SEMA BUSINESS

Q&A WITH JOHN WARANIAK ADAS: A Deeper Dive Into Channel Growth

By Mike Imlay



hile identifying multiple growth opportunities for the specialty-equipment industry, the recently released "SEMA Advanced Vehicle Technology Opportunities Report" (see p. 114) also forecasts a significant evolution of supply, sales and marketing channels for advanced driver assistance systems (ADAS) over the next decade. To better understand the changing dynamics of the ADAS aftermarket, *SEMA News* turned to SEMA Vice President of Vehicle Technology John Waraniak.

SEMA News: Can you give us an overview of the current aftermarket channel structure for ADAS? Which suppliers, sales and services providers are presently seeing profits and why?

John Waraniak: Today there are approximately 4,200 car audio and mobile-electronics retailers in the United States and 270 million vehicles in operation (VIO) on our roads. Sixty million of those have no ADAS onboard, creating a significant opportunity for current aftermarket channels for retail sales, installation, service and distribution. Mobile-electronics companies are at the forefront of today's opportunities. For example, the Al & Ed's Autosound retail chain saw \$1.3 million in new business last year with Mobileye's aftermarket safety performance products alone. Mobileye offers numerous life-saving warning features in a single bundle that can be retrofitted onto any existing vehicle.

More than 92% of the 40,000 fatal accidents annually on U.S. roads are caused by driver error, and 60% of those could be prevented or mitigated by ADAS technologies. In other words, the aftermarket can save lives, and mobile tech providers, such as Al & Ed's, AAMP, Voxx International and Pioneer, are increasing sales and profits by advocating safety performance and educating consumers.

Brandmotion co-founder and president Jeff Varick along with Jim Warren, formerly Arrow Electronics developed the semiautonomous vehicle for quadriplegic former IndyCar race car driver Sam Schmidt. An example of ADAS supplier technologies, it was featured in SEMA Central as part of the Advanced Vehicle Technology ADAS Press Conference at the 2017 SEMA Show.

of Car Toys, recently formed the non-profit Vision Zero Automotive Network. Its mission is to save 10,000 lives with aftermarket safety technology available today. It's working with aftermarket ADAS leaders and cities across the United States to raise awareness of the specialty-equipment industry's safety performance products.

Vision Zero is an excellent platform to help SEMA companies drive consumer as well as channel awareness. Meanwhile, the Mobile Electronics Association, the Motor & Equipment Manufacturers Association and others have partnered with SEMA to jointly promote consumer safety and channel awareness.

SN: What changes in marketing will accompany ADAS over the next five to 10 years?

JW: ADAS is changing the industry. Marketing and business technologies are also advancing and fusing together to create omni-channel sales, service and distribution.

Omni channels are a relatively new approach to marketing, selling and serving aftermarket customers that create an integrated, cohesive customer experience no matter how or where a customer reaches out. Auto parts are the third-largest category in e-commerce sales, which is contributing to the development of the omni-channel automotive aftermarket sales and distribution channels.

It's important to distinguish an omnichannel experience from a multi-channel experience. Multi-channel experiences are

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what most businesses have today. They have a website, a blog, Facebook and Twitter. In most cases, however, the customer still lacks a seamless experience and consistent messaging across each of those channels. An omni-channel experience accounts for each platform and device a customer uses to interact with the company. That knowledge is then used to deliver an integrated experience to customers. So the customer can be shopping online from a desktop or a mobile device or by telephone or in a brickand-mortar store, and the experience would be seamless.

Mobile will become especially important over the next five to 10 years. Mobile phones account for 34% of retail e-commerce sales transactions today. That percentage is expected to increase to 48% by 2020. SEMA companies using omni-channel techniques to align their ADAS messaging, goals, objectives and products across their retail and distribution channels will stand out from their competitors.

SN: What new industry skills, education and setups will be required?

JW: The majority of aftermarket ADAS sales are currently in fleet applications, but both individual sales and fleet sales will grow as more consumers become aware of the benefits and acceptance of ADAS technologies and systems. While aftermarket channel providers evolve to include specialty dealers, suppliers, customizers and upfitters, the profile, talents and skills required of shop personnel will need to include strong technical knowledge and expertise in vehicle diagnostic scanning tools, diagnostic trouble code resolution and procedures, software updates, sensor recalibration, compliance and ADAS testing procedures.

Aftermarket providers will also need access to many of the same tools and technician training available to OEM dealer networks to compete and understand ADAS, advanced telematics and diagnostics. OEMs currently have more comprehensive information and access to ADAS-equipped vehicles through embedded proprietary software and connected-vehicle systems. Yet as consumers adopt more ADAS technologies through both OEM and aftermarket channels, aftermarket providers will adapt, respond and leverage their core competitive advantages of cost and convenience.

Vehicle and driver connectivity is a fastgrowing and popular trend among new-car buyers. More than 80% of all cars shipped in 2021 are expected to have some level of connectivity, so vehicle connectivity products and skills will become increasingly important over the next few years as well.

According to Brookings, the auto industry's fastest-growing occupations are digital. For example, Ford has hired about 3,000 salaried employees in the United States annually over the last few years, 80% of whom are in technical positions such as software engineering, electronics and information technology. That same trend toward STEM-based skill sets will extend to the aftermarket.

Software currently represents about 10% of overall vehicle content today and is expected to grow to reach 30% by 2030. Not surprisingly, aftermarket ADAS players will need employees with software expertise and electronics skills as well as knowledge of GPS, infrared, ultrasonic, image, camera, radar and lidar sensors.

SN: What about the supplier side of the chain? What's changing on that front?

JW: Suppliers such as Arrow Electronics and AutonomouStuff (AStuff) are two examples of today's aftermarket ADAS landscape that also represent next-generation SEMA companies supplying ADAS, connected-vehicle technologies and autonomous driving products and solutions.

AStuff got its start when CEO Bobby Hambrick noticed a gap in the industry's supply chain. New automotive entrants and smaller manufacturers were having a hard time accessing the technologies needed to solve their assisted and automated driving projects. He created AStuff as a place where they could find the products to get their projects up and running.

Arrow Electronics specializes in distribution and value-added services relating to electronic components and computer products. Arrow developed the super-cool semiautonomous vehicle for quadriplegic former IndyCar race car driver Sam Schmidt that was featured in SEMA Central as part of the Advanced Vehicle Technology ADAS press conference at last year's SEMA Show. The vehicle project's objectives are not to transfer control of a vehicle to technology but rather to enable disabled drivers to enjoy the driving experience by leveraging the power of technology.

Arrow and AStuff are excellent productdevelopment resources for SEMA compa-

nies to consider for R&D and the latest sensor and software technologies for developing their products. They differ from traditional aftermarket suppliers by individual products but also aggregate those products to provide full-service systems integration and modular supply solutions. That trend of systems-integration suppliers started with OEM suppliers such as Bosch, Magna, Continental and Denso in the mid-1900s and is now extending into the aftermarket.

SN: Regulation always impacts product development. Is the regulatory outlook favorable for the aftermarket?

JW: Potential legislation and regulations can certainly drive or restrain the adoption of ADAS technologies. Fortunately, ADAS technologies have grown since 2010 with very little regulation. In the United States, the current administration has also adopted a pro-innovation, less-regulatory stance. The increasing consumer awareness and adoption of safety performance technologies, coupled with this favorable regulatory climate, will continue to drive industry growth.

The U.S. Department of Transportation's National Highway Traffic Safety Administration includes forward collision warning and automatic emergency braking ADAS systems in its New Car Assessment Program (NCAP) five-star rating process. Safety ratings that reward certain ADAS features will speed ADAS diffusion into new models and existing models.

As ADAS technologies are incorporated into NCAP safety ratings, automakers and insurance companies will have strong incentives to increase the use of ADAS, including aftermarket solutions. The European NCAP has already included ADAS in its safety ratings for several years now, and European automakers have responded with rapid adoption. Ford is also releasing Co-Pilot360 later this year-a product that will include some of the most-requested ADAS technologies.

Thanks to all this, the total number of ADAS-equipped cars on U.S. roads is expected to increase from 9% of the total VIO in 2017 to 82% by 2030.



John Waraniak leads SEMA's vehicle technology programs to connect members with costeffective product-development and engineering resources, solutions and benefits.

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