



ALLDATA[®]



Improving Recon Operations

May 24, 2016



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AutoAnything[®]

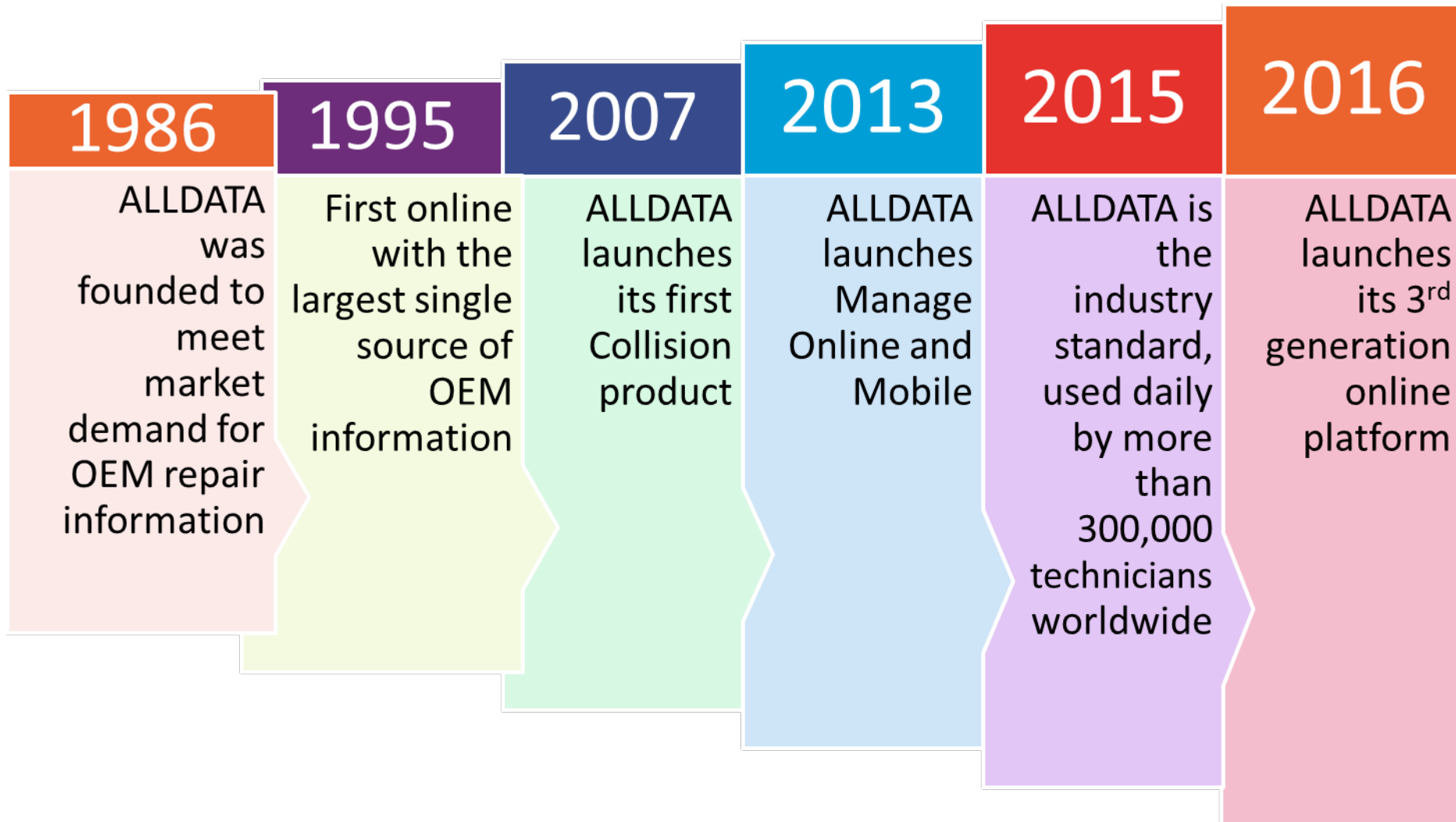
AutoZone Commercial

Utilize OEM data sources to support your recon operation

- 5,476 total stores
- 100% company owned
- Warehouse \$2.2B+ of inventory in the US
- Every AZ supplier is audited for quality control and continuous improvement purposes
- 8 distribution centers, 142 Hubs, & 71 “Super Hubs”
- Expanded parts coverage for fleet vehicles
- Expanded import parts coverage with IMC
- Expanded Accessories catalog with Auto Anything
- Industries leading software and service provider in ALLDATA



ALLDATA is the Industry Leader



Agenda

Parts and Service is vital to profitability

- State of the Industry
 - New Car Dealers
 - Used Car Dealers
 - Recall Crisis
- Managing Recon and Repair
 - Outsource Repair
 - Hybrid
 - Internal Repair
- Operations Process and Procedure
- Best Practices

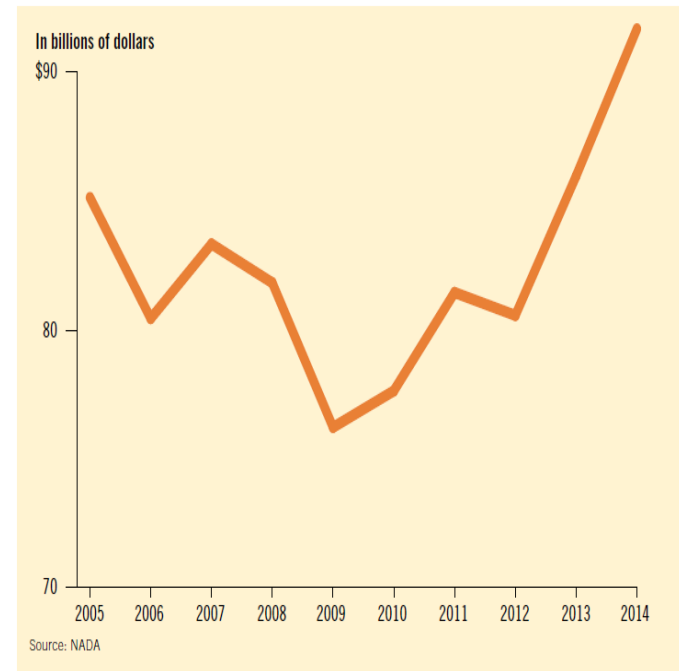


State of the Industry

New Car Dealers

- In 2014, # of new car dealers increased to 16,396 rooftops (+200)
- Service and Parts drove 46% of profitability
 - 11.4% of total sales in 2014
 - Service and Parts fastest growing sales and profit segment
- Used Cars drive 42.7% in profitability
 - 31% of total sales
 - Average dealership owner has no less than 3 rooftops with 1 focused on used cars

Dealerships' total service and parts sales



State of the Industry

Dramatic shift towards service as a source of profit

- **Service and Parts drove 46% of profitability in New Car Dealers**
- **Used Cars drive 42.7% of profitability in New Car Dealers**
 - Average dealership owner has no less than 3 rooftops with 1 focused on used cars

	Average Dealership	% Contribution
New Car Sales	\$ 28,338,621.00	57.6%
Used Car Sales	\$ 15,232,215.00	31.0%
Service & Parts	\$ 5,594,388.00	11.4%
Total Sales	\$ 49,165,224.00	100.0%
Net Profit Contribution	\$ 1,093,805.00	2.2%
New Car Sales Net Profit	\$ 123,599.97	11.3%
User Car Sales Net Profit	\$ 467,054.74	42.7%
Service & Parts Net Profit	\$ 503,150.30	46.0%
Source: NADA DATA 2014		



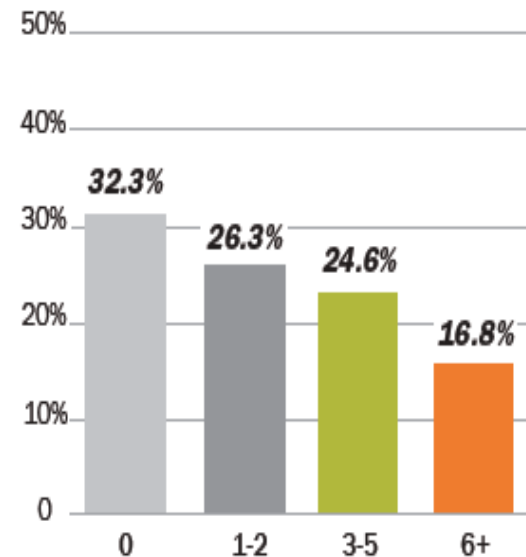
State of the Industry

Used Car Dealers

- In 2014 total number of rooftops was 37,026
- 68% operating at least one Service Bay (25,177)
- 40% operate “Buy Here Pay Here”
- Focus on 6-10 year old vehicles in \$5,000-\$10,000 range
 - Average recon cost per vehicle up to \$1026.00 from \$726.00
- Average owner has one location

HOW MANY SERVICE BAYS DO YOU OPERATE?

(percentage of respondents)



Source: NIADA Member Survey



State of the Industry

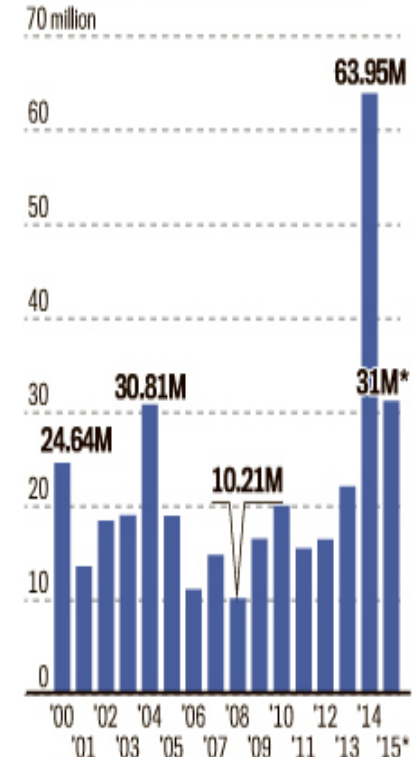
The Recall Crisis

- 64 Million vehicles recalled in 2014
 - More than the 3 previous years combined
 - 803 Campaigns
 - 123 NHTSA initiated
 - 680 OEM initiated
- 51 Million vehicles in 2015
 - 500 Campaigns
- 2016 expected to exceed previous years
 - Takata expected to grow to 40 million vehicles
 - VW, Subaru, Ford, Fiat Chrysler, Nissan, GM

Big year for recalls

Prompted by a newly aggressive National Highway Traffic Safety Administration, automakers already have recalled more than 31 million vehicles this year.

Number of annual vehicle recalls



*To date

Source: National Highway Traffic Safety Administration The Detroit News



State of the Industry

Heavy Target for Legislation

- Carmax stops selling cars with open recalls
- GM, Lithia and others targeted by FTC
- Modification to Highway Bill by Senator Blumenthall
- Consumers for Auto Reliability and Safety (C.A.R.S.)
- California Monthly Inspections and Recall
- New York Fix and Notification laws
- Who has the liability for repair?
 - OEM's stop at notification
 - Dealers over capacity looking for alternatives
 - Insurance companies becoming involved
 - Expected to impact 1 out of 3 vehicles



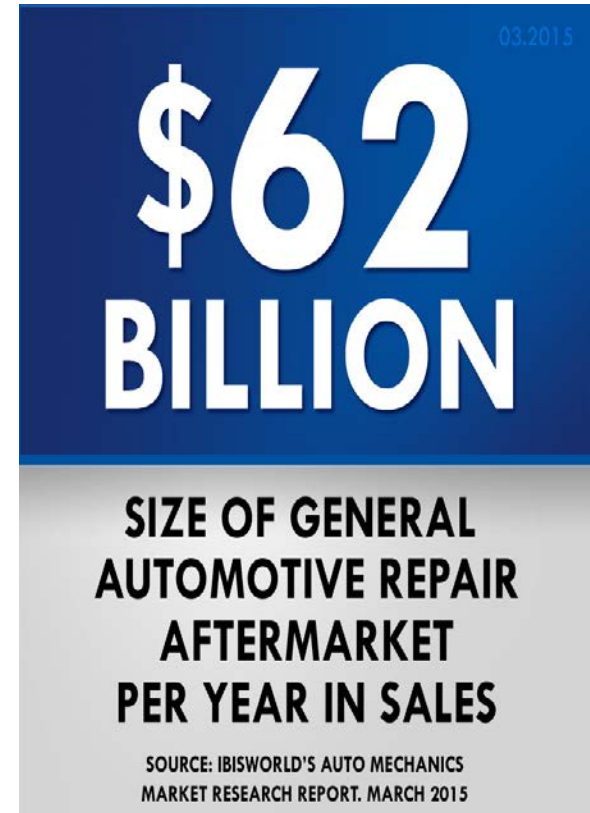
State of the Industry

How does this impact you?

- Recon costs increasing
- Liability for vehicle safety shifting to the seller
- Probability for increased legislation higher than ever
- Aftermarket repair capacity shrinking while demand for dealer repair exceeds capacity
- Consumer Awareness increasing
- Used vehicle fleet aging and requires more repairs

Opportunity?

- Increased presence and liability in regard to recon
- More repairs on older vehicles
- Expand repair services and per car repair cost
- Target 40-46% margin on repair services



Managing Recon and Repair

Outsourcing Repair increasing in cost and complexity

- Finding shops increasingly difficult
 - Total number of repair bays shrinking
 - Technician shortage
- Utilize a parts vendor to find repair partners
 - Minimum labor price guarantee with provider
- Look at fleet services providers
- Take advantage of technology to manage the recon process, vital to leverage your knowledge and data
 - Inspection
 - Recon
 - Sales
 - Service and Support



Managing Recon and Repair

Hybrid Recon operations the new norm

- Combination of light repair (focus on undercar) and outsourcing for larger more complex repairs
 - Minimizes infrastructure investment
 - Same needs in terms of process and procedure
- Requires managing internal and external repairs
- Leverage parts vendors to find partners
 - Try to find locations or partners to trade capacity
- Take advantage of technology to manage the recon process
 - Inspection
 - Recon
 - Sales, Service and Support



Managing Recon and Repair

Internal Recon has room for growth in changing market

- Internal operations offer the best control of profitability and flexibility in vehicle acquisition
 - Requires standardized processes and strict control
 - Requires partnerships and planning as individual business unit
- OEM procedures with OEM quality parts
 - Technician shortages
 - Bulk repair offers growth opportunity
- Look for opportunities to create growth with extra capacity and increased service



Process and Procedure

Leverage Your Parts Provider

- You represent a significant account for your local parts provider
 - If you outsource, make sure you leverage your purchasing capacity
 - Ensure your provider uses a single parts provider for all of your repairs
- Local parts providers know the local repair service provider network the best
 - Info on repair partners
 - Info on filling extra capacity
 - Info on software and services



Process and Procedure

AutoZone offers a dedicated BHPH program

- AutoZone Buy Here Pay Here National Account Program
 - Electronic Ordering – 2% Rebate
 - Labor Claims Credited in 48 hours
 - Referral Program – Free Advertisement
 - 100% Labor Guarantee
 - No Core Charges
 - Dedicated Onsite Commercial Specialist (\$40k/monthly spend)
 - Onsite to manage sourcing, consignment stocking, cores, deliveries, and account management



Process and Procedure

Integrated Business Systems to manage the Recon process

- Electronic Inspection Forms
 - Your liability starts when you purchase the car
- Vehicle History
 - Carfax, NHTSA, Equifax, OE Websites
- Shop Management/Point of Sale
 - Repair history
 - Profitability
 - Schedule
 - Inventory
- OEM Repair Information
- Diagnostic tools and Equipment
- CRM/Communication Tools



ALLDATA® Training Garage

- Web-based eLearning
- Online, 24/7
- Industry approved

ALLDATA® MOBILE™

Enables Interactive vehicle check-in AND delivers OEM Data to techs in the repair bay.

ALLDATA MANAGE® Online

- Efficient Shop management
- CRM & Marketing
- Cloud based for anytime, anywhere access and data security storage

Diagnostics

- Level I, II DTC reads via OBDII across all mobile OS solutions
- Level III, IV (Near Future)

ALLDATA COLLISION® ALLDATA REPAIR®

- Quickly diagnosis and repair
- OEM Correct information
- Search ALLDATA Community for verified fixes

Tech-Assist Hotline

plus ALLDATA Library

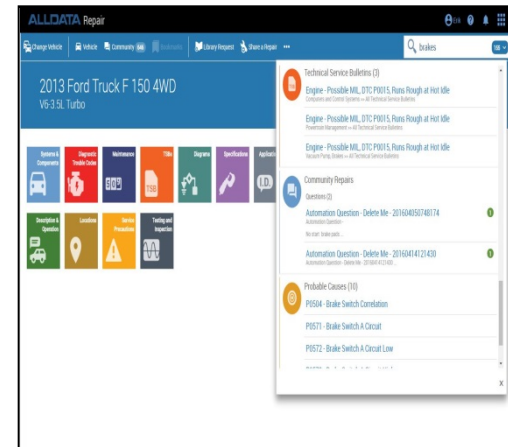
- Library requests
- On-call Tech Hotline
- Rescue Lens



Best Practices

Be Prepared for increasing pressure on vehicle safety

- Research Vehicle history at time of purchase
- Check Recall history with multiple sources
- Track and report repair history for all vehicles you service
- Utilize single repair service partners with warranties
- Utilize single parts provider relationships with warranties
- Educate your customers on the repairs you complete and the status of their vehicle
 - Create a service/recall/history report
- Complete recall repairs



Best Practices

Utilize OE or Equivalent parts

- Original Equipment Manufacturer (OE) equivalent parts
- All parts “better” and “best” category classifications
- OEM equivalent parts are often branded for the aftermarket
 - Batteries: Johnson Controls
 - Rotating Electrical : Remy, MPA
 - Bearings and Seals: Timken
 - Belts and Hoses: Dayco
 - Gaskets: Fel Pro
 - Friction: Bosch



Best Practices

Utilize OEM data sources to support your recon operation

- Original Equipment Manufacturer (OE) data
 - Provides liability pass through
 - Make sure your recon facility has adequate sources
- Provide Full Recall notices with your vehicles
 - Owners letters
- Research most common repairs for your fleet
- Provide your customers with recommended maintenance and options for completing it
- Train and value your technicians
- Become the trusted service provider



THANK YOU

GRACIAS
ARIGATO
SHUKURIA
JUSPAXAR

DANKSCHEEN
TASHAKKUR ATU
GRAZIE
MEHRBANI
PALDIES
BOLZİN

SUKSAMA
EKHMET
MERCİ
DENKAUJA
NENACHALHYA

YU SPASIBO
WADEEJA
MAITEKA
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