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DEVELOPING REGIONS OF EASTERN EUROPE TO DRIVE EU AFTERMARKET GROWTH

BY STEPHEN SPIVEY | Contributing Editor

In France, a major distribution group collects data to support a planned expansion in Poland and neighboring countries.

In Belgium, an established Tier-one supplier of mechanical engine parts explores the potential launch of electrical components to customers in southern Europe.

Meanwhile, a major automaker commissions a study to analyze pricing and recommended inventory levels for spare parts in the former Russian territories.

These are just a few examples that exemplify how in 2013, interest in the European automotive aftermarket was significantly higher than recent years, based on inquiries for Frost & Sullivan research. The questions came not only from OEMs and parts suppliers, but also from investors looking for new business opportunities.

The European automotive aftermarket is a €100 billion industry for parts suppliers from Ireland to Russia, according to Frost & Sullivan's latest research, with total revenue increasing by approximately 2.4 percent

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Opinion

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> The European auto aftermarket is a €100 billion industry for parts suppliers from Ireland to Russia.

annually. It has fully recovered from its dip in 2009-2010, when economic recession caused motorists to defer normal vehicle maintenance.

In the coming years, growth across the region will be driven by expanding vehicle ownership in Eastern Europe – led by Russia and Poland – with increased maintenance and life-of-vehicle repairs for aging automobiles supporting opportunities in Western Europe.

Growth for routine maintenance parts such as tires and lighting will outpace the market as a whole. For electronic parts, including position and pressure sensors, year-over-year growth will be as high as 10 percent. There is also a growing demand for remanufactured products, as successful cross-border core collection programs pave the way for lower priced starters/alternators and clutch parts, among others.

Growth projections for the region are based on two key metrics – vehicles in operation and average vehicle age.

There are approximately 290 million passenger cars and light trucks across Europe that will need ongoing parts and service to remain operational. The average age of these vehicles is 8.2 years – with those in Western Europe tending to be a little bit older due to higher new car sales in Russia and Poland.

The mature Western European markets – the United Kingdom, Germany, France, Italy and Spain – are home to the highest share of these vehicles (about 166 million). However, vehicles in operation are only increasing in those countries by 1 percent annually. Low economic growth has suppressed new vehicle sales, resulting in fewer cars and light trucks added to the car parc.

In Eastern Europe, growth rates are significantly higher. Frost & Sullivan forecasts Russia's vehicles in operation to increase more than three times faster (3.3 percent) than the rest of Europe. In Poland, new vehicle sales grew 6.4 percent for 2013 – the highest in three years – boosting the automobile population there. Overall, Eastern Europe's car parc will grow by 2.6 percent annually – more than twice as fast as the rest of the continent.

Europe also has the most diverse mix of

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vehicle brands in the world – a potential challenge for suppliers trying to meet the aftermarket's all-makes-and-models benchmark – and the shares of various OEMs can change dramatically from country to country.

For example, Volkswagen brands represent 20 percent to 21 percent of all passenger vehicles in Western Europe, but just 12 percent to 13 percent in Eastern Europe. Renault-Nissan dominates Eastern Europe with about 28 percent of registered vehicles, but holds only about 11 percent in the west.

North American brands Ford and GM-Opel make up 15 percent to 20 percent of registered vehicles in operation across the continent, but Asian OEMs are growing the fastest.

About 40 percent of vehicles are older than nine years of age, putting them in the prime replacement age for expensive repairs. New vehicle sales will take several years to recover to pre-recession levels in the large Western European countries, increasing the likelihood that their owners will pay for the repairs instead of trading in the car.

However, product selection and distribution channels also vary significantly from country to country – presenting another potential obstacle to growth in the region.

For example, the United Kingdom features a wider range of discount brands, private labels, and service chains competing against dealer parts and service – making it the most similar to North America's aftermarket. The OES channel accounts for about 25 percent of all parts revenue at the manufacturer level.

There is a completely different service culture in Germany, where technicians spend years in apprenticeship learning their trade. Home to premium OEMs and parts manufacturers BMW, Mercedes-Benz, Bosch and Hella, among others, loyalty to dealer parts and service remains high and discount brands are still shunned. Here, the OES channel still represents about half of all parts revenue.

Most other Western European countries fall somewhere between the United Kingdom and Germany in regards to their loyalty to the OEMs. Nonetheless, the overall trend is in favor of lower-priced parts and service, with the same Asian supply chains that have driven down margins in North America also gaining share with European parts distributors.

Internet retailers are expected to enjoy the highest growth, ...CONTINUE READING

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VENDORS

Chinese aftermarket trade show caters to North American exhibitors

BY JAMES E. GUYETTE
News Correspondent

Entrepreneurs within China's blossoming aftermarket are eager to step up the distribution and sales of imported performance and customization products. The nation's flourishing middle class of motorists is especially attracted to automotive add-ons that carry an enriched branding presence.

TRENDS & MARKET Analysis

Mindful of some of the inefficiencies experienced by overseas vendors attempting to venture into the marketplace, a partnership between YASN International Exhibition Co., Ltd. and Messe Düsseldorf (Shanghai) Co., Ltd. aims to provide an exhibitor-friendly welcome at the Aug. 9-11 All in Tuning Show (AIT), which runs concurrent with the Beijing Auto Show.

Now in its third year, AIT 2014 is being redesigned to meet the specific needs of aftermarket operations originating in the U.S., Canada and Mexico, according to Karen Fierst, YASN's Maryland-based North American representative.

"This is the first year YASN and All in Tuning are making an effort to develop the All in

Vendor Newsmaker

Q&A

MATT INGRAM
Regional Manager at CTEK Power Inc.

Q As a Sweden-based company, can you talk about some of the worldwide trends in the battery and battery charger market?

A What did Ingram say? Continue reading online.

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> A recent surge in used car sales is jumpstarting demand for specialty add-ons and service.

Tuning name and attract North American visitors," she says, pointing out that the alliance between YASN and Messe Düsseldorf combines two reputable trade show producers capable of delivering a credible sense of know-how and competence to exhibitors arriving from across the Pacific.

"We're developing a climate that is favorable to foreign visitors," says Fierst. "We have the opportunity to work with North Americans to further develop this show specific to the tuning industry." ("Tuning" is the overall term used in China to define the performance and customization categories.)

To accomplish this mission, "They are going to have a value-added package for North American exhibitors wanting to participate," she says. "They will arrange business-to-business, face-to-face meetings to find and increase their distribution networks in China."

A lineup of bilingual Chinese/English conferences and seminars is also being scheduled.

"We're listening; we want to hear what is important to exhibitors and we want to meet their needs," says Fierst. "They want to provide what the visitor wants, so it's very exciting."

Building a brand

Discounts for booth construction and an accelerated atmosphere of collaboration and cooperation are prime objectives of the show's management.

"The goal is that North Americans can get there and have a turnkey operation," she says. An English-speaking staff dedicated to connecting sellers with motivated Chinese buyers is an important attribute, along with providing expert aid to ease the various issues associated with navigating China's

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Integrated product lines bring order out of chaos in vehicle interiors

BY JAMES E. GUYETTE
News Correspondent

With drivers logging longer periods of time behind the wheel amid an accompanying accumulation of clutter, in-cabin organizational products are becoming increasingly popular as aftermarket add-ons.

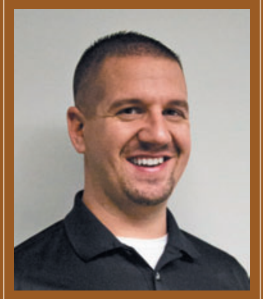
TRENDS & MARKET Analysis

An average motorist now spends 18.5 hours per week in their car, adding up to nearly three hours a day on weekdays and more than two hours a day on weekends, according to the Arbitron National In-Car Study.

The U.S. Dept. of Transportation's National Household Travel Survey reports that more than 128 million Americans fall into the category of "commuters," and of that number an astounding 75.7 percent drive to work by themselves. A Gallup Work and Education study finds that 70 percent of workers have commutes that last for at least a half-hour.

"These days, our cars are more than transportation – they're mobile offices, entertainment rooms, dining rooms and locker rooms," says Tim Parkes, founder and CEO of Remington Industries.

Vendor Newsmaker Q&A



AARON LUNDY
Marketing Manager at Air Lift Co.

Q What are the aftermarket opportunities for selling add-on suspension products?

A What did Lundy say? Continue reading online.

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> Today's cars are transportation plus mobile offices, entertainment rooms and dining rooms.

"For commuters and certainly moms, the car has become their domain," he adds. "We've chronicled a number of consumer insights over the years, and they show that the car, the garage and the home are all merging together. We're seeing a continuation of that trend, and in years to come it will be that much more integrated."

Parkes points out that "when you add the number of moms and dads who tote their kids to school, soccer practice, Cub Scouts and various activities, it all adds up to the fact that Americans continue to rely on their vehicles to get around."

And a focused aftermarket merchandising plan is the best method for reaching these on-the-go drivers, he advises.

Remington's "Showroom" program aims to connect the company with industry retailers. "Visibility, market presence and key consumer insights are its features and true partnering its success," says Parkes. "First of all, we focus our sales and marketing efforts on programs versus products. In other words, we develop customized merchandising solutions that take your market and your customer into account. Then we price products accordingly, weaving them into a convincing brand story. This creates true customer value and loyalty, building lasting customer relationships and repeat purchase."

"We also provide in-store merchandising opportunities that enhance and direct the customer shopping experience," Parkes continues. "And we help you grow your business by providing you with nationally recognized brands and an unprecedented manufacturing capability."

Leveraging the reputation of a readily recognized rubber maker, Remington became an official licensee as it introduced the Rubbermaid Mobile line of vehicle organizational products bearing the

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The aftermarket is going mobile

Companies interested in mobile sales should optimize websites, offer mobile apps

BY BRIAN ALBRIGHT
News Correspondent

Last year, when Federal-Mogul announced its SmartChoice Mobile app, the company became the latest automotive parts provider to move into the mobile space. The app allows shop owners, service writers and technicians to use iPhone or Android devices to access parts information and communicate inspection data (including photos) directly to vehicle owners.

TRENDS & MARKET Analysis

A number of aftermarket companies now make e-catalog information available via mobile devices, or have released mobile applications that make it easier to search for and purchase parts.

Interest in both business-to-consumer (B2C) and business-to-business (B2B) mobile connectivity is increasing, although not every company has optimized their Web capabilities to handle mobile inquiries and purchases.

Technology Newsmaker Q&A

RON ROSSI
Director of Market Intelligence, AAIA

Q What is your biggest challenge in measuring the online retail market for sales of aftermarket parts and accessories?

A What did Rossi say? Continue reading online.

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U.S. mobile Internet traffic nearly doubled in 2013, according to data from wireless industry consultant Chetan Sharma. Depending on the market, mobile traffic can account for any-

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> The survey said that fewer than 50 percent of respondents had a mobile-optimized website.

where from 28 percent to as much as 50 percent of a site's traffic. Globally, Statista puts mobile at 17 percent of all Web traffic. Internet traffic from mobile devices will exceed that of wired devices by 2016, according to ABI Research.

Adobe's 2013 Digital Marketing Optimization Survey found that fewer than 50 percent of respondents had a mobile-optimized site or a mobile app. At the same time, Branding Brand reported that Black Friday sales on smartphone-optimized websites were up 187 percent in 2013.

That level of activity has pushed a number of companies to pursue mobility initiatives. Dorman Products launched a mobile version of its website in 2010, and Vertical Development announced a free mobile app for its ShowMeTheParts division that provides parts searches on smartphones. Bosch, O'Reilly, Denso, Auto Parts Warehouse and Summit also have announced mobile initiatives.

"Technicians and jobbers are becoming more dependent on digital access," says Brent Berman, manager of digital content and e-data for the vehicle component segment at Federal-Mogul. "Every branded company wants a way to communicate directly with the guy who throws away the box, so we started looking at all the digital elements we had at our disposal to do that. A lot of people are accessing our sites via mobile devices."

There are two basic approaches to mobile sales and look-ups. Companies can develop and launch mobile apps (as Federal-Mogul and ShowMeTheParts have), or optimize their existing websites for mobile access. Optimization is a good idea regardless, since an increasing number of customers are looking for parts on their phones and tablets.

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How right to repair went nationwide

Aftermarket, OEM groups sign agreement to provide repair information access

> The agreement came on the heels of another Right to Repair law passing in New Jersey.

BY BRIAN ALBRIGHT
News Correspondent

When both the electorate and legislature in Massachusetts passed the state's Right to Repair law in November 2012, it was clear the industry had turned a corner in what had been a lengthy battle over access to manufacturer repair data by independent repairers.

TRENDS & MARKET Analysis

For Right to Repair supporters, the passage had big implications for their efforts elsewhere in the country. If OEMs had to abide by the rules in Massachusetts, it made little sense for them to do things differently elsewhere. In January, the other shoe dropped, and a coalition of both OEM and aftermarket industry organizations signed a 50-state memorandum of understanding (MOU) that unofficially expands the Massachusetts requirements nationwide.

The Alliance of Automobile Manufacturers, the Association of Global Automakers, the Automotive Aftermarket Industry Association (AAIA), and the Coalition for Automotive Repair Equality (CARE) based the agreement directly on the Massachusetts law. The MOU extends the essential provisions for light vehicles, and covers all companies and organizations that are members of the signatories. The OEM groups represent nearly all of the major automotive manufacturers.

"Our goal has been to get a national agreement with manufacturers, so that we wouldn't need to go state by state anymore," said Aaron Lowe, vice president of government affairs for the AAIA. "We've been negotiating this for some time, and one of the sticking points was seeing how things would be finalized in Massachusetts. We worked with the trade associations on an agreement that all the manufacturers

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Dealer Newsmaker Q&A

SARA BRUCE
VP of Legal Affairs, Ohio Automobile Dealers Association

Q What are the Ohio Automobile Dealers Association primary concerns about Tesla's business model?

A What did Bruce say? Continue reading online.

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The commoditization OF AUTO REPAIR

> He confused a customer instead of referring them to the professional help they needed.

The other day I was standing in line waiting at a parts store to pick up an order. I had the opportunity to hear two conversations from parts counter salespeople that I wanted to share with you. It doesn't matter which parts store because this is not a unique conversation that happens infrequently.

The first conversation began with a salesperson – not parts professional – selling a "tune up" for a 1996 Taurus with a 3.0-liter engine. There were so many errors in the dialog that it's hard to know where to begin. Let's start with the nuts and bolts. There are two 3.0-liter engines in that year – Taurus plus a flex fuel option and they do not share ignition parts except a spark plug. The salesperson never asked so a return was going to occur.

More disturbing to me is that rather than telling the customer, who clearly had no idea what he was doing, this is the correct spark plug that came in your engine he took the approach that makes technicians all over the country cringe. I have the NGK for $4.87, or the Denso at $5, or the Autolite for $3.26 or the Bosch Platinum on special for $1.99. The guy bought the Bosch, which is the wrong plug for the engine.

Now I am not saying anything negative about my friends at Bosch. This is a straight up merchandising problem. Bosch built this plug years ago to solve a problem with a particular Porsche engine. It doesn't work in a late model fuel-injected engine and causes misfires. They make a plug that will work in this engine but the point I am trying to make is that the salesperson is short changing both the business he works for and his customer by not taking the time to read what actually goes in this car and selling on price.

Since I know some of you will check on me, Ford wants double platinum spark plugs in all of the 3.0 liters that year. So in summary, wrong part, wrong information, return imminent, P030x misfire imminent, loss of revenue and potentially loss of a customer.

Problem number two I observed was another salesperson – not a parts professional either – who had a customer on the phone and was diagnosing myriad issues over the phone and looking up prices for parts to repair his diagnosis.

DONNY SEYFER
Operations Manager
Seyfer Automotive, Inc.

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A tale of TWO SHOPS

> There are fewer independently owned shops and a surge in the growth of national chains.

I recently spoke with two friends that run successful repair shops. In the course of catching up with both, I asked them the obligatory question, “How’s business?”

The two responses could not have been more different. With Kevin, it was as if I’d asked a hypochondriac, “How are you doing?” His reply was summed up by: “I’m fed up with it.”

He bombarded me with gripes about virtually every aspect of the business. However, the central theme to his comments was that the business is “just no fun anymore.”

He started with how tough it is to find good help and that when you do find a qualified young tech they don’t have the same work ethic as they used to. I asked him how he was dealing with that and he replied, ”I got rid of them all and now I’m working alone.”

He went on to say the jobbers he had known forever had sold out and the chains are taking over. “The guys working the parts counters know absolutely nothing about parts or fixing cars. And then there are the parts,” Kevin said. “Nothing is made in America anymore. Brands that used to be sold exclusively to the trade are now all over the shelves of retail stores. And I haven’t seen a factory rep in years”

Contrast that with another conversation I had with my friend Jim. Jim has two shops and just opened a third. His two sons are running the two branches. His business is booming. I asked him if he was experiencing similar problems to those voiced by Kevin. He admitted that younger techs are indeed different, but that you just have to “learn to deal with them.” He too had seen changes of ownership with some of his parts providers but he said there still are good places with good people who know what they’re doing.

Is the difference between Jim and Kevin as simple as the glass is half empty or half full? Clearly, both are looking at market changes and reacting in very different ways.

The facts are the facts. The average age of the owner of shops is increasing. Some like Jim have their kids coming into the business, but there probably are more like Kevin who don’t. It is a fact that more shops are for sale now than at any other time in history.

According to Lang Marketing we are seeing shrinkage of independently owned shops while we are seeing a surge in the growth

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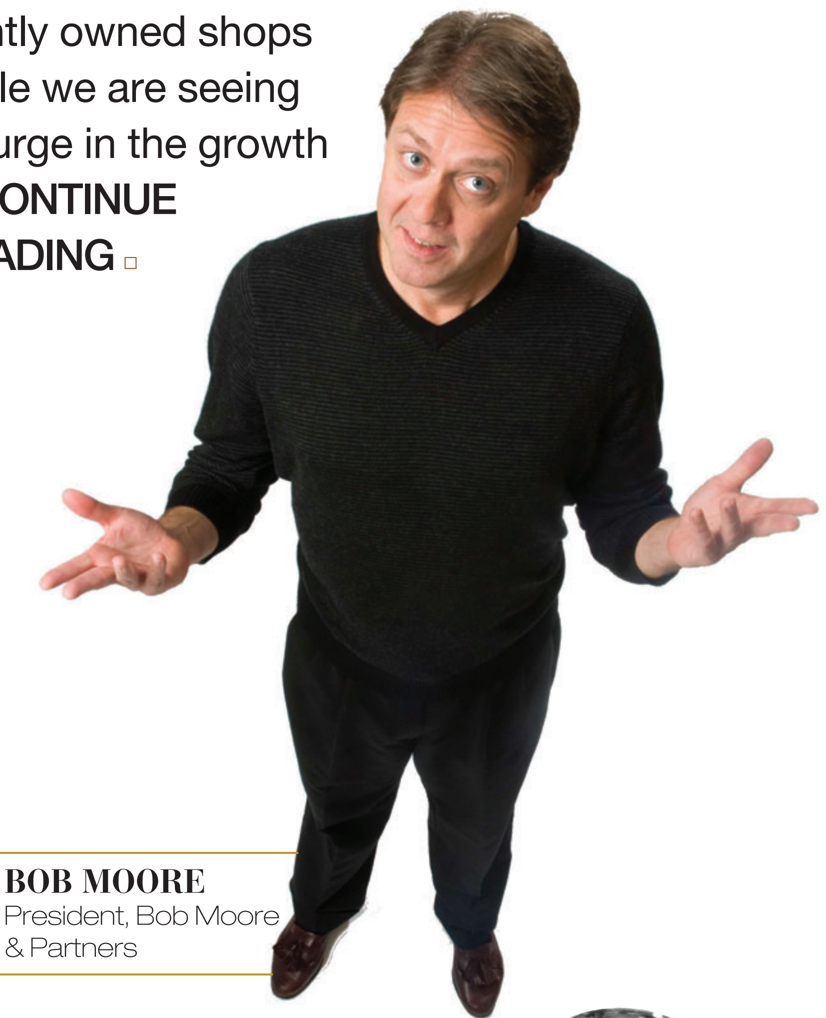

BOB MOORE
President, Bob Moore & Partners

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Global markets are HEATING UP

> "China was the first country to see domestic vehicle sales surpass 20 million a year in 2013."

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At the close of the first quarter of 2014, international markets are heating up for automotive suppliers. Reports from around the globe indicate gradual growth and strengthening in many markets.

China will retake the lead over the U.S. in oil demand growth this year as its manufacturing and transportation industries expand, according to the International Energy Agency. Much of this growth in oil consumption comes from burgeoning Chinese auto sales. China became the first country to see domestic vehicle sales surpass 20 million units a year in 2013. The state-backed China Association of Automobile Manufacturers forecasts that deliveries will rise as much as 10 percent this year.

Indonesia expects a new wave of automotive component sector investments to result from the expansion of passenger vehicle production capacity that is taking place in the country. Its Ministry of Industry predicts 20 to 30 automotive component manufacturers to announce new spending in the country over the next year, worth a combined $1.5 billion. This growth stems from new vehicle production capacity being built by automakers, including Honda, Suzuki and Nissan.

Malaysia has announced a partial opening of its auto industry to foreign energy-efficient car producers as part of liberalization efforts by Prime Minister Najib Razak's administration in a bid to compete with Thailand for investments. The new national automotive policy will ease restrictions on new manufacturing licenses for the production for cars and motorbikes that are powered by hybrid and electric engines. It also offers financial support in terms of soft loans and grants close to 2.1 billion ringgit ($633 million) for companies setting up plants to produce energy-efficient vehicles (EEVs).

Carmakers are predicting a gradual increase in demand in **Europe** this year after a sovereign-debt crisis and recessions led to a six-year contraction in deliveries through 2013. Consumers replacing old cars may account for some of the recovery, though gains are also being fed by continued incentives from automakers and a government program in **Spain** to encourage trade-ins of old vehicles for scrapping.

These results mirror results of the Q4 2013 "How's Global Business" report from the Overseas Automotive Council (OAC) of the Automotive Aftermarket Suppliers Association (AASA).

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Vice President,
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Agreement on trade talks SPURS TWO U.S. PACTS

> Eliminating non-tariff trade barriers is the more important issue for the U.S. auto aftermarket.

The U.S.-European Union trade agreement currently being negotiated will definitely affect the auto aftermarket. The fourth meeting between the parties takes place in March. Impetus has been provided by a recent bipartisan agreement in Congress on the terms of a new trade promotion authority (TPA) bill. It would apply to all trade negotiations, not just the current ones with the EU and a second one with Pacific Rim countries.

A TPA bill, if passed, would allow President Obama to submit the proposed U.S.-EU Transatlantic Trade and Investment Partnership (TTIP) and the Pacific Rim Trans-Pacific Partnership (TPP) to Congress without the threat of either the House or Senate adding objectionable amendments. There would have to be a clean up-or-down vote.

The Obama administration has been constrained to some extent in moving forward in both cases because of concerns on the part of the European and Pacific nations about environmental, labor, investment and other restrictions the Congress would want to include in either deal. The TPA legislation called the Bipartisan Congressional Trade Priorities Act establishes positions in those areas, which both Democrats and Republicans agree on. So the Obama administration now knows how far it can go in various areas, or how far it must go, depending on the issue, in order to win easy congressional approval.

With regard to the auto sector, both the TPP and TTIP aim to open foreign markets for U.S. automakers. But a letter from the Automotive Aftermarket Industry Association (AAIA) to U.S. Trade Representative (USTR) on the eve of initiation of the TTIP negotiations last year suggests that the aftermarket has a lot at stake, too.

"While the automotive sector has been identified as a key sector with a significant transatlantic relationship, and where the biggest relative increase in trade resulting from the TTIP is expected to take place, the expected impact may actually be understated," said the letter signed by Andres Castrillon, director, International Trade. "This is because much of the data focuses exclusively on the potential increase in motor vehicle imports and exports, while ignoring the significant trade increases that will also result in the automotive aftermarket."

In his letter to the USTR, Castrillon mentioned a number of specific issues the AAIA felt needed addressing. Those were things like the complete elimination of tariff and non-tariff barriers, "simple and efficient" rules of origin and allowing mutual recognition of existing regulations unless convincing and reliable data exist demonstrating a safety or environmental deficiency.

Tariffs on imported auto parts aren't pervasive and where they exist they are low. In 2009, the last year for which the Commerce Department shows statistics, U.S. aftermarket retailers and their distributors imported $12 billion of auto parts from Europe. That compares with $13.5 billion from Japan and $11 billion from China. But the value of imported auto parts as a percentage of total

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STEPHEN BARLAS
Washington Correspondent

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Be careful about RUNNING YOUR MOUTH

> It's old news around here that my business suffered a disastrous fire last June.

What goes around comes around. This saying is more prophetic than I thought. Murphy's Law cooked to perfection, and seasoned lightly with a hint of vengeance.

It's old news around here that my business suffered a disastrous fire last June. We rebuilt, reopened and revamped our entire operation. It's kind of like cleaning house with a flame-thrower – expensive and inefficient – but effective.

It took us a few months to build our business back to the pre-fire level, but we are finally there or very close at least. During our journey towards normal, we learned many different things about competition and how they viewed and discussed our business dilemma while we were down. Let's just say very few of them took the high road.

Two businesses in particular really threw us under the bus without consideration as to who the bus driver was, and where the bus driver's loyalty was. I mention this for an important reason, because it's real easy to "jump on the bandwagon" and take joyous pleasure from the nuance of a catchy tune/rumor, but it's wise to realize that most rock bands break up pretty quick.

After the fire many of our regular customers were forced to obtain parts and services from other providers within our community. Rumors are like soccer hooligans. It's hard to explain what really got them started, and even harder to control them after inciting the event at hand. Well, the rumor-mill was firing on all cylinders here.

Our customer base was confused as to where to get the services they needed. All of our pre-fire vendors were screaming for payment for pre-fire purchases. Notice that I refer to them as pre-fire vendors. Our finances were being drained like a rusty bucket with three holes in the bottom. We lost two long-term employees.

City, county and various state agencies were running wide-eyed asking for things that I could not provide. Insurance agents were poking around with the finest sharpened pencils known to man. My wife was in tears every day. Even the family dog had to have emergency surgery after a vicious attack by other dogs (she was defending our honor I'm sure). Plus the normal stress of day-to-day life.

As if all of that is not enough to deal with, add-on goading phone calls from your competition with questions like, "Hey can you guys work in an oil change, ah man, sorry I just remembered, you guys got toasted," followed by a hasty "click" on the phone line. Or some of our long-term customers visiting our competition, and coming back to me with stories about them giggling, or exclaiming, "It couldn't have happened to a nicer guy." Really? Really.

But we did take the high road. We never once made an open rebuttal to anything said by the competition or rumored to have been said by our competition for fear of adding more fuel to the fire. Let me tell

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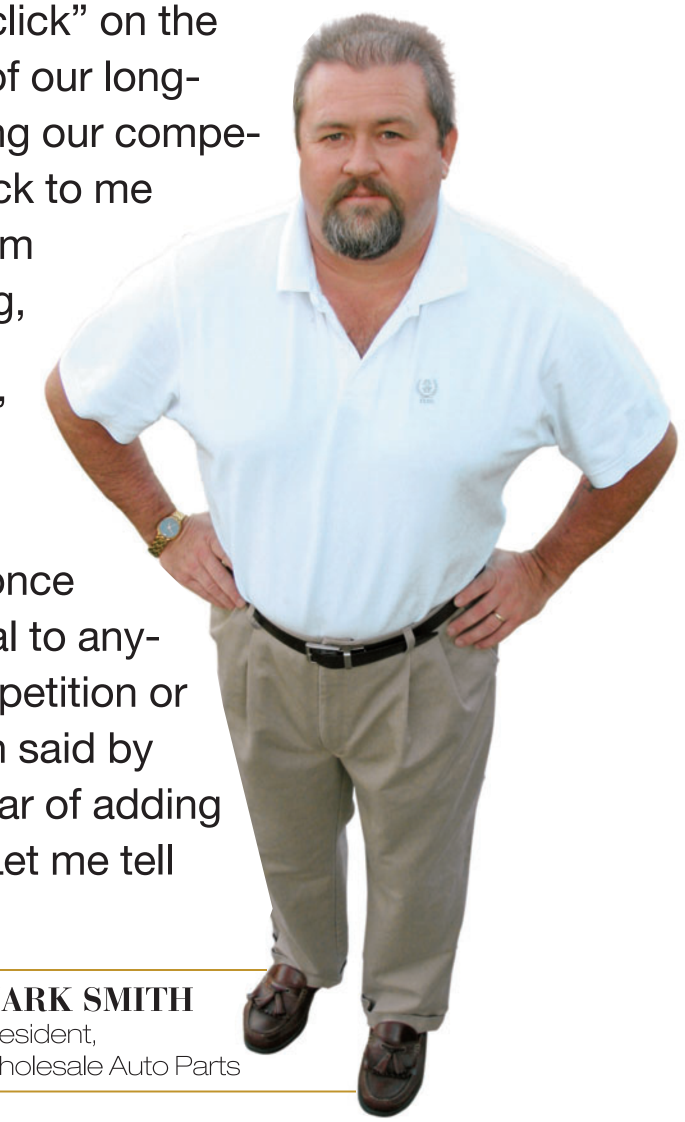

MARK SMITH
President,
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HIGH HOPES

INDEPENDENT SHOPS PROJECT CONFIDENCE ABOUT 2014

PHOTO COURTESY: THINKSTOCK

BY BRUCE ADAMS | Managing Editor

More than 50 percent of independent shop owners expect to increase product sales in 2014 while 40 percent expect to sell the same amount, according to the *Aftermarket Business World* independent shop survey. Only 4 percent of shop owners expect their sales to decrease in 2014.

Similar figures hold true for their outlook on gross margin expectations. Some 55 percent expect to increase their gross margins while 42 percent think they will hold steady with 2013, and 2 percent expect their margins to decrease.

Product sales increased in 2013 for 50 percent of the independent shops surveyed, while 46 percent maintained the same sales, the survey indicated. Only 4 percent said they sold less in 2013 than in 2012. Of those, 3 percent said sales were down 1 percent to 5 percent and 1 percent of respondents said sales decreased 6 percent to 10 percent.

Some 42 percent of independent shops surveyed prefer to purchase from retailers, 33 percent from warehouse distributors and 22 percent from jobbers, according to the survey.

Some 45 percent of independent shops said that quality is the number one need for their customers, while 18 percent said OE form, fit and function was most important, 16 percent said price, and 15 percent said availability.

A whopping 83 percent said none of their product sales were made over the Internet. Some 9 percent said 1 percent to 5 percent of their sales are made over the Internet.

Independent shops that use social media to promote product sales tend to favor Facebook for their medium.

Methodology: The Independent Repair Shop Product Study was fielded to readers of *Motor Age* magazine via email. Survey results are intended to show general market trends, not statistical certainties, as results were garnered from a small sample audience.

CONTENTS

Auxiliary Lighting

48% of independent shop respondents use 1-2 suppliers for their auxiliary lighting product needs.

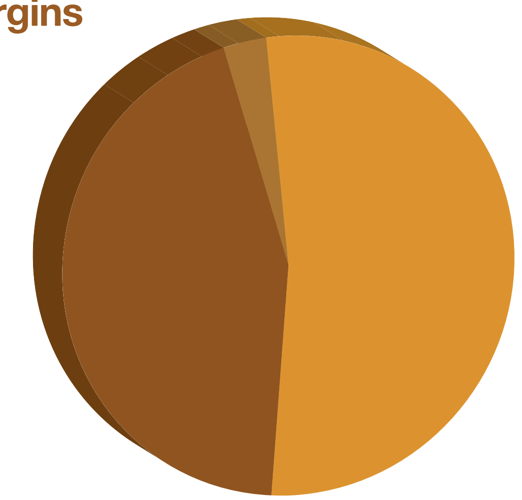
Preferred supplier

Auto parts retailer	42%
Warehouse distributor	35%
Jobber	19%

Most important supplier quality

Fair pricing	23%
Parts availability	31%
Delivery speed	16%

Expected 2014 gross margins

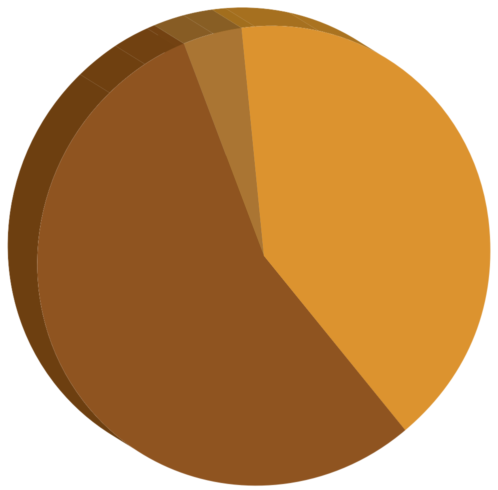


53% To Increase

44% To Hold Steady

3% To Decrease

2013 auxiliary lighting sales



41% Increased

55% Held Steady

4% Decreased

81% of independent shops report they make no auxiliary lighting sales over the Internet.

2014 lighting sales expectations

To hold steady	40%
To increase 1-10%	45%
To increase 11-20%	6%
To decrease	6%

Customer needs

Quality	31%
OEM form, fit, function	27%
Price	22%
Availability	18%
Brand	2%

65% of respondents who utilize social media use

FACEBOOK

to promote their shop's auxiliary lighting services.

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Brakes

Preferred supplier

Auto parts retailer	46%
Jobber	23%
Warehouse distributor	28%

Most important supplier quality

Parts availability	35%
Fair pricing	19%
Inventory options	28%

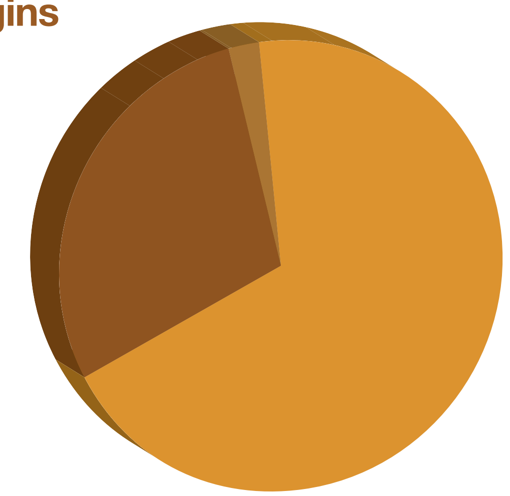
58% of independent shop respondents use 3-4 suppliers for their brake product needs.

Expected 2014 gross margins

69% To Increase

29% To Hold Steady

2% To Decrease

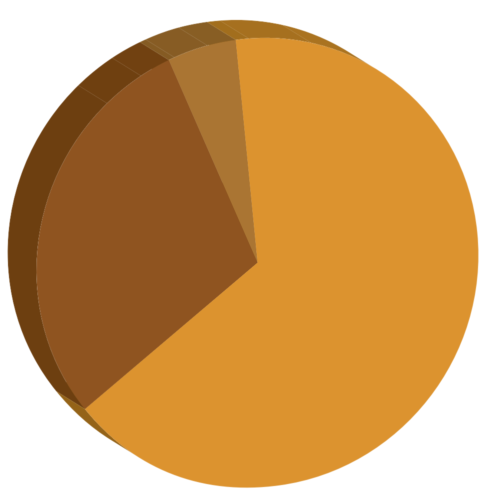


2013 brake sales

66% Increased

29% Held Steady

5% Decreased



83% of independent shops report they make no brake sales over the Internet.

2014 brake sales expectations

To hold steady	26%
To increase 1-10%	53%
To increase 11-20%	14%
To decrease	3%

Customer needs

Quality	65%
OEM form, fit, function	8%
Price	16%
Availability	5%
Warranty	3%

64% of respondents who utilize social media use

FACEBOOK

to promote their shop's brake services.

Independent Repair Shop Product Study

Auxiliary Lighting Philips

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Water Pumps GMB

Water Pumps

55% of independent shop respondents use 3-4 suppliers for their water pump product needs.

Preferred supplier

Auto parts retailer	36%
Warehouse distributor	37%
Jobber	24%

Most important supplier quality

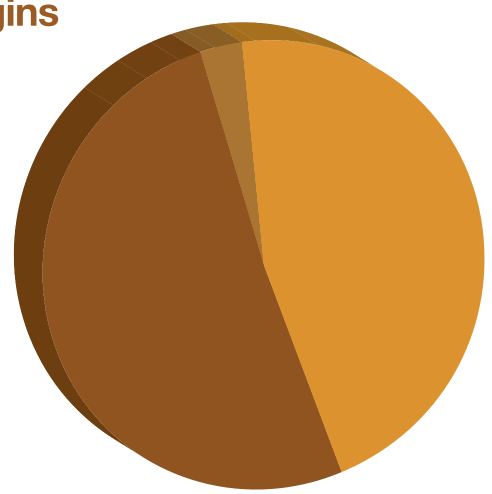
Inventory options	23%
Parts availability	31%
Fair pricing	19%

Expected 2014 gross margins

46% To Increase

51% To Hold Steady

3% To Decrease

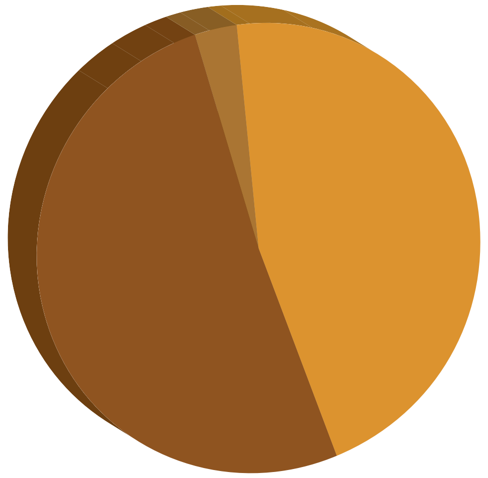


2013 water pump sales

46% Increased

51% Held Steady

3% Decreased



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

2014 water pump sales expectations

To hold steady	52%
To increase 1-10%	35%
To increase 11-20%	10%
To decrease	2%

Customer needs

Quality	43%
OEM form, fit, function	17%
Availability	20%
Price	11%
Warranty	6%

64% of respondents who utilize social media use

FACEBOOK

to promote their shop's water pump services.

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