

Fixed Operations One Homework Assignment

The following are Excel exercises found in the Post Class Excel Template:

- 1.** Complete two recent months using the FS Parts Excel template found in the Post Class Excel template. Do not use the pre-class version because it is different. **(10 points)**.
- 2.** Complete the Parts Gross Profit Performa and project your lost gross profit. **(10 points)**
- 3.** Complete the “Lost Sales” calculator again like we did in class. You will need your DMS Summary and average piece value to observe the value of lost opportunity. **(10 points)**
- 4.** Perform the First Time Fill Rate exercise on 50 repair orders. Do not include “One item oil changes”, Special Ordered Parts repair orders, or factory recalls. Consider standing where the techs collect the parts from the counter. If they ask for 5 parts and they get all 5 then on that repair order the parts inventory would get a 100%. If they did not get all 5 to finish the repairs then the Parts inventory would get a “0” % **(10 points)**.
- 5.** Complete the DMS Scorecard for one month. Be sure to color code the inventory conditions. **(10 points)**
- 6.** Complete the Post Class Action Plan. The Academy would recommend that you attempt a small problem rather than one that takes many months to complete. It needs to be very detailed and clear as to the necessary steps to correct the deficiency. **(100 points)**

The following are found in the Post Class Word Document:

- 1.** Research and explain why you have (or have not) a bar coding system in your parts department. Whether you have one or not, provide your opinion how it would help the department. You will be required to contact your DMS provider and at least one other to shop their monthly rates and installation. Provide the non DMS contact information. **(10 points)**
- 2.** Provide a job description for your parts manager. Ask your manager for their version. Compare and formalize if possible. Otherwise just provide both versions. **(10 points)**
- 3.** Describe in detail your Parts Managers perspective on tracking “Lost Sales”. What is their understanding of how “Phase-in” is affected by tracking lost sales? **(10 points)**
- 4.** Provide an organizational chart of your parts department. Provide sales and gross per counterpersons. **(10 points)**
- 5.** Have your Parts Manager answer the 78 questions provided in the Post Class word Document. This is a learning/understanding exercise. It is recommended that you answer the questions with the manager. Confer

and provide suggestive actions. Change the color of the font to distinguish the answers. **(10 points)**

6. The sponsor action plan verification form is on the word document. Copy and paste that form to be signed by your sponsor. Scan it to a PDF and place it with the Excel and Word documents prior to placing them into its drop box on your class site.
7. When observed by the instructor in the drop box there should **be one Excel Template, One Word Document and one PDF**. Remember that this is due the Monday before your service class starts. This allows the instructor to grade it prior to your arrival. Good Luck. Reach out if needed.
8. There is a Post Parts Class Threaded Discussion that will be activated exactly two (2) weeks after your classroom session ends. **It will be open for three weeks only**. You will be required to post the one topic that you came away with from the parts class that you have already activated or plan to act upon with the parts department. Once your peers start posting theirs you will be required to respond to at least three with points of clarification and reinforcement. A simple "I agree with JIM BOB" will not suffice. This has a point value of **300 points**.
9. Finally: Best Parts Idea needs to be posted to your class site Parts Best Idea Threaded Discussion. This should be an idea that helps control expenses or increases sales and gross profit.

Class Paper Turn In

No Paper Turn In's

Email

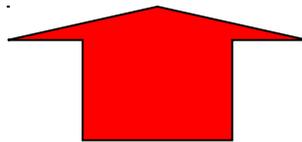
No Email's accepted

DROPBOX

☺ Post Parts Class Assignment

Post Class Threaded Discussion on "Best Parts Idea" are due in its own Treaded Discussion area the Monday before your Service

The Post Parts Class Threaded Discussion on "Challenges" will start two weeks after your parts class ends and will be open for three weeks only. It is worth 300 points so do not forget.



PLEASE READ PLEASE READ PLEASE READ PLEASE READ PLEASE READ

Bar-Coding:

1. Research and explain why you have (or have not) a bar-coding system. Whether you have one or not, provide your opinion below on how it would help the department. **You are required to contact your DMS provider to obtain costs for this program. Then research a local provider for comparison pricing. I can supply you with a local to the NADA provider if requested. (10 points)**

1. Bar Coding- The reason we do not have a bar coding system in our parts department is because Ford does not offer it on all part numbers, so we would not be able to manage it. Both my manager and I think that barcode systems can be very effective for automating and collecting data because doing so manually can be very timely. It would also be very helpful for inventory purposes and counting parts. Many good barcode system programs offer free 30 or 60 day trials in order to see if it is right for the department. Our DMS provider quoted us an initial instatement fee of \$7,000 and a monthly payment of \$400 for barcoding service. Local providers are in the same ball park. They range from an instatement fee of \$3000-\$15000 and have a monthly payment of anywhere between \$500-\$1200 dollars.

Parts Managers Job Description:

1. Provide a job description for your parts manager. Ask your manager for their version. Compare and formalize. To get full credit I want to see their version and your version posted here. **(10 points)**

- Parts daily, stock, and program orders.
- Staffing and scheduling
- Customer service (follow up)
- Claiming of parts for Ford
- Warranty issues with Ford
- Dealing with service, front counter and wholesale customers
- Looking after accounts receivable (wholesale)
- Basic accounting
- Inventory management (adjusting, parts locating)

- Shipping and receiving
- Returns from customers
- Inputting factory parts returns and picking returns
- Scheduling pick up and deliveries

Parts Managers perspective on Lost Sales

1. Describe in detail your parts managers' perspective on tracking Lost Sales. What is their understanding of how "phase-in" is affected by tracking lost sales demand? **(10 points)**

Lost sales- We do not track lost sales at our dealership. The phase in process could ultimately be affected by lost sales, because just like all other part tracking, certain parts could possibly be stocked in as regular active parts, and some should stay non stock parts depending on how many lost sales we have with certain parts.

Verification Form Regarding the Departmental Action Plan

Fixed Operations 1 Week Post- Class Homework Assignment

Dear Academy sponsor,

One of the post-class homework assignments given to your manager at the conclusion of week two at the Academy is the Departmental Action Plan form. The student's assignment is to show you the format of the assignment, explaining to you the purpose of crafting a departmental action plan after week 2 of the Academy. This assignment will be completed four separate times, (classes 2-5) after the student has attended the fixed operations 1 parts week, the fixed operations 2 service week, the variable operations 1 class week and the variable operations 2 class week. The progress of the student's departmental action plans will be assessed by each of the Academy instructors in weeks 2 through 5 of the Academy. Please sign this form below which indicates that the student has reviewed the departmental action with you, and have your student bring the form with them, when they return for their fixed operations 2 parts class. We will collect these forms at that time from the students. The student will receive a pass/fail grade, based upon whether they submit this form signed by you. This is being done in order to verify that each student has shared the Departmental Action Plan with their sponsor.

Thank you for your cooperation.

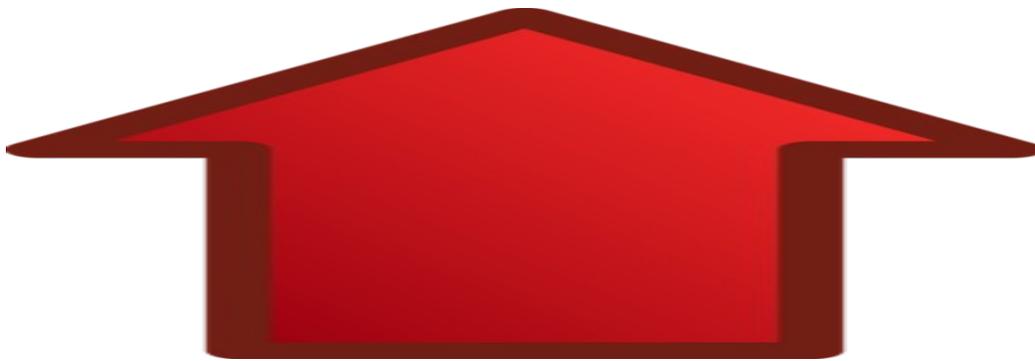
Sponsor's Printed Name _____ Sponsor's Signature
_____ Date _____

Very truly yours,

Copy and paste this to a word document. Print that document. Have it signed by your dealer-sponsor so that they are in sync with what your action plan intent is and scan it to a PDF file and place with the Excel and word documents before placing into the drop box.

Please use the Parts Department Action Plan Excel template supplied to you in the Excel template file for this assignment.

The action plan assignment is worth 100 points out of a total of 200 points for this post class assignment. Please take it seriously and be as focused and thorough as you can. Please assign accountability requirements at each stage of the plan. Look at the (F) and (AAA) rated examples. Start early!



ATTENTION-ATTENTION-ATTENTION-ATTENTION

Best Parts Ideas:

1. Please provide and deposited to its designated area on the left side of your class site in a “Threaded Discussion” your winning “Idea” about your parts department. You will ballot on these “Best” Parts Ideas on Monday morning of your Service class week. This is due the Monday before your service class. Please read all of the best parts ideas **BEFORE** you come to class. The top performers will present their ideas to the class

Organizational Chart Showing Sales and Gross:

1. You can use this form to provide an organizational chart of the parts department. Provide sales and gross figures per employee per position. **(10 points)**

Total Sales:

Shazam Mohammed (asst. manager) has done \$62,172
Paul Rossiter (asst. manager) has done \$52,072
Sean Taylor (manager) has done \$36,631
Doug Johnson(counter person) has done \$50,875
Paul(driver) \$0

Retail:

Shazam has done \$56,727
Paul Rossiter has done \$47,641
Sean Taylor has done \$31,274
Doug Johnson has done \$44,505

Wholesale:

Shazam has done \$4735
Paul has done \$4291
Sean has done \$5269
Doug has done \$6370

Repair Orders:

Shazam has done 710
Paul has done 140
Sean Taylor has done 89

Parts Manager Questions

Have your parts manager answer the **78** questions found in this zip file. Confer and provide suggestive actions. **(10 points) Provide your answers in a different color font. Without the different font color there will be no credit.**

1. How often is your dealerships source pricing levels reviewed for competitive maintenance and heavy repair?

Monthly.

2. Determine the written pricing policies at the parts department and see how competitive your Dealership is within your area.

Stays same as the Ford program, so it is the same with all Ford dealerships.

3. Verify with the use of market surveys on selected parts prices in your area as to whether you are competitive with others. You don't have to be the lowest to sell more, but too little or too much profit can keep you from being competitive.

Offer the same pricing as per Ford Motor Company.

4. Does the computer system you have follow one or more of the pricing guides for various types of customers? Review the pricing structure with the manager and determine areas of profit potential. Policies in wholesale, retail counter, service department, employees, etc., need to be established.

All wholesale mechanical and body shop range due to volume. Retail is retail to service and front counter customers.

5. Do you have in place policies and DMS controls (via Exception or Deviation Reports) to prevent counter people from changing the pricing structure during daily transactions?

Yes there is a report (exception report) but we try not to lose a sale.

6. What procedure is followed to prevent the costing of parts at other than the established factory (OE) cost within the dealership when parts are placed into the inventory? (done through the use of +/- inventory adjustment account(s))

All parts go in at same cost as Ford Motor Company.

7. Regardless of parts cost (due to various sourcing opportunities (Jobber/Wholesale Distributor), are they all costed at the same factory price to maintain accurate inventory value?

The wholesale or outside purchases are put in at their cost (aftermarket)

8. How are discount purchases tracked in the system to show additional profit based on the cost of the part from a particular source other than factory price?

They are calculated at inventory time. Either a minus or a parts pickup

9. Make certain the selling mark-up to the other dealers of parts and parts you are purchasing from other dealers are not costing you profits. Do you use daily sales programs to encourage parts counter staff to sell more parts and seek additional business opportunities?

Dealer purchases are usually cost +10 but if it is bought a few times outside, it then becomes a stock part. The system triggers parts that should be stocked in.

10. What type of merchandising programs do you have in effect? What is the relative cost versus sales generated as a result of the programs?

Ford offers parts programs on volume, which give you a better cost price.

11. Is an outside salesperson active in your parts department? Are the sales at a level that "pays" for the employee or could the accounts be maintained on a part-time basis by the manager?

No outside sales person

12. Do you have factory merchandising dollars available, and if so, how much of those dollars have been spent year-to-date by the dealership? What must be done to qualify for more expense sharing in merchandising by the factory and the dealership?

Ford does offer for Sales only

13. Do you use forecasting? If so what have the past two years of parts department forecasts been, and how do they compare to the performance on the financial statement for the past two years?

Yes we do forecasting they increase year after year.

14. Are daily, weekly, monthly, and yearly forecasts versus actual sales comparisons made? Who makes them? If not made by the PM, who reviews them with the

parts manager? What goals are set to improve the sales, expenses, etc., and how often are they discussed?

Monthly forecasts are set at the beginning of every year and reviewed monthly. All areas are processed to try and make more efficient and profitable.

15. Pay plan reviews should be made at least on a monthly basis. When has a comparison been made between departmental gross profit and the personnel expenses for the department? Is the current sales level providing a sufficient profit for the pay levels established for the parts employees?

All employees are paid a salary and bonus depending on department profit.

16. Does the parts department actually seek additional revenue or “live off” the sales of the service department only? If not why not?

Our parts department does wholesale, retail and sales and service.

17. Is a program set up to sell accessories to the customer in the sales department as well as the parts area of the dealership? If not, are you leaving potential sales and gross profit on the table?

Our parts area is displayed with accessories for our front counter. The business office sells also.

18. Do you review wholesale customers weekly to see if parts sales dollars per customer and returns justify the expense of conducting business with them? For example, delivery 30 miles out of town to a customer ordering \$300 a month of parts at Cost+20% may not justify the delivery service.

Each account is reviewed if there is a high part return rate. Customer is called to discuss why.

19. Do you study your wholesale market opportunity with the dealership’s area of influence? Who’s the major player and can you unseat them? Can you make a difference against your competition? Can you deliver 2-3 times a day? Within what mileage radius?

We offer a delivery service as many times a day that the customer needs parts. If we don’t have the part in stock we try to locate, pick up and then deliver.

20. Who verifies the “wholesale” customer applications to make certain they are really true wholesale customers? Are your state Tax-ID/Wholesale Certificates current (within the last two years?)

The customer has the have the part on product delivery to said address.

21. Discuss monthly expense control with the parts manager and identify specific areas under the manager’s control. If expenses are allocated and not charged on a controlled basis, consider basing pay programs on sales or gross rather than net profit as part of the plan.

Some expenses are hard to control ie vehicle repairs, fuel. But expenses are looked at monthly.

22. Who determines credit approval for parts customers and what screening system is applied? Who follows the receivables list in a timely manner to make certain payment is made by the customer without exceeding the account limits?

The accounting department requires a credit app. And once clear, depending on purchase volume that will determine credit limit.

23. Is the financial statement for the parts department given to the manager and discussed on a weekly/monthly basis?

Yes, a copy is given on a monthly basis but discussed on a weekly basis at management meetings.

24. What are the special parts ordering policies for SOPs? Where is it written and posted? When was it reviewed and what level of management approved it?

We have a 15 day policy with limited excuses.

25. Do you require 100% pre-payment on these parts? Do you differentiate between Counter Retail/Wholesale and Service RO?

Only payment on high priced parts for retail, service customers, counter, is all prepaid in full.

26. What time is set to retain these parts and then initiate a return? Is a return charge made on customer pay parts that are returned because the customer did not return for them within a time limit?

We do a 5% return on a quarter basis and no charge to the customer.

27. Who are the parties that are involved in the SOP process start to finish?

Parts, service advisors, parts follow up and appointment coordinator are all involved.

28. Are special order forms completed in a legible manner so that the customer information can be read?

A report every morning is printed once the order has been receipted.

29. Where are special order parts for the service department located? Who notifies the customer the part is in, and who determines when to send the parts back if no response is made by the customer? Is anyone designated to follow up on SOP's, the lack of return?

Parts are kept in the parts department in a designated area. Parts follow up person contacts customer and customer has 15 days to return.

30. See if special order parts are carried in a separate section of the parts inventory to maintain control. Or they inserted into the regular inventory?

All parts are in regular inventory.

31. Who administers and controls the Purchase Order system (DMS/book)? What dollar amount of fixed asset purchase can be made without approval above parts management level? Who sets and monitors these \$\$ levels and total open PO's and open PO \$'s?

The CEO controls PO limits, if it is above \$2500 the manager has to do the PO

32. Does anyone other than the parts manager have direct purchasing authority from outside vendors? Who oversees the Parts Manager? (Double signatures, Perusing the Parts Dept. purchase invoices)

All parts staff has authority but parts manager approves all invoices.

33. Who established internal parts pricing policies? Are all internal purchases centralized and run through the Parts Department for control purposes?

All internal pricing is retail and most purchases are through the parts department.

34. Does the value of the parts inventory on the parts computer exceed, or is it less than, the financial statement dollar amount? (Monthly Reconciliation Exercise)

The inventory is usually less in value (1-2 thousand)

35. If the accounting inventory value is higher than the parts computer, look for the parts inventory missing items (uncontrolled inventory). (Monthly Reconciliation Exercise)
36. If the accounting inventory value is less than that of the parts inventory value does this indicate an abnormal condition? (If not, why?) (Monthly Reconciliation Exercise)

Due to the manufacture pricing changes either up or down in cost value.

37. If LIFO is used, when inventory value is used to calculate days' supply, etc., the actual value should include the LIFO reserve.

N/A

38. Is there an employee responsibility to function chart as was discussed in class? Are there specific inventory transactions (Grading, Ordering, Receipting, Posting, Adjustments, Bin Count Inventory, Returns, Cores/Dirty Cores) assigned to each of the employees in the parts department? (Functions vs Employee Exercise)

Only manager can make inventory adjustments. Asst manager and manager do all the receipting. All other tasks are done by all employees.

39. Who controls the training programs for the parts employees? When was it last reviewed? Is it part of a yearly review with the employee and is it part of the employee's pay plan?

Training is quarterly plan the manufacturer supplies

40. Are records kept of the training for each person and when did someone last take online DMS refresher training? Parts Catalog training? OE/Manufacturer specific training?

Yes the passed sheet has to be shown to the manager.

41. Has your Parts Manager ever taken a departmental Financial Management class like the NADA Academy? When was the last time they attended any formal Parts Management training?

N/A

42. A computer system diagram with specific terminal equipment positions should be made and a flowchart of work routine should be made. Determine if the equipment meets daily needs and if the equipment is in the right locations. Is the volume of business at a level that requires more system hardware, or does it require less?

Yes all systems work on interchange with systems.

43. How much of the replenishment/daily order is manually adjusted? Does it exceed 10%? Who makes the stock replenishment changes, and what are the reasons for the majority of those adjustments? When was it changed last and by whom?

The only manual adjustments are on back ordered parts.

44. Is the trend of those changes in question #42 a positive or negative trend?

Common ground.

45. What is the percentage of stock order from the factory versus outside purchase (emergency purchases)?

32% stock order, 68% outside

46. Where are the computer-generated management reports printed and stored are they used on a daily? (CDK MGR Report or R&R 2213, etc.) How are the management reports utilized?

Printed in parts department, used at months end to see where stocking can be improved.

47. Is the DMS Summary used to track inventory trends? When will you incorporate the DMS Scorecard that you learned about in class? Are there areas on the DMS scorecard that you couldn't find and if so who at the DMS is helping you to find those answers?

48. How often is your Parts Inventory adjusted for errors in part value or part quantity? (4 Moments in Time Exercise)

Adjusted on mult pack parts ie hardware and if bin checks are out.

49. Have the fifty most active parts numbers been checked for parts bin count accuracy? (4 Moments in Time Exercise)

Yes, counts are done at random times throughout the year.

50. Are the transactions for each day reviewed by the parts manager to make certain that any adjustments made (plus or minus) are accurate?

Manager runs a report negative on hand report daily

51. Have you given the Lost Sale Quiz to the parts Manager and Counter-people? Others in the dealership?

52. Are true lost sales being tracked in your DMS? Who can log a Lost Sale?

No

53. Who reviews the Lost Sales? When are they reviewed?

No

54. Are emergency ordered part numbers reviewed to see if they qualify to be phased in? Is the Test/Non Stock/Watch feature of the computer system utilized to test which parts to stock (Phase In)?

Yes they are reviewed, computer automatically calculates for stock level on stock orders.

55. What demand history does it take to place a part on the inventory stock order or in inventory? Time limit and quantity are generally managed by Vendor Managed Inventory systems?

Adjusts on time and quantity.

56. What is your Compliance % level for your inventory with your Vendor Managed Inventory, RIM, ARO, Parts EYE, etc?

57. Are all parts sold by the department placed in the Parts inventory and then sold from the inventory? Do you stock any items that aren't in your inventory (Shop supplies, get ready, bulk fluids like washer solvent)?

All parts are sold by parts department but aftermarket are not entered into system.

58. Are the procedures for shipping and receiving written or all verbal? Who's responsible for reviewing and updating these policies and procedures?

All deliveries are verbal to driver.

59. Who files damage claims on parts shipments received?

Parts manager and asst manager.

60. Who receives parts orders, and how are they received? Is the original stock order transmitted to the factory cross-checked? What do you do about discrepancies?
All parts staff receive stock and daily orders and are checked off from order report. Any shortages are claimed by manager.

61. At a minimum, is perpetual inventory verification done in conjunction with a physical inventory on a yearly basis?

We do a 6 month and year end inventory check as well as random ones.

62. Who applies and loads the monthly price updates?

CDK auto loads it electronically.

63. Are parts cost adjustments (monthly price updates, bin count irregularities and emergency purchases at more or less than OE cost) tracked by someone in the dealership or is a periodic inventory adjustment method utilized (like once a year)?

Random cost checks and counts are done monthly.

64. What adjustments were required after the last physical inventory to the dollar value, etc., of the inventory?

At this store there was an overage. Accounting added as parts pick up.

65. Are all obsolete parts that are on the inventory physically in the store?

Yes obsolete parts are in the store but are written off.

66. Are they separated into a special area to be controlled and tracked for sales history? Separate source? Change bin location by adding a J for easy identification by counter persons?

Obso parts are in one location so can be counted easily.

67. Who verifies the completion of the repair orders between the first and second month they are reported in the work-in-process status?

The parts and service manger follow the work progress daily and weekly.

68. Do the Parts, Service and Body Shop Managers along with the Office Manager/Controller together follow up on all Work in Process (WIP) tickets and verify that they are closed out in a timely manner?

The parts and service manager follow.

69. Is a daily operating report of sales, gross profit etc., being provided to the parts manager for review by him (DOC)?

Parts manager runs a sales report daily to see daily profit and percentage.

70. What is the months' supply of the inventory? Does this match the students calculations found in their FS Parts Excel template? Are too many parts stocked in the inventory based on this calculation?

71. What is the true turn of the inventory? Does that match the students calculations found in their FS Parts Excel template?

Our true turn is 4/year

72. Is the inventory area large enough for the current level of business? Answers to this question can be obtained when the student does the FTFR (First Time Fill Rate) exercise.

Yes, due to next day deliveries or pick up from another dealer.

73. Where are the Dealership's policy and procedures manuals located and who handles the review with the manager and his employees? Who has verified that the manual is located in an area that allows for easy access?

The policy and procedure manual each employee has on can be obtained in any managers office.

74. Is your Parts Department locked up each night? Who has keys?

Yes every night. Our parts staff has keys.

75. Do your Counter-people have a cash drawer? Who balances the drawer?

We have one central cash drawer for parts service and sales.

76. Is there a policy in place for overages for the cash drawer/balancing?

That is done through the accounting department.

77. Do you have security cameras in the Parts Department? Who has access to the tapes/CD/backup?

No cameras.

78. Have you discussed, reviewed and implemented the Student's MNOP process?