Logistics Efficiency Within North America's Integrated Auto Aftermarket Industry

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Contents

Introduction

The average passenger car on the highway today is 14.0 years old, while the typical light truck is a comparatively youthful 11.9 years old. Together, this marks a nearly 10% increase in vehicle age since 2015.

There are many reasons why drivers are hanging onto their vehicles for longer than ever before. S&P Global Mobility cites lingering fallout from 2022 supply chain issues which affected new vehicle inventory levels. More recently, spikes in interest rates and inflation have reduced consumer demand. In addition, today's vehicles are more durable than their predecessors, as evidenced by manufacturers that offer 10-year warranties on vehicle propulsion systems. "That's a big confidence in their vehicles," one industry analyst told USA Today.

As owners stick with their vehicles longer, demand for servicing, replacement parts, and customization options has increased. Providing those parts and supplies is the purview of the aftermarket industry—an industry that has grown to include the technology systems, sensors, and electronic components found in electric vehicles (EVs) and newer model cars and trucks. In the United States alone, the automotive aftermarket includes more than 500,000 individual businesses which, according to AutomotiveAftermarket.org, include independent manufacturers, repair shops, distributors, marketers, and retailers. Overall, the auto aftermarket is expected to generate more than $530 billion during 2024, and account for 2.5% of the U.S. gross domestic product (GDP).

But the United States industry is only part of the story. The automotive aftermarket is highly integrated within North America, with parts, components, and accessories moving seamlessly between the United States, Canada, and Mexico. In Canada, the industry is valued at almost CAD$40 billion, and includes more than 4,600 parts and accessories retailers, and more than 23,000 repair and maintenance facilities. The Mexican aftermarket, according to the National Auto Parts Industry (INA), is valued at MX$30 billion (US$1.6 billion), and includes 300 parts manufacturing facilities, 45,000 retail outlets, and 230,000 service facilities.

Success is dependent on several factors including a carefully crafted logistics plan that addresses the nuances of each market. A U.S. business that relies on Mexican suppliers, for example, must understand that U.S. trucks are severely restricted in that country. This means a local carrier must be enlisted as part of a Mexican cross-border strategy. Businesses must also take into account the lack of comprehensive service across Canada, with most logistics companies limiting service to a specific geographic region. In addition, as eCommerce has taken hold within the aftermarket industry, businesses have a growing need for seamless cross-border residential deliveries—and the inevitable returns.

The aftermarket industry thrives on precision. Supplying "the right part at the right time" is essential to maintaining customer satisfaction and business continuity. Yet, when parts must cross international borders, efficiency becomes a bit trickier, as businesses must contend with customs requirements and distribution issues, among other challenges. Efficient, reliable cross-border logistics are critical to overcoming these challenges and unlocking growth opportunities.

The North American Auto Parts Industry—OEM and Aftermarket

According to the International Trade Administration, automotive parts are generally categorized as either original equipment manufacturer (OEM) or aftermarket. OEM parts are built for vehicle manufacturers based on unique vehicle specifications, and subject to each manufacturer's quality standards. Aftermarket products, on the other hand, are manufactured by third parties, and designed to accommodate multiple vehicle brands and models.

Original Equipment Manufacturer (OEM) Parts

OEM parts account for as much as 75% of all U.S. automotive parts production. Suppliers of OEM parts break down into three different tiers:

TIER ONE

Parts produced for specific vehicle manufacturer needs.

TIER TWO

Components produced for Tier One suppliers.

TIER THREE

Suppliers of raw materials used in the production of components.

According to JD Power, OEM parts are designed by car manufacturers and are "the same as the parts that came with the vehicle from the factory." They are built to the same standards and, the analysis notes, "can only be sourced from manufacturers or their dealerships."

The OEM supplier network includes thousands of companies worldwide, ranging from mega-suppliers to small specialty parts companies. Mexico, for example, is home to more than 2,500 OEM manufacturers, of which an estimated 600 are Tier One suppliers. Roughly 18% of Mexico's OEM manufacturers are U.S.-based companies.

The Automotive Aftermarket

The automotive aftermarket refers to all products and services purchased for light, medium and heavy-duty vehicles after the original sale. "Aftermarket parts," notes the International Trade Administration, are automotive parts "built or remanufactured to replace original equipment parts as they become worn or damaged." This includes replacement parts, accessories, lubricants, appearance products, tires, and collision repair parts, along with the tools and equipment necessary to make those repairs.

Aftermarket parts, according to JD Power, "are not sourced from original car manufacturers." Instead, they are "manufactured by third-party companies as alternatives to the parts manufactured by original car companies and can be bought from various sources." Many leading OEM suppliers also cater to the aftermarket. This includes Continental, ZF North America, Denso, Magna International, and Aisin. Aftermarket-specific manufacturers include Delphi, Dorman, MAHLE, MOOG, and Schaeffler Group.

Market Segmentation

The aftermarket industry breaks down into several sub-categories that help differentiate the many aspects of vehicle maintenance and upkeep. Top subcategories include:

- **Specialty equipment:** According to the Specialty Equipment Market Association (SEMA), specialty equipment refers to parts and accessories that make "vehicles more attractive, unique, convenient, faster, safer, more fun, and even like-new again." U.S. drivers spent almost $52 billion on specialty products during 2022. Of that amount, more than $27 billion was spent on accessory and appearance products, and more than $12 billion on performance parts. In North America, more than 7,000 companies comprise the specialty aftermarket with top selling specialty parts that include:
  - Performance brakes
  - Bumpers and bumper covers
  - Headlights and taillights
  - Mufflers and cat-back systems
  - Tires
  - Car organizers.

- **Tires:** U.S. vehicle owners (including trucks and passenger vehicles) spent nearly $40 billion on replacement tires during 2020, according to Modern Tire Dealer (MTD). Industry leaders include Bridgestone Corp, Michelin Group, Continental AG, Goodyear Tire & Rubber Co., and Sumitomo Rubber Industries Ltd.

  While customers have many options for purchasing tires, MTD reports that independent dealers are the preferred choice, accounting for 65% of all purchases. This is due, the analysis notes, to vehicle owners looking for the "expert advice and service" associated with local tire professionals.

- **Electric Vehicles:** Although they have about 80% fewer parts than traditional vehicles, and accounted for less than 10% of new car sales last year, electric vehicles (EVs) are reshaping the aftermarket landscape. There are many reasons for this, including government policies—both in the U.S. and Canada—to dramatically reduce sales of traditional combustion engine vehicles.

  Although fewer in number, EV parts have fundamentally different designs which require unique manufacturing processes and specialized training. A few noteworthy considerations include:

  - **Dramatically fewer parts:** Industry leader Tesla features electric motors with only two moving parts, compared with hundreds of moving parts in a combustion engine.
  - **EV parts are fundamentally different:** EV tires are designed to meet specific goals regarding noise reduction, weight support, and efficiency. According to TireReview, EV tires may include different rubber compounds and require specialized tread patterns.
  - **Different braking systems:** EVs rely on regenerative brakes which utilize energy produced by the electric engine to slow and stop the vehicle. Traditional vehicles rely on friction-based braking systems in which, according to NRS Brakes, "when the brake pedal is pressed, a hydraulic system applies pressure to the brake pads, which press against the rotors to create friction and slow down the vehicle."
  - **Inventory Reconfiguration:** The growth of hybrid and electric vehicles has forced parts suppliers to expand product inventory and adapt to changing demands. According to LEK consultants, EV requirements have "generated both new and aftermarket demand for over 40 additional component categories."

- **Demand for residential charging units:** 2024 research by ChargeLab software provider found 86% of EV owners said they have access to a home charger. This finding validates results of numerous other studies, which consistently cite "access to reliable chargers" as a top consideration among consumers thinking about buying an EV. The desire for ready access to EV charging units has fueled a spike in demand for residential units. PriceWaterhouse Coopers forecasts that by 2030, residential chargers including both single-unit and multi-unit dwellings, will account for 29% of all U.S. charge points. Manufacturers are responding to this demand by facilitating consumer access to charging units. A few examples include:

  - Home Depot offers an extensive line of home charging options along with related parts and supplies. In a sign of just how strong demand has become, installation services are available in certain geographic locations.
  - NAPA and Genuine Parts are among the leading aftermarket retailers that offer access to certified technicians to assist consumers with home installations.
  - Although not directly related to residential chargers, manufacturers including Ford and GM are responding to consumer preference for access to fast chargers by offering direct shipment of the NACS DC adapter required to access the Tesla SuperCharger Network. The two companies began offering the adapters during 2024. Ford began shipping the much-in-demand adapter directly to its EV customers in late 2024, allowing faster access to the component.

The EV category could bring adverse consequences for aftermarket suppliers. Fewer parts mean fewer replacements. Repair shops could also feel the impact as reduced numbers of vehicles require oil changes, tune-ups, and other types of scheduled maintenance.

DIY versus DIFM

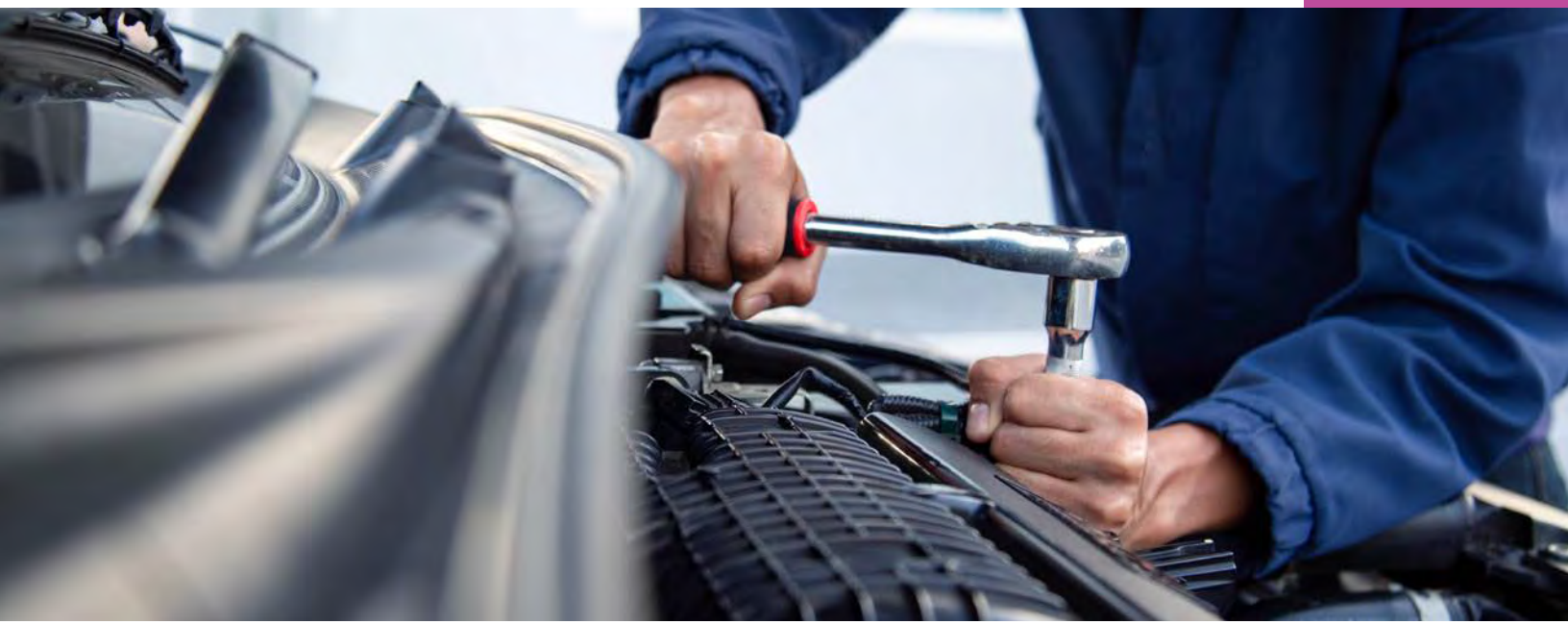
Aftermarket customers tend to fall into two categories: do-it-yourself (DIY) consumers who maintain their own vehicles, and do-it-for-me (DIFM) commercial customers. According to an overview by Genuine Auto Parts, DIFM customers generally include local, regional and national repair centers, auto dealers, service stations and both private and public sector accounts. DIFM customers account for approximately 80% of aftermarket sales, and DIY customers account for the remaining 20%.

Professional DIFM customers require direct product deliveries to their businesses which generally include garages, service stations, and auto dealerships. Since parts are often special ordered to repair a specific vehicle, deliveries often require expedited services. Repair facilities may receive multiple courier deliveries per day, depending on the vehicles in need of service.

DIY consumers purchase parts from physical stores or via an online source. Retail options include dedicated parts stores (i.e. AutoZone, O'Reilly's Auto Parts, Genuine Auto Parts/NAPA) as well as larger retail outlets such as Walmart, Costco, and Target.

In recent years, eCommerce has become a viable retail alternative for both DIY and DIFM shoppers.

Complexity of Cross-Border Logistics in Aftermarket Sector



Precision-Like Deliveries, Millions of SKUs, and other Aftermarket Considerations

Aftermarket businesses depend on coordinated supply chains that accommodate the primary objective of having "the right parts in the right place at the right time." Like many industries though, the aftermarket is subject to changes in market factors that affect supply chain models. Following is an overview of trends currently affecting the aftermarket industry.

- **Aftermarket SKUs are estimated to be in the millions:** According to analysis by Hedges & Company, aftermarket products include 12-to-15 million manufacturer SKUs. Of that amount, 2-to-3 million are considered "replacement parts," with the remainder categorized as specialty parts and accessories. Within the universe of replacement parts, about half are designed for a specific year, make, or model. The other 50%, the Hedges analysis notes, are universal-fit parts, or non-model-specific products such as car wax.

Genuine Parts Company, for example, which operates more than 6,000 NAPA retail stores throughout the United States and Canada (as well as 13 stores in Mexico) provides "hundreds of thousands of different parts," with each part carefully tracked for identification and accessibility. "Availability," the company stresses in its 2022 annual report, "is a critical success factor." However, the company also notes that while it distributes more than 725,000 different parts and supply items that are purchased from "hundreds of different suppliers," roughly 46% of those products come from just 10 major suppliers.

British Columbia-based Parts Avatar, a leading Canadian online aftermarket parts provider, carries an "in stock" inventory of two million parts. Lordco, also based in British Columbia, is Western Canada's "largest distributor and retailer" of aftermarket parts with 85 retail locations and an inventory that includes hundreds of thousands of SKU listings. Manitoba-based Princess Auto is another Canadian aftermarket leader with 50 retail locations across the country and a vibrant eCommerce business.

Most aftermarket sellers, though, only hold inventories for in-demand parts and supplies. "A distributor of Brand X parts only carries in inventory the part numbers with a reasonable chance of selling in their service area within a finite time (3 times per year, or once a quarter, for example)," notes GCommerce.

Less-in-demand-SKUs are accessed from suppliers/manufacturers, with an established logistics plan integral to ensuring fast access to products as they are needed.

Understanding how to manage an inventory this large and ensuring that the right product—no matter how obscure it may be—reaches a customer at the right time, is vital to success.

- **Demand for Shorter Lead Times with High Expectations for Precision:** A unique characteristic of the automotive aftermarket is a standard "within 24 hours" delivery guarantee. Suppliers that fail to meet this expectation risk losing customers to competitors and sustained damage to their reputations. As a result, a supplier must deliver the part—even at a loss—or face significant repercussions. This challenge is exacerbated when an international border crossing is involved.
- **Part Complexity:** As vehicles have become increasingly sophisticated and technology-based, so too have the parts and components required for their upkeep. Increased use of technology and electronics has resulted in parts that are "more fragile and more expensive," notes SupplyChainBrain, and which require enhanced packaging solutions and shipment security. In addition, as vehicles have become more "connected," demand has increased for qualified technicians, software engineers, and electronics experts. However, notes Alix Partners, these are employment categories currently experiencing "acute shortages."
- **Dangerous Goods:** Many aftermarket parts include hazardous materials that require special packaging and handling, and trigger special customs compliance requirements. A few examples include batteries (multiple chemicals), air bags (compressed gas), shocks & struts (hydraulic fluid and compressed gas), paint, adhesives and sealants, refrigerant, brake accumulators (high pressure gas), and speakers (magnetized metal).
- **Extensive Distribution Channels:** Unlike OEM parts, which can only be obtained through vehicle manufacturers and their authorized dealerships and service centers, aftermarket parts are widely available. GCommerce describes the auto aftermarket supply chain as "a complex network of manufacturers, remanufacturers, importers, suppliers, and distributors who make millions of unique parts available for hundreds of millions of vehicles anywhere and anytime they are needed—most of the time."

Industry trade group the Auto Care Association maps the industry's distribution channels as follows:

- **Retail Outlets*** including service chain stores, mass merchandisers and retail parts stores
- **eCommerce***
- **Wholesale/Traditional**
- **Warehouse distributors/ Program distributors**
- **Jobbers/Independent parts stores***
- **Specialty repair chains**
- **Service stations**
- **Independent repair garages**
- **OES/Dealers**
- **Vehicle manufacturers**
- **Service dealer groups**
- **Vehicle dealers**

*These channels cater to the DIY consumer market which comprises approximately 20% of total sales.

While each channel caters to a specific sector of the aftermarket, all require a laser-like focus on logistics excellence. Parts must be consistently accessible for fast, seamless deliveries to end-users, whether the last mile delivery is made to a mechanic, retailer, or consumer.

For manufacturers and suppliers, this means having full inventory visibility, and the capacity to locate and seamlessly deliver required parts, with deliveries occurring multiple times throughout the course of a day. "Service levels are critical, regardless of the channel used" notes analysis by Automotive Logistics. "The challenge in the aftermarket is finding a way to replenish the dealer's inventory on a more frequent basis in a most cost-effective way."

- **eCommerce takes hold:** Online sales of aftermarket parts and supplies spiked during the COVID-19 pandemic, as vehicle owners found themselves with extra time on their hands, and repair facilities across the country were forced to shut down. But the shift seems to have staying power, as online sales continue to grow both among B2B (DIFM) and B2C (DIY) customers.

  According to Hedges & Company, online auto parts sales are projected to reach $67 billion by 2030, up from $38 billion in 2022. The analysis forecasts a compounded annual growth rate (CAGR) of just under 9% through 2025.

  While eCommerce offers benefits for consumers (convenience, access) as well as retailers (increased revenue, customer outreach), there are downsides, that include:

- **Order mistakes.** As noted by industry publication Counterman, it can be difficult to ensure that the correct part is ordered. Parts procurement is an exact science. A customer in search of a headlight for a 2015 Jeep Grand Cherokee, for example, must purchase precisely that part. No exceptions. Online purchases are subject to order mistakes, which can lead to high rates of returns.
- **Reduced personal connections.** eCommerce also denies the purchaser the option to engage with in-store experts, who often have detailed expertise about vehicle parts and maintenance requirements. Such in-person encounters often lead to lasting relationships, and a level of trust in a counterperson's knowledge and insight.
- **Inventory management.** "Online pricing and inventory availability must accurately reflect what's actually on your shelves," the Counterman analysis noted. Customers expect items listed on a website to be in stock and ready for fast delivery. "The online portal has made the customer a promise that your store must now fulfill."

North American Market Advantage

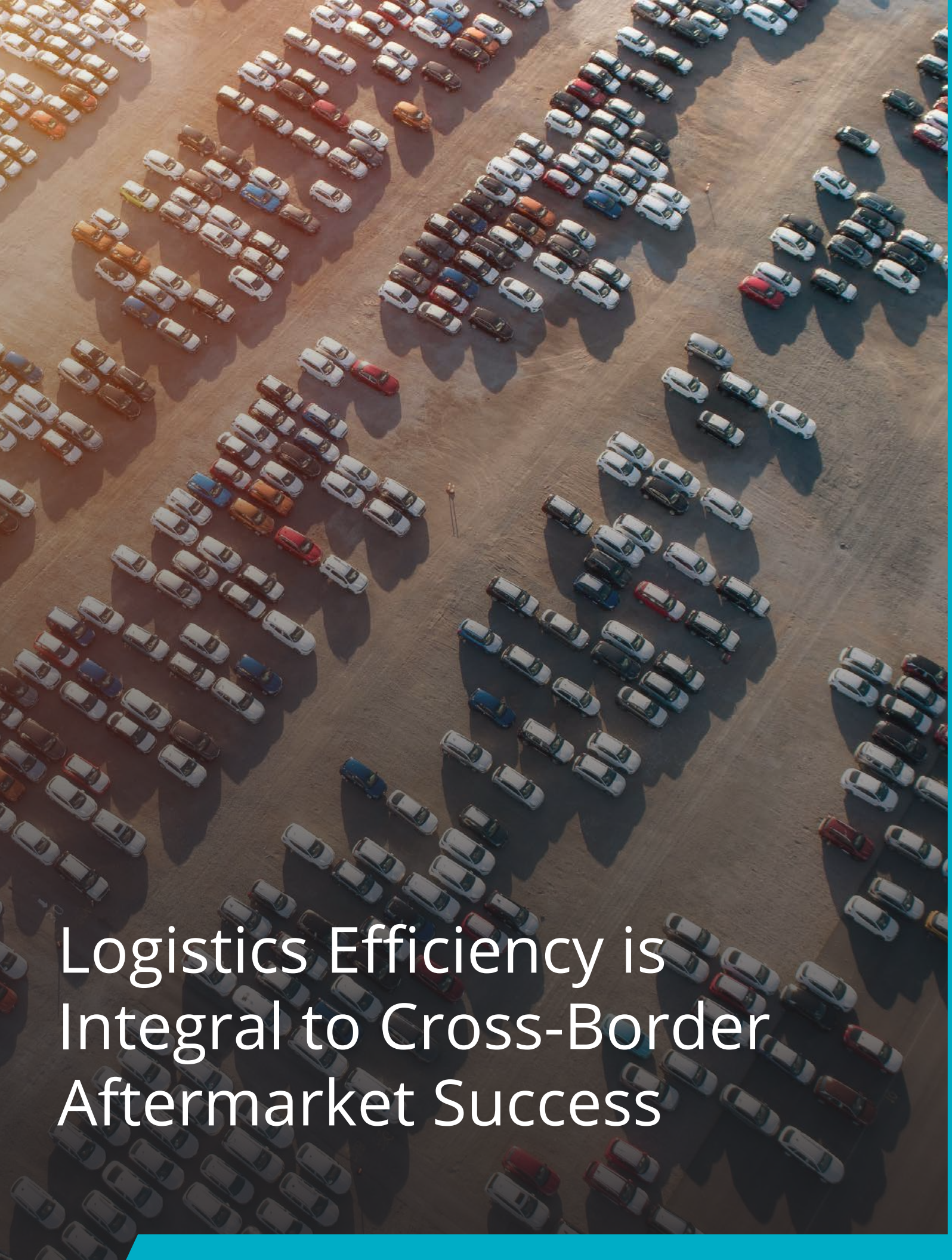
USMCA Cost Savings and Logistics Efficiencies

The automotive supply chain, including aftermarket parts, has been a key beneficiary of free trade agreements (FTAs) between the U.S., Canada, and Mexico. The North American Free Trade Agreement (NAFTA), which took effect in 1994, laid the groundwork for what has become the world's third largest automotive sector. NAFTA eliminated trade barriers and duties, expanded market access, facilitated the customs process, and addressed intellectual property rights, among other benefits.

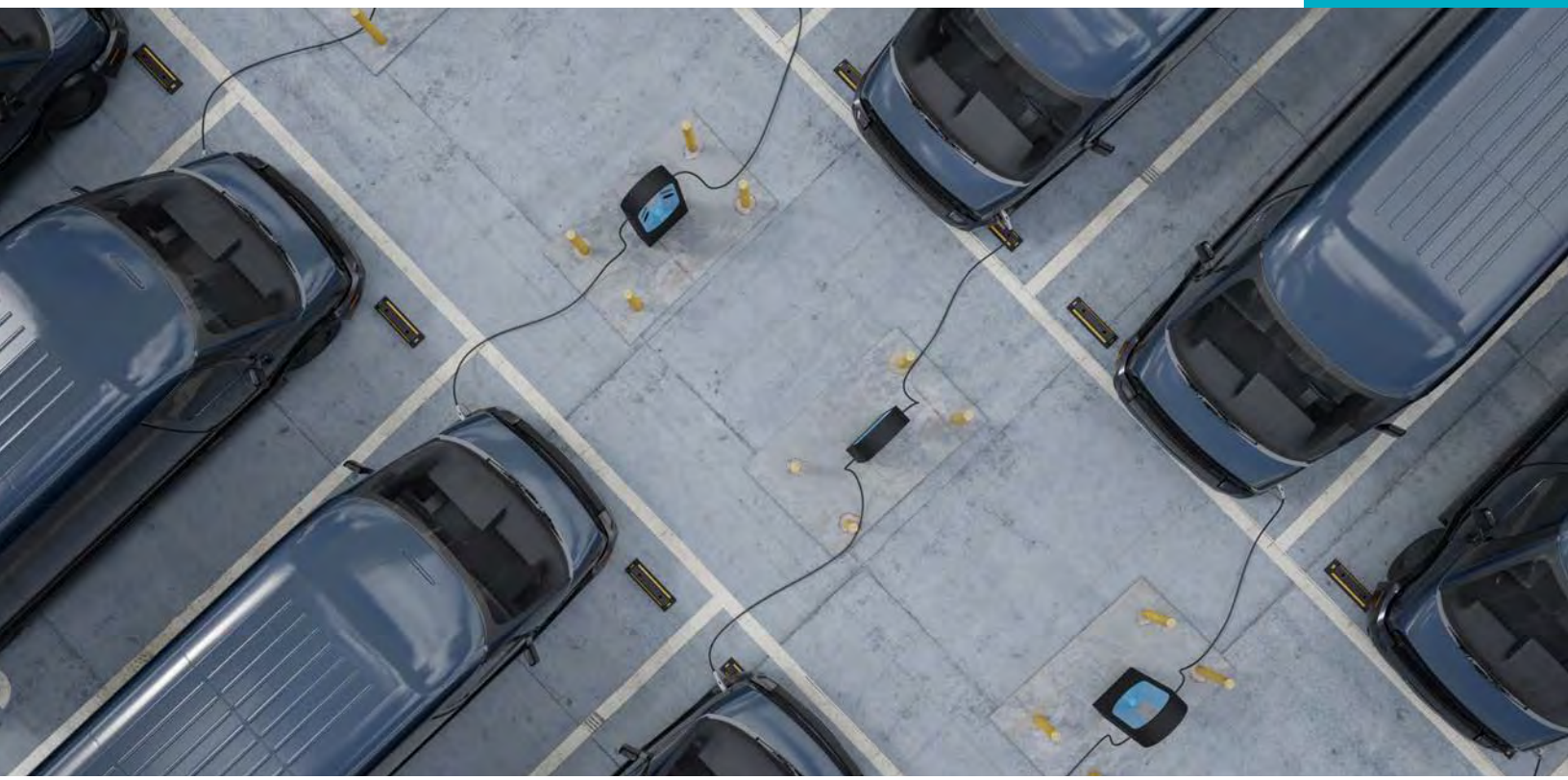
That agreement was updated and replaced in 2020 when the United States-Mexico-Canada Agreement (USMCA) took effect. The USMCA maintains core NAFTA provisions, but also addresses the realities of 21st Century commerce with provisions for eCommerce and digital trade, among other categories. Per the terms of the agreement, the USMCA is scheduled for "a joint review" in 2026. At that time the three partner countries will, according to CBP, "review the operation of [the] Agreement, review any recommendations for action submitted by a Party, and decide on any appropriate actions."

This shared commitment to cross-border trade has resulted in a highly integrated automotive supply chain in which parts and finished products seamlessly move between the three countries. It's not unusual, according to the Canadian Vehicle Manufacturer's Association, for parts and components to cross the border as many as eight times during the manufacturing process.

Aftermarket businesses take advantage of USMCA provisions to reduce costs, reduce administrative requirements, and expedite the border clearance process.



Logistics Efficiency is Integral to Cross-Border Aftermarket Success



Survey findings by IMR Inc. highlight the critical role of logistics in meeting the needs of independent automotive repair shops and aftermarket suppliers. Among U.S independent repair shop owners, top challenges include "finding affordable parts" (45%), "finding qualified technicians" (33%), "staying current with diagnostic/software updates" (22.8%) and, crucially, "getting parts delivered on time" (22.4%). Notably, for larger repair facilities with eight or more bays, timely parts delivery ranks as the top concern.

Parts access is equally crucial for parts retailers and suppliers. "Our supply chain consists of a network of distribution centers, hubs, stores, and branches that enable us to provide same-day or next-day availability to our customers," AutoZone stated in its 2023 annual report. "Our store inventories are primarily replenished by shipments from our network of distribution centers." The company acknowledged that inefficiencies in its supply chain could lead to higher inventory costs, reduced availability, slower deliveries and ultimately, a diminished capacity to meet consumer product needs and channel preferences.

These findings underscore a key reality: Logistics efficiency is no longer just an operational consideration for the aftermarket industry—it's an essential driver of success. By optimizing cross-border logistics, companies can enhance parts availability, reduce costs, and ensure timely deliveries that meet the high expectations of both repair facilities and end consumers.

An experienced logistics provider must be at the core of any cross-border strategy. This includes a provider with deep experience moving shipments between the United States and Canada, and an understanding of the specific needs of aftermarket businesses. Top cross-border logistics considerations include:

- **Consistently Reliable Service:** An aftermarket supplier must have confidence that parts shipments will arrive on time, as promised, every time. Aftermarket businesses should be careful to only entrust their shipments to a logistics partner that has experience in aftermarket logistics, the resources necessary to develop innovative solutions, and a commitment to success. A capable provider will take the time to understand an aftermarket business's needs and will build a solution—from the ground up—that addresses those needs. At a time

when aftermarket businesses face increased competition, suppliers and manufacturers need a logistics partner that "has their back," and will ensure on-time, efficient deliveries, every time.

- **Consistently Fast Service:** Auto repair facilities and parts stores rely on their suppliers for fast—very fast—parts deliveries. Overnight deliveries are the expectation, and same day service is often the need. This can mean multiple courier deliveries on the same day, or overnight service with guaranteed morning delivery. Meeting these expectations can be especially challenging when cross-border services are required. U.S. businesses servicing the Canadian market, for example, require service that expedites entry into Canada, followed by direct end-deliveries throughout Canada.

  For many aftermarket businesses, Purolator is the logical choice for cross-border logistics management. Purolator is a leading Canadian provider of integrated freight and courier solutions with extensive resources and distribution access throughout the Canadian market. It is one of only a few transportation companies that offer coverage to all Canadian provinces and territories. This allows Purolator to deliver reliable, efficient service without relying on regional carriers, which can result in delays, risk of damage, and extra costs. In Canada, Purolator offers a wide portfolio of delivery options that can easily accommodate aftermarket needs for time-definite services. Purolator International is the company's U.S. subsidiary. Aftermarket businesses rely on Purolator International for customized solutions that meet their specific needs. This could mean strategically-timed pickups, for example, or a pickup that has both courier and freight shipments carried on the same truck. Many times, shipments are consolidated with other Canada-bound shipments for fast, uninterrupted service to the Canadian border. Shipments often arrive in Canada on the same day as their U.S. pickup.

  Once in Canada, shipments seamlessly enter Purolator's Canadian network for final delivery to retail stores, repair facilities, suppliers' distribution centers, dealerships, or direct to consumers' homes.

  Purolator's extensive cross-border capabilities allow U.S. aftermarket businesses to compete in the Canadian market with full confidence that parts will be available when needed, anywhere in Canada.

- **Shared Services for OEM and Aftermarket Parts:** With many manufacturers producing both OEM and aftermarket parts, demand has increased for logistics services that allow both types of shipments to travel on the same truck. This makes sense both in terms of cost and efficiency, especially when OEM and aftermarket parts leave the same manufacturing facility and head for the Canadian market. Whereas in the past, manufacturers and suppliers were careful to maintain separate logistics plans for their OEM and aftermarket parts, smarter thinking has taken hold, and businesses are embracing comprehensive solutions.

- **Cross-Border Efficiency:** U.S.-based shipments bound for Canada face the unavoidable extra step of having to cross the border. [See below for information about Mexico-based logistics services.] But handled correctly, and with an experienced logistics partner, this can be a seamless part of an overall logistics strategy. A few capabilities to insist on include:
  - **Customs expertise and know-how.** Every shipment entering the Canadian market must undergo examination by Canada Border Services Agency (CBSA). No exceptions. But the process can be very straightforward if all required documentation is completed thoroughly, accurately and prior to a shipment's arrival at the border. Tools like the web-based Purolator Trade Assistant simplify the process by estimating duty rates and suggesting necessary customs documents. In addition, Purolator's Trade Compliance Specialists offer expert guidance for complex import/export queries, and help minimize delays by ensuring all duties, taxes, and permits are properly managed.
- **Seamless service.** Most U.S. logistics companies do not offer comprehensive Canadian coverage. Instead, shipments are often transported to the border and then transferred to a Canadian company. A better option is to stick with a company—such as Purolator—that maintains extensive distribution capabilities in both the United States and Canada. Canada-bound shipments enter Purolator's network at point-of-pickup and remain in-network until they reach their final destination. This ensures key benefits that include:
  - Tracking visibility.
  - Chain of custody/Accountability.
  - Improved transit time.
  - Seamless movement from the U.S., through the customs process, and into Canada.
  - Direct integration into Purolator's Canadian network which ensures coverage to every province and territory, and 100% of postal codes.
  - Direct access to Purolator's courier network which includes a broad range of delivery services that accommodate aftermarket business needs. For every delivery need, there is a Purolator solution!

- **Inventory Management:** Purolator helps aftermarket businesses manage their extensive inventory holdings with innovative solutions that include:
  - **U.S. based distribution.** Because of the speed at which parts are delivered throughout Canada, businesses can often fulfill Canadian shipments from U.S.-based distribution centers (DCs). This helps businesses avoid having to invest in Canadian DCs, and the added expense and burden of managing separate inventories.
  - **SKU management.** Twelve million parts—and growing. That's how many parts and components comprise today's aftermarket SKU inventory, with each unit performing a specific function for a specific vehicle. But when a customer needs a gas tank cap for a 10-year-old sedan or a 2-year-old SUV, how can an aftermarket supplier be sure to have the precise part in stock at the exact time it's needed? That's where Purolator comes in. The company integrates all distribution and warehouse facilities so that in-demand parts are continually replenished and readily available, with less-requested parts easily located and available for transport.
  - **Cross-channel management.** Aftermarket companies now operate across multiple buying channels, including both B2B and B2C platforms. As such, companies must ensure that inventory is properly allocated and monitored. Purolator seamlessly manages aftermarket inventories across all channels including:
    - eCommerce
    - Buy Online Pickup in Store (BOPIS)
    - Auto parts stores and other retail outlets
    - Wholesaler/Supplier distribution
    - Direct distribution to repair facilities, including independent garages, jobbers, dealerships, and specialty service providers, among others.
- **Dangerous Goods:** Shipping dangerous goods requires strict adherence with Canadian and U.S. regulations to ensure safety and compliance. Purolator's cross-border expertise helps expedite the movement of these shipments through Customs, mitigating potential delays. Purolator has the necessary equipment, experience, and certification required for dangerous goods transport. The company is closely aligned with all Transport Canada dangerous goods requirements, including opportunities to simplify paperwork requirements via a 500kg exemption.
- **Special Handling:** Other types of parts—sensors, gauges, and GPS systems to name a few—are highly fragile and require special attention. This includes special services with regard to wrapping, packaging, and labeling. Companies including Purolator will take extra care to ensure that shipments are properly palletized and unable to shift during transit. Monitors can be affixed to packaging to keep tabs of the shipment while in-transit and, of course, trucks are always securely locked to prevent theft.

- **Product Returns:** While aftermarket businesses take pride in their extensive inventory offerings, they must also find a way to address the unavoidable volume of product returns. Research by the National Retail Federation (NRF) determined that auto parts top the list of "most returned product categories," with a 19.4% rate of return. (The apparel industry has the second largest volume of returns, with a rate of 12.2%.)

  With nearly 20% of sales returned—most because of sizing issues—auto parts businesses must have a way to account for these goods, and quickly return them to active inventory. The process is a bit trickier for U.S. businesses that sell to the Canadian market, since shipping goods back to the United States requires the added time and expense of an international transaction.

  Purolator offers extensive reverse logistics services including:

  - Setting up a schedule for collecting all returns and bringing products to a designated Purolator processing center.
  - Evaluating each return and recommending a proper course of action that typically include:
    - Returning an unused/undamaged product to inventory. (For shipments headed back to the United States, Purolator will often facilitate cost-efficient transit piggybacking off a southbound truck with available capacity.)
    - Recycling, donating or destroying the shipments upon request.
    - Routing a product under warranty to a repair facility.
    - Consolidating multiple shipments as a cost-effective solution for returns.

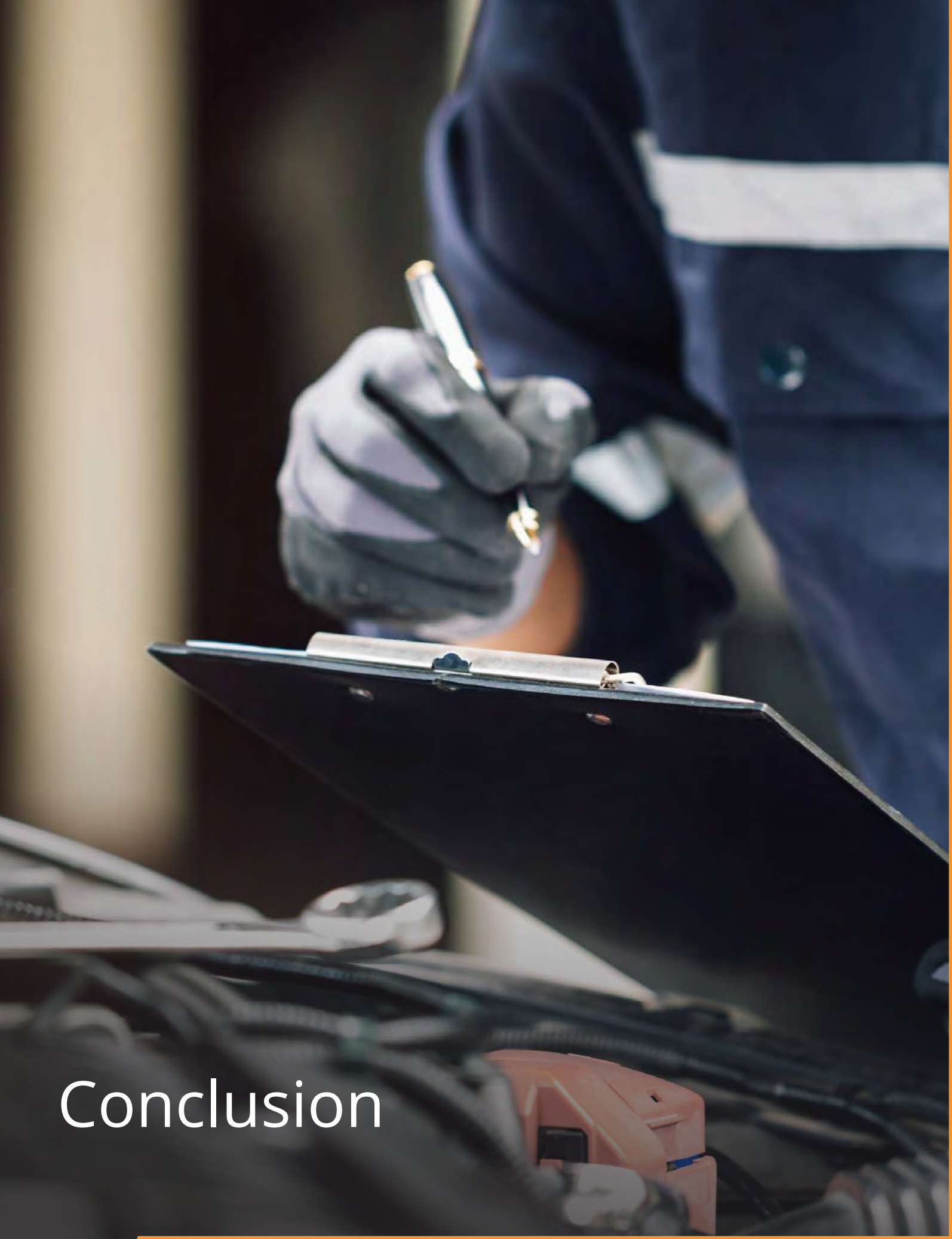
- **Mexican Logistics Capabilities:** What about the growing volume of cross-border aftermarket parts that originate in Mexico? How can a business ensure those products—which need to cross two international borders—arrive on-time and undamaged?

  The process requires a few extra steps, but this is another area in which Purolator offers extensive capabilities. A few considerations include:

  - Mexican trucks and drivers, for the most part, are not permitted to travel beyond a 25-mile radius of the U.S.-Mexico border. The U.S. Federal Highway Administration (FHWA) describes the process as follows: "Currently, Mexican tractors are restricted to circulation in a narrow commercial zone extending out to 25 miles from the border (or up to 75 miles in Arizona). Therefore, Mexican truck shipments into the United States are required to use a drayage or transfer tractor that picks up a trailer on the Mexican side of the border and then hauls it into the United States, where it is dropped off so a U.S. long-haul tractor can carry the trailer further into U.S. territory."
  - Shipments generally have two options for crossing the Mexican border:
    - **Transloading (also called Cross-Docking).** Freight is physically transferred to a different trailer after crossing the border.
    - **Through-trailer.** Shipments remain on the same trailer. The process requires multiple drivers, but since no freight transfers are required, shipments generally move faster.

  There are benefits and disadvantages to each option, and Purolator's Mexico-based experts will help a business determine the appropriate solution for its precise needs. Once an ideal strategy is identified for moving shipments out of Mexico, the team will build a solution for ensuring seamless service through the United States and into Canada.

- **Direct integration into Purolator network:** Once in the United States, shipments generally move directly to Purolator's processing center in Dallas, TX, which serves as "command central" in processing Canada-bound shipments.
    - Canada-bound shipments may be eligible to move through the U.S. as "in-bond" shipments. This allows shipments to move uninterrupted through the U.S. without having to pay customs duties or file entry paperwork.
    - Once in Canada, shipments continue within the Purolator network. Shipments are routed for end delivery based on their ultimate destination in the Canadian market.
    - Purolator also offers extensive mission critical services for extremely time sensitive shipments. Mexican-based parts shipments are flown directly into Canada, and immediately transported to their end destination. Mission critical services include the highest levels of customer service, and ensure parts are delivered by a specific time, to just about any location in Canada.



Conclusion

Conclusion

Research by the American Automobile Association (AAA) found the typical vehicle owner will spend about 10 cents per mile, or roughly $1,475 per year, on maintenance and repairs. This number has ticked up in recent years, as owners hang onto their vehicles longer resulting in more frequent repairs, and an increased number of parts needing replacement.

The aging fleet can be seen as a positive for the aftermarket industry, which supplies the required parts and performs the needed repair services. The industry is changing though, as vehicle components become more sophisticated and technology-based, and as owners increasingly turn to eCommerce for their parts purchases.

One constant though, is the highly integrated nature of the U.S., Canadian, and Mexican aftermarket supply chains, with parts moving smoothly, often duty-free, between the three countries. Despite these advantages, aftermarket businesses still require a sophisticated logistics strategy, especially when crossing borders. Customers expect reliable, on-time deliveries—regardless of the logistics challenges involved.

As the preceding discussion makes clear, an experienced logistics provider is essential to a successful cross-border strategy. Purolator has become a preferred partner for aftermarket businesses with capabilities that include:

- Comprehensive, end-to-end cross-border solutions.
- Extensive capabilities within the U.S. for flexible, customized pickups.
- Consolidation services that allow single pickups for OEM and aftermarket parts, as well as for freight and courier shipments.
- Extensive service throughout Canada including fast, direct access to all provinces and territories. Access to an extensive menu of service options that help aftermarket businesses meet their precise delivery needs.
- Seamless cross-border solutions for aftermarket shipments originating in Mexico.
- Inventory management that ensures direct access to most-utilized aftermarket SKUs, and ready access to less-requested products.
- Customs/brokerage expertise.
- Returns management.
- A deep commitment to customer service that features a dedicated representative assigned to each account. Your customer service representative is always a quick phone call or text away—no more faceless 800 numbers!
- Extra care to ensure shipment security. This includes proper packing and handling, as well as precautions to minimize the risk of theft.
- Dangerous goods handling.

A well-oiled logistics strategy ensures products arrive on time, every time. And with reliable service so vitally important to aftermarket businesses, it makes sense to choose a proven provider that understands the aftermarket industry, and will prioritize your success.

Partner with Purolator for your automotive aftermarket shipments.

Speak with an expert

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