

Learning Without Scars

Quarterly Newsletter

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

The Parts Business

Winter 2022

The Customer and YOU

A paper by Peggy McIntosh



Peggy started her career with a Cat dealership serving the northern 39 counties in Alabama in 1970. She worked in Parts, Data Processing, Accounting and ultimately Inventory Control. It was a wonderful dealership to work for and she never sought greener pastures. It was here where Peggy committed to the founder's motto of "Service Before Self" and we never ventured from that. Of course, changes occurred over the years but never that commitment.

The company grew and Peggy was given the opportunity to grow with it. When she retired, they had over 30 stores in Alabama, South Georgia, and the Florida panhandle. In 1987, Peggy took over the responsibility of Corporate Inventory Control Manager.

Peggy also had the pleasure of working with Caterpillar in Peoria, Illinois and many other of their offices; serving on their "Dealer Advisory Team" made up of 8 dealers invited by Caterpillar. She then interacted with Beta testing groups on new IT releases, World Wide Dealer meetings and many visits to other dealerships. Peggy truly cherishes the friendships she made and still stays in touch.

After retirement in 2011, she did consulting including for Caterpillar and Mitsubishi.

How important is your customer to you? How important are you to your customer? I would hope tremendously. Your customer depends on you to support parts for their equipment needs. If you do a good job of that, you will earn their loyalty. Once you have earned this, you will be his first consideration when they need parts. It will also weigh heavily when the time comes for them to purchase new equipment,

or needs repairs done. Parts availability is a huge consideration when making an equipment purchase. Parts sales are also the money makers in the equipment world. High fill levels on parts will help sell equipment!!! If parts are readily available and the service department can get their machine in and out quickly, your customer will remember that. A machine out of commission is costing your customer!!!!

Sound easy? No, it is not. And you will need to use tools available to you to accomplish this. Your customer would love to see 100% fill rate. Your warehouse will not accommodate the number of line items to attain that and corporate will not be willing to financially support this. Decisions will have to be made here. At what point do you add a part to your inventory? If that is 2 calls in 6 months or 3 calls in 1 year, you will need to set parameters to alert you when that part qualifies. If you can identify a part as fast, medium, or slow moving you may want to establish different levels for each category.

If you purchase parts directly from the manufacturer and they are identified as returnable or non-returnable, consider this in your decision making. You do not want a lot of slow moving, non-returnable parts taking up space instead of inventory that is turning. Corporate is going to want you to turn your inventory a certain number of times each year.

Another tool is to identify parts that are seasonal. Batteries could be an example here. Perhaps batteries sell like hot cakes in the winter and not so much in the summer. Set your parameters to alert you in the fall to up your inventory and lower them in the spring.

Keep an eye on dead stock, slow moving, protected stock and non-returnable items. A query to identify a part that has been in inventory for 12 months and has had zero calls in 12 months would be a good starting point. Return what you can, make sure the protected stock still needs to be protected. Dead stock may need to be written off. This will need to be physically removed from your warehouse if that decision is made.

You may have an opportunity to sell to used parts at 20 cents on the dollar. This transaction will need to go to accounting and they will most likely do a journal entry to post any profit that was made. Review these parts and review why these parts were added to begin with. You may see a pattern here. If you occasionally add a part based on a request from the sales or service department or a PSSR, explain to them why parts are mostly driven by demand. We will go over other ways to be proactive instead of reactive.

One way to address this is to keep encouraging the parts counter, PSSR's and service department to record "Lost Sales". Most likely they have already entered the necessary information and all that would be required would be to change the code on that particular part number. Explain to them how proactive this is. Communication between departments can make everyone's job easier and more efficient plus a more pleasant workplace. Each department has their challenges.... try to understand them and work toward a common goal.

Your warehouse can be an asset or a liability. If you give customer tours or customers enter the warehouse for other reasons, make sure it is clean and parts are stored in the proper locations. There are many automation systems that can help with:

- Receiving
- Bin sizing
- Picking
- Packing
- Shipping
- Storage

If you do not have the luxury of a system like this, you can still keep your warehouse clean and efficient. Sealing the floors help. Make sure you don't have parts protruding from the bins as this can also be a safety issue. Keep the aisles clear.

No matter how good of a job we all do, there are going to be back orders. A good back-order analyst can be a big help here. A report can be initiated to print out all parts that have not been filled, how long they have been on order and where they are coming from. A good analyst will have a good relationship with the factory and also counterparts at other dealerships. Perhaps you want to establish "inventory sharing" with other dealers in situations that a part is just nowhere around and they may be willing to sell you one until your back order comes in. At that point you can sell back to them.

I would like to share with you an issue at my dealership. Being prepared for new product. Our customer has a big investment in his equipment, and it can be terribly embarrassing to not have a regular maintenance item when that time comes for them. Realizing this was an issue, we developed an NPI process. When a new piece of equipment was sold, a checklist was immediately sent to:

- Marketing Department
- Field Service
- Shop
- Parts
- Inventory Control
- Oil Lab
- PSSR's
- Service

Each department manager was responsible for assuring their department could support "New Product". For example, Inventory Control would review the suggested parts list by machine (by hours) and get the needed parts into our inventory. The service manager would address training for mechanics and so forth. When your "To Do" list was completed you would electronically check your name as "Ready". A gatekeeper will have been assigned to make sure each department had completed their tasks. Now when our customer orders the filter your counter person can say "Let me get that pulled for you"

The next bad thing that could happen is the warehouse goes to pull the part.....the bin is empty. It is very important to be positive that your system and your bins match. You should have a daily bin count report that requires a bin count every time a part goes to zero on hand or an exception is recorded. Even with this report being worked daily errors can be out there. Many dealers do cycle counting but I still feel a wall-to-wall inventory should be done once a year to reconcile. You will be amazed at what you may find.

In closing, I want to reiterate how important your customer should be to you. Without them, there very likely will be no need for you. Treat them as your business partner and all will go well.



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.

Class References

[Basic Inventory Control](#)
[Purchasing & Expediting](#)
[Make It Matter](#)

Follow Us On Social Media



Do You Know The Answer?

**The Wärtsilä RT-flex96C is the most powerful engine in the world with 14 cylinders and generates 107,389 HP.
What country was it built in?**



Learning Without Scars is a fully accredited provider of continuing education through the International Accreditors of Continuing Education and Training. IACET accreditation sets us apart in our field as we are the first and only education provider to hold outside accreditation. All students will

receive CEUs when they take a course through Learning Without Scars.

Educational Resources

All of the resources listed below can be found on our website : www.LearningWithoutScars.com under the Resources menu.



We have numerous contributors to our 'Socrates Says' blog from all over the world covering a range of topics. There are industry specific contributions and we are sure you will find something that is relevant to your job. Please see our website for more details.



We have a range of podcasts for your listening pleasure. Please visit our website to discover a series of Candid Conversations with industry leaders and experts, Class overviews to learn more about our online education, Lessons Learned in teaching and podcasts on general topics of interest.



This quarterly newsletter is offered for free. Please visit our website to sign up to receive industry specific information in areas such as parts, service and sales. We highlight some of the issues people face in their jobs. We ask that you share this newsletter with your peers.



We created a list of recommended books that have come across our table and that we thought you would enjoy reading. They are sorted by category and cover a wide range of topics to enhance your knowledge.



In collaboration with Reedz, we are offering educational audio tracks in multiple languages! We hope that you find the content engaging and beneficial to your work.



Lectures are hosted by us as an additional learning opportunity. The lectures are created by an assortment of experts from the professional and academic disciplines; covering topics such as Customer Service, Operations, Selling, Leadership, Finance and Marketing.



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