

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? **Quarterly**
2. Compare the pricing policies in the parts department and see how competitive your Dealership is within your area. **We use a Matrix scale.**
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. **Not sure where these market surveys come from. Other than South atlant awe are competitive. They like to give a discount on everything.**
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. **We have different pricing for wholesale and retail**
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? **We run exceptions report. But we don't prevent it just monitor. There is a need for it. Advisors cannot access pricing.**
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 myself or Clay do this through inventory adj account.**
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 any difference is ed through the account.**
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? **Adjustment account mentioned above.**
9. Do you have an internet presence for your parts department? **Yes**

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? **The one tied to our home website, and each time Lexus does a promotional one and ties dealers to it. This cost us zero.**
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 two for the Nalley group. And they more than pay for themselves.**
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? **No we don't**
13. With the growing use of mobile smartphones by customers do you have a mobile ready website? **Not a parts specific.**
14. Do you periodically check your online internet Parts coupons? How often are they checked? How often are they updated? **Check them monthly update quarterly unless tied to a holiday or event.**
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? **Monthly and yes.**
16. Does the parts department actually seek additional revenue or “live off” the sales of the service department only? If not why not? **Yes we have a strong wholesale division, online sales and retail.**
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? **There is not currently a push for accessories. We don't have an accessories department. Yes potential sales are lost.**
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. **Not weekly but mainly look at out of town deliveries more than local. Local we run a regular route every day. If the shop is the route then all sales are justified.**
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? **Don't have to do this locally but do for out of town growth opportunities.**
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?) **We have an AR department**
 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. **Open Discussion**
 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? **Our AR department**
 23. Is the financial statement for the parts department given to the manager and discussed on a weekly/monthly basis? **No**
 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? **It is not written and posted. To be guest centric our SOP is simple. If a guest needs it we order it,**
 25. Do you require 100% pre-payment on these parts? Do you differentiate between Counter Retail/Wholesale and Service RO? **No.**
 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? **30 days. 20%**
 27. Who are the parties that are involved in the SOP process start to finish? **Whoever places the SOP**
 28. Are special order forms completed in a legible manner so that the customer information can be read? **Computer generated.**
 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 bins. Service writer, Go back when they rotate to the 30 day shelf. No need.**

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?
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? **Parts manager or assistant. Second question makes no since. The only PO's we write are for parts inventory so the manager and assistant.**
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) **Yes, Office manager or GM.**
33. Who established internal parts pricing policies? Are all internal purchases centralized and run through the Parts Department for control purposes? **Parts manager unless GM needs help. Not all some do go around parts**
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) **Exceed.**
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) **Not abnormal if monthly recs and perpetual bin counts are done as they are.**
37. If LIFO is used, when inventory value is used to calculate days' supply, etc., the actual value should include the LIFO reserve. **Not used**
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? **Yes (Functions vs Employee Exercise)**
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? **Don't really have a training program.**
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? **NA**

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? **No and have not.**
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? **We have the current correct amount of work stations and volume supports the amount of computers and team members.**
43. How much of the replenishment/daily order is manually adjusted? **0 – 1%** 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?
44. Is the trend of those changes in question #42 a positive or negative trend? **Current no trend either way. We are holding steady and will add computer and or team member as needed.**
45. What is the percentage of stock order from the factory versus outside purchase (emergency purchases)? **99%**
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? **Printed in parts, Stored on I drive and in office managers office.**
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? (Moments in Time) **Weekly with perpetual bin counts.**
49. Have the fifty most active parts numbers been checked for parts bin count accuracy? (Moments in Time) **Yes**
50. Are the transactions for each day reviewed by the parts manager to make certain that any adjustments made (plus or minus) are accurate? **They are only done by the manager or assistant.**
51. Have you given the Lost Sale Quiz to the parts Manager and Counter-people? Others in the dealership? **Yes**

52. Are true lost sales being tracked in your DMS? Who can log a Lost Sale? **Yes, everyone**
53. Who reviews the Lost Sales? When are they reviewed? **Manager, assistant manager. Month end**
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 as part of month end, No but phase in is used**
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? **3/12 CDK/DMS manages it from set up.**
56. What is your Compliance % level for your inventory with your Vendor Managed Inventory, RIMPRO? **Lexus does not require.**
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)? **Yes, No**
58. Are the procedures for shipping and receiving written or all verbal? Who's responsible for reviewing and updating these policies and procedures? **Verbal, Manager**
59. Who files damage claims on parts shipments received? **Parts manager, assistant manager, Warehouse 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? **Anyone of my warehouse team, manager or assistant. Yes via discrepancy report. Find part or file claim.**
61. At a minimum, is perpetual inventory verification done in conjunction with a physical inventory on a yearly basis? **Yes**
62. Who applies and loads the monthly price updates? **That is done by Lexus through Dealer Daily.**
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)? **That is done monthly per the MGR report.**
64. What adjustments were required after the last physical inventory to the dollar value, etc., of the inventory? **An overage adjustment.**

65. Are all obsolete parts that are on the inventory physically in the store?
I have no obsolescence
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? **See question 65.**
67. Who verifies the completion of the repair orders between the first and second month they are reported in the work-in-process status? **Manager**
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? **I follow the parts work in process.**
69. Is a daily operating report of sales, gross profit etc., being provided to the parts manager for review by him (DOC)? **Yes**
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? **We have a 35 day supply.**
71. What is the true turn of the inventory? Does that match the students calculations found in their FS Parts Excel template? **10.5**
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. **Currently is supports the FTFR.**
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?
74. Is your Parts Department locked up each night? Who has keys? **Yes it is and key parts personnel and the GM.**
75. Do your Counter-people have a cash drawer? Who balances the drawer? **Yes and the counter sales person/**
76. Is there a policy in place for overages for the cash drawer/balancing? **Yes.**
77. Do you have security cameras in the Parts Department? Who has access to the tapes/CD/backup? **Yes, Manager and GM.**
78. What one thing can your organization do to help you do your job better? **The one thing we can't have. More team members.**

