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Fellowes Research

Aftersales Solutions - July 2020 - News & Articles



Founder's Notes

Aftersales Solutions' mission is to generate discussion & collaboration on aftersales and the solutions that boost parts sales and facilitate fixed-operations.

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Feature Articles

This month, the newsletter's Feature Article is another in our series on new eCommerce strategic offerings or directions from a leading SPM solution provider.

EPCLink

Innovation in OEM Parts eCommerce. Wholesale OEM serviceparts eCommerce was initially built to offer shops, fleets and other commercial buyers an additional, often-more-efficient, mechanism to submit replacement parts orders. In the early years of OEM wholesale parts eCommerce, the added value of submitting orders online rather than via a phone call or fax was limited to efficiencies and convenience for dealers and shops (24 x 7 ordering, no waiting on hold ...). This drove a steady but gradual growth in the share of parts orders placed online. Parts eCommerce is now growing at an accelerating pace as replacement OEM parts eCommerce increasingly incorporates innovations that deliver distinct, new types of added-value.

Several parts eCommerce platform providers have applied 'Blue Ocean' thinking to 'change the rules of the game' by expanding the original purpose of their wholesale parts eCommerce platforms. Examples include (1) transforming eCommerce into OEMs' primary mechanism for communicating promotions such as 'conquest' pricematching, (2) reshaping parts eCommerce into an eProcurement extension of shop management systems and (3) aiding insurers. This article focuses on another eCommerce advancement: nearly complete automation of dealers' processing of inbound eCommerce orders.

Automating Seller Order Validation. How (you ask) can automating parts eCommerce order processing by dealers (that is, sellers) have a meaningful impact? Glad you asked. Consider the process of ordering of parts by collision-repairers. For the 95% of collision-repairs (in North America) paid by insurance, the repair shop must use a collision-estimating system (CES) approved by the vehicle's insurer. The CES generates a list of new OEM parts (as well as 'Aftermarket' and 'Salvage' parts) required for the repair – though a fraction (experts suggest from 10 to 25% depending on the OEM) of the part numbers presented by the CES will not be accurate (with errors due to the vehicle's options or to part number supersession). It's also the case that parts required by the OEM for safety (or to sustain the warranty) may be omitted from the list. When the dealer receives orders via eCommerce, because returns are expensive and adverse to the repair cycle, dealer parts departments often entirely re-specify orders' part numbers using their OEM EPC – manually. In this way, errors are corrected before parts are shipped and, in some cases additional parts are identified. While this takes less time and is less disruptive than creating a collision-repair order while on the phone with a body shop, it is still time consuming and parts staff rushing through re-specification may not identify all an order's missing parts.

In addition, parts that don't fit the target vehicle must be returned - creating the risk that returned parts or its packaging will be damaged – costs generally absorbed by dealers.

Now let's look at it from the repairers' perspective. If even one part in a multi-part order delivery is wrong, the repair will be delayed – resulting in a loss of productivity, a hit to customer satisfaction and adversely impacting performance metrics that insurers track (such as key-to-key cycle-time). This includes the time and effort for the shop to isolate parts to return and arrange for their return. And if the order was missing essential parts – for example, inexpensive fasteners – the shop may be liable for problems that follow.

The question is can this: can the process be further improved to reduce dealership parts department labor, boost accuracy and identity more 'missing' parts? OEC claims the answer is their just-released EPCLink.

Embedded EPC - Dealer Workflow. OEConnection's first step in automating dealer processing of inbound parts orders is to build an EPC from OEM parts catalogs, OEM vehicle build data (RPO-type or BoMs) and additional OEM parts data (such as supersession). This requires close coordination with and support of the OEMs.

EPCLink operates by linking part numbers in an order to the appropriate catalog section (filtered by VIN) – that is an illustration (or a few closely related illustrations) and the associated parts text. In practice, dealer parts counter staff (1) select an inbound eCommerce order (from within the OEC 'dealer portal') and (2) with one click launch EPCLink which automatically finds every part on the order and generates a link to the appropriate EPC section for each part number on the initial order (eliminating the manual process of searching one part at a time). If a part number cannot be found in the OEM parts catalog, EPCLink checks the OEM's master parts file as well as the OEM's supersession file and provides a link. Finally, EPCLink will perform a keyword search on the part name – if needed.

In EPCLink, dealer parts staff can select parts from the displayed section of the OEM parts catalog to replace incorrect parts. They can also add to the eCommerce order. (At this point dealers will seek buyer confirmation of the changed order.) Dealer staff can also mark-up illustrations and create text notes to be sent to the buyer for review.

Status. OEConnection in mid-July launched EPCLink for FCA (Fiat-Chrysler) and is positioned to add OEMs to EPCLink later in 2020. According to OEConnection, pilot testing with dealers over the last few months suggests that dealers will a save a third of their time spent searching to validate parts orders while selling more parts and boosting buyer satisfaction.

OEConnection's Tim Perry noted that EPCLink sets the stage for further advances and additional extensions of OEC's EPC and eCommerce solutions.

EPCLink is a subscription product with fees for the dealer. For now

News & Events

Miles & Repairs.



CCC reports, based on the

number of collision-repair estimates processed, Q2 2020 collision repair claims are down 35% from a year earlier, June was down only 26% a significant improvement compared to April's greater than 50% decline and May's 34.5% decline.

Read more.

CollisionWeek reports that the four-week moving average of gas consumption had bounced back to just 10% less than last year for the week ending July 10.

Read more.

The good news is that the bad news appears – for now – to be easing.

Right-to-Repair.

A major extension to the Right to Repair - applying to cars & trucks and covering 'smart car' vehicle status and diagnostics messaging - is now slated to appear on the November 2020 Massachusetts ballot after vehicle manufacturers withdrew a legal challenge against it. Remember that it was the earlier Massachusetts ballot initiative that set our current nationwide standard for right-to-repair commitments in automotive.

Read more.

The Massachusetts Secretary of State – in mid-July – approved "Right to Repair" for November's ballot.

Local Delivery.



RevolutionParts authored an article in the current edition of FixedOps Magazine further detailing local delivery of parts for wholesale parts eCommerce. While primarily focused on retail parts eCommerce solutions for automotive dealerships, the recently added local delivery functionality (covered in previous issues of this newsletter) aids RP in adding focus and improving CX for dealers' wholesale parts buyers.

Read more.

Acquisitions.



OEC acquires NuGenIT. Privately held NuGenIT – which "provides integrated workflow applications for collision repairs, and data mining and reporting capabilities for the collision and insurance industries" – was acquired in mid-July by OEC. This is OEC's third acquisition in as many years - the second which is focused on the collision sector. NuGenIT is the first significant OEC acquisition focused on the North American market.

Read more.

Answers

Question: What are the remaining barriers to wholesale OEM parts eCommerce?

Answer: I get some version of this question from folks in the investment community often. There are a number of remaining barriers - in this 'Part 1' answer I cover a key set of barriers - more in future editions of Aftersales Solutions.

In the North American automotive market, dealers have demonstrated a willingness to participate in whatever parts eCommerce solutions are preferred by a sufficient number of parts buyers – if the fees are not outliers. Dealers even participate in multiple, comparable eCommerce platforms to meet customer requirements. With few exceptions, it's all about the buyer. So, what makes for improved customer experience (CX) for wholesale buyers? Convenient, easy-to-use, quick-to-use ways to accurately specify the full set parts consistently. For complex assets – cars, trucks, heavy equipment, and more – this will mean a user-friendly EPC built from OEM parts catalogs and vehicle/equipment configuration and option databases.

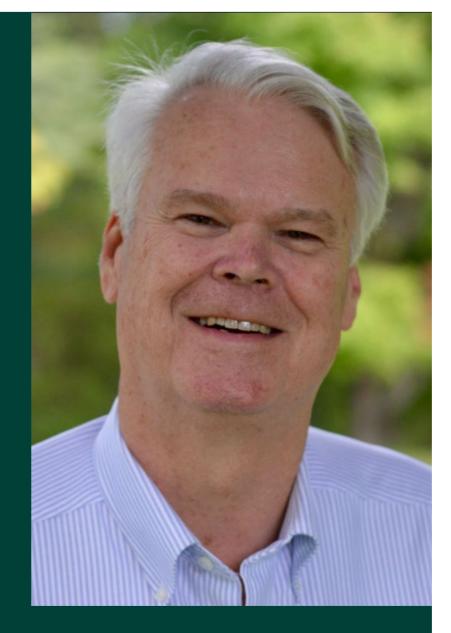
For ease in building accurate, comprehensive parts lists – in many cases – we can do better than a great EPC. The superior CX approach would be to enable buyers to select the repair or maintenance procedure and enter a VIN or serial number – to be presented with a virtual kit of parts (or list of part numbers) specific to the VIN or serial number that enables the procedure to be completed. While not yet common, this approach isn't a stretch – think highly granular service menu combined with an automated fitment engine (to convert 'part-type' to part-number that fits the target asset. One day – likely before the end of this decade, this will be the most common parts specification mechanism.

Readers, please <u>submit questions</u> – for our version of FAQs.

About Our Newsletter

Fellowes Research publishes a newsletter monthly (plus special editions). Monthly editions include a 'Feature Article' section with one – or more – articles on industry topics. Newsletters contain a summary of each 'Feature' – with a link to the full story.

Each edition includes a 'News & Events' section 'Coming Soon' identifies projects underway and being planned. Our newsletter closes with an 'Answers' section – responding to questions that subscribers ask.



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