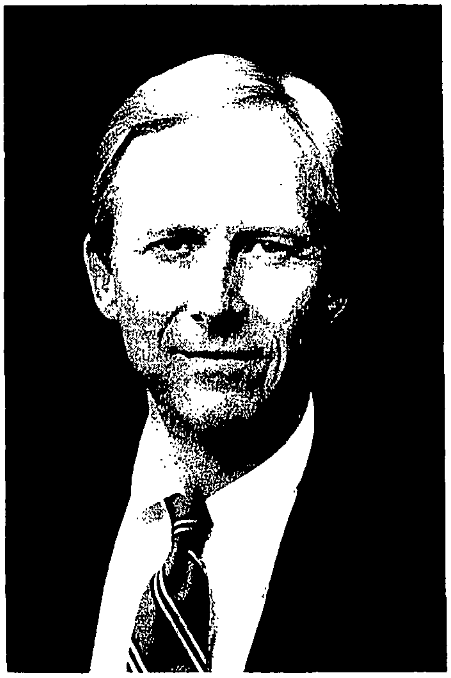
A LOOK AT LEADERSHIP



As a result of NAPA's renewed leadership attitude, new programs have been started and old ones have been reinforced.

Editor's Note: *The following article is based on a speech made by Larry Prince, president and chief operating officer of Genuine Parts Co., at NAPA's 1988 Annual Meeting, held October 16-19 in Atlanta, Georgia. Because Prince's message is crucial to everyone within the NAPA system, it is important that you, the NAPA AUTO PARTS store owner or manager, have an opportunity to read it.*

Recently a great deal has been said about NAPA's market leadership. In fact, our 1989 marketing theme "Lead On" expresses our reputation for leadership in the industry and our desire to continue in this position.

Currently, NAPA is significantly outpacing the growth of the industry. This is a wonderful situation to be in. But while we appreciate our success, we must also acknowledge that we have not always enjoyed this position. A closer look at our record indicates we can't afford to become comfortable or to take our present situation for granted.

If we look back at our record for the past ten years, 1978-1987, we get a clear perspective. During seven of those years, NAPA's sales growth exceeded the industry's by a range of .2% at the lowest to a high of 2.5%. Only in 1987 did we begin to substantially outpace the industry. Our growth that year exceeded the industry's by about 7%. This was our best performance since 1971, when our growth surpassed the industry's by almost 8%. It appears that 1988 will be another strong year for us, and we should again significantly outperform the industry.

Perhaps this ten year picture surprises you. Viewing our growth pattern over these past ten years raises two questions. Why weren't we better in several of these years and what caused us to do better in 1987 and 1988? In order to sustain our current level of performance, we need to look closely for the answers to these questions.

From time to time we find ourselves speaking with investor groups or potential investors, analysts, brokers and portfolio managers. The recent improvement in our NAPA parts business has not gone unnoticed by these people. In 1985 and 1986 they wanted to know why we weren't doing better. Then, after 1987, they began asking why we were doing better. I assure you, these are questions we have seriously considered.

From 1978 to 1986, we were slightly ahead of the industry, about 1.5% on average. Though our sales increases during those years weren't bad, they were made up quite heavily of substantial price increases. In 1978 and 1979, for instance, sales growth was 13%, but price increases were 6-7% of this. In 1980 we actually lost ground with inflation exceeding our total sales increase.

Admittedly, we had many negatives to deal with during those years. The country faced an energy shortage and general economic problems. The number of miles being driven showed little or no growth, and in six of these years, our target vehicle population declined. The demographics of vehicle registration were against us.

But these factors also affected our competition. Our concern should not be that we had negatives facing us, but that we didn't lead our competition in dealing with them. Why didn't we? There is no single, simple answer to this question. We've all worked hard, we offered premium service, our products were of the highest quality, we collected our money and paid our bills.

But, perhaps our poor showing was caused by something less tangible than level of service or product quality. Perhaps the problem was with our attitude. We were getting along fairly well, our sales were okay and we managed to make a pretty good profit. But it may be that we had become complacent and consequently our leadership position in the industry was slipping.

So how did we turn this around in late 1986? What stimulated the growth we saw in 1987 and continue to see in 1988? I believe somewhere along the way we came alive and started working harder in the areas of sales and marketing. NAPA Headquarters' move to Atlanta in 1984 consolidated all marketing activities and more clearly focused the communication between NAPA Manufacturers, Distribution Centers and NAPA store owners. This move seems to have been a major catalyst for the progress we have experienced. As a result of NAPA's renewed leadership attitude, new programs have