AFTERMARKET BUSINESS WORLD™

APRIL 2014

Australian Aftermarket
SEES SURGE OF CONSOLIDATIONS

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Australian Aftermarket

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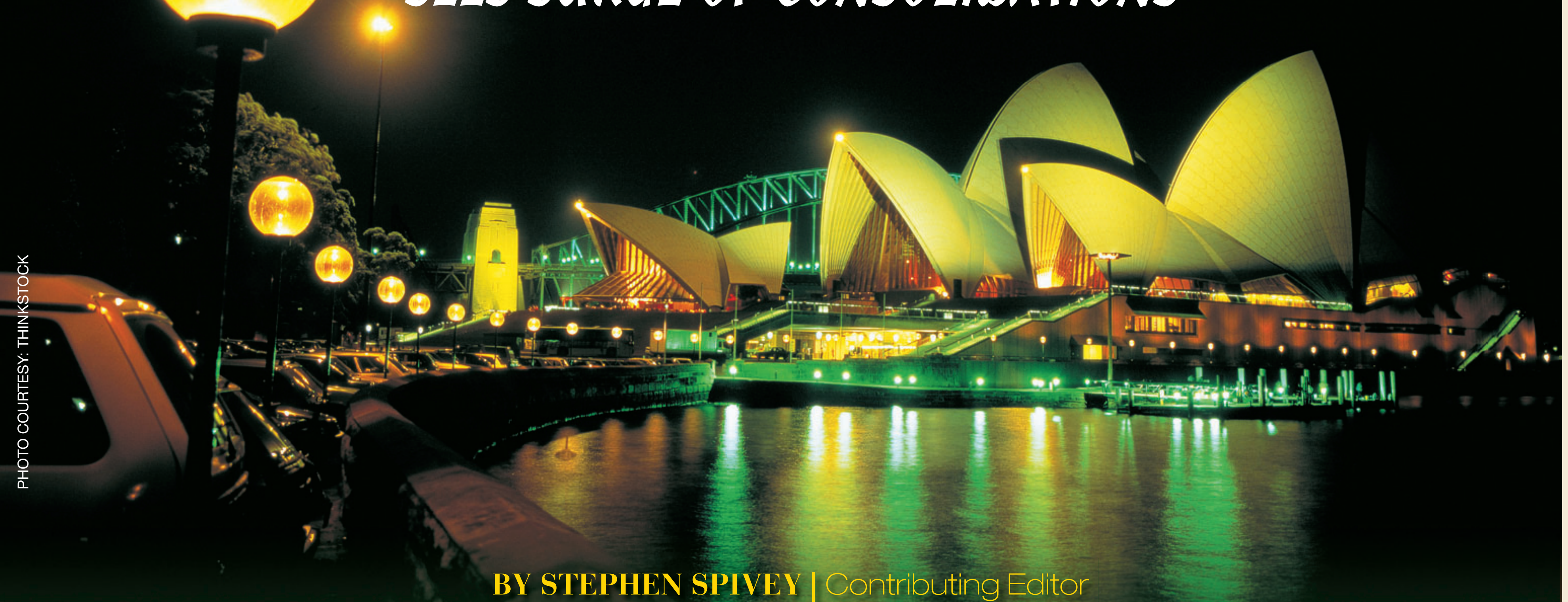

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BY STEPHEN SPIVEY | Contributing Editor

Two recent events capture the changes taking place today in Australia's automotive aftermarket.

The first is NAPA parent Genuine Parts' acquisition of Exego Group – the country's largest parts distributor with annual revenue of about $1 billion. The deal, completed in April 2013, includes about 400 Repco parts stores across Australia and New Zealand.

The second is General Motors' decision to stop manufacturing new cars in Australia, announced in December 2013. GM's Holden brand will no longer be sold in Australia after the final vehicle rolls off the assembly line in 2017.

The decision also reflects the challenges facing parts manufacturers, distributors and installers across Australia – how to serve a small market that is geographically isolated from the aftermarket's major global supply chains in North America, China and Europe?

Although it is one of the world's largest land

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> Although vast, Australia is home to only 15.6 million passenger cars and light trucks.

masses, Australia is home to only 15.6 million passenger cars and light trucks – compared to about 250 million in the United States. Frost & Sullivan estimates wholesale parts revenue at approximately $13 billion and growing at less than 2 percent annually, with accessories and high-performance parts enjoying higher growth than most routine maintenance products.

It is also a very diverse car market – with more than 80 vehicles brands still driven there.

For GM, exiting Australia means it can focus its production resources in regions where costs are lower and demand is higher.

For Genuine Parts, entering Australia offers the opportunity to export some of the North American aftermarket's cost efficiencies to a country that has much in common with the United States.

For example, Toyota brands account for one in five vehicles in Australia. However, Holden and Ford represent about 16 percent and 13 percent of the market, respectively. Major European brands such as Volkswagen, Renault and BMW represent less than 10 percent of the vehicle population.

Sport-utility and crossover vehicles are the fastest-growing segments in Australia's vehicle market. Increasing sales of large vehicles at the expense of small cars is also a defining feature of the U.S. auto industry.

Furthermore, the average vehicle age in Australia is 9.8 years, compared to 10.3 in North America. This puts vehicles in both regions in the prime replacement age for a wide range of electrical, as well as mechanical parts. Average annual use – currently around 15,000 kilometers per vehicle – has remained relatively unchanged despite the increased migration to public transportation systems.

Australian new vehicle sales reached a record 1 million units in 2012. It is a positive trend suggesting that the aftermarket will offer growth opportunities over the medium to long term as these vehicles age.

Distribution in Australia increasingly resembles what is happening across North America. There is high growth for two-step retail distributors and a sharp increase in direct sourcing

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of parts from China. In addition to Exego, two more of Australia's largest parts distributors – Automotive Brands Group, which included the Autobarn and Autopro store chains, and Burson Auto Parts – have changed ownership over the past several years.

The top five distributors – Repco, Supercheap Autos, Autobarn, Burson Auto Part and Auto One – make up more than 40 percent of total parts sales. Four of them have a significant retail, do-it-yourself focus, but also sell parts to garages and service centers, closely mirroring the strength of retailers such as AutoZone, Advance Auto Parts and O'Reilly Automotive in the United States.

The rapid pace of consolidation among Australia's largest distributors will make it difficult for new entrants. The number of retail parts outlets is forecasted to decline from 6,985 last year to 6,483 by 2020.

As in other regions, e-retailing is quickly gaining ground as a new distribution channel – for service providers as well as vehicle owners. The recently launched Webtyre.net allows consumers to purchase tires online and then have them fitted at their nearest Ultratune service center.

On the service side, there are many well-known chains – including Repco Authorized Service, Kmart, Ultratune, Bosch Car Service, Midas and Goodyear – with large networks across Australia. About 30 percent of Australian vehicle owners perform at least some maintenance themselves, according to published surveys, but 40 percent admit they do not take their cars to a garage or a dealership unless there's something wrong with it.

There are approximately 37,000 independent repair facilities and service centers in Australia. Overcoming the resistance to basic vehicle maintenance is an ongoing challenge for service providers across the country.

The independent aftermarket represents 70 percent to 80 percent of the total maintenance and repair business, with automakers and their franchised dealers in the OES channel accounting for less than 30 percent. Most major OEMs have introduced capped price servicing programs to reduce maintenance costs for consumers and draw more of them back to dealerships. They also face fewer requirements to share technical data with the independent aftermarket – so called Choice of Repairer legislation remains stalled in Australia.

It is a competitive landscape that offers low, but reliable growth for large companies that have the ability to invest in the country.

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VENDORS

Volvo's engineering continues to evolve under Chinese ownership

BY JAMES E. GUYETTE
News Correspondent

Following a period of uncertainty over the nameplate's future, Sweden's venerable Volvo Car Corp. is revamping its entire model lineup in an $11-billion international engineering and marketing push that includes plans to eventually export Chinese-made vehicles into the U.S.

TRENDS & MARKET Analysis

A timetable for these imports has not yet been disclosed, although the company has said it would like to see the process unfold "fairly quickly."

Sold by Ford to China's Geely for $1.8 billion in 2010, a joint collaboration project between engineers in Sweden and China has some industry observers believing that Volvo's vaulted technological expertise will overcome any reluctance among Americans who may be wary of purchasing a car produced in China.

The complexities of this nation's automotive regulatory requirements that have thus far hindered China's entry into the U.S. marketplace are also being addressed by the Sweden/China designers' alliance.

Vendor Newsmaker Q&A

THOMAS INGENLATH
Volvo's Senior Vice President of Design

Q What are some of the details of Volvo's new Scalable Product Architecture?

A What did Ingenlath say? Continue reading online.

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> Volvo's production plants are located in Sweden, Belgium, Malaysia and China.

The main office, product development, marketing and administration operations are mainly based in Gothenburg, Sweden. Since 2011 Volvo has had offices in Shanghai and Chengdu, China. A new Shanghai headquarters hosts a technology center and facilitates functions such as sales and marketing, manufacturing, purchasing and product development.

Production plants are located in Sweden, Belgium, Malaysia and China.

"Volvo is one of the most iconic and best-known Swedish brands," notes Laura Wood, senior manager at Dublin, Ireland-based Research and Markets. In February the consulting and publishing firm released a 55-page Supplying Volvo 2014 guide for vendors seeking contracts with the OEM. "Its widespread recognition derives from its reputation for leading-edge safety technology and environmental compliance," she says, adding that the report details Volvo's product, platform and purchasing strategies.

The automaker is currently selling its cars in more than 100 nations, with the U.S and China garnering the most purchases. Japan ranks as one of Volvo's key growth markets; January sales there were up by 132 percent.

Founded in 1927 by Swedish ball bearing producer SKF, Volvo – the name means "I roll" in Latin – is on a roll once again with a series of engineering innovations that have received widespread industry acclaim.

Online broadcaster Drivers Talk Radio recently rated the 2015 S60 model as the top pick in its best sport-luxury sedan category. "Volvo's new modular engine platforms were exactly what the S60 needed to make it a winner" in the station's awards, according to program host Rick Titus.

Connecting with concepts

"Volvo has been on a winning streak with its concept cars," says Thomas Ingenlath, Volvo's senior vice president of design.

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OEMs embracing aluminum for structural, exterior auto body parts

BY JAMES E. GUYETTE
News Correspondent

Aluminum is on a roll. Already at No. 2, behind steel, as the most-used raw material for vehicle production, industry forecasters report that the demand for overall automotive aluminum is expected to nearly double by 2025.

TRENDS & MARKET Analysis

Compared to 2012's levels, the amount of specific aluminum body sheet content in North American cars and trucks is expected to quadruple by 2015 and increase tenfold by 2025.

Media accounts have been raising the possibility that these rapidly rising engineering applications could be foiled by shortages of the metal, but aluminum producers are eager to stamp out such concerns by embarking upon ambitious expansion initiatives.

Another issue is whether the U.S. auto repair segment is adequately prepared with the equipment and technical know how necessary to work on the influx of aluminum components set to arrive through their bay doors.

"It's a pretty safe bet that we are not," says Darrell Amberson, chairman of the Automotive

Vendor Newsmaker Q&A

AARON SCHULENBURG
Executive Director of the Society of Collision Repair Specialists

Q How do you assess the readiness of the equipment and repair industry to properly address aluminum components?

A What did Schulenburg say? Continue reading online.

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> The number of aluminum-intensive vehicles is expected to surge in the coming years.

Service Association (ASA). "This could be quite a significant wave, and the question is: How many people will embrace it?"

An aluminum welding stall must be shielded and segregated from other shop activities to avoid metallurgical contamination. The estimated cost associated with setting up a suitable welding station falls into the $50,000 range, according to Amberson, who tells *Aftermarket Business World* that this actually represents a "reasonable" investment given the industry's need to stay current with the latest technologies.

Amberson also is vice president of operations at the LaMettry's Collision Inc. chain in Minnesota, and he notes that the company is among numerous other shops that hold OEM certifications from automakers that have previously included a sizable amount of aluminum content.

"We have embraced the Audis, Mercedes' and Teslas," he says. "It's pretty indicative of the trend. We have a number of techs who do weld with aluminum, but it takes some training and a lot of practice." Amberson is especially pleased that the Inter-Industry Conference on Auto Collision Repair (I-CAR) has lowered its fees for welding instruction.

"The number of aluminum-intensive vehicles is expected to surge in the coming years and technicians and shops must be prepared to perform quality, complete and safe aluminum repairs to properly restore these vehicles," I-CAR's syllabus points out. "The inherent differences involved in aluminum welding can challenge technicians who are familiar primarily with steel."

Amberson estimates that only 10 percent of the nation's independent repair shops are currently certified to work with aluminum. And way too many operations are still expressing a reluctance to press forward. "Even some dealerships

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The dealership of the future

Dealers hope to leverage vehicle complexity to increase share of service market

BY BRIAN ALBRIGHT
Correspondent

Dealership service, sales and parts functions will be more tightly integrated in the future, industry consolidation will continue, and technology will be increasingly important to ensuring dealer profitability.

TRENDS & MARKET Analysis

Auto Team America, a network of CPA firms that serves the dealer industry, has released a new report, “2025 Dealership Vision: What Lies Ahead!,” which outlines a number of sales, technology and service trends that are likely to affect dealer operations over the next decade.

According to the report, dealerships will continue to consolidate as an aging owner base looks to retirement. Sixty-nine percent of respondents to the survey are looking to grow their operations through acquisition and expansion, and there will be a growing pool of owners looking to sell. Of the survey respondents, 34 percent expect their majority owner to be retired by 2025, and another 38 percent plan to transition to lesser roles in the business.

“There is a huge transition that will happen

Dealer Newsmaker
Q&A

DAVE ANDREA
Senior Vice President, Industry Analysis and Economics, OESA

Q What can we learn from General Motors’ decision to alter its supplier terms after the backlash?

A What did Andrea say? Continue reading online.

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> Service profits will be hurt by long recommended maintenance schedules and better car reliability.

in the next 10 years," says Scott Gorden, managing principal, dealerships at Auto Team member CliftonLarsonAllen. "Given the age of the dealers, the business will consolidate and change more than at any time in the last 50 years."

According to the report, OEM influence also will contribute to consolidation: "Couple this with the factory's increasing demands for facility upgrades along with the true need for some dealerships to relocate and rebuild; we will find more dealers who are unwilling to commit the capital needed to undergo major real estate renovation projects that will take decades to pay off," the report says.

A single point of contact

Lines between fixed ops and sales also will erode as dealers provide a single point of contact for customers.

"Right now when you buy a car and have it serviced at a dealership, the person you deal with on the sales side is not the same person on the service side," Gorden says. "When you come into a dealership in the future, there may be one customer sales rep that handles everything you need, from sales to service to parts. You have one point of contact for the customer."

Service will remain an important source of revenue. In 2025, 41 percent of dealers expect service to be their most profitable department, while only 5 percent see sales as the most profitable department.

Manufacturers will continue to work on their stocking guides and automatic replenishment systems, expanding their influence on the parts department.

According to the report: "Better logistics, improved demand analysis, careful selection of strategic warehouse locations and more common vehicle systems in 2025 will allow even more efficient control of inventory. Dealer-to-dealer transactions through the manufacturer parts locators will also improve movement between dealer inventories. Overall, manufacturers will control 90 percent of dealership inventory with guaranteed buybacks, eliminating much of the past obsolescence issues."

Average inventory turn will improve to about 12 times a year, and could climb as high as 20 times per year depending on wholesales business. Parts gross profit will remain highest on non-maintenance parts because of the lack of aftermarket competition on specialty parts, the high cost of shipping with Internet sellers, and the shrinking DIY market.

However, service profitability will be hindered by longer recommended maintenance schedules and better vehicle reliability. Dealers will experience growth in customer repair work on older vehicles and benefit from the more complex systems in the vehicles that will reduce aftermarket competition.

"The aftermarket simply will not be able to keep up regardless of the final results of so-called 'right-to-repair' legislation as the cost of entry for the training, tools and knowledge

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Parts store moves into the cloud

Triangle Auto Supply's cloud solution aims to help improve e-commerce activities

> Nearly 60 percent of sales are online, so bolstering e-commerce capabilities is a priority.

BY BRIAN ALBRIGHT
Correspondent

For the owners of Triangle Auto Supply, e-commerce represents the future of their business, and cloud computing technology is the path to getting there. The company has deployed a cloud-based business management system from Fuse5.

TRENDS & MARKET Analysis

"If you don't change, you won't be around," says owner Jim DeGrasse. "The major players have connectivity to the installers and the dealerships. If you are working with a shop owner who is tech savvy, and most of them are, they want to connect electronically. They don't want to make a phone call to find out if you have a part in stock. We have better quality parts and great prices, but we didn't have that ability to connect to those customers."

The new Fuse5 solution includes inventory, forecasting, pricing, sales, and e-commerce functionality. Triangle deployed the system at the beginning of 2014.

Triangle Auto Supply is the oldest family owned and operated parts store in Yakima, Wash. The company was also an early innovator on the technology front. Triangle was the first parts store in Yakima to have a computer. Jim and his brother Todd DeGrasse say the store ran on a modified software solution that was customized by their uncle for decades. "Our uncle kept improving that system, and we migrated it right up to the last version on Microsoft Windows," Jim DeGrasse says.

However, the older program lacked a lot of functionality. As Triangle moved more into e-commerce and offered parts via the Internet, the manual processes required for listing inventory become more and more inefficient. "There was a lot of manual work to make that integration happen," says Todd DeGrasse. "It was very time consuming on our part to try and manage the brick and mortar business and also do all this work for the Internet business."

Jim evaluated the Fuse5 software at SEMA and AAPEX. "It was cutting edge, and I could tell very quickly that these guys really got it, understood how the technology needed to work, and if we had an issue or concern, they would take care of it," he says.

Todd, however, had some reservations about moving to a cloud-based system. "An early concern we had was what would happen if the Internet went down. We're fortunate here that we have service through out telecom, and we also have a cable Internet feed coming into the building," he says. "In order for our network to go down, we'd have to lose both of those."

Once he saw what the solution was capable of, however, Todd was sold. "The old paradigm of legacy-based computer systems, where you buy software and hardware, that business model is essentially dead," he says.

Preparation for the deployment included training on the new solution for the

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Technology Newsmaker

Q&A

SCOTT LUCKETT
CIO of the Automotive Aftermarket Industry Association

Q Can you give us an update on AAIA's Product Attribute database (PAdb)?

A What did Luckett say? Continue reading online.

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Encouraging greatness IN NEW TECHS

> There are some great tool programs for students out there that you ought to know about.

Over the last few months a recurring theme I hear when traveling outside the shop to industry meetings and events is attracting and retaining new folks to our industry.

If you have read my column over the last few months I have commented on it and evangelized how we might get something done. This month I am going to visit this one more time.

For new people coming into the industry there are two big costs that are disproportionate to the potential entry-level income. First, is the cost of schooling, which can easily get near the cost of a two-year college degree. I am going to make some enemies here but I just so love those nasty grams in my email box.

Look, it costs a lot of money to set up a trade school with current equipment, teachers and all of the education necessities that go along with taking young women and men from thinking cars are cool to being able to work on them. That is sort of a fixed cost if you will.

The new National Automotive Technicians Education Foundation (NATEF) standards will help to make it so two-year students can support themselves and continue learning as they work in a live repair shop.

The other item that is the most disproportionate is the cost of entry. Tools and tool boxes are a significant investment for entry level and journeyman techs. Nothing makes my dad more upset than paying the copier guy $135 bucks an hour when his tool kit fits in a briefcase. It's all a matter of perspective when moving dad's toolbox would require three guys pushing and steering.

The struggle for the new guys is, "Do I buy some inexpensive tools that will get me by or do I buy the premium tools where one screwdriver costs more than the entire deluxe set over at the hardware store?"

Most of us who do this for a living know the answer is you buy the quality tools because they make you work faster with the least amount of damage to you and the car and they last longer.

There are some great tool programs for students out there that you ought to know about. The longest standing programs out there are the deals Snap-On, Mac Tools and Matco do for students that provide them a nice entry-level tool set for a significant discount.

This shows their commitment to the industry. Of course they want new techs to consider their tools and there is no better way than to put them in their hands. Even with discounts as deep as they offer, becoming a technician is an expensive career path. The more we can come up with ways to outfit new techs, the better chance we have of attracting them away from the copier repair business.

Last fall a visionary husband and wife team decided they should do

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DONNY SEYFER
Operations Manager
Seyfer Automotive, Inc.

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2014 is a pivotal year FOR LATIN AMERICAN MARKETS

"One of the primary risks for Latin America in 2014 will come from China."

This will be a pivotal year for Latin American automotive markets. While demand will increase in Mexico and Central American markets will revive, other markets in the region face slowdowns in demand, currency devaluations and corrections.

John Price, managing director of Americas Market Intelligence – Miami, recently presented an exclusive Latin American market outlook for 2014 to members of the Overseas Automotive Council (OAC) of the Automotive Aftermarket Suppliers Association (AASA). He noted some of the top opportunities for automotive suppliers in the region:

- Mexican demand will grow;
- depressed Central American and Caribbean markets will revive; and
- the slowdown of new car sales in South America will age the vehicle parc, stimulating aftermarket parts and materials demand.

One of the primary risks for Latin America in 2014 will come from China, according to Price. Chinese economic policy has shifted from export manufacturing and infrastructure to internal consumer demand. The resulting decrease in China's infrastructure investment will dampen global demand for raw materials. South American metals exporters like Brazil, Peru, Chile, Argentina and others now will earn less from their Chinese exports, putting a dent in their GDPs, he said.

This change in Chinese policy also will impact South American currencies, which are 95-plus percent correlated with the price of commodities. In 2014, several South American countries face the difficult policy trade-off of a weaker currency or higher interest rates, which could hurt demand for housing, machinery and other large ticket items, he explained.

Price also shared these insights on specific countries within the region:

Mexico has gradually become a competitive export manufacturer again. It is now taking increased share of an expanding U.S. economy in aerospace, automobiles, electronics, IT and other product categories. Mexico's increased production in oil and gas will come on line by 2015-26 thanks to new finds (gas) and new investments (Pemex reform).

In Brazil, some 58.2 percent of citizens use their monthly salary to pay off "installment debt," according to a new survey by the Instituto Brasileiro de Economia (Brazilian Institute of Economics, Ibre-FGV). Yet the survey also showed most debts were short-term: 78.4 percent had installment repayment plans of six months or less, and only 10.1 percent had taken out plans for 12 months or more.

Colombia's improved security has helped investment in its vast natural resource endowments (coal, oil, gas, gold, industrial metals) often found in remote

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Aftermarket likely TO LEAD NHTSA V2V DRIVE

> It's reasonable that V2V technology will start appearing in new cars in five to 10 years.

The National Highway Safety Traffic Administration (NHTSA) says it plans to start a regulatory proceeding to require vehicle-to-vehicle technologies (V2V) in new cars. While NHTSA didn't mention the aftermarket, that is where the action will be near term.

The Feb. 2 announcement was about as vague as most federal agency press releases of this type. But it was more than the feds have said in the past with regard to stimulating V2V technologies. Any skeptic would point out that it will take years for NHTSA to complete any rulemaking. And when done it will contain an implementation schedule, which will give the automakers additional years in which to comply.

Then there are issues such as wireless spectrum, which NHTSA has no control over. And standards have to be established. So it's reasonable to believe that V2V technology will start appearing in new cars in five years to a decade.

Patrick Brunett, sales director and general manager of Cohda Wireless America LLC, thinks a five-year horizon would be "really aggressive." Cohda has been working with NHTSA in Ann Arbor, Mich., on a pilot program that uses Cohda's MK4 dedicated short range communications (DSRC) radio technology, as well as similar technology from other vendors.

However, even though NHTSA did not mention the aftermarket in its announcement, it has already stated that Here I Am data messaging technologies – the heart of V2V systems – produced for the aftermarket will be able to "produce safety benefits through reduced crashes sooner than through original equipment manufacturer (OEM) embedded systems only."

V2V communications enables a vehicle to sense threats and hazards with a 360-degree awareness of the position of other vehicles and the threat or hazard they present; calculate risk; issue driver advisories or warnings; and take pre-emptive actions to avoid and mitigate crashes.

Debra Bezzina, senior program manager, University of Michigan Transportation Institute, said the NHTSA safety pilot is testing two kinds of aftermarket devices: a vehicle awareness device (VAD) and an aftermarket safety device (ASD). The VAD is only a transmitter. It transmits the basic safety message, which includes data such as position, speed and heading. It does not have any interaction with the driver in the way of safety applications. Of the 2,800-plus vehicles in the safety pilot, 2,450 vehicles were equipped with a VAD.

There are a total of 300 ASDs composed of a global positioning system (GPS) antenna, DSRC antenna and a speaker. The ASDs that are deployed have three safety applications: forward collision warning, curve speed warning, and emergency electronic brake lights. Of the 300 ASDs deployed, 100 have a sophisticated data acquisition system (DAS). The DAS includes a forward scene camera, a cabin camera, a cabin microphone, a ranging system, two rear scene cameras and a GPS.

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STEPHEN BARLAS
Washington Correspondent

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The importance of **BALANCE**

> True success in this business is quantifiable by making money.

Trying not to gloss poetic, the relentless pull of poetry plies my resolve to explain our endless pursuit of running a perfect automotive business, or at least to be considered good enough, so that in the end, we can be content. A retrospect of a job well done.

Becoming an automotive jobber or service center is easy enough, but being successful is an elusive measurement, if not an ambiguous adjective. Achieving the heights of greatness in our own eyes requires being focused on the peak of the summit, and sure footing and timeliness in your attempts.

If you find yourself trying to reach these lofty heights, a curiously wise note of remembrance is to be conscious of the dark valleys and hollows you had to transcend while digging and pawing with radical imaginative abandonment, searching and reaching through a seemingly pathless wood plodding toward your foreseen self redemption. Robert Frost would have been happy with that entire run-on sentence of a paragraph.

What I'm speaking about is balance. To simply be the best oddly is not good enough, and good enough might be far more envious.

For instance, if your auto parts store is the best at finding those hard-to-find items, does that imply you are also the best at finding the easy ones? If you find this to be a challenging question, I've got your attention. If you smugly consider yourself one of the best, I challenge you by suggesting the shrewdness of your strategy may have possibly isolated your businesses true noteworthiness. Rather, you may become known for a singular point of excellence.

I've often said it's hard for the smartest person's opinion in the room to make money by exciting the imagination of listeners. Why? Because for most of us, our imagination is contained within the boundaries of the subjective world (our reality). Simply put, "we want," yet motivational speeches are not enough to get us what we really think we want. Worse still is when we do finally achieve a level of success, we are not quick enough to realize what we have achieved.

Our desires cloud the omni-evident. We tend to want to be the smartest, fastest, prettiest, best priced, and abundantly stocked parts store or service center known to man. Shockingly, many of these types have failed miserably because they forgot the most important thing.

To illustrate this, a good example is displayed by this inane statistic: The number of people who have scaled Mt. Everest vs. those who have not. Approximately 4,000 people have, over 6 billion have not for a percentage of the current population of .0000006%. If climbing Mt. Everest is an allegory for perfection, it seems it is indeed lonely at the top.

On a side note, more people have died trying to scale this peak, than have accomplished this feat, and far more have attempted the trek than death and success combined. For the individual climber, accomplishing the task is the pay off, regardless the cost or risk. What's the goal of the Sherpa? Money, I say. He gets paid regardless of what height the expedition ascends to. That's what your goal should be. Nothing more, nothing less. If you make money, your distinction is one of success by proxy.

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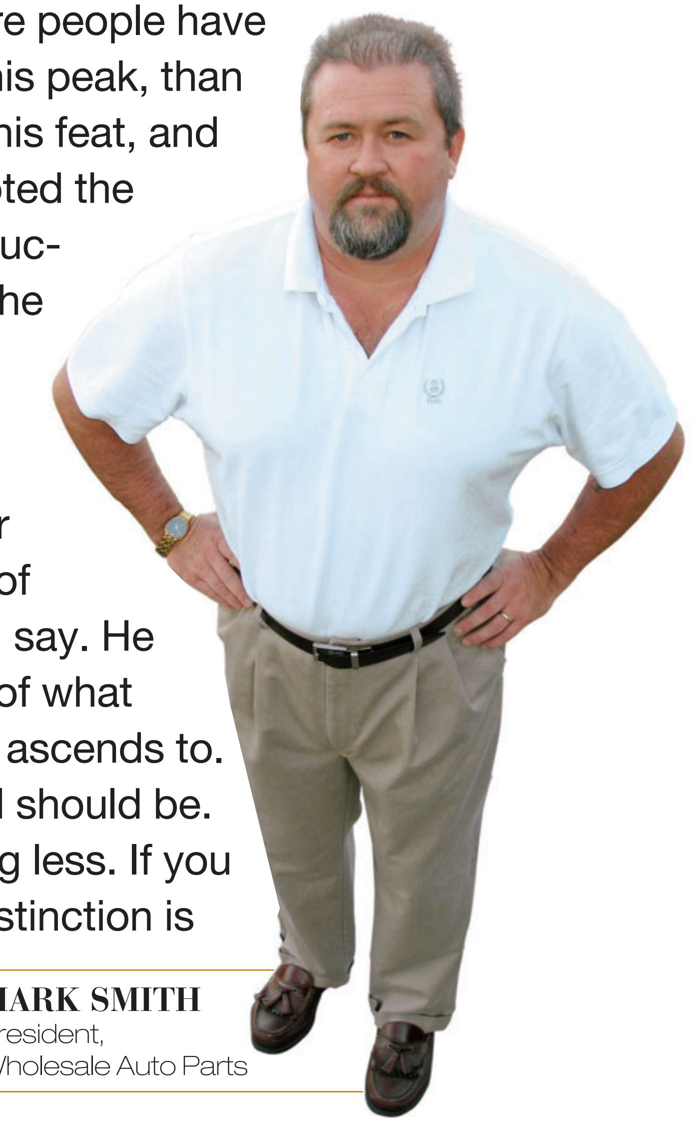

MARK SMITH
President,
Wholesale Auto Parts

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THE BIG GET BIGGER

ADVANCE'S ACQUISITION OF GPI VAULTS THEM TO NUMBER 1 IN SIZE

BY **BRUCE ADAMS** | MANAGING EDITOR

One of the largest deals in the industry in years closed Jan. 2, 2014, when Advance Auto Parts completed the acquisition of General Parts International (GPI).

The deal catapulted Advance to the No. 1 spot in the Top 25 Auto Chain Report with 5,297 company owned stores, 105 WORLDPAC branches and approximately 1,400 independently owned CARQUEST branded stores. AutoZone, which had occupied the No. 1 spot the for years, was a close second with 5,210 company-owned stores.

Some industry observers said Advance's acquisition of GPI was the most earthshaking industry deal since CARQUEST acquired WORLDPAC. The deal will increase Advance's commercial sales from 38 percent of total revenue in last year's Top 25 report to 55 percent this year.

Other notable changes this year saw Uni-Select drop from 450 company-owned stores to 412 as it goes through a U.S. restructuring in which it is closing 48 stores. Despite the reduction, the company moved from No. 7 last year to No. 6 this year due to Advance's acquisition of GPI.

Brooks Auto Parts dropped from No. 15 last year to a three-way tie for No. 24 this year as it sold 21 of its 47 stores to Genuine Parts Co. in November 2013.

1 ADVANCE AUTO PARTS

5008 Airport Road
Roanoke, VA 24012
Phone: (540) 362-4911
www.advanceautoparts.com
CEO:
Darren R. Jackson

President:
George Sherman
Program Group Affiliation:
None
Stores: 5,297

Employees: 71,000
Retail: 45%
Commercial: 55%
Sales: $6.21 billion
(through Dec. 28, 2013)
Estimated Sales (2014): $9.3 billion

On Jan. 2, 2014 Advance Auto Parts completed the acquisition of General Parts International (GPI). GPI was a leading privately held distributor and supplier of original equipment and aftermarket replacement products for commercial markets operating under the CARQUEST and WORLDPAC brands. The transaction created the largest automotive aftermarket parts provider in North America with annual sales of more than $9.3 billion and 71,000 employees.

2 AUTOZONE INC.

123 South Front Street
Memphis, TN 38103
Phone: (901) 495-6500
www.AutoZone.com

CEO:
William C. Rhodes III
Program Group Affiliation:
None
Stores: 5,210

Employees: 71,000+
Retail: 85%
Commercial: 15%
Sales: $9.15 billion
(through Aug. 30, 2013)
Estimated Sales (2014): NA

AutoZone entered into an agreement in 2013 with KSS Retail's PriceStrat solution to deliver science-based price modeling and promotion optimization across the retailer's merchandising organization so that the company can improve its customer loyalty. AutoZone is continually looking to improve on its retail and commercial business models. A great deal of focus has been given to continual improvement in customer service levels and inventory availability.

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3 O'REILLY AUTOMOTIVE INC.

233 South Patterson Ave.
Springfield, MO 65802
Phone: (417) 874-7145
www.oreillyauto.com

CEO/President: Greg Henslee
Program Group Affiliation: None
Stores: 4,166

Employees: 61,909
Retail: 58%
Commercial: 42%
Sales: $6.65 billion (2013)
Estimated Sales (2014): $7.1 billion

O'Reilly rolled out O'Reilly O'Rewards, the company's retail loyalty card program. The company also enhanced its O'Reilly O'Cat proprietary electronic catalog. It began construction on two new incremental greenfield distribution centers and began construction on one new distribution center, which will be used to relocate an existing distribution center, all of which are scheduled to open in 2014.

4 GENUINE PARTS COMPANY

2999 Circle 75 Parkway
Atlanta, GA 30339
Phone: (770) 953-1700
www.genpt.com
CEO:
Tom Gallagher

President: Paul Donahue
Program Group Affiliation: NAPA
Stores: 1,308*

Employees: 37,500
Retail: 25%
Commercial: 75%
Sales: $7.5 billion (2013, automotive group only)
*Plus 400 in Australia & New Zealand

Genuine Parts Company (GPC) acquired Exego Group for $986 million including the assumption of debt on April 1, 2013 and renamed it GPC Asia Pacific. It is based in Melbourne, Australia and includes 400 company-owned Repco stores in Australia and New Zealand. GPC had a small minority interest in the company prior to its acquisition. In terms of the business model, GPC is to NAPA as GPC Asia/Pacific is to Repco.

5 PEP BOYS

3111 W. Allegheny Ave.
Philadelphia, PA 19132
Phone: (215) 430-9000
www.pepboys.com

CEO/President: Mike Odell
Program Group Affiliation: None
Stores: 800

Employees: 19,000
Retail: 100%
Commercial: 0
Sales: $2.09 million (year end Feb. 2, 2013)

Pep Boys acquired 18 Discount Tire Centers in the greater Los Angeles market from AKH Company Inc. in September 2013. Pep Boys launched "The Road Ahead," a new auto service and retail experience that includes a redesigned store exterior and interior, plus a store-within-a-store concept with more than 100 "Speed Shops" for high-performance car enthusiasts. It launched in the Tampa, Fla., market and is in select locations, with the San Francisco Bay market to be added in 2014.

6 UNI-SELECT INC.

170 Industriel Blvd.
Boucherville, Quebec
J4B 2X3
Phone: (450) 641-2440
www.uniselect.com

CEO/President: Richard G. Roy
Program Group Affiliation: None
Stores: 412

Employees: 5,500
Retail: 10%
Commercial: 90%
Sales: $1.788 billion (2013). U.S. only 2013 sales were $1.3 billion

Uni-Select announced in June 2013 a restructuring of its U.S. operations by eliminating approximately 600 jobs and closing 48 stores and 12 distribution centers. During the past 10 years, Uni-Select expanded by completing more than 70 acquisitions. The company said its network needed to be optimized to eliminate redundancy. Uni-Select completed the acquisition of Central Paint and Specialty Car in Ukiah, Calif., in Jan. 2013; and of El Mar Co. in Haverhill, Mass., in April 2013; and of Auto Paint and Supply of Lakeland (Fla.) in early 2014.

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7 FISHER AUTO PARTS

512 Greenville Ave.
Staunton, VA 24402
Phone: (540) 885-8901
www.Fisherautoparts.com

CEO: Bo Fisher
Program Group Affiliation: Federated
Stores: 400

Employees: 3,500
Retail: 25%
Commercial: 75%
Sales: NA

Fisher Auto Parts added 10 new locations in 2013. The company has more than $200 million of revenue in pending acquisitions that it expects to close on in April 2014. Fisher Auto Parts continues a steady growth strategy through a combination of same store sales and mergers and acquisitions. The company said it strives to constantly improve in all possible areas and added many talented people to its team in 2013.

8 REPLACEMENT PARTS INC.

1901 E. Roosevelt Road
Little Rock, AR 72206
Phone: (501) 372-5275
www.BTBAutoParts.com

CEO/President: Bill Schlatterer
Program Group Affiliation: The Alliance
Stores: 156

Employees: 1,100
Retail: 20%
Commercial: 80%
Sales: $220 million (2013)
Estimated Sales (2014): $220 million

2013 was a challenging year from many perspectives. With some minor disruption in the markets due to consolidations and acquisitions, Replacement Parts continued to focus on the business fundamentals with favorable results. Recruiting the right people, placing them in the right positions and then supporting their efforts to win and maintain customers loyalty is always a first effort. "Service is the Difference" isn't just a company motto, it's a lifestyle.

9 HAHN AUTOMOTIVE WAREHOUSE

415 W. Main St.
Rochester, NY 14608
Phone: (585) 235-1595
www.hahnauto.com

co-CEO/President: Eli Futerman
Dan Chessin
Program Group Affiliation: Alliance - Auto Value

Stores: 92
Employees: 1,100
Retail: 20%
Commercial: 80%
Sales: $205 million (2013)
Estimated Sales (2014): $207 million

Prime Automotive Parts Company, a wholly owned subsidiary of Hahn Automotive Warehouse, opened two new locations in the New York City market in 2013. Hahn Automotive Warehouse implemented the inventory optimization tool through the Alliance data warehouse to improve store inventories. The company also implemented new marketing programs direct to the installer base.

10 AUTOMOTIVE PARTS HEADQUARTERS

2959 Clearwater Road
Saint Cloud, MN 56301
Phone: (320) 252-5411
www.autopartshq.com
CEO: John Bartlett Jr.

President: Corey Bartlett
Program Group Affiliation: Alliance - Auto Value
Stores: 85

Employees: 825
Retail: 30%
Commercial: 70%
Sales: $93 million (2013)
Estimated Sales (2014): 98 million

Automotive Parts Headquarters completed a warehouse expansion that will allow the company to service an additional 70 locations from their distribution center in St. Cloud, Minn. APH launched a Commercial Vehicle Division (partnering with HDA/TruckPride) that significantly expanded their medium and heavy-duty coverage, along with the resources required to grow the business: a tech support team, a 96-page catalog and training for the stores. APH also acquired six new locations.

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COMPANY	STORES	WHOLESALE/ RETAIL %	2013 SALES	CEO/PRESIDENT	LOCATION	PHONE	PROGRAM
11 **KOI Warehouse Inc.**	72	70/30	Not available	David P. Wesselman	Cincinnati, OH	(513) 357-2431	Federated
11 **XL Parts**	72	95/5	$200 million	Ali Attayi	Houston, TX	(713) 983-1100	Pronto
13 **Arnold Motor Supply**	57	70/30	Not available	Dennis Spooner	Spencer, IA	(712) 262-1141	The Alliance
14 **SAE Warehouse Inc.**	50	59/41	$56 million	Tim Sturdevant	Sioux Falls, SD	(605) 362-6970	Pronto
15 **Auto Tire & Parts NAPA**	48	70/30	Not available	John Tlapek	Cape Girardeau, MO	(573) 334-9131	NAPA
16 **Bond Auto Parts**	44	80/20	$71 million	Scott Bond	Barre, VT	(802) 479-0571	The Alliance
17 **Arnold Oil Company**	41	80/20	$100 million+	Jim Arnold	Austin, TX	(512) 476-2401	Federated
18 **The Parts House**	39	98/2	$100 million+	David Honig	Jacksonville, FL	(904) 731-3034	The Network
19 **Automotive Supply Associates**	38	80/20	Not available	George Segal	Concord, NH	(603) 225-4000	The Network
20 **A.C.I. Parts Warehousing Inc.**	37	75/25	$36 million	Kevin Van Koevering	Wyoming, MI	(616) 247-7771	The Network
20 **Baxter Auto Parts**	37	50/50	$90 million	Lyle Moore	Portland, OR	(503) 417-5302	The Alliance
22 **Bennett Auto Supply**	33	70/30	$70 million	Harold Bennett	Pompano Beach, FL	(954) 335-8730	The Alliance
23 **Walker Auto Parts**	29	80/20	$28.4 million	Don Walker	Raleigh, NC	(919) 833-8955	NAPA
24 **ABC Auto Parts**	26	70/30	$60 million	Larry Pyle	Longview, TX	(903) 232-3060	The Alliance
24 **Brooks Auto Parts**	26	70/30	Not available	(Don) Elton D. Brooks Jr.	Douglas, GA	(912) 384-7818	NAPA
24 **Hedahls Auto Plus**	26	75/25	$39 million	Dick Hedahl	Bismarck, ND	(701) 223-8393	Uni-Select

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