

## Fixed Operations One Homework Assignment

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

1. 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” % (25 points).
2. Complete the DMS Scorecard for one month. Be sure to color code the inventory conditions. (25 points)
3. 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. 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. (50 points)
2. 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.
3. These three files must be submitted to your class Dropbox site together. Reach out if you have questions.
4. There is a Post Parts Class Threaded Discussion that will be activated exactly two (2) weeks after your classroom session ends. It is due the Monday before your Service Class starts. 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. This has a point value of (300 points).
5. 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 or gross profit. Please have all of them read just prior to your parts debrief the Monday of your Service Week. The class will ballot on the best idea at the 9:00AM break.

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## Parts Manager Questions

Have your parts manager answer the **78** questions found in this zip file. Confer and provide suggestive actions. **(50 points) Provide your answers in a different color font.**

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

We review monthly some things, other products we can do better on.

2. Compare the pricing policies in the parts department and see how competitive your Dealership is within your area.

We check every other month

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.

We tend to sit right in the middle

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.

Yes, it is set up to follow the customer type

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? What about Service Advisors?

Yes, the pricing is set across the board. Service advisors can only adjust pricing using a coupon

6. Is there a process 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))

Yes we have a process to prevent this.

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?

Yes they are

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?

We track from the sale type.

9. Do you have an internet presence for your parts department?

Yes we do

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?

We showcase our fast-moving products

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?

Yes we have a Wholesale team, 3 sales people on the team. They work for all the stores in the Colorado market. We pay a percentage of their salary.

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?

VW has a CO-OP program. So far, we have utilized the funds available. As of right now it is around \$2500

13. With the growing use of mobile smartphones by customers do you have a mobile ready website?

Our website is considered mobile friendly, it can absolutely be better for navigating our parts links

14. Do you periodically check your online internet Parts coupons? How often are they checked? How often are they updated?

We have them set up to be updated monthly.

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?

We need to get better at this comparison.

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

A very large portion of our business comes from Service but we are working our controllables ie. Wholesale and retail counter sales and online sales.

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?

We do offer but we need to refine a solid process.

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.

Our wholesale team does this.

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?

Yes, this is a focus of ours, Emich VW and Tynan’s VW both have a very large WS presence. If we lowered our margins, we may be able to pick up some of the accounts. We currently do not have the staffing to deliver 3x a day. We have delivered up to 100 miles for large orders.

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?)

Yes, I verify all customers.

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.

Our expenses are pretty well inline. There are absolutely things we can do to tighten up a bit.

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?

This is all done through the Asbury DSS, we get reports daily on customers who are behind or exceeding limits.

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

It is not done weekly; we do look monthly.

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

Our goal is to have 100% pre-paid. There are exceptions to the rule. It is written and posted at my desk. We review daily, as they age, myself, our service manager and GM get involved.

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

Our goal is to have 100% pre-paid. No we do not.

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?

There is no return charge to the guest, we do have a charge set up for Wholesale accounts if it a large return. Our time frame is based on the turn of the part in our stock

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

Counter person then service advisor.; If it ages, the parts manager, service manager and GM get involved.

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

Yes, they are printed not hand written.

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?

SOP is located in the parts inventory. The service advisors notify service customers, parts employees notify retail customers. Parts manager follows up with Service manager is they are not picked up or installed.

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?

They are inserted into the 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?

Our counter people make orders and put the PO in my basket. We don't have a set Dollar figure that required approval. I have to them to use common sense, if it a large order discuss it before ordering it. I monitor this daily.

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)

No, I do all the ordering from outside vendors. Payment to the vendors is signed off by myself, then goes to our GM then to the DSS for payment.

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

The parts policies are set by myself and the GM, we are set up to sell parts internally at list price. We can make exceptions but the rule is list.

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)

It is very close, any discrepancy is adjusted at inventory.

35. If the accounting inventory value is higher than the parts computer, look for the parts inventory missing items (uncontrolled inventory). (Monthly Reconciliation Exercise)

We do perpetuals monthly to know where we are.

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)

There may be an invoice that isn't posted, or an invoice that hadn't been received.

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

We don't use LIFO

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)

This is all done by me as the Parts manager. Order can be completed by my counter 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?

We need to get better at training our people. We do not have an official training for them. We do require our people to complete the VW factory training and the Asbury compliance training yearly. It is not connected to a pay plan.

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 we have them saved in the VW Web source

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

We had an official parts training set up with Larry Miller. It was the LHM Fixed academy. I attended this 6 years ago.

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?

I would say Asbury has us set up well the way it sits.

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?

Most of our order is automated, I make adjustments as needed but it is below 10% of the order. If we need to make an order typically is because we need extra of a certain part.

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

I wouldn't make a change

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

Our FTFR sits around 94%

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

They are stored at my desk, we track this in our DPR

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?

We discussed this and ran it at our store. I was able to get all the information needed to use the tool. It helped me (as a GM) understand our particular department. Andrew Was well aware and had the majority of the answers needed.

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

Part quantity errors are adjusted at the perpetual count. This is done weekly.

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

Yes, we check them weekly as well

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

I am the only one who can make adjustments.

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

Yes, we all did it together.

52. Others in the dealership?

No just the parts employees

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

Yes, all parts counter employees log the lost sales. We review them on the MGR report

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

I run the report daily but review lost sales monthly.

55. 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)?

We log emergency purchase as I/O, if they qualify our system automatically brings them into stock inventory.

56. 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?

We are set up for 2/6. 2 purchases within 6 months.

57. What is your Compliance % level for your inventory with your Vendor Managed Inventory, RIMPRO?

Im sorry but I do not know.

58. 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)?

Everything is in inventory with the exception of Bulk fluids (not oil) and shop supplies are not in inventory, they sit in a shop supply account.

59. Are the procedures for shipping and receiving written or all verbal? Who's responsible for reviewing and updating these policies and procedures?  
**They are all verbal, I am the one who updates as a parts manager.**
60. Who files damage claims on parts shipments received?  
**As the parts manager I do this.**
61. 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?  
**The parts driver receives and checks against the packing slip, if there is a discrepancy I step in.**
62. At a minimum, is perpetual inventory verification done in conjunction with a physical inventory on a yearly basis?  
**Yes, I do a perpetual monthly**
63. Who applies and loads the monthly price updates?  
**VW factory does this now**
64. 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)?  
**Yes, I track the adjustments daily on the invoices checked.**
65. What adjustments were required after the last physical inventory to the dollar value, etc., of the inventory?  
**Our adjustment last time was \$10129 over**
66. Are all obsolete parts that are on the inventory physically in the store?  
**Yes**
67. 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?  
**No they are not, because I handle the obsolescence I run reports and know what needs to go?**

68. Who verifies the completion of the repair orders between the first and second month they are reported in the work-in-process status?  
**Service typically does this.**
69. 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?  
**No, we run reports but need to get better at this.**
70. Is a daily operating report of sales, gross profit etc., being provided to the parts manager for review by him (DOC)?  
**Yes**
71. 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?  
**45% is where we currently are, this does match.**
72. What is the true turn of the inventory? Does that match the students calculations found in their FS Parts Excel template?  
**5.3 is our true turn. This is close to what the calculation shows**
73. 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, we have room. We are cleaning out another area to make room for additional inventory.**
74. 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?  
**These are all held online now, As the GM it is my responsibility,**
75. Is your Parts Department locked up each night? Who has keys?  
**Yes, we lock the department up each night. Parts employees have Keys.**
76. Do your Counter-people have a cash drawer? Who balances the drawer?

Yes, we have one cash drawer. The closing employee counts the cash and receipts the money.

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

If there is any discrepancy in the cash drawer the parts manager reviews to see where the error occurred.

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

We do not currently have a security system, once our renovation is complete, we will.

79. What one thing can your organization do to help you do your job better?

Having an onsite office would be a huge help. There is a lot of issues that come up not having someone to sit down and work through issues with.