Automotive Specialty Equipment

Automotive specialty equipment refers to parts and accessories made for comfort, convenience, performance, safety or customization, and are primarily designed for an add-on after the original assembly of the motor vehicle. They are typically described as “parts a consumer wants for their vehicle, rather than the parts they need.” According to the 2017 Specialty Equipment Market Association’s (SEMA) Market Report, U.S. specialty equipment sales grew to a record $41 billion in 2016, an increase of almost 5 percent from 2015. Following the economic downturn from 2008 to 2010, the industry has experienced growth each year.

America’s love of cars and the car culture that took off in the 1950s and the growing popularity of motor sports, have contributed to the United States becoming the leading source of vehicle customization-related manufacturing and services. The majority of U.S. companies in this sector are small- and medium-size, and many of the owners and employees are car and racing enthusiasts. U.S. manufacturers of specialty equipment have an excellent reputation worldwide, and there are many international consumers interested in purchasing U.S. products, which are widely recognized as safe and high quality.

For most markets, specialty equipment typically comprises 10 percent of overall automotive aftermarket sales. While there is a rise in overseas competition, U.S. manufacturers have the majority of market share in the United States. Their market share varies in other global markets, particularly depending on international consumers’ purchasing abilities and the vehicles being sold in the market. U.S. companies’ main competitors have traditionally been German, Japanese, and Australian manufacturers and brands, as well as less expensive products from low-cost manufacturing countries.

Foreign market demand for automotive specialty equipment products depends on a variety of factors, including the size and strength of the middle class, local car culture, local consumer lifestyles and interests, the number of vehicles on the road in a country, new vehicle sales, gas prices, and whether consumers can afford to modify their vehicles.

There are a variety of different segments within the specialty equipment industry, including restoration, performance and racing, hot rodding, off-roading, light trucks, restyling, tires and wheels, and power sports and utility vehicles. Examples of various specialty equipment products include performance lubricants, exhaust products, flywheels, sway bars, high-performance shock absorbers, LED lighting, air intake systems, truck beds, and dynamometers.

Various market forces impact the global specialty equipment industry, including economic downturns, national and provincial laws and regulations, increasing international competition, and counterfeiting and other intellectual property concerns. Despite the concern that young consumers may not be as interested in cars as previous generations, the industry has continued to grow.
In addition, the rapid technological transformation of vehicles that will take place over the next 20 years will inevitably impact the future demand for the variety of traditional products that comprise specialty equipment. For example, a recent report commissioned by SEMA estimates that the market for advanced driver assistance systems (ADAS) is projected to grow from $1 billion today to more than $1.5 billion by 2021. ADAS products assist drivers with monitoring, braking, and steering tasks in order to enhance the safety for drivers, passengers, and pedestrians. ADAS products include lane departure warnings, automatic parking, blind spot detection, traffic sign recognition, among others. The report states that this technology will provide significant business opportunities for companies as consumer and government demand for increased safety continues growing in the coming years.

While the emergence of new technologies will provide growth opportunities for some, they will simultaneously pose challenges for traditional companies whose products cannot be adapted for autonomous and/or electric vehicles, such as performance products made specifically for internal combustion engines. The future of personal transportation on public roads appears to include shared and autonomous vehicles, so individualized customization and enhancing the driving performance may not be a priority or even an option. “Customers” may become fleet managers, rather than individuals. Nevertheless, there will likely continue to be driving enthusiasts who will pursue off-road activities and adventures, such as driving in the desert and racing on tracks.

Expanding into new international markets and reaching a growing global customer base of vehicle customization enthusiasts can contribute to the continued expansion of the industry, especially given the first-rate reputation of American-made parts. Because the majority of U.S. specialty equipment companies are small and medium in size, limited resources can sometimes prevent them from actively pursuing overseas markets. However, U.S. exhibitors at the annual SEMA show in Las Vegas, which is the largest specialty equipment-related trade show worldwide, can meet face-to-face with international distributors from around the world. In 2016, the show attracted a total of approximately 70,000 buyers, and almost 25 percent came from outside the United States.

With the support of the International Trade Administration (ITA), SEMA has also organized delegations of U.S. specialty equipment companies to participate in new overseas shows, such as the China Auto Salon in Shanghai, and the Custom Show Emirates in Abu Dhabi, which are specifically focused on vehicle customization. These overseas programs are an efficient way for U.S. companies to assess their market potential, meet or reconnect with targeted buyers in overseas markets, and find out about foreign enthusiasts’ interests and market-specific trends. Meeting face-to-face with the growing number of car enthusiasts in China and the Middle East enabled some U.S. specialty equipment companies to grow their export business. In an effort to eliminate potential barriers to market entry for U.S. specialty equipment, ITA and SEMA are working together to educate foreign governments on how the United States regulates the automotive industry and specialty equipment to prevent governments from developing and implementing regulations or burdensome requirements that negatively impact U.S. exports of these products.

Because specialty equipment includes many niche products, there are some limitations on what data is available about international markets. Also, it is not advisable for U.S. companies to assume that markets that have export potential for repair and replacement parts would necessarily have the potential for products related to vehicle customization or “tuning” products, as they are sometimes called in international markets.

Here are some factors that U.S. companies can consider when evaluating the export potential of individual countries for specialty equipment:

- Are vehicle modifications legally allowed in this country? Are there any federal or local restrictions related to vehicle modification? Are there any safety/environmental regulations or certifications that are relevant to my product(s) being sold in this market?
- What automotive-related technological changes are anticipated for this market, and what is the timing for their implementation?
• What is the market’s “car culture?” How popular is vehicle customization, and can consumers afford to modify their vehicles? What types of vehicle modifications are popular? What types of activities are of interest to local auto enthusiasts, and where do they pursue these activities?
• What are the most popular vehicles being sold in the market? What are the most popular vehicle models for vehicle customization?
• What brands are being sold and who are the competitors?
• Who is customizing vehicles in this market? Are there garages specifically devoted to customizing vehicles? Is there much of a do-it-yourself (DIY) market?
• How are specialty equipment products purchased in this market? Is e-commerce being used for this segment?
• What local events, magazines, blogs, and other media are targeted to automotive enthusiasts in this market? Are there local car clubs?

In addition to the information contained in the 2016 Top Markets Report for Automotive Parts, U.S. specialty equipment companies can work with ITA’s U.S. Export Assistance Centers located in major cities throughout the United States to evaluate potential markets. The international trade specialists in these local offices can work one-on-one with U.S. companies in gathering market information, assessing potential export opportunities, and finding potential overseas distributors.

UPCOMING EVENTS
SEMA Middle East Business Development Conference, Abu Dhabi, United Arab Emirates, April 3-8, 2018
SEMA Australia Business Development Conference, Melbourne, Australia, May 24-28, 2018
Automechanika Frankfurt, September 11-15, 2018
SEMA Show, Las Vegas, Nevada, October 30-November 2, 2018

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