



Parts Procurement – A European Perspective

Presentation by the
2006 Parts Committee
Las Vegas, Nevada
October 31, 2006



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Parts Procurement – A European Perspective

Presentation by
Graham Bosson
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European Union



Parts Procurement Europe: Background

Progressive legislation within EU seeking to increase competition

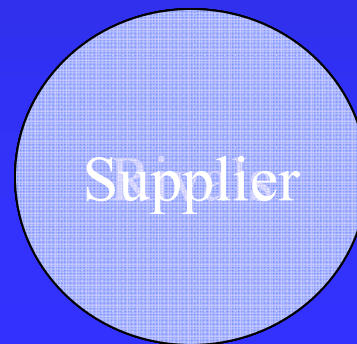
- Insurance

 - Directives 1 – 4, Directive 5 on the way

- Vehicle Manufacture Sale and Service

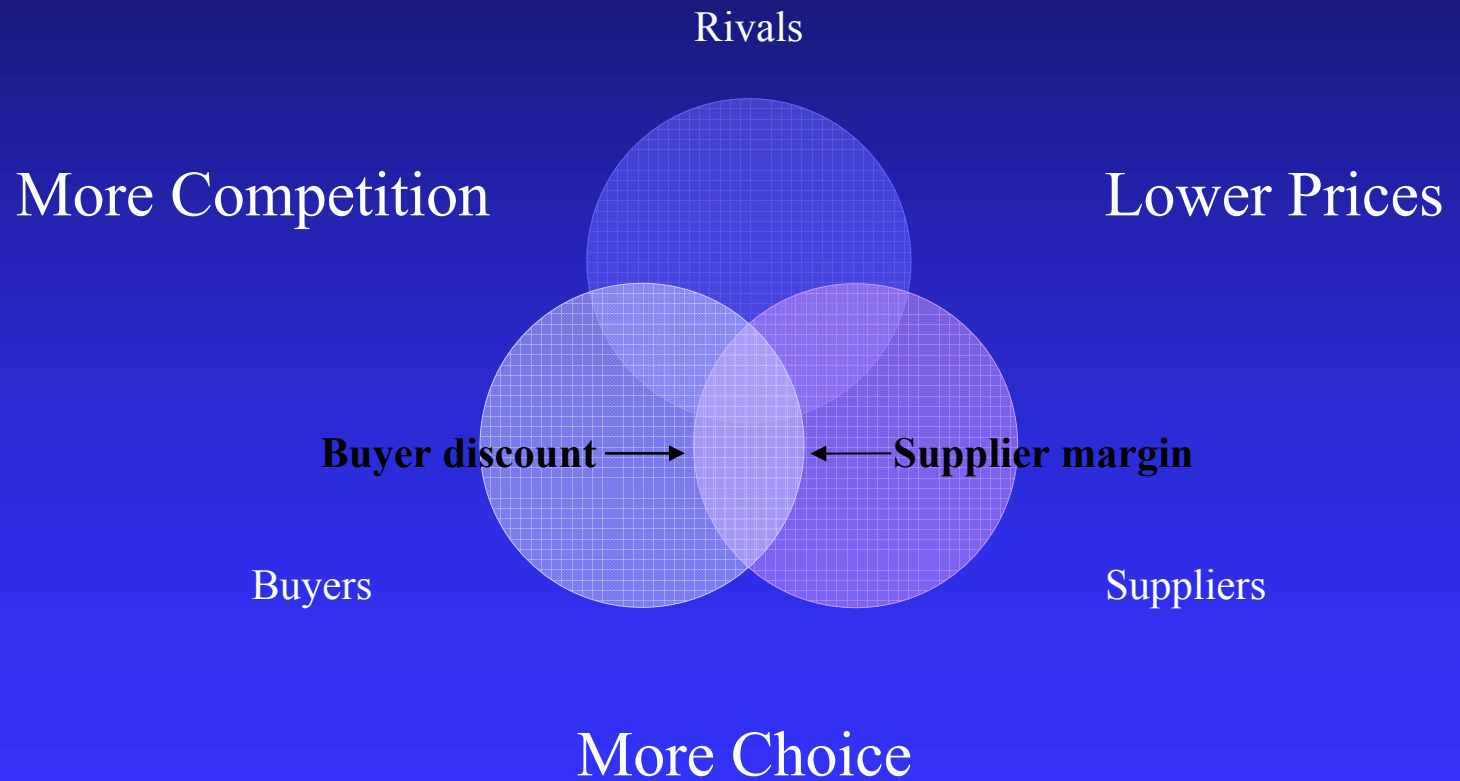
 - BER (Bloc Exemption Regulation)

 - ELV (End of Life Directive)





EU Objective





Latest position

- Vehicle Assemblers oppose changes to BER through Design Protection Clause
- E-CAR counter with Repair Clause
- Brussels appoint Thatcham to conduct tests on panels, Autopolis to produce report
- Separate report from London Consulting confirms 'captive' parts price premium
- Thatcham/Autopolis report to Legal Affairs Committee



UK Market

- Open and free
- High level of full Casco / fully comprehensive insurance
- High level of directed repairs
- Mature Approved Repair Networks
- Overall bodyshop numbers declining
- Repair complexity increasing

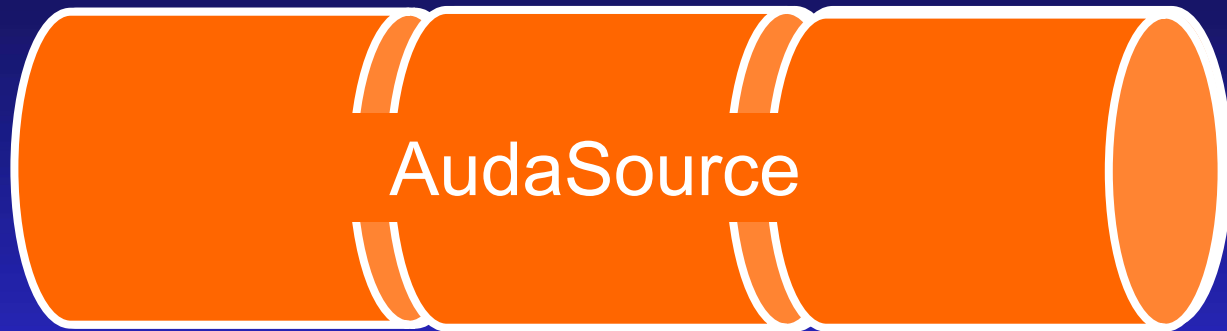


UK Procurement Practice

- Usually three parties involved, can include motor manufacturers.
- Parts selected against quality, availability and price/margin criteria.
- Rules applied differently to different marques & models and age of vehicle.
- Often parts used are of OEM or accredited quality to overcome perceived problems of quality & fit.



AudaSource Components



- 3 components used singularly or in combination
- Specifically designed to meet the needs of the Crash Repair sector.
- The benefits derived are on going, sustainable, and optimise repair costs for adopters.



AudaSource: Examples of rules

- By make and model: Treat Mercedes & BMW one way & Ford, GM another
- By age of vehicle: Treat vehicles up to 7 years old one way over 7 another
- By Quality of part: On vehicles >3yrs use OE or OEM; on vehicles <3yrs use accredited or warranted parts; on 'veterans' >10yrs use general pattern parts
- By common sense: Use OE where cheaper than AM part
- By availability: Only use part if in stock & available (say within three days)



Procurement models Norwich Union

- First insurer to move into parts procurement, with the 'Unity' Program
- Intention to source OE and AM parts
- Initial JV partner Lex Automotive
- VAs wouldn't co-operate fully, though BMW & Ford did a deal
- Now using Unipart SSVG
- Elective system

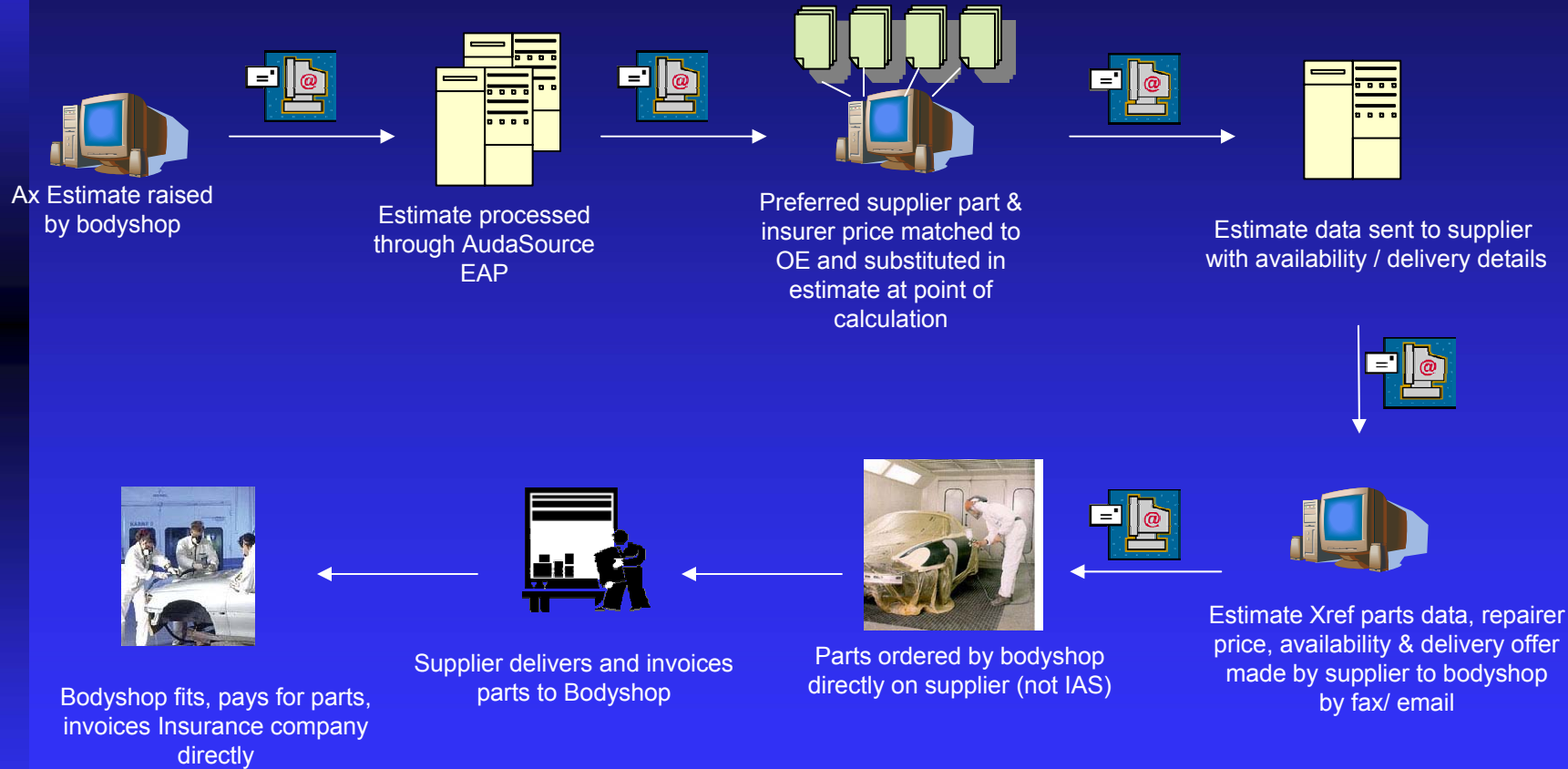


Procurement models: Allianz Cornhill

- Are using substitution only
- Have partnered with SEL Imperial
- System is mandatory, purchase of parts elective
- Allianz will only pay shop the value of the SEL part, as it appears on the estimate



AudaSource Allianz Workflow

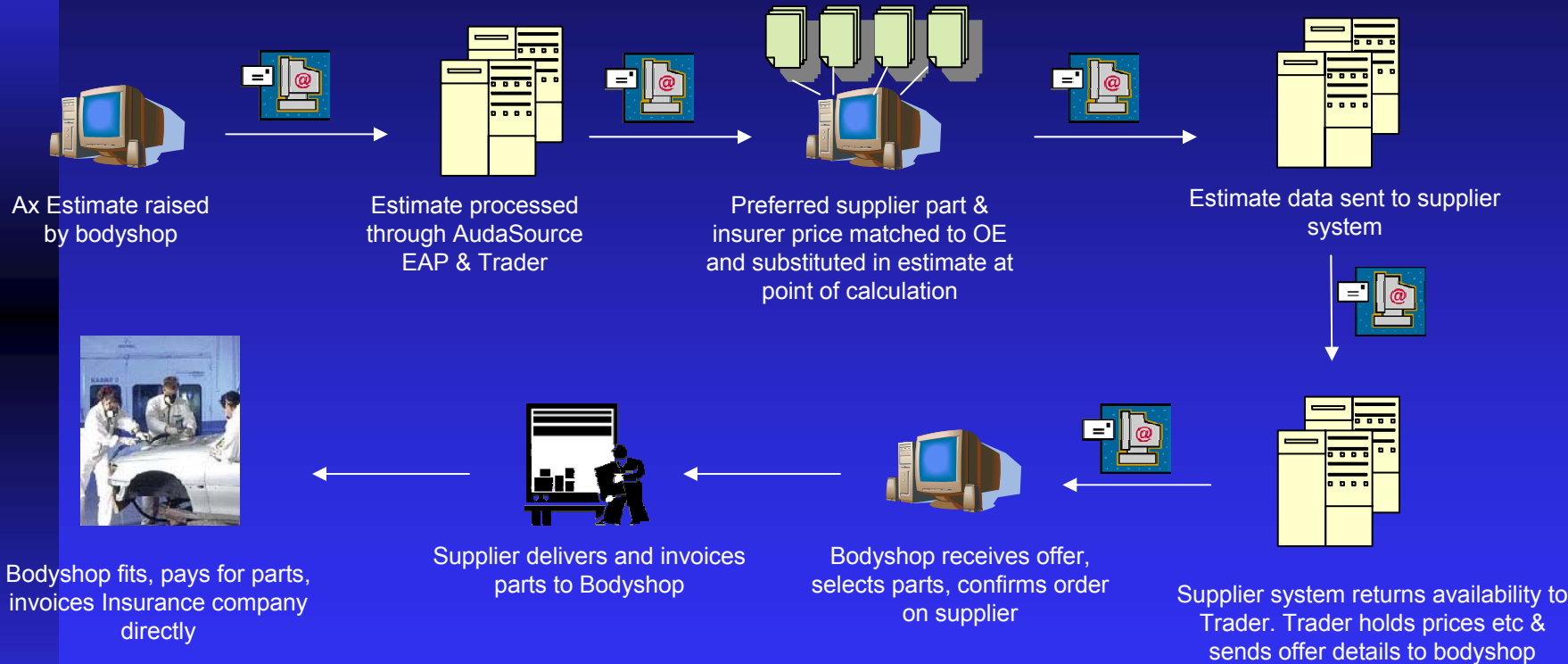




Procurement models: RBS

- Includes Direct Line & Churchill brands
- Works across the ARN with one supplier – Unipart SSVG.
- A very tight process requiring SLA performance from bodyshop and SSVG
- Covers returns and credits

RBS UK Workflow





Procurement models: RSA

- Operate labour only scheme, rate inflated to offset loss of parts margin
- Parts are purchased by bodyshop and invoiced to RSA at cost
- Some shops 'solus' to RSA



Procurement models: S America

- Parts often identified, ordered and paid for by insurance company
- Main concern is supply chain corruption
- Bodyshops receive parts from supplier, acknowledge receipt, insurer pays supplier
- Insurers using this method include: GNP, ING, Qualitas & Inbursa



Procurement models: Poland

- Poland / East Europe
- Common practice is for insurers to inspect damaged vehicles at local offices, raise an estimate and pay cash to the vehicle owner.
- Alternate parts (usually OEM quality) used in the estimate to reduce value of pay out.
- Large number of repeat claims!

Summary and Status

Job - W0000526 (£1308.15)

Vehicle

Administration

General Details

Driver Details

Estimate Details

Rates

Model Selection

AudaGra

0 Audalm

Condition

Details

Additional

Damage

AudaValue

Repairer

Full Report

TEL: 0118 923 5666 AUDATEX (UK) LTD FAX: 0118 930 4175
 THE FORUM, STATION ROAD
 THEALE, READING BERKS, RG7 4RA
 HELPDISK W0000526 05/10/06

A S S E S S M E N T N O. MATERIAL COST - PAINT COST
 TOTAL PAINT COST £ 155.66
 SUNDRY PAINT MATERIAL £ 23.21
 PRE-PAINTING SUNDRY MATERIALS £ 11.94

 TOTAL PAINT/MATERIAL COST £ 190.81

P A R T S PRICE VALID : 02/10/06
 GUIDE NO. DESCRIPTION PART NUMBER BET PRICE

281	FRONT BUMPER	256590-0T	£	130.84 U
284	FRONT IMPACT DAMPER	1 352 832	£	66.88
410	GRILLE	1 211 719	£	27.33
471	BONNET	1 346 646	£	141.45
493	BONNET LOCK	1 215 280	£	47.04
562	RIGHT HEADLAMP ASSY	256594-2	£	81.43 U
7753	L/LWR AIR DUCT	1 363 613	£	14.08
7754	R/LWR AIR GUIDE	1 363 612	£	14.08
7761	RADIATOR	1 359 798	£	86.89

SUB TOTAL				£ 610.02

DEDUCTION FROM RRP (5.00 %)				£ 30.50
SUNDRY PARTS (2.0 %)				£ 11.59

TOTAL PARTS				£ 591.11

NB - COLOUR CODED ITEMS/TRIM - PART NUMBERS MAY DIFFER
 AUDATEX SYSTEM USING MANUFACTURER TIMES PAGE: 3

Print
 Help
 OK

t 1 days - 2273 request(s), 784 unread

Reference	Description	Model
EX54ZVN	RBS Repair - 41242350/00 - BRO08 - BKAR03	VAUXHALL CORSA SXI
GP05BTX	RBS Repair - 40020415/00/E - PDQ05 - BTAT02	TOYOTA RAV 4 XT4
S34RCF	RBS Repair - 93213030/02 - BRO90 - BAYL01	FORD FOCUS GHIA ESTATE
HF03GXW	RBS Repair - 91111178 - BRO96 - BSEW06	HYUNDAI CDX GETZ
LD05WCX	RBS Repair - 62141120/00/S - PDQ05 - BHAR02	PEUGEOT 206 S
KG03HPY	RBS Repair - 28440707/03 - BRO113 - BPEN10	PEUGEOT GLX 206 (2A/2C)
HG03VZF	RBS Repair - 13132086/01 - BRO123 - BBRO06	FORD BASE MODEL KA
W268KNB	RBS Repair - 20169834/02 - BRO08 - BJOE01	OPEL SXI CORSA
R749KHW	RBS Repair - 2107685802 - BRO96 - BSEW03	FORD LX FIESTA
R181JBU	RBS Repair - 27011871/04 - BRO08 - BLIE01	VAUXHALL ASTRA ENVOY EST
GJ05JXS	RBS Repair - 38136668/02 - BRO53 - BSTO06	KIA XS SPORTAGE
V468RUD	RBS Repair - 90078649/01 - BRO90 - BAYL01	SEAT S IBIZA
V528DJF	RBS Repair - 42187478/00 - BRO123 - BSAN04	FORD GHIA FOCUS
BL54EZM	RBS Repair - 41055548/00 - BRO114 - BESM01	ROVER MG ZR
Y729TLA	RBS Repair - 86010326/03 - BRO109 - BDAG03	FORD GHIA FIESTA
R209WBK	RBS Repair - 12035775/00 - BRO17 - BWHI10	FORD LX FIESTA
WL54GFK	RBS Repair - 58135588/00 - BRO92 - BSJG01	VW SPORT TOURAN
WV04 UCX	RBS Repair - 61071985/00 - BRO24 - BCAR01	HONDA JAZZ SE SPORT
ET51GXF	RBS Repair - 3618534902 - BRO90 - BBTP01	VOLVO S S 60 (RS)
V670DLB	RBS Repair - 13123819/00/C - BRO70 - BDIX09	FORD FT 190 TRANSIT
S833AJE	RBS Repair - 11134963/00 - BRO109 - BSPR05	RENAULT SCENIC ALIZE
VX03XRY	RBS Repair - 61049595/00 - BRO101 - BCHU01	RENAULT EXPRESSION CLIO II B/CB0

Parts Request

Reference:	KC52NCY	Status:	Gone to Order
VRN:	KC52NCY	Created:	29/09/2006 11:51
VIN Number:	WFOHXXWPJH2R47456	Update:	29/09/2006 12:11
Job Ref. Num.:	W0000526		
Customer Order Num:	1056/301207	Delivery:	02/10/2006
Description:	RBS Repair - 40374639/00 - BRO97 - BBPR03		
Model:	FORD LX FIESTA		

der
to3P

Auto.

Description	Qty/Price	Source
FRONT BUMPER	1	Part to be sourced from SSVG (Unipart)
FRONT BUMPER	£130.84	Existing OE Supplier
FRONT BUMPER	£111.21	SSVG (Unipart)
L/LWR AIR DUCT	1	Part to be sourced from your usual supplier
L/LWR AIR DUCT	£14.08	Existing OE Supplier
R/LWR AIR GUIDE	1	Part to be sourced from your usual supplier
R/LWR AIR GUIDE	£14.08	Existing OE Supplier
RADIATOR	1	Part to be sourced from your usual supplier
RADIATOR	£86.89	Existing OE Supplier
FRONT IMPACT DAMPER	1	Part to be sourced from your usual supplier
FRONT IMPACT DAMPER	£66.88	Existing OE Supplier
GRILLE	1	Part to be sourced from your usual supplier
GRILLE	£27.33	Existing OE Supplier
BONNET	1	Part to be sourced from your usual supplier
BONNET	£141.45	Existing OE Supplier

Parts Request

Reference:

KC52NCY

Status:

Gone to Order

VRN:

VIN Number:

Job Ref. Num.

Customer Ord

Description:

Model:

https://trader.ax-ae.co.uk - Query Details - Microsoft Internet Explorer

Job Ref:

W0000526

No Repair Authority

Reason:

Request Cancelled

Order Code:

1056/301207

Delivery:


02/10/2006

Image file:

Browse...

Remarks:

Supplier	Items	Total
OE Pseudo Supplier	10	£680.28
SSVG (Unipart)	2	£180.93

 You may enter Job Ref, Order Code or select the preferred delivery date for the parts. You may use the "Browse" button to attach an image to the request. Check "No Repair Authority" and select an appropriate reason, if you wish to put the request on hold. Please take note that the "Save" button will only update the details on the server, while the "Confirmation" button will update the details on the server and send the request to the supplier.

Cancel

Description

FRONT BUMPE

FRONT BUMPE

FRONT BUMPE

L/LWR AIR DU

L/LWR AIR DU

R/LWR AIR GU

R/LWR AIR GU

RADIATOR

RADIATOR

FRONT IMPAC

FRONT IMPAC

GRILLE

GRILLE

BONNET

BONNET

from SSVG (Unipart)

from your usual supplier

from your usual supplier

from your usual supplier

from your usual supplier

from your usual supplier

from your usual supplier

Done

Internet

the last 10 days - 6234 orders(s), 50 unread

Reference	Description	Supplier	Supplier Status
Y809HCA	RBS Repair - 62129809/00/S - BRO33 - BCLA02 - OPEL CLUB CORSA C	SSVG (Unipart)	Order in process
N73AOP	RBS Repair - 0 - BRO87 - BGAR04 - OPEL LS CORSA	SSVG (Unipart)	Order in process
NA52KHU	RBS Repair - 37406759/01 - BRO100 - BRBS08	SSVG (Unipart)	Order in process
R24EVC	RBS Repair - 11149901/00 - BRO36 - BFRA01	SSVG (Unipart)	Order in process
EA02CZC	RBS Repair - 33342826/04 - BRO72 - BCHU07	SSVG (Unipart)	Order in process
FG52FCZ	RBS Repair - 42452601/00 - BRO87 - BCLA12	SSVG (Unipart)	Order in process
BL02NMY	RBS Repair - 42258629/00 - BRO36 - BFRA01	SSVG (Unipart)	Order in process
WF52XTL	RBS Repair - 3604313300 - BRO57 - BMIL04	SSVG (Unipart)	Order in process
T729SRH	RBS Repair - 27256276/01 - BRO118 - BPET05	SSVG (Unipart)	Order in process
ST03OYF	RBS Repair - 30386433/04 - BRO47 - BBRO01	SSVG (Unipart)	Order in process
KX02UYO	RBS Repair - 29192624/03 - BRO24 - BHAR01 - PEUGEOT STYLE 307 3A/3C	SSVG (Unipart)	Order in process
DA51PVJ	RBS Repair - 14083329/00 - BRO08 - BPEO04	SSVG (Unipart)	Order in process
R186KWY	RBS Repair - 58452320/00 - BRO123 - BBRO06 - FORD MONDEO LX	SSVG (Unipart)	Order in process
V11 SHM	RBS Repair - 42046207/00 - BRO36 - BBAR10	SSVG (Unipart)	Order in process
T223JLK	RBS Repair - 14413281/00 - BRO31 - BMJM01	SSVG (Unipart)	Order in process
X52WVK	RBS Repair - 30361655/00 - BRO119 - BMIN01	SSVG (Unipart)	Order in process
L771HYF	RBS Repair - 28082408/01 - BRO97 - BPRI09 - RENAULT CLIO RT	SSVG (Unipart)	Order in process
BX52HYA	RBS Repair - 42176768/01 - BR0114 - BCHU06 - VAUXHALL CORSA SXI	SSVG (Unipart)	Order in process
X214HNP	RBS Repair - 41185539/01 - BRO84 - BCLA08	SSVG (Unipart)	Order in process
S279XAT	RBS Repair - 42375109/00 - BRO119 - BMIN01	SSVG (Unipart)	Order in process
N688NRY	RBS Repair - 12019538/00 - BRO31 - BMJM01	SSVG (Unipart)	Order in process
1110EMV	RBS Repair - 24040069/04/I - BRO31 - BMJM01	SSVG (Unipart)	Order in process

Requests

Outgoing Orders

h VRN kc52ncy - 2 orders(s), 0 unread

Reference	Description	Supplier	Supplier Status
KC52NCY	RBS Repair - 40374639/00 - BRO97 - BBPR03	Existing OE Supplier	Order in process
KC52NCY	RBS Repair - 40374639/00 - BRO97 - BBPR03	SSVG (Unipart)	Order in process

2 orders(s), 0 unread

Parts Order

Reference:	KC52NCY	Supplier:	Existing OE Supplier
VRN:	KC52NCY	Ordered:	29/09/2006 12:11
VIN Number:	WFOHXXWPJH2R47456	Updated:	29/09/2006 12:11
Job Ref. Num.:	W0000526	Buyer Status:	Order in process
Order Num:	1056/301207	Delivery:	02/10/2006
Description:	RBS Repair - 40374639/00 - BRO97 - BBPR03		
Model:			

der
to3P

Auto.

Description	Qty	Price	Supplier Ref	Status (Buyer)	Status (Supp)
L/LWR AIR DUCT	1	£14.08	010	Ordered	
R/LWR AIR GUIDE	1	£14.08	010	Ordered	
RADIATOR	1	£86.89	010	Ordered	
FRONT IMPACT DAMPER	1	£66.88	010	Ordered	
GRILLE	1	£27.33	010	Ordered	
BONNET	1	£141.45	010	Ordered	
BONNET LOCK	1	£47.04	010	Ordered	
FRONT PANEL	1	£129.25	010	Ordered	
CONDENSER	1	£139.20	010	Ordered	
LOWER AIR DUCT	1	£14.08	010	Ordered	

Entered by

Description

Parts Order

Reference:	KC52NCY	Supplier:	SSVG (Unipart)
VRN:	KC52NCY	Ordered:	29/09/2006 12:11
VIN Number:	WFOHXXWPJH2R47456	Updated:	29/09/2006 12:11
Job Ref. Num.:	W0000526	Buyer Status:	Order in process
Order Num:	1056/301207	Delivery:	02/10/2006
Description:	RBS Repair - 40374639/00 - BRO97 - BBPR03		
Model:			



Description	Qty	Price	Supplier Ref	Status (Buyer)	Status (Supplier)
FRONT BUMPER	1	£111.21	345261	Ordered	
RIGHT HEADLAMP ASSY	1	£69.72	345261	Ordered	

Entered by

Description

Parts Order

Reference:	KC52NCY	Supplier:	SSVG (Unipart)
VRN:	KC52NCY	Ordered:	29/09/2006 12:11
VIN Number:	WFOHXXWPJH2R47456	Updated:	29/09/2006 12:11
Job Ref. Num.:	W0000526	Buyer Status:	Order in process
Order Num:	1056/301207	Delivery:	02/10/2006
Description:	RBS Repair - 40374639/00 - BRO97 - BBPR03		
Model:			

der
to3P

Auto...



Description
FRONT BUMPER
RIGHT HEADLAMP ASSY

Status (Buyer)	Status (Supplier)
Ordered	
Ordered	

Entered by	Descrip
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https://trader.ax-ae.co.uk - Order Log Message - ...

Order Log Message

Message:

You may add an entry to the order status log regarding the entire order.

Ok **Cancel**

Done Internet

Parts Order

Reference: KC52NCY

Supplier: SSVG (Unipart)

VRN: KC52NCY

VIN Number: WFOHXX

Job Ref. Num.: W00005

Order Num: 1056/30

Description: RBS Repa

Model:

https://trader.ax-ae.co.uk - Return Parts - Micros...

Return Parts

- Return Parts
- Request Replacements


Reason:

Details:

- OE part not correct to vehicle
- Wrong part supplied
- Original part repaired not replaced
- Cancelled job
- Cancelled claim - total loss
- Manufacture fault
- Incorrect packaged parts

Image file:

- All Items (2)
- FRONT BUMPER
- RIGHT HEADLAMP ASSY

 You may add an entry to the order status log regarding the entire order or specific parts in the order. You may also report the return of selected parts and the reason necessitating the return. An image showing the returned part/s may also be added. You may print a return note after reporting the return of parts.

Ok

Cancel

06 12:11

06 12:11

rocess

06

Status (Buyer)

Status (Supplier)

Ordered

Ordered

Entered by

Descrip

Parts Order

Reference:	Y113HPN	Supplier:	SSVG (Unipart)
VRN:	Y113HPN	Ordered:	13/09/2006 12:25
VIN Number:	VF7IKFWB73052896	Updated:	03/10/2006 11:28
Job Ref. Num.:	M0338866	Buyer Status:	Order canceled
Order Num:	m06090214	Delivery:	14/09/2006
Description:	RBS Repair - 34001657/04 - PDQ05 - BRBS04		
Model:			



Description	Qty	Price	Supplier Ref	Status (Buyer)	Status (Supplier)
REAR BUMPER	1	£102.25	340756	To be returned and Cancelled	Returned

Entered by	Description
Supplier	RETURN IS A WARRANTY CLAIM AND WILL BE PROCESSED BY RICH' AT BROWN BROS' CRAWLEY. REGARDS, ASHLEY.
Supplier	Returned - PART WILL BE COLLECTED (SSVG REF 204083) 053595-0 - REAR BUMPER
Buyer	To be returned and Cancelled, Wrong part supplied - NO BUMPER MOULDINGS ON BUMPER

Trader returns note Repairers (Copy)

IceBox Control

Y113HPN

m06090214

Y113HPN

Description of part

REAR BUMPER

Reason for Return

Wrong part supplied - To be returned and Cancelled

rt)

12:25

11:28

ed

Auto.

Buyer)

Status (Suppl

eturned and Cancelled

Returned

ROS' CRAWLEY. REGARDS, ASHLEY.

N BUMPER

xt)

ed



Benefits: Repairers

- No additional effort required from Repairer.
- Full compliance with insurer rules - ensures prompt settlement and payment.
- Parts routed to the preferred supplier /distributor - maintains valued relationships.
- Protects existing retail prices - stabilizes margins.
- Profit margin protection ensures usage of AM parts - does not erode profit
- Incorporates stock availability - optimizes repair and cycle time management.
- Can save 1 to 2 hours parts admin per job (depending on initial efficiency).





Conclusions

- Pressure on insurance companies to reduce costs (combined ratios over 100)
- Legislation forcing further market openness
- Unlikely that current objections from VAs will halt this momentum
- AM parts range increasing & quality improving
- Captive parts currently attract a premium
- Now known that the EU commissioned report concluded AM parts are not inferior
- Some VAs embracing the new world others resistant
- Likely that VAs will approach the insurers table with incentives



Summary & Conclusions

- Experience in the UK and elsewhere suggests AM parts can be used satisfactorily
- No noticeable adverse reaction from vehicle owners
- Repairers can influence choice of parts and margins earned.
- Insurers will become emboldened to spread the practice



Summary & Conclusions

- The European Crash Repair market is maturing rapidly
- New ways of doing business are needed & are evolving
- Procurement is inevitably going to play an important role
- This does not automatically mean to the detriment of shops or Supply Chain
- But if you aren't involved you can't influence the outcome!