PROFITS... THE SCALE OF SUCCESS

By Bob McKenna, NAPA President

Editor's Note: *In a recent address during the Congress for Automotive Repair and Service (CARS) Expo, held in Nashville, Tennessee, NAPA President Bob McKenna forecasted the direction of the automotive service and repair industry and the role NAPA AUTO PARTS stores play in assisting that industry. Below are the highlights of McKenna's address.*

As the automotive repair industry enters the next decade, this period will be a time marked by low growth and very tough competition. However, this is a huge business with many ways to succeed. In 1988 alone, consumers' expenditures toward the purchase and operation of their vehicles totaled $351 billion. As of July 1988, more than 162 million vehicles were in operation. In three years, a projected 171 million vehicles are anticipated to be on the road. Passenger cars will account for nearly three-quarters, or 125.5 million, of the 1991 estimated total. Light trucks will also increase to 45.5 million.

Our degree of success in the 1990s will be determined by how well we meet the challenges and adapt to the changing environment. To determine what level of prosperity is achieved, there is no better way to gauge success than by profitability—the bottom line. This is the true measure of the success or failure of business.

The winners of the '90s must think in terms of $1 million service facilities, up from the current $615,000 average. The increase reflects the need for more equipment, better trained employees and improved promotional support.

We need to be geared up to give the best service to customers and that preparation comes from working together as a united team, capitalizing on the opportunities of promising prospects for the service/repair sectors of the business.

With 70% of our customers being wholesale and 30% retail, NAPA's interest is obvious. The challenges and concerns of traditional customers are also our concerns. And we will stand beside our customers, serving them as we have for the past 63 years.

NAPA is involved in all aspects of the aftermarket—manufacturer, auto parts stores, warehouse distributors, consumers and repair facilities. But the strength of the NAPA system lies in 6,600 NAPA AUTO PARTS stores united to serve the aftermarket. The size and coverage available through the NAPA system is second to none.

Industry Overview

There are a number of means to determine if, in the $88 billion automotive aftermarket, resources are used efficiently and what direction a business is heading. I will highlight some of those important yardsticks.

For instance, the total number of outlets reveals which aftermarket service sectors—new car dealers, service stations, general and specialty repair shops, auto parts stores and tire stores—hold the majority of the facilities. From 1980 to 1986, the total number of outlets declined by 15,000 to 260,500. Service stations and general repair shops—NAPA's traditional customers—operated 73% or 191,400 of the total outlets in 1986.

During this six-year period, the distribution of bays in those outlets changed. New car dealers and service stations decreased their total bays by 10% to 630,000. On the other hand, general and specialty repair businesses and auto parts stores increased their total number of bays to nearly 473,000, or 40% of all bays.

When you compare the size of the market held by each automotive service sector to the percentage of bays and outlets, it reveals how effectively they are using their resources. (See chart A.)

New car dealers hold 32% of the bays and only 20% of the market share. General repair shops have 30% of the bays and only 13% of the market.

In contrast, service stations, specialty repair shops, tire stores, auto parts stores with bays and discount department stores leverage their physical facilities to get a greater share of the market. How is this achieved?

Use of more aggressive marketing—better promotions of their services and greater consumer traffic due to location and appeal, which comes down to perception of convenience and service.

Based on these findings, new car deal-

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UTILIZATION OF RESOURCES
(% MARKET SHARE VS. % BAYS VS. % OF OUTLETS)

	MARKET SHARE 1984-85	% OF BAYS 1986	% OF OUTLETS 1986
NEW CAR DEALERS	20%	32%	10%
GENERAL REPAIR SHOPS	13	30	36
SPECIALTY REPAIR SHOPS	11	6	6
SERVICE STATIONS	32	20	37
TIRE STORES	8	5	5
AUTO PARTS STORES (CHAINS)	7	4	4
DISCOUNT AND DEPT. STORES	9	3	2
TOTAL	100%	100%	100%