



The Industry Update

**A membership service of the Northwest Automotive Trades Association
For the week of December 29, 2008**

To Our Members, Employees, and Friends - NATA extends its best wishes for a joyous holiday season, and a VERY profitable New Year! (*See "Independents Best Positioned To Capture Service Volume Abandoned By Closing Dealers" below for predictions of automotive market changes, by Jim Lang, President of Lang Marketing Resources, Inc.*)

New Year's Holiday Schedule - The NATA office will be closed on New Year's Day, Jan. 1, so that staff may celebrate with their families and friends.

Elections, Again! - Watch for your NATA Board of Directors ballot in the mail. The annual elections are at hand, and your ballot materials, along with voting information, have been mailed. To be counted in this election, *the original signed ballot must be received by fax, hand delivery, or US Mail at NATA's administrative office by 5:00 p.m. on Friday, January 9, 2009.* The results of the election will be announced in the **Industry Update**. Please call Barbara Crest at (503) 253-9898 if you have any questions about the balloting process.

Checking Legal Working Status - Tough new regulations announced this past fall by the U.S. Department of Homeland Security (DHS) give employers 90 days to respond to a notice of a discrepancy regarding an employee's legal working status, or "no-match" letter. The new rules are an attempt to crack down on businesses that employ undocumented workers. Penalties for failure to comply with the new rules are stiff - up to \$10,000 per violation.

If you receive a no-match letter, don't put off addressing it. First check for and inform the agency (within 30 days) of any typographical or clerical errors. If there are no such errors, ask the employee to confirm that your records are correct, and if they are, ask the employee to pursue the matter with the Social Security Administration.

But you should also contact the local DHS office yourself and attempt to resolve the issue. If it cannot be resolved within 90 days, in some cases a new Form I-9 can be submitted, or the employee must be fired. To determine employment eligibility of an existing employee, go to www.dhs.gov/verify

Independents Best Positioned To Capture Service Volume Abandoned By Closing Dealers - Over \$3 billion in automotive service market products will shift from dealers toward independent service outlets next year, predicts Jim Lang, President of Lang Marketing Resources, Inc. "While all major types of Independent (non-Dealer) Service Outlets will gain product share, some outlets are better positioned than others to capture larger portions of the vast amount of service market product volume up for grabs in 2009," says Lang.

Lang Marketing tracks the performance of six groups of non-dealer service outlets: Service Stations and Garages, Repair Specialists, Foreign Specialists, Tire Stores, Discount Stores/Mass Merchandisers with bays, and Auto Parts Stores with bays. Not all of these outlets will equally share in the more than \$3 billion in Service market product volume up for grabs in 2009 as a result of dealer closings.

Repair Specialists (those outlets focusing on a limited menu of repairs) are made up of large chains as well as smaller operations and single-store businesses, repair specialists are generally regarded as more expert by consumers in the range of work they perform than other types of non-dealer service outlets. Repair specialists also have the advantage of being able to advertise their specific services more easily than generalized operations. Repair specialists will gain the largest share of service repair volume left by closing dealers.

Foreign Specialists (those outlets focusing on the repair of transplant and import vehicles) will achieve the largest percentage volume gain for two reasons. First, foreign specialists concentrate in the aftermarket segment which will experience the largest service market growth rate for the foreseeable future. Second, foreign specialists are well positioned to capture service market volume abandoned by dealers because of their strong reputation among consumers for repair expertise. Foreign specialists' only problem is that the large majority of dealers closing in 2008 and 2009 will be domestic rather than foreign.

Service Stations and Garages rank second in product volume gained from dealer closings. However, service stations and garages are not as highly regarded by consumers for repair expertise as repair specialists or foreign specialists. Nevertheless, well-operated service stations and garages will be able to compete with the best non-dealer outlets for the billions of service market repair dollars abandoned by closing dealers. Mechanic training and management skills will largely determine the success of individual service stations and garages in competing for this business.

Tire Stores conducting automotive repair will rank third in product dollar gain as a result of dealer closings, but fourth in percentage growth. They will outperform service stations and garages in growth rate but not total dollar gain. In contrast, they will increase their sales volume more than foreign specialists but not record as high a rate of aftermarket product growth as foreign specialists.

Other Outlets:

Discount Stores/Mass Merchandisers with bays will be moderately successful across a relatively narrow mix of products and services. They will rank fifth in percentage market growth as well as dollar volume gained from dealer closings.

Auto Parts Stores with bays will generally not perform well in the 2009 service market, even with dealer closings, because of their shrinking number and lack of appeal to dealer customers regarding technical expertise and range of services offered.

Profile Of Outlets Gaining Most are non-dealer service outlets which have the ability to attract foreign vehicle owners, possess the skills and technology to work on newer vehicles, and can win the trust of former dealer customers in terms of technical expertise and repair quality are best positioned to capture the largest share of the more than \$3 billion in 2009 service market product volume abandoned by closing dealers (compared to 2007).

Have questions? Want more information? We are here for you!

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