

Here's one market Amazon can't easily crack: Car parts

By Nathaniel Meyersohn, [CNN Business](#)

 **MARKET**, Thu November 29, 2018

● LIVE TV 

New York (CNN Business) – Amazon is gunning to sell more car parts. But it will run up against fierce resistance from a small army of firmly established companies already doing just that.

One of them is Advance Auto Parts. Advance has designed a vast logistics network to deliver parts to auto mechanics and do-it-yourself car owners right away.

"Independent garages have got to get that car fixed as fast as possible, or you're not going to them again," said Charlie O'Shea, lead retail analyst at Moody's. "They measure delivery times in hours and minutes, not days."

Speed isn't the only factor separating Advance (AAP), AutoZone (AZO) and O'Reilly (ORLY) from Amazon (AMZN). These companies have sharpened their focus on service, helping guide customers through repairs and the technical auto parts market.

Wall Street believes in the companies' long-term durability: Advance and O'Reilly's stocks have outpaced Amazon's this year.

Amazon's moves into car parts

But Amazon looms. The company started the Amazon Automotive store in 2006 and has been adding services ever since.

"Amazon's auto-part retail business is becoming too big to ignore," MoffettNathanson analyst Greg Melich said in a report last month.

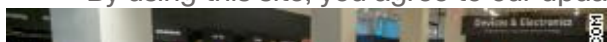
It has recently accelerated efforts to sell car tires, batteries and accessories.

The company struck a partnership with Sears that allows customers to buy Sears tires from Amazon and get them shipped to Sears Auto Centers around the country for installation.

Amazon expanded a tie-up with Pep Boys earlier this month for a similar service at 1,000 of Pep Boys' stores. Amazon also has an agreement with Monro Muffler Brake.

"We're pleased with the customer response to our Ship-To-Store offering," Amazon's director of automotive Adam Goetsch told CNN Business.

By using this site, you agree to our updated [Privacy Policy](#) and our [Terms of Use](#).





Amazon could win the battle for holiday toy sales

Amazon is adding more brands to its website and trying to get customers familiar with buying parts online. During the Black Friday and Cyber Monday stretch Amazon promoted car battery jump starters and wiper blades for the first time. They're 30% off until December 1.

Goetsch said the most popular automotive products among Amazon customers this holiday season included jump starters, wiper blades, cleanings kits, and RV accessories. That makes sense because more DIY customers are shopping online for components and accessories that they don't immediately need to repair their cars.

Amazon may want to sell more hard parts, like engines, crankshafts and flywheels.

Online sales of components like brakes and fuel systems grew 29% in the past year, according to data from NPD Group and Rakuten Intelligence.

"These categories have historically been challenging for the typical consumer to shop online for, but this task is getting easier," NPD analyst Nathan Shipley said in a report.

But those hard parts sales remain in Advance's wheelhouse.

Lightning-fast delivery

Advance may seem like an unlikely company to thrive in the digital era, but the old-school car shop has taken steps to prepare for Amazon's encroachment.

Advance has close to 6,400 stores — some of them under banners like Carquest and Worldpac — and 54 distribution centers that put them close enough to its customers to make same-day or next-day delivery a snap. It has also built larger "hub" stores in higher-traffic markets that keep more items in stock.

The company makes around 58% of its sales to technicians at garages, service stations and auto dealers, who often don't know what parts they'll need until the day begins. Rapid delivery is critical.

By using this site, you agree to our updated [Privacy Policy](#) and our [Terms of Use](#).



Advance Auto Parts has built out a rapid logistics network to meet customers' parts needs.

"There's a huge need for inventory availability and quick delivery out there," said Seth Basham, who covers the industry at Wedbush Securities.

Although Amazon is looking to find retail partners, it would need to acquire an auto parts seller with similar distribution capabilities to be able to match Advance's same-day network.

"You're not going to use Whole Foods to deliver auto parts to a garage. A brick-and-mortar presence is critical here," O'Shea said.

Auto parts experts

Advance offers expert solutions in a complex auto parts market, something Amazon can't provide.

Staffers consult with customers to find the right products, and Advance offers training classes and posts on YouTube to help DIYers with repair jobs.

Amazon is known for its variety, but Advance sells a wider range of national brands, private-labels, and original equipment from manufacturers.

"The garage owners love this model," O'Shea said. "You need somebody that has deep knowledge and knows the parts catalog backwards and forwards."

Adding to its advantage, Advance has close relationships with auto parts suppliers. Many manufacturers are wary of selling through Amazon because they worry that it would help the company learn the business and one day take it over.

By using this site, you agree to our updated [Privacy Policy](#) and our [Terms of Use](#).



Amazon's HQ2 might be better for New York than for Virginia

Analysts say carrying hundreds of thousands of different parts is ill-suited to a company without deep experience in the field. Amazon might have trouble stocking and selling bulky physical components and batteries — new engines, brakes, and exhausts — which are specific to a car's make and model. On the other hand, selling car parts and batteries make up 65% of Advance's total sales.

LIVE TV

But the company will need to keep adjusting its prices to keep up with Amazon's relentless focus on providing value.

A MoffettNathanson analysis found that Amazon's prices were 29% lower than traditional competitors on 30 top-selling items. Advance risks losing its edge with such a wide pricing gap.

A new Walmart deal

But Advance should get a lift from its newest partner: Walmart (WMT).

Advance struck a deal last month with the world's largest retailer for a specialty store page on Walmart's website. It believes the tie-up will allow it to increase its visibility online and reach more DIYers.

Advance may see selling through Walmart as safer ground than Amazon. "I don't know that Walmart wants to start manufacturing auto parts," O'Shea said.

The Walmart partnership is key because it will bring Advance into Walmart's 2,500 auto care centers around the country. Leveraging Walmart's store footprint will help Advance expand same-day delivery as competition intensifies and Amazon finds ways to speed up parts delivery.

"The biggest challenge Advance faces is still the online channel. That's the concern investors have out there," Basham said. "How quickly do solutions by online players develop to become more material threats?"

Search CNN...



US

World

Politics

By using this site, you agree to our updated [Privacy Policy](#) and our [Terms of Use](#).
Business

Opinion

Health

Entertainment

Tech

Style

Travel

Sports

Videos

Coupons

More



LIVE TV



FOLLOW CNN BUSINESS



Most stock quote data provided by BATS. Market indices are shown in real time, except for the DJIA, which is delayed by two minutes. All times are ET. Disclaimer. Morningstar: Copyright 2018 Morningstar, Inc. All Rights Reserved. Factset: FactSet Research Systems Inc.2018. All rights reserved. Chicago Mercantile Association: Certain market data is the property of Chicago Mercantile Exchange Inc. and its licensors. All rights reserved. Dow Jones: The Dow Jones branded indices are proprietary to and are calculated, distributed and marketed by DJI Opco, a subsidiary of S&P Dow Jones Indices LLC and have been licensed for use to S&P Opco, LLC and CNN. Standard & Poor's and S&P are registered trademarks of Standard & Poor's Financial Services LLC and Dow Jones is a registered trademark of Dow Jones Trademark Holdings LLC. All content of the Dow Jones branded indices Copyright S&P Dow Jones Indices LLC 2018 and/or its affiliates.

Terms of Use Privacy Policy Accessibility & CC AdChoices About Us CNN Studio Tours CNN Store

By using this site, you agree to our updated [Privacy Policy](#) and our [Terms of Use](#).

© 2019 Cable News Network. Turner Broadcasting System, Inc. All Rights Reserved.
CNN Sans™ & © 2016 Cable News Network.



● LIVE TV 

By using this site, you agree to our updated [Privacy Policy](#) and our [Terms of Use](#).