



Pro Count West

THE ULTIMATE GUIDE TO OPTIMIZING YOUR INVENTORY MANAGEMENT PROGRAM



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Pro Count West explains how to optimize your inventory management program and the benefits that can be realized as a result.

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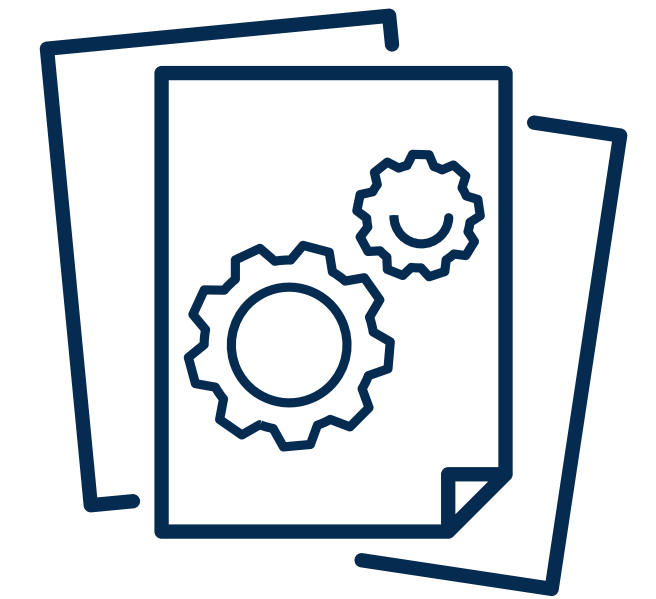
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- Have you considered outsourcing your automotive parts inventory?



Introduction

Dealerships have moved on from the old management processes of years past. New technology has automated the way we keep track of our stock, and updated methodology has been adopted and implemented by both smaller shops and larger parts departments.



However, one thing hasn't changed - the complex nature of effectively managing your inventory. One thing that stays the same for any automotive parts department or service dealership is that no matter how you manage your inventory, there are always room for mistakes.

By ensuring you have the right solution in place along with the right technology and well-trained staff, you can ensure that your dealership is optimizing its profits and return on investment (ROI).



Before we dive into what you'll need to successfully optimize your inventory management, let's first take a look at three of the most common mistakes dealerships make when it comes to managing their inventory, and how to avoid them.

1 - Stock Shortages

Stock shortages not only make it more difficult to maintain productivity and increase conflicts among departments, it also has a negative effect on your customer satisfaction.

One of the best ways to limit the occurrence of stock shortages is to use automated inventory control to set reorder points for each part, while allowing for safety stock. That way, you will be able to reorder parts before they run out. Many manufacturers are using automatic replenishment programs that take the guesswork out of managing a parts inventory. While many seasoned veteran Parts Managers aren't necessarily big fans of these programs, they were designed for younger Parts Managers just getting started. What dealers do not realize, is that these programs need to be monitored very closely.

In addition, conducting regular inventory counts can help offset this problem. While many automotive parts departments already do annual physical inventory counts, reconciling parts more frequently, specifically on a monthly basis, can help you ensure inventory accuracy to reduce the likelihood of stock out and identify any problem areas. If, due to resource constraints, you are unable to reconcile your full inventory more than once a year, consider hiring an inventory consultant or try focusing on troublesome parts – these can be effective ways to minimize shortages while minimizing disruptions.





2 - Lack of Experience

Another common mistake made by automotive dealerships is a lack of experience or not ensuring your staff are properly trained. While inventory management can seem like a simple task, organizing, forecasting and keeping track of your inventory requires a number of skills and often a number of employees with specialized roles.

Sometimes hiring multiple employees to fill these specialized roles is not possible, especially for smaller shops. Instead, consider hiring an outsourced specialist that can help you with your inventory management and can train your staff to do it more efficiently.

3 - Poorly Managed Storage

For automotive parts departments that have large inventories, poor storage management can result in many inventory problems. From tracking and storing to the layout of your storage and where parts are located, there are many factors that could throw a wrench in your overall success.

Having proper processes in place and ensuring everyone follows them is a great place to start when resolving poorly managed inventory. In addition, effectively laying out your storage so that parts are organized and placed in the most productive way possible is also important - try placing the most commonly used parts in the most accessible areas.

How to Optimize Your Inventory Management Program

Inventory management is put in place to ensure you have the right number of products at the right time. When managed efficiently, this will decrease obsolescence, maximize sales, improve customer satisfaction, and free up capital.

However, as is the case with everything in life, perfection is a moving target and your inventory management process must be examined on an ongoing basis to ensure your business continues to succeed.

When analyzing your inventory management, Pro Count West has three tips that ensure your inventory is up-to-date and running effectively.

1. Track your Stock - Always

While managing a parts department, it is important to keep track of your inventory levels on an ongoing basis, so that you always know what is happening with your inventory. Inventory management software is the most effective way to do this.

It will not only provide you with a better idea of how well you are managing your inventory through effective reporting and analysis, it will also save your team time and money to increase productivity and available capital.



2. Review Your Inventory

While inventory management software can be incredibly useful on a day-to-day basis providing you with an overall picture of your inventory position, it is important to review its accuracy.

Annual year-end physical inventory counts are a great place to start, but increasing the frequency, conducting cycle counts throughout the year, monthly reconciliations, as well as spot-checking problematic parts that often have overages and shortages come year-end, can improve the accuracy of your inventory and help you identify areas of concern.

Identify trends for slow moving parts. Keep a close eye on the parts “falling” into the over 9 month no sales category that are not protected by replenishment programs. Other departments in the dealership may be able to help you reduce your idle or slow moving inventory.

3. Identify Low Turning Stock

With the speed at which we innovate new and more efficient vehicles and engines, obsolescence is an ongoing issue in the automotive industry. To optimize your inventory, it is important to identify low-turning stock (i.e. stock that hasn't sold in the last 6-12 months).

Once you have pinpointed parts with high inventory turns, you want to determine why they aren't selling - are they seasonal, discontinued, obsolete?

You will also want to consider unloading these parts using alternative methods, to help you retain the maximum amount of value possible. You may want to consider a promotion to offload the parts quicker, or even whether there is another shop who uses these parts regularly and would be willing to buy them from you.



Why you should count your dealership's inventory in the summer

We've talked about regularly reviewing your inventory, but after reading the above subtitle it's possible you may be thinking, 'why does a simple point on counting your dealership's inventory in the summer deserve its own section in this ebook?' Here at Pro Count West, we can't stress enough how much it could benefit your company to do your annual parts inventory count in the summer.

Having an outsourced company count your inventory in the summer could actually save you money. A physical inventory is needed to provide accurate accounting data and identify any differences between what is currently in your parts department, compared to that entered on your accounting system, but it doesn't need to be at the end of the fiscal year.

As long as this count is done at some point within the fiscal year, the time of the year is not important. Here are some key benefits of counting your inventory in the summer:

Cost savings

The biggest benefit to a mid-year physical count is a saving on costs. Most auto dealers undergo their inventory counts at the year end, due to a perception that this is when it is supposed to be done. However, this is not the case and many outsourced companies will be busier during this period because of the increased demand. Outsourced companies, such as Pro Count West, will have more time during the middle of the fiscal year and might possibly offer lesser rates for such services.

Increasing Your Profitability

A physical count of your inventory will increase profitability, no matter what time of the year you undergo it. A count will ensure your parts are properly accounted for, that values are appropriately assigned and the parts department is organized and able to work effectively and efficiently. By making sure your on-shelf counts match your computer counts, you will increase the productivity of your employers and your business.

Improved Customer Service

There's nothing more frustrating for a customer than work on their car taking longer than the initially estimated timeframe. It's more than likely that you've been in a situation where you have promised to fix a customer's car for a specific date. This was because all the parts needed seemed to be in stock on your system, but you later found out that one of the required parts was missing. Perhaps it had been misplaced, used on another job or not properly allocated.

Having your physical inventory and accounting system in sync will remove this worry and improve customer confidence in your business. If you have your inventory counted in the summer, then it's not necessary to have your parts counted again at the end of the year - but it does no harm. Counting your inventory more than once a year provides accurate data, allowing you to work productively all-year-round.



How a well-maintained inventory can benefit your automotive parts department

Your automotive parts inventory is one of the most valuable assets your company owns, and often the largest. By taking the time to implement effective processes to better maintain your inventory, your parts department will profit, both financially and non-monetarily.

Here are just five ways a well-maintained automotive parts inventory can benefit you, your department and your dealership.

1. Ordering

Accurate inventory management helps your parts department maintain stock. If your records are correct, you will be able to track historical trends, over time, to determine optimal restocking levels and order dates. This enables your inventory system to effectively notify parts personnel when a part needs to be re-ordered.

Feeling confident that your inventory records are accurate improves the accuracy of your parts orders and ensures your dealership is efficiently stocked, at all times.

2. Resource Allocation

Well-maintained inventory records ensure that you're optimizing all areas of your business, including space, capital, productivity and profits.

Having too much inventory can take up valuable storage, increase the risk of obsolescence and divert capital that would be better used elsewhere. On the other hand, a shortage in inventory can have an adverse effect on your lead times, purchase discounts, and lower gross profits because you have to pay more for on demand parts.

3. Service Scheduling

By maintaining an accurate parts inventory record, you can confidently ascertain how long it will take to get the parts you need to fix a customer's vehicle. At a glance, you will be able to determine whether or not you have what you need to fix a customer's vehicle or whether the customer will have to bring their vehicle in another day - after the parts have been ordered and delivered.

This will allow your staff to schedule service appointments productively.

4. Customer Service

If your inventory records are properly maintained, you will be able to answer parts inquiries and fill customer orders faster. If a customer has to wait longer for a response or finds out that a part they were told was in stock isn't, it can have a negative effect on their opinion of your company. If you are able to quickly determine whether or not the auto part is in stock and, if necessary, how long it will take to obtain, your customer will feel more confident in your business, improving their overall satisfaction.

5. Time Management

Effective inventory tracking means that your staff will spend less time looking for parts and more time doing tasks that are focused on improving the operations of your business, and, as a result, increasing profits. Perhaps they will use the time to organize parts to increase efficiency and access, or maybe they will find ways to reduce inventory costs by researching new vendors and working out better deals with current suppliers.

Have you considered outsourcing your automotive parts inventory?

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Now that you've read the advice and benefits in this ebook and you now want to update your parts management, outsourcing this to an independent third party could be the best solution for your business.

Outsourcing your parts inventory will minimize interruptions, ensure greater accuracy, minimize obsolescence, optimize value, unify your teams, as well as identify inefficiencies within your business processes and develop solutions.

At Pro Count West we offer inventory management services to help your parts department improve accuracy and efficiencies. Our team of experienced inventory specialists have years of experience in the automotive industry, and have successfully transformed parts departments in dealerships across all of the US.

**If you want to learn how we can help your business,
please contact us at 1-480-797-2168 or mbachara@procountwest.com.**

