

# Five Inventory Optimization Secrets for Aftermarket Parts

In a world of intermittent demand uncertainty where service is king, understanding these points will help you chart your aftermarket inventory strategy.

## 1 Sporadic demand and escalating SKU counts challenge distributors' ability to economically carry the right inventory.

Fast-moving products are easy to forecast. The slow and intermittent movers in "the long tail"—a growing part of the aftermarket business—are another story. Traditional supply chain applications are not designed for high variability demand, so inventory mixes and service levels get out of balance, leading to excessive costs, waste and obsolescence. SKU proliferation also makes it very difficult for distributors to economically carry the right inventory.



72% of supply chain leaders say predicting where to position inventory in the network is a moderate to high challenge.



## 2 ABC inventory analysis and spreadsheets aren't cutting it.

ABC classification can't identify the truly optimal stocking level and service for each SKU-Location given the complexity of today's multi-echelon aftermarket inventory networks. As a result companies struggle to meet service level and financial goals sustainably.

## 3 "Service-driven" inventory optimization is a better way to achieve financial goals.

Optimize every SKU-Location against a target service level for each service class. The result is an aggregated service class goal with the lowest possible stock investment. Then a unique stock-to-service curve shows you how to service customers while minimizing inventory.



Smart supply chain planning can reduce inventory holding costs by 12-25%



## 4 Probability forecasting is the only reliable approach for long-tail demand.

With probability forecasting you can better understand specific demand patterns for both fast and slow-moving items to achieve aggressive service level targets with minimal inventory. Advanced algorithms crunch demand variables to identify the probabilities of a range of possible outcomes. So you better understand your demand, resulting in increased service, minimized inventory and freed up working capital.



Smart inventory planning can reduce obsolete stock by 5-20%

## 5 Machine learning improves inventory optimization—and elevates planners.

Machine learning's ability to find patterns in huge data sets and also get smarter over time make it the perfect complement to human demand and inventory planning efforts.



Supply chain planning automation can reduce planner workload by 50-90%



6-7pp

improvement in customer service

12+%

reduction in inventory

"Within three years, ToolsGroup helped us reduce our spare parts stock by 30% and we increased our service level from 87% to 97%. Even during seasonal demand peaks we are now always able to achieve this exceptional service level."

Thomas Schuhmann, GM Business Development and Sales Direct Markets, Mitsubishi Electric Europe B.V.



ToolsGroup management's focus on the SCP portfolio is above average. Investments made in supporting vertical and horizontal planning and decision automation are above average.



Gartner Magic Quadrant for Supply Chain Planning System of Record  
August 2018



Despite its power and level of sophistication, ToolsGroup MEIO is highly automated for an extremely low cost of ownership.



IDC MarketScape for Worldwide Supply Chain Inventory Optimization 2019

## Forty Years of Experience to Power Your Aftermarket Parts Supply Chain

In 1976, Eugenio Cornacchia, a young MIT master's graduate in Operations Management began work on a challenging project for Fiat's Automotive Spare Parts Division which proved to be decades ahead of its time. Since then we've grown into a major influencer in supply chain planning, supporting many thriving aftermarket parts organizations. Our aftermarket industry experts continue to drive ToolsGroup forward with a combined commitment to technology innovation and customer results. That's why industry leaders like Ford, Harley-Davidson, Lennox, and many others rely on us year after year.



Is Your Aftermarket Parts Inventory Strategy Ready for Anything?

Check out our ebook: How to Optimize Inventory in the Digital Age

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