

Moving from Parts Stocking to Parts Marketing

By Ted Fellowes

“Parts is parts.” It’s an expression that has been around forever. The simplicity of the statement generally leads one to believe that the parts business is a simple one, that it doesn’t take a rocket scientist to do the job and that it’s simply a matter of having the right stock on hand when your service department, wholesale customer or walk-in needs it. Wait a minute. Is it really that simple?

Any seasoned parts manager will give you an emphatic “no.” Managing a marketable—with the keyword being marketable—parts inventory is far more than a simple assignment. It’s a complex process that requires precise inventory management, finger-on-the-pulse parts movement and “dead on” market insight. All factors that are progressively challenged by today’s flagging new-car sales, steeply declining warranty work and increasingly stringent factory programs.

Pick up any trade publication and you’re hit in the face with analysts predicting 2008 to be one of the worst sales years since 1995. Couple this dismal forecast with NADA’s findings that the average dealer suffered a whopping 10.2-percent decrease in warranty work in 2006. And, let’s not forget, for the second year in a row,

service and parts sales have continued their south-bound trend at the hands of independent service stations and quick lubes.

So how are today’s successful parts managers building a more “marketable” inventory in the face of a vastly changing landscape? By surrounding themselves with parts marketing tools that reap revenue without overhead, provide insight without guessing, increase fill rate without carrying costs and turn idle inventory into profits.

From stocking to marketing

Bar none, the DMS is the most efficient parts stocking tool out there. But it does nothing to tell you about the rest of the marketplace—or tell the rest of the marketplace about you.

Instead, the progressive parts managers I’ve talked with all tell me one thing: They are leveraging online buying and selling tools to help them move, market and manage beyond the four walls of their parts department.

Tapping new markets

Tapping new markets online is the fastest, most cost-effective method to reduce idle merchandise. As factory

programs become more stringent, dealerships are grappling with profit-draining, non-returnable parts and higher idle that is costing them valuable factory discounts and incentives.

Phil Graziano, parts manager at Courtesy Chevrolet in Phoenix, turned for help to e-commerce technology that helps automate the online buying and selling of idle. Based on customizable parameters including desired parts, discounts and geographical reach, the technology advertises to better than 85 percent of all GM departments only what he wants to sell and targets only what he wants to buy. Phil uses the program to buy discounted idle which he then inventories at dealer cost. He accrues the difference to offset his obsolescence helping him achieve his five-year plan.

Greg Fry, parts manager of Huntington Ford in Rochester Hills, Mich., fine-tuned this same approach and slashed in half the money he needs to manage Ford’s Daily Parts Advantage program. He reviews his inventory quarterly and advertises excess idle at 50 percent off on a national ecommerce locator. With the profits he makes, he now needs only \$30,000 vs. \$60,000 to manage DPA and obtain monthly Ford discounts and incentives.

He also often employs a part-time employee to buy idle for pennies on the dollar. He typically saves \$2,500 to \$3,000 a month helping him grow his bottom line without sacrificing parts depth or breadth.

Getting more with less effort

Hectic parts departments are time-starved. They need tools that can perform the work of another counterperson without the overhead. Scott Webb, parts manager at Leif Johnson Ford in Austin, Texas, is doing just that by taking advantage of online technology that automatically matches factory backordered parts with stocking dealers. He's shipping more than \$300,000 a year in incremental parts simply by being the first to respond online to emergency backorder requests. With no additional effort other than having one of his counter people monitor incoming e-commerce orders, he's now serving dealers in Alaska, Hawaii and Canada.

Patrick Higuera, parts manager at Worthington Dodge Chrysler Jeep in Carlsbad, Calif., is applying similar e-commerce technology to more effectively market OE parts to body shops. Chrysler's Conquest Program provides incentive pricing, which he automatically promotes on every electronic order he receives from a collision shop. With no additional effort, he's gaining more conquest sales and tremendous time-savings.

Validate gut instinct

New markets aside, what seasoned parts manager is still willing to "trust his gut" in adding new parts? Not many. It has simply become too costly. And factory programs may leave one no out. In fact, research has shown that a poor stocking decision can reduce the likelihood of selling a part within 12 months to a dismal 48 percent. Today's progressive parts managers are taking greater control of parts stocking decisions by employing parts intelligence software that validates their hard-earned intu-

ition with their region's marketplace facts.

John Siehl, a parts veteran of 37 years—the last eight as parts manager at Tom's Ford in Keyport, N.J.—knows the value a good stocking decision can have on profit. He routinely taps his DMS for a list of all emergency purchases and reviews it for those parts his "gut" tells him to research. He uses an online tool that provides him area sales by part, stocking dealers and part quantities, and even the number of vehicles in his area that can use that part. With this information, John is making market-based decisions that have led to impressive results. In the span of one year, he has increased his percentage of fast-moving parts up to 8 percent, maintained a

"clean" inventory and grown his wholesale business 150 percent.

I began this article by stating you don't have to be a rocket scientist to be a parts manager. But parts managers and rocket scientists do have similar goals. Both need to make things "take off" by going places they've never been before. Use technology to market, manage and move outside the four walls of your parts department and you can become your dealership's rocket scientist.

Ted Fellowes is the vice president of supply chain solutions for OEConnection, a technology leader in the online procurement and analysis of original equipment parts. ■



HALO
Special Edition Vehicles

- PARTS DEPARTMENT
- SERVICE DEPARTMENT
- SALES DEPARTMENT

WWW.HALOVEHICLES.COM

For information, circle 21 on RS card.