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Using the house blend?

By James E. Guyette

Make sure that private labels and house brands deliver quality

No matter what the cost, some folks just can't get going in the morning without the latest latte from their favorite upscale coffee shop. Others are content with grabbing cup o' Joe off the kitchen counter, buying the least expensive jar from the grocer's shelves with little regard for the label or a knowledgeable barista's esteemed endorsement: A bitter brew can simply be tossed in the sink.

Such purchasing patterns may be fine for kick-starting the day – but when it comes to auto parts, an installer who puts on a bargain component lacking in fit, form and function creates grounds for that customer to feel that a reliable repair can only be obtained by patronizing the OEM dealer's service department.

The problems associated with sub-par parts have been percolating for a while, and now the Automotive Aftermarket Suppliers Association (AASA) has launched a 10-prong "Know Your Parts" campaign to help ensure that the industry's cup runneth over with a steady flow of satisfied clients.

A recent joint study by Retail Forward and PricewaterhouseCoopers reports that consumers amid this tight economy are increasingly opting for private label brands in all forms of frugality. These types of product lines "will remain a significant factor due to their increasingly higher quality and low cost since retailers don't have to advertise or promote them to the same degree as national brands," according to Lisa Feigen Dugal, chief of PricewaterhouseCoopers' U.S. retail and consumer division.

Kyu-min Oh, a senior industry analyst for the Automotive & Transportation team at Frost & Sullivan, observes that products manufactured overseas come with a cheaper price tag, motivating resellers to fall back on "white boxes" to help boost revenue. "Profit margins when selling name brand items are typically 30 to 40 percent, while the margins made when selling private labels are closer to 70 to 75 percent," he says.

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"Unfortunately," says AASA President and COO Steve Handschuh, "no statistics are available regarding the migration to low cost auto parts. However, there is a huge difference in generic consumer goods versus automotive products," he points out.

"Food, over the counter drugs and health and beauty products offered in generic form all require FDA approval along with a list of ingredients clearly marked on the label. Very few automotive parts have

government or safety regulations. A generic or private label bottle of shampoo or aspirin provides a list of ingredients and usually a comparison to a national brand. Not so with auto parts," says Handschuh.

"There is no list of ingredients, material specifications or safety standards listed on generic or private label auto parts – only marketing claims. A consumer may assume that generic auto parts are the same as generic shampoo but they could be wrong...dead wrong," he cautions.

"Low-quality parts can pose a potential safety threat to both the consumer and to the repair professional," continues Handschuh. "These parts can cause catastrophic failure of the vehicle, endangering all its occupants as well as other vehicles on the road. Parts that fail during installation can become projectiles, causing serious injuries to the technicians installing them."

Handschuh goes on to note how "low-quality parts also put the health of the independent aftermarket at risk. Surveys show independent service providers are consumers' preferred alternative once a vehicle is no longer under warranty. However, it takes just one bad experience at an independent repair shop due to a substandard aftermarket part to drive a vehicle owner back to the OE dealer. Without premium, quality parts, the consumer may come to view dealers as the only reliable source for automotive service – and that affects everyone in the independent aftermarket."

The Know Your Parts campaign includes dedicated placement of targeted advertising; logo visibility; a video public service announcement produced by NASCAR; printed materials available for distribution, such as flyers and talking point cards; training aids for employee education; promotions aimed at your customer base; and peer networking opportunities for furthering the cause.

The response thus far to the rollout has been overwhelming, according to Handschuh. "We have received only praise from all levels of the aftermarket, followed by the request, 'What can we do to support the campaign?'" He notes that the initiative "was designed intentionally to appeal to every participant in the supply chain, and it has."

"The Know Your Parts goal is similar at each step in the distribution channel," explains Jack Cameron, the AASA's vice president of programs and member services. "Suppliers should help channel partners by producing quality parts and promoting brand and essential services; channel partners should help repair professionals by promoting brand name products from trusted full service suppliers; repair professionals should help vehicle owners by installing only premium quality aftermarket parts; and vehicle owners should ask about the part's quality and research the brand before authorizing repairs."

Pondering price points

The mix of manufactured products coming out the door of Heartthrob Exhaust, Inc. in Litchfield, Minn. is about half white box/private label and half name brand packaging. Fit, form and function are constants throughout the process.

"The only difference is the wording on the box and the wording on the directions inside," says Mike Forbes, co-owner of the 35-year-old company. "Usually with the white box they'll want it labeled with their own brand," he reports. "They want something of the same high quality to sell to their customers at a lower price point."

Repairers have divergent views on the topic. "It depends on which installer you talk to. Some think name brand is just paying for the name itself," says Brain Evans, marketing manager at J.K. Distributors, Inc., which has nine J.K. Auto Parts stores throughout Northern Virginia.

"If you look at some of the national chains, they have their own private labels that people trust in, which reflects on the industry as a whole – it increases awareness that private labels can be just as good," he says.

"You have more and more people moving to private label and house brands; the consumer is looking for a lower price," says Evans.

"The retail customer coming across the counter wants the cheaper brand. The installer wants the major brand merchandise," notes Ed Keegan, chairman of TBA Auto Parts, Inc., the Federated Auto Parts distributor for California's Merced and Stanislaus counties.

"The off-brand stuff, we have some of that, but the major brands move more for us because we're 80 percent wholesale," he says.

Federated's co-branded packaging is especially effective, according to Keegan. A Hastings filter, for example, will say Hastings-Federated on the box. The program group's Silver Brand appeals to the budget-minded, he points out, stressing that everything he sells must meet the fit, form and function test. "It's got to be decent merchandise. It can't be junk."

"The recession has clearly focused consumers on value," says David Portalatin, industry analyst for NPD's auto unit. "The lower prices often offered by private label brands are a compelling offer for consumers looking for ways to cut back, he adds, citing a company survey that charted an 8.8 percent rise in industry store brand sales from 2008 to 2009.



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