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Surplus Inventory Solutions

Supply chain challenges have led to a raft of inventory problems, including holding too much inventory. However, is this the only cause of a hugely costly problem?

By David Dundas

For any MRO set-up, lacking parts for an unexpected repair is a nightmare and can lead to a costly AOG incident. While that cost could be financial, it could also cost you the renewal of a maintenance contract, especially if it is not a one-off occurrence. While the solution to such a problem is to hold more inventory, that would be fine if it

weren't for the fact that inventory parts are hugely expensive and you can easily end up with a situation where you have invested so much money in parts and you can't afford to meet the ever-changing requirements of the daily working environment.

It is probably fair to say that if there were a genuine solution to the problem of parts management and, in particular, excess inventory, then it would have been found by now. However, there isn't a one-size-fits-all solution, as such, but there are compromises that can help reduce the likelihood of carrying surplus parts, including working with third-party parts' suppliers. Consequently, we decided to seek the opinion of ten industry professionals to get their take on surplus

inventory, its causes and consequences.

To what extent is inventory surplus driven by overforecasting vs. operational uncertainty (e.g., AOG risk, safety stock buffers)?

Inventory surplus is typically driven by a combination of overforecasting and operational uncertainty and overforecasting can lead to slow-moving or obsolete stock, tying up cash and reducing working capital efficiency. However, operational factors such as Aircraft on Ground (AOG) risk, unpredictable demand and the need for safety stock buffers are equally important. In aviation, the cost of not having a required



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part available can be immediate and significant, resulting in operational disruption, delayed maintenance activity and increased costs. James Bennett, CCO at AerFin further tells us that: "As a result, many organisations take a risk-averse approach, holding additional inventory to protect service levels and minimise operational exposure. This can create a situation where surplus and shortages coexist within the same supply chain. Inventory surplus is therefore rarely the result of a single issue. More often, it reflects the balance organisations are trying to strike between forecast accuracy, service performance and risk management. Successfully managing that balance requires strong cross-functional alignment and disciplined inventory planning." Monica Badra at Aero NextGen certainly feels that surplus inventory is typically driven more by operational uncertainty than by pure overforecasting, though she acknowledges that the two are linked. She senses that "In aviation, AOG exposure, long lead times, repair variability, and regulatory constraints push organisations to hold buffers that would be considered excessive in other industries. The surplus often appears when those buffers are set without a quantified service-level strategy (fill rate targets, criticality segmentation, and lead-time variability). Overforecasting becomes the dominant driver when planning is based on static assumptions (fleet utilisation, removals, shop findings) and is not continuously recalibrated with actual consumption, reliability data, and repair cycle performance. The most common pattern we see is reasonable safety stock logic applied on top of weak inputs, which compounds into excess. A practical fix is to segment inventory by criticality and demand type (routine vs. non-routine), then align stocking policies to measurable risk."

Scott Symington, Chief Commercial Officer, AJW Group is in accord with both Bennett and Badra in that he believes: "Surplus inventory is driven by both overforecasting and operational uncertainty, and the two are closely linked. Overforecasting is often less a mistake

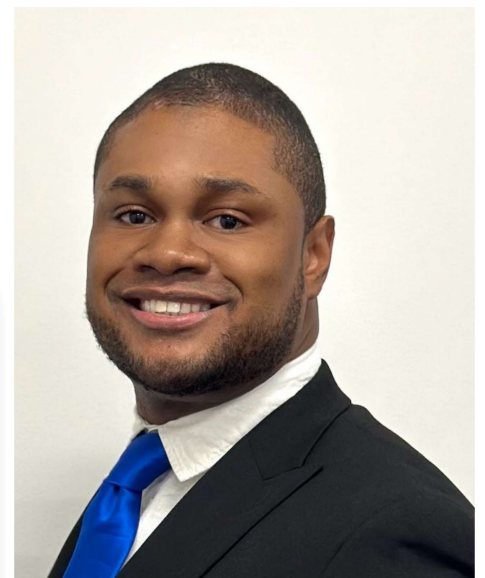
and more a response to the inherent unpredictability of aviation. With AOG risk always in the background, MROs understandably build safety stock buffers to protect service levels. That's sensible risk management, but if market conditions shift, those buffers can quickly turn into surplus. We also see this during strong market cycles, when businesses may deliberately bulk buy inventory for commercial or financial reasons. When the industry inevitably cools or demand patterns change, that excess stock no longer reflects real requirements. The key is moving away from reactive forecasting and towards predictive, data-driven decision making." He concludes by suggesting that: "By using advanced analytics to better understand customer behaviour, turnaround times, and ageing stock, companies can strike the right balance, maintaining essential AOG cover while avoiding unnecessary surplus. That balance is where real value is created."

However, Hamzah Faruqi, Director at Aventure is more focused on operational challenges being the major cause of excess inventories held by airlines and MRO facilities. He further explains: "The urgency to solve the immediate maintenance problem often results in the customers making sure they order spare units (for fleet) or have backup additional parts that their troubleshooting has indicated could also be the cause of the problem. If the extra parts are not needed in the latter case, the buyer's hope is to return them back to the supplier after the maintenance event, even if there is a re-stocking fee involved. Unfortunately, in a few cases, the extra parts that are no longer needed are 'forgotten' and end up in the inventory. For the parts ordered as possible spares for fleet, these occasionally end up as excess inventory if the OEM has upgraded the previously purchased parts to a new part number or modified the units resulting in changing the 'dash number' (which now requires expense to upgrade spares) or the OEM has redesigned the aircraft system to prevent future failures."

Interestingly, Morten Espenhein, COO at CORAX has a very clear opinion on the

connection, or rather independence of overforecasting and operational uncertainty in relation to inventory surplus. He states that: "Inventory surplus is entirely driven by operational uncertainty and the risk the airline is willing to take (read; how much cash the airline want to invest in inventory to secure the operation). Overforecasting is an entirely separate issue –overforecasting is a management problem as often seen in aviation where big private equity companies try to run an airline with financial people, rather than having people with the aviation 'touch'." Beyond this and to a major degree, Dan Trigg, Director of Sales – Airframe at EirTrade Aviation sees operational uncertainty as the major culprit for carrying an inventory surplus, that and also the need to avoid unwanted disruptions. "By forecasting what might be required, operators and MRO's try to avoid unwanted and costly AOG situations. Forecasting cannot always be 100% accurate and demand can be intermittent and unexpected. That is why having a large pool of surplus inventory as a safety buffer is favoured by many. The cost of carrying excess surplus inventory is often seen as a better alternative to AOG events," he comments, adding that: "... the uncertain repair cycle lead times caused by OEM piece-part shortages means there is a further risk of operators and MRO's being left in an AOG situation where they need to source from the wider market. This creates even more need to have a strong surplus inventory readily available."

At Werner Aero LLC, Jelani Cain, Director of Repairs senses there are a lot of factors that can cause surplus in an operation's stock, some of which are within an operations control, and some which aren't.



Jelani Cain, Director of Repairs, Werner Aero LLC

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"Forecasting is a factor that operations can control, but if not done carefully, can result in over-forecast and thus surplus stock. Airlines can over-forecast by considerably overestimating usage resulting in less units being installed and more sitting in stock. Asset management companies can over forecast by overestimating customer demand of a part at a certain price point. Airlines often keep inventory for normal consumption and additional stock for to support AOGs and keep the operation going. When that excess inventory is combined with factors that lead to over forecasting, surplus inventory is often the result," he says.

Both Scott Butler, Chief Commercial Officer at KP Aviation and Jordan Greenberg, Regional Director-North America at Setna iO are concise in their answers to the question, if of diverse opinions. "Uncertainty is usually the result of operational reliability and supply chain robustness. If either of these levers is not living up to expectations, operators & MROs are forced to change their buying habits to compensate. This drives surplus throughout the value chain," says Butler, while Greenberg comments that: "Overforecasting inventory needs can lead to an excess of stock of course but generally, prices of difficult to attain parts that need planning to procure will continue to rise in price as we have seen so it may leave the operator in, ultimately a better cost and more agile cost position. Rather than only planning for AOG's.

How significant is poor data quality or a lack of demand visibility in creating excess inventory?

Poor data quality creates false demand signals (duplicate part numbers, inconsistent interchangeability rules, missing condition codes, incorrect lead times, unreliable repair turnaround times). Lack of demand visibility then forces planners to compensate with inventory. Monica Badra goes on to say that: "When consumption is not cleanly

captured at the transaction level — and when removals, scrap rates, and repair yields are not visible organisations cannot distinguish between:

- true demand growth,
- one-time events,
- and noise created by process gaps.

This is why many inventory reduction programmes stall: they focus on liquidation before fixing the digital foundation. The fastest improvements come from tightening master data governance, standardising part/serial traceability, and integrating planning, maintenance execution, and inventory systems so that demand is observable in near real time." Scott Symington sees these poor data quality and a lack of demand visibility as hugely significant drivers of excess inventory, advising us that: "If you can't see what's happening in your supply chain or accurately track what your customers need, you're essentially flying blind. You end up making inventory decisions based on incomplete or outdated information, which inevitably leads to either overstocking or understocking. The aviation industry depends on precise documentation to maintain safety, compliance, and financial value. But beyond the regulatory imperative, accurate data is your competitive advantage in inventory management. Without proper records and visibility into demand patterns, it becomes impossible to make informed decisions about what to stock, when to stock it, and when to divest surplus. This is where digital transformation has been transformative for us. By using advanced data analytics, we can accurately forecast demand, monitor turnaround times, and adjust inventory levels accordingly. That visibility allows us to ensure the right products are available when and where they're needed, while avoiding both surplus and shortage."

Craig Skilton, Chief Commercial Officer at APOC Aviation makes an interesting observation, pointing out that: "The aviation sector generates enormous volumes of data, but volume of data and reliability of data

are not the same thing." He continues: "A single end-user requirement illustrates the point well, when an end user has an urgent need for a specific part, multiple suppliers will simultaneously go to market in pursuit of supplying that one customer. To anyone monitoring enquiry activity, it can appear to signal widespread demand, when in reality, it is one requirement being chased by many. Planners who treat that noise as a genuine market signal can find themselves acquiring stock for demand that was never as high as it appeared." Conversely, Hamzah Faruqui has both positive and negative thoughts on the problem as he feels that: "With modern technology, the quality of data in forecasting has significantly improved in predicting demand. However, the lack of demand visibility on a new fault occurrence, where historical data is insufficient, can create excess ordering of parts that could lead to surplus inventory. On new-generation aircraft, with upgraded technology and less historical data on hand, this does result in new requests for parts that may have not seen previous demand activity. In such circumstances, the manufacturer is challenged to improve reliability and reduce failures by updating the parts asap and for the end user to have just-in-time inventory whenever possible."

Morten Espenhein is unequivocal in his opinion that poor-quality data is very significant and succinctly says: "The airline's focus is and will always be on operating without delays & cancellations and selling tickets, hence overstocking due to the result of poor data quality will always be quietly accepted from the floor to higher executive management," while Dan Trigg feels that poor data quality and lack of demand visibility



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could certainly create excess inventory. He suggests that: "If planners cannot trust availability data or have poor visibility on units in the repair cycle, they may buy more inventory as an insurance. Poor data quality could also result in planners procuring inventory that is not at the required mod level which would result in excess inventory. There is often complexity when it comes to applicability of Part Numbers and Mods and it is important the data the planner is using is accurate." Beyond this, Scott Butler is of the 'rubbish in, rubbish out' school of thinking when he underlines that "Users and suppliers of material throughout the supply chain are as only as good as their data. If there is poor data quality or demand visibility, then we are solely relying on our past history or 'best guess' of demand. This will create unneeded gluts in the inventory."

This question is right up Jordan Greenberg's street as he explains: "This question hits close to home, at Setna - we first consider ourselves a data company rather than an aviation company. Everything we do is planned and backed by data. If the data in isn't good quality, there is no way to properly qualify what is needed. I would argue creating a good set of data is the most important thing an operator can do to be positioned properly for the future," while according to Jelani Cain, "Poor data quality and lack of demand play a critical role in creating excess inventory. Operations rely heavily on metrics such as manufacture's recommended stock levels, consumption history, part availability etc., when making planning decisions for stock. Unreliable data skews the results making it more difficult to forecast usage/sales which can lead to

costly excess inventory. Airlines and asset management companies that don't put a priority on obtaining and using good data often pay for it down the road."

Forecasting, inventory planning and procurement decisions all rely on accurate and timely information. When demand signals are inaccurate, master data is outdated, or inventory records are incomplete, organisations can quickly find themselves overstocked in some areas and understocked in others. While James Bennett makes it clear that poor data quality and limited demand visibility are among the biggest contributors to excess inventory, as far as he is concerned, "Forecasting, inventory planning and procurement decisions all rely on accurate and timely information. When demand signals are inaccurate, master data is outdated, or inventory records are incomplete, organisations can quickly find themselves overstocked in some areas and understocked in others. The challenge becomes even greater as businesses adopt increasingly sophisticated forecasting tools and AI-driven planning systems. These technologies are only as effective as the data behind them. Poor-quality data can amplify forecasting errors, creating inflated demand signals and unnecessary inventory accumulation. A lack of demand visibility creates a similar challenge. Without a clear understanding of customer requirements, consumption patterns and inventory levels across the supply chain, organisations often compensate by holding additional stock to reduce the risk of shortages. In many cases, excess inventory becomes a substitute for uncertainty. Improving data governance, system integration and end-to-end visibility is therefore critical to achieving a more efficient and balanced inventory position."

What commercial models can help companies avoid creating surplus inventory in the first place?

Different models serve different purposes, and the key is matching the right structure

to your business model and customer needs. With Power by the Hour (PBH) arrangements, for instance, you are shifting some of the inventory risk to the service provider because you are committing to specific availability and performance metrics. That forces discipline around forecasting and inventory levels; you cannot afford to have surplus sitting idle when you have committed to specific service levels. The contract structure itself becomes a mechanism for inventory discipline. Beyond this, Scott Symington points out that: "Consignment models work differently. In some cases, consigning surplus to a specialist third party makes sense, particularly if they have access to markets or regions you don't. At AJW, we don't typically consign our own inventory unless it opens a different market opportunity, but we do support other MROs who prefer to outsource the sales risk and expertise. The advantage is clear: you avoid tying up capital in slow-moving stock. Pooling arrangements can also be effective because they allow multiple operators to share inventory, which reduces the total amount of safety stock each party needs to maintain individually. It's a more collaborative approach. What is critical, however, is regardless of the contract structure, you need robust data visibility and clear communication channels built into the agreement. You also need to be strategic about what inventory you're committing to. AJW's asset management services allow clients to outsource the administrative tasks associated with monetising surplus inventory, and we provide detailed monthly reports to ensure transparency throughout the process. As I mentioned earlier, we need to be forward thinking and ensure we have a plan, but we must plan for the potential that the plan may change. Your contracts should reflect that reality."

For Hamzah Faruqi, however, "PBH, pooling and consignments can be helpful but lack of availability of certain parts in the market specially for new generation aircraft, due to supply shortages, has created a situation where the suppliers are eager to sign up customers with a wish list that may



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not be an all-encompassing and best list of stock parts for the customers. It is important that customers constantly evaluate the reliability data of their fleet to determine the important parts that must be on hand. If such parts are not added to a PBH/Pooling, then customers may end up having to acquire parts on their own which have a possibility of ending up as surplus and idle inventory."

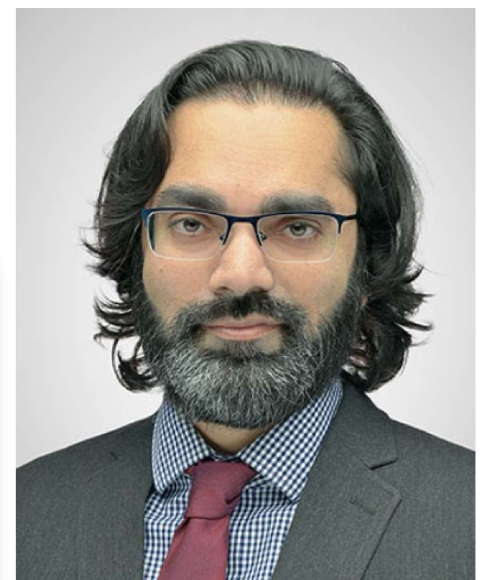
The solution here would appear to be very simple for Morten Espenhein. He believes that: "If you pay the price for an all-inclusive agreement, you can avoid surplus accumulation. Unfortunately, this comes with an un-economically price for anyone, so airlines in the end must decide which risk they want to operate with. The higher the operational risk due to leaving out certain components, the higher the surplus accumulation over time will be," while Dan Trigg is of the opinion that PBHs can be structured so data and forecasts are shared between airline and the PBH provider. "This close synergy means the PBH provider will tailor their pool to be able

to provide the required level of support. The provider could also have a combined pool that provides support to a number of customers. If designed correctly it can allow for optimisation of stock levels. Like PBH, Pooling can also be structured to avoid excess surplus accumulation. It allows multiple Operators, Lessors or MROs to share inventory, providing a deeper pool of stock and reducing the amount of AOG situations," he further explains. For Scott Butler, he is more inclined to feel that the best structures are contracts have to be mutually beneficial to the suppliers as well as the operators. By this he means that: "The operators need guaranteed access to the material at the point of demand. So, the supplier will not only get a guaranteed sale, they will also get real-time demand information that they can use to ensure they always have the right sized inventory. This coupled with shared forecasting allows the right part to be available at the right time."

There are many ways contracts can be structured to avoid surplus inventory.

Many PBHs are structured in a way where the Airline exchanges the core for an SVC unit. Pooling and consignment contracts can include clauses that specify a minimum and maximum quantity covered as a way to mitigate risk of the PBH provider. Jelani Cain then adds that: "The maximum quantity puts a ceiling on the quantity the provider needs to support, so they can more accurately plan and buy inventory without ending up with extra inventory they don't need. While any PN covered under the PBH minimizes the airline's risk of excess inventory, the PBH provider is at risk of taking on surplus inventory to support the program. The PBH provider can implement a force majeure clause into the contract that protects them from being penalized for any unforeseen disaster that. IE, an unforeseen world event can lead to supply chain shortages that that eventually leads to an operation accumulating inventory they cannot service or sell." On the other hand, Jordan Greenberg adopts a no-nonsense approach to the problem, suggesting that: "If you're entering an agreement with a partner, the best way to plan for the proper accumulation of parts is to carefully review the agreement looking at historical information and needs of the LRU parts planned. From there aligning with what the agreeing party does best and focus there."

Avoiding surplus inventory is as much a commercial challenge as a forecasting one. Traditional buy-and-hold models provide control, but they also expose organisations to slow-moving stock, obsolescence and inventory write-downs. Reducing that risk increasingly depends on creating flexibility around material access. Pooling, consignment, exchange programmes



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Monica Badra, Founder & CEO, Aero NextGen

and tailored support agreements can all help reduce the need for airlines, lessors and MROs to hold duplicate inventory independently. James Bennett expands on this when he says that: “Pooling models are particularly effective where demand is unpredictable, providing access to high-value or lower-volume components without requiring outright ownership. Consignment arrangements can help asset owners monetise surplus inventory while retaining greater control over value recovery. Exchange programmes offer another route, enabling operators to access serviceable material while repairable assets are returned into the supply chain. This is where specialist partners such as AerFin can help. Through a combination of teardown material, used serviceable inventory, repair management and global stock positioning, AerFin enables customers to move beyond traditional ownership models and adopt more flexible, demand-led inventory strategies. The objective is not simply to dispose of surplus once it exists, but to prevent unnecessary accumulation in the first place – protecting cash flow, improving material availability and creating greater resilience across the supply chain.” To conclude this section, contracts reduce surplus when they are structured around aligned incentives and clear decision rights



Craig Skilton, Chief Commercial Officer, APOC Aviation

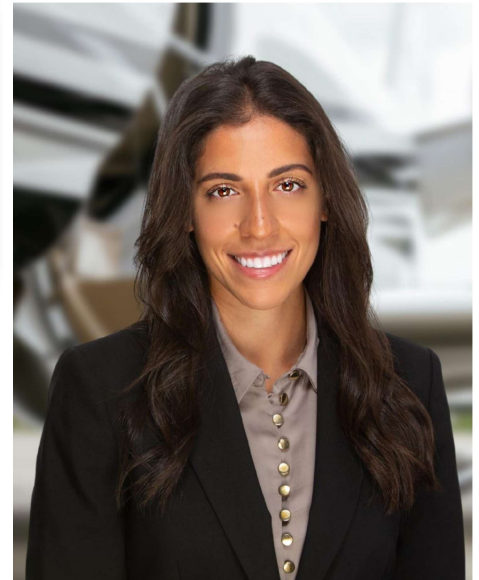
Monica Badra tells us, pointing out that “three principles matter:

1. Define ownership of forecasting and provisioning decisions. If the operator/MRO retains full decision authority but the provider carries availability risk, surplus is likely. Decision rights should match risk.
2. Build in dynamic rebalancing mechanisms. Pooling and PBH agreements should include periodic optimisation: reallocation across stations, return-to-vendor pathways, and triggers tied to utilisation changes, fleet transitions, and reliability trends.
3. Use performance metrics that discourage hoarding. Availability SLAs should be paired with inventory efficiency metrics (turns, obsolescence thresholds, aged stock limits) so the easiest path is not simply stocking more.

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What role do specialised surplus management companies play in maximising financial returns on sales of excess inventory?

Parts suppliers can be extremely useful partners in selling an owner’s surplus inventory and to obtain the best ROI. Owners of idle inventory must do research on the right partners who have experience in the business for a significant number of years collecting valuable data on supply and demand and who have a warehouse facility



Monica Badra, Founder & CEO, Aero NextGen

that can store the consignment. They also need to have appropriate sales staff and a warehouse team who are able to handle sales and AOGs quickly with a major airport nearby to allow quick sales, and importantly, are Accredited (not just ‘Members’), of the Airline Suppliers Association, which means the partner’s process and procedures are audited to FAA standards on a regular basis. Hamzah Faruqi at Aventure adds: “A good partner would be financially secure with a long list of reliable customers, have knowledge on which parts should be upgraded for best sale opportunity, and have relationship with key end users (who share their regular parts requirements). Additionally, a partner who has ‘accounts receivable insurance’ is a big plus and guarantees that in case of sales made by the partner to customers, and the customers file for bankruptcy, the partner (and subsequently owner of the surplus inventory), will get back most of their money invested in that sold part.” APOC Aviation’s Craig Skilton however is more focused on strategic partnerships for best results. He explains: “The core advantage specialist companies bring is market reach – access to a global buyer network, an understanding of real-time demand across multiple platforms, and the commercial infrastructure to move

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Craig Skilton, Chief Commercial Officer, APOC Aviation



Dan Trigg, Director of Sales – Airframe, EirTrade Aviation

material efficiently and at the best achievable price. The value can often extend beyond disposal and the best outcomes tend to come from operators who treat their surplus management company, such as APOC, as a strategic partner."

Morten Espenheim at COREX, Scott Butler at KP Aviation and Jordan Greenberg at Setna iO are all ones to get straight to the point and are equally concise with their answers. "Surplus management companies like CORAX, play a significant role on maximizing the financial return to the Airlines on the sales of excess inventory. The key for the Airlines is to pick a surplus management company without competing inventory at the lowest expenses on the inventory sold, for the highest and fastest return of liquidity," suggests Espenheim, "Specialised companies have the ability to look across the entire market for peaks and valleys. They can be a valuable tool in leveraging 'stale' inventory from one supplier that is in high demand at another. Most suppliers are focused on end users and may not be able to connect the dots on their own," Butler tells us, while Greenberg believes "...there is always going to be less money to be made when giving the responsibility of selling excess inventory away to someone else. Unless the third-party selling is going to actively manage the inventory and get to creative solutions there is not going to be maximising of financial returns. You need to find a smart company you trust."

Dan Trigg at EirTrade Aviation believes that such companies can assist by way of consignments and goes on to confirm that: "This is something we are very familiar with at EirTrade. We have worked with our lessor and airline customers to manage large

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inventories of surplus stock. This gives the stock owner a much wider reach when it comes to gaining revenue for surplus stock. The stock owner still regains control of the inventory and can recall a part whenever needed. But at the same time, they can utilise EirTrade's wide customer pool, market knowledge and strategic trading expertise to extract as much value from excess inventory as possible." Jelani Cain at Werner Aero LLC is of a similar mindset to Trigg, in particular when referring to Consignment programmes which he says are "...popular because they offer inventory holders flexible options. Some programmes might physically hold the operator's inventory in their warehouse, market and sell the units for them for a percentage of the cost. This allows airlines to focus more on their critical inventory while turning on stagnant inventory into liquid cash flow. Contracts can be structured where airlines face no upfront cost until the part is sold, which adds extra benefits to the airline."

The way James Bettett at AerFin sees it, "Specialised surplus management companies play an important role in converting excess inventory from a balance-sheet burden into recoverable value. In the aviation aftermarket, a component's value is determined by far more than its original purchase price. Traceability, condition, certification status, repair economics, platform demand, remaining life and market timing all influence what a part is ultimately worth. Effective surplus management therefore requires more than simply finding a buyer. It requires a detailed understanding of market conditions, technical requirements and future demand. The most effective providers assess whether material should be repaired, sold, exchanged, leased, bundled with other inventory or retained to support future opportunities. For asset owners, the benefit extends beyond access to additional sales channels. It includes market intelligence, technical expertise and active inventory management. By

combining technical knowledge with market insight, specialist providers can identify which parts have immediate demand, where repair investment may unlock additional value and when alternative routes such as exchange, leasing or package sales may generate stronger returns than outright disposal." Going slightly deeper, Founder and CEO of Aero NextGen, Monica Badra feels that: "Specialised surplus management companies can materially improve returns because they bring market access, pricing intelligence, and compliance discipline that many operators and MROs do not maintain internally. Their value is highest when they:

- correctly classify inventory (trace, condition, certification status),
- package documentation to reduce buyer friction,
- access a broad buyer network across regions,
- and time the market (when demand spikes for specific platforms or components).

However, they are not a substitute for fixing the upstream problem. If the inventory is poorly documented, incorrectly identified, or lacks traceability, the liquidation discount will be severe regardless of who sells it." She concludes that: "The best outcomes happen when surplus partners are engaged early — before stock ages out and when the seller has clean data and clear disposition pathways."

Over at AJW Group, Scott Symington is quite forthright in his opinion that it comes down to bringing discipline, data, and market insight to what can otherwise be a quite complex and fragmented process. He looks at the challenge through his company's lens stating that: "AJW starts with a thorough initial appraisal. We establish a clear baseline value for the asset, assess its condition, and calculate the remaining green time across key components. Getting that foundation right is vital, because it informs every decision that follows. From there, we build out a

detailed harvest strategy. This isn't just a list of parts to remove, it's a carefully modelled plan based on historical performance data, current repair costs, and a fair market value view of each component. By taking that approach, we can develop a strong business case and project realistic returns before any investment is made. One area that's often underestimated is the importance of records. A comprehensive aircraft and documentation audit can have a direct impact on financial outcomes. Components with complete, well-documented maintenance histories are far more attractive in the aftermarket and can command significantly higher prices. It's not simply about the part itself; it's about being able to evidence its provenance and serviceability with confidence. Then there's the execution piece. A structured, methodical disassembly process ensures that each component is removed, checked, and matched back to its documentation. That level of traceability is critical as it underpins airworthiness, supports regulatory compliance, and gives buyers the assurance they need. That confidence translates into stronger demand and better pricing from operators and MROs. AJW's global network and established industry relationships are crucial too. We're well positioned to identify the right buyers for specific components and access markets that individual MROs might not reach on their own. Combined with our optimised logistics network, we can streamline delivery and reduce carrying costs, which directly improves the bottom line."

If companies consistently recover only a fraction of the cost of any surplus inventory, is the real failure happening at the point of sale—or at the point of purchase?

Ultimately much of this will depend not only the point of sale or purchase, but the nature of the company looking to recover costs. Hamzah Faruqi sees this as a third element to be taken into consideration as he

tells us that: "The price paid to acquire parts is the 'right price' at the time of purchase since data-driven technology shows buyers the market's supply and demand availability and current price range. However, the sale of surplus inventory, much later after acquisition when the parts are possibly 2+ years on since the part received an FAA tag, the value will depreciate and could be out of warranty. It is important that the owner finds a partner who can guide and provide the best options on sale of surplus inventory, whether on an outright basis as a lot sale, on consignment, or a hybrid version of the latter options." He then makes his thoughts very clear: "An owner, such as an airline or MRO facility, trying to sell surplus inventory themselves will be challenged every time they try and sell individual parts and will likely recover only a fraction of the cost spent in acquiring the parts inventory. This is simply because the airline and the MRO companies are not selling parts 24 hours a day, 7 days a week, 365 days a year and do not have the up-to-date supply and demand knowledge of the parts, or access to customers. By using a qualified partner, the owner of surplus inventory can recover maximum ROI." To add to this, Morten Espenheim has his own view of the situation and one which makes perfect sense. "You cannot make it up like that. The higher operational risk the airline decides to go with at the point of purchase, the higher the instant reward there is to gain if the "gamble" on risk turns out positive. Alternatively, if going with a very low risk, the cost will come up front, which will never be fully recovered years later upon the point of liquidating old surplus inventory. The real question, as it has always been in aviation – 'How much of your expected profit do you want to gamble vs operational risk'. Only people with the true aviation 'touch' have the answer to this," he says.

For Dan Trigg, it is all about the circumstances. As he explains: "If Operators & MROs are buying units to put into pool stock, they will purchase at a better rate than if they were purchasing for an AOG event. This is because they have more time to

search the wider market and can often wait on a lead time for part delivery. This gives them a wider array of options to choose from. Because of this, at the point of purchase stock will be procured at a competitive price against current market averages." However, he goes on to admit that: "...there will be occasions when surplus inventory cannot be sold with a profit. Market value on certain parts is becoming increasingly volatile. Sometimes it can work in your favour and demand will significantly increase value, but other times market value can decrease. There are several reasons for this but one of the main being the number of retired aircraft coming for teardown which can saturate the market, often in waves. At EirTrade we can keep a close eye on market trends and can optimise the value of excess stock at the point of sale. Other ways we can do this is through exchange transactions and modification to higher standards to gain back value. It is vitally important at the point of sale that the salesperson has reviewed all avenues and optimises the opportunity."

Curiously, James Bennett has an interesting opinion on why some companies recover only a fraction of the original value of their surplus inventory, believing that the root cause often lies much earlier than the point of sale. As far as he is concerned, "While an ineffective disposal strategy can expose a loss, it rarely creates it. Value is usually lost when material is acquired without sufficient consideration of demand visibility, repair economics, platform lifecycle dynamics or a clear exit strategy. This is particularly relevant in the aviation aftermarket. Not every component removed during a teardown programme will have the same



Morten Espenheim, Chief Operating Officer, CORAX

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liquidity or demand profile. Some parts can be sold quickly, while others may require repair investment, documentation review, bundling or long-term market positioning before they generate meaningful returns. That is why value recovery starts long before inventory becomes surplus. By linking acquisition strategy, teardown planning, repair management and market demand, organisations can make more informed inventory decisions from the outset. Partners such as AerFin support this approach by combining asset acquisition, teardown expertise, used serviceable material sales and repair management with a deep understanding of global demand. The result is a more strategic approach to inventory management, where value is protected before surplus becomes a problem rather than recovered after the fact."

Scott Butler is pretty adamant that when it comes to apportioning blame, the failure can be at either the point of sale or the point of purchase, advising that: "If companies are consistently getting only a fraction of cost in return, then they will stop buying the material in the future. This will cause future case issues where the purchaser may not find the material in the market, and then over-paying in the future." Jordan Greenberg, however, has a different view of things as he feels that: "Material is always needed in the USM market, the only situation where the failure can happen is the inability to have enough outreach and market data to make correct choices and pricing decisions. I would say if there is failure it comes from the vendor who is in charge of selling the material." Meanwhile, Jelani Cain is fairly

comfortable apportioning blame at the point of purchase, but admits that the reasons for this can vary, i.e., "a high cost to obtain the inventory can have the sales team starting in a hole, having to adjust to strategies to make sure a profit is turned. A lot of asset management companies bid for teardowns and inventory packages, and when demand is high, they may end up paying a higher price than they can recover from sales." The positive advice he shares with us is that "It's important for whoever is bidding on inventory acquisition to understand the changing market conditions along with their sales teams ability to move the inventory, and make a decision to walk away if they have been consistently underperforming in recouping cost. While purchase price is a huge factor, demand is also important. Whoever is doing the point of purchase needs to make sure there is enough of a market for the inventory for the sales team to try to market to."

Monica Badra is aligned with Jelani Cain and Craig Skilton in that she feels quite confident the failure is overwhelmingly at the point of purchase. Her reasoning for this is because "The sale price is a consequence of earlier decisions: buying without validated demand, buying without a disposition plan, and buying without ensuring the documentation and traceability needed to preserve asset value. When inventory is purchased based on worst-case assumptions, the organisation is effectively paying an insurance premium. If that insurance logic is not quantified (probability of need, cost of downtime, alternative supply options), the premium becomes unjustified and surplus is inevitable." She goes on to say that: "The second failure is purchasing without data discipline: if part identification, interchangeability, condition, and trace are not controlled at receipt, the item becomes harder to monetise later," concluding that: "Point-of-sale execution matters, but it cannot recover value that was destroyed by poor purchasing governance and weak data foundations." For Skilton, he is

adamant that: "The point of sale is where the consequences become visible, but rarely where the problem originated. By the time a company is negotiating the disposal of surplus inventory, most of the value depletion has already occurred. The money has been spent, the storage costs have been accumulating, and the market has long since moved on."

Where Scott Symington is concerned, he sees that "...By the time you're trying to sell surplus inventory, the damage is already done. You've already committed capital, tied up warehouse space, and incurred carrying costs. You're now in a position of trying to recover whatever you can from a decision that was made months or years earlier. That's reactive management, and it's inherently inefficient." He then goes on to say that: "The real failure happens when companies don't have the foresight, data, or discipline to make better purchasing decisions in the first place. It's about predicting change in demand rather than reacting to it. If you're consistently recovering only a fraction of your investment on surplus stock, it suggests one of several things: you're over-forecasting demand, you're not monitoring aging inventory closely enough, you're investing in the wrong aircraft applications, or you lack visibility into your customers' actual needs. AJW is strategic about its inventory investment precisely because we understand this. We leverage advanced data analytics to forecast demand accurately. We continuously source products from teardowns to replenish inventory and meet customer needs. We maintain robust technical record systems. And critically, we have the market intelligence and industry relationships to understand which aircraft applications hold value, and which carry higher retirement risk." He ends by suggesting that: "If you're consistently taking losses on surplus inventory, the conversation needs to shift upstream to your purchasing strategy, your forecasting discipline, and your demand visibility."



Scott Butler, Chief Commercial Officer, KP Aviation

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