

Aftermarket Auto Parts: How to Better Compete with Amazon

Amazon's entry to aftermarket auto parts poses a threat to distributors.

This infographic showcases what's happened, and the opportunity for distributors to compete for business and consumer dollars.

1 The Aftermarket Auto Parts eCommerce Opportunity is Huge

The aftermarket parts market has risen to \$277B. eCommerce is starting to take its share. The online auto parts sales market grew to nearly \$9 billion in 2017, predicted to exceed \$13B by 2020.

Source: Wedbush and the Auto Care Association

Aftermarket CAGR projected to be 3.6% through 2019



2 Amazon Has Spent 10 Years on Their Auto Parts Strategy

For years, Amazon has been looming in the distance as a threat to automotive parts retailers.

- 2006** Amazon Automotive opens, and has since added a parts-finder filter to help shoppers find the correct parts.
- 2016** Amazon Vehicles launches, an online platform for cars, auto parts, Q&A community, and accessories.
- 2017** Amazon announces their entry into the automotive parts market in January.
 - Struck supply contracts with the largest parts makers: **BOSCH**, **FEDERAL MUGOL**, **DORMAN**, **CARDONE**
 - Undercut retailers on price
 - Paying vendors as much as 30% more for the same parts



"We're continually expanding our selection and improving the customer experience with things like our Part Finder, Amazon Garage and, most recently, Amazon Vehicles." Amazon in Bloomberg

— Jeff Bezos, CEO, Amazon



3 "The Amazon Effect" Hits Automotive Parts Distributors in January 2017

Following Amazon's January 2017 announcement that it's entering the automotive aftermarket parts market, leading distributor stocks took a significant hit.



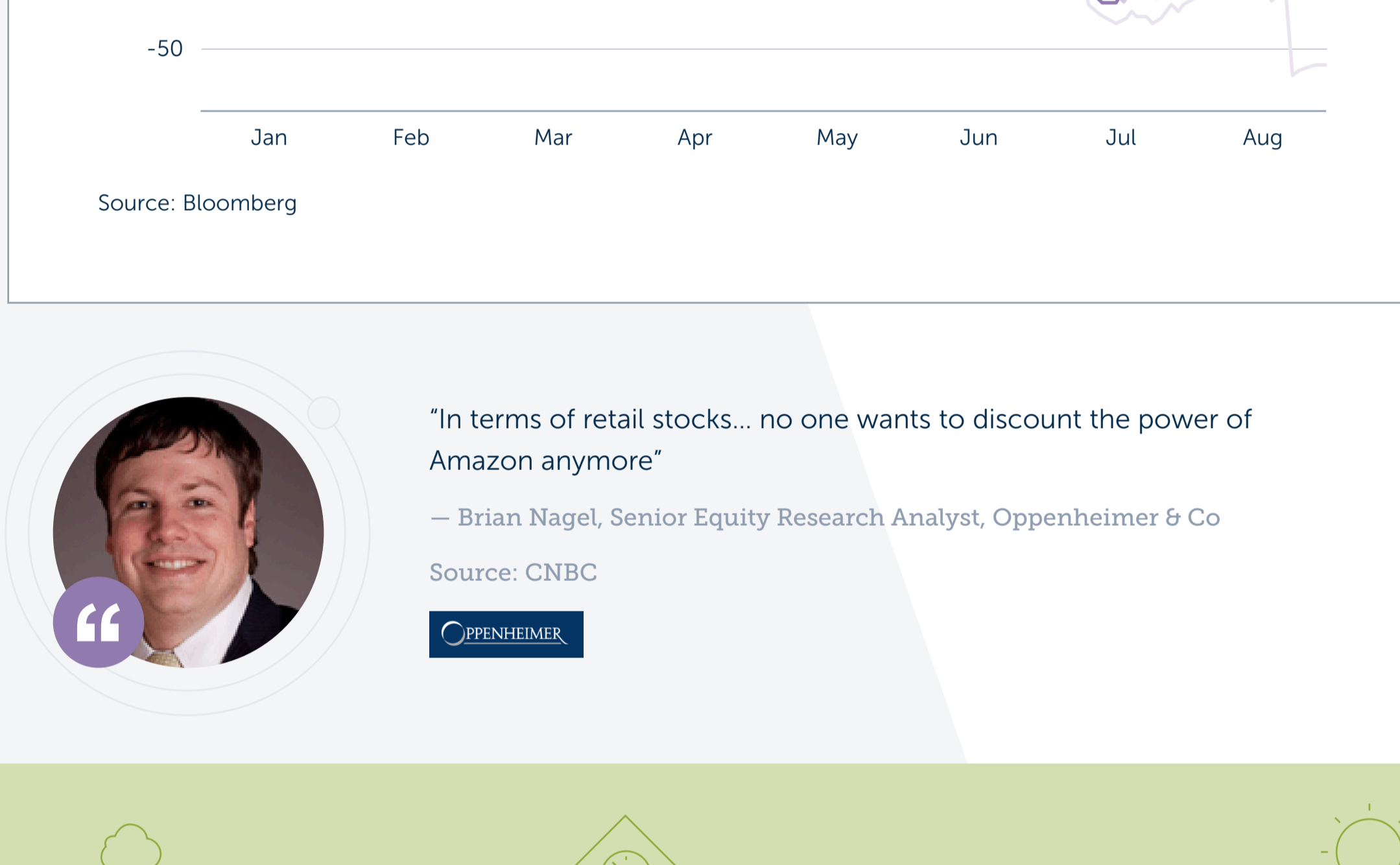
Source: Reuters (Date: 1/23/17)

Seeking Alpha

Auto parts sector to feel Amazon Effect

- Amazon (NASDAQ:AMZN) has struck new contracts with auto parts makers Robert Bosch, Federal-Mogul (NASDAQ:FDML), Dorman Products (NASDAQ:DORM) and Cardone Industries in recent months, according to New York Post.
- The increased focus of the e-commerce giant in the auto parts sector could put pressure on Advance Auto Parts (NYSE:AAP), AutoZone (NYSE:AZO), Monro Muffler Brake (NASDAQ:MNRO), Genuine Parts and O'Reilly Auto Parts (NASDAQ:ORLY) on the pricing end.
- Sources say the auto parts industry could now be at a tipping point due to a growing rift between manufacturers and retailers.

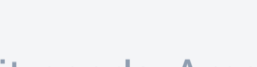
Seeking Alpha was right. The decline continued through August 2017:



"In terms of retail stocks... no one wants to discount the power of Amazon anymore"

— Brian Nagel, Senior Equity Research Analyst, Oppenheimer & Co

Source: CNBC

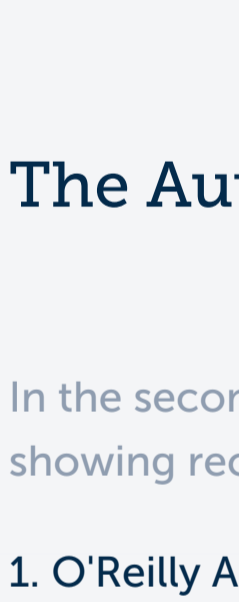


4 But, Amazon Can't Match Distributor's Expertise

When a buyer knows what part it needs, Amazon is now able to provide that part at a competitive price. But most consumers don't know what's wrong with their car, and require expertise finding a part.

Cars are getting increasingly complex, and loaded with technology — driving the need for technicians. ▶

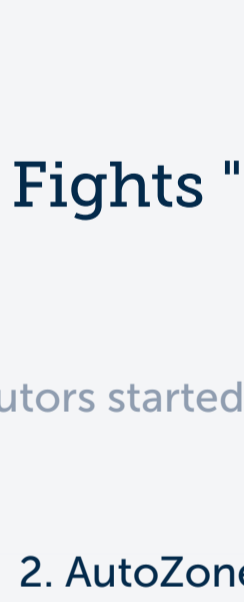
CEO's have begun to speak out about Amazon's possible struggle to sell components to consumers who don't understand what's wrong with their car. ▶



"The opportunity for the consumer to repair their own vehicle has been dwindling."

— Behzad Rassuli, SVP of Strategic Development, Auto Care Association

Source: Bloomberg



"[Online retailers] will continue to take a little bit of market share here and there. I don't see them nearly as one of our most prominent competitors."

— Greg Henslee, CEO, O'Reilly's



5 The Auto Parts Industry Rebounds, Fights "The Amazon Effect"

In the second half of 2017, the leading auto parts distributors started to bounce back. Here are two companies showing recovery:

1. O'Reilly Automotive ▶

While O'Reilly (ORLY) suffered from the Amazon Effect, mild weather, and the low number of older cars on the road in the first half of the year, they're rebounding significantly due to margin improvement.

2. AutoZone ▶

While AutoZone (AZO) suffered from the Amazon Effect, they've reached almost full recovery after showcasing a return to revenue growth and opening 84 new locations in the US, 25 in Mexico, and 5 in Brazil.



6 Parts Distributors Should Launch Their Own Marketplace

Parts distributors have a critical foundation — brand recognition and domain expertise — that Amazon does not. And this foundation is what enables them to reap the full benefits of a Marketplace and level the playing field with Amazon.

Competing with Amazon in B2B ▶

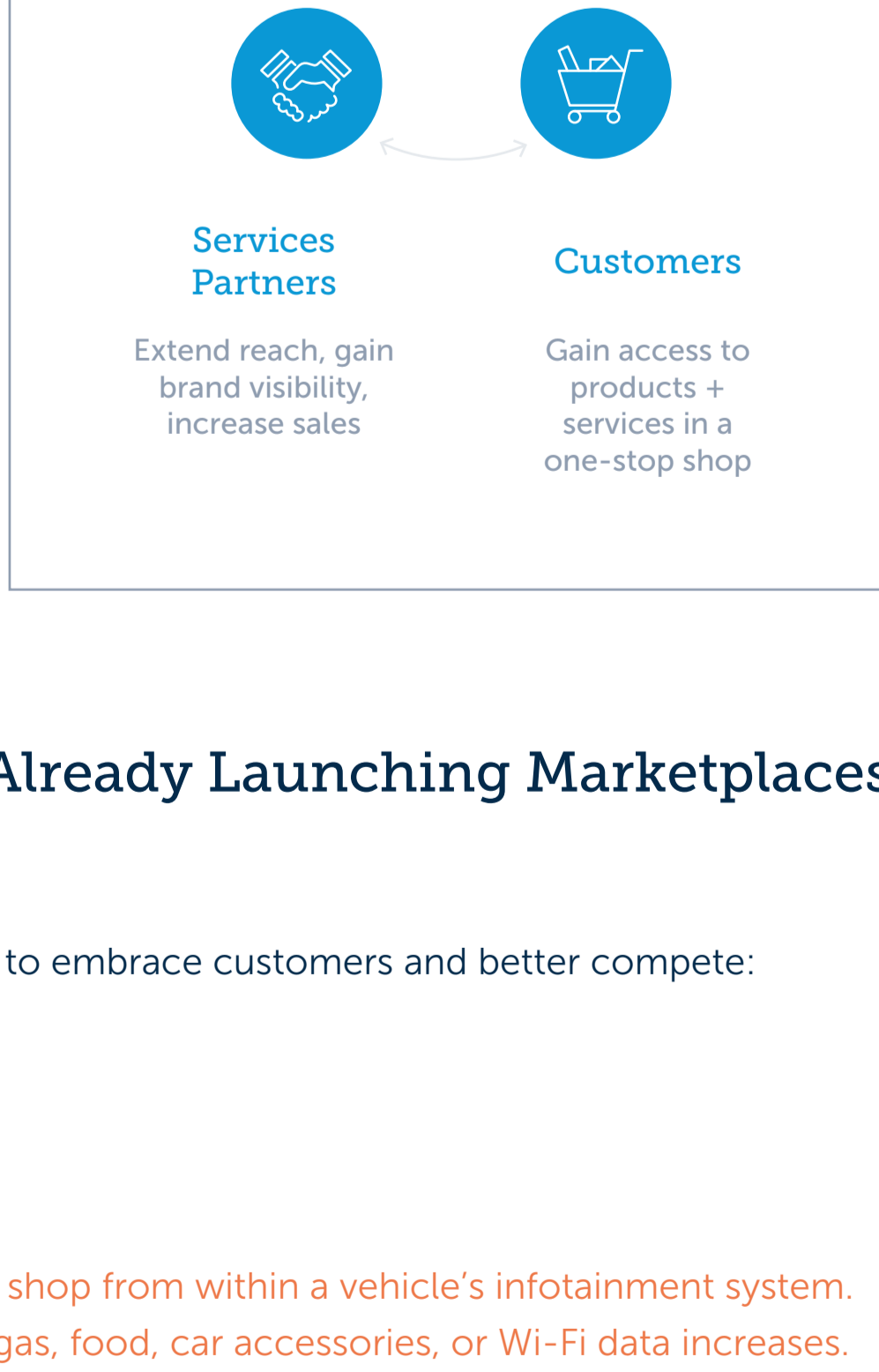
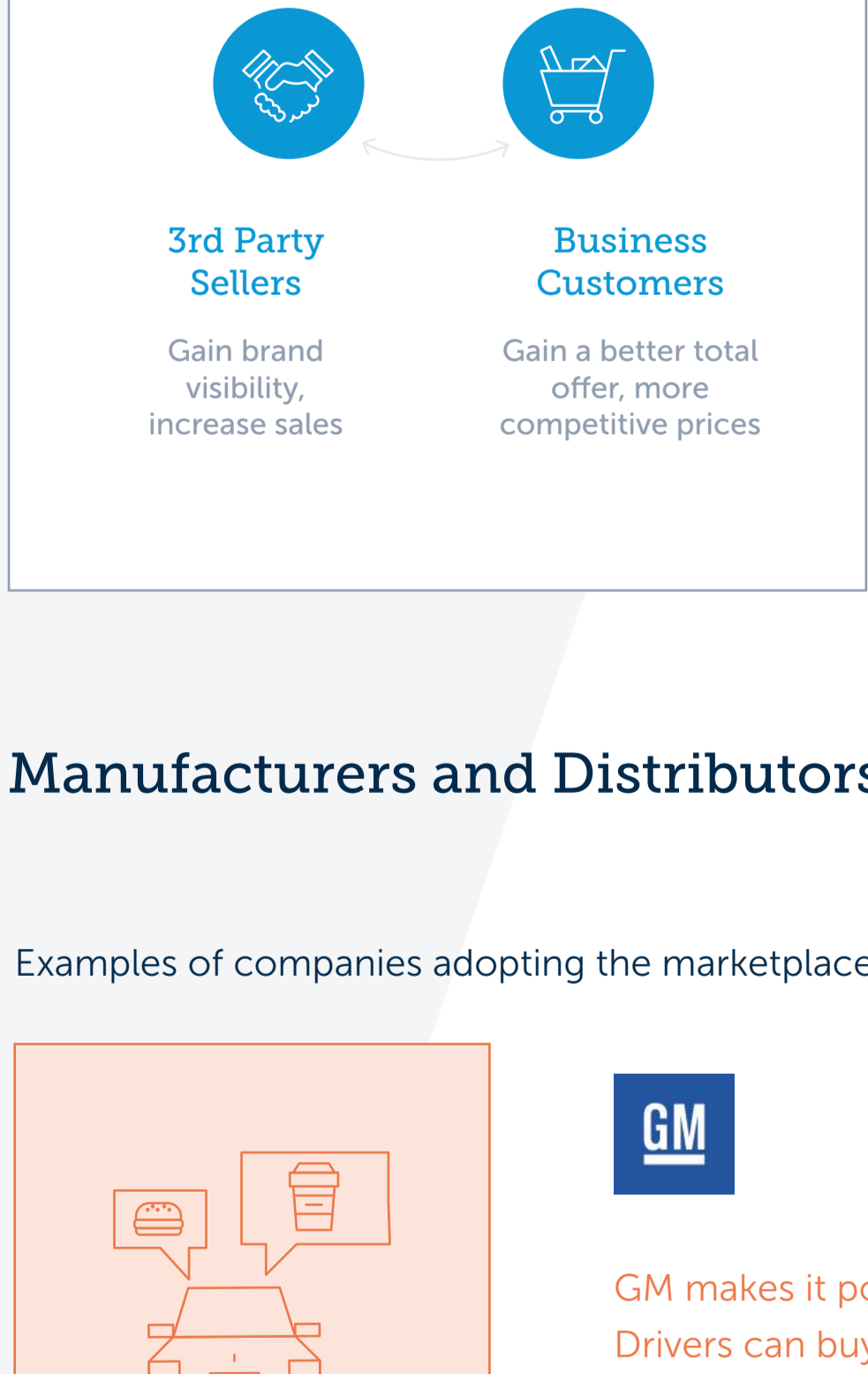
For the business buyer who knows what component they need, Amazon is a huge threat. Their advantage is price and selection due to their marketplace strategy where third-party sellers list their products and compete on price.

Competing with Amazon in B2C ▶

For consumers who don't know what they need, showcase your expertise advantage and launch an online services marketplace to provide expertise on-demand.

Distributors should launch their own online marketplace to offer their customers more assortment at better prices.

Launching the Services Marketplace as an extension to your product inventory will provide a holistic experience Amazon can't.



7 Manufacturers and Distributors Are Already Launching Marketplaces

Examples of companies adopting the marketplace strategy to embrace customers and better compete:



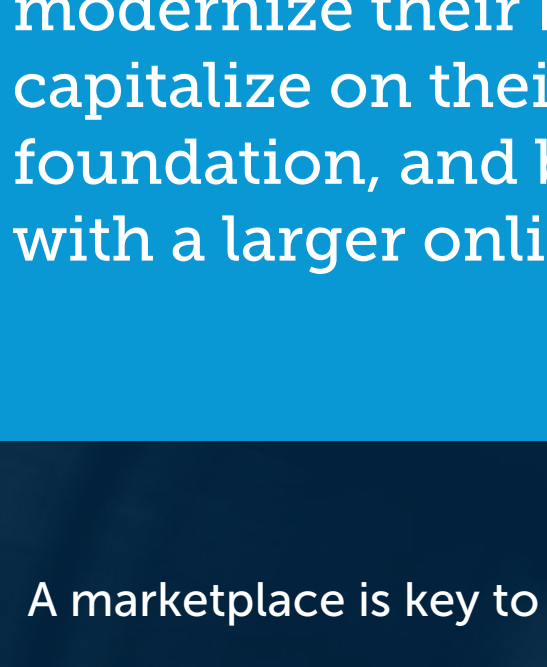
GM makes it possible to shop from within a vehicle's infotainment system. Drivers can buy coffee, gas, food, car accessories, or Wi-Fi data increases.

Source: **TC**



PartsKeeper is one of the largest auto parts resources, featuring 3.1 million parts and 62 million database records.

Source: **CISION**



JustParts.com is the fastest growing "auto parts only marketplace" offering more than 4.5 million part applications from thousands of different sellers.

Auto parts retailers and distributors need to reinvent their traditional linear supply chain models and move towards a more scalable digital platform business model. An online marketplace provides the right opportunity to modernize their business model, capitalize on their domain expertise foundation, and better serve customers with a larger online assortment.

A marketplace is key to Amazon's success. Learn how easy it is to set up your own auto parts and aftermarket marketplace at www.mirakl.com.