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CONNECTED VEHICLE PROGRESS

Federal mandates are on hold, but automakers pushing forward on vehicle connectivity

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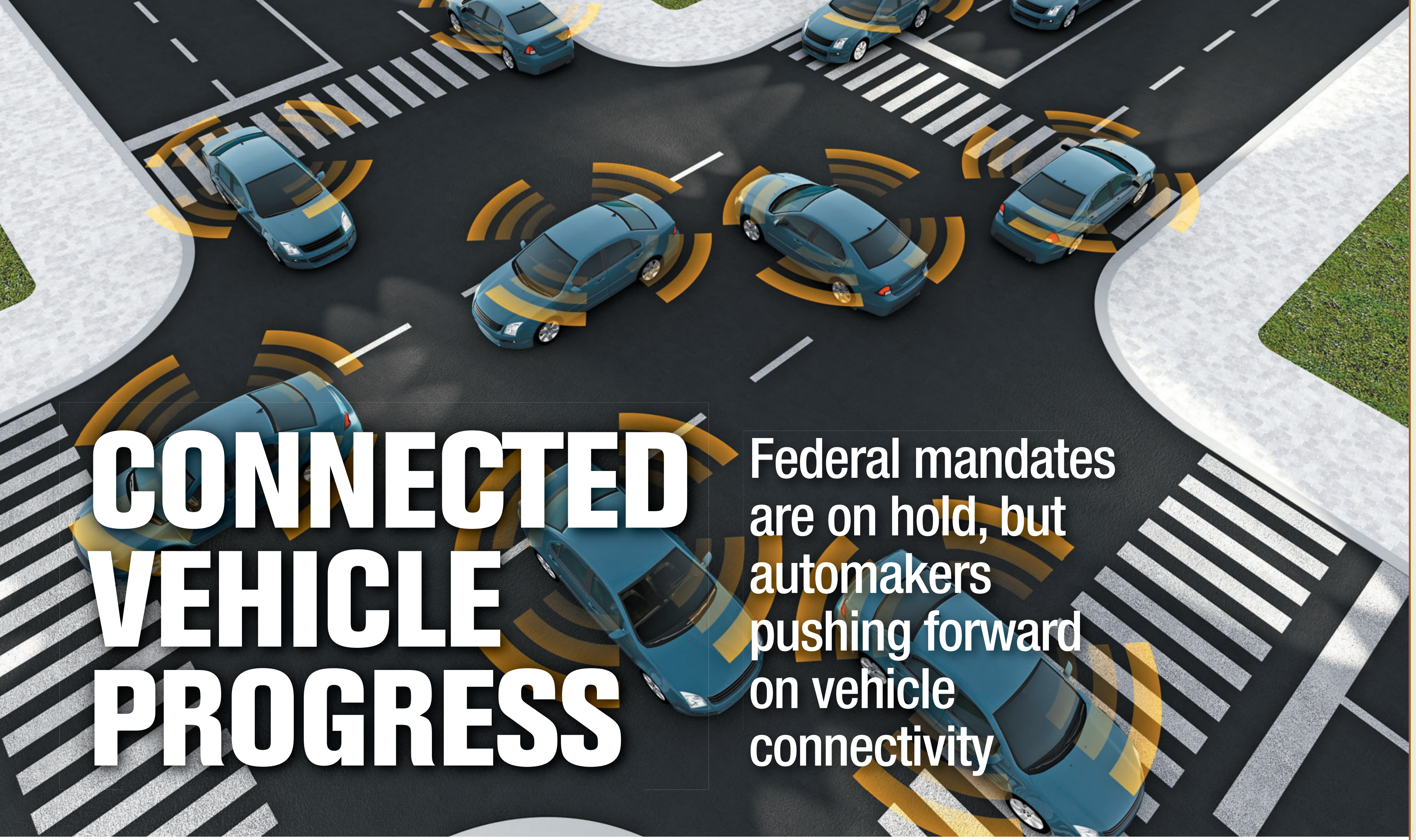

CONNECTED VEHICLE PROGRESS

Federal mandates are on hold, but automakers pushing forward on vehicle connectivity

BY BRIAN ALBRIGHT | Correspondent

Autonomous driving gets all the big headlines, but connected vehicles are going to have a much bigger impact in the near term for both drivers and repairers..

According to Juniper Research, approximately 50 percent of new vehicles will be shipped with vehicle-to-vehicle (V2V) technology by 2022, totaling roughly 35 million vehicles or 2.7 percent of all vehicles. Add to that vehicles that are already connected via OEM and aftermarket/insurance telematics devices, and it's easy to see why cars are becoming an important communications hub.

The connected car, in fact, is paving the way for autonomous vehicles by addressing how cars can talk to each other and to connected infrastructure via vehicle to infrastructure (V2I) systems.

"The first autonomous vehicle will be on the highway before the last driver vehicle comes off. So, really, part of the challenge is how do you mix the two. We can mix the two, on purpose in a safe and controlled environment here," says Mark-Tami Hotta, Transportation Research

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Telematics: Wireless automotive IOT module shipments to triple in six years.

INTERNATIONAL

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REPLACEMENT

Vendors: Truck parts provider offers training courses for service professionals.

TECHNOLOGY

Logistics: Logistics innovations of the future to impact warehouse, shipping costs.

Research

Collision Shops Study: Check out our latest survey of collision shop owners and techs to hear what they say about product preferences and insurance company influence.

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COMMITMENT TO TRAINING

Class 8 vehicles: Many job openings are available for big-rig technicians and parts professionals.

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Opinion

John Shoemaker
How is work finding you?

Alan Segal
How dealerships address the shortage of repair techs

Bill Wade
Amazon aftermarket angst

Mark Smith
It's time to close my auto part store

Stephen Barlas
AV proving grounds running, but funding is an issue

Connected vehicle progress

> The connected car is paving the way for autonomous vehicles by addressing how cars can talk to each other.

Center (TRC) CEO and president. "Smart mobility, with connected vehicles and enhanced infrastructures, offers greater accessibility and mobility options, reduced road congestion, and more efficient use of natural resources."

This will involve a variety of wireless technologies. In the U.S., current LTE cellular systems will support telematics systems, while 802.11p dedicated short-range communications (DSRC) technology will handle V2V communications, according to a report from Mobile Experts. 5G wireless will not play much of a role here, although there are efforts in Europe that would rely more heavily on that technology.

And there are plenty of efforts underway to expand connected vehicle applications. Earlier this year, Microsoft announced it was launching an Azure-based cloud platform for connected car services, including predictive maintenance, in-care productivity, navigation, customer insights, and autonomous driving. The company already partnered with BMW to help build that company's BMW Connected platform, as well as with the Renault Nissan Alliance.

INRIX has integrated Amazon Alexa cloud-based voice service into its OpenCar platform for connected vehicles, so that drivers can access Amazon Music, Audible and a number of other driver services (traffic, parking, weather, etc.), as well as connectivity between the vehicles and homes.

Ford has a new tech-savvy CEO and president in Jim Hackett, and has established new Smart Mobility offices in California, Michigan and London. In fact, Hackett has said that data from connected and self-driving vehicles could be profitable enough to help the automaker weather the ups and downs of the auto industry's sometimes turbulent sales cycles.

Toyota's Collaborative Safety Research Center in Ann Arbor, Mich., is investing $35 million into research related to mobility, including advanced driver assistance systems (ADAS) and connected vehicle systems.

"These highly advanced systems are radically reshaping the transportation landscape, building a relationship between drivers, occupants and vehicles as teammates working together

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AUTONOMOUS TRUCKING LIKELY WILL INITIALLY CONSIST OF CONVOYS LED BY AN ELECTRONICS-TRAINED HUMAN DRIVER BEHIND THE WHEEL OF A FRONT-RUNNING SEMI WITH A PLATOON OF ROBOTIC BIG-RIGS FOLLOWING BEHIND.

Many job openings available FOR BIG-RIG TECHS, PARTS PRO

By JAMES E. GUYETTE | News Correspondent

Anyone interested in working with today's Class 8 vehicles is in the driver's seat when it comes to obtaining a career as a truck technician or parts professional. Employment opportunities abound, especially for those who are properly trained in servicing electronics, frames, suspensions, collision damage and other skills beyond engine repairs.

Along with the well-publicized shortage of drivers, retirements and a paucity of younger people entering the field also are depleting the ranks of qualified truck repairers and parts counter people.

Although trucking OEMs are actively putting the pedal-to-the-metal in engineering autonomous 18-wheelers to start rolling freight on real-life highways, widespread adaptation is several years down the road. It's likely that autonomous trucking will initially consist of convoys led by a specialized electronics-trained human driver behind the wheel of a front-running semi with a platoon of robotic big-rigs following behind.

And the eventual arrival of fully self-driving tractor-trailers is expected to further drive demand for the repair segment because each unit will be logging more miles – a computer doesn't need to take a break at a roadside rest stop.

There are many truck repair programs available throughout the country, but according to several industry experts, a potential technician or parts pro would be wise to choose courses that provide more than the typical instruction relating mainly to diesel engines.

"We do not consider the education programs adequate for our needs," says Adam Pigeon, COO at Royal Truck and Trailer Sales in Dearborn, Mich., which has 22 full-service repair bays plus a busy parts department.

"It is very difficult to find both counter sales and outside parts sales representatives. Most of our counter staff started in our warehouses," learning key details on-the-job and through supplier-offered instruction. "Our vendors are always willing to provide further training on their product lines," says Pigeon.

"We bring our vendors onsite to train our technicians," he adds. "We also internally train by putting our less experienced techs with more seasoned ones."

A third-generation family business established in 1970 and carrying a ...CONTINUE READING

ASE GUIDES QUESTION OF THE MONTH

A resonator is part of the:

A. ignition system

B. cooling system

C. sound system

D. exhaust system

Click here to see the answer.

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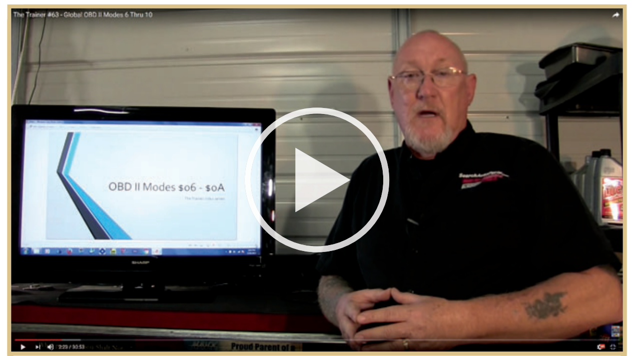

The Trainer #63 – Global OBD II modes 6 through 10

TELEMATICS/CONNECTIVITY

Wireless automotive IoT module shipments to triple in six years

BY BRIAN ALBRIGHT
Correspondent

Earlier this year, Mobile Experts released a report on automotive Internet of Things (IoT) devices, in which the firm predicted that overall wireless IoT module shipments for automotive will triple from 200 million in 2015 to more than 600 million in 2021.

TRENDS & MARKET Analysis

Joe Madden, principal analyst at Mobile Experts, spoke with *Aftermarket Business World* about the report.

Q: There were proposed mandates for vehicle-to-vehicle communication technology in vehicles under the previous administration. Is there any indication of what might happen with those mandates now that a Republican is in the White House?

A: The Obama administration had planned to issue a mandate for dedicated short range communication (DSRC) technology in every car in 2019 or 2020, and that every production car would have this feature in the U.S. The election was a surprise and the Democrats lost control of the process. What the previous administration did was begin a public comment process for that mandate, so that the mandate could be issued later. We're in the middle of that process now, so we'll have to see what happens.

Q: In your report, you indicated that there would be little role for upcoming 5G wireless technologies in connected vehicle systems. Why is that?

A: In the U.S. market, DSRC is going to be implemented and the automakers will be locked on that technology for many years. It's hard to change once you start with a standard like that. You start to build up the number of cars on the road, and it's harder to move to something incompatible. It will be

JOE MADDEN

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AUGUST 2017
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Products
4 Commitment to Training
6 Technology: Logistics
8 Vendor Market Trends
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5 Technology: Telematics
7 International Trends
10 Mark Smith
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Logistics innovations of the future to impact warehouse, shipping costs

> Global logistics spending is expected to grow from $8.06 trillion in 2015 to 10.6 trillion in 2020.

BY BRIAN ALBRIGHT
Correspondent

Customer demands for expedited delivery and e-commerce capabilities have put new pressures on the supply chain. Shippers have to be able to provide rapid (often same-day) delivery of goods with a high level of visibility for customers.

At the same time, new technologies are making it easier for logistics providers to provide these services. Competition and price pressures are further complicating delivery.

TRENDS & MARKET Analysis

"Firms are getting smarter in terms of how they manage expenses related to warehousing," says Vijay Narayanan, Senior Research Analyst, Visionary Innovation Group at Frost & Sullivan. "But consumers are more demanding, especially when you are talking about the user experience and instant deliveries. These are going to be critical factors in the future. They have forced service providers to deliver more customized, unique solutions that address broader concerns and new types of value-added services."

According to Frost & Sullivan, the rapid proliferation of connectivity and the increase in start-ups is creating new types of services based on on-demand, real-time and last-mile delivery solutions. This is opening new growth opportunities. The analyst firm recently provided an overview of new research that indicates predictive analytics and other technologies will enable anticipatory delivery – shippers will be able to put goods in motion in advance of an order. Big data and other technologies will also make it easier and more cost effective to control brokerage services, improve routing and accelerate product flow.

According to the company's forecast, global logistics spending is expected to grow from $8.06 trillion in 2015 to 10.6 trillion in 2020, with a compound annual growth rate of 5.63 percent. Much of that spending is being driven by demand for new types of value-added services, as well as transportation expenses and increasing congestion.

In fact, while warehousing costs will fall from 25 percent of overall logistics spending to just 15 percent, transportation costs will increase from 60 percent of spend to 70 percent by 2020.

Frost & Sullivan has identified four key innovations that will transform future logistics operations. They are:

- **Autonomous Fleets.** Both the shipping and trucking industries are investigating how autonomous vehicles can be used for delivery. In addition, warehouses are already investing in robotic forklifts and other types of machine-guided systems. "As we move beyond 2025, we'll see movement toward long-haul transportation autonomy," Narayanan says. "Autonomous cargo ships will launch by 2030."

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Technology Newsmaker

Q&A

RANDY SWART
COO
A. Duie Pyle

Q What are some of the pressures that e-commerce is putting on delivery operations for auto parts distributors?

A What did Swart say? Continue reading online.

Read full interview

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OEMs shifting to electromobility in changing climate of growing global EV sales

BY JAMES E. GUYETTE
News Correspondent

When President Donald Trump withdrew the United States from the Paris climate accord in June by declaring that "I was elected to represent the citizens of Pittsburgh, not Paris," he probably didn't realize that the Steel City is among the American metropolitan areas at the forefront of implementing electric vehicles (EVs).

TRENDS & MARKET Analysis

The region's now-rusting blast furnaces underwent their final cool-down years ago, and Pittsburghers have subsequently enacted high-tech revitalization efforts – more than 13,000 people are currently employed in a renewable energy industry that includes increased EV acceptance in conjunction with an accelerating global push towards vehicle electrification.

Automotive sector executives and other decision-makers from throughout the world will gather to further explore electromobility during the Oct. 9-11 International Electric Vehicle Symposium & Exhibition in Stuttgart, Germany.

Known as EVS30, this 30th annual edition of the event is being hosted by the World Electric Vehicle Association (WEVA) and the European Association for Battery, Hybrid and Fuel Cell Electric Vehicles (AVERE).

"Our experience shows that electromobility is about to enter the market in a big way," said Franz Loogen, managing director of Germany's e-mobil BW, a Baden-Wuerttemberg state agency promoting advanced vehicle technologies in association with WEVA and AVERE.

"The EVS, as the most important international event on electromobility, is for us the ideal platform not only to ensure access for small- and medium-sized companies to the latest research results from around the world," says Loogen, "but also for them to make personal contacts and to lay the foundation stone for their own international networks. With the matchmaking and networking events offered at the trade fair, we want to contribute and assist in opening up business opportunities."

Among the expo's sponsoring partners is the International Energy Agency (IEA) and its global Implementing Agreement for co-operation on Hybrid and Electric Vehicle Technologies (IA-HEV) Program.

The IEA's Global EV Outlook 2017 report, issued in June, finds that the amount of EVs traversing the world's roads in 2016 rose to 2 million, following a previous period of strong growth in 2015.

> "Nearly half of registered electric vehicles in the U.S. are in California."

Vendor Newsmaker
Q&A

COLIN FIELDING
Bosch
North American Regional President

Q | What are some of the latest electric vehicle technologies being implemented?

A | What did Fielding say? Continue reading online.

Read full interview

China, the U.S. and Europe were the three main markets, amounting to 90 percent of all the EVs sold. China remained the largest market in 2016, accounting for more than 40 percent of global EV sales.

"Electric car deployment in some markets is swift," the report says. In Norway EVs notched the highest nation-specific market share at 29 percent, followed by the Netherlands with 6.4 percent and Sweden at 3.4 percent.

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Truck parts provider offers several training courses for service professionals

> IPD manufactures primarily internal engine parts, including pistons, cylinder liners and more.

BY JAMES E. GUYETTE
News Correspondent

Established in 1955 and based in Torrance, Calif., Industrial Parts Depot (IPD) designs, manufactures and internationally distributes various lines of diesel and gasoline engine replacement parts for a wide range of applications, including large trucks. Training programs also are provided.

Egan Hernandez, who has more than 25 years of parts-marketing experience, is the company's director of marketing and communications:

TRENDS & MARKET Analysis

Q: What product lines do you manufacture?

A: IPD manufactures primarily internal engine parts, including pistons, piston pins and rings, cylinder liners, engine bearings and bushings, cylinder head components (valvetrain) and a wide range of gaskets and seals.

Q: What are some of your production and quality control procedures?

A: We have many proprietary production and quality processes in place. To begin, IPD is ISO9001:2008 quality process-certified by Lloyd's Register Quality Assurance. Quality begins with a process, and IPD is process-driven.

Next, our quality assurance department is staffed with experts in metrology, and they conduct quality inspections to ensure the manufactured parts conform to our strict engineering specifications. In some cases, in addition to statistical sampling, we also implement processes to confirm the quality and consistency of parts during production.

Also, specialty measuring and production machines are utilized to conduct sophisticated manufacturing processes. Lastly, stress and durability analyses help to improve product life and performance.

Q: What are some of the other product lines that you distribute?

A: We also distribute various external engine components related to fuel, cooling and lubrication systems. Examples include fuel nozzles and injectors, water and oil pumps, oil coolers, thermostats/regulators and mechanical gauges.

Q: Where are your warehouses located?

A: We have four warehouses in North America; a main warehouse located at the corporate headquarters in California, and branch locations in Oregon, Texas and Ohio. Also, in support of international operations we have warehouses in Denmark and Australia.

Q: Do you also distribute to other WDs?

A: Yes.

Q: What is the extent of your distribution network? What is your typical delivery time frame?

A: We sell to over 1,500 customers in over 100 countries around the world. Delivery time varies greatly by the size of the order and the ship-to location. We mostly sell complete engine overhaul and cylinder kits that require special packaging and palletizing and are generally shipped via ground transportation.

Q: Do you offer training to distributors and counter people marketing your lines?

A: We offer a wide range of technical support for customers. The IPDNet is an exclusive system that includes a large amount of engine identification details to help customers to properly identify a particular engine, and then the correct service parts for their specific application. IPD also has a wide range of popular Technical Series Videos covering contemporary topics of interest.

EGAN HERNANDEZ

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AUGUST 2017
Industry News
Products
4 Commitment to Training
6 Technology: Logistics
8 Vendor Market Trends
Market Trends & Analysis
Contact Us
5 Technology: Telematics
7 International Trends
10 Mark Smith
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How is work FINDING YOU?

> If you wait until the work stops, it's too late to be concerned with where the work came from.

I was asked an interesting question the other day: What is the average closing percentage of website leads for collision shops? I did some calling around and from the numbers I was given I could tell they were developed quickly and not an actual metric. I soon realized there are shops that do not know how the work they get in the shop is finding them, nor where new business is coming from.

I looked at the websites of some of the shops I called and saw some good sites created by respected website designers. I know for a fact that these sites have the capability to track clicks, phone calls and several had ways to schedule appointments. So how is it that people don't know their average closing percentage of website leads? I am predicting that because work is coming through the door shops are not paying attention to the metrics. Unfortunately, if you wait until the work stops, it is too late to be concerned with where the work came from.

Having work coming through the door is great, while it lasts. Knowing where it is coming from, how people are finding you and how to manage that is what keeps your shop busy. Many of the shops I visit have a spot on their Customer Information Form to identify how customers heard about them. They also have a section within their management system that can record the referrals by source. Reviewing these with some shops indicated that most referrals were from "other." Someone is taking the time to click a box, it is just not the right box. Even the smallest referral should be tracked.

I was doing some production flow training in a shop and noticed some little league baseball stickers on some vehicles being repaired. I asked the shop manager if he sponsored a little league team. He replied, "You know the story, the husband of a friend of my wife is a coach and one thing led to another." I asked if he was tracking it, but he said no because he was just doing it as a favor. I showed him the three vehicles. He said, "I guess the favor is paying off a little more than I thought."

There are many ways to track the work coming to your shop. Setting up your management system to help you is an important step. First you need to determine what you want to track; most management systems already populate the insurance company information but maybe you want to keep track of which agents are referring to you. If you spent some money on advertising in a certain area you might want to see what zip codes your work is coming from. Tracking by zip code does two things -- first is seeing where your work is coming from and the second is finding out from where you are not getting work.

You might find that you are not pulling from a zip code near you but work is coming from several others around that area, which should cause you to ask yourself why. We started this discussion talking about websites, the metrics the developer can provide are very valuable in determining the website's reach. When you match those metrics up with referral codes in your management system you will have a pretty good idea of where your work is coming from and how to monitor it.

By reviewing the website metrics and the management system referral reports you

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JOHN SHOEMAKER
Business Development Manager
BASF North America

COLUMNISTS

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Industry News | Products | 4 Commitment to Training | 6 Technology: Logistics | 8 Vendor Market Trends
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It's time to close my auto parts store AND REPAIR SHOP

"Cores and warranties should be taken care of ASAP before your closure."

I love analogies. Within those little sayings are embedded a grain of absolute truth. But also, a hidden cause. For example, the old phrase, "Grin'in like a mule eating saw-briars" invokes the perceived nirvana of unbounded happiness the likes of which cannot be contained. The real issue is that the mule has a bunch of briars stuck in his gums and teeth that prohibit the equine from closing his mouth. Yet, some of these oft beloved sayings are spot on. In fact, they are so truthful, it's scary.

Fancy this one: "It's far easier to start a business than it is to end one."

I'll give you a pause to soak that in. I'm speaking to the heart and general condition to such a huge audience of aftermarket parts businesses. Businesses that have no exit strategy. My voice echoes their secret thoughts and private worries.

As independent owners, what is the next thing in your life? Are you gonna sell spark plugs until you die? Are you gonna continue to work seven days a week chasing a pay off? Are you gonna sell out for 25 percent of what your business is worth just to get out?

No kids to take over? No big guys willing to buy you out? Will you be so happy just to get an offer that you will sell off your assets for pennies on the dollar? Are you disillusioned, tired and brow beat? Maybe that's nothing new really, it's just gone on for a while, but you need to get prepared. This is about business, not emotion. Are you gonna close up? Well, here is what to plan for.

Employees

They probably know it's coming. They are not dumb. If they are dumb, that's a good reason you are closing up. Treat them with honesty and integrity. Have a letter of recommendation ready for them, and it would be nice if you would contact other prospective employers on their behalf after the closing. You might be financially prepared, hopefully, but they will probably not be in the same position.

If you provide health insurance, try to cover them for a couple of months. It's the right thing to do if you can afford it. Also, pay them for any benefits accrued. They earned it, give them their due. Plus, it's illegal not to. This initial hit to the cash available to the business may be quite large, but, suck it up butter cup. You need to think about this in your "exit strategy."

Vendors

You will probably owe most of them some money. You gotta plan for that too. Building up to the date of closure, limit you reordering. Think a few months ahead on this. There's no need to re-order an item you sell once a year. This will also add to your cash on hand. If you have consignment items, be sure to replenish them. If you don't do it, you will still owe the money, and reordering will actually help you budget consignment costs of getting out of business.

If you have inventory on terms, call the vendor, let them know what is happening. Come on man, you cannot walk away from these guys. They have a vested interest, and a right to their inventory. They will come and get it. It's theirs.

Cores and warranties should be

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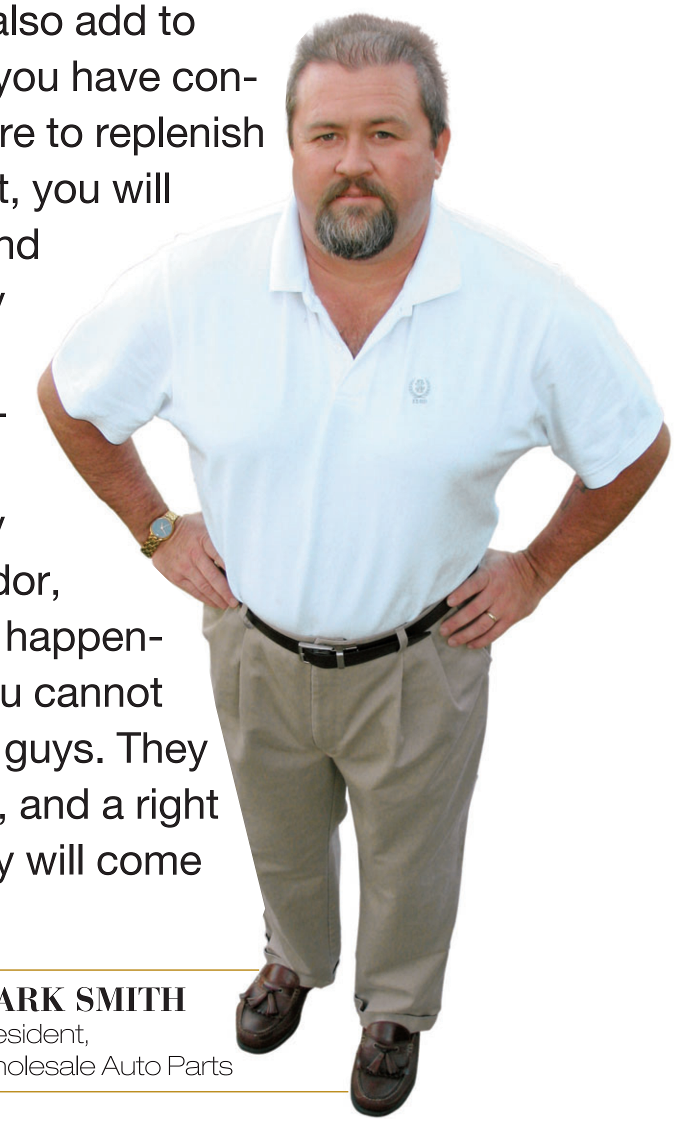

MARK SMITH
President,
Wholesale Auto Parts

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How dealerships address THE SHORTAGE OF REPAIR TECHS

> The reality is that few independent shop owners can match the incentives that dealers offer.

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Shortly after the economy began to recover from the 2008 financial crisis, automotive dealerships acted on an unsettled problem: a shortage of technicians. With full support from their manufacturers, dealerships began courting young men and women, which has made independent repair shops vulnerable.

The auto care industry needs to produce sustainable solutions to recruit and retain capable technicians to operate independent garages. Without creative intervention, the installers' livelihood faces endangerment, and ultimately the customers' choice of repair outlets will be limited.

While finding talented help is not a new issue for the auto repair segment, the dealerships awoke to another trend: fixing vehicles requires tech-savvy individuals who can diagnosis serpentine computerized line-codes. However, many high school vocational programs that meet that need have disappeared, making the labor shortage even more urgent.

Automakers like FiatChrysler and BMW anticipated the negative consequences of a short-staffed service facility, including repair delays and vehicle comebacks. Consequently, they took matters into their own hands by introducing comprehensive outreach campaigns for young people that offer a viable career path in the automotive trades.

In one instance, reported in The New York Times, FiatChrysler formed an alliance with N.J.-based Lincoln Technical Institute that specializes in a range of vehicle instruction while emphasizing soft-skill interpersonal communication with customers. BMW launched its own 16-week course that prepared the top students for the dealerships' service and maintenance departments. Sixty percent of Lincoln's graduates chose name-brand car dealers, while the remaining 40 percent landed opportunities with either Midas or Pep Boys.

To draw young people into these programs, the automakers relied on incentives, including salary. For instance, The New York Times noted that with five more years of experience, a master installer can make $100,000 a year. According to W. Scott Wheeler, director of Automotive Consulting Group, who advises the auto repair shops, Honda will cover tuition expenses for such programs and subsidize the cost of the repair tools.

Another enticement for prospective employees is a pleasant work environment. Wheeler pointed out that dealerships provide comfortable indoor working conditions, where mechanics can turn wrenches in a climate-controlled service stall during the cold winter season and blistering summer months. The reality, he conceded, is that too few independent shop owners can match the attractive incentives that dealers — including Ford, GM, Honda, and many others — are offering.

What steps can the auto care industry take to engage new technicians to pursue a career with an independent garage? When the Auto Care Association meets in San Francisco on Sept. 6, 2017 for its leadership conference, they could dedicate one day to brainstorming. That session, which should include the 400-plus members who represent the full spectrum of businesses, should focus on producing a set of concrete initiatives that goes beyond proposing a solid living wage and the security of health insurance. Specifically, that conversation should explore two fundamentals: what perspective mechanics value and what shops have done to distinguish their businesses.

ALAN R. SEGAL
President,
Best Business Practices

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Market Trends & Analysis
Products
Contact Us
4 Commitment to Training
5 Technology: Telematics
6 Technology: Logistics
7 International Trends
8 Vendor Market Trends
10 Mark Smith

AV proving grounds running, BUT FUNDING IS AN ISSUE

> It is not clear if the automated vehicle proving ground program will receive federal funding.

Senate hearings on automated vehicles (AVs) on June 14 did not provide any new insights on what Congress should be doing beyond what most everyone has already agreed on: figure out how to prevent the 70 bills introduced in 30 states from becoming, what Mitch Bainwol, called “a recipe for disaster.”

Leaders of the committee, both Republicans and Democrats, have long recognized the problematic regulatory conflicts developing between the states and the federal government. They addressed that issue, vaguely, in the bare bones Principles for Bipartisan Legislation on Self-Driving Vehicles they released the day before the hearings.

But issues such as the state vs. federal regulatory conflicts, safety requirements, and personal data security will not be solved, much less encoded in congressional legislation, any time soon. And maybe they don’t have to be since even level 4 AVs (level 5 will be the highest) won’t be on the road until at least 2021. The near-term imperative is support for testing and deployment, be that legislation liberalizing FMVSS exemptions, which cap testing at 2,500 autos, and federal funding.

One good area for federal AV investment now might be the 10 automated vehicle proving grounds (AVPG) the Department of Transportation announced in January, in the waning days of the Obama administration. The American Center for Mobility (ACM) in Ypsilanti, Mich., is one of them. Others are the Thomas D. Larson Pennsylvania Transportation Institute at Penn State University and the Texas AV Proving Grounds Partnership.

There was no federal funding attached to the AVPG program when it was announced, and there is none in the Trump administration budget for fiscal 2018, the year that begins on October 1, 2017. Moreover, President Trump has proposed a 7.5 percent reduction in the budget of the National Highway Traffic Safety Administration (NHTSA) for fiscal 2018. So it is hard to see how the NHTSA will find any funding for the 10 proving ground pilot sites, whose funding streams are unknown, but whose objectives are large.

Neither the Larson Institute nor the Texas program responded to inquiries about funding and operations. However, the Pittsburgh location, for example, starts out with significant challenges since Uber has a proving track in Pittsburgh where it tests AVs and has no plans to use the Larson track, which has been mostly used to test truck emissions. Uber did not respond to a request for comment.

John M. Maddox, President and CEO of the ACM, testified at the Senate Committee on Commerce, Science, and Transportation hearings on June 14. Maddox said federal funding is necessary if the U.S. is going to maintain its lead in AV technology, with China, Korea and the European Union pursuing it aggressively. China has two proving grounds and is adding five more, for example, and they ostensibly are receiving government funding, though Maddox did not quantify that support.

Maddox explained, “U.S. investment in AVPG infrastructure, facilities, equipment,

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STEPHEN BARLAS
Washington Correspondent

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AUGUST 2017

Amazon aftermarket ANGST

> Why didn't the aftermarket industry better assess the Amazon threat?

CNBC recently noted the 20th anniversary of Amazon going public. Had we invested $10,000 in the company's initial public offering, we would enjoy a holding worth more than $5 million today.

On this anniversary, Amazon has twice the market cap of Walmart and represents more than 1 percent of retail sales in the U.S. It is just finding its footing worldwide, and is ominously eyeballing "specialty" distribution (read vehicle aftermarket distribution). In the automotive aftermarket, only O'Reilly Automotive has a stock record close to Amazon.

Amazon must have loved recently announcing that major traditional aftermarket suppliers have agreed to support their new push. Manufacturers and distributors-to- retailers/jobber/service shops resisted selling Amazon direct for fear of channel retaliation. Now that all items are available through Amazon Marketplace, direct selling of most popular SKUs to Amazon is snowballing.

Distribution guru Bruce Merrifield has been looking closely at the amazing customer delight machine that Amazon is building and its effects on traditional industrial distribution. We present here our estimates of the Amazon effect on vehicle parts channels.

Amazon, eBay or Alibaba have not missed noticing the multi-billion dollar parts opportunities. With vehicle parts sales through electronic channels reaching $7.5 billion last year, why have legacy channel players (fancy description of traditional distributors) continuously under-rated the Amazon effect for 20 years?

Why didn't we (as an industry) better assess the Amazon threat? Here are some thoughts about that:

• **Consistent under-estimation by channel experts.** One favorite example is Barnes & Noble, which unveiled a website in 1999 that was supposed to crush Amazon. Fast forward to April 27, 2017 and Barnes and Noble announced its fourth CEO in four years. With 645 stores down 9 percent for 2016, we wish him well. Barron's is targeting Amazon shares to hit $1,100 (up 20 percent) in one year.

• **Narrow-frame expert forecasting.** Aftermarket experts (immersed in their studious, unchallenged but comfortable past) extrapolate forward in linear, incremental fashion. They have consistently celebrated, for example, the details of Grainger's 90-year, highly evolved "moats" that Amazon can't imitate yet. But yesterday is rarely tomorrow.

• **Amazon isn't imitating any factory-out, push-product-to-market channel.** They are inventing an entirely new, customer-centric channel that starts with ordering online. Then, they invent whatever is needed backwards to factory sources in China. Amazon bought cargo jets and semi-trailers, for example, to have better, cheaper delivery at peak times and not to compete with FedEx and UPS.

• **Amazon's 500 customer-centric metrics guide their non-stop innovation to create value for digital buyers.** In two years, imagine your 5G bandwidth phone will have merged with the evolving Alexa/Echo business app to instantly retrieve all product information needs, including price and delivery-speed shopping comparisons, while Amazon achieves breakthroughs for 30-minute delivery and cost. A future dream – driverless vehicles to ZIP codes to release drones for last-block delivery.

What's in your customer-centric, value-innovation pipeline? In 2019, more than 50 percent (and climbing) of all purchasing will be by millennials who see traditional reps in their traditional roles as a time waster. Are you reinventing sales force cost/benefit per call proposition?

The good news (kind of) is that Amazon just wants your zero-attention-needing, digital

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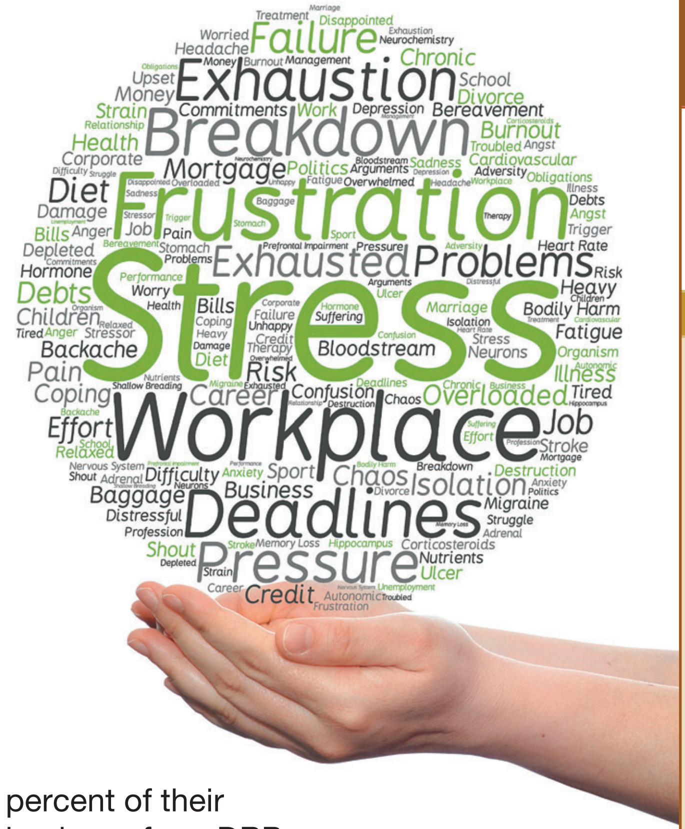
FEELING PRESSURE



COLLISION REPAIRERS FEEL MORE INSURER INFLUENCE THIS YEAR

BY BRUCE ADAMS | Managing Editor

After two consecutive years of collision repairers saying they felt less pressure from insurance company influences, that trend reversed in the *Aftermarket Business World* 2017 Collision Shop Study.

When asked how much influence insurance companies have on a shop's product service or replacement work that they can perform, 54 percent replied "none" and 23 percent said "some" in this year's survey. That is down from 70 percent who replied "none" and 15 percent who replied "some" in last year's survey. This year, 77 percent replied they felt none or some pressure compared to 85 percent who replied that way last year.

Those who said they feel "major" influence increased to 10 percent this year compared to 4 percent last year. Those who said they feel "moderate" pressure increased to 11 percent this year compared to 9 percent last year.

Collision repairers also are more dependent on direct repair program (DRP) work this year than last year, according to the study.

When asked what percent of their business is generated by DRPs, those replying "none" fell to 24 percent in this year's survey compared to 36 percent who said "none" last year. Shops generating from zero to 20 percent of their business from DRPs dropped to 45 percent this year compared to 49 percent who replied that way in last year's survey.

Shops that are generating from 51 to 100 percent of their business from DRPs increased to 30 percent this year compared to 28 percent last year.

The top four suppliers that collision repairers use to purchase parts this year are auto parts retailers, dealerships, jobbers and warehouse distributors. When asked who is their preferred suppliers, repairers said auto parts retailers (40 percent), dealerships (21 percent), warehouse distributors (15 percent) and jobbers (11 percent).

When asked the primary reason that they prefer a supplier, the top answers were good relationship with supplier (26 percent), parts availability (24 percent), fast delivery (23 percent) and price and carries specific brands, which each garnered 11 percent.

Methodology: The *Aftermarket Business World* Collision Shop Study was fielded via email to readers of *ABRN*, a sister publication of *Aftermarket Business World*. The findings are intended to show general trends, not statistical certainties. ▫

PHOTO: SHUTTERSTOCK.COM / DESIGN36

Batteries

91% have no plans to expand their battery offerings in the next 12 months.

Purchasing source

Auto parts retailer	65%
Dealership	42%
Jobber	20%
Discount store	15%
Warehouse distributor	15%

Preferred purchasing channel

Auto parts retailer	41%
Dealership	21%
Jobber	11%
Warehouse distributor	8%

Main reason for using preferred supplier

Fast delivery	23%
Good relationship	23%
Specific product brands	17%
Parts availability	23%

Margins

25% of respondents say they know how much over the jobber they pay for this.

What shops know they pay		What shops think they pay	
1-5%*	37%	1-5%*	19%
6-10%*	19%	6-10%*	25%
11-15%*	19%	11-15%*	27%
16-25%*	25%	16-25%*	25%
More than 25%	0%	More than 25%	4%

*Percent over jobber

Amount of this product that is returned

None	85%	5-9%	0%
1-2%	10%	10% +	0%
3-4%	2%	I don't know	3%

Frequency of supplier contact

Once a week 11%

Every two weeks 3%

Once a month 11%

Every three months 5%

Every six months........................... 3%

Yearly 3%

No contact necessary 62%

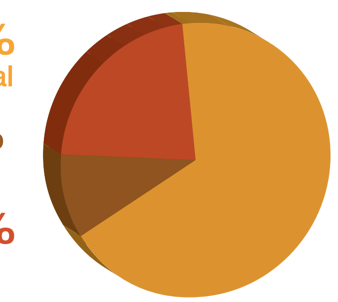
Brand vs. supplier loyalty

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

Change suppliers to continue purchasing original brand 28%

Keep primary supplier and purchase new brand 72%

National brands vs. private label purchases



Reason for buying batteries

Brand	23%
Availability	35%
OEM	18%

Insurance company influence on battery replacement work

None	59%
Some	25%
Moderate	13%
Major	3%
Complete control	0%

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.

Auxiliary Lighting

Purchasing source

Auto parts retailer	40%
Direct from manufacturer	19%
Jobber	30%
Dealership	30%
Warehouse distributor	36%

Preferred purchasing channel

Auto parts retailer	23%
Dealership	25%
Jobber	9%
Warehouse distributor	25%

Main reason for using preferred supplier

Fast delivery	15%
Good relationship	26%
Price	15%
Parts availability	34%

Margins

24% of respondents say they know how much over the jobber they pay for this.

What shops know they pay		What shops think they pay	
1-5%*	25%	1-5%*	39%
6-10%*	8%	6-10%*	13%
11-15%*	33%	11-15%*	23%
16-25%*	17%	16-25%*	19%
More than 25%	17%	More than 25%	6%

*Percent over jobber

FEELING PRESSURE

83% have no plans to expand their auxiliary lighting offerings in the next 12 months.

Amount of this product that is returned

None	45%	5-9%	5%
1-2%	30%	10% +	7%
3-4%	8%	I don't know	5%

Frequency of supplier contact

- Once a week 15%
- Every two weeks 0%
- Once a month 7%
- Every three months 15%
- Every six months 6%
- Yearly 6%
- No contact necessary 52%

Brand vs. supplier loyalty

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

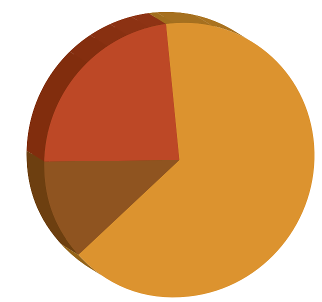
- Change suppliers to continue purchasing original brand 36%
- Keep primary supplier and purchase new brand 64%

National brands vs. private label purchases

65% National

12% Private

23% Both



Reason for buying auxiliary lighting

Quality	16%
Availability	13%
Insurer/DRP required	17%

Insurance company influence on auxiliary lighting replacement work

None	29%
Some	33%
Moderate	12%
Major	19%
Complete control	7%

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.

Brakes

Purchasing source

Auto parts retailer	71%
Dealership	36%
Jobber	29%
Discount store	5%
Warehouse distributor	14%

Preferred purchasing channel

Auto parts retailer	60%
Dealership	17%
Jobber	12%
Warehouse distributor	12%

Main reason for using preferred supplier

Fast delivery	33%
Good relationship	31%
Parts availability	12%
Specific product brands	14%

Margins

22% of respondents say they know how much over the jobber they pay for this.

What shops know they pay		What shops think they pay	
1-5%*	20%	1-5%*	22%
6-10%*	40%	6-10%*	25%
11-15%*	0%	11-15%*	21%
16-25%*	30%	16-25%*	25%
More than 25%	10%	More than 25%	7%

*Percent over jobber

FEELING PRESSURE

78% have no plans to expand their brake offerings in the next 12 months.

Amount of this product that is returned

None	59%	5-9%	0%
1-2%	22%	10% +	3%
3-4%	8%	I don't know	8%

Frequency of supplier contact

Once a week 14%
Every two weeks 7%
Once a month 10%
Every three months 10%
Every six months 2%
Yearly 2%
No contact necessary 55%

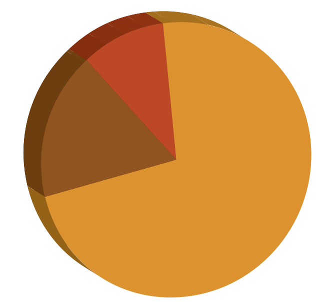
Brand vs. supplier loyalty

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

Change suppliers to continue purchasing original brand 26%

Keep primary supplier and purchase new brand 74%

National brands vs. private label purchases



73% National
17% Private
10% Both

Reason for buying brakes

Price	14%
Availability	18%
Quality	17%

Insurance company influence on brake service replacement work

None	79%
Some	8%
Moderate	5%
Major	8%
Complete control	0%

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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