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Saudi Arabia IS INVESTING IN HIGH-EFFICIENCY INFRASTRUCTURE

PHOTO COURTESY: THINKSTOCK

BY RICHARD MEZADURIAN | Contributing Editor

The first few weeks of 2016 haven't been good for oil producers. Crude oil prices have continued to fall as they did through much of 2015. Oil hit its latest peak in June of 2014, closing at $105 a barrel. It's fallen continuously since then, dipping below $27 on January 20 for the first time since 2003. How much lower can it go? No one seems to know, but for now, the world is awash in petroleum.

While low prices have been a boon to consumers, economies that are highly dependent on petroleum exports have been ravaged. Mexico, Venezuela, Russia and Nigeria have seen deep contractions in their GDPs. Other countries, such as Saudi Arabia, have opted to produce even more oil to protect their market share. At $27 a barrel, the oil costs less than the barrel that holds it.

With oil and gasoline prices at historic lows, it seems counter-intuitive that Saudi Arabia would

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Saudi Arabian aftermarket

> The value of aftermarket parts sales within the Kingdom was estimated at $3.8 billion in 2014.

embark on a multi-billion dollar enterprise to produce energy efficient industries and drive changes in how vehicles consume energy. The Kingdom, however, sees it differently. The relative wealth that Saudi Arabia has enjoyed over the past 30 years has resulted in a growing population that is ever more demanding of creature comforts and necessities, which all require energy. And the source of that wealth may be drying up. Well, not quite literally.

In 2000, Sheikh Ahmed Zaki Yamani, the former oil minister of Saudi Arabia, gave an interview in which he said, “Thirty years from now there will be a huge amount of oil – and no buyers. Oil will be left in the ground. The Stone Age came to an end, not because we had a lack of stones, and the oil age will come to an end not because we have a lack of oil.” The Kingdom of Saudi Arabia has seen the future, and they did not like what they saw.

The current population within the Kingdom, including foreign workers, is roughly 30 million people, and that is up from nearly 9 million in 1980. By 2030, the population is expected to reach 36 million, according to World Population Review. During this period of growth, the Kingdom has seen its daily energy consumption climb from less than one million barrels of oil a day in 1980 to more than 4.2 million today. That figure is expected to reach 8 million barrels a day by 2030.

In 2012, the Kingdom established the Saudi Center for Energy Efficiency, with a goal of reducing by 20 percent that 8 million barrel a day figure by 2030. They plan on driving these efficiency gains by better use of thermal insulation in new buildings, and by adopting the use of energy efficient air conditioners, refrigerators and washing machines. But they also feel automobiles will play a major part in reaching their goals.

Vehicle parc

From an automotive perspective, the current vehicle parc of Saudi Arabia is approximately 12 million vehicles. That number is expected to increase to 16 million vehicles by the year 2020. The current value of automobile sales inside the Kingdom is valued at US$30 billion.

New vehicle sales are dominated by Asian brands. For 2014, the last full year statistics are

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BY 2025, MORE THAN 75 PERCENT OF ALL NEW PICKUP TRUCKS PRODUCED IN NORTH AMERICA WILL HAVE ALUMINUM BODIES, ACCORDING TO A SURVEY OF AUTOMAKERS CONDUCTED BY DUCKER WORLDWIDE.

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Aluminum training smooths auto metalworking wrinkles

More than an elemental knowledge of aluminum is becoming necessary for aftermarket businesses as increasing amounts of the metal is being applied to vehicle construction with more aluminum content to come.

"It's always wise to be educated on what your customers are dealing with. It's very important because you should be able to speak intelligently to your customers," said Darrell Amberson, immediate past-chairman of the Automotive Service Association (ASA).

"There's every indication that there's going to be more," says Amberson, operations director at LaMettry's Collision in Minneapolis. "All indications are that we have a lot more aluminum components coming. Prepare for it."

"It's very different than what you do with steel," advises Doug Richman, technical committee chairman for the Aluminum Association's Aluminum Transportation Group and Kaiser's vice president of engineering and technology.

Just as repair technicians and other industry professionals are obligated to learn the proper procedures for working with steel, "there's a different set of skills for aluminum; when you heat up steel it will turn red – if you heat up aluminum you'll have a puddle of it," he says, stressing the need for specialized training.

"It's not really complex," Richman tells *Aftermarket Business World*, "it's just different. If you're not trained in aluminum don't jump in and make repairs like you do with steel."

Obtaining OEM certification is the only way to go, he urges. Automakers with aluminum content offer certification programs, and some of these are coordinated through expert instructors at I-CAR, the Inter-Industry Conference on Auto Collision Repair. Training is also available via sessions conducted at industry trade shows.

"If the shop's not certified, that technician may or may not have the proper training," says Richman. "If they haven't had the proper training they should not touch an aluminum body part – period! Word-of-mouth can be devastating" for your business if a repair is bungled. "I'd rather see them say, 'Gee, I'm not certified in aluminum.' It's not fair to you and it's not fair to the customer. With that certificate on the wall they will have the expectation that it will be done right."

OEMs often refuse to even sell aluminum structural components to ...CONTINUE READING

ASE GUIDES QUESTION OF THE MONTH

A customer can't decide whether to buy standard shock absorbers or upgrade to more expensive shock absorbers that have longer life and will give a better ride. He asks the parts specialist for advice. What should the parts specialist recommend?

A. the standard shocks, because customers are always happy with the lowest price

B. the upgraded shocks, because there's really no difference and the store makes more money

C. tell the customer to make up his own mind; that way he can't complain later

D. the upgraded shocks, because they're better and the store makes more money

Click here to see the answer.

[WATCH AND LEARN]

Alan Amling of UPS discusses the value of third party logistics.

Larry Silvey explains why service contracts lead to long-term customers.

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U.S. Commercial Service aiding success at Automechanika Istanbul

BY JAMES E. GUYETTE
News Correspondent

American exhibitors and attendees seeking a presence at Turkey's April 7-10 Automechanika Istanbul exposition are being offered assistance from the U.S. Commercial Service, which is eager to ease access to the nation's rapidly expanding aftermarket opportunities.

"We have a huge portfolio of visiting buyers," reports show director Can Berki, who took part in a recent webinar facilitated by the Commercial Service's automotive division.

TRENDS & MARKET Analysis

"You're not just doing business with Turkey," he says, "but also the surrounding countries" throughout the Eurasian region.

The 2015 Automechanika Istanbul attracted 13 U.S. firms as exhibitors, with the show generating 295 promising trade leads for them. More than 46,000 visitors passed through the turnstiles, including buying delegations from the U.S., Bosnia Herzegovina, Bulgaria, Israel, Kyrgyzstan, Moldova, Pakistan and Tunisia.

"Once again, Automechanika Istanbul has proven itself to be an international platform for the presentation of important (products and services) throughout the entire automotive sector and has underlined its leading position in the Turkish automotive industry," says Messe

Vendor Newsmaker Q&A

MICHAEL SHELLHART
President
NextGEN Liquidation Group

Q How can the liquidation marketplace benefit aftermarket businesses?

A What did Shellhart say? Continue reading online.

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> Some 791,000 cars and 568,000 commercial vehicles were produced in Turkey in 2015.

Frankfurt Istanbul managing director Tayfun Yardım. "We are proud to have organized such a professional and international fair, and the high satisfaction of participants proves that the investments made in the concept and promotion of the fair were the right ones."

Nineteen international pavilions are set to be erected at this year's event; nearly 15 U.S. suppliers are already slated to display their wares, and an onsite Automechanika Academy will feature a series of seminars aimed at providing practical advice for entering the marketplace.

Sourcing parts produced in Turkey, a $13-billion industry, is another aspect of Automechanika Istanbul. The nation manufactures engines and engine parts, powertrains, brake systems, hydraulics and pneumatic parts, suspension systems, plastic and rubber parts, chassis and body parts, forged and cast parts, batteries, seats and heating, cooling and ventilation systems.

A trusted partner

The Commercial Service suggests that "careful planning and patience are the keys to success in Turkey" as the agency takes an interest in supporting Automechanika Istanbul as part of its efforts to promote overseas trade shows "as good venues for U.S. companies to meet with potential customers, thereby increasing the potential for U.S. exports," says Lesa Forbes, senior international trade specialist and global automotive team leader at the U.S. Department of Commerce.

"It's important to have a trusted partner on the ground to assist you," according to Forbes, citing the array of Commercial Service programs for connecting sellers and buyers.

"U.S. exhibitors benefit from the network of offices worldwide," says Berrin Erturk, who is based at the American Embassy in Izmir. "Even if you can't make it (to Automechanika Istanbul), we are standing by to make you successful in the Turkish market."

Erturk points out that Turkey "is a strategically important location" given its designation as "the crossroads of Europe and Asia" and the nation's advancing automotive presence.

"There is a willingness to spend money on vehicles in the market," she says, referring to

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3D printed cars, aftermarket disruption ahead, Capgemini says

BY BRIAN ALBRIGHT
Correspondent

There could be major technological changes coming to the automotive industry at large and the aftermarket in particular, according to analysts at Capgemini. The management consulting company released its predictions for 2016, and it appears they anticipate major changes in the way OEMs manufacture vehicles, as well as how consumers purchase, insure and service their vehicles.

TRENDS & MARKET Analysis

For the aftermarket, Capgemini's global automotive lead, Nick Gill, says that Amazon or a similar type of tech company could be a major disruptor. Leveraging real-time data analytics and connected car technology on traditional providers like Amazon could help guide parts purchasing, as well as facilitate online scheduling and the purchase of maintenance and repair services.

"Companies like Amazon or new sites that operate like Priceline for auto repair will gain steam and momentum, because they can provide painless, on-demand service," Gill says. "In this case, convenience is more important than having the lowest price possible. We'll see more aggressive and tailored packages for the customer, and more fighting for the service dollar."

According to Gill, there already are some

Technology Newsmaker Q&A

JASON LANCASTER
President
Spork Marketing

Q What are the biggest online marketing challenges in the auto parts space?

A What did Lancaster say? Continue reading online.

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> New websites that operate like Priceline for auto repair will gain steam in the future.

small online startups in Europe that use the Priceline model to sell and schedule vehicle service. Customers input their vehicle make/ model and service need, and the website shops for the best price for the work.

"Those types of sites are not huge yet, but they definitely co-exist along side traditional service channels in Europe," Gill says. "When it comes to the U.S. market, it will be interesting to observe how they fair."

3D printed cars

Capgemini also expects that the industry will see the first design prototype of a car that has more than 50 percent of its parts 3D printed. Local Motors has already 3D-printed several concept cars, and Gill thinks the technology will also provide a way to create on-demand replacement parts.

"Additive manufacturing has been used for many years for prototyping, and many companies are interested in creating certain types of parts that are made mostly of plastics," Gill says. "In the future, this could circumvent the issue of supply and demand, and would be a great solution for certain cases where a part is needed urgently, but it's not on hand."

3D printing could provide rapid solutions for difficult repair problems by allowing companies to print missing parts, or even design and create custom solutions on an ad hoc basis.

Goodbye to traditional car ownership?

Another trend that could potentially affect the way consumers service their vehicles is a shift in the ownership model. In urban markets, there has already been a push for more vehicle sharing through services like Lyft and Uber, and on-demand vehicle rental via companies like Car2Go. Capgemini believes an auto dealer will offer to sell a car on a "driving and data" plan, discounting the base model with the purchase of a contract for driving a set number of miles and using a set amount of data per month.

"There are already experimental car ownership models," Gill says. "For example, there are models where if you live in a high-rise in New York, the building will offer a fleet of vehicles and you pay fractionally for their usage. You don't own them, but you can take them wherever you wish."

Gill expects a large dealer group to start similarly experimenting with the ownership model.

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Automakers dominate CES 2016

New vehicle technology could create stronger bonds between drivers, dealers

BY BRIAN ALBRIGHT
Correspondent

Over the past several years, the annual Consumer Electronics Show (CES) in Las Vegas has morphed into a showcase for high-tech automotive innovations, and 2016 was no exception.

The major vehicle OEMs all showcased new connected car, telematics, and autonomous vehicle technologies that will not only alter the way consumers interact with their vehicles, but also potentially strengthen the bonds between automakers, their customers, and their dealer networks.

TRENDS & MARKET Analysis

Ford was front and center with its Smart Mobility initiative, part of the automaker's transition into a more tech-focused entity. "We are driving innovation in every part of our business to be both a product and mobility company," CEO Mark Field said.

Notably, the auto companies made very little mention of service. Instead, they focused on building appealing, consumer-friendly connected vehicle ecosystems that they hope will have much greater uptake than early attempts such as GM's OnStar.

Connected vehicles

On the connected vehicle front, Delphi showed off its vehicle to everything (V2E)

Dealer Newsmaker
Q&A

MARK SENG
Global Aftermarket Practice Leader
IHS Automotive

Q The rate of increase in average vehicle age is slowing. What has contributed to that slowdown?

A What did Seng say? Continue reading online.

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> The platform allows apps to be accessed via voice recognition and dashboard controls.

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communication concept, which encompasses vehicle communications to other vehicles, to infrastructure, and even to pedestrians carrying smartphones. The technology will underpin its self-driving car efforts, allowing vehicles to see each other and respond to abrupt changes in conditions. The company's vehicle-to-vehicle (V2V) software will debut in the 2017 Cadillac CTS, and Delphi plans to release an aftermarket (V2V) unit soon.

Ford made the biggest splash by announcing a number of major expansions of its telematics efforts.

Ford has teamed with Amazon so that its SYNC 3 infotainment platform can connect with Amazon's hands-free speaker and voice command system (Echo). The two technologies can enable remote start, remote security system controls, and even remote garage door opening on approach

More interestingly, Ford announced that Toyota and suppliers QNX Software Systems and UIEvolution were adopting its SmartDeviceLink open-source smartphone app interface platform. Honda, Subaru, Mazda and PSA Peugeot Citroen are also evaluating it. The platform allows apps like Spotify to be accessed via voice recognition and dashboard controls.

Ford expanded its SYNC connectivity system as well to include new apps, 4G LTE wireless connectivity, and remote start, unlock, fuel level checks, and parked vehicle location apps.
Ford said it hopes to get additional OEMs to standardize on the technology so app developers can focus on a single mobile interface platform.

"The true benefit of a common smartphone app communications interface is that it creates an industry standard – enabling great experiences for customers while allowing different companies the freedom to differentiate their individual brands," said Don Butler, Ford executive director, Connected Vehicle and Services. "Ford is making the software available as open-source, because customers throughout the industry benefit if everybody speaks one language."

That means aftermarket solution suppliers could potentially piggyback on the open-source platform if it becomes mainstream.
It appears Ford is trying to pull more customers into its mobility and telematics environment by offering appealing, practical apps, while also providing a window into vehicle operations and driver behavior for Ford. Ford and AT&T hope to expand SYNC Connect to more than 10 million vehicles by 2020. Owners get the service for free for the first five years. The service debuts this spring on the new Escape.

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Chipmaker NVIDIA chimed in with the Drive PX 2 self-driving computer, a control module for future autonomous vehicles with a massive 8 teraflops in processing power, essentially a supercomputer under the hood.
Nissan will use Microsoft's Azure cloud platform to connect drivers to their cars via their smartphones, remotely adjusting climate control and adjusting charging functions on the Leaf and Infiniti models in Europe.

Self-driving vehicles

As at previous shows, new self-driving car technology got a lot of attention. Kia grabbed some of that attention both by announcing it would have a fully autonomous vehicle on the road by 2030, and then demonstrating the technology by allowing attendees to sit in a Soul EV hatchback with a virtual reality (VR) headset, and play a first-person ...CONTINUE READING

Aluminum-specific training is critical for distributors, counter people

BY JAMES E. GUYETTE
News Correspondent

Training centered on the increasing use of aluminum automotive components is a key objective of the Inter-Industry Conference on Auto Collision Repair, better known as I-CAR.

Jason Bartanen, director of industry and technical relations at I-CAR, recently answered a series of questions from *Aftermarket Business World* concerning the industry's overall levels of knowledge regarding this material.

TRENDS & MARKET Analysis

Q: What is your assessment of the proliferation of aluminum components?

A: We'll continue to see an increase in the use of aluminum, advanced high-strength steel, magnesium, and composites (including carbon fiber). I'm not convinced we'll see a significant increase in purely "aluminum-intensive" vehicles, like the F-150. Instead, I believe we'll see "mixed-material vehicles" in the future that use a combination of the aforementioned materials, and others, for the vehicle construction. The forthcoming Cadillac CT6 is an example of a mixed-material vehicle.

Q: Is the current overall auto parts knowledge among distributors and counter people, etc. enough to effectively market aluminum components?

A: There is a large knowledge gap across the collision repair industry; I suspect the gap is just as large, if not more so, on the parts side.

Q: What are your views on the necessity for counter people and other sales personnel to have training with aluminum to better assist their installer and DIY customers?

A: I believe it is important for them to have some understanding of differences between steel repair and aluminum to be in a better position to answer potential questions. Sanding and body filler application; rivet selection and installation; adhesive selection, preparation, and application; and corrosion concerns are important for any aluminum work. Our Aluminum Exterior Panel Repair and Replacement course offers information on all of these.

Q: What types of training do you recommend for distributors and counter people to make them more efficient in better serving their installer customers?

A: For those less familiar with the collision repair process, I-CAR offers an Introduction to Collision Repair online training series. The series offers courses on parts terminology, collision repair terms and processes, vehicle construction and materials, safety systems, tools, and more. Each course is available individually or can be purchased as a bundle.

Q: Do the techniques and training demands differ for working with panels vs. heavier/thicker aluminum parts, as with engine components, etc.?

A: Similar to steel, the various alloys and thicknesses, design intent, shape and layering will create differences in the ...CONTINUE READING

JASON BARTANEN

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Inventory control requires ALL TO BUY-IN

> Reducing the number of products is the key to effective materials management.

I think most of you will agree that materials expense is a constant concern for collision center management. Some of the concerns I see when I visit shops is their inability to control inventory and waste.

Most painters usually have a little more paint in the rack than needed and may tend to mix a little more paint than they will need so they don't run out in the middle of a job. I see that as a genuine concern, but I also see it as waste.

Inventory control solutions are somewhat simple but require cooperation of all the players – shop management, painter, parts people and, most important, the jobber. The key to inventory control is to have materials when you need them in the quantity you need.

Most jobbers deliver daily to a shop while others prefer weekly. Once shop management and the jobber agree on a delivery schedule, shop management and the painter can work on quantities required to ensure there are no production delays waiting on materials. The best tool to determine quantities to have on hand is the mix report from the scale. I would avoid using your purchase report as that only shows what you bought and not necessarily what you needed.

The painter can review mixes and determine the most popular toners, secondary toners and the least used toners. You can then mark your mixing machine with colored dots to signify toner usage. Green for most popular, yellow for secondary toners and red for the least used toners. Once you complete this process, you might be surprised to see how much extra material you're holding as inventory. As you develop your ordering process it's logical to keep a backup for the most popular toners. I recommend ordering a backup for the secondary toners when they're half-full and for the least used toners when they're one quarter full.

I mentioned the parts people and I'm sure you are wondering where they come into this process. They will help with the allied products. Allied products can be stored in the parts area and controlled by the parts people. Technicians can restock their work carts from that inventory and the main inventory can be replenished as it's consumed. Stocking levels should be determined by usage. However, the main issue to recognize is to ensure you are only using one type of any product. There is no need for two different types of body filler or two different brands of 80-grit sandpaper. Reducing the number of ...CONTINUE READING

JOHN SHOEMAKER
Business Development Manager
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EDI still has a role in world of B2B E-COMMERCE

> EDI is the exchange of business documents in a standard electronic format between businesses.

Much has been written in this column about the need for distributors and retailers to invest in new technology to survive in the digital economy. But, one of the oldest and proven B2B technologies is still relevant and wins new adoption every day. EDI – electronic data interchange – still deserves consideration by distributor/retailers and their supply chain partners as a way to reduce cost, improve strategic relationships and increase channel visibility.

The auto care industry is really a tale of two supply chains. From the service retailer to the parts store and warehouse distributors, a handful of business technology providers have dominated the solutions that are used for inventory management, procurement and information exchange. These companies succeeded by focusing on a single industry and concentrated their development efforts on the needs of those businesses. Much of the technology was proprietary. But if the shop and the store and the warehouse all operated systems from the same supplier, what did it matter?

Connectivity and integration between distributors and their supply chain has proven to be a much greater challenge, however. There are several contributing factors, not the least of which is that most manufacturers operate an assortment of software and systems from highly diversified, global technology vendors. Virtually, no two are exactly alike. So for a distribution partner to communicate with these systems requires a custom integration every time. This is where EDI comes to the rescue and where the aftermarket industry has a unique advantage.

EDI is the machine-to-machine exchange of business documents in a standard electronic format between business partners. Think of purchase orders, shipping notifications, invoices and remittance documents going back and forth between buyers and suppliers. One would think that in this age of digital connectivity, manual processes would be all but eliminated.

It's common for there to be integration with the 20 percent of the partners who represent 80 percent of the volume. But, it's also typical for 80 percent of the process costs to be devoted to those partners who represent only 20 percent of the volume. If end-to-end integration is good for your largest partners, why stop there? Why don't more businesses integrate with 100 percent of their customers or suppliers?

One obstacle with EDI is that there is really nothing "standard" about it. Every supplier and distributor is free to define their own data specification for use in their business documents.

Imagine trying to conduct a meeting where everyone in the room was speaking a different language. That's why EDI traditionally requires a data map or translator to define the connection between one buyer and one supplier. When the supplier goes to integrate with the next buyer, the data map is again unique and must be redrawn.

This makes EDI connections expensive and time consuming to set-up and maintain. One-to-one data mapping is the biggest deterrent to widespread adoption of EDI. It simply doesn't pay to go to that trouble for your smallest customers or suppliers.

But, the auto care supply chain has an important resource that is a game-changer when it comes to the ROI decision for EDI. Imagine if, rather than coding a unique data map for each trading partner, you could code a single data map to a neutral

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SCOTT LUCKETT
VP, Industry Strategy
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NHTSA aims to upgrade its FIVE-STAR RATING SYSTEM

> "Adaptive lighting systems help drivers see around curves at night to avoid crashes."

While connected car technologies related to infotainment and navigation may have highlighted the Consumer Electronics show in Las Vegas in January, back in Washington the excitement focuses on new "autonomous" safety features that the National Highway Traffic Safety Administration (NHTSA) plans to promote via upgrading its five-star rating system.

Starting in model year 2019, the five-star rating will include a crash avoidance rating based on whether a vehicle offers any of the multiple technologies that will be added to the New Car Assessment Program (NCAP) and whether the technologies meet NHTSA performance measures. These technologies could include forward collision warning, lane departure warning, blind spot detection, lower beam headlighting technologies, semi-automatic headlamp beam switching, amber rear turn signal lamps, rear automatic braking and pedestrian automatic emergency braking.

The NHTSA established NCAP in 1978 and the agency has enhanced it over the years. The problem is, even though highway traffic deaths have come down considerably over the years, almost all new cars get either a four- or five-star rating. According to the NHTSA, that "diminishes the program's ability to identify for consumers vehicles with exceptional safety performance."

Some crash avoidance technologies are more advanced than others. For example, the Insurance Institute for Highway Safety (IIHS) believes blind spot detection is not ready for prime time. On the other hand, its research indicates that collision imminent braking (CIB) and adaptive lighting systems (ALS) are helping drivers avoid crashes. ALS help drivers see around curves at night.

However, despite the IIHS's enthusiasm, ALS is not one of the technologies the NHTSA is considering. NHTSA intends to include three lighting safety features in this NCAP upgrade: lower beam headlighting performance, semi-automatic headlamp beam switching between upper and lower beams, and amber rear turn signal lamps. Russ Rader, spokesman for the IIHS, did not want to comment on the NHTSA's refusal to consider ALS until his group submitted written comments to the agency.

With regard to potential aftermarket impact, it would seem that the lighting changes would top the list of potential NCAP add-ons. Replacement lamps are sold off retail shelves. However, there is no performance specification for advanced lighting technology. That said, an emphasis on adding lighting features to the NCAP makes eminent sense. According to the agency's 2010 fatal accident data analysis, night-time pedestrian accidents accounted for 70 percent of all pedestrian accidents, and more than 90 percent of the night-time accidents occurred on straight roads, (which may be why ALS in not included in the list of possible enhancements).

The current auto lighting safety standard is Federal Motor Vehicle Safety Standard (FMVSS) 108, Lamps, reflective devices, and associated equipment. FMVSS No. 108 requires passenger cars and trucks to have a headlighting system with upper beam and lower beam headlamps. While

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STEPHEN BARLAS
Washington Correspondent

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Industry growth two years FROM IMPACTING AFTERMARKET

> The aftermarket sweet spot will continue to contract for the next two years.

After graduating from college and landing my first job, I tucked away a few dollars from each paycheck and put it toward a down payment on a house. It was tough not being able to utilize my full paycheck at such a young age, and I had to find ways to stretch my money. However, the gratification I got when I opened the door to my first house – albeit delayed – was well worth the wait and sacrifice.

Similarly, while the automotive industry is thriving and continuing to grow, the aftermarket is in for a bit of a wait before it can reap the benefits.

In the third quarter of 2015, the number of vehicles on the road grew at a rapid clip, which is a pleasant sign for everyone connected to the automotive industry. The automotive aftermarket, however, will not feel the impact immediately, as the aftermarket sweet spot – defined as vehicles between six and 12 years old – will continue to contract for the next two years.

With a dwindling sweet spot for the near future, it is critical for the aftermarket industry to gain deeper insight into the market and uncover new areas of opportunity to remain successful.

More vehicles on the road

The total number of vehicles in operation (VIO) was up by 2.8 percent, increasing from 250.9 million in Q3 2014 to 257 million in Q3 2015. The growth was driven by approximately 17 million new vehicle sales from the beginning of Q4 2014 to the end of Q3 2015, combined with 10.9 million vehicle disposals during the same period.

While the overall growth bodes well for the industry, the aftermarket sweet spot dropped to 88.6 million vehicles in Q3 2015. This was driven by poor sales for model years 2009 and 2010, which have only 8.9 million and 10.7 million vehicles in operation today. In contrast, the two most recent model years to fall out of the aftermarket sweet spot – 2002 and 2003 – each have more than 12 million vehicles in operation.

The aftermarket sweet spot will not see growth again for two more years. Model years 2004 and 2005 still have 13.6 million and 14.1 million vehicles in operation. As they drop out over the next two years, they will be replaced by model years 2011 and 2012, which have 11.9 million and 13.4 million vehicles in operation today. Growth will return when the model year 2006 vehicles (currently at 13.9 million) drop off and are replaced by model year 2013 vehicles (currently at 15.1 million).

Domestics lose VIO share

General Motors and Ford are still the top manufacturers for VIO. General Motors currently has 25 percent of the vehicles on the road, while Ford has 18.1 percent. However, VIO share for both companies dropped from Q3 2014, when GM had 25.7 percent and Ford had 18.4 percent of all VIO. Fiat Chrysler Automobiles stayed flat at 12.4 percent.

Domestic VIO share continues to be eroded by Asian manufacturers. Toyota is third in overall VIO share at 13.1 percent in Q3 2015, up from 12.8 percent in Q3 2014. Honda also experienced VIO growth, jumping from 8.8 percent to 9 percent.

Nissan, which currently is sixth in overall VIO share, jumped from 6 percent in Q3 2014 to 6.2 percent in Q3 2015.

Kia and Hyundai also are experiencing strong VIO growth. Hyundai currently is in seventh place at 2.6 percent, up from 2.5 percent in Q3 2014. Kia is tied for ninth place

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New tech is hitting global HIGHWAYS WITHOUT A DRIVER

> Three challenges must be addressed to meet the potential of the Connected Aftermarket.

As new technologies move the dream of driverless cars closer to reality, global carmakers have ramped up development and testing (along with non-traditional companies like Google's Alphabet, Tesla and more), and roads and highways across Europe and Asia have opened for testing of driverless vehicles.

Driverless vehicles have the potential to solve numerous global transportation problems, from relieving congestion in large urban areas to providing increased mobility for the elderly and disabled in remote areas.

Advances in all vehicle technology go beyond driverless vehicles and are transforming mobility and the driver experience. However, even in the era of driverless cars and advanced technology, motorists all over the world still need an effective independent automotive aftermarket to service, repair and maintain their vehicles.

These new technologies open a wide range of possibilities and opportunities for the global automotive aftermarket industry. The Automotive Aftermarket Suppliers Association (AASA) is advancing its supplier members' interests in advanced technology. Its Connected Aftermarket and global outreach initiatives are exploring the increasing ways in which motorists, vehicles and repair facilities are connecting in both domestic and global markets.

There are many aspects to this growing niche industry – sensors and ECUs, OBDII port connectors, gateways and wireless networks connected to cloud-based servers, mobile apps for drivers that serve up vehicle health and diagnostics information, and the ability for motorists to compare, schedule and pay for maintenance and repair jobs. All of these are increasingly positioning consumers to assume more of the decisions about caring for their vehicles.

The Connected Aftermarket represents a tremendous opportunity for connectivity, branding, functionality and more. However, three challenges must be addressed to meet this potential:

- Real estate – vehicles only have one OBDII port and one or two cigarette lighter ports – and several entities want access to vehicle data through these connection points
- Collaboration – Traditional hard parts suppliers and emerging technology companies must develop ways to collaborate.
- Data owners – Steps should be taken to ensure motorists own their vehicles' data and are enabled to use the data to make decisions regarding their vehicles.

Suppliers have a long history of serving as the key innovators of advanced vehicle technologies. The dialogue is open between aftermarket suppliers and vehicle manufacturers to find solutions and continue to provide motorists around the world with safe, reliable transportation and service for their vehicles.

For more information about AASA's Connected Aftermarket and global outreach initiatives, contact Jay Burkhart, AASA chief strategy officer, (jburkhart@aasa.mema.org) and Ben Brucato, AASA director of membership (bbrucato@aasa.mema.org).

Editor's note: *AASA serves manufacturers of aftermarket components, tools and equipment, and related products that support 710,000 U.S. employees. AASA is the light vehicle aftermarket division of the Motor & Equipment Manufacturers Association.* ▫

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STRICTLY SOCIAL

INDEPENDENT REPAIR SHOPS INCREASE USE OF SOCIAL MEDIA FOR MARKETING

By **BRUCE ADAMS** | Managing Editor

Independent repair shops are increasingly using social media to promote their services and to offer coupons and specials, according the *Aftermarket Business World* 2016 Independent Repair Shop Study. Shop participation in four popular social media sites increased this year compared to last year's study.

Facebook was the most popular social media site used by shops, as 74 percent of those who said they use social media use Facebook to promote their business. This was up 1 percent from last year's study.

The next most popular channel, Google+, increased from 26 percent of respondents last year to 47 percent this year. Shop usage of LinkedIn increased from 10 percent last year to 15 percent this year, while use of Twitter was up from 11 percent last year to 13 percent this year. Respondents were allowed to select more than one social media channel if they used multiple channels.

Some 45 percent of shops said their sales of select products increased in 2015 compared to the previous year, while 51 percent said sales stayed the same.

Optimism reigns as 52 percent of independent repair shops said they expect to sell more in 2016 compared to last year, while 47 percent expect to sell the same. Of those who expect to sell more, 25 percent said sales would increase 1 percent to 5 percent and 13 percent said would increase six percent to 10 percent.

When it comes to gross margins, 44 percent said their product margins improved in 2015 compared to 2014, and 54 percent said they stayed the same.

Some 47 percent said they expect their gross margins to improve this year, while 53 percent said they would hold steady.

Forty two percent of respondents said the top product need of their customers is quality, 21 percent said price, 14 percent said availability and 17 percent said OEM form, fit and function.

Regarding preferred suppliers, 37 percent of respondents said they prefer to buy from auto parts retailers, 35 percent from warehouse distributors and 19 percent from jobbers.

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

Brakes

Preferred supplier

Auto parts retailer	48%
Warehouse distributor	29%
Jobber	18%

Most important supplier quality

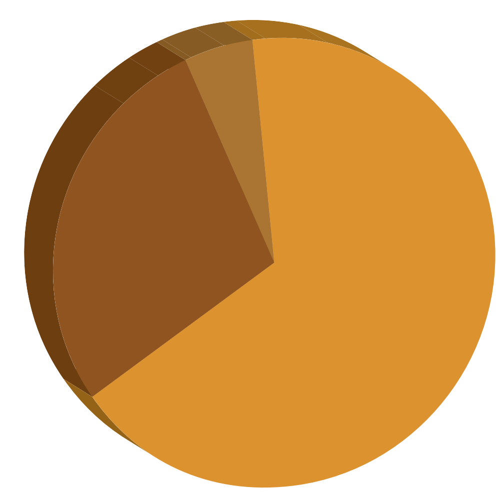
Fair pricing	18%
Parts availability	22%
Inventory options	35%

2015 brake sales

67% Increased

28% Held Steady

5% Decreased



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

STRICTLY SOCIAL

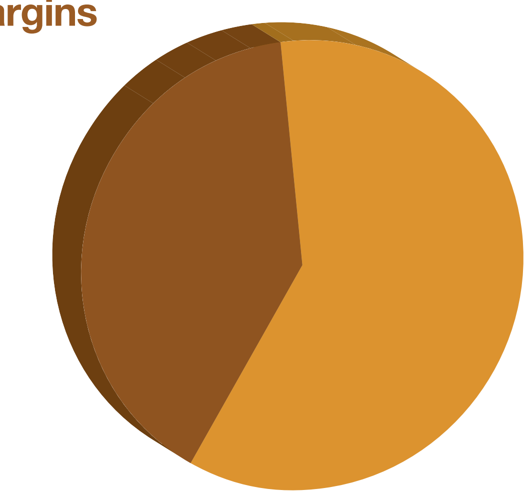
57% of independent shop respondents use 3-4 suppliers for their brake product needs.

Expected 2016 gross margins

60% To Increase

40% To Hold Steady

0% To Decrease



2016 brake sales expectations

To hold steady	31%
To increase 1-10%	46%
To increase 11-20+%	22%
To decrease	1%

Customer needs

Quality	50%
OEM form, fit, function	15%
Price	18%
Availability	9%
Brand	5%

74% of respondents who utilize social media use

FACEBOOK

to promote their shop's brake services.

Auxiliary Lighting

Preferred supplier

Auto parts retailer	34%
Jobber	22%
Warehouse distributor	37%

Most important supplier quality

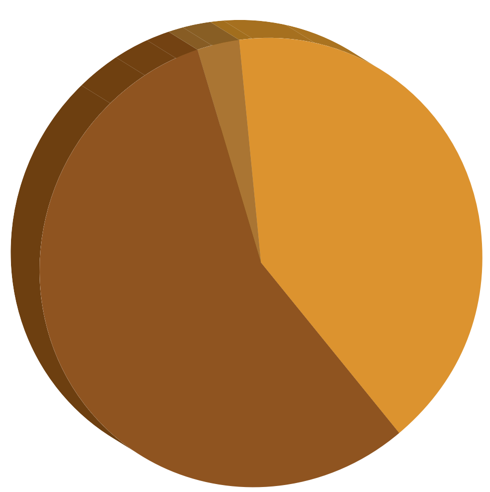
Parts availability	24%
Fair pricing	30%
Inventory options	18%

2015 auxiliary lighting sales

41% Increased

56% Held Steady

3% Decreased



77% of independent shops report they make no auxiliary lighting sales over the Internet.

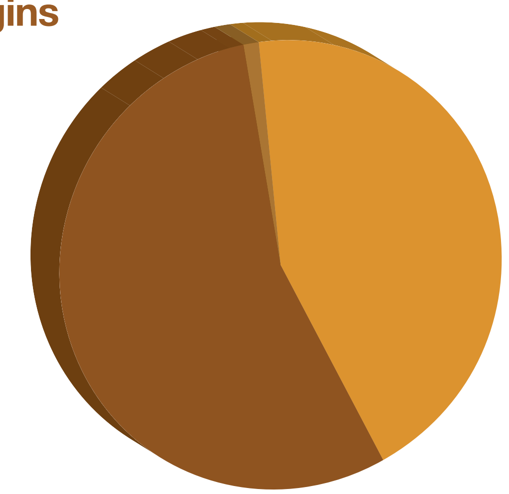
44% of independent shop respondents use 1-2 suppliers for their auxiliary lighting product needs.

Expected 2016 gross margins

44% To Increase

55% To Hold Steady

1% To Decrease



2016 auxiliary lighting sales expectations

To hold steady	48%
To increase 1-10%	38%
To increase 11-20+%	11%
To decrease	3%

Customer needs

Quality	34%
Brand	3%
Price	20%
Availability	17%
OEM form, fit, function	25%

78% of respondents who utilize social media use

FACEBOOK

to promote their shop's auxiliary lighting services.

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Battery Chargers

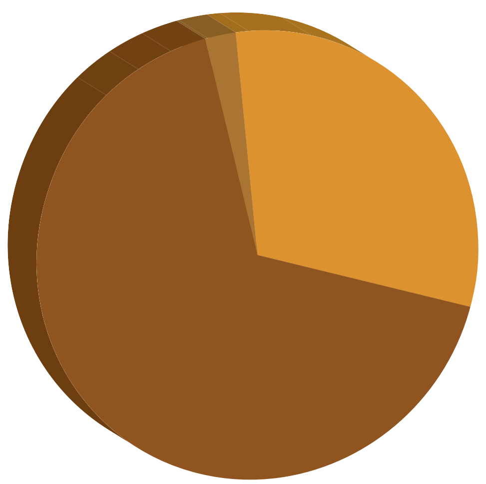
Preferred supplier

Auto parts retailer	32%
Warehouse distributor	37%
Jobber	16%

Most important supplier quality

Inventory options	22%
Warranties	14%
Fair pricing	33%

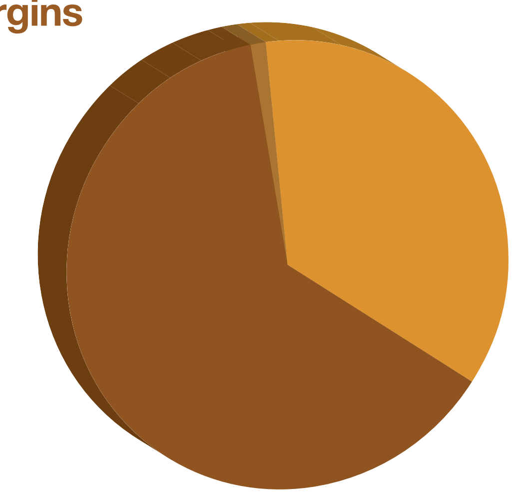
2015 battery charger sales



85% of independent shops report they make no battery charger sales over the Internet.

60% of independent shop respondents use 1-2 suppliers for their battery charger product needs.

Expected 2016 gross margins



2016 battery charger sales expectations

To hold steady	62%
To increase 1-10%	30%
To increase 11-20+%	7%
To decrease	1%

Customer needs

Quality	46%
OEM form, fit, function	5%
Availability	15%
Price	26%
Brand	5%

69% of respondents who utilize social media use

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to promote their shop's battery charger services.

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