

Performance in reserve

Protecting and
extending automotive
spare parts profitability
by managing complexity

Automotive



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Performance in reserve

Protecting and extending automotive spare parts profitability by managing complexity

By Ashley Fernihough and Kalman Gyimesi

Spare parts sales are a significant contributor to profit throughout the automotive value chain even though, by comparison to new vehicles sales, they comprise a much smaller percentage of revenues for automotive companies. The aftermarket is especially critical to the profitability of vehicle manufacturers, but is also a key difference-maker for parts suppliers and dealers. For those in the automotive aftermarket, we believe the focus should be on managing complexity by deploying a strategy that accomplishes four objectives: better understanding of customers, optimization of the supply chain, stronger collaboration with partners and improved ability to compete with third-party service outlets post warranty. It is a race to generate value, as profits are under continuous threat by intense competition.

Value of the aftermarket

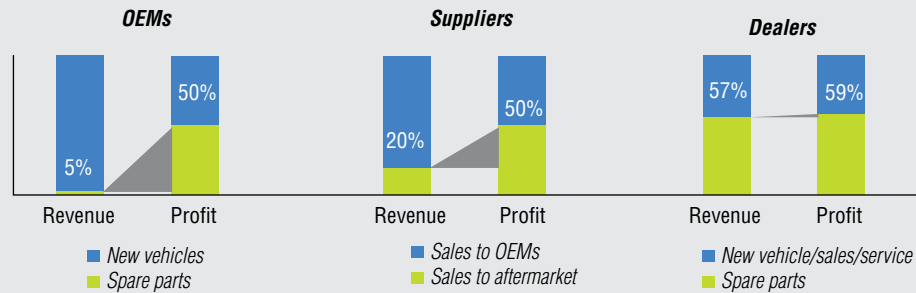
Where do today's automakers (OEMs) look for a big profit driver? Profit, as a percentage of revenue, suggests looking at the aftermarket. While the automotive aftermarket accounts for only a fraction of revenue for automakers, it can yield up to 50 percent of the OEM's profits (See Figure 1).¹

The aftermarket also drives strong profits for suppliers and dealers.² While this contrast between aftermarket revenue and profit is less dramatic for dealers, we believe that they can also position themselves for higher profits through the initiatives presented within this paper. It is in the interest of all three groups – OEMs, suppliers and dealers – to work together to “increase their share of the

pie” by more effectively competing with the extensive and fragmented array of automotive aftermarket choices available to the consumer.

We believe automakers in all markets have reason to focus on their aftermarket strategies. The more developed a market becomes, the more profits move to downstream processes, such as service, spare parts, finance and insurance. In the early stages of market development, the focus is on building the automotive base. At that stage, the majority of profits come from new car sales, with downstream profits more limited. As markets develop, the profits from downstream activities begin to exceed those from vehicle sales. In mature automotive markets, more than 70 percent of profits derive from downstream activities, with spare parts being a key driver.³

FIGURE 1.
Aftermarket profitability.



Source: National Automotive Dealers Association.

Aftermarket performance is also a key factor in the consumer’s choice of vehicle and is a strong driver of brand loyalty. The quality, availability and cost of service parts are critical components in the consumer’s product and service experience with their vehicles.

The automotive aftermarket is attractive because of its continued growth potential. Trends in vehicle usage and ownership show that there will be an increasing need for spare parts and service. Some of the key growth indicators include:

- Sales of new cars have been consistently rising. This has driven up the total volume of vehicles, number of parts and spares, as well as service requirements.
- Median age of vehicles in use is rising, with vehicles staying on the road longer, leading to increased demand for parts prone to wear and tear
- There is significant growth in emerging markets of low cost vehicles, which need to be serviced through a responsive spare parts infrastructure.⁴

Global auto manufacturers have already been working to improve their aftermarket performance through a variety of initiatives. Supply chain initiatives have included:

- Evaluation and redesign of the supply network at global and market levels
- Update and consolidation of disparate legacy systems
- Improved sourcing that focuses on both pricing and supplier location
- Improved forecasting, which considers total supply chain availability (supplier through dealer)
- Fulfillment optimization efforts that create efficiencies within put away, pick, pack and delivery
- Outsourcing of warehouse activities
- Development of dealer portals to give dealers improved ordering capabilities
- Establishment of separate spare parts brands and entry into the development of fast-fit formats.

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Extensive challenges

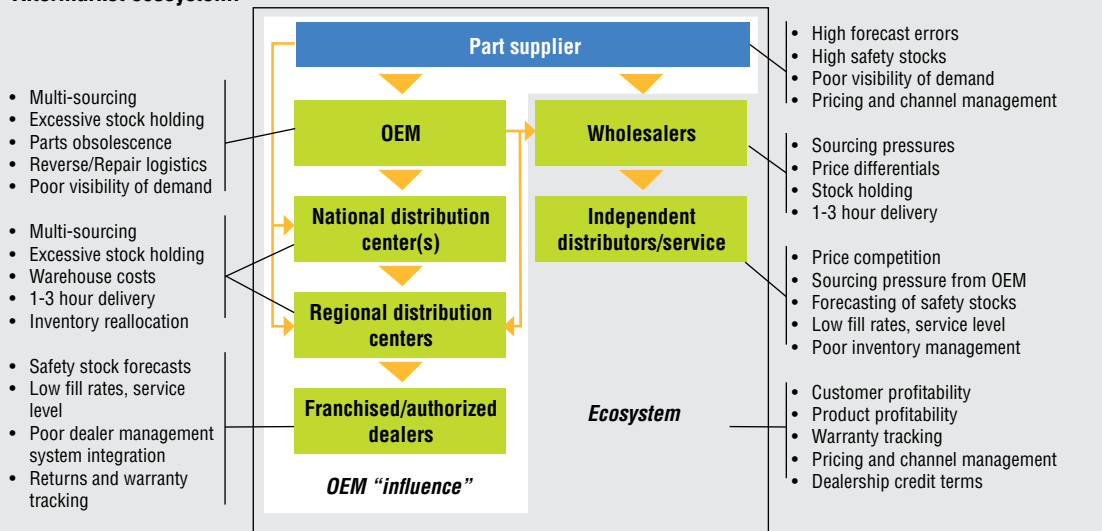
The automotive spare parts ecosystem is vast and highly fragmented. Manufacturers should work with suppliers and dealers to entice their consumer base to return for service after the sale of the vehicle. They should also work to build a base of – and be responsive to – wholesale customers across the broad spectrum of channels that consumers use for servicing their vehicles (see Figure 2).

Spare parts are stocked at each location along the supply chain, and each node experiences different pain points. It is highly challenging to get the right part to the right place as quickly as possible – without

significant overstocking. Pain points across this ecosystem can be summarized into two major areas: inadequate forecasting and poor visibility of inventory. These deficiencies work together to limit flexibility in pricing parts orders.

The inability to see how stock is moving across the supply chain inhibits the ability to develop demand-based forecasts. Even at the most aggregated levels, neither the supplier nor OEM forecasts aftermarket demand accurately. Traditionally, demand forecasts are most accurate at their greatest point of aggregation. This leaves little hope of adequate forecasting near the end-points of the supply chain.

FIGURE 2.
Aftermarket ecosystem.



Source: IBM Institute for Business Value.

The proliferation of aftermarket parts on the gray market adds to the competitive pressures facing OEMs, suppliers and dealers.

While the spare parts opportunity is evident, OEMs face many challenges in protecting and extending their profits (see Figure 3). The marketplace is one of the most fragmented and complex among major industries, making it a challenge to manage.

Fierce competition

Competition for the consumer is fierce, with a complex set of channels and suppliers that includes: third-party repairers, suppliers, distributors and retailers. The competition is intense with OEM volumes and margins under increasing pressure. Franchised dealers are also outnumbered significantly by their competitors (see Figure 4), many of which operate with a very lean cost structure. In the developed markets, market share among the various service channels is established and has largely been flat.

On the supply side, third parties are aggressively targeting the aftermarket with “equivalent quality” parts brands. Adding to this pressure in some markets is the emergence of the gray market (which “legally circumvents authorized channels of distribution to sell goods at prices lower than those intended by the manufacturer”) and counterfeit parts.⁵

It is estimated that 80 percent of counterfeit auto parts come from China.⁶ These parts are often sold at 50 to 85 percent of the price for the vehicle manufacturer’s equivalent part and are estimated to deliver only 20-30 percent of their value in the areas of performance, wear and system integration.⁷ Vehicle manufacturers lose out with respect to loss of sales – and the limited life of the replacement parts reflects on the vehicle itself. The total size of the counterfeit auto parts market is projected to grow to \$US45 billion by 2011.⁸

FIGURE 3. Challenges ahead for automotive OEMs.

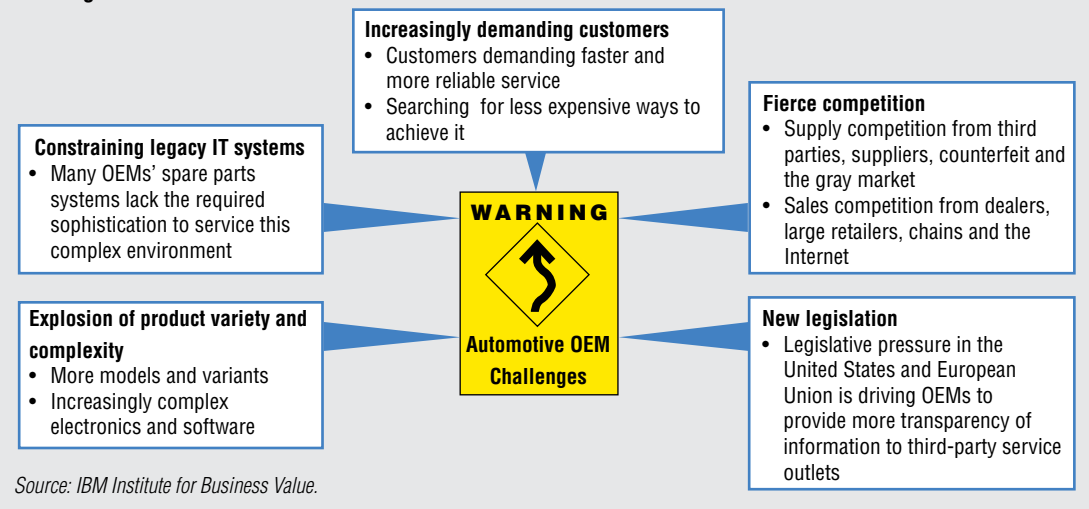
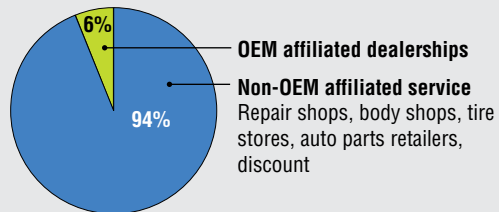


FIGURE 4.
North American dealer share.



Source: Woods-Seaton North American Automotive Parts Development in e-Commerce – www.woods-seaton.com

Automakers are also struggling to cope with a growing gray market. The gray market consists of products produced by genuine suppliers, but which are sold through illegal channels. As an example, a plant may manufacture genuine auto parts during the day and then continue during its “off shifts” to make the exact same part. These “off-shift” parts are then sold through illegal distributors at a fraction of the cost. Since the manufacture of these parts is “off the record,” it is difficult to estimate the size of the gray market or the impact it has on legitimate sales.

At the retail end, large independents and chains are looking to take share from the vehicle manufacturers. In some cases, OE franchise dealers can, themselves, add fuel to the fire by sourcing non-OE parts.

New legislation

Legislation has been proposed in the United States and has been implemented in the European Union (EU) requiring OEMs to provide more transparency of information to third-party service outlets. As vehicles are increasingly controlled by software and embedded systems, manufacturers have

been accused of “locking” up the vehicle and, potentially, excluding third-party service outlets from making many repairs. This issue has been raised by many aftermarket associations, which have been lobbying for greater information transparency.

In the U.S. market, the Motor Vehicle Owners’ Right to Repair Act (HR 2694) has been presented in the U.S. Congress.⁹ Its goal is to force OE manufacturers to disclose all safety and repair information so that car owners and independent repair shops have the same ability to service vehicles as the franchised dealership network.

While the future of federal legislation is unclear, individual states are becoming more active in addressing this issue. Legislation in California was implemented beginning in 2008 to allow bonded, non-OE suppliers to supply fully functional replacement keys.¹⁰ To do so, all key coding information and tools are to be made available to third-party repair shops. By providing these elements of service, the legislation has established the precedent for opening the vehicle to these suppliers for other repairs that have traditionally been the domain of OEM-franchised repair facilities.

In the EU, changes to the Block Exemption Regulation (BER) in 2003 prevented the vehicle manufacturers from invalidating an owner’s warranty if non-OE parts were used in service.¹¹ Matching parts of comparable quality can now be used from third parties. In addition, the vehicle manufacturers are required to provide parts and service information to independent repairers.

The complexity of parts management has been exacerbated by shorter design cycles and the proliferation of options, which have created an “explosion” in the number of parts in the aftermarket.

Additional legislation in the EU is being debated that will further open the diagnostics routines of the vehicle manufacturers to the independents.

Explosion of product variety and complexity

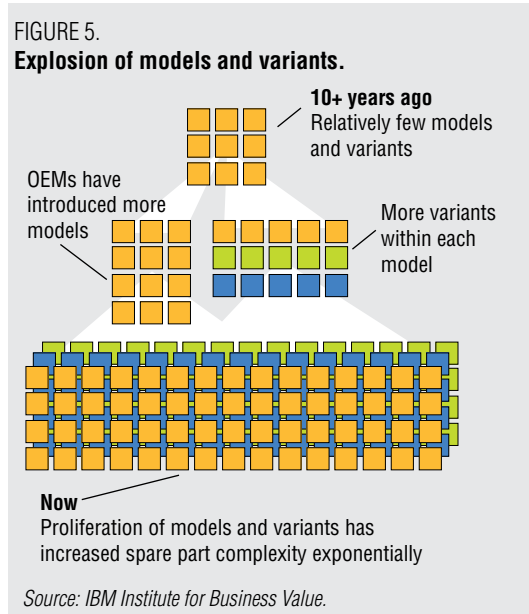
Further complicating the spare parts equation for vehicle manufacturers is the large increase of models and variants introduced over the past few decades to address virtually every need and niche (see Figure 5). As well, vehicle manufacturers have provided greater customization for the consumer, with more and more combinations of options for many models.

This proliferation of options and choices has been further compounded with ever-shorter design cycles and the need for the introduction of even more models for the emerging markets. This has created an explosion in the numbers of parts in the aftermarket and has dramatically increased the complexity of parts management.

Existing IT systems and processes that support spare parts management are stretched through the overwhelming number of electronic parts in vehicles. In most cases, spare parts management systems do not yet have the ability to deliver in an efficient manner a new class of parts – software patches for embedded systems. Software updates are treated no differently than a brake pad by many automakers.

In order to be able to upgrade system functions implemented through software in spare parts management, the various dependencies in a given software component have to be managed properly. Software components must be managed as independent entities and not in conjunction with the vehicle hardware. The dependencies of a specific software component, in relation to other software components and to a specific hardware platform, require a complex structure that needs to be established during product development. A comprehensive data management backbone is required that enables traceability through all areas of development into manufacturing and service after sales. This is not yet in practice at most OEMs.

The ability to redistribute software components according to standards in the vehicle electrical and electronic system architecture should be built into the management systems in the future. The electronic reading of a vehicle’s current state and application of the proper system upgrades in a compatible, efficient and secure way continues to be a major pain point for the aftermarket.



Constraining legacy IT systems

Many spare parts systems run by OEMs are old and dated, with limitations in servicing the requirements within this complex environment. Many automakers do not have the sophistication within their systems to gain full visibility of their supply chain and to plan and optimize their multi-layered supply structures. Those that have updated their capabilities have typically replaced decades-old legacy systems that had the most limited functionality. IT systems for spare parts management must address six main areas:

- Catalog and material master
- Inventory forecasting
- Inventory visibility
- Order fulfillment/returns
- Dynamic pricing
- System and process integration.

Older systems are often limited in the areas of order fulfillment largely by their batch-controlled nature. Submission of orders to OEMs is constrained in order to expedite delivery. Realtime processing of part orders, combined with proper forecasting through point-of-sale data, automatic replenishment (retail inventory management) systems and dealer inventory training can increase the dealer's off-the-shelf fill rate. Inventory is managed daily, and emergency orders are handled as an exception rather than as a regular business practice. When exceptions are encountered,

the dealer should have alternative fulfillment mechanisms, such as dealer-to-dealer (D2D) trading, available to them, as well as realtime order processing.

Effective IT linkages between the OEMs and dealers enable full inventory visibility across the aftermarket network. Both OEMs and dealers need to be able to understand inventory shortages and outages in order to make the right sourcing decisions for servicing the consumer.

Without this visibility, D2D transactions consist of time-consuming manual transactions that delay repairs. Dealers are also distracted from other growth opportunities, such as building their wholesale business. Networkwide inventory visibility is critical for all-time buy decisions. Without being able to quantify the field inventory for discontinued parts, OEMs will often over-buy these parts when making their all-time buy, leading to excessive scrap inventory.

Most OEM systems lack the capability to provide dynamic pricing. Pricing is often limited, based on custom preset categories and a cost-plus approach that offers little flexibility. Dealers need the ability to adjust and localize pricing strategies based on local competition, inventory availability and the nature of the specific part. Integration among budget, pricing, inventory and demand systems is essential. These systems and their operational areas must be able to react in a timely and efficient manner to changes in the supply chain.

Flexibility is an important component in strengthening IT systems between OEMs and dealers.

As large multi-brand dealerships have emerged over the last several years, many spare parts management systems require the ability to achieve all of the previously stated capabilities consistently across several OE brands. The various OE brands are likely to have inconsistency between their spare parts management systems, making it unduly burdensome on dealers trying to work across brands.

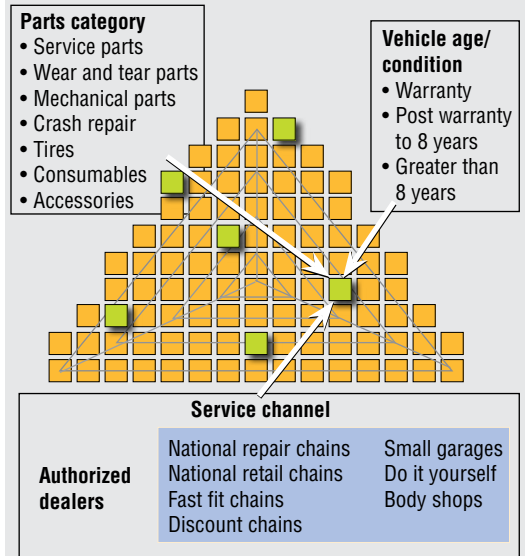
Finally, it's important to understand that the same standardized process will not work with all dealers. Therefore, process flexibility needs to be an important component of any solution that is coupled with strengthening IT systems between OEMs and dealers.

Increasingly demanding customers

Consumers are demanding a faster, more reliable service and are searching for less expensive ways to achieve it. The interactions of part, vehicle and service channels present customers with a set of choices that is highly complicated and sometimes confusing.

Automobile service outlets are numerous and span a spectrum, ranging from full-service dealerships to national service chains to small, independent garages to the do-it-yourself (DIY) market. Consumer behavior is typically driven by the age of the vehicle, the types of parts required and, importantly, by extracting value for money (see Figure 6). Consumers may go to different service outlets, without showing loyalty to one, based on a number of factors. They may openly switch between a national chain for new tires, a fast-fit outlet for oil changes and a certified dealer for larger power train repairs.

FIGURE 6. Myriad of consumer choices.



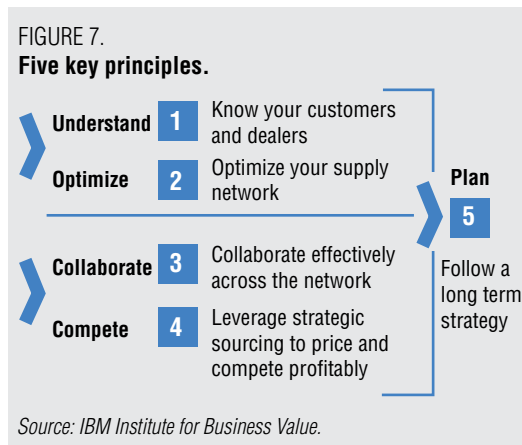
Source: IBM Institute for Business Value.

Because of this fragmentation in choices and the fact there can be only the most limited visibility into small private service outlets, it is very difficult to accurately quantify the full automotive aftermarket picture.

Driving profitable performance

Addressing the complexity of the aftermarket business is not “new” news. Global OEMs recognize these trends, and many automakers are already investing heavily to improve their aftermarket performance. Many manufacturers have taken steps to reduce costs and improve service levels by optimizing their fulfillment through the various initiatives that have previously been discussed. At every turn, it is important to assess specific supply chain improvement opportunities in the context of the entire supply chain. Improvements may be made only to certain areas, but the impact on the entire supply chain should be well understood.

We see five key principles for driving the potential for more profitable performance and complexity management (see Figure 7):



Principle 1: Understand

Understanding customers requires recognizing their mindset and responses, as well as their value to the enterprise. Fragmentation in the dealership network makes it difficult for OEMs to get close to their customers. Dealers “own” the customer, but OEMs must provide the leadership and capabilities to pool spare parts and service data across the network for better decision making. The dealers and the OEM may sometimes forget that the consumer does not see them as separate entities. Disagreements that can go on between the two just looks like internal strife to the consumer. This is an area where both parties must clearly work together. The manufacturer has the best view to fully understand part-failure issues; the dealer has the best ability to capture information about the consumer.

Highly fragmented channels, coupled with the difficulty of staying close to the consumer over the life of the vehicle, pose a significant challenge to understanding the demands of different customer segments. Statistical segmentation models have worked well in other industries, such as telecommunications, insurance and banking. Segmentation has been underutilized in automotive service because of the high level of fragmentation in the marketplace. OEMs and dealers should use analytical models to extend the consumer’s usage of OEM parts through better definition of customer segments. The OEM and dealer should target owners of vehicles that range from just post-warranty to 8 years old for further growth.

Sophisticated retention models should be built from numerous mutually accessible pieces of data, including:

- Consumer sales history
- Service history
- Available demographics
- Vehicle reliability
- Warranty history
- Other qualitative data.

Automakers could offer customer relationship management as a service to their dealership network to jointly devise stronger retention programs. Enlisting their partners in such a service allows for pooling of both service and customer data to the advantage of both parties.

Greater accuracy in forecasting can be gained by OEMs through improving their view of the supply chain and customer activities.

Principle 2: Optimize

Vehicle manufacturers need to focus optimization of their operations on three areas: the flow of parts from suppliers, the efficiency of their own internal operations and effective distribution to their customers for use by the consumer. Demand and inventory visibility are the key elements for enabling this optimization of the network design and its planning. Full supply chain visibility of spare parts inventory should be an explicit goal for automakers. Suppliers, OEMs and the dealer network should work toward this mutual goal.

Optimization on the supply side begins during the initial negotiations for the supply of parts between OEMs and suppliers. OEMs should consider the full vehicle lifecycle from the outset, both production and aftermarket. This includes ownership of the inventory. OEM's might consider implementing Vendor Managed Inventory programs at least in their central warehousing operations. This keeps slower-moving parts and those that are further back in the supply chain off the OEM's books until they are needed.

Automakers should optimize the design of the supply network. In addition to what locations parts are being sourced from, optimization decisions should include scheduling full truckload shipments and efficiently handling dealer returns and reallocations. OEMs need to develop cost/benefit rules to govern part returns. Expensive parts that are candidates for remanufacture might be returned to a central location, depending on the network design.

OEMs should differentiate service levels based on a segmentation analysis of their part's profile. Parts categories should be segmented across two dimensions: their criticality (high/medium/low) and how accurately they can be forecast. Each of these dimensions can be divided into categories, and the resulting grid can each have distinct service levels and strategies.

As OEMs improve their view of the supply chain and customer activities, they gain greater accuracy in forecasting and can allocate appropriate storage locations for safety stock. Then, the challenge turns to the internal processes of the warehouse. The OEM should make sure it has effective practices for its put away, pick and pack processes. Even minor improvements should not be overlooked, as they can add up to significant savings at scale. As an example, a network may ship 20 million lines per year. If the OEM could change a warehouse process and eliminate two seconds of work per line, it potentially could save approximately 11,000 man hours per year, according to our analysis. Assuming a \$30 per hour labor rate, this simple improvement could save about \$US330,000 annually.

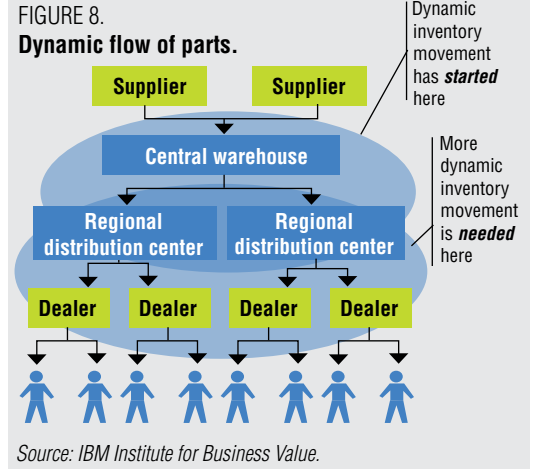
Inventory policies should be updated every three to six months; today, many OEMs revisit such policies annually, some less frequently. The most important policies to upkeep are terms of trade and return policies. Terms of trade provide the incentives for dealers to use OEM parts. They're a crucial tool for creating and maintaining dealer loyalty. OEMs should keep current with their return policies. Policies need a frequent review in order to strike the proper balance between excessive costs from too relaxed a policy and reducing loyalty from too rigid a policy.

Full supply chain visibility enables the deployment of D2D transactions (see Figure 8). Dealers within close proximity that are able to move inventory between locations can cut down on many supply shortages and reduce returns and reallocations to OEMs. While the D2D transaction is not a new concept, it can now be far less manual and more integrated than in the past. There are newer, more sophisticated processes and systems to execute the trade. Examples of this include:

- Locators built as an extension of the non-legacy parts ordering system
- Intelligent/customizable search patterns for required parts
- Electronic transaction completion
- Automatic parts statement financial reconciliation to prevent price gouging
- Automatic shipper notification
- Integrated claims systems.

As full visibility is established, OEMs would be better able to deploy collaborative planning with their partners. It is even possible that vehicle manufacturers would want to offer planning as a service to their dealership network as a win-win for both parties. Networkwide inventory visibility should be a goal for all OEMs looking to reduce their costs in spare parts management.

As a general rule, we suggest a balanced mixture of measures that tackle all three stages of the supply chain – pull from suppliers, internal operations and distribution to the field.



Principle 3: Collaborate

Successful collaboration among suppliers, vehicle manufacturers and dealers is based on mutual effort for mutual benefit. All parties must agree to be accountable for implementing a plan that aims for growth at the local level and measures results at regular intervals.

“... no matter how big an organization is, more smart people are going to work outside its walls than inside.”

– Hamm, Steve. *“Radical Collaboration.” Business Week. Sept 10, 2007*

Joint planning should be established around the following principles:

- Local: breakdown plans for growth to dealer level to achieve focus and flexibility
- Measurable: prioritize investment, qualification efforts and opportunities
- Accountable: agree on and commit to a joint market development plan
- Actionable: focus on implementation and sustainability.

Squeezing out unnecessary operational costs, more flexible pricing strategies and gaining inventory visibility are all factors that can enhance effective competition.

Processes must account for local differences between dealers. Dealers may have different supply needs based on size and geography. Significant differences in spare parts demand and customer profile can exist between large, urban/suburban, multi-brand dealerships and small, rural ones. Some dealers can have very large wholesale accounts, while others may have none.

Establishing measurable targets for demand and fill rates are needed. Measuring these requirements will help identify channel conflicts between dealers and OEMs. Formal measurements help both parties to identify pricing opportunities and will help in continuous improvement process on shortcomings in fill rates.

Both parties must be accountable for their tasks in the process. The OEM is to fulfill a supply of parts based on the dealer's forecast, while dealers need to commit to supplying accurate point-of-sale and inventory positions. It is very important, both operationally and politically, for manufacturers to deploy a dedicated field force that is face-to-face with the dealer on a regular basis. These specialists should have deep experience in the dealer's business and understand parts inventory, after-sales and marketing.

OEMs should have in place a clear exception-handling process. A good practice would be to put in place a joint council consisting of OEM representatives and a cross section of dealers to mediate and continuously improve

the collaboration process. While the tactical process between OEMs and dealers is being executed daily, both parties should also work to develop a longer-term, multi-year market plan for the dealership detailing how they can work together to grow their market.

Vehicle manufacturers should work extensively with their suppliers and third-party logistics providers (3PLs) to make sure parts are available in a timely manner. As parts are increasingly sourced from emerging countries and much of the existing vehicle base is in developed countries, working effectively with 3PLs is key to any successful strategy. Many 3PLs have improved their collaborative working relationships with key customers and have committed to operational changes to better service accounts globally. These include:

- Servicing the continued growth of the domestic markets in China and India
- Supporting global sourcing efforts of vehicle manufacturers
- Supporting increasingly complicated supply chain solutions throughout Asia
- Provision of freight management services or reliable ground transportation options in China
- Expansion of the visibility tools offered to clients
- Building and operating shared-use of facilities with OEMs
- Expansion of value added services
- Provision of customs clearance services.

OEMs and suppliers, with their 3PL partners, have begun to utilize customer advisory teams and consumer councils that are involved in strategic planning exercises. Many 3PLs are restructuring their customer service organization to assure that key accounts receive a uniform quality of service around the globe. Automotive OEMs must take advantage of that in order to help make sure of uniform global execution.

A recent IBM survey of 3PL CEOs, identified several barriers to effective collaboration with manufacturers:

- Lack of top management commitment to the concept in client companies
- Client perception that 3PLs provide a service not a strategic partnership
- Lack of necessary resources in one or both organizations to support true collaboration
- Too many contact points within the client organization at different organizational levels
- Lack of client willingness to share critical information with the 3PL
- Lack of trust in one or both organizations
- Internal conflicts within the client organization
- The short time horizon of many clients.¹³

Principle 4: Compete

The OEMs must compete with third-party players in the spare parts aftermarket to maintain and grow revenues and profitability. Price gaps between OEM and third-party spare parts often drive customers to alternate channels. With the building blocks in place to integrate inventory and budget optimization with dynamic pricing capabilities, OEMs can close this gap. Most sourcing has now moved to lower cost locations, and OEMs must use this advantage to selectively price their parts more aggressively.

More effective competition requires squeezing out unnecessary operational costs, realizing inventory visibility and demand as well as having more flexible pricing strategies.

OEMs must work to eliminate “parts tourism,” where parts manufactured in one country are shipped overseas to be centrally warehoused and then shipped back to the original country for use with its dealers. This adds exorbitant costs to routine service parts.

Vehicle manufacturers should eliminate cost-plus pricing of spare parts. Automated cost-plus rules for pricing are often used to manage the large volume of spare parts stock keeping units (SKUs). Fixed mark-up factors indiscriminately apply uplifts to parts without consideration of the market. While there is adequate control over margin, there is no consideration of overall profit with this

approach. Consumers have difficulty understanding the disparity between OEM and third-party prices and often flock to the lower cost options.

In order to effectively compete in the post warranty segment, we believe vehicle manufacturers will need to establish a separate brand for lower cost parts. This has clearly been successful for some manufacturers and should be a part of all automakers' strategy for aftermarket spare parts.

While giving strong attention to driving down costs, dealers must also be given the flexibility to take care of the customer when it is required. Dealers can be allotted a "goodwill budget" to selectively help make sure, when appropriate, that their best customers are not hurt by the technicalities of warranties.

Principle 5: Plan

A long-term strategy should be built around value optimization for all stakeholders. OEMs must tackle known difficulties that have frustrated partnerships in the past. They should communicate this strategy vigorously and then help make sure that they will stick to it in the long run. That will have to be demonstrated to customers over time.

Strategies aimed at the fragmented dealer base should include in their understanding the fact that dealers also compete against each other. The scale of dealers and profitability pressures can limit dealers from being able to invest. While cost sharing is important so that everyone has "skin" in the game, OEMs will realistically need to lead from both a project management standpoint and monetarily.

Activities should be kept focused to avoid an overload of initiatives and programs that can often exceed the capabilities of small dealers. Previous initiatives have also been derailed because of changing personnel on the OEM side and the reluctance to make long-term commitments.

Now is the time to "get moving"

New strategies, transformed processes and next generation technology will pave the way for overall complexity reduction. Success will likely hinge upon understanding customers, optimizing supply chains, improving collaboration and strengthening competitiveness. To meet those objectives, three key actions should be part of OEMs' long-term strategy:

Get integrated. Integration and visibility of spare parts inventory throughout the supply chain is critical to get the right part to the right place at the right time. Actively engaging and integrating with other players in the ecosystem will help bring value to the customer.

Get connected. OEMs and dealers should work together to look for new ways to collect, analyze and use customer and end user data to identify customers, as well as the repair opportunities that will keep the service relationship going.

Get competitive. The window of opportunity is only a few years – from the time a vehicle's warranty is up until the customer moves on to independent service outlets. OEMs must price more aggressively to entice customers back to the dealership.

Authors

Ashley Fernihough is the IBM Global Leader for Automotive Solutions in the Marketing, Sales and Services area. In this role he is responsible for driving the company's solutions strategy, including identifying strategic partnerships, thought leadership and developing future requirements that address complex business and technology challenges. Mr. Fernihough has 28 years experience within the automotive industry, including 15 years in consulting. A graduate engineer, he has held senior management positions within major automotive component suppliers and vehicle manufacturers in Europe, the United States and Japan.

Kal Gyimesi is an Associate Partner with IBM Global Business Services. He is currently working with the IBM Institute for Business Value, where he is leading the development of new business research and strategy for the Automotive Industry. He has more than 19 years of consulting and industry experience leading the implementation of business solutions to difficult problems. He has worked on diagnostic and re-engineering engagements with both automotive OEMs and Tier 1 suppliers. Mr. Gyimesi's expertise ranges from business strategy, supply chain management and all the functional areas around it to RFID technology and Intellectual Property assets.

Contributors

Alexander Scheidt, Automotive Leader Northeast Europe and Germany.

Michael Judd, Partner, Supply Chain Management.

Hansjoerg Fromm, Partner, Center for Business Optimization.

Justin Beltramo, Senior Managing Consultant, Supply Chain Management.

Ramin Ghafari, Managing Consultant, Strategy and Change.

Abhishek Prasad, Consultant, Strategy and Change Global Delivery.

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- ¹⁰ State of California Senate, California Senate Bill 1542, 2006.
- ¹¹ European Union, Block Exemption Regulations 1400/2002, 2003.
- ¹² Butner, Karen and Leib, Robert Dr. “North American, European and Asia-Pacific Markets for 3PL Services: The 3PL Provider CEO Perspective.” IBM Institute for Business Value. 2006.



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IBM Global Services
Route 100
Somers, NY 10589
U.S.A.

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04-08
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