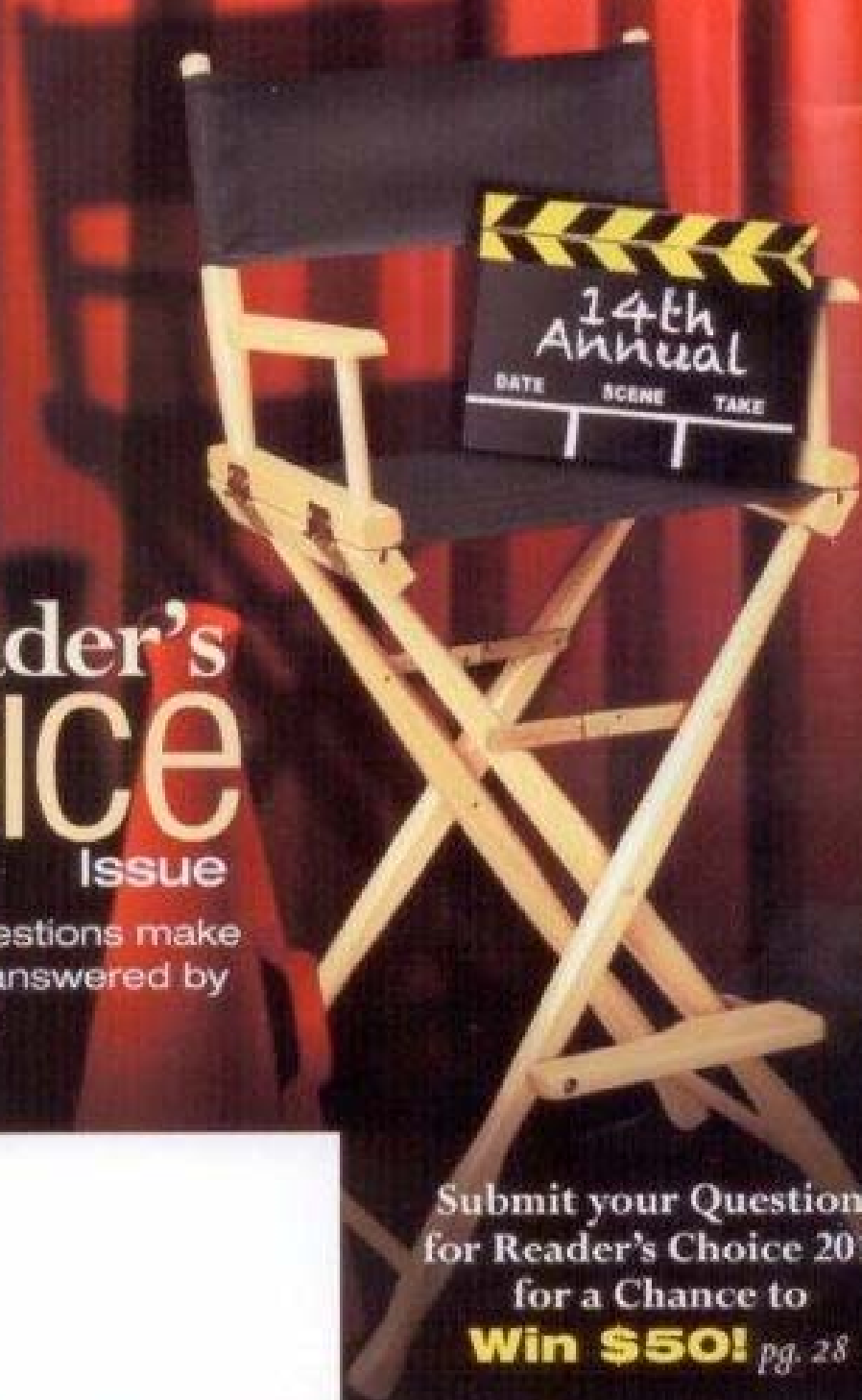


# BODY SHOP BUSINESS

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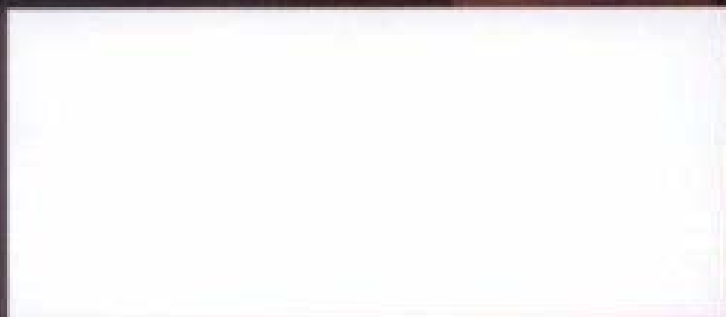


## Reader's Choice Issue

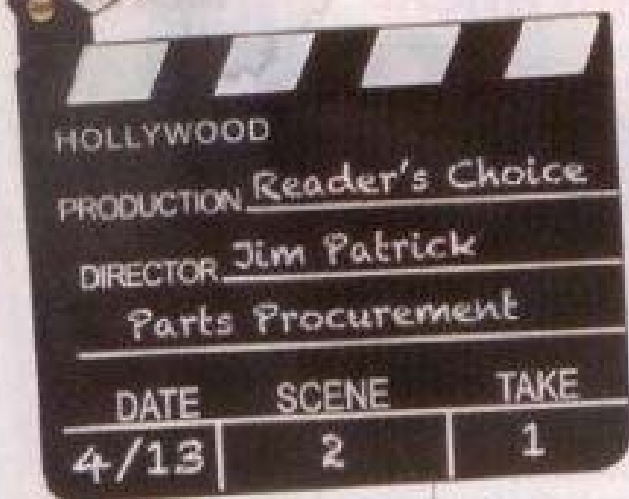
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# Parts Procurement



*"What is the direction parts procurement is going, and why? Are third-party parts vendors the new way of ordering parts? Will we be forced to order parts online from a company like PartsTrader and not use our parts department?"*

Question answered by: Brad Desaulniers



— Jim Patrick,  
collision center manager,  
Lang's Chevrolet,  
Beaver Creek, Ohio

## **What is the direction parts procurement is going, and why?**

Insurer-mandated parts procurement is certainly trending upwards. We can see it happening overseas in Europe and New Zealand and, even closer to home, in Canada with INTAC Insurance, the largest player in the Canadian market. I can also report that a number of other carriers in North America are seriously looking at ways to drive more transparency and competition into the parts market, and electronic procurement certainly seems to be the common thread.

## **Are third-party parts vendors the new way of ordering parts?**

We need to be careful here, as "third-party vendors" is a misleading term. No one is driving toward someone other than the body shop buying parts — that would seem foolish. But there are a number of service providers in the market delivering electronic ordering and fulfillment services as an intermediary for shops and vendors. Unless you're willing to build the competitive procurement technology yourself, then yes, "third-party providers" will be a part of the equation.

## **Will we be forced to order parts online from a company like PartsTrader and not use our parts department?**

This is where I think a lot of confusion lies in the marketplace. You will always have your own parts ordering staff. Even with PartsTrader, the shop still does all the ordering and selects the suppliers it wants to use — even if you're buying from yourself. None of the current technologies attempt to take over the ordering process for you, and I don't think there is any scenario in which that will ever become the norm.

Will you be forced to use some form of electronic ordering? I suspect the answer to this one is yes. If you're a DRP, eventually you'll need to use electronic ordering to meet DRP standards.

## **I read an article by SCRS saying that State Farm's new parts ordering program has been successful in lowering the insurer's costs but has done so by cutting repairers' and vendors' profits. Is this true?**

I think the article you're referring to was written about the New Zealand/PartsTrader experience.

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## READER'S CHOICE » Parts

Even the folks from the New Zealand market admit they handled the introduction of PartsTrader poorly, and it cost them.

There are a number of cost-saving features associated with electronic procurement. Done right, it reduces cycle time, expands access to alternative parts, and drives competition to be cost-conscious and innovative in delivering their products. Who reaps the financial benefits of these changes in the U.S. is still to be determined.

As with any other major shift like this, there will be winners and losers at the end. My personal belief is that there will be far more winners than losers, as these technologies are great at leveling the playing field. So for all those shops and parts vendors that are struggling, access to new markets, better pricing and more innovative competition will be a win. For those who currently enjoy unfair (in my humble opinion) advantages in the business, a more transparent and competitive parts market will certainly be a new challenge to overcome.

**Will this be rolled out nationally, and will other insurers do the same thing?**

Yes and yes. State Farm has made it absolutely clear they'll be doing this on a national basis. With an 18.5 percent market share and 10,000 DRP shops, they'll save, by our estimates, \$500,000,000 a year. This is a major competitive advantage that every other carrier will have to address one way or another. With limited options at hand, there is no question that a significant number of other carriers will follow...soon. **BBB**

*Brad Desautniers is president of WW BID Systems/PartsCheck Live. He writes a comprehensive blog on the subject of electronic parts procurement (<https://partschecklive.wordpress.com/>) and is an industry-leading expert on the subject. He can be reached at [brad@partschecklive.com](mailto:brad@partschecklive.com).*

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