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BUSINESS GUIDE

## Technology Helps Auto Parts Distributors Rev Up Profitability

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## Technology Helps Auto Parts Distributors Rev Up Profitability

*NetSuite helps auto parts distributors improve inventory management, reach more customers, and become more profitable — supported by a Specialty Equipment Market Association (SEMA) member and NetSuite partner.*

Wholesale automotive parts distributors use their supply networks and expertise to keep the nation's cars, trucks, and heavy-duty vehicles safe and on the road by delivering the right parts to the right places at the right price. They're part of a nearly \$500 billion industry that includes about 535,000 repair shops, distributors, marketers, retailers, and manufacturers, all working to keep the wheels turning on the more than [280 million vehicles](#) that are registered in the United States.

As key intermediaries in the automotive parts supply chain, wholesale distributors provide efficient delivery of replacement parts to their customers, the majority of which are repair shops. Most of their transactions still take place offline, but ecommerce is becoming an increasingly important part of these distributors' overall business.

The steady shift to ecommerce presents challenges for established wholesale distributors that lack the technology infrastructures needed to support this aspect of their businesses. And because many of these companies are still running on basic accounting systems like QuickBooks, they spend a lot of time populating and sharing Excel spreadsheets to get a complete picture of their operational performance, revenues, and profitability.

Additionally, most auto parts wholesalers are using multiple different manufacturer-specific platforms to check their suppliers' inventory, get price quotes, and order parts. Each of these proprietary systems runs independently, which means distributors must jump between them to get quotes and place orders. With no centralized database for all of the associated information, companies once again have to resort to spreadsheets and email to get a complete picture of their operations.

"A lot of distributors we've worked with use older, automotive-specific systems, most of which were built on-premises," said Steve Gallegos, director of sales at Folio3 Software, a NetSuite Alliance Partner and Specialty Equipment Marketing Association (SEMA) member. Through its affiliation with SEMA, Folio3 serves as a trusted adviser to an industry that's in need of technology to help it grow and manage change.

In most cases, Folio3 finds that growing auto parts wholesalers need the most help establishing strong ecommerce presences and minimizing the amount of manual work that it takes to run their operations. Using a consultative approach, the NetSuite Partner helps distributors understand their software options and make choices that support their current and future goals.

“We recognized that many automotive industry professionals are auto enthusiasts who are passionate about cars, but who are not very interested in business technology,” said Gallegos.

In fact, SEMA describes itself as a trade association consisting of a diverse group of manufacturers, distributors, retailers, publishing companies, auto restorers, street-rod builders, restylers, car clubs, race teams, and more — people who love cars and trucks and turned their hobbies into careers. To better understand customers, Folio3 decided to immerse itself in a group that would benefit from the cloud business systems education it can provide.

“We realized SEMA was the largest association of like-minded people in the auto industry, so we decided to join them,” he said.

### **Address Core Challenges**

Managing part numbers can be especially tricky for auto parts distributors that work with multiple different suppliers, all of which regularly add to their product catalogs, update part numbers on existing items, and retire parts due to obsolescence.

“Distributors work with different manufacturers that may make the same part for one vehicle, but use different part numbers and descriptions for those items,” said Gallegos. “Trying to unify all of that is a major challenge for parts distributors.”

Keeping up with the vast number of retail channels that they sell through is another sticking point for distributors that may have started out small and still use basic systems combined with those provided by their suppliers. As their firms grew, these auto enthusiasts needed more robust solutions to run their operations on.

This need for centralized technology systems accelerated as paper parts catalogs gave way to digital means of sharing part numbers, descriptions, and quotes. Amazon has also changed the game by getting into the B2B parts-wholesaling sector and allocating a lot of resources to search engine optimization (SEO).

“I just looked up a part the other day and the first thing that came up was Amazon,” said Gallegos. “Unless they have an Amazon connector, distributors are missing out on those sales.”

That’s where NetSuite comes in. By working with the major ecommerce hubs, the cloud-based Enterprise Resource Planning (ERP) platform gives wholesale distributors a business management tool for their front- and back-end operations.

Companies can worry less about how to market, sell, ship, and get paid for orders. Instead, they have a core system that manages the distribution channel from order placement to final delivery.

“Because NetSuite integrates with Amazon, eBay, the distributor’s web store, and other channels, the ERP gives them a huge marketplace for selling all of their products,” said Gallegos. “This is something that most distributors have never had before.”

As for the manufacturer-specific platforms that distributors use for checking stock, getting pricing, and placing orders, Folio3 can connect them directly to NetSuite. For example, Folio3 has built specific connectors for eBay Motors, Amazon, Walmart, Shopify, and BigCommerce.

Folio3 also works to link up automotive-specific software systems that are not cloud-based, but that are critical to their customers’ businesses and need to push data into NetSuite.

“Where there is no open application programming interface [API], we figured out a way to get the two applications talking to one another using custom code,” Gallegos explained. “That’s one of our strong points as an industry-specific provider.”

## Managing Inventory With Ease

With an average NetSuite implementation time of four to six months, Folio3 uses a customized matrix to map out all the parts that its customer sells and looks for a common denominator across them. For instance, that commonality may be “part name,” which is then used as a foundation for creating a unified inventory approach. That way, even if four different manufacturers — all of which make the same part — use different part numbers, the distributor knows that every part will be placed in the right spot in its ERP, ecommerce system, and any other channel it’s selling through.

This common part number has immediate, positive impacts on the distributor’s inventory management. Nothing is left to guesswork, and employees don’t have to manually reconcile specific parts to their manufacturers and numbers. Having this high level of inventory visibility means fewer stockouts/overstocks and more sales.

“It also vastly improves the company’s inventory integrity,” said Gallegos.

NetSuite gives auto parts wholesalers fast reporting capabilities that provide a full view of their available inventory tied directly to one or more online sales channels. That enables effective inventory management across multiple channels. For example, when employees can readily see what the “hot selling” items are for the week, month, or quarter, they can ensure those items are in stock and ready to sell. And for those items that aren’t selling well, companies can either up their marketing efforts or scale back on their inventory levels.

“With their current systems, most distributors don’t know whether a certain set of parts for a vehicle has been sitting on the stockroom shelf for one week or one year,” said Gallegos. “And because they don’t know their inventory costs, these companies don’t always understand what they should be selling parts for. Both challenges can really cut into a distributor’s margins and impact their profitability.”



“From a marketing perspective, simply being able to add descriptions to their parts in the online marketplace gave the distributor an SEO boost. With NetSuite, they’re now bringing more customers in the door.” Steve Gallegos, Director of Sales, Folio3

### **Going Bigger**

When they use NetSuite, auto parts distributors can sell to a worldwide audience, build stronger supplier relationships, and improve their customer service levels. NetSuite offers native marketing capabilities and a customer relationship management (CRM) system, both of which help distributors increase sales and revenues.

The ERP also gives distributors that were managing chaotic price lists an organized dashboard for viewing the parts that they buy and easily determining the profitability on each of those items.

Auto and auto parts businesses thrive on streamlined processes, clear planning, and in-depth insights into cost centers. With NetSuite, these companies can maximize efficiency and agility while gaining deeper visibility into key performance indicators like costs, turnover, and revenues.

Reflecting on one recent NetSuite implementation for an auto parts distributor, Gallegos said the Folio3 client was pleasantly surprised to learn that more customers are finding them online thanks to the distributor’s new eBay Motors and Amazon connectors.

### **Don’t Get Left Behind**

For companies navigating the rapidly changing automotive industry, cloud-based ERP has become table stakes. The production of electric vehicles (EVs), the need for emissions reductions, and the introduction of new government regulations all have a trickle-down effect.

“These changes are coming whether the distributors want them or not,” Gallegos said. “If companies don’t have a system in place that can help them manage the changes, tap into new opportunities, and grow their revenues, they may find themselves behind the curve.”

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