



## **The Best Way to Tackle Your Parts Inventory is to Outsource**

### ***"Independent" beats "In-house" every time***

An annual parts inventory should not be looked upon with dreaded anticipation. It shouldn't even be thought of as a necessary evil, because there's a lot of good that can come out of a well run parts inventory. This is especially true if a parts inventory company is hired to do the job. A dealer's parts inventory can be valued at hundreds of thousands of dollars to well over a million dollars. This large of an asset needs protecting and auditing, ideally, by an unbiased third party. Let's take a look at why "independent" beats "in-house".

#### ***Outsourcing your parts inventory keeps your management team honest.***

There's an old saying, "Don't let the fox count the hens." Conducting an in house inventory with your own parts manager and parts personnel is sort of like having the fox count the hens. As they say, opportunity makes the thief. While this is true, you also don't want to foster an environment of mistrust. That's why it's crucial that your parts inventory company takes more of a team player approach than a watchdog attitude. Ideally, both parties should be working together to produce the most accurate count and assessment of profit/loss to keep the parts department moving in the direction of constant refinement and improvement. Theft is generally the exception rather than the rule and there are certain safeguards dealerships can take to avert this potential problem. A fastidious parts inventory company will highlight the dealership's areas of vulnerability.

#### ***Sometimes it takes a fresh perspective to highlight inefficiencies.***

"That's the way we've always done it" doesn't necessarily mean it's right or helping the bottom line. Whether it is workflow, procedural or general housekeeping practices, there is always room for improvement in any given parts department. Keep in mind that an experienced parts inventory company has had an intimate view of the inner workings of hundreds of parts departments in dealerships coast to coast. They've seen the best and worst and everything in between. While their confidentiality should be on par with that of an attorney/client relationship, they *can* and often *do* make anonymous references to other dealers' successes and failures for your benefit.

#### ***Independents aren't as expensive as you think when you factor in how quickly they complete the inventory process.***

What would take an in house team days on end to complete would take a skilled inventory company 6 -8 hrs on average depending on the total inventory value. In house inventories can lead to costly overtime wages, employee burn out or disgruntled employees for being called in on a weekend or after hours.

### ***Minimizing interruption of business.***

With an outside company, your dealership never has to shut down to shift your manpower to counting versus tending to the customer. Outside companies can perform inventories when the dealership is open or closed without any interruption of business and be totally transparent to the customer.

### ***Accuracy.***

Parts inventory companies are highly systemized. They are working with an industry specific, highly skilled and trained work force. Not only are they knowledgeable of automotive parts, but also of the inventory process itself. They work on tight variances and take pride in and stand behind the accuracy of the final number.

### ***An outlet for obsolescence.***

Many parts inventory companies have the know-how and connections to move or broker your obsolete parts. The parts inventory companies can also help a dealership revise their return procedures and policies to avoid being in a position of excess obsolete parts in the first place. As they say, "An ounce of prevention is worth a pound of cure."

### ***Experts on the DMS.***

One of the biggest hurdles dealerships face is management who has a limited understanding an usage of the DMS. Pulling and analyzing reports is a parts inventory company's forte and they know how to swiftly access and utilize all of the pertinent information to get a precise snapshot of the inventory value.

### ***Bridging the Gap***

Typically, the dealership's accounting department has little understanding of the parts department and, likewise, the parts department personnel aren't always well versed on accounting procedures. Therefore, if a discrepancy arises, there might be tension and skepticism between the two departments. An inventory company has vast parts experience, accounting experience and DMS experience. They can be the unifying force to bring conflict resolution and a greater understanding and respect between all parties.

### ***Wrap up meeting***

Even the best run in-house inventories can fall prey to internal finger pointing or bottlenecking. With an independent inventory company, there is no reason for the inventory to drag on. They are highly motivated to tie up any loose ends, resolve all discrepancies, complete the process and report the results in a very timely manner. Their motivation is getting paid!

*Jennifer Conner, Marketing Director of [Total Dealer Solutions Inventory](#) based in Fort Lauderdale, Florida, can be reached by emailing [jen@markjpayne.com](mailto:jen@markjpayne.com) or call 954.914.5181.*