



AN IMPORTANT PART

A DEDICATED PARTS SPECIALIST PLAYS A VITAL ROLE IN CONTROLLING COSTS

BY DAVID BROTHERTON

A Buy Here-Pay Here service operation, while similar in appearance, is significantly different than a retail, open-to-the-public service facility.

The difference is in who pays for the work. In BHPH service, three of the four typical charge types – reconditioning, warranty, policy and customer pay – are paid for by the company.

As any BHPH service manager can tell you, there isn't anywhere near enough true customer pay work to pay for the shop. So running it on a traditional for-profit basis doesn't really match the purpose and intent of the shop for a BHPH operation.

BHPH service departments have two missions:

- Recondition vehicles for sale in sufficient numbers and at the expected quality and cost level to fully support the sales function on a consistent basis.
- Support the collections function by providing a post-sale investment in the portfolio consistent with minimizing losses due to mechanical failures during the critical months of the portfolio's loss curve. Those investments should also be consistent in cost and application to further support the overall operational goals of the dealership.

Managing a cost center like that means managing cash. And in this case, we're focusing on managing your parts cost.

Parts are an essential and unavoidable cash expense integral to both of the service department's missions.

Parts break. They are designed to – a car that never breaks is not possible, and even if it was it would cost so much and be so over-engineered it would simply be unattainable for the general public.

So parts break, and must be replaced. And that takes cash.

For the past several years, we've taken a hard look at parts pricing across dealerships in our BHPH Service 20 Groups. We've priced out a basket of chosen parts/part numbers and had all of the members price them as if they were purchasing them for vehicles in their shops. ▶

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That data has then been put together and compared across dealerships big and small in all parts of the U.S. to find common threads between vendors, including price, warranty and service.

Those regular parts price comparisons not only drive down the cost of parts for everyone, they've also shown us a few other things.

It's really difficult to find a "bottom" for parts pricing: Brick & mortar retail operations like Advance Auto Parts, AutoZone, O'Reilly Auto Parts and NAPA Auto Parts all have a significant markup in their consumer prices, and all offer discounts and/or rebates to attract high-volume commercial customers like us.

While discounts and rebates are good, it's difficult to know if you are, in fact, getting the best price. There has been a strong push from online retailers like Rock Auto, whose prices often can't be matched but have their own issues with shipping costs and turnaround times.

An in-house parts specialist is necessary to control parts costs: Many dealers have tried having employees from AutoZone or NAPA (for example) in their shops daily handling their parts ordering efforts.

On paper, the solution sounds great: They provide the labor and expertise so you don't have to.

In reality, unfortunately, those employees still work for the vendor and you can do better with your own employees shopping the parts you buy from multiple vendors. You can, in fact, do so much better that the savings pay for your own parts specialist – with money left over.

You're better off forgoing rebates and focusing on out-the-door price: Rebates can be a good thing, but the operation tends to benefit more if you focus on the best possible price and forgo the rebate.

Multiple vendors are better than one or two: Many times we need a part 10 minutes ago and will order from our go-to parts provider, who can get it to us quickly. That type of relationship is great and necessary, but it can lead to your go-to provider taking advantage of you on price.

Shops are better off pricing across multiple providers, comparing them to online pricing and working for the

best solution for the shop.

This is where a dedicated parts specialist really shines.

Production flow, tech efficiency and parts management are typically the service manager's primary jobs.

We all know how busy it can get at the service desk, and as a result it can become difficult for service managers to focus on production and customer service and manage parts as well.

Managing parts ordering and costs is a full-time job in all but the smallest operations and the service manager is never going to be able to give it the time it deserves.

What skills should a parts specialist have?

Being detail-oriented is at the top of the list, as well as having a good memory and a sense of urgency.

While technicians are difficult to hire and retain, there really isn't a shortage of people who have worked the parts counter at either a dealership or a brick-and-mortar retail parts supplier.

Ideally, you'll have someone who can multitask and will become familiar with your most commonly ordered parts – and their expected costs – quickly.

Most important, that person should be incentivized to keep parts costs down. One way is to track cost per unit reconditioned over time. The parts and labor components of those charges can easily be broken out and analyzed.

Ultimately, this can be the best move you make in your operation.

I've seen the massive improvements made from just being critical of your parts processes and pricing – well over \$1 million per year for large dealers.

It can make all the difference in driving efficiency for your shop. ☺



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**WE ALL KNOW
HOW BUSY IT
CAN GET AT
THE SERVICE
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AS WELL.**