

ACTIVE PARTS

"Active Parts" should have movement within six months or less. Mike Nichols and NADA both agree that 98% of the parts inventory should have "active movement" in the 0 - 6 month category. To define it a little further, 75% should have "active movement" in the 0 - 3 month category and 23% "active movement" in the 4 - 6 month category.

- **FIRST FACT:** If a part has not sold within this six month time frame, there is a 49% chance of **NO FUTURE SALES.**

IDLE INVENTORY

First of all, in my opinion, Idle Inventory" is a "non-category"! No disrespect to any that use this term, but this is where I believe "common sense" has to come into play as I explain further. I believe that ALL parts inventory is idle, with the exception of some special orders that do not experience any "shelf time", thus, no holding costs are attributed, even though acquisition costs may be higher. Others believe that "Idle Inventory" may be parts with an "activity cycle" over six months and beyond. Mike Nichols and NADA also agree that parts with an "active movement" cycle of 7 - 12 months should represent only 2% of the total inventory annual "activity cycle".

- **SECOND FACT:** If a part has not sold between nine and twelve months, there is a 75% chance of **NO FUTURE SALES.**

OBSOLETE INVENTORY

Bottom line is...if the part doesn't sell within the above parameters?....it's basically obsolete! It doesn't get any simpler than that! The Mike Nichols and NADA guideline on parts with an "activity cycle" over twelve months should represent **0%** of the total inventory annual "activity cycle".

- **THIRD FACT:** Inventory with an "activity cycle" over twelve months has a **98%** chance of **NO FUTURE SALES!**

Of these three categorized areas, I believe that "Idle Inventory" is most confused by parts managers. Many manufacturers and consultants still use this term and to me, I believe they still use this term because it leaves much to their discretion.

This discretion allows them to determine what is actually "active" or "obsolete" based on manufacturers data, not the dealers. Many manufacturers offer "Stock Replenishment Programs" where they maintain control of what dealer parts managers have on their shelves, not regarding the individual dealers Dealer Management Systems, (DMS) stocking criteria.

ALL inventory is idle for a period of time as even an "active part" can be "Idle" for three months before it sells, but may still remain "Active" because it has sold in the 0 - 3 month category.

If a part has not sold for twelve months?...it's "Obsolete" with close to no chance of selling...plain and simple, regardless of what definition you use for "Idle Inventory"!

Reference: <https://smartpartstraining.blogspot.com/2012/10/parts-inventory-active-idle-or-obsolete.html>