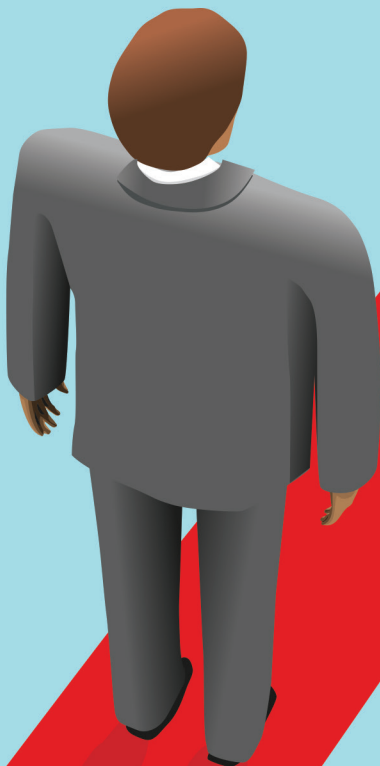


# Fixed ops



## DECISIONS...

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The Safety Recall Mess

What's a Service Advisor Worth?

# GM ADVANCES REAL-TIME PARTS PRICING

BY TED FELLOWES



*GM Customer Care and Aftersales World Headquarters in Grand Blanc, Michigan*

MyPriceLink (MPL), GM's new Parts list-price initiative, is the first **exclusively** real-time provisioning of Service Parts list prices by a vehicle manufacturer to its dealers and Parts buyers. GM expects -- and aftermarket Parts proponents fear -- that MPL will strengthen dealers' Parts businesses. GM turned to its JV affiliate OEConnection to implement and manage MPL.

MPL is an example of using systems to compete for Service Parts market share. Once GM successfully implements MPL, most automakers will follow suit (as they did with "conquest pricing"). The systems infrastructure inherent to online-only list price access enables a wide range of pricing and incentive programs. MPL may herald the most consequential innovations in automotive Service-Parts data/systems in years.

**New Pricing Approach.** Real-time pricing ("dynamic pricing" to some in the industry) is a strategy in which businesses abandon published price lists in order to flexibly set prices based on current market factors. Beyond the automotive industry, the use of real-time pricing is growing.

**OEM List Price Data.** For a century, automakers published their Service Parts "list" prices on paper. In recent decades, OEMs licensed Parts price files to data aggregators and other intermediaries as well as directly to dealer and shop systems providers. Despite restrictions, OEMs' proprietary Parts pricing information leaks into the pricing systems of alternate Parts suppliers. These competitors of automakers' OE Parts generate prices for their alternative Parts by flexing off automakers' list prices to: 1) win greater market share relative to genuine parts; and 2) avoid pricing "too" far below the OEM parts price.

**Motivations.** Real-time list price access frees automakers from the costs of publishing list prices and licensing price files. Real-time access also eliminates the errors and costs of buyers using outdated prices. With MPL, GM will provide list prices reflecting the specifics of each transaction. (And online list price infrastructure enables automated incentives for direct buyers, indirect payers and channel partners).

Forcing alternative Parts suppliers to price without access to OEM price data may

undo advantages (in share and average margin) that alternative suppliers seek from using OEM list prices.

## List Price Access.

◊ MPL replaces publication of list prices for GM's "collision" Parts (prices for other items will continue to be published)

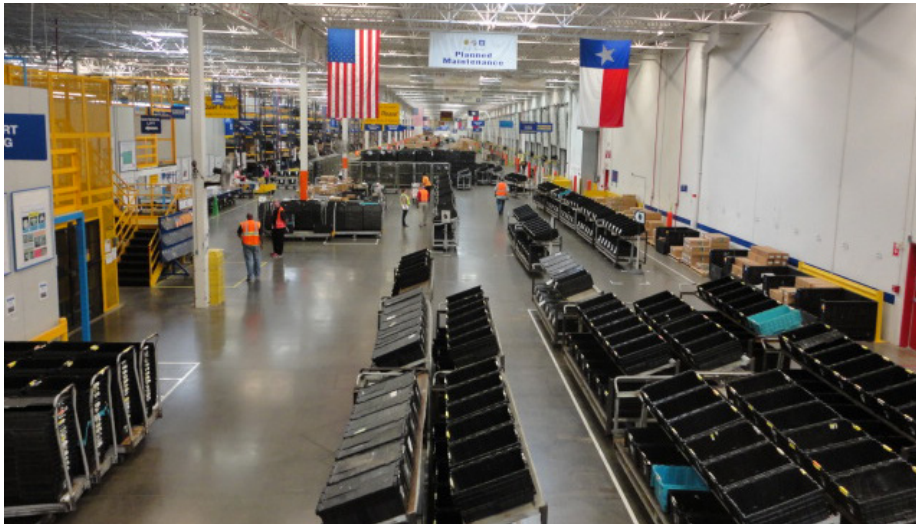
◊ MPL will enter pilot testing with two Application Programming Interfaces (APIs):

- CES API – for collision estimating systems (initially CCC, Mitchell International, Audatex)

- DMS API – "Parts Invoice Generation" (leading DMS providers)

- ◊ PPS API "Order Fulfillment" – for parts procurement solutions (such as OPSTrax or CCI's TRUE Parts Network) will be the third API

GM's Kris Mayer emphasizes two principles for MPL implementation: "First, ensure that GM owners have access to the right Parts information (both technical and pricing for their vehicle) at the critical point of the estimate being written without any workflow disruption, thus reducing supplements and improving cycle time for all involved.



GM Customer Care and Aftersales facility in Fort Worth, Texas

Second, that those needing GM list prices be provided real-time access through MPL”.

MPL requires users to identify a specific vehicle with each request, enabling GM to identify vehicle characteristics and (according to GM) provide real-time pricing aimed at making sure that each vehicle is repaired right the first time with the right parts, potentially avoiding a total loss or leakage to aftermarket parts.

**Dealer Workflows.** As GM collision Parts list prices will no longer reside in dealer systems, dealers will obtain list prices from MPL either by directly accessing the MPL tab in OEC’s dealer portal (which will be provided at no charge) or indirectly by having their DMS send real-time inquiries to MPL. (DMS Access depends on API implementation by the DMS provider and dealer enrollment in OEC’s CollisionLink Plus).

The dealer MPL application retrieves list price and previous “quote.” As MPL list price quotes will vary with market conditions, each quote is saved and later retrieved as appropriate.

**Shop Workflows.** Shop estimating solutions will use an MPL API. As a shop user builds estimates, their collision estimating system sends requests to MPL – less all

PPI (personal private information). OEC’s price engine then generates list prices for MPL. Because list prices are specific to each estimate, MPL saves each list price “quote.” Later, the shop’s estimating solution will retrieve previously-created quotes (as appropriate).

Insurers will access GM list prices via either an estimating application or CollisionLinkInsurance, a website designed for this purpose.

**What MPL is Not.**

- ◊ MPL does not change GM’s margins for dealer acquisition and sale of Service Parts
- ◊ MPL does not replace or eliminate GM’s conquest pricing program
- ◊ MPL does not set transaction prices (which remains between dealers and buyers)

**Timing.** GM first announced MPL in November 2014 (at SEMA). The market reacted swiftly, asking GM to identify less disruptive, integrated implementation approaches. GM paused MPL and engaged with shop and dealer systems providers. During the hiatus, APIs were defined, shared with industry stakeholders and implemented. GM dealers will see a new MPL tab in their OEC portal in September 2015 and market tests of MyPriceLink commence in select cities this summer prior to MPLs official launch (likely in late 2015).

**Impacts.** Implementing live-list pricing will boost OE Parts market share while preserving revenue and margins. Systems providers will need to identify potential workflow disruptions (for example, Service pricing applications must adapt to an occasional missing price) and then – when appropriate – work with OEC to validate and then implement an API.

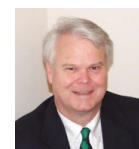
Brad Desaulniers, a leading voice in the Parts procurement field, said, “Many aftermarket and recycled Parts suppliers must define and implement completely new pricing systems immediately. If aggressively implemented by GM, MPL could significantly reduce ... late model alternative Parts sales and profitability.”

DMS providers are implementing MPL’s DMS API though several have complained that “GM should provide list price data via the DMS in a seamless manner at no charge (or product purchase obligation) to the dealers.”

**Conclusion.**

- ◊ Adoption of real-time pricing for spare Parts will spread to other automakers
- ◊ Aftermarket Parts suppliers will pursue real-time pricing
- ◊ GM will leverage capabilities inherent in MPL’s digital infrastructure to further boost OE Parts sales
- ◊ Real-time pricing will drive insurers, automakers and others into direct discussions
- ◊ Connected-vehicle and telematics, when added to the mix, will lead to further improvements of collision repair processes

MPL is a single salvo in the back-and-forth, healthy competition between Part-type supplier communities ... and the push-and-pull between insurers, shops and Parts suppliers.



*During 30 years focused on Service Parts systems and information services from the dealership, vehicle-maker and buyer perspective, Ted Fellowes has been a leader in dealer systems innovation – first EPC, first dealer Parts e-commerce and first web Parts locator. He has served in executive roles with Bell & Howell (now, Snap-on) and OECConnection. Five years ago he launched Fellowes Research which now has clients in North America, Asia and Europe, including vehicle manufacturers, consulting / investment firms, DMS providers and Fixed Ops solutions providers. Fellowes is the leading expert on automotive Service Parts e-commerce.*