

The Future Is Yours

(Editor's Note: The following is an edited copy of the speech delivered by NAPA President Robert E. McKenna to the Automotive Service Councils (ASC) during its recent conference in Reno, Nevada. It is included here as it provides a statement of NAPA's philosophy toward the service repair industry and a comprehensive look at that industry's past, current conditions and growth opportunities which lie ahead.)

Personally, I consider it a privilege and an honor to be asked to deliver the keynote talk to your fine organization. I congratulate you on an excellent meeting so far and I know it will continue to go well. I also congratulate you on your 30th anniversary. This is an outstanding organization which has done a tremendous amount for our industry.

The leadership of Bud Merwin, Moon Mullin, your Board of Directors and Past Presidents and Chairmen is a big part of the A.S.C. success. Coming from a similar type organization to yours, I can assure you that you folks in this room, the membership, are what really has, does and always will make this organization what it is. I commend you for your past accomplishments and encourage you to keep it up.

In sharing some thoughts and ideas with you this morning, I want to tell you how seriously I've taken this assignment. For the last several months I've been talking, reading and thinking in every free moment about where this great industry of ours is going and what the plight of the service/repair dealer will be in the future.

I thought I knew the answers before I started, but now I'm even more convinced that the future is yours, mine and anyone else's in this business if they do the right things.

I'm going to take the next 20 or 30 minutes and try to tell you why the future is ours. I'm not going to say anything you haven't seen or heard before, but I'll try to put it all together so it makes some sense to you. And hopefully prove to you that the future is yours.

All of us in this business have a common desire — to service the motoring public! It's a great business and a very effective one. After all, we are able to keep the millions of cars and trucks on the road today running.

Let me also add that in case you think I have an ulterior motive for being here — you're right. There are a lot of parts purchases represented in this audience, and I can tell you if you're not buying from NAPA you should be and I'm asking for the business. If you are buying from NAPA we thank you for your business, and we hope to keep earning it every day.

That is the last commercial thing I'll say. NAPA and A.S.C. have much in common. Our ideals, goals, and purpose are very similar. Both of our organizations' members have smaller, independently owned businesses and are trying to provide a

much needed service and make a decent living for their families. Truly, you personify the American dream and are examples of our free enterprise, capitalistic system. I'm proud to be associated with our NAPA Jobbers as I know Bud is with you fine people.

Enough patting ourselves on the back. Let's get down to the job at hand — to tell you why "The Future Is Yours."

What I will attempt to do is show you a lot of supporting evidence about:

1. The automotive industry.
2. The automotive aftermarket — the industry trend indicators (i.e., number of cars, their average age, miles driven, etc.), its size and scope and where you fit, where repairs are done and by whom.
3. Some statistics about service dealers.

This is all to prove and support my contention that you people are on the threshold of a truly great opportunity if you only grasp it.

THE AUTOMOTIVE INDUSTRY

Let's talk for a few minutes about the automotive industry. It is second only to food in its contribution to the GNP. It is a huge, dynamic and yet stable and conservative business. It's international in scope and probably touches and affects every person in America in one way or another.

That's the industry of which we are all a part.

That's important because it means the potential that we have is practically unlimited and it is involved with a product that is essential to everyone — personal transportation.

Let me give you some facts:

1. There are 168.6 million cars and trucks on the road (130 million cars and 38.6 million trucks).
2. There were 10.4 million new cars sold in 1984 (average cost \$12,200).
3. There were 17.3 million used cars sold (average cost \$4,900) in 1984.
4. There are 1.28 cars for every household (31% with 2 cars — 30% with 3 cars).
5. There were 1.7 trillion miles driven in 1984.
6. Someone who owns a car for 12 years will spend \$30-36,000 on it, of which \$7,000 will be for maintenance.

I could go on but I think you get the idea.

THE AUTOMOTIVE AFTERMARKET

The total automotive aftermarket in 1983, at the retail sales level, was \$86.2 billion. It's made up of the auto service market (\$59.0 billion) and the over-the-counter market (\$27.2 billion). That's big business in anyone's book.

The aftermarket is defined, in my terms, as what it takes in service and parts to keep the cars and trucks performing after they are bought. A person buys a vehicle for a purpose — fun, to get to work, to haul something — whatever it may be. The aftermarket makes sure that a vehicle keeps being able to perform that function and provide that service to its owners.

There are many things that affect the potential of just how much business there is for you to participate in. After all, the more business there is the better chance you have to get more — the better for your future prospects. Here we need to consider:

1. The number of vehicles on the road is key and the growth line of that number is important. The number of cars and trucks registered has grown steadily for years and is predicted to keep growing in the future at about 2-4%.
2. The growth of vehicles on the road is attributed to several things. It's a function of the number of cars sold less the number scrapped each year. As you can see the difference was greater before the fuel crunches, but 1984 is a good indicator.
3. It doesn't matter how many cars there are if they aren't driven. Obviously, the miles driven is affected by the cost of fuel. You know that 1.7 trillion miles were driven in 1984. That was an increase of 5% and is by far a record number; and through March, 1985, the number is up by 3%. Real gas prices peaked in 1980 and the amount of miles driven was down. Prospects are for a continuation of this trend of relatively cheap fuel, better MPG by cars and increases in miles driven — all of these factors meaning that the parts wear out faster and give us all more business.
4. Another direct factor affecting the service business, besides miles driven, is the age of the vehicle. The average age of passenger cars in 1970 was 5.6 years, in 1982 7.2 years, and those cars are getting older all the time. In the over 3 years category, which is where you really get in the act, are over 80% of these cars — up significantly from 1970 when only 70% were over 3 years old. Just consider how many vehicles are over 12 years old.
5. One other significant fact that bears mentioning is the number of models and engines on the road. In the 1984 model year alone there were 305 domestic and 95 import models, with 100 different engines — 35 domestic; 65 imports. In the last 5 years we have added 27,794 part numbers to our system and dropped 23,306. That's just in five years, so you can see the volatility of parts. Be sure you're buying parts from a source that protects you from obsolescence.

Before getting into any more detailed information on size and scope, let me show you how complex this industry has become. This also gives you some insight into how many organizations and companies are battling for the business. Chart 1 (opposite page) shows parts distribution, but it also depicts the actual service areas.