

Are you Paying Too Much for Parts?

The profit margin on parts is a very important factor for any shop's business model. Unfortunately, it is also one of the most overlooked areas of revenue for body shops. There are a few factors that must be considered to help maximize profit from parts sales.

Always review your parts invoices to ensure that your OEM supplier is not using an inflated pricing matrix when you purchase your parts. Inflated OEM pricing seems to be fairly common in the modern business environment. Most estimating software's, like Web-Est, receive parts pricing supplied by the OEM and it is the most accurate and up to date pricing list available.

While it is true that occasionally some parts may receive a pricing increase in between supplied pricing updates, this is the exception rather than the rule. To avoid being overcharged for parts, there are a few steps that you can take that will have meaningful impact to your bottom line:

1. Establish an account with each parts supplier. Even if you pay cash. Suppliers will be hesitant to use an inflated pricing matrix with established customers for fear of jeopardizing the account. Suppliers have competition too!
2. Many suppliers will provide pricing discounts based on volume. Generally, the higher the volume of purchases monthly, the larger the discount. Typically, this type of volume discount is available only to account holders. Take the time to discuss volume discounts with all of your suppliers. Remember the old adage: "The squeaky wheel gets the grease".
3. Most estimating software's, like Web-Est, provide a Parts Order report. By faxing/emailing the parts order form to your supplier, you are also confirming that your shop has access to the MSRP and you will be able to recognize any pricing abnormalities.

4. Call the supplier's competition. If you have a supplier that repeatedly inflates your purchase price, even after you have followed the above steps, it is time to find a different supplier that will adhere to the OEM MSRP. When approaching a potential new supplier, be direct about the reason you are shopping around. *Price!* Often, you will be able to negotiate an immediate pricing discount for moving your business to the new supplier. This will directly impact your repair shop with increased profit on parts sales.

5. Shop multiple aftermarket suppliers for the best price. Remember, as long as the part is CAPA certified, it is accepted as insurance quality. This also has a side benefit for customer-pay repairs: Lower cost of parts will result in a lower overall cost of repair, which keeps the estimate competitive in your market and maintains the shop's profit margin. This can result in a higher percentage of customer-pay sales!

6. Validate the date of the original estimate vs. when the parts are ordered. Many times shops overlook that part prices change over time, and that current parts pricing should always be validated before honoring an older estimate. One way to clarify this for your customers is to print a disclaimer on your estimates, in your preferred wording. Example: "Written estimates are subject to change due to parts price and labor rate increases." Many shops use a "30 day rule", however with pricing-on-demand such as the case with GM, this can cost the shop profit margin as potentially, the parts prices can differ from day to day. Expect other OEM's to follow suit in the future with similar parts pricing delivery systems. Following the above suggestions will provide the shop with more consistent profit on parts by ensuring the shop is not being overcharged by the supplier, and validating that there has not been an increase in the cost of the repair due to part price increases on older estimates. We hope these tips will help you grow both your business and your profit margin.

Thank you,

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