



December 2007

Welcome to the December edition of NPD's Category Management Committee News. The purpose of this communication is to provide you an update regarding the progress that NPD is making with the development of the point-of-sale Service for the Auto Parts Channel; NPD's *Aftermarket Industry Monitor*.

### Fuel Systems Category Information Now Available

We are pleased to report that point-of-sale information for the latest application category has been released! Fuel Systems was delivered to retailers and wholesalers on November 27. This category represents nearly \$715MM in sales annually, and posted moderate gains for the most recent 12 month period. The Fuel Pump subcategory contributed nearly \$30 MM in dollar growth for the 12 months, but was partially offset by continued declines in carburetor subcategory sales. A more formal announcement to the industry on the availability of this category will occur in early January. The Fuel Systems category release includes many attributes such as grade, new vs. reman and type across many segments, among others.

### Aftermarket Industry Monitor Upgrade

Throughout the first quarter of 2008, NPD will be focused on executing against a number of priorities in order to continue the ongoing development of the Aftermarket Industry Monitor point-of-sale service. As we work towards the continued rollout of application categories, there are other important initiatives that will affect our timelines. These can be identified in four areas:

- 1. Retailer Validation:** We are working with a small number of retailer partners to address issues associated with their data feed that may have a moderate affect on some hard parts segments containing cores. There are instances where unit volume is overstated, affecting average price. Obviously it is paramount that these concerns are addressed prior to continued release of additional application categories. We are optimistic about the progress we are making and are working very closely with these retailers to resolve this in a timely manner.
- 2. Hierarchy Upgrade:** The annual hierarchy change process is an important one, as we work closely with the Data Work Groups to implement the recommended revisions as requested by a variety of industry constituents. This is a detailed process that involves making changes to the reporting structure of almost every non application and light application category. Some categories will see minimal changes, some see complete overhauls and extensive changes. Due to the focus on release of application categories coupled with the retailer issues mentioned above, hierarchy revisions will be implemented at the end of first quarter 2008 data period.
- 3. Attribute Level Coding:** Many of you are aware that point-of-sale data value can be enhanced by the addition of attribute level reporting. Such descriptors as group size in Batteries or blade length in Wipers can provide critical insight to these categories. In addition, attribute level reporting in application categories is paramount as the value in the data can often be linked to the level of attribute detail. In Q1, NPD will be working on further attribute coding on both hard parts categories and selected front room categories as we focus on delivering value back to the industry.
- 4. Traditional Independents:** In the coming quarter we'll continue to assess the feasibility of adding more independent stores from a couple of our traditional partners. This is an important piece of the ongoing evolution of the industry point-of-sale information.

NPD will continue to work towards application parts category release as we balance demands from multiple points within the industry. These priorities, as well as other factors relating to the manufacturing solicitation process, will have an impact on the hard parts category release schedule.



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## Category Release Schedule\*

The table to the right details the history and upcoming schedule for application category releases. This order of priority has been collaboratively determined by the Category Management Committee.

With the support of the industry, progress has been very favorable. Please note that the first five categories have been released on schedule as communicated at our AAIA Leadership Days meetings.

In our last newsletter, we did mention that there was some concern regarding our ability to maintain this timeline due to some potential issues with the Cooling category. This, added to the four areas touched in the previous page, will affect the re-release of this category as originally planned, resulting in an adjustment of the overall schedule.

The Cooling category release will be postponed until the end of February due to three primary factors. First, the manufacturer solicitation process with this category resulted in less participation than necessary in order to maintain the timeline. Only a limited number of manufacturers took part in the process. Second, there are more exceptions than first estimated, a total of 80,000 are needed to be investigated, 9,000 of which were completed by the manufacturers. This requires investigation from NPD in order to resolve the remaining exceptions. Last, we are committed to correcting the issue with retailer data feeds as mentioned.

|                     |               |
|---------------------|---------------|
| Rotating Electrical | April, '07    |
| Batteries           | July, '07     |
| Brakes              | August, 07    |
| Filters             | October, . 07 |
| Fuel Systems        | November, 07  |
| Cooling             | February, 08  |
| Hierarchy Upgrade   | March Data    |
| Suspension          | May '08       |
| Steering            | June '08      |
| Climate Control     | August '08    |
| Exhaust             | September '08 |

\*Future release dates are approximate, and are influenced by industry involvement in the Manufacturer Solicitation Process and exception resolution. In addition, quality of data received, missing data, data validation exercises, and other factors may influence timing.

## Manufacturer Solicitation Process

A sincere thank you goes out to the companies that were instrumental in helping NPD stay on track and release Fuel Systems on schedule. Airtex, Balkamp, Beck Arnley, Bosch, Champion Parts, Delphi, Dayco, Dorman, Federal Mogul, Gates and Python Injection, were all actively involved and provided their expertise to keep this process moving forward.

We now focus our efforts on the next categories of the application parts release schedule. NPD is currently in the process of delivering exception files to a variety of manufacturer organizations in the Steering and Suspension categories. The scope of the work on these categories is enormous, and the two categories combined represent the largest re-release effort to date. There are over 250,000 exceptions combined in Steering and Suspension, but due to the nature of these businesses the solicitation process will happen concurrently. To put the magnitude of this effort in perspective, this represents a project that appears to be more than 40% larger than the exception resolutions associated with Brakes! Thank you in advance to the companies that have agreed to be involved in this effort!



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### Early Indicator Report Preview

November 2007 was a challenging month for auto parts stores – total store dollar volume declined -1.4 percent compared to November 2006. NPD's **Early Indicator Report**, tracking retail and commercial sales volume in the auto parts channel, also shows sales down from October. November sales represented the fourth consecutive month of decline in average weekly volumes.

These weaker sales numbers may reflect competing consumer priorities as holiday spending began to ramp up, but it's likely they are also related to overall weakness in consumer spending and sentiment. The Discover Financial Services Consumer Spending Confidence Index corroborated NPD information, showing a sequential decline in consumer spending. The November index declined to 93.4 from 96.5 in October.

There were some bright spots in the market. Front-of-store and light application categories sustained dollar volume growth, increasing 1.9 percent versus year-ago.

### Happy Holidays!!!

*Happy Holidays! We wish you all the best in the New Year!*

*Did you know that 5% of consumers plan to purchase an automotive product or accessory as a holiday gift for a friend or relative this year? According to NPD's Annual Holiday Study, 88% of consumers said they planned on spending the same amount or less on Holiday spending versus last year.*

*This year's average budget is \$658, down considerably lower than last year's planned budget of \$729. Clothing (54%) continues to top 2007 holiday shopping lists along with toys (37%), books (33%), movies (32%) and music (26%). Wouldn't it be nice to see brake pads or wiper blades on that list for next year!!!*

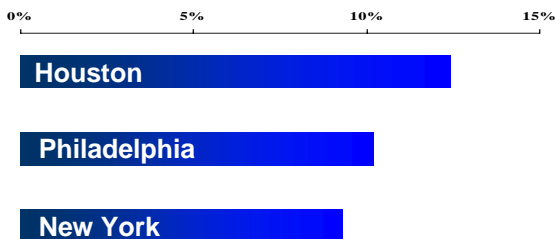
### NPD's Market Level Information

You've been hearing about NPD's new Market Level information, and we're excited to report that it is here! The foundation of Market Level information is the collection of point-of-sale information at the store level, enabling more granular views of information and more powerful insight.

- *Finer geographic views, including Designated Market Areas (DMA's), Retailer Trading Areas and custom geographies*
- *Powerful new distribution measures*
- *The foundation for advanced analytics in the future*

This new service begins with the availability of 20 designated marketing areas (DMA's) across the country, followed by the launch of retailer trading areas and customized geographies. This will initially include retail sales for front of store categories only. Market Level information will vastly improve the insight and applications of point-of-sale data for the aftermarket. Stay tuned!

#### Top 3 DMA's October\*



**\* Of The 20 DMA's released by NPD, Houston posted the largest dollar % change increase in the month of October vs. same period year ago. This includes retail sales front of store categories.**

\*Source: The NPD Group, Aftermarket Industry Monitor October 2007 vs. October 2006.