AFTERMARKET BUSINESS WORLD™

JULY 2016

PREVENTATIVE MAINTENANCE

HELPS FRICTION PRODUCT SALES, SERVICES

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HELPS FRICTION PRODUCT SALES, SERVICES

BY JAMES E. GUYETTE
News Correspondent

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Promoting the value and safety of stopping by for a routine brake inspection can pump up your sales of braking products and services. Most motorists tend to disregard this all-important aspect of vehicle maintenance until noticing that their friction system has gone awry.

"Almost 55 percent of both DIY and DIFM customers wait until there is something wrong with their brakes before going in for service," says industry consultant Bill Thompson, president and CEO of IMR, which conducts the Continuing Consumer Automotive Maintenance Survey (CCAMS). "There is a lot of opportunity for brake repair business if shops and retailers plan accordingly."

Squealing, grinding or other indicators of concern aside, 10 percent of these drivers rely on seeing the dashboard brake warning light come on before taking any action.

"Repair shops and parts stores that have a comprehensive strategy for preventative brake maintenance could really take advantage of

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Friction technology trends

> Warehouse distributors get the bulk of the brake parts orders placed by independent repairers.

this potential business year in and year out," Thompson says.

"The repair shops and stores with an effective plan would also develop great trust with their customers by being proactive and honest with them, which could lead to more repeat business as well as more business for other repair areas."

Close to 16 percent of vehicle owners are still up for going the shade tree mechanic route, although 70 percent of them will reach out for professional advice before tackling a brake job – underscoring the benefits of ensuring that your counter people are up to date with their product knowledge.

"Our research in regard to DIYers working on their own brakes shows that a vast majority are either going to the parts store or calling the parts store to find out what the stores have in stock as well as information about pricing," Thompson reports.

"As brake parts can be a very profitable item, it is imperative that stores train their staff properly in regard to brakes and keep them informed with the latest updates related to products and pricing," he advises. "The last thing any store wants is a DIYer calling and not getting the information they request."

Some 25 percent of customers seeking DIFM brake system services are patronizing independent shops; 19 percent have the work done at a dealership.

"Independent repair shops are getting about a quarter of the brake service and repair according to our research," says Thompson. "However, with a majority of the remaining brake business being split between retailers, car dealers, repair specialists and tire dealers, there is ample opportunity for everyone to grow their brake profits with an aggressive and proactive strategy.

"With brakes being such a major safety issue, independent repair shops and retail stores could really develop customer trust by being proactive with their customers and developing a preventative maintenance plan for brake service that would save their customers money while at the same time keeping them safe," he suggests.

"Another area that shops and stores could grow their brake business is in brake upgrades," Thompson continues. "Over 12 percent of ...CONTINUE READING

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Recruiting millennials vital for AFTERMARKET SALES, SERVICE

By JAMES E. GUYETTE | News Correspondent

There are several compelling reasons for melding millennials into your workforce: Not only are a lot of experienced employees retiring – resulting in staffing shortages – but millennial-generation vehicle owners may be inclined to spend more money when interacting with properly trained peers behind the counter as they purchase increasing amounts of accessories.

Although dealerships are attracting a significant portion of these sales, the aftermarket is also positioned to benefit.

Millennial accessory buyers are running up average add-on tickets of $2,220 to individualize a vehicle to their liking, and this 18-to-34 age group now presents "the greatest opportunity for the accessory industry," according to Foresight Research's Accessories Immersion Report.

"First, millennials are returning to new car purchasing in droves, so there are more of them," explains Foresight President Chris Stommel. "Second, they install accessories at a 42 percent higher rate and spend 61 percent more on accessories than the average new auto purchaser."

"One of the most important findings about accessories is the effect of dealerships attempts to sell-on accessory purchases during the new vehicle shopping process," says Nancy Walter, the company's vice president of business development. "There is a definite positive correlation between dealership sales efforts and accessory purchases and spending. So, while millennial interest in accessories is attributed to this group's desire to personalize possessions and reflect individuality, another contributing factor may be that millennials are 50 percent more likely than boomers to report that dealerships actively sold them accessories."

Light trucks represent the overall highest accessory installation rates and spending, with much of these sales taking place in the dealer's showroom. Yet when compared to other segments, pickup buyers most often perceive dealerships at a disadvantage versus aftermarket sources – especially the Internet – on four key purchasing criteria; price, in-stock availability, quality and installation.

"We see this as a big opportunity for pickup brand dealers, and alternatively, ...CONTINUE READING

ASE GUIDES QUESTION OF THE MONTH

How is a traditional index in a catalog organized?

A. by vendor

B. by price order

C. by function

D. in alphabetical order

Click here to see the answer

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The Trainer #54: What is the connected car?

Testing the positive side of an electrical circuit

Connected cars to boost OEM loyalty

Connected vehicles bid to extend customer relationships, gain service business

BY BRIAN ALBRIGHT
Correspondent

Expect automotive OEMs to continue to target telematics and other connected car services as a way to extend customer communications and loyalty, as they invest heavily in mobility and other technology.

TRENDS & MARKET Analysis

In Frost & Sullivan's recent briefing, "2016 Global Connected Car Outlook," the analyst firm outlined its predictions for both connected and autonomous vehicles.

According to Praveen Chandrasekar, consulting director for the company's North American automotive and transportation practice, OEMs will continue to target customers with value-added connectivity services in a bid to boost their aftersales business. "Is it immediately useful or does it increase customer loyalty?" Chandrasekar says. "In the long run the North American market has seen free telematics programs becoming the norm. That along with services like prognostics will give OEMs the ability to maintain longer relationships and bring drivers back to the dealerships for spending service money."

While most OEM offerings have been proprietary, there are standards emerging for

Dealer Newsmaker Q&A

JEREMY FRY
Group CEO
Autologic Diagnostics

Q How does the functionality of AssistMobile, the mobile phone app, differ from the Autologic Assist product?

A What did Fry say? Continue reading online.

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> While most OEM offerings are proprietary, standards are emerging for connected vehicles.

connected vehicle technology. There have been implementations of Apple CarPlay and Android Audio, and Toyota has agreed to support Ford's SDL app platform. "Some OEMs are not in favor of those standards, but want to do this on their own," Chandrasekar says.

Frost & Sullivan also noted that at the recent 2016 Consumer Electronics Show (CES) OEMs were positioning themselves as mobility integrators. "Uber and others have show us that the way to look at the opportunity is in billions of miles driven, and then converting that into a dollar value per mile," Chandrasekar says. "Mobility integration opens up that opportunity for new business."

Ford has set up a new venture, Ford Smart Mobility, which is targeting autonomous driving, car sharing, electric bikes, and other connected vehicle applications. The company is actively working with tech start-ups to help accelerate technology development in the space.

GM, meanwhile, is testing out new connected vehicle services in the 2016 Cruze that includes infotainment, navigation/roadside assistance, and a smartphone app that allow users to remotely lock and unlock their doors.

All of this activity is expected to create a nearly $47 billion market for connected cars by 2020, according to Research and Markets.

Autonomous driving

Autonomous vehicles continue to generate a lot of buzz, even though we are still several years away from fully autonomous operation. OEMs will likely use a combination of LIDAR and map-based autonomous driving solutions, even though most pilot projects right now are using one or the other. "It's going to be both of them together," Chandrasekar says. "Maps are

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DEALERSHIPS

Dealers missing service business

Study finds dealers get 30 percent of service business; transparency one factor

BY BRIAN ALBRIGHT
Correspondent

Automotive dealerships only capture approximately 30 percent of total service visits, and are missing out on billions in service revenue annually, according to the Cox Automotive 2016 Maintenance and Repair Study.

TRENDS & MARKET Analysis

The study found that 25 percent of respondents took their vehicles to a general repair shop, while 14 percent utilized quick lube locations and 11 percent went to tire stores. The remaining 20 percent were split among retailers, specialists (like Midas), body shops or "other."

In general dealerships were seen as offering the highest quality and most knowledgeable staff, but lost out to general repairers on cost and convenience. The top five reasons that service customers did not go to the dealer were total cost, fears they would be overcharged, unreasonable labor charges, unreasonable parts charges and distance/location.

Dealer Newsmaker Q&A

SUSAN BEARDSLEE
Senior Analyst
ABI Research

Q What are some of the challenges the OEMs face when it comes to software over-the-air and firmware over-the-air updates?

A What did Beardslee say? Continue reading online.

Read full interview

"Dealers are well positioned and have a lot of credibility wen it comes to being experts in vehicle repair, and having certified, qualified technicians," says Joe Richards, director of research and market intelligence at Cox Automotive. "They are perceived as being high

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> The survey said 70 percent of service visits occur less than 10 miles from customers' homes.

in quality, but also high in price. With the right messaging and price transparency, there is an opportunity to grow the service business."

"Dealers that focus on the service experience have the potential to add millions of dollars of revenue," said Cox president Sandy Schwartz at the recent J.D. Power Forum. "This study highlights key drivers of customer satisfaction that dealers need to address – value, trust and convenience."

The study is based on a survey of 4,455 consumers who had maintenance or repairs performed on their vehicle by a third party at least once in the prior 12 months.

Price transparency could boost business

According to the study, key areas where dealers could improve their position in the market include transparency, awareness and the customer experience.

Customers continue to view dealerships as the more expensive option, even though the price gap is not nearly as big as is often believed (and in some cases, there is no price difference). According to the study, 58 percent of respondents said cost was the reason they did not return to the dealership for service, while 34 percent said they felt the dealer would overcharge them.

As a result, vehicle owners take their cars to aftermarket providers that they feel will provide better value, or where they have already established a positive relationship. Dealerships should be as open and transparent as possible about pricing, and offer comparative pricing information if possible.

Communication is another area where dealers could potentially improve their performance. Because dealers already have customer information on hand, they are able to easily communicate service reminders or recall notices. According to Cox, nearly one-third of respondents relied on maintenance, service or recall notifications from the dealership or the manufacturer. However, more than one-third of consumers were unaware of their vehicle service schedule or recalls. Luxury and import

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ACDelco firing on all cylinders to mark 100 years in aftermarket

BY JAMES E. GUYETTE
News Correspondent

ACDelco's year-long celebration of its 100th anniversary includes honoring its standout distributors and top service center customers along with awarding training scholarships to future technicians.

TRENDS & MARKET Analysis

Now operating in nearly 100 nations, the company's humble beginnings in 1916 were sparked by Albert Champion, an 1899 immigrant from Paris and a champion racer of bicycles, motorcycles and cars. A serious crash in New York put the brakes on Champion's motorsports career, but he used his time while recuperating to advance his studies of automotive electrical engineering and enhance his innovative spark plug design ideas.

With the aid of investors the Champion Spark Plug Co. was established. After having a falling out with his financial backers Champion pitched his prototypes to Buick's William C. "Billy" Durant, who was also a founder of General Motors.

Durant set him up with a workshop in Flint, Mich. Because the "Champion" moniker was already attached to an existing firm, Albert Champion utilized his initials to name a new enterprise that was eventually merged under the United Motors/GM umbrella with the

Vendor Newsmaker Q&A

TIMOTHY D. MCGEE
Executive VP, Asset Recovery Services, CAM International

Q How can an aftermarket business benefit by using a parts re-distribution provider? What markets do you serve?

A What did McGee say? Continue reading online.

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> ACDelco and GM will distribute 100 scholarships worth $1,000 each to auto tech students.

Dayton Engineering Laboratories Co., commonly known as Delco.

Fast-forward over a century of history, and ACDelco markets 37 product lines encompassing some 90,000 SKUs via 28,700-plus locations throughout North America, South America, Africa, Japan, China, India, Russia and the Middle East, which has become a key growth area for the company.

Battery sales were up 29 percent in 2015, capturing 40 percent of the region's market share for the category. "Car batteries are big business in the Middle East," notes Mohammed Al Fayyad, parent-firm GM's director of customer care and aftersales.

"We saw the battery industry grow last year, and ACDelco was a powerful force behind this," he says. "A century is a long time to get to know your market and develop your products."

"This is truly a global celebration," says general director Bob Sanford.

Along with supplying OEM products for Chevrolet, Buick, GMC and Cadillac – and providing aftermarket parts for most of the other makes and models on the road – ACDelco was among the first aftermarket manufacturers to focus on the importance of training technicians on proper installation techniques.

"We believe it's important to invest in the next generation of automotive technicians, the young men and women who will lead our industry in the near future," Sanford says. "These are great jobs that pay well, and it's estimated there will be a need for 35,000 technicians by 2020."

In-tune with techs

As part of its centennial celebration the company is teaming up with the General Motors Automotive Service Educational Program (ASEP) to distribute 100 scholarships worth $1,000 each to students pursuing careers as auto technicians.

The "100 Years, 100 Futures" project is designed to help defray the costs of college for students enrolled in ASEP, which combines classroom and real-world, paid internships at sponsoring GM dealerships and independent

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Bill Hanvey outlines his vision, impact of technology and goals

BY BRUCE ADAMS
Managing Editor

Bill Hanvey assumed responsibilities as president and chief executive officer of the Auto Care Association on Dec. 1, 2015. He sat down with Aftermarket Business World to answer questions about legislative priorities, his vision for the association, the impact of technology on the aftermarket, and his short- and long-term objectives.

TRENDS & MARKET Analysis

Hanvey most recently was senior vice president of programs and member services at the Automotive Aftermarket Suppliers Association. Before joining AASA in 2012, he was vice president of sales and marketing for The Schaeffler Group. He also has held executive and sales and marketing positions with Dorman Products, FleetPride and Tenneco Automotive.

Q: What do you want to see the association accomplish through legislation on Capitol Hill?

A: The association's major goal is to obtain either an agreement with the vehicle manufacturers or a legislative requirement that provides the ability for consumers to control the data transmitted by their vehicle's embedded telematics systems. Currently, all of the data is controlled by the vehicle manufacturer, providing them with a competitive advantage in com-

Vendor Newsmaker Q&A

KELLY SQUIZZERO
Director of Industry and Solution Strategy, Infor

Q | How can WDs and jobbers address the generational gap between workers nearing retirement and newer hires?

A | What did Squizzero say? Continue reading online.

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> "Telematics is my number one concern and it is the top priority for the association." - Bill Hanvey

peting for the repair dollars of consumers. We believe the future of our industry depends on our industry's ability to access the data transmitted from telematics systems with the permission and control of the motoring public.

The association is further concerned that vehicle components are coming with embedded software that is taking the place of mechanical features. Vehicle manufacturers are using this software and U.S. copyright laws, not intended to protect access to non-copyrightable features, to restrict competition in the auto care industry. The association is working to obtain clarification of copyright laws such that auto care companies can copy and access software for the purposes of building compatible replacement parts and for the repair of late model vehicles.

Finally, we plan to continue to push for improved education of motorists about their rights, under the Magnuson-Moss Warranty Act, to have a vehicle serviced by independent auto care facilities using non-original equipment parts without fear of voiding the new car warranty. The association has worked in Connecticut to enact a law that requires that individuals purchasing a new car be provided with information regarding their rights under Magnuson-Moss; and we continue to push similar bills in several states.

Q: What is your vision of what the association can do for members on a global scale?

A: A key pillar of our strategic plan is identifying global growth opportunities for our members and helping eliminate barriers. We can't make the deals for our members, but we can make the road less daunting. For example, to identify new business opportunities, we've organized a series of trade missions to target markets in Latin America that our members identified as priority markets. We hosted the first mission to Peru last month and it was very successful.

We've announced plans to take our ACES and PIES product-based data standards to global markets, helping eliminate a key barrier to trade. We also plan to host more events in international markets and continue to establish

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Hiring qualified techs starts with INDUSTRY INVOLVEMENT

Contrary to the beliefs of many, there are technicians available in most markets. While technicians are not standing at your door every day looking for a job, they are available. The next generation of automotive technicians can be found at vocational technical schools, community colleges and trade schools.

I have heard all of the pros and cons about the quality of technicians coming out of the various schools and while some are founded most are misleading. All of the concerns you have with these schools can be fixed with your involvement. If your local facility does not have an advisory council, start one.

The schools are teaching the students what the school knows but not necessarily what the industry needs. Advisory councils provide input to the schools on curriculum requirements; their goal is to educate a student on what they must know to become employable.

Some of the other concerns circulating are created by misconceptions and expectations of what students should be able to do when they graduate. Again, your involvement with the school to develop a mutual understanding of what level of knowledge the student will have at graduation would be welcome. Remember, the schools' intentions are to train the student to become a valuable addition to our industry.

Most trade schools and all high school level vocational schools are accredited by the National Automotive Technicians Education Foundation (NATEF). Their mission is to improve the quality of automotive technician training programs nationwide. NATEF examines the structure, resources and quality of training programs and evaluates them against standards established by the industry. These standards reflect the skills that students must master to be successful in the industry.

NATEF also works with students to increase career awareness opportunities in the automotive repair industry. You can assist with validating the schools in your area by assisting with the NATEF audit. The audit is a tool to ensure the school has the equipment, curriculum and qualified instructors needed to succeed.

Another entity that is very involved in developing technicians for the collision repair industry is the Collision Repair Education Foundation (CREF). Their mission is to support collision

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Business Development Manager
BASF North America

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What makes a CATALOG EXCELLENT?

> Timeliness, completeness and consistency are what separate the best catalogs from the rest.

The Automotive Content Professionals Network (ACPN) recently wrapped their 43rd annual conference with record-setting attendance. The growth of ACPN mirrors the growing importance automotive companies are placing on the content that fuels their businesses. Previously known as the National Catalog Managers Association (NCMA), this organization is evidence of the unique role that content plays in the automotive industry.

The executive-level speakers were unanimous in how they described the role of content in their businesses. Susan Ulrey, Tenneco, Executive Director, Customer Experience; Stan Gowisnock, Cardone, President & CEO; and Greg Henslee, O'Reilly Auto Parts, President & CEO all underscored the role of great content in selling more product and keeping it sold.

Great catalog and product information was referred to as a competitive advantage, a customer satisfaction strategy and a key asset in growing their business. The days of wondering if the industry data standards (ACES and PIES) were going to win adoption seem to be behind us. And, now the competition is for excellence in practicing the standards.

It is a long-standing tradition at ACPN to recognize the best examples of automotive content with the President's Awards. Paper, web and electronic catalogs are judge on a variety of criteria. Each year the competition is fierce and the plaques are proudly displayed in the home offices.

The most coveted recognition is the Content Excellence Awards, presented by the retailers and e-catalog providers to their suppliers. Advance Auto Parts, AutoZone, NAPA, O'Reilly, Epicor, WHI and MAM Software each thoughtfully deliberate and settle on one supplier, out of hundreds, that is best in class and supplies excellent catalog and product data to the respective receivers.

A pattern emerged and several attributes were mentioned frequently in describing the winning data suppliers. Timeliness, completeness and consistency may all sound like soft terms that have little to do with gigabytes of content. But they are what separate the best from the rest.

Timeliness refers to the practice of supplying updated files at an appropriate frequency. Not all brands are created equally in this regard. If a supplier is in the habit of introducing new items every month, then data updates monthly is the correct cadence. But, if new items are only introduced annually, less frequent files may be justified. These files must be carefully coordinated with the release of the products to distribution.

Releasing data a bit ahead of the product release is a good practice because the data file can include an "available date" and time has to be allowed for the processing and distribution of the data. But, releasing catalog and product data files after the release of the products (or worse yet, after the release of the paper catalog) is a sure way to lose sales. The inventory will languish on DC shelves while the data updates make their way to the point-of-sale. Careful timing of data updates is a great way to ensure the new items jump off the shelves as soon as they are available.

Completeness is sought in the number of items found in a catalog or product file as well as the number of data elements available for each item in the file. When asked for a position on net changes, some receivers have begun accepting files that only include the items that are new or changed from the last. But, even these receivers

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EPA withdraws ANTI-AFTERMARKET PROPOSAL

> The now-dead proposal would have inhibited aftermarket sales to the race car industry.

In an unusual move, the Environmental Protection Agency (EPA) announced in April that it was withdrawing a proposal it had made last summer as part of a broad greenhouse gas emissions proposed rule. The agency very rarely drops proposals because of industry and congressional protests. But the announcement was particularly good news for the aftermarket, since the now-deceased proposal would have inhibited aftermarket sales to the racing car industry.

The provision – which would have prohibited aftermarket noodling with emissions systems – is just one of many very technical proposals in Greenhouse Gas Emissions and Fuel Efficiency Standards for Medium- and Heavy-Duty Engines and Vehicles-Phase 2 proposed rule.

That proposed rule had mostly to do with emissions of big trucks. But the agency slipped in a proposal that reversed its past policy with regard to emissions equipment sold in the aftermarket to racing cars. No one noticed that at first. Then the Specialty Equipment Market Association (SEMA) found that policy reversal buried in the July proposed rule. That discovery was made last December.

In early March, legislation was introduced in both the House and Senate that would have prohibited the EPA from reversing its policy. Sixty-seven members of the House signed on as co-sponsors of the Recognizing the Protection of Motorsports Act of 2016 (RPM Act of 2016). The bills (H.R. 4715 and S. 2659) would have reverse the tentative EPA decision to make it illegal for autos purchased from dealers to be converted into race cars.

Rep. Patrick McHenry (R.N.C.), chief sponsor of the House bill, was able to convince the House Science, Space and Technology's oversight subcommittee to hold a hearing on his bill soon after he introduced it. That took place on March 15, 2016. The EPA, just a few weeks before, had asked industry sectors affected by the proposed rule to provide additional information on some elements of the July 2015 proposed rule, including the race car measure. So the agency was already getting, if not cold, then chilled feet, with regard to that provision.

"The federal government has no place at a track testing vehicle emissions as if it's a public road," McHenry told the House subcommittee. "This regulation targets businesses who manufacture the aftermarket exhaust systems that replace the stock systems."

Christopher J. Kersting, President & CEO, SEMA, testified at that same House hearing. He made the case the EPA proposal would hurt aftermarket sales beyond emissions components. "Competition use vehicles are modified in shops across the nation and the vehicles are outfitted with safety equipment such as five-point seat belts, roll bars, cages and safety netting, suspension, wheels and tires," he explained. "These ancillary sales and services would cease as a result of the EPA's proposed policy because performance modifications to make the vehicles suitable for racing would be prohibited."

From the start, it was questionable whether the EPA had the authority to go after converted racing cars because of their GHG emissions. The current EPA policy allows aftermarket parts to be

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STEPHEN BARLAS
Washington Correspondent

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Doing business in the AUTO CARE INDUSTRY

> Best practices and tips help you develop a working partnership with decision makers.

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This article is designed to guide suppliers and manufacturers to conduct business in the auto care industry for the first time, and ultimately bring their products to market. The goal is to help your business to exceed the needs of three common sales channels: warehouse distributors (WDs), national buying groups and retailers.

Ecommerce will not be covered, but certainly some of these principles may be applied if you decide to forge an online relationship. Best practice and common protocol tips are introduced here to help you develop a working partnership with the key decision makers.

The industry at a glance

More than 500,000 businesses participate in the $268 billion auto care industry, which equals Singapore's gross domestic product. There are 41 sales channels, but retailers, WDs, buying groups and ecommerce sites are the four mainstream sales segments vying for the commercial repair shops' and the DIYers' loyalty who will at one point work on the 255 million registered cars and trucks in the U.S.

Aside from the DIY, the DIFM (do it for me) customer segment is broken down by repair shops, dealerships, fleets and municipalities. Stand alone independent parts stores are a shrinking channel, but the remaining ones choose to buy their products from any source.

The market place is marked by hyper price sensitivity and perceived value by repair shops and the serious DIYer. To stay price competitive, retailers, WDs and buying groups purchase product from multiple sources from domestic suppliers and manufacturers. Chemicals, appearance products, shop supplies, accessories and most of all finished "hard parts" defined by year make and model are the most popular sales categories.

Unfinished or semi-finished hard parts are less popular because of ambiguous fitment. Lower trade barriers have made international suppliers, contracted factories and container shipments more attractive. To make payment, retailers, WDs and buying groups abide by invoice terms or may resort to supply chain financing, a deferred payment plan mutually agreed upon by a financial institution, buyer and seller.

Go direct or work with a manufacturer's representative agency?

Direct customer contact or hiring a manufacturer's rep agency are the two most commonly practiced routes. Going direct is the most tempting way to establish business contact because it eliminates paid commissions to manufacturer's rep agencies. Financially endowed suppliers with product breadth and depth believe that their companies are best equipped to support their customers' range of needs such as supply chain, marketing, payment and the like; but leverage alone does not promise an open door. Any one in a decision-making role such as a buyer, merchant, product director or category managers is in a daily juggling act functioning under an unpredictable environment; so surprise onsite visits or cold calling may risk hurting your chances of progressing onto the next stage. It is perfectly acceptable to mail or email a proposal followed up with a phone call. Upon contact, follow their directions and respect the proverb: don't call me, I'll call you.

ALAN SEGAL
President,
Best Business Practices

Manufacturer rep agencies play an invaluable role to help

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Global trade agreements HOLD BENEFITS FOR SUPPLIERS

> T-TIP negotiations seek greater economic integration between the U.S. and the EU.

The automotive aftermarket is truly global today and trade agreements are vital to open free trade in international markets for suppliers. The United States is currently involved in two high-profile trade negotiations that could have far-reaching benefits for suppliers: the Trans-Pacific Partnership (TPP) and the Transatlantic Trade and Investment Partnership (T-TIP).

The Motor & Equipment Manufacturers Association (MEMA) and the Automotive Aftermarket Suppliers Association (AASA), MEMA's light vehicle aftermarket division, are working to advance suppliers' global business on these two measures.

TPP is a regional free trade agreement that comprises the United States, Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore and Vietnam. TPP is expected to grow its membership of Asia-Pacific nations after an agreement is finalized and interested countries agree to meet principles of the TPP.

T-TIP negotiations seek greater economic integration between the U.S. and the European Union (EU), the largest economic relationship in the world.

Both TPP and T-TIP have gone through several rounds of high-level meetings. The TPP negotiations were concluded in 2015, while the timing for completion of T-TIP is less certain. Also in 2015, Congress passed Trade Promotion Authority (TPA) legislation, also known as "fast track," which allows the president to submit trade agreements to Congress for a vote without amendments.

The TPP seeks to be a model "high standard" 21st century trade agreement that addresses greater supply chain integration, improved protections for intellectual property rights and regulatory coherence. The strategically important Asia-Pacific region, representing roughly half of world trade and 60 percent of world gross domestic product, offers significant opportunities for suppliers to grow in a critical market.

The TPP agreement contains provisions on "rules of origin" for automotive components. MEMA produced and shared with the membership an extensive analysis of the agreement and expects a position on the agreement to be adopted soon.

A successful T-TIP agreement will be an opportunity for suppliers to access EU markets through a strengthened worldwide harmonization process. T-TIP would improve regulatory stability and streamline resources, while respecting U.S. and EU sovereignty and without sacrificing vehicle safety or environmental performance. Regulatory cooperation and harmonization is a top priority for suppliers – failure to achieve it will severely limit the economic potential of T-TIP.

According to EU Impact Assessment Reports on T-TIP, current auto non-tariff barriers (NTBs) between the U.S. and EU are equivalent to an ad valorem tariff of 26 percent. In addition, the reports project that eliminating tariffs and 25 percent of existing U.S. and EU NTBs would increase EU vehicle and components exports to the U.S. by 149 percent and increase U.S. vehicle and components exports to the EU by 347 percent.

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QUALITY TOPS THE LIST

AUTO SERVICE FRANCHISES SAY QUALITY, PRICE ARE MOST IMPORTANT NEEDS OF CUSTOMERS

BY BRUCE ADAMS | Managing Editor

Photo: Gettyimages/CrailsheimStudio

When it comes to buying aftermarket auto parts, quality and price are the two most important needs of customers, according to the 2016 *Aftermarket Business World* Auto Service Franchise study. The study surveyed franchise owners and managers about their parts-buying habits and their sales to customers.

Quality was selected as the top need of customers by 29 percent of respondents while price was most important to 28 percent. Product availability received 19 percent of the tallies and original equipment form, fit and function was the top need for 18 percent of their customers. Brand and warranty each were mentioned as the top need by 3 percent of the respondents.

When it comes to marketing, the most effective tool is their recommendation, according to 68 percent of respondents. Some 13 percent said in-store displays were the most effective marketing tool while 5 percent said online and/or print coupons and rebates. Only 3 percent cited social media as their top marketing tool.

Auto parts retailers are the preferred supplier to 35 percent of respondents, with warehouse distributors close behind at 33 percent and jobbers at 16 percent. The original equipment parts arm garnered 7 percent of replies.

Respondents were positive about their sales outlook for the next 12 months as 48 percent expect to increase their sales while 44 percent expect to sell the same amount. A similar pattern held for their gross margins outlook for the next 12 months as 50 percent said they expect it to increase while 45 percent expect it to stay the same.

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

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Brakes

Needs of customers

Quality	47%
OEM form fit and function	12%
Price	21%

Most effective marketing tool

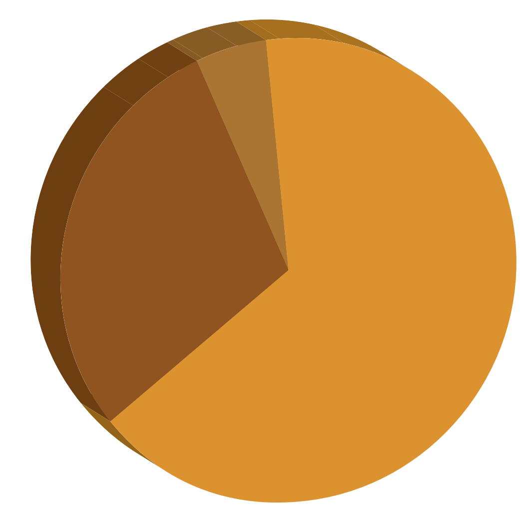
Shop's recommendation	88%
In-store displays	6%
Social media	2%

2015 brake sales

66% Increased

29% Held Steady

5% Decreased



67% of auto service franchisees electronically order this product from suppliers.

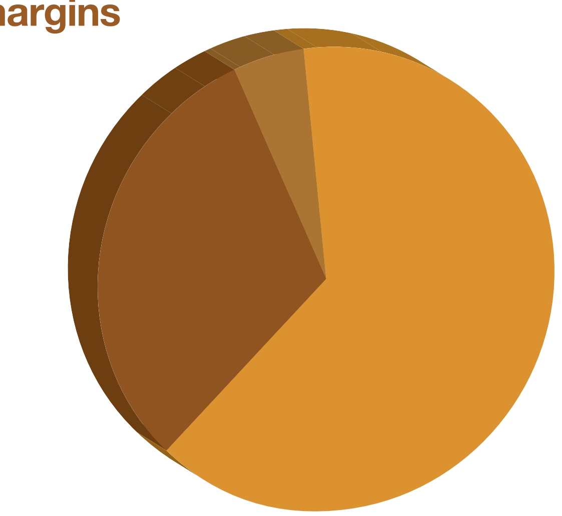
69% of auto service franchisees report that they stock this product on an as-needed basis.

Expected 2016 gross margins

64% To Increase

31% To Hold Steady

5% To Decrease



2016 brake sales expectations

To increase 1-10%	52%
To increase 11-20%	8%
To hold steady	32%
To decrease	4%

Preferred supplier

Jobber	20%
Warehouse distributor	29%
Auto parts retailer	38%
OEM parts arm	9%

41% report that OTHER SERVICE REPAIR FRANCHISES are the main competitors when selling this product.

Some chart totals do not reach 100 percent because all answer options are not represented.

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Auxiliary Lighting

QUALITY TOPS THE LIST

PREMIUM GUARANTEED QUALITY

Needs of customers

OEM form, fit and function	28%
Price	24%
Availability	23%

Most effective marketing tool

Shop's recommendation	63%
In-store displays	15%
Other	10%

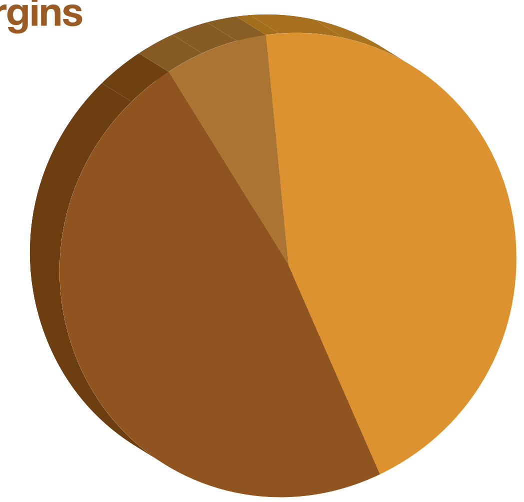
74% of auto service franchisees report that they stock this product on an as-needed basis.

Expected 2016 gross margins

45% To Increase

48% To Hold Steady

7% To decrease

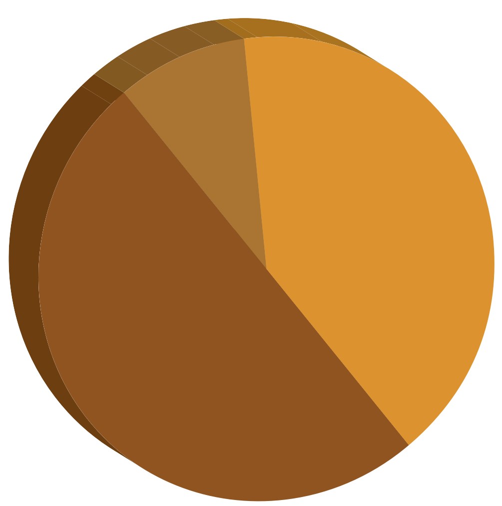


2015 auxiliary lighting sales

41% Increased

50% Held Steady

9% Decreased



58% of auto service franchisees electronically order this product from suppliers.

2016 auxiliary lighting sales expectations

To increase 1-10%	39%
To increase 11-20%	4%
To hold steady	44%
To decrease	7%

Preferred supplier

Jobber	12%
Warehouse distributor	35%
Auto parts retailer	37%
OEM parts arm	8%

33% report that OTHER SERVICE REPAIR FRANCHISES are the main competitors when selling this product.

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Battery Chargers

QUALITY TOPS THE LIST

PREMIUM GUARANTEED QUALITY

81% of auto service franchisees report that they stock this product on an as-needed basis.

Needs of customers

Quality	24%
Price	39%
Availability	22%

Most effective marketing tool

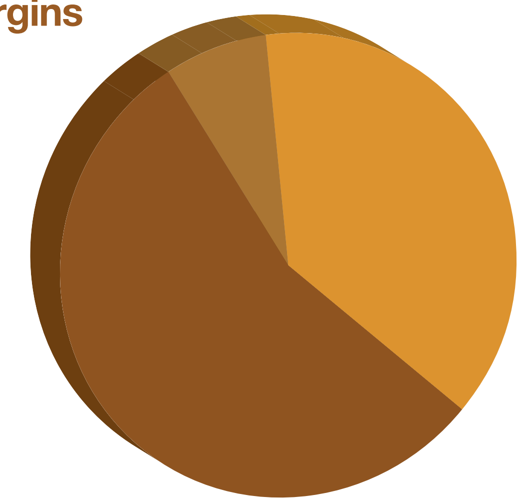
Shop's recommendation	57%
In-store displays	15%
Other	22%

Expected 2016 gross margins

38% To Increase

55% To Hold Steady

7% To Decrease

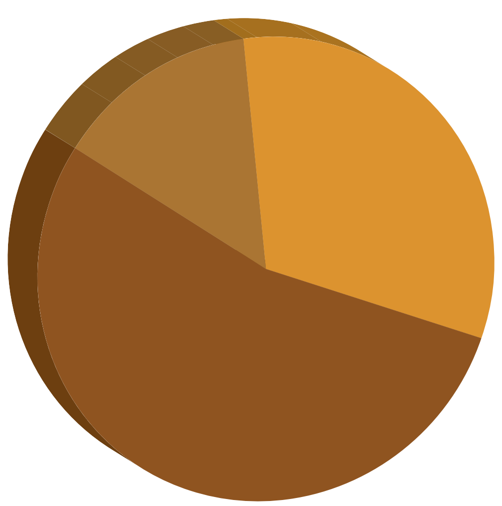


2015 battery charger sales

32% Increased

54% Held Steady

14% Decreased



51% of auto service franchisees electronically order this product from suppliers.

2016 battery charger sales expectations

To increase 1-10%	30%
To increase 11-20%	6%
To hold steady	52%
To decrease	12%

Preferred supplier

Jobber	18%
Warehouse distributor	35%
Auto parts retailer	29%
Other	15%

51% report that MASS MERCHANDISERS are the main competitors when selling this product.

Some chart totals do not reach 100 percent because all answer options are not represented.

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