

## **PartsTrader: Why you need to know about what's coming next!**

### **SPEAKERS**

Chris Daglis, Auto Partnered Solutions, Greg Horn, PartsTrader

### **SUMMARY:**

**Conquest Pricing:** (where the vehicle manufacturer will compensate the dealer network for selling that part cheaper so that the dealer's margin on that part, is maintained even though they have discounted the RRP)), currently there are less parts being offered under this program by the vehicle manufacturers therefore there is less, call it price competition for those components, so recyclers should be able to sell more of those parts.

**Harvest more of each vehicle - you can get a better return on each vehicle if you harvest more of it.**

There's a myriad of components insurers are looking to use more of, that in the past they did not allow in the collision repair process.

Often these are:

1. high value parts
2. parts that recyclers have traditionally not sold many of
3. that will bring you a better return as a recycler, and
4. if used in the repair will make the vehicle repairable as opposed to a total loss.

Collision repair and insurance industries can't get enough of these components

**Many parts still are in short supply/lengthy delays.**

Yes, there are some parts coming back, but it's not that great. Recyclers can often get the part to the collision repairer quicker. The average quoted delivery median plus two standard deviations for a recycler is 2.2 delivery days or for OE parts, it's 13.9.

**You need to invest in the Automotive Collision Repair sector** and you will get a benefit out of it at an appropriate time. You need to build relationships and you need to put in the time.

**There's a big healthy market for grade B parts in collision repairs.** You just have to accurately describe the part and condition. Use the ARA grading properly as collision repairers understand it.

**Build your relationship with the repairer.** Collision repairers can still have, and use, preferred suppliers through PartsTrader. It's not just about the cheapest part. It's about the relationship you have and the repairer wanting to do business with you.

PartsTrader has a star rating system like almost every service business, whether it's Uber or eBay, or Amazon, we're all looking for that five star rating. It allows that repairer to grade the supplier.

**Recycled parts for the collision repair industry are still totally underutilised.** *"The window is open right now for recyclers to expand their business in collision repair. And now's the time to do it."*

**Special offer for APS customers who are also on PartsTrader.**

**Reply to this email and we'll organise for you to meet with Greg or his team to review your data.**

See how you're faring in the market from a sales perspective - the missed opportunities and what you need to do to grow your sales.

## Q&A

### **Chris Daglis, Auto Partnered Solutions**

Well, good morning, good afternoon, good evening, wherever you are in the world. Thanks for joining us. Thanks for listening. My name is Chris Daglis, as you just heard, and I've got a really, really special guest with us today. As you know, one of the main goals of the Automotive Recyclers Experience podcast is to help you with tips and tricks that you can use on a daily basis and use those in your business.

And I think today's guest is going to really help us understand where we're at in the context of the collision repair industry, what's happening there, some of the strategies that, for example, OE parts providers have at the minute with some conquest pricing, etc - we'll talk a little bit about that. And what the opportunities/risks are there.

But also what different insurers are up to and the fact that the growing market of collision repair parts for the automotive recycling industry presents such a big opportunity. So, without any further ado, my special guest today is a good friend of mine that I met some time ago in Taiwan, actually, when he was with the Hartford insurance business. Mr. Greg Horn.

Greg, how are you, sir?

### **Greg Horn, PartsTrader**

I'm doing well. Thanks for the invite, Chris.

### **Chris Daglis, Auto Partnered Solutions**

Excellent. The Hartford is when we first met I believe and since then, you became the Chief Innovation Officer of PartsTrader. Tell us a bit about it:

### **Greg Horn, PartsTrader**

Yeah, so the Chief Innovation Officer is an impressive title. I hope I live up to it. But I'm responsible for new product direction and how we interface with all of our customers. And as a part of that I'm a big data guy. We talked, in fact, Chris, when we first met, about data trends, and I am a big believer that I can help every segment of the business, whether it's a repairer, part supplier or an insurer better their business through data visualisation and data trends.

### **Chris Daglis, Auto Partnered Solutions**

Yeah, look, it's a huge area. The data these days. And I know the buzz at the minute is AI. And there's a whole heap of stuff happening there. And some people are quite scared about what's happening there and to a degree rightly so. There's some really interesting stuff that's coming out of that. But it's all driven by data, right? And that's critical. And the interesting thing about PartsTrader is that there's so much data flowing through the parts trading platform now. It gives you an opportunity to actually aggregate that and do something with it.

So in that context though I know that PartsTrader, to a degree, got off to a little bit of a rocky start in the US where there was a fair bit of pushback by collision repairers from a perspective of "I don't want to use PartsTrader and so forth...". I know that has subsided somewhat, because of the benefits it delivers to efficiencies and so on in the business once you accept it. What does the customer pipeline look like for you at PartsTrader? And when we say customer for PartsTrader - it really is insurance companies, right?

### **Greg Horn, PartsTrader**

Well, I would say that the three pieces of that equation is the insurance company, the repairer and the parts suppliers. So to give you an idea, we now touch about 37% of the direct repair parts volume in the US every year. And the unique thing about the PartsTrader platform is I can give insights to suppliers because we're the only platform that says: *'here's what the repairer chose, but here was what they were presented with, and for valid reasons they did not choose - whether it was delivery, whether it was part condition, part price, profitability, what have you. Those are all unique data points. There isn't it at the estimating platform or a catalog parts provider that can say, what was the decision that was actually made by the repairer? And how does that affect me? Did I win the part that I had for sale, did I not make that sale? And why didn't I make that sale?'* So we make all of that and visualise it back to the various partners.

**Chris Daglis, Auto Partnered Solutions**

So as an automotive recycler, because a lot of our listeners are automotive recyclers, if I'm using PartsTrader, you can provide me with information detailing where my opportunities are?

**Greg Horn, PartsTrader**

Yeah, we look at generalised trends. So I can tell you as a recycling provider in PartsTrader, we prefer most of those transactions to be automated. You give us your parameters on profitability, and where you want to be in pricing, we can look at your inventory, and talk to you about moving slower. By you know, reducing your buy price to a repair. So there's a lot of insights we can provide you and help make you more profitable and move more parts.

**Chris Daglis, Auto Partnered Solutions**

Okay, I'm not sure how many in the automotive recycling industry would be aware of that level of detail. And I know that PartsTrader has been at URG a couple of times. I'm assuming you're going to be at ARA this year, in October, and PRP I think - there is a PRP conference in Denver, next month. Will you be at that as well?

**Greg Horn, PartsTrader**

We'll have a presence. I personally may or may not. I still haven't made up my final travel plans but PartsTrader definitely will have a big presence.

**Chris Daglis, Auto Partnered Solutions**

Okay, so I think the note there, one of the takeaways here, is for the recyclers that are going to those events and a lot do as you know, I would suggest that you hunt down the PartsTrader stand and understand a little bit more about how you can work closer with PartsTrader in some kind of partnership there. So that you can understand which part types you're successful with. Which part types are not so successful, but also to work with PartsTrader to see if we can move some of those part types that you're not moving very quickly and that you can discount a little bit because maybe the price is a bit expensive. Now, the beauty of that, there's a snowball effect here right now, I'm not saying to automotive recyclers 'dump your price. This isn't about a race to the bottom. This is about how can we as an automotive recycling industry, how can I (let's say I'm an automotive recycler), "How can I help the reparability of a particular vehicle?" If a vehicle total losses, it's gone, it's totally lost? Yeah, as a recycler, I'll get a chance potentially to purchase that vehicle, and then harvest parts of that salvage vehicle and resell them. So we need that inventory. But at the same time, the key job we have as recyclers is to sell parts, if we don't sell parts, we can't make money. So the more parts we make available through PartsTrader, or any platform for that matter, to the collision repair industry at a price point that is better than the OE. Okay, then we're in a much better position to help the repair of that vehicle because not going to total loss. Right? So it's sort of a chicken and egg. But if we get this whole story, right, if we get this snowball, right, Greg, we're in a spot where we can actually have more vehicles repaired. Therefore, more demand for parts that we have sitting there on the shelf that are not moving, and so on and so on and so on.

**Greg Horn, PartsTrader**

So, there are several trends happening in the US auto industry. It starts all with Chip shortages, which reduced new vehicle production, which reduced parts production, stamping of sheet metal injection, plastic parts, all of those things were cut back. That is a big portion, that is saying there aren't OE

alternatives. There are more recycled and aftermarket alternatives being purchased out there. You'll see announcements by one of the biggest insurance companies in the US, that they are expanding their part types beyond the OE, more than they have in the past. And the second piece of that is that you've got these vehicles that are usually subject to competition matching that you mentioned in your intro. And that is a scheme in the US that well known, where if there is a part that is under a competitive threat, meaning there's an aftermarket and or recycled part available, the OE will help the OE franchise dealer, sell that part at the lower price and then reimburse them to keep them whole to keep their profitability. We've seen the number of eligible parts in those programs across OEs be reduced pretty dramatically. And so that is an opportunity that hasn't happened before, it's usually been those programs that have been expanding. Now they've pulled them back. And it's been quite a bit you know, 30-40% of those SKU's are no longer on the various competition matching programs. That means more of those high-volume parts can be successfully sold from the recycler to the repairer. The backbone of the recycling sale to the repairer has always been the Hollander interchange, the estimate comes in with an OE part number, that is matched through the Hollander to the recycler's stock. But as we all know, that's a limited system, they haven't expanded that in recent times to cover new technology like lidar control units Adaptive Cruise Control Unit, xenon headlights, beyond, you know the standard unit, so we don't have a lot of Hollander interchange numbers. And there are some very expensive, valuable parts that recyclers are harvesting. And they just sit.

### **Chris Daglis, Auto Partnered Solutions**

Yeah, yep. You're 100% right there. One of those components, if you like, you mentioned LED lights or xenon lights, and they have that little ballast, all that stuff, right. So traditionally, and I'm not sure if interchange is available for that, but traditionally, interchange hasn't really been available for a lot of those types of subcomponents of a bigger assembly component, right? And that's an expensive component, you know, I had that on one of my cars and, and it went, and it was like, Really, it's more expensive than the headlight. It was ridiculous. You know, I mean, remember, when we were over in Taiwan together, Greg, and we visited a number of different manufacturers, and certainly one of the biggest, you know, one of the biggest part types being produced was, you know, headlights and so forth. But this little ballast, or whatever you call it, that sits at the back that makes these things work is probably more important than the actual light itself. Right? So there's a big opportunity there, and just touching on that. So there's two things you spoke about. One is the conquest pricing, I believe that's what they call it in the US. And the second bit is interchange. Right. So we'll talk about both of those. So conquest pricing, just to summarize what that is, a vehicle manufacturer, let's call it Toyota, identifies that part number 123 is a hood for a Toyota Camry and they're available aftermarket they're high quality parts. So it is a competitive, direct competitor to the OE hood, right? So they may choose to put some kind of deal in place where they're, they're seeing that they're losing market share on that hook, or their sales have dropped from that hook because of the aftermarket, for example. So they say to their dealer network, this is on the list, compete with the alternative part, provide us with some evidence, for example, show us that you had to meet \$300 on the price of that part rather than \$600 which is the normal list price. And we, as the manufacturer, will compensate you for any margin lost that you've made, or you will still get your, let's say that we're going to make \$100 margin on that hood, you'll still get still get your \$100 as your margin for moving that part, even if you've stalled at the aftermarket price, that's basically what it does?

### **Greg Horn, PartsTrader**

That's exactly it.

### **Chris Daglis, Auto Partnered Solutions**

Okay. And the reason I sort of get it is because back in 2007/08, Toyota did exactly the same thing here with a program called the Rolling Thunder campaign. And ultimately, those campaigns, although they're a little bit of a stone in a shoe for a recycler or thorn in their side, if I can put it that way - they're not very effective.

And the reason why they're not very effective is because automotive recyclers are quite resilient. Right? We as an industry have been pretty fluid.

That is, you know, when the water is going down the hill, when it hits a rock, what does it do? It goes around the rock, right? So we find ways through it, we sell other components of a vehicle, we don't have to sell that bonnet at this price to make it profitable. And if we know that the price of that bonnet or hood has dropped to \$300, then the next vehicle, the next Camry we buy, we priced that hood at \$300. Because we know that's what we're going to be able to get for now or \$200. And therefore, we buy the vehicle appropriately, at the right price.

So anyway, that's the theory around how the automotive recycler works. That's the conquest pricing, and what we're saying, Greg, is that there are fewer parts being offered under that program by the vehicle manufacturers. Therefore, there is less – call it price competition – for those components, so recyclers should be able to sell more of those parts.

**Greg Horn, PartsTrader**

Exactly. Yep.

**Chris Daglis, Auto Partnered Solutions**

The next bit we spoke about was interchange. And, I want to make sure that the interchange plays a really important role in the automotive recycling industry, and we're well aware of that. But what you're saying is that only specific types of parts are mapped. So let's say Greg, a car is hit in the front, xenon headlights, but other air conditioning lines and oil cooler lines and whatever else it is, power steering lines that are sitting in behind the bumper bar reinforcement absorber, the rebar and so on. They often don't have interchange numbers, okay, because they sort of sub items, not the part types that traditionally automotive recyclers focus on, automotive recyclers focus on the key bits, right.

Those are the bits and pieces over and above what we call the fluff factors. But in this day and age, what we've got is systems like PartsTrader that are trying to map the repair requirement, which is part number 1, 2, 5, 10, and ABC, okay, to an interchange line or interchange number that may not exist. So what happens in that case?

**Greg Horn, PartsTrader**

So, every supplier who subscribes to PartsTrader sees every part that is being listed and quoted. We don't make selections and say, 'Oh, the OE is going to see this because they carry this', or, you know, usually what will happen is, the repair will say, I know, I have to buy this aftermarket, or 'I have to buy this recycled to meet my percentages for my carrier partner'. We say look, everybody gets to bid on everything. So if there's a whole other interchange, you can set up to automatically quote within your set parameters of where you want your bid to be. And that will be automatic. But you'll also get when there isn't an interchange out there, you'll get the chance to say, Ah, I see the Toyota Camry lidar camera coming across and it's, you know, Toyota part number 145, I think I have that. And you will be able to see the VIN number so you could validate that it goes to the vehicle type in some model that you have, and then be able to bid on that without Hollander interchange.

**Chris Daglis, Auto Partnered Solutions**

Wow.

So having been down this path in this market in Australia, with Insurance Australia Group some time ago. One of the biggest opportunities for average repair cost savings for an insurer isn't in fact to use a recycled hood, fender or grill. It's to use a recycled wing line or guard line, a fender liner, a washer bottle, air conditioning line, those other components, you know the ballast for the back of an LED Xenon light or whatever the case is.

Those components are worth hundreds and hundreds of dollars. Now, here's the deal. If we, as automotive recyclers, can successfully sell these parts and recognize their value, a shift occurs. Traditionally, we may have looked at these parts as lacking substantial value, but that's no longer the case. There's significant value in that fluff, right? You spoke before about whether was it Lidar. What was that you had to do?

**Greg Horn, PartsTrader**

Yeah, the Adaptive Cruise Control Module behind the grill emblem, in a Camry.

**Chris Daglis, Auto Partnered Solutions**

Big money right?

**Greg Horn, PartsTrader**

Big money, even the grill emblem, if you look at the ability for the lidar to function through that Toyota round emblem, that emblem is around \$350. When it is an adaptive cruise, it's \$38 or \$40, when it's just the opaque one. So you've got that emblem, then you've got a \$1,100 camera unit behind that. Yeah, there are all sorts of components tying up this vulnerable area between the two xenon headlights.

**Chris Daglis, Auto Partnered Solutions**

Absolutely. So all of a sudden, as automotive recyclers, we sometimes find this fluff to be challenging and painful. because the argument is, well, insurers won't use that anyway. It's a safety item. So we don't get a benefit out of that. And two degrees have been right in the past. How do we deal with that? I mean, are insurers using those components at the minute, can recyclers sell them?

**Greg Horn, PartsTrader**

So it varies by customer. We've had very good conversations around the...and we'll pick up the Lidar camera again...if you put in a used camera, and that vehicle recalibrates, yes, that means you're good to go. If it recalibrates to the OEM specifications. You've made that vehicle to a pre-loss condition.

**Chris Daglis, Auto Partnered Solutions**

Perfect. And, you know, the argument I've been making with insurers over the years is, and I get why insurers have challenges with it, right, I get it. From an automotive recycling perspective, I have a vehicle that drove to an accident, okay, it got hit in the back. It's two years old, it's done 20,000 miles, or whatever the case is, the front has never been in any damage, the scan of you know, if we do a post accident scan of the vehicle, it shows that all of that is working okay, working well as per the manufacturer requirements. The part is removed and stored properly, and sold to a collision repair, who then uses that camera on another vehicle to be repaired. And it scans successfully to say that this is in perfect working order as per the requirements of the manufacturer. Why is it that we can't sell that part? And what you're saying now, Greg, is that more and more insurers are using those components?

**Greg Horn, PartsTrader**

Exactly. And part of it is because overall the OE shortages, the delays in getting some of those parts imported, because a lot of those, you know, for Asian manufacturers, European manufacturers, those are manufactured overseas as well. And we've seen part delays at the port. We've seen certain brands of vehicles with huge backorders and out of stock parts.

**Chris Daglis, Auto Partnered Solutions**

And let's not forget the environmental benefit of reusing that camera versus making a new one. You can imagine the types of components that go into producing something like that. We shouldn't forget about that. I know often, we think about greenbacks but it's not just about the money, right? There's other stuff here that we need to be considering. And as insurers and as automotive recyclers and so forth, I see this a lot in the UK market where I do a lot of work as you know, Greg, and the reality is that there are such mandates now, you know. 2030 insurers want to be neutral as far as the green footprint is concerned. So we need to make sure that we are promoting that aspect of it as well. So that's really important and again, another takeaway for the recycling industry is, don't think that these components like those cameras, those lidar cameras and the xenon ballast at the back of the headlights and so on, you may have PartsTrader automated with your inventory, and you accept whatever gets matched. You just let it happen. That is certainly the quick and dirty way to do it. Where your fender, your hood, your bumper, your grill, and your headlight will get matched and offered up to the repairer, and you will win X percent of what you quote, and then it becomes a numbers game. Okay. But I keep on hearing from the automotive recycling industry over and over again. But Chris, we only have so many hoods, we only have so many of those fenders, we only have so many of those headlights. From your perspective, Greg, you

hear from the collision repair and insurance industries that we can't get enough of these components, you know, these ballasts, these specific types of components that don't have interchange numbers. That's where the value lies for everyone, right? As a recycler, if you sell the hood and the fender, you also end up selling \$400 to \$500 worth of other ancillary components that you wouldn't have sold otherwise. There's the kicker!

**Greg Horn, PartsTrader**

Yeah, that's exactly it. As a recycler, when you consider high-volume parts such as hoods and fenders, you've got two competitors, you've got the aftermarket, and the OE. When you look at these individual components, the AC lines, the lidar cameras, the ballasts, you've got the OE, and you have a huge price advantage over them in competing for that.

**Chris Daglis, Auto Partnered Solutions**

Especially when you consider that the automotive recycler, when buying that vehicle; isn't factoring in a lot of those sales?

**Greg Horn, PartsTrader**

Exactly.

**Chris Daglis, Auto Partnered Solutions**

We look at the main items. So I think, you know, the market is becoming more and more challenging, we understand that. Recyclers are paying more for their vehicles, for the salvage vehicles, the cost of labor is increasing. Labor availability is decreasing, it's very hard to find good people. So there's all these things that are coming into play.

**Chris Daglis, Auto Partnered Solutions**

How do I, as an automated recycler, take the next step? Well, maybe if I harvest more of each vehicle, I'll be able to harvest a better return on each vehicle. And these types of components are critical. How do we do that? Well, interchange poses some challenges, because it doesn't map those parts. But you've got the request in front of you. So if, and this is where the challenge comes, right, because now I need someone to be looking at that request and looking for those extras. Do they need those other items that we're talking about here that potentially I can quote out and win? And if I do that, then it's great, but I need an extra head to do that. So okay, there's a bit of a challenge there. But there's a huge opportunity because I remember when we were doing a lot of work with Insurance Australia Group, the biggest benefit to them and to the repairer, and to the repair ability of the vehicle was those smaller components that actually cost a bit of money. You know, those wind line, the washing bottles with the motors on them, the overflow bottles, those air conditioning lines that sit right behind the bumper by rebar. There's a myriad of components under there, that are high value that will bring you a better return as a recycler, that will make the vehicle repairable as opposed to a total loss, right all of a sudden it becomes possible. And from a collision repairer's perspective, as long as the condition and the description of those parts is right, all of a sudden it makes that vehicle and another repairer, gives them more work. And I think that the most important thing is that the policyholder wants their car back. Let's talk about that a little bit. Greg, if you don't mind, I remember I think the number was 80% of policyholders want their car back. Okay. So how do we help that? I suppose making more vehicles repairable means that people will get their car back but tell us a little bit about that from a PartsTrader perspective.

**Greg Horn, PartsTrader**

Yeah, that's, at the heart of it because we found it again, going back to my days at the Hartford. We engage with JD Power and Associates, who published a study that said when faced with a heavy hit, a non-drivable repair, and at that time they qualified them as \$7,000 and above. The customer had higher satisfaction when he got that car back than if they had to go through the total loss process. Insurers recognise that the moment a customer files a claim is the moment of truth. That's when the biggest defection happens for an insurance company is dissatisfaction after a claim. So anything they can do to put more vehicles in the repair column, keep that satisfaction high. Get that car repaired in a reasonable amount of time because we haven't really hit on the OE delays that we're seeing. But that's another thing

that we recyclers can help with. It is an unprecedented opportunity in my mind for recyclers to be able to make that difference to get that car repaired to get that customer back on the road.

**Chris Daglis, Auto Partnered Solutions**

I think we often neglect the collision repair sector, and I say that carefully. But, you know, automotive recyclers focus on the mechanical components, because they're easier. They're bigger too, such as a \$5,000 engine as opposed to a \$400 door. But this is where the sweet spot is, right? If we can complement mechanical sales with more collision sales, I think this is where it's at. We spoke about parts shortages there. We spoke about insurance policyholder retention rates. The fact is, there are so many motivations currently, which have been present over the past few years and will continue for the next five.. In my view. There are so many motivations or influences that can help, and are helping recyclers with the sale of more collision repair parts. Sometimes, we don't realize that's the case. Right? And if you're going to be at ARA this year, Greg, I would reach out to ARA and see if you can get a session to talk about some of this stuff, because it really is really important.

**Greg Horn, PartsTrader**

Absolutely, yeah, I have a very full dance card this year with speaking engagements. But I've always loved going to ARA and URG and the rest. So I'd be happy to.

**Chris Daglis, Auto Partnered Solutions**

Yeah, I think that'd be great. So as we said, insurers prefer the vehicle to be repaid for a number of reasons, one of which is policyholder retention rate. There is no doubt that 80% of policyholders prefer having their car back over dealing with a total loss and having to find another vehicle. Well, from an insurance perspective, it makes a lot of sense that we repair that vehicle, get it back to the policyholder, and keep the policyholder happy, because that means two things. One, they don't go shopping for a new policy, at which point they're going to check prices, they're going to go around and see when they buy the new car. And two, because most policyholders want their car back and experience the satisfaction of it being repaired to its pre-accident condition, this positive encounter often impacts their decision to reinsure. If they look at their insurance policies, again, they're going to, I suppose, be influenced by their good experience, and reinsure with the same insurer or not even look at their insurance at all and just renew. So it makes a lot of sense from an insurance perspective. From an automotive recyclers perspective, we've got this issue of part shortages. Now, one of the things that I've been hearing a lot about, from automotive recycling is that I hear, but that's that was two years ago. It's not as bad now. And I think they're going to be very surprised to understand that it's actually not that great. Yes, there was some parts coming back, but it's not that great.

**Greg Horn, PartsTrader**

That's very true. So what we do at PartsTrader. I track the delivery days quoted, so every time a supplier says I have this part, here's my price, here's the delivery days that you can expect to receive that part in. And we look at it, because again, I'm a data geek, I look at, rather than the average, I look at the median plus two standard deviations, because that does not dilute the outliers. And to give you an idea, the average recycler quoted delivery days of 2.2 days. Or as I should say, the median plus two standard deviations is 2.2 days. For OE parts, it's 13.9. Now, that doesn't mean all parts take 13.9. That means you've ordered 10 OE parts, nine of them, you may get on that milk run or the next day. It's that outlying trim piece, it's that air conditioning line, that is backordered or delayed, or has to come from another parts warehouse for that manufacturer across the US. So that's really what's driving the delivery days. If you look at Enterprise rental cars, their length of Rental Report, it's not really that much better than it was a year ago. We usually do a quarter two the quarter two, comparison and I think the overall was down by .3 days. So it's not much better.

**Chris Daglis, Auto Partnered Solutions**

Yeah, I and again, you know, the milk run is interesting, isn't it? We talk about OEs being so much better on the turnaround times from order to delivery, and generally speaking they have been. But. And generally speaking they have been, but you can't finish a repair without that last piece. As the saying goes, 'You're only as good as your weakest link.' And, you know, as they say, you're only as good as your weakest link. And that weakest link is that indicator lamp or that headlamp or that trim panel or whatever



it is, that you can't complete a repair with. And that does multiple things. One, it delays the repair. So the cycle time is much bigger than. The claims are open for a lot longer, which costs insurers millions of dollars every year. Collision Repairers can't invoice that vehicle until it's finalized and repaired, so their cash flow is affected. So as automotive recyclers, we can find a way to fill those gaps and increase our sales, again, is another reason why we need to be on the front foot and driving some of that.

### **Chris Daglis, Auto Partnered Solutions**

So there are there's so many influences here, so many things, factors that are that are in the automotive recycler's favour, we just need to please, automotive recyclers, watching this, take advantage of this and set yourself up as a parts provider not only of mechanical components, but to the collision repair industry as well. And to do that, you need to make sure that you're using part numbers if you can, because that will be able to direct map to the likes of PartsTrader. Those part numbers are added to those types of components, like the ballasts and, and the other, you know, electronic components and cameras and so forth. Because as Greg has told us, insurers are using more of those parts these days. So do as much of that as you can, and. And you will sell more parts. Yes, it will take a few months to do that. It'll take an investment to do that. But you're in business right and at the end of the day we invest so we can make a return on it. So that's the reality. This is no different. Invest in the Automotive Collision Repair sector and you will get a benefit out of it at an appropriate time.

### **Chris Daglis, Auto Partnered Solutions**

What about Part condition? Greg, one of the challenges we've had with recyclers and, collision repairers is one, how parts are described from a condition perspective. And two the interpretation of those descriptions the interpretation of that. Now, is it that the repairer or the recycler doesn't know what a good or bad part is? That could be the case. Is it that I call it one hour? You call it three hours? It could be that? How is that impacting usage or return rating?

### **Greg Horn, PartsTrader**

So it does a little of both. What happens is, if we're using the standard, the ARA standard of credit card side damage, that's pretty well understood these days across the US. The interesting thing is that we still see recyclers advertising and selling quite a few Grade B parts. And if they're accurately identified, there's a big healthy market for a grade B part. Because the repairer actually needs that. And maybe you're the only one that has that door assembly. It is grade B but he has already identified that, it is a cost advantage over the OEM door shell and associated with labor. So he's willing to negotiate with the insurance company, the cleanup or repair of that grade B, he'll make good money off of it. But most importantly, he'll have that door ready to go in the booth when the car is there. So it is accuracy, so that the two partners agree that this is the condition of that part. Because it is a big piece for the repairers, he has to go back to the insurer and say, I will use this recycled door. It's going to cost you Mr. Insurance Company, this kind of money. And it's accurately described so that when that door assembly comes off the truck, that we say yes yep, we already looked at two hours straightening and cleanup and we're good. We're being compensated fairly for it. We are fantastic.

### **Chris Daglis, Auto Partnered Solutions**

Yeah. And the thing that I've realized over the years is, often it's not about how much damage a part has on it. Often it's more about whether we've accurately described that damage. Okay. And that it turns up, and not only have we described it accurately, but we've over promised over, over delivered on what we've promised. So, you know, we may have described it as being worse than what it actually is. You know, I was at one of our really good customers and friends over in the UK, Charles Trent Limited and they have had a lot of airplay recently, because of their new facility, which is state of the art. I spent a few days with them in late March and looking at the new facility, looking at some of their processes, operational processes, and we're looking at the quality control area. And every part goes under lighting conditions, nice lights. It goes on a stand, it's looked at on an angle, it's cleaned, looked at an angle. And literally, literally, I mean, it's too far, I said to Mark and the team over there, 'guys, you're going too far with this, you're overdoing it'. : A little fingernail dent is a grade B. And I'm saying 'no, stop. It's not a grade B'. This is a perfectly usable grade A part, all day, every day. But that's how they choose to do it. We'd prefer to say it's grade B, and let the customer be really happy with it. Wonderful, amazing.

**Chris Daglis, Auto Partnered Solutions**

So from an automotive recycle perspective, we talk about takeaways, what can you take away from this discussion? One, use the ARA grading properly. What you're saying, Greg, is that it is understood by the collision repair industry these days, the ARA grading? Yeah, okay, so critical. Two, please clean the part, if you've got a Fender, or a door, clean it. doesn't take that long, clean the part and grade it properly. Look at it from an angle, the reflection of the light will tell you a lot about that part. Especially if we're looking at doors. You know, sometimes you won't see one particular, specific thing, but you may see waves through the door, you will see previous repairs in the door, if you look at it on an angle with the light, okay, and grade it appropriately, because the trust you build with your customer with the collision repairer, if they receive a part and you say it's grade B and it's destroyed, you've just killed the trust, they don't want to deal with you again. But if you say it's a great B, once, twice, three times, four times, and they get it and every time it's either a Grade B or better. They will embrace you as a collision as a supplier.

**Chris Daglis, Auto Partnered Solutions**

Now, Greg, tell me with PartsTrader do repairers have the opportunity to have preferred suppliers in amongst them the supply group?

**Greg Horn, PartsTrader**

Yep, you can have your preferred suppliers. The other thing we do is, after a part is purchased and delivered, in that scenario of looking at the quality of the part: the repairer has the opportunity to grade it on a star system for that supplier. So that's one of the things we switch on, it is for the supplier to look at the star rating and the feedback. I know that most every service business, whether it's Uber or eBay, or Amazon, we're all looking for that five star rating. And we have a similar thing. And it allows that repairer to grade that supplier. And so if it's a grade B part and it's an informed decision, so that the repairer knows exactly what they're getting in, as you said, Chris, either a grade b or slightly better, that makes for a very happy customer and he will be buying from you again.

**Chris Daglis, Auto Partnered Solutions**

Okay, so that's an important point. One of the comments I hear often from recyclers is that there's no use trying to build relationships with the collision repairers anymore, because it all just goes through PartsTrader and they pick the cheapest part. What I'm hearing here is that you do have an opportunity to build relationships with the collision repairer, because it's not just about the cheapest part. It's about the relationship you have and the repairer wanting to do business with you. Is that right?

**Greg Horn, PartsTrader**

Absolutely. So one of the things we communicate back to the insurance company is the repairers choices. Now he is presented with on average five quotes per part and and he is fully empowered to make his decisions as he sees fit. It's their decision, I guess, as they see fit. They do need to communicate back to the insurance company, why did they not choose the optimal supplier.

**Greg Horn, PartsTrader**

As in cheapest or combination of best delivery time and price. And so the repairer can say, this isn't my preferred supplier, or I liked this other supplier, and I will price match. So you as the insurance company won't see a difference in your price. So there's several reasons we're not going to and I think going back to your earlier comments about the rough start PartsTrader got, there was a lot of misunderstanding about how the system actually worked. Both for the repairers, and a lot of the repairers, thought oh, they're gonna see my margin. There's a firewall, we will never supply, immature with a parts margin at any level. We preserve repairer choice. We ask them to be transparent to the insurance company to say, here's why I made this choice. But yeah, it is about what's best for me as a repairer, I can make my decisions, I can look at the combination of my margin as a repairer and the best list price for the insurance company. And that aligns very frequently. If I want to go with my preferred suppliers, fantastic. We can facilitate that too.

**Chris Daglis, Auto Partnered Solutions**

Optimal as in cheapest?

**Chris Daglis, Auto Partnered Solutions**

Yeah, obviously, obviously, price is important. We can't, we can't be double the price of the market and expect to be making those sales. But if we're competitive, and we've got a good relationship with that customer, with that collision repairer, and we provide a good product, then all of a sudden, we're gonna get sales, right? So, again, take out from an automotive recycler perspective, please market to the collision repair industry. You know, whether that's going out and visiting them and saying, here we are, I'm Chris from Chris's auto parts. I'm around the corner from you, or I'm 100 miles away from you, whatever the case is, tell them why you're a good supplier. And make sure that when you get the opportunity to deliver on that promise, okay? It will have an impact. And like anything, it may not have an impact today. But, you know, over a month, two months, three months a year, all of a sudden you build up a group of loyal, long term, lifetime customers in the collision repair industry that will help automotive recyclers, help you as an automotive recycler, harvest more collision parts of those vehicles. And really, at the end of the day, you'll be more profitable as a result of it. Simple as that. Okay.

**Chris Daglis, Auto Partnered Solutions**

Greg, we've been through a fair bit here. What if I was going to ask you to sum up? Where, what does it look like in five years? Where is PartsTrader going? Are there more insurers that you think will come online? Do you currently manage, I think you said 37%, or you touch 37% of collision claims. What does that look like in the future?

**Greg Horn, PartsTrader**

So we have a very healthy customer pipeline. I'm not in sales, but that's how they refer to it as, as people looking at piloting and customers coming on board. That's going to be a big portion of it. The other product that we're really excited about is our staff side product. So that basically goes beyond the catalog pricing of a Mitchell or a CCC and gives you a recent historical database for your area. So, if you're looking at that 2014 Camry in Peoria, Arizona, you would have supplied sold parts recently in that area. To gauge your knowledge, to write your estimate with. That's a very exciting product.

**Chris Daglis, Auto Partnered Solutions**

But that's from a collision repair perspective, right? I've just got that vehicle in. It's damaged in the front, you're going to provide an aggregated view or an average view on what parts were available for the repair of that vehicle and how much they were.

**Greg Horn, PartsTrader**

Correct. Exactly. And then it really is, what ancillary businesses are there, you know, is it different geographies? We have, of course, 85% to 90% of the New Zealand market, we are growing pretty rapidly in the US market. There are adjacent markets in North America, in Europe that can also be, that can benefit from this type of platform. You know, when people ask me what I do for a living, and I say autoparts, and they get that glazed look. And then they said, well, I don't understand your work, you know, on a website, and I said. Well, it's a lot like a kayak or an Airbnb or an Amazon. We are that marketplace that marries various suppliers, supplying part pricing, part delivery, part quality to willing buyers who need to make that informed choice. So it is very much like that and every other business, and I do get that feedback from people that say, 'Oh, that makes complete sense'. Every other business is doing that, whether it's travel, whether it's car repairs, whether it's you know, toilet paper, whatever. It's all being sold in an online marketplace with competitive bidders.

**Chris Daglis, Auto Partnered Solutions**

We've spoken a bit about the US, what about Australia?

**Greg Horn, PartsTrader**

I love the Australian market, I think it's ripe for our type of solution. Having good conversations with the various partners in Australia. I'd love to see us go there, mainly because I'd like to come back and see you in Melbourne. But that's just me.

**Chris Daglis, Auto Partnered Solutions**

Oh, yes, you're such a charmer. Alright, so, look, I think there's, there's so much opportunity, I think that the takeaway from me in all of this, for the automotive recycling industries, as I've said before, on this call is that there is a lot of opportunity. Recycled parts for the collision repair industry is still totally underutilized. or recycled parts are underutilized. We need to embrace the opportunities that exist and are great from a PartsTrader perspective. I know, as we said, sometimes some people see it as a race to the bottom, if I can call it that. I'd like for a very, it's not as if recycled parts are very mature for collision repair. So in that context, that there's so much upside, it can't be a race to the bottom. Right. The upside is how do we take advantage of those other components? Like we said before, the lidar stuff, the cameras, the sensors that this that that insurers are now starting to use, right? How do we take advantage of that, and sell more of them? And if there's any way that we can work with you, or I can work with you, Greg to take that opportunity to the automotive recycling industry at a bigger scale, then I'd love to do it because I think there's you know, a lot of our customers in the automotive recycling industry, over in the US or in Australia, or New Zealand, for that matter, or the UK, throw a lot of this stuff out because I don't have a customer for it. So I'd like to throw that challenge out to PartsTrader and say, how do we make this a reality? And I'd like to throw the challenge out to the recycler: How do you prepare your inventory so that you can enable PartsTrader to facilitate that reality?

**Greg Horn, PartsTrader**

Those are fantastic conversations, we can have it ARA. I'd love to show recyclers the depth of information we can provide to them. Again, their scorecard of where they're competitive, where they're not competitive, where they're not even supplying parts. Those are all things we can do through our data analytics and give for that recycler service area, a really complete picture of the demand as well.

**Chris Daglis, Auto Partnered Solutions**

All right, so let's take this a step further then, PartsTrader will be present at ARA, and they'll be present at PRP as well, from what you said. Is there a way that let's say if a recycler was interested in understanding their numbers better if they submitted their information to PartsTrader, company name or their name, would it be possible to sort of prepare some of these analytics so that, you know they can talk to you about it at ARA or any of these conferences? And coming better prepared if you like?

**Greg Horn, PartsTrader**

Yeah, absolutely. Ahead of the ARA if a recycler said hey, I'd like to see where I'm at, we can grab if they're a current PartsTrader subscriber, we can show them their scorecard and that is a sort of standard report that we develop. The good news is, it's data visualized through an application called Tableau. So it is very user friendly. It's not 1000s of pages of Excel spreadsheets, it is graphs and charts that will show you, very quickly, where your business is. So absolutely. We can take their names, we can set up appointments, and we can go through those.

**Chris Daglis, Auto Partnered Solutions**

Okay, so what I'll do, Greg, if it's okay with you, is reach out to our contact list and say look, here's the podcast we did with, Greg, there's a great opportunity to look at your data, and how you're faring in the market from a sales perspective with the missed opportunities. The key here is opportunity. Right? And if they're interested, we can get some of their names, and I can get them across to you. Greg, maybe we can white-label a sample report that I can send out to my contacts and customers, so we can show them what it looks like?

**Greg Horn, PartsTrader**

Oh, absolutely, yeah, yeah.

**Chris Daglis, Auto Partnered Solutions**

If you could do that. And then maybe when I send that email out, I can say, here's the type of thing that PartsTrader will be able to give you. If you're interested, submit your details. We'll put a form in place, submit your details on this form, it will go across the PartsTrader, and then you guys can talk to one another and work it out.

So Greg, thank you so much for being in this session.