



Inventory Fulfillment Basics for Collision Centers

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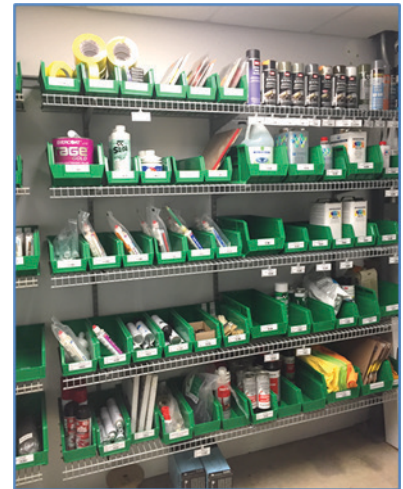
For any inventory fulfillment process to be effective, there must be a “buy in” by both shop management and distributors that this effort will increase productivity for both parties. Collision center management must be willing to invest in a reasonable level of in-shop inventory so that technicians have what they need when they need it. This requires a degree of trust that the distributor is not going to “over-stock” them. Periodic inventory clean ups will ensure that only current products are carried, and stock levels are adjusted for changes in usage.

A Well-Organized Stocking Inventory

The next fundamental is for the collision center to agree to maintain a well-organized stocking inventory of all the items that they use on a day to day and week to week basis. While there are “best practices”, the fundamental principle is that everything has a place; and everything is in its place. Shelves or bins should be labeled to indicate the part number and description of the product and a bar code if that is used for replenishment.

An Approved Product List (APL)

Shop management, the jobber, and technicians must agree to a standardized list of materials that are used. This limits the number of SKUs (Stock Keeping Units) that must be inventoried and replenished. An APL means that every technician uses the same product for the same task as opposed to every technician using whichever abrasive, body plastic, or seam sealer they personally prefer. With everyone on the same page, repair quality is more consistent, and productivity is improved with fewer stock-outs or delays awaiting a delivery.



The Replenishment Process

Inventory fulfillment is all about the replenishment process. It is an easy concept: If an item is used, it is simply replaced the next time an order is written. The most common replenishment cycle is weekly, but it can vary based on the volume and specific needs of the collision center. The most important thing is that the cycle is consistent and predictable.

Item Stock Levels

Based on the replenishment cycle and historic item usage, an item stock level should be calculated and posted on the shelf or nearby. If inventory is replenished weekly, then a 10-day supply is likely sufficient and rounded up. If the desired inventory level is 4 items and there are two on the shelf, then two more

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are ordered. This can be done manually, entered on an inventory form, and faxed or scanned and emailed to the jobber store, or it can be scanned into a bar-code reader and sent directly to the jobber's point of sale system (POS).

Checking In and Re-Shelving Inventory

Shop personnel should participate in checking in stock to assure that they receive everything that they are billed for. Stock should be re-shelved upon delivery so that future replenishment orders are based on accurate stock levels and that the inventory on the shelf is organized and available for use as needed.

Periodic Clean-ups

Business levels change and product selections are updated. In order that APLs and stock levels are current, and that excess, old, or obsolete inventory is not carried, it is necessary to perform periodic inventory clean ups to return (for credit) any excess or no longer used inventory to distributor stock. This assures that the inventory carried is appropriate.

Electronic Ordering:

Effective inventory fulfillment is independent of how you write and transmit orders. Many distributors are moving to some sort of bar-code driven process for obtaining and transmitting orders. That is highly recommended and carries many added benefits to reduce time in the field and at the counter, in addition to a higher degree of accuracy.



The processes described here, and electronic ordering are NOT mutually exclusive. In fact, the fundamentals of effective inventory fulfillment, above, are a necessary component of any electronic ordering process.

Billing for Not-included Paint & Materials

Most shops and insurers write paint and material **sales** on estimates and repair orders as a function of paint labor hours plus identified **NOT-INCLUDED** materials that may, or may not, be used for a specific repair. There are **ALWAYS** more of these items used than are commonly written. Automated "estimate-scrubbing" programs help writers identify items to be used and written and/or informed technicians can flag items as they are used. However, to be effective, this must be done during the repair planning process **BEFORE** the vehicle is dispatched for repair. However, these items must be documented and **NEGOTIATED** with the insurer or vehicle owner.

Every collision center with, or without, the benefit of specialized software can greatly benefit from writing and negotiating compensation for additional P&M Sales.

A Tip to Consider

Working with your distributor to achieve an effective inventory fulfillment process helps maximize productivity by assuring that techs have what they need when they need it, reduces redundant inventory, and assures consistent quality. If collision center management assumes a degree of responsibility to assure that mutually agreed standards and guidelines are followed, it will go a long way toward and successful, profitable, and productive inventory fulfillment process.