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VENEZUELAN AFTERMARKET FACES POLITICAL, ECONOMIC POLICY CHALLENGES



BY ANDREW ADAMS | Contributor

With a population of slightly more than 30 million people, Venezuela is regarded as one of the most urbanized countries in Latin America. Oil production is the main source of revenue and with one of the largest oil reserves in the world it should also be one of the world's wealthiest countries.

But despite these advantages it recently added another rather more dubious accolade to its resume. It joined countries such as North Korea and Cuba by introducing food rationing for its citizens.

In September 2014 in 36 supermarkets in the western border state of Zulia, the Venezuelan government brought in fingerprint scanning equipment to implement its rationing regime. Many basic items on sale in the country such as rice, powdered milk, coffee, toothpaste and chicken are price controlled to make them more affordable for the general population. Now even these staples are subject to rationing with fingerprint ...CONTINUED ON PAGE 22

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VENDORS

Global population trends propelling mobility market for disabled drivers

BY JAMES E. GUYETTE
News Correspondent

Tapping into a worldwide base of motivated customers equal in scope to all the people in China, OEMs and after-market businesses continue to roll out wheelchair accessible vehicles, add-ons and accessories designed to meet the specialized needs of disabled drivers.

TRENDS & MARKET Analysis

“The disability market is the next big consumer segment,” says consultant Rich Donovan, CEO of Fifth Quadrant Analytics. “With an estimated population of 1.3 billion, people with disabilities (PWD) are a large global market. Their friends and family add another 2.2 billion potential consumers that act on their emotional connection to PWD,” he notes.

“Together they control over \$8 trillion in annual disposable income globally,” says Donovan. Companies seeking new ways to cre-

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Q&A

DAVE HUBBARD
Executive Director & CEO,
National Mobility Equipment
Dealers Association



Q What are some of the factors to consider when venturing into mobility vehicle upfitting?

A What did Hubbard say? Continue reading online.

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ate value for stakeholders have a strong interest in attracting the spending of this increasingly powerful cohort.”

Donovan, author of the Global Economics of Disability report, goes on to point out that “the



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“ Unprecedented growth is happening throughout the mobility motorcar segment. ”

demographics of an aging population of so-called 'Baby Boomers' are adding to the number of PWD. As Boomers' physical realities change, their need and desire to remain active in society dovetails with the demands of PWD. They also control a larger share of the national wealth than any previous generation. The result is three generations of skilled consumers who have similar needs, emerging identities and significant spending power.”

“There is a growing global market need for wheelchair accessible vehicles,” agrees Brandi Larkin, marketing manager at BraunAbility, which has collaborated with Tripod Mobility in The Netherlands to create a wheelchair accessible Transit Connect.

“Ford's Transit Connect is an example of a global vehicle platform engineered to meet the requirements of customers around the world,” says Jim Probst, BraunAbility's director of product portfolio management. “We have followed Ford's lead by partnering with Tripod to develop a conversion package that is fit for global markets.”

Complying with the road-ready governmental rules and regulations of Europe, North America and other continents, the vehicle made its debut at September's REHACARE exposition in Dusseldorf, Germany. The event attracted 51,250 PWD industry attendees along with 902 exhibitors from nearly 40 nations.

In addition to medical-device merchants and service providers, vehicle manufacturers and upfitters were on hand to showcase the latest in mobility equipment such as swivel seats, wheelchair loading units, joystick controls and other assistive technologies that permit people with impairments to get behind the wheel.

“Exhibitors both from at home and abroad have presented a wealth of innovations and further developments, especially in the field of mobility. Both people affected and experts are keen to benefit from these,” reports managing director Joachim Schäferc of Messe Düsseldorf, the show's producer. Düsseldorf's next edition of REHACARE is Oct. 14-17, 2015.

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VENDORS

Vendors, shops gear up to serve alternative fuels trucking segment

BY JAMES E. GUYETTE
News Correspondent

Commercial fleet operators are increasingly confirming that lean and green work trucks running on alternative fuel systems are proving to be more-than-capable of taking on the meanest and most rugged of jobs while promoting environmental sustainability.

TRENDS & MARKET Analysis

Other benefits are becoming apparent as well. For example, electrical utilities utilizing electric vehicles are realizing that EV bucket trucks not only last longer because of the simplified powertrain apparatus, but they are also improving crew safety via reduced noise levels – workers up top in the cherry picker can communicate more clearly with colleagues on the ground, and the work-hours can be efficiently extended for powerline maintenance tasks in towns with anti-noise ordinances.

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Q&A

BRAD SHANTRY
Operations Manager,
Powertrain Integration



How do you assess the current repair and maintenance marketplace for alternative fuel vehicles?



What did Shantry say? Continue reading online.

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Rigorous on-the-job testing lasting up to three years is standard operating procedure among fleets contemplating a company-wide shift to any type of alternative propulsion system. “They’ll try a truck or two,” says Doyle Sumrall,



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“Propane holds the global lead in this segment, while natural gas is more popular in the U.S.”

managing director of the National Truck Equipment Association (NTEA). “They’re not going to adopt a fuel or technology that doesn’t make economic sense.” Fuel supplies under review must show pricing stability and be readily available based on fill-up routing patterns.

“Range anxiety is a factor; there’s no question about that,” says Sumrall. “We’re seeing quite a few fueling stations come online” that are geared for alternative needs. “They’re certainly not on every corner,” he observes, but there are numerous stations throughout the country. “It takes some planning” by fleet managers to ensure practical fuel/charging sources based on route selection and other factors.

“If you look at Ohio it’s getting much better,” he says. There are 20 public compressed natural gas stations, with two CNG sites in Columbus and more on the way. The U.S. Department of Energy’s Alternative Fuels Data Center reports that the nation now hosts 15,128 public alternative fuel/charging stations.

A recent NTEA survey found that nearly 40 percent of the responding fleets are applying alternative propulsion systems in some manner.

Propane, known as autogas, tends to hold the global lead in this segment, while natural gas is more popular in the U.S., according to Sumrall, who will be taking part in a Green Truck Summit panel discussion during NTEA’s March 4-6 Work Truck Show at the Indiana Convention center in Indianapolis. Covering a half-million square feet and billed as North America’s largest work truck event, it features more than 500 industry vendors displaying vocational trucks, related equipment and accessories.

Educational sessions include a seminar for truck upfitters on implementing lean shop procedures that can boost productivity by 20 percent without adding staff or equipment.

Among the Work Truck Show exhibitors will be Powertrain Integration, which is converting 1,000 United Parcel Service delivery trucks to run on propane. “UPS bringing 1,000 of these units online is proof the medium duty sector has embraced the LC8 propane autogas engine as a gasoline and diesel replacement,” says PI President Robert Pachla. “This is the biggest ...CONTINUE READING □

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DEALERSHIPS

Dealership offers overnight service

Dream Service at Crown Honda has increased service volume and profits

BY BRIAN ALBRIGHT
Correspondent

In an effort to boost their valuable service business, many auto dealerships have extended their service hours. But few have gone as far as Crown Honda of Southpoint in Durham, N.C..

Customers can drop their vehicles off for routine service as late as 9 p.m. during the week and pick up their vehicles the next day by 7 a.m.

TRENDS & MARKET Analysis

For tire rotations, oil changes, alignment, front/rear brakes, tires, and some minor repairs, if the service isn't completed by 7 a.m., it's free. Customers can also drop off vehicles for major repairs even later in the evening. The dealer also offers a shuttle service, so customers get a ride to and from the dealership.

The Dream Service, as it's been branded, has paid off handsomely for the dealership, and according to general manager Scott Washle, the night shift is just as busy as the day shift.

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Dealer Newsmaker

Q&A

BRIAN DICK
CEO, Quest Resource
Holding Corp.



What kinds of services do you typically provide for dealerships and why do they outsource this management function?



What did Dick say? Continue reading online.

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"Last year we came within a few thousand dollars of the night shift beating day shift in terms of total gross profit," Washle says. "Right now we're generally around 45 percent to 50 percent, night shift (including Sundays) versus day shift on gross profit."



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“For some service and minor repairs, if the service isn't completed by 7 a.m., it's free.”

Crown Honda is part of the Asbury Automotive Group, a Georgia-based company with 80 dealerships in the south. Washle and service manager Matt Mann launched the service three years ago, and it has since expanded to other Asbury properties.

No carryover

Originally, Crown extended its service hours from 9 p.m. to 11 p.m. back in 2007. Eventually that stretched to midnight in order to handle carryover work. The dealership added a guarantee in 2011.

“That turned into a scenario where no one would go home until every car was finished,” Washle says. “We didn't want any carryover. If you start the next day with carryover, you are already in a hole.”

Customers can drop vehicles off as late as midnight, but the guarantee only covers maintenance work on vehicles dropped off by 9 p.m. Monday through Thursday. The guarantee doesn't cover major repairs like engine or transmission replacements.

To make the service work, Crown added a second shift for both service and parts. First shift works 7 a.m. until 4 p.m. The second shift, which starts at 3 p.m., stays on the job until every car is finished, sometimes wrapping up as late as 2 or 3 a.m. The dealership is open 7 a.m. to 5 p.m. on Saturdays, and 11 a.m. to 5 p.m. on Sundays.

Right now, the service department has 14 service advisors (eight work during the day, and six at night), two service managers, one service director, and 56 employees including technicians, detail and parts. “If service is open, then detail has to be open, and the parts department has to be open,” Washle says.

The Dream Service guarantee doesn't cover warranty or maintenance work. “The good news with Honda is that I can put in an order for a part and have it the next morning at 5 a.m.,” Washle says. “Right now we have about a 97 percent fill rate through the parts department.”

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TECHNOLOGY SOLUTIONS

Supply chain differentiation

Building a customer-centric supply chain requires investing in the right technology

BY BRIAN ALBRIGHT
Correspondent

The aftermarket supply chain is shifting from its traditional structure to an omni-channel model in which both business-to-business and business-to-consumer online customers, along with brick-and-mortar customers, have rising expectations about availability and delivery that are increasingly difficult to meet. Technology will play a more important role in meeting those customer requirements moving forward..

TRENDS & MARKET Analysis

"In the customer-centric supply chain, customers are becoming more and more demanding," says Charlie Covert, vice president of global solutions and implementation at UPS. "In the automotive industry, let's say there was a recall [and parts are] being delivered to dealers. Their

customers are now expected to have a very good understanding of when those parts will be available, and have visibility and control over those time windows when they will be available."

That will require multiple warehouse and supply chain management solutions to provide an end-to-end view of product. According to the latest Gartner Warehouse Management System (WMS) magic quadrant report, supply chain convergence is a key trend in the WMS space. Supply chain organization have to better synchronize execution processes across operational domains.

"Warehousing and transportation are notable points of convergence, but they're not the only ones," Gartner said in its report. "True supply chain execution (SCE) convergence is when a vendor has developed multiple SCE and related functions on a common technical architecture that shares a [user interface], data model and business logic, and this is only

obtainable from a small number of WMS vendors today."

Looking outside the aftermarket, retailers and distributors in other sectors have turned to a wide variety of technology solutions and operational strategies to improve supply chain performance. A recent study by ARC Advisory Group on omni-channel retailers found that 17 percent of respondents with e-commerce distribution centers outsource operations to a third-party logistics (3PL) provider, while 62 percent operate their own facility. Another 21 percent take a hybrid approach.

Within those distribution centers, 64 percent are using a WMS along with radio frequency (RF) computing technology. Interestingly, one-third of DCs still perform order selection using paper-based processes in conjunction with a WMS, and 16 percent have deployed voice recognition systems. Fifty-eight percent

Elsewhere in the supply chain, RFID has mostly been used with high-value items.

Technology Newsmaker

Q&A

SCOTT LUCKETT
VP, Industry Strategy,
GCommerce



Will your work at GCommerce tie into your previous work with the Auto Care Association?



What did Lockett say? Continue reading online.

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deployed bar code scanners on the sales floor and in the stock room.

According to Mike Maris, senior director of transportation and logistics at Motorola Solutions, bar codes have been particularly ...CONTINUE READING ▢

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The future of **REPAIRING CARS**

In 1993 there was a movie called “Demolition Man” that starred Sylvester Stallone and Sandra Bullock. The movie took place several years in the future – the 21st Century – and was fairly accurate about what would happen in the future, although Arnold Schwarzenegger became governor and not president. In the movie many future cars were featured that had what we would now call telematics. The future is here – almost.

Over the last year there has been a lot of activity on the topic of connected cars. OEMs and aftermarket alike have been coming to terms with the terms as well as the potential issues that can come from blending smart cars, smart phones and mostly smart drivers. I now have a dozen or so telematics meetings and events under my belt for this year. To avoid getting very long, I am going to try to get you up to speed by briefly explaining the issues and tech-

nologies. You can search them online and get a mountain of facts, opinion and data to satisfy your curiosity.

During the Equipment and Tool Institute (ETI) conference earlier this year, two topics were at the forefront of discussion. The first is called ITS, or intelligent transportation system.

The panacea of this idea is that everything involved in transportation from the road infrastructure to the individual item or person being transported would have its own unique ID so that vehicles, traffic lights and other things could interact and make decisions about those interactions. For example I am drinking my Starbucks with my feet up on the dash of my autonomous car while it drives me to work. As I come to an intersection the stoplight tells my car that it will be turning green in 36 seconds. To save energy (fuel or electricity) my vehicle slows down to sync with the light, as do all the other auto vehicles around me. Just as then a kid with his smart phone in his pocket jumps out into the road. My vehicle now makes a decision because it knows that the smart phone must be a human and it applies brakes and avoids the kid. Everybody is happy and goes on, even though I now have more Starbucks on my clothes than in the cup.

“Cars will be able to do software updates like computers and phones.”

The truth is we are not going to see this kind of interaction in my lifetime. Lets face it: We can't keep the streets paved, so how are we going to fund lo-jacking every traffic light and intersection in the world? There are examples of this going on however.

When you take home a box of Lucky Charms that little white three-dimensional sticker contains a radio-frequency identification (RFID) chip that has helped to track the progress of the box of cereal. The primary goal is to manage the transportation and shelving of items, but it is not a great stretch to imagine that this could be used to track the box cradle to grave.

Vehicles in this scheme are part of a V2I – vehicle to infrastructure.

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DONNY SEYFER
Operations Manager
Seyfer Automotive, Inc.

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Be afraid, **BE VERY AFRAID**

Every year at this time, we all contemplate what will come this winter season and every year it's the same for most of us. Reduced sales, higher operational costs, and overall concern that we are doing something wrong or if there's a magic bean we could plant to lift things back to where they were during more prosperous times.

Then comes the most famous of seasonal questions, and it's not, "What did you get for Christmas?" It's, "Hey, are you guys busy?" If you feel compelled to ask the inevitable question of woe, then you've tipped your hand as to how things are going for you. It's also the time of year when Facebook game requests go up 1,275 percent, and pleas to stop sending game requests reach equally proportional alarming levels. Alas, the winter doldrums are upon us as uneasiness sets in.

For this Christmas, my wish list included only one thing: consumer fear. Years of being in this business have taught me a lot, and my understanding of things is approaching ever closer to the point of singularity. The point from which all things emanate whether they are good or bad.

I have concluded that fear will make the next few months a little more palatable. In the automotive parts

and service world, fear is the salmonella laced food that sickens sales and surprisingly also boosts profits. Truly a "live-by/die-by" adjective, fear is fast becoming our cultural emotion for doing business, and generally getting what we want. Follow this fear-laden scenario.

Freddy went to college, not because he wanted to, but because he was afraid his Grandma would not buy him that car she'd promised him at high school graduation. As a result, Nana bought a used car from a respectable car lot that did a lot of work to fix-up the car to make it road worthy.

Those parts came from a local parts store, because the car-lot feared using generic retail parts or online sources due to shipping, warranty and fitment issues.

Nana being afraid that little Freddy might break down, took the car to her trusted repair shop to have it further checked out. Nothing was really wrong with the car on inspection, but Nana insisted on installing new tires, an oil change, new wipers and a new battery because she feared Freddy's inept father (her son-in-law) was too stupid or unwilling to help little Freddy if he broke down at college.

Again, fear at work in our favor. Freddy has a new ride, yet he feared it was not flashy enough. So Freddy set

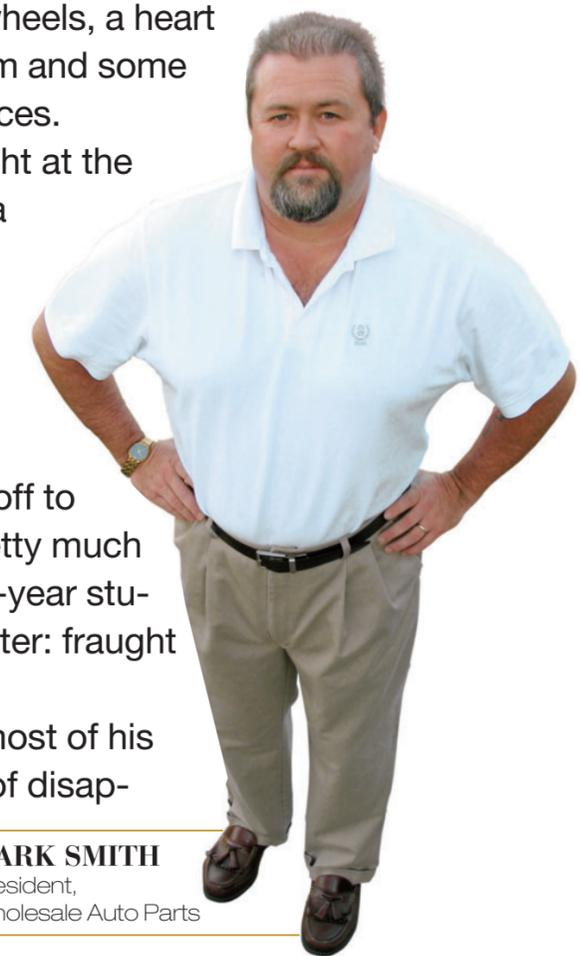
“For this Christmas, my wish list included only one thing: consumer fear.”

about with haste to give it some "bling." Freddy used the money he'd received for graduation from various relatives, to install new wheels, a heart stopping sound system and some shiny stick-on trim pieces.

Freddy was distraught at the thought of him being a small fish in a bigger pond, and a "fly" ride was possibly the only way he'd get noticed by a few pretty young co-eds. So, Freddy's off to college. Things go pretty much as expected for a first-year student in the first semester: fraught with disaster.

Freddy's bombing most of his classes, and the fear of disappointing Nana and the car being

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MARK SMITH
President,
Wholesale Auto Parts

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Aftermarket apps one key TO V2V SUCCESS

“Convincing owners of existing vehicles to dip into aftermarket V2V offerings will be critical.”

The National Highway Traffic Safety Administration (NHTSA) acknowledges the aftermarket is going to have to play an important part in its effort to stimulate proliferation of vehicle-to-vehicle (V2V) communications technologies. The agency made that announcement when it started a long-gestating regulatory proceeding at the end of August.

The department says it will develop a new Federal Motor Vehicle Safety Standard (FMVSS) – FMVSS No. 150 – to require V2V communication capability for light vehicles and to create minimum performance requirements for V2V devices and messages.

NHTSA can only apply the new FMVSS 150 to new autos. So it would take decades for enough vehicles with V2V technology to get on the road, severely limiting the benefits of any federal mandate and the technology. Convincing owners of existing vehicles to dip into aftermarket V2V offerings will be critical. The technologies give drivers a heads up on potential crash-inducing situations, such as getting too close to the car in front of them.

Here is the rub, though. The U.S. Department of Transportation (DOT) has no authority to mandate that drivers with existing cars go out and buy vehicle aware-

ness devices (VADs), the very basic technology that uses a piece of hardware inside the car and an antennae outside. The feds do have the authority to regulate the VADs themselves, however, as to the communication standards they must use and other aspects of their operation.

A more sophisticated alternative to a VAD will be an Aftermarket Safety Device (ASD). It is essentially a VAD, which receives speed and location data from other vehicles. It uses information about the position of other vehicles to provide drivers with audio warnings if the threat of a crash exists. Then there are OEM devices, both those installed on new cars, and those retrofitted, meaning the dealer hooks them into the auto’s databus after the car has been sold (retrofitted safety device, or RSD).

NHTSA tested all three aftermarket varieties in its pilot testing in Ann Arbor, Mich., which came to a close in 2013. All depend on dedicated short-range radio communication devices (DSRC) operating in a radio spectrum that the Federal Communications Commission is considering opening to other uses, which would hinder V2V communications.

A report the agency released in August talks in generalities about how each aftermarket variety works. But it gives no indication in specifics about their performance

during the pilot program. All the report says is: “Based on the agency’s understanding of how these prototype safety applications operate, preliminary effectiveness estimates indicate substantial ability to mitigate crashes, injuries or fatalities in these crash scenarios.” Two NHTSA officials involved in the testing did not respond to requests for additional information.

What NHTSA issued at the end of September is an advanced notice of proposed rulemaking. It is the first step a federal agency takes before establishing a new federal mandate. The journey to a final rule can take years, and, in this case, probably will.

Then the final rule will include an implementation date two or three years hence. Despite what is

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STEPHEN BARLAS
Washington Correspondent

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Omnichannel commerce AND THE DIGITAL AFTERMARKET

Consumers today have the technology and the desire to search for goods any time of day and on any one of several platforms. It's not uncommon for a search to begin as a tweet or text message on a smart phone, followed up on a tablet and completed in a web browser for pick-up in the store.

In other words, transactions that used to follow a single channel – online or offline – are now a complex web of all channels of connectivity. Retailers refer to this phenomenon as omnichannel commerce and its importance to all aftermarket retailers and distributors cannot be overstated.

The customer is getting younger (think millennial) and has no loyalty to a brand that does not deliver a consistently rich and fulfilling shopping experience. If you think this doesn't apply to you, remember that B2B transactions (the life blood of the aftermarket) are those that involve a B2C customer at work.

Your customers are bringing their shopping habits from home into the workplace and they expect a similar shopping experience whether placing a replenishment stock order or searching for a single, hard-to-find part. The same drivers of omnichannel commerce in

retail are influencing the behavior of commercial customers as well.

The Auto Care Association (www.autocare.org) recently published a first-of-its-kind study of the size and characteristics of eTailing in the traditional aftermarket. The study estimates that eTailing accounts for 6 percent of aftermarket volume at retail, or \$6.1 billion in 2013, and that 55 percent of that volume was installer purchases and 45 percent was consumer purchases. The research went on to forecast the rate of growth in eTailing at 17 percent annually for the next several years. At that rate of growth eTailing will account for 20 percent of aftermarket volume and \$28.8 billion within a decade.

Among the many insights found in the pages of this study, one jumped out as a potential strategy for retailers and distributors who want to thrive in this disruptive environment. When asked why they purchased from an eTail site in the first place, consumers said price was the number one reason and commercial customers said price was number three, after ease of ordering and availability. One last point about growth: 50 percent of the commercial customers expect to increase their eTailing purchases (by an average of 20

Growth in eTailing will be powered by fleets, shops and other automotive professionals.

percent). Only 10 percent of consumers projected they would increase their eTailing purchases.

That suggests that the largest share of eTailing volume (commercial accounts) expect to grow their online purchases fastest and price is NOT their number one motivator. Retail consumers flocked to the online environment early and quickly, but the dramatic growth in eTailing will not be powered by consumers as much as by fleets, shops and other automotive professionals.

An informal survey of websites of the leading WDs and program groups found very few that could support an online transaction from anyone other than a commercial account with pre-established credit (login please). Consumers who find those sites by way of search results – no dice. Professionals in search of new sources of supply or product lines – no way. Why is it that ...CONTINUE READING □



SCOTT LUCKETT
VP, Industry Strategy
GCommerce Inc.



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Growth forecast for China's LV AFTERMARKET IN 2015

“Counterfeit parts are a big issue facing aftermarket suppliers with operations in China.”

Key executives of North American light vehicle aftermarket suppliers based in China are predicting growth in the country's aftermarket in both the independent aftermarket and original equipment service (OES) sectors during 2015.

This sentiment is one of the insights gained in the most recent "Member Trends" quarterly survey of members of the China Aftermarket Forum (CAF) of the Automotive Aftermarket Suppliers Association (AASA), the light vehicle aftermarket division of the Motor & Equipment Manufacturers Association (MEMA).

The majority of the CAF members participating in the survey reported sales growth during the fourth quarter of 2014. The majority of respondents also reported growth in both the independent and OES sectors. Hiring also has remained steady, according to the CAF survey participants.

CAF members continue to identify counterfeit parts as one of the biggest issues facing aftermarket suppliers with operations in China.

The CAF is open to AASA members with operations in China. The CAF provides an opportunity for senior executives who manage China aftermarket operations

for AASA members to meet quarterly and discuss industry issues and solutions, share best practices and network among peers. A popular feature of CAF's meetings is the discussion of the results of the group's quarterly survey of key business indicators, the "Member Trends" report. CAF membership benefits include discounts for trade shows and reports, access to market insights and much more.

For more information about AASA and its global outreach services, visit www.aftermarketsuppliers.org or email cdraper@aasa.mema.org.

Editor's note: Curtis Draper is vice president of industry analysis, programs and member services at AASA and executive director of AASA's international aftermarket councils: CAF and the Overseas Automotive Council (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 to address challenges in the growing segment. For more details about CAF programs and initiatives, [click here](#).

The OAC promotes the sale in foreign markets of automotive and heavy-duty products manufactured in North America. Those products include components, accessories, chemicals, hand and power tools, service maintenance and repair equipment, and paint and body supplies for both cars and trucks. OAC has more than 350 members in more than 40 countries. More information is available through www.oac-intl.org.



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



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PROGRAM GROUPS MERGE TO GROW, EXPAND MARKETS

Federated Auto Parts and National Pronto Association rocked the distribution industry with their announcement on Dec. 10, 2014, that they would merge their efforts and resources in a number of key areas. The newly formed organization will be called the “Automotive Parts Services Group” or simply “The Group.”

“Recognizing the industry is evolving faster than ever, we wanted to take a proactive stance to lead the traditional automotive distribution channel into the future, said Bill Maggs, CEO of National Pronto Association. “Both Pronto and Federated are thriving and growing organizations. By combining two of the major program groups we will be positioned to compete successfully in our rapidly consolidating industry.”

Rusty Bishop, CEO of Federated Auto Parts, said, ““We believe it provides increased value for our constituents and a foundation for continued success in serving the industry. Both Pronto and Federated headquarters will remain in place and continue to support their respective members’ needs and marketing programs while progressing to shared resources in all areas that offer efficiencies and improvement opportunities to remain competitive in a changing market.”

This merger will have combined member sales volume exceeding \$7 billion with more than 5,000 outlets in North America.

Here are some details that Federated and Pronto released shortly after the announcement:

Maggs and Bishop will be co-CEOs of the new organization while also maintaining their current roles with Pronto and Federated.

The companies said they plan to maintain all current people and positions with a goal to share best practices, increase value and effectiveness. In most areas, the emphasis will be on improved programs and support with no added cost. Leadership will look to develop succession plans and an evolved organizational structure.

AAM Group/AAM USA, Inc.

CEO/President: Timothy Odom	Major brands: 98%
Year established: 1988	Programs: AAM operates three marketing programs. 1. Parts Pro Performance Center targets U.S. and Canadian retailers serving performance and race markets. 2. Performance Corner was added when Competition Specialties joined AAM and serves retailers and installers of truck accessory and performance parts on the West Coast. 3. Total Truck Centers is a marketing program for the truck and SUV accessories market.
WD members: 21	
Member-owned warehouses: 33	
Total jobber stores: 5,692	
States covered: All 50 and Canada	
Group structure: Shareholders elect a six-person board of directors to serve two-year terms.	
Retail: 25%	
Wholesale: 75%	
Private label: 2%	

AAM continues to commit more resources to expand its digital marketing services for program participants. AAM launched its mobile browser-based digital catalog in 2014 and will introduce price management apps in 2015.



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For Pronto, contact *Bill Maggs* at 800-4PRONTO or *Pronto-Net.com*
For Federated, contact *Rusty Bishop* at 540-885-8460 or *FederatedAutoParts.com*

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While final decisions have not been made, both companies said there are benefits in collaborating on national accounts, data management, electronic catalog, inventory management and availability, purchasing, warranty and roadside assistance programs, Co-Man warehouse, direct importing, Internet support and training.

For example, Pronto members will have the option of participating in the Federated Co-Man warehouse. This is an example of leveraging current resources across a larger enterprise. With enhanced volume and growth there will be increased activity in all areas of Co-Man including purchasing, warehouse, logistics, payables, and receivables. This is certainly an area where the merger will likely create jobs rather than eliminate them, the companies said.

Regarding purchasing and merchandising the merger will provide for combined line reviews and leverage of combined volumes. The goal is to be competitive with large competitors at acquisition cost, the companies said.

In terms of how the merger will impact suppliers, the companies said there will be fewer meetings for vendor partners, more efficient relationships, a more line common customer base, better partner for national accounts, more information, and an opportunity to sell more and influence mix.

The companies said there are minimal market conflicts between members of the two groups and in many markets there are positive working relationships. It is a merger of equals with a focus on equal collaboration that is fair for all. Both groups said they are dedicated to making the merger benefit all members, and that the overall focus is on selling more and operating more efficiently while sharing resources and expertise.

In terms of a timetable and vendor reviews, there

are no immediate vendor changes. The two companies agreed to conduct line reviews in a logical and math-based manner to achieve line commonality where possible. Line rationalization will occur as synergies are realized. Line changes will be based on extensive analysis, coordination and communication to create the best value to members.

For more information click on Federated, Pronto announce merger or on Federated, Pronto release details of merger.

On Sept. 17, 2014, Pronto and Autodistribution International (ADI) entered into a joint venture called 1Parts.

“Distribution is a challenging environment and we want to do it with a global vision,” Maggs said. “The automakers are building on global platforms and the technology to achieve this improves daily. Pronto is very strong in North America so we needed to find external growth through the global markets. ADI is Europe’s market leader in parts distribution and their strategy matches ours.”

The aim of the shareholders of 1Parts is to raise benefits and advantages for all 1Parts stakeholders, on both the trade and industry side, in key domains such as supplier management and brand strategy, marketing support, data sharing, technical support to installers – and to identify further common domains.

1Parts was designed to be a global organization with members all over the world who share the same global strategy and vision.

Omar Wesemael, managing director of ADI, said 1Parts will take independent distribution to a global level, help stop brand erosion and increase margins for distributors by focusing on premium brands with OE quality.

For more information click on Pronto, ADI joint venture.

Aftermarket Auto Parts Alliance

CEO/President: John R. Washbush
Year established: 1999
WD members: 50
Member-owned warehouses: 118
Total jobber stores: 2,106
Total service centers: 3,109
States covered: All 50, Canada and Mexico
Major members: Auto Wares, Metro, Hahn, Parts Warehouse Inc., Vast Auto, Eastern Warehouse Distributors
Group structure: Shareholders elect a 10-person board of directors with staggered five-year terms.
Retail: 14%
Wholesale: 86%
Private label: 12%
Major brands: 88%
Programs: Alliance Technology Suite, including eCommerce and inventory optimization; ordering solutions for non-application parts and connectivity; full product development and pricing support; leading service from Alliance Parts Warehouse and Certified Service Center.

The Alliance remains committed to building and enhancing IT capabilities and infrastructure to support sales across the supply chain, from vendor channel partners to warehouse, store and professional repair shops.



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AIM/Uni-Select

General Manager: Ron Pierce
Year established: 1990
WD members: 790
Total jobber stores: Not provided
Total service centers: Not provided
States covered: All 50
Group consists of: AIM, AIM Alliance, Auto Extra, CYGNUS, DWC and SDI.
Group structure: The AIM Group consists of five affiliated groups that share expertise, shared volume and relationships with vendors to provide the best combined service possible to all members.
Retail: Not provided
Wholesale: Not provided
Private label: 10%
Major brands: 90%
Programs: Training program; pricing; computer services for software and hardware; signage; installer program; advertising in trade publications; training materials available upon request; premium incentive company; insurance program.

Our focus in 2014 is to continue to offer our membership choice and enhanced profit opportunities. This is available with the relationship we have with Uni-Select, especially with the enhanced drop ship options offered.



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Automotive Distribution Network

CEO/President: Mike Lambert
Year established: 1977
WD members: 195
Member-owned warehouses: 360
Total jobber stores: 1,400
Total service centers: 1,500
States covered: All 50 and Canada, Mexico and Puerto Rico
Group structure: Shareholders vote on product and governance. Nine-member Executive Committee. Marketing, Product, National Account and Finance Committees are made up of members, resulting in a committee-driven association.

Retail: 10%
Wholesale: 90%
Private label: 10%
Major brands: 90%
Programs: Network Intel, includes EOP and eCommerce, Network Products Warehouse, Car Care Center and Auto Service Experts Dealer Programs, Product Development and pricing support.

In 2015, the Network will focus on ongoing technology development and marketing development of product based promotions. Main challenges are combining product based promotions with tracking results through NetIntel.



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Automotive Parts Associates

CEO/President: Gary Martin
Year established: 1972
WD members: 102
Member-owned warehouses: 180
Total jobber stores: 1,800
Total service centers: 1,525
States covered: All 50, Canada and Mexico.
Group structure: Shareholders elect a nine-member board of directors with staggered three-year terms. Various committees

are assigned at the discretion of the chairman of the board.

Retail: 15%
Wholesale: 85%
Private label: 15%
Major brands: 85%
Programs: Information Technology Suite; Data Warehouse Solutions, EDI/MIC, Product Information Management (PIM), eCommerce, channel promotions.

For 2015, APA is dedicated to enhancing member services, such as a robust IT Suite, and a product promotion program that results in growing profitable sales through the distribution channel of shareholders.



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CARQUEST Auto Parts

President CARQUEST North America: David McCartney
Year established: 1932
WD members: Not provided.
Member-owned warehouses: Not provided.
Total jobber stores: Not provided.
States covered: 49
Major members: Not provided.
Group structure: Not provided.
Retail: Not provided
Wholesale: Not provided.

Private label: CARQUEST, Weavever, ToughOne, DriveWorks, AutoCraft.
Major brands: Dayco, Monroe, Gates, Moog.
Programs: Not provided.

Advance Auto Parts acquired General Parts International and the CARQUEST and WORLDPAK brands in January 2014. The deal created the largest automotive aftermarket parts supplier in North America.



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Engine Pro/Engine Parts Group Inc.

CEO/President: Don Weber
Year established: 1989
WD members: 9
Member-owned warehouses: 35
Member-owned jobber stores: 0
Non-member owned jobber stores: 9,000
Total jobber stores: 9,000
States covered: All 50 plus Australia.
Major members: Not provided
Group structure: Equally owned by nine independent distributor members.
Retail: 0%
Wholesale: 100%
Private label: 15%
Major brands: 85%
Programs: National parts finder; motorsports affiliation; and other sales, marketing and promotional programs.

In 2015, Engine Pro aims to continue to work to increase shareholder sales and increase shareholder profit margins. Engine Pro brand products are designed to offer high quality in high performance parts along with a moderate price.



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Federated Auto Parts Distribution

CEO: Rusty Bishop
President: Larry Pavey
Year established: 1985
WD members: 60
Member-owned warehouses: 155
Total jobber stores: 4,200
States covered: All 50 plus Canada
Group structure: Board of directors are elected to serve one-year terms.
Retail: 20%
Wholesale: 80%
Private label: 15%
Major brands: 85%
Programs: Computerized parts ordering; obsolete parts program; inventory management; Enhance Supply Chain Initiative; Federated Car Care Installer Program; discount pricing; signage; POP displays; Internet support; Technician's Diagnostic Hotline; business training seminars; print, radio & TV advertising; credit card program; national warranty programs; shop layout/design; employee uniforms; major name brands; shared logo lines; private label lines; specialty items; training clinics; truck signage.

Federated's 2015 focus continues to be supporting member growth in sales and profitability. They will also work to reduce administrative costs and improve supply chain efficiency through collaboration with supplier partners.



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National Automotive Parts Association

CEO/President: Dan Askey
Year established: 1925
WD members: 1
Member-owned warehouses: 62
Total jobber stores: 6,000
Total service centers: 15,500
States covered: All 50
Major members: Genuine Parts Co.
Group structure: Board of directors
Retail: 25%
Wholesale: 75%
Private label: 90%
Major brands: 10%
Programs: In-store design and merchandising; counter personnel training/certification; technology services; dealer merchandising programs; advertising; inventory management; obsolescence protection; preferential billing terms; specialty items; employee uniforms; market research; seminars; extended product warranties; group insurance plans, financial assistance/loans; among others.

NAPA's main goal for 2015 is to continue business growth. The group offers a complete suite of estimating, shop management and technical software tools to help installer customers become more efficient and streamline their business process.



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National Pronto Association

CEO/President: Bill Maggs
Year established: 1978
WD members: 92
Member-owned warehouses: 332
Member-owned jobber stores: 930
Non-member-owned jobber stores: 4,000
Total jobber stores: 4,930
Member-owned service centers: 0
Non-member-owned service centers: 78,000
Total service centers: 2,100 - Pronto Smart

Choice members.
States covered: All but KY, MT, NC, NM and WV.
Group structure: Members elect an executive board of directors.
Retail: 15%
Wholesale: 85%
Private label: Pronto brand
Major brands: Bendix, Cardone, Denso, Dayco, Dorman, Fel-Pro, Gates, Goodyear, Hastings, KYB, Moog and others.
Programs: Pronto Smart Choice Advantage Service Center Program.

Pronto's focus will be to continue to help members and their customers grow their businesses profitably. Areas of concentration include sales and marketing support, inventory management, product availability and great customer support systems.



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TruStar Inc.

CEO/President: Steve Upton
Year established: 1987
WD members: 70
Member-owned warehouses: 130
Member-owned jobber stores: 40
Member-owned service centers: 1,000
Non-member owned service centers: 45,000
States covered: 47, plus Canada and Mexico.
Major members: AB&S Warehouse, American Undercar, Birmingham

Spring Service, Brake Warehouse, Frank Supply, among others
Group structure: Members located in U.S., Mexico, Canada that head steering and marketing committees.
Retail: 20%
Wholesale: 80%
Private label: 40%
Major brands: 60%
Programs: Installer's Choice Marketing Program; TruStar Promotion Calendar, Warehouse Distributor Trip Promotions; TruStar Graphic Package; others.

TruStar's objectives for 2015 are to develop new manufacturer programs while creating support for the current, existing manufacturer programs and to add value. A main challenge will be battling the economy while growing WD membership.



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Automotive Parts Associates, Inc.: Offers value to members through service, products and education

The best-rounded Program Distribution Group, Automotive Parts Associates, Inc. (APA) is a member-owned cooperative with more than 100 independent WD Shareholders serving North America's Automotive Aftermarket. APA is a proud member of AWDA, AAIA and AIA. Its members' distribution centers offer OE and national brand product lines and its house brand, Professionals' Choice. Its approach to member services is a mix of buying power, marketing support, customer loyalty programs and education. APA negotiates favorable pricing with manufacturers and attains industry leading programs for its shareholders. APA monitors the industry and the needs of its shareholders to ensure that the proper alignment is achieved with vendors in the ever changing and competitive environment facing the industry.

APA has a strong and committed focus in building and enhancing its industry leading Information Technology Suite, which equips its members with the latest technology and business intelligence tools available in the industry. The technology suite contains such initiatives as Data Solutions, Product Information Management (PIM), EDI / VIC, and eCommerce.

APA also provides and encourages member education. Its annual meeting each March offers sessions on the hottest industry topics, as well as networking



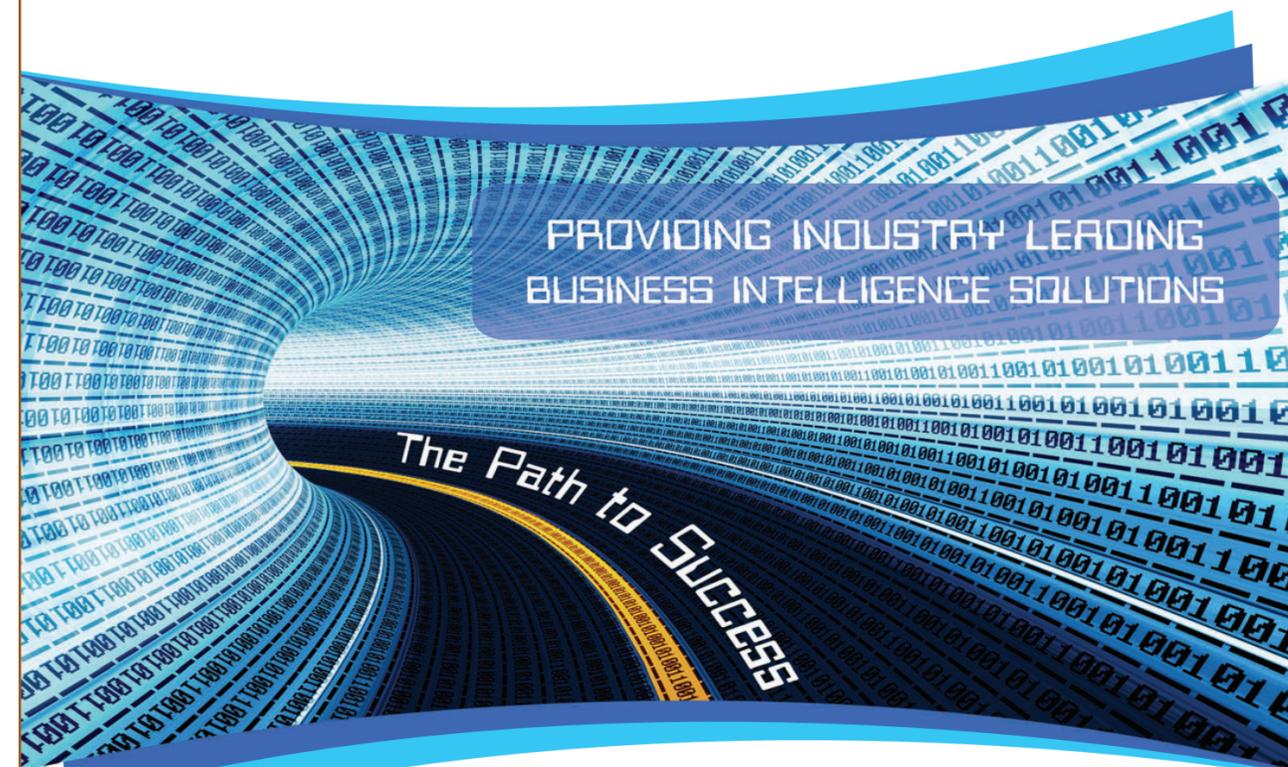
opportunities to talk strategy with peers. APA has two annual regional meetings to discuss current industry issues pertinent to specific market areas.

APA is governed by a Board of Directors through an active Headquarters location in Lenexa, Kansas with a President and CEO and supporting staff. The Chairman of the Board appoints an active committee made up of shareholder members that include a Product Committee and a Technology Committee among others as needed. Shareholder commitment and support for all committees ensures that APA has its focus on the right issues affecting its members. APA, which is a not-for-profit group, believes its buying group is strong because it places its members first, treats every member equally; maintaining a strong foundation for its members so they can build their businesses, while also building strong loyalty with their customers.

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APA's
Information Technology Suite



About APA's IT Suite

Automotive Parts Associates offers shareholders several IT services FREE of charge, including training and consulting. Included in these free services are:

Data Solutions - APA's Business Intelligence, including VIO data.

Pricing Solutions Portal for APA members to download price changes and other product information uploaded by vendors.

EDI/VIC launches in January, 2015. This will allow for ease of placing routine and special orders.

E-Commerce (coming soon). A tool designed for APA members and vendors to increase sales, including Non-Applicatoin and Shop Supplies.

IT Services

- 1 Data Solutions
- 2 Product Information Management (PIM)
- 3 Electronic Data Interchange (EDI)
- 4 E-Commerce

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Venezuelan aftermarket

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scanning controls in place to prevent shoppers returning again and again to stock up.

During his term in office, the socialist government of Hugo Chavez brought in strict currency regulations to prevent currency flight aimed at reducing inequality, poverty and malnutrition among its population. Despite these well-meaning intentions, the result of these policies was to create a complex currency regime that prevented businesses from obtaining the dollars needed to import goods, raw materials and spare parts.

Far from alleviating shortages in basic necessities, the opposite result ensued. The Venezuelan government however blamed the problem on smugglers, who they say, purchased large amounts of price-controlled items in Venezuela then smuggled them over the border into Colombia to be sold for huge profits.

Economists estimate that 10 percent of consumer goods in Venezuela end up for sale in Columbia in this way, a figure disputed by the government, which insists that the figure is closer to 40 percent.

In a bid to put a stop to this black economy, the border between the two coun-

tries is shut down at night. Also, there is a crackdown on smugglers and the arrest of any shoppers in Venezuela who are believed to be planning to sell their purchased goods in Colombia.

Smuggling is not the only widespread crime in Venezuela. Violent crime is pervasive with kidnapping and carjacking running at high levels. In 2013 there were nearly 25,000 murders for a murder rate of 79 per 100,000 inhabitants, placing its homicide rate among the highest in the world. With economic conditions deteriorating during 2014, demonstrations have become commonplace, many of them becoming violent and resulting in the deaths of more than 40 people.

It's not just the food supply industry that is being affected by government policy. The sale of gasoline, which is heavily subsidized and cost only five cents a gallon in mid-2014, has been restricted to a maximum of two tank fill ups a week. This policy is enforced by the use of bar codes on vehicle windshields, a measure employed to prevent the resale of fuel in neighboring Colombia where it can fetch \$4.50 a gallon.

The irony of this rationing is that it takes place in a country that during 2013 had oil

sales of \$114 billion yet still had to ration toilet paper. Corruption has been commonplace with corrupt businessmen billing the government for imports that never took place and billions more going toward election year spending over the course of a decade.

The car industry in Venezuela was once the third largest in Central and South America with Ford, Fiat Chrysler, General Motors and Toyota all having large production facilities there. But the government monopoly in supplying the dollars needed for purchasing spare parts has almost brought this once-thriving industry to a grinding halt.

The Venezuelan government has been accused of delaying \$4 billion in payments that the car companies need to convert local currency into the dollars it needs to pay overseas suppliers. During the first six months of 2014 vehicle production was cut by 80 percent due to a lack of dollars with which to pay essential parts suppliers.

In June of 2013, 37,000 vehicles came off the production lines but that number fell to slightly more than 6,000 in June 2014. Despite this dramatic drop

in output, the 2,500 Ford workers still turn up for work each day, their jobs protected by strict labor laws.

Perhaps predictably the Venezuelan government doesn't consider their economic policies to be the source of problems in the motor industry, but places the blame with the motor companies themselves. In 2013 GM was fined after it was accused of selling overpriced car parts. In February 2014 Venezuelan socialist president Nicolas Maduro publicly criticized Toyota when they announced plans to cease production in the country. He accused the company of colluding with his political opponents to destabilize the government.

The shortage of new cars coming off the production lines combined with restrictions in car imports has resulted in the strange paradox of cars immediately becoming more valuable as soon as they're purchased. With one of the world's highest rates of inflation rates in the world, which hit almost 50 percent during September 2014, the population views used cars as investments for the future.

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“Sourcing spare parts has become a daily nightmare for the aftermarket in Venezuela.”

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