



August 2008

Welcome to the August edition of NPD's Category Management Committee News. The purpose of this communication is to provide you an update regarding the progress that NPD is making with the development of the point-of-sale Service for the Auto Parts Channel; NPD's *Aftermarket Industry Monitor*.

## New Application Categories Re-released

We are pleased to announce that point-of-sale information for two additional application categories has been released since the Category Management Committee met in Bonita Springs. NPD remains on track to deliver full store information for all participating retailers and wholesalers. Previously tracking retail sales from 5 participants, information for the Suspension and Steering categories now tracks both retail and commercial sales for over 18,000 outlets nationwide. With the inclusion of the commercial channel and more participants reporting, total volume tracked for both of these categories has grown more than twofold.

## Suspension & Steering Categories Now Available

*Both Categories Delivered on Schedule!*

**Suspension Category:** Delivered on May 27, the Suspension category POS information includes the subcategories of general, lift supports, ride control, specialty and springs and by segment — shocks, struts, torque arms, ball joints, springs and more. For the 12 month period ending April 2008, the Suspension category delivered over \$760 Million in annual sales volume, which represented a dollar sales increase of nearly four percent versus the prior period for retail and commercial volume combined. The single largest segment is the light truck shocks of the ride control subcategory, followed by the ball joints segment of the general suspension subcategory. This category was released not only at the segment level, but with various attributes including grade in many segments, tube type within the ride control segments, among other reporting attributes. Attribute reporting at initial release was made possible in large part by the overwhelming support by manufacturers that provided us input the coding process.

THE NPD GROUP

**Now Available**

**Suspension Category**

POS Information for the Auto Parts Channel

THE NPD GROUP

**Now Available**

**Steering Category**

POS Information for the Auto Parts Channel

**Steering Category:** Delivered on June 24, the Steering category POS information includes the subcategories of hoses-lines & fittings, pumps – cylinders – control Valves, steering gear boxes, rack & pinion, linkage and stabilization. For the 12 month period ending May 2008, the Steering category was valued at just over \$470 million in annual sales volume, which represented a very modest dollar sales increase versus the prior period for retail and commercial volume combined. The single largest segment is the tie rod segment of the steering linkage subcategory. This category was released at the segment level, and attributes will be rolled out in the subsequent months. An announcement on the availability of this category was distributed broadly to the industry on July 31.



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## Category Release Schedule

There are two tables to the right which detail the history and upcoming schedule for application category releases. This order of priority has been collaboratively determined by the Category Management Committee. We are pleased to report that the latest two categories of Suspension and Steering were delivered on schedule.

You'll notice a couple of changes since the last communication on this schedule. First, NPD worked with each participating retailer and wholesaler to determine the order of priority for two groupings of categories. First was those categories which were previously released with 5 retailers information (which required re-release to incorporate the wholesalers and commercial channel). The second group (future categories) have only recently been prioritized by the committee and are as yet unreleased. These represent all remaining application categories to be reported.

We are moving forward as planned with the development of both Climate Control and Exhaust. Those categories are on track and expected to be delivered in August and September, respectively. At the direction of the committee, categories will be initially released at the segment level, followed by subsequent addition of attributes at a later date. This can be affected by the level of support in the process by the industry, as evidenced by the Suspension category.

## Manufacturer Solicitation Process

A sincere thanks goes out to the all of the companies that are helping NPD stay on track and release application categories as scheduled. The Category Management Committee provided some very valuable feedback to improve this process, which has resulted in even better participation from the industry. Notable improvements that are delivering great results include:

- Introductory letter from AAIA committee chair & co chair
- Subsequent follow up letters from retailers & wholesalers
- Broader manufacturer contacts
- Increased lead times & improved communications
- Clearer requirements on file specifications

## Thanks to These Organizations

**Suspension** – Affinia, ArvinMeritor, CARQUEST, Federal Mogul, KYB, Mevotech, Specialty Products, Tenneco, ZF Trading

**Steering** - Affinia, ArvinMeritor, Federal Mogul, KYB, Mevotech, Specialty Products, Tenneco

**Climate Control** – Advance Auto, Compressorworks, Four Seasons, O'Reilly, Pep Boys,

**Exhaust** – Advance Auto, AP Exhaust, Maremont, NAPA, O'Reilly, Pep Boys ROL Manufacturing, Tenneco

## Re-released Categories

Rotating Electrical	April, '07
Batteries	July, '07
Brakes	August, '07
Filters	October, '07
Fuel Systems	November, '07
Cooling	February, '08
Hierarchy Upgrade	March Data
Suspension	May '08
Steering	June '08
Climate Control	August '08
Exhaust	September '08
Gaskets	November '08
Driveline	January, '09

## Future Categories

Wiper Components	February, '09
Hierarchy Upgrade	February, '09
Application Electrical	May, '09
Ignition	July '09
Emission	September '09
Engine	December, '09



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## Industry Commentary

Market Insight from David Portalatin,  
Director of Industry Analysis for The NPD Group



For the 12 months ending June 2008, US auto parts stores sold more than 21 million fewer quarts of motor oil than in the prior 12 month period. That represents a decline of 4.5% in volume as consumers continue to modify behaviors under the strain of \$4.00 per gallon cost of gasoline.

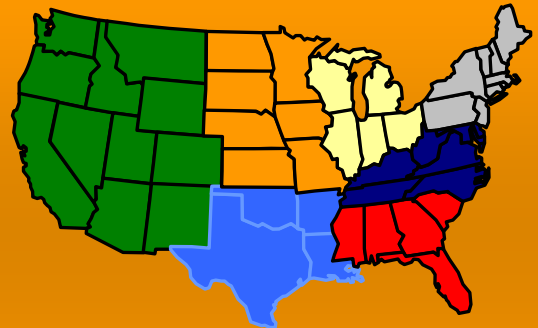
The US department of transportation reports that in May Americans drove 3.7% fewer miles than a year ago. This is the highest decline on record and illustrates the unprecedented rate of behavioral change in driving patterns. A recent NPD survey found evidence of this change such as 12% of consumers who cancelled a vacation while another 8% modified their plans to vacation closer to home. 8% have begun using mass transit.

While these changes reflect short term reaction to high prices our survey also found behavioral changes that are likely to have a more lasting impact on the aftermarket. For example, 6% report buying a more fuel efficient vehicle, 6% are working from home more, 5% are now working closer to home, and 4% are working less altogether. Changes in where we work, how we work, where we live, and what we drive are changes implemented after much consideration and will likely remain in effect even if gasoline prices drop. Therefore, we might expect a longer term disruption in driving patterns.

There is however, opportunity in the market. Consumers squeezed by economic and consumer credit conditions are highly motivated to extend the life of their existing vehicle and avoid replacement cost. NPD's Early Indicator Report shows that application parts sales increased 4.5% in dollar volume for June 2008 versus year ago. NPD's AAIM sales data shows Complete Fuel System Cleaners enjoying double digit sales growth. Marketers can appeal to the consumers need for economy in the long run to win even in these difficult times.

## Regional Commercial Data

Now Available!!!



*NPD has delivered regional POS data for the commercial channel for all light application & application categories, a major milestone for the Category Management Committee*

## Annual Hierarchy Review

The AAIA's Category Management Committee Data Work Group is scheduled to meet on August 12 for their annual hierarchy review workshop at AAIA headquarters in Bethesda, Maryland.

The Automotive Aftermarket Industry Association submitted requests for input on category reporting structure to over 450 individuals from more than 190 companies. To date, feedback has been received on approximately 30 categories from a variety of organizations.

This annual process is an important one which allows for yearly revisions to category reporting structure for POS data reporting purposes. The vision of the Category Management Committee is to have commonly accepted hierarchies across our industry. Input is requested from retailers, wholesalers and manufactures each year, which results in ongoing annual improvements.

Once finalized, the Data Work Group's recommendations are presented to the Category Management Committee. NPD then restates these categories with revisions in subsequent months. This year's hierarchy review process will be implemented with January 2009 data.



## Traditional Independents

NPD had communicated to the Category Management Committee that we were working with our partners to add a significant amount of stores to the panel with the traditional independents. This was designed to happen earlier in the year with the change in hierarchies and the release of the data restatement. Due to contractual issues between the distribution group and its members, we were unable to gain approval to the addition of these stores. NPD will continue to work with the participant with the hope of adding these stores in the future, and anticipate providing more information at our September meeting in San Antonio.

## Solution Folder Enhancements

We're pleased to inform you that NPD has released two **Solution Folders** report enhancements to improve the manufacturer's and retailer's experience when viewing POS information. Here's what you need to know about the two developments:

### Freeze columns and rows in **Solution Center** reports

At the request of many of users, we made this enhancement a priority. Now when a user runs a report, the user can navigate through the information while freezing the column and row headers. This enhancement will be the new default/standard, and users will have the option to turn it off in "My Preferences."

### Copy to "My Favorites"

Now clients can copy their "My Favorites" folders to other users within their company who also have access to **Solution Folders** reports. The Copy button will now appear in the "My Favorites" section, under the E-mail Report button. Once the user selects this button a window will pop up, listing the user's favorite folders. Then the user may select one or more folders to be copied to one or more users from the right side. When the user opens up "My Favorites," he/she will see the copied folder with a name in brackets, indicating who copied it to him/her.

## Store Level Coverage Expansion!

Better visibility to sales performance in key markets across the United States is now available with NPD's Store Level POS information. Now retailers and manufacturers have the ability to access sales data for 50 DMA's (Designated Market Areas) across the country. These markets now comprise approximately 65% of the total front of store retail volume tracked in NPD's Aftermarket Industry Monitor, from over 10,000 auto parts outlets in these markets.

Store Level information bridges the gap between national data and local/door level data. Companies use it to measure performance within specific geographies and markets, and for valuable context for understanding geographic variances and changes in the competitive landscape.

