

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? **Semi-Annually.**
2. Compare the pricing policies in the parts department and see how competitive your Dealership is within your area. **Current pricing is competitive with other import stores in Nanaimo. We just did a comparison for the Service and Parts Department and were especially interested in how we measure up against other non-luxury import dealerships. We were right within the lower side of average.**
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. **Across the board we are on the low side. There is an opportunity here.**
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, we have a structure for pricing that can be measured. Right now we are not showing as much GP in the Wholesale segment and we need to review this further to seek improvement.**
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? **No, for parts. Yes, for Service Advisors.** **What makes sense for one certainly makes sense for both departments.**
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, these are fixed by parts manager**
 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**
 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? **N/A, these are not tracked. This needs attention. How do we measure something we don't have data on?**
 9. Do you have an internet presence for your parts department? **Basic contact info on dealership website. We are looking at our online presence across the board for all departments right now. As is typical the Sales Department has had pretty much all of the attention and budget it online advertising up until this stage. We are currently working with marketing on same for parts and service.**
 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? **Seasonal programs**
 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 salesperson. Size of store is not yet conducive.**
 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? **Yes, there are co-op funds provided by Subaru Canada. 90% of usage year-to-date**
 13. With the growing use of mobile smartphones by customers do you have a mobile ready website? **Not specific to phones**
 14. Do you periodically check your online internet Parts coupons? How often are they checked? How often are they updated? **No online coupons available. Looking at marketing initiatives in this area.**
 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? This was assessed a couple months ago and is up to date. Conducted by our HR Department and Human resources manager.
16. Does the parts department actually seek additional revenue or “live off” the sales of the service department only? If not why not? We do seek additional revenue. We ask questions, we upsell when it is relevant and brings value to the client.
 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? Yes, we have an accessories wall display in our delivery bay
 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. This has never been looked at. Parts Manager has reviewed this, our dealership does not have an issue.
 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, it is reviewed by Parts Manager. Not relevant comp. in my area. Yes, we deliver with 30KM radius as needed.
 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?) Accounting department. As of right now, these are not current. Yikes!
 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. Current pay structures have leanings towards Gross Profit.
 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? Accounting department. Every perspective client fills out a credit application which is accepted or declined. Accounting gives monthly updates on outstanding accounts. Advisement on credit limits, etc.

23. Is the financial statement for the parts department given to the manager and discussed on a weekly/monthly basis? **It is provided only when requested. Good feedback here. Should be an open book, and transparent to all managers.**
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? **No policy posted. Have been creating and implementing a new policy since August.**
25. Do you require 100% pre-payment on these parts? Do you differentiate between Counter Retail/Wholesale and Service RO? **Over the counter yes. Open shop Ros not at present. New process for shop ros in progress. Wholesale on monthly account.**
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? **One year before returned customer is charged 10% restocking**
27. Who are the parties that are involved in the SOP process start to finish? **Yes, these are typed printouts. Parts counter person/Parts manager, CRM, Client, Service Advisor.**
28. Are special order forms completed in a legible manner so that the customer information can be read? **These are typed for legibility**
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? **These are separated and parts in bins organized by letters of client last name. the bins are in the center of the parts department and highly visible. Parts manager determines if part is to be returned. Parts Manager keeps track of follow up.**
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 currently not separated from regular inventory. we need to get CDK involved with some advice on how to resolve this.**
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? **General Manager for all of the above. Fixed Assets threshold is \$1000**
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) **GAIN established pricing. All purchases done through parts Manager.**
33. Who established internal parts pricing policies? Are all internal purchases centralized and run through the Parts Department for control purposes? **Parts Manager for same reason stated above.**
 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)

Less than the financial statement
 35. If the accounting inventory value is higher than the parts computer, look for the parts inventory missing items (uncontrolled inventory). (Monthly Reconciliation Exercise)
completed
 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)
 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) **Parts manager does all inventory transactions for reasons of maintaining control.**
 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? **Both yearly review and pay plan. Parts training has always been in the hands of Parts Managers. Our company is currently implementing a training department which will provide a learning path and career progression for each department.**
 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? **No records, except through government. (ouch)**
 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, never and formal training. (wow. The parts Manager is literally the only manager in the dealership where this is a thing. Tons of management training for all other departments!)**

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? **It is sufficient. Within two years this will need to be enhanced from status quo.**
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? **It is adjusted less than 10%**
44. Is the trend of those changes in question #42 a positive or negative trend?
it is a positive trend.
45. What is the percentage of stock order from the factory versus outside purchase (emergency purchases)? **95% efficiency**
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 used weekly and stored in cabinet. Used to monitor OBS and Sales**
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? **It is used to track inventory DMS scorecard implemented for Sept onward**
48. How often is your Parts Inventory adjusted for errors in part value or part quantity? (Moments in Time) **as needed and Bin counts quarterly. As needed? Wondering about the value of a yearly physical inventory**
49. Have the fifty most active parts numbers been checked for parts bin count accuracy? (Moments in Time) **yes, quarterly**
50. Are the transactions for each day reviewed by the parts manager to make certain that any adjustments made (plus or minus) are accurate? **Yes, only done by manager**
51. Have you given the Lost Sale Quiz to the parts Manager and Counter-people? Others in the dealership? **Yes to parts manager. Counter people are next. Parts manager has been off on vacation for several weeks.**

52. Are true lost sales being tracked in your DMS? Who can log a Lost Sale? **Not consistently. We have determined that this is a must and an opportunity for change.**
53. Who reviews the Lost Sales? When are they reviewed? **Parts manager reviews weekly**
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)? **No**
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? **Manager by partseye system either three sales or lost sales in a year**
56. What is your Compliance % level for your inventory with your Vendor Managed Inventory, RIMPRO? **70%**
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)? **Everything is stocked & sold from inventory**
58. Are the procedures for shipping and receiving written or all verbal? Who's responsible for reviewing and updating these policies and procedures? **Verbal, working on written (parts manager). In progress**
59. Who files damage claims on parts shipments received? **Parts 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? **Parts person, crosschecked. Discrepancies are discussed with SCI**
61. At a minimum, is perpetual inventory verification done in conjunction with a physical inventory on a yearly basis? **Perpetual done quarterly. Goes back to the question of whether it would be valuable to conduct a physical inventory every 12 months.**
62. Who applies and loads the monthly price updates? **Parts manager**
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)? **Tracked by parts manager and accounting department**

64. What adjustments were required after the last physical inventory to the dollar value, etc., of the inventory? **There has not been a physical inventory in 5 years.**
65. Are all obsolete parts that are on the inventory physically in the store? **yes**
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? **They are not separated**
67. Who verifies the completion of the repair orders between the first and second month they are reported in the work-in-process status? **Parts manager and service advisor. Also service 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? **Parts and service, yes**
69. Is a daily operating report of sales, gross profit etc., being provided to the parts manager for review by him (DOC)? **No. Parts manager can look at**
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? **3 months supply. \$75,000. Technically too much.**
71. What is the true turn of the inventory? Does that match the students calculations found in their FS Parts Excel template? **7.19**
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. **It is currently adequate**
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? **At the front counter by manager and on line**
74. Is your Parts Department locked up each night? Who has keys? **Yes, manager has key and passcode along with parts person. General Manager has access also.**
75. Do your Counter-people have a cash drawer? Who balances the drawer? **No, receptionist has cash. Reception balances.**
76. Is there a policy in place for overages for the cash drawer/balancing? **N/A**

77. Do you have security cameras in the Parts Department? Who has access to the tapes/CD/backup? **No cameras**
78. What one thing can your organization do to help you do your job better? **More space!!**