

# Parts Manager Homework

Parts Manager: Dennis DeSautels

Stephen Courtney N336 Student 18

Dennis answers are in blue, Stephen answers/suggestions in red

1-3. Parts & Accessory gross profit report is available from DPSM. DPSM can input any specific dealers into a group avg to generate a report. Express service & fast moving parts (keys, batteries, paint) pricing are reviewed every few months by shopping other local dealers. The benchmark report also gives you a general idea of how you stack up against group, district, and zone. Most local dealers are working with a pricing matrix through the service dept, so shopping the captive parts is much more difficult. **S: Perhaps Dennis and I can set up a monthly, quarterly, and yearly review schedule in order to be more competitive with our pricing.**

4-There are 9 different pricing codes set up in the DMS for wholesale, retail, internal customers. There are 10 price break escalators in our service matrix. **S: Dennis and I agree that there are opportunities to make more gross profit in wholesale and the service department as well. We'll work on fine tuning that pricing to maximize gross profit.**

5-All counter men are paid commission on gross profit. Service advisors are locked out of the parts side of the DMS and parts personnel out of the service side. Parts Manager is the only employee with access to both sides. **S: Dennis and I are the only ones with access to both the parts and service side. We will continue to monitor this and make sure no one abuses the system.**

6-Parts employees are not to change cost of parts without authorization from parts manager. Controller and office manager check as the paperwork goes to the office for posting. **S: I will work with CDK to ensure that no one other than Dennis or I can change the cost of parts.**

7-Outside purchases are posted to account 3000. Verified by controller when paperwork goes to the office. **S: Yes they are all costed at the same factory price. We will continue to monitor this going forward.**

8-Parts discounts are posted to account 6770, Accessory discounts to 6970. **S: The parts are tracked in these two accounts. The controller and Dennis confer if there are any discrepancies.**

9-We have a small estore that we are able to sell to customers in the state of CT. S: I'd love to grow our e- Store and will be working with Dennis going forward to do this.

10-None. There is not enough demand or room for merchandise. S: With our current parts department maxed out for space, we cannot really afford to sell merchandise. If/when we renovate/move to a new building, that will be something for us both to keep in mind.

11-There is not an outside salesperson. Parts Manager does try to get out and visit shops to see how we are taking care of them or to assist them in repairs when slow. S: I will be going out with Dennis going forward to try and acquire new business. That will include body shops, repair facilities, etc. in our area to increase the profitability of the department.

12- AHM does not offer merch money. S: As of this time, Honda does not offer merchandise money according to our DPSM.

13-The estore is mobile ready. S: I will work with our website provider to optimize and update our e-Store for mobile and desktop platforms.

14- PM signs off on the coupons when they are presented. S: Parts manager is the only one who can check off on parts coupons. Dennis and I will be working together going forward to update our specials at least once a month.

15-Expense reports are not provided to PM. As long as dept is profitable staffing levels are determined by pieces sold. It takes just as much effort to sell a 50 cent clip as it does a \$5000 engine. Pieces sold are a better standard that defines actual workload and time spent. 1400-2000 pieces/employee/month is industry avg. S: To be honest, I'm not sure we've had enough communication with the Parts Manager when it comes to departmental gross profit. I will devise a monthly report and review going forward to share with the PM and make necessary changes.

16-Parts is actively looking for profitable wholesale customers. S: As stated earlier, Dennis and I will be working together to find more profitable wholesale customers going forward.

17-Sales should be having every customer look over and sign off on an accessory sell sheet. Parts does not have an area for an accessory showroom. Sales showroom doesn't have a single car with an accessory on it. S: We both agree that we're leaving potential sales and gross profit on the table. I will work with the owner to get an area for merchandising and to accessorize more showroom vehicles. I've also instituted a sign off sheet for sales customers, sales persons, and sales managers to all sign off on that the accessory sheet has been presented. That way we know every customer is being shown that they can customize their vehicle to their liking and gain gross profit.

18-Wholesale customers are reviewed periodically. Small delivery radius and smaller structured discounts ensure profitability. Returns are followed closely. S: Yes we do and most of our wholesale customers are within 10 miles of the dealership. We're going to look into growing this market while remaining profitable.

19- Major wholesale dealers in our area : Balise Honda and Westbrook Honda. They offer larger inventory and steep discounts. They can not touch our level of service or knowledgeable personnel. Up until 2004 we only delivered to Milford, Orange, Stratford. Burnt a lot of bridges and tons of missed opportunities along the way. S: Fortunately, the past is the past and I look forward to growing our wholesale market given our new understanding of the business.

20- No discounts are given without copies of business license and tax ID#. S: All of our wholesale accounts are currently within two years with their wholesale certificates/licenses. We'll continue to ensure that that stays the same going forward.

22- Credit is approved by PM and forwarded to controller. Any past due accounts the controller notifies PM and PM goes after the money. S: Dennis and I will be establishing monthly tolerances for each account where we extend credit. Based on volume and profitability, these limits will obviously vary on a case by case basis.

23-No. S: Dealer principal has not really given these guys the tools to succeed. Going forward, I will ensure they have the data and tracking they need to do their jobs as effectively as possible.

24-All CP SOR's are prepaid in full, Electrical, used, special order parts are not returnable. All eligible returns must be made within 10 days and subject to 20% restock fee. Notice is posted on receipt, Cashier window, and at the front parts counter. Phone orders are told verbally. S: Dealer principal enacted this policy when he opened in 1986. It's worth discussing on a management level to update and amend if need be.

25-Yes. Counter and customer pay are prebilled at the time of ordering. Wholesale customers are billed at time of delivery. Wholesale customers who continue to cancel without calling or excessive returns are made to prepay. S: All Special Order parts must be pre-paid in full with no exceptions for customer and counter sales. We feel this policy has served us well. No we don't require that with wholesale but any past due accounts we require pre-pay until they are caught up.

26- 25 days and a 2nd phone call is made for warranty jobs, parts are returned after 45 days. No second call is made to retail customers, returned parts order cards are held in separate location for 3 years. S: We need to be making follow up calls to our retail customers. One phone call does not suffice in my mind and a process needs to be established for this going forward.

27-Counter men for retail over the counter, Counter men, dispatcher and customers advisor for down in shop cars. S: As far as I know, we've never had any major issues with this process. We should still have it written down so everyone understands exactly what they should be doing.

28- Depends on who fills out the form. S: We need to work on a process where SOP's are typed instead of hand written. I feel that will help us eliminate mistakes or issues that stem from poor handwriting.

29-Service SOPs are stored in a separate location. 6 bays for smaller items and 3 bays for larger bulk items. PM calls customers. If he talks with customer he books them an appointment. PM manages SOP parts and when to return them. Special consideration for customers with lengthy service history. S: I think we should establish a follow up process to ensure lower return ratios of SOP's. Perhaps a second and third call would help drive our SOP returns down.

30-SOP are isolated in a separate location. S: We do have a limited space for our parts department. I think we can make this even better by using another part of the department and making bins.

31- Parts has the PO book. There are no limits on parts purchases or sublets. A RO needs to be generated and referenced on the PO. We do not use electronic PO's, we manually fill out the po from a book, controller verifies that the receipt, PO and what was charged on the RO are correct. S: I want to move to an electronic system moving forward. That will ensure accuracy and give us data/trends so we can monitor and correct any issues we may be having.

32- Controller oversees any purchases and posts them to the appropriate account. S: The controller and I will be meeting with Dennis going forward to ensure there are no issues.

33-Owner has dictated internal pricing policy. All purchases should be run through the parts department. S: Dealer principal established them but we need to update/look into our policies soon.

34- Parts inventory exceeds what is on the FS. S: Owner has parts in the parts department that really should not be there. This leads to inaccuracy on the FS.

35- N/A. S: See above answer.

36- No. Owner has a way of doing his accounting, Daily perpetual bin counts keep physical and values on the DMS true. S: No because the owner has is set up the way he likes it. The owner gets to do whatever he wants. I want to change this going forward to establish accuracy on the FS and Parts Dept. for our monthly reconciliations.

38- All employees have been trained to perform said tasks. S: Not currently but I

want to establish who does what jobs going forward. That will allow me to better gauge how my parts department employees are performing going forward.

39-Honda determines what is mandatory training, Parts Manager decides what training the employees go to. S: Training comes straight from our DPSM and the factory. We need to revamp our own internal training process and onboarding process asap.

40- Self studies and workshops are recorded. S: All factory training is tracked on our IN Network. We do still need to establish an internal training process and write it down.

41- PM has not taken any financial training. PM has attended several inventory control & management courses. As well as situational leadership, parts science, Parts Management fundamentals. S: Parts Manager needs to be involved going forward and receive training on Financial Management.

42- Parts Department could use larger monitors, and excel program otherwise equipment is adequate. S: Parts Department could certainly benefit from some newer computers/monitors/software going forward. Dennis and I will be discussing this going forward.

43-44 PM makes the adjustments, majority of the adj are parts that are billed but not ordered or needed on certain service bulletins. S: Dennis and I need to investigate this more in depth going forward. We have not made changes in a few years and that worries me.

45- Last month emergency purchases were 1.5% of all receipts. 1.8% YTD S: Low percentage as seen here. We want to keep this number low going forward.

46-47 MGR reports are in office. Reports are reviewed Daily, Weekly, and Monthly S: They are kept in the Parts Department office. We review them, but they can certainly be better utilized going forward. WE will be using the DMS Scorecard going forward for our Monthly meetings.

48-Adjustments for prepaid SORS are done daily. Adjustments when QTY is off is done during perpetual inventory & while selling said part. Investigation is done and PM needs to authorize Neg or positive adjustment. S: Dennis handles this although I'd like to do a few with him to learn how. So far we have had very few issues regarding errors in part value and quantity using this system.

49- Fast mover quantities are checked at the time of pulling/ billing parts. S: Yes they are checked when the part is pulled from the bin. We're looking into perhaps a more refined system for something like this.

50- PM authorizes all negative adjustments after investigation. S: Yes they are and Dennis conducts this himself.

51- Yes. Every counter men has taken the quiz. S: As of this writing, I checked and made sure everyone in parts took the Lost Sales Quiz. No one else in the dealership has taken it to date.

52- Yes. Anybody can log a lost sale. Parts manager posts lost sales weekly. S: New Google Doc should help to ensure the accuracy of Lost Sale tracking. I'm hoping with some accurate Lost Sale data we can identify some areas of opportunity for our parts department.

53- PM reviews lost sales when they reach phase in stage. S: I want to be involved in this process going forward.

54- Emergency purchased parts are review for prior demand, What other local dealers stock the part. Phase in and phase out values are set. S: I would like to be present when setting Phase In/Phase Out going forward for my own education. I think by monitoring these more closely we can ensure we have the optimal parts mix going forward.

55- 3 In 9. S: This is recommended by American Honda. I want to meet with our DPSM next time he is in to go over this and see if we can tweak a few things to optimize results regarding parts inventory.

56- N/A. Honda still lets the managers control their inventory currently. S: Honda currently allows the Parts Managers to control their inventory. I have no idea if this will change going forward.

57- All parts sold are from inventory. We stock lots of stuff that isn't in inventory; Plumbing, electrical, lawn & garden, lighting. S: Once again, some of these items are necessary for dealership operation and some are not. This is something I want to talk to the owner about going forward.

58- Verbal. All employees in S&R have been here for more than 12 years and know protocol. PM updates procedures. S: Verbal procedures that need to be written down, so I know what they are. That will allow we to better monitor parts personnel to ensure they're doing their jobs the right way.

59- PM handles most of the damage/ shortage issues. S: Dennis handles all damage claims and parts shipments received. I think he should train everyone else in the event of his absence to be safe.

60- PM receives order and checks in parts from the pick list. Shortages have OARs filed and Overages are dealt with situationally. S: Dennis handles all of this. Once again, I'd like him to teach everyone else how to do this so they know how going forward.

61- Perpetual is done regularly, Physical is not. S: Physical needs to be done but we also need to remove owner's personal parts for more accurate data going forward.

That way when we do physical inventory we don't have these types of discrepancies.

62- PM or APM does pricing update monthly. S: Dennis or Tom handle this monthly. I'd like everyone to learn how in case of an emergency.

63- Appreciation/Depreciation is tracked monthly, Emergency purchases for stock are tagged with updated cost. S: This is all tracked by Dennis and I asked him to teach the Assistant Parts Manager so they both know how to do it.

64- +2532.99 adjustment to inventory. S: I can't speak to this being too large of an amount. I'm hoping to get some edification on this.

65- Yes. S: Yes all obsolete parts are physically in the store. However, they may not all be in the parts department specifically.

66- No. Counter men should be looking at sales history prior to replenishing stock. S: No they are not but I would like to create an area for this going forward. That makes the most sense to both Dennis and I.

67- Advisors should be closing tickets out prior to EOM. S: I agree that they should be but we need to establish a process in order to ensure this. Inspect what you expect comes to mind.

68- Varies on advisor. S: We need to establish a written process to ensure that everyone is doing this. Otherwise, I have no way of knowing who is doing their job correctly and who is not.

69- Yes. Info available on DMS. S: Report is being provided and Dennis goes over it every day.

70- 2.9. S: According to the template, we're good to go in this regard.

71- 2.75 Under guide in months without an airbag recall mailer. S: The airbag mailer has been really helping lately with both the parts and service department. Yes it does match the Parts Excel template.

72- Yes. S: I believe we would benefit from some more space for the parts department. I think we can make a little more space by moving out some of the owner's personal items.

73- In office. S: In the Parts Manager's office and I have verified that the manual is in an easy area for access by all parts personnel.

74- Yes. All counter men have keys. Service manager and sales manager also have keys. S: I think only the Parts and Assistant Parts manager should have keys. I have one as well but I don't necessarily think the sales and service managers need them.

75- NO. N/A. S: All the parts/service money goes to the main cashier up front. I think going forward we may want to investigate getting the parts department their own cash drawer and ability to check people out.

76- N/A. S: Not applicable with the current setup.

77-No. S: We do not currently have cameras in the Parts Department. It's something the owner and I will be looking into going forward.

78. Training and updating the computer system in the parts department. I think my counter people would really benefit from some outside sales training. S: I think everyone in the parts department could benefit from some sales training. I'll be looking into this with the Parts Manager and Dealer Principal going forward.