NEW YORK STATE AUTOMOTIVE AFTERMARKET ASSOCIATION

NEWSLETTER

Serving the Automotive Aftermarket Since 1949

The Association For Automotive Aftermarket Professionals

April 2019

Annual Reports Reveal O'Reilly Auto Parts Reason for Success

O'Reilly Automotive, Inc., a leading retailer in the automotive aftermarket industry, announced record revenues and earnings for its fourth quarter and full year ended December 31, 2018. The results represent 26 consecutive years of comparable store sales growth and record revenue and operating income since becoming a public company in April of 1993.

4th Quarter Financial Results: Greg Johnson, O'Reilly's CEO and Co-President commented "We are pleased to once again report another profitable quarter and a solid finish to 2018. Team O'Reilly's commitment to excellent customer service drove a 3.3 % increase in fourth quarter comparable store sales, which was above the mid-point of our guidance range."

"Our solid top-line performance, combined with our relentless focus on profitable growth, resulted in a 6 % increase in operating profit dollars for the fourth quarter. Our continued growth is the direct result of Team O'Reilly's dedication to providing unsurpassed levels of service to our customers and I would like to thank our over 78,000 Team Members for their hard work and commitment to our long-term success."

Sales for the fourth quarter ending December 31, 2018 increased $124 million to $2.31 billion. Gross profit for the fourth quarter increased to $1.23 billion or 53.3 % of sales. Operating income for the fourth quarter increased to $428 million, while the net income decreased $2 million to $300 million.

Johnson concluded, "We achieved our goal of opening 200 net, new stores across 36 states in 2018 and are very well positioned to continue our profitable store growth in 2019. On November 13, 2018 we announced the signing of an asset purchase agreement with Bennett Auto Supply in the Ft. Lauderdale region of Florida and we are very happy to report that we closed this acquisition after the close of business December 31, 2018."

"We set our 2019 target of between 200 and 210 net, new stores in our third quarter earnings release in October of 2018, prior to the signing of the Bennett acquisition agreement. We are still targeting that range of net, new store openings for 2019, but will likely finish at the lower end of the range due to work related to the conversion of the Bennett stores during the first half of 2019."

Sales for the year ending December 31, 2018 increased $559 million or 6 %, to $9.54 billion from $8.98 billion for the same period one year ago. Gross profit for the year increased to $5.04 billion or 52.8 % of sales. Operating income for the year increased to $1.82 billion, while the net income increased $191 million to $1.32 billion.

Contact us at:

210 Lemoyne Avenue
Suite B
Syracuse, NY 13208

Phone: 315-437-0094
Fax: 315-437-0089
Email: mlord@nysaaa.net

Given such consistent performance, why is this multi-store retailer so successful? Management states their recipe: *We believe that our effective dual market strategy, superior customer service, technically proficient store personal, strategic distribution network and experienced management team make up our key advantages…"*

And they add that growth for the sake of growth is not their focus; rather they are led by a commitment to sustained, profitable growth. This reoccurring five-point strategy that appears in the 2018 report, also continues to pop up in prior reports dating back to their 1994 release.

Dual market strategy: This term, coined in 1970, stems from C.F. and Chubb O'Reilly's vision to become the friendliest parts store to meet the needs of both the DIYer and the professional auto repair garage. First, every employee must be approachable. Chubb observed a pattern that walk-in customers yearned for a problem solver who could lend an emphatic ear. An inexperienced DIYer could count on free technical vehicle repair advice from a counter person with an auto repair background.

And second, each store must be geographically accessible. By design, new stores are deployed in both heavily and lighter populated markets where fewer competitors operate. The stores in smaller cities do not open until the company builds the larger stores in the urban markets that will provide the supplies to those locations.

Superior customer service and technically proficient parts people: Selling parts alone at the lowest price is a commodity business, but O'Reilly recognized that serving as a knowledgeable resource for their customers allows the counter people and sales teams to stand out as the differentiator in the industry.

Repair shops rely on the field sales representatives, augmented by the stores that have a dedicated installer counter. Representatives undergo comprehensive and continual training, especially with hard part applications. Likewise, store employees receive similar training focusing on customer service, inventory management, financial literacy and store profitability. This involvement includes workshops and annual conferences.

Furthermore, to determine which product to stock by region, the corporate back office continually monitors product movement in their inventory management system, vehicle registration data, product failure rates and marketplace trends. Volume purchase discounts coupled with a supply chain finance-deferred payment plan has enriched SKU profitability while being able to set market-competitive pricing.

To help consumers research their vehicle needs, they can use a dynamic content-rich, search engine powered website, with a wide variety of product images, schematics and technical information with pricing.

Strategic regional tiered distribution network: With approximately $25 billion in market capitalization, O'Reilly continues to multiply enormous efficiencies by creating supply chains that wrap around 44 states, leverage a powerful technology and supply more tools to support employees. To optimize coverage and fill rate, 35 regional distribution centers feed the stores with same day or overnight access to roughly 146,000 SKUs.

Each distribution center is capable of delivering to more than 250 stores. Additional "master" hub stores stock an average of 44,000 SKUs within that network. For speedy product selection accuracy, every facility employs a conveyer system, voice picking technology and handling equipment.

Experienced management team: Roughly 850 managers populate senior, corporate and district roles with between 12 to 40 years of industry tenure. Eleven senior executives boast more than 25 years. With experience cobbled together since the early years, the six founding family members have more than 277 years of active service, some working well past the 1993 initial public offering, when it would have been tempting to cash in their chips.

In their late-teens, many now senior managers began a career path working in a distribution center or as an assistant store manager where family management exposed them to the parts business. Today, this collective tribal knowledge of what their customers' value, has been passed down to all of the employees. Twice Forbes Magazine listed O'Reilly among the 250 best employers.

Source: www.searchautoparts.com Aftermarket Business World

New York to Become Second State to Ban Plastic Bags

New York State lawmakers have agreed to a ban on single-use plastic bags, The New York Times reported on Thursday March 28, 2019. The ban, which will likely be part of the state's budget bills that are expected to pass Monday April 01, 2019, will reportedly prohibit retailers from giving customers single-use plastic bags, making New York the second state to ban them.

There will be several exceptions to the plastic ban, which will go into effect March 2020:

- Trash bags
- Newspaper bags
- Garment bags
- Plastic food takeout bags

New York counties will also reportedly be allowed to opt in to a 5-cent fee on paper bags to discourage their use as well. California became the first state to ban plastic bags last year. Hawaii has also effectively banned the bags, as all of the state's counties have passed legislation banning them.

According to the Times, the plan to ban them was proposed a year ago by New York Governor Andrew Cuomo (D). "For far too long plastic bags have blighted our environment and clogged our waterways and that's why I proposed a ban in this year's budget," Cuomo said in a statement to The Hill.

"With this smart, multi-pronged action New York will be leading the way to protect our natural resources now and for future generations of New Yorkers," he added. Supporters of such bans say that the non-biodegradable bags are harmful to the environment. Environmental groups such as the Nature Conservancy of New York are supporting the ban and also calling for a fee on other single-use bags.

Other groups, like the Food Industry Alliance of New York State, which represents many in the state's grocery industry, oppose the ban. The group said in a January statement that it believes paper bags are the real environmental threat and that the plastic bag ban will be harmful for business.

"A plastic bag ban will simply increase the financial duress for New York's grocery store industry without achieving the goal of improving the environment," the group said. "While we strongly oppose the proposal from Gov. Cuomo, we look forward to working with the administration on a more sustainable solution that benefits both our industry and the environment."

Source: www.thehill.com

Icahn completes acquisition of Florida-based RPM Automotive

Jacksonville, FL. – Icahn Automotive group LLC has completed its purchase of RPM Automotive Inc., a Jacksonville-based auto repair chain with 10 outlets operating more than 100 service bays throughout northeastern Florida.

The acquisition – announced originally in mid-December – expands Icahn's reach in the Jacksonville area, where it already operates eight Pep Boys branded retail stores. In all there are more than 125 Pep Boys outlets in Florida.

Icahn, which operates auto repair and maintenance providers AAMCO, Pep Boys and Precision Tune Auto Care, said RPM Automotive has a reputation for exceptional customer service and quality work on all vehicles, including luxury models and fleets.

Icahn Automotive CEO Dan Ninivaggi said RPM's "outstanding leadership and expert technicians will continue to provide the leading service and customer experience that they've come to be known for, while joining our 2,000 locations and 22,000 technicians in a nearly 100 year old tradition of keeping customers vehicles on the road."

Southfield, MI. – based Icahn Automotive said RPM Automotive will retain its name, its leadership team and ASE-certified technicians. Colley Stowell, president and founder of RPM Automotive, said his company has focused on building and growing its customer base over the last decade by hiring top technicians and by giving back to local communities.

"Joining Icahn Automotive is a significant next step for RPM Automotive," Mr. Stowell said. "We'll continue to operate seamlessly our shops while beginning to leverage the resources and opportunities that come with joining a large-scale service organization."

Icahn said its multi-year strategy to increase the breadth and density of its national service network has resulted in the acquisition of independent and franchised locations across the country.

The company credits its growth on investment in greenfield and existing locations, as well as its focus on people, programs, technical training and technology.

Source: Tire Business

TRICO Snaps up ANCO Wipers

The TRICO Group is on a buying spree. Its most recent acquisition is of ANCO wiper blades. Tenneco announced that it sold the division March 1. In its quarterly report Tenneco said the decision to sell was part of rebalancing the portfolio of DRIV, its new aftermarket and OE Ride Performance company spun off from their acquisition of Federal Mogul.

The company saw wipers as tangential to its core operations, co-CEO Brain Kessler said during a conference call in mid-March to discuss its quarterly results.

"The wiper products category represented a very small portion of our portfolio and the sale of the business will help strengthen our focus on our core product offerings related to chassis and suspension systems and the engine and powertrain aftermarket," he said.

"As we prepare for the spin later this year, we're always keeping an eye on opportunities to strengthen the new Tenneco portfolio as we work to make each business ready to succeed as a standalone company," said Roger Wood, co-CEO of Tenneco, later in the call.

TRICO did not formally announce the acquisition, but has included the ANCO brand in its list of products. Financial terms of the deal were not disclosed. The company recently acquired FRAM, one month after buying ASC Industries and AIRTEX Products.

Source: www.jobbernews

Tenneco to Launch Spinoff Company Called DRiV

Tenneco later this year will launch a publicly traded company called DRiV Inc., the company announced. DRiV, which Tenneco describes as an "aftermarket and ride-performance company" will launch in the second half of 2019, Tenneco said.

When Tenneco announced its acquisition of Federal-Mogul in April 2018, Tenneco said it would separate Federal-Mogul into two independently publicly traded companies-an aftermarket and ride-performance company and a powertrain-technology company. Tenneco completed the $5.4 billion deal in October 2018.

Once it spins, DRiV will be one of the largest global multi-line, multi-brand aftermarket suppliers and one of the largest global OEM ride-performance and braking suppliers to aftermarket light-vehicle and commercial-vehicle customers, according to Tenneco. DRiV will have its corporate offices in the Chicago area.

"It is a landmark day, now that we are able to announce the future company's name and identity," said Brian Kesseler, co-CEO of Tenneco and future chairman and CEO of DRiV. "DRiV will be a unique new business, a more than $6 billion startup, built from the combined strengths of Tenneco, Federal-Mogul and Ohlins – laser-focused on innovation, performance, brand development and customer service."

"Our global scale, our stable of well-respected and enduring aftermarket brands and our longtime partnerships with the world's leading original-equipment manufacturers give us a significant competitive advantage. We are strategically positioned to capitalize on secular trends such as the expansion of vehicles in operation globally, as well as growth in intelligent suspension, new mobility models and the evolution of autonomous driving."

DRiV's aftermarket business, which will be known as Motorparts, will develop, manufacture and distribute a broad portfolio of products in the global vehicle aftermarket. Through the acquisition of Federal-Mogul, the company has built a stable of aftermarket brands that include Monroe, Champion, Fel-Pro, MOOG, Wagner, Walker and others.

The original-equipment business, known as Ride Performance, will develop, manufacture and supply shock absorbers, struts, NVH performance materials and brake friction for global OEMs, according to the company. After the spinoff, the remaining Tenneco businesses will focus on powertrain systems technology and will retain the Tenneco name.

Source: Counterman

Icahn Auto Announces "Race to 2026" program to address Technician Shortage

Icahn Automotive Group LLC, an Icahn Enterprises L.P. company has announced a new program designed to invest in and support promising future automotive technicians, as they make their way from the classroom to the service bay.

Through the new program, "Race to 2026", Icahn Automotive is encouraging more men and women to pursue viable careers in the skilled trades by rolling out partnerships with technical training schools; offering scholarships, tuition reimbursement, apprentice programs, internship programs, job placement and continuing education opportunities.

Icahn Enterprises' automotive business segment has long invested in companies with a vested interest in promoting the skilled trades and supporting the well-trained professionals who each day help keep millions of vehicles in safe, reliable condition.

In 2015, Icahn Enterprises automotive company Federal-Mogul Motorparts developed and launched Garage Gurus, a first-of-its-kind comprehensive technical education platform offering on-site, online and on-demand training and related support to thousands of technicians, service writers, shop owners and other industry professionals.

"Icahn Automotive is stepping forward to invest in the future of our businesses and our industry by helping promising technicians develop the skills necessary to be successful," said Icahn Automotive Group CEO Dan Ninivaggi. "This industry offers young people from all backgrounds the opportunity for attractive, challenging and rewarding careers."

"We want to be a catalyst for changing the way the automotive service industry connects with, trains and supports tomorrow's professional technicians." Now one of the largest service chain operators in North America, Icahn Automotive offers a broad range of industry-leading opportunities and career paths.

Technicians can start by providing basic maintenance and move on to more complex repairs or progress to running a company-owned store, owning and operating a franchised business or serving in a corporate leadership role. Once a technician joins an Icahn Automotive business, they can take advantage of benefits such as tuition assistance, an apprenticeship program and company-sponsored certifications.

According to the U.S. Bureau of Labor Statistics, the automotive repair industry will need nearly 46,000 more technicians by 2026 to meet anticipated demand. Additionally in any given year there are as many as 75,000 job openings, due in large part to the retirement of the last generation of technicians who benefitted from broadly available vocational education programs.

While this demand is on par with other fields, technical training and related career assistance for those interested in the skilled trades has not kept pace. "We're at an inflection point in the automotive industry. We're facing a technician shortage at a time when demand has never been higher," said Brian Kaner, president of service for Icahn Automotive Group and Pep Boys.

"Over the past several decades, vehicles have become highly computerized while we allowed the disinvestment in technical education and steered a whole generation toward four-year degrees and crippling student debt. Now, the need for service is increasing as people keep their cars longer and fleet populations grow and the national conversation about the skilled trades is peaking as parents and students realize that technical training is again, as it always has been, an excellent first step to a successful career."

The "Race to 2026" program was launched at Universal Technical Institute's (UCI) NASCAR Technical Institute in Mooresville, NC on the heels of the 2019 Daytona 500, with the unveiling of an instructional car that has an iconic '26 as the number. Icahn Automotive opened two branded classrooms in which students will learn in an environment featuring the latest educational resources as well as inspiring messages such as "Find the tools you need", "Find your own path" and "Find out how far you can go."

Additional Icahn Automotive sponsored learning facilities will be established at Alfred State College of Technology in New York, and UTI and Lincoln Tech locations in Arizona, Florida, New Jersey and Pennsylvania. The program launch and classroom unveiling attracted industry and government leaders and elected officials.

Icahn Automotive celebrated by awarding a $2,500 scholarship to Jonathan Fanstill, a student enrolled at UTI. The scholarship is the first in a new program that will award $30,000 to 12 students annually and the Company also plans to accept students into an internship program later in the year.

Over the past several years, Icahn Automotive has invested in growing its service model through acquisition and the improvement of existing locations and a focus on people, programs, training and technology.

In 2018 the company launched Pep Boys Mobile, a state-of-the-art mobile repair unit that will provide on-location maintenance and gives technicians the option of a unique work alternative environment and announced a broad relationship with Amazon.com to serve online customers through professional tire installation.

"We're passionate about showing tomorrow's technicians just how bright the future can be," Kaner said. "From learning in attractive classrooms and labs to working in today's service bays – which are sleeker than ever and filled with the latest diagnostic tools and technology – these are not your grandfathers' auto shops."

"Our hope is that, by providing robust career opportunities, we will ensure an expertly trained technician is ready to provide superior customer service in every one of our bays, every day and that in turn we positively impact that technician's life and the overall industry."

Source: www.businesswire.com

Multi-Year Integration, Restructuring Effort Underway at Pep Boys, Auto Plus

During its February 28 earnings conference call, Icahn Enterprises disclosed a multi-year transformational plan for its automotive segment that will include the integration and restructuring of the operations of Pep Boys and Auto Plus, as well as the franchise businesses of Precision Tune and American Driveline.

"The focus will be on improving market positioning, optimizing distribution and inventory management, as well as numerous business process improvement initiatives," President and CEO Keith Cozza told participants on the call. In its annual report with the SEC dated March 1, management outlined the following priorities:

- Positioning the service business to take advantage of opportunities in the Due-in from maintenance (DIFM) market and vehicle fleets
- Optimizing the value of the commercial parts distribution business in high-volume markets
- Improving inventory management across the parts and tire distribution network
- Optimizing the store and warehouse footprint through openings, closings, consolidations and conversions by market
- Digital initiatives, such as a new e-commerce platform and enhanced e-fulfillment capabilities
- Investment in customer experience initiatives, including enhanced customer loyalty programs and select upgrades in facilities
- Investment in employees with a focus on training and career development
- Investments in supply chain and information technology capabilities

On the call, CFO SungHwan Cho said that, for the service business, the focus is on building density in high-growth markets and growing business with fleet and national accounts. For the parts business, the focus is on core markets where it can grow rapidly by selling parts to commercial customers and leverage efficiencies in the supply chain.

Cho noted that in 2018, the automotive segment invested in delivery and payroll to support an "aggressive" expansion into the commercial parts business at Pep Boys. "Pep Boys' commercial comp sales grew 15 percent in 2018 and continue to grow heading into 2019," Cho stated.

Cozza told analysts on the call that – while the service side of the business is experiencing nice tailwinds and sales growth – the retail environment is tough for the segment's stores. We have been investing and growing out the commercial side of the business, but it is incredibly expensive and there are a ton of front-loaded costs in growing the commercial side of the business," Cozza said.

"It takes time to ultimately fill the sales volume and to spread out the cost." He stated on the call that it will be a "grind" over the next year to two years to optimize the cost structure and clean up the supply chain.

Full year 2018 automotive segment net sales and service revenue rose 5 percent to $2.86 billion. Service sales increased 4.5 percent. On the parts side, Auto Plus reported a 4.1 percent comp sales increase for the year. Pep Boys' parts sales had a 2.1 percent comp sales growth, with commercial growth offsetting declines in the DIY market.

Source: The Greensheet

4,309 Retail Store Closures Already Announced This Year

A recent wave of store closure announcements will hit shopping malls across the U.S., leaving hundreds of empty storefronts. Just this week Victoria's Secret, Gap, J.C. Penney and Tesla all announced store closures.

Some of the announced closures may carry over into 2020, which was the case with several closings that were announced in late 2018. These closings include some of the largest retailers:

Payless Shoe Source (2,589), includes Canada locations and smaller – format stores in Shopko-Hometown locations, the Gap with roughly 230 in the next two years, Victoria's Secret with 53 and J.C. Penney with 18 department stores and 9 furniture and home locations.

Other well-known retailers such as: Family Dollar, Foot Locker, GNC, Kmart, Lowe's, Macy's, Sears, Target and Things Remembered are also closing stores this year.

Even Tesla will close more than 200 locations worldwide, shifting to online sales and lower prices for the Model 3.

Independent Auto Parts retailers have been feeling the effects of online sales by the likes of Advance Auto Parts, Amazon, AutoZone, Napa, O'Reilly Auto Parts and Rock Auto Parts for quite some time. This trend can only result in more and more Jobbers closing their stores too.

Source: CNBC, Fox News

Have your Best Sales Year in 2019

Warning: if you're looking for a short cut or an easy way to your best year, you probably won't like this article. What I have to say is not what the majority of the population wants to hear. That said, it is what you need to hear if you want to have your best year in 2019. Here are two tips for having your best year.

Tip #1; Work Harder: This is the tip most people won't like. Here's the thing about hard work: the harder you work by making more sales calls, the more your sales will increase. Want to increase sales by 20 %? Simple, increase your sales call by 20 %.

If everything stays the same: your contract rate, your closing ratio, the quality of prospects you're calling on, your sales skills, etc., by simply calling on more people, you will automatically increase sales by the percentage of increase in the number of sales calls you make.

So what this means is: whatever percentage increase it will take to have your best year, simply increase your calls by that number and you're guaranteed the result. The most successful people on the planet, in any walk of life, are the hardest workers. No exceptions.

The top athletes, the top musicians, the top actors and actresses, and the top ditch diggers, all work harder than everyone else. Are there exceptions to the rule? Yes, and they are just that, the exceptions. Follow the rule not the exception. The exception is the person who got rich winning the lottery.

You don't want to rely on those odds. Stop looking for the short cut, the easy way, the care free, painless way. In the long-term those are the longer ways. They are more expensive mentally, physically and financially and ultimately the short cuts are a waste of time. Follow the tried and true path and work hard.

With the above said, it is also a good idea to increase the effectiveness of your sales calls. If you get better at all aspects of selling: getting to the decision maker, getting their attention, differentiating yourself, finding their pain, creating a solution, building rapport and long-term relationships etc., now an increase in sales calls will grow sales exponentially.

Even if you only get better in one or two areas, your sales calls will increase at a higher rate than if you simply increase the number of calls. In addition to getting better at selling, you should also follow Tip #2.

Tip #2; Be Disciplined: The most important activities of a salesperson are: prospecting, presenting and closing. The most important thing you do during the sales day is talk to people who can give you business. It takes a lot of discipline to stick to these activities during prime calling hours. You've got to make hitting your numbers every day your number one priority.

This means you've got to guard your time closely against your biggest enemy: distractions. Distractions come in many forms: phone calls from friends and family, text messages, e-mail chimes, social media, chasing a fly around your office for five minutes, paperwork you should be doing in off-hours and other urgent/unimportant tasks that steal your attention during the day.

While most of these distractions simply pop up, many of us are also guilty of intentionally placing distractions smack in the middle of our day. Don't do that. Don't schedule doctor's appointments, dentist appointments, appointments with your financial planner, CPA or anything else at these times.

Obviously there are times when you can't avoid that, but you want to stick to this rule as much as possible. Also, again, don't do paperwork and other non-time sensitive activities during prime calling time. You also want to look for other time wasters. I had one insurance agent who was going to every Chamber of Commerce. Business Networking International, Business after Hours and other networking events for years, all while getting very little business.

When we got her to go out and knock on 50 new prospect doors a week and follow up with phone calls, her efforts over the next 12 months produced more than 40 times the results she got from attending all those events. It's simple, she was no longer hoping the same people she saw every week for three years, who were at the networking events primarily to "get" as opposed to "give" business, would have a new lead for her.

She was now pro-active with in-person visits and phone calls to prospects. Was it harder to knock on doors and ring the phones and face rejection from strangers? Yes. And as your parents told you growing up, the most difficult thing to do is usually the right thing to do. In person visits and phone calls are also still the fastest ways I know to grow a business quickly.

That said, if you still want to go to the networking events you can, but only after you've gotten all the prospects you need from phone calls and visits. In addition to the above, put up two signs, one in your office and one in your car that say, "Am I working on my most important sales activities right now?"

If it's 5 a.m. and the answer is "no", that's fine. If it's 11 a.m. on a Wednesday and most of your prospects are on a standard work schedule and the answer is "no", that's an issue. Finally on Tip #2, part of being more disciplined is also delegating activities and finding faster, better, more effective ways to do current tasks. This will free up more time for more sales activities.

Ultimately, there is only one question you must answer to determine whether or not you'll have your best year in 2019. Are you willing to put in the time, effort and energy, to endure the pain, to do the things that must be done, when they must be done, in order to make it happen? Yes? Great! Then get out of your own way and go make 2019 your best year ever!

Source: John Chapin a motivational sales speaker and trainer. www.completeselling.com

The Biggest Mistakes Made Managing Salespeople

There are five primary mistakes when it comes to managing agents. Almost every organization makes one or two of these, but most make more, many make all five. Each mistake you eliminate will add about 20 % in additional revenues to the bottom line. That said, if you have and clean up all five, it could lead to an exponential revenue increase of 200 % or more.

The Biggest Sales Management Mistakes are as follows:

Mistake # 1: Having the wrong person: This is usually a hiring mistake, though it could be someone who has become complacent over the years and is no longer doing their job. If it's the latter, there is still hope, but it will require relighting the fire they once had. Talk to them about this and see if you can help them find their passion again.

If not, you may have to move them somewhere else or out altogether. If it's the former, you need to change your hiring process. While a whole book could be written on this, here are the two most important pieces.

One: Hire attitude and work ethic: These are the most important character traits of any employee and they cannot be trained. They either come to you with these or they don't. While I have ways to determine these during the hiring process, many times you won't know what you're getting until they show up five minutes late day one and don't seem real excited about work. That's why it's extremely important to;

Two: Set rules and expectations up front: For salespeople, "You're expected to be in the office at 7:30 AM, M-F and work most nights and weekends for the first three years in the business." That's an example and one small piece. One other rule I have for on-the-road salespeople is: "If you are in the office between 10 AM and 3 PM, M-F, it's a $20 fine." Some other guidelines I follow are: only hire employed people, only hire in your industry when recruiting.

Have a hiring process, do an online and background check, look for open and transparent people, shake up the standard testing process, set goals and standards in writing, have an employment agreement, establish rules of the workplace, know their WHY, test them before you hire them, hire slowly, fire quickly, give them the tools, resources and training to do their job and provide the right environment.

Mistake # 2: A lack of accountability: This means ensuring people are doing the job you're paying them to do. Once you've set rules and expectations in the hiring stage, you've got to stick to these standards no matter what. If you see someone showing up late, leaving early or doing anything else that negatively affects the work environment, it needs to addressed and cleaned up immediately.

There should be a series of rewards for the right activities and penalties for the wrong ones. Even after you've hired people, you need to continue to test and check up on them.

Mistake # 3: A lack of training & supervision: The biggest issue here is a lack of sales training. There should be heavy emphasis on sales skills. Most companies put way too much emphasis on technical skills and product knowledge versus sales skills. While these are important, sales skills will trump technical skills all day when it comes to winning sales.

Here are some other points on this item: Micromanage rookies and make sure they are doing the right activities the right way and that they are learning what they need to learn. You can be hands-off with your veterans as long as they are doing lots of good, clean business. Have a training schedule for all training: sales, product and otherwise and cover this along with expectations and time commitments before you hire them. Assign a competent mentor to new salespeople.

Mistake # 4: No sales system and/or no sales process: Most organizations have a bunch of salespeople running around all using different sales systems and processes. While each individual salesperson is different and will approach sales situations in a slightly different manner, they should all have a well-thought-out track to run on and specific sales systems to follow.

The process should also be relatively similar. The sales process should cover everything from getting to the decision maker all the way through building long-term client relationships. Your system should consist of: a playbook, a binder with all scripts, a Concept Book and a way to track and follow up with clients and prospects.

Mistake # 5: Salespeople doing lots of things other than sales activities: I purposely send e-mails to the salespeople I coach between 10 AM and 3 PM, Monday through Friday. It amazes me how many times I get an instant response, and not from their cell phone. These are the prime hours during which salespeople should be on the road doing their most important activities: prospecting, presenting and closing.

Yet, many are in the office doing paperwork and other things that can be done at any time night or day. You need to set rules similar to my "10-3" rule. There also needs to be a clear separation of sales and service with roles and responsibilities spelled out for each person in the group.

Salespeople should also have a plan which includes annual, monthly and weekly goals, along with daily activity. You may also want to put your people through a good time management course to make sure they are following the 80/20 rule and other key productivity principles.

Source: John Chapin, a motivational sales speaker and trainer; www.completeselling.com

7 Million Americans Behind on Car Payments

A record seven million Americans are 90 days or more behind on their auto loan payments, the Federal Reserve Bank of New York reported recently, even more than during the wake of the financial crisis era. Economists warn this is a red flag. Despite the strong economy and low unemployment rate, many Americans are struggling to pay their bills.

"The substantial and growing number of distressed borrowers suggests that not all Americans have benefited from the strong labor market," economists at the New York Fed wrote in a blog post. A car loan is typically the first payment people make because a vehicle is critical to get to work and someone can live in a car if all else fails.

When car loan delinquencies rise, it's a sign of significant duress among low-income and working class Americans. "Your car loan is your number one priority in terms of payment" said Michael Taiano, a senior director at Fitch Ratings. "If you don't have a car, you can't get back and forth to work in a lot of areas of the country and a car is usually a higher priority payment than a home mortgage or rent."

The New York Fed said there were over a million more "troubled borrowers" at the end of 2018 than there were in 2010, when unemployment hit 10 percent and the auto loan delinquency rate peaked. Today unemployment is 4 percent and many more Americans have jobs now, yet a significant number of people still can't pay their car loan.

Most of the people who are behind on their bills have low credit scores and are under age 30, suggesting that young people are having a difficult time paying for their cars and their student loans at the same time. Auto loans surged in the past several years as car sales kept growing year after year, hitting a record high in 2016 of 17.5 million vehicles sold in the United States.

Overall, many borrowers have strong credit and continue to repay their loans, but the auto industry has suffered from high defaults among so-called "sub-prime" borrowers with credit scores under 620 on an 800 point scale. The share of auto loan borrowers who were three months behind on their payments peaked at 5.3 percent in late 2010.

The share is slightly lower now - 4.5 percent – because the total number of borrowers has risen so much in the past several years.

Source: Heather Long; Washington Post

The Association For Automotive Aftermarket Professionals

SUPERIOR FINANCIAL SYSTEMS

!!New Year - New Merchant Account!!

Jump start 2019 with Superior Financial Systems! Our cost-savings merchant account program for businesses in the automotive industry is time tested and proven to save businesses money when it comes to accepting credit cards. We have been working side by side with automotive merchants for over ten years – let our experience and knowledge work to your benefit.

Kicking the new year off with a bang, we now offer a choice of signing bonuses for new merchants, worth up to $500:

Your First Month of Processing for FREE

Sign on with Superior Financial and we'll waive all fees for your first full month of credit card processing.

Upgrade Your Credit Card Machine For FREE

Choose a countertop PAX S500, a wireless PAX S920 or mobile MagTek eDynamo.

Through our partnership with NYSAAA, we have customized our merchant programs to fit the needs of the NYSAAA members and their customers. As the preferred merchant provider for NYSAAA, we take our responsibility very seriously – earning the trust and loyalty of our clients is our top priority. We understand CORE products, recurring customer accounts, duplicate product purchases, and even help you guard against fraudulent purchase attempts from customers. Our programs don't stop at accepting Visa and MasterCard, either. We can get you signed up to accept gift cards, checks, even Wright Express/Voyager cards. As your partner in credit card acceptance, it is our job to make sure you are maximizing all the benefits a merchant account can offer.

Take advantage of our free, no obligation merchant account review, and let us analyze your current credit card program. We'll go over your processing needs, where you want your business to grow, and make sure you are paying the least amount possible for merchant services. We'll outline where we can save you money, disclose all our fees up front, and most importantly, if we can't beat your current program, we'll say so. Sign on with us, pick one of the signing bonuses, and everybody wins.

Call Todd Lazar, our Vice President, to discuss the current offers and options for your business. Refer a business to Superior Financial Systems for merchant services, and earn a $100 cash credit once they start processing!

Todd Lazar, Vice President
Toll Free: (888) 737-7762 | Direct: (949) 706-7345
Email: Todd@SFSProcessing.com | Website: www.SFSProcessing.com

Remembering Those Who Are No Longer With Us

It is with great sadness that we announce the passing of these members of the Association family during the past nine months. They will be forever in our thoughts.

- **Ralph H. Cox**
  Nunda Auto Parts Inc.
  June 27, 2018

- **James J. Carnegie**
  Syracuse Diesel & Electric
  November 11, 2018

- **William M. Scozzafava**
  Gouverneur Auto Parts
  December 11, 2018

- **Jan L. Goldberg**
  Monroe Motor Products
  January 26, 2019

- **Reta Ann Derx**
  Henry H. Hill Inc.
  February 27, 2019

All have dedicated decades and decades of their time and commitment to the Automotive Aftermarket to further our Industry and they will be greatly missed.