

THE HORN



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Automotive Aftermarket Association of the Carolinas & Tennessee, Inc.
Serving the Automotive Aftermarket in North Carolina, South Carolina, and Tennessee
1720 Hillsborough St., Ste. LL One
Raleigh, NC 27605-1657
Phone: 800-849-8037 – Fax: 919-821-0753 – E-mail: apac219@aol.com

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2016 AACT CONVENTION: Williamsburg, VA

Mark your calendars!!! The 2016 AACT Convention will be held September 8-11, 2016, at The Kingsmill Resort in Williamsburg, VA. Convention Chair Sandy Crews, Jacksonville, NC, has scheduled a Convention Committee Meeting and will release the Convention Schedule in an upcoming issue of "The Horn". Please join us and experience the resort's fine dining and the history surrounding Colonial Williamsburg. Let's make this convention one of our best!!!

INDUSTRY NEWS

Replacement Parts Are Top Dog

"Replacement Parts (parts necessary for vehicle operation) are dominating aftermarket product volume and growth across the U.S., outperforming the other three major light vehicle product groups: Accessories, Chemicals, and Tools & Equipment. While 2015 analysis is not yet finalized, Lang Marketing estimates Replacement Parts generated approximately two-thirds of car and light truck aftermarket product sales in the U.S. over the past three years (2013 through 2015), followed by Chemicals, Accessories, and Tools & Equipment in product share order." ~ Jim Lang

Non-Discretionary Products Dominate.

Car and light aftermarket products can be divided into four major groups: Accessories, Chemicals, Replacement Parts, and Tools & Equipment. Over three-quarters of car and light truck aftermarket sales consist of non-discretionary products: products necessary for vehicle operation. Replacement Parts dominate non-discretionary aftermarket products, representing approximately 80% of non-discretionary product volume. Their strong non-discretionary position enabled Replacement Parts to generate an estimated 65% of light vehicle aftermarket product sales at user-price during 2013 through 2015.

Other Major Product Groups.

Chemicals (most are non-discretionary products) recorded the second largest light vehicle aftermarket product share over the past three years, nearly 15%, followed by Accessories (which are discretionary products), with 11% share. Tools & Equipment (mostly non-discretionary products) accounted for over 9% of car and light truck aftermarket product sales during 2013 through 2015.

Product Share.

Replacement Parts comprised 65.6% of 2013 car and light truck aftermarket products, holding 65.2% of the 2014 market, before slipping just under 65% of 2015 volume, at user-price. Chemicals represented 14.6% of 2013 aftermarket product volume, holding 14.5% of the 2014 market and ringing up an estimated 14.4% of 2015 car and light truck product sales at user-price.

Accessories Bounce Back.

Accessories, after declining in volume and share during the 2008 Great Recession, rebounded during 2013 by claiming 10.5% of car and light truck product sales and increasing to 10.8% of the 2014 market. Lang Marketing estimates Accessories generated 11.1% of 2015 volume.

Tools & Equipment.

Tools & Equipment expanded in car and light truck aftermarket product share the past three years, climbing from 9.4% of car and light truck aftermarket 2013 product sales to an estimated 9.6% of the 2015 market, at user-price.

Dollar Growth.

Replacement Parts increased over \$5 billion at user-price during 2013 through 2015, totaling \$62.9 billion in 2012 sales and increasing to \$66.2 billion by 2014. Lang estimates Replacement Parts accounted for over \$68 billion in car and light truck 2015 product volume at user-price.

Other Product Groups.

Chemicals totaled \$14 billion in 2012 sales and topped \$15 billion last year, at user-price. Chemicals rose more than \$1 billion in car and light truck product volume during 2013 through 2015. Accessories expanded sales over the past three years, climbing from \$9.9 billion during 2012 to nearly \$12 billion by 2015, at user-price. Accessories rose nearly \$2 billion at user-price.

Tools & Equipment.

Tools & Equipment represented \$8.9 billion in 2012 sales at user-price, increasing to over \$10 billion by 2015. This amounted to over \$1 billion increase over the past three years.

Growth Share.

Replacement Parts generated 56% of car and light truck product growth from 2013 through 2015, followed by Accessories with 19% growth share. Tools & Equipment were responsible for 13% of aftermarket growth during these three years, followed by Chemicals which created 12% of light vehicle product growth. Accessories averaged the strongest annual growth rate, 5.7%, followed by Tools & Equipment which climbed at a 4.3% average annual pace. Replacement Parts and Chemicals were third and fourth in average annual growth, respectively, each with just under 3% yearly growth.

(Source: Jim Lang, Publisher)

Auto Care Association Calls On Copyright Office to Clarify Consumer Ownership of Vehicle Software

The Auto Care Association submitted comments to the U.S. Copyright Office requesting the agency make clear that when purchasing a vehicle, the consumer also purchases the software used in that vehicle. The comments were developed in response to a request for public comments on a study that examined how copyright law applies to software-enabled consumer products.

Specifically, the Auto Care Association called on the Copyright Office "to clarify that federal copyright law should *expressly* permit lawful repair of products whose physical operation relies on software, regardless of whether the software must be altered or reproduced for such repairs to occur. Copyright should not diminish the right to repair granted under patent law."

Copyright law should further "acknowledge and accommodate *fair uses and non-infringing uses* of such embedded software, including reproduction and decompilation for lawful purposes such as facilitating interoperability, accessing or altering non-copyrighted elements in the software, developing replacement software, and customizing product performance."

The Auto Care Association took issue with claims by vehicle manufacturers that consumers must accept licenses for embedded software in order to, in fact, use the vehicle once purchased: "Where the software is integral to the physical operation of parts or systems of motor vehicles, manufacturers should be preempted from imposing copyright-based license restrictions on the right to use and repair products that the consumer owns... Clarifying that the purchaser of the vehicle owns the copy of the embedded software will promote competition and consumer rights in a manner fully consistent with the promotion and purposes of copyright law."

(Source: Auto Care Association)

LEGAL / LEGISLATIVE

Overtime Rules Delayed, Again

Solicitor of Labor M. Patricia Smith stated that the final changes to the FLSA's overtime eligibility rules likely will be delayed until late 2016.

The public comment period on the proposed rules ended in September with more than 270,000 comments filed and the DOL refusing to extend the standard comment period.

Was it the number of comments received, or election year politics, that moved the expected early 2016 date to late 2016, possibly after the November elections?

While the delay may buy employers time to adjust for the coming change, it provides no additional information on what the final rules will cover. While the minimum salary threshold is likely to rise significantly, it also likely will be indexed to inflation.

More importantly to our members, the DOL is said to be looking at making changes to the long-standing exemptions, which include the outside sales duties test.

If you have not already done so, you may find it helpful to do an in-house audit of all your exempt employees. Do they still meet that classification under current rules? Would they meet the proposed DOL's new regulations?

It would, at the very least, give you a head start and allow for budgeting any anticipated additional overtime pay.

When polled recently by the Society for Human Resource Management, here is what HR professionals said they expected:

- 76% unbudgeted overtime costs.
- 70% increase in opportunities for employees to earn overtime.
- 61% less workplace scheduling flexibility for employees.
- 42% expect fewer opportunities for career advancement in the company.

(Courtesy of Shortliner)

Safety Updates

1. **MORE INSPECTIONS, MORE ENFORCERS, MORE EMPLOYEE COMPLAINT CASES (whistle-blowers).** In its detailed proposal to Congress, the Department of Labor writes that the budget increase would allow OSHA to increase enforcement, through more inspections, and to expand compliance assistance to employers. OSHA proposes it will conduct 35,352 inspections in 2017, a 1,700 increase from the expected number in 2016. In order to reach this goal, OSHA would have to fund 60 new enforcement positions in 2017. With regards to whistle-blower programs, OSHA proposes spending \$21.6 million in 2017 and adding 22 new positions in response to the increase in whistle-blower cases being filed with the agency.
2. **MORE WORKPLACE SUPPORT** - OSHA also seeks \$3.5 million for Voluntary Protection Programs ("VPPs") activities, which would be the first time that the Obama administration has sought funding to cover such activities. The VPPs are initiatives that encourage management, labor organizations, employees, and OSHA to prevent workplace injuries and illnesses at worksites through cooperative agreements that focus on hazard prevention and control. OSHA projects that in FY 2017 it will focus on issuing two final rules, a final rule on beryllium and a "burden-reducing rule" on additional Respirator Fit Test methods. Make clients aware of S.H.A.R.P. and North Carolina's STAR programs.
3. **EASIER FOR EMPLOYEES TO FILE UNSAFE WORK ENVIRONMENT CLAIMS** - updated Whistleblower Investigations Manual (OSHA Instruction CPL 02-03-005) to replace the manual dated April 21, 2015. The new manual makes significant changes: Chapter 3, "Conduct of the Investigation" has modified the burden of proof. Prior to January 28, 2016, the merits of a whistleblower investigation were decided based on the "preponderance of the evidence." Under the new guidelines, the burden of proof for all whistleblower statutes enforced by OSHA has been lowered to "reasonable cause." Under the reasonable cause standard, it is sufficient that "OSHA must believe ... that a reasonable Judge could rule in favor of the complainant." "The evidence does not need to establish conclusively that a violation did occur." This shift makes it easier for complainants to establish their case before OSHA.

(Source: Sherry S. Robertson, PHR, SHRM-CP -- IGO HR Solutions)

Finally, A Five-Year Highway Funding Law

It was not a smooth ride, but a five-year highway funding bill became law in December. The \$305 billion plan, known as Fixing America's Surface Transportation Act, or FAST Act, is celebrated for offering assurance and stability after years of short-term funding extensions for highways.

Jay Timmons, President and CEO of the National Association of Manufacturers, described the bill as a "big step forward in a desperately needed long-term investment in our nation's infrastructure."

The law calls for spending \$205 billion on highways and \$48 billion on transit projects through September 2020. It designates \$6.5 billion for a national highway freight program, which will allocate money for states based on a formula.

Another \$4.5 billion will fund a competitive grant program for nationally significant freight and highway projects, or freight corridors. The Act also allocates \$200 million to help commuter railroads install positive train control (PTC) technology.

Lawmakers formally reauthorized collection of the 18.4-cent per gallon gas tax to help fund the bill. Since automobiles have become more fuel efficient, the gas tax has not generated enough revenue to cover the annual cost of national transportation projects. That does not change with the FAST Act. The law includes \$70 billion in offsets from elsewhere in the federal budget. While critics say the budget maneuvering is evidence of overspending and misallocations, a bipartisan statement issued by members of Congress said that "a safe, efficient surface transportation network is fundamentally necessary to our quality of life and our economy." The statement came from Senators James Inhofe (R-OK), and Barbara Boxer (D-CA) and Representatives Bill Shuster (R-PA) and Peter DeFazio (D-OR).

(Courtesy of Shortliner)

MANAGEMENT NOTES

Loss of Key Talent -- You The Owner

By Carl Rogers

Three issues confront a company whose owner dies or becomes disabled prior to a planned exit:

1. Continuation of ownership;
2. Company's loss of financial resources; and
3. Company's loss of key talent—you, the owner—and the cascading affect on employees and customers.

Today let's look at how the loss of an owner affects both sole-owned and co-owned businesses.

Problem for Sole Owners. Your death will likely have the same impact on your company that the death of any one of your key people would have. Your talents, experience, relationships with customers, employees and vendors may be quite difficult to replace (especially in the short term).

Once you are gone, expect employees to jump ship unless you've made careful contingency plans. Without employees, your company is likely to default on its contractual obligations. Without planning few businesses have the financial resources or successor management to weather this storm.

Problem for Co-Owners. Multi-owner companies experience the same losses as solely-owned companies, if the remaining owners do not have the experience or talent to replace you. If you are the person who generates new clients, heads operations or maintains most of the company's key relationships, your death or disability will, at best, jeopardize your company's survival.

Solution for Sole Owners. Sole owners should create written stay bonus plans to motivate their key employees to remain with the company after the owner's death. Additionally, you should create a succession of management plan that names the person who will assume your duties. Finally, you should decide now how you want your company to be preserved. Do you want the company to be sold, continued, or liquidated?

Solution for Co-Owners. If your co-owners do not have the skills and experience to replace yours, you must put in place a plan to give them the skills and experience they lack. If your employees are confident that the surviving owners have the skills necessary to bring in new business, run the operations or maintain key relationships, they are less likely to jump ship.

Certainly, business continuity requires cash—usually in the form of life insurance proceeds. But continuity requires more than cash. Your company will need to fill the talent void created by your departure. To do that, you must encourage

(perhaps with cash through a stay bonus plan or perhaps through the offer of ownership) existing management to stay. If your business does not currently have, in place, management capable of assuming the reins, you must make it a priority to find and hire that management now.

If you would like to discuss how you can go about managing your company's continuity, 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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The Importance of Being Listed: CONQUER YOUR LOCAL MARKET

What Are Web Directories and Why Are They Important?

Chances are good that you're already familiar with business directories and their overall purpose. Recall the Yellow Pages book that dominated the directory market in the pre-web era. While the YP book still reaches doorsteps today, there's also an online version available - a web directory. Today, there are a lot of web directories potential customers can access. You might be familiar with some of them, including Yelp, Merchant Circle, and Google+. Online directories have similar and different values compared to print directories. This is why smart web directory management is important for any business and especially for ones with websites.

Helping Customers Find Your Business.

Web directories share an overall purpose with their older, print directory cousins: both get your business found by people actively looking for a service or product you provide. However, web directories have been gaining an upper hand over the years due to the massive explosion in Internet popularity. In fact, some are now asking when the last YP book will be printed as the value of printed directories declines in favor of online ones. Since more and more potential customers are researching and shopping online (see Paid Search), web directories are becoming more important for businesses by the day. After all, it's important to be visible where our potential customers are looking.

Helping Search Engines Understand Your Business.

Web directories aren't only helping potential customers find you; they're also helping search engines like Google decide when to show your business listing or website to a searcher. Remember that search engines are all about relevancy. When you search for "tires in Detroit, MI," you shouldn't find tire shops in San Francisco, CA. To understand what your business does and where it's located, search engines look at directories.

Web directories show your business name, address, phone number, and website address (if applicable) and often categorize your business under one or more specific categories like "automotive repair shop," "tire dealer," and so forth. Having this information uniform across different, relevant web directories (as well as on your business website) helps search engines understand where you are and what you do. If this information is different across directories, you risk confusing the search engines instead and being excluded when you should be present.

It's important to note that your business might have one or more directory listings online RIGHT NOW even if you've never personally added your business to any web directories. It's the job of an online directory to provide accurate information on businesses, and having a large list of businesses helps the web directories gain traffic and relevancy. To this end, many will go with whatever they can get. It might all be true, or it might pull a now-defunct phone number from long ago. Search for your business and see if you're on any web directories and whether or not the information is correct.

BackLinks.

If you have a website, some web directories can provide you with something known as a "backlink." In brief, a backlink is a link from a different website to your own. The more authentic backlinks you get from reputable and relevant web directories, the better. While some big name directories have codes in place to discount backlinks from them, others allow them to count. Search engines use backlinks to gauge a website's popularity and help determine its rank.

However, not all backlinks are good backlinks. It's important that your web directory management plan take this into account. For example, just because a local web directory exists for Art and Craft stores, this doesn't mean you should try adding your tire shop to it. There are also many "low quality" directories across the Internet, known for just distributing links without much regard to correct information. Too many backlinks across too many of those sites might be seen as spam and search engines like Google may ignore them at best or penalize your website at worst if you're getting too many backlinks from irrelevant directories. That said, there are many relevant directories online, so getting your information important across the big and respected names is important.

Final Thoughts On Web Directories.

Overall, web directories are important to take into account whether you have a website or not. They provide potential customers with correct contact information and have the potential to increase your sales by getting your name out in the open. At times, web directory listings even rank on the first page. Make sure your information is correct online on relevant directories (especially on Google+) and that your listings are being monitored or updated over time so you have the best opportunity for ranking high and being successful. *(Courtesy of Net Driven)*

AAACT NEWS

Save These Dates!!!

APRIL 2016:

- April 5 -- AAACF Finance Committee Meeting - Raleigh, NC.
- April 9 -- 2016 AAACF Spring Golf Classic - Greensboro, NC.
- April 9 -- 2016 AAACF Spring BBQ - Greensboro, NC.
- April 10 -- AAACF Board of Directors Meeting - Greensboro, NC.

SEPTEMBER 2016:

- September 8-11 -- 2016 AAACF Annual Convention - The Kingsmill Resort - Williamsburg, VA.
- September 9 -- AAACF Board of Directors Meeting - Williamsburg, VA.
- September 23-24 -- Automotive Service & Technology Expo - Cary, NC.

OCTOBER & NOVEMBER 2016:

- October 31 - November 3 -- Automotive Aftermarket Week/AAPEX Show - Las Vegas, NV

Memorial Day

The AAACF office will be closed on Monday, May 30, 2016, in observance of Memorial Day.

-- Randy Lisk, Executive Vice President

HAPPY SPRING!!!!