

AFTERMARKET BUSINESS

Sizing up the Internet players

Feb 1, 2001

By: [Ed Kaufman](#)

Aftermarket Business

Last month we compared frenzied speculation in the Internet with equally wild speculation in the railroad business in the 19th Century. What they have in common, besides get-rich-quick mania, is that both involve businesses based upon connecting people and markets.

This month we examine the approaches of both niche players and the larger groupings with respect to one of their major goals: attracting independent repair shops and persuading them to use the Internet to link up with designated wholesalers.

Approaches of Internet players

Many of the main companies we've identified are prepared to link installers upstream to sources of parts and other items. And in some cases, they plan to enable consumers to reach installers via the Internet to schedule appointments.

There, however, are differences. NAPA provides an example of a company with a largely self-contained, end-to-end approach. NAPA communicates directly with consumers and installers via the Internet and plans to link NAPA stores to its distribution centers via a virtual private network. Last November NAPA announced a partnership with CarStation.com.

CarParts Technologies also has an end-to-end approach, including its PartsXchange link for connecting installers and jobbers to participating WDs, its own consumer site and within recent months, acquired software services for WDs and installers.

Profit Pro, which was acquired by Wrenthead Inc., recently launched its Internet offering for installers. Rather than compete on services at each link of the supply chain, the company prefers to work with many partners on a non-exclusive basis. Thus, for example, installers who use Vision, Profit Pro's new installer site, can link to jobbers served by iCarz. Profit Pro's partners include MyRepairShop.com, another company trying to gain installer members for its services. Profit Pro also licenses its catalog to CarParts, a Wrenthead competitor.

Following are more detailed descriptions of the approaches of various competitors for linking installers to the Net.

Autovia

Autovia Founder/CEO Rod Georgiu has a lot of credibility in the aftermarket because he founded Alldata, one of the leading computerized repair shop manual services, and made a fortune for himself and his colleagues when that company was sold to AutoZone. Convinced Web-based services were destined to grow rapidly in the aftermarket, in the late 1990s, he began researching the concept of enabling repair shops to quickly find out which of their usual suppliers can provide immediate delivery of any needed item.

In the Autovia system (introduced in 1999), registered shops can view on one screen parts availability and pricing of three to five designated jobbers or WDs. Autovia offers this service to shops at no charge. It is compensated by a transaction fee of 2.5 percent paid by wholesalers who accept the orders transmitted by Autovia.

Compared to online ordering systems, Autovia has a narrowly focused approach. Most of its competitors offer suites of services including job estimating software, repair shop manuals and shop management software. Georgiu doesn't see the need to offer them. "What we do instead, is provide links to many types of software for repair shops," he said.

Because repair shop owners tend to be slow to change their ways and most are used to telephoning countermen, Georgiu never expected the shops to adopt online ordering overnight. "But in fact, we are making faster progress than we did on Alldata for the same period of time."

It is a tougher problem to persuade wholesalers, including jobbers and WDs, that it can be a good business decision to pay commissions of 2.5 percent. "They say, 'How can we pay you 2.5 percent when we only make 3 percent on the sale ourselves?' Well, we have demonstrated that there are so many gains in productivity and reduced costs that they are actually making more money," he said.

How? For one thing, they are experiencing a 50-percent reduction in return rates because of elimination of double ordering. There are additional savings from the reduction in communication errors experienced on telephone orders. Taking orders online means countermen have more time for selling new items and answering technical questions.

There are also significant benefits in customer satisfaction. Shop personnel are not kept on hold for long periods of time waiting to place a routine order with a counterman. "But when they need to discuss a problem, they get quality time," he said. Currently Autovia serves 200 distributors.

There have been some changes in its approach. In response to distributor dislikes of what they call "spreadsheet comparisons," Autovia now displays parts availability and prices for only one designated wholesaler. However, installers can "bump down" to another screen that displays availability from alternative sources. And for distributors who want the option, Autovia is selling its services in establishing private networks that provide rapid communication between wholesale customers and stores.

Profit Pro

In November, Wrenthead acquired Profit Pro. One aspect that interested Wrenthead was the introduction by Profit Pro of Vision, its new software for enabling installers to access its ProfitWare suite of services, including its electronic parts catalog and job estimating and shop management features. Profit Pro and Wrenthead consider Vision to be a significant development, because, according to Profit Pro's CEO Brad Duncan, "it enables anyone with an Internet-ready computer to access the data at the hosting site, via the Internet, immediately. There is no need to be connected to DSLs."

In addition to licensing the use of Vision to distributors who use the Profit Pro catalog, Profit Pro and Wrenthead plan to license this technology to all comers in the aftermarket, even those using other catalogs. They also believe this software has application for any distributive industry that requires large parts catalogs. At Wrenthead, Chief Operating Officer Bryan Murphy said the company has revised its business model to include licensing of technology to repair shops.

Duncan explained there are two aspects to Vision: Vision Estimator, used by installers for looking up the parts they need and estimating jobs; and Vision Central, the site used by suppliers to show their availability and prices on parts inquiries from installers.

With Vision, as with ProfitWare, which is mailed periodically to participating shops via discs, there are monthly charges for the suites. However, a substantial portion of the monthly fees are usually

paid by a sponsoring WD or jobber who expects to be the first call source of parts. In Vision Central, the system displays only one source of parts, that of the sponsoring jobber/WD. If the shop wants to check availability and prices of alternative sources it can, but only by telephoning the counterman.

In July 2000 the company introduced VisionEPC. One attraction of this software is that it presents rotating images of parts. Besides dazzling installers and countermen, it is expected to help shops order the correct parts and install them properly. Duncan said parts manufacturers think this technology will make a big contribution to reducing high return rates that result from improper ordering.

CarParts Technologies (PartsXchange)

Is it important for competitors of aftermarket Internet business to connect to all links in the supply chain? "For us it is," said President of Distribution Ron Pyle. "We decided that in order to obtain the revenue we need to sustain the interest of investors, we need both a sufficiently large scale of operations and multiple sources of revenue. So in our model, besides revenue from sales direct to consumers, we obtain fees for developing software plus transaction fees."

CR, a company CarParts recently acquired, specializes in producing systems software for aftermarket companies, chiefly WDs. "We obtain fees from WDs on orders placed by jobbers or installers through our PartsXchange system, and fees from manufacturers on orders placed by WDs," said Pyle.

On transactions between WDs and manufacturers, PartsXchange competes on a value-added basis against MISG's Transnet service. (MISG is a for-profit arm of MEMA.) PartsXchange supplies data not available on Transnet, like advanced shipping notices that tell the WDs when goods will be shipped, by which carrier and when to expect delivery.

"In addition, we provide benefits to both WDs and manufacturers by aggregating data across our network," said Pyle. "WDs do not want competitors to know what their inventories are so we keep individual data confidential. But it is a benefit to all participants to know, across markets, which types of parts are moving and which are not. Over time that information will be useful in aiding vendor managed inventories. Vendors take the responsibility for recommendations on what to stock and what to take back."

CarParts Technologies is able to link installers to designated jobbers or WDs, through its PartsXchange system and broadening the installer base is a key objective for the company. As part of the marketing effort, it has assigned sales teams to work with WDs in signing up installers. The company's approach emphasizes flexibility. Its "better" option includes the ability to write job estimates; the "best" option includes the complete shop management program.

Unless otherwise permitted by the WD, the repair shop has online access only to the designated source. CarParts does not demand an exclusive relationship. The shop can be a member of another distributor's service dealer program or be using another shop management program. If all they want to do is order online (from a subscribing WD or jobber), all they have to do is register and get an ID number. Currently CarParts is working on a Maintenance Portal intended to identify consumers who want objective information on vehicle maintenance and referrals to reliable shops.

On Jan. 8, CarParts acquired privately held AndersonBDG, which it describes as "a leading provider of point-of-sale and shop management application software for the automotive service and repair industry." Apparently, CarParts has been quite impressed with VAST, AndersonBDG's point-of-sale software that integrates third-party information such as labor time guides, factory scheduled maintenance databases and aftermarket electronic parts catalogs.

NAPAonline

Like other major participants in the aftermarket, NAPA has the goal of establishing Internet

connections with all links of the supply chain. Because Genuine Parts, the principal owner of NAPA, has responsibility for the "buy-side" links with parts manufacturers, NAPA focuses on the downstream "sell-side" links. Last year NAPA launched NAPAonline as a fully transactional site for dealing directly with DIYers. The site has been successful both in attracting DIY customers and in obtaining top ratings on customer satisfaction.

NAPA has begun devoting more effort to using this site and a new partnership with CarStation.com, to attract DIFM customers and refer them to members of the NAPA AutoCare service dealer program and to independent repair shops. The DIFM links are operational. A DIFM-oriented consumer accessing www.napaonline.com can obtain useful tips on car maintenance plus a map and directions to all NAPA AutoCare dealers within a ten-mile radius of his or her location.

For 2001, NAPA's goal is to link as many stores and shops as possible. NAPA has good electronic communication with its stores via text-based computers and phone lines, but the Internet permits NAPA to transmit much larger volumes of data, including graphics. NAPA believes these graphics can be a great help to countermen and technicians in identifying the correct parts and in facilitating proper installation.

MyRepairShop, Inc.

This company is focused on providing independent repair shops, via the Internet, a wide suite of business services and products they need to compete effectively. Offerings include access to electronic parts catalogs for parts look up and online ordering, job estimating and shop management softwares, assistance on direct mail programs and assistance in buying tools and equipment. MyRepairShop can fairly claim that it has a broader range of services than its online competitors, and that some, like direct mail programs, are not offered by other Internet service companies.

But MyRepairShop differs radically in these respects:

- The focus of its sales efforts is the repair shop. Unlike Wrenthead/Profit Pro and PartsXChange (CarParts Technologies), which focus on building relations with WDs and using them to recruit repair shops, MyRepairShop sells its services directly to the shops. These shops can obtain many of the services, like job estimating software, for free if they agree to give a large portion of their parts business to a sponsoring jobber.
- Unlike the aforementioned competitors and Autovia, MyRepairShop does not collect fees from jobbers or WDs on online orders transmitted by its repair shop members. That service is offered as a convenience to the shops. This means MyRepairShop relies on subscription fees from repair shop members, who in turn can pass those fees on to their customers. This also means the company is committed to fielding a large sales force to sign up repair shops as subscribers and has the capital resources for a massive marketing effort.

The company's plans include furnishing subscribers with new Dell computers, fully loaded with MyRepairShop software. The company plans to offer more than one source of job estimating software and more than one choice for shop management software. The company enables subscribers to order parts online from one of their preferred sources, but they realize most shops like to have alternate sources on some items. Subscribers can reach them as they do now, via phone lines. Brad Hays, the company's CEO, believes online ordering will become more prevalent, over time, as shops gain sophistication and attach more importance to productivity.

This company's approach to building relations with independent repair shops reflects the experience of its founders and top executives in the aftermarket. For example, based upon his experience at Pennzoil/Jiffy Lube, Hays knows how effective direct mail reminders can be in bringing business to the service bays. He and his associates also know that many independent shops lack the management time or discipline to handle regular mailings on their own.

Some distribution groups have attempted to do mailings for members of their logo programs, but it is not easy to get cooperation. "We can do this efficiently for our subscribers, and it provides a good

example of gains made possible by information technology. Repair shop subscribers transmit their customer data to us via the Internet," said Hays, emphasizing that the data remains confidential. "Because we do these mailings on a large scale, we can do them more efficiently than any individual shop. The mailings bear the shop's name and address, not our own."

Aren't shops hesitant to provide their customer files to MyRepairShop? "Initially, yes. But over time, confidence is built up. Only a short while ago consumers were reluctant to use their credit cards to buy online. That is no longer a problem."

We noted earlier that MyRepairShop is a Profit Pro partner. Thus, installers who subscribe to the services of MyRepairShop can link to Profit Pro services, such as its electronic catalog, shop management programs and job estimating software. In November 2000 iStarXchange (the company discussed next) announced that it had signed a letter of intent to develop a "strategic technology and marketing alliance" with MyRepairShop, Inc. The arrangement allows MyRepairShop members access to the iStarXchange network of suppliers and inventory.

IstarXchange

This company not-too-shyly describes itself as "the leading Marketplace Service Provider (MSP) to the entire automotive aftermarket and OE parts and services supply chain – the only end-to-end solution to link automotive replacement parts and service providers in a single online marketplace."

Does that sound like hyperbole? Well, said Chief Operating Officer Doug Formby, name another company that can connect all links in the supply chain from repair shops to the OEMs, including parts stores, car dealers, parts distributors and parts suppliers to both the aftermarket and vehicle manufacturers. He said other companies are talking about end-to-end solutions, but iStarXchange is actually providing them.

This company was formed in February 2000 as a joint venture of Toyota Motor Sales, USA, in Torrance, Calif., and i2 Technologies of Irving, Texas. The latter company is a leading producer of supply chain management software. Spokesmen for iStarXchange note that it is "the first online parts and service marketplace backed by a major automaker and a leading e-business firm."

Because of the sponsorship by Toyota there is a tendency for some people to assume the primary purpose of iStarXchange is to facilitate sales of Toyota parts and accessories to car dealers and the independent aftermarket. In fact, this B2B online marketplace is "open to all OEMs, suppliers, wholesalers and professional service technicians."

Toyota recognized that it would benefit if more and more of its customers and customer's customers placed their orders online. In addition, using the Internet permits all participants to share data, thereby leading to greater efficiencies in planning and inventory management.