

THE HORN



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2016 AAACCT CONVENTION: Williamsburg, VA

The Automotive Aftermarket Association of the Carolinas and Tennessee (AAACT) is pleased to announce that this year's annual convention will be held at The Kingsmill Resort in Williamsburg, VA, September 8-11, 2016. The weekend will be filled with education and fun. Convention Chair Sandy Crews, Jacksonville, N.C., will release final details in the next issue of "The Horn". Please join us and experience the history surrounding Colonial Williamsburg. Let's make this one of our best conventions yet!!

INDUSTRY NEWS

Auto Care Association Delivers Cybersecurity Warning at NHTSA Roundtable

The Auto Care Association warned vehicle manufacturers and regulators recently that failure to consider how vehicles are serviced when designing vehicle cybersecurity protections could harm consumers and the independent vehicle service facilities that provide them with repairs. Aaron Lowe, senior vice president, regulatory and government affairs, Auto Care Association, delivered the warning while participating in a panel discussion as part of the Vehicle Cybersecurity Roundtable that was produced by the National Highway Traffic Safety Administration (NHTSA) on January 20 in Washington, D.C.

Lowe said that Auto Care Association members were concerned that possible cybersecurity measures could limit access by independent technicians to critical on-board computers needed to repair and diagnose vehicles.

"When consumers spend \$30,000 or more to purchase a vehicle, they should control where that vehicle is serviced, and not the vehicle manufacturer," said Lowe.

Following the roundtable, Lowe praised NHTSA for holding the event.

"The panel discussions provided a great forum for stakeholders involved in the vehicle cybersecurity issue to express their views on how to protect vehicles," said Lowe. "We are very grateful that the agency provided the Auto Care Association an opportunity to highlight the importance of considering the needs of consumers and the independent service industry in developing vehicle cybersecurity policies."

National Car Care Month

The Car Care Council supports two months each year to bring attention to the importance of car care and preventive maintenance. These months are National Car Care Month in April and Fall Car Care Month in October.

Why April? In April, as winter comes to an end, it is time to get your car ready for spring driving and summer road trips! National Car Care Month reminds you to take care of any issues that may have occurred or been ignored during the long winter season. Spring driving brings its own hazard such as slick, wet roads. It is important to make sure your tires, brakes and windshield wipers are ready for the rain. Spring also means allergy season.

What Does National Car Care Month Mean for Me? Free Car Care Events!! Many businesses will hold free car care events or clinics at their shop or at a community event. Events typically include a free vehicle inspection and allow one to ask a technician questions about his car or maintenance in general.

How Can I Promote National Car Care Month in My Business? Help your customers be car care aware by passing out helpful information. The Industry Tool Box (www.carcare.org) has ways you can get involved.

You can:

- Print a National Car Care Month Banner to hang in your business.
- Purchase a newly redesigned kit with everything you need to get your business ready.
- Hand out the popular Car Care Guide.
- Add a car care month logo to your website or promotional materials.

Source: 2016 Car Care (<http://www.carcare.org>)

Odometers Drive the Aftermarket

"As car and light truck average age increases in the U.S., accumulated mileage on vehicle odometers also climbs. At mid-year 2015, the typical light vehicle in the U.S. averaged approximately 19,000 more odometer miles than ten years earlier (2005). This is important to aftermarket product growth since older vehicles with greater accumulated mileage consume more aftermarket products per-mile than cars and light trucks with lower odometer readings. The significance of the relationship between accumulated mileage and aftermarket product use was borne out between 2007 and 2014, when total annual miles of light vehicles on U.S. roads was flat. At the same time, aftermarket product use by cars and light trucks shot up more than \$7 billion, at user-price, despite no mileage growth." ~ Jim Lang

Odometer Miles and Aftermarket Volume. Not all light vehicle miles generate the same aftermarket product volume. **Aftermarket product use per-mile varies significantly depending on vehicle age and, therefore, accumulated vehicle mileage.** A vehicle with 145,000 odometer miles, for example will generally average more aftermarket product use when driven 12,500 miles in a typical year than a vehicle with 80,000 miles on its odometer.

All Light Vehicles. The average light vehicle in the U.S. at mid-year 2005 had approximately 118,000 on its odometer. Accumulated mileage on the average light vehicle increased to approximately 127,000 by 2010, with odometer miles climbing to an estimated 137,000 for the average light vehicle in 2015. Given these large increases in odometer mileage of the typical vehicle during each of these three years, the same amount of miles by an average vehicle in 2015 generated more aftermarket product volume than the typical vehicle driven in 2010 or 2005.

Cars and Light Trucks. The average car in the U.S. during 2015 had approximately 18,000 more miles on its odometer than the average car ten years earlier: 138,000 versus 120,000. The change in light truck accumulated mileage was greater: climbing from an estimated 117,000 in 2005 to 136,000 during 2015, a 19,000 mile gain. This moderate variation in accumulated miles between cars and light trucks in the U.S. over the past ten years masks significant differences in odometer readings between foreign and domestic nameplates.

Domestic Nameplate Accumulated Mileage. Domestic cars and light trucks averaged high odometer readings between 2005 and 2015. **Accumulated mileage on the average domestic nameplate increased to 137,000 during 2010, up from 127,000 miles five years earlier. By 2015, the average domestic nameplate had 145,000 miles on its odometer.** Domestic nameplates averaged much higher accumulated miles per-vehicle than foreign nameplates in the U.S. during each of these three years: 2005, 2010 and 2015.

Foreign Nameplates. Foreign nameplates averaged approximately 22,000 fewer accumulated miles per-vehicle during 2005 than their domestic counterparts: 105,000 miles versus 127,000 miles. This mileage difference increased during 2010, with foreign nameplates averaging 116,000 odometer miles compared to the much higher 137,000 odometer reading of the average domestic nameplate. **By 2015, foreign nameplates averaged 123,000 miles on their odometers compared to a much higher 145,000 accumulated mileage on the average domestic light vehicle in the U.S.**

Domestic Cars Lead Odometer Miles. Domestic cars average the highest odometer readings of any major light vehicle group in the U.S. During 2005, domestic cars averaged 133,000 odometer miles, much higher than the 118,000 miles accumulated on the average light vehicle. Domestic cars averaged 141,000 odometer miles during 2010, much greater than the average accumulated miles of all light vehicles in the U.S. that year. **By 2015, domestic cars pushed their average odometer miles to over 152,000,** more than 29,000 miles greater than the average foreign nameplate car, and significantly higher than the 137,000 average accumulated miles on all light vehicles during 2015.

(Source: Jim Lang, Publisher)

LEGAL / LEGISLATIVE

N.C. Department of Revenue Sales & Use Tax Division

IMPORTANT NOTICE: SERVICE CONTRACT FOR ONE OR MORE COMPONENTS, SYSTEMS, OR ACCESSORIES FOR A MOTOR VEHICLE -- TAXABLE

The sales price of or the gross receipts derived from the sale or the renewal of a "service contract" sold at retail for one or more components, systems, or accessories for a motor vehicle is a service contract for tangible personal property continues to be subject to the general 4.75% State, and applicable local (2.00% or 2.25%), and applicable transit (0.50%) rates of sales and use tax.

For more detailed information regarding the application of the sales and use tax laws related to or concerning the retail sale of a service contract for tangible personal property, see the Important Notice: Sale or Renewal of a Service Contract for Tangible Personal Property Changes issued by the Department February 2, 2016, and the Important Notice: Service Contracts issued by the Department September 26, 2014. Both are available on the Department's website www.dornrc.com.

The sale or renewal of a service contract for the following is a service contract for tangible personal property. This list is not all-inclusive.

- Repair and replacement of tires, wheels, or rims for a motor vehicle.
- Repair of chips and cracks in and the replacement of motor vehicle windshields.
- Repair and replacement of individual components including the following: engine, transmission, drive axels, battery, alternator, turbo/supercharger, fuel tank, suspension, electrical system components, airbag electronics, air conditioning, seals and gaskets, transfer unit, amenities (audio system, DVD, internet, Bluetooth/phone, GPS).
- Removal of dents, dings, or creases on a motor vehicle.
- Repair or maintain electrical, emissions, fuel, cooling, steering, or braking system of a motor vehicle.
- Repair or maintain leather of a motor vehicle.
- Repair or maintain paint of a motor vehicle.
- Repair or maintain a motor vehicle key or key fob. An agreement that only provides for the replacement of a key fob does not meet the definition of "service contract.."

Example: On March 5, 2016, a person purchases a motor vehicle from an automobile dealership located in North Carolina. In addition to the purchase of the motor vehicle, the person purchases three separate service contracts for the following: engine, paint, and leather. The service contracts are sold by the automobile dealership as a facilitator on behalf of the obligor of the service contracts. The sum of the sales price for the three service contracts is \$2,750.00. The automobile dealership is liable for the general 4.75% State, applicable local (2.00% or 2.25%), and applicable transit (0.50%) rates of sales and use tax on the \$2,750.00 sales price of the three service contracts, as there is not an agreement between the automobile dealership and the obligor that provides that the obligor is the party liable for the payment of the tax.

Example: On April 1, 2016 a person purchases a battery, an alternator, and a wiring harness from an automotive parts store located in North Carolina. In addition to the parts, the automotive store sells extended warranties on the battery and alternator for \$50.00 each. The automotive parts store is liable for the general

4.75% State, applicable local (2.00% or 2.25%), and applicable transit (0.50%) rates of sales and use tax on the parts and on the \$50.00 sales price for each of the extended warranties.

Assistance

For more detailed information concerning the application of the sales and use tax on or after March 1, 2016 related to or concerning motor vehicles, see Important Notice: Motor Vehicles (Installation Charges: Repair, Maintenance, and Installation Services; and Service Contracts) issued by the Department on February 11, 2016 and is available on the Department's website, www.dorn.com.

General questions regarding this notice should be directed to the Taxpayer Assistance and Collection Center at 1-877-252-3052 (toll-free).

To the extent that there is any change in statute or regulation, or new case law subsequent to the date of this notice, the provisions in this important notice may be superseded or voided. To the extent that any provisions in any other notice, directive, technical bulletin, or published guidance regarding sales and use tax issued prior to the date of this notice conflicts with this important notice, the provisions contained in the important notice supersede.

MANAGEMENT NOTES

Bonus Incentive Plans for Employees: What's the Point?

By Carl Rogers

When we ask business owners about the possibility of installing an employee incentive plan, we often hear one of two responses:

- ❖ "I would like to do something to reward my key employees for their performance."
OR
- ❖ "You know, one of my best employees left last week for a company for more money. I think I'd better do something to stay competitive in the marketplace."

May I suggest that these two motives are not nearly self-serving enough? The purpose of installing a bonus plan for your employees is to motivate them to help you pursue your goals.

While owners differ about when they want to leave or how they wish to leave, or even whether they want to leave their companies, the underlying goal is consistent: whatever the ultimate departure -- be sure to leave in style. No matter what type of employee incentive plan you create, it should be designed to support your fundamental goals by motivating your key employees to stay with your company and help build its value.

Consider the following realities:

- ❖ Some owners may rarely take an extended vacation much less cut back on their ongoing involvement without leaving capable management in place to run the business;
- ❖ A sophisticated buyer may not seriously consider your company if it lacks a good management team;
- ❖ You may, at some point, entertain the idea of selling the company to key employees; and
- ❖ Transferring a business to children can be especially risky in the absence of key employees who will remain with the new owners.

Whether your goal is to sell to a third party, transfer the business to children or to employees, or to retain ownership long-term, the success of your strategy may depend on the presence of motivated, high-performing key employees.

We measure the effectiveness of an employee incentive plan in part by how well it motivates key employees to increase the value of a business. Effective plans necessarily reward employees as they increase the value of the business.

Usually this means that owners must develop an incentive formula that links increases in the key performance indicators of the business to the employees' rewards. In its simplest form, the incentive plan gives the key employee a bonus. In designing a strong incentive plan, consider the timing of the bonus that creates the best

incentive. You may want to consider designing a bonus program with an additional incentive for key people to stay with your company -- a "handcuff" of sorts.

Let's look at how one owner set up his company's incentive plan.

After meeting with his advisors, Mel Houston decided to give two of his key employees 30% of the company's pre-tax income above \$100,000 (the company's historic performance level). After Mel installed the plan, the company's pre-tax income increased to \$300,000 so his key employees shared 30% of the excess income (\$200,000) or \$60,000.

Because Mel wanted to retain his key employees over a long period of time, he decided to pay half of this bonus after the company's year end, and subject the other half to a non-qualified deferred compensation plan with vesting over several years.

Mel's plan (like yours should) provides that as the cash flow of his business increases (and thus the value of the business increases), he rewards his key employees accordingly. In doing so, both he and his key employees attain their goals.

Notice that Mel does not have to reach into his own pocket to pay the bonus. Instead, he is merely sharing a portion of the growth that they create. You may also notice that Mel benefits in two ways from the increase in income. First, he shares in the increased income and cash flow. Second, the value of his ownership interest most likely increases by some multiple of increased cash flow.

Keep in mind that the formula for your company can and should reflect the specific characteristics of your business. The head of the sales department might be rewarded for increasing the adjusted gross profit margin. A chef in a restaurant might be rewarded for reducing food costs (without affecting the quality of the meals served). Whatever factor you identify as a key to increasing the value of your company can be incorporated into your key employee incentive planning.

If you would like to discuss your options for installing employee incentive plans to support your goals, please contact us **[Carl Rogers, Rogers & Associates -- E-mail: cerogers@aicinvest.com]**. We can collaborate with you and your other advisors to develop a customized incentive plan tailored to your business and your future.

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7 Tips on How to Handle Angry Customers without Losing Your Cool

Working in customer service can be easy and rewarding when someone calls with a compliment or a simple problem to solve. However, some customers make it tough to keep your composure. When you are speaking to rude or angry customers, it's a natural reaction for you to want to get angry in return - but you are at work and you cannot let that happen. Below are seven tips on how to handle angry customers, whether it be on the phone, in person, on a live chat or anything else, all without losing your cool.

1. **Don't take it personally.** Although angry customers take their frustration out on you, they know that probably you did not cause their problem. Allow them to vent about their problem, but do not take it personally. Listen to their story without interrupting and then find a way to help.
2. **Never argue back.** It is natural for upset customers to express their anger, but some customers can take things too far and your first reaction may be to defend yourself. However, as a professional customer

service specialist, you should never argue back. Maintain your integrity and be the better person. If customers begin to abuse you verbally, let them know that you understand their frustration and that being rude will not solve their problem. Let the customer know that you are there to help, but you cannot do so until they calm down.

3. **Kill them with kindness.** If your angry customer refuses to calm down, then kill them with kindness. Be sincere, respectful and understanding. Show sympathy for their situation and express empathy for their frustration. By keeping calm and controlling your own anger, you may find that your customer will ease up a little too. Try to make a joke to lighten the mood or share a story to show you can relate.
4. **Be patient.** Each person and situation is different, so be patient and understand that it may take a little longer for some angry customers to relax and some may get angrier as time continues. Stay in control and try to direct the conversation to a happy resolution. Do not rush the situation, even if you have other customers to help.
5. **Know how to apologize.** When the time is right, apologize to your customer. I know how difficult it is to be sincere when you are trying not to lose your cool, but for the sake of calming down your customer, try your hardest to give a genuine apology. Depending on the customer's complaint and the direction of the conversation, there are a few different ways you can apologize.
 - a. "I'm sorry you are unhappy with your purchase. Let's work together to turn things around."
 - b. "I'm sorry you didn't receive your parts on time. Let me find out what I can do to make it up to you."
 - c. "I'm sorry you are so frustrated. I understand where you are coming from and I will do my best to help you."
6. **Solve the problem.** Once your angry customer has finally exhausted his or herself, ask questions to gather facts on the problem. Work with your customer to find a resolution that satisfies you both or else you will go back to where the conversation started. However, keep in mind that you are helping to run a business and do not overcompensate for the customer's complaint. The solution should be fair and justifiable for both parties.
7. **Relieve your stress.** End the conversation on a happy note and find a way to relieve your stress. Let your anger go away with the customer. whether you take a walk around the office, drink a cup of coffee, eat a piece of candy or vent to a co-worker, do not keep stress cooped up inside you. If you do not relieve your stress, you will be a ticking time bomb, waiting to lose your cool on the next angry customer - or even worse, your boss.

(Source: *velaro*)

AAACT NEWS

AAACT/GAAS Scholarship Application Deadline Approaching

The Automotive Aftermarket Association of the Carolinas and Tennessee is proud to announce that applications are now available for the annual AAACT Scholarship(s). AAACT will make available at least two (2) \$1,000 scholarships. All students who apply must be sponsored by an AAACT member in good standing. AAACT scholarships are also awarded regardless of the student's planned field of study. Keep in mind that AAACT members, and their immediate families, as well as AAACT members' employees and their families, are all eligible for the scholarships. AAACT owner-members and immediate family members of an AAACT Scholarship Fund Trustee are not eligible to receive an AAACT scholarship grant.

Again this year, the student applicant may complete the application for the AAACT Scholarships online at www.automotivescholarships.com/AAACT. This way the student will not only be eligible for the AAACT scholarship, but also ones from several other sources within the industry. All applications need to be completed online by March 31, 2016. The AAACT scholarship(s) will be awarded by mid-May, 2016. If the applicant desires to apply only for an AAACT scholarship, then only the paper application should be completed and returned to AAACT... call 1-800-849-8037 for a copy. But why not apply online and have a chance at multiple scholarships. Please contact Randy Lisk at the AAACT office if you have any questions on this process for applying for scholarships.

-- Randy Lisk, Executive Vice President