

## Honda Parts Are Replenished Daily For Improved Cycle Times

*Autobody News* recently talked with two senior managers in the American Honda parts distribution network: Vice-President of Parts Operations **Bruce Smith** and Senior Manager of Parts Marketing **Al Ortlepp**. We discussed American Honda's entire parts distribution system, including recent changes to the way dealers get their parts to shops, new efficiency strategies, plans for the future, and how all of these factors impact collision repair facilities.

**ABN:** Please describe for us the components of your parts distribution network.

**Bruce Smith:** We have nine distribution facilities throughout the U.S. that interface directly with our 1,350 dealers. We have two in California—in Torrance and in French Camp. The others are in Portland, Oregon; Irving, Texas; Davenport, Iowa; Troy, Ohio; Atlanta, Georgia; and in New Jersey and Connecticut. We also have a facility in Chino, California where we receive and process all of our parts coming in from Japan.



Honda America maintains 350 dedicated trucks that log approximately 120,000 miles per night combined.

Those parts are all routed through that facility; it's also where all the parts are broken down into smaller groups of parts to be distributed to the dealers and also acts as a storage facility for parts. There are two more of these hubs in Troy and one in Lowdon, Tennessee, just outside of Knoxville.

**ABN:** What changes have you seen in the collision repair industry and Honda's relationship with it?

**Al Ortlepp:** We've seen a lot of things change within the collision repair shops our dealers sell to, especially in regard to customer satisfaction. We've gone from a company that was probably just an also-ran on the distribution side to an organization that we believe can now truly

be called world-class. What that means is that our dealers are getting their stock orders on a daily basis, which means they can offer next-day parts availability to almost all of their body shops. In addition, we have some of the best numbers in the industry as far as our damage rate is concerned, which is also a very positive sign. Overall, we've done a really good job in building our dealer-to-body-shop customer satisfaction by getting them parts quickly and undamaged, so that they can get that car out of their shop quickly and reduce that cycle time.

**ABN:** How do body shops benefit from your daily stock order system?

**Bruce Smith:** About 90% of our dealers are involved in the new system, which means they can get their parts the next day. We take orders up to 4 PM, and by 8 AM the next morning, they have their parts, anywhere in the country. It used to be a 5 PM cutoff, but you could only order once per week, so this is a great improvement. It used to be that when dealers needed bumpers and hoods and fenders more than once a week, we were doing a lot of LTL shipments and expedited carrier-type shipments. But now it's done almost entirely on our dedicated trucks. When we went to daily stock orders, we implemented our own dedicated fleet of trucks nationwide. We load the trucks with the parts and they don't get touched again until we unload them at the dealership. We've got a fleet of approximately 350 dedicated trucks out there running five nights a week, and they're logging about 120,000 miles per night altogether.

**Al Ortlepp:** On top of that, the whole computer operating system had to be rewritten, which we did in-house. We basically had to put an entirely new infrastructure in place. So it was, and is, a huge undertaking. The system we have now is better and makes us more effective, and we're pretty proud of it. Most recently, the NADA (National Automobile Dealers Association) ranked us as one of the best in the industry for our parts distribution system.

**ABN:** Explain to us how your daily replenishment system works.

**Al Ortlepp:** Our daily replenishment system from the supplier to the dealer is something we instituted five years ago, and it's allowed us to keep a minimal amount of inventory now, which is important. The real benefit of carrying less inventory is that it's always a challenge to find space in the warehouses. If you can reduce your inventory from, say, 45 days to turn the inventory over, down to 5–6 days to turn it over, that means you can put more SKU's in there. So what we get out of our warehouses is a significantly higher fill rate.

**Bruce Smith:** By going to a daily replenishment system, we were able to lower the inventory in the parts centers, and at the same time, we increased the



Honda America's Vice-President of Parts Operations **Bruce Smith** oversees the delivery of hundreds of thousands of Honda parts throughout the U.S. each week.

number of SKU's in the parts center. We also made sure that more of the parts coming from the various parts centers went to the dealers closest to them, or "facing" them as we say. That way, if you're in San Francisco, for instance, your parts are coming from French Camp and not from another state. It's made us more effective and responsive to the dealers needs, and because the parts are traveling less, there's considerably less damage and therefore fewer returned parts. We probably went from an average of 20,000 SKU's in a parts center to around 40,000 SKU's, so we have a deeper, more complete inventory to offer our dealers. The bottom line to collision repair shops is this—if you need a part from Honda, chances are we have it and you can get it the next day.

**ABN:** What is Honda doing to help shops improve cycle time?

**Al Ortlepp:** The focus on cycle times for these shops is critical. When we go out to visit these shops, it's always the first thing owners or managers want to talk about and for good reason. We think we've done an excellent job of listening to them and meeting the challenge of getting them parts as fast as humanly possible. That's definitely a big part of our strategy—to work with the body shops to get the cycle times

down and to help them meet their deadlines.

**ABN:** What are the biggest differentiators between OE Honda parts and aftermarket parts?

**Bruce Smith:** First of all, the quality of our parts, whether they're on a 10-year-old vehicle or a new vehicle, will always maintain the original specifications that were used when the part was put on the car back when it was built at the factory. It's pretty rare for us to change the OEM specifications on a part, even if the car is 10–15 years old. The only time we'll do it is when the newer materials used to make the part are better than they were when it was first manufactured. For example, with steel parts, if they change the steel on the mass production line and we can determine that it's a better specification, we will sometimes change it, but that's very rare.

**Al Ortlepp:** All of our sheet metal products are still made by Honda or an affiliate vendor, which means we have complete control of the quality at all times. We don't contract any of it to out-



Honda America's Senior Manager of Parts Marketing **Al Ortlepp** wants to help body shops cut down on cycle times by getting them the right Honda parts quickly and efficiently.

side manufacturers like many carmakers do. We keep the tooling with the original supplier, as a rule. That's done because that supplier knows the original quality specifications and can maintain that quality.

See **HONDA PARTS**, Page 28

## Toby Chess Speaks on Reclaiming Profits at East Bay CAA Meeting

by Ed Attanasio

Toby Chess, well-known I-CAR instructor, consultant, and *Autobody News* columnist, was the featured speaker at the



Toby Chess at the CAA East Bay chapter meeting.

California Autobody Association's (CAA) East Bay chapter meeting, held at Scott's Seafood restaurant in Walnut Creek, CA, on May 19th.

More than 50 shop owners, managers and technicians attended the event to network and listen to Chess as he discussed how to capture more money on each repair; something shops are extremely interested in, especially during these tough economic times.

Chess told the shops in attendance how they can make 2% more in gross profit by charging for things many shops don't want to, or forget to include, in their esti-

mates—such as basic shop supplies, clips, and labor hours they leave off the invoice.

"These little things can add up and impact your bottom line considerably," Chess said. "Many shops use materials in the repair process and don't charge for them. They're essentially giving these items away, and I am telling them they don't have to."

CAA East Bay chapter President **Lisa Daves** from *Spectrum Body & Paint* in San Leandro thought the shops represented at the meeting were able to glean some valuable information from Chess's presentation.

"Toby was fantastic," Daves said. "He really opened some eyes among our members with his speech and the numbers he presented. He's also a very dynamic and charismatic speaker, which always helps. We're always trying to get valuable advice from our presenters at these meetings, and Toby fit the bill."

CAA First Vice-President **Gigi Walker**, owner of *Walker's Auto Body* in Concord, CA, paid tribute to **Pat Packer**, a Color Supply paint rep who died suddenly at age 42. A memorial for Packer

sponsored by the CAA East Bay chapter raised over \$800 to help defray his family's expenses.

Daves also announced the time and place for the chapter's annual Truck Competition/Toys for Tots fundraiser, an event that has grown in popularity every year, she said.

This year's competition will be on Nov. 17th, at the Blackhawk Auto Museum in Blackhawk, CA. Every holiday season, shops from all over the East Bay design and outfit model trucks, battling other collision repair facilities for the right to say they're the best model truck builders



Each year, custom model trucks are featured at the CAA East Bay chapter's Truck Competition/Toys for Tots fundraiser, to be held this year at the Blackhawk Auto Museum, Nov. 17th.

in the region. Attendees can then bid on the model trucks.

For more information on how to get involved in the CAA East Bay chapter, contact Lisa Daves at (510) 357-3883.

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## Honda Parts

**ABN:** What does the future have in store for the wholesale parts division of American Honda?

**Bruce Smith:** As we look at the current market conditions, we're seeing that dealers are relying more on their fixed operations, because new car sales are down so much. We also know that because of this, they're doing a lot more with less, which includes fewer employees, maybe less parts inventory—overall. Fewer resources are at their disposal.

At the same time, body shops are striving to increase repair efficiencies, meaning using lean production practices, and reducing cycle times. As a response to this, we've now developed a relationship with OEConnection. Their technology will make our dealerships more efficient to start with, and then by utilizing the *CollisionLink* software, their B-to-B ordering process, which includes part number validation and VIN scrubbing, etc. With those tools, we'll be even more effective, we believe. We're also adding to this a program called *Collision Select*, which will provide dealers with marketing assistance funds, to allow them to be more competitive with select aftermarket collision parts on a per-estimate basis.

## Texting and Driving Worse than Drinking

*Car and Driver* Magazine has documented just how dangerous texting-while-driving (TWD) can be. Rigging a car with a red light to alert drivers when to brake, the magazine tested how long it takes to hit the brake when sober, when legally drunk at .08, when reading and e-mail, and when sending a text.

Driving 70 miles per hour on a deserted air strip *Car and Driver* editor Eddie Alterman was slower and slower reacting and braking when e-mailing and texting.

The results:

- Unimpaired: 0.54 seconds to brake
- Legally drunk: add 4 feet
- Reading e-mail: add 36 feet
- Sending a text: add 70 feet

On average, it took four times longer to hit the brake.

The American public correctly views drinking and driving as dangerous, but is seemingly not as concerned when it comes to texting and driving (even though it's banned in 14 states).

There is plenty of evidence of accidents caused directly by texting while driving, or checking e-mail, or talking on the phone while behind the wheel, even though it's more dangerous than drinking and driving.

## Insurance Director Warns of AZ Scam

The Arizona Department of Insurance (ADOI) has learned about a scam targeting licensed insurance agents and brokers in Nevada and California. The Nevada Division of Insurance recently received reports that individuals representing themselves as employees of the Nevada Division of Insurance have been calling licensed agents and requesting payment of a penalty fee. The callers ask for credit card and social security information over the phone to pay the penalty and avoid cancellation of their license. Insurance Director Christina Urias reminds Arizona licensees that the ADOI never initiates telephone calls requesting credit card or social security information. ADOI only sends payment requests in writing, and only accepts credit card payments through its official Internet-based systems.

ADOI advises Arizona agents and brokers not to provide any personal information including credit card or social security numbers to a caller claiming to be a representative of the Arizona Department of Insurance. Report any such activity to the Attorney General: 602.542.5763 / 800.352.8431 (outside the Phoenix metro area) or [consumerinfo@azag.gov](mailto:consumerinfo@azag.gov). ADOI closed its Tucson office in February.

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601 South Coast Highway,  
Oceanside, CA 92054

E-mail: [bcox@ncountybmw.com](mailto:bcox@ncountybmw.com)

North County BMW

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