



Investing in Operational Efficiency

A Governance Case Study

Company Profile

BEKEN OTOMOTIV SANAYI VE TICARET A.Ş.

Auto King is a leading auto body shop chain, with 49 body shops across Turkey. Five of these shops are owned by Auto King and the rest are operated by franchisees. Auto King primarily deals with repair of plastic parts and bumpers of vehicles and have repaired more than 130,000 cars and close to 182,000 moveable parts in 2016. In addition to Turkey, the company has operations in Russia, Greece and Cyprus. Auto King's repair-versus-replace business model serves environmental sustainability by decreasing manufacturing quantities of certain parts through the automotive supply chains. Reusing existing parts through repair avoids consumption of natural resources in manufacturing spare parts. In addition, the company has a training center called Auto King Academy located in its largest shop in Istanbul. Newly hired personnel are trained in this facility, transferring the best practices in repair techniques as well as auto body shop management. The company has 70-80% market share for repair of auto plastic parts in Turkey.

The Challenge

Auto King offers auto part repair services to other auto body shops and insurance companies. Auto parts originate from the damaged vehicles to various body shops spread over Turkey. If the vehicle is insured, the relevant insurance provider contacts Auto King or other repair companies in the country. The repair service provider to be selected is at the discretion of insurance company experts, who tend to choose a business that provides the most convenient pick-up, damage control, repair and delivery services. Apart from insurance companies, repair and auto body shops (i.e. authorized services or independent repair shops) may also request pick-up, damage control, repair and delivery services from Auto King and its competitors. However, moving repairable parts from one location (e.g. damaged location) to another (auto body shop) is run in a disorganized way in Turkey, with complex manual processes involving many stakeholders.



Auto King hired a consultant to identify the bottlenecks and improvement areas in their mobile parts operations. The results showed that the tasks were carried out manually with a large amount of paperwork and performance issues in terms of planning and control during logistics activities. These factors were resulting in substantial losses and inefficiencies within the system. Interviews conducted with stakeholders in the value chain (i.e. insurance companies, experts, repair and body shops, employees) further revealed that the speed of logistics operations was a critical indicator in selecting the mobile part repair provider. In some cases, pickup, damage control, repair and delivery speed turned out to be even more important than the quality of the repair operation itself. Based on joint discussions between the board, senior management, investors and the external consultant, an initiative to develop an automated mobile application was proposed to radically improve Auto King's business performance.

The Sustainability Innovation Grant (SIG)

In May 2016, Auto King was awarded a \$47,576 CAD Sustainability Innovation Grant (SIG) from Global Affairs Canada through a project managed by Mennonite Economic Development Associates (MEDA). The company planned to invest \$59,697 CAD in matching funds to implement the SIG activities. The main purpose of the grant was to develop and implement a mobile application-based automation system to enhance the efficiency of moveable auto part repair operations.

The company believed that the mobile application-based automation system would improve Auto King's operational efficiency, reduce costs, and increase its market share and profitability.

The SIG would also produce environmental impact by increasing the volume of repairable parts instead of replacing them. In addition, damage control for most of the parts could be done instantly with photos taken by experts and sent directly to the company via the mobile application, so that unnecessary transfers of parts and paperwork could be avoided. Key users of the mobile application were defined to be insurance company experts, repair and auto body shops, and Auto King's drivers responsible for pick up and delivery of the moveable parts. All these users would have the ability to track the part along its path through collection, repair and delivery. There would be no printed forms and no phone calls as the automated system would be able to trace the entire process from end to end. With the mobile application, the drivers would be directed on routes, leading to less fuel consumption and subsequently less environmental and air pollution.



SIG Impact

The SIG initiative (i.e. mobile application) is not yet operational due to delays in developing the application and training users, including Auto King drivers. There were several reasons for the delay, including a natural catastrophic event, a hail storm and flood in İstanbul that damaged around 180,000 cars. Due to this event, the insurance and automotive industry shifted focus and resources to repairing these damages. Auto King believed that the repair of these damages would continue until mid 2018, forcing the company to slow down the implementation of the mobile application. In addition, Auto King went through a significant restructuring during the SIG period and the company suffered from a shortage in management to oversee the project effectively.

Despite challenges, Auto King has developed and tested the mobile application. The company has trained 18 drivers on how to use the application and purchased tablets for them. Mobile application training was also provided to one auto body shop and two insurance experts. Auto King organized marketing events for potential external users (auto body shops and insurance companies) that contributed to the company's reputation in the market as an innovative and technology-enabled brand.

Improved Data Collection and Monitoring: As part of the SIG contract with MEDA, Auto King identified a set of key performance indicators (KPIs) specific to the project (i.e. development of a mobile application). In addition, the company also reported on sustainability KPIs related to job creation, quality of jobs, gender diversity, contribution to local economy and environmental sustainability. As a result of the SIG initiative, Auto King established an internal reporting system and was able to capture and monitor data related to ESG. The company appreciated the process of developing KPIs in a collaborative manner and noted that KPIs brought discipline to its reporting system and increased staff understanding about ESG issues. Increased knowledge in measuring ESG-related data contributed to decision making during management meetings.

KPIs gave us an idea what to focus on. We defined KPIs collaboratively that later helped us understand where we are in the project [helped in tracking progress]. (Auto King SIG Contact)

Sustainability

Auto King is convinced that once fully operational, the SIG initiative will increase its market share of the mobile parts repair business. The company plans to set up a separate dashboard to track financial, operational, environmental and social KPIs. The company also hopes to implement the automated system of tracking moveable parts to its franchises located in other cities of Turkey, as well as for other business lines of the company, as part of the overall strategy of Auto King.

The company will be implementing this mobile application-based automation system over all its moveable part repair locations, including the franchisees spread around Turkey. (Auto King SIG Contact)

Auto King's sustainability initiative contributed to the Sustainable Development Goal # 12: Responsible Consumption and Production.



Lessons Learned

Auto King learned that all concerned stakeholders should have been engaged at the design phase of the mobile application to avoid delays in developing and launching the application. During the test phase, it was difficult to make all application users satisfied, which could have been circumvented if the users were involved from the beginning of the project. Once developed, the company learned that considerable efforts were needed to create awareness among its drivers, not only on how to use the application, but to change their attitudes of doing things differently.

Auto King learned that developing a single training strategy was not the best solution for different users (i.e. company drivers, insurance experts and auto body shops). The company learned that the application should first be implemented with its drivers before making it live for external users such as insurance experts and auto body shops.

