

Upholstery Business Rides Pickup in Truck Sales

AUTOMOTIVE: Surge drove Katzkin Leather to shift focus from import sedans.

By **CAROL LAWRENCE** Staff Reporter

As sales of new pickup trucks surge thanks to lower gasoline prices and an improving economy, Montebello's **Katzkin Leather Inc.**, a manufacturer of aftermarket leather upholstery for car and truck seats, is going along for the ride.

Three of the top five best-selling vehicles in the United States last year were pickups – up from two the year before – and Katzkin has taken note. The company shifted its focus from marketing to Honda Accord and Toyota Camry drivers to pitch its upgraded leather seats to truck owners, whose appetite for aftermarket accessories make them an easier sell than sedan owners.

“We see an opportunity to grow our business along with the growth in trucks,” said Chief Executive **Tim Clyde**. “We also know that truck owners prefer leather to cloth.”

The company commissioned a study in 2013 that found about 70 percent of the 5.2 million trucks sold over the past five years were sold with cloth seats. To Katzkin, that meant opportunity.

“Trucks are the most accessorized vehicle in the market,” said **David Giddings**, vice president of marketing. “Consumers are buying them not only to accessorize them, but they also demand luxury accessories.”

Patterns and marketing materials developed for the growing truck market, together with the rising truck purchases, have boosted revenue of sales to truck owners by 10 percent so far this year compared with the same peri-



Hot Seat: Giddings, left, and Clyde at Katzkin Leather's Montebello facility.

od last year, Giddings said.

The company's customers are mostly new-vehicle buyers who skipped the pricey leather packages offered by dealers, which can run to more than \$5,000. Katzkin's network of about 4,000 dealerships across the country, which each establish their own process, charge from \$1,500 to \$2,000 plus installation for their packages.

Owners of Jeep Wranglers are the biggest Katzkin customers at Mancari Chrysler Jeep Dodge Ram, in the Chicago suburb of Oaklawn, one of Illinois' largest dealerships. The business has been selling Katzkin upholstery for at least eight years, said parts director Mike DeMarco, who handles the sales of Katzkin upholstery.

Those buyers, he said, have no problem

paying extra to add Katzkin's upholstery; many will spend up to \$20,000 on aftermarket accessories such as special headlights, side steps, tires and leather upholstery, DeMarco said.

“Wrangler is probably our most customized vehicle,” he said. “Customization is really important.”

High road

Katzkin Leather was co-founded in 1983 by siblings **Mitchell** and **Lesley Katz** and sells its leather upholstery to restylers who install the material in vehicles through their own network of dealerships. The company was acquired by Newport Beach private equity firm **ClearLight Partners** in 2007. The Katzes are no longer with the business.

Most of the leather the company stitches together at its factory – white with brown blobs to resemble cow hides – comes from Brazilian tanneries that the company has done business with for at least 20 years.

Those long-term relationships help the upholstery maker avoid fluctuations in leather prices, Giddings said, though they can still be driven higher or lower by issues such as drought, rising or falling demand for beef, demand for hides from the auto industry and a shift away from grazing land in Brazil to more lucrative crops such as soybeans for the biofuel industry.

Katzkin generates 80 percent of its \$60 million to \$90 million in annual revenue – the company declined to be more specific – from sales to aftermarket installers.

Truck drivers are apparently less fazed by higher prices for Katzkin's custom designs and patterns and two-toned leather, which cost slightly more than its single colors and pattern-less designs and have become its bread and butter.

“They're going to have a higher propensity to want to buy aftermarket leather than other segments, so your conversion rate is going to be higher than other customers,” Giddings said.

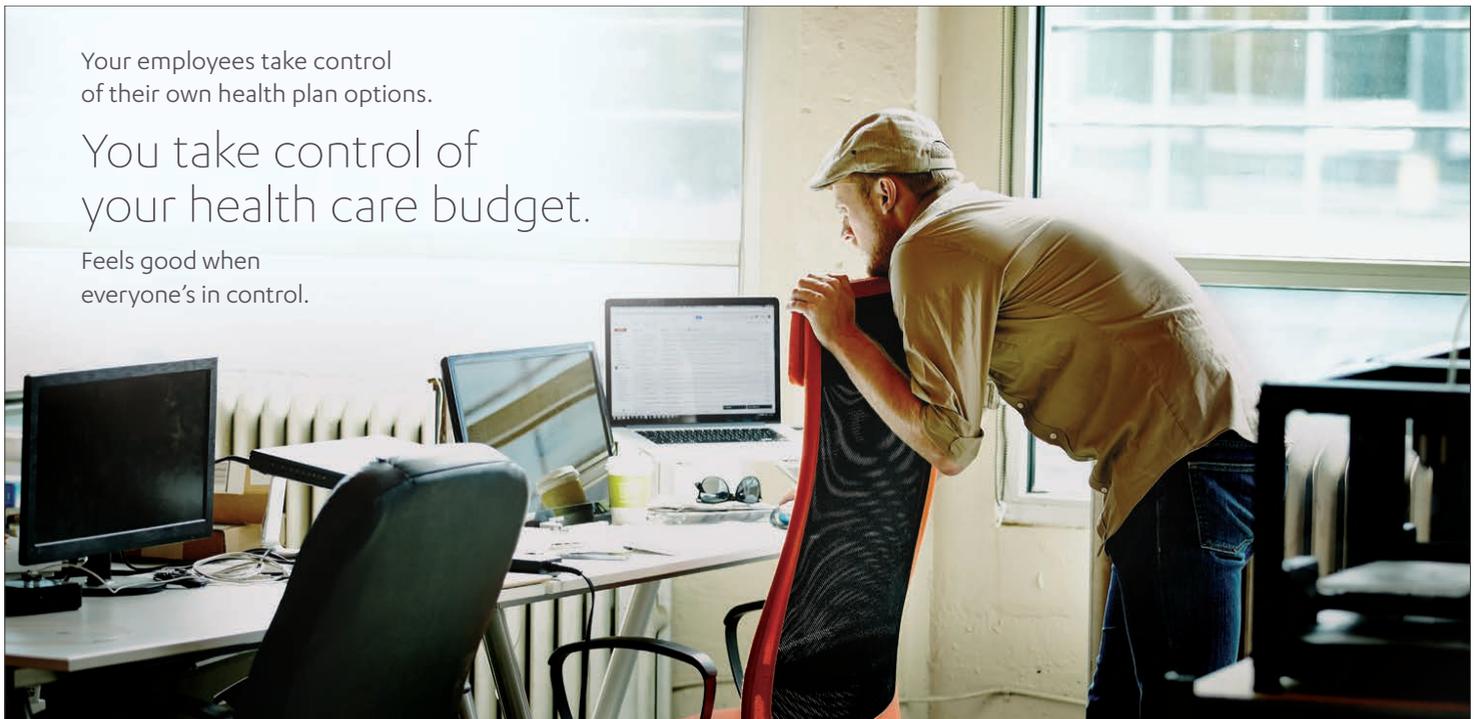
Peter MacGillivray, vice president of communications and events for **Specialty Equipment Market Association**, a Diamond Bar-based trade association for specialty parts and accessories manufacturers, said Katzkin's boost in revenue from truck sales is part of a rising tide that the industry is experiencing. Revenue in the aftermarket specialty sector rose 10 percent to \$36.3 billion in 2014 from the prior year.

“The industry has really woven itself into the fabric of mainstream America,” he said. “People have expectations. They can personalize anything.”

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