

MARKET RESEARCH

SEMA 2021 RETAIL TRENDS



MARKET 
RESEARCH

WELCOME TO THE SEMA 2021 RETAIL TRENDS REPORT

The retail sector can sometimes feel like a bit of a paradox. Big brands make the headlines, but the vast majority of retailers are small, often family-owned businesses. Online shopping is a hot topic, but over 80% of overall retail sales are in person. And the retail landscape is changing: many sales now aren't going through traditional retail businesses, but rather from manufacturers or distributors selling direct to consumers or virtually through online-only sites. With the rise of technology and the disruptions of COVID, there are a lot of shifting trends in retail overall and specialty-equipment retail specifically.

So, just how big is retail in the United States? Where does the aftermarket fit into it? What makes our industry different, and what do businesses need to know about it? These are some major questions that this report will touch on.

With this report, your business can get a better understanding of specialty-equipment retail and where it's going so that you can have more success in 2021 and beyond.

This report is meant to help you understand current retail trends. Additional research on industry trends, consumers, and the aftermarket in general is available on our website at www.sema.org/research.



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AUTOMOTIVE IS A KEY RETAIL SECTOR

Consumers in the United States spend more on cars and car parts than on any other type of retail.

- Retail is a huge part of the U.S. economy, and automotive parts and vehicle dealers represent the single biggest segment.
- Auto parts dealers accounted for a total of \$98 billion in 2020 retail sales. However, estimates from the Auto Care Association put the total spend on all aftermarket auto parts across the economy at roughly \$206 billion.
- SEMA estimates that the retail spend *specifically* on upgrade, performance, and accessory auto parts was \$47.89 billion in 2020, up from \$46.20 billion in 2019.

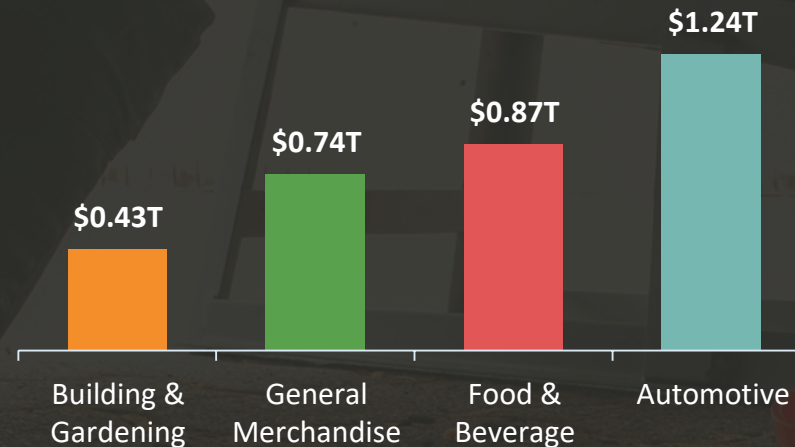
Auto Vehicle and Parts Dealers Share of Retail



\$6.215 Trillion

Total retail spend in 2020

Select Retail Sector Sales in 2020

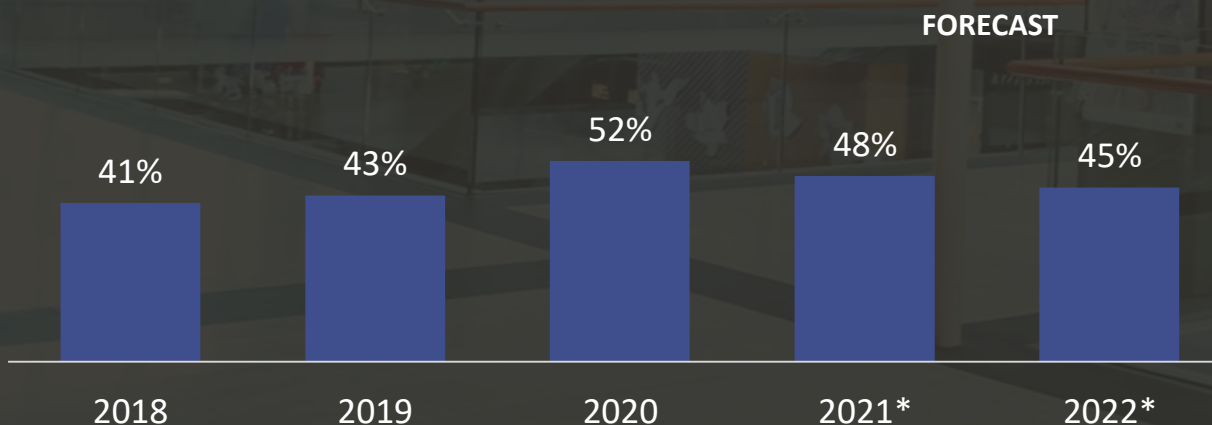


ONLINE RETAIL IS GROWING, BUT NOT OVERTAKING IN-PERSON

eCommerce Share of Total Retail Sales Forecast
(Excluding Food Services)



Online Share of Specialty-Equipment Retail Sales

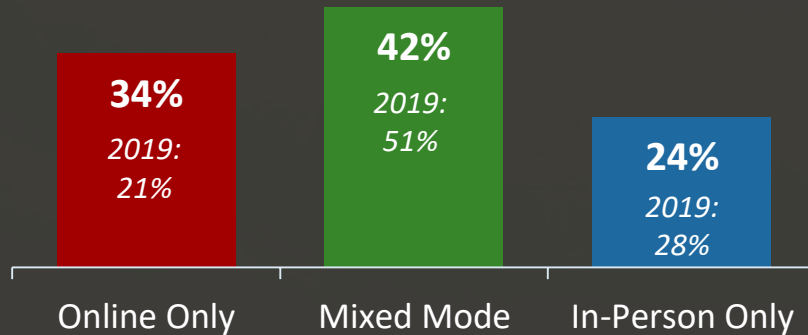


The majority of retail purchases are made in person, and likely will continue to be for the foreseeable future.

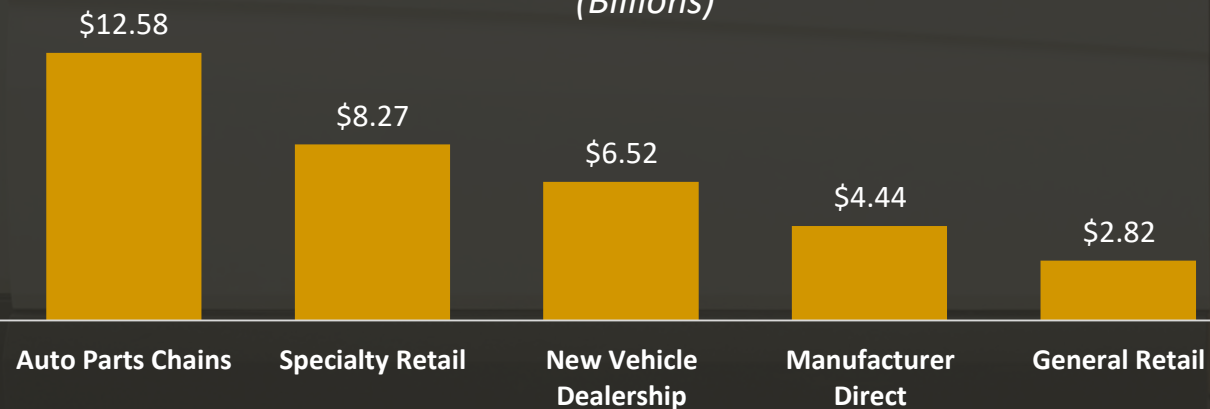
- Online retail rose to 14% of total retail sales (excluding food services) in 2020. It's likely that as restrictions on in-store visits and concerns about COVID-19 decline, the spike in online sales growth will lose some steam.
- A significant share of the growth in online shopping has come from online-only retailers. Virtually unheard of prior to the 2000s, they now account for hundreds of billions in retail sales each year.
- The specialty-equipment aftermarket sees a higher share of online sales than many other sectors, but the majority of purchases are still likely to be in-person going forward.

PEOPLE BUY SPECIALTY-EQUIPMENT PARTS IN MANY WAYS

How Specialty-Equipment Consumers Bought Parts in 2020



2020 Specialty-Equipment Sales to Select Retail Channels
(Billions)



Specialty-equipment consumers utilize a variety of information sources when looking for parts to buy, and often buy from a variety of retail channels.

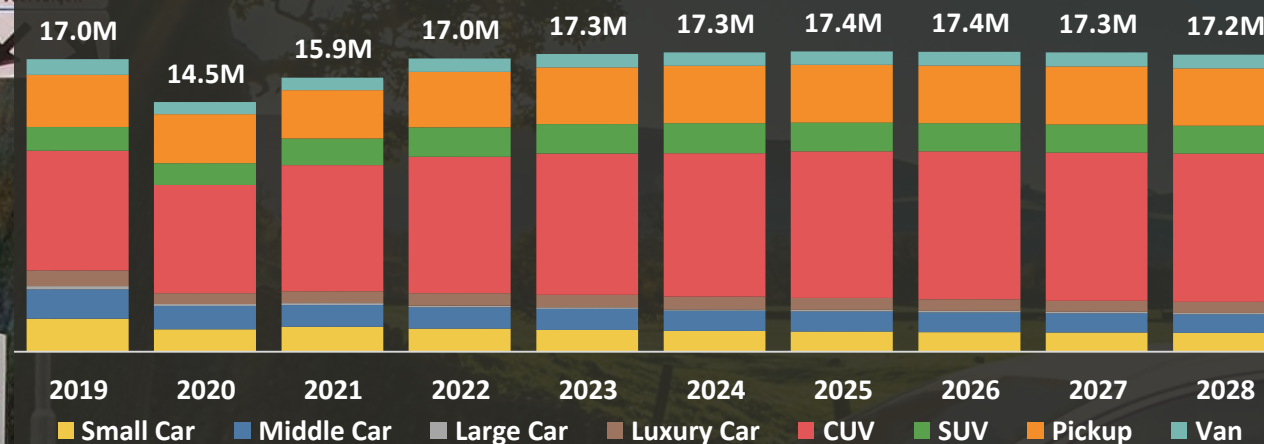
- The events of 2020 temporarily pushed some of those who would normally buy from a mix of in-person and online channels to buy exclusively online. But the most common approach to buying parts is from a mix of in-person and online retail.
- When specialty-equipment consumers buy parts online, the process tends to be self-directed. But when buying in-person, consumers are more likely to seek advice or ideas from friends, family and salespeople. Businesses are best served by catering to both.
- Specialty-equipment consumers buy a lot of appearance and accessory parts from chain stores, while specialized retailers are more popular for performance and handling products.

RETAILERS FACE A CHANGING AUTOMOTIVE LANDSCAPE

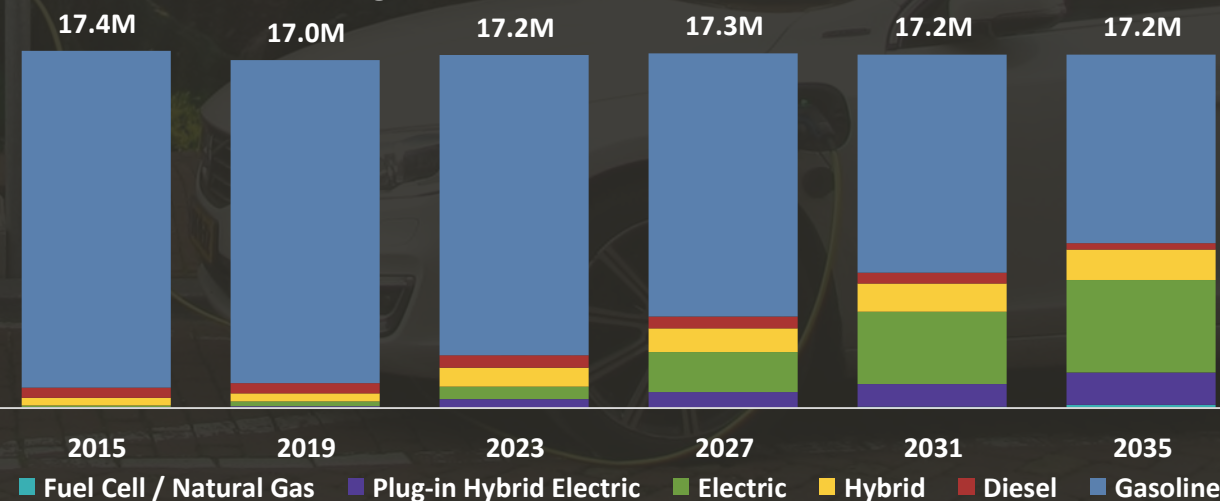
Shifts in the types of vehicles people buy will inform the specialty parts they want retailers to carry.

- While supply-chain issues and low dealer inventories are creating a drag on new vehicle sales, things should be back to pre-pandemic norms by 2023.
- There has been a long-term shift away from cars and toward light truck categories. CUVs have become wildly popular as family vehicles, but their role in the specialty aftermarket is not yet certain.
- Electric, hybrid, and other alternative fuel vehicles are just starting to catch on, but they are going to become more common, even among light trucks. And like internal combustion vehicles, their owners will want to modify them for appearance, performance, or utility.

New Light-Vehicle Sales Forecast by Segment



Light-Vehicle Powertrain Forecast



RETAIL IN THE U.S.

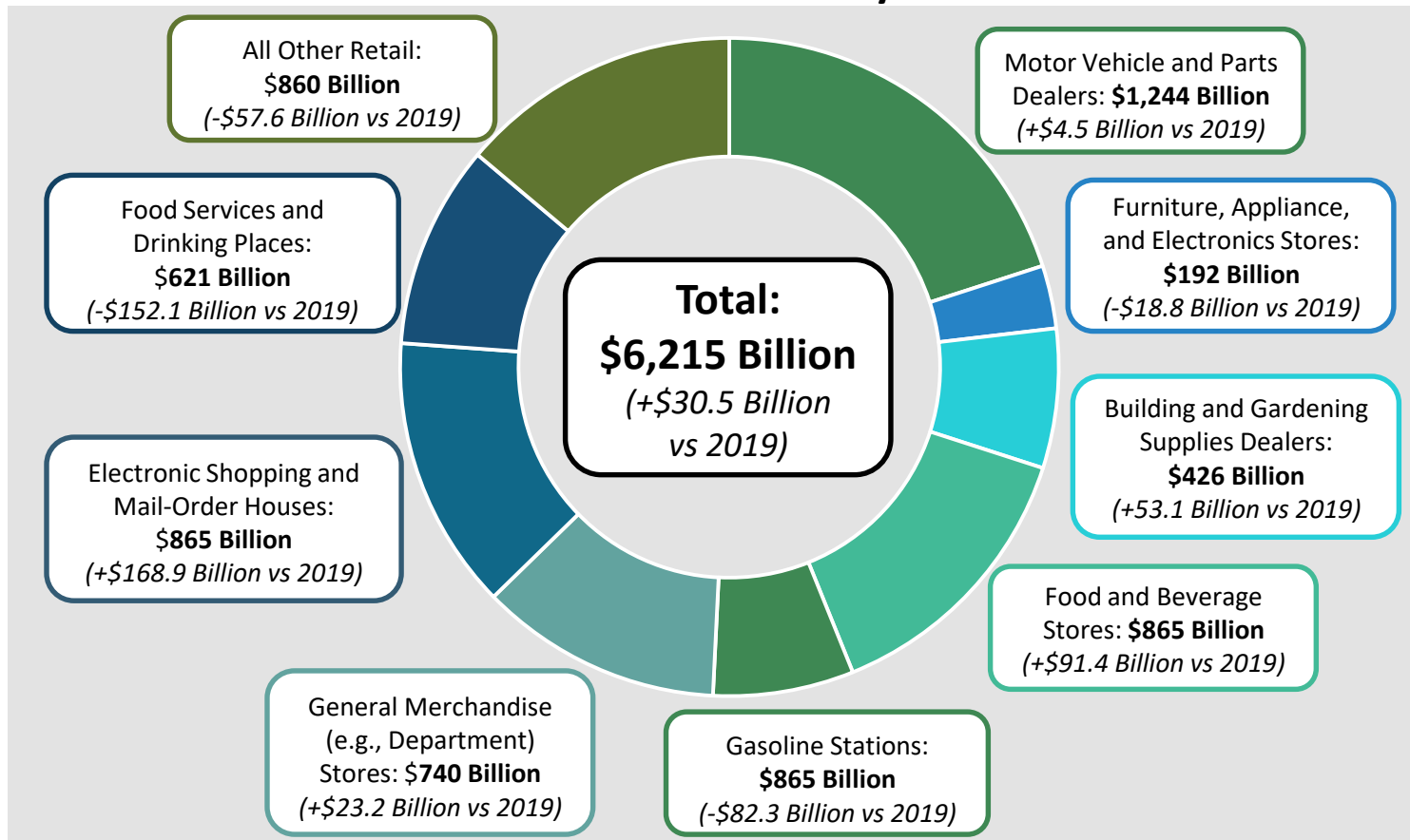
KEY TAKEAWAYS

- U.S. consumers spent \$6 trillion on retail purchases in 2020.
- Automotive parts and vehicles accounted for more than \$1.2 trillion, making it the biggest retail segment.
- 86% of all retail sales in 2020 were from in-person purchases.
- 94% of specialty-equipment retailers expect their sales to be stable or growing through 2021.



OVERVIEW OF THE U.S. RETAIL LANDSCAPE

2020 U.S. Retail Sales by Sector



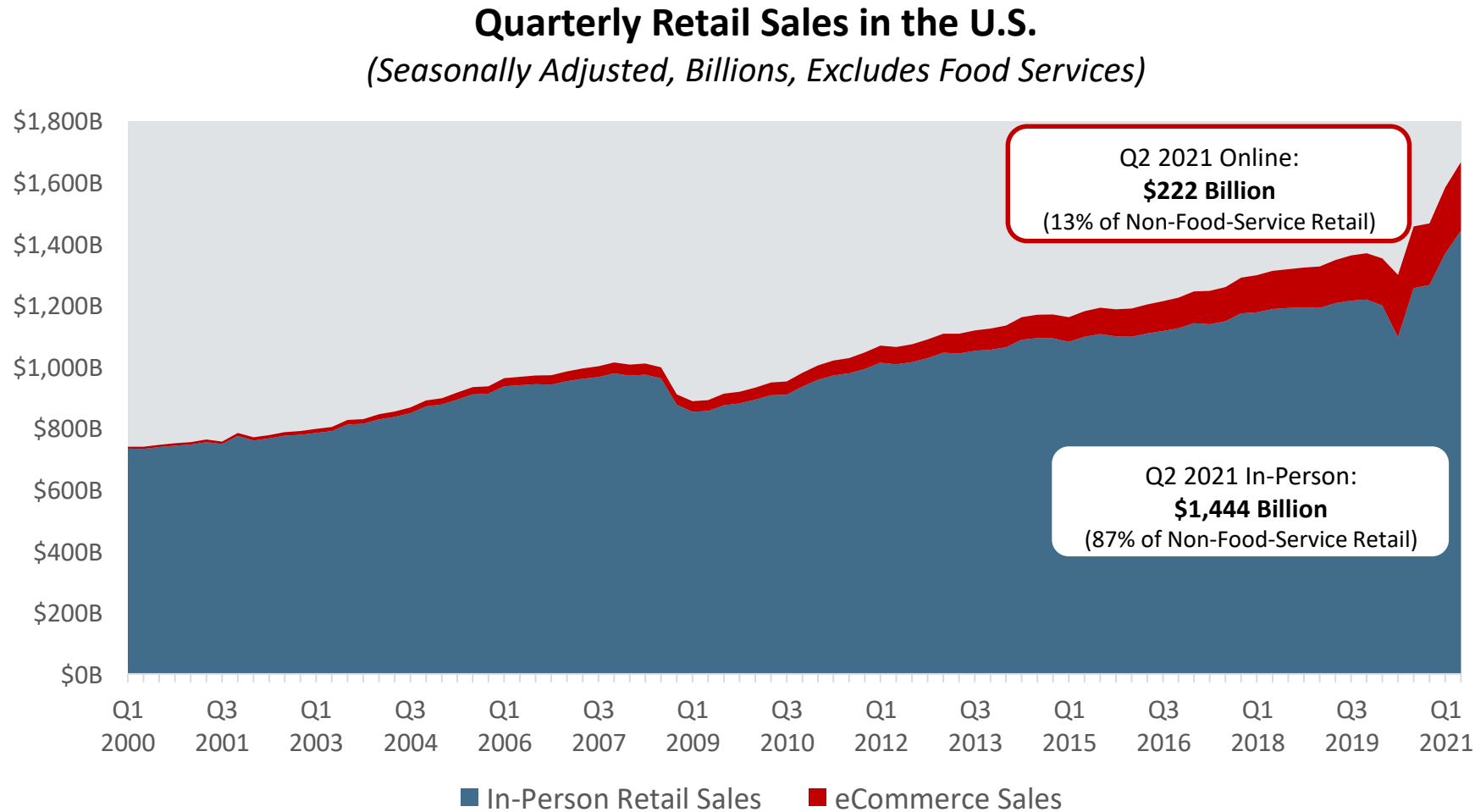
Retail, or goods and services purchased directly by consumers, is a huge part of the overall U.S. economy that encompasses a vast array of product and business categories.

While retail sales in aggregate ended up relatively even in 2020 compared to 2019, the unique events of last year caused some sectors to suffer significant losses while others saw unprecedented gains.

Automotive represents the single biggest retail sector in the U.S. economy, accounting for roughly one-fifth of retail spending last year. Most of that, admittedly, comes from vehicle dealerships; automobile dealers took in just over \$1 trillion in 2020, while sales from stores dedicated to auto parts, accessories, and tires clocked in at around \$98 billion.

Of course, that \$98 billion isn't the full story. Automotive aftermarket parts are sold through a broad range of channels beyond the traditional auto parts chains.

IN-PERSON RETAIL REMAINS DOMINANT



The notion of buying things on the web is a relatively recent phenomenon, virtually unheard of prior to the 2000s. But over the past 20 years, advances in computers, smartphones and internet infrastructure have enabled consumers to shop for and buy products wherever they happen to be.

Of course, that doesn't mean people have stopped going into stores. Far from it. Even at the height of the pandemic, government data shows that the overwhelming majority of retail purchasing was in person, and as restrictions began to ease, people were eager to get back into physical stores.

The reality is that technology changes a lot faster than consumer preferences. While there are more ways than ever to buy online, people still often prefer seeing products up close, and having the option to talk face-to-face with salespeople about any questions or concerns they may have.

IN-PERSON RETAIL WAS STILL THE NORM DURING THE PANDEMIC

In-Person Quarterly Retail Sales
(Seasonally Adjusted)

Quarter	Total Sales (Billions)	Share of Total Retail
Q1 2020	\$1,200	89%
Q2 2020	\$1,096	84%
Q3 2020	\$1,257	86%
Q4 2020	\$1,268	86%
Q1 2021	\$1,369	86%
Q2 2021	\$1,444	87%

Responses to the COVID-19 outbreak of 2020 resulted in significant disruptions to the U.S. economy, including restrictions on in-person shopping that, at least in the second quarter of 2020, led to a decline in retail sales driven by fewer in-person purchases. An increase in online sales was not enough to offset this drop.

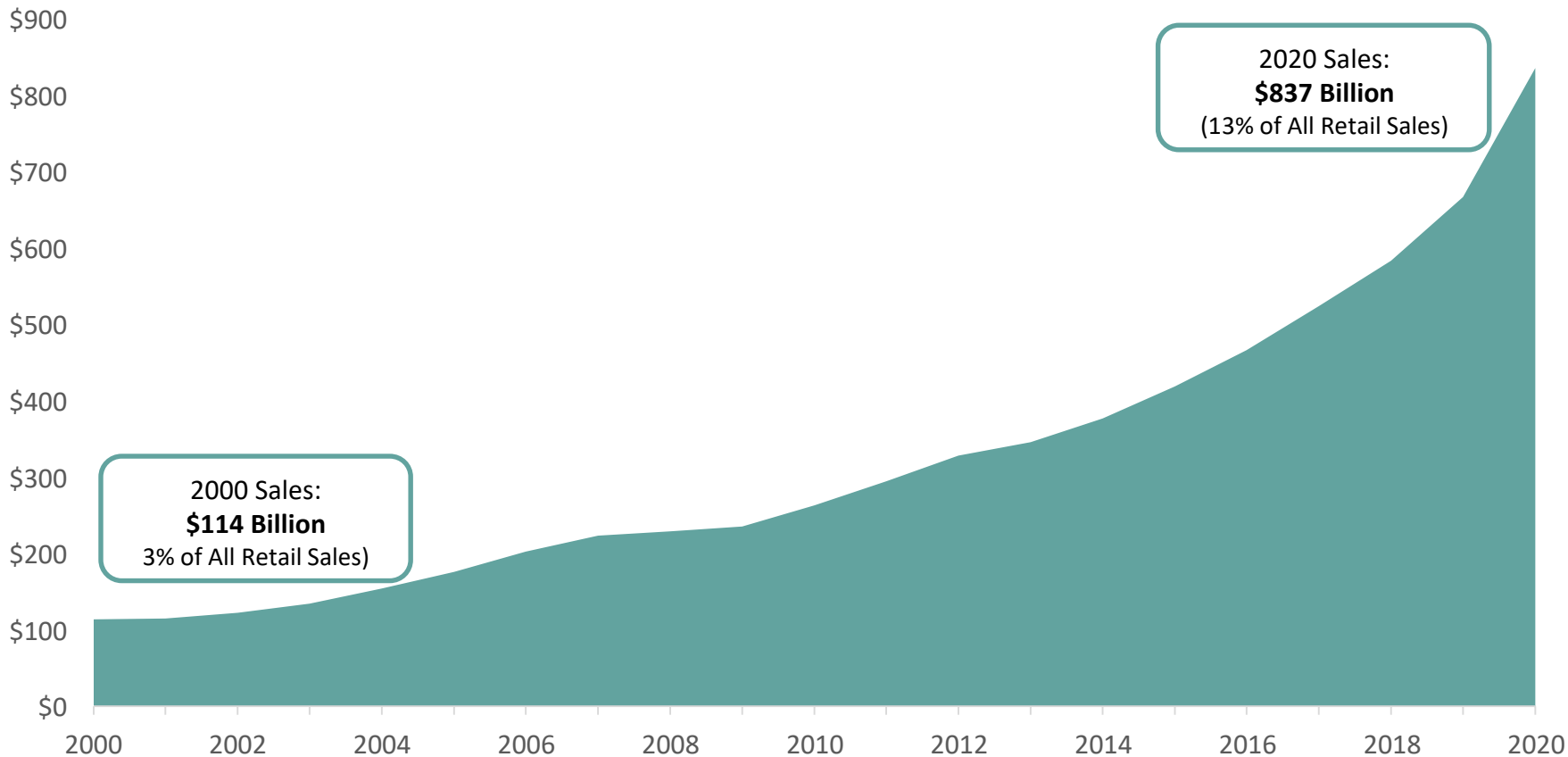
However, in the latter half of 2020 much of the economy began to recover. As retailers adapted to the situation, in-store sales rebounded. In 2021, In-person retail has more than recovered despite things not yet being fully back to normal. As many states eased restrictions in the second quarter of this year, consumers proved eager to get back into stores.

Online Quarterly Retail Sales
(Seasonally Adjusted)

Quarter	Total Sales (Billions)	Share of Total Retail
Q1 2020	\$155	11%
Q2 2020	\$204	16%
Q3 2020	\$201	14%
Q4 2020	\$200	14%
Q1 2021	\$215	14%
Q2 2021	\$222	13%

GROWTH OF ONLINE-ONLY RETAILERS

Annual Electronic Shopping and Mail-Order House Sales
(Seasonally Adjusted, Billions)



Advances in both computer technology and internet infrastructure have enabled purely online retailers like Amazon to go from virtually unheard of to a notable share of total retail sales over the past 20 years. For consumers who are confident in buying products without seeing them up close, online-only retailers can offer unparalleled selection and prices that brick-and-mortar retailers may find hard to beat.

2020 was a particularly good year for these businesses, which were one of the few retail sectors to actually increase sales during the worst of the pandemic. Sales through online-only retailers have remained strong through 2020 and into 2021 so far, even as in-person retail has rebounded.

While it remains to be seen whether this trend continues without some normalization over the next couple years, the long-term trend is that online-only retail is more robust than ever.

BUY ONLINE, PICKUP IN-STORE SALES MAY BE GAINING STEAM

An even more recent emergence in retail is the “buy online, pickup in-store” (or BOPIS) behavior. Big-box retail chains like Walmart, Macy’s, Home Depot, and more introduced the option for consumers who knew what they wanted but didn’t want to stand in line at the cash register—or wait several days for delivery.

It also saves both the consumer and the retailer from having to pay shipping costs. And, from the retailer’s perspective, there’s always the possibility that since the customer is going to the store anyway, they may pick up a few more items while they’re there.

It’s still a new and less common phenomenon. But 2020 seems to have pushed more retailers to make the option available, and it likely will be sticking around.

“On the one hand, retailers save shipping costs. On the other hand, online shoppers visit physical stores and might be enticed to make additional purchases.”

—Gartner, November 2019

“More than three-quarters of consumers said they were interested in BOPIS; over 90 percent of those who have tried it said curbside was convenient.”

—National Retail Federation, April 2020

“US shoppers spent \$72.46 billion via click and collect last year, a 106.9% growth rate over 2019.”

—Insider Intelligence, May 2021

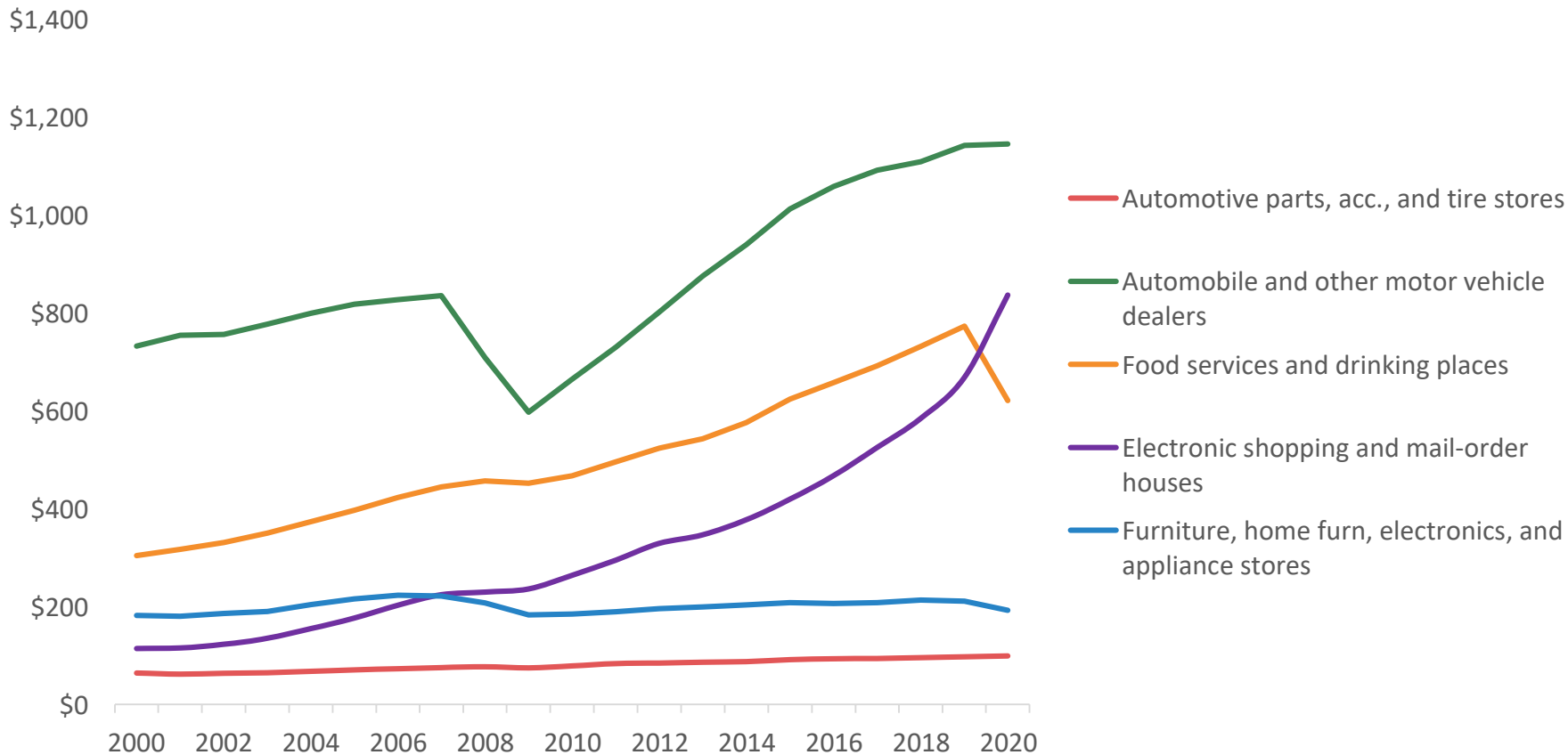
Source Gartner, “Retailers can optimize customer experience and sales by offering attractive buy online, pick up in store models.”, April 2019

Source: National Retail Federation, “How retailers are adapting to curbside pickup”, May 2020

Source: Business Insider, “Click-and-Collect 2021: Buy Online, Pick-up In Store (BOPIS) Industry Trends”, May 2021

THE EFFECTS OF COVID ON RETAIL

Annual Retail Sales in the U.S. – Selected Categories
(Seasonally Adjusted, Billions)



While total retail sales in the United States grew slightly in 2020, its component sectors were affected in very different ways by the unprecedented disruptions to both the supply chain and consumer behavior brought on by COVID-19. With much of the country facing restrictions on in-person gatherings, businesses that normally relied on selling their products in person had to scramble to adapt or suspend operations.

In general, products that are difficult to sell through online means, or were not considered essential under government guidelines, tended to fare worse than those which were either protected or were able to shift sales into digital channels. Even so, many businesses were able to adapt at least somewhat and weather the worst of the pandemic.

Consumer demand largely bounced back by mid-2020, and those businesses who were able work within the new regulations often found they recovered, if not exceeded sales expectations for the year.

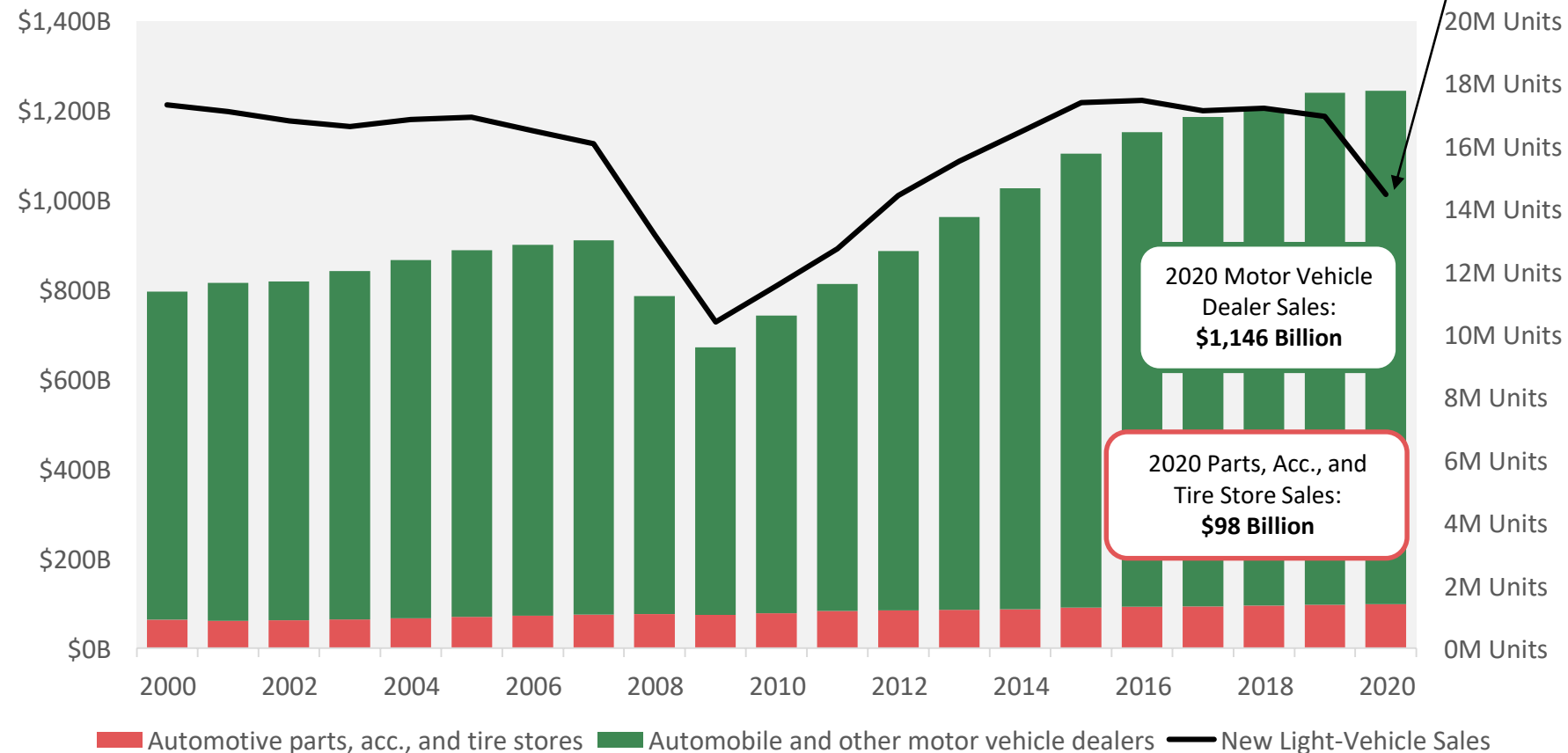
AUTOMOTIVE SALES WEATHERED 2020 BETTER THAN THE LAST RECESSION

During the mid-2000s recession, vehicle sales dropped by more than a third and took five years to fully recover. Vehicle dealer revenues saw a slightly less steep decline, likely due to revenue from parts and maintenance which were less strongly-affected by the recession. Similarly, auto parts stores came through relatively even.

Things played out differently in 2020. A severe shock to consumer demand at the beginning of the pandemic was largely, but not entirely, erased by mid-year. While supply-chain issues held down vehicle sales volumes, dollar revenues from dealers and parts stores managed to finish the year roughly on par with 2019.

Note that while auto parts, accessory, and tire store sales totaled \$98 billion in 2020, the total amount consumers spent on auto parts is likely quite a bit higher. Auto parts are sold through a variety of businesses, and the Auto Care Association estimates that the total retail spend on aftermarket parts was closer to \$206 billion.

Annual Automotive Retail Sales
(Seasonally Adjusted \$Billions vs Millions of Units)



SPECIALTY-EQUIPMENT RETAIL OVERVIEW

KEY TAKEAWAYS

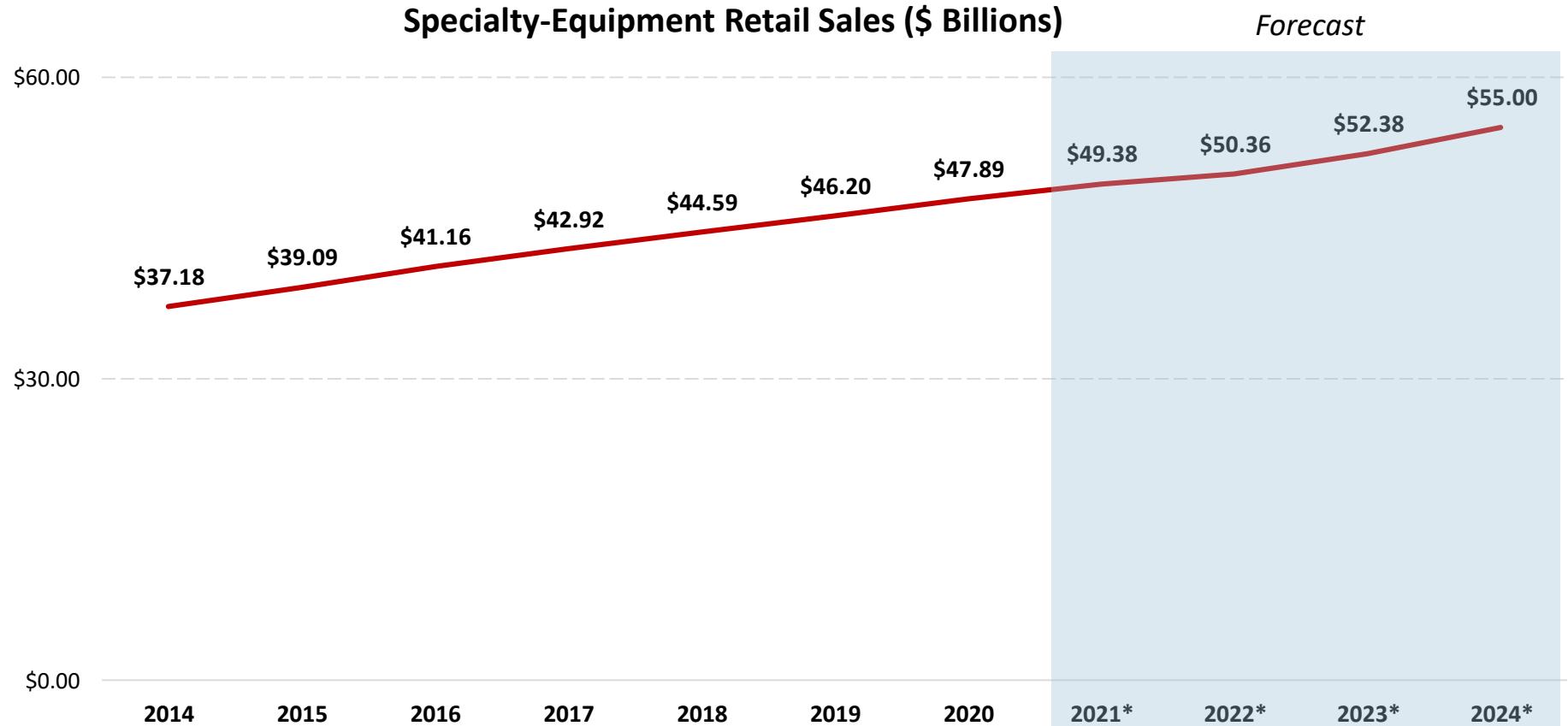
- Nearly \$48 billion was spent on U.S. specialty-equipment parts in 2020.
- Just over half of dollars spent went through online retail channels.
- Specialty-equipment sales online through auto-parts chains and manufacturer-direct sales increased, while in-person sales through chain stores and specialty retailers decreased.



SPECIALTY-EQUIPMENT RETAIL SALES IN 2020 TOTALLED \$47.89 BILLION

Sales of specialty-equipment parts—upgrades, modification, and accessories for passenger vehicles—have maintained a stable growth trend for the past several years. While things looked touch-and-go in the first half of 2020, SEMA's research estimates that sales more than rebounded in the second half of the year to end up with a net growth of approximately 4% vs 2019.

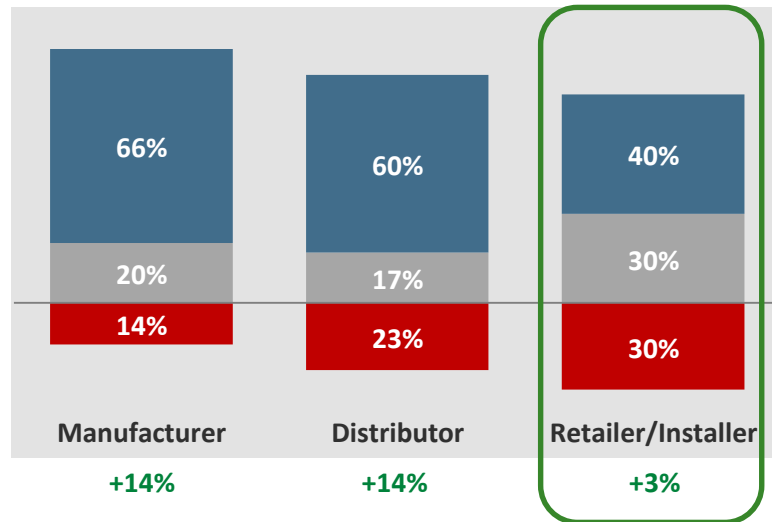
SEMA expects a slight leveling off in 2021 due in part to sluggish new-vehicle sales, but sales should back on trend shortly thereafter.



SPECIALTY-EQUIPMENT RETAILERS ARE OPTIMISTIC AFTER A MIXED 2020

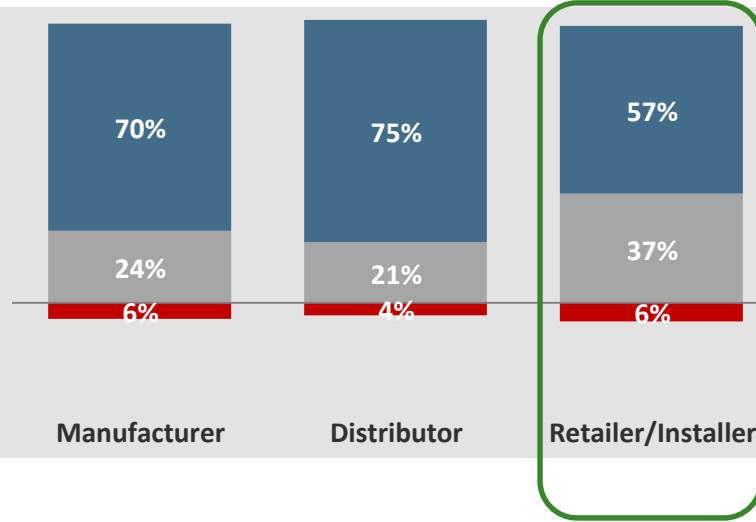
How Company Sales Have Changed Over Past 12 Months

● Increased ● Stayed Same ● Decreased



Expectations for Sales Over Coming Year

● Increase ● Stay Same ● Decrease



Specialty-equipment retailers interviewed in March and April of 2021, a year after the pandemic began, often expressed optimism that their sales would grow over the course of the year.

This follows what was a mixed bag of a year in 2020. Retailers had a harder time with COVID-related restrictions than manufacturers and distributors. Smaller retailers with less well-developed online presences may have struggled under shelter-in-place or similar mandates. But those who were able to shift sales online often found that plenty of customers still wanted to buy specialty parts and work on their vehicles.

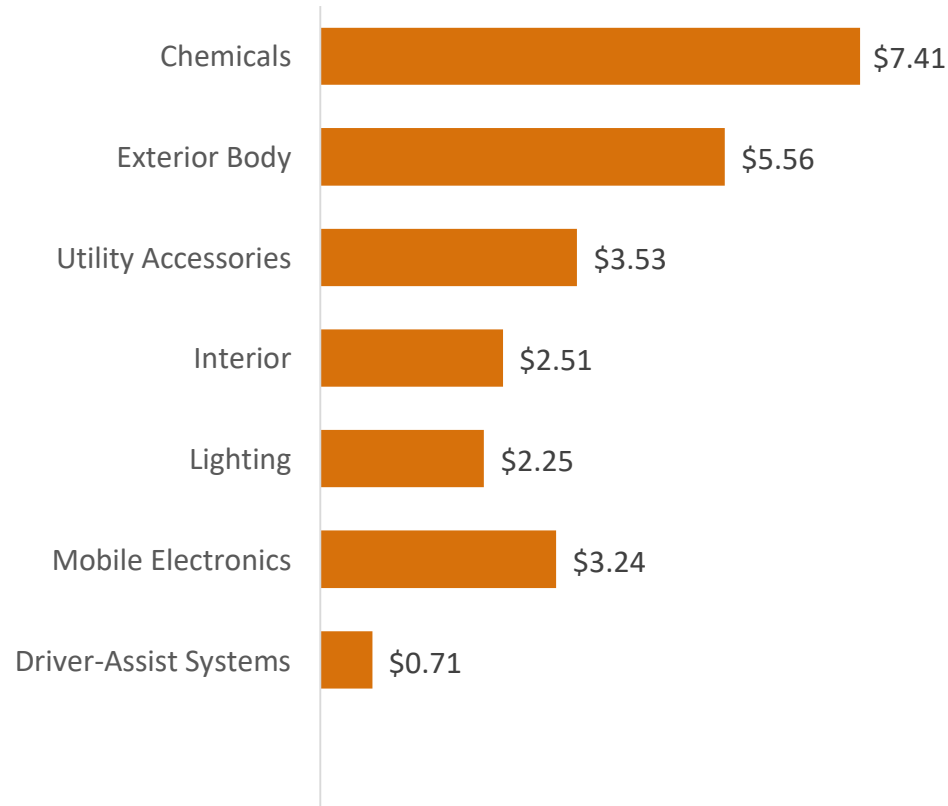
While some retailers remained wary about their prospects for 2021, the majority are optimistic.

CONSUMERS BUY A DIVERSE RANGE OF SPECIALTY PRODUCTS FOR THEIR VEHICLES

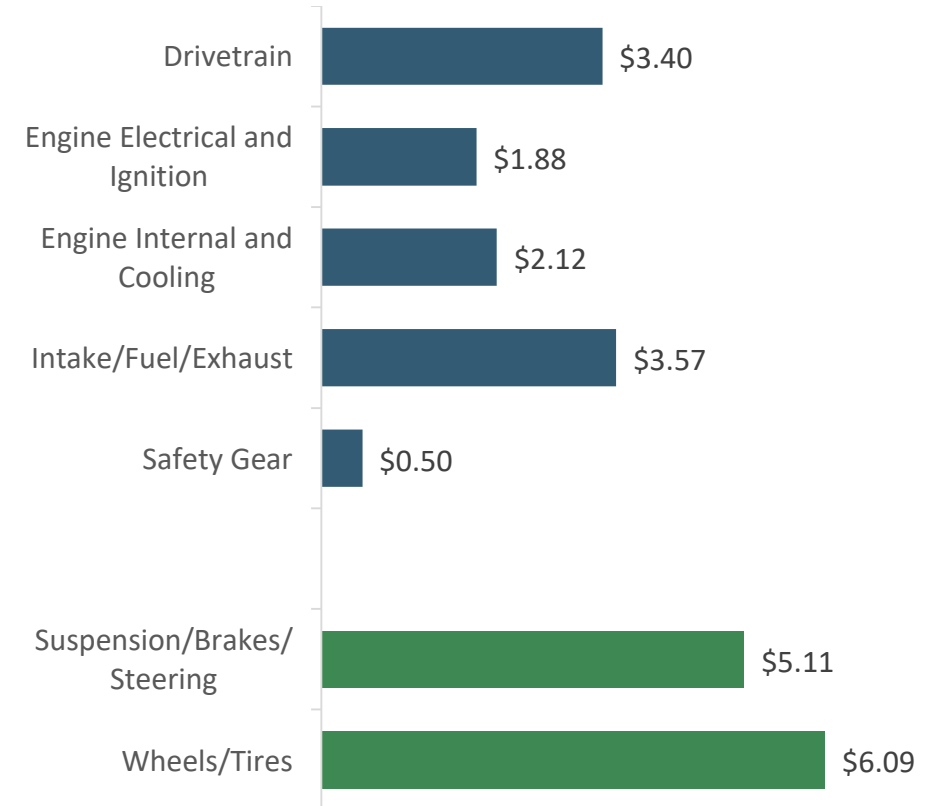
Virtually every part of a passenger vehicle gets modified by vehicle owners, and thus the nearly \$48 billion specialty-equipment aftermarket comprises thousands of different products covering just about every vehicle on the road.

For many consumers, high-performance chemicals along with specialty wheels and tires represent the “gateway drugs” that can lead to more ambitious modifications to the vehicle’s appearance, performance, and handling.

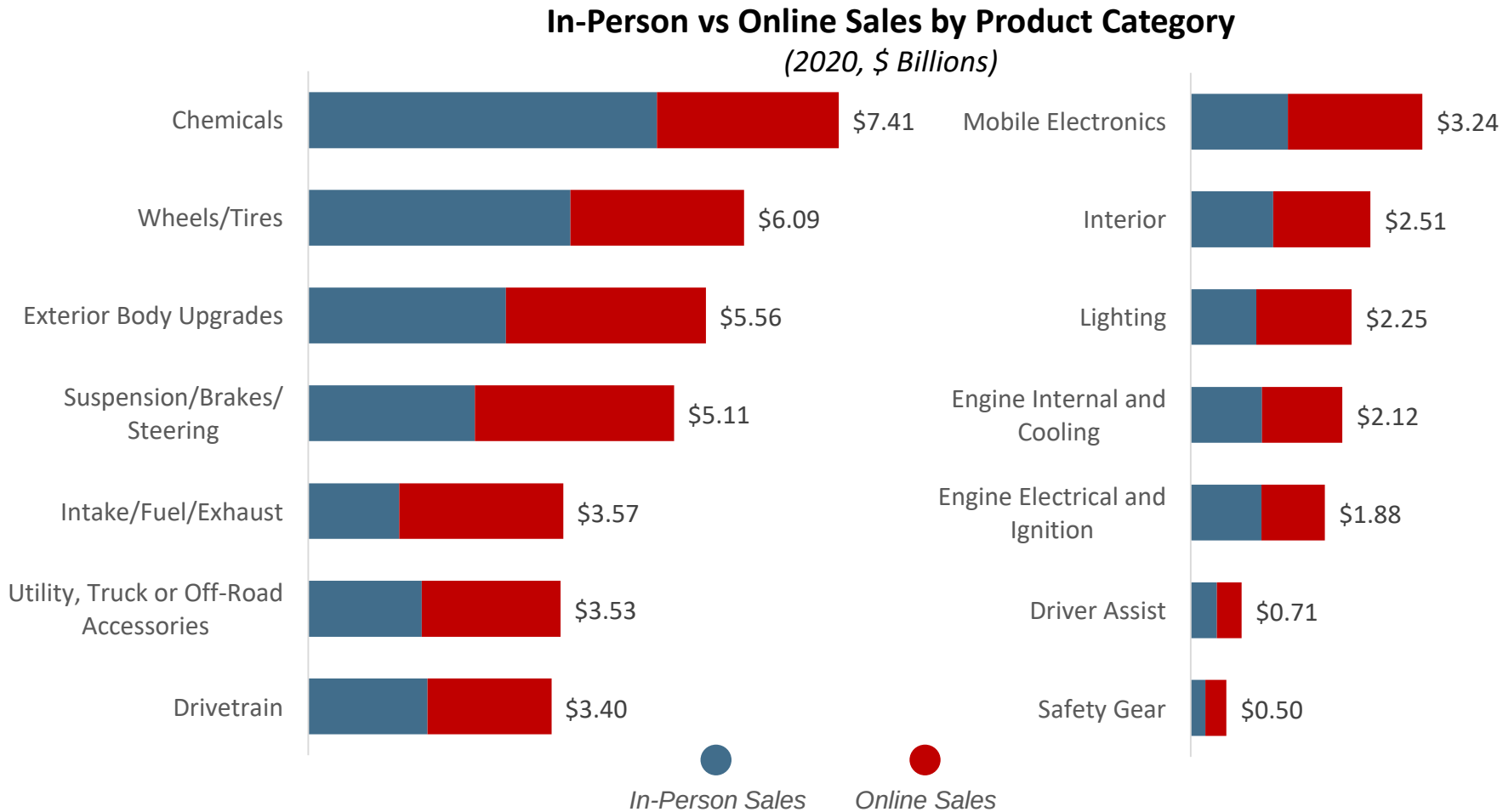
Appearance and Accessory Sales (\$ Billions)



Performance and Handling Sales (\$ Billions)



IN-STORE VS ONLINE PARTS SALES DIFFER BY PRODUCT



In total, just over half of the dollars that consumers spent on specialty-equipment parts last year went through online channels. However, some product types lent themselves better to online sales than others.

Air intake products, for instance, are often simple to install and easy to find online, while specialty wheels and tires are more often bought in-person.

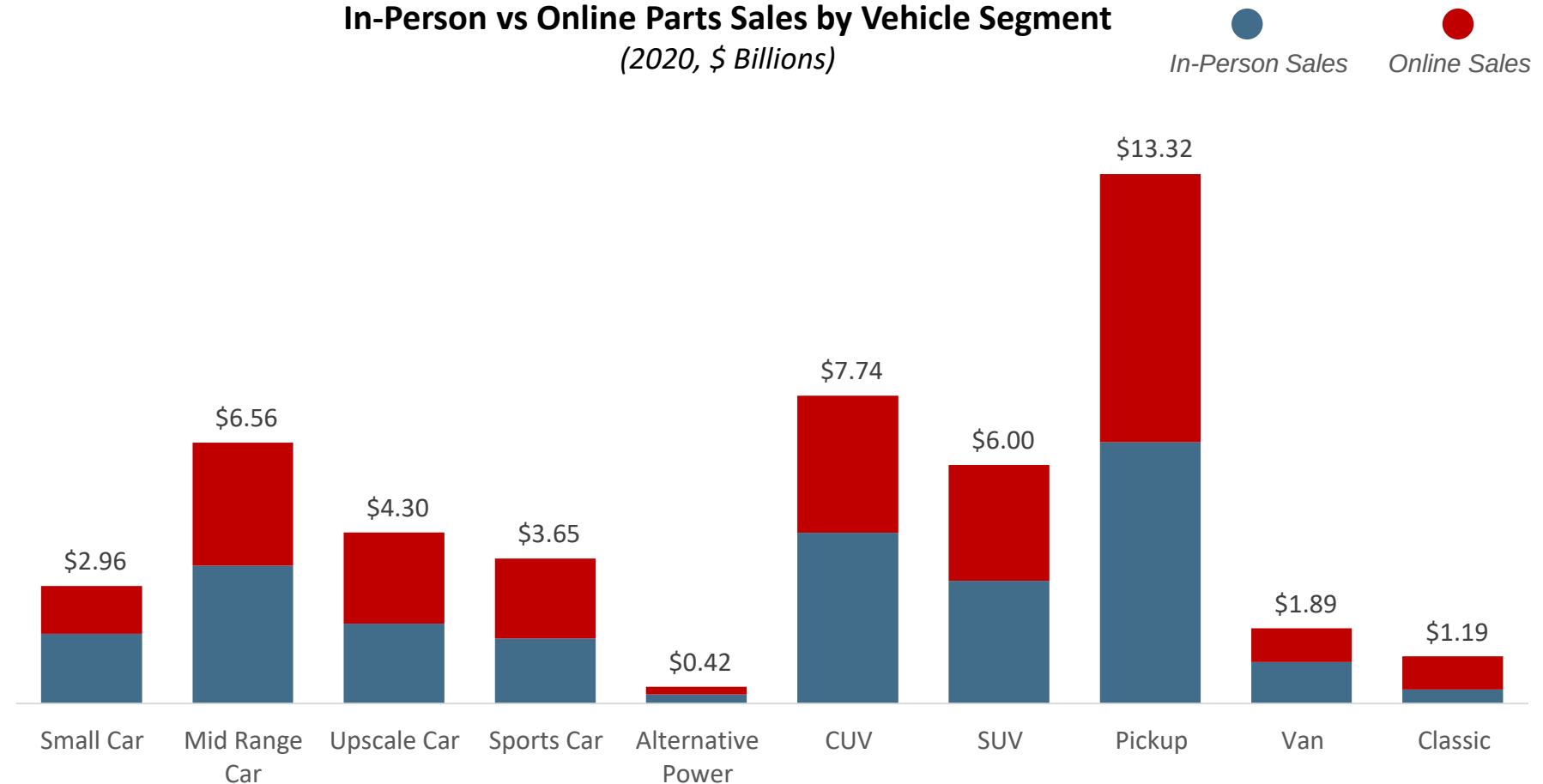
In general, bigger-ticket items or parts that are harder to install are more likely to be shopped for in-person, where the buyer can see the item(s) they want up close and talk with an expert to make sure it's the right fit for their needs.

CONSUMERS SPENT ABOUT EQUALLY IN-PERSON AND ONLINE ON PARTS ACROSS VEHICLE TYPES

The roughly even split between in-person and online sales holds true regardless of the type of vehicle an accessorizer owns. Most vehicles are well-served by both brick-and-mortar and online retail options, allowing consumers to find what they need one way or another.

Classic (pre-1974) vehicles are something of an exception. Since this is a market that often requires very specialized manufacturing, and the vehicles themselves are often very rare, consumers are more likely to need to turn to the web in order to find a shop that can supply the products they need to restore or modify these older vehicles.

In-Person vs Online Parts Sales by Vehicle Segment
(2020, \$ Billions)

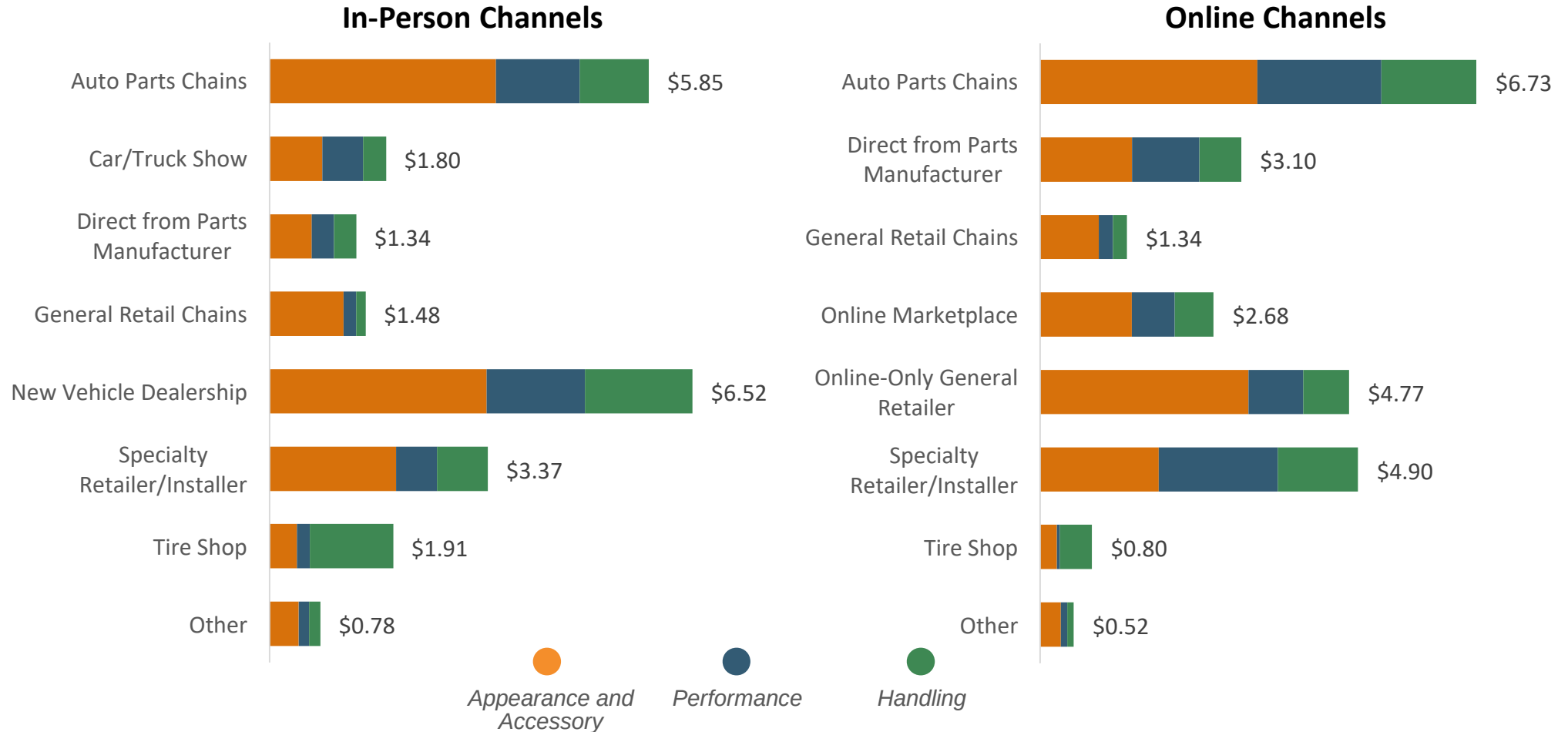


SALES OF PARTS IN 2020 WENT THROUGH A VARIETY OF CHANNELS

Appearance and accessory products tend to represent a sizeable share of specialty-equipment part sales within most channels. This is especially true of more mass-market channels like general retailers, dealerships, and even the bigger auto parts chains.

Performance and handling products, meanwhile, tend to flow more through specialized channels, particularly specialty retailer/installers and manufacturer-direct sales.

Distribution of Product Sales Within Channel
(\$ Billions)



STORE WITH ONLINE WEATHERED 2020 BETTER

Retail Channel	2017	2018	2019	2020	2020 Change
Auto Parts Chains – In-Store	\$6.93	\$6.68	\$7.84	\$5.85	-\$2.00
Auto Parts Chains – Online	\$2.90	\$3.71	\$4.26	\$6.73	+\$2.48
General Retail Chains – In-Store	\$2.44	\$2.33	\$2.62	\$1.48	-\$1.14
General Retail Chains – Online	\$0.82	\$0.94	\$1.13	\$1.34	+\$0.22
Manufacturer Direct Sales – In-Store	\$1.36	\$1.42	\$1.33	\$1.34	+\$0.01
Manufacturer Direct Sales – Online	\$1.99	\$2.19	\$2.23	\$3.10	+\$0.87
Online-Only General Retailers	\$3.45	\$3.59	\$3.81	\$4.77	+\$0.95
Specialty Retailer/Installer – In-Store	\$4.73	\$4.59	\$4.52	\$3.37	-\$1.16
Specialty Retailer/Installer – Online	\$3.79	\$4.11	\$4.47	\$4.90	+\$0.43

While specialty-equipment retail sales grew on the whole in 2020, the disruptions that affected retail in aggregate also influenced how specialty aftermarket parts were bought and sold.

Large automotive retailer chains were often able to shift some of their sales online, due to already having the necessary platforms and infrastructure in place.

For smaller, independent retailers, this was a bit more of a challenge. While many of these smaller businesses were able to grow or maintain their sales, others struggled with the restrictions they suddenly faced. For many small retailers in the specialty-equipment market, being able to provide superior service is a key part of the value they provide. In some cases, COVID-related restrictions made it difficult for them to play to their strengths, and supply-chain disruptions made it tough to keep products on their shelves.

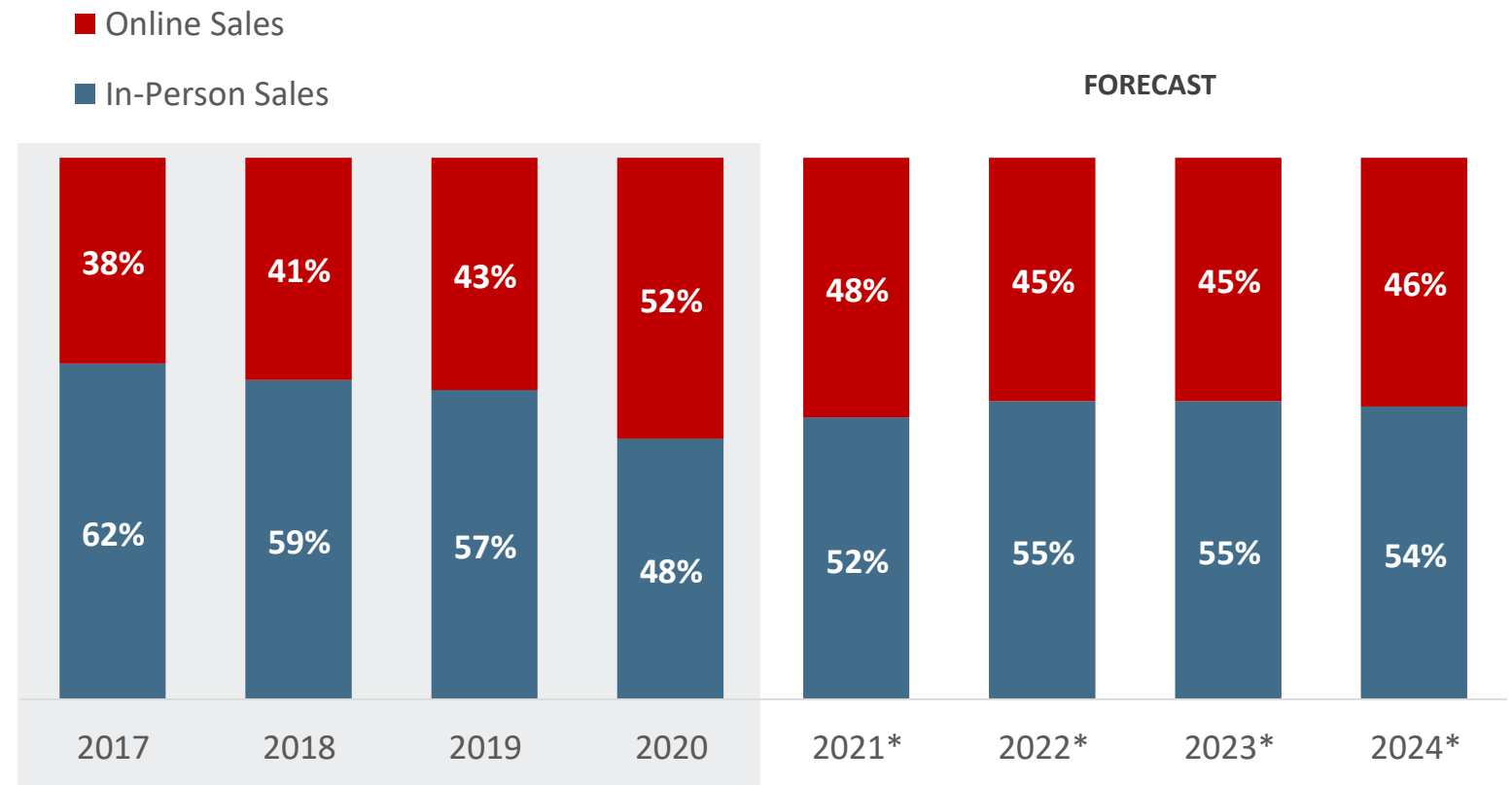
ONLINE SPECIALTY-EQUIPMENT SALES SHOULD NORMALIZE

The specialty-equipment aftermarket is ahead of the curve relative to the overall economy in terms of online sales. Vehicle accessorizers often may find that the products they need are not available locally, or they may be comfortable hunting online for the best products and prices.

Online specialty-equipment sales have been growing over the past few years, as more and more businesses get the hang of selling on the web. But the unique circumstances 2020 created pushed more sales online than normal.

Still, it was a slim majority rather than a massive paradigm shift. And SEMA expects that over the next couple years, things will normalize.

In-Person vs Online Share of Retail Dollars



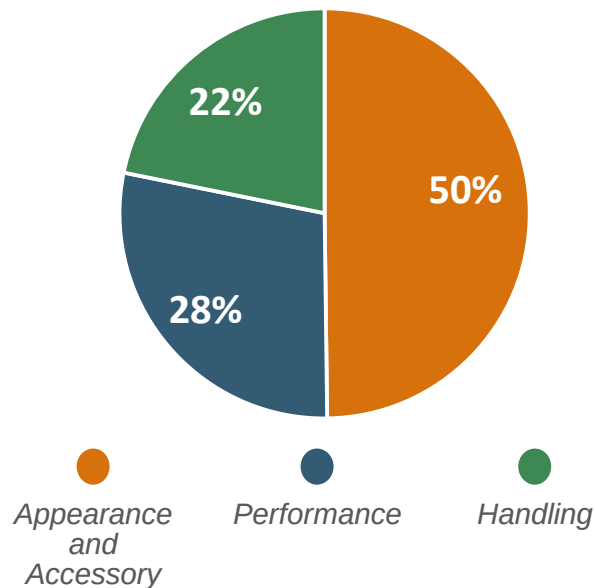
SPECIALTY PARTS PURCHASES IN 2020 – AUTO-PARTS CHAINS (ONLINE)

\$6.73 Billion

Total U.S. specialty-
equipment sales in 2020

Parts chains like AutoZone, O'Reilly, and others are a popular source of specialty-equipment parts, particularly for accessory products. These chains tend to have a robust online sales platform in addition to their broad brick-and-mortar presence, which enabled them to shift some of their specialty-equipment part sales online in 2020.

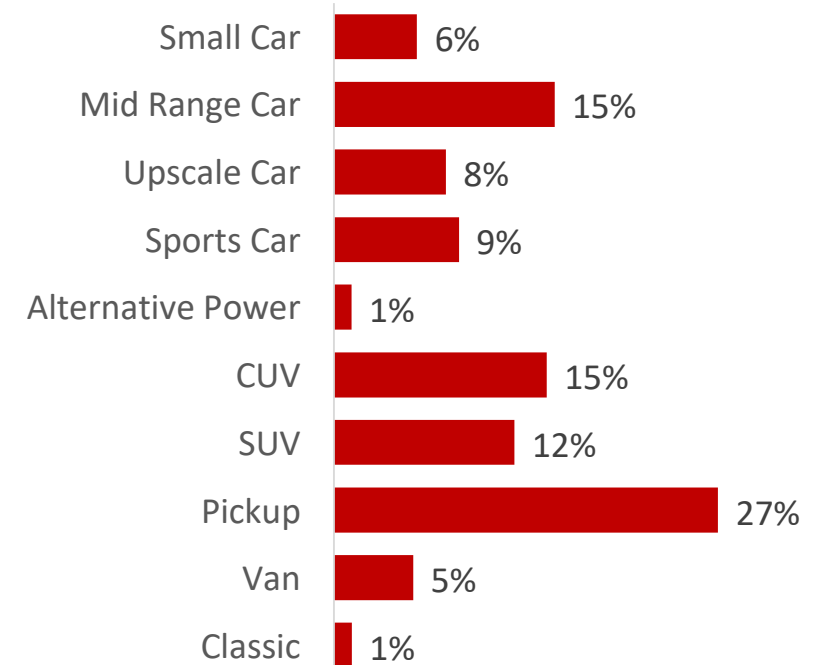
Product Type Composition



Top Specialty Part Types

- Maintenance Oils and Additives
- Suspension Products
- Brake Products
- Transmission Products
- Performance/Special-Purpose Tires
- Fender, Hood, and Body Upgrades
- Exterior Appearance Upgrades
- Headlights/Taillights
- Wax and Cleaning Products
- Internal Engine Products

Share of Dollars by Vehicle Segment



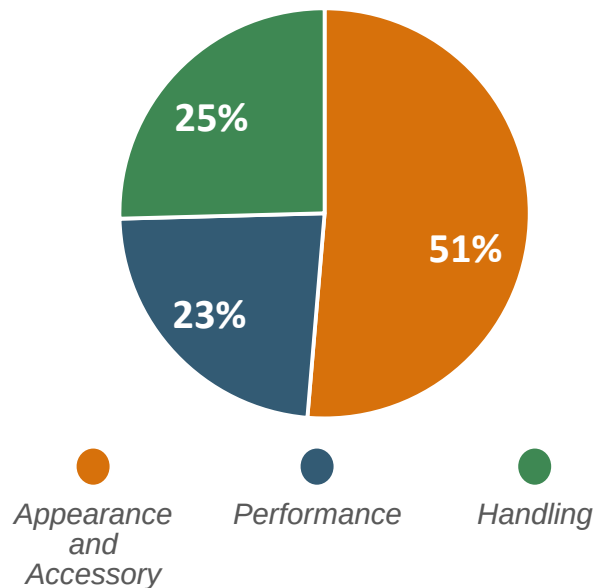
SPECIALTY PARTS PURCHASES IN 2020 – NEW VEHICLE DEALERSHIPS

\$6.51 Billion

Total U.S. specialty-
equipment sales in 2020

New vehicle dealerships are a big channel for specialty-equipment parts, particularly but not exclusively for newly-purchased vehicles. While dealers often focus on performance upgrades and customizations from the vehicle OEM's parts group or their suppliers, some do also partner with independent manufacturers to offer products their customers want and they might not otherwise carry.

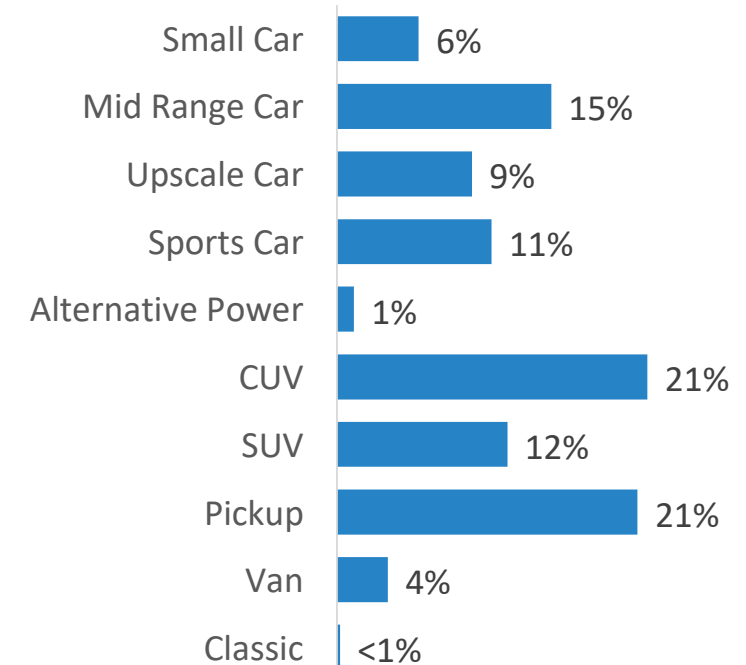
Product Type Composition



Top Specialty Part Types

- Fender, Hood, and Body Upgrades
- Performance/Special-Purpose Tires
- Suspension Products
- Custom Wheels
- Exterior Appearance Upgrades
- Maintenance Oils and Additives
- Brake Products
- Transmission Products
- Internal Engine Products
- Body Finishing Products

Share of Dollars by Vehicle Segment



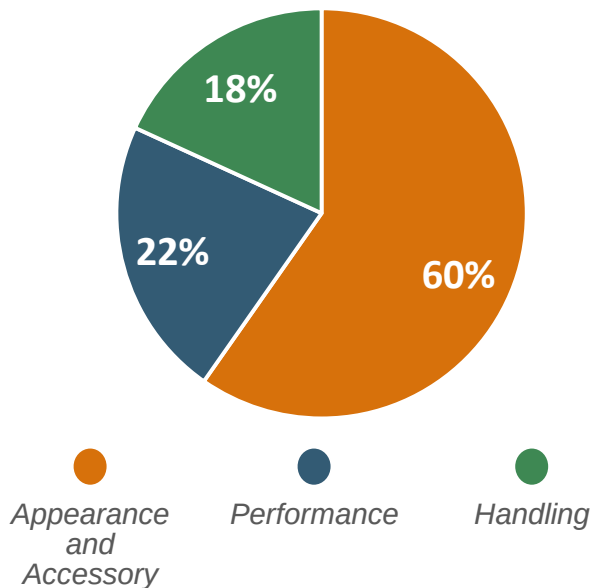
SPECIALTY PARTS PURCHASES IN 2020 – AUTO PARTS CHAINS (IN-PERSON)

\$5.85 Billion

Total U.S. specialty-
equipment sales in 2020

In-person shopping at auto-parts chains remained a key source of specialty-equipment parts for consumers in 2020. Even with the shifts toward online, the prevalence and selection of these chains made—and continues to make—them a popular channel for accessory parts, in particular.

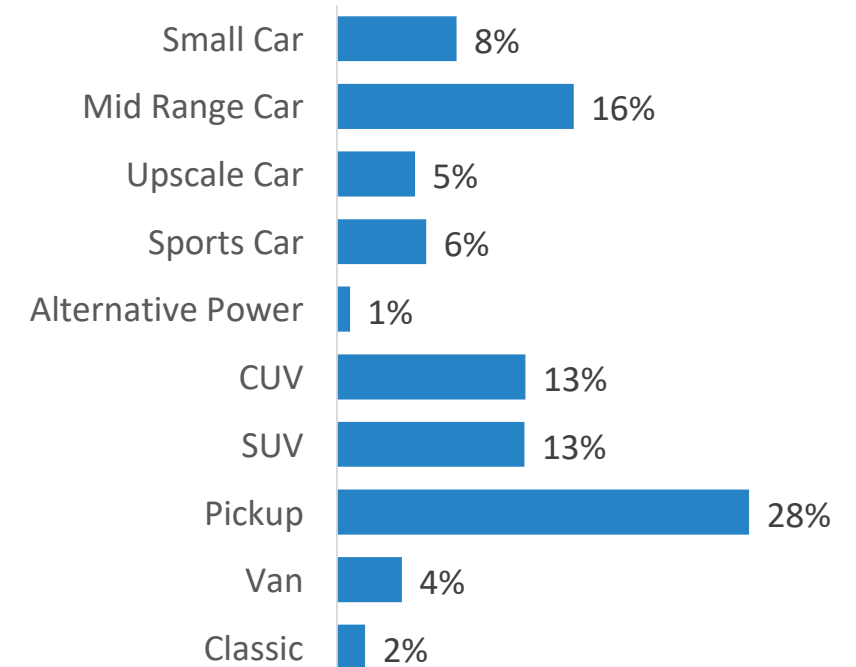
Product Type Composition



Top Specialty Part Types

- Maintenance Oils and Additives
- Wax and Cleaning Products
- Brake Products
- Performance/Special-Purpose Tires
- Paint Powdercoating and Plating
- Transmission Products
- Suspension Products
- Headlights/Taillights
- Ignition Products
- Body Finishing Products

Share of Dollars by Vehicle Segment



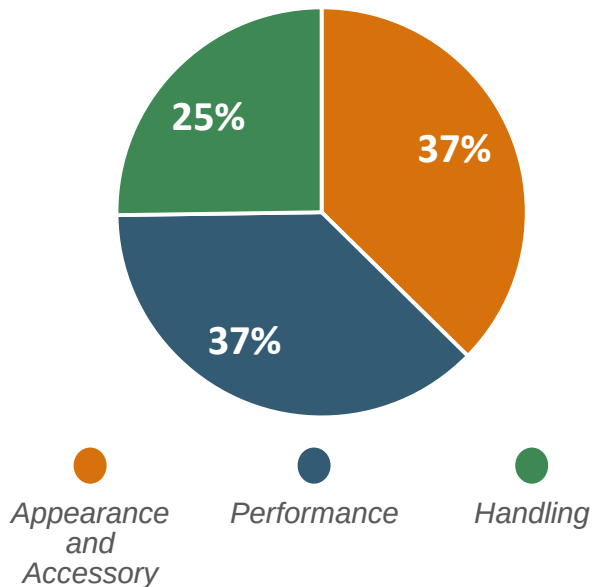
SPECIALTY PARTS PURCHASES IN 2020 – SPECIALTY RETAILER/INSTALLERS (ONLINE)

\$4.90 Billion

Total U.S. specialty-
equipment sales in 2020

Specialty-equipment retailer/installers represent an important channel for consumers who want products focused on a specific niche or application. There are any number of specialized retailers who rely on being experts to their customers and providing a selection of products tailored to their needs. Online sales to these businesses saw a significant jump in 2020, as those who had a robust online sales presence were able to shift some in-store sales and potentially win new business.

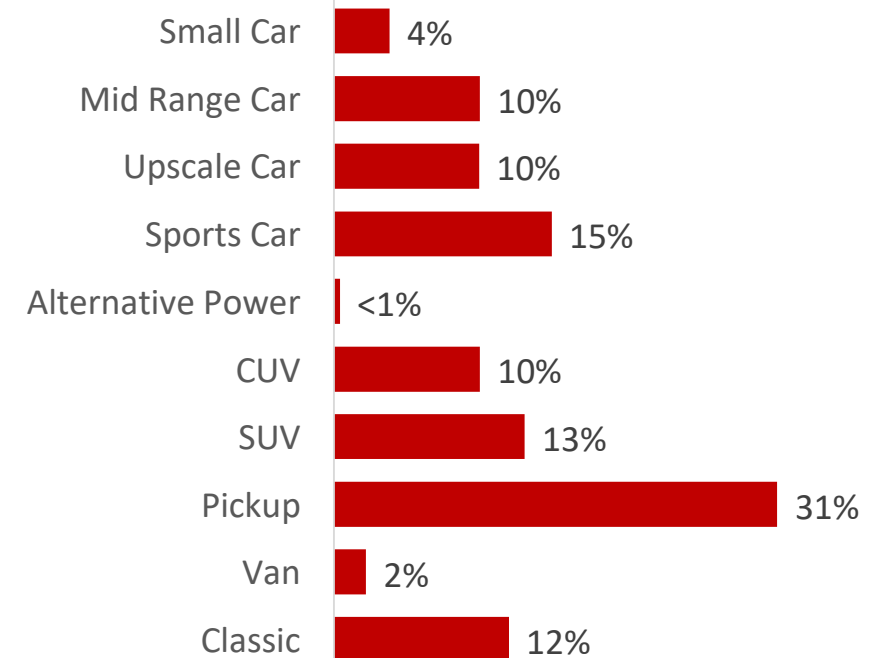
Product Type Composition



Top Specialty Part Types

- Suspension Products
- Exhaust Products
- Internal Engine Products
- Brake Products
- Transmission Products
- Exterior Appearance Upgrades
- Fender, Hood, and Body Upgrades
- Custom Wheels
- Headlights/Taillights
- Air Intake Products

Share of Dollars by Vehicle Segment



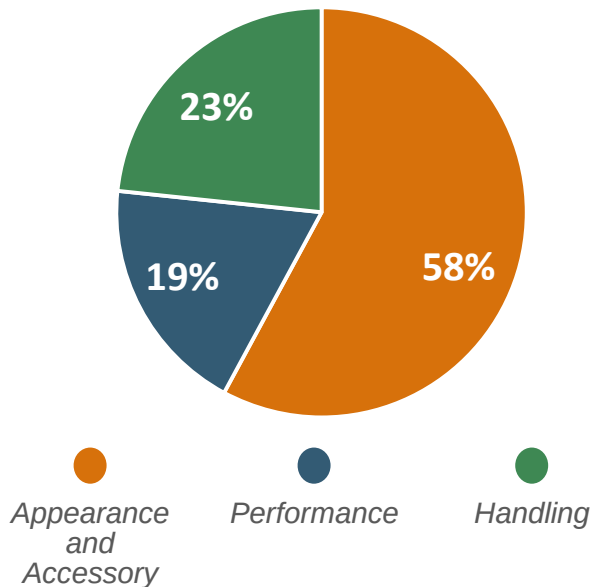
SPECIALTY PARTS PURCHASES IN 2020 – SPECIALTY RETAILER/INSTALLERS (IN-PERSON)

\$3.37 Billion

Total U.S. specialty-
equipment sales in 2020

In-person purchases at specialty retailers lean a little more towards appearance and accessory products than online purchases, where seeing the look and feel of a part (and, perhaps, store fronts designed to facilitate convenience purchases) may be more important. In-store purchases dropped a little vs. 2019, partly because many of these businesses are small and may not have a well-developed online storefront.

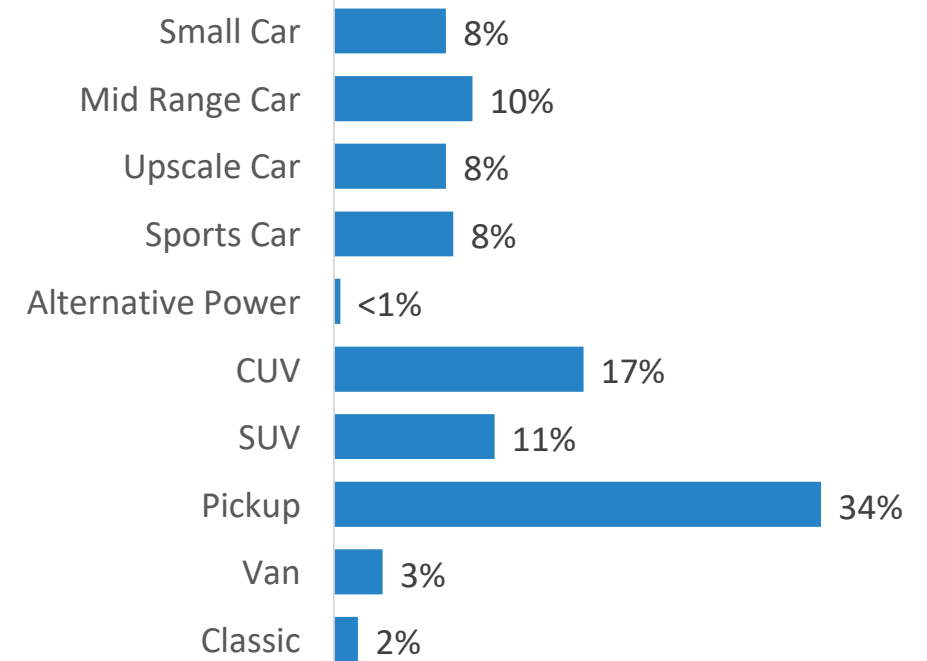
Product Type Composition



Top Specialty Part Types

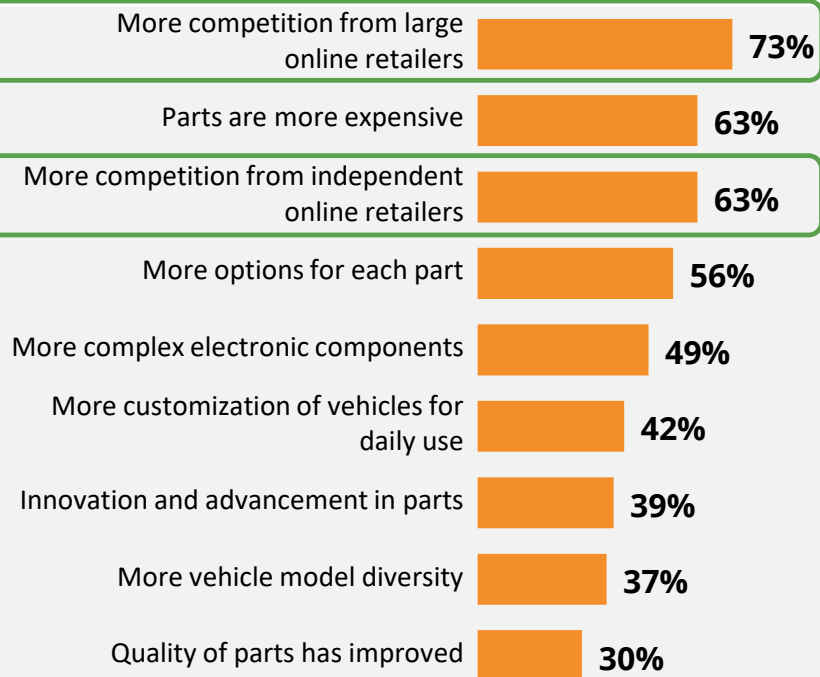
- Body Finishing Products
- Maintenance Oils and Additives
- Suspension Products
- Custom Wheels
- Performance/Special-Purpose Tires
- Exterior Appearance Upgrades
- Truck Bedliners and Other Bed Accessories
- Brake Products
- Internal Engine Products
- Fender, Hood, and Body Upgrades

Share of Dollars by Vehicle Segment

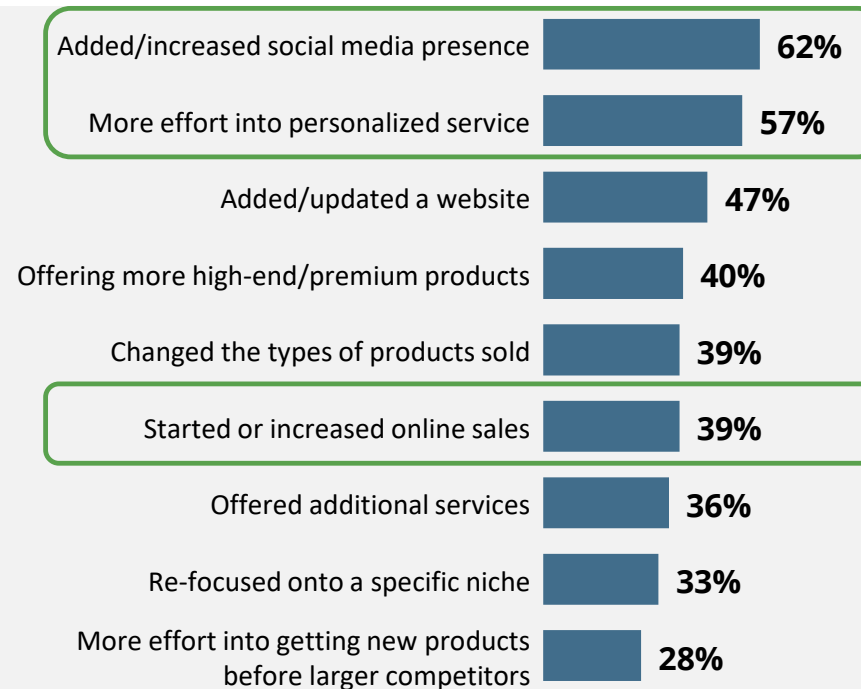


INDEPENDENT RETAILERS ARE PLAYING CATCH-UP

How Independent Retailers Felt the Industry Had Changed in 2019



How Independent Retailers Were Adapting to Changes in 2019



Even before the pandemic, many independent specialty-equipment retailers were feeling pressure from online retailers. For smaller businesses, finding the time, money, and expertise needed to build out an ecommerce platform isn't always straightforward. Many have turned to social media to help get their name out to more customers, but they are still catching up to the bigger guys in terms of actually selling their products on the web.

Where they can find an edge, though, is in the level of service they provide. Many independent retailers, recognizing they may struggle to compete on price or selection, are instead focusing on adding value with personalized service and expert advice that justifies charging a little more for the same product.

While 2020 made it hard for these companies to play to their strengths, we expect more in-store visits going forward in addition to more independent retailers looking to sell online.

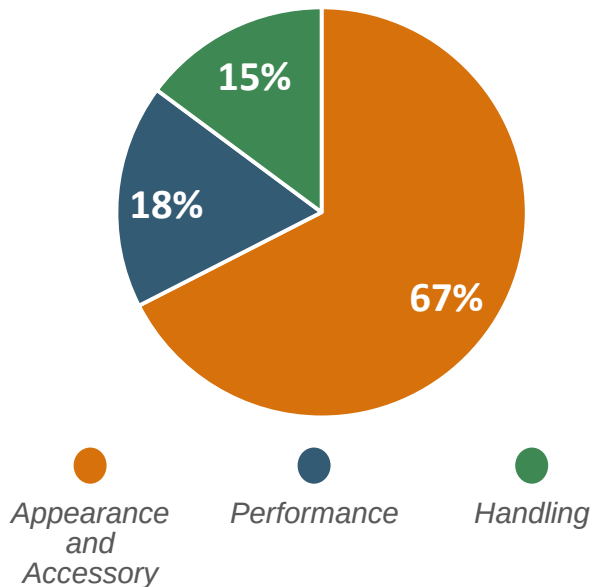
SPECIALTY PARTS PURCHASES IN 2020 – ONLINE-ONLY GENERAL RETAILER

\$4.77 Billion

Total U.S. specialty-
equipment sales in 2020

Online general retailers like Amazon offer specialty-equipment consumers a broad selection of parts at often competitive prices, making them particularly popular among more budget-conscious shoppers. Particularly when the individual already has a good idea of what they need, or the part is fairly similar across brands and easy to install, the convenience of these retailers can be compelling.

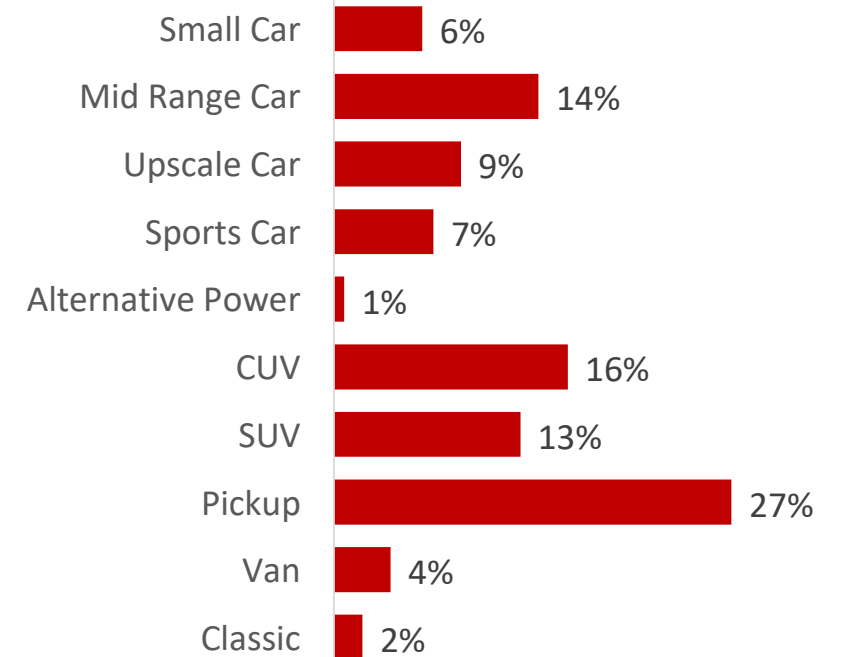
Product Type Composition



Top Specialty Part Types

- Maintenance Oils and Additives
- Suspension Products
- Exterior Appearance Upgrades
- Wax and Cleaning Products
- Body Finishing Products
- Headlights/Taillights
- Sound System and Audio Accessories
- Fender, Hood, and Body Upgrades
- Truck Bed Covers
- Mobile TV and Video Cameras

Share of Dollars by Vehicle Segment



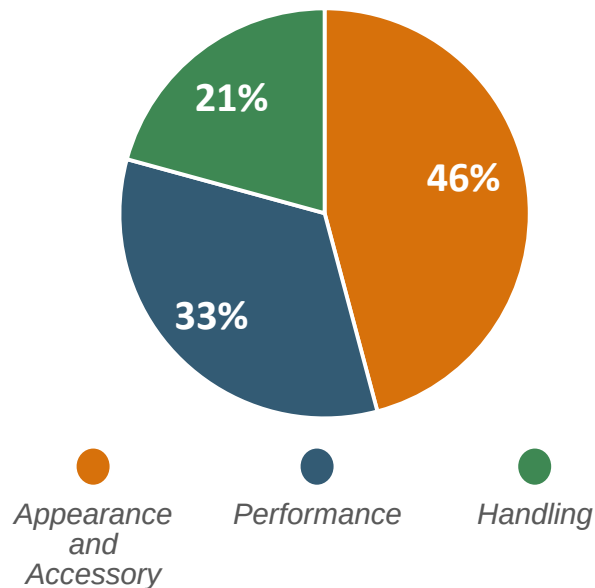
SPECIALTY PARTS PURCHASES IN 2020 – MANUFACTURER DIRECT SALES (ONLINE)

\$3.10 Billion

Total U.S. specialty-
equipment sales in 2020

For savvy vehicle accessorizers, it can make sense to buy direct from a manufacturer if no nearby retailers carry what they need. 2020 was a good sales year for many specialty-equipment manufacturers, and those who had built up a direct-to-consumer sales pipeline may have found more folks than usual took advantage of the opportunity to go straight to the source rather than navigate in-person or web-based storefronts.

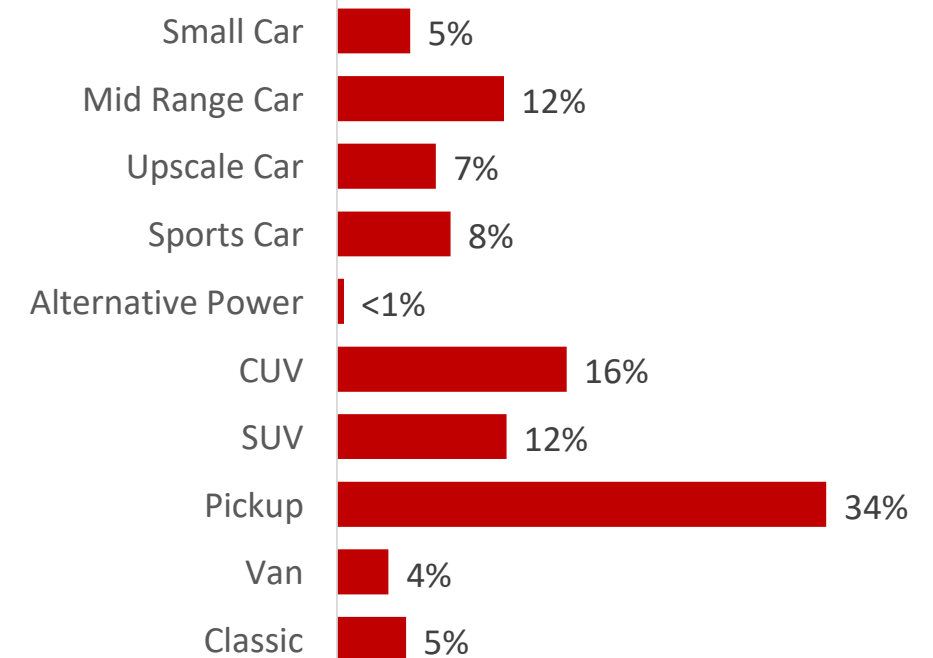
Product Type Composition



Top Specialty Part Types

- Transmission Products
- Suspension Products
- Exhaust Products
- Fender, Hood, and Body Upgrades
- Exterior Appearance Upgrades
- Internal Engine Products
- Performance/Special-Purpose Tires
- Custom Wheels
- Brake Products
- Paint Powdercoating and Plating

Share of Dollars by Vehicle Segment



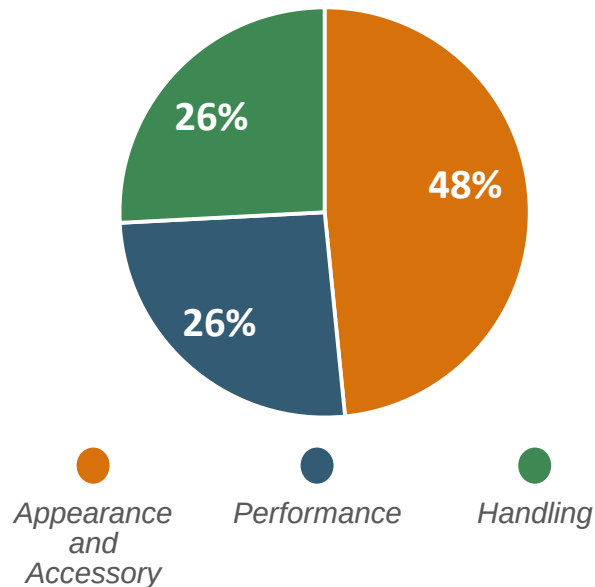
SPECIALTY PARTS PURCHASES IN 2020 – MANUFACTURER DIRECT SALES (IN-PERSON)

\$1.34 Billion

Total U.S. specialty-
equipment sales in 2020

While manufacturers don't necessarily have a shop set up for in-person retail, in a typical year there are plenty of other opportunities at events, races, or shows to sell parts directly to consumers. While 2020 reduced the number of these occasions for direct-to-consumer engagement, as things open back up we can expect more individuals to buy through this method once more.

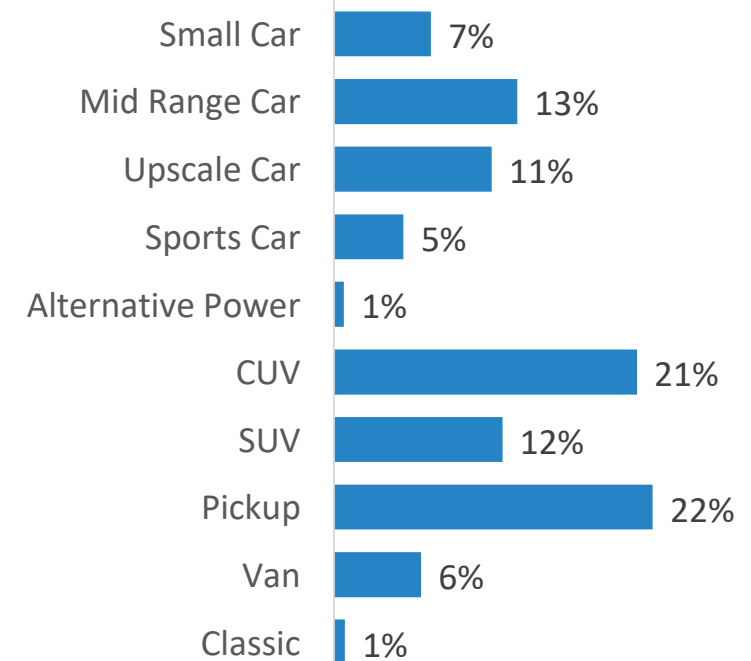
Product Type Composition



Top Specialty Part Types

- Body Finishing Products
- Maintenance Oils and Additives
- Suspension Products
- Custom Wheels
- Performance/Special-Purpose Tires
- Exterior Appearance Upgrades
- Truck Bedliners and Other Bed Accessories
- Brake Products
- Internal Engine Products
- Fender, Hood, and Body Upgrades

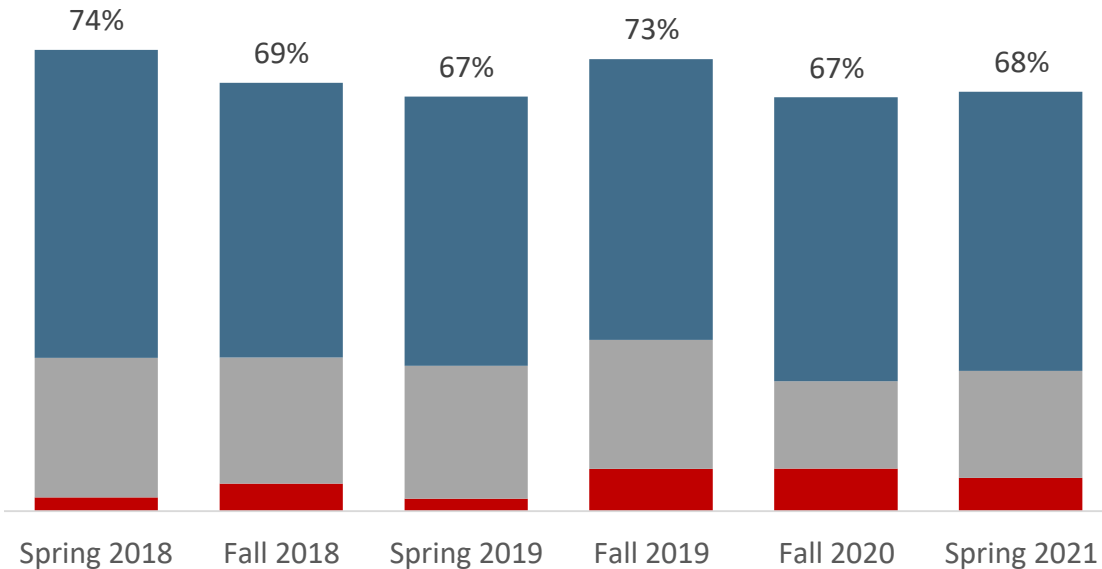
Share of Dollars by Vehicle Segment



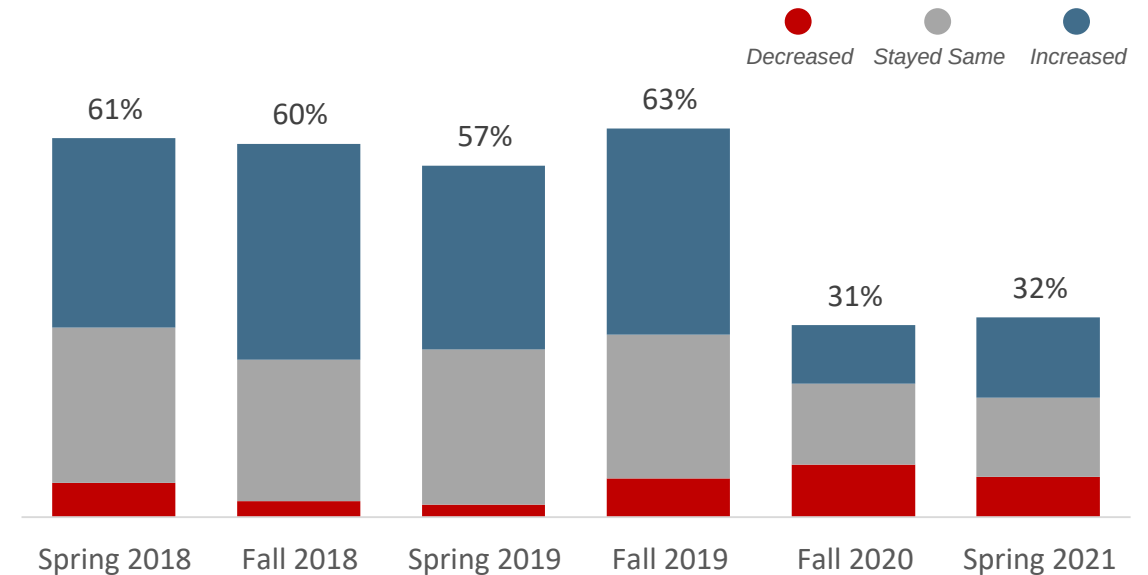
MANUFACTURER DIRECT SALES TREND

Percent of Manufacturers Selling Direct-to-Consumer and Change vs Prior Year

Online DTC Sales



In-Person DTC Sales



Direct-to-consumer (DTC) sales have been seen as a growth opportunity for many manufacturers, and sales through this method have been growing in recent years. This has been especially true of online DTC sales, which about two thirds of manufacturers reported doing in the latter half of 2020. However, COVID-related restrictions prompted many specialty-equipment manufacturers to halt or scale back their in-person DTC sales efforts, as many of the live events (races, car shows, and so on) where they might have done so were canceled in 2020.

SPECIALTY-EQUIPMENT SHOPPING BEHAVIOR

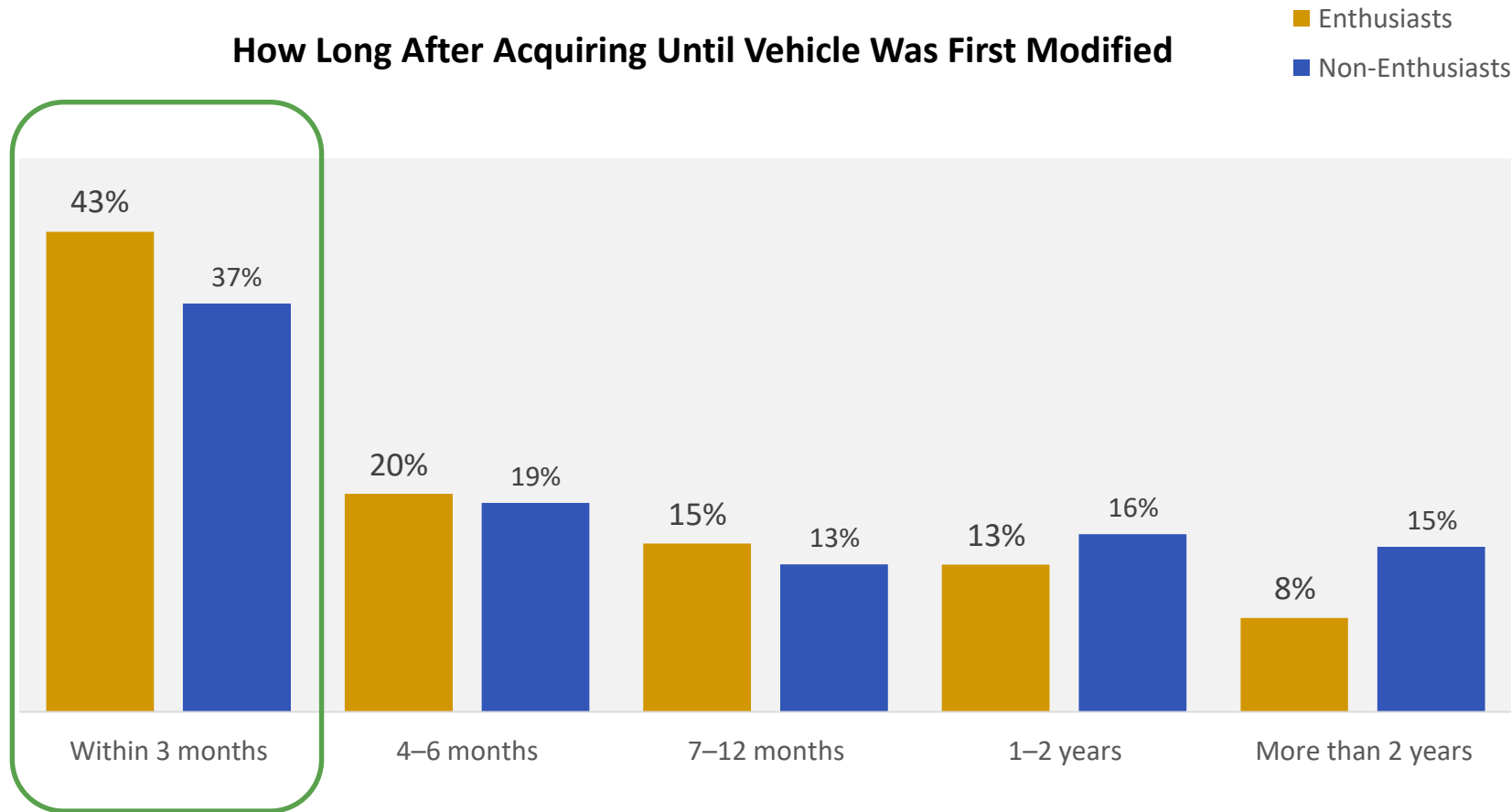
KEY TAKEAWAYS

- Over 50% of specialty-equipment consumers begin modifying their vehicle within 6 months after acquiring it.
- 34% of specialty-equipment consumers bought parts exclusively through online channels in 2020.
- Specialty parts bought online are significantly more likely to be installed DIY, while parts bought in person are more likely to be installed by professionals.



ACCESSORIZERS START MODIFYING THEIR VEHICLE QUICKLY

How Long After Acquiring Until Vehicle Was First Modified



Specialty-equipment consumers often get right to work on making their vehicle their own. Over half of all vehicles that get modified with specialty-aftermarket parts receive their first modification within six months after leaving the dealer lot or being resold.

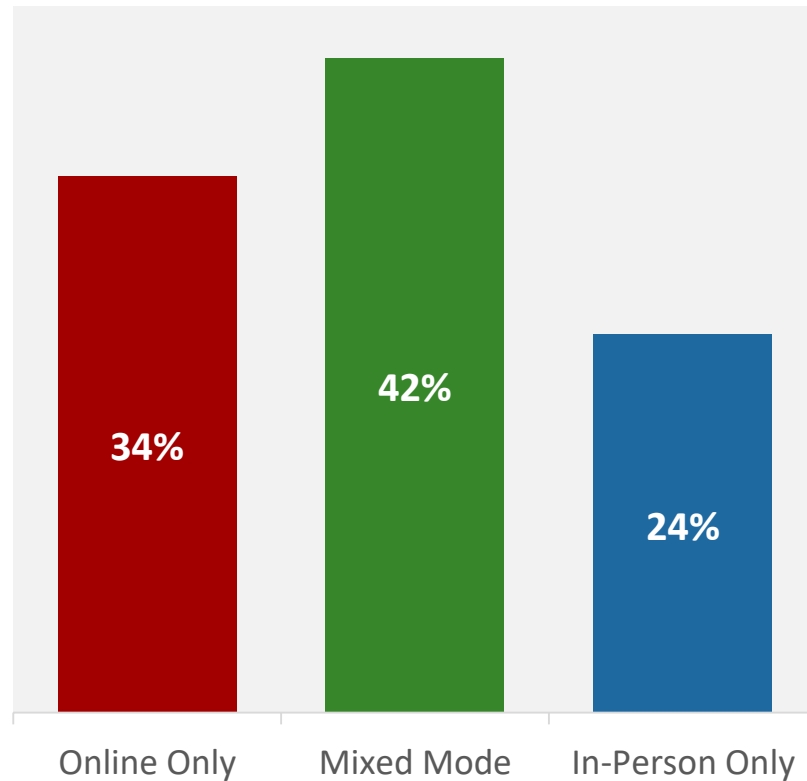
Hardcore enthusiasts are more likely to start right away than more casual specialty-equipment consumers, and may even be buying the vehicle with aftermarket modifications in mind.

On the other hand, there are those who wait months or even years before they begin modifying. And, many vehicles receive multiple, piecemeal upgrades over time rather than having things done all at once.

Slow vehicle sales can therefore be concerning for the specialty aftermarket, but as we saw in 2020 people are more than happy to keep working on vehicles they already own.

CONSUMERS USE A RANGE OF SHOPPING BEHAVIORS

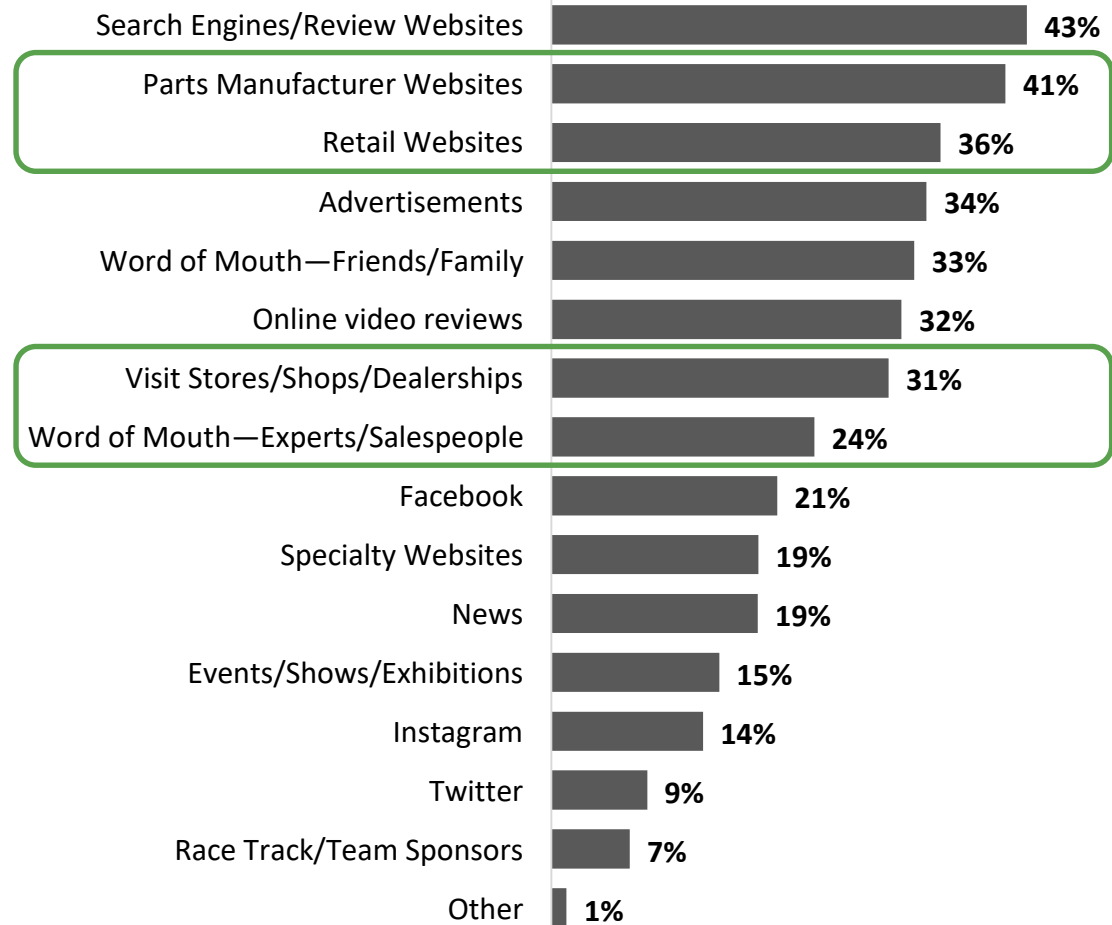
Online vs. In-Person Shopping Behavior in 2020



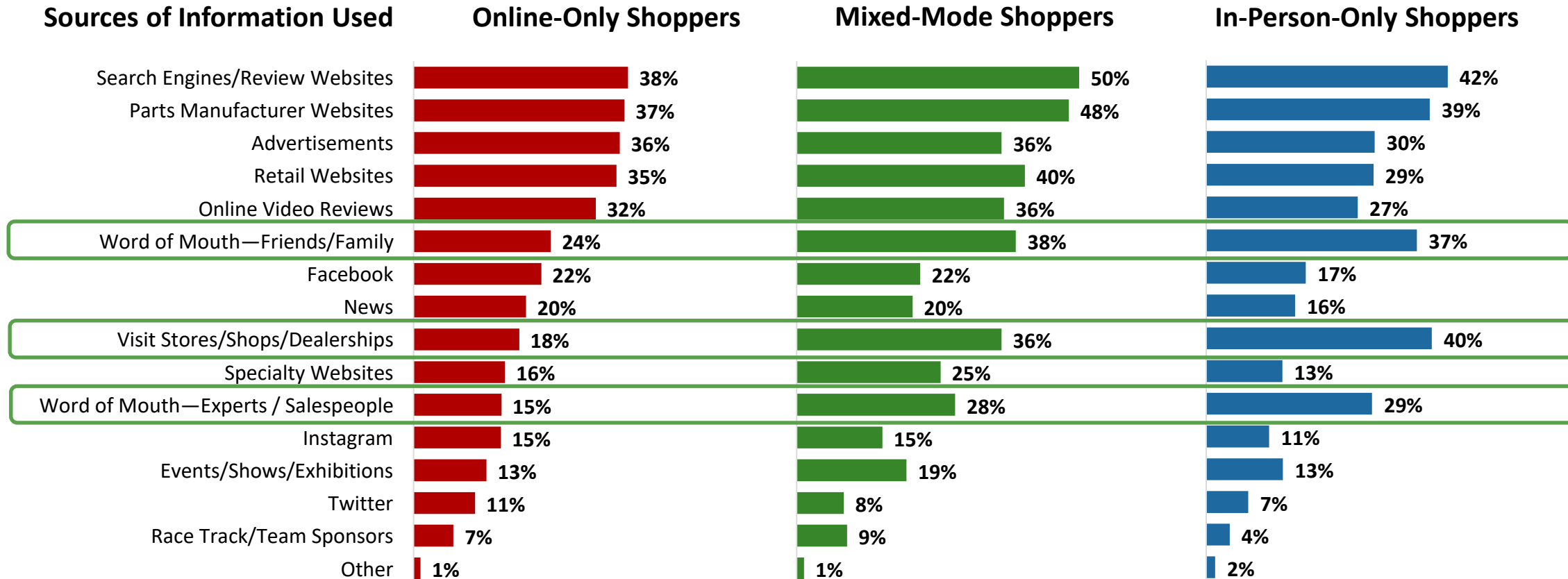
There's no single path to purchase for specialty-equipment parts. Some consumers are self-directed, hunting down the information they need and buying their parts without ever talking to a salesperson. Some prefer getting advice from friends, family, or even salespeople while they're in the store. And others fall somewhere in between.

But most specialty-equipment consumers rely at least somewhat on the companies who make and sell parts to provide the information they need to make an informed decision, both in-person and on the web.

Sources of Information for Parts



IN-PERSON BUYERS PREFER PERSONAL COMMUNICATION



While specialty-equipment consumers consult a variety of sources when researching which parts to buy, getting in-person advice is quite a bit more common with in-person buyers. In other words, it's rare that specialty-equipment consumers go into a store to look at parts and then turn around and buy online. Providing quality service and building good relationships with your customers is every bit as important as making sure that people can find you and your products online.

2020 PUSHED SOME ACCESSORIZERS TO SHOP ONLINE

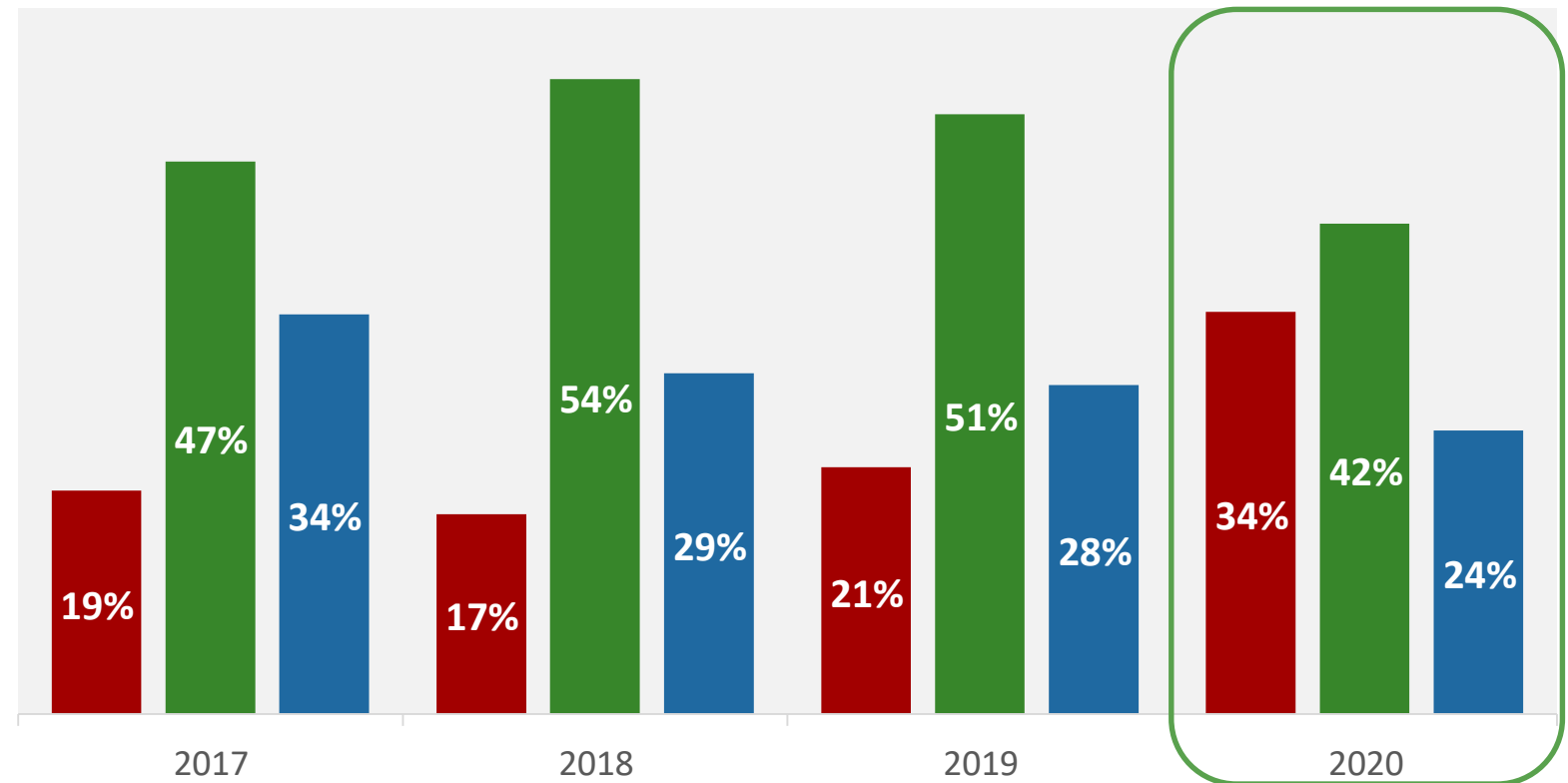
In recent years, specialty-equipment consumers have most commonly bought parts in a “mixed-mode” fashion, i.e., buying both in person and online, with smaller portions favoring exclusively in-person or exclusively online.

2020 prompted some shifts in the balance of these behavior patterns, but not enough to change the overall story. What mainly seems to have happened is that some mixed-mode shoppers—already comfortable doing at least some buying online—decided that with everything going on they’d just play it safe and get all their parts on the web.

But as things get back to normal, SEMA expects that purchasing behaviors will swing back closer to where they’ve been in pre-pandemic years.

■ Online Only
■ Mixed Mode
■ In-Person Only

Online vs In-Person Shopping Behavior – 2017 to 2020

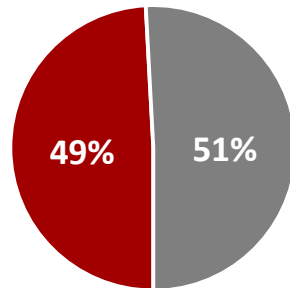


SPECIALTY-EQUIPMENT SHOPPING PROFILE— ONLINE-ONLY

Online-only shoppers are not a uniform group but split about evenly between enthusiasts and more casual buyers. Online purchases are more likely to be installed DIY, in some cases because they are simpler utilitarian or creature-comfort parts. But there are also those who are savvy enough to do most, or all, of their own research, shopping, and installation work themselves.

Many online-only shoppers don't plan to stay that way; most entered 2021 planning to get back into stores for at least some of their parts as restrictions on in-person activities ease.

Buyer Type



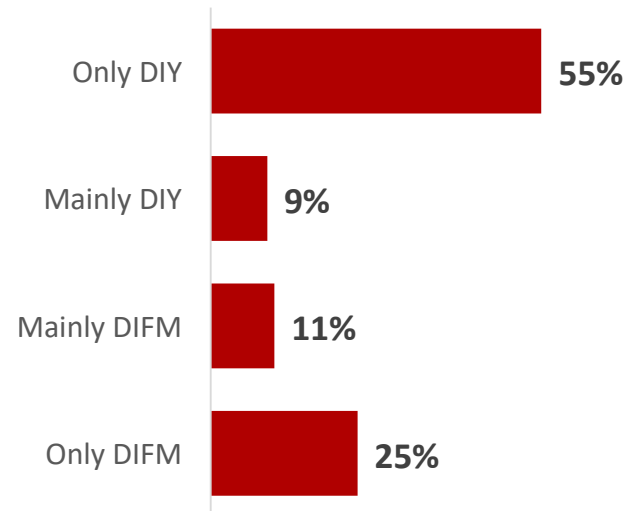
■ Enthusiast ■ Non-Enthusiast

34% of Specialty-Equipment Consumers in 2020

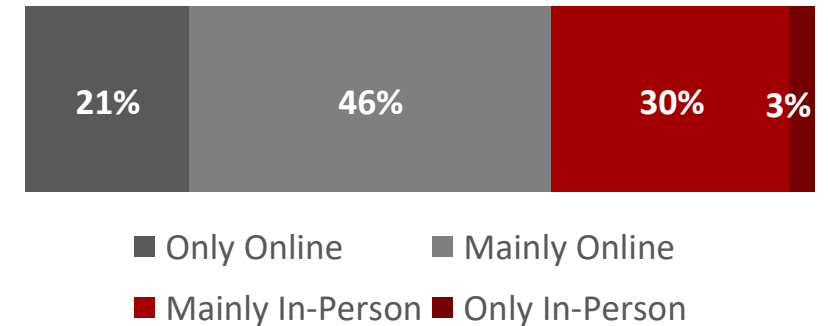
Top Info Sources

- Search Engines/Review Websites
- Parts Manufacturer Websites
- Advertisements (e.g., Online, TV, Radio, Print, etc.)
- Retail Websites
- Online Video Reviews (e.g., YouTube)

How They Installed Parts in 2020



Planned In-Person Share of 2021 Spend on Parts

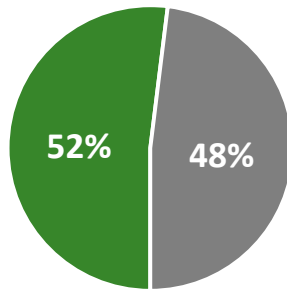


SPECIALTY-EQUIPMENT SHOPPING PROFILE— MIXED-MODE

Mixed-mode shopping is the most common pattern, with a number of reasons people engage in it. Parts bought online are more likely to be either simpler to install or hard to find locally, but even the most savvy of consumers tend to prefer going in-store for bigger-ticket or more complicated parts.

The most hardcore consumers are more likely to engage in mixed-mode shopping, consulting a wide variety of information sources before buying from the best place for each part they need, rather than aiming to keep things simple with one-stop shopping.

Buyer Type



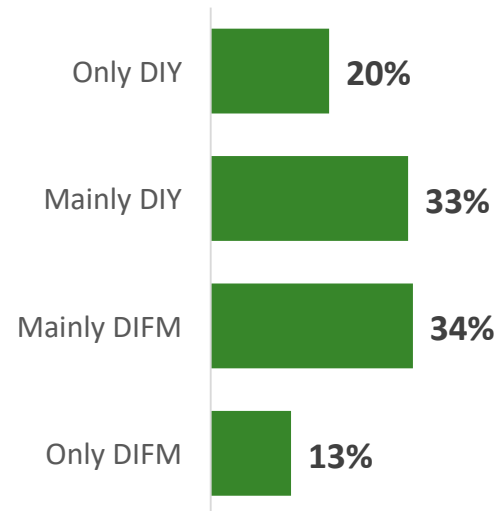
■ Enthusiast ■ Non-Enthusiast

42% of Specialty-Equipment Consumers in 2020

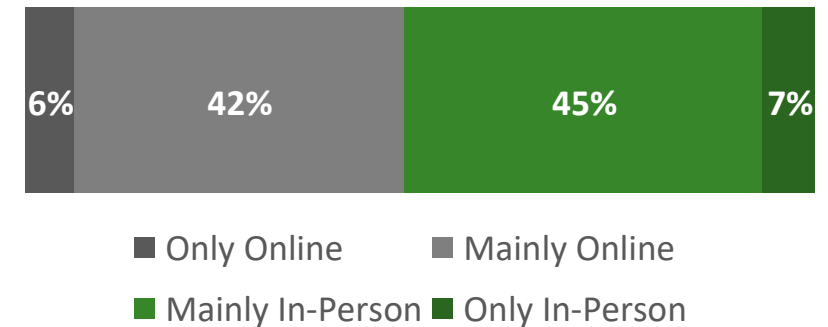
Top Info Sources

- Search Engines/Review Websites
- Parts Manufacturer Websites
- Retail Websites
- Word of Mouth—Friends/Family
- Online Video Reviews (e.g., YouTube)

How They Installed Parts in 2020



Planned In-Person Share of 2021 Spend on Parts

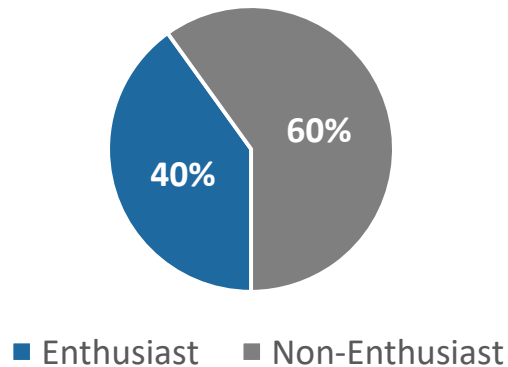


SPECIALTY-EQUIPMENT SHOPPING PROFILE— IN-PERSON ONLY

Specialty-equipment consumers who purely shop in-person are more likely to be older individuals who are either not comfortable buying parts without seeing them first, require a little more hand-holding through the process, or both. Many end up handing all the installation work off to professionals.

While exclusively in-person-only shopping does tend to happen more with less-savvy accessorizers, there are also enthusiasts who either end up purely in-store by coincidence, or who just have a strong preference for being able to see products and salespeople face-to-face before they make a purchase.

Buyer Type

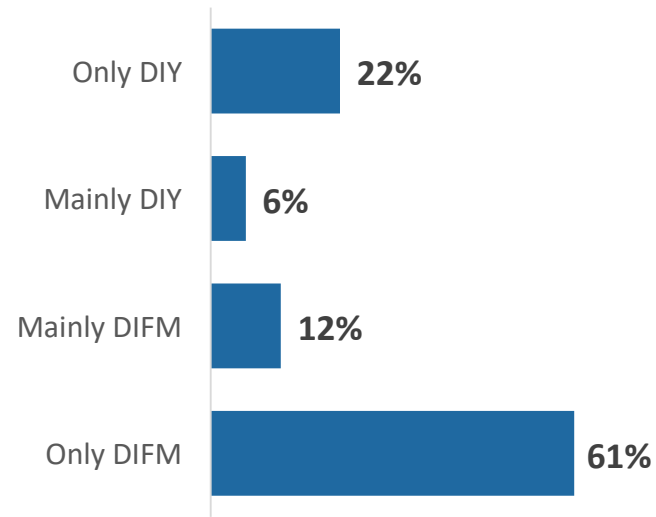


24% of Specialty-Equipment Consumers in 2020

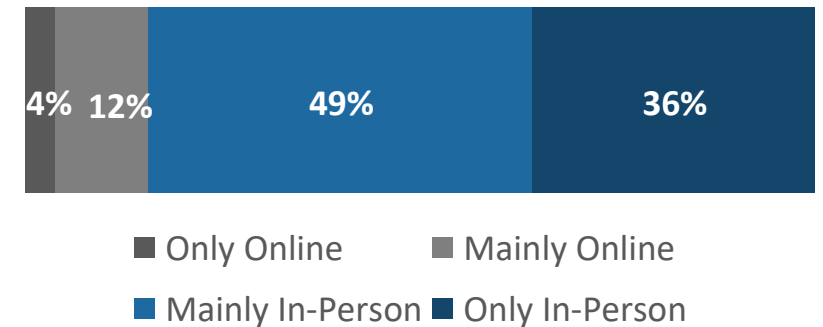
Top Info Sources

- Search Engines/Review Websites
- Visit Stores/Shops/Dealerships
- Parts Manufacturer Websites
- Word of Mouth—Friends / Family
- Advertisements (e.g., Online, TV, Radio, Print, etc.)

How They Installed Parts in 2020



Planned In-Person Share of 2021 Spend on Parts



TRENDS TO WATCH

KEY TAKEAWAYS

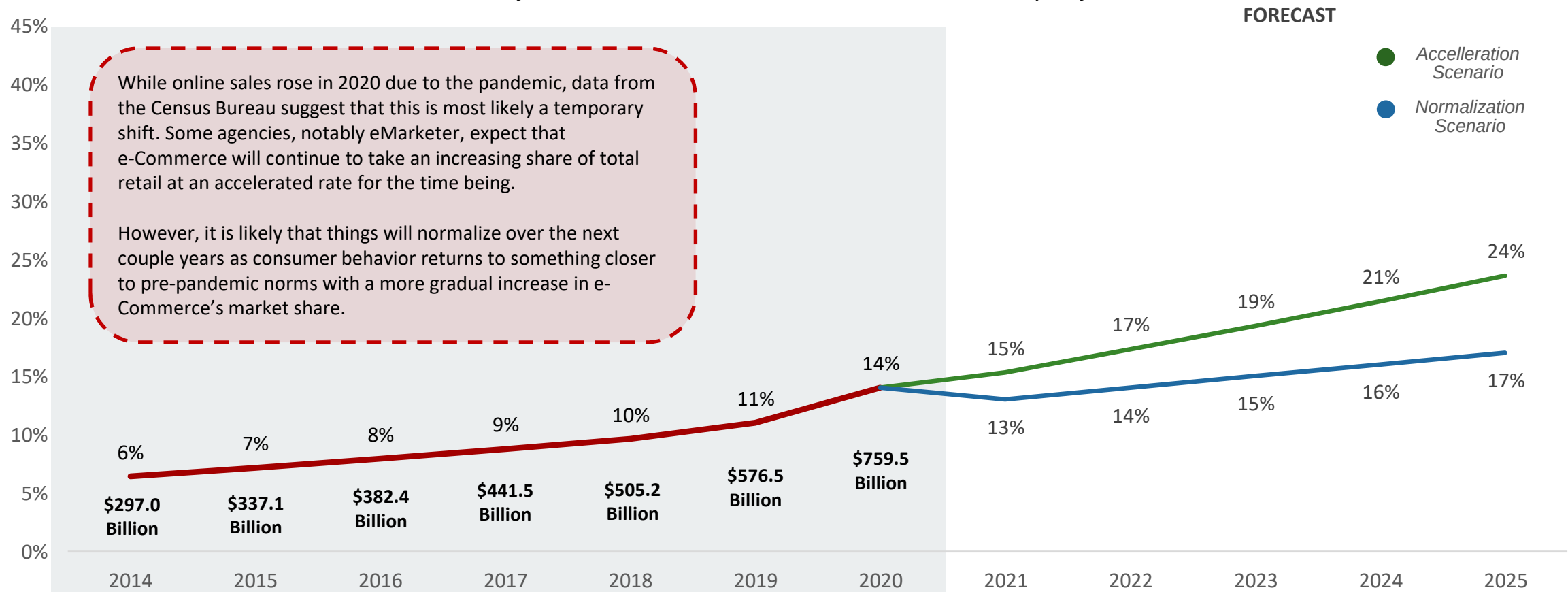
- Online retail sales likely to fall as a share of total retail in 2021-2022, as in-person options rebound.
- Low dealer inventories are pushing up prices and slowing down new vehicle sales.
- 80% of new vehicles sold through 2028 are likely to be light trucks.
- Hybrid and electric vehicles are likely to gain some ground, and retailers will want to be ready.



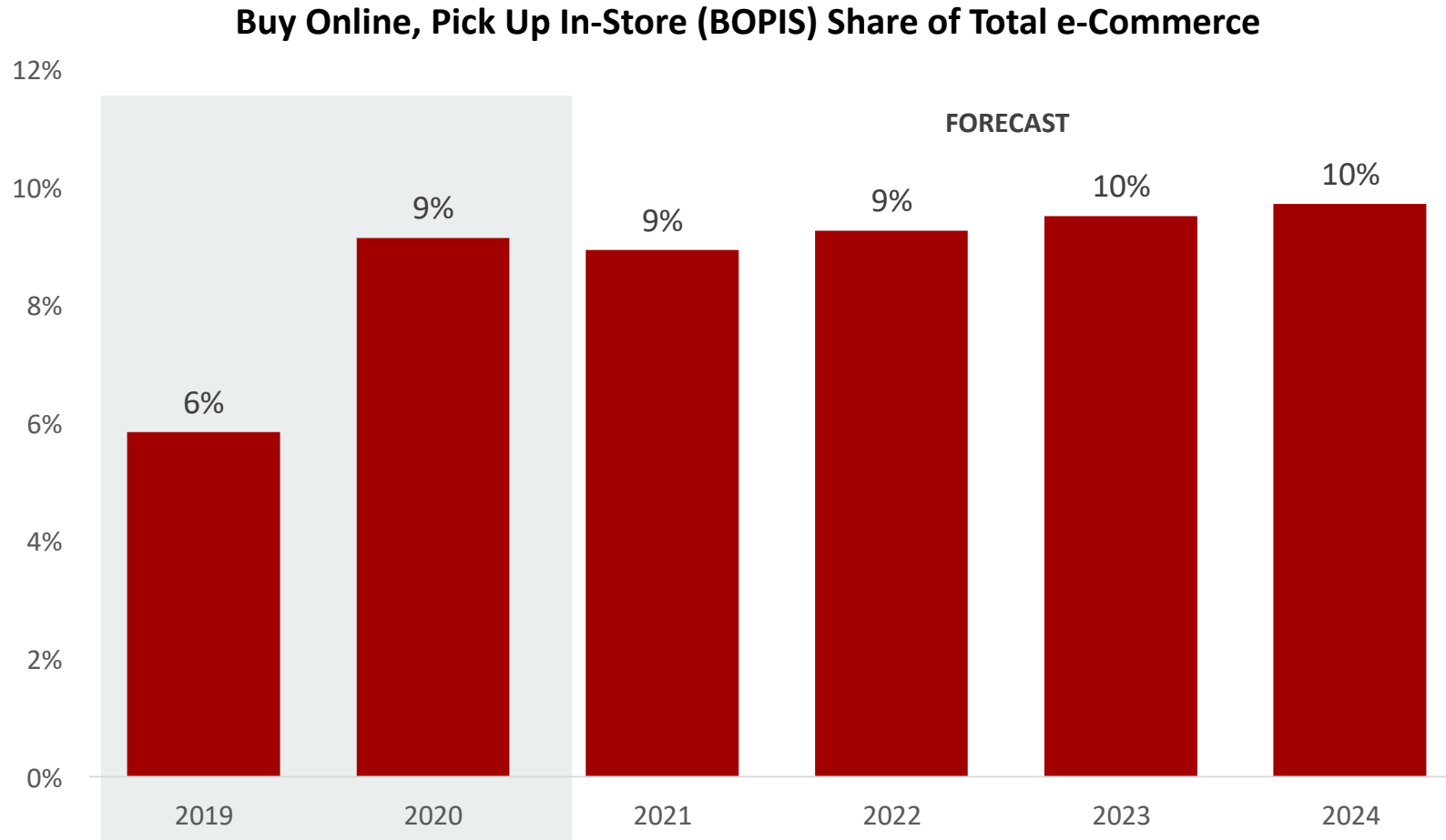
ONLINE RETAIL SALES LIKELY TO NORMALIZE IN 2021-22

Growth in Total U.S. e-Commerce Sales

Share of e-Commerce Sales to Total Retail Sales, Seasonally-Adjusted



ONLINE SALES TO IN-STORE PICKUP IS TRENDING UP



Buying online and then picking up products in-store, or BOPIS, was making already headlines prior to 2020 as a new trend in retail. Enabling consumers to skip the checkout line offers convenience, while for retailers it can help save on shipping costs and, potentially, inventory, by having the online purchase trigger an order from a distributor or drop-shipment from the manufacturer.

BOPIS sales shot up in 2020 and are likely to remain a niche shopping behavior in the short term. At 9% of 2020 e-Commerce, we're talking about 1% of total retail.

In the longer term, it's possible the BOPIS will become more prevalent, especially at larger retailers with well-developed online sales platforms. But for now, industry estimates suggest it will remain a niche within e-Commerce overall.

SUPPLY-CHAIN DISRUPTIONS ARE TEMPORARILY AFFECTING SALES

Domestic Auto Inventories

(Seasonally Adjusted, Thousands of Units)



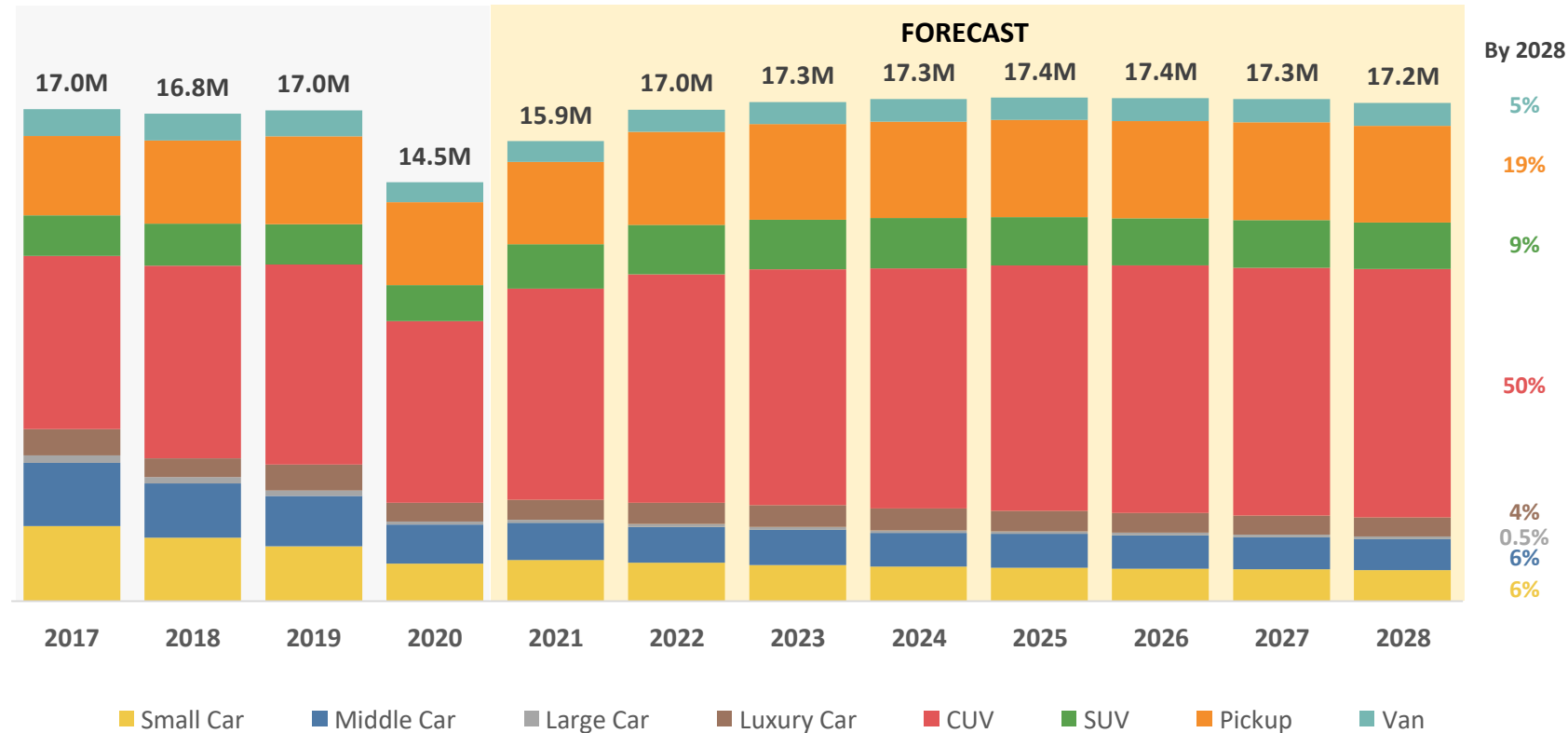
Another factor affecting retailers both in the United States and globally is the ongoing disruption to shipping and manufacturing of commodity inputs. Much has been said in the news about how microchip shortages and other bottlenecks are affecting the vehicle supply chain, with multiple OEMs announcing delays as production lines are forced to slow or temporarily halt operations.

This has both pushed back the release of new vehicle models and slowed sales of existing ones. Dealers have raised prices amid plunging inventories, and data from Cox Automotive suggest that the increases have reached a point where consumers are being discouraged from replacing their vehicles.

The impact this will have on the specialty-equipment aftermarket is not yet certain. Parts sales increased in 2020 despite a drop in new-vehicle sales, but part of this was due to consumers having fewer options than normal for spending their disposable income. It's less clear what will happen when vehicle sales are down while restaurants and entertainment venues are reopening.

LIGHT-TRUCKS SALES ARE GROWING

U.S. New Light-Vehicle Sales Forecast



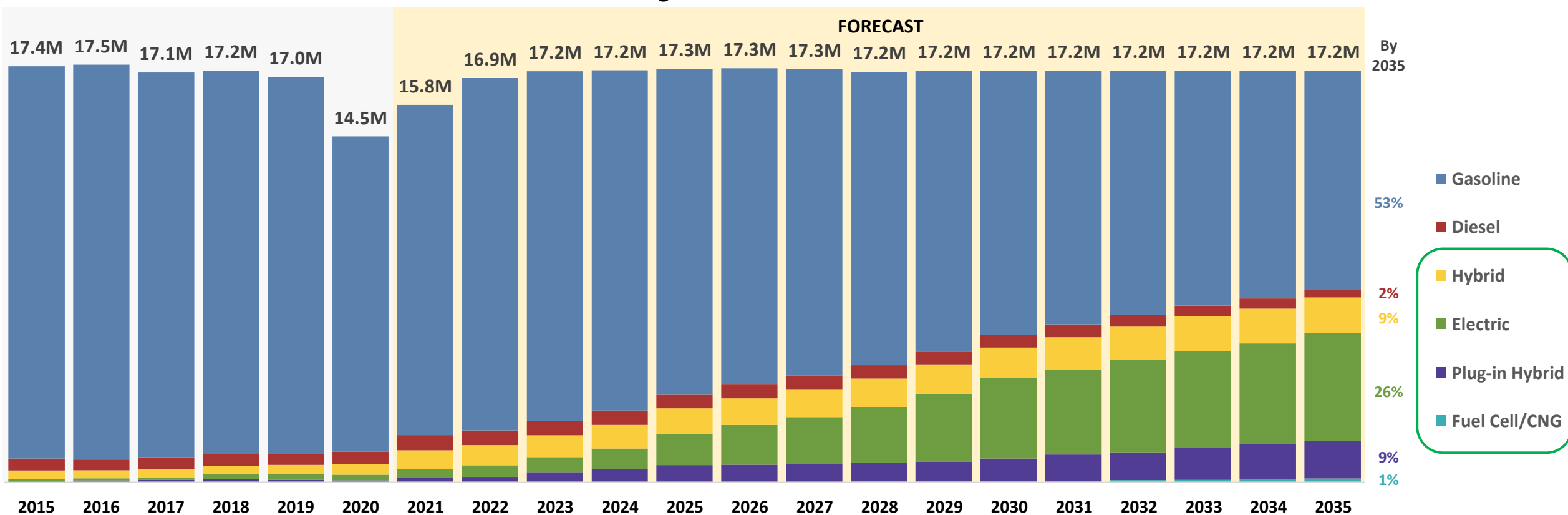
The longer-term trend of consumers shifting from cars to light trucks, particularly crossover utility vehicles (CUVs), is unlikely to halt over the coming years. In fact, about 80% of new passenger vehicles sold between 2021 and 2028 are expected to be light trucks.

This, in turn, means that light trucks represent a big opportunity for the specialty-equipment aftermarket. Pickups and SUVs have long been, and will continue to be, key market segments for specialty parts. CUVs are a bit more of an unknown for the aftermarket, as it is not yet clear whether enthusiasts will embrace them the same way they have other trucks.

That said, there are plenty of cars that enjoy popularity with auto enthusiasts. Import tuning and muscle cars are established constituencies unlikely to fade any time soon, for instance, and the restoration market heavily favors pre-1980 cars.

ELECTRIC VEHICLES ARE COMING GRADUALLY

U.S. Light-Vehicle Powertrain Sales Forecast



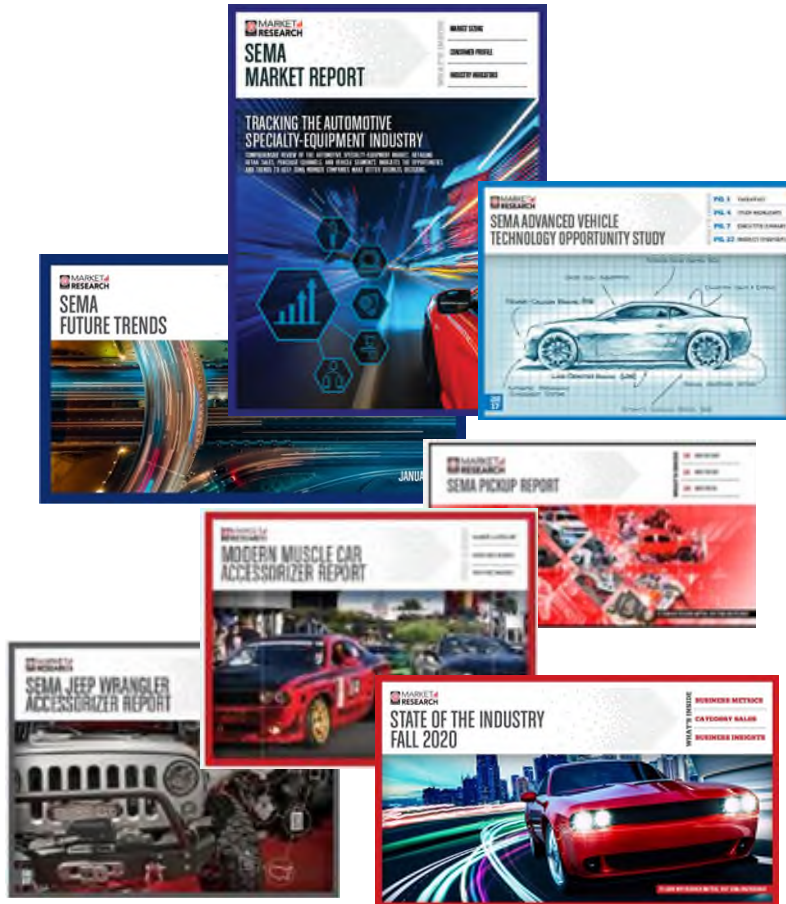
Much is being said about how alternative power vehicles—battery electric, hybrid, and so on—are becoming more popular and likely to take a growing share of new vehicles sold. And the reality is that despite hurdles to widespread adoption around price, charging infrastructure, and supply-chain constraints, SEMA Market Research expects that alternative-power vehicles will be about 45% of new vehicles sold by 2035. The flip side of this is that internal-combustion engines will remain the majority of vehicles sold, and an even bigger majority of those on the road. And as more electric and hybrid vehicles hit the market, consumers will want to make them their own—and specialty-equipment businesses will be there to meet their needs.

ADDITIONAL INFORMATION



WANT TO LEARN MORE?

Download the latest analysis and reports from SEMA Market Research at www.sema.org/research.



2021 SEMA Market Report

SEMA State of the Industry — Spring 2021

SEMA Emerging Trends Report

SEMA Vehicle Landscape Report

SEMA Light Truck Market Snapshot

Advanced Vehicle Technology Opportunity Report

SEMA Pickup Report

SEMA Member VIO Program

Adding a new product? Looking to expand? Our members-only VIO program can tell you how many vehicles (and thus potential customers) are out there for your products. New vehicle sales data also available to members. Learn more at www.sema.org/VIO.

Questions?

Comments and suggestions appreciated.
Happy to provide clarifications. SEMA
Market Research is here to help.

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Matt Kennedy
Research Manager
909-978-6730
mattk@sema.org

Kyle Cheng
Research Manager
909-378-4861
kylec@sema.org

Gavin Knapp
Director, Market Research
909-978-6712
gavink@sema.org