Fellowes Research

Aftersales Solutions - December 2019 - News & Articles

Founder's Notes

This newsletter is meant to boost communications & collaboration on service-parts and the digital solutions that automate and improve parts sales and operations. Forward this newsletter to others with shared interests. If you are willing to collaborate on an article or post, please contact us. Thanks.

If you are reading a forwarded copy of this newsletter, get your own subscription. We also recommend visiting the Fellowes Research website.

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Feature Articles

In this edition, we have one Feature Article: 'Right to Repair' followed by a Counter-Point commentary.

Right-to-Repair

On the surface, Right-to-Repair (R2R) is about owners of durable products – products that are worth maintaining and repairing – having options to keep those products running well. Below the surface – particularly for replacement parts – R2R is a titanic struggle between divergent business interests. It's a hot topic, politically active, a public relations challenge for OEMs – and we are facing a sea change.

Why this is Important. For automotive, truck and equipment manufacturers, the impact of R2R on parts and service revenues is huge – potentially shifting billions ($) between winners and losers. Separately, R2R presents risks and opportunities for OEM and dealer systems suppliers.

To read more, continue to the full article.

Counter-Point

A widely respected member of the automotive aftersales community has written to challenge my views (above) on R2R. S. Scott Shriber, Group Publisher for Babcox Publication has worked both sides of the fence: OEM and AM – his response:

> Ted, as always, great article. You seem to have a firm grip on the subject. There are many aspects of this very difficult and entangled issue. I too am deeply concerned about this issue for many reasons. When I take off all of my conflicted business hats, it comes down to one simple issue in my mind. I have been the victim of this and believe me it does not feel good. OEM's sell data that should belong to the vehicle owner. I was not told it would happen nor did I give my permission. This is being turned into a cyber security issue when it should be a personal data privacy issue. The industry can solve the security issue, that is merely an IT subject. I believe the Auto Care Association and the AASA already have a cyber secure solution developed. We need to protect the rights of all vehicle owners and not allow this to be used as a deterrent to free choice for repairs.

To read more, visit the original blog post and scroll to the bottom for 'Comments' where you will find Scott's comment and my response.

News & Events

New Parts eCommerce Solution in North America. Solera (through its Audatex Canada unit) is powering Fix Network Canada's new Fix Network Parts Program. With the goal of optimizing parts sourcing and purchasing, Solera and Fix Network are launching the program exclusively to the Fix Network family of collision brands – Fix Auto and ProColor Collision – the largest group of collision repair facilities in Canada – beginning in December 2019.

"We welcomed the opportunity to work with the Audatex team on the Fix Network Parts Program as they are the industry leaders in designing software solutions to help streamline business processes and enhance operational efficiencies," said Steve Leal, President and CEO of Fix Network World. "The Parts Program is a game-changer; gone are the days of extracting OEM parts from estimates, then making a call to a dealer to order the part which is time-consuming and inefficient, and decreases shop productivity."

Fix Network Canada reports that the Parts Program will create a new ecosystem in which all key stakeholders collaborate to optimize the process of sourcing and purchasing parts. The earlier Fix platform has been enhanced to allow shops to source parts right out of the estimate, communicate with OEM-franchised dealers through chat and email, price match, order parts, track delivery dates, report on backorders. The new program can read both Audatex and Mitchell estimates [editor's note: the vast majority of collision repairs in Canada are covered through these two CES solutions], evaluate individual insurance parts instructions and search all parts (new OEM and Aftermarket) in about 30 seconds.

CIECA standards are being followed for file transfers between shop CES and the Parts Program for parts ordering.

Fix Auto and ProColor collision repair facilities will exclusively use the new Fix Network Parts Program for all parts ordering – except, according to Fix Network's Supplier Relationship Manager, Emmanuel Gyebi, "where our insurance partners are currently set up with other software … the only exclusion is insurance mandated software in the interim … only one insurer is an exclusion in Canada at this point. All other insurers will benefit from our new parts program."

When asked about OEM promotional pricing programs, Gyebi responded that integration to OEM pricing programs are on the roadmap for future implementation. He then addressed dealer participation: "One thing that needs be emphasized is that the software is an enabler – the real program is the OE dealer network that we are building." Adding that the program "will be the lowest cost in terms of overall investment for a dealer in the market today, low monthly fees and low rebates back to shops and insurers. No fee for the software per se, software usage is included in the benefit of the monthly membership fee for dealers. Only select quality dealers will be allowed to participate in the program."

The new program is being rolled out province-by-province.

Read more in the Fix Network Canada press release.

Why this is important. First, Solera has deployed OEM parts eCommerce in Europe and Latin America (often under the brand "InPart") and this is their first major collision-repair parts eCommerce win in the U.S./Canada market. Second, this is another example of an MSO selecting a preferred parts eCommerce partner (like the OPS partnership with Service King in the U.S.)

Read more in Repairer Driven News – November 2, 2015. Read more in Solera Press Release – 2015.

Reynolds and Reynolds. An update to our November newsletter: according to an industry source, TradeMotion (the dealer parts website provider acquired in 2017 by R&R) is closing and R&R is stepping out of the retail eCommerce business… [Editor's note: as reported last month the R&R-acquired Parts.com website states "Parts.com is no longer processing new orders". And, as described below the parties are in litigation – though on apparently unrelated matters. See below.]

From Automotive News November 23: "Dealership management system giant Reynolds and Reynolds has been sued in Texas … over allegations that Reynolds falsely blamed auto parts provider TradeMotion for data breaches in 2017 and 2018. The breaches appear related to the TradeMotion and Parts.com websites and not to Reynolds' DMS clients." The article goes on to report that R&R representatives view this suit as retaliation for a separate lawsuit Reynolds filed against Automotive Capital Ventures in April in federal court in Texas adding, "Today, Automotive Capital Ventures is affiliated with software company i3 Brands and subsidiary PartProtection, which offers warranty protection on auto parts" Read more.

These two suits were proceeded by additional litigation. The Dayton Daily News reports that in January 2019 "i3 Brands … has sued Reynolds, charging that … [Reynolds] is 'conspiring with CDK Global to improperly form a duopoly to dominate the auto dealership tech sector'." Read more.

Why this is Important. The dealer parts website eCommerce space – largely facilitating retail sales ("eTailing") – has been seen rapid innovation and a shift towards digital marketing expertise and may now be facing a shake-out to fewer, more focused and stronger providers. Note: this exit does not impact the larger online wholesale parts market.

R2R. The Massachusetts Right to Repair Coalition issued a press release in early December 2019 stating "Sufficient signatures to ensure an initiative petition to enact … [an] update to the Commonwealth's Right to Repair law reaches the 2020 ballot. The Coalition … said that a lack of progress on an update to the law in the Legislature led them to pursue an initiative petition so that Massachusetts car owners will continue to have access to the repair and diagnostic mechanical information produced by the vehicle they own.

"By 2020, advancements in-vehicle technology … will result in more than 90% of new cars being equipped to transmit real-time diagnostic and repair information wirelessly to vehicle manufacturers, threatening the rights that Massachusetts car consumers enjoy today to choose to get their cars fixed at trusted independent repair shops or do the work themselves.

"The ballot initiative would give car owners access only to the diagnostic and repair data generated by their car, and they could opt to provide access to any dealer, repair shop, or automaker that they choose during the lifetime of their car."

The ballot initiative states: "Commencing in model year 2022 and thereafter a manufacturer of motor vehicles sold in the Commonwealth, including heavy duty vehicles … that utilizes a telematics system shall be required to equip such vehicles with an inter-operable, standardized and open access platform across all of the manufacturer's makes and models. Such platform shall be capable of securely communicating all mechanical data emanating directly from the motor vehicle via direct data connection to the platform. Such platform shall be directly accessible by the owner of the vehicle through a mobile-based application and, upon the authorization of the vehicle owner, all mechanical data shall be directly accessible by an independent repair facility … " Read more.

Just the facts: all telematics vehicle information for cars and trucks starting in model year 2022 (effectively mid-2021) must be available online to vehicle-owners and the shops they designate. Earlier vehicles will continue to be covered by the first round of R2R legislation (and the MOU between the OEMs and Aftermarket) which enables access to diagnostics via a physical connection to the ODBII port in all vehicles starting with model year 1996 (as well as OEM diagnostic, service and parts technical information). This second round of R2R for automotive and commercial trucks may allow the vehicle-owner to block ongoing access to vehicle data by the OEM and dealers (which could raise safety, EPA compliance, recall and other issues). A cynic would ask: will a repairer be able in the small print of repair order terms to assert that the vehicle-owner authorizes the shop to have indefinite access and ending access of all others?

Also. The ballot initiative will be dropped if the Massachusetts legislature enacts comparable legislation. The reported language appears not to exclude collision-related telematics – but perhaps not.

Why this is important. Smart vehicles – actually all IoT devices – can remotely contact their maker with diagnostic information. In the case of a smart car, the vehicle may direct the driver to a nearby dealership and/or the OEM may call offering to schedule an appointment for the necessary service work at an authorized facility. The independent repairers and parts makers want to contacted first or at least to reach out immediately to the vehicle-owner with a pitch to bring the vehicle in for service. (One reason that OEMs care is that franchised dealers are more likely to use genuine OEM parts than independent repairers are. OEMs' share of replacement mechanical-repair parts in $ terms is widely thought to now be under 20%.)

For further information on R2R see Right-to-Repair in the 'Feature Article' section above.

Coming Soon

Parts eCommerce Transaction Volumes. My preliminary estimate is that automotive dealerships in the U.S. will sell $5B in OEM parts in 2020 – the majority via wholesale channels.

In the next several editions, the Fellowes Research newsletter will focus on finetuning this estimate of eCommerce volume. Our goal is to generate parts volume estimates by market and then identify rates of growth and trends. The markets we will estimate include: (1) collision-repair, (2) mechanical-repair, (3) dealer-to-dealer and (4) retail.

Canada will be addressed separately later. We will also look at total parts volumes – all part types – sold online.

One driver of this effort: a series of articles in Automotive News this fall reported that the majority of online automotive parts sales in the U.S. passed through Amazon and that Amazon's share was growing. While this may be correct for total retail online sales of automotive parts in the U.S. – it is clearly not true when wholesale transactions are accounted for. This story is also likely misleading for OEM parts sold via retail eCommerce. I'm leading an effort to paint a more comprehensive and informative picture of the industry.

The good news is that substantial public information on parts volumes sold online (and via all channels) is available – and more information has recently become public. More good news: several leading parts eCommerce providers have agreed to participate in our project.

Readers who are willing to help estimate eCommerce transaction volumes – providing feedback on our assumptions and calculations – are asked to contact us.

Parts eCommerce Webinar. Mark your calendars: on February 25 at 1 p.m. (Eastern) I will be a guest presenter for a webinar of OEM parts eCommerce and the potential impacts of megatrends. Details will be posted in the first half of January.

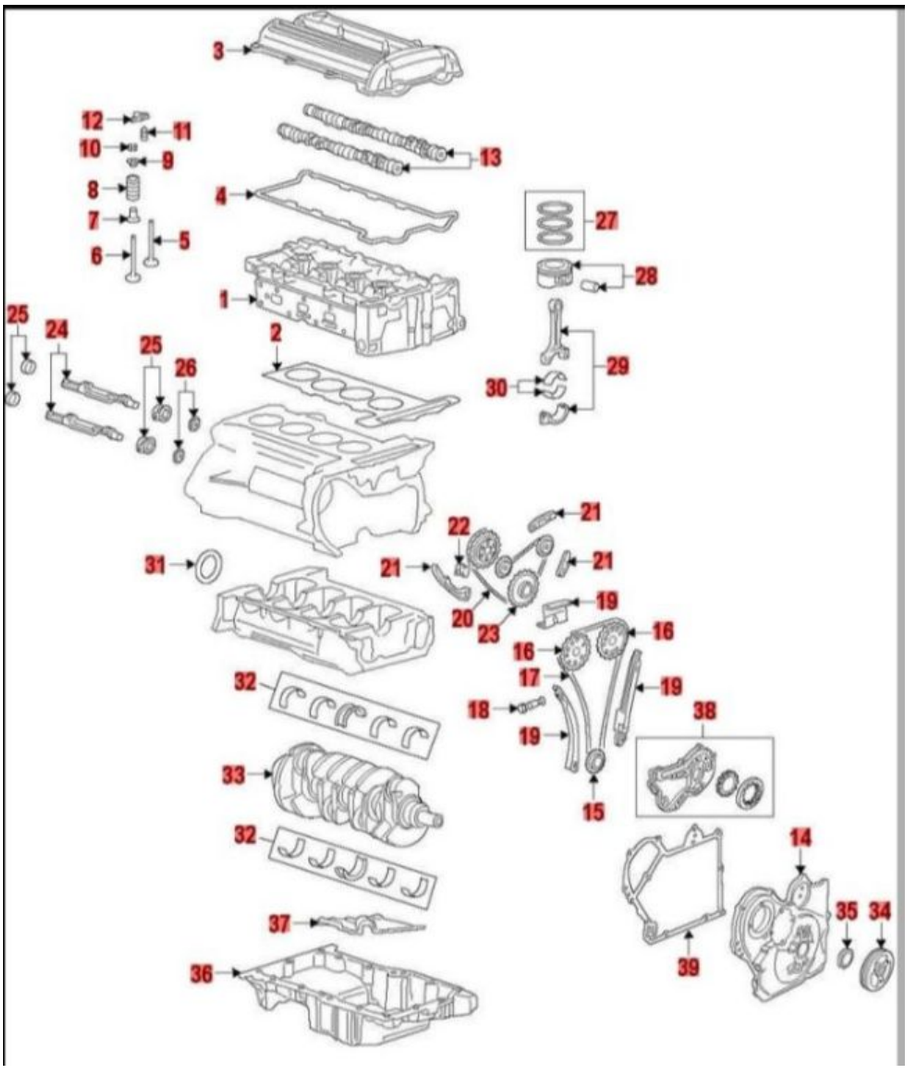
Questions & Answers

Question: How can I best implement callout capture of parts catalog illustrations so as to enable hotspot display in an EPC?

Answers: In the early days of EPCs, I was involved in having a world-renowned, technology-focused university custom-build a tool to cycle through scanned illustrations (TIFF images at the time) and for each, locate all callouts (that is, record their spatial coordinates) and OCR the content of their labels. For example, each callout within an illustration had a pair of coordinates defining the upper-left corner and the lower-right corner of a rectangle that exactly covered the displayed call-out label. (A single coordinate at the center of a circular callout label works as well if the values are all one or two digits/characters.) Callouts also had a 'value' for their label – such as '23' or '4523-8976' or 'B47C'. One of the complexities is separating out page numbers, art IDs, comments, links to other illustrations and more.

Building the scanning software took many months and over $250k. The good news is that you no longer need to re-create the wheel: you can license the tools or even go to service bureaus that have already licensed the tools (for a one-time project or overflow work).

A firm that merits a shout-out is Larson Software Technology they primarily develop graphics software solutions for the aerospace, automotive and manufacturing industries. One of the solutions is capable of processing and hot-spotting batches of raster spare-part technical illustrations. The unique OCR (Optical Character Recognition) technology provides a color-coded confidence value for each transformed call-out. The solution enables access to the transformed text, providing the user with the ability to confirm or edit the callout value. As part of the transformation a text file is generated for each illustration, providing the call-out coordinates and associated label. The process can provide huge time savings, and improve the overall quality of the final deliverable.

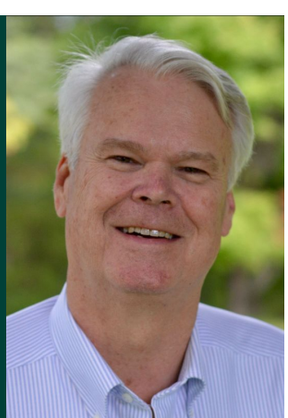


Example graphic provided by Larson Software Technology. Each callout is highlighted in a red rectangle.

Learn more about coordinate capture for hotspots via a two-part blog post from Larson Software Technology.

Readers, please submit questions – 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.

A 'News & Events' section covers OEM program announcements, product launches and other news. Events involving Fellowes Research are also identified. A 'Coming Soon' section identifies projects underway and being planned. Our newsletter closes with an 'Answers' section – responding to questions that subscribers ask.

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