



GOA REPORT
SEMA & AAPEX Shows 2011
Las Vegas, Nevada, USA
November 1 – 3, 2011

Background:

Mr. Horst Schmidt, Director of the Canadian Tooling & Machining Association (CTMA), Robert Cattle of Micrometric Ltd. (Scarborough, ON), David Glover of Harbour Advanced Machining Ltd. (Windsor, ON), and Stephen Ouellette of Thunder Composite Technologies (Windsor, ON) visited the SEMA & AAPEX shows which were held November 1-3, 2011 in Las Vegas, Nevada, USA.

The combined SEMA and AAPEX show is the largest vehicle aftermarket show and exhibition in North America. The SEMA show is more custom oriented and the AAPEX show is more manufacturing and service oriented. The number of exhibitors at this year's AAPEX show was down slightly; however, the number of exhibitors at the SEMA show was up substantially resulting in a considerable overall increase. The show is continuing to attract international appeal with more than 32 countries represented on the exhibition floors. This was further accentuated by the more than 550 new first-time exhibitors. The show also attracted very strong media attention with more than 76 domestic and 32 international media organizations from 13 different countries.

The aftermarket industry has weathered the current recession very well showing continued growth year after year. In 2011 the North American aftermarket industry has already exceeded \$300 billion in sales, making it larger than the original equipment manufacturer (OEM) market itself. In the United States, aftermarket sales are \$290.7 billion and the industry employs 4.5 million people. In Canada, the aftermarket industry is \$16.7 billion and it employs 410,000 people. Canada's presence and interest in the industry has continued year after year, to the point where in 2011 Canada had 65 exhibitors in the show – the fourth largest group of exhibitors (behind the United States, China, and Taiwan).

Observations:

It would seem that the reduction in new vehicle sales is being offset by increased spending in aftermarket products. People are upgrading their vehicles with aftermarket items and features instead of replacing them with new ones. In addition, people are keeping their vehicles longer – thus requiring more maintenance and repair on their aging vehicles which increases sales in the aftermarket industry. This change in discretionary spending was evident at the show because there were virtually no exhibitors for high performance watercraft which occupied 20 to 30% of the outdoor exhibits at previous shows. It would seem that the aftermarket industry is larger and far more stable,

especially in economic downturns, than the original equipment manufacturers (OEMs) market. Helped by new legislation, the aftermarket product industry now has better access to OEM specifications and vehicle system operations. Further, there has been more collaboration between the OEMs and the aftermarket manufacturers. In some areas the OEMs have collaborated with the aftermarket designers in order to provide special edition dealer-installed options on a continual basis and also for special promotions. Some OEMs have gone so far as to provide access to their designs and specifications (at a cost) to the aftermarket manufacturers in order to assist them in designing products and features for their vehicles. Virtually all OEMs that are selling vehicles in North America had a booth at the SEMA show.

The theme of the SEMA show this year was improving the driving experience and extending the capability and use of a vehicle. In keeping with more utilitarian discretionary spending, the number of high-end sound system displays were down dramatically from past years. These were replaced by new functional electronics including driver-assist systems, camera safety systems, vehicle monitoring systems, and other safety & convenience systems that have been created to assist the driver and improve the driving experience. There were also a number of switchable suspension systems that allowed the same vehicle to be used on highway and on off-road terrain with good high-level performance and response. Racking and carrier systems allowing vehicles to transport bicycles, kayaks and other sporting equipment were also featured. There were even rooftop camper systems to expand the use and capability of vehicles.

In the chemical and car-care side of the industry, there was a definite “green” theme showing new products with their environmentally-friendly nature and safety of use. In addition, a number of chemical and process systems were on display that have been designed to improve, recover or extend the life of failing automotive parts rather than replacing them.

Lighting, primarily LED, was a major focus of the show with conventional bulb replacement systems for existing lighting right through to system replacements for existing and new vehicles. LED lighting has moved from accent and highlight lighting to the replacement of all functional lighting on the vehicle. This new lighting system uses new configurations that require less space and, due to its longevity, less consideration for both exchange and maintenance. In addition, because of their small size configuration, these systems allow the addition of functional lighting in areas where traditional lighting would not previously fit.

The electronics’ side of the business is still the fastest growing part of the aftermarket industry, both in number of products and in overall sales growth. More of the products on display are using wireless technology and are being integrated with the vehicle through Bluetooth or similar systems. New systems are creating their own market providing unique features that have not been available until now but are compelling enough to the average driver to create the desire to have them. Examples of some of these features include: tire pressure sensing, child safety seat monitoring & sensing, integration of the vehicle’s systems and controls with smart phones (ie. remote start,

alarm monitoring, and vehicle locate), remote monitoring of driver activity, and vehicle diagnostics. System integration is also a big feature where rearview cameras are integrated into rearview mirrors; blind spot detection is integrated with both audible and visual signals in the side-view mirrors; engine monitoring along with other vehicle system monitoring on a single screen; fleet vehicle monitoring systems including vehicle location, time and driver activity; and integrated business management systems for aftermarket dealers. Cameras and vision systems are playing an ever-increasing roll in this area.

Another series of products focused on maximizing the space and utilization of vehicles – from creating a mobile office in the front seat to utilizing every nook and cranny within a vehicle for storage. These systems were targeted at sales people, site managers, and the recreational use of vehicles.

A very large portion of the show was dedicated to tires, wheels and suspension. The objective is to improve the performance, safety, economics, appearance and versatility of the vehicle. The direction of these products is towards lower profile tires and larger wheels that improve roll resistance, air flow to the braking system for cooling, safety with flat running tires, and a new desired look in vehicles.

There was also a very strong showing of nostalgia vehicles which were primarily reproductions of vintage vehicles with modern drive-trains, suspensions, and featuring all the amenities available in the modern vehicles such as air conditioning, GPS, power options, heated seats etc. New this year, were companies featuring European Classics from Mercedes, Jaguar, Rolls-Royce, and Ferrari.

China has become a major player in the North American aftermarket as well as the OEM market. With a presence of over 211 booths, China was the second largest nation exhibiting at the SEMA show, followed by Taiwan with 65 exhibiting companies. China's focus has been on replacement parts for OEM parts; high labor oriented parts such as polished aluminum and magnesium wheels; medium to large volume production parts and plastics and metals; manufacturing of tooling and equipment for the aftermarket industry; and electronic parts and assemblies of every kind. Chinese companies are already well integrated in the North American aftermarket industry with partner companies in the United States representing and distributing their products. As a result their presence at the SEMA show was much larger than the 211 booths that were identified as Chinese.

Conclusions:

All three Canadian companies that attended this show made contact with many manufacturing exhibitors seeking suppliers in the machine, tool, die & mould sector. Many American manufacturers in this sector have serious skilled-trade shortages which is compelling them to outsource. Contacts made during the show will be distributed within the CTMA manufacturing membership.

The North American aftermarket should be considered a potential market for any manufacturer in or servicing the automotive industry. Not only is the aftermarket sector larger and more economically stable than the OEM market, it does not have the same downward price and cost pressures as the OEM market; thus allowing for healthier margins and a more profitable operation. Further advantages are that the products do not have to comply with OEM manufacturer standards and they are not subject to the same scrutiny and testing as OEM parts – since these parts are based on an already proven and tested design. Regulations covering aftermarket parts are far more open which allows for easier and quicker entry into the market.

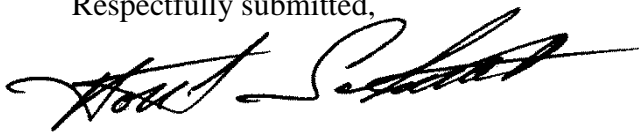
It should be noted that most new features available in vehicles today were created and rolled-out in the aftermarket sector prior to being adopted into the new vehicle market. This is a good testing ground for new product ideas, features and concepts. The aftermarket, especially the custom and racing divisions, are early adopters of new products and new product ideas.

As an organization SEMA has developed a very good education and training program for its members to help them establish themselves in the market and assist them in obtaining all the necessary approvals for their products.

The SEMA show is a good venue for acquiring new market ideas, focus, and business direction for future products. Every company in the machine, tool, die and mould (MTDM) industry could benefit from having a good portion of their sales related to aftermarket products. The aftermarket vehicle products sector is a growing industry which has already eclipsed the OEM market and continues to grow at a faster rate than the OEM market. Keep in mind that the OEM market is expecting that only 12 million vehicles will be built and sold in the current year, whereas the aftermarket industry caters to these vehicles as well as all the other vehicles on the road today – and the off-road vehicles.

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Respectfully submitted,



Horst Schmidt, Director
Canadian Tooling & Machining Association
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