Aftermarket outlook 2004

OVERVIEW

Smile...you're going to have a great year!

Our exhaustive study across the entire distribution channel reveals that each market niche is preparing for growth and higher profits. (But keep a wary eye on the economy.)

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Before you assume that we're being a little presumptuous by headlining this story, "You're going to have a great year!," let me make it clear that we're not making a prediction. Rather, it's the only conclusion we could make after analyzing the data from our comprehensive "Aftermarket Outlook" study. To reach this conclusion, *Aftermarket Business* and our sister publication, *Motor Age*, which serves independent repair shops, surveyed every market niche in the distribution chain — manufacturers, program groups, warehouse distributors, jobbers, auto parts retailers, independent repair shops, new and used car dealerships and consumers.

Without a doubt, "Aftermarket Outlook" is the most in-depth State of the Industry report ever conducted by a publisher in the automotive aftermarket. Although there have been other attempts to get a pulse on the market, including our own, this study is the first to span the entire marketplace and to do it scientifically.

Previously, in our exclusive State of the Industry reports, we called a number of industry experts for their thoughts on what they thought business would be like in the coming year. We think most of you were pleased with those reports and used them to some extent to develop and implement business strategies. We're glad for that but, frankly, we knew we could serve you better by conducting a study that was nationally projectable. Instead of gathering the opinions of a few, we gathered the opinions of thousands. Since those surveyed are only identified by business category, the results are entirely objective which, in our view, makes the report even more meaningful. In other words, the data that we collected tells the story. And, for the most part, it's a good one.

What we looked at

By analyzing sales and profit margins from all of the market niches, we answer some of the most pressing questions about how this industry will fare this year. Who made money last year and what kind of increase, if any, do they expect in 2004? What business strategies will they implement in an attempt to grow their businesses? As you will see, manufacturers are very confident going into this year, which may be a bit surprising since two out of three are planning changes in their business strategies.

Manufacturers are not the only ones looking to change their business strategies. For example, two-thirds of the jobbers and two-thirds of the retailers are looking at changing their strategies. And if we can speculate for a moment, it appears that both AutoZone and NAPA will undergo some substantive changes. With Steve Handschuh, former president of NAPA, moving over to AutoZone as its senior vice president of commercial business, we think its reasonable to think AutoZone will get a whole lot more serious about their commercial sales. As for NAPA, one source told us that more aggressive retail plans were in the works. Who knows, when all is said and done both firms might look more like O'Reilly Auto Parts, which has built its success on a near 50/50 wholesale-to-retail ratio.

No matter what manufacturers have done to try to appease their customers, they still seem to take the brunt of the criticism from the entire distribution channel. So what can they do better? Well, that's exactly what we asked each distribution group. Some of the answers may surprise you.

This survey will provide you with insight to the quality parts issue. What is the perception that independent repair shops have of aftermarket parts as compared to OE parts? How much confidence do shops have when it comes to remanufactured parts?

If there ever was a subject that will bring out the worst emotions in several of the groups studied, it is returns. What is the overall rate of returns? Which products are returned most often?

Which vehicles are the easiest to repair? Those repair shops that were surveyed answered that question plus shed some light on the vehicles that have improved in quality over the last five years.

How about the fickle public? Well, they may not be as fickle as you think. They are very loyal customers to both dealerships and independent repair shops, but they do favor one over the other. Make sure you read the consumer section to find out where their loyalties lie.

The e-commerce phenomenon is taking shape and our survey reveals who's selling online and who's buying online. There are definitely signs that everybody in the chain will have to develop and/or refine their Web strategies to meet consumer demands.

The attitude towards brands is addressed in the study. Just who specifies brand — WDs, jobbers, retailers, independent repair shops or consumers? And how important are they to each of these groups? Have brands been relegated to the role of being commodities? Are jobbers and retailers abandoning the traditional brand story for a new sales story that revolves around quality with little or no concern to the brands themselves?

A word about the economy

What could disrupt the aftermarket, as well as every other market, is a decline in the economy. Although we did not ask respondents for their views on the economy, we assume they took it into account in answering our questions.

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For the short term, we think the economy will probably show signs of improvement. This opinion is based on the notion that it is unlikely George W. Bush will risk having the Democrats use it against him like Bill Clinton did against George W.'s dad. How could you ever forget? "It's the economy, stupid."

Having said this, we would be remiss if we didn't express concern for the economy in the long run. Eventually, you as a business owner or operator could be greatly affected if our economic policies continue to diminish the buying power of the Middle Class. Although we do not have the space to discuss the reasons in detail, suffice it to say the reasons vary from the continued loss of manufacturing jobs to other countries to the strong possibility of foreign financial markets turning sour as a result of them not willing to take the risk on the hundreds of billions of dollars in holdings of U.S. notes and bonds.

Methodology

Overall, the results of this study are at the 95 percent confidence level with a ±5 confidence interval. This means that we are 95 percent sure that the results of this study would be the same ±5 percentage points had we received responses from all manufacturers, WDs, jobbers, retailers, independent repair shops, new and used car dealers and consumers. **(See each section for specific methodologies used.)** All of the program distribution groups responded to the survey, therefore the results are viewed as being "certain." ■

Sticking with the brand story

Manufacturers emphasize brands and price while customers emphasize quality and service.

MANUFACTURERS

Even with AutoZone's Pay-On-Scan demand still hanging over their heads, as well as increased requests from the traditional side of the business, manufacturers are showing great resiliency. They predict that production, sales and profits will be up in 2004. This is showing great confidence, especially when you consider that two-thirds of the manufacturers are changing their business strategies in 2004. With customers asking for more, it is not surprising, then, that the business strategy cited for the most change is customer service. What more is there to give? In a word, training, especially from the larger manufacturers. Also look for manufacturers to press on with better inventory management.

Field training for distributors, WDs, jobbers and retailers is readily available from manufacturers. Four of five manufacturers, with annual revenue more than $100 million, offer field training to distributors and jobbers. Three of four make training available to WDs and retailers. The offer of training is slightly less for manufacturers with less than $100 million in annual revenue. About half of these manufacturers offer field training to distributors, WDs and jobbers, and 38 percent have training available for retailers.

The data show that 40 percent of manufacturers do not offer Web-based employee training. Those that do see the benefits of Internet training; however, one in five consider the lack of hands-on experience and one-on-one classroom interaction to be drawbacks for online training.

Two-thirds of manufacturers have no problem finding qualified employees. In fact, manufacturers have the best willing-to-work employment situation of the entire automotive industry. Moreover, manufacturers currently have positions available. Forty-four percent of smaller manufacturers and 34 percent of larger ones are actively recruiting new employees.

The data show that manufacturers consider national brands and price to be very important considerations for customer buying decisions. Their customers, program groups and WDs, see national brands and price as less important considerations. Program groups and WDs consider quality and customer service to be extremely important, whereas manufacturers consider quality and customer service to be slightly less important.

Other areas of customer buying behavior where manufacturers are out of symmetry include technical support and warranties. Warranties are considered more important for program groups and WDs than they are for the manufacturers who are providing them. Manufacturers, program groups and WDs seem to match each other in consideration of return policy and private brands.

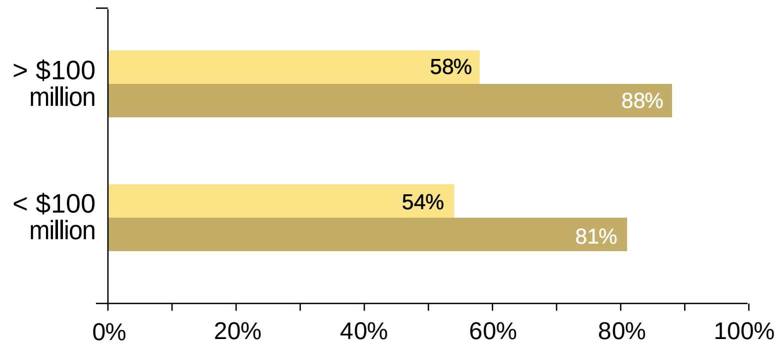
Nine of 10 manufacturers have a website; one-third only, however, sell over the Internet. In contrast, 65 percent of program groups, 61 percent of retailers and 52 percent of jobbers sell online. Manufacturer employees, nevertheless, spend 12 hours per week online.

The data show that e-commerce can reap rewards for manufacturers. Larger manufacturers selling online report that Web-based sales account for 5.4 percent of their total sales. More impressive yet, manufacturers, with less than $100 million in annual revenue, with Web-based sales say 8.1 percent of their total sales come via the Internet.

In the last 12-months, two-thirds of manufacturers who sell online experienced an increase in Web-based revenue. Larger manufacturers report that Web-based sales increased 69 percent in 2003 and manufacturers with less than $100 million in annual revenue report a 133 percent increase during the same period.

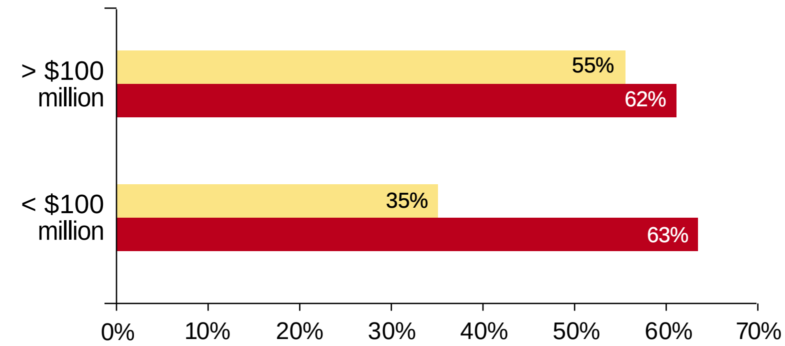
Business-to-business (B2B) prospects look good for 2004. Eight of 10 manufacturers, with less

FIGURE 1. Manufacturing production increase 2003 and 2004



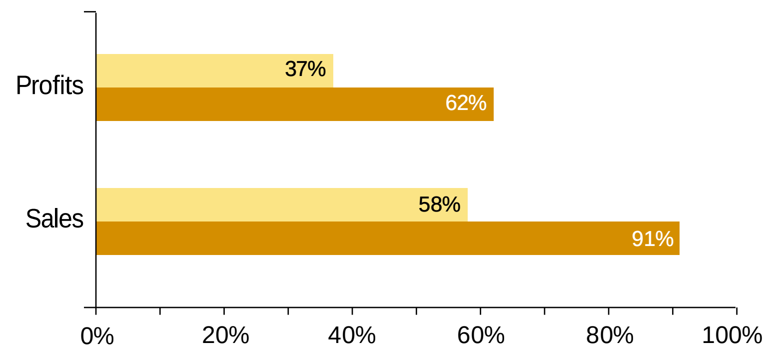
All is well in the automotive aftermarket when you consider the 2003 production increases and what the expectations are for 2004.

FIGURE 2. Percent of manufacturers raising hard part prices 2003 and 2004



Two-thirds of larger manufacturers produce hard parts and most, 55 percent, increased priced by 3 percent in 2003.

FIGURE 3. Percent of manufacturers with sales/profit gains 2003 and 2004



Last year was a difficult year when it came to profit, but 2004 brings new hope, perhaps because of new business strategies.

than $100 million in annual revenue, expect Internet sales in 2004 to increase and 55 percent of larger manufacturers also expect more in 2004.

Two-thirds of larger manufacturers have an arrangement with distributors/ retailers for category management/ enhanced line review. Partnerships for electronic supply chain management are typically utilized by larger program groups, WDs and retailers.

Much has been written about the relationship between production, manufacturing and the U.S. economy. This study finds that all was well for most manufacturers in the automotive industry last year, and all will be well for almost all in 2004. (See Figure 1.)

Surprise! Lowest return rate

Manufacturers have the lowest incidence of returns in the industry. On average, 3.8 percent of total sales result in returns for manufacturers. This compares to 16.4 percent of sales being returned to program groups and 13 percent going back to WDs. Hard parts have the most returns, and accessories have the least.

Two-thirds of larger manufacturers produce hard parts and most, 55 percent, increased prices by 3 percent in 2003. This year, 62 percent are expecting to increase prices for hard parts. Manufacturers, with annual revenue less than $100 million, experienced greater price pressure in 2003 because only a third increased hard parts prices. Expectations for 2004, however, are high as 63 percent are planning to charge more for hard parts. (See Figure 2.)

One of three manufacturers produce accessories and 68 percent of them kept prices at 2002 levels last year. Most will keep accessory prices at 2002 levels throughout 2004. One of four manufacturers produce chemicals and price pressures will hold prices at a 2002 level throughout 2004.

Sales expectations for the coming months are astronomical. Nine of 10 manufacturers anticipate sales increasing in the year ahead, and they are not alone. Nine of 10 program groups, WDs, jobbers and retailers are expecting sales to increase this year. The data show that 2003 was a pretty good year for manufacturers: 58 percent experienced a 12.9 percent sales increase. (See Figure 3.)

Expectations are high for profits with two-thirds of manufacturers anticipating an increase this year. Last year was a difficult year for profits in manufacturing — only one-third saw them increase. Expectations have not made manufacturers blind as they consider “adequate profit margins” a challenge for the coming months.

Manufacturers were asked about business challenges. Apart from profits, manufacturers are slightly concerned about their advertising budgets and supply chain management systems. Getting the word out about products and running an efficient supply chain appear to be essential keys for any supplier looking to increase profits in 2004.

Two of three manufacturers are planning changes in their business strategy for 2004, mostly in the area of customer service. Another change will be more emphasis on sales (both increasing sales to existing customers and finding new customers).

Manufacturers will continue to look for operational efficiencies this year. These efficiencies, which many have already exhausted, include streamlining operations and implementing inventory management systems. One in five plan to add new products or new product lines as a new business strategy this year. ■

Manufacturer Methodology

Ninety-eight sales and marketing employees at manufacturers completed questionnaires via a URL link for the 2004 State of the Industry report, conducted by *Aftermarket Business* and *Motor Age*. The number of responses received for this study means that the results are at the 95 percent confidence level, ±4 confidence interval.

In terms of annual revenue, 17 percent are employed by manufacturers with an annual revenue less than $5 million, 35 percent work at facilities with revenue up to $100 million, 26 percent report revenue up to $1 billion, and 22 percent work at manufacturers with an annual revenue over $1 billion.

One-third of manufacturing facilities are located in the South United States — most frequently Texas and Louisiana. Twenty-eight percent conduct business in the Midwest; Michigan, Illinois and Ohio received the most mentions. One in four are located in the West (notably California), and 13 percent are in the Northeast (most frequently Pennsylvania). Seven percent of manufacturers report operating facilities in every state.

Cozying up to the shops

Program groups want to work more closely with shops and are poised to fulfill their needs.

PROGRAM GROUPS

It's not surprising that the majority of WDs and jobbers belong to program groups when you consider the breadth and depth of experience that the group administrators offer. The initial attraction to a program was for the buying and negotiating prowess. Of course, groups still offer that, but it is the rest of the package — marketing, merchandising and training — that attracts and retains members these days. Today, groups are turning their attention to their shop members. Usually shop owners are very capable technicians, but notorious for practicing poor business management so program groups have aggressively pumped up their business management offerings to keep shops profitable.

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On average, program groups have 18 employees and two-thirds have less than 10. Employees have an average of 28 years in the automotive industry, which means there is plenty of expertise to be had.

Right now, most program groups are actively recruiting new employees in an environment where it has become harder to find qualified employees. Top recruiting methods include "hiring from competitors," employee recommendations and newspaper ads. Recruiting from schools or job fairs is also popular.

Program groups are split 50/50 on the pros and cons of Internet-based employee training — half think it's great and the other half have concerns about the need for self-motivation and the lack of hands-on experience. However, employees at program groups average about 10 online hours per week.

It is the opinion of program groups that customer service, quality parts and store reputation are key buying motivators for customers. Return policy, technical support and warranties are somewhat important. On the other hand, price and brands are least important purchasing motivators.

Program groups report increased inventory among members last year and expect similar growth this year. Regarding prices, program groups report that most members kept prices at 2002 levels during 2003. This year, however, with the exception of accessory prices, members are expected to increase prices for hard parts and chemicals.

Program groups report two-thirds of members experiencing increased sales last year. This year, all members are expected to sell more. There is also great optimism regarding profits. Last year, two in five members managed to increase profits. This year, program groups expect higher margins from four of five members.

> Program groups came right out and said it: adequate profit margins is the industry's biggest problem.

Program groups had various suggestions as to how manufacturers could better serve the industry. Comments follow.

- More technician trainers for field clinics. More time for reps to help sell, not rebox.
- More manpower, manage inventory better.
- More training for both dealers and store people.
- Parts availability for newer models, i.e. brakes.
- Help groups sell more products through better promotions.
- Build a better product, get new applications to the market faster and cover labor claims.
- Better introduction of products faster, price survey of the OE and other major competitors.

Over the next 12 months, program groups anticipate that "adequate profit margins" will be the industry's toughest challenge. Other challenges include "qualified employees," "OBD II access from OEMs" and "loss of customers."

Most program groups have a new business strategy for the year ahead and these ideas follow.

- Work more closely with dealer customers.
- Retain current customers and take more customers away from the competition without sacrificing profit margins.
- More emphasis on the true marketing strategies based on customer wants and needs. Give the customers what they want and not necessarily what we want them to have.
- Change advertising and customize prices to increase margins.
- Increase emphasis on DIY markets.
- Provide wholesale customer rebates for purchase loyalty programs, designated for business training, equipment and shop management system investment.

The groups are not anti-DIY, but it's clear professional repair shops will get priority treatment. With competition becoming stiffer, the groups will take every opportunity they can get to be in front of repair shop customers, as well as their competitors. ■

Program Groups Methodology

Nineteen program groups responded to the 2004 State of the Industry study, conducted by *Aftermarket Business* and *Motor Age*. This is a 100 percent response rate from U.S. program groups. Most respondents were managers. Forty percent of the program groups are located in the South, 35 percent in the Midwest, 12 percent in the West, and a couple in the Northeast. A couple of program groups have members in every state.

WDs boost inventories

WDs increased their inventories in 2003 with good results; in 2004 they look for a repeat performance.

WAREHOUSE DISTRIBUTORS

Much has been written about the bloated inventory problem in the aftermarket, but WDs continue to increase their inventories. Why? Probably for a couple of reasons: 1) they are having success by having what customers want and 2) they are managing their inventories better than they have in the past. WDs are very concerned about staying competitive with auto parts retailers and are not going to be shy about asking manufacturers for more help, particularly when it comes to training and fulfillment.

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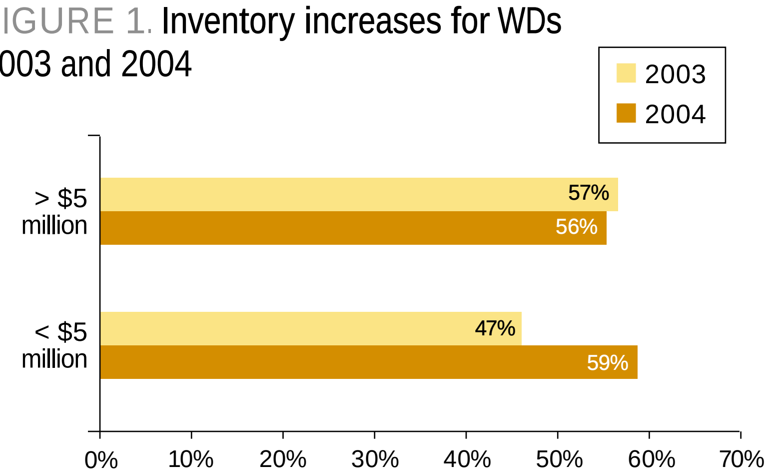
WDs with less than $5 million in annual revenue have an average of 17 employees and operate three stores. A third of these WDs operate an average of three bays. Larger WDs, those with annual revenue over $5 million, average 69 employees and operate 18 stores. Only a couple of larger WDs operate bays.

Training programs are designed by WDs and by manufactures. All WDs surveyed offer in-house training for technicians and 57 percent provide off-site training. However, most WDs are not satisfied with the results of their tech training programs.

Employees at larger WDs have an average of 28 years in the automotive business; employees at small facilities have 23 years under their belts.

Four of five WDs listen to "employee recommendations" for recruiting; and newspaper ads are the recruiting practice of 72 percent. Other recruitment methods include hiring from competitors, checked by 40 percent, while a "Help Wanted" sign was in place at one in three WDs. Also, 29 percent visit employment agencies, one in four recruit via the Internet, and 21 percent visit schools/job fairs.

FIGURE 1. Inventory increases for WDs 2003 and 2004



A majority of WDs increased their inventory in 2003, and it looks like that is the plan for this year as well.

Three of four WDs offer training for counterpersons. Training lasts less than a week 42 percent of the time and up to two weeks for 43 percent of trainees. All use in-house training for counterpeople; however, 44 percent provide additional off-site training. Also, 38 percent provide Internet training. Four of five WDs designed their own in-house training programs for counterpeople. This was supplemented with programs designed by manufacturers, which 73 percent utilize. Once again, most WDs are not satisfied with their counterperson training programs — 13 percent report being "dissatisfied."

WDs are very enthusiastic about Internet training in general. They see benefits in being able to study anywhere, anytime, at any pace. Potential problems, mentioned by 17 percent, include "self-motivation" and that Internet training "is not for everyone."

Sixty-eight percent of larger WDs and 50 percent of smaller ones are actively recruiting employees. Two-thirds report that it has become harder to find qualified employees in the last six months.

Most WDs, 48 percent, operate a parts store. In marketing to DIYers, WDs use methods very similar to retailers and jobbers. Outdoor signage is used by 65 percent and 54 percent place radio ads (considered the most effective method). Newspaper advertising is popular among 49 percent, 40 percent send out direct mail and 26 percent advertise on TV. One in four larger WDs, those with annual revenue over $5 million, consider TV advertising the best way to drive DIY traffic to their stores.

Marketing to repair shop customers is quite different. Direct sales — having salesmen visit customers — is both the most popular and best method, according to WDs. Also, 44 percent send out direct mail and 33 percent say outdoor signage works. Radio and newspaper advertising are considered effective for repair shop customers 30 percent of the time. Radio and newspaper ads get a better response from DIYers.

WDs consider customer service, quality parts and reputation to be the most important drivers for customer buying decisions. Technical support, price and warranties are also considered important. Return policies and national brands are less important, and private brands are considered unimportant.

Web sales to rise

Three of four WDs have a website, and 48 percent of those with an online presence conduct e-commerce. Smaller WDs, those with annual revenue less than $5 million, report that Internet sales currently account for 5.3 percent of their total sales. Last year, 42 percent of online WDs saw Internet sales double. Larger WDs selling online say Web sales account for 9.3 percent of their total sales. Last year, 77 percent saw Internet sales grow by 33 percent.

This year, 77 percent of smaller WDs and 86 percent of larger-WDs are expecting Web-based sales to increase. WD employees spend the equivalent of one day per week online.

Almost half the smaller WDs do not know of category management or enhanced line review. One in four larger WDs are not aware of category management. At the other end of the scale, 18 percent of smaller WDs and 33 percent of larger ones have implemented category management at their store(s).

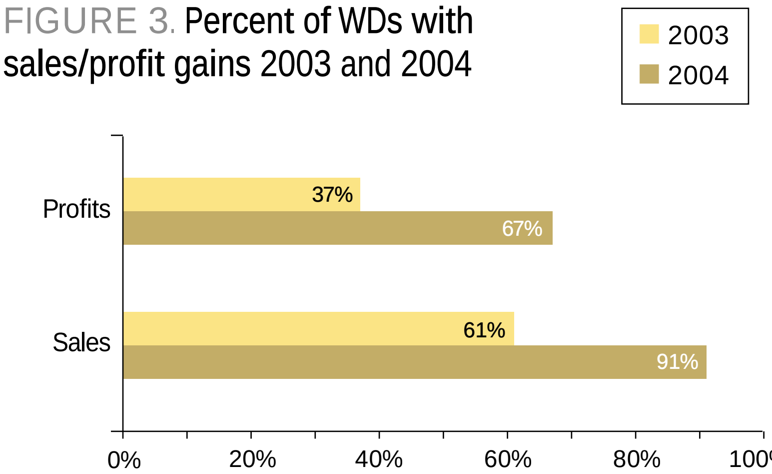
Two-thirds of larger WDs have a supply chain management system; 38 percent of WDs, with less than $5 million in annual revenue, have installed this system. Half the WDs using supply chain management rate its effectiveness as "good" and 28 percent consider it "very good." Four percent of WDs only consider this system "excellent." These ratings should be of concern

FIGURE 2. **WD sales: wholesale vs. retail**

	WD Annual revenue Less \$5 million	WD Annual revenue Over \$5 million
Percent of sales: WHOLESALE in 2003	75.3	87.8
Percent of sales: RETAIL in 2003	24.7	12.2
Percent of sales: WHOLESALE in 2004	75.5	87.4
Percent of sales: RETAIL in 2004	24.5	12.6

WDs are not planning to change their customer focus in 2004. Larger WDs have less interest in retail sales than smaller WDs.

FIGURE 3. **Percent of WDs with sales/profit gains 2003 and 2004**



Last year, 41 percent of larger WDs reported a 3.7 percent increase in profit; this year, three of four are anticipating larger profit margins.

for any supply chain management company because WDs are not delighted with their product — and WDs should be.

Nine of 10 WDs are using supply chain management for inventory management, 44 percent use it for planning/forecasting, and 35 percent use it for fulfillment. One in four finds it helpful for scheduling and 23 percent are integrating trading partners.

Most WDs increased their inventory in 2003. Larger WDs are expecting a similar performance in 2004 with 56 percent expecting higher inventory levels in the coming months. WDs with less than \$5 million in annual revenue are more enthusiastic about 2004 than they were with their experience in 2003. (See Figure 1 on page 26.) Figure 2 confirms that WDs are not planning to change their customer focus over the next 12 months and that larger WDs have less interest in retail sales than smaller ones.

WDs report a pretty hefty return rate — 13 percent — on total sales. The data show that price pressures will keep hard parts, chemicals and accessory prices at last year's level. Last year, most WDs kept hard parts prices at 2002 levels; 32 percent, however, raised the price of hard parts by 8.5 percent. Similarly this year, 48 percent plan to keep hard parts prices at 2003 levels while 45 percent plan a price hike.

Last year, 61 percent of WDs kept chemical prices at 2002 levels, while 31 percent passed on a 4.8 percent price increase. This year will be the same with 60 percent holding chemical prices at 2003 levels. The figures are very similar for accessories; although, smaller WDs are likely to increase prices in coming months.

WDs are looking at 2004 to be the year of sales growth and profits. (See Figure 3.) Last year, 56 percent of smaller WDs saw sales jump 14.8 percent. Two-thirds of larger WDs saw a 9.3 percent increase during the same period. For this year, all WDs anticipate sales increases. As it turns out 2003 was a pretty good year for larger WDs because 41 percent report a 3.7 percent increase in profits. This year, three of four larger WDs anticipate improved profit margins. Though 2003 provided profits for fewer small WDs, 64 percent anticipate more gains in 2004.

WDs were asked what manufacturers could do to better serve them. One-third would like customer service improvements, including delivery and training. Thirty percent mentioned pricing: "Stop selling direct to consumers," is one comment. "Treat big box stores like Wal-Mart as retailers rather than wholesalers," is another. "Give me a fair and level playing field with unbundled pricing as you give AutoZone, Advance, etc," requests a WD. "Try not to be everything to every level of distribution," is advice from another. "Do not support large chains. Large chains go into areas with the intent of putting independents out of business," explains another.

Also, 20 percent of WDs would like better manufacturer representation, meaning they want "sales reps to call" and be "knowledgeable." Some would like manufacturers to provide information "updates" via catalogs and websites. Warranties and return policies concern 11 percent and 9 percent mentioned quality.

The most significant challenges for WDs in the months ahead are profit margins and finding qualified employees. Other important challenges include training (technical and business), customer retention and product returns. It is interesting to note that WDs do not consider the U.S. economy a challenge!

WDs do not expect the year to simply unfold with increased sales and profits for all — three of four smaller WDs and two-thirds of larger WDs are planning a strategy shift. Most will be more aggressive about sales — hiring outside salespeople and finding new customers. Forty-four percent will be improving customer service, opening more stores and working on their websites. One in four will focus on product quality and adding new products. Operational efficiencies will be the focus of one in five smaller WDs.

Here's a sampling of business strategies:

- Focus on e-commence, Web sales and access by regular customers for online ordering. Do more outside sales calls by inside counterpeople to "their" regular customers.
- As short line specialists, try to fill out product categories with compatible components that will drive sales of major line codes.
- Increase line coverage to include vehicles out of warranty from dealers. Lower the cost of parts to increase profit margins.
- Continue to sell quality name brands but add in more value line products. Increase margins where possible. Increase customer interaction via technology.
- Continue to be more focused on customer service and run "new" programs that were never done before. Also plan to go into more new markets.
- Expand service center concept, expand in-house training and explore Internet sales potential.
- Focus on an ongoing internal improvement program to reduce/eliminate errors and improve customer services. ■

WD Methodology

WDs are represented by 137 employees who completed questionnaires via a URL link for the 2004 State of the Industry report conducted by *Aftermarket Business* and *Motor Age*. The number of responses received for this study means that the results are at the 95 percent confidence level, ±4 confidence interval.

Areas of responsibility for WDs included managers 43 percent of the time and owners/presidents 40 percent of the time. Administration answered questions 11 percent of the time and sales/marketing account for 10 percent of input. Other respondents included purchasing and counterpersons.

In terms of annual revenue, 36 percent are employed by WDs with revenue less than \$5 million, 54 percent work at facilities with revenue up to \$100 million, and 10 percent report revenue up to \$1 billion.

One in three WDs are located in the South United States — most frequently Texas, Florida and Maryland. Twenty-six percent are located in the Midwest (most frequently Ohio). One in four has facilities in the West (notably California), and 11 percent are in the Northeast — most frequently New York and Pennsylvania.

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