

AAIA CMC

April 23, 2009

DRIVING THE AFTERMARKET INDUSTRY

AAIA[®] Automotive Aftermarket
Industry Association

Agenda

- 8:00 Welcome
- 8:15 New Member Presentations
- 8:45 Data Work Groups
 - Hard Parts
 - Front of Counter
- 9:45 Break
- 10:00 NPD Updates
- 11:00 Executive Panel Findings
- 11:50 Summary and Adjournment

Confidentially Policy Statement

Members of the Automotive Aftermarket Industry Association's Category Management Committee have a fiduciary duty of loyalty to AAIA and are bound to preserve the confidences of the Association. Guests are invited to Committee meetings on the condition that they will keep confidential the discussions and information, written or oral, they receive during the meeting. Tape recordings of the meeting are not allowed.

This Confidentiality Policy Statement applies only to information which is not disclosed to others by AAIA in the normal course of operations, or is not public information or common knowledge.

Objectives for Meeting

- Reinvigorate with new members
- Communicate Hardparts Data Work Group
- Deliver NPD Updates
- Share CM Committee Strategies
- Partner with Retail Segment Committee

Committee Changes

- Chairman: Mark Heird, Rust-Oleum
- Vice Chair: Mike Boyer, ASC Industries
- New Members:
 - Frank Frederick, ROL Manufacturing
 - Mike Kealey, Dorman Products
 - Rob DeRidder, IDQ

New Member Presentations

- Get to know our new members
- Request for perspective from other industries
- Presentations today:
 - Personal Introduction
 - How is your company structured for category management?
 - How long have you practiced it?
 - How does your Company's upper management view of CM?
 - What tools do you use?
 - How has your practice of CM evolved in the last few years?

Personal Introduction: Mark Heird

- Vice President, National Accounts, Rust-Oleum Corp.
 - Automotive Aftermarket
 - Mass Merchandisers
 - Licensing
- Aftermarket Since 1992
 - Armor All Products pre-Clorox (1992-96)
 - Clorox Automotive (1996-200)
- Pre-Aftermarket
 - Proctor & Gamble Health & Beauty (1982 -1992)

Rust-Oleum Corporation Family of Products

- Small Project Paints



- High Performance Coatings



- Wood Care Products



- Develop & strengthen partnerships by focusing on the consumer and the consumers needs.
- Self-Contained Department, separate from sales.
 - Established in 1997.
 - Grown from 2 to 12 employees.
- Utilize Syndicated data:
 - Activant for Hardware/Home Centers/Discounters
 - NPD Group for the Automotive Channel
- Confidentiality agreements.
 - All data is strictly confidential. By having our own team manage databases and POS, the Sales Department does not have access to sales of other accounts.

Category Captains



Key Drivers of Rust-Oleum Category Management

- Consumer Study: Market Research of over 20,000 consumers
 - Buying habits
 - Usage
 - Demographics
- Geo-Demographic Analysis
- By-Store Planograms

Vice President – Product
Dorman Products, Inc.

Mike Kealey

Personal Introduction

- **VP – Product, Dorman Products, Inc.**
 - Product Management
 - Marketing
 - Sourcing
 - Engineering
 - Quality
 - Data Services
- **Broad Aftermarket Experience**
 - Store operations experience
 - WD Purchasing / Inventory Management
 - 2 Step Sales
 - Aftermarket IT Systems
- **Automotive Enthusiast**

DORMAN[®]

NEW SINCE 1918

For more than 85 years, Dorman has led the aftermarket by being first-to-market with new products, extensive coverage, effective category management, and truly understanding the needs of service dealers and their suppliers. In today's increasingly complex and global business environment, we bring added value to the automotive aftermarket by delivering a world of options under one umbrella, with a focused strategy:

NEW PRODUCTS, NEW SOLUTIONS, AND NEW OPPORTUNITIES.



Category Management at Dorman

The grouping and management of products

which are developed, merchandised and transacted

through a consistent prevailing logic & vision

Category Management at Dorman

- Our business is completely organized around category management principles
 - Product teams that are designed to be small, nimble businesses
 - PGXXX – HELP!, Fasteners, Electrical
 - All reviewed the same way by our customers
 - All merchandised similarly
 - Typically managed by the same groups at key accounts
 - Consistent competencies needed to manage

Category Management at Dorman

- Seven Product Teams
- Over 300K Unique FG SKUs
- 150 Managed Levels (Categories) – Highest managed grouping
 - “Electrical”
- 2200 Managed Item Types – Lowest managed grouping
 - “Electrical, Terminals, Solderless Terminals

Category Management at Dorman

- Category specific strategies drive product team objectives & tactics:
 - New product
 - Costing & supply chain
 - Competitive differentiation
 - Customer maximization
 - Internal and external ROI

Category Management at Dorman

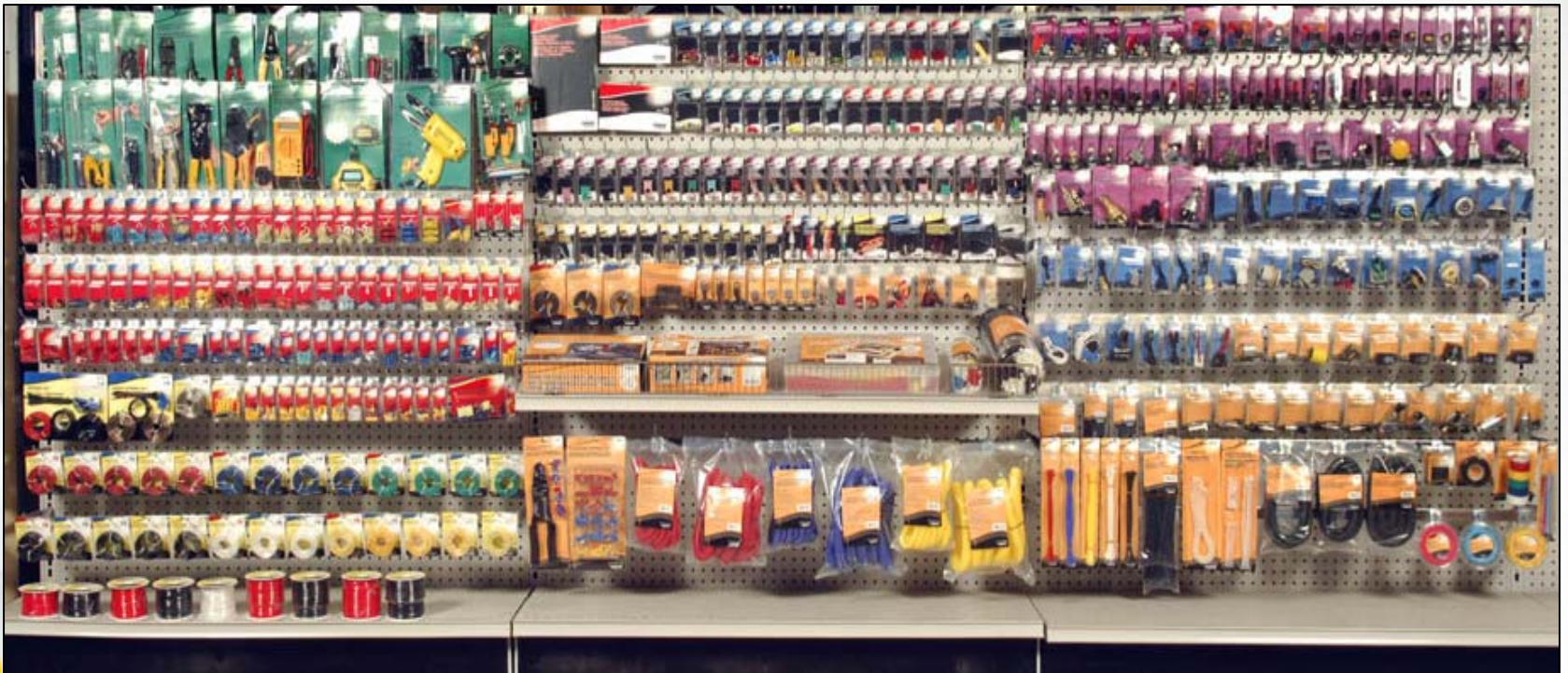
- Products are managed, reviewed and recommended using category management principles

Dorman Part No.	DESC	Product Notes	Dorman Category	No. of Rtlrs	PM Notes	Avg Rtl Price	Avg or Est'd Rtlr Mov't	GM%	SUGG RETAIL	Cost of Add's	2009 Forecast	Est Mov't	Est Revenue
84221	20-18GA MULTI-STUD RING	2009 Line Review Add	Terminals	0	09 NEW ITEM	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX

- Stocking recommendations
 - Adds
 - Deletes
 - Keeps
- Financial projections
 - Current vs. Future

Category Management at Dorman

- Consistent categorization and packaging differentiation:
 - Eases shop-ability and put-away
 - Promotes add on and upgrade sales



EVP Sales & Marketing
ROL Manufacturing

Frank Frederick

Introduction

Live in St. Louis and married 14 years to lovely wife Karen with 3 children (Frank, Irene, Christopher)

B.S. Business Administration w/ emphasis in Marketing - U of Missouri.
Currently working on Executive MBA at Webster University in St. Louis.

18 years in Industry. Began career at Allparts Inc. (now div. of Dorman) in an Inside Sales & Marketing position. Ultimately promoted to National Sales Manager.

1995 joined ROL Mfg. as Eastern USA Sales Manager and over time gained increased Marketing responsibility.

Boards and Industry service;

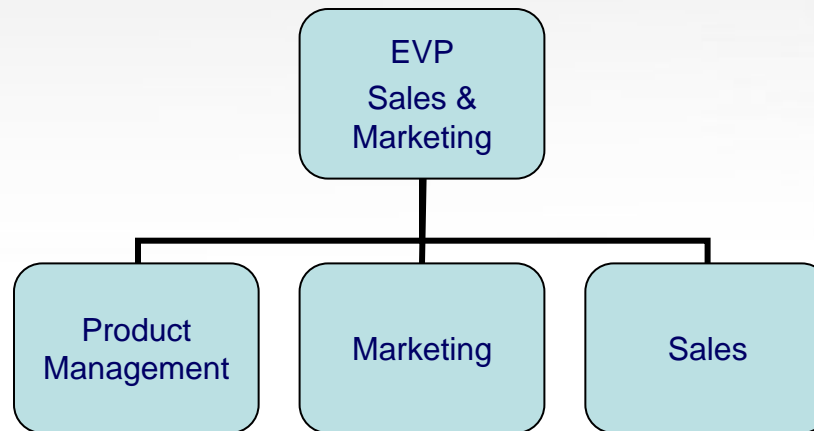
- Chair – AWDA Young Executive Society
- Chair – AAIA Leadership Development Network
- Vice Chair – AWDA MAC (Manufacturer Advisory Council)
- Board Member – AWDA
- Board Member – AERA (Auto Engine Rebuilders Assoc.)
- Member – Automotive Sales Council

What is your personal background in Category management

- Myself and other ROL Management - attended first of several Category Management seminars in 1999.
 - Since then – Key Marketing, Product Management, and Sales Managers have been trained and active with customers in the CM and ELR processes.
 - I have been an active guest / volunteer to CM committee for more than 2 years.
- ROL actively participates in the Hard Parts work groups; specifically relating to the re-releases of Exhaust and Gaskets categories and have worked closely with NPD on coding and interchange issues. Plan to be equally active in steering category (ie. power steering hose).
- ROL Mfg. currently does business with most major channel players submitting data, so we want to be fully engaged in the process
- CM experience limited to Automotive Aftermarket

ROL Mfg. Category Management Structure

- Team Structure = Product Management, Sales, Marketing have equal influence in the process...



- Structure has evolved as our major channel partners have begun to practice CM in our particular hard parts categories – current structure has been in place for approx. 4 years
- Upper management understands and is committed to CM
- Expectation is to enhance structure and further develop capabilities with additional investment over time

Hard Parts Data Work Group Report

April 23, 2009

Presented by: Gordon Hoffman

Hard Parts Data Work Group

MISSION STATEMENT

- Apply the same methodology used for the front-of-store category management process to help both operators and suppliers achieve better business results, through fully leveraging the use of information and the ELR process.
- Review and recommend enhancements for the Hard Parts data reporting structure and delivery.

2009 Hard Parts Workgroup Brake Category Brand / Grade Grid Review

New Grade Level	Old Grade Level	Comments	Brake Pads	Brake Shoes
Grade-1 (Economy)	n/a	Not all retailers will have an entry here	X	
Grade-2 (Good)	Good		X	X
Grade-3 (Better)	Better		X	X
Grade-4 (Best)	Best		X	X
Grade-5 (Specialty Niche)	Specialty Niche		X	X

2009 Hard Parts Workgroup

Brake Category Brand / Grade Grid Review

- Updated Retailer Brand Grid
 - 116 Changes
 - Line changes by retailer
 - New line additions
 - Discontinued lines identified
 - Manufacturer brand name changes
 - Grade changes

2009 Hard Parts Workgroup

Brake Category Hierarchy Review

Brake Hierarchy Changes Proposed

- Brake Pads Subcategory
 - As a future upgrade, it was suggested to use “Grade” for the segment level and “Material” as an attribute. This is a reverse of the current hierarchy reporting structure, and is more in line with reporting for other hard part categories.
- Brake Calipers Subcategory
 - Collapse from 7 segments down to 3 segments
 - Add attribute for “Assembly Type” (Un-loaded, Semi-Loaded, Spec. Niche)
 - Move “New / Reman” from segment level and report it as an attribute.
- Brake Master Cylinders Subcategory
 - Collapse from 2 segments down to 1 segment
 - Remove “New / Reman” from the segment level and report it as an attribute.

Due to current report view limitations, it was decided not to make the hierarchy changes until we can cross more data points through use of attributes.

The group agreed to postpone these changes in the near term, but recommended full implementation once the report tool allows for it.

2009 Hard Parts Workgroup Brake Category Hierarchy Review

- The retailers suggested this particular view of the data would be more beneficial in assessing segment growth, however current reporting limitations will delay releasing it this way.
- Future reporting enhancements should allow for it. Timing TBD

Proposed possible future changes

Proposed future Brake Pads subcat changes	
It was agreed this structure will be considered for a possible future upgrade, but for now we will remain with the existing Brake Pad segmentation	

Grade-1 (Economy)	01	1. Material = Organic, Metallic, Ceramic 2. D-Plate
Grade-2 (Good)	02	1. Material = Organic, Metallic, Ceramic 2. D-Plate
Grade-3 (Better)	03	1. Material = Organic, Metallic, Ceramic 2. D-Plate
Grade-4 (Best)	04	1. Material = Organic, Metallic, Ceramic 2. D-Plate
Grade-5 (Specialty Niche)	05	1. Material Grade = Severe Duty/Fleet, Hi-Performance, Specialty Import, Motorcycle 2. D-Plate

2009 Hard Parts Workgroup

Brake Category Hierarchy Review

Proposed new
changes
(approved)

Revised Brake Calipers subcat	04
The group agreed these Caliper revisions should be put into place as soon as they feasibly can be.	

Loaded Calipers	01
Un-Loaded / Semi-Loaded Calipers	02
Caliper Brackets	03

1. **Grade** = Good, Better, Best, Specialty Niche (including Severe Duty and Hi-Performance). 2. **MFG Type**: New, Reman

1. **Assembly Type** = Un-Loaded, Semi-Loaded, and Specialty Niche (including; Severe Duty, Hi-Performance, and specialty import) 2. **MFG Type**: New, Reman, 3.

1. **Grade** = Good, Better, Best, Spec. Niche

Note: Changes range from new or deleted subcats / segs to name changes.

2009 Hard Parts Workgroup

Brake Category Hierarchy Review

Proposed new
changes
(approved)

Revised Brake Master Cylinders subcat	09
The group agreed these Master Cylinder revisions should be put into place as soon as they feasibly can be.	

Master Cylinders - All	01
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1. Grade = Good, Better, Best, Spec. Niche.
2. MFG Type: New, Reman

Note: Changes range from new or deleted subcats / segs to name changes.

HPWG Brake Category Hierarchy and Brand / Grade Grid Review Summary

- Added new Opening Price Point (Economy) grade for brake pads.
- Re-labeled grades to include names and numerical references levels 1 – 5.
- Re-adjusted brands within Grid to align with retailer placement.
- Plan to consider future change to swap brake pad material from segment designator to attribute.
- Eliminated some segments in “Brake Calipers” and “Master Cylinder” subcategories, moving these data points into attributes.

HPWG teleconference
February 27, 2009

2009 Hard Parts Workgroup Meeting Participants

- The Hard Parts Workgroup (HPWG) had a 4-hour WebEx meeting to review the Brake category hierarchy and Brand/Grade Grid; yielding excellent industry collaboration!

- Participants Included:

- **11 Manufacturers**

- Affinia / Raybestos
- Honeywell / Bendix
- Bosch
- Cardone
- Centric
- General Motors
- Federal-Mogul / Wagner
- Morse
- Qualis
- Remsa
- Tomkins / Gates

- **6 Retailers / Distributors**

- Advance
- CARQUEST
- CSK / Murray's
- O'Reilly
- NAPA
- Pep Boys

THANK YOU!

HPWG teleconference
February 27, 2009

2009 Hard Parts Workgroup Meeting Participants

- Guy Broyles
- Traci Owen
- Nicholas Jacquez
- Valerie Perkins
- Chris Sumrell
- Mike Eversole
- George Hyland
- Adam Spuler
- Adam Dawson
- Dan Lelchuk
- Kenneth Selinger
- Christopher Battershell
- Wendell Hays
- Walter Keating
- Tiara Paciocco
- Advance Auto
- Affinia Group
- Affinia Group
- Honeywell
- Honeywell
- Robert Bosch
- Cardone Industries
- Cardone Industries
- CARQUEST
- Centric Parts
- Federal-Mogul
- Federal-Mogul
- Federal-Mogul
- Federal-Mogul
- Federal-Mogul
- Richard Karlewski
- Jay McCorry
- Jayson Keever
- Jeff Coggins
- Doug Balogh
- Phil Zettel
- Brian Edge
- Jack Schlea
- Mark Heird
- David Falk
- Steve Flavin
- Bob Jennings
- Jason Touns
- Robert Morris
- General Motors
- Morse Automotive
- NAPA
- NAPA
- O'Reilly Auto Parts
- Pep Boys
- Qualis Auto
- Remsa of America
- Rust-Oleum
- NPD
- NPD
- NPD
- NPD
- AAIA

THANK YOU!

HPWG – What's Next?

- Review the Suspension Category Brand / Grade Grid for the Ride Control Subcategory
 - There are three major participants in this subcategory
 - Monroe / Tenneco
 - Gabriel / ArvinMeritor
 - KYB
 - These manufacturers have expressed a need for reviewing the brand allocation by grade across our current retail panel
 - Meeting date is still TBD, but likely in May '09

Front of Counter Data Work Group Report

April 23, 2009

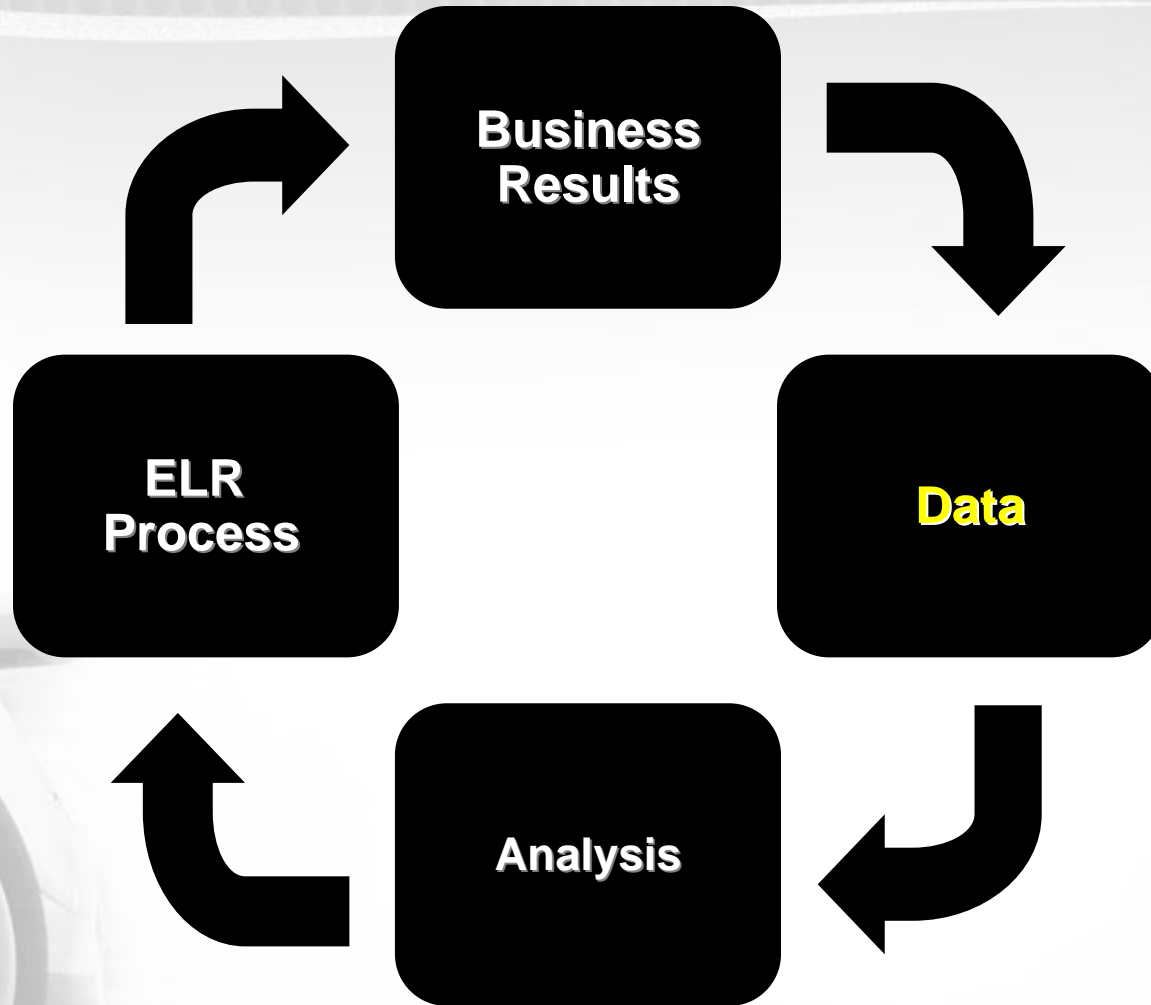
Presented by: Mike Boyer

Front-Of-Counter Data Work Group

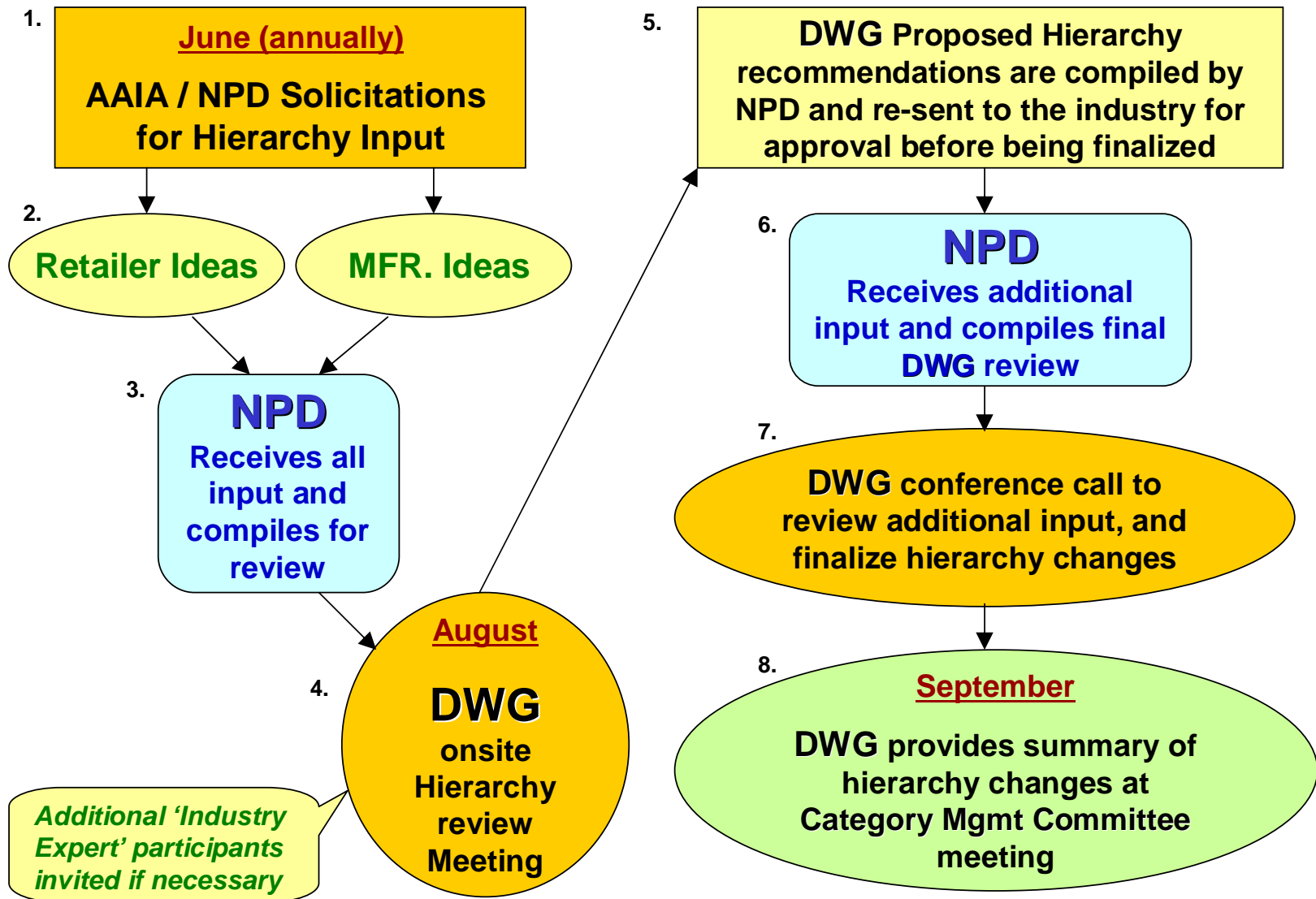
MISSION STATEMENT

- Enhance operator and supplier business results through fully leveraging the use of information and the ELR process

DWG SUCCESS LOOP



DWG Annual Hierarchy Review Process Current



- **2008 Solicitation Recap**
 - Total Companies Solicited = 193
 - 35 Companies Responded
 - 18% Response Rate (21% in 2007)
 - Total Individuals Solicited = 466
 - 39 Individual Respondents
 - 8% Response Rate (8% in 2007)

2008 Category Reviews / Results

- Total Categories Reviewed = 35
- Total Overall Changes to Categories/Subcats/Segments/Attributes = 215
 - Category Changes = 1
 - Wipers - major re-work to accommodate market changes
 - Subcategory Changes = 31
 - 9 new subcats created
 - Segment Changes = 184
 - 45 segments deleted due to little or no volume
 - Attribute Changes/Additions = none

Note: Changes range from new or deleted subcats / segs to name changes.

DWG Hierarchy Review Summary

- Broad coverage of Front-of-Counter categories.
- Strong process in place for management of hierarchies.
- The process was enhanced with secondary review in 2007.
- Annual process in place and on schedule for January 2009 update.
- June 2009 Solicitation upcoming.

Will Meet Again in
August 2009.

2008 Data Workgroup Meeting Participants

- AAIA – Robert Morris
- ASC Industries – Mike Boyer
- 3M - Larry Lavigne
- Bosch – Mike Eversole
- Gold Eagle – Kevin O’Shea
- NPD – Steve Flavin, Jason Toups
- Rust-Oleum – Mark Heird
- Shell – John Nemec
- Strategic Resources – Larry Solomon
- Tomkins Mfg. – Gordon Hoffman
- Turtle Wax – Daren Herbert
- Valvoline – Mike Lyman

Executive Panel Findings

Mike Boyer

DRIVING THE AFTERMARKET INDUSTRY

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Industry Association

AAIA CMC Mission Statement

Provide the forum and tools to enable effective collaboration for all supply chain partners looking to utilize category management in their respective businesses.

AAIA CMC Progress to Date

- ***Established high-level category management process model***
- ***Created hierarchy structures to support industry POS data sharing***
- ***Provided a forum for manufacturer / operator collaboration***

Committee Strategies

- Three key strategies were identified to help promote the committee mission
 - Leverage industry leadership to further the principles of category management and collaboration within the aftermarket
 - Provide forums, resources, and tools that promote the utilization of the category management process
 - Partner with other AAIA segments & committees to open lines of communication and create synergies

Committee Strategies

- Partner with other AAIA segments & committees to open lines of communication and create synergies
 - Collaborating with Retail Committee
 - Better planning of meeting times
 - Identifying project synergies
 - Market Research Committee
 - Insure Category Management needs are met in AAIA research projects
 - Education Committee
 - Technology & Standards Committee

Committee Strategies

- Leverage industry leadership to further the principles of category management and collaboration within the aftermarket
 - Develop a Steering Committee to provide oversight and drive adoption of the Category Management concept at the C level
 - Execute on a broader “VP” Forum, designed to expand the adoption of information use across the aftermarket

Committee Strategies

- Provide forums, resources, and tools that promote the utilization of the category management process
 - Promote “Getting Started” document through the industry
 - Share best practices from outside the industry for idea sharing behind the uses and benefits of Category Management
 - Leverage Data Work Groups to facilitate user groups for information tools

Information Expansion

- **Universe Expansion**
 - Point-of-Sale universe for additional coverage of aftermarket sales volumes
 - Examples: Mass, Internet, Regional Operators / Program Groups
- **Demand Side Information Needs**
 - Information sources designed to address data gaps from factors driving category consumption (sales)
 - Examples: Price Shop, Promo/Causal Data, Vehicle Application/Product Interchange
- **Supply Side Information Needs**
 - Information sources designed to address data gaps needed to address supply chain efficiencies
 - Examples: Inventory, Returns

Next Steps

- Consider creation of committee workgroups to focus on each strategy
- Workgroup leaders set up discussions, present findings / recommendations to committee at Fall Leadership Days