

Putting Service Parts Management in the Fast Lane

SERVICE PARTS MANAGEMENT



CHALLENGE:

Subaru of New England could no longer depend on its outdated parts planning and forecasting systems. Faced with overstocking, excessively high inventory costs and low part availability, the company turned to Servigistics for a comprehensive solution that would:

- Be implemented quickly
- Reduce service parts inventory costs
- Improve part availability and service levels
- Integrate distributor and dealer parts planning
- Increase service revenue

RESULTS:

Servigistics responded with an integrated Service Parts Management solution that reduced inventory levels, improved first-time fill rates and saved Subaru of New England more than \$8 million in parts inventory costs. Success measurement included:

- A 44% reduction in inventory
- Increased first-time fill rates, from less than 60% to more than 90%
- A 300% increase in planner productivity
- A more than 8.5% increase in sales

Subaru of New England is one of the most respected and financially successful privately owned automotive distributorships in the Northeast.

The company supplies service parts to more than 60 franchised dealers that exclusively sell and service Subaru products. In the automotive business, having the right part, at the right place, at the right time is key to maintaining customer loyalty and increasing revenue. If a dealer does not have the part in stock when a customer's vehicle needs repair, the customer will typically turn to a third-party repair shop rather than wait for the part. The result: an unhappy customer and a missed revenue opportunity. To avoid this, Subaru of New England turned to Servigistics to deliver a solution that could streamline and automate its service parts across its central and dealers' stocking locations.

ANALYSIS TO STOP OVERSTOCKING

The successful automotive distributorship required a service parts management system to meet spare parts requests from its dealerships and eliminate costly overstocking and stock expediting charges—a challenging goal considering the 11,000 unique parts for 32 different Subaru models that the company must manage. In addition, technology changes at parts suppliers amplified the need for a solution that would be implemented quickly and would deliver beyond their Subaru owners' expectations.

Subaru of New England required a solution that would:

- Manage both central and field stocking locations
- Keep customer service levels high
- Provide reporting tools and performance evaluations

Subaru of New England needed to automate and integrate the parts forecasting and planning processes. The challenge was to find a complete solution and company that provided everything, from reporting to inventory performance evaluation and management. The company also needed a solution that would be implemented quickly and would drive immediate results. The traditional supply chain software vendors could not support the thousands of parts in Subaru's inventory or implement a system in such a tight time frame.

“We don't have a single dealer on our advanced inventory management program, using Servigistics, that has experienced a decrease in sales. Every one of them is realizing a substantial increase in sales this calendar year.”

“With Servigistics, the implementation time was incredibly short and there were virtually no disruptions to our business. Their ability to calculate stocking levels for all parts at all stocking locations – while tracking excess inventories and shortages – has translated into significant cost savings for us and the dealers we supply. More importantly, Servigistics allowed us to improve the process for the customer at the dealership by having the right parts at the right time.”

SEAN PERRY
Inventory Control/
Parts Administration Manager
Subaru of New England

REVVING UP SERVICE

After evaluating several traditional supply chain solutions, Subaru of New England determined that Servigistics was the only vendor that could support the company’s unique requirements for service parts management in the required time frame. Servigistics was successfully implemented in 12 weeks. The implementation plan was created during the first week of the project to assure that both Subaru and Servigistics understood the deliverables and timetables and included a detailed business assessment, which compared current Subaru processes to best practices. By implementing a fully integrated service parts management solution, Servigistics helped each dealership improve service levels, reduce costs and increase revenue, all while improving customer loyalty.

SCOPE

The Servigistics solution was initially implemented at the Subaru of New England central stocking location to plan and manage the 11,000 unique parts for 32 different Subaru models sold by its dealerships. After achieving great success at the central stocking location, Subaru extended Servigistics to more than 60 of its dealerships.

THE COMPLETE SERVICE PARTS MANAGEMENT SOLUTION THAT CUT INVENTORY COSTS

Servigistics helped Subaru of New England meet its main objective of reducing inventory without sacrificing parts availability or customer satisfaction:

- Reduced inventory levels by 44%
- Lowered inventory costs from \$14 million to \$5.4 million, delivering \$8 million in savings to Subaru’s bottom line
- Increased first-time fill rate from 60% to over 90%
- Increased planner productivity by 300%, with parts being ordered in less than a day instead of a week
- Increased dealer parts sales by 8.5%

STREAMLINING FOR SAVINGS

Subaru met its main objective of reducing inventory without compromising parts availability or customer satisfaction. “Not only have we reduced our inventory level by 44%, but we also increased our fill rate and dramatically simplified ordering with the Servigistics solution,” said Sean Perry. “In addition, we increased our first-time fill rate from 60% to 90% and decreased inventory planning and procurement time from four days to less than a day,” concluded Perry. Subaru of New England plans to further reduce inventory levels by a total of 50% while increasing its first-time fill rate to 95%.



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