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In Tune With The Sport Compact Performance Market

A Growing Slice of the Aftermarket Pie

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Burning rubber. Loud stereos. Throbbing engines.

The popular muscle-car trend from the 1950s and 1960s is back again. These sights and sounds are emanating from the new sport compact performance market.

Crew cuts are out and hip-hop has replaced rock-n-roll as the music of choice. Yet the youth culture of the new sport compact performance market shares one thing in common with its aging baby boomer muscle car brethren: a passion for customizing and modifying their vehicles.

"These are the parts consumers of the future," said Stephen Lipa, product-marketing manager (car) for JC Whitney.

The sport-compact-performance market represents a growing niche segment for the automotive aftermarket. New analysis from Frost & Sullivan on the sport-compact-underhood components reveals that the market valued at \$131 million in 2001 is poised to soar to an impressive \$333.4 million by 2008.

The Specialty Equipment Market Association (SEMA), which has tracked this automotive aftermarket segment since 1997, reported retail-level product sales of \$1.518 billion in 2001, a 25 percent increase from the previous year. SEMA predicts that the compact performance market will experience even better growth in 2002, reaching \$2.25 billion in sales.

A Diverse Profile

Brian Horowitz, president of American Products Company (APC), said about 70 percent of this new market is made up of males from 16 to 25 years old. Young women already comprise 30 percent of the market. "More and more young ladies are getting involved in accessorizing their vehicles," Horowitz said.

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"We've seen a huge increase in female participation in this market," said a spokesperson for StreetGlow, a manufacturer of automotive neon and performance lighting. "They have their own female car clubs that you never would have thought about back in the 60s." According to Frost & Sullivan, the initial population segment, encompassing the 17-to-25-year range, has now expanded to cover the 15-to-30-year group. Hamilton said the age segment approaching vehicle ownership that is 10 to 16 years old "is a group where we see a huge interest in this product category."

Early in the industry's development, Asian Americans dominated the compact performance market. But, as the phenomenon has spread from California across the country, the ethnic background of enthusiasts has expanded, with almost every group now represented.

What Are They Driving?

As compared to the muscle car era, the names of the primary cars have changed from domestics like GTO, Challenger and Duster, to popular Asian imports like Civic, Matrix and Supra. Also, instead of eight cylinders of power, most compact performance cars have only four. That does not mean the cars can't go fast. Holley Performance Products said in a recent technical article they issued, "Nowadays, it's not uncommon to see four cylinder Honda motors putting out 400 to 500 horsepower and turning quarter mile times in the 10 or 11 second range."

While the Asian cars have dominated, Lipa said, "The domestic companies are beginning to catch up with the imports. All of Detroit's Big Three are doing it right with Ford's Focus, a new performance-oriented 208 horsepower Neon about to debut from Dodge, and GM's work with the Echotec motor."

Lipa estimates that three years ago the Asian vehicles, especially Honda/Acura, virtually owned the sport compact market segment (nearly 90 percent). He now estimates the Asian "tuner cars" are closer to 50 to 60 percent. The term "tuner" is sometimes used interchangeably to refer to the individuals and their vehicles (that have been customized with appearance and performance accessories).

More Show Than Go

The accessorizing of a sport-compact-performance vehicle typically starts inside with new stereo equipment, and then goes outward to lighting, and body parts. Although performance parts have slowly picked up, appearance still tends to dominate.

Exterior changes characteristically include bright, colorful products such as paint, graphics, body kits, spoilers/wings, suspension modifications, wheels and tires and clear taillights. Patricia Law of ANSA Automotive exclaims, "Our Silverline stainless steel exhaust products have been flying off the shelves. The young folks want the flash so they love the mirror-bright finish and polished welds." The focus of interior modifications center around seat belt pads, race pedals, gauges, gauge faces, race seats, roll bars and shift knobs. The modifications are "more show than go," said Horowitz.

Experts estimate that engine modifications for the sport compact market typically make up about one-third of total sales. Products designed for underhood changes include ignition coils, spark plug wires, turbos and superchargers, cold-air intakes, nitrous, headers, cat-back exhaust systems and engine hose kits. Internal engine modifications consist of cylinder sleeve skirts, rods and pistons.

Brandon Collins, product-planning manager for NAPA/Balkamp, said that with today's fuel-injection cars, "It's hard to squeeze a lot more performance out of a four cylinder engine, so we tend to see more sales for appearance modifications."

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Embraced By the Mainstream

The traditional automotive aftermarket has quickly caught on to the sport compact performance craze.

NAPA/Balkamp got into the market, said Collins, to help satisfy "the needs and the wants of the young people associated with this industry." A typical NAPA store will devote about 4 to 16 feet of floor space to sport compact SKUs, and later this year the company will debut a 32-page "Sport Compact" catalog.

JC Whitney's first foray into the market started in 1999 and led to the launch of PhatSpeed.com in 2000, said Lipa. While that venture ultimately failed, Lipa said that the company learned a lot, especially in the area of database technology. "We knew we had to get our arms around this segment so we did extensive research to help us target this group," Lipa said. The company now sells on the Internet as JCW Sport Compact, by JCWhitney.com. In addition to the Internet, it sells through a separate niche catalog. The company started with a 52-page catalog in 2001. In 2002, the catalog had 60 pages and will expand even more.

Other retailers, such as AutoZone, Pep Boys, Advance Auto and O'Reilly have entered the fray. Horowitz said that his company occupies some of the largest shelf space with his retail partners, including 12 feet of space in O'Reilly's.

Todd Hack, a vice president with CARQUEST, recognizes the success of the sport compact market, but he explains that company wide, CARQUEST is not jumping on the bandwagon. Hack believes its market split of 80 percent wholesale to 20 percent retail doesn't really fit this niche. "That's not to say we don't sell these parts," Hack said. "Based on local conditions, we have some managers who will carry or special order these parts for their customers."

On the manufacturing side, there are lots of new names selling sport compact accessories. Among the many upstarts are APC, NOS, and AEM.

Established companies such as Holley have begun to shift their focus to the sport compact performance market. ANSA Automotive has been marketing to this segment for with their mirror-finish Silverline exhaust products for over 2 years. Last year, Holley introduced a 100-page catalog to the segment. Lipa said Topline Automotive has enjoyed recent success in the sport compact market. Other companies, such as Edelbrock and Comp Cams, are hoping to capture some of the business.

APC's Horowitz said some traditional companies have struggled to get into this segment. "They are learning, sometimes the hard way, that you can't sell parts to this group the 'same old way.'"

No Boundaries for the Future

According to StreetGlow, they see kids spending \$6,000 to \$8,000 to buy a used car. "While this is not based on hard evidence, we estimate that they will spend just as much to 'trick out' the car with stereos, DVD players and the like." Horowitz puts the figure closer to \$3,500 to dress up the car. Nevertheless, Horowitz boldly proclaims that today's tuners "are very passionate about their cars."

"Sport compact enthusiasts view their vehicle not just as transportation, but also as an entertainment center, a hobby and a status symbol," said Frost & Sullivan research analyst Mary-Beth Kellenberger. "They want to incorporate the vehicle into all aspects of their lives to obtain full value."

Industry studies predict continued growth for this segment and experts see no signs of this segment slowing down in the near future. According to Frost & Sullivan, manufacturers with the ability to innovate and create unique new products, finishes and colors are poised to make strong gains in this lucrative market.

Those who will make a profit in the sport compact market will continue to take the time to understand what their customers want and will make the necessary fine-tuning to satisfy this product hungry segment.

StreetGlow is one company that continues to understand this: "We really sell color and individualism as opposed to just a product."

Article Update: Sport Compact Performance Industry Continues To Explode

Sales of appearance accessories, handling and suspension parts, and performance and racing products for compact performance vehicles topped \$3 billion in 2003, according to SEMA, the Specialty Equipment Market Association. The association has tracked the growth of this automotive specialty equipment market segment since its infancy in 1997 when sales were only \$295 million.

The segment grew 35 percent last year, according to Jim Spoonhower, SEMA vice president of market research.

"Our research this past year revealed a shift in the vehicle modification in this segment," he said. "When we first tracked compact sedans being modified, about 60 percent of them were purchased or acquired as used vehicles, and their owners not only modified their appearance but also invested in improving their performance. Now, with the entrance of so many newer vehicles equipped with the most modern engine and handling technology into this segment, their owners are placing greater emphasis on adding appearance and interior creature comforts and amenities such as mobile electronics."

Spoonhower said the portion of SEMA's research conducted at enthusiast gatherings such as SEMA's International Auto Salon, car shows and spring break festivities showed that 64 percent of 18- to 25 year olds prefer to own a distinctive vehicle, and 58.5 percent see their vehicles as a form of self expression. "But only 44 percent of the 18- to 25 year olds think of themselves as automotive enthusiasts," he said. "That, and the modern underhood components on the vehicles they choose, means that the youth market is concentrating on vehicle appearance to make their fashion statement."

The average annual percent increase for the compact performance market over the last five years is 50 percent, according to SEMA's research. The increases have ranged from 72.6 percent in 1999 to 26.5 percent in 2001 when a softening economy and American involvement in military efforts affected the compact performance segment.

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