

PROFIT MOTIVE: YOUR COMPASS TO FINANCIAL SUCCESS

# Addressing the parts challenge

One way or another, the parts procurement process needs to be addressed

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Recently, the industry has been focused on the parts procurement process. While this has created tremendous controversy and debate at just about every turn, the procurement of parts is really just a component of the parts challenge that shops need to address.

As you look at the overall repair process and the key performance indicators that a shop should be measuring, parts have a significant impact on the shop's overall performance and profitability.

Shops need to implement a process to prevent incomplete and inaccurate parts orders and have a goal of a one-time parts order. The more often a shop places additional parts orders, the more often they experience delays in the repair process.

## Shop and vendor expectations

To reduce cycle time, increase touch time and meet the promised delivery date, both the shop and the parts vendor must accomplish certain goals. For example:

- The shop must have a process that allows for a complete teardown so that all parts are identified for removal and installation (R&I), repair or replacement. Parts that are to be replaced need to be identified with an accurate part number.
- The parts vendor must send the correct parts in a timely manner.

## Communication

Parts process communication needs to be done both with internal staff and also with vendors.

Poor communication with the staff can lead to incomplete parts ordering, lack of follow-up on missing parts or confusion about who is responsible for the process.

It is also important to talk with your vendors regarding service. Shops need to track parts delays, parts returns, incorrect parts, damaged parts, credits and delivery delays with each vendor used. These all impact the shop's KPIs, and communication with vendors can help reduce or eliminate the problems from reoccurring.

## Price matching

We deal with multiple vendors and types of parts (OEM, aftermarket, used or recycled, and rebuilt or remanufactured) and each has its own benefits and challenges. One area that I frequently see shops automatically leaning toward is the price matching between OEM and aftermarket parts.

Look closely at the pricing structures between the OEM and aftermarket parts vendors you use. We have all seen aftermarket parts that do not fit a vehicle; we have also had experiences where the parts fit properly every time they are used on a particular year, make and model vehicle. If the part fits every time, and is appropriate for the customer and the vehicle, then

avoid giving away the profits gained by the use of the aftermarket part.

## Parts SOPs

Because the parts process affects the entire business, from the time the vehicle arrives until the final invoicing has been completed, it is critical to develop standard operating procedures. Benefits of developing and implementing SOPs:

1. A positive customer experience
2. Development of a business culture around customer satisfaction, quality, efficiency and continuous improvement
3. Development of a team built around defined and attainable standards and goals, with procedures to achieve them
4. Consistency in the repair process, both in the front office and in the shop
5. Reference tools for employee training, cross-training and retraining
6. Establishment of expectations and accountability at all levels (who does what, where, when, why and how)
7. Improved repair process efficiency
8. Improved confidence in relationships with vendors and insurers
9. Reduced comebacks and rework
10. A tool for performing internal audits

## Involve your team

When looking to make a change, communicate with your team. Once you have identified your goal, get their opinions and feedback. They know what is working and what isn't and can help make the corrections to see improvement. If the team is involved, they begin to share your vision and goals and take ownership in the process. ■

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