

## *The future of auto aftermarket distribution may ride on e-tailing strategies*

Larry Silvey, Aftermarket Business World Columnist, has covered domestic and international automotive aftermarket issues for more than 30 years.

The automotive aftermarket is at a crossroads. Depending on the day of the week, I get the feeling that channel partners are either finally coming together or are going to go their separate ways. The middle ground is only a safe bet for the short term.

So, why do I feel this way? In a word: e-tailing.

Almost every company in the aftermarket, supplier or reseller, has some e-tailing component. As with other technology breakthroughs, the aftermarket is lagging behind other industries, but nonetheless, it is getting up to speed. Aftermarket suppliers and resellers of all sizes are actively seeking and implementing e-tailing strategies. Some are doing it in a collaborative way; others are going it alone. Make no mistake that their world is revolving or will revolve around e-tailing. In essence, those who e-tail will be those who sell.

Apparently, there are no hard numbers on how quickly e-tailing is growing in the aftermarket. Some experts peg the size of the e-tailing market share as low as six percent while others say the high end is pushing 20 percent. Whatever the number, there's no denying that it will continue to grow.

According to the Automotive Aftermarket Suppliers Association (AASA), suppliers are unsure about what part they should play in e-tailing. In its industry analysis report: "E-tailing Market Remains Up For Grabs," AASA says, "Many suppliers believe that the most important factors are: ensure that they don't compete with their customers, and focus on helping existing customers adapt to e-tailing growth. Other suppliers feel that they need to leverage the new opportunities presented by this channel."

To give this discussion context, I believe AASA is talking about suppliers, who for the most part, are traditionalists, which means they believe in a distribution system that calls for each channel partner to rely on other channel partners for each other's success. Any unusual action outside the prescribed 3-step distribution system can be interpreted as hostile, or at the very least, uncooperative, by downstream trading partners. Suppliers who want to leverage new opportunities and set up e-tailing enterprises where they can sell, and even encourage, direct selling, could be viewed as upsetting the traditional distribution apple cart.



For suppliers, AASA says implementing an e-tailing strategy is a balancing act. "Suppliers are caught between helping existing customers improve and making products available wherever consumers choose to buy — in other words, letting end-customer choices drive channel strategies. These approaches are not necessarily mutually exclusive."

But if suppliers have truly sunk their resources into helping their reseller customers build and market their e-tailing entities, that's where most consumers — DIYers and professional installers — will go to purchase products. This will be the case even if suppliers also have an e-commerce site which, for the most part, is no more than a backup to their reseller partners sites. With some customers prone to shop direct, supplier sites are necessary; otherwise, the sales could be lost. Of course, instead of hosting a comprehensive e-tailing site, suppliers can simply link them to various resellers.

E-tailing, by its very nature, screams independence. This point brings up questions about the value of exclusive trading partner arrangements. Do resellers need exclusive arrangements with suppliers when they can sell an array of products from an unlimited number of suppliers by e-tailing? And do suppliers need exclusive arrangements when they can sell direct and also sell to freewheeling e-tailers who are more than willing to market and sell anything in their possession? The answer, as AASA hints, may be found in pricing. Since pricing is transparent on the Internet, it can deride profits and margins as consumers can shop for the same products at the lowest possible prices. We have yet to see the long-term effects of an all out Internet pricing war in the aftermarket, so stay tuned.

Who should e-tail and who should not e-tail just comes down to who wants to be in this together or wants to go it alone. The aftermarket has done very well as a closed system for decades. Every partner has had a part to play and every partner was compensated for it. Just because e-tailing offers a new way for consumers to shop doesn't mean the traditional system has to be abandoned. It does mean, though, that e-tailing has to be smartly incorporated into the existing structure where the goals and objectives are clearly defined and understood by trading partners. On the other hand, e-tailing could wind up being the wedge that drives suppliers and resellers apart. With some suppliers already studying, and in some cases, establishing omni-channel distribution methods, e-tailing is a given. In fact, most would consider it an integral part of any omni-channel strategy. What companies decide to do will determine if there will be *trading partners* in the future or if the aftermarket will consist just of *buyers and sellers* in the strictest sense. (Is every man for himself, inevitable?)

As I said, the industry is a crossroads. Whatever your stand is on this issue, don't stand too long at the crossroads because you're likely to get run over.