

# THE GREENSHEET

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### AUTOZONE'S NET SALES UP 10.3%, EARNINGS UP 20%, COMPS UP 7.1%

For the fiscal second quarter ended Feb. 12, 2011, Memphis-based **AutoZone** saw its net income increase 20 percent to \$148.06 million and its diluted earnings per share rise 35.8 percent to \$3.34. The increase in EPS was the company's best performance since the fourth quarter of fiscal 2003. Gross profit as a percentage of sales rose from 50 percent a year ago to 50.9 percent due, in part, to increased penetration of **Duralast** product sales and lower acquisition costs.

Net sales came in at \$1.66 billion — up 10.3 percent from a year ago. This breaks down as a 10.3-percent increase from domestic, commercial and Mexico operations *[Continued on Page 2]*

### AUTO INT'L ASSOCIATION TURNS 30

The **Auto International Association** (AIA) turned 30 this year, having morphed from a highly specialized market to the largest and fastest-growing segment of **AAIA**. Imports represented about 14 percent of total vehicle registrations in 1980, according to **R.L. Polk & Co.** Since then, that number has nearly tripled to more than 39 percent. Plus, installers are now comfortable using foreign-made parts on domestic vehicles, widening the market even further, said **Kathleen Schmatz**, president and CEO of AAIA. So, while import parts are still under the microscope, they're more accepted and popular than ever before, she said. *[Continued on Page 2]*

### PEP BOYS MANAGEMENT CALLS OFF SALE PROCESS FOR A SECOND TIME

**Pep Boys'** shares fell more than 10 percent Feb. 28 following a Bloomberg news report saying that the Philadelphia-based company is no longer for sale. The article, citing two unidentified sources "with knowledge of the negotiations," states that management put a stop to the sale process because it couldn't garner a high-enough price. Indications were, according to the Bloomberg report, that Pep Boys would only fetch a price in the \$10 to \$11 per share range, which is below the \$12.50 to \$14.50 range within which the stock has been trading so far this year.

This is the second time management has put Pep Boys up for sale in the past five years. Back in 2006, the company's board of directors engaged **Goldman Sachs**, its long-term financial advisor, to explore strategic and financial alternatives for Pep Boys. The process concluded later that year with no potential investors coming forward with an offer to purchase the entire company.

### FOUR ADDITIONAL ACQUISITIONS FOR LKQ CORP. SO FAR THIS YEAR

Stop us if you've heard this before: **LKQ Corp.** keeps making acquisitions. A quick look through back issues of this publication shows a distinct theme — one of the Chicago-based parts provider growing both geographically and in new markets. And, based on recent comments from the LKQ management team, there's no reason to expect these stories to abate anytime soon. Case in point: Vice Chairman and Co-CEO **Joe Holsten's** statement on a Feb. 24 conference call, where he said the pipeline of acquisition candidates remains strong.

During the fourth quarter of 2010, LKQ acquired eight businesses, including a *[Continued on Page 3]*

### G-OIL LANDS AT WALMART

**Green Earth Technologies** (White Plains, NY), a manufacturer of green consumer packaged goods, has announced that its **G-OIL 5W-30** bio-based full synthetic motor oil is now available at more than 2,100 **Walmart** stores across the United States.

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## **AUTOZONE'S NET SALES UP 10.3%, EARNINGS UP 20% . . .** *[Continued from Page 1]*

and an 11.2-percent increase from e-commerce operations and **Alldata**. The mix of sales continued to be dominated by the failure and maintenance-related categories with 47 percent of the company's total sales coming from failure categories and 40 percent from maintenance. Discretionary sales were a much smaller contributor.

Domestic same-store sales rose 7.1 percent for the quarter. **BB&T Capital Markets estimates that AutoZone's retail sales were up 5 percent to 6 percent. Total commercial sales were up 21.2 percent** — the third straight quarter of greater than 20-percent commercial sales growth — with growth coming from both existing and new customers.

During the quarter, AutoZone opened 43 new commercial programs. Year-to-date, the company has added 97 new programs — a substantial acceleration from the last several years. AutoZone now has commercial programs in 2,512 stores supported by 144 hub stores. That's roughly 57 percent of the company's domestic stores.

AutoZone opened 21 new stores in the United States and opened eight new stores in Mexico during the quarter. As of Feb. 12, the company had 4,425 stores in 48 states, the District of Columbia and Puerto Rico, as well as 249 stores in Mexico.

Other items of interest from AutoZone's second-quarter report: Average ticket remains strong, consistent with previous quarters, according to management. However, transactions — while still positive — were lower than in the first fiscal quarter. . . . Under its share repurchase program, AutoZone repurchased 1.5 million shares of its common stock for \$394 million during the quarter, at an average price of \$257 per share. At quarter's end, the company had \$491 million remaining under its current share repurchase authorization. . . . The company's inventory increased 7 percent over the same period last year, driven by an increase in store count and continued investments in hard parts assortment. . . . AutoZone completed category line reviews in 13 of its 40 major merchandise categories during the quarter.

## **AUTO INTERNATIONAL ASSOCIATION HAS TURNED 30 . . .** *[Continued from Page 1]*

**Schmatz attended the original meeting where AIA was created**, a day that happened to coincide with President Reagan's inauguration and the release of American hostages from Iran. A group of industry pioneers, mostly large U.S. importers, started the association, hoping for credibility and a stronger voice in the aftermarket, said AIA chairman **Steve Bearden**, president of **H.B. International Marketing Services** and part-owner of **Global Parts Source**. Among others, the following people were also at that inaugural board meeting: **Stephen Herrick**, **Chuck Schwartz**, **Randy St. John** and **George Neuwirth**.

These pioneers had watched as a small market — primarily for Volkswagen parts, plus some English, Italian and French vehicles — exploded when Asian brands took hold in America. Instead of taking up scant space at trade shows, the import market began taking over whole pavilions, he said.

AIA now counts more than 1,000 members representing international manufacturers, manufacturer's representatives, importers, retailers, distributors, wholesalers, trade media and consultants from more than 40 countries. "We're all about free and fair trade," Bearden said. "We really feel we're the watchdogs for the import market."

The association also prioritizes education, said board member **Tony Peticari**, **USA Industries'** director of sales for special markets. Self-certification courses, for example, help counter staff familiarize themselves with import part options.

From the beginning, the group wanted to create opportunities for importers to talk to other importers about logistics, sourcing and other common concerns. And, that's still the case. AIA sponsors a number of trade and networking events, most notably at **AAPEX**, where about 600 people attended last year's AIA reception. "They are perhaps the industry's most happy networkers," Schmatz said. "They really believe in personal networking and making opportunities to celebrate success."

While buying and installing habits have changed, the driving force behind AIA is the same as back in 1981: Defending against government and OEM efforts to restrict the import aftermarket, **Brian Cohn**, outgoing AIA chairman and president of **Multi Parts Supply USA**, said in a statement. The group remains busy tackling issues related to the supply chain, inventory access, packaging, global servicing, and trade and commerce, while keeping an eye out for trademark and patent infringement. "We want a level playing field," Schmatz said.

— Sarah Hollander

## FOUR ADDITIONAL ACQUISITIONS FOR LKQ CORP. . . . [Continued from Page 1]

wholesale recycled products business in Arkansas and a self-serve business with two facilities in southern California. These acquisitions were in addition to the previously reported fourth-quarter purchases of **Cross Canada**, **Proformance Powertrain** (an engine remanufacturer), **SPI Distribution** (an aftermarket heating and cooling system parts distributor), **Best Bumper**, a wholesale recycling business in Virginia and a self-service recycling operation in Colorado.

Since the beginning of 2011, LKQ has completed four additional acquisitions: **ATK Vege**, an engine remanufacturing business headquartered in Texas; another aftermarket distributor of heating and cooling products (this one in the Midwest); a heavy duty truck recycling business in Texas; and a recycled parts business in Milwaukee.

**Tony Cristello** and **Allen Hatzimanolis**, analysts with **BB&T Capital Markets**, wrote in a Feb. 25 report that they really like what they are seeing from LKQ on the acquisition front. "This has always been an acquisitive company, but not only is the pace of activity accelerating but LKQ is also diversifying its business and expanding into new verticals," the analysts wrote.

They point out that LKQ completed 20 acquisitions in 2010 and has made four more to date in 2011. The last eight acquisitions completed in the fourth quarter and the four to date in 2011 should add \$200 million to \$220 million in incremental revenue in 2011 (relative to 2010), in addition to another \$150 million from other 2010 acquisitions that have not yet been anniversaried. "**In total, we expect already-announced acquisitions to contribute 13.3 percent to the top line in 2011 and another 1.2 percent to 2012,**" **Cristello and Hatzimanolis** wrote, adding that **LKQ is actively evaluating other opportunities**. "We would expect to see a number of additional transactions completed over the course of 2011."

**And, beyond the scale and near-term earnings per share (EPS) lift of these acquisitions, BB&T also likes the vertical extension and diversification that LKQ's purchases of powertrain remanufacturing businesses provide.** "The company expects to nearly double the production capacities of these two businesses without the need for incremental capital investment, which, in addition to allowing for the capture of the remaining value on each unit sold, should also give LKQ greater control over the aggregate core stock," they concluded.

— Marc Vincent

## LKQ REPORTS Q4 SALES UP 21.3 PERCENT, INCOME UP 11.1 PERCENT

Chicago-based **LKQ Corp.** reported record fourth-quarter revenue of \$674.06 million, which was up 21.3 percent year-over-year. Organic revenue growth came in at 10.4 percent, reflecting increased parts sales and higher commodity prices. Organic revenue from the sale of parts and services stood at 7 percent in the fourth quarter of 2010. By segment, the aftermarket business reported organic revenue growth of 7.7 percent, while LKQ's wholesale recycled division saw organic revenue growth of 6.1 percent for the quarter.

Gross margin declined 280 basis points from 45.5 percent a year ago to 42.7 percent for the three months ended Dec. 31, 2010. Management attributed the decline to higher costs incurred acquired salvaged vehicles at auction and in the self-service business. However, the decline in gross margin was more than offset by decreased facility and warehouse, distribution, and selling, general and administrative (SG&A) expenses. Net income increased 11.1 percent to \$41.33 million.

Looking ahead, management expects revenue from parts and services to grow organically in 2011 at a rate of 6 percent to 8 percent. Analysts from **BB&T Capital Markets** think it could come in higher than that. They point out that LKQ generated organic parts and services growth of 7 percent in 2009 even though its body shop customers were experiencing revenue declines. That's because, the analysts wrote in a Feb. 25 report, LKQ took market share and alternative parts use climbed by roughly 300 basis points.

"However, only recently have same-store sales begun to recover at body shops. Based on data from **Symphony Advisors**, same-store sales at body shops (multi-location operators) declined 1.3 percent in the first quarter of 2010, before accelerating to +4.0 percent in the second quarter of 2010 and +7.0 percent in the third quarter of 2010," analysts **Tony Cristello** and **Allen Hatzimanolis** wrote. "In the fourth quarter, same-store sales at body shops accelerated further, climbing 8.9 percent year over year.

"Against a backdrop of increasing crash part demand (miles driven, more confident consumers repair cars) and the likelihood of further increases to alternative parts utilization (as insurers are still looking for ways to reduce expense in a highly competitive marketplace), we believe that same-store sales growth for LKQ could very well accelerate in 2011 (from 2010) proving both our 8-percent forecast and management's +6 percent to 8 percent outlook conservative."

— Marc Vincent

## OBITUARY: BOB BROOKS, PRECISION PARTS & REMANUFACTURING

**Bob Brooks**, founder of the **Precision Parts & Remanufacturing Co. (PPR)** of Oklahoma City, died Feb. 14 following a long battle with prostate and colon cancer. He was 81. PPR, which remanufactures alternators and starters for import vehicles, grew from Brooks' early interest in foreign cars — first as a mechanic in the 1950s, and later as a car salesman and parts wholesaler.

“He was kind of a visionary,” said **Gary Garberg**, the company's national sales manager. “The most formidable of his competitors wanted nothing to do with imports at the time.”

After several years as a mechanic, Brooks opened the **Bob Brooks Motor Co.** He sold Fiats from 1963-'72. A persistent problem with the cars' hand chokes during cold winters planted the seed for PPR. “No one in Oklahoma knew how to use them,” Garberg said. “They'd grind and grind away and burn up the starters.”

Brooks saw the need for rebuilt parts. So, in 1973, he started PPR with his wife, **Mary**, and two of their sons, **Dan** (now managing director and vice president) and the late **Mark Brooks**.

Bob Brooks was active in the business, a member of **APRA**, until his retirement a few years ago. He was especially known for his integrity and insistence on quality, said Logistics/Core Department Manager **Mary Bowles**, a 22-year PPR employee. “If it didn't meet company standards, it didn't ship,” she said.

In the early days, when Brooks helped build units, he noticed the smallest of details and rejected subpar products, Bowles said. But, while Brooks spoke up when something was wrong, he didn't dwell, she said. Once a problem was solved, he moved on. “He's left a big void in both our company and our lives,” Bowles said, noting that Brooks treated employees like family, standing up for her at her wedding, for example.

In addition to his wife, Mary, and son, Dan, Brooks is survived by son **Bryan**; daughter **Karen Eisenhower**; five grandchildren; and two great grandchildren.



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## PETROLEUM QUALITY GROUP WARNS OF INFERIOR ENGINE OIL

A random test by the **Petroleum Quality Institute of America** (PQIA) revealed two passenger car engine oils that, according to the group, didn't live up to their labeling and could damage engines. PQIA recently issued a consumer alert for **Liberty Gold Plus** SMO 5W-30 Motor Oil and **Bullseye Automotive Products** High Mileage 10W-30 Motor Oil (SC/CC). The problem with inferior oil is disturbingly commonplace, PQIA president **Thomas Glenn** said. "You really need to be careful these days," he said.

**Glenn said he wouldn't be surprised if low-quality, non-conforming products made up 10 percent or more of the motor oil market in the United States.** Why? More and more off-brands are now being sold shoulder-to-shoulder with name brands. And, inferior products aren't only being sold at dollar stores, where Glenn's wife mistakenly purchased some, but at convenience stores connected to big-name gas stations and other retailers.

Even parts stores and repair shops need to be vigilant to make sure their oil meets current specs, Glenn said. "If they're buying in bulk, and the invoice says 5W-30, they need to get the details," he said. "Is it SA, SN? There's a big difference. Your oil is the lifeblood of an engine, and the devil is in the details. You've got to read the back of the label and challenge it."

PQIA purchased the oil mentioned in the consumer alert in Ohio and Michigan in January and February of this year. Five other products tested well. The viscosity of the problematic 5W-30 tested nearly 70 percent below where it should have been, and the level of additives was less than a quarter of that required by OEMs, Glenn said. The 10W-30 test also showed a very low viscosity and lacked sufficient additives needed to protect engines from wear and corrosion.

Glenn, who's based in Metuchen, NJ, has worked in the lubricants industry for 32 years. He started at an oil analysis lab, then sold oil for a major oil company and distributor, then went into consulting. About four years ago, Glenn wrote an article about bad oil samples that touched a nerve. He heard horror story from all corners.

About two years ago, Glenn started PQIA as a way to alert the public, especially consumers who might be targets. "I think the person who can least afford a damaged engine is probably someone with a 15-year-old beater that needs to get to work every day," he said.

PQIA typically tests five to 10 brands of lubricant per month. The organization picks a region, then Glenn buys the products to safeguard the chain of custody. Blind samples are sent to the **Intertek Automotive Research** lab in San Antonio for testing. All results are published online and in PQIA's newsletter.

The group's sponsors include **Warren Oil**, **Citgo**, **Eneos** and **Nippon Oil**. However, no one is off limits when it comes to testing, Glenn said. For example, PQIA found problems with one of Warren's products and published that information, he said. "We have to have some funding to do this," Glenn said. "The testing is not inexpensive." — *Sarah Hollander*

## 100 YEARS FOR AAM & HDA TRUCK PRIDE MEMBER MIDWEST WHEEL

**Midwest Wheel Companies** — a member of **HDA Truck Pride** and the **AAM Group (Automotive Accessories Marketing USA)** — is celebrating its 100th anniversary. The company began business in Des Moines as the **Iowa Vulcanizing Co.** It was founded by **Fred Prior** and **George Koons** when they moved west from Akron, OH and started the first rubber vulcanizing outfit west of the Mississippi River. Midwest Wheel is now a truck parts distributor, employing 180 at seven locations in Iowa (Des Moines, Clear Lake, Cedar Rapids, Davenport and Sioux City) and Missouri (Kansas City and Grandview).

**Mike Callison**, the current president, is the fourth generation owner and Koons' great grandson. A fifth generation member of the family also works for the company.

## ITW COMPLETES ITS SOPUS CAR CARE PRODUCTS PURCHASE

**Illinois Tool Works** (ITW) has acquired the **SOPUS Products** car care business, completing an agreement reached late last year. Financial terms of the deal were not disclosed. The acquired business includes the appearance and performance chemical and windshield wiper blade brands of the **Pennzoil-Quaker State Co.:** **Rain-X**, **Black Magic** and **Gumout**, among others. 2010 revenue for the business was roughly \$300 million. "We believe this portfolio of car care products complements and augments our existing automotive aftermarket platform, which includes **Permatex**, **Wynn's** and **Slime**," said **David Parry**, ITW vice chairman.

## NORTHWOOD JOINS GLOBAL SAP SOFTWARE INITIATIVE

**Northwood University** has joined the **SAP University Alliances** program, a global initiative with more than 1,000 member campuses in more than 60 countries. Through this program, professors and students get access to the same software used by SAP customers and partners, including **SAP Business Suite** applications such as the enterprise resource planning (ERP) application **SAP ERP**. SAP donates licenses for its software at no cost to member universities and technical institutes for use in disciplines such as management, operations research, accounting, finance, marketing, and information technology and computer science.

“We are incorporating SAP into courses across the university as faculty are trained. We have already implemented it into the ERP systems course,” said **Joseph Wulffenstein**, associate professor and chair of the management information systems department. “In addition, we are supporting employers looking for workers skilled in using SAP software. The SAP University Alliances program allows us to prepare the next generation of knowledge workers to be productive with SAP software solutions and intelligently apply information technology in a business context.”

## ‘AFTERMARKET 101’ PROGRAM SCHEDULED FOR APRIL 18-19

The **University of the Aftermarket** will present an “Aftermarket 101” program at **Federal-Mogul Corp.** headquarters in Southfield, MI, April 18-19. The program is open to any new employee in the aftermarket, and is designed to provide a better understanding of the industry, its structure and big-picture trends. Presenters include subject matter experts from **AAIA**, **Federal-Mogul**, **Northwood University**, the **University of the Aftermarket**, **Federated** member **Motown Warehouse** and **General Parts Inc.**

Participants can save \$50 if they register by April 1. The early-bird rate is \$550 for both days (\$600 after April 1), and includes lunch and all material. Special rates apply for companies sending more than three employees. Participants will receive 1.2 credits toward completion of their Automotive Aftermarket Professional (AAP) or Master Automotive Aftermarket Professional (MAAP) designations. For more information, visit [www.universityoftheaftermarket.com](http://www.universityoftheaftermarket.com).

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## EDELBROCK IS PROMOTING INTERNATIONAL AERO PRODUCTS

**International Aero Products'** line of car care products has been endorsed by **Vic Edelbrock Jr.** and **Edelbrock LLC** — a move that makes Aero the official surface care company for Edelbrock and Edelbrock racing. Aero products will be used to detail all Edelbrock vehicles, including its mobile displays seen at car shows around the country; Edelbrock's R&D vehicles; Vic Edelbrock Jr.'s personal cars; and the vintage sports cars on the Edelbrock race team. Also, every Edelbrock transporter will carry Aero products and every bottle of Aero will include the red Edelbrock badge.

## NEW PARTS ORDERING OPTIONS FOR ALLDATA MANAGE USERS

The latest version of **Alldata's** shop management software, **Alldata Manage 4.9**, includes enhanced parts ordering capabilities with its parent company, **AutoZone**. Using Alldata Manage, shops can look up parts, check availability and order directly from AutoZone, as well as import the parts into the customer repair order. Alldata Manage 4.9 also now integrates with **Internet Autoparts** (IAP), **WHI Solutions/Nexpart** and **Autoi**.

## SOUTHERN CAR PARTS NAMED AN AKRAPOVIC-APPROVED DISTRIBUTOR

Marietta, GA-based **Southern Car Parts** (SCP) now offers the full line of **Akrapovic** automotive exhaust systems. This includes Audi, BMW, Chevrolet, Ferrari, Ford, Mercedes-Benz, Mini, Mitsubishi, Nissan, Porsche, Renault and Volkswagen. Akrapovic has only a small number of approved suppliers in the United States.

**FINANCIAL BRIEFS . . . U.S. Auto Parts Network** (Carson, CA) saw its sales increase 75.7 percent to \$80.45 million in the fourth quarter of 2010. Excluding the acquisition of **JC Whitney**, net sales would have been up 20.2 percent because of a 19.5-percent increase in online sales and a 28.9-percent increase in offline sales. The increase in online sales resulted from an 8.5-percent improvement in conversion, 12.9-percent growth in unique visitors and a 2.7-percent increase in revenue capture, partially offset by a 2.7-percent decline in average order value. . . . The **Cequent North America** business of **TriMas Corp.** saw its net sales increase 7.8 percent to \$65.65 million in the fourth quarter of 2010 because of improved customer demand, new product introductions and market share gains. However, the business did turn away from \$440,000 in operating profit a year ago to report a \$340,000 loss for the final three months of 2010. . . . **Valeo** says that its aftermarket sales increased 14 percent to roughly \$1.98 billion in 2010.

**NEWS BRIEFS . . . Right to Repair** legislation has been introduced in Connecticut. . . . A bill has been introduced in the Oregon House of Representatives to prohibit the sale of exhaust systems or components that cause vehicles to produce noise exceeding certain noise limits. . . . **Federal-Mogul Corp.** (Southfield, MI) has launched an electronic catalog, available at [www.fme-cat.com](http://www.fme-cat.com), to help performance businesses, enthusiasts and other customers find parts for automotive, performance and marine applications. The e-catalog covers all Federal-Mogul brands and product lines. . . . The deadline to apply for 2011 **Car Care Council Women's Board** scholarships is March 31. Incomplete applications will not be considered for any awards. For more information, visit [www.carcare.org/scholarships](http://www.carcare.org/scholarships). . . . **Mahle Clevite** has retained **MontAd**, a full-service marketing agency based in Wixom, MI, to develop and implement a range of digital marketing and social media programs. . . . Following up on an item from last week's issue of *The Greensheet*, the **Fleet Supply Warehouse** operation acquired by **FleetPride** from **XL Parts** will be merged into FleetPride's Houston branch located on Wallisville Road. . . . **Automotive Distribution Network** member **The Parts House** (Jacksonville, FL) has named **Denso** as its 2010 Vendor of the Year. . . . **AutoZone Mexico** has named **Bar's Products** its 2010 Vendor of the Year. This is the second straight year that Bar's has won this award, and it is the first time an AutoZone Mexico vendor has earned the award two years in a row. . . . **Roush Fenway Racing** has announced a multi-year marketing partnership with **Raybestos** that will see its four **NASCAR Sprint Cup Series** teams run Raybestos brake packages, beginning with short track and road course events in 2011. While Raybestos has provided Roush Fenway with brakes before, 2011 marks the beginning of a larger technical and marketing partnership. . . . Riverside, CA-based **K&N Filters** is now an official NASCAR sponsor. . . . Products from **Xenon**, a manufacturer of polyurethane body styling components, are now available on the **CatalogRack** sales network. CatalogRack is a free Internet-based parts look-up service for performance parts and accessories. . . . **Motor Components LLC**, maker of **Facet/Purolator** fuel pumps, has signed with Wake Forest, NC-based **Illumaware** for an **Evokat ACES** and **PIES** subscription. . . . Last month's **Aftermarket eForum** is available on-demand until April 2. The presentations, resource library and exhibits from the virtual trade show are accessible to those who are already registered by clicking on the link sent to them by **ON24**, the host for the eForum. For those interested in registering as a new attendee, visit [www.aftermarketeforum.com](http://www.aftermarketeforum.com). . . . **More For Less**, a northern California chain of convenience stores, now carries the **Luma Lite** from San Diego-based **Bossc International**.

## U.S. CABIN AIR FILTER AFTERMARKET TO TOP \$106 MILLION IN 2017

The U.S. cabin air filter (CAF) aftermarket is expected to grow at a compound annual growth rate (CAGR) of 11.5 percent in unit shipments and 14.1 percent in revenue between 2010 and 2017, according to a new report from **Frost & Sullivan**. Factors pushing growth include an increase in OE installation, growing consumer awareness and escalating health concerns. Growth in the particulate CAF segment will be slower than that of combination filters, the Mountain View, CA-based firm says, adding that awareness of combination filters' advantages will result in consumers switching to these filters. And, it's worth noting that combination filters cost, on average, 25 percent to 40 percent more than particulate filters, boosting total aftermarket revenue.

The Frost & Sullivan report, titled *Strategic Analysis of the United States Cabin Air Filter Aftermarket*, finds that the market earned \$41.40 million in revenue last year and estimates this to reach \$106.20 million in 2017. [Note: This only includes the independent aftermarket and not the OE service channel].

"Overall, increased consumer spending on routine maintenance products over the short to medium term is expected because people are keeping their vehicles longer in the current economy," explained Frost & Sullivan industry manager **Avijit Ghosh**. "In the United States, the cabin air filter installation rate in vehicles in operation was 45 percent in 2010 and is poised to reach 56 percent in 2017. This will significantly drive aftermarket unit shipments of CAFs."

**Although the prospects for the market look upbeat, Frost & Sullivan warns that some challenge will restrain the market. The biggest is improving consumer awareness on the benefits of CAFs, as this remains a relatively new category for end users.** Most consumers are wary of the quality of the cabin air but are unaware of the fact that a filter removes dirt from the vehicle's interior. Additionally, the firm points out, installers also are not properly versed in current vehicle applications that have a cabin air filter and the time required to replace such filters. Therefore, they fail to communicate effectively to the vehicle owner that the CAF exists and needs replacement.

Apart from this, inexpensive cabin air filters coming in from offshore countries pose a challenge to the market in the premium category and hinder revenue growth. **Frost & Sullivan advises participants in this market to explore outsourcing opportunities from Asian countries to compete successfully in the high-growth segments.** Manufacturers must offer unique products at competitive prices to ensure profitable business outcomes, the firm argues.

Frost & Sullivan says it is imperative for participants to prioritize consumer awareness initiatives, as improvements in consumer awareness over time will eventually boost aftermarket unit shipments. "Automakers must place CAFs at convenient locations that would facilitate the installation process and increase do-it-yourself activities," Ghosh added. "Easier access is expected to drive DIY activities and sales through the retail channel."

## FEDERAL-MOGUL NAMED PARTS WAREHOUSE INC. SUPPLIER OF THE YEAR

Southfield, MI-based **Federal-Mogul Corp.** has been named Supplier of the Year by **Parts Warehouse Inc.** (PWI) and a Federal-Mogul sales development manager has been selected as Manufacturer Representative of the Year. Based in Little Rock, AR, PWI operates 165 wholly-owned **Bumper to Bumper Auto Parts** stores in eight states and services approximately 350 independent jobbers. PWI is a member of the **Aftermarket Auto Parts Alliance**.

## U.S. CHEMICAL PROMOTES LAGUARDIA TO BIZ DEVELOPMENT DIRECTOR

Massillon, OH-based **U.S. Chemical & Plastics** has promoted **Matt LaGuardia** to director of business development. In his new role, LaGuardia is responsible for all sales, product management and overall profit growth for the **USC, Morton, Sunmigh** and **Spray-Max** products distributed through manufacturer's representatives and retail channels in the United States and Canada. Laguardia joined U.S. Chemical in 2003 as the Sunmigh and retail product manager and was promoted to northern regional sales manager in 2007.

**PEOPLE WATCHING . . . OEConnection** (Richfield, OH) has hired **Brian Mooney** as its manager of IT infrastructure and operations. . . . On Tuesday, March 8, the **Career & Technical Education Foundation** will honor **Snap-on** president and CEO **Nicholas Pinchuk** as its National Business Leader of the Year. Pinchuk is being recognized as an advocate for career and technical education and as a leader in the development of new initiatives to link business and education. . . . **Steve McShane**, founder and CEO of **Midtronics** (Willowbrook, IL), has been inducted into the Chicago Area Entrepreneurship Hall of Fame.

## INDUSTRY VET RICHARD CLARK JOINS WAIGLOBAL AS CFO

**WAIGlobal** of Fort Lauderdale, FL and Exton, PA has appointed **Richard Clark** as its CFO. Clark brings with him more than 25 years of financial experience, including mergers, acquisitions and IPOs. In addition, he has extensive aftermarket experience, including six years with **Parts Depot Inc.** as CFO. Prior to that, Clark spent four years with **American Remanufacturers Inc.** with both financial and operational responsibilities.

“Richard’s knowledge and experience will be instrumental in WAIGlobal’s continued aggressive growth and expansion plans being realized,” said WAIGlobal Co-President **Doug Moul**. “Richard has a unique blend of financial and operational expertise that will be a tremendous asset to our global business units, especially our increased presence in the starter and alternator aftermarket.”

## SPEED WAREHOUSE VICE PRESIDENT MIKE MONTGOMERY HAS RETIRED

**Mike Montgomery**, after 30 years as a key leader of **Speed Warehouse** (Hayward, CA), has stepped down from his full-time roll as vice president of operations. The succession plan includes the promotion of **Ron Edwall** to operations manager. Edwall has been with the company for more than 25 years in various positions involved with sales, marketing, purchasing and operations. Speed Warehouse is a division of the **National Auto Parts Warehouse Co.**

## AASA HIRES DIRECTOR OF MEMBERSHIP, MEMBER SERVICES

**Jenn Gilbertson** has joined AASA as its new director of membership and member services. Her responsibilities include membership recruitment and retention, recruitment of affiliate and associate members, and sponsorships of AASA events and special programs. Gilbertson joins AASA from the **Health Industry Distributors Association (HIDA)** in Alexandria, VA, where she held the position of senior director of marketing and new business development.

## A NEW VP OF FINANCE AND CONTROLLER FOR LKQ CORP.

**Frank Erlain** has retired as the vice president of finance and controller of **LKQ Corp.** However, he remains employed by the Chicago-based company on a part-time basis assisting with special projects. Erlain is succeeded as vice president of finance and controller by **Michael Clark**, who has served as LKQ’s assistant controller since 2008. Prior to that, Clark was the SEC reporting manager for **FMC Technologies**.

## MCCARTNEY NAMED NEW GPI CHIEF INFORMATION OFFICER

**David McCartney**, executive vice president of supply chain and logistics for **Carquest** – North America, has been named as the executive vice president and chief information officer for **GPI Technologies LLC**. As executive vice president of supply chain, McCartney was responsible for all Carquest store and distribution center inventory management and logistics for the entire supply chain and served as executive sponsor on numerous information systems and technology projects. In his new capacity, McCartney reports to President and CEO **Temple Sloan III** and serves on the **General Parts International** executive committee.

## IMC PROMOTES FRED WITTENBERG

Canoga Park, CA-based **Interamerican Motor Corp. (IMC)** has appointed **Fred Wittenberg** as its vice president of product and category management. Before assuming his new role, Wittenberg was director of sales operations and responsible for sales policies and systems. He is an industry veteran, having spent his last 34 years in the aftermarket with IMC. **Janette Ponciroli**, who has headed the product department for the last 21 years, will continue to support IMC’s program expansion as strategic sourcing manager.

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# RANDOM ITEMS & THOUGHTS

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## RIGHT TO REPAIR SKIRMISHES BREAKING OUT IN MANY STATE HOUSES

The Right To Repair fight is building some momentum again — primarily at the state level — but for anyone who has been around the industry for any length of time, the rhetoric is quite redundant and, for many like us, somewhat tiresome. Legislation was most-recently introduced in Oregon and the most-vocal opponent to such legislative redress, the **Automotive Service Association**, was quick to express its displeasure. Last month, a legislative committee in Connecticut heard testimony from all sides regarding a bill there — testimony geared to educate those legislators was presented, defining both the need for legal remedies as well as the case of how the problem does not require legal intervention.

## AAIA/NORTHWOOD UNIVERSITY BUSINESS CONFIDENCE INDEX UNVEILED

Whether it is at industry meetings or during phone calls, the one question that comes up constantly is “How’s business?” That’s one reason I was excited to see the inaugural issue of the **AAIA/Northwood University Business Confidence Index** released earlier this week, a survey of AAIA members with two questions: “How would you rate your overall confidence in the economic prospects facing your business over the next 12 months, compared to the previous 12 months?” and “How would you rate your overall confidence in the economic prospects facing the economy as a whole over the next 12 months, compared to the previous 12 months?” The index for the month was 42.1, which, according to AAIA, is on the high-end of “slightly more confident.” A nine-point increase in the index would place it in the 51-100 range, which would indicate that leaders are “significantly more confident” in the aftermarket over the next 12 months. The first monthly index survey and data shows that:

- 21 percent of respondents were significantly more confident about doing business in the aftermarket over the next 12 months, while 50 percent were slightly more confident over the same period.
- Only 4 percent were significantly more confident in the economy over the next 12 months, with 54 percent slightly more confident about the economy over the same period.

## MILES DRIVEN NUMBERS SHOULD GIVE INDUSTRY CAUSE FOR OPTIMISM

According to U.S. Department of Transportation figures released this week, vehicle miles driven in November were up 1.1 percent compared to November 2009 — and that was enough to bring the cumulative estimate for the year to 2.76 billion vehicle miles, or 0.7 percent ahead of 2009. And, on a regional basis, the estimated miles of travel in November 2010, when compared to 2009, was higher in four out of the five regions defined. As **AASA** reported concerning the regional numbers, the South Atlantic region was the bright spot with year-over-year growth of 2.3 percent, followed by the Northeast, which was up 1.9 percent, the South Gulf States (up 1.3 percent) and the North Central region, which grew by just 0.6 percent over the previous November. The Western States were the declining region because of weather-related reduced travel in California (down 156 million miles), which generates more than half of all miles travelled in the region. Of course, as we noted on this subject in this past week’s issue of *Service Executive*, our sister newsletter, escalating fuel prices may more than mute the miles driven positive note.

## SEMA/AAPEX EXHIBITOR SUMMIT SCHEDULED FOR MAY IN LAS VEGAS

**AASA** and **AAIA** have announced plans for the first **AAPEX Show Exhibitor Summit** to be held May 2-4 at the Las Vegas Convention Center and the Cosmopolitan Hotel, joining the successful **SEMA Show Exhibitor Summit** held last year for the first time. The event will be a combined effort for both major shows. And, to make it cost-effective, event organizers have secured hotel rooms from their partner hotels so everyone in attendance receives two nights free in Las Vegas. In addition, **Freeman**, which provides trade show and exhibit services at the Las Vegas Convention Center, is offering \$200 certificates to the first 50 companies that sign up for the summit. The event will kick off with a keynote address and opening reception followed by two days of information sessions at the LVCC to make help exhibitors make the most of their show investment.

For more information for AAPEX exhibitors, go to <http://tinyurl.com/6x9g9ln> or e-mail [judy.novak@aapexshow.com](mailto:judy.novak@aapexshow.com). For more information for SEMA exhibitors, go to <http://www.semashow.com> or e-mail [cstock@convexx.com](mailto:cstock@convexx.com).

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**Qualified candidates send resume with salary history to**  
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