

SEMA Chief Speaks Out

I'm responding to Gary Naples' column, "Debunking Those Myths" (Feb. '03). He examined why dealers should bother with OEM accessories when comparable aftermarket brands can be had for less cost to the dealership.

He's correct in noting that dealers need a strategy to successfully market OEM accessories. He also accurately identified many of the core elements of such a strategy. However, he perpetuated many myths, and failed to note that the same strategies are equally or even more effective when applied to marketing specialty automotive or "aftermarket" accessories.

Truth 1: OEM accessories are too expensive.

Specialty auto products typically cost less and offer dealers greater profit potential than comparable OEM-branded products. The average dealer profit on OEM-branded accessories is 10%-20%. The profit on aftermarket or dealer-installed accessories averages 50%-75%.

Case in point: Dealer cost on a factory-installed sunroof on a new Cadillac is \$1,318. Dealer cost on an aftermarket sunroof averages \$895. If both units are sold for full list, a dealer stands to make a \$232 profit on the OEM sunroof versus \$655 on the aftermarket product.

Truth 2: Customers feel they get more value for their money with aftermarket parts.

Contrary to Mr. Naples' contention, consumers do get more value for their money with specialty automotive parts. Typically, accessory manufacturers offer a larger array of potential fitment options and designs. This diversity gives dealers the flexibility to customize like models in different ways.

They can create one-of-a-kind editions that can't be "shopped" at other stores. This stimulates customer interest and floor traffic. It also provides a multitude of choices to suit buyers' self-images and lifestyles.

Vehicle manufacturers generally do not manufacture accessories. They purchase them from independent suppliers, many of which are SEMA members. These suppliers often market their products to the OEMs and through aftermarket channels

Truth 3: Accessories should be an easy sell.

New-car buyers are captive customers prepared to spend money, and ideally, dealers should capture a greater percentage of accessory sales. The truth is that consumers typically do not purchase many accessories – OEM or otherwise – at point-of-sale.

On the other hand, consumers spend an average of \$1,000 – and often up to as \$3,500 – per vehicle annually on accessories after the sale. Consumer spending on truck and auto accessories accounts for more than \$15 billion a year in retail sales. But dealers capture a mere 16% of that. That leaves a lot of money on the table.

Truth 4: Accessories are worth the trouble.

Mr. Naples is correct in his overall assessment. Dealers who consistently accessorize their vehicles do achieve a higher level of success. However, there is a difference between OEM and custom accessories.

Vehicles equipped with OEM accessories

look like similarly equipped vehicles on the lot or those found on other dealers' lots. The margin of profit is limited to MSRP. Customized vehicles, on the other hand, are unique. Unique vehicles are proven traffic builders. They help build a strong dealership identity and generate faster sales for greater profit.

Truth 5: The new-car department is interested in selling accessories.

New-car departments want to move metal and increase gross profit margins. Accessories help make that happen. But, overall success hinges on four key factors:

- Fostering a dealership management team that supports and fully understands the value of an accessory program.
- Educating and training sales personnel on the benefits of selling accessorized vehicles.
- Implementing a pay plan that adequately compensates – and offers incentives to – the sales force.
- Building partnerships with restyling professionals who, in all regions of the country, have the facilities, equipment, inventory, expertise and marketing savvy to create appealing, high-profit accessory packages.

Dealers who follow these simple steps do indeed achieve a higher level of success. ■

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