NADA ACADEMY

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)? Has received training from Mike Nichols and attended several (10+) NADA or WSADA seminars on inventory throughout his career.

2. Does your Dealership/Parts department have a Vision statement that all departmental employees know and understand? What is it? No, they do not. He believes they should just like the overall dealership does, and that if they did have one it would be nice.

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. That would take too much time (said it was nice that I have a chance to come into the department and see what the actual FTFR is for myself). As for how they operate as such a small department, it is not a realistic practice to have, even periodically because of how tedious/time-consuming it can be. Trusts the DMS enough.

4. What percentage of your business comes from Inside (RO/Internal/Warranty/Body Shop) vs Outside (Counter Retail & Wholesale)? DMS reported closer to 34% internal/66%external (actual 17% internal/83% external). The manager found the difference interesting but didn't want to question the DMS variance. I also asked about our structure of priorities and how he thought the sales distribution landed where it did – manager thought it was due to increased priority in online presence and struggle of launching the increase in accessories/not knowing the best way to output accessories.

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? There are none – manager made a note of his own to check the deviation report on a weekly basis, moving forward. Right now, everyone in the department (team of five) can make pricing changes.

6. Who can change/override parts pricing? Cashier? Service Director/Manager? Service Advisors? Only management (our SVC and BS managers) have full range to make changes if needed, since they do not do so without discussing a situation with the parts manager. Service advisors have access to change only the pricing of coupons when needed. Cashiers do not have access to change anything.

7. Are you at Retail pricing for Internal? Who established your Internal parts pricing policies? Are they current? Not at retail pricing for internal. Manager said our founder (my grandfather) set them when he opened the store and they haven't been changed since.

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? WA is not a retail reimbursement for warranty state - As of the latter half of 2023, the GM has been petitioning for an update.

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? Yes, the last week of the month the office manager sends out an email letting the office team, all managers, and any other need-to-know personnel what the exact deadlines are for month-end. Since there isn't much variation on the deadlines month-to-month, a lot of the ROs and invoices are closed in a timely manner, but for the list that aren't the managers of the department work with our A/P clerk and Office Manager to get everything closed out as close to the deadline as possible (deadline is usually missed by a day or two, but the Office Manager is almost always made aware before-hand if more time is needed past deadline).

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)? We have a DOC (DCR – Daily Cash Report) sent out to all managers daily for their review. Parts manager immediately looked at this question and immediately knew that we have our DCR that he looks at every morning to see how his department is doing in terms of total gross for the month, along with the sales and gross pages of the financial for a more detailed look into how the department is progressing throughout the month. Manager was able to pull up the most current DCR right away and show me the MTD/YTD sales and GP amounts he looks at daily.

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? The strategy is to stick to MSRP, give great service, and charge retail when possible. The manager doesn't keep track of how often the strategy is achieved vs. not, but said if he did, he would verify quarterly.

12. How often do you audit your dealership's Parts web page? How often are coupons, hours of business, etc., reviewed and updated? Coupons are reviewed monthly and changed as needed. Everything else on the website is maintained by IT daily.

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? There is a parts online eStore. To ensure that all order forms are responded to in a timely manner, the manager and front counterperson both receive the inquiries. The front counterperson is responsible for responding to all inquiries that come in daily on the same business day they come in (or next business day they come in if inquiry comes in on the weekend). Since Mondays usually have the highest volume of requests (given the overflow from the

weekend) the manager will keep an eye out on those days to see if support is ever needed and acts accordingly to ensure all order forms are responded to in a timely manner.

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? Through Toyota, there are a lot of available trainings, most of them being mandatory or highly suggested for our parts department. In either case, our manager opts for these opportunities for his team. Some of the training he mentioned include Toyota annual certifications/master certifications, communications training, retail/wholesale/warranty seminars, and more recently a lemon law class alongside the service department. Most if not all of these have been attended by all the team at one point or another. These skills are refreshed and assessed through retraining provided by Toyota when available and daily application in the department – no specific frequency or method given.

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? There is a process for new vehicles, but not really for used vehicles. The sales team is taking care of it for now since they are the ones selling, but this whole process is being worked on currently. I asked if there was any specific plan to streamline accessory sales, and our parts manager let me know that as of now a plan is being tested to see what would be most mutually beneficial for the business and its customers.

16. What would help you sell more accessories? With 30% of the accessory being online sales currently (due to everyone wanting the online rates) our parts manager thinks the biggest issue they run into is trying to justify to customers that they should buy accessories after they just spent a large amount of money on a vehicle. To counter this, two huge considerations he believes would help would be if the sales teams (and/or his own team) could nail down the timing of the sale – when is the right time to present the customer with the accessories. To this, I added the code switch of “value add” vs. “upselling” and how that could complement his timing. The second consideration was an accessories catalog – since he as a consumer is way more drawn to catalog surfing than someone telling him what he might want when he doesn’t even know what it looks like. I didn’t think of it at the time, but now looking back at our conversation, I do want to eventually add to his thought in one of our next conversations and ask what he thinks about catalogs being put out into the showrooms/waiting rooms, etc. just to allow customers time to think about accessories they might want. Having accessories in mind before they make their larger purchase might help them to see the value of the accessories when the information is presented to them-pulling together the timing and visuals that he is already thinking will help sell more.

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? The manager focuses mostly on returns and only spoke on that when he saw this question. He looks at returns daily and is not afraid to communicate to our wholesale customers when they are making too many returns/not afraid to let bad customers go. We went over the

Counterperson Sales Inquiry screen in Reynolds, and he explained to me what he looks for/red flags on returns.

18. Do you know how much each of your Parts salespeople must sell each day just to breakeven (don't just take yes for an answer)? Asked manager how much was needed to sell per person to break even. Went over breakeven vs. actual numbers with manager. He had no idea how to get this number currently or what our breakeven point is. After showing him the data from November and even December, he was satisfied with the outcome and didn't see a need to continue checking on this number since he hasn't been checking it and both months showed a profit per person per day. Mostly did not feel the need to calculate because at the end of the day there are only so many things worth calculating, and at this time, this is not one of the more important measures, but that could change later.

19. What procedures do you have in place to ensure inventory accuracy and integrity? How are variances communicated to the accounting office? To maintain integrity, most variances come out of department gross. The parts manager uses an extended value report to keep track of variances between parts and accounting and touches base with the Office Manager as needed.

20. Are lost sales being tracked in your DMS? Do you have a common definition that all counter people understand? What is your definition? Yes, the common understanding is whatever can be a lost sale is a lost sale – not conservative at all. The GM agrees with this to his knowledge. I had the whole department fill out the lost sale quiz, and when I let the manager know that everyone (including the two of us) got almost every single one wrong, he was very curious to know what I thought a lost sale was. We went over the lost sale quiz, and I explained the reasoning for most of the answers, and by the end, he was able to answer the last few correctly and give the reasoning without me saying anything – now we were on the same page about accurate lost sales in the eyes of the DMS. My definition of a lost sale is a way to tell the system (DMS) that there is a demand that is not being captured, a sale that was not made because a part was not available at the right time, and/or a missed opportunity. The way a lost sale should be considered is through the eyes of the DMS – if there is a demand and it is captured on the RO (even later in the day/next day) then it is not a lost sale. If there is a demand but it isn't captured, if there isn't a legitimate demand (window shopping), or if you don't have a lost sale yet, there is no lost sale.

21. What is the biggest obstacle to getting your Special-Order parts off the SOP shelves and installed/picked up? Any front counter customers prepay, any service customers need to have appointments before their SOP is ordered – to create some sense of commitment before we order anything. As far as pickup, the process for getting them off the shelves and to the customers if they 1) do not show up to their appointment OR 2) do not come to pick up the part after contacting them three times, there is a bin in the back of the department that all the parts that are not claimed go to. These parts are carefully logged and sent to unclaimed property if necessary. However, most customers come back within the 6–9-month range requesting their part.

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? The manager only mentioned tires. He knew it was common to have SOP's as majority of the obsolescence, but in our dealership he is more concerned about the tires. We are in a four-season market, so the few tire pairs/sets of concern are seasonal tires that our parts manager knows will sell eventually – just causing the value of our obsolescence to go up more than he would like to see right now. Our current technical obsolescence is $16,484.80. After being in the department physically and seeing our SOP shelves myself, I would agree with our manager. Our SOPs are not our leading cause for obsolescence, and the tires aren't an immediate cause for concern since they will sell before they age into frozen capital.

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.)? The phase in criteria is set at 3/12 and the phase out criteria is set at 0/6. These are factory recommended guidelines that the parts manager has been asked to stick to, so he sticks to them as much as possible, unless he doesn't see that it is beneficial of course. We went over the lost sale report order report – to show me his process of keeping an eye on which parts are in demand, how many sales and lost sales each part has had throughout the year, etc.

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? We both thought this was a bit of an odd question to answer (parts manager didn't want to give himself a 10, but also, he wanted to give himself a 10) So I asked what info is most important to the parts manager, what he usually looks at/for when looking at the summary. He shared that he looks at obsolescence, turns (dollar and actual), returns, emergency purchases, inventory, and adjustments to name a few. Over the last couple months, I have become familiar with the monthly summary. It is nice that I can recognize the above, as well as how to find the information I would need to figure turns and complete a monthly reconciliation against accounting, how to spot red flags like if lost sales aren't being calculated, and how to tell if a number is skewed – improperly placed or receipted orders (garbage in/garbage out).

25. What is the one thing that your organization can do or provide to help the Parts Manager do their job more effectively? When I asked the manager what he felt could be done to better support the Parts department and/or him better, he had a hard time answering. He said everything he needs he has, and everything he wants (within reason) the GM is willing to work on him with to get for him. Neither executive team, management, or anyone else really sweat the small asks the department needs – everyone is pretty give and take/willing to compromise or just do what is needed when asked. The only thing he would want to go back in time to change would be to make the physical space of the department larger, or at least change the layout of the space. However, noting he doesn't have a time machine, he couldn't ask for anything else. The one thing that I think would help our parts manager do his job more effectively would be to continue learning parts myself and continuing this conversation about everything I have learned (and want to continue to learn). I don't want

to be a dealer that is intimidated by parts because of lack of understanding. Although a long-term and idealistic answer (for now), the manager seemed genuinely proud and happy answering this question, so I believe I have some time to actualize.

26. I approached this assignment with the parts manager as a non-mandatory assignment, and more of a long-term, open-ended discussion that I would love his input on. He was eager to go through all the questions (why they are all answered). After the first meeting we scheduled, we spent two hours going over the first page, just digging into how the topics relate to the department. By the end, he realized that there are a couple of tasks and items he could complete/keep up with for the overall benefit of the department. I was able to learn how the topics discussed in class can apply in specific situations in our market, with our OEM, and with our decision-makers. The second half of our conversation was going over the second page. Again, our parts manager was eager to answer each question. All the insight he was able to give me really pieced together the material I learned in class – from how impactful a good SOP process can be (good or bad), to how a simple tweak to the Wi-Fi password or markup structure can make a huge difference in the department's gross. I would have to change my word to describe parts to "welcoming".