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What Availability Level Should I Target?

Every year Ducker Carlisle surveys nearly 10,000 Dealer Parts Managers across 20+ leading automotive brands. We ask them for their satisfaction with OEM support across a wide range of topics including pricing, EV readiness, and warranty. Of all these topics, parts availability is the most important and leading driver of Dealer Parts Managers' satisfaction with the OEM. These OEMs are investing hundreds of millions of dollars in inventory to keep parts availability high while minimizing their investment in inventory. But what constitutes good availability? And how do you measure it?

Ducker Carlisle has been benchmarking OEMs in motor vehicle aftersales for over three decades. We have driven the industry to standardize around several key metrics to measure parts availability. This is defined as the availability of the SKU at the time of order. Other supply chain outputs like order response time, service levels, and shipment modes are also key levers that can be pulled to optimize service (or cost), but these will not be covered in this article.

The primary parts availability metrics include:

- **Facing Fill:** Percent of orders that can be filled from the nearest location to the customer

- **System Fill:** Percent of orders that can be filled from inventory across the network (includes referrals)

- **Backorder Percentage:** Percent of one day's business which is on backorder. These are further subdivided in terms of backorder age

COVID has changed the way customers, and as a result service parts organizations, think about availability. While Facing Fill used to be the key metric to optimize the supply chain, parts availability challenges have caused a shift in focus to system fill. Backorder management has also become a key focus area as our data shows that lack of urgent-ordered parts is one of the leading drivers of customer dissatisfaction and brand defection. As a result, leading organizations have developed task forces dedicated to tracking and reducing VORs (Vehicle-off-road) and AOGs (Aircraft-on-Ground).

There is an exponential relationship between availability and inventory investment needed to achieve that availability, making the achievement of excessively high fill rates cost prohibitive. Ducker Carlisle benchmarking data shows that system fill ranging between 95% and 98.5% (industry leading) are typical ranges that service parts organizations strive for. But even deciding between 95.5% and 97.5% system fill can mean swings of hundreds of millions of dollars in inventory investment.

Service parts organizations can follow these steps in their journey to optimizing fill rate targets:

1. Baseline internal metrics against industry standard (facing fill, system fill, backorder aging), and segment these metrics based on criticality to the customer (i.e. stock order fill, emergency order fill, campaign fill). Benchmark current performance against industry competitors

2. Identify and track fill loss at the supplier and SKU-level. Develop internal competencies around supplier management including scoring and tiered escalation

3. Gather dealer and customer feedback on the current perception of your organization's availability, and how much an additional point of fill rate is worth

4. Tune system parameters (supplier lead times, variability settings, etc.) so that system target fill is between 0.5 to 1 point of historical actuals

5. Leverage your planning system's simulation environment to understand the inventory investment required to reach a range of system fill milestones

6. Optimize planning parameters so that target fill rates can be achieved with the minimal inventory investment

Any changes in stocking policy should be communicated proactively and transparently to suppliers and customers for a smooth transition.

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