeted from a peak of 1.8 million to 700,000.

Vendor Newsmaker Q&A

MIKE GAFFNEY
Vice president of sales and marketing at NAPA Rayloc

Q What should the aftermarket do to reduce noise-related customer complaints and comebacks about new brakes?

A What did Gaffney say? Continue reading online.

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> The political climate seems ice-cold concerning any type of bailout for the city.

Businesses and residents have fled, leaving behind a decimated tax base, scant-to-nonexistent city services and massive financial debt.

Apparently the immediate ramifications of the Chapter 9 bankruptcy proceedings on the aftermarket and auto industry in general are…not much.

"Most of the Michigan-based factories are outside of Detroit," Nash says. "The thing to remember is that there's only one of the Big 3 with a headquarters in Detroit, and that's General Motors."

Both the Automotive Aftermarket Industry Association (AAIA) and the Specialty Equipment Market Association (SEMA) report having "only a handful" of member companies within the city limits.

"We really don't anticipate a significant impact on those members or the membership at-large," says Peter MacGillivray, SEMA's vice president of events and communications. "They rely a lot on what comes out of Detroit (regarding what the OEMs are producing throughout the entire region), but the automakers are a step or two ahead in terms of revitalization and getting their affairs in order," he explains. "Their bad times are behind them, but the city is still reeling from the financial crisis."

Open for business

January's North American International Auto Show (NAIAS) in Detroit will go on as scheduled, reports Executive Director Rod Alberts. "We will continue, as planned, to work side-by-side with international auto manufacturers, which continue to rely on Detroit's stage to make their worldwide product introductions."

Cobo Center remains independent of Detroit's local government and is operated by a regional authority.

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Mevotech boosts efficiency

This Polk Inventory Award winner has slashed inventory by 20 percent

BY BRIAN ALBRIGHT
Contributor

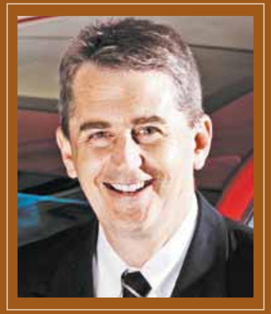
When it comes to improving inventory efficiency, manufacturers have a dual challenge in both forecasting how much finished goods inventory they need (and where it should be placed), and optimizing the flow of raw materials so that they don't over or under-produce against those forecasts.

TRENDS & MARKET Analysis

Mevotech has cut its inventory 20 percent while increasing its sales thanks to a new ERP system, a paperless warehouse solution and a new forecasting tool. The supply chain solution won this year's Polk Inventory Efficiency Award in the manufacturer category.

"What the selection committee really responded to was that Mevotech really looked across the entire supply chain," says Mark Seng, vice president of aftermarket and commercial vehicle and global aftermarket practice leader at R.L. Polk & Co. "They looked at increasing efficiencies and fill rates, lowering inventory levels overall, and really optimizing their inventory across the entire chain, whether that was raw materials, work-in-process, or finished goods."

Technology Newsmaker Q&A



BLAIR CURRIE
Vice president of marketing, Intelligent Mechatronic Systems

Q What are the biggest challenges involved with adopting these types of non-OEM telematics solutions?

A What did Currie say? Continue reading online.

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> That system manages how we generate pick waves and has improved picking efficiency.

Toronto-based Mevotech manufacturers chassis and suspension parts, among other things, and manages 55,000 part numbers. The company wanted to improve efficiency, maintain an accurate inventory and better manage its limited warehouse space.

"We have both internal and external challenges," says Scott Stone, vice president of sales at Mevotech. "Customer expectations and service level expectations continue to grow, and we do a lot of private labeling. We also have a first-to-market strategy, so we have quite a few new applications that are raw in their development state. We also have a global supply chain environment."

To better manage its supply chain, the company launched its Excellence in Inventory Strategy (EXIST) in multiple stages.

First, the company converted to an RF-based, paperless warehouse using mobile bar code scanners to move, pick, and ship product, and quickly followed that deployment with a new enterprise resource management (ERP) system. Both the warehouse management and ERP system are part of the Pronto Xi suite from Pronto Software in Australia.

"We tore out the old system, and that really launched us into a new era where we had new tools and new information, so we could make better choices," Stone says. "That system manages how we generate pick waves and has improved picking efficiency."

Mevotech then focused on developing a master scheduling tool, which involved creating analytics for forecasting. The company also leveraged internal knowledge to create a new product lifecycle management (PLM) program. "That has allowed us to work with our factories on a just-in-time delivery program,

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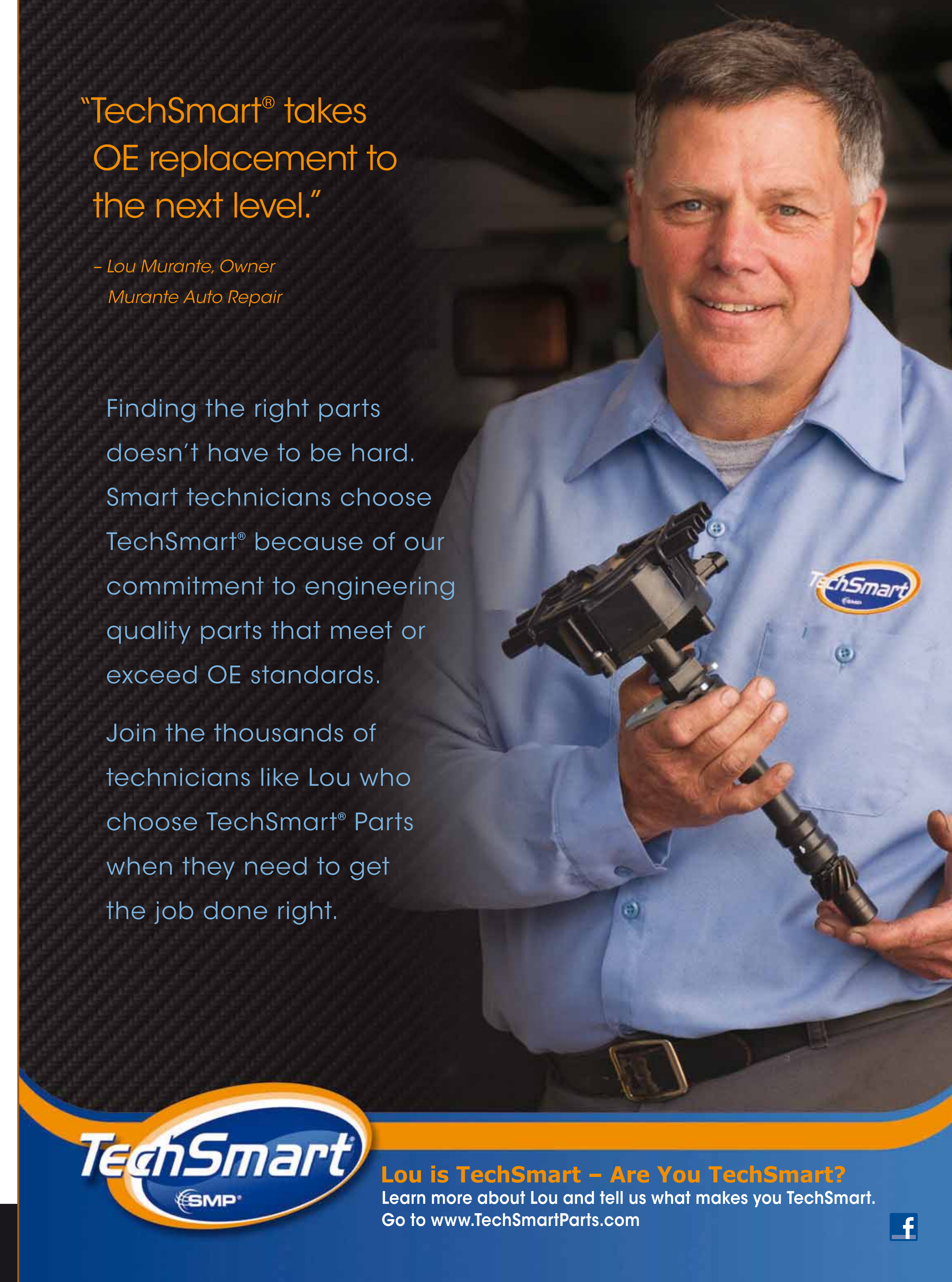

Vehicle sales, dealer revenues continue to climb in 2012

BY BRIAN ALBRIGHT
Contributor

Buoyed by a general improvement in the overall economy, U.S. automotive dealerships have continued to increase sales, increase employment, and even expand the dealer footprint. The National Automobile Dealers Association (NADA) released its annual state-of-the-industry report this summer, showing that total dealership revenue reached $676 billion in 2012, up 9.8 percent from 2011.

TRENDS & MARKET Analysis

Service and parts revenues dipped slightly, from $81.46 billion in 2011 to $81.35 billion in 2012 (a 0.1 percent decrease).

Dealers in the U.S. also added an average of two employees last year, and average dealer revenues were up by 9.2 percent. While gross percentage margins in new vehicles fell, new vehicle department profitability as a percentage of gross profit increased to 30.4 percent, up from 28.8 percent in 2011.

Some of the largest dealer groups performed even better. Penske Automotive Group saw an 18.3 percent revenue increase in 2012 (reaching

Dealer Newsmaker
Q&A

DAVE WINSLOW
Chief digital strategist, Dealer.com

Q | What are some benefits to Dealer.com and its customers of the recent JumpStart partnership announcement?

A | What did Winslow say? Continue reading online.

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> “There was a net increase of 95 franchised dealerships in the U.S., up to 17,635 in 2012.”

$13.2 billion). AutoNation announced record results in 2012, with total revenues of $15.7 billion, a 13 percent improvement.

According to data from NADA and R.L. Polk & Co., new light vehicle sales were up 13.4 percent (14.4 million, up from 12.7 million units in 2011). New medium and heavy- duty truck sales were up 13 percent, and used vehicle sales were up 4.5 percent (40.5 million units in 2012, up from 38.8 million in 2011). There are now 251.5 million light vehicles on the road, with an average age of 11.4 years.

Dealership footprint expands

There is more good news for the market: There was a net increase of 95 franchised dealerships in the U.S., bringing the total up to 17,635 in 2012. Much of this growth came from the Western U.S., while the Eastern region actually saw a decline in the number of franchised dealers. The number of dealers shrank significantly from 2009 through 2011, with net losses totaling 2,470 dealerships.

For contrast, consider the situation in Europe. A separate report issued by UK-based ICDP, in its annual European Car Distribution Handbook, noted that main dealer sales networks in Western Europe have shrunk by 3 percent since 2011, although the size of service networks has remained stable and the number of sales agents has actually gone up by 2 percent.

Auto industry consultancy HWB International, meanwhile, chimed in that the UK and France have seen a total dealer decline of 10 percent in the past four years.

Service holds steady

Total franchised dealership service, parts and body shop sales exceeded $81 billion in 2012, although sales at the average dealer were down. Both labor and parts sales were down for customer mechanical repairs, warranty work, wholesales parts sales, and sublet work. Sales from internal work rose 9.9 percent for labor and 7.9 percent for parts. Net profits remain high, although they fell 17.4 percent from the 2011 numbers.

Average dealership service and parts sales declined 0.7 percent, from $4.64 million to 4.61 million. The share of gross profit held by the service and parts department fell to 44 percent from 45.8 percent.

With sales increasing, the adoption of service contracts also has expanded. New vehicle service contract penetration rates rose by 2.7 percent, and now stand at 42 percent of total new vehicle sales.

Body shops are becoming even more scarce at dealers, with the number of locations that had on-site body shops falling to 34 percent in 2012 (down from 36 percent in 2011). Total autobody work performed at new vehicle dealerships was stable at $6.9 billion.

Both AutoNation and Penske reported growth in the fixed operations segment, and expected that to continue moving forward. “We’re very pleased with the momentum of our customer care business and believe we are well-positioned to capitalize as the units in operation base begins to grow again this year,” said AutoNation president and COO Michael Maroone.

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Shapes of things TO COME

> The source of my techno-shock came from a tour of the new "SEMA Garage."

The other day my 20-something son asked me how to wire up a connection for his iPhone so he could listen to it through the sound system in his car. As we were talking, I made some typical "old man" comment about how much things have changed since I was his age. I started reminiscing about when an automotive sound system was an AM radio blasting through a single dashboard mounted speaker. He wasn't impressed.

Technology has profoundly changed and reshaped many aspects of the automotive business. I have always looked forward to and even enjoyed "keeping up" on developments on every front, from new vehicular systems to business and commerce automation. But recently, I was so profoundly blown away by exposure to new developments, that I was as close to intimidated as I have even been in my career by technology.

The source of my techno-shock came from a tour of the new "SEMA Garage." It's a state-of-the-art technology center that recently opened in a building adjacent to the SEMA headquarters in Diamond Bar, Calif. The building was purpose-built 10 years ago with a full dyno lab. Its mission was to measure emissions output for compliance with California Air Resources Board (CARB) regulations. Jointly operated by SEMA and the Auto Club, it has provided SEMA members for the last decade with low-cost testing and CARB certifications for new products.

When the building's major tenant recently decided to relocate, SEMA was faced with a decision of curtailing the emissions testing service, or stepping up. Stepping up meant the association making a serious investment in technology and equipment to provide its members with the ability to continue to create cutting-edge performance and appearance products that comply with the ever-burgeoning legislative and regulatory mandates that are coming out of Washington. Thankfully, the decision was made to step up.

Mike Spagnola, a stalwart of the performance industry as everything from a racer to manufacturer to SEMA Director, was hired to run the operation.

"It's great to have this fantastic facility for emissions testing and dyno services. But we are really psyched about where we can go from here," said Spagnola.

"We want this service to give our members easier access to more sophisticated testing and development technology. Much of what is needed has historically only been available to the OEMs or giant multinational companies."

This easier access may be the only way the small entrepreneurial concerns that have historically been the backbone of SEMA can survive and prosper.

But it was some of that "where we can go from here" that blew my mind.

Mike took me into a photo bay where I watched as a yet-to-be-introduced model of a sport crossover was being scanned. A technician maneuvered a scanning device mounted on a tripod with rollers

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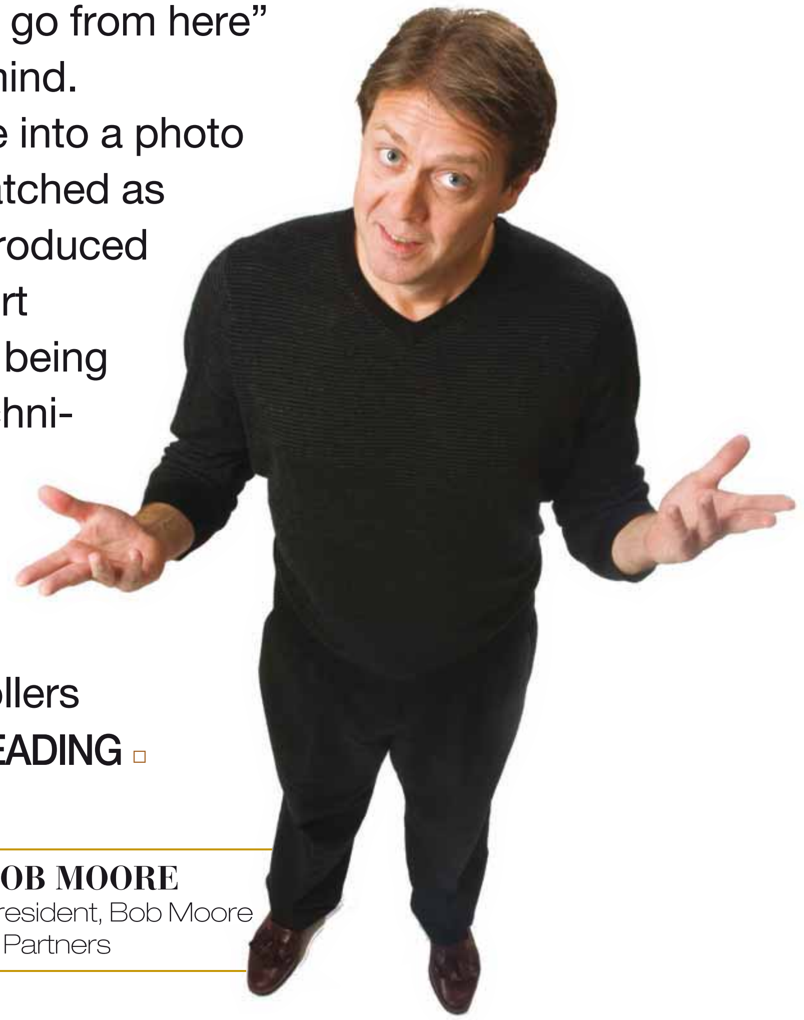

BOB MOORE
President, Bob Moore & Partners

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Getting the most from AAPEX

> AAPEX is ideal to see thousands of products and meet with exhibitors and suppliers.

The global automotive aftermarket is all about relationships – and one of the best opportunities to foster existing relationships and forge new ones is at the annual Automotive Aftermarket Products Expo (AAPEX), slated for Nov. 5 thru Nov. 7 at the Sands Expo Center in Las Vegas.

AAPEX represents the $395 billion global motor vehicle aftermarket and is jointly sponsored by the Automotive Aftermarket Suppliers Association (AASA), the parent association of the Overseas Automotive Council (OAC), and the Automotive Aftermarket Industry Association (AAIA).

AAPEX is the No. 1 place to meet the right people in the industry. It's the place buyers and manufacturers come to talk in person with current vendors or customers, and to connect with new business associates.

The No. 1 reason buyers attend AAPEX is to see, touch and compare what's new in the global automotive aftermarket industry. For international buyers, AAPEX is the ideal venue to source U.S. products.

At AAPEX 2012, 804 U.S.-based companies participated. On display at the 2012 event were 5,174 parts and components, 1,048 chemicals and car care products, 1,309 tools and equipment, 245 business products and services, and 1,190 accessories and custom products.

Another compelling reason buyers attend AAPEX is to get answers to their important business questions. AAPEX is the ideal venue to see thousands of products, meet with exhibitors and suppliers, and learn from other buyers throughout the event. Last year, buyers at AAPEX included 8,737 retailers of which 733 were fleet buyers, 7,028 service and repair businesses, and 11,130 warehouse distributors (WDs).

The AAPEX website, www.aapexshow.com, includes many great tools for buyers. For example, the "Find Products & Exhibitors section" allows buyers to search by product, exhibitor or brand. The AAPEX Mobile Compass App allows buyers to take AAPEX with them on the go – it can be downloaded at: tiny.cc/aapex_apps. International buyers needing more information about Visa applications can contact AAPEX Event Management, info@aapexshow.com or call 708-226-1300.

The AASA Overseas Automotive Council provides many services and amenities for its international members at AAPEX. The OAC Member Center in Sands 302 is a global hub during AAPEX – a popular meeting spot for international buyers and OAC's full service suppliers.

Council news and information is available, as well as details about joining the council. Through a special service provided by OAC, international members can skip the long registration lines and pick up show credentials at the council's member center.

Tickets for the OAC Global Reception, one of the premier international networking events during AAPEX, can be purchased at the member center.

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DAN PIKE
Vice President, Membership and Member Services, AASA

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EPA balks at updating catalytic converter STANDARD

The decision of a House Appropriations Subcommittee in late July to prevent the EPA from moving forward with its Tier III tailpipe emission standards moves the agency's proposed rule on that subject to the Capital's front burner.

In one sense, whether the proposal becomes final is a non-issue for the aftermarket since its sulfur-in-gasoline limit will not affect sales of aftermarket gasoline additives, at least as the proposal is currently written. When used at the maximum recommended treatment rate, aftermarket gasoline additives contribute less than the proposed limit of 3 parts per million sulfur to the finished gasoline.

But the proposal does raise some other aftermarket concerns. It does not modernize the EPA's dusty aftermarket catalytic converter standard, which differs from California's.

The whole point of the Tier III proposal is to bring EPA standards for reducing carbon monoxide, nitrogen oxide and hydrocarbon air pollution across the country to levels promoted by the California Air Resource Board (CARB) LEV III program, which goes into effect in 2015.

However, the Tier III proposal omits any mention of the EPA's aftermarket catalytic converter policy. It was adopted in 1986, and has never been altered. It is inferior to the requirements adopted by CARB in 2009 which requires catalytic converters to meet a 50,000 mile/5 year warranty and relies on a mass based standard (i.e. grams of pollution/mile). The EPA requirement is 25,000 miles/5 years. Instead of a "mass-based" standard, the EPA uses a 70 percent hydrocarbon, 70 percent carbon monoxide, and 30 percent NOx emission reduction-based standard.

What this means, if the House subcommittee cancellation of Tier III does not stand, is that there will not be one, aligned federal aftermarket catalytic converter policy. California and states that follow the CARB standard will have a stricter standard than the states that adhere to the EPA standard.

This doesn't sit well with some major national clean air organizations. One of the major proponents of an updated aftermarket catalytic converter policy is the Ozone Transport Commission (OTC), a group of Eastern states with among the biggest air pollution problems. In comments to the EPA, the OTC said, "Without updating its policy, EPA would be allowing use of replacement converters that will not guarantee emission reductions as long as the original converters. To ensure emission reductions occur when catalysts fall outside of the warranty period, the final Tier 3 regulation should include a more stringent aftermarket catalytic converter policy as recommended previously by OTC."

The OTC has adopted numerous resolutions over the past few years pleading with the EPA to bring its aftermarket catalytic converter policy into line with California's. It did so again at its 2013 annual meeting. However, the OTC recommendation differs in one aspect from CARB's: CARB would not allow used original engine manufacturer (OEM) converters to be certified and sold. The reuse of reconditioned converters is OK by the OTC.

Mary Nichols, the chairman of the CARB, calls the EPA Tier III proposal a "noteworthy

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STEPHEN BARLAS
Washington Correspondent

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Insurance and SPAGHETTI SAUCE

> You are not going to get anywhere near the face value of your insurance policy.

A famous tag line for a major brand of spaghetti sauce was, "It's in there." When it comes to business interruption insurance, or loss of use coverage, it might be "in there," but the recipe is a closely guarded secret.

Business Interruption Insurance (BII) is designed and marketed to cover the resultant issues that occur when you lose the ability to operate your business due to tragic loss or damage. Before I continue, let it be understood that the face value of your policy for this type of coverage will only make you feel good about the potential benefit, because you are certainly not going to get that amount, or anywhere close to it.

In my situation having lost our parts store and warehouse to a fire on June 6, 2013, when I renew the policy (if I get to renew with the same company, which is another upcoming article), it will certainly be for a lesser amount of face value. Let me explain why.

When you lose your business or part of your business as it were for me, the first thing that runs through your mind is how am I going to continue some sort of semblance of what we used to have and how we used to operate, and how quickly can I do it. Since this business is highly dependent on cash flow, you will immediately be stressed out due to the lack thereof.

This is where I made my first mistake, and before I continue, and if you pay no further attention to the other things I'm going to point out, stop! I repeat, stop! Halt. Cease. Quit. Slow down. Whoa mule! I jumped through 1,000 hoops to try and set up an office, re-open our service center portion of our business, and in general, or I thought, to be able to function. That's noble reasoning in regards to customer service, retaining employees and maintaining a presence in your market place.

There are three big reasons why you should think about this with a keen awareness, and steady mind regarding what you are doing and how it will affect you later on.

1. Will partially reopening provide an income that will allow you to break-even?

2. Do you have the resources to bankroll the cost of an immediate re-opening? It will cost several thousand dollars for things like restoring power, new office equipment, or renting an office trailer, and insurance settlements arrive slowly.

3. Have you thought about how a "partial" reopening will affect the calculations involved in arriving at a financial amount for your BII settlement?

Here's my advice, if you can't at least break-even, or you don't have the financial reserve to spend a bunch of money out of pocket, which you will not be reimbursed for appropriately, or the portion of your business that you are reopening will amount to 25 percent or greater of your previous volume, remain closed until you are made whole.

If someone had told me these things right after the fire, I would have dismissed it as a crazy notion. It's the very reason I should have waited about two weeks before making the first decision

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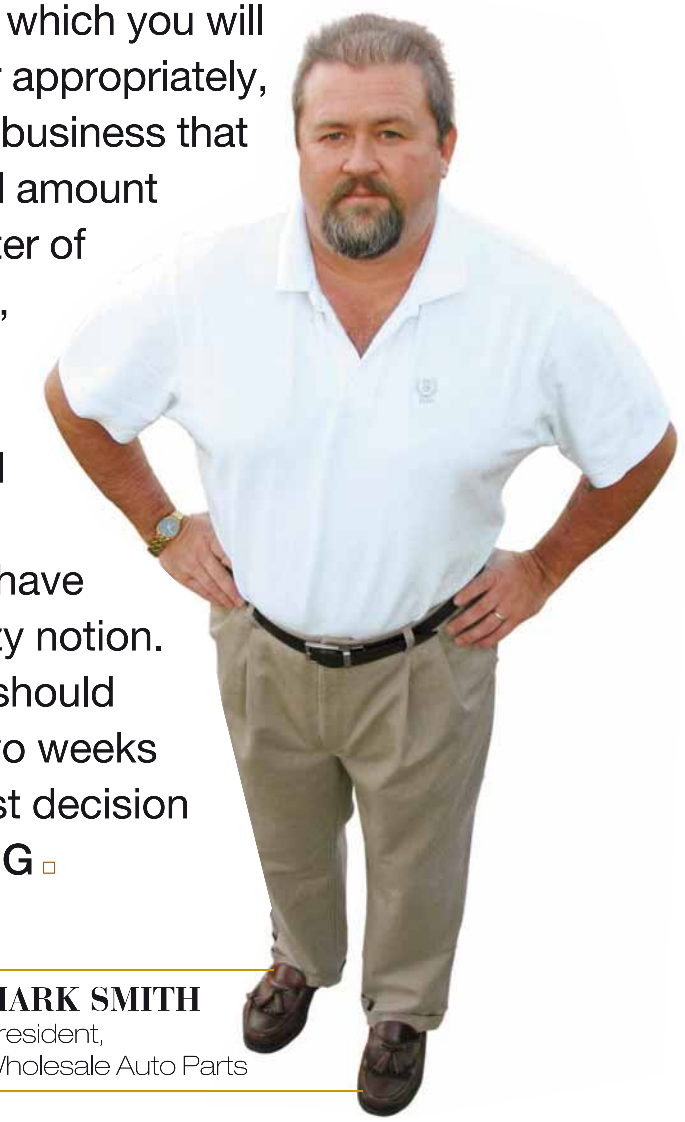

MARK SMITH
President,
Wholesale Auto Parts

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Blaming your SUPPLIER

> Be willing to tell DIY customers who are way over their head that they need professional help.

Have you read the book Atlas Shrugged by Ayn Rand? It doesn't matter if you agree with her politics; she had amazing foresight into how the world of the future would work back in 1947.

One sub plot of the story was that many suppliers were failing to fulfill orders and blaming it on the suppliers that they counted on. If you sense a corollary coming, you are right. I have written about the manufacturer websites that have email addresses that are completely unmonitored by employees, but from where I sit there are much larger issues brewing. Issues I hope the eerily accurate Ms. Rand does not get right.

Let's start with catalogs because that is really where my first contact with most of my suppliers begins. The vast majority of aftermarket supplier's websites are painfully silent when it comes to ways to look up their products. Often a search for "catalog" leads me to another site altogether.

Then we have the situation where I do find a catalog, I download it because it is not something I can look at on the website and I find a part that will replace the damaged or worn out piece on my customer's vehicle. Now comes the fun part. I buy it, pay more for shipping than the part costs and wait for it to get out the door and onto a truck.

The part shows up and it is not correct for the application. When I call suggesting that a footnote that lets me know this part will not fit all of the vehicles it claims to fit the response is that catalog development is done by an outside vendor and there is no way to let them know about the application error.

Now we move on to phone support. Why do paying customers ever have to wait for someone to help them spend money? I have spent, in the last few days, at least 40 minutes on order lines attempting to get information to make a purchase.

Look, I recognize that competent technical people can be hard to find. Apparently finding people who know when to say they don't know is even harder. I had one customer call a performance company's tech line three different times and get three completely different answers, all of which turned out to be wrong and frankly poor advice. Have you ever been put on hold at your own company? Do you like it? Change it.

How about this: have enough people to answer your phones or be able to return voice mails quickly. Be willing to tell DIY customers who are way over their head that they need professional help or offer a professional support line staffed with guys who are at least as smart about your products as I am about the vehicles I work on.

When I am on hold and the electronic voice tells me there is one call in front of me and that call lasts 15 minutes your telephone room is dealing with someone who is not competent enough to use your product. You would be money ahead to take that

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DONNY SEYFER
Operations Manager
Seyfer Automotive, Inc.

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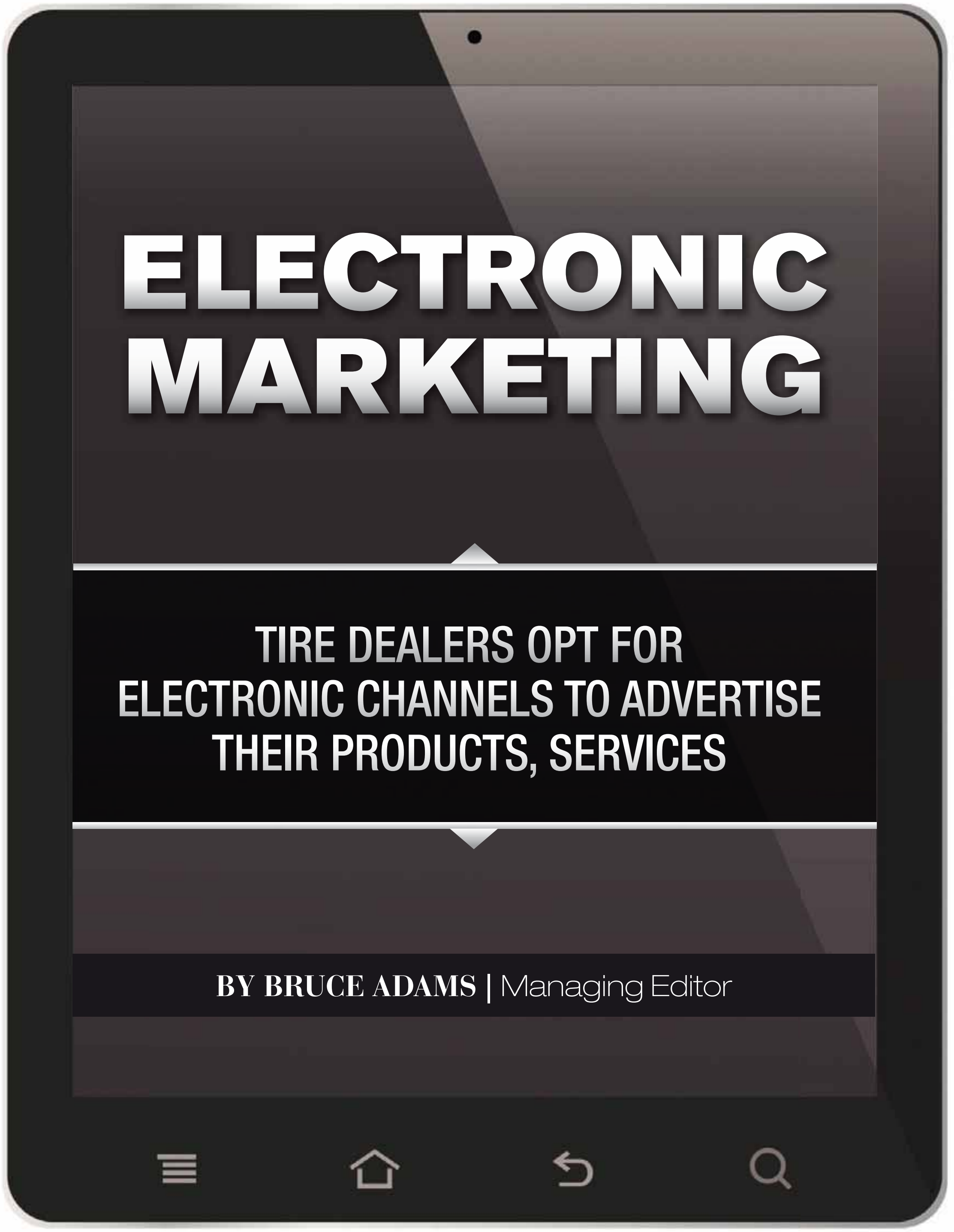

PHOTO COURTESY: THINKSTOCK

Tire dealers are increasingly turning to in-house electronic channels to advertise their products and services, according to the results of the 2013 *Aftermarket Business World* Tire Dealer Product Study.

Nearly six out of 10 dealers (57 percent) said they are using their web sites, direct email and social media to promote their products and services to customers. Some 18 percent said they use newspapers, 5 percent radio and 3 percent television. Another 18 percent said they use a combination of all of those to reach customers.

Nearly 75 percent of respondents said they are independent general repair shops. The next largest category was tire dealers who offer auto repair and maintenance services, followed by new or used car dealerships.

When purchasing non-tire products, quality is the most important consideration for 46 percent, while OEM form, fit and function ranked at the top for 24 percent. Brand and price finished a distant third and fourth, respectively.

Respondents are an optimistic lot as 53 percent expect to order more parts in 2013 than in 2012. Some 44 percent say their sales will hold steady. When it comes to their expected 2013 gross margins, 52 percent predict an increase and 44 percent say they will be the same as 2012.

Their preferred suppliers for auto parts are auto parts retailers (35 percent), warehouse distributors (30 percent) and jobbers (21 percent).

Methodology: The Aftermarket Business world Tire Dealer Product Study was fielded to readers of sister publication *Motor Age* who sell tires in the aftermarket. The study results are intended to show general market trends, not statistical certainties.

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Auxiliary Lighting

Preferred supplier

Warehouse distributor	32%
Auto parts retailer	30%
Jobber	24%

Reason for supplier preference

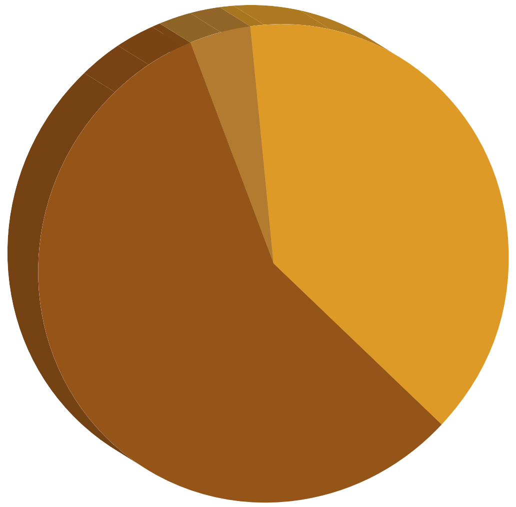
Long-standing relationship	24%
Offers quality product	23%
Availability	27%

2013 ordering expectations

39% Increase

57% Hold Steady

4% Decrease



7% report that when customer maintenance/repair work is completed, MOST OF THE TIME it leads to an auxiliary lighting sale through retail purchase or installation.

ELECTRONIC MARKETING

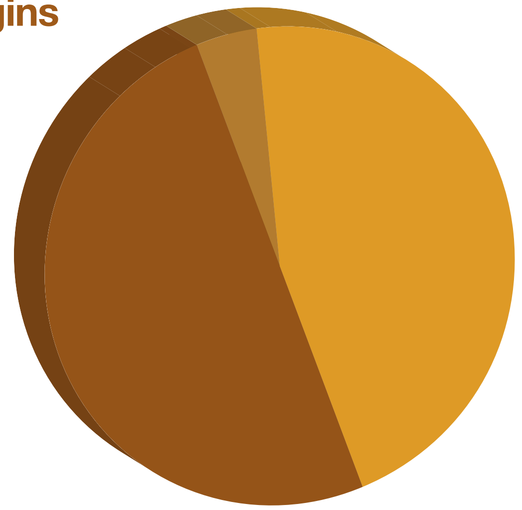
38% advertise the auxiliary lighting they sell through direct email to customers.

Expected 2013 gross margins

46% To Increase

50% To Hold Steady

4% To Decrease



Most important product characteristics

OEM form, fit, function	23%
Price	7%
Quality	28%
Brand	3%

Sales tactics implemented

Bundle w/related products	60%
Unadvertised specials	20%
Provide training	18%
Price breaks for loyalty	33%

52%

DO NOT

offer a “good,” “better” and “best” selection of auxiliary lighting products.

Tire Dealer Study

Auxiliary Lighting PHILIPS

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Chassis RAYBESTOS

Fuel Pumps AIRTEX

Brakes

ELECTRONIC MARKETING

37% advertise the brakes they sell through direct email to customers.

Preferred supplier

Warehouse distributor	33%
Auto parts retailer	40%
Jobber	20%

Reason for supplier preference

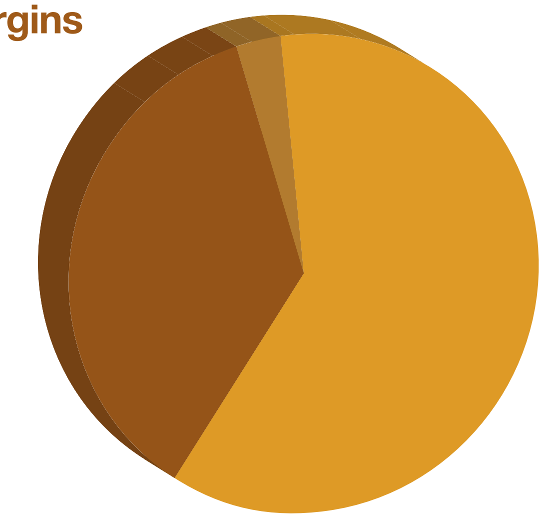
Long-standing relationship	26%
Offers quality product	29%
Availability	26%

Expected 2013 gross margins

61% To Increase

36% To Hold Steady

3% To Decrease

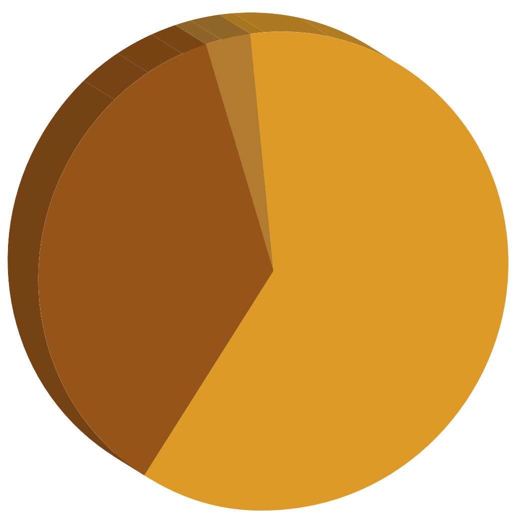


2013 ordering expectations

61% Increase

36% Hold Steady

3% Decrease



32% report that when customer maintenance/repair work is completed, MOST OF THE TIME it leads to a brakes sale through retail purchase or installation.

Most important product characteristics

OEM form, fit, function	20%
Price	4%
Quality	61%
Brand	7%

Sales tactics implemented

Bundle w/related products	44%
Run advertised specials	25%
Unadvertised specials	32%
Price breaks for loyalty	48%

35% DO NOT offer a "good," "better" and "best" selection of brake products.

Chassis

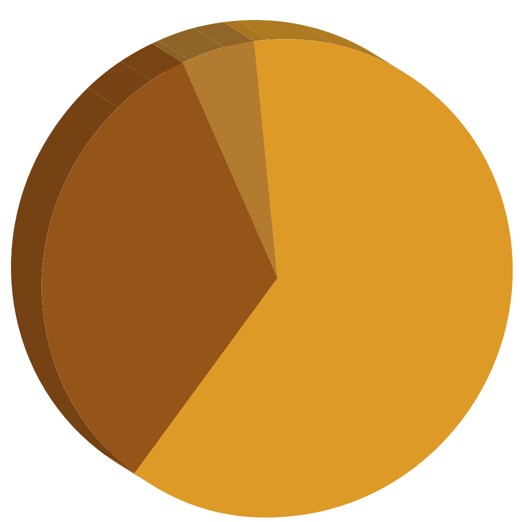
Preferred supplier

Warehouse distributor	27%
Auto parts retailer	38%
Jobber	20%

Reason for supplier preference

Long-standing relationship	26%
Offers quality product	26%
Availability	26%

2013 ordering expectations

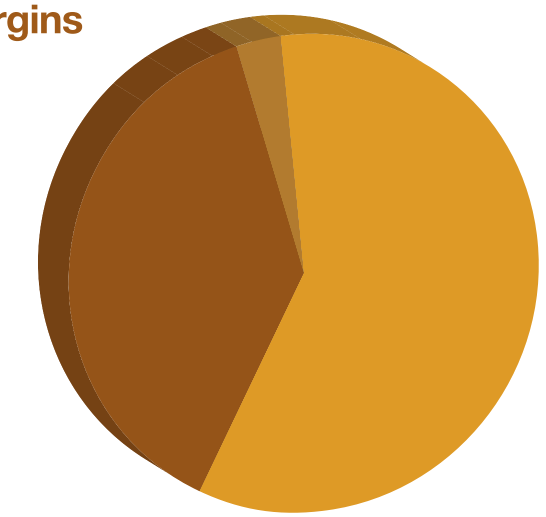


26% report that when customer maintenance/repair work is completed, MOST OF THE TIME it leads to a chassis parts sale through retail purchase or installation.

ELECTRONIC MARKETING

37% advertise the chassis parts they sell through direct email to customers.

Expected 2013 gross margins



Most important product characteristics

OEM form, fit, function	23%
Price	8%
Quality	54%
Brand	9%

Sales tactics implemented

Bundle w/related products	44%
Run advertised specials	25%
Provide training	29%
Price breaks for loyalty	34%

46%

DO NOT

offer a “good,” “better” and “best” selection of chassis products.

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Fuel Pumps

ELECTRONIC MARKETING

27% advertise the fuel pumps they sell through direct email to customers.

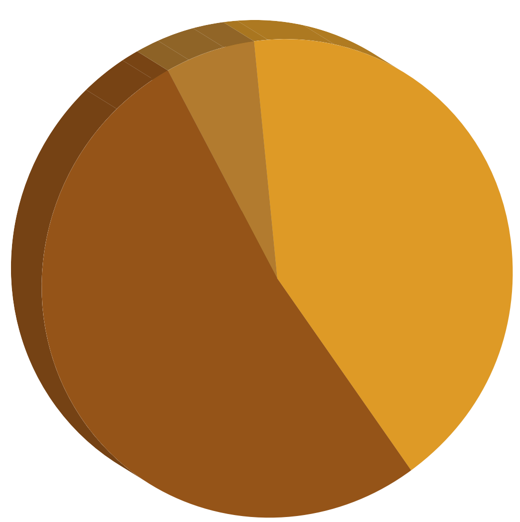
Preferred supplier

Warehouse distributor	28%
Auto parts retailer	29%
Jobber	22%

Reason for supplier preference

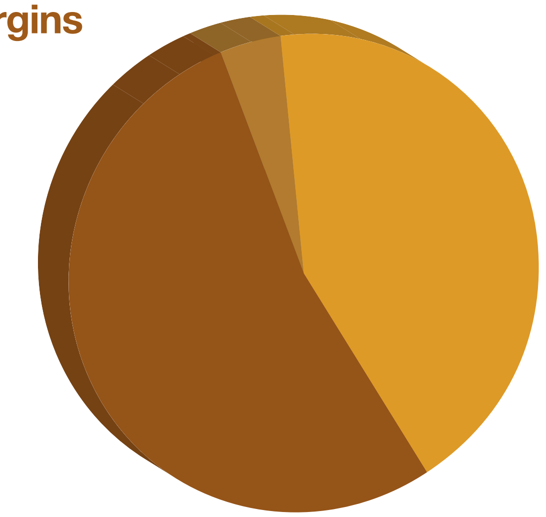
Long-standing relationship	19%
Offers quality product	32%
Availability	26%

2013 ordering expectations



11% report that when customer maintenance/repair work is completed, MOST OF THE TIME it leads to a fuel pump sale through retail purchase or installation.

Expected 2013 gross margins



Most important product characteristics

OEM form, fit, function	27%
Price	5%
Quality	49%
Brand	12%

Sales tactics implemented

Bundle w/related products	33%
Unadvertised specials	18%
Provide training	30%
Price breaks for loyalty	37%

71% DO NOT offer a "good," "better" and "best" selection of fuel pumps products.

For immediate assistance in placing your Marketplace ad, please call Keith Havemann at: 310-857-7634. Send a fax: 310-943-1465 or e-mail: khavemann@advanstar.com

Manufacturers Representatives