

THE HORN



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2015 AACT CONVENTION: Cherokee, NC

Mark your calendars!!! The 2015 AACT Convention will be held September 10-13, 2015, at Harrah's Casino Resort in Cherokee, NC. Convention Chair Sandy Crews, Jacksonville, N.C., will release the Convention schedule in next month's issue of "The Horn". Please join us and experience the resort's fine dining, excellent shopping and casino fun. This is our first Convention in Cherokee, so let's make it one of our best.

LEGAL / LEGISLATIVE

Auto Care Association Applauds FTC Settlement with BMW-MINI Over Magnuson-Moss Warranty Violation

BETHESDA, MD - March 20, 2015 - The Auto Care Association applauds the settlement announced this week by the Federal Trade Commission (FTC) against the MINI Division of BMW violation of the Magnuson-Moss Warranty Act. As a result of official complaints to the FTC by the Auto Care Association and other organizations, the FTC has charged that BMW's MINI Division violated the Magnuson-Moss Warranty Act by telling customers that BMW would void their warranty unless they used MINI parts and MINI dealers to perform maintenance and repair work.

"It's against the law for a dealer to refuse to honor a warranty just because someone else did the maintenance or repairs on the car. As a result of this order, BMW will change its practices and give MINI owners information about their rights," said Jessica Rich, director of the FTC's Bureau of Consumer Protection.

The order also:

- bars BMW, in connection with the sale of any MINI Division good or service, from representing that to ensure a vehicle's safe operation or maintain its value, owners must have routine maintenance performed only by MINI dealers or MINI centers, unless the representation is true and BMW can substantiate it with reliable scientific evidence; and
- requires BMW to provide affected MINI owners with information about their right to use third-party parts and service without voiding warranty coverage, unless BMW provides such parts or services for free.

"Our government affairs department has worked diligently to bring this matter before the FTC and, while it's been long overdue, we are thrilled to see them finally take action against the clear-cut violation of the Magnuson-Moss Warranty Act perpetrated by BMW's MINI Division," said Kathleen Schmatz, president and CEO, Auto Care Association. "It is our hope that all vehicle manufacturers are now paying close attention to their communications with vehicle owners concerning their warranties."

The Magnuson-Moss Act contains a provision that prohibits companies from requiring that consumers - in order to maintain their warranties - use specific brands of parts or specified service centers, unless the parts or service is provided to the consumer without charge.

DENR Report Recommends Changes to Auto Emissions Testing Program

RALEIGH, NC (April 2, 2015) - Emissions tests for cars and trucks are no longer necessary to protect air quality in more than half the counties where state testing is currently required.

That was the conclusion of a study the N.C. Department of Environment and Natural Resources provided the General Assembly this week.

Legislators in 2013 directed DENR to conduct a study on whether all of the counties covered under the motor vehicle emissions testing program are needed to meet and maintain current and proposed federal ozone standards in North Carolina. Cars and trucks collectively are the largest source of emissions that lead to ozone formation in the state.

"North Carolina's air quality has improved significantly since emissions testing requirements were expanded for motor vehicles in the early 2000s," said Donald R. van der Vaart, secretary of DENR. "We studied the air quality improvements for this report and concluded that we could eliminate emissions testing for motor vehicles in numerous counties without harming air quality or violating federal standards."

The elimination of emissions tests would save car owners \$16.40 per vehicle each year in counties where tests are currently required after the first three model years, state officials estimate. Safety inspections are still required in all 100 counties, costing owners \$13.60 per vehicle each year.

The state currently requires emissions testing in 48 of its 100 counties. The DENR study determined that North Carolina could eliminate testing in 27-to-31 of those counties by January 1, 2016, depending on the level at which the Environmental Protection Agency revised the current national ozone standard.

The EPA proposed a more revised ozone standard in December 2014, and plans to adopt a new standard by October 1, 2015. The current ozone standard is 75 parts per billion (ppb) measured over 8 hours, and the EPA has proposed lowering (or strengthening) the standard to a level in the 65-70 ppb range.

If the EPA sets the standard at 65 ppb, DENR recommends eliminating testing in 27 counties: Brunswick, Burke, Caldwell, Carteret, Catawba, Chatham, Cleveland, Craven, Edgecombe, Harnett, Haywood, Henderson, Lee, Lenoir, Moore, Nash, New Hanover, Onslow, Robeson, Rutherford, Stanly, Surry, Wayne, Wilkes and Wilson. If the standard is set at 70 ppb, the recommendation includes four additional counties: Granville, Orange, Pitt and Rockingham.

Changes to the counties covered by the program would require legislative approval. The report recommends further analyses during the coming year to determine whether additional counties could be removed from the program after 2016.

MANAGEMENT NOTES

Exit Planning: Two Baby Steps

(By: Carl Rogers, *in association with Park South Group*)

In the previous two issues of this newsletter, we attempted to dismantle the most common objections owners make to undertaking the planning necessary to exit their companies successfully. Those excuses to avoid exit planning are:

1. The business isn't worth enough to meet my financial needs. When it is, that is when I'll think about leaving.
2. I will be required to work years for a new owner.
3. I don't need to plan. When the business is ready, a buyer will find me.
4. The business is my life! I can't imagine my life without it!

Assuming we were successful in persuading you that exit planning not only helps your business while you are in it, but is also the best way we've found to leave your company to the successor you choose, on the date you choose and for the amount of cash you want, how do you, as an owner, jump into exit planning?

Let us suggest that one of the best places to jump in is to take some measurements.

First, retain a valuation expert to perform an estimate of value of your company to find out what it is actually worth. (If you plan to sell to a family member, co-owner or employee, retain a certified business appraiser. If, instead, you foresee a sale to a third party, ask a business broker or investment banker for a "sale price estimate.") The transaction advisor you choose (an investment banker if your company's likely value is at least \$5 million, and a business broker for smaller businesses) should be able to give you a range of value for your business in today's M&A marketplace. As we've seen over the past few years, best guesses and educated opinions are nice, but they are weak foundations for exit planning.

Second, sit down with your financial advisor to figure out how much cash you will need to meet your financial needs. Again, tap into the expertise of your financial advisor to help you objectively analyze your future needs and make realistic, risk-sensitive assumptions about investment rates of return.

To illustrate how assumptions, rather than objective measurements, can lead owners astray, let's look at Sam Reed, a hypothetical business owner, who went into a transaction armed only with assumptions.

When Sam Reed started thinking about selling his business, he started paying close attention to what competitors were getting for their companies. He applied his industry's rule of thumb to his company, compared his company to others and figured that his company was worth about \$20 million. He calculated that he'd take home about 75% of that after taxes. Since he needed \$6 million to pay off business debt, he thought he could cash out for \$9 million.

Sam hadn't put a lot of thought into what income he'd need for a comfortable post-exit life, but figured that at his age (50), \$9 million, yielding 8% per year (\$700,000+ annually) would be adequate replacement for the \$850,000 salary and distributions currently took from the business.

With these stars aligned, Sam put his company on the market. Unfortunately, Sam's telescope was out of focus. His idea of business value was unrealistically high, given the flatness of his company's cash flow and the general malaise in the M&A world. The best offer on the table was \$14 million of which \$11 million was in cash, leaving him with about \$2 million net at closing (after taxes and debt payoff) and another \$3 million in future payments.

When Sam learned from his financial advisor that the realistic return on the net proceeds (\$2-\$5 million depending on whether he actually received the \$3 million of future payments) was 4%-5%, he had no alternative but to quickly back out of the sale process.

Sam made two critical mistakes. He miscalculated the proceeds he'd received at closing and unrealistically overestimated the rate of future investment return. He would have saved time, effort and money if he had: (1)

gotten a sale price estimate which allowed him to realistically estimate how much he would *net* from the sale and (2) forecasted a *realistic, risk-sensitive* rate of investment return (as part of a Financial Needs Analysis). With these two pieces of information in hand, Sam could have made a more informed decision.

Many owners don't have the luxury of time. We suggest that you stick at least your toe in the exit planning pool by taking these two simple measurements. Test your assumptions; you may be surprised at the results.

Call us (704-454-7070) and we can help you get started on a plan that can help you make your company more valuable today and help you pursue the future exit you desire.

The Internet - Your Presence is Required

(By: Holly Biondo - Net Driven)

Research shows that, even in 2015, small businesses are consistently still missing the boat when it comes to their online presence. Building an online presence takes more than just creating a website with your business address and phone number and a list of products that you sell. Think of it as a virtual version of your business. A 24-hour digital showroom. What kind of impression is your digital doppelganger creating?

There are *many* reasons why having a strong Internet presence is important for small businesses, but let's just take it slow and focus on the top 5 factors that should be considered.

1. **The Internet has forever changed the way that people shop:**
 - 97% of consumers search for local businesses online. You read that right. 97%. This includes local businesses such as tire and service shops.
 - 81% of consumers research online before making a purchase. If they don't find you online, they will choose another business.
 - 55% of purchase-related conversions occur within one hour of an initial mobile search. Having a mobile-friendly site is a must.

If you are a business owner, these numbers should be enough to convince you. Bottom line - your customers are online, and you should be too.

2. **You want your customers to find you:** Let's face it. When you are going to buy something, anything, do you ever pick up the phone book and call around? Do you get in your car and drive from store to store? I didn't think so. The first thing anyone does is look online to see who has the product they need. If you don't have a website, or you don't show up in their search results, you better believe you won't be getting their sale. We are not going to get into SEO, PPC, or any other acronyms in this article, but you should understand that once you have the website, you should also look into these things to optimize the performance of that website.
3. **The Internet provides opportunities for brand building:** Your website and social media presence should contribute to your overall branding efforts. There should be a consistent look and feel to all of your marketing materials and, believe it or not, your website is one of them. Today, just about everything on your website can be custom designed to reflect your brand. You have the opportunity to create an impression every time someone visits your website or social media page. Do not make the mistake of settling for a generic internet appearance, or you will get lost in cyberspace.
4. **Social media is not just for personal use:** Social media has opened a new door for marketers in terms of needs discovery. You can gain some very useful insight into what your customers think, feel, and need, and who they really are. You can ask questions, conduct polls, and communicate directly with them. You also have the ability to see what they are interested in, and even ask them to refer their friends to your business.

At the same time, you have the opportunity to show your customers a more personal side of your business. Social media posts should create a personal touch but still reflect your business; content should be relevant to your industry and meaningful for your customers. The key to social media for business purposes is value creation. Repeat after me, value creation. You have to give them a reason to keep coming back. Do you consider yourself an expert in your industry? Try providing daily tips and advice, or holding a Q&A session.

5. **Relationship Building:** The Internet provides a unique opportunity to build lasting relationships with your customers and potential customers. Think about it, how many Internet users are on social media? Something like 1.5 Billion between Facebook and Twitter alone. What are they looking for? They are looking for a personal connection with you. They can, and they should. Creating personal connections with customers online can strengthen their sense of brand loyalty and increase customer retention.

Today, even the smallest businesses cannot survive without a strong Internet presence. You may be used to most of your customers being acquired through "word-of-mouth" advertising. In the past, this was sufficient, but today, word-of-mouth does not even hold the same meaning that it did just 10-15 years ago. A father may tell his children to take their vehicle to the shop that he recommends, but what happens next is a game changer. His children will first go to the Internet and perform a search for this business. Word-of-mouth just took a digital turn.

Finally, if you are just getting started with your business website (better late than never), there are a few things you should keep in mind.

1. Your website should include as much information as possible. This includes all of your business and contact information, types of products and services you provide and detailed descriptions of those products and services.
2. The appearance and usability of your website are crucial. You want to make sure you have a well-designed, branded site. Your site should also be easy to navigate and provide clear, prominent calls-to-action.
3. Make sure that your website is optimized for search engines, or no matter how much content you have or how well it's laid out, no one will be able to find it.
4. Analytics are your friend. You should monitor your website's performance to find out how many people are visiting your site, how long they are staying on it, how many pages they are viewing, and how many people are submitting contact forms or requesting quotes. These numbers will tell you what is working and what is not.

INDUSTRY NEWS

Top Tech Training Needs

"Three subjects top the technician training needs of Service Stations and Garages: hybrids, diagnostics and electronics. The importance of these training subjects varies by the size and nameplate mix of Service Stations and Garages, according to Lang Marketing's latest nationwide service outlet study."

"Over one-third of respondents (Service Station and Garage owners and managers) reported training is more necessary for foreign nameplates than for domestic vehicles. Alarming, technicians at over one-quarter of shops received no automotive training during the past twelve months." -- Jim Lang

Hottest Tech Training Subjects. Three subject areas are mentioned most by Service Station and Garage owners and managers when asked, "What technician training is needed?" Hybrid systems were pointed out most often, followed by diagnostics in second place, and electronics training third. Electronics training includes automotive computer systems, engine control systems, along with other electrical components and systems.

Foreign & Domestic Nameplates. Nearly 35% of Service Station and Garage operators indicated technician training is more necessary for foreign nameplates (imports and transplants) than it is for domestic nameplate cars and light trucks. Fewer than 10% of respondents said tech training is more necessary for domestic nameplates than for foreign cars and light trucks. This reflects the greater vehicle variation of the foreign nameplate population on U.S. roads compared to domestic models, as well as the higher concentration of hybrids among foreign nameplates.

Shop Size Differences. There are important differences in shop operator perceptions of needed technician training by repair shop size. Diagnostics training ranks tops among Service Stations and Garages with three or fewer bays, followed by electronics, with hybrid training third.

Hybrid Training Tops Among Larger Shops. Larger shops, in contrast, said hybrid training is most needed by technicians, followed by diagnostics, with electronics training third. This could signal a developing gap between large and small shops in hybrid repair capabilities during future years.

Foreign Nameplate Training Needs. There was a significant split among Service Station and Garage operators, based on their foreign nameplate repair percent, regarding the need for foreign nameplate repair tech training versus training for domestic cars and light trucks. Service Stations and Garages for which foreign nameplates generate at least 45% of their business are most likely to believe foreign nameplate training is more necessary than tech training for domestic models.

Small Shops Most Likely To Skip Training. There is a substantial difference between large and small shops in technician training activity. Over one-quarter of all Service Station and Garage operators said their technicians received no automotive training over the past twelve months. Service Stations and Garages operating three or fewer bays were over twice as likely (35%) to report techs received no training during the past twelve months than were larger Service Stations and Garages (16%).

Growing Shop Competitive Differences. These findings point to a growing chasm between shops of differing size as well as those with varying mixes of foreign and domestic nameplate business in terms of how they are using (or not using) technician training to effectively compete in the increasingly diverse and complex vehicle service market.

Cause For Training Concern. This training gap is a cause for concern regarding the future viability of the Independent (non-Dealer) sector of the light vehicle service market as the car and light truck population in the U.S. grows technically more complex and foreign nameplates comprise a growing share of the car and light truck population.

Six Major Takeaways:

1. There are significant differences in technician training priorities by shop size, with diagnostics training priorities by shop size, with diagnostics training first among smaller Service Stations and Garages (three or fewer bays) and hybrid training requested most by larger operations.
2. Nearly 35% of Service Station and Garage owners and managers believe technician training is more necessary for foreign nameplate vehicles (imports and transplants) than it does for domestic nameplates. Less than 10% held the opposite view.
3. Over one-quarter of all Service Station and Garage operators said their technicians received no automotive training over the past twelve months.
4. Technicians at 35% of small Service Stations and Garages (three or fewer bays) received no automotive training during the past 12 months, over twice the share of larger Service Stations and Garages without technician training during this time.
5. There is a growing chasm between Service Stations and Garages of differing sizes as well as varying mixes of foreign and domestic nameplate repair in terms of how they train their technicians.
6. A two-tier division could be developing in the Independent Service (DIFM) Market between Service Stations and Garages capable of high-tech repairs and those which lack these capabilities.

(Source: The Lang Aftermarket iReport - 4/1/15)

April is National Car Care Month

April is National Car Care Month and the Car Care Council reminds motorists to spring into action and follow 10 basic maintenance procedures to make sure their vehicles are running at peak performance for the summer driving season.

1. **Check all fluids**, including engine oil, power steering, brake and transmission as well as windshield washer solvent and antifreeze/coolant.
2. **Check the hoses and belts** to make sure they are not cracked, brittle, frayed, loose or showing signs of excessive wear.
3. **Check the battery** and replace if necessary. Make sure the connection is clean, tight and corrosion-free.
4. **Check the brake system** annually and have the brake linings, rotors and drums inspected at each oil change.
5. **Inspect the exhaust system** for leaks, damage and broken supports or hangers if there is an unusual noise. Exhaust leaks can be dangerous and must be corrected without delay.
6. **Schedule a tune-up** to help the engine deliver the best balance of power and fuel economy and produce the lowest level of emissions.
7. **Check the heating, ventilating and air conditioner (HVAC) system**, as proper heating and cooling performance is critical for interior comfort and for safety reasons such as defrosting.
8. **Inspect the steering and suspension system** annually including shock absorbers, struts and chassis parts such as ball joints, tie rod ends and other related components.
9. **Check the tires**, including tire pressure and tread. Uneven wear indicates a need for wheel alignment. Tires should also be checked for bulges and bald spots.
10. **Check the wipers and lighting** so that you can see and be seen. Check that all interior and exterior lighting is working properly and replace worn wiper blades so you can see clearly driving during precipitation.

AAACT NEWS

Welcome New Member

Affiliate (*Manufacturer; AACT Supplier; Sales Rep.; Repair Facility; Body Shop*)

❖ **Repair Shop Websites**, 645 Poole Dr., Garner, NC 27529 - Jason Middendorf

N.C. Capitol Day

The first annual Capitol Day for AACT members was held on Wednesday, March 18, 2015 in Raleigh and was an unqualified success. **Charlie Key, Jr., Andrew Key, Rick Brown, and Mark Pate of Auto Supply Company; Ralph Dickson, III of NAPA MALI Auto Parts; Buddy Kittrell of Kittrell Auto Parts; Max Miller of Benson Auto Supply; Dan Walker of Walker Auto Stores; Randy Lisk of Automotive Aftermarket Association of the Carolinas and Tennessee, Inc.; and Christine Sankar and Terisha Lee of LKQ Corporation** walked the halls of the Legislative Building and Legislative Office Building meeting with eighteen (18) legislators.

This event gave the members of AACT an opportunity to introduce themselves and their businesses to legislators. It also gave the members a chance to promote the automotive aftermarket industry in North Carolina and make legislators aware of the concerns and issues regarding the industry.

Some of the issues discussed were: Maintaining an Open Market for Aftermarket Parts; Right to Repair; and Changes in the North Carolina Vehicle Safety and Emissions Inspection Program. "It was a day well spent and is hopefully the first of many such annual Capitol Days," stated Randy Lisk, AACT Executive Vice President.

Toner Cartridge Program

Dove Data Products has been chosen as the recommended supplier of toner and ink cartridges for AACT members. We offer all members:

- Special Pricing with a savings from 30%
- Free Shipping
- Free Phone Support with Printer Problems
- No Payment at Time of Order

Call Rusty McLamb (1-800-968-6925, Ext. 277) or send him an email (rmclamb@dovedata.com) for prices on any brand of toner or ink supplies.

Protecting, Preserving, and PLANNING for Your Retirement

April 29, 2015 ---- 11:30 A.M. - 1:30 P.M.

Lunch & Learn - FREE

- ❖ Is what you worked for protected?
- ❖ Are you aware of tax deferred growth?
- ❖ Are you concerned about the consequences of not having Long Term Care?
- ❖ Is your life insurance plan adequate?
- ❖ Are you ready for retirement?

IGO has assembled a group of speakers who will discuss ways to protect, preserve, and plan for retirement. Topics will include the following:

- Revocable and Irrevocable Trusts
- Life Insurance
- Long Term Care
- Medicare Supplements
- Annuities & CDs

Attendees: Ages 30-65 & Over 65

Contact IGO Insurance to Register: 800-243-1560; info@igoinsurance.com

Register early --- Space limited!

Class at IGO Insurance - 8117 Ebenezer Church Rd., Raleigh, NC 27612

"I had the opportunity to attend a recent "Lunch and Learn" Session hosted by the IGO Insurance Agency and learned more about long term care insurance, living trusts and Medicare in a short period of time than I've learned in years. I look forward to the opportunity of attending similar sessions in the future and suggest that others affiliated with the aftermarket take advantage of these educational opportunities as well."

*Randy Lisk, Executive Vice President
Automotive Aftermarket Association of the Carolinas and Tennessee, Inc.*

Memorial Day

The AACT office will be closed May 25, 2015, in observance of Memorial Day.

~ Randy Lisk, Executive Vice-President