

Issues and Opportunities

**Presented to the AAIA Combined PBES
and Trim Conference**

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By:

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Greetings

- The Adhesive and Sealant Council sends their best wishes for a successful meeting.
- The Council is a 125 member organization of adhesive and sealant producers and raw material suppliers.
- You are invited to log on to their web site at www.ascouncil.org for the latest information affecting the industry.

The Market

- The 2003 total market for after-market automotive coating products, adhesives and sealants is nearly \$2.4 billion
- Auto refinish coatings represent \$2.1 billion
- After market adhesives and sealants account for \$300 million

Typical Products

Refinish Coatings

- Base Coats
- Clear Coats
- Primers/Sealers
- Single Coat Enamel
- Hardeners
- Solvents
- Auxiliary Products

Adhesives & Sealants

- Panel adhesives
- Mirror adhesives
- Headliner/upholstery adhesive
- Convertible top products
- Windshield bonding & sealants
- Tapes

Issues

**Auto Refinish Coatings
Adhesives and Sealants**



All Products

The biggest “issue” facing the aftermarket supplier is creating an application environment, duplicating that of the controlled atmosphere found in an OEM production line and, at the same time, providing products that must be applied under “less than perfect” ambient conditions to duplicate the OEM performance.

Refinish Coatings

1. Refinish coatings are declining in demand

Why?

- Use of higher solids products
- Customer deferring repairs
- More efficient spray techniques (HVLP)
- OEM finishes are longer lasting

Refinish Coatings

2. Environmental concerns/regulations

- Requirements to use less solvent (250g/Liter)
- Lower isocyanate exposure
- Promotion of alternative products, e.g., radiation cure, waterborne, powder coating
- Introduction of plastic components with molded in color.

Refinish Coatings

3. Market Changes

- **Introduction of multiple tier brands from the major suppliers**
- **Growth in dealership-owned body shops**
- **Growth in larger repair shops and decline in smaller (1-5 man) shops**
- **Increasing complexity of insurance claims and meeting OEM warranty requirements**

Adhesives and Sealants

1. Adhesive & sealant products are growing in demand

Why?

- **Use of more plastic components**
- **More adhesives are used in fabricating auto body components**
- **All windshields are now a structural component**
- **Increase in use of tape products for trim**

Adhesives and Sealants

2. Environmental concerns/regulations

- California legislation for fabric (upholstery, convertible top) solvent adhesives
- U.S. EPA developing rules to limit solvent and isocyanate emissions
- Concerns over curing requirements

Adhesives and Sealants

3. Market Changes

- **More plastic components will require the removal and subsequent application of adhesives**
- **High end technical adhesives are being introduced**
- **Technical service and training in product use is going to become more common**
- **Small shops will find it expensive and hard to keep up with new techniques**

Opportunities

**Auto Refinish Coatings
Adhesives and Sealants**



Refinish Coatings

- Offer more value added services
- Introduce new products to meet environmental needs
- Respond to changes resulting from OEM auto design decisions (more plastic, novelty pigment effects, functional coatings)

Refinish Coatings

New Products:

- UV cure primer-surfacers
- High solids base coat-clear coat systems
- Water based base coats, clear coats
- Functional coatings (air pollutant removal)
- Exotic pigments
- PSA film coatings

Adhesives and Sealants

- **Increase in technical service for necessary training**
- **Customer will become more dependent on the suppliers (loyalty)**

Adhesives and Sealants

New Products:

- **Ambient cure structural adhesives**
- **Improved EPA compliant adhesive removal products**
- **Specialized application equipment**
- **More use of semi-structural tapes**
- **Water based adhesives to replace solvent containing products**

Summary

- **The near term future will see many changes in the market for adhesives, sealants and finishes.**
- **The aftermarket has the challenge of meeting the environmental as well as OEM product requirements.**
- **New products and application techniques will bring the aftermarket closer to the OEM producers in product and performance quality.**

Thank You

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