



Automotive Aftermarket  
Suppliers Association

# **Channel Visibility: Accessing and Utilizing Down-Channel Transactional Data**

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# **Special Report Special Report Special Report Special Report**

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**Automotive Aftermarket Suppliers Association  
By Epicor and the AASA Technology Council  
October 2012**

# **Channel Visibility: Accessing and Utilizing Down-Channel Transactional Data**

*Presented by  
Epicor and the AASA Technology Council*

## **Executive Summary**

Providing the right part at the right place and the right time has enabled the North American aftermarket to earn the lion's share of consumers' post-warranty repair dollars. But sustaining such high service levels has come at an enormous cost for many suppliers, who each year manufacture millions of dollars of products that ultimately are returned as unsold goods. Aftermarket participants could justify this level of value chain inefficiency throughout decades of strong industry growth. But as CAGR has dropped to the low single digits over the past several years, it is clearly time to attack this issue by achieving significantly deeper insight into actual product demand at the point of sale.

This issue is all the more pressing as a growing number of suppliers continue to pursue coverage-based competitive strategies. In short, by investing in the "best" coverage in any given product category, the supplier is likely committing its finite capital on hundreds, or perhaps thousands, of parts that will sit on distributor shelves for extended periods. Offering the "best" coverage is not synonymous with offering the "right" coverage for a given market – a fact with serious bottom-line implications.

The good news is that tools now exist to provide down-channel visibility all the way to the industry's ultimate point of decision, enabling aftermarket manufacturers and distributors to track actual parts consumption to the ZIP and Postal Code levels. Moreover, suppliers can now track the comparative performance of each brand, product grade and specific part number within their key customers' businesses and determine whether costly loyalty programs and marketing promotions are truly growing their businesses or simply trading margin for sales.

Down-channel transactional data has long driven the success of mass-market retailers such as Walmart and Target, and the required business intelligence infrastructure – in the form of captured and aggregated eCatalog lookups, manufacturer shipment documentation, distributor POS transactions and information mined from service estimating solutions – now exists to achieve similar efficiencies within the aftermarket. Surprisingly, however, relatively few suppliers are taking advantage of these tools, in spite of the fact that many support distributor-driven data warehouse projects.

There are several reasons for this business intelligence gap, but it is imperative that industry suppliers overcome internal and external constraints to maximize down-channel visibility and, in doing so, strengthen their competitive position and financial performance.

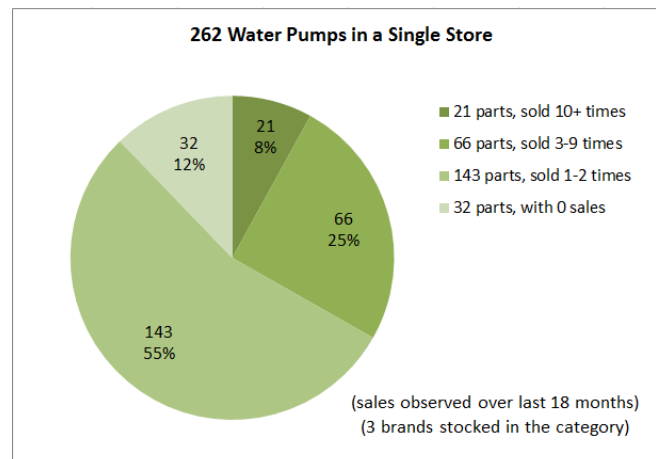


## Channel Visibility: Accessing and Utilizing Down-Channel Transactional Data

*Increased channel visibility can help aftermarket suppliers solve one of their most costly challenges: offering too many of the wrong parts in the wrong places for a long time.*

The North American aftermarket is built on the value of world-class service levels, through which any of millions of components and/or related products is consistently available at approximately the right place and time to meet the needs of the ultimate consumer. This unique value proposition – for few, if any, other industries face similarly complex capital and distribution requirements – has enabled aftermarket manufacturers, distributors, retailers and service providers to capture a majority of the post-warranty service dollars of today’s vehicle owners. Yet the aftermarket’s greatest strength is also its Achilles’ heel, given an increasingly fragmented car parc, rising SKU requirements and moderate to intense pressure on pricing at every level of the industry value chain.

The unvarnished truth is that the aftermarket’s high service levels have traditionally been driven by a willingness to accept significant value chain inefficiency, largely in the form of millions of parts that are designed, produced and deployed, only to eventually be returned as unsold goods. In short, having the right part in the right place at the right time has long meant having hundreds of millions of dollars of the wrong parts in the wrong places for an extended time.



In a market that for many years experienced double-digit sales growth and which consistently provided healthy margins for its participants, attacking supply chain inefficiency was a secondary consideration for many aftermarket trade partners. But as growth has slowed to the mid-single digits or lower, and with margins under ever-increasing pressure, suppliers of all types are seeking business

intelligence solutions that can transform the development and movement of parts from plant to end user.

### The Coverage Crisis

One of the most telling symptoms of the industry's business intelligence gap is the continued over-emphasis of achieving maximum application coverage at all levels of the value chain. Manufacturers point to coverage increases – with hundreds of part numbers introduced across the industry each month – as a key area of competitive differentiation, regardless of the ultimate demand for these parts at the street level. Beyond VIO data, many of these coverage investments are spurred by anecdotal demand insight as well as manufacturers' continued strategy to offer "better" coverage than their competitors, regardless of the probable sales performance of these parts.

Rising SKU requirements

Industry eCat	Supplier Lines/Grades	Distinct Parts	Part to Vehicle Application Records
<b>2011-2012 Growth</b>	<b>4%</b>	<b>9%</b>	<b>10%</b>

(source Epicor)

Increasing complex car parc

Segment	New Vehicle Market Share (YTD)		
	2007	2012	Increase
Compact & Midsize CUV	11.98%	19.95%	7.97%
Compact & Midsize SUV	7.93%	4.57%	<b>(-3.36%)</b>
Compact & Midsize Cars	33.82%	39.34%	5.52%

(source Polk)

This strategy is certainly understandable given the relentless pressure exerted on suppliers and distributors to minimize lost sales and service opportunities. But minimizing a potential service gap – particularly for a late-model applications – comes at the risk of applying finite resources to a part or parts that might sit on shelves for a year or longer.

Clearly, industry suppliers and distributors need significantly improved visibility of channel behavior, particularly at the point of decision, where a documented service need has triggered a product search.

Achieving increased channel visibility has long been a goal of aftermarket participants, with its meaning evolving over time from simply knowing which parts are deployed, where and in what quantities, to sales by part number at the distributor level. But visibility in more modern terms – and in the realities of far more efficient distribution environments, such as mass-market retailing – means tracking product movement through the entire value chain, as well as analyzing the consumer’s purchase behavior. Imagine being able to track actual parts demand by ZIP or postal code. Imagine knowing which brands and product grades are being looked up at the point of sale – and then understanding which of those options is ultimately chosen by the customer. This granularity at the store/street level has long driven the success of other complex distribution channels, and it is now possible within the aftermarket.

### **Understanding the Possibilities**

Make the right parts. Stock the right parts. Sell the right parts. Substitute the word “goods” for “parts” and we have defined the business model that has built retail giants like Walmart and Target. These organizations and their suppliers have embraced channel visibility at a very high level. And point-of-sale data is the engine that drives this channel by enabling demand-based production and product deployment, inventory modeling and category management. It tracks not only what is sold, but at what price and through which specific loyalty programs and/or promotions. Equally important for the aftermarket, it also tracks which specific SKUs are returned and for what reason.

This level of visibility is a natural requirement of modern retailing, and it is quickly becoming a requirement for businesses that want to remain viable in other, more complex channels, including the aftermarket. Without it, the inherent inefficiencies of anecdotal planning, stocking, marketing and selling will ultimately bleed a channel of its competitiveness vis-à-vis larger, better capitalized alternatives.

So, what is truly possible today for aftermarket suppliers and their customers given the obvious complexity of the industry value chain and overarching requirement of delivering an extremely high service level to the consumer? The simple answer is, a great deal. The fundamental tools – e.g. POS data streams and business analytics – are now available to enable manufacturers and their distribution partners to significantly reduce value chain inefficiency and, in doing so, capture tens of millions of dollars in annual savings while maintaining – and, in fact, improving – service levels.

Channel visibility at this level means not only pulling costs out of the value chain, but also strengthening the relationships of trade partners by driving sales and margin gains through improved understanding of consumer (installer and vehicle owner) behavior. For the supplier, improved channel visibility also serves as a



window into the comparative performance of each brand, product grade, SKU and program/promotion at the distributor level.

In short, by capturing and analyzing data pools, the manufacturer can answer these and other crucial questions:

- Are we growing our share of the business in each of our top customers? Are we growing proportionally?
- How efficient are our products within the distributor's inventory? Are we turning at rates equal to or better than our competitors? Are we helping them manage the shelf most effectively at the warehouse and store levels?
- Are we effectively managing product life cycle?
- Are our marketing dollars being invested wisely? Are our promotions increasing sales and customer loyalty or simply trading sales for margin?
- What factors are driving the costs of rebates and returns?
- Are our product grades aligned with the realities of our distributors' markets? Do we have the right levels of technology? How can we improve our mix?
- Which brands are being looked up and selected most often, and by what types of customers?
- Are our salespeople spending the right amount of time on specific lines and customers?

It is all too clear that manufacturers and distributors cannot effectively answer these questions and achieve category management excellence by trading spreadsheets. Channel visibility in today's aftermarket context means being able to target specific classes of vehicles and consumers in specific markets. This, in essence, is the purpose of category management; i.e., eliminating lost sales by having the right mix of products available within each buying location. The near-real-time availability of POS data enables channel partners to answer these questions – and offer the right parts in the right places – while reducing their reliance on the hugely expensive and inefficient forward deployment of massive inventories.



Bottom line: The aftermarket is now at a point where suppliers and distributors can and should ask themselves “What does the data tell us?” when making any decision regarding an investment in part development, production, stocking and marketing.

### Current State of Aftermarket Data Pools

A number of leading industry suppliers and most programmed distribution organizations are now using down-channel transactional data as part of ongoing data warehouse projects. The data streams feeding these projects include eCatalog lookups, manufacturer shipment documentation, and distributor POS transactions. In short, a growing number of organizations, representing every level of the industry, have recognized the need to “remember” what is taking place on a daily basis within their operations.

By analyzing eCatalog lookups, the same technology and data mining practices used at Google to track outbreaks of the Flu, can also be applied to track outbreaks of vehicle parts failure.



#### Explore flu trends - United States

We've found that certain search terms are good indicators of flu activity. Google Flu Trends uses aggregated Google search data to estimate flu activity. [Learn more »](#)



While several manufacturers actively support a variety of data warehouses, it is fair to claim that distribution organizations are far more active in exploiting the competitive benefits of these business intelligence tools. The objectives of these distributor-driven programs include:

*Gain detailed daily insight to product performance and inventory status*



- Achieve a granular view of product sales across all participating members to better measure and manage performance by brand, SKU, product line or category
- Make smarter, faster stocking decisions to maximize sales across the network

*Maintain precise control of new-product introductions*

- Proactively manage performance of each new SKU

*Gain access to local, regional and national market intelligence*

- Provide market-specific category trends and item performance to all participating members
- Interactive “dashboards” help members quickly learn how to make optimum use of data flow
- Customized alerts can be pushed to users based on established criteria

*Optimize assortment planning and support for network members*

- Leverage detailed performance benchmarks to increase sales
- Provide fact-based assortment recommendations to match each user’s unique competitive requirements
- Deliver significantly higher level of service and value to each member

*Operate programmed distribution networks as single, virtual enterprises*

- Track and manage improvements across multiple operational areas based on current and past performance snapshots

*Develop and execute more effective loyalty programs and promotions*

- Highly detailed, transactional-level sales data provides foundation for more effective special offers

*Enhance overall operational performance*

- Integrate information flows to design, monitor and enhance multiple business areas, including supply chain, procurement, accounting and sales force automation





It is obvious that the distribution community is increasing its visibility into end-user purchasing behavior and using this intelligence to enhance its business decision-making – a fact that has obvious implications on each distributor's current and prospective suppliers. Down-channel visibility enables distributors to enhance their stocking and pricing strategies and eliminate underperforming brands and product lines. Given this fact, it is in the best interests of manufacturers – many of whom have access to the same business intelligence by means of their support of various data warehouse programs – to leverage this insight to enhance their own products and programs for the benefit of both parties.

### **Supplier Constraints**

*“If I knew ten years ago what I know today about my customer, I could be much farther ahead of my competitors at all levels of this business.”*

This is a common sentiment among aftermarket suppliers. The fact is, the tools now exist for manufacturers to gain this level of insight to customer needs and expectations and to better channel their resources for improved competitiveness at each subsequent step of the industry value chain. Increased insight and improved bottom-line performance are no longer simply matters of account management; they come through leveraging increasingly accessible information to identify and apply best practices in the areas of product development, production planning, marketing, selling and customer support.

Why aren't more manufacturers pursuing this opportunity? The easy answer is the scarcity of available manpower; the reality, however, is that the value of these available business intelligence tools has not been adequately communicated to the executive level of many organizations. Many executives expect “IT” related functions to earn their stripes before reallocating finite resources. This same approach – which views IT and business intelligence as cost centers rather than critical selling tools - has slowed the industry's progress in improving the quality and timeliness of product data.

Moreover, successfully leveraging down-channel transactional data is not simply a matter of assigning IT people to the project. It requires a viable, well-articulated strategy by finance, production, marketing and sales professionals who want to accomplish specific goals. Inspiration must define the project so that manpower can harvest the value.

Once the strategy – and the resulting bottom-line benefits – are defined, selling the investment, or reallocation of existing resources, becomes infinitely easier.

### **Getting Started**



It's not uncommon for supplier executives to discover they already have access to important down-channel transactional data as a result of their support of customer-driven data warehouse programs. What's missing is a shared appreciation of the value of this information for multiple levels of an aftermarket manufacturing, marketing and selling enterprise. Also missing, quite logically, is an internal "champion" who will help the organization harvest this value. All of this prompts a number of questions:

- If you knew which parts your channel partners were more likely to sell, and in what quantity, over a given period of time, would this information help make your production, distribution, marketing and selling operations more cost-efficient?
- If you knew that one or more of your brands and/or product grades were over- or underperforming within a customer channel vis-à-vis your leading competitor, would this information help you improve your marketing and selling strategies?
- If you knew that a sizeable percentage of new parts added to your competitor's product line were not justified by actual front-line demand, would this information help you avoid repeating the competitor's mistake and better manage your customer's shelf?

Each of these questions, and dozens more, demonstrate how any aftermarket manufacturer/supplier can leverage the value of down-channel transactional data. Once the vision is established and articulated, investing in the analysis of channel behavior becomes easy.

### **About AASA**

AASA ([www.aftermarketsuppliers.org](http://www.aftermarketsuppliers.org)) exclusively serves manufacturers of aftermarket components, tools and equipment, and related products. It is a recognized industry change agent – promoting a collaborative industry environment, providing a forum to address issues and serving as a valued resource for members. AASA is an affiliate of the Motor & Equipment Manufacturers Association (MEMA). "AASA, The Voice for the Automotive Aftermarket Supplier Industry"

### **About AASA Technology Council**

The AASA Technology Council is a peer council of the Automotive Aftermarket Suppliers Association (AASA) and provides a forum for networking and the exchange of best practices focusing on current and emerging technologies that support members' efforts to reduce costs and improve efficiencies.



## About Epicor

Epicor Software Corporation (formerly Activant Solutions) is a global leader delivering business software and market intelligence solutions – including down-channel transaction visibility – for the manufacturing, distribution, retail, and services industries. The company works with leading aftermarket manufacturers to identify emerging parts replacement trends, improve product lifecycle management, enhance the performance of promotions and loyalty programs, maximize product sell-through, and reduce returns.

Epicor is the aftermarket's premier source of data pools that provide visibility into leading program distribution networks, with access to daily transaction and inventory data across thousands of North American business locations.

The Epicor® Vista™ market intelligence solution enables aftermarket manufacturers to optimize sales performance and product coverage through access to actual parts replacement volume by vehicle. In partnership with Polk, this intelligence is “rolled up” with Polk VIO data to provide manufacturers with detailed vehicle replacement rates and lifecycle information.

Through the use of Epicor Vista data pools and associated analytics, manufacturers have the tools to significantly reduce operating costs and enhance sales channel performance through close collaboration with their distribution partners.

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