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News From The Global Automotive Aftermarket Symposium

Steve Ganster Says China's Aftermarket More Evolutionary Than Revolutionary



Steve Ganster

The automotive aftermarket in China was just beginning to take shape when Steve Ganster of Technomic Asia appeared at the 2004 Global Automotive Aftermarket Symposium (GAAS). Ganster will return for the 2008 Symposium, May 20-21 at the Hyatt Regency O'Hare in Chicago to provide his perspective on **"China's Evolving Aftermarket."**

Ganster is managing director of Technomic Asia, based in Shanghai. He has over 28 years in international market strategy consulting, primarily in Asia. He has assisted over 200 multinational firms in their assessment of opportunities in Asia and their resultant business strategy development. Ganster has broad industry experience including automotive, building materials, FMCG, chemicals, healthcare, packaging and many other industrial sectors. From bases in Singapore and Shanghai, he has worked in China and supervised Technomic's office in Shanghai for over 15 years. Ganster's expertise is focused on helping companies develop growth initiatives to profitably enter or expand in new markets, either through organic strategies or acquisitions/alliances. He is author of the recently published book, "The China Ready Company."

In this interview with *Global Perspective*, Ganster provides some updates on what he said in 2004 and a preview of what he'll talk about next May in Chicago.

Compared to 2004, what has changed in the Chinese automotive aftermarket and what has stayed the same?

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Zurich Provides \$10,000 for GAAS Scholarships

Zurich, one of the world's largest property-casualty insurance companies, recently announced that Direct Underwriters, its business unit with a highly specialized focus on the North American automotive industry, is extending its commitment to education and the automotive industry. Zurich's Direct Underwriters is working with the Global Automotive Aftermarket Symposium (GAAS) by awarding \$10,000 in scholarships for those planning careers in the automotive aftermarket.



"Providing money for scholarships is one way to help ensure there are knowledgeable and well-trained professionals in the industry," said Gerry Cecil, national director of field marketing for the Automotive Specialty Markets (ASM) division of Direct Underwriters. "We believe these scholarships will help attract new entrants into automotive aftermarket fields as well as improve the management and technical knowledge of those already working in the industry."

"We are delighted that Zurich has made this substantial investment in our scholarship fund," said Pete Kornafel, chairman of the GAAS Scholarship Committee. "Commitments like this from Zurich and other aftermarket companies will ensure that we are able to continue attracting the best and brightest students to join our industry."

Cecil explained that Zurich's Direct Underwriters' (formerly Universal Underwriters Group) commitment to the automotive industry goes back to the company's origins when it was started in 1922 by a group of Ford dealers in Chicago. "At that time no mainstream insurance companies would insure their busi-

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The 2008 Polk Inventory Efficiency Award—An Open Invitation

R. L. Polk & Co. is inviting all aftermarket organizations to apply for the 2008 Polk Inventory Efficiency Award. The Polk Inventory Efficiency Award recognizes and rewards outstanding process improvements relative to inventory efficiency in the automotive aftermarket. The purpose of this award is to educate, inspire and motivate the industry to address one of the largest problems we face.

To win, the initiative must pertain to a project within your North American operations. Eligible projects must also have been implemented within the past 30 months; have a measurable business impact; be innovative; and improve processes and/or collaboration.

Over the past three years, there have been some very impressive winners. In the Retailer/Distributor category, NAPA Auto Parts was the 2007 winner for creat-

ing a best-in-class inventory classification system aimed at making stock adjustments in their company stores daily. Parts Depot was the award recipient in 2006 and O'Reilly Auto Parts was recognized in 2005.



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In the Manufacturer category, Dayco took the honors in 2007 for implementing data and technology standards across its entire enterprise, resulting in inventory reductions and increased fill rates. The Affinia Group received the award in 2006 and Federal-Mogul Corporation was honored in 2005.

The Polk Inventory Efficiency Award provides an opportunity to be recognized within the automotive aftermarket as an industry leader in managing inventory at all levels. Winners of the award receive:

- An engraved Polk Inventory Efficiency Award

- A video detailing the winning initiative
- The use of the Polk Inventory Efficiency Award in advertising for one year at no charge
- A \$1,000 donation in their name by Polk to the Global Aftermarket Scholarship Fund
- Prominent exposure in advertising, articles and news releases throughout the year

The submission deadline is March 5, 2008. Winners will be presented at GAAS 2008, May 20-21, in Chicago. Apply today, or nominate another aftermarket manufacturer, distributor and/or retailer that you believe has made improvements in inventory efficiency at <http://usa.polk.com/Industries/AfterMkt>

For questions or additional information, please contact Bryan Funke at 1-800-Go-4-Polk. ♦

OVAAA Collaborates With GAAS On Industry Scholarships

The GAAS Scholarship Committee recently announced that the Ohio Valley Automotive Aftermarket Association (OVAAA) will be collaborating in creating an online scholarship resource for students planning to pursue careers in the automotive aftermarket.

The industry association cooperation allows students interested in aftermarket careers to submit one application for 2008 scholarships online at www.automotivescholarships.org and receive consideration for the following scholarships: Automotive Aftermarket Association of the Carolinas and Tennessee (AAACT), Automotive Aftermarket Association Southeast (AAAS), Automotive Communication Council (ACC), Association of Diesel Specialist (ADS), Automotive Parts & Services Association (APSA), Automotive Parts & Services Association of Illinois (APSA of IL),

ASC Industries, Breslow Foundation, California/Nevada Automotive Wholesalers' Association (CAWA), Leadership Development Network of AAIA (LDN), R.L. Polk, OVAAA, University of the Aftermarket Foundation, Zurich High Octane Scholarships and Global Automotive Aftermarket Symposium (GAAS). Applicants must meet the individual scholarship qualifications to be considered.

"We are extremely pleased to have OVAAA join GAAS in offering scholarships to students interested in automotive aftermarket careers. Their participation will allow this effort to help even more students," said Pete Kornafel, chairman of the GAAS Scholarship Selection Committee.

"The collaboration between OVAAA and GAAS is a great benefit to students, giving them the ability to further their edu-

cational opportunities," said Gary Murdock, president of OVAAA. "We are excited to join with these fine organizations of our industry to offer these scholarships for our youth."

The GAAS scholarship program awarded 154 scholarships in 2007. Including this year's awards, GAAS has presented more than 1,300 scholarships and more than \$1.3 million since it was formed. Details about the GAAS scholarship program are available at www.automotivescholarships.com.

Over its 13-year history, the annual Global Automotive Aftermarket Symposium (GAAS) has become the premier industry conference for senior-level aftermarket executives. All of the net proceeds from the event go toward funding industry scholarships. ♦

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GAAS Scholarship Website Available To Receive Applications

Online applications are being accepted for the 2008 GAAS scholarship, awarded to students planning automotive aftermarket careers. Industry family members are encouraged

to apply. The application process is now entirely electronic through the GAAS scholarship Web site, www.automotivescholarships.com.

The application deadline is Monday,

March 31, 2008. Complete application rules are available at the website. Be sure to let your employees and customers, with college age students, know about the GAAS scholarship program. ♦

Zurich Provides \$10,000 for GAAS Scholarships (cont.)

(Continued from page 1)

nesses," said Cecil. "So Universal was started by a group of customers and to this day we continue to focus on the automotive industry." The business unit specializes in insurance coverage for the auto, truck, equipment and motorcycle dealer industry, and automotive aftermarket industry. It also offers a full line of finance and insurance products to automobile dealers.

Cecil said Zurich's involvement in funding educational programs for the aftermarket industry grew during the early 1990s with the creation of a separate ASM division within Direct Underwriters. ASM focuses on the automotive aftermarket.

When the ASM division is looking to hire people, Cecil points out that they are not necessarily recruiting people with an insurance background. "With our highly specialized focus, we are always looking for people with an automotive background. For example, for our vehicle service contract claims unit, we hire many service writers and technicians who are or become ASE master technicians," said Cecil.

Like the rest of the aftermarket, Cecil explains that Zurich recognizes the shortage of qualified people to fill the industry's employment ranks in both technical and management positions.

"As an organization, Zurich is committed to helping to ensure the next generation of qualified employees for the automotive aftermarket," Cecil said. "Our funding commitment to GAAS is the right thing to do to help our customers and the automotive aftermarket industry. Our goal is to increase scholarship contributions through co-sponsorships from

associations and groups with whom we have solid relationships which, in turn, will prompt more candidates to seek scholarship support."

Zurich is quite active in the automotive aftermarket. They are the endorsed insurance carrier for ASA, APRA, and TIA, along with several program groups including The Alliance (Auto Value/Bumper to Bumper) and ADN (Parts Plus) and have provided educational seminars for these and other groups.

As a charter governor organization of the Automotive Management Institute (AMI), in the mid 1990s Zurich provided an initial monetary contribution to AMI, which offers practical business management education tailored to the automotive service industry. Cecil said ASM developed courses for AMI including a four-credit-hour course titled, "How to Purchase Business Insurance" and continues its support via participation on the AMI board of trustees. During Automotive Aftermarket Industry Week, Zurich sponsored education and training programs for owners and managers at the Automotive Parts Remanufacturers Association's International BIG R Show.

"We are happy to work with these many associations to provide them with training and support," said Cecil. "We believe an enlightened and informed marketplace is to our advantage and helps raise the bar for everyone."

Zurich's contribution to the GAAS Scholarship Fund is just another way the company is demonstrating its commitment to the industry.

"We are not in the scholarship business, so we are happy to work with the GAAS Scholarship Committee to make these funds available to qualified students," Cecil added.

Zurich Makes Additional \$10,000 Holiday Donation

Zurich, one of the world's largest property-casualty insurance companies, announced this month that in lieu of sending holiday greeting cards to customers, Zurich Direct Underwriters, its business unit with a highly specialized focus on the North American automotive industry, is donating another \$10,000 to fund scholarships awarded through the Global Automotive Aftermarket Symposium (GAAS). Those scholarships are awarded to young adults who want to become qualified technicians in the automotive aftermarket industry.

"Zurich prides itself on the relationships we have established with our customers, and we believe that they support our decision to donate money to this worthy cause instead of sending them a holiday card this year," said Tom Bradley, CEO of Zurich Direct Underwriters. "This decision is another example of Zurich's commitment to doing what we can to help ensure the next generation of qualified technicians for the automotive aftermarket industry is properly trained and educated."

This is the second donation from Zurich to fund GAAS scholarships in 2007. In late October, the company donated \$10,000 to the scholarship fund. ♦

All net proceeds of GAAS are used to fund scholarships for students pursuing automotive industry careers, including technical and management training programs. Since the program began in 1996, more than 1,300 scholarships have been awarded. For more information about eligibility requirements and an online application visit www.automotivescholarships.com. ♦

U of A Team Will Present In Chicago

The highly successful University of the Aftermarket Leadership 2.0 program is held each year to help develop future industry leaders. As part of the program, students are divided into teams to research aftermarket issues and challenges and to address the GAAS 2008 Theme of "Shift Forward." A competition among the teams is held to honor the best presentation.

After a successful debut at GAAS 2007, the winning team from this year's competition will present their findings at GAAS 2008 in Chicago. Look for fresh faces on the stage, as the winning team makes their presentation on Wednesday, May 21 from 9:30 to 10 am. For more information on Leadership 2.0, visit: www.univaftmkt.org. ♦



China's Aftermarket More Evolutionary Than Revolutionary (cont.)

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Ganster: Changes in the aftermarket have been evolutionary, not revolutionary. Based on continued strong vehicles sales, the auto parc has continued to grow at 15-20% per annum and is thus reaching more attractive scale.

Vehicle fragmentation continues to be a strong trend with a much more fragmented parc (versus the Santana dominated one of 5 years ago) and all the major international brands are represented. This presents a challenge to suppliers to have full parts coverage.

In your 2004 presentation you mentioned that emerging markets (like China) are frequently described as semi-chaos. Is that still the case with China, or has the market become more mature and less chaotic?

Ganster: Related to the above, what has only slowly changed is distribution structure. It remains chaotic, multi-layered and fragmented. Distributors are still primarily regionally oriented but there is some consolidation. Further, distributors continue to go up and downstream in an effort to enhance margins. The chaos will take years to resolve.

In 2004, Steve you said: "...in China, we say to our clients...don't go to China unless you really have to, unless there's

a compelling case for business opportunity, there's a competitive threat that you need to address, that there's opportunities to reduce cost, because China is probably one of the most -- and I've worked in a lot of different international markets, particularly in Asia -- one of the most competitive markets in the world." Do you still stick by this advice in 2007?

"The market has further intensified competitively since 2004 as pricing has become more aggressive at all levels and more players have entered the market."

Ganster: Having a viable business case has never been more important. I would say the market has further intensified competitively since 2004 as pricing has become more aggressive at all levels and more players have entered the market. Further, significant changes have occurred in China's landscape this year (reduction in VAT rebate on exports, new employment law, etc.) that are changing the playing field. Therefore, you need to be even more careful in the development of your business case and where you position yourself in the market.

Where are the current opportunities for the aftermarket in China?

Ganster: Opportunities remain in more value-added parts and services where technology, business process, etc. can be used as an advantage. Commodity products are subject to significant price competition and margin erosion. The car market remains more attractive than trucks due to technology level and customer composition (major domestic vehicle makers versus international players). Developing a good value proposition, again, is all important.

Is the need for repair shop training still a significant factor in the Chinese aftermarket?

Ganster: Yes, training is still important as the market has rapidly expanded but the supply of skilled labor is still limited. Having good backroom systems is also important and a way to differentiate from lower end competition.

Anything else, by way of preview, that you will be covering during your remarks?

Ganster: Not sure yet. The event is a long ways away. Remember, China years are like dog years, so 6 months is like several years! We'll get closer to the event to see what new is developing. Overall, acquisitions are becoming more active so I may digress on that a bit. ♦