AFTERMARKET BUSINESS WORLD™

AUGUST 2014

COLLISION REPAIR AFTERMARKET TO GROW IN TOP GEAR

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COLLISION REPAIR AFTERMARKET TO GROW IN TOP GEAR

MOHIT SHITAL | Contributing Editor

Rising prices for electronic parts, light-weight body panels and sophisticated powertrain components, such as turbochargers/superchargers are pushing up collision repair costs, according to a recent analysis from Frost & Sullivan.

The North American aftermarket for collision parts is worth approximately $8.53 billion in manufacturer-level revenue this year and is fore-casted to grow at a compound annual growth rate (CAGR) of 4.7 percent, reaching $10.77 billion in 2019. However, collision rates have declined in recent years; so much of the growth comes from the replacement of higher-priced components.

Frost & Sullivan's analysis covers glass and coatings, in addition to body panels, lighting and underhood parts.

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Collision repair

> Average repair bills are increasing, but there are fewer jobs for body shops to do.

Modern vehicles feature expensive connected technologies such as telematics/infotainment modules, alternative powertrains, and advanced materials to make them lighter and safer, among other improvements. As more vehicles carrying these technologies are involved in accidents, customers will have to buy higher-priced components and modules to repair them.

High residual values in the used-car market provide an incentive for their owners to repair them. However, insurance companies are writing off more vehicles as total losses, approximately 15 percent, compared to just 10 percent a decade ago. This is due to higher repair costs that exceed market value.

So while average repair bills are increasing, there are fewer jobs available for body shops to do. As a result, more and more independent collision repair shops are closing or being acquired by larger, multi-shop operators.

Despite the positive industry outlook, it remains a challenging market segment still largely controlled by the OEMs. More than 60 percent of parts revenue is captured through automobile dealerships, despite the increasing penetration of lower-priced aftermarket parts. Warehouse distributors in the independent aftermarket will see their share of collision repair revenue rise in the coming years – with parts that often cost half the price of the original component – to help the industry keep repair bills from rising too quickly and prevent more of them from being written off by insurance.

Body panels – including hoods, fenders and quarter panels – still make up the largest element of parts costs (at approximately 60 percent). Paint is responsible for about 20 percent of the costs, with underhood parts and headlights/tail lights making up the remaining 20 percent.

Competition varies considerably by industry sub-segment. LKQ Corporation, North America's largest operator of salvage yards, captures a large percent of body parts through its Keystone subsidiary.

The overall growth trends are positive, but the rewards will not....CONTINUE READING

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Latin Auto Parts Expo serves as business hub for emerging market

BY MICHAEL WILLINS
Content Director, Advanstar Automotive

When the Panama Canal was constructed roughly 100 years ago, it paved the way for Panama to become a commercial hub by connecting the Pacific and Atlantic Oceans. This year's Latin Auto Parts Expo served a similar function last month – serving as a focal point for auto parts trade in the region by offering buyers and exhibitors an opportunity to connect at the inaugural event.

TRENDS & MARKET Analysis

Held July 9-11 at the Atlapa Convention Center in Panama City, the convention is owned by Latin Expo Group LLC, headquartered in Miami with an office in Panama. The show attracted nearly 200 exhibitors and buyers from throughout the region, including Honduras, Colombia, Venezuela, the Caribbean Islands and elsewhere. The Auto Care Association, formerly the Automotive Aftermarket Industry Association (AAIA), served as a partner for the event attracting its U.S.-company members to an Auto Care Pavilion at the Expo.

"This is the gateway to all of Latin America,"

Vendor Newsmaker Q&A

ALEXEY YANOVSKIY
Founder and President, Larte Design

Q What factors did you consider when entering the U.S. market with your custom body and performance enhancement kits?

A What did Yanovskiy say? Continue reading online.

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> The Auto Care Association identified Latin America and China as key areas to focus on.

said Andres Castrillon, director of International Trade, for the Auto Care Association. “This is a great place to do business through. We wanted to support a show where our members could come and talk to buyers throughout the region.”

Castrillon says the show is a prime example of what the association is doing to help identify markets and potential markets for its U.S. members who want to expand internationally. “To do that effectively we really need to have an international footprint,” he said. “It’s tough to get partners and potential partners excited about our members if they haven’t heard of the association.”

Castrillon said the Auto Care Association’s executive committee identified Latin America as one of two areas of the world that they wanted to focus on. China would be the other.

“As more and more people are driving cars there, and China feels the global growth, our members want to know what role we can play in building up the Chinese aftermarket,” he said. “(Members) really want market intelligence. If you want to develop an export plan you have to know which markets to target, what the vehicle footprint looks like. If your parts don’t fit the vehicles in a particular market, that’s not a good export market for you.”

John Washbish explains program groups to Latin Auto Parts Expo attendees in Panama City, Panama.

Photo: Michael Willins

Roughly 50 members of the Auto Care Association took part in the Latin Auto Parts Expo to try to reach buyers in this emerging parts market.

Ernesto Sastre, director of business development/Latin America for WorldPac, considers the show an opportunity to build relationships and expand...CONTINUE READING

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Detailing is a profitable add-on for appearance-oriented operators

BY JAMES E. GUYETTE
News Correspondent

Providing automotive detailing can be a lucrative service if the proper education, equipment, materials and business expertise is applied to the venture.

"The industry has gotten much more sophisticated in the last eight to 10 years; there are so many new technologies, especially with waterless products and new paint technology," says Mel Craig, president of The Detailing Pros, an international training center, supplier and retailer based in Huntington Beach, Calif. It has 47 licensees throughout the U.S. and satellite locations in England and Australia.

TRENDS & MARKET Analysis

"It used to be a kids' job," he observes. "For years we were using buckets, brushes and garden hoses." As standards and customer acceptance have progressed, however, the field has grown to encompass some 8,000 detailers within the U.S. alone.

Obtaining the necessary business skills and adopting a professional attitude is a key factor for success, according to Craig, who is seeking to implement regulatory and certification

Vendor Newsmaker Q&A

MARK ALGIE
Business Development Manager, 3M's Automotive Aftermarket Division

Q How would you assess the scope of today's students wishing to enter the repair industry?

A What did Algie say? Continue reading online.

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> The industry remains largely unorganized with far too many "seat of the pants" practitioners.

requirements in an industry that remains largely unorganized with far too many "seat of the pants" practitioners.

"We're trying to eliminate people who don't belong in this industry," says Craig, who describes the average detailer as being "a white male, age 34, who is uneducated and broke; 95 percent of the detailing industry barely scratches out a living," and they frequently lack insurance coverage and other necessary attributes – leading to unacceptable results and tarnished reputations.

"A guy with a $300,000 Ferrari will toss the keys to some guy without even thinking about it. It's very common to see a lot of mistakes happen," Craig continues, stressing the need for suitable training when venturing into the occupation. "I can teach anyone how to clean a car, but that doesn't mean you'll be successful in this business. We want to teach these guys (and women) how to run a successful business."

Last year saw a 30 percent increase in women, particularly single moms seeking a flexible work schedule, attending The Detailing Pros training program, he reports. "Women are way more apt to pick up on the business aspects, they pay closer attention to detail, and they end up acing the test."

With Meguiar's as a sponsor, the state-of-the-art training center delves into detailed product information, professional detailing skills, customer service instruction and selling techniques. It also provides education on how to set up your own retail outlet, including selecting a location, square footage requirements, appearance features, merchandising, inventory control, marketing and formulating a business plan. "There is a lot to know about opening up a retail store," says Craig. "As a licensee, you can gain the support of a larger company while maintaining the independence of owning your own business."

The backing of Meguiar's is a crucial element, he says, recounting how founder Frank Meguiar was originally in the furniture polish business. ...CONTINUE READING

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New vehicle sales are slowing down aging of the fleet

BY BRIAN ALBRIGHT
Correspondent

The average age of vehicles on the road is still hovering just below 12 years, although the rate of aging of the fleet is slowing down, says a new report from IHS Automotive.

At the same time, the rise in new vehicle sales and improving vehicle quality are moving the traditional "sweet spot" for independent aftermarket repair shops and dealerships.

TRENDS & MARKET Analysis

The age and type of vehicle coming in for repairs will change significantly over the next five years, and the aftermarket will need to adjust accordingly.

The average age of light vehicles on the road held steady at 11.4 years, according to data from January 2014 gathered by IHS. IHS incorporated Polk, previous publishers of the average age data, into its business in 2013.

Total light vehicles in operation (VIO) in the U.S. increased more than 3.7 million (1.5 percent) to 252.7 million, a new record. New vehicle registrations outpaced scrappage by more than 24 percent for the first time in 10 years, reflecting

Dealer Newsmaker Q&A

MARYANN KELLER
Managing Partner,
Maryann Keller & Associates

Q Your report mentions some previous direct sales efforts that OEMs engaged in. What happened in those cases?

A What did Keller say? Continue reading online.

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> "Newer vehicles are built to last longer, and owners are driving them longer than ever before."

steadily improving vehicle sales figures.

"That's reflective of three or four years of pretty significant growth in new to five-year-old vehicles," says Mark Seng, global aftermarket practice leader at IHS Automotive. "New light vehicle registrations have had double-digit increases in previous years, and last year that growth was about 7.5 percent. Couple that with people hanging on to their vehicles longer, and all of that contributes to what we're seeing in terms of VIO and the scrappage rate."

The number of vehicles scrapped in 2013 was just 11.5 million, compared to the more than 14 million scrapped in 2012.

The scrappage rate has declined as new vehicle sales increase. Those newer vehicles are built to last longer, and owners are driving them longer than ever before. "New light vehicle sales have taken off, and all of the vehicles being added to the VIO are low-scrappage-rate vehicles," Seng says.

Fleet continues to age

The combined fleet of cars and light trucks is now older than ever, and the average age of light trucks has now increased to reach the same 11.4 years as passenger cars. According to IHS, that hasn't happened since 1995 when the data was first reported.

"Trucks are growing in population in general and benefiting from new technology and better quality," Seng says. "In the past, trucks were treated more like utility vehicles. They weren't maintained as well and were used for more rough purposes. Now, they are becoming more everyday vehicles, and that is contributing to the trucks lasting longer."

The average age of vehicles has slowed and will remain at around 11.4 to 11.5 years for the next several years. That's because the economy has improved (and boosted new vehicle sales). "From 2004 to 2009, the average age of vehicles rose 5.4 percent," Seng says. "From 2009 to 2014, average rose by 11 percent. But it's going to increase just 2.6 percent until 2019."

The rapid increase in age after 2009 was a direct result of the recession and the dramatic drop in new light vehicle sales. "As new car

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TECHNOLOGY SOLUTIONS

Dayco, K&N win gold for web, mobile catalogs in NCMA contest

BY BRIAN ALBRIGHT
Correspondent

The NCMA recognized the best examples of paper, web and mobile catalog applications at the recent National Catalog Managers Association (NCMA) conference in Scottsdale, Ariz.

The mobile and web catalog categories are evaluated based on their design, navigation, use of technology, innovation, interactivity and quality of content.

TRENDS & MARKET Analysis

Dayco Products took top honors with the President's Award for Catalog Excellence in the web catalog category, while K&N Engineering took gold in the mobile catalog app category. Dayco also took the silver position in the mobile catalog category.

Dayco updates website, app

Earlier in 2014, Dayco launched its updated website, DaycoProducts.com, which includes parts look-up information on every page in the site, mobile optimization and multiple languages. The site also includes a blog, and a "where to buy" element to direct customers

Technology Newsmaker

Q&A

SEAN DUCLAUX
Manager of Industry & Solutions Marketing at PROS

Q How can big data be used in the aftermarket and what are the biggest challenges in getting the data?

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> People were amazed that you could scan a VIN and bring up all of the parts information.

to the nearest sales location for Dayco parts, along with the ability to look up parts based on license plate numbers and VIN numbers.

"If you are on the automotive section or heavy-duty section of the website, you can automatically find that part in the catalog. If you are in the HD section, you have the HD part of the catalog," says Sherry Mathis, manager of sales and marketing technology at Dayco. "It really makes cataloging convenient."

The improved navigation and parts search capabilities have improved customer service, Mathis says. "The response has been great, because no matter where you go on the site you have access to that data," Mathis says. "Instead of having the website here, and the catalog content someplace else, it's all in one spot, so users don't have to bounce around to different sites."

The Dayco parts look-up mobile app provides instant access to a complete list of Dayco parts, routings, and installation instructions for each vehicle's year, make and model. Users can scan the VIN off the car, enter the license plate number and state, or speak the VIN or license number into the phone.

Dayco first launched the mobile app in 2012. "Back then, a lot of companies were launching mobile apps just to have one," Mathis says. "We wanted to launch something that people would use."

Dayco's cataloging group worked with an external software developer to create the app, which is targeted at technicians, do-it-yourselfers, counter people, and anyone else who might need to look up parts using the VIN. According to Mathis, the company marketed the new app using e-mail campaigns, press releases and a major rollout at AAPEX.

"We had people in the booth the entire show just to see that app," Mathis says. "People were amazed that you could scan a VIN and bring up all of the parts information."

The key benefit for Dayco is allowing customers to find part information while they are standing next to the vehicle, rather than having to go to ...CONTINUE READING

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OEM auto recall process **IS BROKEN**

> Some manufacturers have avoided recalls by extending bumper-to-bumper warranties.

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Those of you who know me know that I value all the different facets of our industry working together. We get more done when we work together. We also get more done when we each do our jobs while keeping in mind that we all have the same boss – the vehicle owner to whom we ultimately provide our product or service.

But even my desire to work together has to take a back seat when an issue comes up in our not-so-little village that just rubs me wrong.

It has been said clichés exist because they are fundamentally true. One of my favorites is: "when life gives you lemons, make lemonade." To paraphrase outside of the cliché; if something goes wrong figure out a way to make it right or use it to your advantage.

I think most of us would agree that from a business or personal perspective this view is sound and beats the heck out of outright failure. But sometimes failure is just failure and if lemonade comes from it there is a pretty good chance it is going to taste bad to someone else involved in the equation.

A few weeks ago an industry trade mag had a headline that read: "Recall Windfall."

I did not need to read the article to know this lemonade was going to be bitter. I read it anyway and found just what I expected. The article was written upside down in my opinion. The author started by telling his readers that, "… a record barrage of safety recalls is a startling, confusing, aggravating, logistical headache."

He then switched to the silver lining or the part that leaves a bad taste in your mouth depending on your point of view. The article goes on to say, "As millions of customers pull into service lanes for recall fixes, service advisers will get the chance to sell, say, new brake rotors to a customer waiting on a replacement seat-belt cable or steering column." At this point I could begin a diatribe but I want to analyze this poorly chosen comment for the real world reality that it is.

This writer does not work for the manufacturer or dealers but he points out an interesting component of the recall process – the reward. For years some manufacturers have avoided recalls by extending bumper-to-bumper warranties. Rather than fixing the part that failed at an abnormally high rate they would negotiate with the government to simply extend the warranty and reward themselves with a higher rate of service repair work to the dealer network. But did the customer get made whole?

The problem I have with this particular situation is that many of these repairs are safety related and over the last few years several manufacturers have been caught hiding the problem. It seems like if the repair involved is this flavor the customer should receive the repair without attempt to upsell other work – unless it also is safety related.

The customer should be repaired and allowed to drive away.

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DONNY SEYFER
Operations Manager
Seyfer Automotive, Inc.

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The search for **INNOVATION**

> True innovation in the aftermarket can be found in how we sell rather than what we sell.

I recently read an editorial where the author was extolling the virtues of bold, pioneering thinkers whose ideas transformed our lives. Among the examples he used were Henry Ford, Thomas Edison, Bill Gates, Steve Jobs and Jeff Bezos. He spoke of his admiration for their creativity, risk-it-all attitudes and pure chutzpa to take an idea and turn it into a new paradigm.

Having long held that same perspective of admiration for such people, the author really captured my attention. He got me thinking about the aftermarket.

The emergence of the aftermarket itself was a paradigm shift in its day and I believe that may have been the last one this industry has seen. In a world where making a part easier to install is considered an innovation and telematics is viewed as an enemy instead of an opportunity, are we likely to ever see true paradigm-changing thinking in our segment?

I realize our industry is one that largely follows the OEMs. Our ability to "innovate" is restricted in large part to working within the parameters of how the OEM has engineered the vehicle. As such, product innovation is often restricted to being lower priced, easier to install, longer lasting or cooler looking.

I am not casting aspersions toward engineers at parts suppliers. True product innovation often occurs within their ranks. However, their innovation typically appears in new vehicles first and as such is viewed as OEM innovation rather than aftermarket innovation.

So where is the fertile ground for bold aftermarket innovation?

If you think about it true innovation in the aftermarket can be found in how we sell rather than what we sell. Let me explain. Most of the top two (or in some cases three) brands in a specific category are viewed by the marketplace as first rate. While some brand preferences may exist, when pressed, most would agree that one is often as good as another.

What separates one brand from another is in how they sell. Sometimes it is a unique part numbering system that arranges the products by size, or a color-coding that makes picking the right parts easier. I have seen massive parts supersessions accommodated with peel off labels that negated the need for reboxing or relabeling. We all have seen how various technologies have been deployed to enhance the sale of auto parts.

My point is that the most fertile ground for aftermarket innovation may be in how we sell, more than in what we sell. Considering this reality, one could argue that true aftermarket innovation will not just be to react to OEM and marketplace paradigm shifts more quickly, but to actively campaign and prepare for them.

So that sets up where I want to go over the next few months. What do you, the readers, see as the coming paradigm shifts and what must we do to prepare for them? Moreover, what fundamental changes to how we do business

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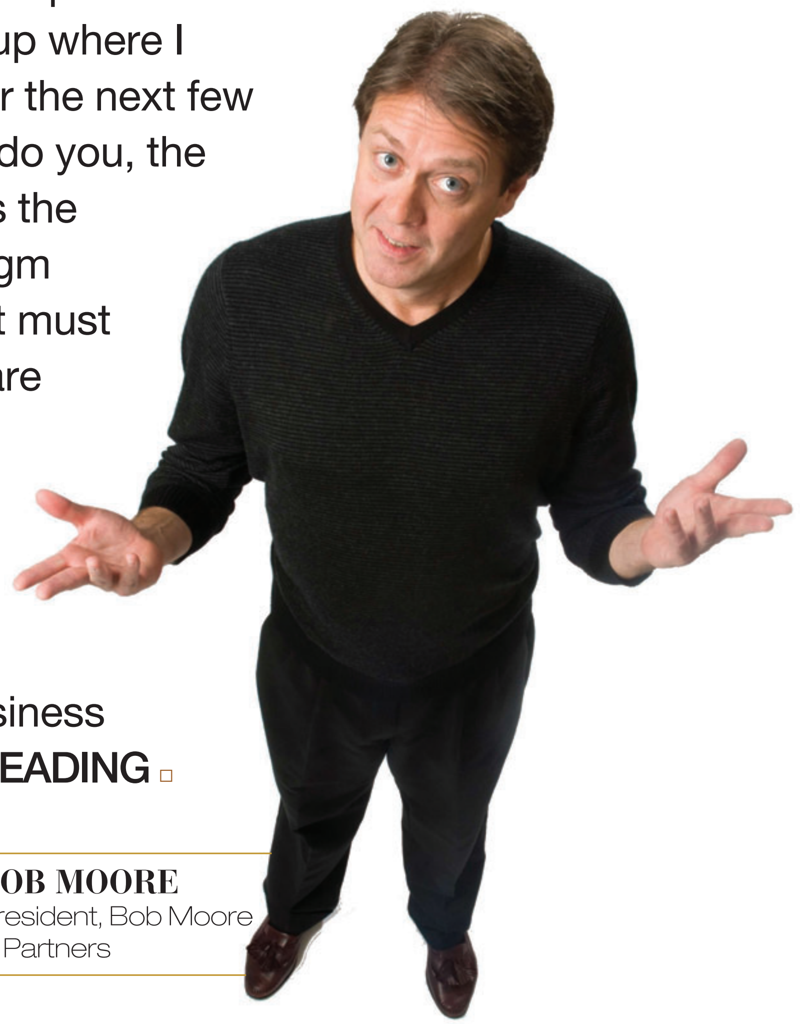

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New ozone rule means CHANGES TO I/M PROGRAMS

> About 80 percent, soon to be 90 percent, of vehicles on the road have OBD systems.

State inspection and maintenance programs (I/M), which generate significant demand for aftermarket auto parts, are among the tools the Environmental Protection Agency will use to reduce ozone levels in the environment when it issues a proposed rule in December.

A federal judge in San Francisco sided with environmentalists at the end of April in their lawsuit designed to force the Obama administration to tighten ozone standards issued in 2008 by the George W. Bush administration.

The Obama administration, in its early days, seemed sensitive to complaints from the EPA's own scientific advisory board that the Bush ozone standards were too weak. But President Obama eventually decided against tightening the standards. That is when the environmental groups, led by Earthjustice, stepped in and filed a lawsuit in June 2013.

The San Francisco judge agreed that the Clean Air Act requires the EPA to reconsider the ozone standard every five years, as is the case with all the other National Ambient Air Quality Standards (NAAQS). Not only has the Obama administration failed to do that, it has failed to finalize many of the details the 46 "non-attainment" areas need to comply with the 2008 standard.

The San Francisco federal court decision will affect the aftermarket much more than the Supreme Court's more ballyhooed June decision on greenhouse gas emissions. There, the court said the EPA has the authority to force stationary facilities, such as factories, to reduce emissions of GHGs such as carbon dioxide and methane. The EPA and the Department of Transportation have dealt separately with GHG emissions from tailpipes, considered mobile sources, through miles per gallon requirements on new cars.

Ozone is often referred to as smog. It is created when emissions of nitrogen oxide (NO) and volatile organic chemicals (VOCs) combine in the presence of sunlight. Ozone creates a variety of health problems. Automobile tailpipes are a major source of NO and VOCs.

Reducing allowable ozone from the Bush .075 parts per million standard down to anywhere as low as .060 ppm would inevitably result in new cities being designated non-attainment beyond the 46 currently subject to the 2008 standard. There are a number of non-attainment classifications. In some instances, vehicle inspection and maintenance programs are required, such as in moderate and above ozone non-attainment areas with a population over 200,000 (or over 100,000 for Ozone Transport Region).

I/M programs check auto emissions when service techs plug into onboard diagnostic (OBD) systems. The OBD system monitors the vehicle's emission control system continuously and illuminates the vehicle's dashboard "Check Engine'' light if a problem is detected. The vehicle's computer stores information on the type of malfunction detected, and dictates the repair required.

The upcoming December 2014 proposed rule will

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STEPHEN BARLAS
Washington Correspondent

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Dubai: ACCESS POINT TO LARGE, GROWING MARKETS

> "Automechanika Dubai is the largest international trade show in the Middle East."

The world is experiencing unparalleled growth in motor vehicle use – the largest increase in history. This includes both vehicles in operation and new vehicle production.

The Middle Eastern and North African regions are among the growing global areas– and members of the Automotive Aftermarket Suppliers Association (AASA) and the Overseas Automotive Council (OAC) had the opportunity to experience this region's vibrancy first hand during the recent AASA/OAC international trade mission and regional export orientation in Dubai, held in conjunction with Automechanika Dubai.

Dubai is a trade access point into the regions' large and growing auto market, which has 16 million vehicles generating more than $7 billion in annual auto component sales. The United Arab Emirates and Saudi Arabia comprise 83 percent of the market, which has a strong and growing economy.

As part of the AASA/OAC event, participants met with senior officials of Dubai's JAFZA Free Trade Zone – perhaps the fastest growing Free Trade Zone in the world. JAFZA consists of 7,300 companies with 135,000 employees. It tallies $16.5 billion in annual trade and 120 of the Fortune 500 companies have a presence in JAFZA. It offers viable options as a distribution point for the entire surrounding region – including the Middle East, India and Northern Africa.

Attendees also participated in discussions with leadership from the U.S. Commerce Department. In-country representatives shared market overviews on Egypt, Kuwait, Oman, Qatar, Saudi Arabia and The United Arab Emirates.

In addition to meeting with these regional leaders and experts, AASA/OAC members participated in Automechanika Dubai, the largest international trade show in the Middle East. The 2014 event drew 1,695 exhibitors from 59 countries – a 19 percent increase from 2013 event. OAC members gained access to distributors, agents, regional business information and global networking at the event's exhibitors' reception.

For more information about the OAC and its global outreach services, visit www.oac-intl.org or contact cdraper@aasa.mema.org.

Editor's note: Curtis Draper is the vice president of industry analysis, programs and member services at AASA and executive director of AASA's international aftermarket councils: the China Aftermarket Forum (CAF) and the OAC.

The CAF is a consortium of full-service suppliers that meet on a quarterly basis to discuss opportunities within the Chinese aftermarket and to identify ways

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CURTIS DRAPER
Vice President, Industry Analysis, Programs and Member Services, AASA

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A reluctant patriot GIVES BACK

"Baffico said the war experience was something he couldn't explain to his sons."

Many long-time automotive aftermarket industry "insiders" will remember Paul Baffico as the onetime president of the Sears Automotive Group and CEO of Western Auto. They also will remember him as an individual who, after a 37-year stint at Sears Roebuck & Company working his way up through the ranks, retired in 1999 at the relatively young age of 53. His last act was the sale of Western Auto to Advance Auto Parts.

But what was hidden from most were the wounds Baffico carried after a traumatic tour of duty in an unpopular war in Vietnam. It was not until after retirement that he began to process his war experience, which ultimately led him into a second career of giving back to other veterans who had faced similar psychological and physical wounds.

While retired from the industry for many years now, Baffico continues to remain connected to the aftermarket through his work as a member of the Polk Automotive Advisory Board.

Called to serve

Baffico served his country with distinction as a member of the U.S. military. A 1968 Reserve Officers' Training Corps (ROTC) graduate from the University of San Francisco, he earned a B.A. degree in psychology. Achieving the rank of 1st Lieutenant, Baffico was a member of the U.S. Army from 1969 to 1971.

Like many men of his era, the marking point of his military career was 10 months of combat duty from 1970-71 in the Vietnam War as a communications platoon leader in the 101st Airborne rappelling out of helicopters to set up communications for soldiers on the front lines. Baffico, a self-described "reluctant participant," flew in 206 combat assaults earning the Bronze Star and the Air Medal.

He lost five of the 33 men in his platoon along the way and returned home to a culture that reviled those who went to fight in the war.

"When I came back from Vietnam in January 1971 to my hometown of San Francisco, it was the classic experience of most Vietnam vets," explained Baffico. "I was spit on, I had urine and paint thrown on me."

After checking papers at Travis Air Force just northeast of San Francisco, he got in a car with his father and his future wife and drove home. "I had to take the uniform off as fast as I could because we were getting flipped off and shouted invectives," recalls Baffico of the harsh reception he received.

That was a Tuesday and by the next Monday he was taking graduate school classes. "I slammed the door on Vietnam as hard as I could, I slammed it as fast I could," explained Baffico. He got married and after one semester quit graduate school because it was "unstimulating."

He returned to Sears and buried himself in his career, unaware that he was suffering from post-traumatic stress disorder (PTSD).

Encountering the Wall

"The job that I had (with Sears) was extremely intense because we were the profit engine of the company," said Baffico. Interestingly, all of Baffico's jobs during his career at Sears were all turn-around assignments.

"In retrospect, I've been able to see that for me that was similar enough to the adrenaline rush of combat to keep my mind occupied."

...CONTINUE READING

GARY MCCOY
President
Fairway Communications

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SOURCING REPAIR PARTS

COLLISION REPAIRERS REVEAL SUPPLIERS, PREFERRED SUPPLIERS IN STUDY

BY BRUCE ADAMS | Managing Editor

Collision repairers prefer to get their parts from auto parts retailers (33 percent) with dealerships (24 percent) and jobbers (23) a close second and third option, according to the *Aftermarket Business World* Collision Shop Study.

Warehouse distributors came in fourth as 13 percent of repairers favor them as a parts source.

These numbers reflect where collision repairers actually buy their parts from as 29 percent buy from auto parts retailers, 27 percent from dealerships, 18 percent from jobbers and 13 percent from warehouse distributors.

Some 29 percent of repairers cite good relationships as the primary reason for using a supplier, while 22 percent said parts availability and 18 percent said fast delivery were most important. Only 12 percent said price was the primary reason they purchase from a supplier.

Suppliers don't need to hover over collision repairers as 58 percent of repairers say no supplier contact is necessary for them to get the parts they need. Six percent say they are contacted once a year by suppliers and 10 percent said once a week.

Some 83 percent said they make Internet parts purchases 0 percent to 10 percent of the time, while 3 percent of respondents said they use the Internet to purchase parts 91 percent to 100 percent of the time.

Methodology: The Collision Shop Study was fielded via email to readers of *ABRN*, a sister publication of *Aftermarket Business World*. The findings are intended to show general trends, not statistical certainties.

Auxiliary Lighting

90% have no plans to expand their auxiliary lighting offerings in the next 12 months.

Purchasing source

Auto parts retailer	36%
Direct from manufacturer	18%
Jobber	38%
Dealership	38%
Warehouse distributor	32%

Preferred purchasing channel

Auto parts retailer	20%
Dealership	22%
Jobber	27%
Warehouse distributor	16%

Main reason for using preferred supplier

Fast delivery	13%
Good relationship	31%
Price	13%
Parts availability	18%

Margins

33% of respondents say they know how much over the jobber they pay for this.

What shops know they pay		What shops think they pay	
1-5%*	22%	1-5%*	25%
6-10%*	27%	6-10%*	12%
11-15%*	16%	11-15%*	25%
16-25%*	13%	16-25%*	23%
More than 25%	22%	More than 25%	15%

*Percent over jobber

Amount of this product that is returned

None	47%	5-9%	2%
1-2%	24%	10% +	8%
3-4%	15%	I don't know	4%

Frequency of supplier contact

Once a week 8%
Every two weeks 5%
Once a month 14%
Every three months 4%
Every six months 2%
Yearly 7%
No contact necessary 60%

Brand vs. supplier loyalty

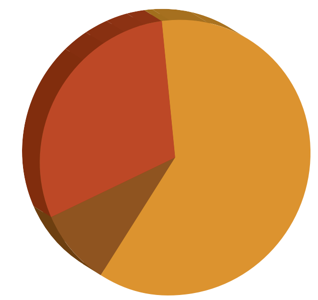
If a primary supplier of this product replaced a brand with another of like quality, a tech would:

Change suppliers to continue purchasing original brand 25%

Keep primary supplier and purchase new brand 75%

National brands vs. private label purchases

61% National
9% Private
30% Both



Reason for buying auxiliary lighting

Quality	13%
Availability	13%
I do not buy it	63%

Insurance company influence on auxiliary lighting replacement work

None	39%
Some	30%
Moderate	16%
Major	10%
Complete control	5%

Internet ordering frequency

0-10% of the time	74%
11-25% of the time	13%
26-40% of the time	5%
41-60% of the time	3%

Fuel Pumps

SOURCING REPAIR PARTS

85% have no plans to expand their fuel pump offerings in the next 12 months.

Purchasing source

Auto parts retailer	59%
Direct from manufacturer	4%
Jobber	28%
Dealership	62%
Warehouse distributor	16%

Preferred purchasing channel

Auto parts retailer	38%
Dealership	33%
Jobber	16%
Warehouse distributor	12%

Main reason for using preferred supplier

Fast delivery	20%
Good relationship	23%
Specific product brands	17%
Parts availability	25%

Margins

30% of respondents say they know how much over the jobber they pay for this.

What shops know they pay		What shops think they pay	
1-5%*	30%	1-5%*	22%
6-10%*	10%	6-10%*	22%
11-15%*	15%	11-15%*	16%
16-25%*	30%	16-25%*	27%
More than 25%	15%	More than 25%	12%

*Percent over jobber

Amount of this product that is returned

None	77%	5-9%	2%
1-2%	10%	10% +	3%
3-4%	2%	I don't know	6%

Frequency of supplier contact

Once a week	9%
Every two weeks	2%
Once a month	9%
Every three months	3%
Every six months	2%
Yearly	3%
No contact necessary	72%

Brand vs. supplier loyalty

If a primary supplier of this product replaced a brand with another of like quality, a tech would:

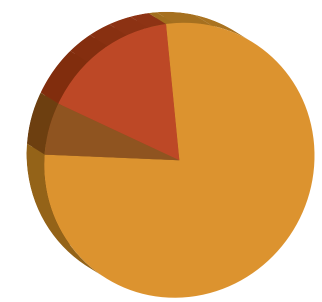
Change suppliers to continue purchasing original brand	38%
Keep primary supplier and purchase new brand	62%

National brands vs. private label purchases

78% National

6% Private

16% Both



Reason for buying fuel pumps

Quality	10%
Availability	13%
I don't buy them	77%

Insurance company influence on fuel pump service replacement work

None	75%
Some	15%
Moderate	2%
Major	5%
Complete control	3%

Internet ordering frequency

0-10% of the time	91%
11-25% of the time	3%
26-40% of the time	2%
41-80% of the time	0%

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Water Pumps

SOURCING REPAIR PARTS

86% have no plans to expand their water pump offerings in the next 12 months.

Purchasing source

Auto parts retailer	70%
Dealership	53%
Jobber	25%
Discount store	9%
Warehouse distributor	13%

Preferred purchasing channel

Auto parts retailer	49%
Dealership	21%
Jobber	21%
Warehouse distributor	9%

Main reason for using preferred supplier

Fast delivery	23%
Good relationship	31%
Price	11%
Parts availability	27%

Margins

28% of respondents say they know how much over the jobber they pay for this.

What shops know they pay		What shops think they pay	
1-5%*	12%	1-5%*	20%
6-10%*	33%	6-10%*	21%
11-15%*	17%	11-15%*	22%
16-25%*	17%	16-25%*	26%
More than 25%	21%	More than 25%	11%

*Percent over jobber

Amount of this product that is returned

None	75%	5-9%	1%
1-2%	17%	10% +	0%
3-4%	1%	I don't know	6%

Frequency of supplier contact

Once a week	7%
Every two weeks	3%
Once a month	9%
Every three months	4%
Every six months	1%
Yearly	1%
No contact necessary	75%

Brand vs. supplier loyalty

If a primary supplier of this product replaced a brand with another of like quality, a tech would:

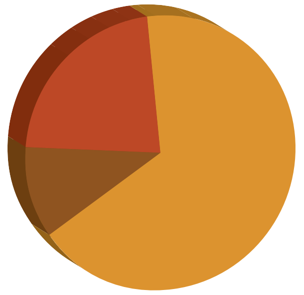
Change suppliers to continue purchasing original brand	26%
Keep primary supplier and purchase new brand	74%

National brands vs. private label purchases

67% National

11% Private

22% Both



Reason for buying water pumps

I don't buy them	66%
Availability	18%
Price	10%

Insurance company influence on water pump service replacement work

None	71%
Some	17%
Moderate	5%
Major	4%
Complete control	3%

Internet ordering frequency

0-10% of the time	91%
11-25% of the time	4%
26-40% of the time	1%
41-80% of the time	0%

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