



KEYS TO DRIVE THE BUSINESS eBOOK

Best Practices for Aftermarket Auto Parts Retailers

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Best Practices for Aftermarket Auto Parts Retailers

Executive Summary

Auto parts retailers continue to experience strong performance through uncertain economic times. The impact of the recession on declining auto sales has had a positive impact for U.S. aftermarket auto parts retailers. Consumers who traditionally turned cars over every two to three years have chosen to keep and maintain their cars for longer periods of time as a result of economic uncertainty, job concerns and shrinking disposable income. As vehicles age, they often need more frequent repair. The increased vehicle lifespan is creating a strong market for replacement aftermarket parts from struts and exhaust systems to water pumps and alternators.

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The automobile aftermarket industry sells two categories of products - replacement parts and accessories or specialty equipment. Replacement parts are built or remanufactured to replace original equipment parts as they become worn or damaged beyond repair. Specialty equipment accessories are made for increased comfort, convenience, enhanced performance, better safety or customization and are designed as add-on products. Replacement parts include standard automobile parts, such as spark plugs, oil filters, brake pads, batteries and fluids/lubricants such as motor oil.



Industry analysts are predicting that as hybrid cars become more accepted, there will be increased demand for styling and accessory products that will make hybrids look and perform better. In addition, the increasing need for fuel economy and fuel efficiency, as gasoline prices reach historic highs, will continue to impact the demand for both categories of aftermarket auto parts - another good sign for retailers.

The 50 largest auto parts industry companies in the U.S. account for half of the overall revenue. Small auto parts retailers are in competition with larger operations that are often nation-wide chains. To be competitive, these smaller parts retailers need to set themselves apart by stocking specialized parts, providing extra services, guaranteeing rapid delivery and developing customer loyalty.

According to BB&T Capital Markets Current State of the Aftermarket Research, the industry is forecast to have a compound annual growth rate of (CAGR) of 3.2%, bringing it to \$256 billion by 2015.¹ New or smaller operations need to quickly establish their advantages and attract customers if they want to be successful.

¹ BB&T Capital Markets 2012 Automotive Specialty Products Alliance – Current State of the Aftermarket. June 12, 2012.
<http://www.aspalliance.org/presentations/2012/2012%20ASPA%20Presentation%20-%20Jonathan%20Carey%20-%202006%2012%202012.pdf>

At Freestyle Solutions, we work with automotive aftermarket retailers and wholesale fulfillment operations to help integrate their entire order, inventory and customer management processes to simplify commerce and grow their business. Our customers collectively generate more than \$200 million in sales each month, and we've learned from them what has been most effective in helping them grow. It's that experience which has enabled us to provide this eBook entitled "Keys to Drive the Business: Best Practices for Aftermarket Auto Parts Retailers."

We address the benefits of finding and implementing the best order management platform for auto parts retail operation so they can provide the right assortment of products and services along with the best experience for their customers. A best practice, fully functional order management solution needs to easily integrate all business processes; from shopping cart integration, sales tools, Payment Card Industry (PCI) compliance and gift card redemption to CRM, fraud protection, inventory management, payment integration, order fulfillment, tracking and logistics across all business channels. These diverse processes need to work together to simplify day to day operations, leaving more time for connecting with customers and keeping the business running smoothly.

Having the Right Parts Can Drive Success

With more and more cars on the road for longer periods of time, anticipating replacement parts needs is becoming a bigger challenge. If a customer, whether they are a DIY [Do It Yourself] or DIFM [Do It For Me], needs a distributor cap for a ten year old two door sports coupe, how likely is it going to be that the retailer will have that part in stock and ready to ship? As cars get older, finding the right parts becomes more difficult.



Retailers need to strike the right inventory balance so they don't disappoint and lose customers to other suppliers, while not maintaining an expensive and overstocked inventory. A successful aftermarket auto parts retailer requires immediate access to product data and inventory levels for all of the parts in stock as well as for all the parts that they have access to even if not in their physical inventory. Timely access to all available inventory items requires an extra level of integration with external warehouse and distribution centers and the retailer's order management processes.

Retailers need to have a complete picture of what parts are on hand, on order, in process and available to ship. Many auto parts retailers combine counter sales at their brick and mortar storefront with online ordering and need to manage multiple inventory locations including both warehouses and distribution centers. Advanced inventory management capabilities enable retailers to ship and store products at multiple facilities where products are likely to be needed. Products can be held at distribution and fulfillment to get parts into the hands of customers quicker and without additional carrying costs to negatively impact the bottom line.

An inventory management portal can provide updated information on what is in stock, on order or back order, and what orders need to be placed in real-time. Having this data available enables retailers to identify ways to lower inventory levels, reduce out of stocks, reduce transportation costs and improve the overall customer

experience. Accurate inventory data coupled with predictive analytics allow retailers to determine the best inventory levels for the business. Inventory visibility enables retailers to improve inventory carrying costs and take better control of shipping costs to make the business more efficient and profitable.

A complete view of the order process lifecycle which takes into account the items included in the shipment, the ship to address, lot numbers, serial numbers, payment methods and all other relevant order information, is essential to effective and efficient operations. Incorporating barcoding as a key component in tracking and tracing shipments provides an additional layer of accuracy and efficiency related to the receipt, count, transfer, and shipment of products, helping to reduce inventory carrying costs.



Aftermarket auto parts are somewhat complex, unique and not interchangeable with other products. When a customer needs a specific part retailers require flexible product lookup methods including by SKU, UPC, OEM or aftermarket number, customer number, parts description and serial number. In addition, a quick cross-reference between OEM and aftermarket parts facilitates being able to do a quick year-make-model search to insure that retailers are delivering the right parts to customers. Serial number management is important in the aftermarket parts inventory management process. Retailers need to recognize serial numbers when parts are received and shipped. Utilizing an integrated inventory and order management system enables retailers to track parts by serial number as they are received and as they are shipped.

An automated inventory and order management solution enables retailers to:

- Track an unlimited amount of products through inventory that have lot or serial numbers
- Gain online visibility into the complete inventory chain – from source to sale
- Maintain accurate inventory management regardless of sales channel
- Control the process of overseas importing
- Control backorder and advance ship dates
- Trace individual parts back to suppliers, through outsourcers, contract manufacturers or to customers
- Capture lot or serial number at the time of shipment

Immediate access to all orders shipped aids customer service representatives in tracking down a previously ordered part should the customer require a complementary item or just need to verify a previous order. Customer order review should not require a lengthy process – accessing an order or tracking numbers should provide full and detailed information. Delivering products on time consistently encourages customer loyalty and cultivates repeat business.

Integrated inventory, purchasing and order management allows retailers to monitor inventory status from initial product receipt through final shipment to the customer. A retailer will have better control over order response time, better manage inventory allocation, and be better able to create a seamless process for order fulfillment ensuring that they have the right parts, at the right time, ready to ship to meet customer expectations.

A Roadmap for Reaching Customers

Aftermarket auto parts can be purchased at a storefront, online, and/or through catalogue/phone orders. The larger auto parts chains have the luxury of setting up a well-stocked storefront to attract shoppers and to provide one-on-one service. Historically counter sales accounted for a significant portion of aftermarket auto parts transactions but this is changing. Online activity is increasing in the aftermarket auto parts retail industry and retailers who support both brick and mortar operations as well as online operations need a complete view of orders and inventory for efficient order processing and customer service. According to the Automotive Aftermarket Suppliers Association (AASA), “While there is no definitive source on the size of the aftermarket’s e-tailing segment, one thing is certain – e-tailing is one of the fastest growing segments in the automotive aftermarket.”² Aftermarket parts retailers are utilizing multiple channels to reach more customers and now need to be able to provide a wider parts selection and timely responses to meet increasing customer demands.



In a sales environment where consumers are using mobile devices, such as smartphones, tablets and pads to gather information on almost every purchase they make, retailers need to provide rich content through a variety of media and devices. Retailers need to be sure that their mobile sites look and function well through the wide variety of mobile devices to capture the largest number of auto parts buyers.

A mobile-optimized website is a good first step, but it is no longer sufficient if a business is to gain speed. Identifying those customers that are either DIY or DIFM can provide insight into buying patterns and behaviors and to meet their unique demands. In supplying the DIFM buyer, identifying repeat sales patterns can help a retailer make the sale before they even place their order. Repeat shoppers may benefit from well-timed reminders and product updates so that they are always stocked and ready to go. In the case of a recalled auto part, retailers will definitely benefit by advising customers in a timely manner that they purchased a recalled product and how it can be resolved.

Having visibility into customer preferences and behaviors across all channels allows retailers to customize promotions and offerings based on an individual customer category. Knowing the age of customers’ cars also enable retailers to capitalize on the aftermarket’s sweet spot which tends to be 5 to 7 years after the manufacturer’s warranty expires. Segmenting the mailing list to create targeted offers along with incorporating customer offline buying history can increase response rates for retargeting campaigns. While a DIY customer may not need cases of motor oil, a DIFM customer may want to keep significant inventory on hand so that they don’t need to reorder too often. Retailers can reach each of these segments with offers and promotions created based on their sales and order history. Retailers should track and evaluate campaign spend to measure response and determine the cost of acquiring customers.

² Automotive Aftermarket Suppliers Association Industry Analysis: e-Tailing Market Remains Up for Grabs.
<http://www.aftermarketsuppliers.org/Publications/Special-Reports>

Identifying repeat customers enables retailers to create and capitalize on customer loyalty. Retailers may be spending more time and money than they realize to increase revenue by focusing efforts on acquiring new leads when a proven source of sales is right in front of them. An integrated order management system can aid in refocusing marketing efforts to target high value shoppers by simplifying the process of collecting, managing and linking information about them.

To do this effectively requires the continuous collection and analysis of data from all sales channels so that retailers are able to stay up-to-date on customers and their buying patterns. A best practice order management system enables retailers to capture information from every order for every shopper. The best way to meet a shopper's needs is to stay connected with them through marketing campaigns and programs. Utilizing data gathered also enables retailers to create and maintain personal relationships with customers by target audience to communicate relevant promotions and product information at times, especially when they are most likely to buy.



It can cost retailers five times as much to acquire a new customer than it does to retain an existing one. If retailers are not accurately identifying and effectively marketing to existing customers to maximize sales, they may be missing one of the biggest and most effective opportunities to grow the business. A retailer's customer list is one of their most valuable assets; but only if they are capturing relevant customer profile information.

Technology That Puts Retailers in The Driver's Seat

Aftermarket auto parts retailers can benefit from leveraging the cloud to improve their business transactions and processes. Today's auto parts retailers are moving beyond electronic data interchange (EDI) and incorporating cloud-based solutions that simplify their processes allowing them to connect with more customers and more suppliers.

With the high level of competitiveness among auto parts retailers, it is essential for retailers to set themselves apart to attract and retain customers. They can create competitive advantages by implementing the latest information technology including multichannel order management systems across their entire business operation. Whether filling orders from a sales counter, through an online transaction or a phone call and whether shipping items directly or drop shipping from a warehouse or fulfillment center, third party eCommerce integration with sophisticated real time XML capabilities for status and customer transactions are essential to keeping the business moving forward. Being able to integrate CRM, purchasing and order processing functions enables retailers to synchronize supply and demand for each item they stock, either directly or indirectly, and helps insure that purchases are made well enough in advance to keep inventory levels where they need to be. This provides greater inventory control, enabling retailers to carry a wider variety of items to appeal to both DIY and DIFM customers.

A multi-channel order management system must be able to integrate with an eCommerce store for order and customer management across all channels, integrate with shipping systems and track purchase orders and inventory levels in real time. Orders can be processed electronically from point of purchase to shipping with no printing required except for a shipping label. All data is automatically created and stored and added to the retailer's database. Look for a powerful eCommerce and multichannel order and customer management solution that integrates online, offline, mobile, fax, mail order, telephone orders or catalog channels to never miss an opportunity to meet a customer's needs.

An end-to-end, fully-compliant solution created for small and mid-sized businesses can help automate routine tasks, eliminate rekeying of documents and data and enable retailers to experience extensive productivity gains. Utilizing a multichannel order management system enables retailers to offer:

- Consumer Customizable Auto Ship
- Promotional and Recurring Programs and Campaigns
- Full Service Customer Care Contact Center Capabilities
- Complete Fulfillment - Warehousing, Distribution, Pick and Pack and Return Service
- Extensive Operational, Financial, Retention and Marketing Reporting

Effective back-office order and inventory management, combined with warehousing, payment processing, customer relationship management (CRM) and logistics will help strengthen the business. Implementing a feature rich platform that helps to streamline order entry and tracking, enabling retailers to gain control of inventory management, capture important customer data and buying preferences and make it easy to consistently provide high levels of customer service to help drive the business to success.

Keys to Success

Putting technology to work to capture, integrate and utilize data across the entire operation to understand and respond to consumer demands can give small to medium-size multichannel merchants a definite advantage. Immediate access to data across the entire operation helps retailers streamline business operations, take control of the business and gain the competitive edge they need.

Freestyle Solutions allow customers to manage the critical aspects of their business - including essential integrations with carriers, payment card processing and accounting systems - so retailers can be sure that inventory is always accurate, orders ship smoothly and their customer service team can respond with confidence and focus on meeting their customers' needs.

Freestyle Commerce is built upon a foundation of experience, know-how and usability allowing you to accelerate growth, process and fulfill orders, manage inventory and access customer information over the Internet. No more hassles of having to buy and maintain your own servers, pay for software licenses and track upgrades. **Freestyle's** dashboards give you at-a-glance business information to report on trends and spot areas needing attention so you can capitalize on growth opportunities.

Freestyle Solutions provides small to medium-sized (SMB) retail businesses worldwide with a choice in order management solutions, in the cloud or on premise, to meet their business needs. Over 2,000 merchants rely on Freestyle Solutions to automate their back office operations and drive business growth.

About Freestyle Solutions

Freestyle Solutions, formerly Dydacomp, is changing the way that the industry thinks about order and inventory management. Freestyle Solutions is dedicated to providing growing multichannel retailers,etailers, catalogers, fulfillment and distribution firms with best-in-class inventory, order, and customer management software solutions that help them increase sales and grow their business.

Freestyle Solutions integrate easily with eCommerce platforms to drive efficiency, productivity, insight and growth. Freestyle Solutions' proven on premise & cloud-based solutions enable small to medium sized retail & fulfillment businesses to grow faster by expanding their eCommerce presence & automating back office operations to manage critical aspects of their business: multichannel order management; inventory visibility & control across multiple channels; drop ship management; rapid, reliable order fulfillment; customer management; integration with Magento, Amazon, eBay & more.

The Freestyle Commerce cloud-based solution is tightly integrated with third-party eCommerce software Magento and Amazon, providing users with the smartest order management dashboards for the always up-to-date business insight they need to grow sales.

Over 2,000 multichannel merchants rely on Freestyle Solutions to automate their back office operations and drive business growth. Freestyle's clients engage over a million shoppers daily, generating nearly 10 million in gross merchandise sales every day. For more information, visit www.freestylesolutions.com and follow us on Twitter @freestylesolutions.