

Issue and Trends

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Innovation in the Execution:

Three Ways Suppliers May Distinguish Their Products and Services in the Aftermarket

The heavy-duty aftermarket is hardly known as a bastion of innovation. By its very nature, the business is reactive: when a component breaks down it must be repaired or replaced. The mechanic or truck owner checks his stock to see if he has the materials he needs and, if he doesn't, calls a distributor.

The process is the same whether you have a broken truck or covered wagon.

Where is innovation in the heavy-duty aftermarket?

It's in the execution.

"We deal with more than 240 different suppliers across a range of product categories — from anti-lock brakes to water pumps," said John Minor, Vice

President and COO, Midwest Wheel Companies, in Des Moines, Iowa. "They all supply good products and, for the most part, they do a good job with order fulfillment and product support. What separates the best suppliers is their ability to do all of these things consistently. Someone may have a great product but they can't get it to us on time. Or they may have a great salesman but the parts arriving at our dock don't match up with what he promised.

"We know a supplier is committed to us as a distributor and to the aftermarket as a whole when they deliver great products, on time, all the time. We don't have to question whether they're going to come through. We can say to our customer, 'It's a great product, the

supplier backs it up, and it'll be here when they need it'."

With customers raising their expectations for performance and value, distributors are gravitating to suppliers who consistently come through with the broadest possible selection of products, a rock-solid order fulfillment process that includes technologies like vendor managed inventory and EDI, and, when necessary, help from smart, experienced human beings.

Is it too much to expect?

"For a component supplier, the commercial vehicle aftermarket is vastly different from the original-equipment (OE) side of the business," said Terry Livingston, general manager-Americas, for ArvinMeritor Commercial Vehicle Aftermarket (CVA).

On the OE side of commercial vehicle manufacturing, heavy-duty component suppliers have a deep understanding of their customers' processes, technologies, and plans. They're involved with demand forecasts, changes in product designs, and requirements for component quality and price.

It's a great position to be in, particularly when you're the preferred or standard supplier for a truck or trailer manufacturer. With a quantity and a due-date in hand, you can get to work building products and generating revenue.

The commercial vehicle aftermarket offers no such assurances.

Once a truck or trailer is in the field, it's tough to predict when components will need to be replaced. Different vehicle owners can operate the same make and model yet have wildly different needs depending on how the vehicle is used and maintained. Warranties, service agreements, geography, and urgency influence who performs the work, where parts are sourced, and at what cost.

While the nature of the demand for aftermarket parts is unpredictable, Livingston said, the required response is almost always ASAP. Keeping up requires all kinds of resources that OE suppliers don't have to contend with: more SKUs; more people for the call centers and field support; distribution infrastructure; information systems; and reverse logistics to handle the return, repair, and disposal of failed components.

Today, these challenges are compounded by three factors:

First, truck and trailer owners are holding on to equipment longer, with the average age of a commercial truck approaching nine years. Dealers and distributors are looking for products that will appeal to cost-conscious customers, including all-makes parts and remanufactured components. They're trying to sort through the increasing number of available parts sources, including suppliers they've never heard of before.

Second, the shortage of qualified technicians continues. The U.S. Dept. of Labor estimates that 205,000 diesel technicians will be needed between now and 2014 to fill new jobs and replace

workers exiting the field, many through retirement. Currently, vocational programs in the United States graduate about 35,000 technicians per year, including auto, collision, and diesel mechanics. This dearth of trained technicians is a potential threat to shop productivity and, ultimately, the volume of parts and service business.

Third, when demand for new trucks rises at the same time as demand for aftermarket parts, the predictable result is a tug-of-war. Suppliers who aren't firmly entrenched in the aftermarket will channel their resources to their customers on the OE side, creating a shortage of service parts for their components.

At the same time, we will see that committed aftermarket suppliers have been strengthening their product portfolios and enhancing customer service and support. We're seeing daylight separating organizations that invest in the commercial vehicle aftermarket and those who view it as a place to cut costs.

The management team at ArvinMeritor's CVA business group has identified three areas where this separation is clear:

1. The Broadest Possible Choice of Products

Aftermarket parts distributors will need a complete portfolio of products in order to capitalize on a growing number of potential customers with speed and efficiency.

Ideally, you want to focus on giving the customer what he wants instead of having to calculate in the back of your head, "Who am I going to call for that?" For example, if a truck owner or repair shop needs brake hardware, you'd like to offer a choice of linings and brake kits for his vehicle and vocation—and the ability to confirm price and availability from a single aftermarket supplier.

Increasingly, it's important to align with aftermarket suppliers who go beyond providing replacements for their own OE products. This includes a range of quality and price points, including genuine parts, all-makes parts, and remanufactured components.

In the case of ArvinMeritor CVA, it doesn't only manufacture and supply products for the aftermarket, it develops and engineers them. One example: the company's PlatinumShield™ coating was developed to protect against corrosion and rust-jacking on remanufactured Meritor® brake shoes.

One marketing director said the investment and resources in ArvinMeritor's OE business allowed CVA access to the necessary testing, engineering, and laboratory resources for a project of this scope. How many aftermarket businesses have an in-house metallurgy laboratory? But it is the scope of its brake remanufacturing business that allowed CVA to make the investment necessary to develop and implement the PlatinumShield coating at its Plainfield, Ind., remanufacturing facility. (Todd Kindem, senior director of sales and customer care at ArvinMeritor CVA). *The*

PlatinumShield coating has performed as promised and will soon be available on its OE side of the business.”

2. Seamless Fulfillment

At ArvinMeritor, roughly 80 percent of orders are placed through its Xpresswayplus.com e-commerce site, which allows up-to-date views on product availability, pricing, and delivery status. It also provides dealers and independent shops alike with equal access to general service and repair information for ArvinMeritor products. Xpresswayplus.com is part of a suite of electronic services — including EDI and vendor managed inventory (VMI) — to make sure dealers are stocked efficiently.

Most aftermarket suppliers offer some form of online ordering. The key to fast response and customer satisfaction, however, involves the basics: the supplier’s ability to physically pick-pack-and-ship, and to strategically stockpile products within its distribution network.

One recent example is the company’s Mascot Truck Parts business. When ArvinMeritor acquired Mascot in 2007, it gained a remanufacturer with a strong reputation for product quality and customer service. Yet among Mascot’s most important assets were 29 independent distribution centers located across the United States and Canada. Large remanufactured components like transmissions and axles can be held there and made available same-day or next-day to most points in North America.

According to one aftermarket executive (Terry Livingston, general manager-Americas, for ArvinMeritor CVA), the speedy availability has tremendous appeal in the OES (original equipment service) channel. In fact, with reman transmissions and axles, the dealers need those products often for a truck-down situation. Dealers value the ability to offer a high-quality reman product at a fraction of the cost of a new one. By facilitating a speedy response, a supplier can help its OES-channel customers be more competitive and profitable on the sale. And they don’t have to use space in their own parts distribution centers or invest their own working capital for inventory.

It’s not enough to have the right part, suppliers have to deliver the right part at the right time.

3. Unmatched Customer Support

“Because so many customers place orders electronically (through XpresswayPlus.com at ArvinMeritor), they often have questions or prefer to talk to a real live person. (Shelly Beneteau, senior manager, customer service, at ArvinMeritor CVA.) ArvinMeritor’s goal is to “make that experience efficient and satisfying.” There’s comfort in hearing for yourself that “yes, we have the part”, and “yes, it’ll ship today if that’s what you need, rather than placing an order online and then waiting to see what happens next”. The heavy-duty aftermarket is still a business of personal relationships. A confident voice saying, “May I help you?” is like a firm handshake. A tech support person

who's smart and experienced inspires confidence that we can help you.

In ArvinMeritor's case, it can do that because our customer service representatives, tech support group, and operations team are physically under one roof in Florence, Ky. The company places no time limits on calls, times or sales-based performance goals.

The same is true for tech support. In our company's case, we receive 144,000 technical calls a year, as well as 12,000 emails. The people fielding those calls have backgrounds as engineers, heavy-duty technicians, and similar technical positions.

Questions that can't be resolved in one call are assigned a case number and research representatives who take those problems on with a goal to resolve cases within 24 hours. At ArvinMeritor, every issue goes into a central repository so analysis of these experiences will often results in improved responses.

The biggest worry for anyone in customer service is the customer who believes you cannot help. Roughly 95 percent of dissatisfied customers don't complain directly, and 90 percent don't come back if their problem isn't resolved. They just go away. No one can afford to have that happen.

Perspective: Reman or Rebuild?

Todd Kindem, Senior Director, Sales and Customer Care

ArvinMeritor sells many piece parts to distributors who rebuild components on-site for customers. The end result is a working replacement part that's lower priced for purchase and will get the operator and his vehicle on its way, but with no real guarantees about quality or performance.

Remanufacturing and rebuilding are quite different. Remanufacturing is an industrialized process done, in our case, at dedicated remanufacturing plants: in North America we have a 275,000-square-foot plant in Plainfield, Ind., that remanufactures brake shoes, trailer axles, and transmissions, and a 100,000-square-foot facility in Toronto that rebuilds all-makes transmissions, differentials, and steering gears.

In remanufacturing, a component is disassembled and cleaned. Individual parts are inspected and, if necessary, replaced with brand-new ones. The component is then reassembled and tested to make sure it meets the same quality and performance specifications as the original.

This is a key selling point and a big reason why many truck operators are opting for reman components.

Perspective: A Global Aftermarket

Terry Livingston, General Manager Americas

There's no shortage of companies in Asia, India, and other parts of the world that can stamp out low-cost, will-fit parts. What's interesting is that I've seen these very same factories turn out excellent, OE-quality components.

It's important to distinguish between manufacturers that use lower-grade materials or untrained labor to reduce costs and those that set high standards for quality and give their suppliers the knowledge they need to meet them. That includes engineering expertise and an understanding of the part's original design and manufacturing processes. As an OEM, we know why those bearing journals are induction-hardened. We know why this lip was designed into the component and how taking it out would affect performance.

Many companies expand internationally because they want to reduce their labor and materials costs. They can ramp up quickly through a joint venture or new brick-and-mortar and make the headwinds in North America a little easier to weather.

For us, we're in these markets trying to inspire the best and the brightest to help us create better products, not cheaper ones. We recently established engineering centers in Bangalore, India, and Shanghai, China, to benefit both the OE and aftermarket sides of our business.

What that means for aftermarket distributors in North America is that when they reach for a box with our name on it, they know the component inside meets our standards. They don't have to take on responsibility for performance, compliance, or liability. Nor do they have to put their reputation on the line if there's a problem.

Perspective: Training

Rick Martin, Manager, Training

If you want a measure of a supplier's commitment to aftermarket product support, look at its training programs. Suppliers should be motivated to produce exceptional training because it sets themselves apart from those selling parts alone without any customer support. They should be motivated to help counter-people and technicians become more knowledgeable with their products.

We've spent the last three years developing what we believe is the most comprehensive training program in the aftermarket. ArvinMeritor's approach involves "blended learning," encompassing self-paced online training; webinars that use audio, video, and animation; and intensive onsite instructor-led training.

In 2009, over 35,000 courses taken by over 3,000 individual users at warehouse distributors, motor carrier and dealer locations resulting in almost 18,000 hours of training. This hybrid learning experience is designed as a systematic course to train dealer and fleet personnel on each Meritor product in every product group.

There's no substitute for a good trainer, someone who knows your people and your equipment and can convey expertise that makes both work better. But online training — with its expanding range of course material, easy access, and ability to monitor a participant's progress — can be the centerpiece of product support. Best of all, there is no cost to the dealer or distributor. It's part of the added-value of using components and replacement parts from a reputable supplier.

If you'd like more information on this topic, or for copies of other Issues & Trends, contact ArvinMeritor Marketing Communications at 248/435-1933, fax to 248/435-9946, e-mail david.pennington@arvinmeritor.com, or visit our web site at: www.arvinmeritor.com

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