



Why Parts Inventory Becomes Obsolete

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The Dealer's Guide to
Forecasting and
Controlling Obsolete
Parts Inventory

Why Obsolete Inventory Keeps Coming Back

Most dealerships eventually discover that eliminating obsolete parts once doesn't solve the problem. Even after using the manufacturer return allowance to clean up aging inventory, new obsolescence continues to appear.

This happens because inventory is constantly aging. Every month, parts move from active inventory into slower-moving categories until they eventually become obsolete.

To control this cycle, dealerships need more than periodic cleanup. They need a way to ***forecast how much obsolescence is being created and plan for it***

Once you understand how much obsolete inventory is developing each month, you can determine how much needs to be offset and where those funds should come from.



Calculating Your Monthly Obsolescence

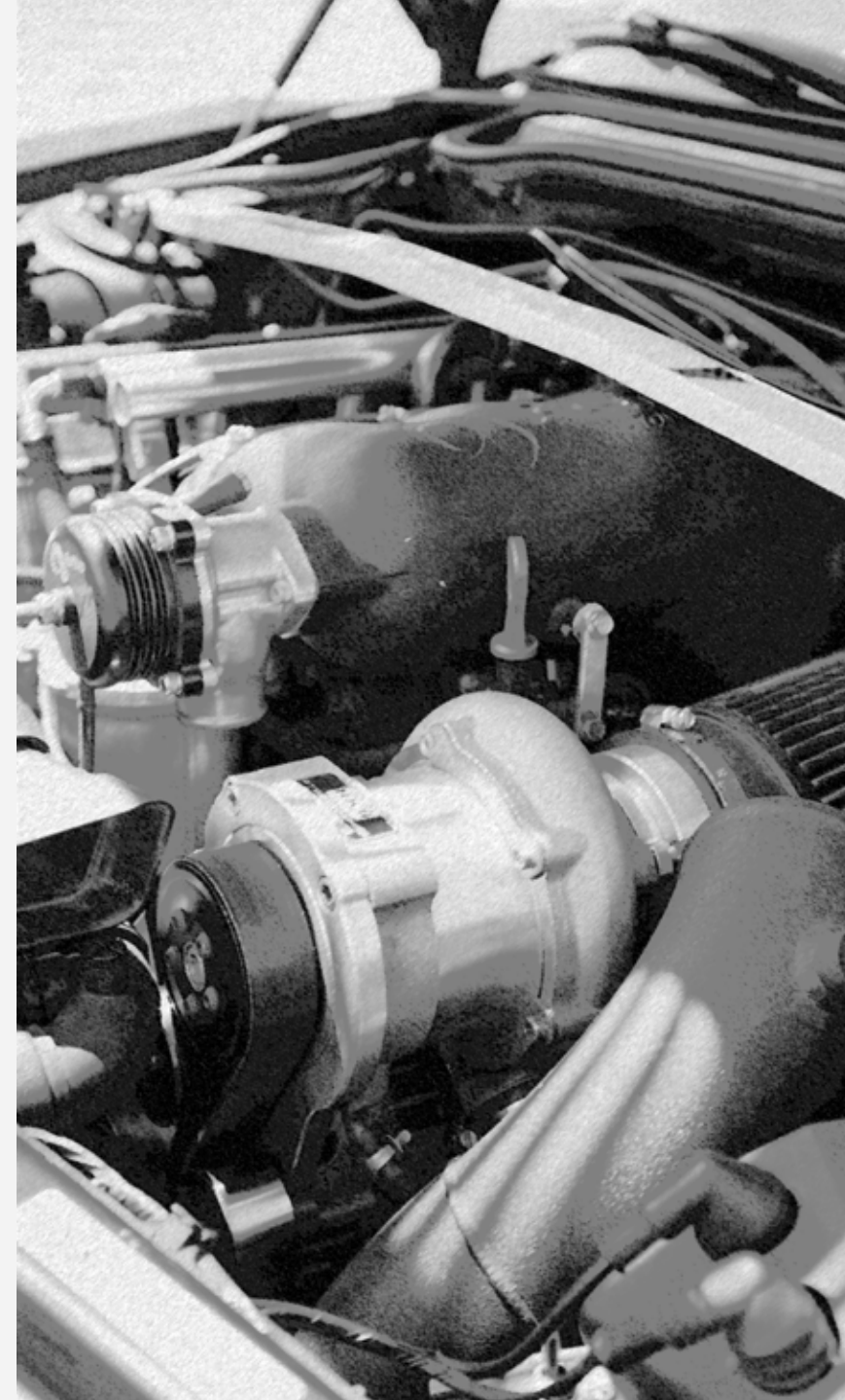
#1 Determine your **technical obsolescence** - the value of parts on hand that have had **7-12 months with no sales or 7-12 months with no receipts**, whichever number is greater.

Divide that number by 6 to estimate how much your obsolete inventory is growing each month.

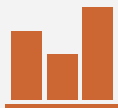
#2 Identify how much you receive each month in **manufacturer return reserve**.

#3 If the return reserve is **less than your monthly obsolescence growth**, you will need to **accrue the difference** and use those funds to scrap obsolete parts each month moving forward.

(See chart on the next page.)



Example of Obsolescence Growth



This chart shows how a dealership with \$44,790 in technical obsolescence will continue to accumulate additional obsolete inventory over time.

In this example, the dealership generates approximately \$7,465 in aging inventory each month, while receiving \$5,000 per month in manufacturer return reserve. Because the return allowance does not fully offset the monthly growth of obsolescence, a \$2,465 gap remains each month. Over six months, that gap results in \$14,790 in additional obsolete inventory, even after using the manufacturer return program.

Month	Technical Obsolescence	Manufacturer Return Reserve	Difference
Jul	\$7,465	\$5,000	\$2,465
Aug	\$7,465	\$5,000	\$2,465
Sep	\$7,465	\$5,000	\$2,465
Oct	\$7,465	\$5,000	\$2,465
Nov	\$7,465	\$5,000	\$2,465
Dec	\$7,465	\$5,000	\$2,465

Increase Retail Matrix Escalators

One place to find additional gross profit is the **retail pricing matrix**. Many dealerships either have outdated matrix settings or only apply matrix pricing to a small percentage of retail sales.

Review your matrix escalators and look for opportunities to expand their use. Even small adjustments can generate additional gross profit that helps offset the cost of managing obsolete inventory.

! Be careful, matrix escalators should remain **competitive within your market.**



Review Fast-Moving Maintenance Pricing

Fast-moving maintenance items sell frequently and represent a large portion of retail parts sales. In many dealerships, these items are priced conservatively or have not been reviewed in years.

A small increase in pricing on these high-volume items can generate additional profit while remaining competitive in your market.



Review Wholesale Customer Discounts

Not all wholesale customers contribute equally to profitability. Some customers pay quickly and rarely return parts. Others require more administrative work, return more parts, or take longer to pay.

Review discount levels and consider adjusting them for customers who generate ***higher costs to maintain.***

Review Internal Pricing

Internal parts sales also present an opportunity to increase gross profit. Even a **one or two percent increase in internal markup** can generate meaningful additional dollars.

These small adjustments can help create the funds needed to offset aging inventory and manage obsolete parts.

The goal is to remain fair and realistic while recognizing that controlling obsolescence **comes with real costs**.

How **PartsEdge** Helps You Control Inventory

PartsEdge provides the tools and systems needed to help your **DMS work the way it should**.

With secure remote access, we implement **proven DMS and manufacturer-specific setups** that give you better control over parts inventory and pricing.

Our system analyzes **every part in your inventory** daily, automatically adjusting sourcing and pricing as needed.

Clear, timely reports validate the results and help guide the process.

The result:

- Less guesswork in managing your DMS
- Saves Parts Managers **4–6 hours per week**
- Moves your inventory from **reactive to proactive**



Real Results



"In one year, we reduced total inventory by 35%, increased productive inventory, and cut obsolescence by 58% — with technical obsolescence down 72%."

Greg Dimond, Parts Manager



"PartsEdge combines automation with real-world expertise to optimize inventory using both data and daily operational insight."

Jeff Denis, Parts Manager, Marcotte Ford



"With the tools offered by PartsEdge, I doubled my monthly gross profit within 16 months."

Jason Boyd, Parts Manager, Tate Branch Auto Group

Measured Dealership Results After Implementation

1 20% less total inventory

2 50% higher ROI

3 20% increase in parts sales

4 15% less idle inventory

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?



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