

# Learning Without Scars

## Quarterly Newsletter

Dynamic Internet Based Learning  
TRAINING SOLUTIONS FOR EQUIPMENT DEALERSHIPS  
Construction • Mining • Agriculture • Cranes • Trucks • Trailers

The Parts Business

Summer 2021

Our mission in the parts business is rather simple, it is Slee's First Law of Parts: Find every part that every customer needs and do it the same day they ask for it. Tell them where the part is available, if it is not in your stock. Make this contact before you go home for the day. You need to do this every day. Measure it in the same manner as you measure your safety records. Every day and very visibly.

### The Changing World Of The Supply Chain

*We have seen supply chain problems in the past, but look out now.*



Have you noticed as we recover from the pandemic, businesses are starting to open up again and that the supply chain has shown serious problems? From a huge tanker stuck in the Suez Canal to backlogs at major U.S. ports of entry to sourcing changes for many items, we are seeing and experiencing serious availability problems. Capital machines are in short supply, some are even being allocated. Distribution channels for parts are straining to keep up with the "bubble" of demand as we try to catch up from the slowdown experienced over the past sixteen months.

As we struggle through the stutter starts of our "new reality" in our businesses, we have to manage assets in ways that have not been in place for very long. Collateralization requirements from our banking partners have changed and are more restrictive. I am not arguing about the need for these changes, but just that it is difficult to change your mental approach in such a short order.

This has been and will continue to be a serious challenge for many small businesses. We are making adjustments to our stock levels; this is a difficult thing to accomplish properly in a market that is harder to predict. Getting rid of nonproductive inventory in these circumstances is extremely difficult. In some companies, it is no longer the priority that it needs to be.

This puts the spotlight on our need to be vigilant on parts that are returned to us, parts added to support new products, items pushed by sales departments or salespeople, supersessions by our suppliers, items that are not returnable to suppliers, and all other categories that fall into a nonproductive inventory category.

The nonproductive category today at many dealerships is between 25% and 50% of the total parts inventory. That's not a good situation. It also stresses the need to manage a disciplined scrapping program on a monthly basis. These parts are not like wine...they don't get better with time, and the philosophy of "we will need it one day" doesn't work either.

### Shortages Coming

But that is not what I want to talk about. I want to discuss how we respond to shortages that are certain to be coming in our supply chain. With the strong push by every step in the supply chain to eliminate wasteful inventories, we are now sitting at safety stock levels that are lower than at any time in my 40-plus years of working with inventory management.

This has been caused by our successful application of so many good things over the past 20 years. From daily stock orders with our suppliers, to greatly improved transportation options, and faster, cheaper, and more productive dealer management systems, inventory control has been dramatically improved. This has been a productive response to the "just-in-time" supply chain push. But there is a problem with this efficiency, an unintended consequence: item shortages.

### Finding Solutions

This leads to two solutions to consider. The first is with lead time in the inventory systems and the second is with expediting.

Lead time is one of the fundamental data elements in every inventory control system in use today. It reflects how long it takes to replenish your stock from the time the bin gets to the level of an order needing to be placed until the bin has the part put back in the location after receiving a stock order.

It is a simple measure, but there is a hole in the thinking today. Typically, you set a lead time for a supplier. You treat every part within that supplier with the same lead time in the computer system calculation. That is the hole. We need to change the lead time on a part number level, not on a supplier level.

Lead time needs to be dynamically calculated by the system for each part. It is a simple method. Each time a stock order is placed for a part, put a time and date stamp on it in the system. When the part is received from a stock order, put a time and date stamp on it that matches the stock order. That way you can calculate the lead time for each part.

This means that the order points and order quantities you use in your inventory control system management will reflect the accurate times for each part. Do you see the importance of this change?

It is extremely significant. And interestingly enough, most dealer management systems do not work this way. How does yours work? If it is not calculating lead time by part number and using this in the order point calculation, you need to get it changed quickly.

Shortages are not yet a common staple on your businesses, but they will be soon. We need to get our systems in line with this “new reality.”

The next step, and probably the most important one, is expediting. I am an advocate of the thinking that the only part that matters is the one you don't have. If you have the part on the shelf, you are the same as every other supplier out there—from an inventory management perspective, that is. But when you don't have the part on the shelf is when you prove to your customer why they want to do business with you. You find the part they need and you find it quickly and efficiently.

The supply chain is going to be coming under more pressure as the worldwide recovery takes hold. Parts will become in short supply. We can protect ourselves, and more importantly our customers, from this problem by making the changes in the lead times I suggested and getting serious about expediting.

### Class References

[Basic Inventory Management](#) | [Purchasing & Expediting](#)

### Learning Without Scars



As a third-generation educator, it is easy to say that teaching and training are in the blood for Ron Slee. From his beginnings as a coach, through his time at McGill University, Ron developed a foundation for the work he does today.

Learning Without Scars provides comprehensive online learning programs for employees starting with an individualized skills assessment. These assessments allow us to then create a personalized employee development program. From their assessed skills, the employee is asked to select from classes designed for their skill level which allow them to address the gaps in their knowledge level. This allows the employees to move through four progressive categories of learning: Basic, Intermediate, Advanced and Expert.



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Your opinion is important to us! We are always looking to help people through engaging material. If you have a question or a specific topic you would like us to cover in a future newsletter, please email Ron [ron@learningwithoutscars.com](mailto:ron@learningwithoutscars.com)

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