AFTERMARKET BUSINESS WORLD™

SEPTEMBER 2016

South Africa

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South Africa

OFFERS A LARGE, DIVERSE AFTERMARKET OPPORTUNITY

Photo Courtesy: Gettyimages/AKOPPO

BY RICHARD MEZADURIAN | Contributing Editor

It is often said that freedom brings prosperity. For South Africa, that has certainly been the case. Since the end of apartheid in the mid 1990s, South Africa has been growing into one the global economy's rising stars.

For much of the past 20 years, South Africa has been mentioned as a member of the BRICS group. BRICS is an acronym for a group of countries (Brazil, Russia, India, China and South Africa) who are deemed to be at a similar stage of advanced economic development. And until recently, these BRICS nations were outperforming the global economy as a whole. In South Africa's case, the economic growth has been dramatic, with gross domestic product (GDP) rising from US$ 144 billion in 1996 to more than US$ 723 billion by 2015. That's more than 500 percent growth in less than 20 years.

The automotive industry has been among the industries to have prospered during these boom times. Overall, the industry employs about 100,000 people in original equipment (OE) assembly and parts manufacturing, and an additional 200,000 people in the aftermarket and retail segments.

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South African aftermarket

> South Africa's car parc is incredibly diverse for such a small market.

However, with a population of approximately 53 million people, South Africa has a modest vehicle parc of only 6.6 million vehicles. Nevertheless, that is the most vehicles of any nation in Africa. South Africa's 10-year compounded annual growth rate for vehicles in operation of 4.4 percent slightly lags the rest of the continent, which is at 5.8 percent.

The car parc is incredibly diverse for such a small market. In 2015, 37 different brands, representing 344 unique models were sold, comprising an annual sales volume of just over 620,000 units. Overall, the market was down by 4.1 percent from 2014, when sales were 646,716 units. The market is dominated by five brands that represent 67 percent of new units last year.

Toyota, which has led in market share for many years, comprised 19.9 percent of the market, and was followed by Volkswagen Group (15.9 percent), Ford (12.7 percent), Hyundai-Kia (9.6 percent) and General Motors/Isuzu (9.5 percent). Amongst the top five manufacturers, only Ford saw growth in sales during 2015, up by 5 percent.

Popular vehicles in South Africa are either small vehicles, such as the Toyota Corolla or the Volkswagen Polo Vivo, as well as mid-size pickup trucks. In fact, five of the top 10 best-selling models in South Africa are pickup trucks, led by the Toyota Hilux (5.8 percent share) and the Ford Ranger (5.5 percent share). The lack of highway infrastructure outside the major cities, plus the various uses pickup trucks have in agricultural and mining industries makes these highly sought after vehicles.

With the top 20 models comprising nearly 50 percent of 2015 sales, the balance of 320-plus models make up the rest of the market. For parts suppliers this can make product portfolio planning difficult.

Jeffrey Guenther, VP of business development for Hastings Manufacturing Co., a piston ring manufacturer that has a strong export business to South Africa, said, "the range of applications is incredibly diverse for the size of this parc – to have 80 percent or more of the engine applications you better have a very full line."

For manufacturers seeking to invest in South Africa, there are numerous programs to aid the growth of the automotive sector, and in particular exports. ...CONTINUE READING

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A/C issues heat up YEAR-ROUND DEMAND FOR HVAC TRAINING

By JAMES E. GUYETTE | News Correspondent

With summer easing into fall most motorists are likely leaving air conditioner levers in the off position as beating the heat becomes less of a concern than preparing for winter's wrath.

But the A/C element of a vehicle's HVAC (heating, ventilation and air conditioning) system also dehumidifies defroster moisture that can hinder vision by fogging or freezing on the inside of window glass.

Ensuring that all HVAC components are fully functional is thus a matter of year-round importance – making qualified A/C technicians a hot ticket due to the Environmental Protection Agency's Section 609 certification requirements for the recovery, recycling and recharging of potentially polluting refrigerants. The measure, part of the Clean Air Act, mandates that A/C technicians must be trained, tested and certified by an approved organization.

Working on today's A/C units is increasingly complex, necessitating up-to-date service and repair training as refrigerants and systems change.

"There's a huge demand for new technicians as older technicians retire," says Marion J. Posen, vice president of member relations and marketing at the Mobile Air Conditioning Society (MACS) Worldwide, an industry association covering all the aspects of vehicle thermal systems. "It's a very, very large field."

Anyone riding in anything anywhere is directly impacted by HVAC, including consumers cruising in cars and trucks, commercial fleets, military motor pools and other local, state and federal governmental entities. A recently released study from Allied Market Research reports that the global automotive HVAC segment is annually expanding by 8.9 percent with expectations of becoming a $22.8-billion market by 2022.

Automakers and suppliers are continually developing new component and refrigerant technologies to meet emissions standards and market demands that further emphasize the need for properly certified technicians to service the systems.

No longer engineered solely for cabin comfort, A/C has dramatically evolved into a crucial system for cooling the high voltage electronics and battery packs found in hybrids, plug-in hybrids, battery electrics, extended range electrics ...CONTINUE READING

ASE GUIDES | QUESTION OF THE MONTH

A customer asks where the Vehicle Identification Number (VIN) can be found on a 1988 model year car. Parts Specialist A says, "On a tag on the top of the dash on the driver's side." Parts Specialist B says, "On a tag on the passenger's door or B-pillar." Who gave the customer the right information:

A. Parts Specialist A only

B. Parts Specialist B only

C. Both A and B

D. Neither A or B

Click here to see the answer

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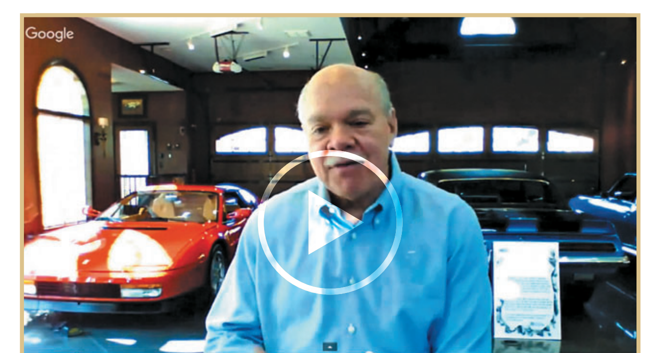

Chris "Chubby" Frederick discusses being a proactive leader

How to tell if coolant is still doing its job of protecting the engine

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TELEMATICS/CONNECTIVITY

Emerging standards are keys to telematics success

BY BRIAN ALBRIGHT
Correspondent

Technology is having a huge impact on the automotive aftermarket, from the way distributors and customers share information to the types of systems that will be incorporated into future vehicle platforms. Staying abreast of those technology developments will be a large part of the responsibilities of the Auto Care Association's new director of emerging technologies, Joe Register.

TRENDS & MARKET Analysis

Register, who previously led Prescient Technologies Group, joined the association in January as director of technology solutions to help lead development of next-generation of automotive technology standards and solutions. He will also serve as the technology architect focused on future vehicle telematics solutions.

While telematics will be a key focus, Register says that his role and the organizations' technology activities will be highly dynamic, and are still being defined. "There are so many different technologies coming on the scene, whether that's the information being sent from the vehicle, autonomous driving, or collision avoidance," Register says. "And there are other things as well, like new composite materials in the vehicles that we are also looking at."

Technology Newsmaker Q&A

KELLY GREGORY
Product Manager
Epicor

Q What are the biggest challenges that distributors face in terms of sales?

A What did Gregory say? Continue reading online.

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> The focus will be on standards development around telematics and vehicle communication.

Over the next year, however, the primary focus will be on standards development around telematics and vehicle communication. Register is involved with the ISO Technical Committee (TC) 204, which is defining the way in which vehicles can connect to intelligent transportation systems that support vehicle-to-vehicle (V2V) and vehicle-to-infrastructure (V2I) systems.

The standards work will be increasingly important for the aftermarket, as OEMs attempt to limit access to vehicle diagnostic data and communications. In fact, the OEM standardization effort is focused on a separate ISO committee, and aims to put an OEM infrastructure network between the vehicle and anything else it connects to in the future.

"That's a concern for a number of folks, because it affects how the information could get from a vehicle to another vehicle or to the infrastructure controlling traffic systems," Register says. There also is a huge governance issue around security and who will establish security processes.

"The OEMs see themselves in that role, but we see more of a third-party or government oversight that will provision certificates and the keys required to access vehicle data," Register says. "We have focused on a vision that is aligned with the Department of Transportation's intelligent transportation system vision, and that will provide ubiquitous access."

Currently, most aftermarket telematics solutions rely on dongle-style devices that plug into the OBD-II port and communicate via a cellular connection. That model could be in jeopardy, however, as OEMs work to limit access to data that isn't specifically required to be made available under current laws.

"As more attention gets paid to the flow of information, there is a potential that the information that isn't directly provisioned under legislation will disappear over time," Register says. "The OEMs will only provide access to what is absolutely necessary. It could compromise some of those aftermarket implementations."

The industry also will have to focus on how to utilize and protect other types of information – including driving behavior data, location

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LOGISTICS/CONNECTIVITY

Labeling software improves shipping compliance

BY BRIAN ALBRIGHT
Correspondent

As the automotive supply chain becomes more complex, shipping labels have become a critical piece of the puzzle when it comes to making sure the right parts get to the right location. Each customer has its own unique labeling requirements, and these labels also have to comply with various industry standards. This is true both in the aftermarket and in the OEM supply chain.

TRENDS & MARKET Analysis

Supplier UGN, which sells parts to Honda, Toyota and other OEMs, struggled with its own product labeling until the company deployed a label design and management solution that integrates with its enterprise resource planning (ERP) system. The solution has improved compliance and reduced shipping errors.

UGN is a leading manufacturer of acoustic, interior trim, and thermal management products for cars, including dash inner insulators, trunk systems, interior trim, headliners and other products. The company operates seven sites in North America, including testing and manufacturing facilities in Michigan, Tennessee, Ohio, Kentucky, Illinois, Indiana, and Mexico. UGN has 1,100 employees and generates $250 million in annual revenues.

Technology Newsmaker Q&A

MICHAEL MARTIN
VP of Strategic Development, Global Automotive, DHL

Q How is the increase of technology suppliers affecting the supply chain for auto manufacturers?

A What did Martin say? Continue reading online.

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> Several legacy systems at different sites made it difficult to design and update labels consistently.

UGN had complex labeling requirements that were difficult to manage manually. “We are required to label our outgoing shipments with Automotive Industry Action Group (AIAG) and other mandatory formats,” says Eileen Cusack-Marvel, business systems manager at UGN. “We also have different internal label formats for our stock. All outgoing containers also needed container labels, and we produce additional labels for mixed pallets. There are also instances where we need smaller labels for individual parts.”

Label accuracy is critical for the company. Customers each have their own label requirements, and any inaccuracies can cause costly downtime for the customer and result in hefty fines for UGN.

The company decided to deploy a new labeling solution as it upgraded to the Oracle ERP system. UGN implemented the core functionality of the Oracle solution in 2013 and 2014, and opted to purchase the Loftware label solution because of its tight integration with Oracle.

Inconsistent labeling

Previously, UGN used different label solutions at each of its facilities. “We also didn’t have the ability to support modern label formats dictated by the AIAG or 2D compliant codes,” Cusack-Marvel says. The number of legacy systems across different sites made it difficult to design and update labels consistently, which led to compliance problems when it came to customer label requirements.

The inconsistent formatting in the different systems led to mistakes. In some cases, customers couldn’t scan the barcodes on the labels, and staff would have to spend time troubleshooting the issue to find out what had happened. The incompatible systems also led to incorrect label application, so left-hand and right-hand parts were sometimes switched.

“We wanted a solution that was certified with Oracle, and that could help automate manual label design processes so we could better meet our customer requirements,” Cusack-Marvel says....CONTINUE READING

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OEM, aftermarket executives contemplate Brexit challenges, options

BY JAMES E. GUYETTE
News Correspondent

A sense of voter's remorse seems to growing in the United Kingdom over the anticipated consequences of Great Britain's Brexit exit from the European Union, but thus far a widespread political movement to place a repeat referendum on the ballot has yet to pick up speed.

TRENDS & MARKET Analysis

Global automotive executives are proceeding cautiously as if motoring through a roundabout while they ponder the ramifications of a pending UK/EU breakup – a puzzling scenario that has the distinct possibility of creating major supply chain, manufacturing and marketing difficulties as the UK and EU negotiate their breakup.

The vehicle industry annually contributes $22.6 billion to the UK's economy, accounting for 800,000 jobs. Last year a record-setting 77.3 percent of the 1.5 million cars manufactured in the UK – the most produced since 2005 – were destined for export; 57.5 percent of them were purchased by EU drivers, besting the U.S. (10.9 percent) and China (7 percent) as the UK's top vehicle market, a status now in jeopardy as Brexit takes hold amid considerable economic, governmental and societal turmoil.

"The British public has chosen a new future out of Europe. Government must now maintain

Vendor Newsmaker
Q&A

STAN MIRZAYEV
CEO and Co-founder
Parts Detect

Q What is Parts Detect and how does the system operate? What motivated you to invent this?

A What did Mirzayev say? Continue reading online.

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> The auto industry is anticipated to be one of the sectors most impacted by UK's vote to leave the EU.

economic stability and secure a deal with the EU which safeguards UK automotive interests," asserts Mike Hawes, chief executive of the UK's Society of Motor Manufacturers and Traders (SMMT). "This includes securing tariff-free access to European and other global markets, ensuring we can recruit talent from the EU and the rest of the world, and making the UK the most competitive place in Europe for automotive investment."

"As recent surveys showed, the automotive industry is anticipated to be one of the sectors most impacted by the vote to leave the EU," says chief automotive analyst John Leech at KPMG UK.

"While it will take years for the UK's future relationship with the EU and other countries to become clear, there are steps that the automotive industry should take now," Leech suggests. "The fall in Sterling and commodity prices will prompt vehicle production plans, sales incentives, financing arrangements and purchasing plans to be adjusted. Information about employees, procurement and distribution needs to be gathered and reassessed such that quick action can be taken once the anticipated changes to VAT (value-added taxes), customs and migration rules are enacted."

In advance of the vote Leech expressed concern that "UK automotive sector would likely lose sales, face slower supply chains and higher costs in the event of a Brexit. Given the low levels of profitability that accrue to mass market vehicle manufacture this would likely, over time, lead to the loss of jobs overall. Even for the UK's successful premium car manufacturers the loss of influence over EU regulation would come to damage their businesses over time."

Leech further points out that "the automotive businesses we spoke to believe that the EU is an important bargaining force in global trade negotiations. Moreover, research and development, which is vital to the UK's ability to be at the forefront of innovation in car manufacturing, is both heavily funded by the EU and requires access to the expertise and free movement of skilled engineers within the EU."

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Automatic smart brake lights designed to reduce rear-end wrecks

BY JAMES E. GUYETTE
News Correspondent

Taking stock of an initial product roll-out in August, Jeff Hammock says that MechOptix's automatic brake light technology has struck a chord with consumers and distributors.

Developments and refinements have been moving forward at an accelerated pace since the 2012 founding of Huntsville, Ala.-based MechOptix. Hammock, the firm's CEO, recently answered a series of questions posed by *Aftermarket Business World.*

TRENDS & MARKET Analysis

Q: What does your automatic brake lamp technology entail?

A: MechOptix offers a smart brake lamp that constantly measures g-forces using an accelerometer then turns itself on to reduce your chances of being rear ended. We are using cutting edge LED and energy storage components in our circuit. We also use the same accelerometer that is in mobile devices such as smartphones and tablets.

Q: How does it operate?

A: Stoptix automatic brake lamps are always measuring g-forces and turn themselves on when the vehicle rapidly slows down. This deceleration could be caused by downshifting or engine braking, a front-end collision, or a powertrain malfunction (e.g. seized engine). The beauty of our solution is that this lamp will light itself up every time it should. Our lamps recharge in under three seconds when you apply the brakes.

Q: Which vehicle segments is this designed for?

A: My wife almost ran over me while I was on my motorcycle during a cross-country trip. She was following me in an SUV. I was doing what most riders do – downshifting to slow down instead of using the brakes. This means that my bike's brake lights were not on and my bike

JEFF HAMMOCK

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Engage customers as friends TO AVOID ROBOTIC RECEPTIONS

After reviewing some processes at a shop recently, I was reminded of an article I read in an automobile magazine "Robots Ate My Road Trip." In the article, David Brancaccio wrote about how he traveled across the United States without interacting with a human, and described the various types of robots that helped him.

The article made me think about how we, in the automotive industry, have developed a routine that has become somewhat robotic.

Do you have one of those shops that have several clipboards on the receptionist counter waiting for the next customer to fill them out for you? It is getting to be common in automotive repair facilities but not the best way to welcome a customer.

Does this sound familiar: "Please have a seat and complete as much of this form as you can, somebody will be right with you." Then an advisor meets the customer, looks at the clipboard and invites the customer to walk out to their vehicle with little fanfare.

Why do we miss out on a perfect opportunity to start the selling process by allowing the greeting to become routine and robotic? What about filling out the form for the customer, engaging them in some conversation and learning about them? There are things we can learn from their address, business name on their shirt, things you cannot see if they are sitting in a corner filling out a form.

JOHN SHOEMAKER
Business Development Manager
BASF North America

Receptionist: "I see you live on Peach Street. My son plays baseball right around the corner from there."

Customer: "My son plays there also. He's on the Tigers sponsored by your shop. That's why I came here."

See what you learned – your sponsorship is paying off. Spending some time with the customer at the beginning of the process by welcoming them, gathering information about them and their vehicle will pay great dividends during the closing process.

Providing the information you gathered to an advisor through a warm transfer will help them carry on with the welcoming process by continuing the conversation. ...CONTINUE READING

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What makes a SPECIAL ORDER SPECIAL?

> Using a unified commerce platform, special orders can be a positive line on income statements.

An aging vehicle fleet and expanding product categories contribute to unrelenting SKU proliferation. And the introduction of slow-moving products is out-pacing the A-movers. There simply isn't enough space or money to justify stocking full lines.

So, distributors carefully examine their local vehicle and product category mix, line by line, and choose what to carry in stock and what to leave at the factory distribution center.

When demand occurs for the non-stocked items, they are special ordered or drop shipped to the customer from the manufacturer/supplier. "I don't have it but it's in my master warehouse," is an acceptable answer and allows your salespeople to say "yes" more often and be the one-stop source that keeps customers coming back.

A study of wholesale order activity conducted by GCommerce showed that drop ship or special orders represented 80 percent of the purchase order transactions, while contributing only 20 percent of the revenue and accounting for 80 percent of the operating costs. That math is upside-down and doesn't make the accountants happy.

If the special order tail of the demand curve is getting longer, what's the answer to efficiently processing special orders? Many suppliers have customer portals and allow their direct distributors to check inventory and place orders on these secure websites. But that places the burden squarely on the distributor and it's impractical to manage the security login and unique navigation of dozens or hundreds of websites.

So, most distributor salespeople turn to the phone and call-in special orders. Of course, this requires more than one call because they have to confirm availability and get an estimate of the shipping charges and delivery date. Then check back with the customer for authorization to place the order. Then call the supplier back to place the order and create a record in the business system to track the order through the receipt and payment process. Whew!

It's no wonder that it can require 30 minutes or more to order a $10 widget. A distributor who pays his salespeople by commission recently complained that if the telephone hold time at the factory was excessive, the salespeople would hang-up and tell the customer the product was no longer available, rather than waste time on hold.

Automation and integration of the special order process is essential if this growing segment of transactions is ever going to be profitable. Most distributors and retailers have support for electronic document exchange, or EDI, in their business systems. They can send electronic orders and receive acknowledgements, shipping notifications and even invoices. But, unless they make use of a unified commerce platform, special orders will continue to be a one-off process that grinds all of the automated processes to a halt.

There are a number of elements that go into automation of special orders. First, buyers have to be presented with a single online interface that allows access to many of their suppliers. For the same reason that counter salespeople prefer to use the fully integrated full-line electronic catalog, a special order website requires one login and learning one method of navigation, regardless of the product line being searched. A single interface is easier to use, and contributes to faster use and fewer mistakes.

SCOTT LUCKETT
VP, Industry Strategy
GCommerce Inc.

An effective special order solution ...CONTINUE READING

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Congress says no to AUTONOMOUS VEHICLE PILOT PROJECTS

> Congress won't approve the $200 million sought for autonomous pilot programs in fiscal 2017.

There has been much attention focused recently on what may be happening with regard to autonomous vehicles at the National Highway Traffic Safety Administration (NHTSA). But no one is talking about what won't be happening.

In the first category are things like the outcome of the NHTSA investigation into the Tesla Model S crash, the contents of the agency's upcoming guidance on state laws and autonomous vehicles, and the vehicle-to-vehicle (V2V) communications proposed rule. Something will be published in the near future on all these issues.

But that doesn't make them the most important stories. That designation perhaps goes to Congress's refusal to approve funding for the Obama Administration's planned 10-year, nearly $4 billion investment in autonomous vehicle pilot projects funded by the Department of Transportation. DOT Secretary Anthony Foxx announced the funding request in January as part of the rollout for President Obama's fiscal 2017 proposed budget. The 2017 budget year starts on October 1, 2016.

The DOT's fiscal year 2017 budget submission includes this:

- Autonomous Vehicle Pilot Program: Funds $200 million in FY2017 – and $3.9 billion over 10 years – in pilot deployments of safe and climate smart autonomous vehicles to create better, faster, cleaner urban and corridor transportation networks.

That $200 million in one fiscal year would be a tremendous boost to not only federally sponsored research into driverless cars, but also the money could help fund regulatory changes to the Federal Motor Vehicle Safety Standards (FMVSS), some of which stand in the way to full realization of autonomous vehicles.

But half a year has passed and nothing else has been heard from Secretary Foxx in support of that proposed pilot program. And there is a good reason for that: Congress isn't going to approve the money. Neither the House nor the Senate appropriations bills fund the pilot program. So it's dead. What is worse, both bills, which have to be "conferenced," meaning any differences ironed out, cut the budget for the NHTSA way below what the Obama administration requested and, in the Senate's case, below the fiscal 2015 budget.

While the Senate drastically cuts the NHTSA budget, it at the same time includes language in its appropriations bill telling the agency to move faster on its V2V rulemaking "including expediting the testing to determine the feasibility of sharing arrangements to allow for the operation of unlicensed devices within the relevant band."

While Congress won't approve the $200 million Obama sought for autonomous pilots in fiscal 2017, in late June Foxx announced the department was handing "up to" $40 million – apparently in already approved fiscal 2016 funds – to the city of Columbus, Ohio, which won the Smart City Challenge Foxx announced in December 2015.

The challenge asked cities vying for the money, and there were 78 that submitted proposals, to include plans for V2V connectivity ...CONTINUE READING

STEPHEN BARLAS
Washington Correspondent

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Chris Gardner
GUEST COLUMN

Is the MAD niche market AT RISK?

"The OBDII port is the gateway to the vehicle and ultimately to the motorist."

I recently attended the CAWA (California Automotive Wholesalers' Association) Leadership Meeting in Long Beach and presented on "The Connected Aftermarket: Why Wait on the Connected Car?" The major takeaway was to ensure your company is proactively pursuing how to adopt emerging connected technologies that are already penetrating the aftermarket industry and avoid waiting on connected cars to roll off the assembly line.

The connected aftermarket includes technologies that connect vehicles with motorists with repair facilities with the aftermarket supply chain. It is consumer-driven and technology enabled.

Categories of technologies and applications include the collection of vehicle data through the OBDII port with some type of device – typically called a dongle:

• communicating that information to a server in the cloud and back to the motorist's smart device;

• presenting vehicle information in an understandable format;

• enabling motorists to select from a network of repair facilities; and

• pushing service information from a shop to customers' smart devices and the use of smart phones to facilitate traditional supply chain transactions.

Many of the technology developers are building networks of either consumers and/or repair shops to assemble enough critical mass for the model to work financially for the developers and to provide sufficient value to users. This requires a lot of time, and in many cases first-to-market wins; therefore, there is a race to integrate as many motorists and shops into networks as possible before loyalties develop for a competitor.

I call this the MAD niche for two reasons. First, the dash to critical mass reminds me of the 1963 movie "It's a Mad, Mad, Mad, Mad World," in which a diverse cast of characters race to find a stash of stolen cash. Second, the basis for many of the models and connectivity are mobile apps and dongles, or MAD.

MAD should not connate a negative impact to the aftermarket. There are many benefits to telematics and MAD solutions, including opportunities to reach motorists more cost-effectively than ever, development of customer stickiness by repair shops, enhanced information provided by customers to shops regarding troubles with their vehicles, prospects of increased streamlining of aftermarket supply chains and remote diagnostics. I have heard several shop owners state that their customers are now more educated about what's going on inside the vehicle than the shops – at least when they bring the car into the shop.

However, there are some MAD challenges. The attempt to garner a critical mass of shops across the country is no easy task. There are dozens of providers competing for shops to join their respective networks and to provide dongles to the motoring public. We all are accustomed to locating every site on the Web because of indexing, crawling and spidering techniques employed by our favorite search engines. Depending on the mobile app a consumer selects, he or she may or may not be accessing all the possible shops in a select region.

The OBDII is the gateway to the vehicle and ultimately to the motorist. It provides access to the onboard CAN-BUS and to various diagnostic information. We have fallen in love with something that was never meant to provide all this data – but it does. As with any network – especially wireless networks – there is a concern about security and

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CHRIS GARDNER
Vice President,
Automotive Aftermarket Suppliers Association

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Internet of things is driving a new WAVE OF SERVICE AGGREGATION

> Aftermarket possibilities have grown exponentially due to the IoT and connected vehicles.

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It comes as a surprise to learn that only 37 percent of the total auto and automotive aftermarket industries' profit comes from selling automobiles to consumers. The rest of the profit, according to Responsewise.com, is made by the aftermarket industry, which encompasses the manufacturing, remanufacturing, distribution, retailing and installation of vehicle parts, chemicals, equipment and accessories.

Traditionally, aftermarket components are divided into two categories:

- replacement parts; and
- accessories, which are made for comfort, convenience, performance, safety, or customization, and are designed for the add-on after the original sale of the motor vehicle.

However, with the disruption in technologies around the Internet of Things (IoT) and connected vehicles, the possibilities in the aftermarket have grown exponentially. This opens wide opportunities for multiple new players who want to try their hands at a variety of service integration possibilities, enabling a new dimension of value-added services (VAS) in the automotive industry. This dimension would address safety, convenience and integrated services to the end users.

The fragmentation of the consumer automobile market, with vehicles moving out of their warranty period, is another reason why thousands of auto service retailers are viewing next-generation service aggregation as the next emerging opportunity for the aftermarket business.

There is enough buzz in the market for driverless cars and vehicle to vehicle (V2V) machine to machine, but the drive of IoT is bringing a dramatic shift in the way consumers are handling their cars, its repairs, and accessing services.

In a study done by the IHS Automotive – "Emerging Technologies: Big Data in the Connected Car" – IHS forecasts there will be 152 million actively connected cars on global roads by 2020. This shows the potential for growing demands of smart and connected devices and accessories. This shift was purely driven by the need of safety and convenience, thus opening a big market for service players, aggregators and retailers to adopt completely new business models for providing VAS to their consumers.

Service aggregators will become one-stop shops for consumers to buy automobile parts online for do-it-yourself (DIY) mode, and also connect them online through IoT for predictive maintenance, remote diagnostics and value added services on a pay-per-month or pay-per-use business model. These aggregators will become the catalyst for customers, from suppliers, service centers, insurance companies, parts dealers, car service and wash centers etc. and add VAS like localized shopping, personalized offers and customized trip plans.

While a business-to-business scenario would enable driving based insurance, service aggregation and parts eco-system build-up, the interesting scenarios that would enable from business to consumer would have a direct value on a different business model. Some of the business cases are below.

Value added services on an aftermarket IoT device for consumer vehicles:

- Track a driver (child or aged parents)
- Fuel pilferage
- Geo-fencing
- Driver health conditions (with additional wearables attached)

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OPTIMISM REIGNS IN 2016

TIRE DEALERS ARE ORDERING, SELLING MORE AUTO PARTS THIS YEAR

BY BRUCE ADAMS | Managing Editor

PHOTO COURTESY: GETTYIMAGES/PRAKAISAK

Tire dealers are more optimistic about increasing their product sales this year than they were last year, according to the 2016 *Aftermarket Business World* Tire Dealer study.

While the majority of dealers (59 percent) said that their product ordering habits were steady this year compared to last year, 37 percent said that they are ordering more products this year, compared to 28 percent who said that they ordered more products in last year's survey. Some 66 percent reported last year that their product ordering was steady.

Tire dealers also feel more confident about their ordering expectations for the rest of this year as 44 percent said they plan to increase their product ordering, compared to 36 percent who answered that way in 2015.

When it comes to gross margins, 38 percent of tire dealers said they have increased in 2016 compared to 34 percent who said that in last year's survey.

When asked to look ahead to the end of the year, optimism this year once again exceeded last year as 45 percent said they expect increased gross margins this year on their product sales compared to 36 percent who answered that way in last year's study.

Quality and OEM form, fit and function are the two most important considerations when ordering auto parts, tire dealers reported this year.

Some 33 percent of tire dealers prefer to buy auto parts from auto parts retailers, while 31 percent prefer to buy from warehouse distributors and 21 percent prefer to buy from jobbers. When asked what is the number one reason they do business with a preferred supplier, 31 percent said it was due to a long-standing relationship with the supplier, 24 percent said it was due to availability and 21 percent said it was because they offer quality products.

Methodology: The *Aftermarket Business World* Tire Dealer Product Study was fielded to readers of sister publication *Motor Age* who sell tires in the aftermarket. The study results are intended to show general market trends, not statistical certainties. ▫

CONTENTS

Auxiliary Lighting

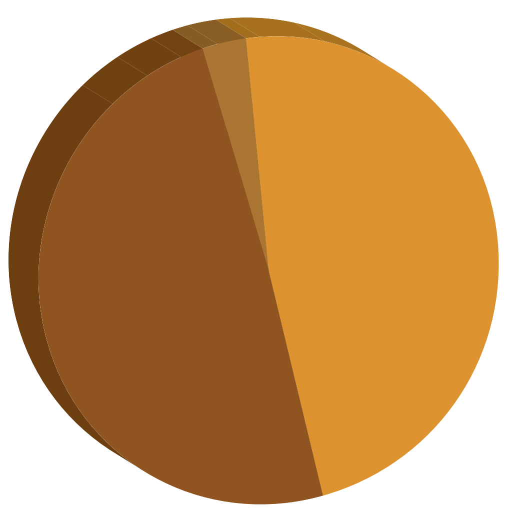
Preferred supplier

Warehouse distributor	28%
Auto parts retailer	36%
Jobber	19%

Reason for supplier preference

Long-standing relationship	30%
Delivery speed	16%
Availability	27%

2016 ordering expectations

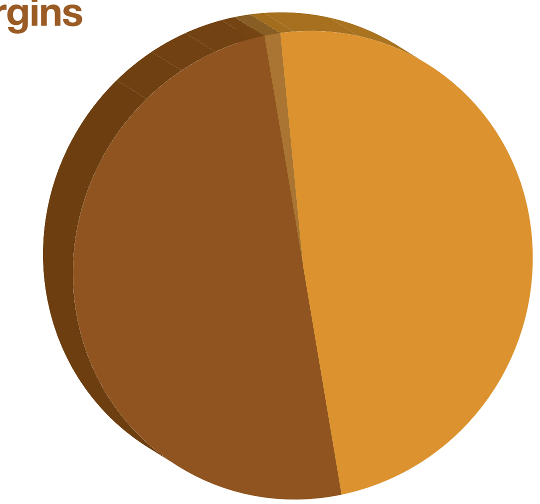


41% report that when customer maintenance/repair work is completed, it RARELY leads to an auxiliary lighting sale through retail purchase or installation.

OPTIMISM REIGNS IN 2016

30% advertise the auxiliary lighting they sell through direct email to customers.

Expected 2016 gross margins



Most important product characteristics

OEM form, fit, function	19%
Price	8%
Quality	32%
Brand	4%

Sales tactics implemented

Bundle w/related products	50%
Unadvertised specials	25%
Provide training	19%
Price breaks for loyalty	30%

51%

DO NOT

offer a "good," "better" and "best" selection of auxiliary lighting products.

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

Battery

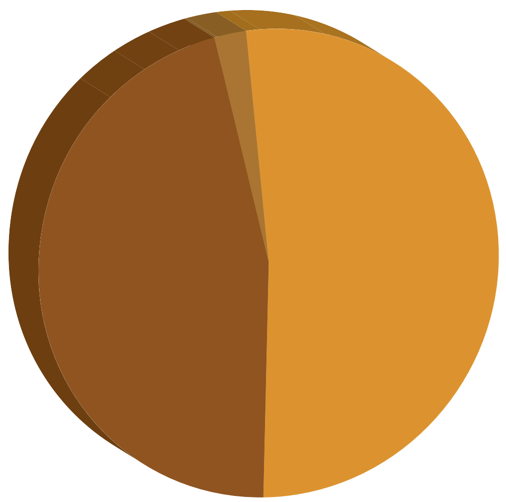
Preferred supplier

Warehouse distributor	31%
Auto parts retailer	26%
Jobber	19%

Reason for supplier preference

Long-standing relationship	31%
Offers quality product	25%
Availability	21%

2016 ordering expectations

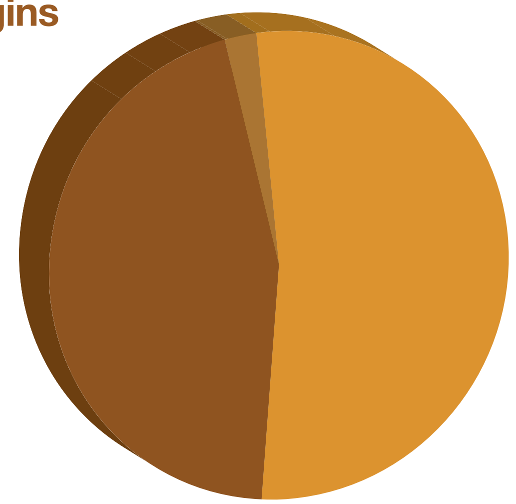


79% report that when customer maintenance/repair work is completed, it OCCASIONALLY leads to a battery sale.

OPTIMISM REIGNS IN 2016

35% advertise the batteries they sell through their website.

Expected 2016 gross margins



Most important product characteristics

OEM form, fit, function	17%
Warranty	9%
Quality	43%
Brand	17%

Sales tactics implemented

Bundle w/related products	19%
Run advertised specials	13%
Provide training	18%
Price breaks for loyalty	14%

57%

DO

offer a "good," "better" and "best" selection of batteries.

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

Battery Chargers

OPTIMISM REIGNS IN 2016

28% advertise the battery chargers they sell by email direct to customers.

Preferred supplier

Warehouse distributor	25%
Auto parts retailer	30%
Jobber	20%

Reason for supplier preference

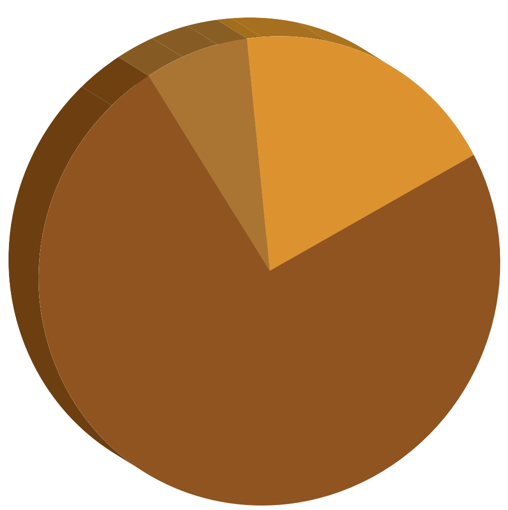
Long-standing relationship	31%
Offers quality product	22%
Availability	25%

2016 ordering expectations

19% Increase

74% Hold Steady

7% Decrease



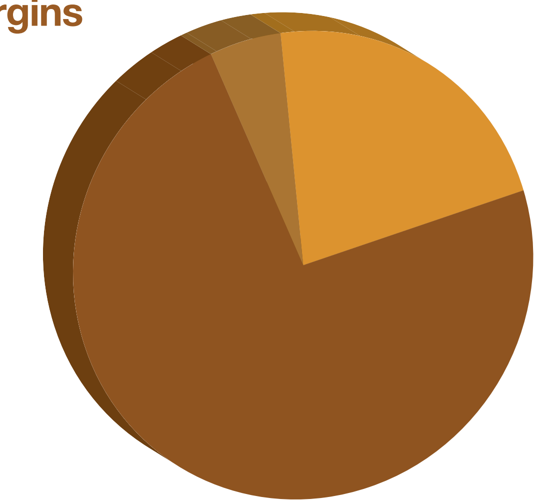
41% report that when customer maintenance/repair work is completed, it NEVER leads to a battery charger sale through retail or wholesale purchase.

Expected 2016 gross margins

22% To Increase

73% To Hold Steady

5% To Decrease



Most important product characteristics

Warranty	6%
Price	13%
Quality	44%
Brand	9%

Sales tactics implemented

Bundle w/related products	46%
Provide training	17%
Run unadvertised specials	12%
Price breaks for loyalty	28%

68%

DO NOT

offer a "good," "better" and "best" selection of battery chargers.

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

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