

Parts Manager Conversation

Collaborate with your Parts Manager to answer the following questions. Use this opportunity to share new ideas from the class and to coach your Parts Manager on how they can be implemented. Be sure to respect their expertise. **Provide your answers in a different color font.**

1. What formal parts management training does your parts manager have (for example, the NADA Academy Seminar)?

NCM Parts manager training 1 & 2.

2. Does your Dealership/Parts department have a Vision statement that all departmental employees know and understand? What is it?

No

3. Have you ever tracked your First Time Fill Rate (FTFR) manually (not using the DMS or your OEM)? What is your current Repair Order FTFR?

No

4. What percentage of your business comes from Inside (RO/Internal/Warranty/Body Shop) vs Outside (Counter Retail & Wholesale)?

About 95%

5. What policies, controls, and security are in place on your DMS (via Privileges and/or the Exception or Deviation Reports) to prevent counter people from changing the pricing structure during daily transactions?

Two people have access to pricing. Counter people have the ability to change prices as long as minimum of 40% gross profit.

6. Who can change/override parts pricing? Cashier? Service Director/Manager? Service Advisors?

All counter people can change parts pricing.

7. Are you at Retail pricing for Internal? Who established your Internal parts pricing policies? Are they current?

Internal pricing is 15% over cost. I believe it is the same as retail.

8. If you are in a Retail Reimbursement for Warranty state, are you at retail for warranty? If not, when was the last time you petitioned the OE for retail reimbursement?

Most warranty pricing is set at list price.

9. Do the Parts, Service and Body Shop Managers work with the Office Manager/Controller monthly to follow up on all Work in Process (WIP) documents. Do they verify that all parts invoices and repair orders are closed out in a timely manner? What does this look like?

Parts makes sure that all open invoice invoices that can be closed are closed.

10. Is the financial statement for the Parts department given to the manager and discussed on a weekly/monthly basis? If not, is a daily operating report of sales, gross profit, etc., provided to the Parts Manager for review (DOC)?

No, but it will be starting November 1, 2023.

11. What is your retail pricing strategy for your Parts department? How often do you check to see whether your pricing goals are being achieved?

All parts employees are supposed to maintain a gross profit of about 40%.

12. How often do you audit your dealership's Parts web page? How often are coupons, hours of business, etc., reviewed and updated?

Parts does not have access to the website.

13. Do you have a Parts online eStore? How do you ensure that parts order forms/queries are responded to in a timely manner? Who gets the email leads/questions?

Parts ordered through the store's website. Orders are maintained on a daily basis.

14. What sales training is available to Parts personnel? If training is available, is it mandatory? How often are sales skills assessed, tested, and refreshed?

The only training available is through Toyota's website.

15. Do you have a process to offer accessories to 100% of your New and Used customers? If so, what does it look like? If not, why not?

Yes, salespeople have access to an accessories website for new and used customers.

16. What would help you sell more accessories?

Visual retail displays.

17. Do you review your wholesale customers to see if their sales, gross, and returns justify the expense of conducting business with them? How often are they reviewed?

We do not focus on wholesale at all.

18. Do you know how much each of your Parts salespeople must sell each day just to breakeven?

Counter people need to gross about \$750 a day to break even.

19. What procedures do you have in place to ensure inventory accuracy and integrity? How are variances communicated to the accounting office?

Bin counts are done daily. Variance reports are communicated with accounting monthly.

20. Are lost sales being tracked in your DMS? Do you have a common definition that all counter people understand? What is your definition?

All counter people are spiffed \$2.00 per lost sale recorded. Lost sales are constantly tracked.

21. What is the biggest obstacle to getting your Special Order parts off the SOP shelves and installed/picked up?

We do not have any issues with customers picking up special order parts.

22. In your store, what do you feel is the biggest cause of frozen capital and/or obsolescence? What is the current dollar value of your obsolescence?

Obsolescence is currently about 4% of the inventory. We are working to get it down to 0% ideally. We are currently inventorying a large amount of parts from the Covid period.

23. What is your phase in/phase out strategy? How do you balance this strategy with factory recommended stocking guidelines (RIM, ARO, Parts Eye, etc.)?

Check average daily sales of like parts.

24. On a scale of 1-10 (10 = expert level) what is your level of understanding of the information that is on your DMS's monthly summary?

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25. What is the one thing that your organization can do or provide to help the Parts Manager do their job more effectively?

Provide regular training off site because training on site doesn't work because we are too busy to absorb anything. Involving the parts manager in the hiring of parts employees would also be valuable.

PARTS HOMEWORK – ACTION PLAN

S Specific

M Measurable

A Achievable

R Relevant

T Time bound

What is your goal? What do you want to achieve? From what metric? To what metric? By what date?

Example: "I will decrease my 5K run time from 30 minutes to 21 minutes by June 15."

S M T

My goal is two fold; first I would like to eliminate the parts that exist in inventory but have no bin location, and second to reduce the negative quantities on hand to zero. We currently have 180 part numbers with no bin location, with an approximate value of \$38,000, and 48 part numbers that show negative quantities with an approximate value of \$35,000. I think that we may be able to achieve this goal in 60 days, so as not to put too much pressure on the parts staff. However, I believe that the goal could be achieved in 30 days if I can get the buy in from the department and/or incentivize them to achieve these goals

How does this goal align with or support your dealer's vision?

What are the BENEFITS of achieving your goal? What are the CONSEQUENCES if you don't?

Why is this goal important to you?

R

The vision of the dealership is: "To be the dealer of choice providing reliable and trustworthy service to our community." The goals that I would like to achieve tie into the vision by providing timely, and accurate, parts availability both internally to the customers that are in for service and to those customers that purchase from us on the retail and wholesale sides. It will serve to get people's vehicles service appointments completed in an efficient manner and get them back on the road quickly. We must maintain the integrity and accuracy of our inventory system if we are to rely on it. If we are not bought in to the idea of live to fight another day, and not getting through today, we will never succeed in achieving our goals. It will also serve to keep the morale up of the technicians, parts staff, and customers. Subsequently, the store's C.S.I. scores should remain high as people's vehicles will be down for the least amount of time possible and reduce the need to come back to the store for a part that was unavailable or incorrect. In order to keep our word and our commitment to the customers, we must strive to provide complete, efficient, and timely service for the customer. We should not over promise and under deliver or our reputation will suffer. There are many choices customers have to service their vehicles. If we are unable to provide timely, efficient, accurate, and cost effective service and parts availability and delivery, both our customer retention and reputation will suffer as a result.

PARTS HOMEWORK – ACTION PLAN

How will you track your progress? Where will you find the information? How often will you check in?



We will have to print daily reports of parts without bins along with printing negative quantity reports, also daily. We will also print a weekly obsolescence report. We will need to verify both the baseline reports and daily progress. We will integrate the parts manager into the daily carryover meetings in order to explain and demonstrate the importance of achieving the goals and integration with the fixed ops team. I'm surprised that the parts manager wasn't already an integral parts of the carryover meetings... The DMS will provide the reporting information and the daily check in will highlight the importance of the tasks.

Potential Obstacles?



Getting people to believe that the goals are both valuable and achievable.
 Training people to perform the reporting both accurately and consistently.
 Incorporating parts to the fixed ops team.
 Getting the parts personnel to not overlook parts with no bin, accurately tracking obsolescence, and truly participating in achieving results in an otherwise overlooked department.

Potential Solutions?



Educate through training, both internally, and off site.
 Terminate those that are unwilling to participate.
 Hire those that may have a different outlook on the importance of their jobs in parts and make it part of the job description from day 1.
 Integrations into the carryover meetings will provide a platform of full disclosure and accountability that didn't exist.

BOTTOM LINE! What is the financial impact (expressed in dollars) of achieving your goal?



Just reducing our obsolescence, from the current level of 7% to the benchmark 3%, based on our nearly \$1M in parts inventory, will yield an immediate \$40,000 in savings not to mention all of the associated qualitative positive impacts. Additionally, we currently have 180

CONGRATULATIONS! You've accomplished your goal! You added or adjusted policies, procedures, and behaviors. Now what? How will you ensure you and your staff do not fall back into the previous habits that produced poor results? Be specific.



Appointing a parts manager that shares the vision and goals of the store is critical. He or she will have to monitor the parts personnel so that do not act, nor feel, as if they are order takers. Integration of parts into fixed ops meetings, the daily carryover meeting, and including the parts team in training and company vision meetings will create, and maintain, that sense

