



Automotive Service Association®

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ASA Collision Operations Committee Interviews Rob Cooper, CEO of PartsTrader LLC

As part of the fact-gathering stage of ASA's commitment to investigate and provide information about the State Farm/PartsTrader LLC electronic parts ordering application, ASA's Collision Division Operations Committee interviewed Rob Cooper, CEO of PartsTrader LLC, May 16, 2012. Below are the findings, along with questions posed by ASA and answers provided by Cooper either during the call or following the call.

According to Cooper, PartsTrader LLC is a privately funded company, with a private group of shareholders who are private-equity backed. No one has an interest in the supply chain of parts or insurance companies. PartsTrader LLC's goal is to deliver a unique value proposition to the repair industry to increase the efficiency of the market with supply chain improvements and to make sure that it is a "win-win" for both suppliers and repairers.

PartsTrader LLC has been working with State Farm to build an application to support the State Farm parts initiative. During the process, consultation has occurred – and continues to occur – with various segments of the industry, including repairers, suppliers, dealers and recyclers. As stated, the pilot is occurring in four market areas (Tucson, Grand Rapids, Birmingham and Charlotte).

Previously, PartsTrader LLC developed a product in New Zealand for parts location, which is different from the ordering application being piloted in the United States. The New Zealand system is for parts location and has a cost element visible to the insurer. This is not the case in the United States. State Farm is not able to access the buy price/cost price.

Supplier selection

Within the repairer registration process, it is the repairer that recommends the supplier to the system. PartsTrader LLC then contacts the supplier, describes the program and if the supplier elects to be a part of the application, then the supplier registers online with PartsTrader LLC, accepts the terms and conditions, and joins the program. From here, shops are able to source bids from suppliers, and can choose to purchase parts from their suppliers only or order from new suppliers that have placed bids. The other suppliers are those that are recommended by other collision repair facilities in market area.

Reported by Cooper, typically 85 percent to 90 percent of the supplier choices made by repairers have chosen to participate by registering and agreeing to PartsTrader's terms and conditions in the first three markets. The exception is the Birmingham market where there has been less adoption based on circumstance.

PartsTrader LLC is currently in process of building ability for repairers to "rate" the suppliers based on suppliers professionalism, accuracy of the information provided by the supplier, delivery time, quality of the part, good faith negotiations and part returns. This is also restated on the PartsTrader LLC website at www.partstrader.us.com. PartsTrader LLC also has the ability for the suppliers to rate the buyers (shops). This is stated on the PartsTrader LLC website.

Order Process (as stated by Rob Cooper and confirmed on the PartsTrader website for clarity)

- **Select Service Repairer** writes the estimate in their estimate software and with all OEM parts, and exports the vehicle and parts information to the application. PartsTrader LLC has software that only uploads specific data, through CIECA BMS, that is directly relevant to the parts procurement process. (This has been stated by State Farm and now, also by PartsTrader LLC.)
- **Repairer** sends a request for quotes (in just three clicks) to suppliers listing all the parts required, indicating a quote response time frame. Choose how long the quote will be open (default is set at two hours). The repairer is in complete control of which OEM dealers to send the request to. The quote request will go to all relevant alternative suppliers. Note: In situations of

urgency, the repairer can bypass the quote request and place an order directly to suppliers.

- **Suppliers** of all part types (e.g., OEM, recycled, aftermarket, specialty, etc) review requests and submit their quotes(s) before the time limit expires. Quotes are only available to the repairer after the time to quote is up, so every supplier gets an equal opportunity. Suppliers cannot see other suppliers' bids.
- **Repairer** reviews quotes and selects which parts to order from which suppliers based on price, delivery time, service, quality, reputation etc. *(This does not reflect what happens to the Select Service shops following the parts selection and the SS Scorecard. This does not state if there is a rekey or additional steps if the SS shop makes a selection and how that adjusts the claimant's estimate.)* PartsTrader is working on automatic updating of the estimatic system parts lists based on the parts ordered, as noted below.
- **Supplier** confirms its acceptance and commitment to ship orders to the repairer in the quoted time frame with updated details if required. Repairers can require a review of supplier changes before final confirmation if they prefer.
- **Repairer** updates estimate with final part information. PartsTrader LLC is working to automate this part of the process with the major estimate providers to add value to the product.

Suppliers work directly with repairers to arrange shipping, invoicing and paying for the parts. PartsTrader LLC does not, at any time, provide buy price information to State Farm or any other insurer (with the exception of recycled parts where there is no list price). In the future, PartsTrader LLC will also be tracking parts returns as part of supplier ratings.

A two-way rating system will be put in place for PartsTrader LLC transactions in late 2012. Repairers will be asked to rate suppliers and suppliers will be able to rate repairers. Examples of what a supplier is rated on include: accuracy of quotes, delivery time, quality of the part, time it takes for an order to be consumed by the supplier by the system and others.

Data Privacy and Extraction

PartsTrader is advocating the use of the CIECA BMS standard, which limits the data extracted to only the parts data relevant to the parts order. While some vendors only support EMS and PartsTrader sometimes has to use this, they immediately convert it to BMS before

it is uploaded or transmitted. PartsTrader never transmits EMS files. PartsTrader informs us it is working on several BMS-based integrations that will move the industry forward in adopting this standard and it should be able to announce this soon. The ASA team is quite focused on the data. Multiple questions regarding data privacy were posed by the ASA collision leadership. The Q & A follows:

Rob Cooper, CEO of PartsTrader LLC, stated May 17, 2012, "I wanted to reiterate that it is our intent and desire to ensure that PartsTrader delivers positive outcomes to the collision repair industry. To that end we are very open to feedback, and would like to work with ASA and other stakeholders in a positive way so that we may learn and address concerns as they are raised."

A number of the points below are focused on our data privacy policy. We do have a written policy that I would be happy to share with you that addresses these concerns.

1. Specifically, it currently states we will not share the buy price data with State Farm, but does not mention other insurers. We have stated that we will not share this data with any insurer on our website, but we need to make sure this is also reflected in our policy.

Also your (ASA's) suggestion that we (PartsTrader) be required to notify the industry of changes to our privacy policy is a good one, and we will incorporate that.

These changes will take a few days to get worked into the language.

Consequently, the commitment I can make is to share that with you by a week from Monday.

Also, to address the specific points raised by ASA's team:

2. Is there a written policy that clarifies what data PartsTrader LLC will collect from the repair shops estimates? Not down to a field level, but we are happy to rectify that. In general, we only collect the data directly related to the vehicle information and parts list. We also collect the claim number and customer name. The last fields are used only for on screen display in the repairer's list to help repairers identify jobs and are never used for any other purpose. PartsTrader will provide a full list of all BMS fields uploaded. This list has been requested of the PartsTrader technology team.

3. Is there a written policy that clarifies what data PartsTrader LLC will publish for interested parties or privately provide to insurers? (ie., buy prices, reports) PartsTraders has a general privacy policy as mentioned above. We will provide this to ASA once we have made the revisions outlined above.

4. Are PartsTrader's data policies specific to only State Farm? State Farm is the only insurance company we have an agreement with, and our intent is that all data policies would apply to any insurance company relationships we establish at any point in the future. We reiterate we have publicly committed that we will not provide insurance companies repairer buy prices except for recycled parts.

5. Does PartsTrader plan to contract with other insurers? If yes, will the data policies be the same for all insurers? We are not in discussion with other insurance companies, and if we did contract with other insurance companies the same policies would apply.

6. Is there disclosure to the repair facilities when there are changes to what data is transferred and/or published? That is a great suggestion and we will add it to our privacy policy.

7. Does PartsTrader LLC have a written contract with State Farm? Yes.

8. Will PartsTrader LLC have a written contract with the vendors? Yes – all suppliers sign our agreement when they log in to PartsTrader LLC.

9. Will PartsTrader LLC have a written contract with the shops? Yes – all repairers sign our agreement when they log in to PartsTrader LLC.

10. Does PartsTrader LLC plan to do any time studies in the United States to determine the efficiency of this compared to those not using this? Yes.

11. Shops use OEConnect and it's integrated into their systems, how do shops use PartsTrader LLC programs to integrate this system across other platforms? PartsTrader LLC is working on integration, working with a number of parties. PartsTrader's attention on integration is completely based on CIECA BMS standards.

PartsTrader is under non-disclosure agreements and cannot announce who it will be integrated with.

12. What will be the fee structure and who will be responsible for it? Analysis is currently underway and whatever the fee structure, it has to work for the industry. The fee structure will apply to the suppliers, always free to the repairers.

13. Does the system have a “switch” that allows the repairer to turn off bidding for parts that are not acceptable to particular insurers? *For example, State Farm does not approve aftermarket sheet metal; would this eliminate that part from the bidding process?* There is a “macro” option for part type buy not at a specific part level. This is something that we will continue to refine.

14. Are there a lot of shops that are voluntarily participating on the program? For many shops in the market, there is a view that PartsTrader sold its product to State Farm instead of selling it to the shops directly. This is only available to Select Service shops at this point. PartsTrader LLC was contracted by State Farm to create the application in the United States. Repairers were part of the consulting groups.

Follow-up: Are other estimates, besides State Farm’s, being sent to PartsTrader? At this point, it is just State Farm. Repairers will have the option to upload other estimates on a case-by-case basis if they elect to do so.

15. What data is transmitted and is this listed anywhere? Only informational data of the parts and materials procurement BMS information is extracted? This is specifically vehicle information and part list information. PartsTrader does not sell data, read data or provide data to unrelated parties. Our role is to be an operator of the market.

16. There is a fear that shops are going to have a reduced margin by reducing the list price; would you comment on that? The function of the system the way the price works is that the dealer is able to offer discounts to both list prices and repairer buy prices. Dealers do this already today with price matching systems like OE Connection. PartsTrader does not change this. The specifics around repairer margins in relation to Select Service need to be discussed with State Farm.

17. Address the additional administration on the “respraying” of the estimate when other parts are selected? At this point, this is still in the pilot and we are all about integration. We are working on integration and will be able to announce something in the future. There is also the ability for a shop to order directly from its default supplier and no bids.

18. Can you set up multiple profiles for specific vendors? We have not done that yet, but that is in the road map to address that in the future.

19. Can you provide any examples of where this system has “leveled” the playing fields in the economies of scale with talk that some parts suppliers would balance their discounts provided to MSOs, to independents? In an open, competitive market, you would think that would happen. Suppliers on PartsTrader, whether big or small, all have an equal opportunity – which is not always the case in today’s market. Anyone with a value proposition can find a niche. Another point to note is that with PartsTrader all suppliers of all types see the whole order. This is an improvement on the market today where some parts are seen only by alternative suppliers and not OEMs, and some by OEMs and not alternative suppliers. This open-market approach levels the playing field and allows all suppliers to compete on the same terms, within the repairer’s ultimate control of who they buy from.

20. How does the repairer know they are getting the best possible part, beyond price, for their consumer? This question exists today with or without PartsTrader LLC. PartsTrader LLC cannot guarantee a part is perfect. With the rating system, and over time, PartsTrader will be able to address an issue that is reoccurring. There is an opportunity long term to have even more detail represented on the parts. This will require multiple participants. There is a lot of trend toward human database-driven ratings. What we do not want to get away from is that there is someone at the end of the request being committed to fulfill the shop’s request.

21. Where does the part information data come from?
From the BMS file that is uploaded to PartsTrader.

22 . Is it possible to remove the discounted list price from the State Farm’s view?

Below is a list of questions and answers provided by PartsTrader. These are also available on the PartsTrader website, www.partstrader.us.com.

Do insurance companies have access to my buy prices?

No. PartsTrader does not provide and will not provide your buy prices to insurance companies. The only exception is recycled parts because there is no list price and this price is required on the estimate.

Is it all about price?

No. Repairers have the freedom to choose the best combination of price, delivery time, service, and part quality, every time. Our goal is to provide repairers information in an easy-to-review form that makes the decision process easier, faster and more accurate.

What if I need parts urgently and cannot wait for a quote request?

PartsTrader includes a Direct Order functionality to enable a repairer to place orders in the event of an urgent parts need. The order is immediately forwarded to the supplier of your choice with no delay.

Does PartsTrader require a quote request to be sent to multiple OEM dealers?

No. Repairers can choose to configure a default dealer for every make from their preferred suppliers. When this has been configured, only your default dealer will be invited to quote on estimates for that make. Repairers have the option of inviting all of their preferred dealers to quote, or they can expand it to all local dealers of that make if they prefer. It is up to the repairer to make that decision.

What if my supplier chooses not to use PartsTrader?

You can still order from a non-participating supplier through PartsTrader using our fax-forwarding service. We call this a "Fax-Only Supplier." Fax-only suppliers cannot submit quotes and are indicated by a fax icon on your screen. If a repairer wants to place a direct order to a fax-only supplier, PartsTrader will forward the order via fax. We recommend that the first time you order from a fax-only supplier, you call them to ensure they have received your fax correctly. If they have not, please contact PartsTrader support and we will ensure that it is resolved.

If your preferred OEM dealers for a particular make are "Fax Only," then you can choose to not send the request to any dealers. It will only go to alternative suppliers.

How does the application handle varying condition and pricing of recycled parts?

The application provides an opportunity for suppliers to provide a quote and allows suppliers to provide additional information, such as condition, in the comments section. Use of the application does not affect current insurer/repairer requirements. Parts are expected to be undamaged unless otherwise described. Issues concerning the amount of damage on parts should be resolved between the buyer and seller.

How does PartsTrader ensure supplier quality?

PartsTrader accepts only repairer-recommended suppliers to participate in our supplier network. We do not take direct applications from suppliers. Over time, we will be implementing a feedback and quality ratings system to ensure that standards remain high. Repairers will be invited to comment on all aspects of their transactions so that other repairers can benefit from those experiences.

Do you integrate with my software system?

We understand this is important for repairers. PartsTrader can currently import estimates from CCC, Audatex, and Mitchell. We are working with a number of vendors to fully integrate PartsTrader into common software that repairers use. As a general principle, PartsTrader is willing to integrate our product with all major software platforms that are interested in working with us. However, it is too early to announce specific integrations yet. PartsTrader is committed to the CIECA BMS standard for all integration. We will not transmit EMS files over the Internet in any form.

Do you upload and store all of my estimate data?

No. PartsTrader only uploads State Farm-related data automatically, and then only the specific vehicle and part information required for the parts procurement process to work effectively. We do not upload any other data in the estimate file. For those familiar with EMS, we convert the data required into BMS and only upload the specific parts procurement BMS file. We soon will release an enhancement that allows repairers to upload non-State Farm estimates if they choose to; however, this will be completely within the repairer's control on their local PC.

Does the application provide for a separate delivery charge?

No. Suppliers are instructed to incorporate any delivery costs into their quoted price.

Can OEM dealers price match?

No. PartsTrader provides an opportunity for suppliers of all types to quote on each parts job. Each supplier segment gets the same information with the same opportunity to quote within the specified time frame. Quotes are not visible to repairers until the quote time has expired. Suppliers are encouraged to provide the best price knowing they are operating in a competitive marketplace.

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