

Addressing the SA automotive parts challenge through a streamlined supply chain

Despite the competitiveness of the South African automotive industry, questions around the affordability and availability of spare parts and maintaining the sustainability of the sector remain.



Adam Orlin

Adam Orlin, CEO of Blue Strata Trading a premium import and working capital specialist, investigates.

The recently released 2015 Kinsey Report, examining the prices of parts as a percentage of the cost of a vehicle, paints a grim picture of the South African landscape. It shows examples of alarmingly high prices which cannot be blamed entirely on the weak currency.

"Automotive parts will always be a sensitive subject for consumers and dealerships alike. While the market is definitely susceptible to the deteriorating rand, the fact that each manufacturer, dealership, and parts supplier have different approaches to pricing and import process only complicates matters," says Orlin. "While spare parts form part of the bigger automotive supply chain, as with any industry, pricing in one area can have significant repercussions up and down the value chain that puts additional pressure on the market."

"Given the current depressed economic conditions, including the decline in new vehicle sales figures, consumers might retain current vehicles, creating a greater demand for aftermarket automotive component imports and parts," Orlin suggests. "As a result, many in the industry are looking for ways and cost effective ones at that, to streamline the process and minimise the risk."

For Orlin, technology has helped bring this risk to the foreground. "Implementing the right technology allows for the automotive industry to assign different values to different stock or parts in a significantly dynamic way. This means that the collateral risk management platform allows for the company to update its risk management systems on a real-time basis in

terms of the way it values assets. As a result, by being able to manage the risk, the financier can place value on goods in transit, instead of simply taking stock and debtors at a point in time," explains Orlin. "This means that the industry is more empowered than ever before and can take control around cost and service."

As a member of the Retail Motor Industry Organisation, as well as the National Association of Automotive Component and Allied Manufacturers, Blue Strata is actively involved in driving discussions with automotive components importers to see if they can engage in mutually beneficial business partnerships going forward.

"There is no quick fix to pricing of imported parts but manufacturers need to take a more active role in being more aligned to local financial concerns. Partnerships between dealers and importers also present an opportunity for market stability despite the currency volatility. Mutually beneficial arrangements that take into account the relatively remote location of South Africa to international manufacturers could help drive positive momentum in the sector," concludes Orlin.

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