

NADA ACADEMY FIXED OPERATIONS 1 - PARTS

WEEK 3: KPI ACTION PLAN

What will you do differently as a result of what you learned in this section?

I am going to work with my Parts Supervisor to work on reducing our over 12 months inventory. We will reduce our over 12 months from 33.22% that I am reporting from the end of April 2020 to under 10% by the end of 2020. We will do this by doing returns on any part we can return to the manufacturer weighing the pros and cons of cost vs. reward. We will research and use avenues to sell parts, install them on new and pre-owned vehicles, etc.... Our 7-12 months inventory is at 10.12% as of this reporting which is near guide so we also need to maintain that number as well. Continually watch for season parts, get returns in as the needs change.

What will be the benefits of making these changes? What will be the consequences if you don't do anything differently?

This will clean up our inventory and allow us to have fresher, faster moving parts. It will increase our turn rates which are now at 4.2 gross turn (guide is 6-8) and 2.3 true turn (guide is 4-6). This will free up space in the Parts Department help to unclutter it. This will also relieve the financial burden of these Technically Obsolescent parts. This will allow us to stock more of the faster moving parts and lower our lost sales and increase our first-time fill rate. The consequences for not doing this will just continue to age our parts inventory. The parts only continue to get older. Once they are 12 + months old they can be forgotten about.

What obstacles might you encounter and how will you overcome them?

Financial obstacles will be the biggest I see. How much will it cost us to reduce this inventory? Push back from the manufacturer on returns. We may have to be creative and maybe invest more with them for them to allow us to make returns. Make a deal with Honda to accept X amount of returns if we agree to purchase X amount of parts. Time is another obstacle. This is something that we will need to make time for.

Identify the first few steps and the people who can help you with them.

First is identifying what these aged parts are. Once we identify them, we can put the plan together to minimize them effectively. Each part may have a different avenue to sell or use them and get them gone.

Start Date: July 1st.

Completion date: December 31st, 2020.