



# **The Parts Manager's Guide to Profitable Inventory**

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The Step-by-Step Playbook  
for Inventory Control That  
Actually Works



**PARTSEGE**

# In Your First 90 Days as a Parts Manager - *Where Do You Start?*

## ***Every day, you're juggling:***

- ✓ People, performance, and productivity
- ✓ Staffing gaps and training needs
- ✓ Service, retail, and wholesale demands
- ✓ Inventory levels and cash flow
- ✓ Growing obsolescence
- ✓ Manufacturer rules and compliance pressures

## ***Break the Reactive Inventory Cycle - Be Proactive!***

**To break reactive cycles**, strong parts managers plan for the unexpected. They step back, look at the full operation, and solve root issues - not just today's emergencies.

Proactive management means addressing the department's biggest drivers (inventory, people, process, and compliance) ***before they become daily problems.***

# The Systems & Checklists Behind Proactive Management

## Daily Inventory Control Priorities

- ☐ Identify and correct negative on-hand quantities
- ☐ Review non-ASR stock report for ordering and stocking accuracy
- ☐ Review backordered parts and follow-up
- ☐ Review ASR recommendations and approve only demand-driven parts (ASR review can be completed 2× per week)

## Weekly Financial & Inventory Controls

- ☐ Review open wholesale and counter retail invoices for accuracy and timely closeout
- ☐ Audit warranty register to confirm return of manufacturer-required warranty parts
- ☐ Reconcile eBay, Amazon, and other online sales to inventory and accounting records

## Monthly Financial & Inventory Reconciliation

- ☐ Complete month-end inventory reconciliation and report appreciation/depreciation to the controller
- ☐ Review bulk oil pricing and update cost structures
- ☐ Submit all eligible manufacturer backend incentives
- ☐ Report manufacturer restocking fees to the controller for proper accounting
- ☐ Review tire purchases to track progress toward manufacturer incentives
- ☐ Reconcile monthly parts statement against invoices to identify billing errors



# Your DMS: The Foundation of Inventory Profitability

Your DMS is the system of record for your entire parts operation. To establish a strong foundation, begin by auditing your DMS and comparing it to an independent physical inventory.

This process exposes discrepancies between what the system believes you have and what is actually on the shelf - discrepancies that directly impact inventory performance and profitability.

When auditing, some indications of bigger issues are:



## ***Low fill rates***

indicating demand is not being met with stocked inventory



## ***Growing obsolescence***

indicating demand is not being met with stocked inventory



## ***Low inventory turns***

tying up capital and shelf space



## ***Weak gross profits***

often driven by lack of strategic matrix pricing structure

# The Four Inventory Types That Drive (or Drain) Profit

**1**

***Hidden  
Excess Stock***

**2**

***Unplanned  
Inventory (Forced  
Stock)***

**3**

***Aging &  
Obsolete  
Inventory***

**4**

***Manufacturer  
Auto Stock  
Replenishment  
Programs***

# 1

## Hidden Excess Stock

**Excess stock** consists of parts with on-hand quantities that exceed your calculated Best Stocking Levels.

This category is often overlooked because it usually includes fast-moving parts - items like oil filters, spark plugs, and brake pads. Because they sell regularly, it's easy to over-order them without realizing the impact on overall inventory health.

Excess stock quietly consumes shelf space, ties up capital, and



### ***Best Practice***

**Review excess** inventory weekly and limit supply to no more than 60 days per part.

Left unchecked, excess stock can result in a year's supply of multiple parts - dragging down inventory performance and profitability.

# 2

## Unplanned Inventory (Forced Stock)

**Forced stock** is inventory that enters your department without a true demand signal. Common sources include:

- 1 Over-ordering by technicians attempting to solve customer issues
- 2 Returns from wholesale customers, particularly body shops
- 3 Customers failing to return for scheduled or warranty repairs
- 4 Ordering errors caused by incomplete vehicle information, misdiagnosis, or insufficient training
- 5 Speculative stocking based on gut instinct, technician suggestion, or manufacturer-driven requirements

Forced stock can account for **30% or more of on-hand inventory** and often becomes the largest contributor to future obsolescence as parts age beyond 12 months with no sale or receipt.

### **Best Practice**

**Review forced** (special orders) stock daily to identify root causes and adjust processes before these parts become permanent inventory problems.

# 3

## Aging & Obsolete Inventory

**Obsolete inventory** represents parts that no longer sell and no longer support active demand. While manufacturer return allowances can help offset some loss, failing to address the root causes of obsolescence guarantees it will continue to recur.

Sustainable inventory management requires balancing acceptable levels of obsolescence with a defined disposal strategy.

### To measure and control obsolescence:

Assess current obsolescence levels and monthly accrual

Identify parts with no sale and no receipt in the past 7–12 months

Divide that total by six to estimate the average monthly growth of obsolescence going forward (what we call technical obsolescence)

# 4

## Manufacturer Auto Stock Replenishment Programs

Manufacturer replenishment programs often promise future return eligibility if parts are stocked today. While this can appear beneficial, these programs frequently include mandatory requirements or minimum compliance thresholds that can lead to overstocking (they really only suggest what mostly “sells”).

Even when a part is technically returnable, stocking inventory without true market demand creates real costs - holding expense, lost shelf space, and tied-up capital.



### ***Best Practice***

- Separate inventory by manufacturer program
- Manage guaranteed and non-guaranteed parts as distinct inventories
- Apply different objectives to Productive, Forced, Excess, and Obsolete stock
- Review ASR recommendations daily, approving only what is required to remain compliant

# ***What If Your Parts Department Could Drive Even More Profit?***

The key to unlocking more profit isn't working harder - it's how your inventory is set up, maintained, and optimized inside your DMS.



## ***PartsEdge: The Missing Link Between Data and Decisions***

**Partsedge** uses real performance data, advanced algorithms, and dedicated parts experts to optimize inventory directly within your DMS. The result: tighter stock levels, less excess and obsolescence, without added work or operational disruption.

**Ready to take control of your inventory?**



***[www.partsedge.com](http://www.partsedge.com)***