



CONSUMER INSIGHTS - JUST ASK!

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(The following may contain unintelligible or misunderstood words due to the recording quality.)

DAVID PORTALATIN: Thank you, Kathleen. I really do appreciate it and just let me say it. It is genuinely an honor to be here on behalf of myself and my NPD colleagues who are here. This is an esteemed audience and it's a privilege to be here.

Well, as Kathleen said, we did conduct some research specifically for this event because we wanted to really take the pulse of the consumer. You know, the consumer is still responsible for 70 percent of our total economic output in this country. So ultimately, what the consumer thinks and what the consumer does is of great importance to everybody in the room. So we wanted to understand that. Let me first just kind of give you a brief roadmap of what I'm gonna talk about today.

I wanna spend a little bit of time up front talking about change in our marketplace because I really do believe that we are witnessing some changes that are of the scope that have not been seen in decades and decades. And you've already seen some of that in the economic trends and some of the stuff we saw yesterday. This truly is a different time. And so it's natural to presume that consumer's attitudes are also changing in some pretty meaningful ways.

So we wanna set the stage there and then I wanna shift gears and get into the survey results. And ultimately, that's why we did the survey, is to understand what are the changes going on in the mind of the consumer during these really unprecedented times.

One of the first things that's gonna come out of the survey that we're gonna talk about a little bit is my second point there, is that Americans do have quite a passion around their cars. And so we'll talk about that just a little bit and then we'll get into really the meat of the matter and what are their thoughts and attitudes about repair and maintenance for 2009 and beyond. And I think what we're gonna find is that there are some very interesting opportunities for our industry. So let's jump right into it.

The times are, indeed, a-changing. That car, when I was a young man before I was licensed to drive that was my dream car. Boy, I could not wait to get behind the wheel of one of those and unfortunately, I never did. And now it appears that unless I buy a classic somewhere I never will. Obviously, this iconic brand has been scheduled for retirement and it's just reflective of the many ways that our marketplace is changing.

I talked about this slide a little bit at the town hall meeting at AAPEX, if any of you were there. But the reality is that there is no single greater contributor to baseline demand for automotive products and services than how many miles are driven by American motorists every year. And you can see on the far right-hand side of the chart there the downward slope in miles driven that really began over the last couple of years. And I would submit to you we really started seeing that behavioral change occur around the late summer and

early fall of 2005.

So it was well before the four dollar gasoline benchmark when consumer attitudes about driving and fuel efficiency and those kinds of things started to change. In fact, as this chart suggests, I really believe that happened at an inflation-adjusted price of about three dollars per gallon throughout history, even going back to '79, '80 and '81, the last time we saw a dip. And what this chart really suggests to me is that we are still kind of at the bottom apex. Is that correct? I don't know because apex is the top. Anyway, at the bottom of a curve that is likely going to mimic the one that we saw from '79 really to '82. So just because gasoline prices are at two dollars per gallon, I don't think people are gonna rush out there and drive a lot more miles overnight.

Because you see, we didn't change our attitudes about driving behavior overnight. So we're not gonna change them back overnight. And in fact, if you look at the miles driven number in January and February, it's still down a little bit. I know there's some debate about leap year and whether or not miles driven in February are still actually up, but I'll tell you what else I look at. I look at gasoline consumption in March and April. And guess what? It's still down pretty significantly. So that tells me that consumers are still moderating their driving behavior. So that's a pretty significant change.

And then of course, one of the major components to total miles driven is really how many cars are on the road. And obviously, new vehicle sales have declined pretty dramatically. We've heard a lot about that. I won't spend a lot of time on it. But that's ultimately going to affect both the makeup of the

vehicle fleet and in the long run, potentially the vehicle population.

One of the things that's interesting is if we look at 36-month new vehicle sales trends and kind of use that as a surrogate for how many vehicles are under warranty; this is what that data would look like. And again, on the far right-hand side of the chart, you see the front end of a slope that looks very similar to what we might have seen in the late '70s and early '80s. And if you look at that gap of time from peak to peak there, it's really about a six or seven year period of time where there was a pretty dramatic change in the vehicle demographic in the country. And I'm gonna show you some evidence later in this presentation that suggests that that represents a pretty significant opportunity in our business as that vehicle fleet changes.

On the other hand, one of the things we have to be aware of is that as new vehicle sales are declining and at the same time we're scrapping a lot of older vehicles, it looks like 2009 is gonna be a year where the actual vehicle population does not grow. So if miles driven is the single greatest contributor to total demand growth and a big component of that is how many cars are on the road, 2009 could be a year where we don't see growth in either of those numbers. And what this chart actually shows you is the ratio of licensed drivers to registered vehicles. And of course, we're a very affluent society and in the early '70s, we bypassed the ratio of one to one and that gap has been expanding every since, with the exception of only a couple of times during recent history, again both during times of recession in the early '80s, in the early '90s and probably happening again now.

Now we heard it said yesterday that there's gonna be four million new

drivers a year. What are they gonna drive? That's a question I have. Four million new drivers is great. Are we gonna necessarily be adding four million new cars to the mix? Maybe not, unless the economy and consumer incomes and consumer spending really turn around pretty quickly. So some pros and some cons, some things that we have to think about, some potential growth opportunity but also some things that, in the long run, could ultimately be limiting factors as well.

And consumers' attitudes are even changing about their lifestyle around their vehicle. This is just one example. I think it's kind of a fun one. We've tracked, for years and years and years, a steady increase in the number of lunches we eat in the car every year. I told you. We love our cars in America. We love 'em so much that we eat more and more of our lunches there. But even that trend has started to slow down and really even flatten out in the last couple years. So our attitudes about our vehicles are, indeed, changing. So it's in that context that we really wanted to conduct this survey and get a better grasp on what all this change really means to consumers.

And one of the great things about it is that there's something significant that has not changed. And that is, we love our cars. And that love affair with the car starts very early on when we get our first Hot Wheels or our first little pedal car and it's a life-long love affair with the vehicle. And Americans are still pretty passionate about our cars and we wanted to kind of get some flavor for that. So we actually just let consumers respond in their own words and tell us, What does your car actually mean to you? And as I looked at those responses -- and, by the way, we fielded this survey and we got more than 800

responses from a representative sample of consumers.

You know, many of you know NPD for our ongoing monthly consumer survey as well as our actual tracking at point-of-sale of over 18,000 auto parts stores. This is a different data set, again a custom survey that was just fielded really just in the weeks leading up to this conference. This is fresh, relevant, current data and you're the first audience to get to see it. But we took these responses. How do you really feel about your car? What does it mean to you? And I tried to group 'em together according to some similarities. There's some patterns that I found and here's generally what I found.

We found that the largest group, about 38 percent, really viewed their cars as predominantly transportation. Or a lot of 'em used the phrase, "Way to get from point A to point B." And of all the responses, that was generally the least emotionally attached group out there. And then there was about 15 percent that were a little bit higher on the emotional attachment scale. They're a little bit more passionate in describing their vehicle as something really critical to their lifestyle or very important to their income and so we looked at that group.

And then, moving a little higher up the emotional attachment scale, about 12 percent used words like "love" when they described their vehicle. And then there was about five percent that equated it with their absolute personal freedom. And then there was about 30 percent or so that were just very diverse and varied comments that I really couldn't cluster together. But let give you just a sampling of the things that these consumers said.

Let's start with just the transportation folks. 'Cause even though they

were the least emotionally attached, I still wanna underscore that their vehicles are very important to them. This woman, age 59, said, "My car is transportation for myself and my family. It is important to have it running well and maintained for optimum performance." So even though there wasn't a lot of an emotional attachment, there was still some passion around what she viewed as necessary spending in this industry.

Moving up the scale a little bit and those folks that said it was a critical necessity or a lifeline, about 15 percent of the responses. A 32-year-old man, "My vehicle is very important to me because it is also my work vehicle and helps provide for my family. Without it, my income will stop." Now think about that. Have you ever thought about yourselves in this industry as being a key contributor to the ongoing economic lifeblood of this country? Because you absolutely are. People's cars don't keep running well, everything grinds to a halt in the U.S.

And again, getting a little more passionate about the vehicles, those who are really emotionally attached, 18-year-old young man, "It is an extension of myself. If it were to be damaged, I would feel hurt." This young man is probably gonna be spending some money with you guys this year 'cause he cares about that car. And it's not just men. Women feel this way, too. This next one is a 19-year-old young lady, "It's up there with my family, friends and dog. Don't mess with any of them unless you want me to hurt you." I'm guessing that you want her as a customer of yours. She's probably gonna be a pretty loyal and valuable customer.

And then we had the group of people that was really just the most

emotionally attached of all. It's the smallest group up there but of critical importance. Listen to this comment, 42-year-old female, "It is my chariot to freedom. After dropping the kids off at school, it's just me and the Mommy Mobile." We need to help take good care of that Mommy Mobile or else Mommy's gonna be upset. And you know what they say about when Mommy's upset, nobody's happy. My favorite one, 44-year-old man, "My Camaro's my independence and means to get to where I need to go. No one tells me when or how. Kept the car, got rid of the spouse." How many of you know a guy like this? Yeah, see I do, too.

So that got us to thinking. How many people out there are really like that? So you're wondering to yourselves right now, "Did they actually ask the question?" Yes, we actually asked the question. So here it is. "Do you agree with this statement? I would sooner give up my spouse or partner than my vehicle." Fortunately, for the social stability of our nation, 67 percent said, "I strongly disagree." But the flip side of that is only 67 percent? 'Cause 6 percent are like, "Oh, yeah, I disagree with that. I think." And 19 percent are like, "Maybe." And four percent are like, "Yeah, I could see that happening." And five percent are like, "Man, one more thing and I'm outta here." And you might say, "Well, that's only nine percent that agree somewhat or agree strongly." But if you do the math on this, there's about five million marriages in America that are in trouble right now.

This is a bit of free advice here. Sunday is Mother's Day. Okay? Instead of flowers or chocolate, maybe you ought to be stopping off at the auto parts store on the way home. Let's make sure that we're happy with the car and

that equates to marital happiness. You never thought of marriage counseling as a growth vehicle for the aftermarket, but maybe it is.

All right, so enough with the fun stuff. I showed you all that just to tell you, once again, Americans are passionate about our cars. And if they are so passionate about our cars, then there is no reason why we cannot connect with the consumer and connect with that passion and make this a growing, vibrant industry even in difficult economic times.

So shifting gears, we're gonna focus on what consumers said about their outlook on repair and maintenance. And, you know, just to establish one of the major themes. It has already been talked about yesterday and even a little bit today. There is a significant percentage of consumers, in fact, almost a third in our survey that are driving vehicles that are more than 10 years old. Those vehicles are gonna need some repair and maintenance. It's a strong and compelling value proposition in the current economy that people wanna take care of that vehicle because it's a lot cheaper than replacing it. And so we're gonna concentrate somewhat on those folks as well as some other groups to see where these opportunities are and what people are thinking.

The good news is about 58 percent of consumers said that they agree or strongly agree with this statement, "I will spend more on service and repair to keep my vehicle on the road longer." That is the clear and compelling consumer value proposition in 2009. Spending a little money to keep it on the road is much better for my family than going out and trying to buy a new car right now. And that's the opportunity that we've gotta take advantage of.

How are they gonna do it? Well, interesting that there's really three

options here. I do all service and repairs myself. I do some myself or I have a professional service provider do all. Now clearly over time, the shift has been towards the professional service provider and that's where the majority of consumers are in this survey. But you can see the dramatic difference by vehicle age. Those with vehicles more than 10 years old are substantially more likely to do some or all repairs themselves. Very interesting.

And it's not just men that are DIYers. The reality is, even 22 percent of women are saying, "I'm doing some or all do-it-yourself repairs." My guess is if you're in the DIY side of the business that you have a very loyal and faithful core constituency of hard-core DIYers. You probably have a pretty good grasp on that market. Growth might be coming from the opportunity to expand to different constituencies and different demographics. And when you do that, don't forget about female DIYers.

Now I think that one of the themes that really comes out of this survey is I'm characterizing 2008 as the year of deferral. 2008 is the year that, you know, the economy really reached its low point. Hopefully it's the low point. Hopefully we won't see another low point in 2009. But consumers really cut back. And in our business, we track a lot of industries and we saw consumers cut back in a lot of areas. Consumers were really focused on need. And the best thing about the automotive aftermarket is that you are in the need business. So consumers may have been less likely to cut back in this industry than in some others. Nevertheless, consumers were looking to cut back everywhere and 2008 was kind of a year of deferral.

There are already lots of signs out there that 2009 and into 2010 is

gonna be the year that all of that pent-up demand or all of that undone maintenance, a lot of that is gonna start to come in. And you can kind of see this in the DIYers behavior. In the past 12 months, there's a little more enthusiasm among the people that said, "I cut back. I did less DIY behavior than those that did more." Fifteen percent did less; only 11 percent did more. But when we say, "What about the next 12 months?" a lot of people are coming to the conclusion that, "You know what? I can't keep putting some of this stuff off." So we see a shift. The percentage of people that said, "Yeah, I'm gonna do less," goes down quite a bit.

On the other hand, there's a slight increase in the percentage who say, "Yeah, I'm gonna have to actually do more." And as you might guess, there is a vehicle age component to this. And if all of that deferral is gonna come home to roost, you'd expect it to show up first in the oldest vehicles. And so 22 percent of them said, "In the last 12 months I did more DIY activity." And only 18 percent said less. And that is the only group where the more was greater than the less.

But look what's gonna happen in the next 12 months. Here we go. Next 12 months you still see the same level of commitment to doing more among the older vehicles. The percentage of consumers who have the less attitude goes down dramatically and then look at the emergence of the six to ten-year-old bucket. All of a sudden, now there's more momentum among that group for doing more than less. So you can see the wave beginning to happen and starting to move through the population.

It's reflected here in this statement. We asked specifically about oil

changes. "Do you agree with this statement? I am more likely to complete an oil change myself now than I was 12 months ago." And 19 percent of consumers agreed, "Yep, I'm leaning that way." Because there is a value proposition amongst those who are squeezed by the economy, who can save a little bit of money and at the same time, do what's right and keep that car on the road longer.

When people are making these purchase decisions, what's gonna drive their purchase? What attributes are important? Well, it's no surprise that price is important. But let me give you some perspective on this. Fifty-eight percent said it's gotta be reasonably priced. This industry is significantly less price-driven than a lot of other industries. When NPD does broad-based consumer tracking on how people are responding to the economy and we say, "What's gonna drive your purchase behavior?" talking about all goods and services, that price response is up in the 80s.

Here we have a great opportunity to differentiate around a lot of other very valuable product attributes beyond price. Forty-six percent are looking for something that's gonna give 'em better gas mileage. Thirty-nine percent, increase engine performance. Thirty-four percent, it's gotta be quality. Why? 'Cause it's gotta last. If I'm gonna invest this money which is tight right now, it's gotta last. It's gotta perform for the long run. It's gotta give me some economic benefit for years to come. And then time is money. Twenty-eight percent said, "Make it easy. Make it easy to user install. Cleans the engine." You know, and then there's some environmental attributes that are appealing to a segment of consumers. So there are a lot of ways to differentiate the product.

One of the things that I have seen happening in our industry and in others over the last several years is a clear polarization between two groups. And if you think about it, this makes a lot of sense. If I'm the consumer and I'm gonna buy product X, I generally have two choices. I can buy one that's clearly differentiated as better and we can define better in a lot of ways: better performance, better for you, easier to use, makes my car last longer, whatever that is. And absent that offer, that clear and compelling offer, I'd be crazy not to buy the cheaper one. And so we see consumers clearly split into those two camps. I'm not saying one's better than the other. I'm saying you need both. I'm saying there are growing, vibrant consumer segments that are focused on both of those. And it's kind of reflected in the next question.

We asked people, you know, "Do you agree with this statement? I am more likely this year to buy store brands." And a similar question, and I'm gonna show you side-by-side, "I am more likely to buy well-known brands." And look, it's equal. No surprise. The percentage of people who agree or strongly agree is strikingly similar. So you got some growing enthusiasm of people shifting towards store brand. You also have, at the same time, some growing enthusiasm people shifting toward a more premium brand.

Just one example of this, we look at the motor oil business. "Do you agree with this statement? I am more likely to pay more for a premium oil now than I was 12 months ago." Well, 26 percent agree or strongly agree. At the same time, there's a pretty good contingent out there that disagrees. "No, no, no. I'm looking for the cheaper one." There's really only about 35 percent that haven't changed their behavior at all or are somewhere in the middle.

And so one of the things that I would suggest to you is you think about, whether it's your service or your product or your store brand or whatever it is that you're positioning, I think you need to be clearly aligned in the mind of the consumer as either this is better and here's why. By the way, you can't just say better and it be an empty promise. It's gotta be here's why and then there's an appropriate premium that consumers would be willing to pay for that. It can't be, you know, way out of context or anything. Absent that, you've gotta be over here on the other side and clearly saying to consumers, "I'm offering you a great value." Those two more clearly differentiated messages are gonna resonate with consumers really in any economy but I think especially in this economy where consumers are really challenged to spend wisely and to do what's right. And I think those two differentiated positions are both gonna help you win in this marketplace.

Now up to this point, we've really talked a lot about DIY. What about those people that said, "I do all or some of the repairs myself"? And just to kind of establish who responded to this survey, about 44 percent of the respondents said, "I'm going to the car dealer to get those things done." The second largest group, 37 percent, said, "I'm going to an independent repair shop." And then there's lots of other options for people to take their car for maintenance and repair.

Now we heard it mentioned a lot yesterday about dealership closures and how is that going to impact people's choice. So we asked 'em, "What are you gonna do?" This 44 percent who said, "I'm going to the dealer," we asked those people, "What are you gonna do if your local car dealer closes?" I think

this is critical 'cause I heard it mentioned yesterday. This is the choice that consumers are starting to make now. It's gonna increase likely over the next several months. Now is the time to influence that decision that consumers are trying to make.

One of the things that's gonna influence that is the age of the vehicle. And as you can see, those older vehicles are much more likely to be in the independent repair shop sector. So as we see that segment of the vehicle population grow, it's clearly gonna benefit independent repair shops. And if the dealership closes, right now 51 percent said, "I'm just gonna find another dealership." Now these are the people we wanna talk to. We wanna get our message out to. Twenty-five percent, the largest group that's gonna change, said, "I'm going to the independent repair shop." It's clear that the independent repair shop is gonna benefit.

Our ongoing tracking apart from this survey, our regular monthly tracking of consumer behavior, already shows that independent repair shops are gaining some momentum. Car dealers are losing a little bit of share in the marketplace. We think this trend is gonna continue. You know, I'm saying that, one, because it's encouraging. But two, don't sit back and think we gotta just open up the service bays and the people will come. Let's get out there and talk to 'em because there's still 12 percent that haven't made up their mind yet. And, you know, and they say the undecided voter always decides the election, right? Let's get out there and talk to our undecided voter. There's 12 percent who we need to be talking to and giving 'em a good, compelling reason to come to an aftermarket service provider.

And obviously there's a vehicle age component to this as well. The older vehicles are already more likely to be going to an independent repair shop. And those that are going to a dealer, 30 percent of them if their dealership closed is coming to an independent repair shop. A lot of 'em are going into that other category, so that's, you know, tire, brake or muffler chain or an auto parts store or a mass merchandiser or some other specialty shop.

And then a couple things that I think is interesting, it's the new car people, four percent of the younger car people are saying, "You know what? If my dealership closed, I might actually consider trying to do it myself." Now four percent's a small number but, you know, four percent out of all those multi-millions of vehicles, you know, if you can get a little bit of that business it might be certainly worthwhile.

And then among the "don't know" group, among the "undecided" group, you know who's more likely to be undecided? Women. Eighteen percent of women haven't made up their minds yet. So you know what? There's things that we've got to do to win their trust, to give them confidence that they can bring that vehicle into an aftermarket repair shop and again, now's the time to be getting that message out and talking to consumers.

Well, let's think about the need that's out there. One of the things that we wanted to understand is what is it that consumers are needing? Is that need changing? And then, are they addressing those needs? So again, just to serve as a benchmark, we asked consumers, "Based upon your owner's manual or the advice of your service provider or," you know, "however you came about the knowledge, are you aware that your vehicle needed any of these following

services in the past 12 months?" So naturally, most people agreed that, "Yeah, I needed an oil change. I needed a filter. I needed to rotate my tires." And you can see on down the list, other fluids, air filter, wipers, replaced the tires, brakes, anti-freeze, belts, hoses, batteries, spark plugs, transmission service, air conditioning. And then about 19 percent said, "Yep, I actually needed some suspension work in the past year."

Now as you might suspect, that need varies greatly by vehicle. So in the next chart that I'm gonna show you, we're gonna take those percentages and kinda reset 'em to the zero line. And obviously, the new vehicles are less likely to say that they needed any of these things. More likely to say, "Yeah, I'm keeping up with my tire rotation and my oil filter and my oil changes." And then as you move into the six to ten-year-old vehicle bracket, obviously the demand for some of this stuff is increasing a little bit. The vehicles are aging; they're needing some. And then when you get to the oldest vehicles, is where you see the greatest need for repair and maintenance in a lot of these areas. But look at the top three lines there. Those guys with older vehicles are actually less likely to say that they needed oil changes, filters and tire rotation and balance and, you know, the ongoing maintenance. So one of the things that we've gotta do while we're anticipating a growth opportunity coming from these older vehicles is we've gotta continue to remind these guys of the value of the routine stuff, the ongoing maintenance. Because they're actually less likely to do a little bit of that.

Now the question really becomes, if this is what people said that they needed, did they actually do it? And unfortunately in the past year, we just

focused only on those that said they needed the service because obviously some are more needed than others. So we focused on just within each service, the ones that said they needed it, did you do it? Well, 25 percent said that they needed to replace their tires but they initially postponed it. They eventually completed it but they postponed it for a while. And remember, I said I really believe 2008 was a year of deferral. A lot of people have deferred air conditioning, suspension, rotating and balancing tires, wipers and on down the list.

And then what about those people that never complete it at all, that are still deferring it? Pretty significant. I think air conditioning's a real interesting one. We'll see. Now this survey was fielded in April. I wonder if this would change if we fielded it in June.

So what people are clearly saying right now is, you know, "Money's a little tight. I'm gonna go without that air conditioner as long as I can possibly go without it." They're about to get tested. We'll see how strong their resolve is. But thus far, people are saying they're continuing to defer a lot of these areas.

Now what's obvious to everybody in the room is all of those people in those light blue bars, they've got some future appointment with you. Because you can't continue to defer this stuff forever. It's gonna have to get done sooner or later. And that's what we think the opportunity is. But again, we've gotta get out there and we've gotta reinforce these messages. We've gotta sell people on the benefits. Remind them of the long-term economic value proposition.

And who's most likely to continue to postpone these things?

Amazingly to me, it's the people that need it the most. The ones with those ten-year-old vehicles are much more likely than others to continue to defer these repairs and services. And also, people who are DIYers. You know, my kind of pre-conceived notion was that the DIY guy was the one most committed, maybe the most automotive knowledgeable, maybe the one that understood better the benefits of doing these things. Maybe they are. They're also more likely to put 'em off. So we can't take for granted these things. We've gotta get out there and talk to those guys and remind 'em and encourage these activities to come in and be done.

What about those who say that in the next 12 months I'm gonna continue to defer? Man, why do we do this? Why are we the ones that wanna keep putting it off? And, you know, women are out there saying, "Nope. We're gonna get this done. If we need it, we gotta get it done."

Now I gotta confess to you. This is exactly the experience in my house this week. My wife has been after me for a long time to have her van looked at and I've been putting it off and putting it off and putting it off. And so she waited until I got on a plane and left town and I got a call from her yesterday. She took it to the shop and got it done. So good for her. She did the right thing. But women are much more likely to get it done. Men are saying they're likely to put it off.

And then again, those with the vehicles older than ten years are saying that they are more likely to defer in the future for the next 12 months. And you know what I think may be happening here? It's entirely possible, and this is

one of the risks to the aging vehicle growth theory, is that a lot of these people could be holding out for a replacement. They're just waiting until the economy gets a little bit better, 'til I get a new job, 'til I get a raise, 'til my situation turns around a little bit. And if I can just put it off a little bit longer, maybe I can replace this vehicle.

In fact, the reality is that all of America or about half of America is only \$1,000 away from vehicle replacement. We asked, "What is the total repair cost that would motivate you to just say, 'Forget it. I'm just gonna buy a new car'"? And, you know, for a significant amount of people, nearly 30 percent, it's only \$500. If they went in and you came back to them and said, "Five hundred bucks," they'd say, "You know what? I'll just buy a new car."

If you think about it, you know their car payment is probably less than that and if they can negotiate the trade and make the deal, they don't have to spend the outta cash, they can just get a new car. That car is ultimately gonna get repaired if it gets traded in but it may get repaired by a dealer and not one of you guys. So we've gotta be careful and we've gotta talk to these people. We've gotta talk to 'em about the long-term value proposition.

So we asked that question. You know, "What would it take for you to give up your car?" And surprisingly, a lot of consumers are ready now. So I think this is one of the risks that we have to think about. A lot of consumers are ready now. Fifty-year-old male said, "Make me an offer. I'm ready today. Whatever you wanna give me for it, it's yours. I'm ready for a new car." Another example, 46-year-old female, "What would it take for me to give up my vehicle? How 'bout my income restored to what it was before the recession

started?" I think this is a sentiment that we gotta look out for. A lot of people are just waiting for times to get a little bit better. Let me feel a little bit more secure about my job and yeah, I'm gonna go down and get a car loan. So we've gotta think about that. Fifty-seven-year-old female, "If it started nickeling and diming me all the time for parts and services, I'll just get rid of it and get another one."

Now on the other hand, there are those people, as we saw up front, that are pretty committed. "What would it take for you to give up your car?" Seventy-five-year-old female, "Perish the thought. Do not go there." It's okay Gran-Gran. We're not gonna take your Buick. It's all good. You can keep it. How 'bout this one? Female, age 25, "It'd have to be repossessed." Well, that's possible. That might just happen. What about this guy? "Court order or death." I suspect this is the same guy with the Camaro is what I think.

So a lot of consumers are gonna remain committed to that vehicle no matter what happens. They're gonna be spending some money with you guys this year. That's our growth opportunity.

Just a couple of summary points of looking forward. You know, this economy I believe really does focus people on that differentiated value proposition. I think you gotta speak clearly to the consumer that I'm better, I'm premium, I'm performance. I'm convenience or whatever that is. Or you've gotta speak to the consumer and saying, I'm value, easy on your pocket book. And those that are clearly differentiated are gonna get the consumer dollars, really in any economy, but I think especially in this economy.

And I do believe that vehicle longevity, performance and efficiency are

pretty clear and compelling motivators for consumers right now. They understand that one of the ways they can persevere through this economy is to take good care of these vehicles. And I do think that it's gonna lead, especially with these older vehicles, to a ground swell of growth in the aftermarket. I mentioned to you before our ongoing tracking of actual point-of-sale data through 18,000 auto parts stores. And some of the February and March numbers are giving us some indication -- I don't wanna go too crazy on a couple of months 'cause, you know, a lot of things can happen. But there's some indication that a lot of these people who had been deferring in the year of deferral last year are starting to come in and get some of these things done. We're starting to see it especially in the parts categories. We're starting to see some unit volume momentum and some things start to pick up.

So I do think that this is the growth platform. I don't think that means we can just sit back and open up the doors and let everybody come. We've gotta stay engaged. We've gotta continue to sell that value proposition. We've gotta continue to work on those undecideds and those people that are deferring and convince them of the value of coming in and getting things done.

And just another note of caution, I do think that 2009 might be a year where neither our vehicle population or our total miles driven grow. And in the long run, that's gonna make it difficult to sustain a lot of demand growth, which again means that you gotta fight harder for every consumer. You've gotta have a clear and compelling message. You've gotta be on the forefront of this value proposition in the second bullet there and be out front, first in the market to talk to consumers about those things so that you can win in the

marketplace.

And it's been a real privilege to speak to you today. I thank you very, very much. Do we have time for questions or are we outta time? We have time for a couple of questions. If anybody would like to ask a question or two, I'd be happy to give it a shot. I may not have the answer, but we'll try. Nope, no questions. All right. Oh, we do --

JOHN WORMALD: Uh --

DAVID PORTALATIN: -- have a question. All right.

JOHN WORMALD: David?

DAVID PORTALATIN: Yes.

JOHN WORMALD: John Wormald, autoPOLIS. I was struck by some of your first figures, the one where you showed people who you viewed it as a means of transportation and so on. It seemed to me that a large majority really take a pretty utilitarian view of the proposition.

DAVID PORTALATIN: Yeah, they do. And, you know, and I thought when you spoke yesterday, John, that's exactly what I was thinking about. And you had kind of prophesized that that was the future direction from a consumer standpoint. And I think that we may certainly see some momentum around people that view the vehicle clearly from a mobility standpoint.

As it sits today, we still have this pretty profound love affair with our vehicles. But I did find it interesting. And if you scroll through all the individual responses, some people, John, were even highly offended that we asked the question. They would respond and say things like, "This is a stupid

question. It's just a car, not a person." But on the other hand, some people were saying, "Oh, I love my car. I couldn't go on without it. It's just a part of me." So you have both ends of the spectrum. You know, 20 years from now are we gonna be much more mobility minded? You may be entirely on to something there. As far as what can we do in 2009? I think there's a lot of passion that we can still tap into. Does that make sense? Good.

Any other question? I see Dave standing up so we must be out of time. Thank you very much.

(CONCLUSION OF SESSION)

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