



Informative Release

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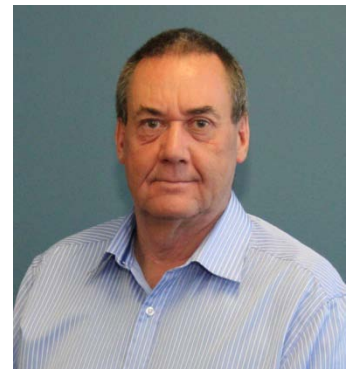
SCRS Interview with Bob McCoy of the Motor Trade Association of New Zealand

In April of 2011, State Farm released an [online video](#) discussing future parts ordering initiatives, and later that month, representatives of the company elaborated on elements of what they were looking for in the program. Just under a year later, testing of the online parts ordering/bidding system selected by State Farm – PartsTrader – began to roll out in market areas such as Tucson, AZ and Birmingham, AL. Like many in the United States, SCRS was unfamiliar with PartsTrader, and set out to find information on the firm that has the potential to drastically impact the parts ordering process as we know it in our country. Our quest for information brought us half a world away, talking with Bob McCoy, Collision Repairer Manager for the [Motor Trade Association \(MTA\) of New Zealand](#). Bob works within the Advocacy and Training team for MTA, and was able to bring us a varied perspective on the topic, given his background as National Assessor Manager for Farmers' Mutual Group where he developed their in-house motor vehicle assessing capabilities before coming to work for repairers through MTA.

SCRS: Bob, thank you for taking the time to give a little global perspective to our members! I understand that PartsTrader actually hails from New Zealand. Can you give us some background on the program in your country?

Bob McCoy: *PartsTrader was created here in New Zealand in 2003. It was originally built by New Zealand's biggest insurance company for its own use.*

Basically it's a collision repair parts procurement tendering system. The [repair facility] downloads the parts required to repair the car, then sets the time they want the [bidding] process to stay open; this normally defaults to 24 hours. Once the request is posted to PartsTrader, it initially goes to the local dismantlers or new parts franchisers. Once the bidding process is closed, if there are no bids, there is the ability to open the tender up to the rest of New Zealand. The [suppliers] who want to enter into the tendering process will submit their bids. This can be for individual parts or a bulk price for multiple parts. Once closed, the repairer will choose the best package according to cost, time to supply and the type of parts (i.e. new or used). They then select the package they believe is the most appropriate. If it is not the most cost effective, they will need to make a comment to the insurance [appraiser] on why they want to select that package. Once approval has been granted, the [repair facility] will make the selection and the supplier will be informed that he has won the tender. He will



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then supply the parts to the repairer whose responsibility it then is to pay the supplier once the insurer has paid the cost of the repairs.

The supplier in turn pays PartsTrader a small percentage which is built into the tendering price.

SCRS: We were advised that in some cases the shop's profit on parts has been reduced by almost 50% of what it once was. From your vantage point, has the system impacted the profit margins for the shops using the program?

BM: *Definitely. Prior to its inception, collision repairers had the ability to source parts from their local suppliers then pass the retail cost onto the insurer. Now the parts are supplied at cost then a markup is applied depending on whether the part is OEM or second hand. This varies between insurance companies but is around the 10 to 20% range. The only people to see the supplier's quotes are the repairer and insurance [appraiser]. Most repairers have also had to employ administration staff or take themselves of the shop floor to carry out the administration role which has impacted on their profit levels.*



SCRS: Has the program impacted a reduction in insurance premium costs in NZ?

BM: *No*

SCRS: How has the process impacted the repair process, and cycle time of the repair?

BM: *Some will argue that it has affected the process as there is a downtime waiting for bids to be received and once accepted the parts to arrive, however most repairers now use this to their advantage by organizing the shop workload around the arrival of the parts.*

SCRS: Does this help/hurt more with OEM, Aftermarket or used parts?

BM: *PartsTrader certainly helps the used parts market and given the makeup of the NZ vehicle market which has a*

large number of imported cars from Japan. That said, the majority of new vehicle franchises also use PartsTrader and will quote on repair orders. Toyota NZ wins approximately 50% of their bids to supply new parts, under cutting the prices bid by used car part suppliers.

SCRS: Are the shops willingly using the program, gladly using the program, or are they being forced to use the program?

BM: *PartsTrader was developed by NZ's largest insurance company so each of its Approved Repairer's are required to use it as part of their contractual obligations. Since its inception, every insurance company, barring one, now ask their approved repairers to use it. Even the [appraisers] for the carrier which is not signed up occasionally ask repairers to use it to source parts as they can see the financial advantage for their company.*

SCRS: How has the program impacted the parts return rate, and have shops had issues with the return process?

BM: *All parties sign up to a PartsTrader contract which contains various clauses around how they should operate, one being that the condition of the supplied parts must be "Fit for Purpose". If a part is returned due to a condition problem, the supplier wears the cost of transportation.*

SCRS: What happens if an independent repair facility, not on the insurance companies' network, chooses not to use the system?

BM: *For the insurance company who developed PartsTrader it is a requirement, however the other carriers have a more flexible approach, and if the repairer is able to find the parts at a cheaper price outside of the tendering process, then they have the ability to do that subject to the insurer's permission. If a repairer is not an "Approved Repairer," and does hold a contract to use PartsTrader, the [Appraiser] has the capability to download a quote into PartsTrader, purchase the required parts and then arrange for these to be delivered to the panel shop.*

SCRS: Did the parts trader program get legally challenged for potentially violating any fair trade style laws in New Zealand?

BM: *No*

SCRS: What do you think happened differently that allowed the program to take off in New Zealand but not in Australia?

BM: *Probably the biggest difference is that NZ's largest insurer developed and implemented PartsTrader and required its use. The size of NZ's collision repair industry compared to Australia could be another factor together with the good relationship which exists between repairers and the insurance sector. The same cannot be said in Australia.*

Wanting to know exactly what contributed to the outcomes reported to SCRS in Australia and New Zealand, SCRS reached out to additional contacts overseas, finding similar responses from a variety of different respondents in both countries. Our Australian counterparts speculated that the bidding system failed to take a foothold in their country due to a combination of the dealers being instrumental in stopping the release of the program, and the smaller usage of recycled parts in Australia compared to other markets. Perhaps the greatest contributing factor was that in Australia, the program was not mandated by the carrier, but simply an option which the market did not support in contrast to the traditional model. Other contacts also informed us that NZ repair facilities continue to struggle with the time it takes to receive the total order of parts for a job, especially if they are coming in from various sources, or from vendors that are further away. But repairers aren't the only ones with concerns. In speaking with several of the suppliers, there were grave concerns about how the program impacted their businesses as well. While the program claims to offer efficiency gains, it was shared that it creates added inefficiency and burden on the suppliers through wasted time and resources bidding on parts orders they will not secure. Some suppliers have indicated their business has only gone backwards due to the system, while some of the largest admit there have been only some business advantages in addition to the losses that accompany the system. One very clear negative expressed by a prominent supplier was, "I had hundreds of customers before, and now I have only one person controlling that part of my business."

SCRS will continue to work with our global and domestic relationships to bring the industry information on this topic as it becomes available to the association.

About SCRS: Through its direct members and 39 affiliate associations, SCRS is comprised of 6,000 collision repair businesses and 58,500 specialized professionals who work with consumers and insurance companies to repair collision-damaged vehicles. Additional information about SCRS including other news releases is available at the SCRS website: www.scrs.com. You can e-mail SCRS at the following address: info@scrs.com.

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