



# Improving Fill Rates – A Useful Outline

By: Kent Ely

## Improving Fill Rates

This outline is useful for explaining, analyzing, and improving your Fill Rate from your Parts Department Inventory.

### Subject:

Increasing Fill Rate from the Parts Inventory

### Why Is It Important?

- Improved parts gross profit
- Improved technician production
- Improved customer service
- Improved inventory

### Potential Impact:

- 1 -1.5 gross profit point increase
- 30+ minutes per RO of improved technician production
- More parts sales
- Improved cash flow

### Actual Results:

- 2 point increase in gross profit
- \$85,000 increase in month gross profit
- 8 point increase in fill rate
- ½ True-Turn increase
- \$40,000 monthly net profit increase

### What To Do Now:

Understanding of demand on a daily basis

- a. Lost sales
  - i. Measure lost sales reported by parts personnel on a daily basis
  - ii. Understand why a part was not in inventory
    1. Lack of demand?
    2. Out of stock?
  - iii. Determine if a part should be in inventory
    1. Truck down type of part
    2. Minimum on-hand needs to be increased
- b. Special Orders
  - i. Understand why a part was not in inventory
    1. Lack of demand?
    2. Out of stock?

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- ii. Determine if a part should be in inventory
  - 1. Truck down type of part
  - 2. Minimum on-hand needs to be increased
- iii. Be aware of all special orders not installed aged over 3 weeks
  - 1. Will become obsolete
  - 2. Need to be returned on order in error return

### **Accurate On-Hand Counts**

- a. Measure actual on-hand counts vs. system count on a daily basis
- b. Done through:
  - i. Daily cycle counts
  - ii. Out of stock
  - iii. Fast moving parts
  - iv. High dollar parts
  - v. Returned from customer (credit memo) parts
- c. Verify Counts
- d. If cannot verify counts, determine why
  - i. Posting error
  - ii. Actual shortage or overage
- e. If posting error, make adjustment only to on-hand count
- f. If actual variance, adjust both on-hand count and general ledger at same time
- g. Review and correct reason for variance
- h. Goal is 97%+ count accuracy