In our work with the parts inventories of hundreds of dealerships across the country, we've gained valuable insight into industry-wide trends and their causes. For quite some time, the average for non-manufacturer guaranteed obsolescence hovered around 10-12%, but in recent years, *it's trended upward towards 16-20%* across the board. Dealing with parts obsolescence is just a part of the gig, but, with the right setups, monitoring, and DMS adaption, you can bring your obsolescence back down into a healthy range and address the root causes to prevent it going forward.

Why is obsolescence growing?

As with most things, increased obsolescence is often the result of many factors. The first thing we witness all too frequently is a lack of good clear reporting for PM's to even begin identifying how much of their inventory is idle inventory (excess, forced stock, technical obsolescence). To learn more about the categories of idle inventory and how to find your excess, forced and technical obsolescence stock, click here. Secondly, for many dealerships, a significant part of obsolescence comes into inventory through special orders. Special orders themselves are not the problem and are very much needed. Without them, inventories would have to be much larger, generating even more obsolescence. The real problem is special ordered parts that fail to make it to your customer and instead end up on your shelves. Download our free Special Order Process guide here. These parts are considered Forced Stock and can account for 30% or more of your on-hand, making up half of your obsolescence as it ages past the 12-month-no-sale mark. Another main contributor to obsolescence is automatic replenishment programs. While specifically designed to eliminate obsolescence for their dealers, many times these programs prove ineffective. We've seen dealers relying on their Manufacturer Automatic Replenishment Programs on their way to having the highest obsolescence in the parts NOT managed by those programs. It's best to find the balance between meeting compliance and not stocking parts you don't need.

How to get rid of it

After running reports to identify just how much idle inventory you're holding, it's crucial to remove this stock right away to maintain a healthy and long-term profitable inventory. To prevent accruing obsolescence coming from special orders, read more about them here. Selling obsolescence through a parts broker can get rid of some of those parts but often not all of them- you might end up with stock that really just won't sell. If your manufacturer is paying warranty retail, use some of that markup to throw obsolescence away. An accrual account for scrap can also work well. If you're part of a Dealer Group with the same manufacturer in more than one location, trading

obsolescence amongst locations helps when what isn't selling at one location is selling at another. Your DMS has the data needed to make decisions like this.

Preventing obsolescence from coming back

You can prevent your obsolescence from ever getting back up into the 20% range by setting up regular checks, optimizing DMS settings, and carefully leveraging your manufacturer program. Identify and track your technical, forced, and excess stock [monthly](#) and tweak your settings accordingly to prevent a future pile-up. Consider starting or adding more resources to [selling parts online](#) to have a consistent open market selling avenue. Make a plan for offsetting the inevitable obsolescence by taking a look at your Retail Matrix Escalators, profit margins on maintenance items, wholesale discounts, and pricing strategies to identify areas you can accrue more funds. Separating your non-guaranteed and guaranteed inventories in your aging report and viewing them as completely different inventories allows you to monitor what's going on in each class of your on-hand investment. That way you can make necessary changes in your process before parts obsolescence drags your whole operation down.

Reference Link: https://www.linkedin.com/pulse/idle-inventory-trend-partsedge-inc-/