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JULY 2015

INNOVATIONS DRIVE ITALIAN AFTERMARKET'S RECOVERY FROM RECESSION

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INNOVATIONS DRIVE ITALIAN AFTERMARKET'S RECOVERY FROM RECESSION

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BY JAMES E. GUYETTE | News Correspondent

Italy's aftermarket and its related automotive supplier import and export opportunities appear to be on the right track as a recent headline in *Il Sole 24 Ore* declares, "The car components industry sees the light at end of the tunnel."

A reporter from the newspaper was invited to moderate one of 20 sessions presented throughout the AutopromotecEdu program during May's Autopromotec exposition in Bologna. More than 2,300 Italian and international visitors attended the seminars, including a session entitled, "The economy is picking up. Cars can restart."

Held every other year, the overall expo attracted a record-setting 103,989 attendees through the turnstiles; 83,343 of them were Italian, with 20,646 foreign visitors arriving from numerous other nations – including the U.S.

Italy's and Autopromotec's importance to the global industry was highlighted at this past fall's Automotive Aftermarket Industry Week (AAIW)

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Italian aftermarket

> The Italian aftermarket is expected to reach 326 million euros by 2018, up from 301 million in 2014.

in Las Vegas by a delegation representing the Chicago office of the Rome-based Italian Trade Promotion Agency, known as ICE, which provides a wide range of services to assist Italian and overseas operations interested in connecting with mutual business endeavors.

More than 1,500 exhibitors displayed their products and services on Autopromotec's show floor, amounting to a 12.5 percent increase from 2013's figures as 663 non-Italian firms representing 47 countries had a booth presence. Twenty-nine were from the U.S. "The strong growth in foreign exhibitor and visitor figures makes Autopromotec a landmark event in the international trade fair scenario," reports Autopromotec Brand Manager Emanuele Vicentini.

"Our exhibition is related to the Italian Garage Equipment Manufacturers Association (AICA), and through the association we do observe how many companies are getting more and more interested in the U.S. market," says Autopromotec spokesman Guido Gambassi.

"On one side, this is due to recent changes in the American automotive market, which has moved toward some more 'European' car models, creating new opportunities for our companies," he says. "On the other side, the U.S. is now going through a phase of full economic recovery, encouraging Italian businesses to approach or strengthen their presence in this market."

Gambassi goes on to observe, "For U.S. businesses it could be more complex to approach the Italian market, as we are talking about a smaller country, which is, besides, still facing some economic issues and challenges. But Autopromotec should be seen, first of all, as an international marketplace, offering several business opportunities at a global level."

"They are interested in American products, and they are very interested in our training programs," says Lakisha Pindell, director of meetings for the Maryland-based Tire Industry Association (TIA). "Our retail training was very popular" among Autopromotec attendees from a variety of nations.

While buying-power challenges persist amid tight personal finances that affect much of

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Trans-Pacific Partnership offers global opportunities for aftermarket

BY JAMES E. GUYETTE
News Correspondent

Although publicly available details are in short supply regarding the precise negotiated terms at this point, industry insiders are optimistic that the pending Trans-Pacific Partnership (TPP) will benefit the American aftermarket along with the overall automotive industry.

TRENDS & MARKET Analysis

Domestically spearheaded by the Office of the United States Trade Representative (USTR), the U.S. and 11 other nations are multilaterally involved in formulating the TPP's specifics: Australia, Brunei Darussalam, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore and Vietnam.

Controversy continues to accompany the pact's progress amid a contentious array of political machinations going into the presidential campaign cycle. Supporters had anticipated that the agreement would have been wrapped up in March.

"International trade is front and center in 2015 – such as the proposed Trans-Pacific Partnership debate and the unlikely alliance

Vendor Newsmaker
Q&A
RON BOOKBINDER
General Director,
North American Office, JAMA

Q What are the key negotiating points regarding Japan's role in the Trans-Pacific Partnership?

A What did Bookbinder say? Continue reading online.

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> Last year, 80 percent of U.S. auto parts exports went to free trade agreement countries.

pitting the White House and Congressional Republicans against liberal Democrats and some elements of the Tea Party on this issue," according to Jerome Ashton, managing editor of international trade at Bloomberg, which has prepared a 40-plus page report covering an assortment of worldwide trade policy issues being pursued by the U.S.

"If concluded in the ambitious manner conceived, the TPP can greatly benefit the auto care industry by joining together nearly 800 million consumers and almost 40 percent of the world economy in a deeper and more formalized trade and investment relationship," says Andres Castrillon, senior counsel for international affairs at the Auto Care Association.

"TPP offers the opportunity to counterbalance the major inroads that our Chinese competitors have made throughout the Asia-Pacific region. A strong TPP will open closed markets, eliminate barriers, secure strong IP (intellectual property) protection and ensure enforceability," he explains.

"Our industry is increasingly global and our members need fair treatment, strong standards and open markets if we are going to grow our industry and workforce here at home. With 95 percent of the world's consumers and 80 percent of the purchasing power outside of our borders, we need to do a better job of growing overseas markets. Free trade agreements are key to this effort," according to Castrillon.

"Last year, 80 percent of U.S. auto parts exports went to free trade agreement (FTA) countries. And, while we have been idle in completing new FTAs, our competitors overseas are benefitting from the many agreements negotiated by China, the EU, Mexico and others that exclude and disadvantage manufacturers in the U.S.," he contends.

"When conceived, TPP was intended to be the gold standard FTA for the 21st Century. We are watching the negotiations closely and hope to see strong outcomes on a number of outstanding issues; apart from the occasional leaked draft chapter, the TPP texts are closed."

Seemingly more secret than Iran's alleged efforts to build an atom bomb, the lack of clarity over the pact's provisions is inviting a

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Brake component market offers robust production capabilities

BY JAMES E. GUYETTE
News Correspondent

Discounting the notion that brake parts can be over-engineered amid a cost-sensitive marketplace, a number of braking system suppliers are stressing the importance of applying sophisticated engineering designs and testing techniques to provide top performance and safety.

TRENDS & MARKET Analysis

These efforts are aimed at guaranteeing stopping power and longevity while also enhancing manufacturer production efficiencies to ensure that price points remain acceptable to the motoring public.

They further contend that while do-it-for-me customers, do-it-yourselfers and technicians may be tempted to select the lowest costing components available, going with the least-expensive brakes on today's vehicles can create problems during the installation process and pose personal risk to a car's occupants and others on the road.

By choosing premium products that can be installed out of the box, DIYers and technicians can avoid filing to accomplish the correct appli-

Vendor Newsmaker
Q&A

JEREMY KAHRS
Senior Director
Yokohama Tire

Q What are the changes being made to Yokohama's supply chain management and logistics strategies?

A What did Kahrs say? Continue reading online.

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> “The value of the North American rotors, drums and calipers aftermarket was $1.39 billion in 2013.”

cation – eliminating the potential harm of compromising the system’s integrity and ensuring fit, form, function and overall performance.

Industry engineers have noted that the most critical elements within a brake pad set are the disc brake shoes or backing plates.

Nearly 20 percent of vehicles on the road underwent a brake job in 2009, according to the Brake Manufacturers Council, which is managed by the Automotive Aftermarket Suppliers Association (AASA). Friction products amounted to 15.5 percent of the work, followed by rotors at 13.6 percent and drums at 3.1 percent.

An analysis from Frost & Sullivan values the North American rotors, drums and calipers aftermarket at $1.39 billion as of 2013, estimating the segment to reach $1.64 billion by 2020. Warehouse distributors accounted for 50.5 percent of the total 2013 revenues, with large retail chains continuing to gain market share.

Optimizing brake performance

“Often the first sign of worn brakes is a brake pedal that seems to require more pressure to stop the vehicle,” according to the AAA’s John Nielsen, the organization’s managing director of automotive engineering and repair.

Scraping, squeaking or chirping noises that come from the wheels when the brakes are applied are other signs of potentially excessive brake wear. A car that pulls to the left or right when the brakes are applied also could mean trouble, he adds. Motorists should not wait until the brake warning light in their vehicle illuminates to have their brakes inspected.

As part of its Brake Safety Awareness Month that takes place in August, the Car Care Council recommends that motorists be encouraged to bring their vehicles into shops for routine brake inspections. “When it comes to vehicle safety, the brake system is at the top of the list, so have your brakes checked by an auto service professional at least once a year,” says executive director Rich White, elaborating with a list of seven key warning signs:

- Noise: screeching, grinding or clicking noises when applying the brakes.
- Pulling: vehicle pulls to one side while braking. ...CONTINUE READING

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Dealer service departments post record revenues in 2014

BY BRIAN ALBRIGHT
Correspondent

U.S. auto dealerships have continued to increase new and used vehicle sales, while dealer service departments posted record revenues in 2014. The National Automobile Dealers Association (NADA) released its annual industry report, NADA Data 2014 in April, and their research shows the industry continuing to make big gains.

TRENDS & MARKET Analysis

Sales at new car dealerships reached 16.43 million units in 2014, and total dealership revenue reached $806 billion, an 8.6 percent increase over 2013. Net profitability remained flat at 2.2 percent for the third year in a row.

"Profitability is completely flat," says NADA Chief Economist Steven Szakaly. "Competition is intense. Anyone can buy a vehicle anywhere in the country, so you don't just have local competition, you have national competition. That interbrand competition among car dealerships is really underlined by the fact we are not seeing profitability increase."

NADA is forecasting sales of 16.94 million new light vehicles this year, driven by low auto

Dealer Newsmaker Q&A

NANCY WALTER
VP of Business Development
Foresight Research

Q What are some best practices that dealers can use to increase accessory sales?

A What did Walter say? Continue reading online.

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> Total service and parts sales were $5.6 million at the average auto dealership in 2014.

loan rates, high trade-in values, falling gas prices, and pent-up demand. Total light and heavy duty sales should top 17.3 million.

The number of dealerships is growing. During the worst part of the economic recession several years ago, big OEMs like GM and Chrysler forced the closure of hundreds of dealerships. In 2014, there was a net increase of more than 200 new car retail locations.

"Consumers clearly feel confident enough in the economic recovery to make big-ticket purchases," Szakaly says. "While we've seen a pullback in investments in other industries, particularly in oil-related industries, automotive retailing remains a growth industry. The automotive-retailing sector is continuing to outpace growth in the overall U.S. economy. Economic and employment growth were slower than expected in the first quarter but vehicle sales remain strong."

The new vehicle department had the largest share of total sales (57.6 percent), while used vehicles accounted for 31.0 percent, and service/parts made up 11.4 percent of total sales (a slight dip from 11.6 percent in 2013).

Service/parts still had net profits that greatly exceeded those in the new and used vehicle departments, however, which has been the trend for the past decade.

Dealership payrolls have also continued to grow. Average payroll is $3.54 million, up from $3 million in 2013, and the industry had total payroll of $58.11 billion. New car dealership employees bring home an average of $1,058 per week.

Service continues to expand

The service and parts departments of U.S. dealerships continue to post record sales. In 2014, total service, parts, and body shop revenue reached $91.73 billion, up 8.4 percent over 2013 when total revenue hit $84.6 billion. (These figures are not completely comparable, because NADA altered its benchmark and data collection methods for the current survey; still, the general trend is an increase in revenue.)

"Service has become much more important." Szakaly says. "It's a profit center, and a way to

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Federal-Mogul links tech to technicians

> Federal-Mogul has expanded its regional training vans from eight to 30 vehicles nationwide.

BY BRIAN ALBRIGHT
Correspondent

In May, Federal-Mogul Motorparts took home the National Catalog Managers Association (NCMA) gold-level President's Award for Catalog Excellence for its Garage Gurus (formerly SmartChoice) mobile app. The app, which is part of the company's Tech First initiative, allows iPhone and Android users to find parts information and technical support on their phones.

TRENDS & MARKET Analysis

Last year's mobile app gold winner, K&N Engineering, took home the award this year for its online catalog.

Federal-Mogul launched the mobile solution as SmartChoice in 2013. The app also includes VIN scanning and license plate-to-VIN technology that allows customers to find parts using the license number.

The mobile app now has 20,000 users in the U.S. and Canada. Federal-Mogul developed the app in-house, but has an outside developer that assists with coding changes and upgrades.

"We do all of the layout, graphics, and all of the things that we have to do to keep up with the changes that Apple and Android push out to us," says Brent Berman, director of training and consumer experience. "Then we have those developers that help us push the changes through. Our turnaround time has been pretty good. Our iOS 8 update was out within 60 days."

Garage Gurus

Federal-Mogul combined a number of its technology and training initiatives under the Garage Gurus program as part of a reorganization of its technician-facing initiatives. The platform includes a new network of state-of-the-art regional training centers, Gurus-on-the-Go product technology vans, and an e-learning curriculum available at www.FMgaragegurus.com.

"In the last two decades the model was really to push a lot of communication and information through the channel, and hope it got to the target audience of technicians," Berman says. "But if you look at our resellers, they might have 800 or 1,200 vendors all shooting information at them and hoping it got out to the trade."

The Tech First and Garage Gurus programs specifically target that information and training directly to technicians. "We had all of these fragmented programs, but no consistent message or ecosystem," Berman says. "With Tech First, we're cutting through the channel and getting the message to the technicians."

As part of the program, Federal-Mogul has expanded its regional training vans from eight to 30 vehicles across the country, with plans to have 50 vans on the road by 2016. The company also plans to have 15 regional training centers online by the end of this year.

"We've also scaled up the amount of ASE master trainers," Berman says. "With the van drivers, our sales force, and the trainers at our facilities, we have more than 100 ASE certified team members now." ...CONTINUE READING

Technology Newsmaker Q&A

BEN JOHNSON
Director of Product Management, Mitchell 1

Q What are the biggest technological obstacles Mitchell 1 faces as it develops and rolls out new products?

A What did Johnson say? Continue reading online.

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Living in the SHADOWS

I attended the NAPA Expo in May where the NAPA folks did an absolutely stellar job with this event for their extended family of 18,000 people.

There is something remarkable that happened that I have not experienced before. It is both great and terrifying. In addition to many of the most progressive repair shops in the country NAPA brought a cross-section of attendees that almost certainly are not attending any other industry events. Before I tell you how I know this let me explain my role in the event.

I had the opportunity to teach a technical program on module programming that was aimed at convincing those who have not embraced the concept to step up to the J-Box. As part of my duties I hung around with the amazing and entertaining guys and gals from NAPA Training and ASE for four days. This afforded many opportunities to listen to and answer questions of folks who came by the booth or were in our training classes. This leads me back to my concerns for our industry.

If you attend many of the regional events you are well aware that most of the folks attending are the Kool-Aid drinkers who absorb any training opportunity they get near. Having attended more of those than I can count, I know their profile. The questions I receive, as a trainer, are so technical I sometimes have to research them to answer them.

In contrast some of the questions we were receiving were so fundamental that I was surprised to find that these were the business owners. I met people who do not own scan tools, who do not know how to read a financial statement, or calculate the return on investment (ROI) of a scan tool. I fielded questions about ASE testing that included "why" a little more often than I have come to expect. I encountered shops with no web presence and shops that provide no training of any kind to their technicians. We had a shop win a television out of the booth that I could not find an address or phone number for on the web.

Before you rush to judgment – don't. These guys were asking the questions they needed to ask. They were there and they were taking advantage of the staggering amount of expertise that surrounded them. My hat is off to the folks who figured out how to get these shops to attend. They just may have saved their businesses. The core question is how does it happen that some people who own repair businesses are far from the competency level needed to repair a car that was built in the last 15 years? I don't have all the answers, but I have a few symptoms.

DONNY SEYFER
Operations Manager
Seyfer Automotive, Inc.

Little to no training

For the most part training was not a part of the culture of these shops. If there was little to no technical training, I found that there was absolutely no owner training. Many of these folks were seeing a management trainer for the first time.

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Fowl or foul BEHAVIOR

> Male customers tend to buy "price" and women tend to buy "value" and safety.

In light of the recent outbreaks of violent riots, errant gunmen, obvious brutality inflicted by those in command, and the political finger pointing of our national leaders, I want to draw some comparison to our industry's faux pas. Since we don't typically destroy police cars in parking lots, shoot each other for no apparent reason (however, in West Virginia the defense of "he needed killin" is a sometimes regarded as justifiable homicide), and no owner of a parts store or service center is dumb enough to run for President, the only thing that resembles the madness of the world within our industry is men vs. women.

Aside from the obvious anatomical differences, there are other intriguing things as to how we each respectively handle our business. Ironically, the same misconceptions about the automotive service and parts industry and issues regarding gender share a few things in common with racial tensions, the "Girls Gone Wild" video series and soccer hooligans.

The tradition and history of our industry has created men as the heir apparent, but the "her appearance" is appreciated much more appropriately in certain work and customer relationships.

The old saying and popular book title "Men are from Mars, Women are From Venus" illustrates how we think of each other. How we rationalize our differences might be slightly based on hormones or testosterone, but not entirely. In the automotive world these differences could be explained without the gender bias by saying, "Men have short dirty fingernails, women have longer dirty fingernails." The common component is greasy hands. Here are some other noticeable differences between female and male customers.

Male customers tend to buy "price" much more than women. Women have a tendency to buy "value" and safety. A man will come in and buy only a set of brake pads for a vehicle that obviously needs rotors, calipers, ball joints, and a CV shaft with two lug nuts holding the wheels on the car, and then complain of a pedal pulsation after they've been installed, insisting we give him a new set of brake pads for free because the ones he just got are defective.

His wife can bring the same vehicle in for service, and after informing her of the same problems she will allow us to actually fix the vehicle. Then when she returns home, her husband gets mad, tells her she was taken advantage of and none of the other stuff needed replaced.

As a result, the husband now thinks we are a bunch of crooks, and his wife has a complex about buying parts or getting her car serviced, from anyone, but tells everyone she knows that she got ripped off by us. Now this is certainly not representative of all men and women, yet the stigma is there.

As much as the inaccurate perception annoys me, it's wise of us to realize there is not a lot we can do about the customers we serve. Men like to be the heroes, women like to be the damsels in distress and both stereotypes pivot on our genetically programmed automotive industry frailties. Did I just say frailties? What could those possibly be? For the "Mr. Know It All" we are often too quick to "holster our weapon" of knowledge to avoid conflict and just give the guy what he asks for, not what he needs, and pray it won't

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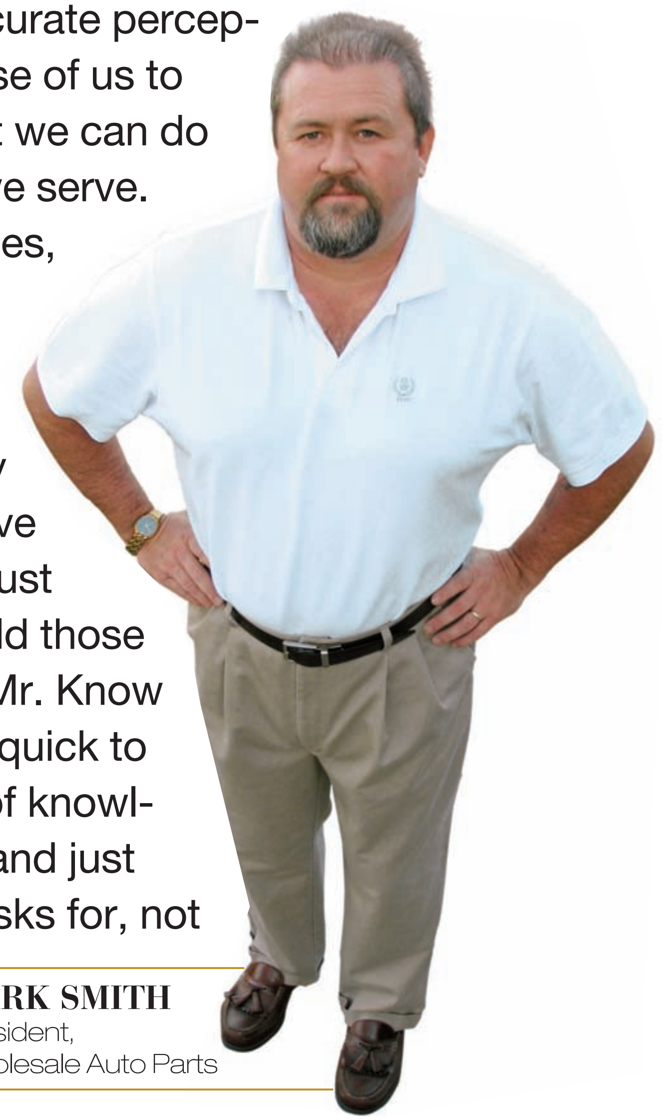

MARK SMITH
President,
Wholesale Auto Parts

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Tire issues percolating IN CONGRESS

"So there are two things to watch out for: new regulations and new taxes."

Congress is feverishly holding hearings on reauthorization of the highway bill, which will mean changes to highway safety laws, including, possibly, to reporting requirements for tire retailers. In addition, Congress will at the same time have to legislate new sources of funding for the federal highway grant program. Congress might decide to reinstitute the long-ago federal excise tax on passenger tires (there is a current federal excise tax on truck tires).

The current highway bill expires at the end of May, and the highway trust fund, now solely dependent on gas taxes, is expected to run out of money by the end of August. Nearly everyone in Washington agrees that because drivers are in much more fuel-efficient cars these days the gas tax must be increased or supplemented with other, new taxes.

So there are two things to watch out for: new regulations and new taxes.

In the first category, there may be a push to force tire retailers to report to the National Highway Traffic Safety Administration (NHTSA) tires sold in stores. This is not now required. Last year, the Obama administration introduced a highway reauthorization bill called the "Generating Renewal, Opportunity, and Work with Accelerated Mobility, Efficiency, and Rebuilding of Infrastructure and Communities throughout America Act" or "GROW AMERICA Act." That bill went nowhere.

But that bill included a provision allowing NHTSA to "initiate a rulemaking to consider requiring a distributor or dealer of tires that is not owned or controlled by a manufacturer of tires to maintain records of the name and address of tire purchasers and lessors and information identifying the tire that was purchased or leased, and any additional records the Secretary deems appropriate. Such rulemaking may also consider requiring a distributor or dealer of tires that is not owned or controlled by a manufacturer of tires to electronically transmit such records to the manufacturer of the tire by secure means at no cost to tire purchasers or lessors."

Last December, the Rubber Manufacturers Association, which represents tire manufacturers, announced they were lobbying Congress to support such an amendment. The Obama administration has indicated it will reintroduce the bill. Of course, a bill introduced by the Obama administration probably has no chance of emerging from the Republican-controlled Congress intact, if it emerges at all. It is almost impossible at this early stage, with no transportation committee in either the House or Senate proposing much less passing a highway reauthorization bill, whether the tire dealer reporting provision has any support. Justin Harclerode, spokesman for the House Transportation and Infrastructure Committee, says the leaders of the committee have not taken a position one way or another on any possible provision in a reauthorization bill.

Kevin Rohlwing, senior vice president of training for the Tire Industry Association, (TIA) says TIA strongly opposes retailer reporting on tire sales and any reinstitution of an excise tax on either passenger tires or retreads. As to the possibility of those taxes, Rohlwing says, "We've heard it suggested." But there doesn't appear to be an actual provision on the horizon.

Rohlwing said he and the TIA are not concerned about the new NHTSA final rule changing the tire identification number (TIN) manufacturers must print in full on

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STEPHEN BARLAS
Washington Correspondent

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Three reasons to LOSE SLEEP OR GAIN INSPIRATION

> Look at your business like a customer would and ask if this is the experience you want to deliver.

In 1965, Gordon Moore of Intel, father of Moore's Law, postulated that the density of microprocessors on a chip would double (due to miniaturization) every 18 to 24 months. Recently, it appears that Moore's Law has expanded to include a doubling of major announcements relative to online commerce in a similar time horizon. The past month alone saw three historic items that anyone with an interest in doing business online should take note of.

The first announcement was that local web searches conducted on mobile devices (smart phones and tablets) will exceed those performed on desktop devices in 2015 (research firm BIA Kelsey). It's no great surprise that any metric of mobile computing is racing past that of the desktop alternative. The surprise is in the time horizon.

The first generation of Apple's iPhone was released in 2007 and the original iPad made its debut in April 2010. In a fraction of a decade these and similar untethered devices have transformed the way people access the Internet and the way commerce is done. This transformative technology is particularly relevant to the automotive parts and service industry because our customers are innately mobile. And they are almost certainly untethered and away from a desktop at their time of greatest need for parts, service and repair. Besides, almost anyone under age 60 just prefers the convenience and immediacy of searching for products, mapping a store location and shopping for services from the palm of their hand.

What this demands from everyone in the aftermarket parts and service supply chain is that you look at your business from the perspective of your customer. Look at your website on your smart phone or tablet device and ask if it delivers a satisfying customer experience. If product searches with images, ratings and how-to videos aren't clearly rendered along with answers to common questions, store hours, location maps and phone numbers, then your site is of little use to over half of your customers and prospects. This observation applies to B2B customers as well as consumers because a B2B customer is nothing more than a B2C customer who happens to be at work. A new generation of buyers is bringing their search and shopping habits from home to the work place. Mobile is where every business must double-down on their web investment and customer experience.

If more convincing was needed, take note of the change implemented by Google in April in how they rank websites that are not "mobile friendly." Google recently began penalizing sites that are not responsive to the size of the screen performing the search. A site's ranking in organic search results will fall below that of a mobile-friendly site, all other things being equal. Mobile optimized sites feature less text, bigger buttons and links that are spaced in a way to be clickable. This is commonly achieved through the content management system (CMS) behind the website. Alternatively, a second version of the site may be rendered for browsing by smaller screens.

Regardless of how you respond to the mobile-friendly imperative, it is critical that your web content be optimized for the way most of your customers are going to view it. Google has provided a page to test whether your site passes or fails the "mobile-friendly" test: https://www.google.com/webmasters/tools/mobile-friendly/.

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SCOTT LUCKETT
VP, Industry Strategy
GCommerce Inc.

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Global business is good, AFTERMARKET EXPORTERS SAY

> The global currency environment is impacting business due to a strong U.S. dollar.

Business conditions in the global automotive aftermarket are good, according to the leading suppliers exporting their products into international markets.

Each quarter, the Overseas Automotive Council (OAC) of the Automotive Aftermarket Suppliers Association (AASA) surveys its North American supplier members about worldwide business conditions. These surveys reflect OAC members' viewpoints and observations from their business perspectives.

In April, OAC survey respondents reported that overall business conditions in the global marketplace are good. While OAC members are positive about global markets, many report that they are tracking the impact of the strong U.S. dollar on exports. As one member noted, "The global currency environment is impacting business due to (the) strong U.S. dollar."

Here are a few of the comments regarding specific markets:

Saudi Arabia/Middle East:

- "Last year was beyond our estimate. We're cautious this year, but (so far) year to date has been equal to last year. We expect to double our visits this year and introduce some new products."
- "The Middle East is always an area that has volatility due to the political and economic situations. In spite of the volatility, the region thrives and the demand for North American Products are constant and growing."

Latin America (South America, Dominican Republic, Colombia) and Mexico

- "Fleets increasingly are taking a mentality towards better maintenance practices and incorporation of elements of very good quality interventions assets, as the need to have in their facilities staff members that are highly qualified for maintenance; this opens up a new opportunity for manufacturers to focus on technology and quality, not just price."
- "The automotive segment in Colombia is in continuous expansion especially because the government has started to focus more on vehicle scrapping."
- "The heavy duty segment continues to grow year-over-year. However, the main players continue to push towards price decrease – this opens the opportunity to focus on products that helps optimize the operation."
- In Mexico, "All indicators are up. Increasing prospective customers. We have seen good sales increases."

Asia Pacific: A promising region

In addition to currency rates, diversity in regional car parcs is an area many suppliers are watching carefully. One member cited changes in Latin American car parcs, "It is a region with mostly American vehicles. Although there is still a long way before American vehicles are no longer the majority, it is important to take into account the market penetration of Asian and European vehicles."

The OAC is one of the oldest and most unique

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THE POWER OF PERSUASION

AUTO SERVICE FRANCHISEES SAY CUSTOMERS LISTEN TO THEIR RECOMMENDATIONS

PHOTO COURTESY: THINKSTOCK

BY BRUCE ADAMS | Managing Editor

Customers tend to listen to recommendations from auto repair professionals when purchasing vehicle parts, according to the Auto Service Franchise study in the July issue of *Aftermarket Business World*. The study surveyed franchise owners and managers about their parts buying habits and sales to customers.

When asked what their most effective marketing tool is to sell parts, 81 percent said it was their recommendation. In-store displays were a distant second with 6 percent of respondents saying that was their most effective selling tool, while coupons/rebates were at 2 percent, and social media also garnered 2 percent.

This was an increase from last year's survey when 66 percent of respondents said their recommendation was their most effective marketing tool.

This year 64 percent of respondents said most customers take their recommendations to buy parts while 25 percent said customers always take their recommendations and 10 percent said customers some times take their recommendations.

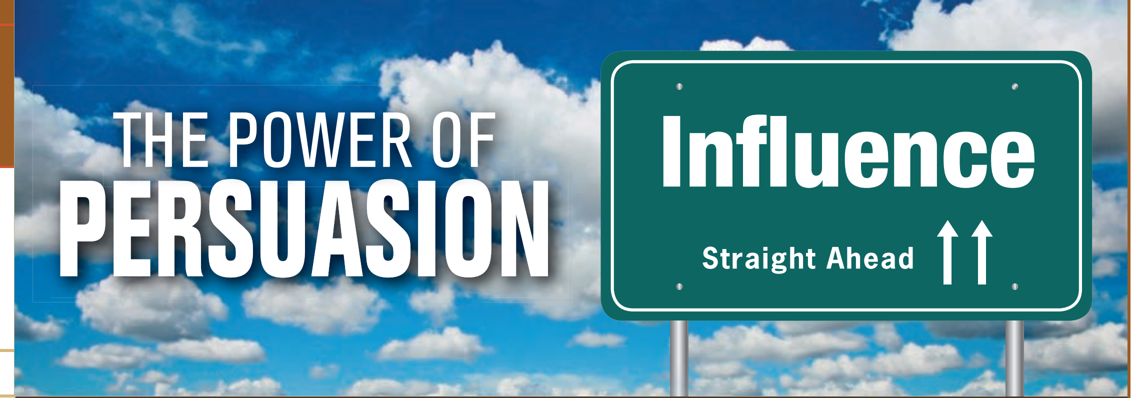
The number one need of customers of auto service franchises is quality, according to 40 percent of respondents. Price is most important according to 22 percent of respondents, availability was 19 percent and OEM form, fit and function garnered 15 percent.

Some 59 percent of respondents said they order parts electronically and 34 percent order by phone. In last year's survey 48 percent said they ordered electronically and 40 percent said they ordered by phone.

In this year's survey 58 percent expect to sell more auto parts in the next 12 months and 38 percent expect to sell the same as the previous 12 months.

Methodology: *The Aftermarket Business World* Auto Service Franchise study was fielded to readers of *Motor Age* magazine via email. Survey results are intended to show general market trends, not statistical certainties. ▫

Auxiliary Lighting



Needs of customers

Quality	25%
OEM form fit and function	30%
Availability	27%

Most effective marketing tool

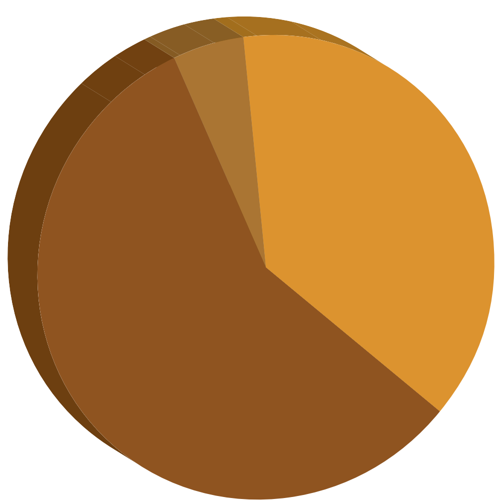
Shop's recommendation	63%
In-store displays	14%
Other	12%

2014 auxiliary lighting sales

38% Increased

57% Held Steady

5% Decreased



47% of auto service franchisees electronically order this product from suppliers.

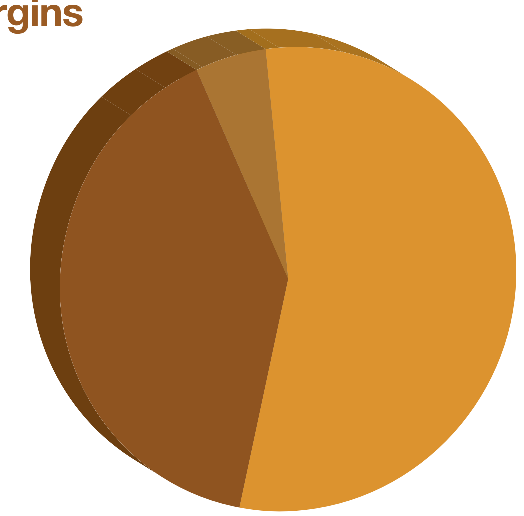
80% of auto service franchisees report that they stock this product on an as-needed basis.

Expected 2015 gross margins

55% To Increase

40% To Hold Steady

5% To Decrease



2015 auxiliary lighting sales expectations

To increase 1-10%	47%
To increase 11-20%	6%
To hold steady	42%
To decrease	5%

Preferred supplier

Jobber	21%
Warehouse distributor	32%
Auto parts retailer	32%
OEM parts arm	10%

28% report that

INDEPENDENT REPAIR SHOPS

are the main competitors when selling this product.

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Chassis

Needs of customers

Quality	40%
Price	25%
Availability	17%

Most effective marketing tool

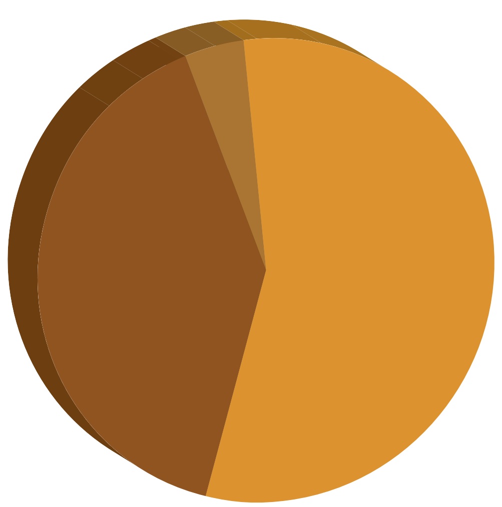
Shop's recommendation	83%
In-store displays	4%
Other	9%

2014 chassis sales

56% Increased

40% Held Steady

4% Decreased



62% of auto service franchisees electronically order this product from suppliers.

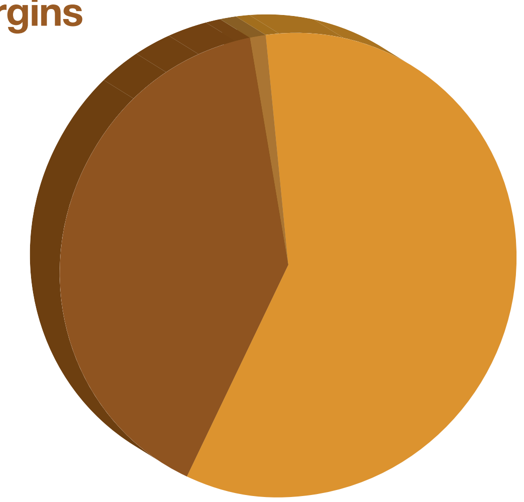
88% of auto service franchisees report that they stock this product on an as-needed basis.

Expected 2015 gross margins

59% To Increase

40% To Hold Steady

1% To decrease



2015 chassis sales expectations

To increase 1-10%	43%
To increase 11-20%	19%
To hold steady	35%
To decrease	3%

Preferred supplier

Jobber	18%
Warehouse distributor	24%
Auto parts retailer	41%
OEM parts arm	16%

37% report that

INDEPENDENT REPAIR SHOPS

are the main competitors when selling this product.

Wheel Bearings

89% of auto service franchisees report that they stock this product on an as-needed basis.

Needs of customers

Quality	49%
Price	23%
Availability	15%

Most effective marketing tool

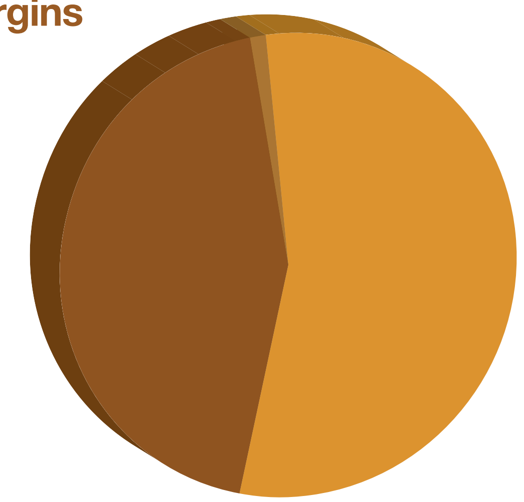
Shop's recommendation	91%
In-store displays	2%
Other	6%

Expected 2015 gross margins

55% To Increase

44% To Hold Steady

1% To Decrease

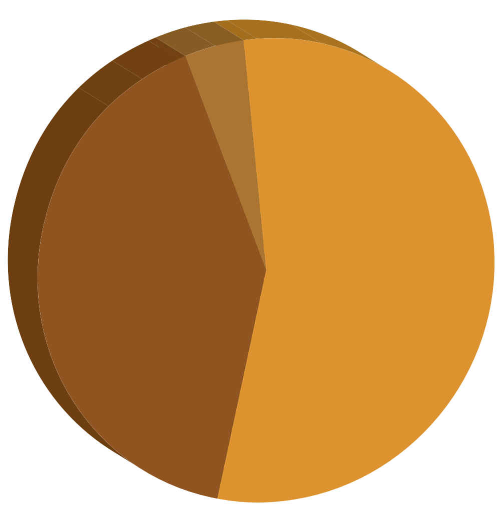


2014 wheel bearing sales

55% Increased

41% Held Steady

4% Decreased



63% of auto service franchisees electronically order this product from suppliers.

2015 wheel bearing sales expectations

To increase 1-10%	43%
To increase 11-20%	16%
To hold steady	40%
To decrease	1%

Preferred supplier

Jobber	18%
Warehouse distributor	25%
Auto parts retailer	42%
OEM parts arm	13%

37% report that INDEPENDENT REPAIR SHOPS are the main competitors when selling this product.

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