

# 6 Benefits of Implementing a Parts Management Program

A Guide to the Benefits of Establishing a Parts  
Program at Your Fleet Operation



An RTA white paper

# OVERVIEW

Parts are a key component and a large expense for fleet operations, and the costs keep increasing.

The cost of fleet vehicle repairs rose 3 to 5 percent in 2018 compared to 2017, according to Automotive-Fleet.com<sup>1</sup>. This increase was partially due to an uptick in parts costs. With the price of vehicle parts rising, it's important for fleet operations to have a parts management program in place.

In addition to helping lower the amount of money spent on parts, a parts management program can also benefit a fleet by making it more efficient overall.

Fleet operations need to know what parts are available to be able to successfully complete work orders. Implementing a parts management program can help give fleet operations real-time updates on what parts are on-hand. It can also monitor what fast-moving parts need to have spares in stock, which obsolete parts need to be removed from shelves, and which parts need to be re-ordered. Without a program in place, fleet operations can risk losing money by keeping too many parts in stock, or they can delay work orders from being completed by not having the right parts on-hand.

Successful parts management programs can address these needs to help fleet operations run more efficiently by organizing the parts room, classifying parts, improving the inventory process, determining when to reorder parts and reducing vehicle downtime.

**The cost of fleet vehicle repairs rose 3 to 6 percent in 2018 compared to 2017.**

**- Automotive-Fleet.com**

## 6 BENEFITS OF PARTS MANAGEMENT PROGRAMS



**Organized  
Parts Room**



**Prioritized  
Parts to Keep  
In Stock**



**Improved  
Parts Room  
Inventory  
Process**



**Knowledge on  
When to Order  
New Parts**



**Tracked  
Warranty  
Claims**



**Reduced  
Vehicle  
Downtime**



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# ORGANIZED PARTS ROOM

A parts management program can help establish structure to a fleet operation's parts room. Having this space set up in an orderly manner can help an operation improve its safety, speed up the repair process by locating parts quickly, monitor how often parts are used and reduce the amount of time spent on performing inventory.



**Keep Parts Off Floor and Walkways:** Store parts on shelves and in bins to lower the risk of accidents occurring.



**Store Parts in Bins:** Avoid placing parts – especially small ones – on shelves separately. Instead, store them in boxes or bins to keep the shelves organized. This will let staff members find the parts quickly when technicians need them for work orders.



**Label Rows, Shelves and Bins:** Label all rows, shelves and bins with a specific structure. One way to organize the parts room is to use a letter for the row and numbers for a shelving section, shelf number and bin number.



**Establish a Naming Convention for Parts:** To consistently label parts, create a naming convention. This will be beneficial when entering parts into a fleet management software solution, when performing inventory and when trying to locate parts in the parts room.



**Use Barcodes:** Label each part with a barcode. This will help employees quickly take inventory of in-stock parts, provide fast access to what parts are on-hand, and allow staff members to easily put parts in their designated locations.



**Create a Special-Order Shelf:** To easily identify special-ordered parts, and to ensure they are not used on another job, designate a shelf that's only used to store special-ordered parts.



**Designate a Warranty Shelf:** Parts that are being replaced under warranty should be kept in a specific area so staff members know not to use them on other vehicles. They can also be tagged with a specific color or label to identify them as warranty parts.



**Create a Core Shelf:** Designate a shelf in the parts room for return core parts. Employees should include a note with each part to describe when it needs to be returned and the Credit Purchase Order number.





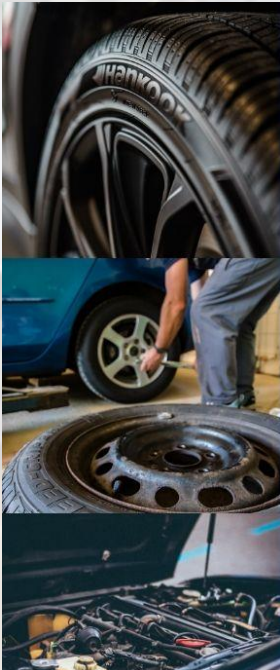
# PRIORITIZED PARTS TO KEEP IN STOCK

As part of a parts management program, implement a method to classify the parts based on priority. This can help determine how often parts are used, how many spare parts should be kept on-hand and when they should be restocked.

One method used to classify parts is the ABC model<sup>2</sup>. This helps operations classify the most critical assets.

- **A:** This should be assigned to the most important parts -- the ones that require operations to monitor their inventory the most. The "A" group should account for 20 percent of an operation's total inventory. Because this group is used the most, it's crucial to have these parts on-hand.
- **B:** This group is less important than the "A" group, but it's still important to monitor its inventory closely. This group should make up 30 percent of all inventory.
- **C:** This is the least important group. This group should make up 50 percent of an operation's overall inventory.

Other classification methods can also be used. Select a method that helps the fleet operation classify its inventory in a way that's most useful to the operation.



## ABC MODEL TO PRIORITIZING PARTS

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**A:** Most important group. Should account for 20 percent of an operation's total inventory.

**B:** Not as important as the "A" group, but still important. Should make up 30 percent of all inventory.

**C:** Least important group. Should make up 50 percent of an operation's overall inventory.

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# IMPROVED PARTS ROOM INVENTORY PROCESS

Parts management programs can improve the inventory process for fleet operations. If done manually, or without a proper parts room structure in place, inventory can take employees several days – or even weeks – to complete. Implementing a parts management program and utilizing the right tools can make the process more efficient.



**Organize Your Parts Room:** Make the area as organized as possible to allow for easy access to parts. Categorizing the parts and placing them in specific locations can help employees quickly locate and record the parts.



**Have a Dedicated Parts Room Staff:** Having a dedicated staff work in the parts room can help keep it more organized and make inventory easier. If the employees are familiar with the room and its organizational system, it can ensure the parts are placed in their correct locations and prepped for a quick and easy inventory.



**Use Barcodes and Barcode Scanning Devices:** Placing barcodes on each part can greatly reduce the amount of effort and the risk of human error during the inventory process. Once labels are placed on each part, employees can quickly scan each item with a barcode scanner to perform inventory.

## Case Study: How Island Transit Improved its Inventory Process with Barcoding Tools

Island Transit<sup>3</sup> in Coupeville, Wash., operates a full-service garage. Because it is located on an island where deliveries can take a minimum of two to three days to arrive, the fleet operation's parts inventory needs to be stocked with enough spare parts to keep downtime at a minimum. This causes them to keep about 8,000 parts on-hand.

Performing inventory on that many parts took two employees about 14 days to complete. To improve this process, over the course of four years the fleet operation made gradual improvements. These included adding barcodes to about 95 percent of its total inventory and purchasing barcoding scanners.

This revamped process and tools allowed four to five fleet employees to perform inventory in just one day.

"I don't know why everyone isn't using (the barcoding tool)," said Ken Riley, Maintenance and Facility Manager at Island Transit. "It pays for itself by saving labor."



# KNOWLEDGE ON WHEN TO ORDER NEW PARTS

Parts management programs can help fleet managers determine when to reorder parts. Without a plan in place, this process can be difficult. Ordering too soon can cause operations to have a surplus of parts in stock and increase its expenses. However, waiting too long – especially on fast-moving parts – can leave operations without parts on-hand and can cause delays in work orders as operations wait for parts to arrive. Implementing a parts management program can help fleet operations determine when to order parts by:



**Tracking Inventory Turns:** Use a calculation to determine how many times a year a fleet operation is turning its parts inventory. The ideal number of turns is four. Tracking this number will help operations identify if they are keeping too many parts on-hand – resulting in lower turns – and which parts are moving faster than others.



**Keeping an Updated Inventory:** Keeping inventory numbers updated and accurate can help fleet operations identify when specific parts are getting low and need to be re-ordered.



**Monitoring Numbers in Fleet Management Software:** Tracking parts in a fleet management software solution can help operations monitor what parts are available and when they need to be reordered. In some solutions, operations can set a threshold for when parts should be automatically reordered. This allows the operation to always have a certain number on-hand.



**Using Reports:** Analyzing data and reading reports to track current and historical data can help fleet operations determine how long parts typically sit on shelves, which brand of part performs best and how often parts typically need to be repaired. Reports can also help determine the downtime a vehicle would face if a certain part was out of stock and needed to be reordered. This can alert operations to how many spare parts should be kept on-hand and what delivery method should be used.

## HOW TO CALCULATE PARTS INVENTORY TURNS

**COST OF PARTS USED**

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**(BEGINNING INVENTORY \$ +  
ENDING INVENTORY \$) / 2**



# TRACKED WARRANTY CLAIMS

Parts management programs can help fleet operations obtain money in warranty claims. Each year, fleet operations leave thousands of dollars in unclaimed warranties on the table. Establishing a parts management program can help your operation avoid this pitfall in the following ways:



**Track Warranties in Fleet Management Software:** An organized parts management program will have steps in place to flag each part's warranty information. This can be entered into a fleet management software system so the parts are flagged as being under warranty during maintenance.



**Maximize Small Parts Warranties:** Parts management programs should account for warranties on small parts, as well as the large ones. While fleet operations might focus on recovering warranty claims for engines, transmissions or other high-priced parts, warranties on small parts can add up as well. It is estimated that tens of thousands of dollars are wasted on unclaimed warranties on small parts.<sup>4</sup>



**Keep Failed Components:** An organized parts room should have a location to store failed parts. To claim a warranty, some manufacturers will require an inspection of the part or component before approving the claim. Fleet operations should keep failed parts in a designated place in the parts room for 45 to 60 days before disposing of them.

**5 minutes of paperwork  
generally yields \$110 of  
warranty.**

**- Ron Turley<sup>5</sup>**





# REDUCED VEHICLE DOWNTIME

Parts management programs can help fleet operations save money by reducing vehicle downtime. Having the correct parts on-hand allows technicians to perform their jobs on time. Keeping an organized parts room allows the staff to easily locate the needed part and not delay the technician's work.

It also lets employees quickly identify if the part is not available by checking the parts inventory. If the parts are not in-stock, the parts management program can allow the operation to quickly reorder the part and notify the technician when it will be back in the shop.

This process lets the vehicle get back on the road sooner.

## Conclusion

Parts management programs can benefit the entire fleet operation by adding efficiencies and saving the operation money. These programs can create a more organized parts room, help prioritize parts, improve the parts inventory process, determine when to reorder parts, track warranty claims and reduce vehicle downtime.

## RESOURCES

<sup>1</sup> <https://www.automotive-fleet.com/325853/passenger-vehicle-maintenance-spend-increased-3-5-in-cy-2018>

<sup>2</sup> <https://www.managementstudyguide.com/inventory-classification.htm>

<sup>3</sup> [https://www.rtafleet.com/wp-content/uploads/2018/09/CaseStudy\\_Island-Transit.pdf](https://www.rtafleet.com/wp-content/uploads/2018/09/CaseStudy_Island-Transit.pdf)

<sup>4</sup> <https://experience.rtafleet.com/warrantywhitepaperdownload>

<sup>5</sup> <https://experience.rtafleet.com/warrantywhitepaper?hsCtaTracking=8ca18f0d-a929-4e87-9fc8-96289a082e7d%7Ca43d358c-9a55-46b7-9cba-66b21f4f4e37>







**At RTA, we strive to:**

- **Give fleet managers clarity, confidence and peace-of-mind**
- **Provide software solutions that enable fleet managers to save time, decrease costs and make our roadways safer**



**To learn more about our Parts Management tools, contact**  
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