



# Special Report Special Report Special Report Special Report

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## **Independent Aftermarket Image:**

*Why Premium Aftermarket Parts  
Deliver the Best Value*

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# Independent Aftermarket Image: *Why Premium Aftermarket Products Deliver the Best Value*

**Editor's Note:** This report does not address issues associated with aftermarket crash parts. Concerns about quality aftermarket crash parts issue are separate and distinct from the AASA Know Your Parts® industry awareness and education campaign and this Special Report. The campaign and this report specifically address the issue of low quality, low cost parts and the quality, name brand replacement parts produced by full service aftermarket suppliers which meet or exceed OEM specifications.

## **1. Introduction and Executive Summary**

*The following AASA "Special Report," is a continuation of a report originally released in 2009, "Independent Aftermarket Image: Quality Does Matter." For a complete list of the Know Your Parts® Special Reports, refer to page 13 of this report.*

The need for maintenance and replacement parts began when the first automobile rolled off an assembly line, and that demand has created one of the largest industries in the world. With direct employment of 686,000, parts suppliers are the single largest manufacturing industry in the United States. Collectively, the motor vehicle parts supplier industry is a \$338 billion industry.

As the distribution channel formed and evolved over the years, automotive parts manufacturers have depended on channel partners to provide local availability and delivery of their products to repair facilities across the nation and around the world. This industry and the network that serves it are called the automotive aftermarket.

The hundreds of thousands of workers who make their living in the automotive aftermarket – regardless of position in the supply chain: manufacturer, reseller, jobber or repair professional – know a successful business' most valuable asset is its reputation. Yet some in the aftermarket are risking the entire industry's good reputation by selling and installing inferior, low-cost parts. But there is a *high price to low cost parts*.

The Automotive Aftermarket Suppliers Association (AASA) has prepared this "Special Report" as another in its series of reports addressing growing concerns regarding low cost, low quality automotive replacement parts and products – and the potential threat these parts pose not only to public safety but to the good reputation of the independent aftermarket.

"Independent Aftermarket Image: Why Premium Aftermarket Products Deliver the Best Value" deals specifically with both short and long term effects that low-cost auto parts currently have and may represent in the future. AASA provides this report in support of its Know Your Parts® industry awareness and education campaign.

Amid growing numbers of safety-related recalls of vehicles, the aging vehicle population and increasing offshore manufacturing, the importance of vehicle parts safety has never been greater. One independent research study has shown that in a sample of 420 fatal crashes about one quarter could be attributed to vehicle defects.



Yet, some aftermarket businesses are jeopardizing the industry's good reputation by selling and installing inferior, low-cost parts. Price pressures and the misconception that generic auto parts can be as reliable as generic consumer products are putting the aftermarket at risk.

Research shows that repair professionals and shop owners alike rank quality as the top factor in their parts buying decisions – and that they will contact another store if the top quality part isn't available. A survey of consumers reveals that nearly 90 percent report they are willing to pay more for parts that last longer.

The short-term damage done by inferior quality auto parts can lead to the incorrect assumption by some repair professionals that OE parts have a greater impact on business than aftermarket replacement parts. In fact, the quality and benefits of aftermarket parts are equal, if not greater in many instances, to OE parts. If this perception is allowed to continue, the aftermarket as a whole loses.

Full Service Suppliers make substantial investments to bring high quality products to market and do not base their business solely on price, but rather on an entire program of services and investments.

The AASA Marketing Executives Council (MEC) has developed standards by which all suppliers should be evaluated. The **AASA Supplier Evaluation Standards**, highlighted on page 11, were designed with the channel partner in mind. These standards can assist aftermarket resellers make informed buying decisions regarding aftermarket parts.

These Evaluation Standards were developed as part of the AASA Know Your Parts® industry education campaign. The campaign's goal is to raise awareness in all areas of the automotive aftermarket supply chain that quality replacement parts matter for the safety of the consumer and the continued success of the entire aftermarket industry.

## **2. Research Shows: Quality Matters**

In 2009, AASA conducted focus group research among repair professionals regarding product selection. The results of this research are contained in a separate publication, "Special Report: Focus Group Findings on Buying Influences of Repair Professionals." This free report can be downloaded at the AASA Web site, [www.aftermarketsuppliers.org](http://www.aftermarketsuppliers.org), in the publications section.

The repair professionals who participated in the AASA focus groups had to meet stringent criteria: have at least five years of experience, own or work at a shop with at least three service bays, and service all makes / models of vehicles, just to name a few. Sixty individuals attended the six sessions held in three geographic regions – East, Midwest and West Coast. Of the participants, 50 percent were owners of their businesses with more than 20 years of experience.

Without exception, participants placed quality far above price when selecting replacement parts. Fit, form and function of a component scored 100 percent among participants as the No. 1 deciding factor. And while OE replacement parts provide "confidence" and may command a higher price, the clear majority of participants depend on high quality aftermarket parts.

What about generic parts and house brands? After all, many consumers regularly buy the house brand of shampoo, peanut butter or aspirin. Clearly, there is a fundamental difference in generic consumer goods versus auto parts. Consumer goods generally list ingredients on the package



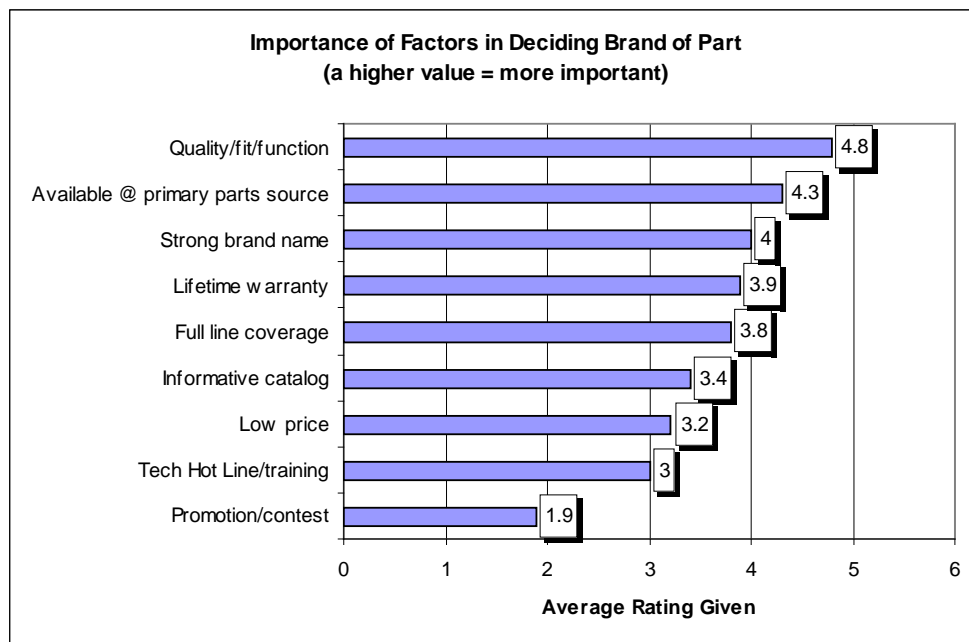
and also display a message comparing it to a brand name product. This is not the case with automotive parts.

An automotive part's quality cannot be determined by visual inspection. While a generic part may **look** exactly the same as its name brand counterpart, it's what is inside that counts – the quality of steel, other internal components and much more.

The repair professionals in AASA's focus groups shared strong opinions about generic and house brand parts. Nearly all participants said they do not and will not use off-brand or generic parts. One respondent said, "Why would you put your reputation on the line?," while another said it would be "suicide to use these parts." Most of the technicians in the groups could relay some experience with these parts "when no other part was available" or "my salesman convinced me to try it." However, these stories were always followed with a bad experience and a vow to never do it again.

Even though the participants in the AASA focus groups were against generic parts, they were quick to point out that there are shops that use them. Some shops only know how to compete on price and, to do so; they use low-cost, low-quality parts. As one participant put it, "Being a great mechanic does not assure you of being a great businessman." But while quality can be a competitive advantage over the low-price shops, these "best-in-class" shops that participated in the focus groups recognized that the reputation of the entire independent repair industry is on the line.

In a Babcox Tech Group survey, quality also rated as the number one influencing factor in the brand selection of a repair professional.



Research by Industrial Marketing Research Inc. (IMR) also supports brand loyalty among technicians and shop owners. When asked what they do when a supplier does not carry the brand requested, 62 percent of IMR survey respondents said they call another store.



What about the consumer? Another survey conducted by IMR Inc. reveals that 89.5 percent of all consumers are willing to pay more for parts that last longer. That figure moves significantly above 90 percent as income reaches \$50,000 a year or more.

Despite the research that shows most repair professionals place quality above price and most consumers are willing to pay more for higher quality, a third survey by IMR Inc. shows that on average 30 percent of parts installed by technicians are second lines versus premium brands.

### 3. Trends and Statistics

The National Highway Traffic Safety Administration (NHTSA) issues safety-related defect and compliance campaigns or recalls to notify vehicle owners of potential problems. There were 4,660 of these NHTSA reports issued in the period between March 10, 2009 and Dec. 31, 2009. The potential number of units affected by these recalls was 862,689,378, a staggering number in a 10-month period. All of these campaigns or recalls do not necessarily involve defective products, but serve to demonstrate the vital importance of remaining vigilant in choosing quality replacement parts.

Only 16 states currently perform mandatory vehicle safety inspections. An Indiana University study found that the fatal crash with vehicle defect rate is 13.44 percent higher in states without mandatory vehicle safety inspection programs than in states with such programs.

Unperformed and underperformed vehicle maintenance in the United States is estimated at \$55 billion. Vehicles 10 years old and older comprise 41.6 percent of the U.S. vehicle fleet, up from 37.8 percent just five years earlier. The average age of light vehicles in use in the United States is 9.4 years compared to eight years in 1990, the highest average vehicle age since World War II. Additionally, the trend in replacement rates for 78 key components (brakes, engine parts, filters, etc.) continues to decrease in all categories.

Another trend to consider is the increase in offshore manufacturing. According to the Foreign Trade Division of the U.S. Census Bureau, the United States imported 4.3 times more product from China than it exported in 2009 – and that number continues to grow. While the migration to low cost countries of origin is not directly correlated to poor quality, it does fuel the proliferation of knock-off product entering the largest market for replacement auto parts.

### 4. A Growing Problem

Increased use of low cost, low quality replacement parts may have many consequences. Here are a few potential problems – possibly the **new** three Rs of the aftermarket:

- **Reduced revenues** – The economic impact of low cost, low quality products affects many, not just a few. The full-service suppliers who lost sales and revenues after investing in R&D, cataloging, marketing, inventory, etc. to bring the product to market originally are not alone. Resellers see reduced gross sales revenues by selling a product for less than the premium counterpart.
- **Reputation** – An independent repair facility's most valuable asset is its reputation. One bad experience can result in a lost customer for life and word of mouth negative publicity can be even more costly.
- **Returns** – Comebacks can be deadly to the bottom line for any shop owner. Having to do a repair more than once wipes out all profit from the first time. Resellers also report that returns are one of their highest costs of doing business.



However, beyond the short-term economic effects and consequences to automotive aftermarket supply chain partners are the long term implications of this growing trend.

### **5. Long Term Effects**

Throughout history, the quality of commodity products has diminished as prices seek their lowest level. The sacrifice of lower quality for a lower price in many consumer products is inconsequential – paper goods of lower weight, thinner plastic containers, etc. But where safety and integrity are concerned, the sacrifice of quality for lower price is not acceptable – as is the case with most auto parts.

With true commodity products, brand is no longer relevant.

Perhaps the greatest risk of this growing trend toward low-cost, low-quality products is the lasting affect it may have on the independent automotive aftermarket and all the channel partners which share this market space. Other trends have made lasting changes on the American landscape.

Mega-discount, super centers have all but obliterated the “ma and pa” stores that were once the backbone of commerce in this country. There was a time when the largest of these promoted “made in the USA” – but the mantra of “low, low prices” has replaced it. Shelves are lined with low-cost products, many at the expense of American jobs.

There are many other examples throughout American history where low cost made an indelible mark. Full-service gas stations gave way to self-service convenience stores as value-added services gave way to lower gas prices. Fast food fed the U.S. appetite for low cost and convenience – but at the possible expense of good health. The list goes on and on.

The independent automotive aftermarket may be headed for a similar fate. Consolidation is the buzz word for the decreased number of resellers and jobbers. But much of that decline was rooted in the eventual inability to compete on price with the big operations. How has that affected service? Does the do-it-yourselfer or the professional technician get the same level of expertise from today’s counterperson compared to the traditional jobber of 20 years ago?

Low price always comes at a cost. There is only so much labor costs that can be reduced through low cost country of origin before the quality of the materials begins to be affected by the demand for a lower price. Next is the reduction of essential services. How much longer can a manufacturer supply free catalogs, marketing materials, technical support or even a sales force when they must compete on price alone?

Are OE parts better than aftermarket products? First, it is important to point out that most OE vehicle manufacturers do not manufacture parts. Carmakers outsource parts manufacturing to many of the same suppliers to the aftermarket.

Many aftermarket suppliers actually improve on OE designs and offer enhanced performance for the aftermarket. In these instances, it is fair to say that aftermarket quality is better than OE. However, low-cost, low quality generic parts may not meet OE specs.



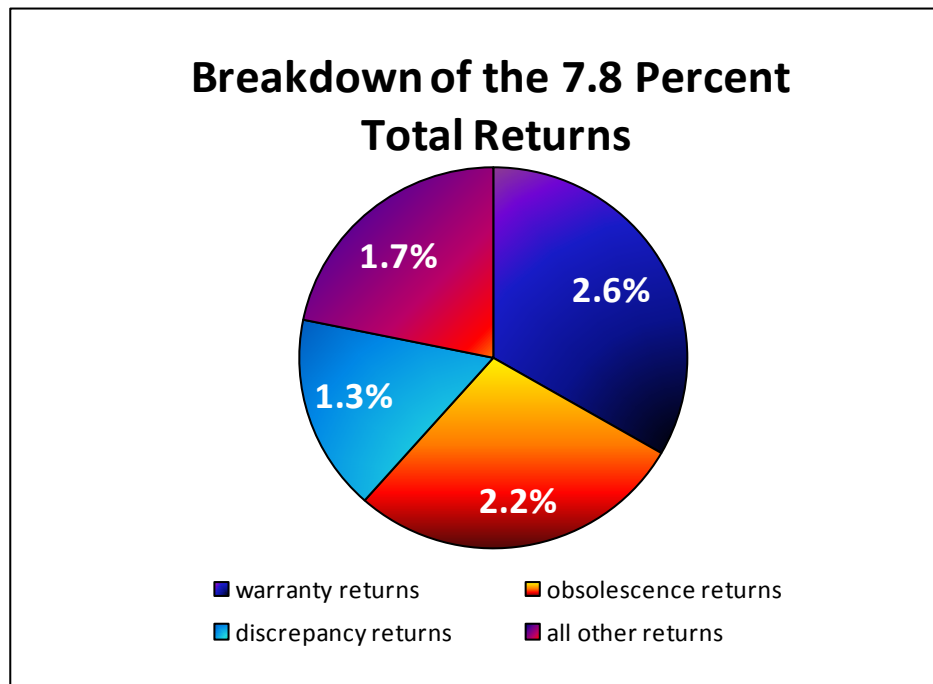
## 6. Full Service Suppliers

Just as all parts are not created equal, neither are all suppliers. A Full Service Supplier does not sell on price but rather on an entire program. Essential services provided by Full Service Suppliers include:

- Sales representation / manpower
- Industry standard cataloging
- Regional service centers / inventory availability
- Marketing support and programs
- Product specifications and quality control
- Product liability and IP protection
- Technical support and training
- Product research and development

Full Service Suppliers make substantial investments in bringing high quality products to market. Most of these services and investments are reflected in the product's selling price rather than an add-on cost.

The 2009 AASA Market Pulse survey of nearly 300 North American manufacturers of premium products quantified many of these metrics. On average, the suppliers surveyed spent 14.9 percent of their net sales in general selling and administrative (GS&A) expenses which included 2 percent on average in marketing programs for their customers. Order fill by unit volume was above 95 percent and by dollar value slightly higher. Average order turnaround was 3.3 days. Almost 5 percent of shipments were done in overnight and customer emergency basis. Drop shipments and cross docking accounted for an additional 13.5 percent of their overall business. Finally, the sum of all returns processed were 7.8 percent which breaks down as follows:



These examples of Full Service Supplier metrics illustrate what sets them apart from short line, low-cost suppliers – especially if a distributor directly imports. Many of the low-cost suppliers offer nothing in the way of support or returns. In the case of direct importing, order turnaround is measured in weeks or months, certainly not days. Special orders and overnight shipments are simply not possible. Returns are cost prohibitive if not disallowed. In cases of labor claims or, much worse, a claim involving personal injury or even death, the off shore supplier is nowhere to be found.

Low-cost, low quality products will always exist in virtually every category. However, price is only one consideration in the buying decision. Your assurance of quality and service after the sale is the **Full Service Supplier**. Equally important to remember: where a product is made is not as important as who stands behind it.

## 7. Evaluating Suppliers

It is important that all aspects and services are evaluated when choosing a supplier regardless of the product category or level of performance required. The AASA Marketing Executives Council (MEC) has developed standards by which all suppliers should be evaluated. The **AASA Supplier Evaluation Standards** were designed with the channel partner in mind to help level the playing field in vendor selection. They are made available to anyone and are distributed through the AASA Know Your Parts® Web site, [www.KnowYourParts.com](http://www.KnowYourParts.com). The standards are divided into 10 categories and include detailed questions that every channel partner should know about a supplier besides price. AASA believes that this process is vital to reaching the right decision on parts purchases. The categories include:

1. Product Specifications and Quality
2. Line Content and Completeness
3. Application Research and Catalogs
4. Product Availability and Distribution
5. Sales Representation and Manpower
6. Marketing Programs and Support
7. Technical Support and Training
8. Product Liability and Warranty
9. Intellectual Property Protection

## 8. How Does a Technician Make the Right Choice?

Because the repair professional buys through a parts reseller, it is important that they make the right choice when choosing the brand of product to install. Here are a few ways to make the right choice:

1. Use a trusted brand name part. Don't take risks on generic or unfamiliar brands. Your safety and the safety of the vehicle owner depend on it.
2. Ask a more experienced technician what brand to use. Don't be afraid to ask advice or admit you don't know.
3. Do your research. The Internet is just a click away and there are thousands of resources to find out which part is best.
4. Do NOT assume all parts are the same. "Parts is parts" was a funny slogan to describe chicken nuggets but, when it comes to vehicle safety, it is no laughing matter.
5. Participate in trade shows, reseller shows and trade fairs. Never turn down the opportunity to attend an event where factory representatives may be on hand. There is no finish line in education, only a starting line. You can always learn something new.
6. Read industry magazines and trade periodicals, particularly technical articles. However, don't trust every advertisement you see. Remember Point No. 3 above.



7. Stay in touch with your mentors, teachers and faculty. They want you to succeed and will be there when you need them.
8. Join a trade association. It is another excellent resource for information and advice from industry peers and experts.
9. Call on the parts manufacturer. They are willing and able to help with Web sites and toll free numbers frequently at your disposal. If you can't find these resources for a particular parts manufacturer, chances are that part is not the right choice.
10. Trust your own instincts. Remember the old saying: If it looks good too be true, it probably is. If you suspect the part is not of a high quality, you are probably right.

As professional technicians, public safety is in your hands not to mention your reputation. The decisions you make when selecting replacement automotive components directly impact public safety and your own professional reputation.

### **9. Know Your Parts**

The AASA Know Your Parts® campaign was developed to raise awareness that quality parts matter.

It has never been more important for the automotive aftermarket industry to stand united and encourage customers to ***Know Your Parts***:

- Full Service Suppliers to help Channel Partners *Know Your Parts* by producing quality products and promoting brand and essential services;
- Channel Partners to help Repair Profession *Know Your Parts* by promoting brand name products from trusted full service suppliers and supporting suppliers' programs instead of direct importing;
- Repair Professionals to help Vehicle Owners *Know Your Parts* by asking questions about parts offered by their suppliers and by installing only premium quality aftermarket parts;

In short, everyone throughout the aftermarket distribution channel must ***Know Your Parts!*** Together we can make a difference.



## **10. Related AASA “Special Reports”**

- Independent Repair Industry: Focus Group Findings on Buying Influences of Repair Professionals
- Reseller Liability on Will-Fit, Private Label and Counterfeit Products
- Direct Importing: Do the Risks Outweigh the Rewards?

Contact Jack Cameron at [jcameron@mema.org](mailto:jcameron@mema.org) or 919-406-8856 for more information.

## **11. Acknowledgements**

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## **About AASA and the AASA Marketing Executives Council**

AASA ([www.aftermarketsuppliers.org](http://www.aftermarketsuppliers.org)) exclusively serves suppliers of aftermarket components, tools and equipment, and related products. It is a recognized industry change agent – promoting a collaborative industry environment, providing a forum to address issues and serving as a valued resource for members. AASA is an affiliate association of the Motor & Equipment Manufacturers Association (MEMA). “AASA, The Voice for the Automotive Aftermarket Industry”

The AASA Marketing Executives Council (MEC) is a forum for aftermarket supplier marketing executives to collaborate in helping improve the state and image of the North American manufacturer base. For more information, contact Jack Cameron, 919-406-8856 or [jcameron@mema.org](mailto:jcameron@mema.org).

