Fellowes Research

November 2019 News & Articles

Founder's Notes

This newsletter's goal is to boost communications, discussion & collaboration on service-parts and the solutions that automate and improve parts sales and operations. Spread the word: 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.

In this email:

- Parts eCommerce Solutions – Comprehensive Overview
- Parts eCommerce – Summary Charts
- Parts Locators – Comprehensive Overview
- News & Events
- Coming Soon

Feature Articles

Our November edition of the newsletter has three Feature Articles: (1) an overview of the categories and types of OEM Parts eCommerce; (2) charts summarizing parts eCommerce attributes (3) a *conceptual* review of Parts Locator solutions.

Parts eCommerce Solutions – Comprehensive Overview

> Introduction. OEM parts eCommerce solutions are not one-size-fits-all – there are four distinct categories based on buyer-class: (1) collision; (2) mechanical; (3) consumer; (4) dealer. This is not arbitrary market segmentation – each buyer class has distinct – and determinative – ordering processes. There are also four distinct types of parts eCommerce solutions: (1) portals; (2) dealer websites; (3) marketplaces; (4) OEM websites. There is no simple one-to-one relationship between eCommerce category (buyer community) and solution type.
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> Why this Matters. Approximately $5 B of automotive OEM parts will be sold this year by North American dealerships via Parts eCommerce solutions. Additionally, the providers of these solutions are on a approach path to $100 M in annual fees in the 2020s. Finally, parts eCommerce solutions are central to other dealer systems with substantial synergies to other fixed ops solutions.

To read more, continue on to the full article.

Parts eCommerce – Summary Charts

Introduction**.** Synergies between parts eCommerce and other dealer solutions are substantial and vary widely across multiple factors which these charts spell-out.

Why this Matters. For readers with a horse in the race (an eCommerce solution, EPC or other dealer solution) these charts reveal the extent to which an eCommerce provider could represent a threat or opportunity (acquisition, alliance, integration) to your interests.

To read more, continue on to the full article.

Parts Locators – Comprehensive Overview

Introduction**.** Parts locators are one of a few digital solutions for spare parts that fill both 'selling' and 'supply chain' roles. Critically, they convert many isolated individual inventories into large virtual inventories – increasing same-day and next-day fill-rates while allowing investments in individual physical inventories to remain flat or decline – and potentially curbing scrap.

Locators provide users access with (1) their own parts inventory, (2) other dealers' inventories, (3) potentially, the inventories of authorized distributors, (4) occasionally the inventories of OEMs' direct-to-dealer suppliers; (5) OEM PDC inventories.

Parts locators are inherently OEM-specific – dealers (with few exceptions) stock only parts distributed by the OEMs that franchise them.

Why This Matters. Parts locators facilitate several billion dollars of trade per year in the U.S. automotive OEM parts market. And they generate significant fees for the developers and publishers of parts locators.

Parts locators also enable backorder referral solutions as well as add valuable capabilities to other service-parts solutions.

To read more, continue on to the full article.

News & Events

GM CCA – eCommerce Price Policy. GM recently announced an eCommerce Price Policy that will implement an Electronic Minimum Resale Price (eMRP) – read the press release. Read the full eMRP policy document.

From RepairerDrivenNews: "GM customer care and aftersales spokeswoman Christine Kunde confirmed that the policy would apply both to the GM and ACDelco parts.

The policy might prevent GM dealers and wholesalers from undercutting other dealerships with heavily discounted prices, fostering a price erosion which could affect collision repairers and mechanics' revenue as well.

'The minimum retail price will be applicable to everyone selling parts online,' Kunde wrote." Read the full article.

GM's eMRP webpage.

Word on the street is that the initial list from GM is only 30 parts such as A/C compressor, oxygen sensors, and fuel pump modules.

Fellowes Research invited several leading firms to comment. RevolutionParts responded: "RevolutionParts partners with OEMs and their franchise dealer networks to sell parts across a wide variety of channels while protecting profitability, the integrity of brands and the investments of dealers and OEMs. That commitment includes easy and automatic implementation of MAP and eMRP programs throughout the dealer network so dealers can comply with no additional hassles. This, in turn, allows brand protection to focus on actual bad market actors and minimum to no infractions from dealers selling through the

RevolutionParts platform."

An anonymous expert noted: One of the foreseeable difficulties is how GM plans to police and enforce its policy.

FCA Digital Certification – Online Parts Store. At the end of October, RevolutionParts announced its participation in FCA's 'Online Parts Store' Digital Certification program. Co-founder Andreas Ronneseth added "RevolutionParts is excited to be recognized as an FCA Digital Certified provider. FCA franchised dealers now have access to the premium parts commerce platform in the industry with an accurate Mopar parts catalog to drive more sales than ever." Read more.

FCA has also certified SimplePart and Autodata according to FCA's program description. Read more.

Why this is important. Dealer parts eCommerce websites have until recent years used either (1) parts catalog solutions built from all-makes, ACES-normalized data sets licensed from independent data publishers or (2) integrated to OEMs' EPCs. The first approach is effective but has several drawbacks (covered below). The second approach was often blocked. Now, a third option has opened: dealer parts website providers licensing comprehensive parts catalog, parts data, and vehicle data sets *directly* from OEMs – enabling dealer parts websites to deliver superior VIN filtering, 100% parts coverage and high-quality OEM-generated illustrations. Will more OEMs license their catalog data more broadly? If so, what are the implications? Engage with us.

SimplePart has is also publishing FCA-provided catalog data in its eCommerce Catalog for FCA dealer parts & accessory websites.

Parts.com. Included in the 2017 acquisition of TradeMotion by Reynolds and Reynolds (Automotive News) was the Parts.com website which now displays "Parts.com is no longer processing new orders." A request for comment has been sent to Reynolds and Reynolds – expect and update in the December newsletter.

Collision OEM Conquest Pricing.

CCC recently announced that BMW U.S. (read more) and Nissan U.S. (read more) were implementing their promotional parts pricing via CCC's Promote (which presents promotional pricing for collision parts – and does so early in the process, while for shops are writing estimates in the CCC's ONE collision estimating solution).

In addition to BMW and Nissan, OEMs with promotional collision parts pricing programs supported by CCC include Honda (exclusive), Southeast Toyota (SET) and Fiat Chrysler (FCA),

This month, CCC also launched its photo estimate tool for collision shops (read more). This works as a lead capture tool and is especially powerful during off-hours.

OEConnection also announced a deal with BMW U.S. to support its conquest pricing program (read more). According to Body Shop Business "BMW and MINI are the 22nd and 23rd automotive dealer networks in North America to use CollisionLink to facilitate their parts marketing programs. With the addition of the BMW and MINI brands, the CollisionLink body shop network can now access parts marketing programs for over 91 percent of all consumer vehicles on the road in North America … By the fourth quarter of 2019, all BMW and MINI dealers will have access to their collision parts marketing programs via CollisionLink …" (read more).

GM Strike – Parts Locator Use. A wholesale parts specialist at a GM store noted that OEC's D2D was a key tool in dealing with the now-ended strike. That – at least for that dealer – use of the locator for selling and buying had surged in dealing with parts stocking imbalances during the strike. No metrics were immediately available.

Syncron. Syncron announced significant enhancements to its "Service Cloud that will further empower manufacturers to optimize their current break-fix after-sales service operations as they simultaneously lay the foundation for the inevitable shift to servitization and delivering products-as-a-service." (Read more.)

On the same day (November 14) Syncron also announced the launch of a new solution leveraging "… Machine Learning and Artificial Intelligence to efficiently analyze real-time sensor data, predict failures, prescribe optimized maintenance actions …" in order to maximize product uptime.

Henrik Lenerius, Chief Product Officer at Syncron, claims "Syncron Uptime, coupled with increasing data-transfer bandwidths (5G), IoT, artificial intelligence and Machine Learning, is paving the way for OEMs to facilitate predictive and prescriptive maintenance, optimize productivity and maximize product uptime more efficiently than ever before." (Read more.)

Q & A

> **Question**: How does proprietary OEM parts data leak to the aftermarket?
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> **Background:** I have been approached a number of times about projects for OEMs to identify how their proprietary parts information ends up in independent aftermarket solutions. I have also aided DSPs (dealer solutions providers) as they have navigated increasingly sophisticated and restrictive policies and audits of data licensing. Search the web for "EPC" or "electronic parts catalog" and the results are mostly shadowy entities offering to sell pirated EPC DVDs or downloads for nearly all OEMs. Finally, during trips to China, I have visited independent parts suppliers with illicit access to online EPCs for major automakers. To be clear, the problem is not limited to EPCs and parts catalogs.
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> **Answer**: Piracy of IP is a never-ending cat-and-mouse game. The challenge is that there are many potential sources of data leakage. A dealership employee may provide last month's EPC DVDs to an enthusiast or other unauthorized party. Or the DVD may be copied and duplicated. Or access to online EPCs may be compromised via shared or hacked passwords – or other means. Non-dealer authorized subscribers may be violating the EULA to re-purpose proprietary OEM data in either explicitly prohibited or unexpected ways.
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> While OEMs have been, appropriately, pursuing these leaks and thefts, R2R will further complicate efforts to ensure both compliance and sufficient security to protect against piracy of OEM IP. The answer has several components: (1) OEMs and DSPs will need to commit to an ongoing process to continually improve security and block piracy, (2) a balancing of obligations (to meet regulatory requirements and facilitate parts sales) and costs is needed.
>
> Contact me to explore this topic further.

Readers, please submit questions – for our version of FAQs.

Coming Soon

The December newsletter will tackle regulations, legislation and litigation impacting service-parts solutions: R2R, SoC, Privacy & Accessibility.

Fellowes Research's founder is started accepting offers to guest blog. The first of these will be for a large fixed-operations digital solutions provider and will likely start in January. Please contact us if you'd like to consider a guest blog post from our founder, Ted Fellowes.

We will begin tackling the process and initial sizing of OEM parts eCommerce for automotive in the U.S. beginning in the December or January newsletter.

On February 25th I will present on Parts eCommerce and how it is impacted by 'megatrends' – you won't want to miss it. Details on the webinar to follow in December and January.

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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