Boost Your Bottom Line with Smart Inventory Management

How managing your inventory drives customer satisfaction and increases efficiency while reducing waste

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There was a time when a quick lube shop could handle all its customers' needs with just a limited number of grades in stock, typically bought in bulk and stored in drums. It is a very different picture today. Considering advances in engine technology, OEM specific requirements, longer vehicle life expectancy and the greater variety of cars on the road, it is a challenge to make sure you have the right products to keep up with demand. You need to be ready for customers that require synthetics, high mileage, diesel, Euro-spec—and the list goes on.

Efficient inventory management is a key part of running a profitable quick lube. Understanding that it is impractical to maintain inventory for every eventuality, you need to have the right products, in the right quantities and package styles to meet demand. Why does it matter? One, you don't want to be in a position of having to turn customers away or make them wait longer for service because you don't have the right product on hand. And two, concerning cash flow and profitability, you cannot afford to have your cash tied up in inventory that isn't turning as quickly as it should be. A little extra efficiency in inventory management can have a positive impact on your bottom line.

So where do you begin? First, keep track of historical trends in your facility. Are you seeing a notable uptick in the use of synthetics, for example, and a corresponding downturn in opening price point oils? Second, keep track of the types of vehicles coming into your shop. Are you seeing more foreign cars, SUVs, pickup trucks, and sprinter vans? What are the most popular makes and models in your area? The prevalence of foreign versus domestic brands varies by region, especially in places where manufacturing and distribution are concentrated. These days, consumers are more knowledgeable about synthetics and less price sensitive. Plus, they are driving their cars longer. Are you seeing more cars with 75,000+ miles come into your shop (a good high mileage synthetic sales opportunity)? Keep track of the mileage readings that your techs take on every car and see how that is trending. These are just a few basic tips that can help optimize the product mix.

Next, work with your suppliers, including your point-of-sale provider, as they may have broader insights into trends in your region. Sit down with them a couple of times a year, share your sales history, compare notes, and discuss the product and package mix that makes sense for your business. Running advertised promotions is a good way to market-test certain products and price points to gauge demand in your area.

Employee training and product knowledge are critical. Know what the OEMs recommend so that you can educate your customer on their product options. Employee interactions with every customer can help you increase your sales mix to higher margin premium products contributing to growing gross profit.

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Finally, take a look at your package mix. Many operators have moved away from both drums and quart bottles into bag-in-a-box packages that allow more flexibility to stock a wider variety of products in less space, speed up the oil change process, improve shop organization and save a tremendous amount of plastic waste.

"There are so many great attributes of Chevron's PitPack®, where do I start?" says Jason Berry, owner of two Havoline xpress lube® locations in Cullman and Hartselle, Ala. "I'm a stickler for a super clean shop and PitPack is the solution for me. Maximizing storage space compared to quarts is also a great benefit, as well as helping the environment."

Continue to pay attention to your inventory management practices to stock the right products and in the right packages to meet demand while addressing cash flow and profitability. Cars change and consumer tastes change. Last year's product mix may not intercept current trends. Actively managing your inventory to keep pace with the times can have the dual benefit of driving customer satisfaction and loyalty, while improving earnings through increased efficiency and reduced waste.

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