

## The Cost Of Returned Parts

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Service technicians who order wrong parts may find that returning the hardware is fairly hassle-free. But the cost of a "wrong" part means lost time and money.

Put in reverse terms, service shop installers who order the right part for a vehicle repair job can increase the shop's productivity, according to Mark Salem, owner of Salem Boys Auto, a 20-bay full service repair facility in Tempe, AZ, that turns about \$3 million a year in business from as many as 60 vehicles processed daily.

The supplier/warehouse distributor-retailer relationship—the focus of a panel discussion at the 2003 Global Automotive Aftermarket Symposium in Dearborn, MI—is experiencing some growing pains.

"As vehicles today become more and more complex, it is extremely important to get the correct information to provide the correct parts. Years ago, the same part numbers would cover applications for multiple years. This is not always true today as car manufacturers are continually changing the designs," said Phillip Porpora, President of Lee Auto Parts, Inc., a 21-store chain in the Chicago suburbs with 70% of orders being wholesale business.

When a technician fails to check the parts catalog for specific part identification information or when an incorrect assumption about the vehicle model year is made (instead of verifying the vehicle model year via the VIN), a "wrong" parts order affects all involved. "There's the handling cost as well as missed sales if the parts are not truly defective but only 'alleged' defective," noted Richard Morgan, President and CEO of the Aftermarket Auto Parts Alliance, Inc. in

San Antonio, TX, a 55-shareholder warehouse distribution group.

Service technicians who order an array of hardware as a preemptive repair strike also are guilty of misusing the distribution system. "Many shops order extra parts for a job not knowing what exactly they will use," said Porpora. Parts that turn out to be unneeded are then returned to the distributor. "This probably causes the highest percentage of returns by dollars. However, non-stock part returns cause the most problems. The non-stock returns are what the jobber is returning to the warehouse distributor. Almost 50% of the returns we take back are movement codes 6, 7, 8—slower movers," Porpora explained.

When wrong parts are returned, the entire supply chain suffers a "detrimental effect," according to John Washbish, President of Consumer Relationship Management for the Dana Automotive Group (DAAG). On a yearly basis, DAAG expects to see parts returned because companies need to make stock adjustments and clear the shelves of obsolete product.

DAAG ships parts to approximately 800 warehouse distributors in the U.S. and Canada, and while a 5% yearly return rate is considered normal, certain products—including remanufactured electrical parts such as alternators and starters—can push the return rate up to double digit percentages

To stem the tide of returned parts—in particular, wrong parts ordered—training is seen as an invaluable education tool. "Training doesn't cost, it pays. For those who say, 'If I train them, they'll leave,' my response is, 'If you don't train them, what if they stay?'" said Porpora.

"Last year we had about 8000 face-to-face clinics with technicians." said DAAG's

Washbish. In addition to the product/technology related clinics. DAAG recently started working with a third-party provider to teach business operation basics to service shop managers/owners. The so-called "blue-print for success" training program is a six-part course that is slated to launch this summer.

Training can be useful if done right. "Clinics are really tough right now," said Salem, citing inflexible course times, one-size-fits-all instruction, and inappropriate subject matter. "Arm us with the equipment, and show us what we need to know."