

Learning Without Scars

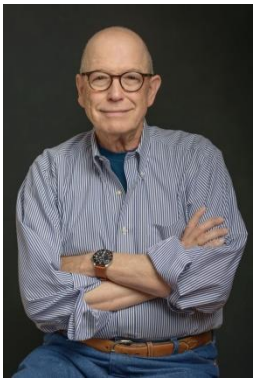
Quarterly Newsletter

Dynamic Internet Based Learning
TRAINING SOLUTIONS FOR EQUIPMENT DEALERSHIPS
Construction • Mining • Agriculture • Cranes • Trucks • Trailers

The Parts Business

Summer 2022

The Challenges of a Used Parts Business by Alex Weaver



Alex Weaver's career in the industry spans several decades. His initial job in the industry was with an independent used equipment, used parts company, White Tractor Parts in Blue Springs, MO. After several years of ground floor, learning the business including how to chain a tractor to a trailer, he went to work as Assistant Used Equipment Manager for The Wayne Supply Company, Caterpillar dealer for Kentucky, in Louisville, KY. Later, promoted to Eastern Region Sales Manager. In 1979, he went to work for Crane and Tractor of Dallas, another independent used equipment, used parts dealer.

In 1988, Alex relocated to Charlotte, NC to work for the Caterpillar Dealer, Carolina Tractor. Initially holding the position of Product Support Sales Manager, later serving as General Parts Manager and VP of Heavy Equipment Sales. In 2002 Alex began work with Caterpillar, Inc, and relocated to Peoria, IL. There he served as Sales Manager for the Eastern Region of Caterpillar's Redistribution Company, CRSI, Inc, moving to the Reman Group, and later to the Caterpillar Used Equipment Sales, Inc before retiring in 2014.

With over 40 years of experience in the industry and as a retirement project, Alex and a partner created the concept for agilitiONE, including manually researching every company listed in our search engine/database. The great influencer working with all these companies, in various positions and segments, were the customers. The customers shared what they did, how they did it and how as a supplier you could help them do it. A great education in market wants and needs.

The Used Parts Business

Construction Equipment Used Parts is similar, in some ways, to the automobile or on-highway truck salvage business. A core is purchased for salvage, disassembled, parts are evaluated for inventory, and some parts and components are repaired or rebuilt and sold. The business was created out of a need or demand for additional price points in the construction equipment replacement parts business.

A successful Used Parts business contributes to overall company goals. Assume a company has the following high-level goals: Financial Performance, Market Share, Customer Satisfaction, Employee Satisfaction. Used Parts impacts these goals in the following order.

- First. Customer Satisfaction
- Second. Financial Performance
- Third. Market Share

Used Parts increases Customer Satisfaction by providing additional price points, and in some cases parts availability. Today, parts availability is not as certain as years past. In fact, some very large consumers of parts have created their own internal used parts operation to support parts availability needs - to ensure they have the parts they need when they need them. Customer Satisfaction or loyalty positively impacts market share. Used Parts can impact financial performance by adding a revenue and profit stream for the seller. Used Parts can increase customer loyalty. Used Parts, also, contributes to harvesting a greater share of a customer's wallet.

History

The Construction Equipment Used Parts business got its start in the late 1940's and early 1950's. Enterprising entrepreneurs purchased U.S. government surplus war material from World War II. Primarily half-tracks. An armored truck, mated with a rugged bogie and track suspension system in the rear, allowed foot soldiers to quickly move with modern, mechanized attack forces. In civilian life, many found homes in large farms and ranches as a way to deliver feed and hay bales to herds scattered across many acres. Some 12,499 M3 half-tracks were built by White, Autocar, and Diamond T during World War II.

The track bogie's required replacement parts and cannibalizing other units became the best, easiest source. The companies that started here gravitated toward other track type units. And thus an industry was born.

As the construction equipment product lines expanded, so did the demand for used parts and components. Product improvements obsoleted older technologies. From mechanical systems to oil lubrication, hydraulics, electrical, and electronic. Dry clutch to oil clutch/steering clutch materials, gasoline starting engine to direct electric start, manual transmission to power shift, cable lift system for dozer to hydraulic, operator environment - from no operator protection to air conditioned, enclosed roll over protection. Every step of the way, used parts provided opportunity. And, that opportunity continues today.

Did you know that Learning Without Scars is a fully accredited provider of continuing education through the International Accreditors of Continuing Education and Training (IACET)? This accreditation sets us apart in our field as we are the first and only education provider in our industry to hold outside accreditation. All students will receive CEUs when they take a course through Learning Without Scars.



Growth & Change – Scope and Scale

The transition from half-tracks continues. The number of construction equipment manufacturers has increased. The numbers of product lines and models has also increased.

Heavier, bigger machine products as well as compact construction equipment. Many smaller models, and as a result many more customers. The construction equipment market now includes global manufacturers and distribution.

Some products are now obsolete or out of production but the original products / machines are still operating.

Elevating Tractor – Scrapers, like Caterpillar, 613/615. The used parts business helps keep these machines running.

It all adds up to used parts opportunity.

Operations

Used Parts can take a lot of real estate. Or not. Some combination of Core (a machine to tear down) storage, warehouse storage and physical space dedicated to core disassembly and parts inspection. Plus, space for counter sales. Some customers want to “kick the tires” or look at what they are purchasing before they purchase. Which means public access to the used parts operations.

In today's world, there are environmental considerations. How do you wash/clean a core before disassembly? How do you capture the waste fluids from a core?

Environmental Impact

In 1976, Congress passed the Resource Conservation and Recovery Act to increase recycling and conservation efforts as waste became a bigger problem. It is estimated that the slogan “reduce, reuse, recycle” was born at this time. The used parts business is a positive contributor to environmental opportunity. Used Parts maximizes the use of original material. Reduce/Reuse/Recycle and now Repurpose are all in the used parts “wheelhouse”.

Accounting

Many used parts operations, assign or breakdown the purchase cost of a parts machine, to some larger, higher demand parts or components and value the by-products at \$1.00 each. This result is low cost, slower moving inventory. In some cases, the cash accounting model is more suited to the used parts business than the accrual method. Your accountant will have the answer as it applies. Proactive, managed scraping of unneeded material is an ongoing process.



Products

- Work Tools / Attachments
- Drive Train Components
- Hydraulic Components
- Cabs / Canopies
- Sheet Metal
- Structural Parts – main frames / track frames / booms / sticks

Condition

- Used Parts products can be in prepared and sold in various conditions
- “As-Is” – removed during salvage process. Take off with no condition offered
- Removed – Cleaned
- Removed – Cleaned – Inspected – includes condition estimate
- Removed – Repaired – base product used as core to make some repairs
- Removed – Rebuilt – base product used as core to rebuild to published standard condition
- Removed – Remanufactured – base product used as core for complete rebuild

Future

Our industry has grown and prospered by providing customer solutions. Used Parts, starting with half-tracks, has provided and will continue to provide customer solutions. The details, models, applications, horsepower, reach, lift, capacity, may change, but the demand and the supply our industry provides will continue. Used Parts has been a part of every product / market change.

Class References

[Buyers Needs](#) | [Make It Matter](#) | [What’s Your Why](#)

Learning Without Scars



As a third-generation educator, it is easy to say that teaching and training are in the blood for Ron Slee. From his beginnings as a coach, through his time at McGill University, Ron developed a foundation for the work he does today.

Learning Without Scars provides comprehensive online learning programs for employees starting with an individualized skills assessment. These assessments allow us to then create a personalized employee development program. From their assessed skills, the employee is asked to select from classes designed for their skill level which allow them to address the gaps in their knowledge level. This allows the employees to move through four progressive categories of learning: Basic, Intermediate, Advanced and Expert.



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Your opinion is important to us! We are always looking to help people through engaging material. If you have a question or a specific topic you would like us to cover in a future newsletter, please email Ron ron@learningwithoutscars.com

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