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Dear Supply Partner

The European economies are still struggling to contain the impact from the Covid crisis and - on top of this - the global supply chain is posing historical challenges with lack of container capacity, increasing freight rates and scarcity of raw material like aluminum and subcomponents like semiconductors. As a supply partner to LKQ, your teams are doing their best to manage these challenges and are motivated to fulfill your obligations according to the service level agreements between our companies.

Unfortunately, LKQ is seeing a further deterioration of an already disappointing logistical performance of parts manufacturers across the board. So far, we have been able to protect our customer service levels throughout the lock downs, labor strikes, restructuring, Brexit, driver shortages and floodings with high commitments on inventory, exceptional engagement from our teams and the support from our customers. In the last few weeks, we have seen the first indications that our service levels to our customers are now starting to be affected by the lack of service from You!

Logistical excellence and reliability are our key competences. It is not acceptable that we continue to see failure of our supply base to comply with industry standards and lack of reliability affecting the success and reputation of our 127.000 customers across 20 European countries.

Over the coming weeks, we will therefore substantially tighten our control and management of supplier logistical performance. We will contact you to negotiate/renege our service level agreements, reducing the grace periods for your shipping delays, eliminating tolerances for quantity and timing variances and drastically increasing the penalties for underperformance that is causing inefficiencies, waste and dissatisfaction downstream. We will bring our relationship to normal industry practice in the automotive sector.

We are looking for world class suppliers. Should you identify improvement potentials in your value chain, it now is time to act. You will know best how to improve your performance. A few areas to look at: Diversification of upstream raw material and subcomponent sourcing, strengthening of forecasting and production planning, exception handling and prioritization of LKQ orders.

We realize that the Independent Aftermarket is likely delivering far above average profitability to your business. We believe now is a good time to reflect this in the prioritization of your capacity allocation. As we are consolidating our supply base and moving a larger share of supply towards your company, we will have to take your ability to deliver into account as we allocate our volumes.

Let us know how we can support you in the endeavor to meet LKQ expectations. We will be happy to answer your questions and work with you on the path to excellence.

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