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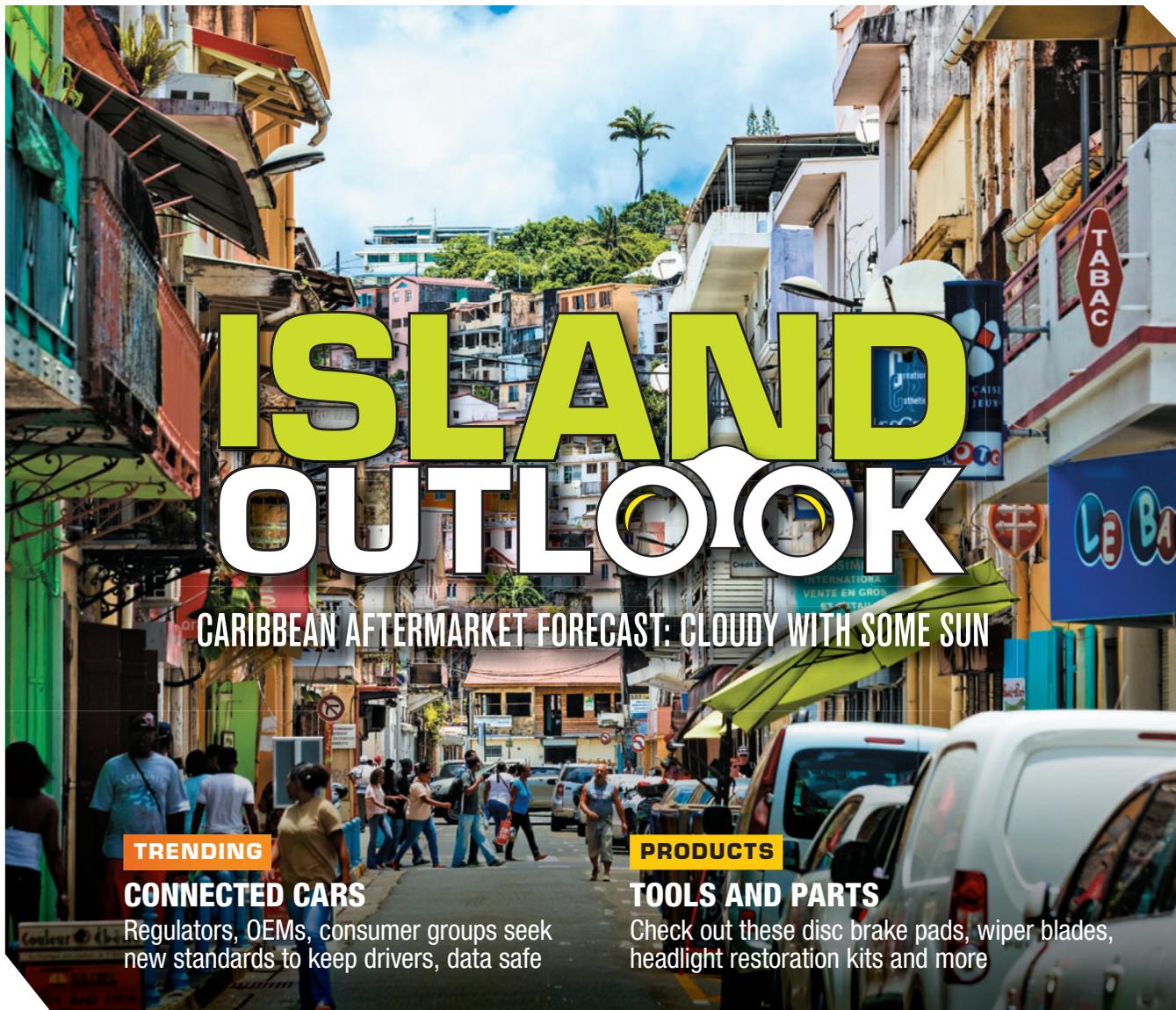
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ISLAND OUTLOOK

CARIBBEAN AFTERMARKET FORECAST: CLOUDY WITH SOME SUN

TRENDING

CONNECTED CARS

Regulators, OEMs, consumer groups seek new standards to keep drivers, data safe

PRODUCTS

TOOLS AND PARTS

Check out these disc brake pads, wiper blades, headlight restoration kits and more



COMMUNITY

WHAT'S OLD IS NEW

Educators train students to repair vintage vehicles



RESEARCH

CONSUMER ATTITUDE STUDY

Quality is the most important part attribute, techs say



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COMMUNITY

6 Industry paves way for preserving vintage vehicles

Some auto industry educators are intent on training today's technicians to work on yesteryear's vehicles.



8 Training can fix many problems

Job changes, personal growth and a constantly changing industry require re-training to be highly effective at work.



10 Auto research amendment to Senate energy bill includes aftermarket

The likelihood of congressional passage of the first major energy bill since 2007 is strong.



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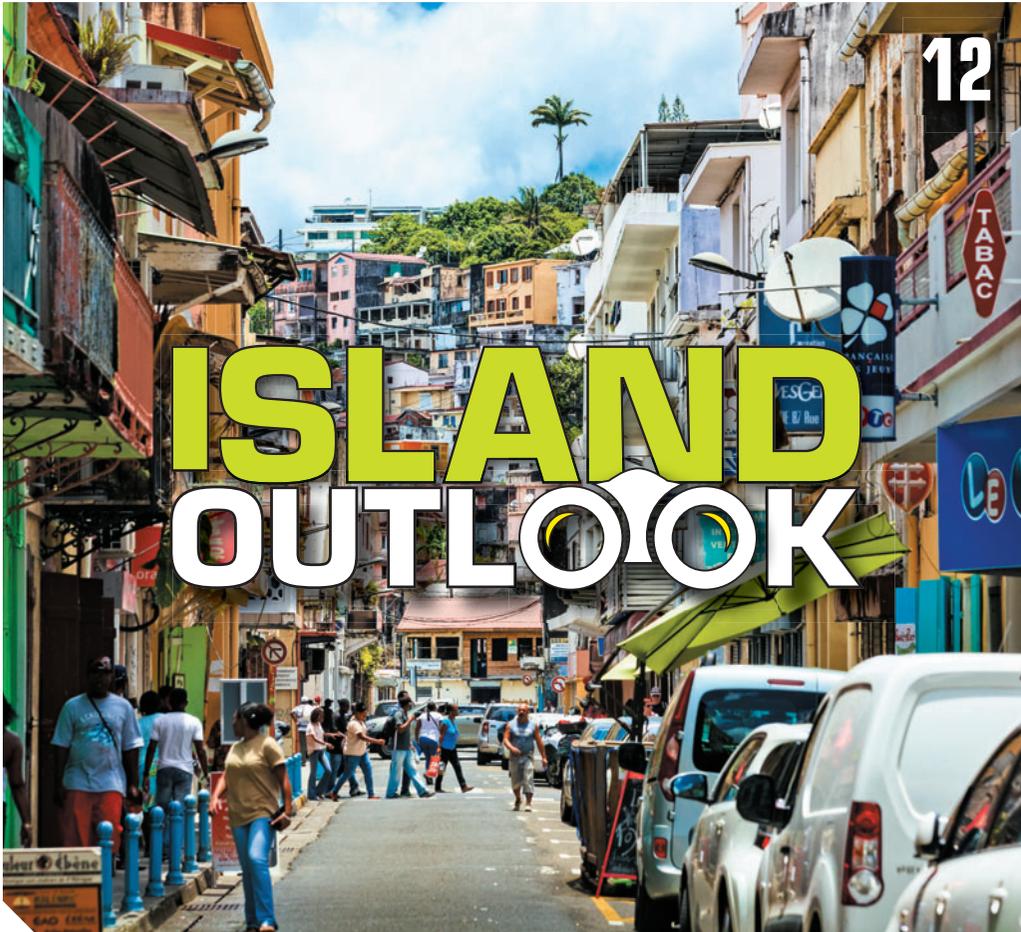


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TRENDING



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12

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TRAINING ON TRANSMISSIONS

BY JAMES E. GUYETTE | NEWS CORRESPONDENT

16 A recent survey of 200 transmission specialists shows that one third don't know the difference between OEM licensed and unlicensed automatic transmission fluids.

DEALERSHIPS

SAFETY REPAIR ACT COST COULD BE HIGH

BY BRIAN ALBRIGHT | CONTRIBUTING EDITOR

18 The U.S. Senate is considering legislation that would force dealerships to perform all safety recalls before selling or leasing a used car, but industry data indicates that move could send trade-in values plummeting.

TECHNOLOGY

CONNECTED CARS

BY BRIAN ALBRIGHT | CONTRIBUTING EDITOR

20 Regulators, automakers, consumer groups and technology companies are developing and calling for new encryption approaches and standards to keep drivers and their data safe.

COMMERCIAL VEHICLES

ADVANCED IN-CAB ELECTRONICS GAIN SALES

BY JAMES E. GUYETTE | NEWS CORRESPONDENT

22 ASA Electronics' Auto-Pairing Wireless Camera System is designed to seamlessly pair any combination of cabs and trailers equipped with Voyager wireless monitors and cameras.

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23

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ADVERTISING AND EDITORIAL PRODUCT INDEX

ADVERTISER INDEX.....	PAGE	<input type="checkbox"/> NGK SPARK PLUGS(USA) INC	13
<input type="checkbox"/> ARNOTT INC	33	<input type="checkbox"/> PHILIPS AUTOMOTIVE LIGHTING	25
<input type="checkbox"/> BENDPAK INC	3	<input type="checkbox"/> RAYBESTOS BRAKES.....	CV4
<input type="checkbox"/> BENDPAK INC	4	<input type="checkbox"/> RAYBESTOS BRAKES.....	36
<input type="checkbox"/> BENDPAK INC	37	<input type="checkbox"/> SCHAEFFLER GROUP USA INC.....	36
<input type="checkbox"/> BENDPAK INC	38	<input type="checkbox"/> STANDARD MOTOR PRODUCTS.....	11
<input type="checkbox"/> CENTRIC PARTS INC.....	CV2	<input type="checkbox"/> TENNECO AUTOMOTIVE BLDG.....	OTS
<input type="checkbox"/> FEDERAL MOGUL CORP - ANCO	35	<input type="checkbox"/> TENNECO AUTOMOTIVE BLDG.....	CV3
<input type="checkbox"/> FEDERAL MOGUL CORP - FELPRO	31	EDITORIAL PRODUCTS.....	PAGE
<input type="checkbox"/> FEDERAL MOGUL CORP - MOOG.....	29	<input type="checkbox"/> Raybestos Element3 disc brake pads.....	36
<input type="checkbox"/> FEDERAL MOGUL CORP - WAGNER.....	27	<input type="checkbox"/> Philips Headlight Restoration Kit	36
<input type="checkbox"/> G M B.....	21	<input type="checkbox"/> Continental VDO blower motors	36
<input type="checkbox"/> GABRIEL RIDE CONTROL INC.....	15	<input type="checkbox"/> WD-40 Specialist degreaser	36
<input type="checkbox"/> INNOVA ELECTRONICS CORPORATION.....	9	<input type="checkbox"/> ANCO wiper blades	36

INDUSTRY PAVES WAY FOR PRESERVING VINTAGE VEHICLES

BY JAMES E. GUYETTE
NEWS CORRESPONDENT

You can't repair a Model A by plugging it into a computer. Looking ahead toward going back to the future, some automotive industry educators are intent on training today's technicians to work on yesteryear's vehicles.

Adequately staffing the categories involved in restorations of vintage vehicles and the creation of custom classics has become an area of concern as high school auto shop classes go by the wayside and typical vocational training increasingly tilts toward electronics and other sophisticated repair techniques.

"The generation that built these cars and knows how to work on them is dying, and schools are failing to train young people to work on cars without computers or diagnostic equipment, with very few exceptions," says David Madeira, CEO of America's Car Museum (ACM) in Tacoma, Wash. "What's going to sustain the industry? If the cars can't be preserved, restored or maintained, who's going to Pebble Beach? Who's doing a car show? What cars are available for auction? All of that goes away."

Along with being celebrated for its 165,000-square-foot of stunning display space spread over four levels, ACM annually presents "The Drive Home," an epic 3,000-mile road trip through the snow and ice from Tacoma to Detroit for January's North American International Auto Show (NAIAS). This year's caravan featured a 1957 Chevrolet Nomad, a 1961 Chrysler 300G and a 1966 Ford Mustang that paused for pit stops along the way at themed events and rallies to salute the contributions of the Motor City's historic Big 3 automakers.

ACM also administers the Hagerty Education Program (HEP), previously known as The Collectors Foundation. It supports hands-on, career-based training institutions by providing grants that help fund student scholarships, internships and industry apprenticeship programs.

Since 2005 HEP has awarded more than \$2.75 million to dozens of restoration educational courses throughout the U.S. and Canada; 2015 recipients include the Central Carolina Community College Foundation, the Maine Maritime Academy, the Pennsylvania College of Technology, Thornton Fractional High School, the Wexford-Missaukee Career Technical Center and McPherson College.

"There has been a concern in recent years that fewer young people are learning the trades and skills needed to preserve historic vehicles," says HEP national director Diane Fitzgerald. "With these grants, HEP offers an opportunity to help institutions continue their commitment to direct education in this field."

"HEP is the centerpiece for our education programs, and we're integrating it into the center of our vision because the collector car market is somewhere around a \$7-billion to \$10-billion-a-year industry," Madeira says. "So for us, it's natural to focus on education and provide opportunities for meaningful work and good remuneration to young people. And in our small way, we might have a real impact on helping Amelia Island, Pebble Beach, the auction scene and all of these things continue."

Madeira says, "if we're really thinking about making an impact – say in the way of preserving America's automotive heritage – it's going to be through HEP. Hopefully people recognize this, and that gives them a reason to support America's Car Museum."

In May 2015, HEP tapped record-breaking racer Lyn St. James to become an industry ambassador for promoting the programs. "With the

COMMITMENT TO TRAINING SUPPORTERS



“THERE HAS BEEN A CONCERN IN RECENT YEARS THAT FEWER YOUNG PEOPLE ARE LEARNING THE TRADES AND SKILLS NEEDED TO PRESERVE HISTORIC VEHICLES.”

— DIANE FITZGERALD



growth of vintage racing and the excitement of motorsports, we need to create a pipeline of skilled and passionate people to restore and preserve extraordinary vehicles,” says St. James as she urges established aftermarket businesses within the segment to assist with financial contributions. “It will attract the best and the brightest students for the job.”

Says Fitzgerald: “We’d like to see more racing enthusiasts join the movement to protect America’s automotive heritage by supporting educational programs of restoration and preservation.”

Maintaining stylistic integrity

HEP funding has allowed Pennsylvania’s Berks Career & Technology Center to purchase a 1966 Mustang, a 1937 Chevy Roadster pickup, a 1972 Chevelle Malibu and a 1977 Corvette. Students have restored and customized these classics with an additional goal of applying environmentally friendly products to the projects.

They have been disassembling and reassembling, performing body repairs and completing refinishing tasks using waterborne paint. Interior components are restored along with suspension and drive train overhauls. The Malibu, for example, underwent a complete frame-off restoration.

The curriculum included restoring the Chevelle, and it was additionally “tastefully customized using modern drive train components and a modern paint scheme while maintaining stylistic integrity,” reports Berks spokeswoman Eileen Rinaudo.

With a desire to pursue a career in body work, Jimmy Riegner was pleased with the knowledge he gained while laboring over the Mustang. “Students were given the opportunity to learn not only technical skills but also teamwork, professionalism and patience,” he says. “Everyone who worked on the project had a lot of fun and learned things that will contribute to their success in the collision

repair industry.”

Located in Kansas, McPherson College recently achieved accolades by clinching the International Historic Motoring Awards 2015 Industry Supporter of the Year honors. Included in the festivities was a gala ceremony at London’s St. Pancras Renaissance Hotel.

“This is the international stage affirming the quality and value of what we’ve built during the last 40 years,” says Amanda Gutierrez, McPherson’s vice president for automotive restoration. In 2001 the college began offering a four-year Bachelor’s degree – making it the only automotive restoration program offering a comprehensive liberal arts and technical education in the craft.

Unique opportunities

Some graduates may be entering the related real-world realm of kit cars. December’s signing of the bipartisan-supported “Low Volume Motor Vehicle Manufacturers Act of 2015” by President Barack Obama is expected to bring significant benefits to replica manufacturers and suppliers.

“With this new law, Congress has demonstrated that it understands the importance of enabling U.S. companies to produce classic-themed vehicles that are virtually impossible to build under the current one-size-fits-all regulatory framework,” says President and CEO Chris Kersting of the Specialty Equipment Market Association (SEMA), which has backed the legislation since 2011. “This program will create auto sector jobs and meet consumer demand for cars that help preserve our American heritage.”

The low-volume provision allows small automakers to construct up to



Students at Pennsylvania’s Berks Career & Technology Center receive practical hands-on instruction in restoring vintage vehicles.

325 replica cars per year, subject to federal regulatory oversight that entails establishing a separate structure within the National Highway Traffic Safety Administration and the U.S. Environmental Protection Agency.

Replica cars resemble production vehicles manufactured at least 25 years ago, and the American marketplace has been constrained by a single system for regulating automobiles dating back to the 1960s. Because these outmoded standards were designed for companies that mass-produce millions of vehicles, the new measure now eases the category-stunting challenges faced by entrepreneurs who produce a small output of custom releases.

“This law gives enthusiasts the opportunity to buy turn-key replica cars while preserving their option to build one from a kit,” says SEMA Chairman of the Board Doug Evans.

“It recognizes the unique circumstances associated with limited production replica vehicles, such as the ’32 Roadster and ’65 Cobra, which are primarily used in exhibitions, parades and occasional transportation. With enactment of this new law, kit car companies and SEMA member companies that supply equipment and components can take advantage of this unique opportunity.” □

TRAINING CAN FIX MANY PROBLEMS

Job changes, personal growth require re-training

Because I work with shop owners and managers, a discussion on training often takes place. Either they had training or they need training, but the conversation changes when I talk about re-training.

I get a puzzled look and comments such as “I already took that course once, why do I need to take it again” or “He learned about that when he was an estimator.” When I see plaques showing completion dates 10 years in the past, I ask them if they are holding the same position as when they took the course. The answer is generally no, hence the need for re-training. Certainly the training has been updated during the last 10 years, but a position change also puts a different view on the material.

As you change positions and grow into more responsibility, your perspective changes. Let’s say you took a customer service course as an estimator. In that course you probably focused on how to provide the expected service during the estimate process. Now you’re a manager. If you were to take the course again you would probably focus on parts of the course that related to maximizing customer service to achieve the highest possible customer satisfaction index (CSI) score. As you grew into the manager’s position from being an estimator your area of responsibility changed, and so did your focus on customer service.

The same theory applies if you took a cycle time course as a body technician, but after being promoted to production manager your viewpoint is different. As a technician you concentrated on the repairs in your stall and that was the height of your worries. Now you’re

responsible for the repair flow of the entire facility. You look at the material presented in the course differently because your outlook and responsibilities have changed.

Regardless of your position or if you have been promoted, things change and your training should be updated routinely. If you looked back at your business as recently as five years ago and then looked at how you operate your business today, you would visualize multiple differences. If you don’t keep up with current training, your business will not reach its full potential. Training has to be continual and you need to recognize that as your responsibilities increase you need to review the related training. Asking somebody to perform at peak levels with old training is setting that person up to fail.

The most important facet of re-training is certification training. Almost all training providers offer refresher courses. Using them to keep you and your shop up-to-date is very cost effective.

The Inter-Industry Conference on Auto Collision Repair (I-CAR) has annual requirements that you can monitor through a training plan in my I-CAR®. my I-CAR allows you to select a role, determine the relevant courses and develop your plan.

Automotive Service Excellence (ASE) has more than 40 certifications covering all aspects of automotive repair. They have myASE that helps you track your certification and allows you to schedule recertification. OEMs have training standards and if you work for a dealer, you must maintain specific training levels to receive and maintain warranty repair certifications. Paint



Regardless of your position or if you have been promoted, things change and your training should be updated routinely.

manufacturers also update their training regularly to ensure users are aware of product advancements so it’s important to discuss training with your jobber and manufacturer.

During the last several years in an effort to reduce training requirements to maintain certifications, many providers have aligned with I-CAR. This alignment allows you to take OEM or paint manufacturer related courses and apply them to I-CAR certifications and vice-versa. This has helped many repair facilities stay on top of their game while minimizing expenses.

Most of the training providers have methods to track training and I recommend selecting one of them to ensure you stay current. Tracking your training will also allow you to schedule your employees throughout the year avoiding the end of the year training crunch most shops go through. This also helps you develop a budget that you can amortize over the year rather than taking big hits in one or two months. □

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FUEL EFFICIENCY RESEARCH UPDATE

Auto research amendment includes aftermarket

Auto advocates in Congress have been trying for seven years to pass a bill expanding the U.S. Department of Energy's fuel efficiency research. They are now on the cusp of success as the Senate looks very likely to pass an energy bill that would reorient DOE's somewhat lagging efforts.

The Senate energy bill contains an amendment aimed at improving the efforts of the DOE's vehicle technology program and would extend its reach to the aftermarket. The legislation was stuck on the Senate floor in February as Republicans and Democrats worked to resolve one remaining critical, and unrelated issue, having to do with new funding for Flint, Mich., to help it with its drinking water crisis. There is likely to be a compromise on Flint allowing the bill to proceed to a conference with the House energy bill, (H.R. 8) which was approved by a strong bipartisan majority in December.

The likelihood of congressional passage of the first major energy bill since 2007 is strong; and President Obama would surely sign it. But there is a potential hiccup awaiting: the House bill contains none of the auto provisions in the Senate bill (S. 2012), which is supported by the Motor and Equipment Manufacturers Association, the Electric Drive Transportation Association, the Alliance of Automobile Manufacturers and others.

The key section in the Senate bill comes out of the Vehicle Innovation Act (VIA/S. 1408) sponsored by Sens. Gary Peters and Debbie Stabenow, both Michigan Democrats. It essentially reorients the Department of Energy's vehicles technology office towards

establishing broad industry partnerships around particular energy efficiency technologies.

Among those mentioned are after-treatment technologies and retrofitting advanced vehicle technologies to existing vehicles. So aftermarket participation in projects is definitely anticipated.

The bill authorizes a four percent increase in vehicles technology research through 2020. Given Congress's drive over the past few years, through sequestration, to drastically cut some domestic budgets, any increase is a good increase. Of course it is always important to note that an authorization level is the most the appropriations committees can commit, but it is not a requirement.

While the VIA made it into the Senate energy bill, another auto provision did not. Stabenow wanted Senate Energy Committee chairman Lisa Murkowski (R-Alaska) to allow a vote on the Senate floor opening up the DOE Advanced Vehicle Technology Manufacturing (AVTM) loan program to auto suppliers and truck manufacturers.

Murkowski and the top Democrat on the committee, Maria Cantwell, had their hands full sorting through the 230 amendments waiting to be considered on the Senate floor. Many of them were disallowed, including Stabenow's. That is not surprising given the negative reviews that program has garnered.

The AVTM loan program has been open only to auto manufacturers and, lately, to Alcoa, which is working on using aluminum to replace steel in auto frames. Ford, Nissan and Tesla are the other companies receiving loans. Ford's is by far the biggest: \$5.9 billion, granted in 2009. The other two came in 2010.

The likelihood of congressional passage of the first major energy bill since 2007 is strong; and President Obama would surely sign it.

The refusal of Murkowski to allow the Stabenow amendment probably had something to do with the frustration of Republicans with the program's stasis and a negative report from the Government Accountability Office (GAO) in 2014 that said Congress may want to rescind all or part of the remaining AVTM credit subsidy appropriations "unless the Department of Energy can demonstrate demand for new AVTM loans and viable applications."

The VIA was not included in the House energy bill; so Peters and Stabenow will have to fight to have it included in a bill passed by a House-Senate conference committee. The House did pass the bill in 2009 by a vote of 312-114 when Peters, then a House member, sponsored it. The House in 2016 is a different place politically. But there is probably a reasonable chance the VIA will make it into the final bill. □



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COVER STORY

ISLAND OUTLOOK

Photo: Bruno De Hogues/Gettyimages

CARIBBEAN AFTERMARKET FORECAST: CLOUDY WITH SOME SUN

BY **RICHARD MEZADURIAN** | CONTRIBUTING EDITOR

WHEN one thinks of the Caribbean, images of warm beaches and cold tropical drinks probably spring to mind. So one could be forgiven for overlooking the large, lucrative aftermarket that sits just off U.S. shores.

The Caribbean aftermarket is not one market, but encompasses a variety of small markets with a handful of medium sized ones. Each market has a slightly different vehicle parc, and each market has a slightly different way of doing business.

Taken together, the 28 Caribbean nations and protectorates have

approximately 43 million people. This would rank among the top 30 most populous countries in the world, if the Caribbean were one country. However, this is not the case.

The Caribbean market is home to an incredibly diverse population of cars, trucks and motorcycles, with each country having a unique profile of vehicles on their roads. The brands represented have some things in common. Japanese vehicles have dominated the region for the past 30 years, and continue to play a large role. The past 10 years has seen a large increase in Korean vehicles, and Chinese-made

vehicles are becoming popular on some islands. Puerto Rico holds the largest share of U.S. domestic brands, at just about 25 percent, while in the rest of region, U.S. domestics account for about 15 percent.

Population plays an important role in the size of the individual markets throughout the Caribbean. A secondary factor is the relative wealth of each nation. Income disparities have a direct impact on the size of the vehicle park. A case in point is the difference between Puerto Rico and the Dominican Republic. While Puerto Rico has a population of about 3 million

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THE DOMINICAN MARKET MAY BE OPENING FOR U.S. SUPPLIERS, BUT BY NO MEANS IS IT AN EASY MARKET TO TACKLE.

people, it has nearly 1.9 million motor vehicles. The Dominican Republic, with more than three times the population, approaching 10 million people, has only 1.2 million vehicles in operation.

Cuba, with a population of nearly 11 million people, has about 450,000 cars and trucks. Cuba is sanctioned by the U.S., and it's contrary to U.S. law to trade with Cuba without obtaining a special license. There have been recent discussions about lifting the sanctions.

By far, the largest market for U.S. firms seeking to sell in the Caribbean is Puerto Rico. Since Puerto Rico is a U.S. protectorate, there are no export restrictions and all transactions are conducted in U.S. dollars. Puerto Rico has been in the midst of a deep recession since 2008. It is seeking permission from the U.S. Congress to declare bankruptcy and restructure its debts. The long period of economic instability has had devastating consequences for the economy and the aftermarket.

Puerto Rico is one of the few Caribbean nations with a net population loss each year as more and more Puerto Ricans seek better economic opportunities on the mainland. Unemployment on the island is at 12 percent and continues to rise, while 45 percent of the population is on some form of government assistance.

But the vehicle parc is still consistent in keeping with long-term trends, as Toyota dominated the market with a 26.7 percent share of 2014 vehicle sales. The Japanese makers combined had a remarkable 56.5 percent share of all 2014 sales in Puerto Rico. The U.S. domestic three combined for a 19.7 percent share, closely followed by Korean brands Hyundai and Kia at 19.0 percent. The remainder of the market share belonged to the European brands. Total 2014 sales were 92,352 units, which was down 13 percent from 2013. While the final figures for 2015 auto sales are not yet available, there should be a dramatic decline even from the 2014 numbers.

Due to the dire financial crisis, the government of Puerto Rico recently passed Act 72 to change the Sales & Use Tax Code of the island. In effect,

Act 72 imposes an 11.5 percent tax on any goods imported into the island. This tax is paid directly by the importer at the port when the shipments arrive. According to Manufacturer's Representative Elena Lopez of FL & Associates, the tax has impacted sales into the territory.

"Having spoken to several customers, the new law has affected their decision purchases from suppliers substantially," Lopez said. Nobody is holding extra inventory. Lopez also said that there is no way to gage how 2016 is going to look because there is no solution to the financial crisis on the horizon.

Lopez points out that while Puerto Rico may not be the most positive spot to do business in the Caribbean now, the Dominican Republic has been a big bright spot. "The Dominican Republic market has the best outlook for 2016. The Dominican Republic is the only country in the Caribbean with an economy that is growing on a yearly basis since 2013. This is due in part because of the CAFTA-DR agreement done with the USA in 2007," she said. The CAFTA-DR is the Central American Free Trade Agreement that was passed by Congress in 2005. It includes six Central American countries plus the Dominican Republic.

The agreement has had a positive influence on sales of aftermarket products from the U.S. Lopez says, "The free trade DR-CAFTA that was effective in 2009 is helping the 'Made in USA' imports. Since it is an annual reduction in the import tax imposed on goods, every year the sales numbers are increasing. It also allows Dominicans to import vehicles made in the U.S., or those whose parts are at least 35 percent U.S. origin to that market, mostly free of customs duties since January 1, 2015."

The Dominican market may be opening for U.S. suppliers, but by no means is it an easy market to tackle. There are 40 brands of vehicles representing almost 200 different models currently being sold on the island. With total vehicle sales about 20,000 units per year, that means there is a lot of dif-

ferentiation. For the 2012 sales year, Hyundai was the dominant brand with a 17.6 percent share of the market. Market share leaders by region were as follows: 31.6 percent, Japan; 26.1 percent, Korea; 16.7 percent, U.S.; 8.3 percent, Europe; 7.3 percent, China. The Dominican Republic has 3 million motorized vehicles, but 53 percent are two wheeled (motorcycles and scooters). A manufacturer's product portfolio should include some coverage for those types of vehicles if any significant market share is expected to be gained.

While almost no supplier can expect to carry parts for every vehicle, Lopez points out that North American suppliers need to do more. She said most of the factories she represents only cover half the SKUs her Dominican customers are looking for.

"Import parts from Asian brand applications must be a major part of what a supplier should consider when entering this market. Since the GDP per capita is only approximately \$10,000, prices are always a big factor in this market and something that we must take in consideration always." And competition from low-cost suppliers is always there.

In fact, the rather low per capita GDPs throughout the Caribbean region have put pressure on big branded suppliers. While brands are certainly recognized and present in the market, they command a smaller share than they once did. One distributor said, "Price is always the issue, and quality never seems to be." He pointed out that a branded ball joint from the U.S. might sell for \$16, but the customer prefers the Chinese import that is selling for \$8. However, successful brands are overcoming these issues with emphasis direct engagement with the installer community. Many premium suppliers are offering signage, technical training and sales education for the installer clients. So while there is intense pricing pressure, a well-presented brand with a clear engagement strategy can overcome some of this pressure.

Other large vehicle population markets in the Caribbean that might be

considered are Trinidad and Tobago with about 500,000 vehicles in operation. Barbados, one of the wealthier Caribbean islands, has about 135,000 motor vehicles, but has a population of less than 300,000 people, which makes it the highest percentage of per capita vehicle ownership in the Caribbean.

The many smaller islands that represent hundreds of thousands of vehicles, operate a little differently. But first consider, is it practical to have an export strategy for each of these islands? Probably not. And many auto parts professionals on smaller islands don't necessarily have the volume or need to buy directly from manufacturers. Instead, they often find solutions closer at hand.

Frank Arenal, president of Ignition and Fuel Systems Corp., a San Juan, Puerto Rico based distributor, says, "Small surrounding islands get most of their parts from Puerto Rico, though some buy from exporters in Miami." He concedes that while bigger two- or three-store chains might buy from him in Puerto Rico, they just as often might buy directly from the U.S. or from

Panama. But that still leaves plenty of business for him and others. "They come here, pack parts in their luggage and head home. Business has a funny way of finding itself."

Along with the diversity of vehicles in the Caribbean, there also is a rich diversity of languages and cultures. English, Spanish, French and Dutch are widely spoken, as well as the local Creole dialects of each language. This makes it difficult to tailor a one size fits all marketing message to the region. It's also difficult to travel to each of the 28 markets individually, as desirable as such a trip might be. So it's prudent to develop a sales and marketing plan or plans that specifically target each particular segment of the market.

Various strategies that might help develop a successful market plan include hiring a local sales representative. Typically, sales representatives are familiar with local distributors, customs and market conditions. They are often good sources of market-specific vehicular data as well. Due to its proximity to the U.S., many Caribbean

distributors attend shows like AAPEX, and in Puerto Rico, several distributors belong to U.S. buying groups.

There aren't any major trade shows held directly in the Caribbean, but two regional shows often attract Caribbean buyers. One is PAACE Automechanika, which is held in Mexico City each July. The other is the Latin Auto Parts Expo, which is held in Panama every June.

Linda Bassitt, president of Latin Auto Parts Expo, said at the 2015 show there were more than 3,000 attendees from 60 countries, including 14 of the 28 Caribbean region nations.

The trade winds are mostly favorable to U.S. companies that seek to do business in the Caribbean. Once the storm clouds have passed Puerto Rico, there will be strong pent up demand to be satisfied. With sales growing in the Dominican Republic, companies with the right products should do well. And perhaps soon, there may be a new emerging market in Cuba. For U.S. suppliers, ensuring that you have the proper product portfolio is as important as packing the right sunscreen. □

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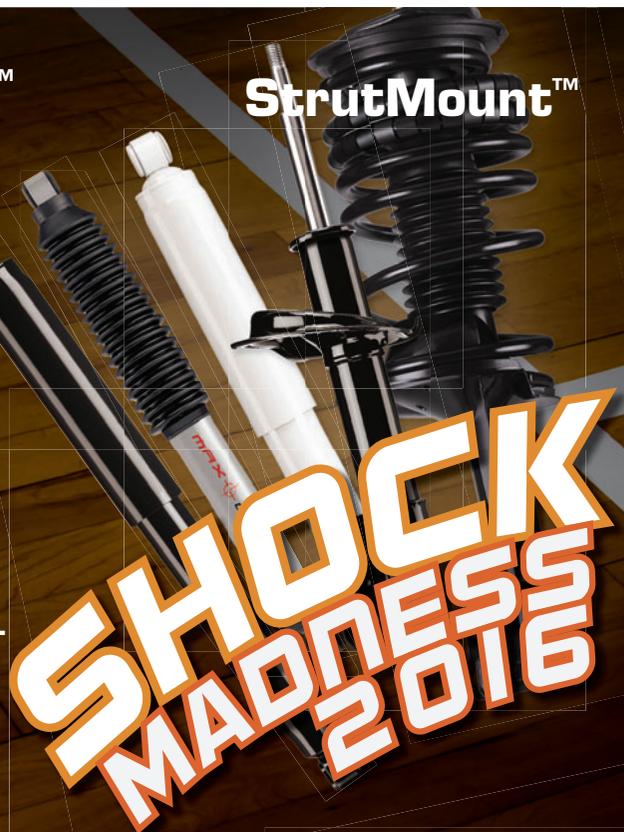
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TRAINING ON TRANSMISSIONS

FLUIDS EXPERTISE SMOOTHS SERVICE OFFERINGS

BY **JAMES E. GUYETTE** | NEWS CORRESPONDENT

An international education gap apparently exists regarding the proper application of aftermarket automatic transmission fluids (ATFs). Pouring in a faulty fluid can grind away at a transmission's wear protection, foam control and low-temperature performance.

"If you put the wrong ATF in a vehicle, the driver will be able to tell based on the change in their shifting experience," says Tu Lai Turner, an ATF specialist at Afton Chemical Corp. "At best, the installer will have to perform the transmission service all over again. But over time, putting the incorrect or unlicensed ATF into a transmission can shorten its life through increased wear and tear and the glazing of the clutch plates."

TRENDS & MARKET ANALYSIS

Based in Richmond, Va., with facilities in Australia, China, Japan, South Korea and Vietnam, Afton has created an ATFonATF.com website to provide insights into the importance of using only industry-licensed ATFs.

A recent survey by Liberman Research Worldwide of 200 transmission specialists on behalf of the campaign shows that nearly one in three don't know the difference between OEM licensed and unlicensed ATFs.

"A licensed ATF ensures that a fluid meets all the specifications an OEM set for that vehicle," Turner explains. "In order to obtain a license, the ATF must pass a battery of rigorous performance tests. These tests are set by the OEM and performed by a third-party testing facility. If the facility and OEM approve

the ATF as licensed, the oil company is required to display the OEM logo/trademark and license number on the label of the product. This proves to both installers and customers that the ATF is licensed for use in that vehicle."

To understand the difference between licensed and unlicensed ATFs, an installer must first understand how an automatic transmission fluid is formulated, according to company executives. There are two main components in an ATF: base oil and additives.

Compared to engine oils, the ATF additive component is far more complex. In an ATF, there is a need for the formula to be both slippery for the transmission gears, and sticky, especially for the friction plates. The ATF additive is where the "magic happens." That's where the mix of anti-oxidants, dispersants, friction modifiers, detergents and anti-wear agents are added to create a specific ATF formula.

The Liberman survey also revealed that only about two-thirds (64 percent) of installers believe that using unlicensed ATFs can damage a transmission system.

"The transmission is one of the most costly systems in a vehicle to repair and/or replace," says Afton marketing manager Kennon Artis. "Installers should ask their ATF distributor to see the OEM logo/trademark and license number before committing to use an ATF for specific models at their service centers. This will help ensure they are using the right ATF for their customers' vehicles and maintaining trust with the vehicle owner."

The company says licensed ATFs offer additional advantages:

- An ATF carrying an OEM license

INTERNATIONAL NEWSMAKER

Q&A

JOHN BLODGETT
VP, Sales & Marketing
MacKay & Co.



Q

WHAT IS THE SCOPE OF SPENDING ON HEAVY DUTY PARTS AND SERVICES FOR 2015?

A

A: We estimate the size of the parts aftermarket (Class 6-8 and trailers) at \$4.8 billion in Canadian dollars in Canada and \$3.4 billion in U.S. dollars in Mexico. In the U.S. the aftermarket

for parts is \$30.1 billion; tires is \$16 billion, lubricants such as engine oil and coolants is \$2.5 billion. The service labor associated with this is estimated to be \$58.5 billion – this is a preliminary estimate from a study we are currently completing.

Q: What trends are you seeing in the truck repair and service marketplace going into 2016?

A: More focus on downtime, how is it defined? How well are service providers doing to limit downtime? What are they doing to address this? Focusing on Total Cost of Operation (TCO) is a more recent trend, with truck manufacturers promoting the advantages of their vehicles and truck owners keeping a closer eye on Big Data. So much information is available from trucks now; what should fleets focus on? Who owns the data?

Q: What are some of the conditions driving this marketplace?

A: What drives the aftermarket in the U.S. – and in Canada and Mexico – is

the number of active vehicles, the mix by vehicle class and vocation, and where they are in their life cycle for repairs and maintenance.

The activity level of trucks and trailers is driven by the health of the economy, and specifically the portion of the economy related to products and goods that are moved by trucks.

The U.S. economy over the last several years has not been extremely robust, but it has expanded, and that has been good for trucking activity. The Canadian economy was not as adversely impacted by the recession in 2009 as the U.S., and it benefited from the oil business in the western parts of the country, although that recently has been negatively impacted by current conditions in that market. The strength of the dollar has also had a negative impact for Canada.

Mexico markets have been impacted by oil prices and exchange rates as well, but overall Mexico continues to prosper better than other Latin America countries.

Q: What are some of the spending averages for truck owners?

A: The average class 8 truck uses \$11,300 worth of parts, tires and lubricants per year over a life of 15 years.

Q: How would you assess the prospects of U.S. firms providing parts and services to fleets in other nations? Do you have any tips for reaching out to these international fleets?

A: Most truck manufacturers already do this, as well as most of the major component manufacturers. More component manufacturers are exploring other markets beyond North America.

At the HDAD conference this year we had a panel of representatives who are completing business around the world. One of the main themes from these folks was you can't have one go-to-market template for every country; you need to be flexible, and having local, native management is a strong plus.

Q: Are there differences within the repair and parts sales process for effectively reaching out to fleets vs. individual truck owners?

A: Typically the larger the fleet the more formalized the process is going to be to garner the parts and/or service business as opposed to dealing with an owner of one or two trucks.

Q: How do you assess the new parts vs. used parts marketplace in the U.S., Canada, Mexico and other nations?

A: Used, not remanufactured or rebuilt, parts are a very small portion of the overall aftermarket in any of these countries.

Q: Are there regional differences in whether fleets and individual owners conduct repairs in-house or through independent of chain repairers?

A: We have not identified any major differences by region of the country.

helps ensure the best transmission performance based on well-considered and tested specifications.

- Since the licensing process is regulated by OEMs, there is strict control against disreputable blending practices.

- These practices are weeded out of the distribution chain. This is especially important as a growing number of jurisdictions in the U.S. – such as California – are cracking down on poor quality products being passed off as high quality.

- An OEM-licensed ATF is one measure of protection for the service provider in the event challenges arise and service providers' practices are called into question.

It also is important to be aware that Asian and European OEMs may not

have licensing criteria in tandem with U.S. standards. Additionally, several Asian OEMs may recognize minimum requirements to be suitable, such as promulgated by the Japanese Automotive Standards Organization (JASO).

The ATFonATF program is supported by some of the automotive industry's leading OEMs, chemical engineers, trade associations and oil companies, according to company executives, who provided additional information on the topic in response to questions from *Aftermarket Business World*:

Q: Where can distributors, retailers and installers obtain training about fluids and transmissions?

A: There are a number of industry-wide resources that provide training and education for those who want

to learn more about the industry and making informed choices about ATF usage. For instance, the American Petroleum Institute (API), the Petroleum Quality Institute of America (PQIA), the American Motorist Repair Association (AMRA/MAP), and the Automotive Oil Change Association (AOCA) all are well-known and well-respected bodies in the industry that could serve as resources.

Q: Is there an automatic transmission association that offers training?

A: Any transmission fluid training is primarily done through the oil marketers/distributors or on the job.

Q: What are the pricing differences between certified and non-certified fluids, and what can counter people do to induce more sales of certified ATFs to both professional installers and do-it-yourself customers?

A: Pricing differentials differ according to application and brand. However, on average market pricing can differ from roughly 15 percent to 35 percent. There's not necessarily a differentiation between "certified" and "non-certified" but more of a branded vs. unbranded. It seems that the market is still very driven by brand recognition (trust) than it is by licensing or legitimacy.

Q: What is the global perspective on certified and non-certified ATFs?

A: We can't speak regarding to Europe, but they are primarily manual transmissions anyway. Asia Pacific is extremely sensitive to certified/licensed/legitimate products. It's not just specific to ATFs, but to any product/market. Duplication (imposters) is a huge issue in China. Most consumers are willing to pay more, as they see the value in authenticity – but you just need to be able to demonstrate that.

Q: Do certain regions embrace certified ATFs more than others?

A: The world of licensed fluids is complex and sometimes confusing, which affects the degree to which aftermarket stakeholders can observe and follow licensing guidelines. Generally speaking, North America is among the simplest regions to follow licensing guidelines, since the major OEMs – GM, Ford, Chrysler and Allison – all openly publish their specifications, making it easier for installers to identify and use licensed ATFs. □

SAFETY REPAIR ACT COST HIGH

TRADE-IN VALUES COULD DROP IF LEGISLATION IS ENACTED

BY **BRIAN ALBRIGHT** | CONTRIBUTING EDITOR

Automotive recalls are at an all-time high, but drivers frequently don't have the required repairs performed on their vehicles to remedy these issues even when they are safety related.

The U.S. Senate is considering legislation that would force dealerships to perform all safety recalls before selling or leasing a used car, but new data from the industry indicates that move could send trade-in values plummeting.

Under the Used Car Safety Recall Repair Act, which was proposed by Senator Richard Blumenthal (D-Conn.), auto dealers would have to fix all outstanding safety recalls before selling or leasing a used car.

TRENDS & MARKET ANALYSIS

That, says a new report, could adversely impact the value of trade-ins at dealerships. The National Automobile Dealers Association (NADA) commissioned the report from J.D. Power last year to evaluate exactly how big an impact the proposed recall law would have on consumer trade-ins. The verdict: in 2014, vehicle trade-in values could have declined by an average of \$1,210 or as much as \$5,713 under the proposed law.

According to NADA, trade-ins play a key role in franchised dealership sales because most consumers fund their down payments this way. Roughly 10 million cars are traded in to dealers each year.

The proposed law was designed to help address the low recall comple-

tion rate in the U.S. According to Autotrader, the U.S. recall completion rate in 2014 dropped to 48 percent from 56 percent the previous year.

"There are now more than 46 million cars and trucks on our nation's roads with unrepaired safety recalls; last year alone, five million used cars subject to safety recalls were sold to new owners without the necessary repairs," Blumenthal said when he announced the legislation last March. "This critical legislation will protect consumers and help reduce the number of unsafe cars on the road."

According to Autotrader, the U.S. recall completion rate in 2014 dropped to 48 percent from 56 percent the previous year.

The J.D. Power study identified a number of costs that the dealer would incur in order to sell those trade-ins if there were outstanding recall issues. For the purposes of the report, J.D. Power focused on the cost of financing the vehicle purchased from the consumer, the cost of storing the vehicle, the cost of insurance and depreciation costs.

"Based on our analysis, depreciation has the highest cost," says Jonathan Banks, executive analyst at the Used Car Guide division of J.D. Power, and the report's lead author. "This varies

VENDOR NEWSMAKER

Q&A

STEVEN SZAKALY
NADA Chief Economist



Q

WHAT WERE KEY TRENDS THIS YEAR IN COMPENSATION AT DEALERSHIPS?

A

We've seen salaries and wages go up, and we've seen productivity go up as well.

Q: Fixed-ops compensation is rising faster than sales compensation. What does that tell us?

A: Part of that is driven simply by the effect of sales. Sales are up. It's also a result of the increased dependence on fixed operations a profit center. There has been a realization that since margins on new vehicles are under so much pressure, that you need to focus on this area of the business.

Q: What else is happening relative to service and parts salaries at dealerships?

A: I think compensation rates are clearly moving upward across all of those categories, and part of that is reflected in the fact that there is fierce competition for qualified techs as well as mechanics. A secondary problem is that there hasn't been a stream of these individuals joining the labor force. Traditionally, and wrongly, these jobs have been looked down on, and there is a need for dealers and the industry as a whole to engage with community colleges and with high schools to attract people.



UNDER THE USED CAR SAFETY RECALL REPAIR ACT, AUTO DEALERS WOULD HAVE TO FIX ALL OUTSTANDING SAFETY RECALLS BEFORE SELLING OR LEASING A USED CAR.

Q: There has been a continued increase in the number of women working at dealerships, as well as younger employees (particularly millennials). How will this affect dealerships?

A: I think expectations on work hours and relative compensation is very different. Part of the high rate of turnover you see is that in many cases, younger workers find out that they don't like some of the work that's involved, as in sales. That's not really saying anything negative about the industry, but is a reflection of the fact that younger people try out jobs, but don't necessarily stick with them. This industry faces the same challenges that every other industry does. A huge amount of the knowledge base is retiring, and you have to figure out a way to transfer that knowledge base to the younger workforce.

by vehicle and is also impacted by seasonal factors. The expected costs provided in our report are based on the actual depreciation amounts that occurred on the affected vehicles during the calculated delay period for each recall."

The \$1,210 figure represents the weighted average for both in-brand trade-ins and out-of-brand trade ins. Out-of-brand trade-in costs would likely be higher because out-of-brand dealers incur additional costs when holding the vehicle during the repair delay and when transporting the vehicle to an in-brand dealer for repair, the report states.

Data used for the report included the National Highway Transportation Safety Administration (NHTSA) recall database, and a survey of 800 dealer representatives. The survey provided data on expected costs of purchasing a trade-in vehicle subject to recall. J.D. Power also estimated depreciation costs based on auction sale transactions, and the cost of the capital used to purchase the trade-in using the prime-rate average from the last 10 years. The company also used NHTSA data to estimate typical time

frames for repair delays.

Overall, the potential cost could be as much as an aggregate of \$1.078 billion in trade-in value reductions, not including trade-ins to independent dealers and the 11 percent of 2014 recalled vehicles not included in the analysis because the data was not available.

According to government and industry data collected for the study, repair delays resulting from the challenges faced in engineering, producing and distributing the replacement parts can be significant. Dealers also have to estimate what the delay will be, which can further exacerbate the trade-in value reductions that customers face. Dealers are likely to discount the trade-in value more to avoid that risk.

"Assuming a repair delay that is shorter than the actual repair delay is a risky proposition for a dealer, and thus they are more likely to act as if they believe the range of repair delays will be on the high end of the range of repair delays observed in the past for recalls of similar scale and complexity," Banks says. "In a hypothetical scenario, a lack of clear information could reduce the trade-in value offered to a consumer by hundreds of dollars if a trade-in manager were to overestimate a 30-day recall delay by an additional 30 days."

Recalls with repair delays longer than 90 days accounted for approximately 69 percent of all recalled vehicles traded-in during a repair delay period. Repair delays vary, however. In some cases, those delays are just a few days. In others, particularly where parts are scarce or have to be engineered, they can last 12 months or more. For example, the repair delay associated with Honda's Takata airbag recall was 206 days. The Toyota spare tire carrier recall affecting the Sienna had a repair delay of 411 days.

According to the franchise dealer survey used for the research, logistics costs associated with a trade-in that requires safety recall repairs were estimated at approximately \$235, with additional time delays (beyond the repair delay) of approximately 12.3 days.

Dealers already perform many repairs

One element of this analysis that the report was unable to estimate was the impact of dealers that are already performing all of the recall repairs prior to resale. J.D. Power was unable to evaluate how much of this type of work is already being done, although Banks says that in their survey of dealers, "virtually all of them perform recall repairs on vehicles brought in as trades when parts or a remedy is available. There isn't really a gauge since there are many recalls where there are parts delays, or a remedy has not been established. So many vehicles have an open recall that dealers are unable to fix."

Nationwide dealer AutoNation, for example, announced in September 2015 that it would no longer sell, lease or wholesale vehicles with open safety recalls.

"There's no way to expect that customers would or should know of every safety recall on every vehicle they might purchase, so we will ensure that our vehicles have all recalls completed," said Mike Jackson, Chairman, CEO and President of AutoNation. "We make it our responsibility as a retailer to identify those vehicles and remove them from the market until their safety issues have been addressed."

NHTSA has also launched a new public awareness campaign, Safe Cars Save Lives, to encourage drivers to check for open safety recalls.

Banks says that shortening the repair delay window is an important step in improving recall completion. "To be effective there needs to be accountability and clarity on when recall remedies are established and parts are available to fix the recall," Banks says. "There needs to be strong communication with dealers and customers so consumers know when and where to bring the vehicle for repair, and for dealers to know the wait times so they can plan and schedule effectively to ensure recall repairs are completed."

Blumenthal's bill is currently under review by the Senate Committee on Commerce, Science, and Transportation. □

CONNECTED CARS

REGULATORS, OEMS AND TECH COMPANIES FOCUS ON CONNECTED VEHICLE SECURITY

BY **BRIAN ALBRIGHT** | CONTRIBUTING EDITOR

As “connected cars” enter the market and more vehicles include Internet-enabled technologies as a standard feature, cybersecurity in these vehicles has received more attention. Regulators, automakers, consumer groups and technology companies are developing and calling for new encryption approaches and standards to keep driver data (and drivers) safe.

TRENDS & MARKET ANALYSIS

Security, in fact, was a key topic at the recent Connected Cars USA 2016 conference in February in Washington, D.C.

Last July, the U.S. Senate began considering vehicle security and privacy legislation. One of the bill’s sponsors, Sen. Ed Markey, along with Federal Trade Commission head Terrell McSweeney talked up their efforts to raise awareness and establish standards at the conference.

“Everybody in the industry, and policymakers and senators, needs to be thinking about it,” McSweeney said at the conference. “As we start driving computers instead of machines, what’re the expectations around those?”

There have been several “white hat” hacker demonstrations in which vehicles were remotely hacked and controlled by gaining access to their connected infotainment and other systems. One of those demonstrations prompted Chrysler to recall 1.4 million vehicles to correct a security vulnerability.

“What I’ve learned from visiting with hackers and security researchers is that cars are prominent targets,” McSweeney said. “But also that this

prominence can create a real opportunity to enhance the safety and security of cars and the trust of consumers.”

Automotive security manufacturer Giesecke & Devrient (G&D) reported earlier this year that in 2014, just 10 percent of global passenger cars were connected. By 2020, 75 percent of vehicles being manufactured will have Internet-connected infotainment systems, according to BI Intelligence, and experience a compound annual growth rate of 45 percent.

G&D has teamed with IBM to develop connected vehicle security solutions that would make car hacks more difficult using crypto chip and key technology.

“With dozens of ECUs (electronic control units) and several in-vehicle bus systems as well as various wireless connections to the external world of a connected vehicle, it is vital to protect those systems in the best possible way against remote hacks, fraudulent attacks and any attempts that could affect traffic safety,” said Erich Nickel, Director of Automotive Solutions at IBM. “As a multitude of connected vehicle online services are already available, involving aspects of data privacy and secure payments, secure infrastructures and communication channels are needed.”

The solution includes smart card security and embedded secure elements (eSE) for storing cryptographic keys, as well as key creation and management technology, subscription management and security intelligence in the vehicle to detect attacks.

Tech company Laird expanded its connected vehicle security efforts through its acquisition of the German

TECHNOLOGY SOLUTIONS NEWSMAKER

Q&A

DAVE LEONARD

CEO of Advanced Pricing Logic and Original Parts Group



Q

WHY DID YOU ORIGINALLY DEVELOP THE SOFTWARE?

A

I founded Original Parts Group Inc. (OPGI) in 1982, and over time our SKU count grew as we grew, from a few thousand SKUs to 10,000 and then to 20,000 and 50,000. We were unable to manage pricing for the SKUs and keep them updated on a regular basis. I dove head first into pricing science, and we built a price management solution in 1998. It worked so well and made us so much money we decided to turn it into a commercial solution. In 2010, Advanced Pricing Logic was born and we put out first version of the program, Promoter. We just launched the second version, PRICEXPERT.

Q: What are the key pricing challenges in the automotive market?

A: First and foremost, most companies have multiple price lists for different kinds of customers. That’s a challenge to keep that information synchronized. PRICEXPERT does it beautifully. It’s important that when the value of the product moves up and down, that everything moves up and down in sync with the reference price, and you can do that across thousands of products at once.

The other thing that is a big challenge for automotive suppliers is making sure that their prices don’t cannibalize their own profits, and how do you do that when you have thousands of products?

The program gives the organization information about their strengths and weaknesses on a SKU-by-SKU basis, and then allows them to act on that information. It provides a methodology for implementing corrective pricing across the board for thousands of SKUs simultaneously.

The system will look at how well can you stock the product, how good of a job does the supplier do in getting the product to them, how fast or slow the product moves against its own peer group, profit margins, etc. You find pockets of information that line up that allow you to discount without hurting your own organization.

Q: How has importance of pricing changed?

A: Price has always been important. The difference now is that with the rise of big data, ERP solutions, optimization and so forth, is that companies actually have visibility into their mix, so they can really see if they are leaving money on the table or not. They can really tell if things aren't selling and why. They can look at multiple data points and take each one into consideration.

We allow the user to price based on how data points intersect with each other. For example, you may see that you have a number-one mover, so you want to raise the price by a certain percent. Here's another data point that says the product is trending downward since 90 days ago. If you were just looking at that metric alone, you would have lowered the price. You can consider every single metric that is measurable, and arrive at a price that consumers will likely think is a good value.

When we show our customers their data, almost universally the company values their own products less than their customers do. What does that mean? It translates into better profits and revenues if you have the tools and software to measure what it is you are doing and apply that to the price point.

company Novero early in 2016. Because connected vehicles will leverage a number of different connectivity options (Bluetooth, WiFi, cellular, and Dedicated Short Range Communications), secu-

urity will be complex and challenging. Novero's antenna coupling, near field, and in-car hot spot technologies will be combined with Laird's vehicle-to-vehicle and vehicle-to-infrastructure solutions in a secure fashion.

Another significant security effort is underway at the International Transportation Innovation Center (ITIC), which signed an agreement with SK Telecom to develop quantum cryptography technologies to protect connected cars. The ITIC is creating a testbed to validate secure networked transportation technologies.

"We are developing ITIC as a neutral testbed, because we think it is important to have multiple system providers testing at the same location for cybersecurity," says Dr. Joachim Taiber, CTO at the ITIC and a research professor of electrical and computer engineering at Clemson University. "Different engineers can work at one test location and synchronize their data and share the development results with each other."

Because so many different companies contribute connected technology to a vehicle design, coordinating their security efforts is critical. "The ultimate responsibility is with the OEM, but if they work with an IT company that provides a data center that feeds data into the car, the OEM isn't really responsible for that data center. So you need a neutral testbed where all of these different systems can be validated."

SK Telecom's quantum cryptography system uses quantum physics instead of mathematics-based encryption algorithms. According to the company, it securely distributes a secret key to legitimate parties. The key is a table of random numbers shared by legitimate users, and is secure against all possible eavesdropping.

Traditional pseudo-random number generators currently used in many connected car encryption systems are vulnerable to hackers who decrypt the digit sequence. SK Telecom claims its technology generates "true random numbers."

Key technology companies have also formed the Intelligent Car Coalition (www.intelligentcarcoalition.org) to address connected car policy development and security issues. □

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COMMERCIAL VEHICLE SEGMENT

ADVANCED IN-CAB ELECTRONICS GAIN SALES

BY JAMES E. GUYETTE | NEWS CORRESPONDENT

ASA Electronics has been awarded a patent on its Auto-Pairing Wireless Camera System for tractor-trailer applications. It is designed to seamlessly pair any combination of cabs and trailers equipped with Voyager wireless monitors and cameras, regardless of a fleet's size. Available adapter kits can convert competitors' older wired systems to be compatible with the new wireless technology.

"The best thing about this system is the simplicity, and how that simplicity improves several cost factors associated with using older technology. We have removed the need to have a dedicated seven-way bulkhead connector between a tractor and trailer for an older camera system. The hardware costs of those components are eliminated off the top," says national accounts manager Justin Garver.

"Our customers love the system because it provides their drivers with an unmatched tool to combat every fleet's most frequent accident – the backup accident. Driver acceptance and adoption is also very quick with this system because it protects their livelihood while not requiring them to do anything out of the ordinary to achieve results," according to Garver, who recently answered a series of questions posed by *Aftermarket Business World*:

Q: How well is the trucking industry embracing these types of technologies?

A: The trucking industry is really moving toward acceptance of these types of technologies. There are a few things I attribute that to: As more and more of these types of systems reach decision makers' personal vehicles, it has really opened people's eyes into

the benefits this type of equipment could bring to the OTR truck applications they manage.

Also, with the driver shortage, many fleets are forced into training drivers with little or no over the road experience. In an effort to mitigate the risks associated with less experienced drivers, many fleets are seeking out technologies that reduce the amount of things a driver has to think about when operating their truck. Or in our case we're providing a driver a view that no amount of experience can provide – a picture directly behind the rear of a trailer.

Q: What advice do you have for distributors and retailers on how to more effectively market these products?

A: In my experience, systems like ours do not come close to their full potential at the distributor or dealer level. There are typically one or two outside parts salesperson(s) during sales training sessions that latch on to the product and go out and champion it to their customers. These are typically the highest producers in their territory, however.

Working in the industry requires me to be in attendance at many trade shows. You meet so many various fleet owners and managers, from one-truck owners to 10,000-plus truck owners, at these shows. In my world, I'm immersed in everything new from all of the major suppliers to the industry.

So I just assumed if you owned or ran a fleet, you knew of everything that was available. So it was a little shocking when I went out on route sales training runs to see how many of the smaller- to mid-size fleets were completely unaware of new and emerging technologies.

So it comes down to education. I think dealers and distributors need to negotiate training, sales literature/POP materials and demo systems when bringing on a new vendor or a new high tech product from an existing vendor.

Route and counter sales people are fantastic at looking up and taking orders for every day commodity items their customers need. High tech systems take multiple visits, and require a more in-depth sales process to move the potential customer from zero awareness, to aware, to educated, to realization of the benefits, to close of sale.

Depending on fleet size, many sales people decide the effort isn't worth the time it takes. However, using simple visual demos allows sales people to jump through a few of those phases of the sales process in a fraction of the time. The sale becomes much easier at that point.

My most successful dealer/distributors have installed demo systems on all their route sales and parts delivery vans, and at the very least have a portable demo system to bring into a potential prospect's shop. So if a route sales guy shows up and mentions the new product, and the potential customer is interested to learn more, they can go right out to their van and demo how the system works, instead of trying to explain how it works.

Q: How can installers and other industry professionals obtain training for marketing and installing these types of systems?

A: I believe that industry professionals should stay engaged with the industry trade associations that they are interested in pursuing. Attending trade shows, and engaging in committee and policy meetings, allows you to stay ahead of the curve when it comes to your competition.

Most shows also organize networking luncheons, golf outings, etc. See more Q&A at AftermarketBusiness.com/JustinGarver. □



Justin Garver



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TECHNICIAN ATTITUDE STUDY

1 QUALITY RANKS NUMBER

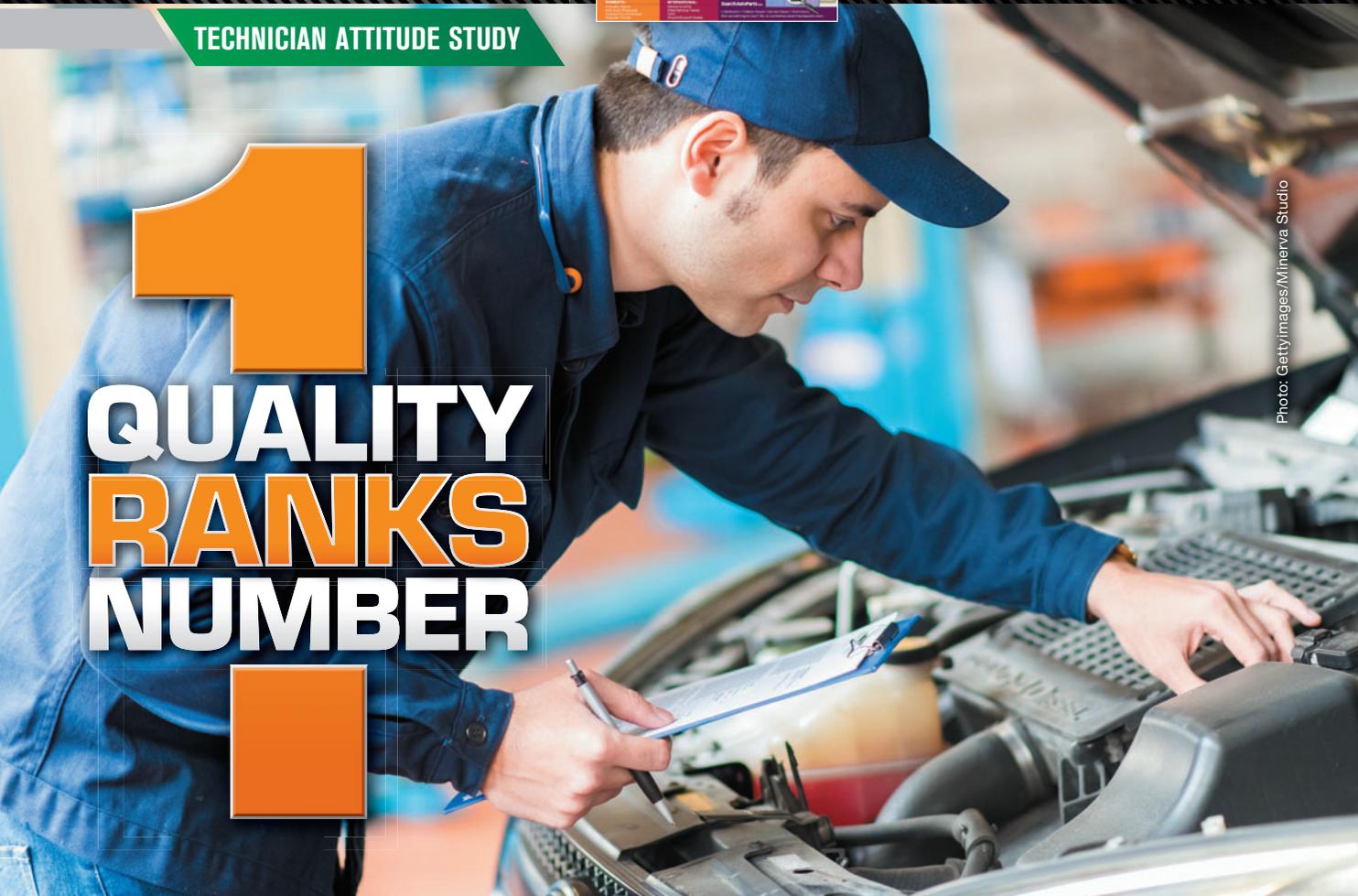


Photo: Gettyimages/Minerva Studio

TECHNICIANS SAY QUALITY IS MOST IMPORTANT PART ATTRIBUTE

BY **BRUCE ADAMS** | MANAGING EDITOR

AUTO technicians seek quality first when selecting parts to repair their customers' vehicles, according to the 2016 *Aftermarket Business World* Technician Attitude Study. Quality was selected as the No. 1 attribute that technicians said they consider first when selecting parts in five out of six product categories.

Brand, performance and availability were the next most important characteristics, according to the survey. Finishing further down the list were price and warranty considerations.

Technicians overwhelmingly agreed that they tend to purchase parts from auto parts retailers. That was the top source selected by techs in five out of six product categories in the study. Jobbers and warehouse distributors were the next most often selected parts suppliers. They frequently were mentioned by techs as either their sec-

ond or third choice as the go-to provider for purchasing parts. Other sources of parts selected by techs in the survey were dealerships, direct from the manufacturer and buying online.

When asked who their preferred supplier is, techs selected auto parts retailers first in four out of six product categories and second in the other two categories. Jobbers and warehouse distributors were most often selected either second or third.

Dealerships were the fourth most frequently preferred supplier. Techs who selected dealerships to purchase parts said they did so primarily for two reasons – OEM form, fit and function or because it was the only place the part was available. Other reasons receiving significant votes in that category were customer request and for the OEM brand name.

Methodology: The *Aftermarket Business World* 2016 Technician Attitude Study was fielded to readers of sister publication *Motor Age* via email. Study results are intended to show general industry trends, not statistical certainties. □

- 24 Auxiliary Lighting
- 26 Brakes
- 28 Chassis
- 30 Gaskets
- 32 Shocks & Struts
- 34 Wipers

AUXILIARY LIGHTING

Purchasing source

Warehouse distributor	33%
Auto parts retailer	33%
Direct from manufacturer	25%
Jobber	25%
Internet	50%

Preferred purchasing channel

Dealership	17%
Internet	25%
Direct from manufacturer	17%
Jobber	17%

Primary reason for preferred supplier

Good relationship	25%
Parts availability	33%
Price	17%
Fast delivery	17%

Margins

82% of technicians report they DO NOT know how much over the jobber they pay.

What techs know they pay

1-5%*	0%
6-10%*	33%
11-15%*	33%
16-25%*	0%
More than 25%	34%

What techs think they pay

1-5%*	0%
6-10%*	14%
11-57%*	57%
16-25%*	29%
More than 25%	0%

*Percent over jobber

25% of technicians always give recommendations for buying a specific brand of auxiliary lighting.

Amount of auxiliary lighting that is returned monthly

None	83%	5-9%	0%
1-2%	8%	10% +	0%
3-4%	8%	I don't know	0%

75% do not purchase **aux. lighting** from a dealership.

Reasons:

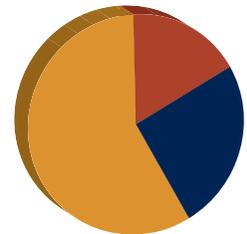
Too expensive	40%
Aftermarket products as good as (or better than) OEM	40%
Convenience/time limits	20%

National brands vs. private label purchases

58%
National

25%
Private

17%
Both



Reason for buying a particular auxiliary lighting

Brand	13%
Price	13%
Quality	15%

Internet ordering frequency

0-10% of the time	58%
11-25% of the time	8%
26-50% of the time	17%
51-75% of the time	0%
76-99% of the time	17%

Some chart totals exceed 100 percent because respondents could provide multiple answers. Other charts do not reach 100 percent because all answer options are not represented.

Frequency of supplier contact

Once a week	8%
Every two weeks	0%
Once a month	8%
Every three months	8%
Every six months	8%
Yearly	0%
No contact necessary	68%

Brand vs. supplier loyalty

If a primary supplier of auxiliary lighting replaced a brand with another of like quality, a tech would:

Change suppliers to continue purchasing original brand	58%
Keep primary supplier and purchase new brand	42%



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PHILIPS

BRAKES

Purchasing source

Warehouse distributor	46%
Auto parts retailer	67%
Direct from manufacturer	13%
Jobber	33%
Dealership	33%

Preferred purchasing channel

Warehouse distributor	23%
Auto parts retailer	38%
Dealership	13%
Jobber	15%

Primary reason for preferred supplier

Good relationship	13%
Parts availability	31%
Carries specific brands	26%
Fast delivery	23%

Margins

81% of technicians report they DO NOT know how much over the jobber they pay.

What techs know they pay

1-5%*	38%
6-10%*	50%
11-15%*	0%
16-25%*	12%
More than 25%	0%

What techs think they pay

1-5%*	24%
6-10%*	21%
11-15%*	31%
16-25%*	21%
More than 25%	3%

*Percent over jobber

49% of technicians always give recommendations for buying a specific brand of brakes.

Amount of brakes that are returned monthly

None	58%	5-9%	0%
1-2%	33%	10% +	0%
3-4%	3%	I don't know	6%

56% purchase brakes from a car dealership.

Reasons:

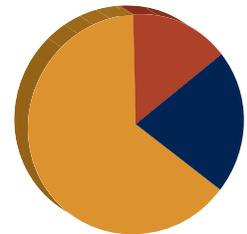
OEM form, fit, function	90%
Only place it is available	48%
Customer request	38%

National brands vs. private label purchases

64%
National

21%
Private

15%
Both



Reason for buying a particular brake

Performance	48%
Price	37%
Quality	67%

Frequency of supplier contact

Once a week	16%
Every two weeks	8%
Once a month	16%
Every three months	11%
Every six months	5%
Yearly	8%
No contact necessary	36%

Brand vs. supplier loyalty

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

Change suppliers to continue purchasing original brand	53%
Keep primary supplier and purchase new brand	47%

Internet ordering frequency

0-10% of the time	89%
25-50% of the time	3%
51-75% of the time	3%
76-99% of the time	0%
All the time	5%

Some chart totals exceed 100 percent because respondents could provide multiple answers. Other charts do not reach 100 percent because all answer options are not represented.



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ASE-Certified Technician
Wayne, New Jersey

Mike Rowe
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CHASSIS

Purchasing source

Warehouse distributor	31%
Auto parts retailer	62%
Direct from manufacturer	10%
Jobber	41%
Dealership	52%

Preferred purchasing channel

Warehouse distributor	18%
Auto parts retailer	43%
Dealership	7%
Jobber	25%

Primary reason for preferred supplier

Good relationship	7%
Parts availability	59%
Carries specific brands	7%
Fast delivery	22%

Margins

79% of technicians report they DO NOT know how much over the jobber they pay.

What techs know they pay

1-5%*	40%
6-10%*	40%
11-15%*	0%
16-25%*	20%
More than 25%	0%

What techs think they pay

1-5%*	35%
6-10%*	10%
11-25%*	25%
16-25%*	30%
More than 25%	0%

*Percent over jobber

44% of technicians always give recommendations for buying a specific brand of chassis.

Amount of chassis that are returned monthly

None	73%	5-9%	0%
1-2%	8%	10% +	3%
3-4%	12%	I don't know	4%

67% do purchase chassis from a car dealership.

Reasons:

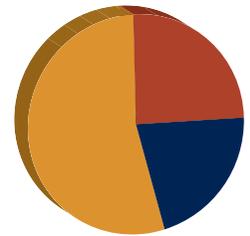
OEM form, fit, function	94%
Only place available	72%
Customer request	17%

National brands vs. private label purchases

54%
National

21%
Private

25%
Both



Reason for buying a particular chassis

Brand	44%
Warranty	38%
Quality	56%

Internet ordering frequency

0-10% of the time	88%
11-25% of the time	0%
26-50% of the time	12%
51-99% of the time	0%
All the time	0%

Some chart totals exceed 100 percent because respondents could provide multiple answers. Other charts do not reach 100 percent because all answer options are not represented.

Frequency of supplier contact

Once a week	7%
Every two weeks	3%
Once a month	18%
Every three months	11%
Every six months	11%
Yearly	7%
No contact necessary	43%

Brand vs. supplier loyalty

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

Change suppliers to continue purchasing original brand	59%
Keep primary supplier and purchase new brand	41%



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GASKETS

Purchasing source

Warehouse distributor	43%
Auto parts retailer	62%
Internet	14%
Jobber	43%
Dealership	62%

Preferred purchasing channel

Warehouse distributor	29%
Auto parts retailer	33%
Dealership	14%
Jobber	19%

Primary reason for preferred supplier

Carries specific brands	5%
Parts availability	35%
Price	25%
Fast delivery	25%

Margins

63% of technicians report they DO NOT know how much over the jobber they pay.

What techs know they pay

1-5%*	43%
6-10%*	14%
11-15%*	29%
16-25%*	14%
More than 25%	0%

What techs think they pay

1-5%*	9%
6-10%*	9%
11-15%*	55%
16-25%*	27%
More than 25%	0%

*Percent over jobber

45% of technicians always give recommendations for buying a specific brand of gasket.

Amount of gaskets that are returned monthly

None	68%	5-9%	0%
1-2%	26%	10% +	0%
3-4%	5%	I don't know	0%

95% purchase gaskets from a car dealership.

Reasons:

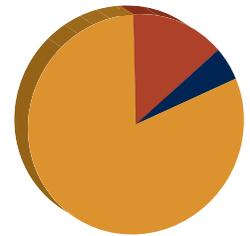
Only place it is available	84%
OEM form, fit, function	63%
Warranty	16%

National brands vs. private label purchases

81%
National

5%
Private

14%
Both



Reason for buying a particular gasket

Brand	38%
Availability	24%
Quality	59%

Internet ordering frequency

0-10% of the time	85%
11-25% of the time	10%
26-50% of the time	0%
76-99% of the time	0%
All the time	5%

Some chart totals exceed 100 percent because respondents could provide multiple answers. Other charts do not reach 100 percent because all answer options are not represented.

Frequency of supplier contact

Once a week	9%
Every two weeks	0%
Once a month	5%
Every three months	5%
Every six months	0%
Yearly	5%
No contact necessary	76%

Brand vs. supplier loyalty

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

Change suppliers to continue purchasing original brand	57%
Keep primary supplier and purchase new brand	43%

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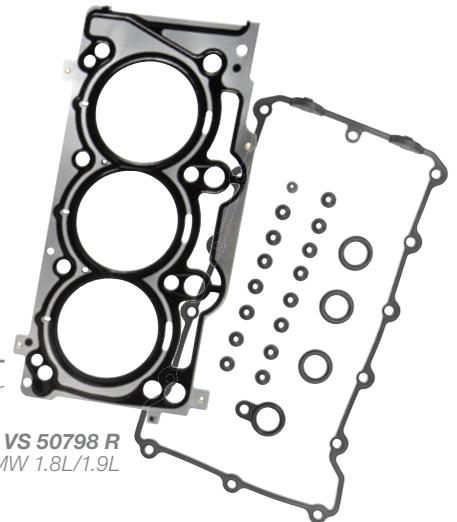
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VS 50798 R
BMW 1.8L/1.9L



SHOCKS & STRUTS

Purchasing source

Warehouse distributor	48%
Auto parts retailer	73%
Internet	18%
Jobber	42%
Dealership	33%

Preferred purchasing channel

Warehouse distributor	18%
Auto parts retailer	42%
Dealership	12%
Jobber	18%

Primary reason for preferred supplier

Good relationship	24%
Parts availability	18%
Price	21%
Fast delivery	24%

Margins

68% of technicians report they DO NOT know how much over the jobber they pay.

What techs know they pay

1-5%*	33%
6-10%*	17%
11-15%*	25%
16-25%*	17%
More than 25%	8%

What techs think they pay

1-5%*	33%
6-10%*	38%
11-15%*	5%
16-25%*	19%
More than 25%	5%

*Percent over jobber

30% of technicians always give recommendations for buying a specific brand of shocks & struts.

Amount of shocks & struts that are returned monthly

None	61%	5-9%	0%
1-2%	39%	10% +	0%
3-4%	0%	I don't know	0%

61% purchase shocks & struts from dealerships.

Reasons:

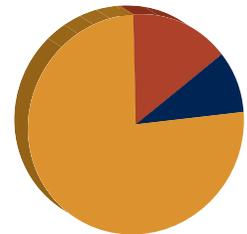
OEM form, fit, function	67%
Only place it's available	56%
Customer request	28%

National brands vs. private label purchases

76%
National

9%
Private

15%
Both



Reason for buying a particular shock & strut

Brand	33%
Price	29%
Quality	31%

Internet ordering frequency

0-10% of the time	84%
11-25% of the time	3%
26-50% of the time	7%
51-75% of the time	3%
76-99% of the time	3%

Some chart totals exceed 100 percent because respondents could provide multiple answers. Other charts do not reach 100 percent because all answer options are not represented.

Frequency of supplier contact

Once a week	6%
Every two weeks	6%
Once a month	15%
Every three months	12%
Every six months	9%
Yearly	12%
No contact necessary	40%

Brand vs. supplier loyalty

If a primary supplier of shocks & struts replaced a brand with another of like quality, a tech would:

Change suppliers to continue purchasing original brand	33%
Keep primary supplier and purchase new brand	67%

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WIPERS

Purchasing source

Warehouse distributor	33%
Auto parts retailer	73%
Internet	13%
Jobber	47%
Dealership	27%

Preferred purchasing channel

Warehouse distributor	7%
Auto parts retailer	60%
Dealership	7%
Jobber	20%

Primary reason for preferred supplier

Good relationship	13%
Parts availability	53%
Price	20%
Fast delivery	7%

Margins

93% of technicians report they DO NOT know how much over the jobber they pay.

What techs know they pay

1-5%*	0%
6-10%*	0%
11-15%*	0%
16-25%*	100%
More than 25%	0%

What techs think they pay

1-5%*	42%
6-10%*	17%
11-15%*	8%
16-25%*	17%
More than 25%	16%

*Percent over jobber

53% of technicians always give recommendations for buying a specific brand of wiper.

Amount of wipers that are returned monthly

None	69%	5-9%	0%
1-2%	23%	10% +	0%
3-4%	0%	I don't know	8%

54% purchase wipers from a car dealership.

Reasons:

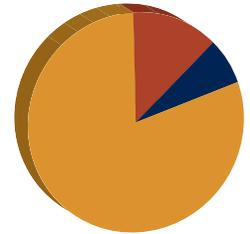
OEM form, fit, function	57%
Only place it is available	71%
Customer request	0%

National brands vs. private label purchases

80%
National

7%
Private

13%
Both



Reason for buying a particular wiper

Brand	26%
Price	32%
Quality	32%

Internet ordering frequency

0-10% of the time	93%
11-25% of the time	0%
26-50% of the time	0%
51-75% of the time	0%
76-99% of the time	7%

Some chart totals exceed 100 percent because respondents could provide multiple answers. Other charts do not reach 100 percent because all answer options are not represented.

Frequency of supplier contact

Once a week	20%
Every two weeks	0%
Once a month	7%
Every three months	7%
Every six months	0%
Yearly	6%
No contact necessary	60%

Brand vs. supplier loyalty

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

Change suppliers to continue purchasing original brand	43%
Keep primary supplier and purchase new brand	57%



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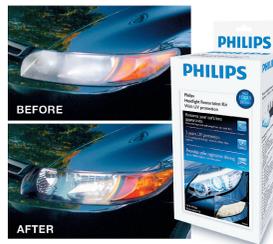
www.RelyOnRaybestos.com Raybestos



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www.ANCOWipers.com
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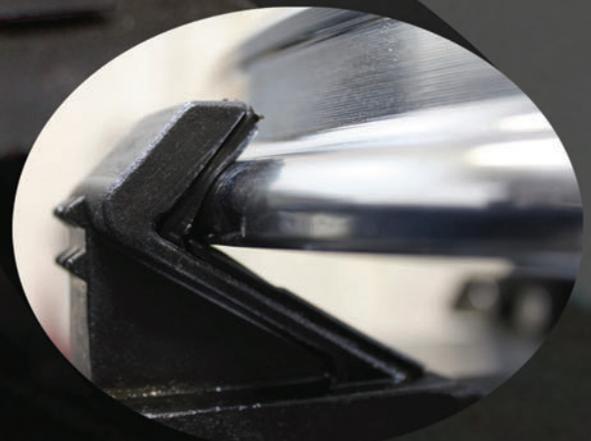
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