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if your manufacturer still offers any. If you are accruing less than \$5,000 in discounts, accruals, and return allowance, it is a sure bet that your obsolete inventory will increase. If the figure is above \$5,000 per month, it is also a sure bet that you can affect the obsolete inventory above \$5,000 per month.

3. Find "sister" dealerships of the same make, compare inventory, and trade it among each other for a reasonable sale price. For the sake of argument, let's say dealer-net-minus-10% on stock order purchases. This provides some incentive to buy from each other and it can go a long way in making sure that you can reduce forced stock and idle inventory levels without throwing the parts away. Also, make sure that you purge idle inventory consistently - daily, weekly, or monthly at the least.

4. Dream about working in a Toyota store. Are you ready for this? You get a 7% allowance on net purchases from the prior month to return "whatever". For example, if you purchased \$100,000 at net from Toyota in August 2007, you have \$7,000 in allowance to return idle inventory. If you don't use the full amount, you are credited at .20/1.00 per month. No hoops, no complicated factors, just simple math! What a concept. ♦

By Chuck Hartlé

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Working your "negative on hand" inventory numbers

Parts managers have a number of inventory reports that need to be reviewed regularly to ensure that the parts inventory remains as accurate as possible. And Step One in getting an efficient inventory is making sure that the on-hand inventory count is accurate. An efficient inventory translates into higher profits, not to mention what it does for customer, technician, and service advisor satisfaction.

Possibly the most overlooked but most important report that needs to be reviewed weekly is the "negative on hand" report.

How can you have negative parts on hand? It happens when a part is sold before it has been receipted. That's why it's imperative that all inventory receipts are posted before you start working on your negative on hands.

Note the title of this article: "Working" not "Correcting" your negative on hands. You can't simply correct the figure by making the negative on hands go to zero, not if you want an accurate inventory.

And if all of your receipts are posted, there's a good chance that the majority of your negative on hands are due to reasons other than a receipt not getting posted. In order to make accurate corrections to your negative on hands you need to work the report part number by part number to discover "why" it has a negative on hand.

Let's work a report and try to discover "why" we have a nega-

tive on hand. First, display every part on your DMS and see what transactions have taken place recently. Write down the repair order number or parts invoice for the part and the counter person who sold it next to the part number on the report. Here are some other things that you need to look for:

■ **Part not receipted or under-receipted.** If a part wasn't receipted into your DMS it could have been completely missed or the receipt wasn't turned in to your inventory clerk. Also see how many parts were sold versus how many were receipted. It's common to post only a quantity of one when a larger quantity was receipted.

■ **Part was sold but never purchased.** Ah yes, the invisible part. We all know this happens. The counter person may have forgotten to order the part. Another scenario has a technician saying, "Go ahead and bill the part out, I've got one in my tool box that I can use."

■ **Wrong quantity was billed out.** "I meant to bill out one, but I

must have accidentally hit the one key twice and billed out eleven"

■ **Wrong part number billed out.**

This is a double error. The part that was handed out now shows more than you have on hand and the part that was billed out shows less than you have. In the Ford system, a counter person may pull a part number like F78Z9F472AA and bill out a part number like F88Z9F472AA. You'll need a couple of entries to correct this one.

■ **Part number change.** Another double error? Perhaps a part number change (PNC) never got posted. If you use delay PNC perhaps the new number was given out and the old number charged out or vice versa?

■ **Prepaid special orders.** You need to ensure that you have a process for prepaid special orders that doesn't create a negative on hand when the part is sold.

■ **AC Delco vs. GM part numbers.** The same goes for Motorcraft vs. Ford part numbers (aka short numbers vs. long numbers). For example in our Ford dealership, belts are inventoried by the short number (Motorcraft) and every once in a while a counter person bills the belt under the long number (Ford). Another double

error.

■ **Parts invoice instead of a quote.** A counter person meant to write a quote and instead wrote an invoice.

■ **Double billed.** A part was billed more than once on a repair order or two separate parts invoices were created for the same customer.

■ **Parts invoice accidentally filed.** For most of the DMS's that I've worked with, if you file an invoice on UCS or fail to print an invoice on ADP, the part still gets deducted from your inventory.

That's a lot to look for! These are a few of your more common examples. Sometimes a stocking part just shows the wrong quantity on hand. If the part on your report is a stocking part, you need to physically count the part and make the appropriate corrections.

You must also keep in mind that when you find out what caused the problem, you don't necessarily want to simply adjust your inventory to the correct amount. For example if the cause was created by the wrong quantity billed out and you simply adjust your inventory, you will be overstating your sales history. The same goes for wrong parts billed out, short vs.

long numbers and double-billed parts. Instead you want to create a part return or a sale, not only to adjust the quantity on hand, but also to correct your sales history for the part.

The reason I mentioned writing down the repair order or invoice number along with the counter person's name is that you may have to speak with the counter person to find out exactly what happened. You can bring the repair order or parts invoice up on the computer screen and ask the counter person how they got the part in question. Often they'll say "I pulled it out of stock." Have the counter person take you to the bin and show you.

It may seem like a lot of work to properly correct your negative on hands, but bringing errors to the attention of the staff will make them think twice whether the parts they are handing out are the same as what they're billing out. If you're not already doing it, I suggest that you include the negative on hand in your daily job stack reports, "work" it at least once a week, and look at the report daily to ensure that your negative "on hand" isn't getting "out of hand."



By Jim Clausen

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