

SCALING THE HEIGHTS

Sweaty palms, legs shaking from fear and fatigue; you are leading a climb and feeling exposed. You hope that those below you are ready should you falter

When climbing a rock face or a mountain, someone has to lead. The same is true in the aftermarket space. Perhaps it is not as physically demanding or precarious as being roped together on a cliff, but it is challenging nonetheless.

Pick the right route

If you go climbing, one thing you learn early is to carefully survey the rock face and plan your route. Retreating after going the wrong way can be very difficult, and even dangerous.

In the aftermarket, the same is true. You need a single-minded focus on the critical success areas like serving customers and avoiding write-offs. If you make a mistake when you introduce a product, you can damage your reputation for a long time. Pressing on with a product when you really should cut your losses is critical: obsolescence can lead to a big fall.

Why is picking the right strategy for the aftermarket so difficult?

Over the last twenty years, the number of makes and models of cars being sold each year in Australia has more than doubled. The reliability of parts has improved, and extended warranties are reducing the lifetime volume of aftermarket parts. The quantity of sales for a part has reduced for many products, and the range has grown significantly.

As such, deciding which parts to stock, for how long and in what quantity is becoming harder and harder. With industry restructuring and e-commerce alternatives, continuing to be competitive is becoming more and more difficult. Fortunately, information – when used to its best effect – can protect you against the worst of the risks.

There will always be risks, but ask yourself, have you used Vehicle On Road (VOR) data as well as can be done to decide where and when to introduce a product? Could analysis of VOR data, correlated with your sales performance, help you decide when to exit before you get into dangerous areas? Climbers know all too well the dangers of venturing out onto broken or slippery surfaces – are you running similar risks by pressing on with products when volumes are shrinking towards the end of a product's life? In addition, with tens of thousands of products, are you tuning your pricing over time to ensure you maximise your margins, especially as the product becomes more rare, while avoiding being caught with excess at end of life?

Getting everyone to the top

Climbing is a team activity. Climbing solo can be very dangerous. People need to work together and

everyone must pull their weight – you simply cannot carry passengers. The best and most technically proficient climber normally takes the lead, yet the leader must however remember that they need their second, who will keep the leader on belay in case of a fall. The leader must judge exactly where they climb and how far they go, because they don't want to make it too hard for the person who follows. As you climb, typically the leader puts in protection on the face to limit the effect of any fall while the second removes the protection as they move up each pitch to join the leader. With good teamwork, they can ascend cliffs many hundreds of metres high.

The same is true when you are leading an aftermarket business or transforming its inventory strategy. You cannot get so far out into the lead that people cannot follow you. If you are making any sort of change, such as introducing an advanced inventory management system or a new supply chain configuration, there will always be some element of risk.

This risk can be minimised if everyone has the capability, confidence and commitment to the change. If people know, for example, why improving service levels is so important for certain product ranges, then they will make better decisions when the system hits any speed bumps due to a supply failure or competitor action.

If they understand that for slow moving products you can easily wipe out most of the lifetime profit or more for a product that has to be written off, then they will understand why that tempting run-out deal might not be so attractive after all. People need the right tools and techniques and the education and support to use them. They will make mistakes from which everyone can learn. It is important however to trust people and encourage them so everyone can work together.

Having the right strategy and path to success is critical but so too is creating the culture, systems, process and organisation so you can execute and change as needed.

Avoiding bad falls

If you climb and have not fallen at least occasionally you probably have not been challenging yourself that much. The same is true in the aftermarket.

If you have not had a few failed product launches or a branch that failed to perform, you are probably not pressing enough to ultimately succeed. If you play it too safe, then you may never really scale the heights. Clearly you want to succeed and avoid too many falls and certainly any particularly serious ones.



If you are going to soften a fall, what can you do?

Well, one of the best things you can do is have very supportive senior management who know what you are trying to achieve and who recognise the challenges you are trying to overcome. These sponsors can help you navigate around the overhangs that may bar your way. They can make sure you have in place the resources that are needed and the funds for the tools and education that are needed to reach the top.

The other important strategy is to limit the size of any fall. In climbing this is done by placing protection on the rock as you climb so that any fall is not fifty metres but perhaps just five. In the aftermarket, you can do this with information and systems that can do things like staying on top of the inevitable pockets of excess and moving them before they cost you too much. You can be quickly alerted so you can expedite late purchase orders, before things get too serious.

Faith and courage to step up

One thing you also learn as a climber is that freezing on the rock face for too long can sap your energy. Staying in the one place is not really an option – the same is true with your supply chain and inventory.

With climbing, you cannot progress unless you let go of where you are and have been. If you want to step up, you have to make the right moves.

At Horizon Inventory we are committed to helping those who want to scale new heights with their supply chains and inventory management practices. With great equipment and techniques, roped together, you might just surprise yourself how high you can go. In the next issue, we intend to explore more on strategy development for aftermarket inventory management to give you more confidence to move ever higher.

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