



Optimizing Your Parts Procurement Process

by Erika Faieta & David Burns

Introduction

Ordering parts for your heavy equipment can be a costly, time consuming experience. Whether you operate a single piece of machinery, maintain a fleet, or provide service and maintenance to others, the judicious selection of a parts supplier can result in substantial savings. By using a dealer's online portal, you can conveniently and automatically partition responsibility to the correct department, keep centralized documentation, streamline procurement, and automate recurring tasks.

A multi-faceted approach is ideal: automate where it makes sense, order through a dealer's online portal when possible, and contact a Partsman when necessary.

Selecting a Provider

It is most sensible and efficient to order your parts from a single, reputable source. When selecting that provider, always consider their reputation, the services offered, and the value provided for your dollar. By those metrics, OEM brand parts are the ideal choice.

A TRUSTED PROVIDER

When you trust the company for your initial purchase, you should feel confident that they know how to keep that equipment running. Through research and development, engineering and design, and the maximum possible experience with the machines and their components, only the OEM can bring their level of experience to the manufacture of replacement parts.

You can have faith that the parts will be consistently high quality, that they will last for a minimum specified duration, and that this promise is backed by a manufacturer's warranty.

Your machine is tested with brand parts, and built to run with them. Saving a few dollars up front with off-brand parts compromises the significant investment you made in your original purchase. When considering a "less expensive" part, it's important to understand the bigger picture of cost savings over time.

Many manufacturers, such as Caterpillar, Deere, and Case, do not sell directly to the public. Instead, they rely on their dealer network to distribute parts to the customer. An authorized dealer is the customer-facing source for OEM parts. Therefore, they are held to the highest standard; after all, it's the brand's reputation on the line. Dealers are expected to honor warranties and return procedures. And they are accountable for providing service and equipment that meets the same high standards as the machines themselves.

An OEM authorized dealer relies on their reputation and the reputation of the manufacturer, rather than low up front costs to sell parts. Generic producers may offer the appearance of a bargain with a low initial price, but you get what you pay for. Don't be penny wise and pound foolish. Where an aftermarket parts dealer is concerned with maximizing profit from parts sales, an authorized dealer takes a longer view. As your direct link to the manufacturer, they place a higher value on building relationships and maintaining satisfaction

with their service and with the manufacturer's brand. The dealer offers a customer-centric, rather than parts-centric experience.

Aftermarket providers are not authorized to order direct from the manufacturer. Even if you can find alternative sources for OEM parts, and even if they are genuine, they are subject to middleman markups. Allow the dealer to be your trusted go-between with the manufacturer.

Finally, brand dealers have processes in place to offer services that the smaller, less established providers can't.

PARTS AVAILABILITY

An authorized dealer will have more parts in stock than any other source. In the event a needed part is not at hand, an authorized dealer has access to the full OEM parts catalog. They will have up-to-date knowledge of equivalent parts numbers for replacements for discontinued products. And they will generally have access to those parts.

A manufacturer-partnered dealer can obtain parts for much older equipment than an unaffiliated parts store. If a part is no longer distributed, brand dealers can often either have one made or obtain a remanufactured (and warrantied) part. They can even offer support for discontinued machines.

If anyone can get a part, the dealer can.

TRACKING

When you have a machine down, you don't want to lose sight of your part in transit. You should know where it is and when it will arrive. An authorized dealer will make that information available. If a part is back-ordered, you will be contacted when it becomes available.

You'll be able to see where parts are being shipped from and where they are in the receiving process. As a result, you can estimate time to delivery, enabling you to have installation specialists on standby at the right time.



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REMANUFACTURED PARTS

Remanufacturing is the process of returning end-of-life products to the same condition as when that product was originally manufactured, in a manufacturing environment. Products are returned to the original “same-as-new” condition or sometimes better in terms of durability, life span and performance.¹

OEMs who offer remanufactured parts typically offer the same warranties on these products as new parts. If this is not the case, keep shopping.

Remanufactured parts have a reduced environmental impact over new parts.² And the process provides the manufacturer with significant cost savings which are passed on to the consumer. Online parts ordering programs may include core tracking capabilities, so you can be certain no money is lost. (More on this later.)

While there *are* aftermarket remanufactured products available, only the original manufacturer has a certified re-work process and only OEM reman parts preserve the manufacturer’s warranty.

RETURNS AND WARRANTIES

If a part does not perform as expected, your return process should be hassle free. Manufacturer parts are issued with extended warranties to make sure the process of replacement is quick and easy. And by purchasing from a dealer, you can make a warranty part exchange at the dealer’s location, rather than having to deal with the delays and uncertainty of dealing directly with the manufacturer.

With a generic part, even if a return or exchange is accepted—and there’s no guarantee it will be—you’ll have to wait for shipment, delivery from the manufacturer, and potential inventory shortages. Meanwhile, your machine is down and you’re not producing.

Crucially, if an OEM part fails, your machine’s warranty is in force. If an aftermarket part fails, it is often voided. You’ll be responsible not only for replacing the failed part (again), but for repairing any upstream damage to your equipment out of pocket.

Evaluate your current ordering process

An authorized, established dealer can help you streamline your ordering process. Systems are in place to help you minimize costs and efficiently oversee parts ordering. This is part of the dealers’ strategy of building relationships and keeping customers happy. It’s just good sense when a company is in the business for the long haul. The manufacturer thrives when the customer succeeds.

When calculating the best deal on parts, it is important to account for *all* costs. You may see a short-term savings by purchasing an aftermarket part. But in the long run, the OEM part will be less expensive. Value-added benefits such as a longer mean time to failure and preservation of the manufacturer’s warranty should be considered when determining the wisest expenditure.

For larger operations, it can be illuminating to consider who it is that does your ordering. If you presently have technicians placing the orders, it may save you money to give the responsibility to an Administrative Assistant. By having someone who can type rapidly and handle purchase orders and other paperwork, you can keep union technicians and busy, highly-paid executives working on what they do best. The wise division of labor can save both money and time.

What sort of administrative oversight present? Is any? Can anybody order anything, or is there an administration and approval process? If not an Admin or Accounting department, can parts order requests be routed through a Foreman or Service Manager for approval? Is there a threshold beyond which the requesting party can purchase themselves, while for greater purchases, orders must be signed off on?

Instituting an approval process keeps a detailed accounting of all parts orders. Such a system shifts the responsibility for purchase orders and other paperwork from the technicians to administration, freeing the tech to focus on his job (where he can best use the skills with which he offers a competitive advantage), and the



Remanufacture produces less waste by-products compared to new manufacture, extends product life, and has a reduced raw material usage.

¹ “Cat Remanufactured Parts and Components.” *Cat Parts Store*. Caterpillar, 2014. Web. 23 Sep 2014. <<https://parts.cat.com/en/catcorp/cat-reman-products>>.

² Caterpillar remanufactures or recycles 134 million pounds of material annually. (ibid.)

best suited administrators to focus on theirs.

When considering all of this, realize that systems are available through your service provider's online portal, which allow all of this be managed with a set of guidelines and fine-grained parameters free of charge.

Online Parts Ordering

Online ordering can be as simple or layered as you wish it to be. With modern digital parts ordering portals, you can engage in straightforward tasks (such as getting quotes and simplifying ordering), or make use of higher-level features, such as online records filing and research, and even business organization and workflow optimization. The degree to which you wish to take advantage of this free-of-charge administrative capabilities in the software is up to you. And it remains subject to revision with experience and training.

Whether there are parts that are familiar enough to just give the number when ordering, or whether you need to research the details of the part that fits your needs, it's a simple matter to place an online order. Parts research programs allow you to easily and naturally find the parts you require. And an online shopping cart makes it simple to request a price and time quote, and receive the response immediately.

The online catalog and parts research tools allow rapid parts identification and ordering. It can be no more complex than shopping online, or powerful enough to save significant time and reduce redundant processes and unnecessary hands-on intervention.

Online ordering may be integrated into your current system. By controlling access within your organization, and by centralizing records and documentation, an authorized dealer's online portal can seamlessly integrate within your present framework, saving you time, money, and hassle.

Your order history may be quickly referenced and utilized for rapidly placing new parts orders. A frequent order list and the ability to save parts allows quick and easy access to commonly ordered items. And a user can store parts for fast recall, reference, and ordering.

Parts departments can be busy. To wait on the phone, have a Partsman find the part number, and then verbally give him the payment and shipping info can be far less efficient. These skilled individuals remain at your

service where required or expedient. For complicated questions, there is no substitute. But such situations are the exception, rather than the rule. Routine orders may be dispatched quickly online.

Document review allows a transition from paper-based filing to instant digital access to organized online records. Invoice information is available for simplified warranty claims or for future ordering. A history of your orders is available for administrative or accounting purposes. There's no need to go to the expense of setting up your own digital system, or to worry about digging through greasy sheets of paper; it's included in the dealer's online portal.

Warranty information is easily accessed and monitored, so you'll always know where your equipment stands and whether you're entitled to replacement parts.

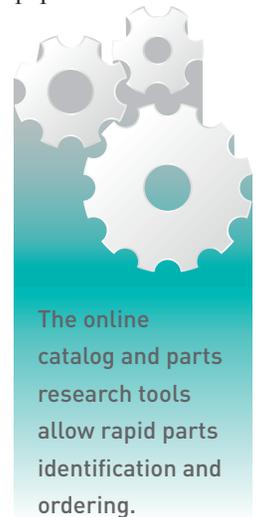
ACCESS CONTROL AND WORKFLOW OPTIMIZATION

Tiered access can selectively control the ability to see any of the above. The account holder can dictate purchasing ability and expenditure limits by user. And the portal can require approval before a purchase may be processed, and can route the request to the relevant party.

A customized online portal can selectively allow users to either place the order or submit it for approval to the appropriate party. In this and many other ways, you can route appropriate work to the person best suited to do it. You can set up parameters to control access levels for subusers in a dealer's online system.

As discussed before, workflow optimization will streamline the functioning of your business, and let each person spend more time doing what they've been hired to do.

There will always be benefits to live, personal contact with a brand expert. That will never change. For difficult to find parts, replacing discontinued parts, or finding substitutions, it makes sense to contact a Partsman to make sure you get the correct part for



your machine. You still have this option to contact them with questions and concerns. And when dealing with returns and exchanges, you can decide which approach will minimize the associated downtime costs and frustrations. Different situations call for different solutions.

But even in a completely automated online system, a Backorder Analyst will monitor where your parts are coming from, and ensure the best shipping options are selected. And when working with an authorized dealer, they can save you money by pooling shipping costs. (Of course, express shipping is still available, should it be needed.)

At the end of the day, many orders can be most simply managed by making the transition to online parts procurement. And the straightforward, well thought out management tools can make sure that man-hours are saved by getting the right person doing the right job.

BATCH ORDER COMMONLY NEEDED PARTS

Through the online system, a user can set up automatic ordering for often needed parts, by referring to frequent

order data or saved preventative maintenance lists.

Where applicable, placing a batch order of commonly used parts through a single portal is generally the most efficient approach. You'll receive the same level of customer service with fewer delays and shorter wait times. Hours of productive time can be freed from micro-managing simple tasks.

Is a batch order of commonly used parts right for your business? If you're ordering certain parts regularly, and know you are likely to need them at consistent intervals, you can set up a standing order through the online portal. If it seems like a part order can be automated, a dealer can help.

Selecting and setting up a procurement system with a trusted expert will provide the most effective and efficient method of ordering the majority of your parts. Once you are confident in your established pre-set automated process, you can implement a customized approach for your specific parts needs. The time you'll save will give you the flexibility to explore these options when necessary.

Conclusion

While it may at first appear to be a daunting task to set up your new parts procurement process, the time and cost savings will pay off in the long term for you and your business. And trained professionals are standing by to help guide you through the process. Call or email today to find out what options are the best fit for you.

ABOUT THE AUTHORS:

Erika Faieta is the e-Customer Support Manager for Peterson Cat. Upon graduating from American University with a B.A. in Political Science and Communications, she gained practical experience in sales, marketing, and project management. Within the industry, she has held positions at multiple levels, serving as a Truck Shop Service Writer and doing inside sales for Electrical Power Generation. She has been with Peterson Cat since 2008. In her role as e-Customer Support Manager, she has helped guide the development of PartStore, an online portal, to best meet the needs of a variety of businesses and account holders. With her experience providing direct end-user training, she understands the specific needs of businesses at all levels, and how to help them most efficiently transition to online parts procurement.

David Burns is a technical writer based out of the Washington, D.C. metropolitan area. He studied chemistry and mathematics at George Mason University. His services have been engaged by a number of trade organizations and industry groups.

