

THE HORN

Published by:

**Automotive Aftermarket Association of the Mid-South,
Inc.**

Serving the Automotive Aftermarket in North Carolina, South Carolina, Tennessee, and Virginia

P.O. Box 97993
Raleigh, NC 27624

Phone: 800-849-8037; 919-821-1314 • Fax: 919-821-0753
Website: www.aaamsonline.com • E-mail: rlisk@aaamsonline.com



Bulletin No. 603

October, 2018

AAAMS Members Affected By Hurricane Florence Are In Our Thoughts and Prayers

Now that Hurricane Florence has come and gone (not really gone for our members and residents in parts of North and South Carolina), your Officers, Directors and Staff express their sincere hope for a full and speedy recovery back to normal. We have received numerous reports of wind and flood damage and those of us who dodged a bullet feel somewhat helpless. However, refer to the article below for information on possible help.

Please know that if any of us can help in any way, call Randy at the Association office (919-821-1314) at once.

Rick Brown, AAAMS President

When Disasters Strike Like Hurricanes and Flooding the Industry has the Aftermarket Foundation to Rely On

Since 1959, the Aftermarket Foundation has assisted individuals and families of the automotive aftermarket who have fallen on hard times due to death, catastrophic illness or accident, creating financial hardship. It is the only charity dedicated solely to helping members of the automotive aftermarket and their families. For further information, contact Joel Ayres, the Foundation's Executive Director at 916.628.0271 or joel@aacfi.org.

Deja Vu -- AAAMS Business Conference Canceled Due to Hurricane for Second Year in a Row

For an unbelievable second year in a row, the Association Annual Business Conference had to be canceled because of a hurricane. The 2018 AAAMS Business Conference scheduled for September 20-23 back in Hilton Head Island, SC, was canceled because of the unpredictable path of Hurricane Florence and its lasting affects.

A Board of Directors Meeting has been scheduled for November 10, 2018, and our Annual Business Meeting will begin at 8:30 a.m. with Breakfast (Embassy Suites—Airport, Greensboro, NC). All members and guests are welcome to attend. Next year’s Conference will be discussed at the Board Meeting, and many of our members are suggesting the MOUNTAINS. More details will follow.

A special thanks to the members planning to attend this year's event, and the Sponsors that had committed to help make this Conference a success.

INDUSTRY NEWS

Aftermarket Product And Service Growth

Jim Lang, Aftermarket iReport September 2018

"Total light vehicle aftermarket volume (Products and Purchased Service) climbed more than \$28 billion at user-price between 2012 and 2017."

"Products recorded substantially greater annual volume than Purchased Service over this five-year span. Nevertheless, Purchased Service averaged a much higher annual growth rate than Products and generated the majority of aftermarket expansion. See the just released *2019 Lang Aftermarket Annual* for complete analysis of Products and Purchased Service car and light truck volume."

\$28 Billion Aftermarket Growth

The light vehicle aftermarket (Products and Purchased Service) soared more than \$28 billion between 2012 and 2017, climbing from \$156 billion to over \$184 billion.

Light vehicle aftermarket sales (Products and Purchased Service) expanded nearly one-fifth during these five years, at user-price, and topped 3.3% average annual growth.

Light Vehicle Product Expansion

Car and light truck Products rose from \$96 billion to over \$109 billion between 2012 and 2017, climbing at a 2.7% annual rate. This was one-fifth slower than the annual pace of expansion recorded by the total light vehicle aftermarket.

Light Vehicle Purchased Service Growth

Purchased Service (labor charges paid by consumers for automotive technicians to repair their vehicles) increased from \$60 billion in 2012 to more than \$75 billion by 2017.

Product and Service Growth	
2012– 2017	
Light Vehicle Market Sectors	2012– 2017 <u>Growth</u>
Light Vehicle Products	
• 5– Year Growth (User-Price)	\$14 Billion
• Average Annual Growth Rate	2.7%
Light Vehicle Purchased Service	
• 5-Year Growth (User-Price)	\$15 Billion
• Average Annual Growth Rate	4.4%
Lang iReport 18307-1 September 12, 2018	Source: Lang Marketing ©2018 All Rights Reserved

Changing Aftermarket Sales Share

Products accounted for \$96 billion of the \$156 billion of the 2012 light vehicle aftermarket, 61%, with Purchased Service representing 39% of the 2012 aftermarket.

As a consequence of its faster growth pace compared to Products between 2012 and 2017, Purchased Service increased its light vehicle aftermarket share.

Purchased Service expanded to 41% of the 2017 light vehicle aftermarket; while Products for cars and light trucks receded to 59% share.

Share of Market Growth: 2012 to 2017

The light vehicle aftermarket (Products and Purchased Service) increased \$28 billion at user-price between 2012 and 2017.

Products accounted for 48% of this gain; while Purchased Service generated a 52% growth share between 2012 and 2017. This reflected the growing Do-It-For-Me (DIFM) portion of light vehicle repair.

DIFM Growth Boosts Purchased Service

The Do-It-For-Me (DIFM) market, which includes Purchased Service, is increasing much faster than Do-It-Yourself (DIY) product sales.

The rate of Purchased Service growth will be boosted over the next five years by the above-average expansion pace of the DIFM car and light truck aftermarket.

Reasons for DIFM Rapid Growth

Car and light truck Purchased Service will increase at a faster annual pace than light vehicle Products over the next five years for several reasons:

First, vehicles in operation are increasingly complex, making Do-It-For-Me repair more challenging and time consuming. This will expand Purchased Service.

Second, diagnostics are becoming an integral part of vehicle repairs, increasing Purchased Service across many repair jobs.

Third, smaller and more congested underhood spaces often require the removal of numerous parts just to reach the components that need to be repaired or replaced, adding to Purchased Service volume.



U.S. Aftermarket to Grow at an Annual Rate (CAGR) of 3.4% through 2021

The U.S. automotive aftermarket is expected to grow at a compound annual growth rate (CAGR) of 3.4% through 2021, according to the "2018 Joint Channel Forecast Model" produced jointly by the Automotive Aftermarket Suppliers Association (AASA) and the Auto Care Association.

The 2018 Joint Channel Forecast Model also predicts that the total aftermarket sales will grow from \$286 billion in 2017 to \$327 billion in 2021, an increase of nearly \$41 billion over the four-year period.

"The Joint Channel Forecast shows the continued strength of key aftermarket drivers and the impact of the confident consumers, buoyed by a strong job market and lower personal tax rates," said Bill Long, president and chief operating officer, AASA. "It also shows influences driving evolution in the aftermarket: new and merging technologies, changes in the distribution model and changes in consumers' expectations for mobility. We are an industry facing a lot of change, but we believe we have the people in the independent aftermarket with the leadership, vision and entrepreneurial spirit to enable us to grow and thrive in our pending era of change and opportunity."

"The sustained growth projected in the forecast is not only a result of key economic upswings, but also

LEGAL/LGISLATIVE

U.S.-Mexico Trade Deal Finalized While Negotiations with Canada Continue

The White House announced last month that the U.S. and Mexico reached a preliminary agreement to modernize the North American Free Trade Agreement (NAFTA). The agreement, called the United States-Mexico trade agreement, currently excludes Canada, but the U.S. and Canada continue to negotiate in order ensure the final deal is trilateral.

According to sources, the updated auto rules of origin requires that 75 percent of a vehicle's content must come from North America, up from the current 62.5 percent to receive duty-free treatment; and that 70 percent of steel, aluminum and glass used in autos must be sourced from North America. Additionally, the U.S. and Mexico agreed on a labor wage provision requiring 40 percent of a passenger vehicle's final assembly be completed by workers making at least \$16 USD per hour. The threshold is 45 percent for light trucks.

The U.S. has agreed to keep the 2.5 percent tariff currently applied under World Trade Organization (WTO) rules for non-conforming autos that do not meet the rules of origin requirement if made at an existing manufacturing facility. Non-conforming autos made at new plants may be subject to additional tariffs pending results of the Section 232 autos/auto parts investigation.

A deal involving Canada is currently unresolved, although both parties claim to be close to an agreement. Trade experts have claimed that all three governments hope to sign a final deal before Mexico's new president takes office on Dec. 1.

Questions? Contact Angela Chiang.

Editor's Note: More information regarding an Agreement with Canada will be included in a future issue of "The Horn".

AAAMS NEWS

In Memoriam: Jimmie Robertson, IGO Insurance Agency

It is with sincere regret that I inform you of the passing of Jimmie Robertson, CEO of the IGO Insurance Agency, on August 20, 2018. The Association has done business with, and recommended the services of, the IGO Insurance Agency for over a decade. Jimmie had a great personality and a giant heart. His dedication to this Association was matched by no one, and he will be truly missed. We wish Jimmie's wife Sherry and the entire Robertson family our deepest condolences.

"Business North Carolina" Magazine Free Offer to AAAMS Members

The Publisher of "Business North Carolina" Magazine recently reached out to the Association and would like to offer AAAMS members a FREE subscription. They have an on-line sign up form that you can fill out to receive the magazine. All you must do is go to...www.businessnc.com and use the code AAAMS18 to get signed up. We appreciate this offer to our members.

2019 Advertising Calendars

It's still not too late to order the 2019 Advertising Calendars to keep your name in front of your customers all year long. Information was enclosed in recent issues of "The Horn", but if you have any questions or would like to place and order, contact Randy at 800-849-8037 or email rlisk@aaamsonline.com.

--- Randy Lisk, Executive Vice President