

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 after class ends and will remain open until the Sunday before your service week begins. The topic is: What is the biggest challenge or obstacle that you think you will face in trying to implement actionable items that you learned in your parts class? This is a two-part exercise: Your first part is to post a substantial posting of 25 words or more outlining your challenge or obstacle. The second part is, you will need to respond to at least three (3) other students' topics with suggestions, observations, and ideas to help resolve their**

obstacles and challenges. To obtain full credit (worth 300 Points) you will need both parts, your obstacle and/or challenge post and at least three separate responses to your peers' challenges and/or obstacles.

- 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.**

Mark Michalski
mmichalski@nada.org
443-801-7768

Brian Crossin
bcrossin@nada.org
703-395-1570

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? **Subaru does every 90 days. Mazda/VW hasn't been done in over a year. Should be done quarterly!!!**
2. Compare the pricing policies in the parts department and see how competitive your Dealership is within your area. **Hasn't been done in over a year. Should be done quarterly.**
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. **Parts manager doesn't do. TO BUSY!**
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. **Computer system is set up for each category listed.**
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? **Myself, Parts manager, assistant manager and counter guys are the only ones that access to change parts prices. No service advisors are capable of changing parts prices. There isn't any processes or anything in place to keep anyone from changing prices without authorization.**

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. Parts manager and assistant parts manager are the only ones that can adjust cost.**
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? **Not being performed at this time.**
9. Do you have an internet presence for your parts department? **Minimal. Customers can submit in a parts request through our website but the counter person has to receive it, look up parts and call the customer back for info.**
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 have merchandising for all 3 brands but the sales are not pushed and very few things sold.**
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? **Do not have**
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? **Co-op money is available for each brand. To max % we have to have a bigger parts breadth and increased sales for all 3 brands. Currently working on a processes to increase those items**
13. With the growing use of mobile smartphones by customers do you have a mobile ready website? **yes**
14. Do you periodically check your online internet Parts coupons? How often are they checked? How often are they updated? **Yes. We review website coupons on a monthly basis.**
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? **Parts manager does not perform these reviews frequently. Only when there is a problem.**

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 has a decent wholesale business that boosts gross.**
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? **Subaru building pushes accessories on every customer purchase. Mazda/VW building, accessory sales are minimal. Customer usually has to ask for accessories. SO MUCH opportunity in this area.**
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. **Review is typically done quarterly not weekly. This needs to change.**
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 are only set up for single runs at this point. Secondary runs can be done occasionally but within a 10 mile radius.**
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 send to corporate for processing and to be filed.**
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. **Expenses are discussed in our monthly corporate store meetings.**
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? **We send to corporate for processing. Parts manager reviews size of facility, volume and credit score and sends a recommendation to corporate with application.**
23. Is the financial statement for the parts department given to the manager and discussed on a weekly/monthly basis? **Yes**
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? **Verbal**

- processes only which needs to change ASAP. Current parts manager set processes in place when he got to the store 3 years ago.
25. Do you require 100% pre-payment on these parts? Do you differentiate between Counter Retail/Wholesale and Service RO? **Service repair order and counter retail is 100% prepaied. Wholesale customers do not prepay for their parts unless they have had history of not paying their bills.**
 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? **45 days. Customer parts are prepaid before ordering.**
 27. Who are the parties that are involved in the SOP process start to finish? **Counter guys initiate the orders. Assistant parts manager orders and receives parts. Parts manager handles any returns needed.**
 28. Are special order forms completed in a legible manner so that the customer information can be read? **Yes**
 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? **Special order parts have several shelves for just those parts. Assistant parts managers contact wholesale parts that have arrived. Service Appointment coordinator calls for any service customers.**
 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? **Parts are separated.**
 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? **any parts counter employees can issue PO's. There is not a set \$ needed to get prior authorization at this time. This needs to change**
 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) **I oversee the parts manager. The counter guys and parts manager have access to get parts from outside vendors.**
 33. Who established internal parts pricing policies? Are all internal purchases centralized and run through the Parts Department for control purposes? **Pricing was established before parts manager arrived at this store and it has not changed. This needs to be reviewed immediately.**

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)
We exceed our financial statement in this category
35. If the accounting inventory value is higher than the parts computer, look for the parts inventory missing items (uncontrolled inventory). (Monthly Reconciliation Exercise) **Less than**
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.
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) **Each employee has job duties assigned to them. We try to crosstrain each employee to learn all aspects of the job so if someone is absent, business will continue as normal.**
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? **Parts Manager trains employees. Training hasn't been reviewed and followed up on in our parts 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? **Yes on Manufacturer training. Last time that there was any OE training was within the last 6 months.**
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**
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? **Just have computers and phones. Really need a scanner system to help with check ins and returns. Until the fixed operations departments become profitable, the owner doesn't want to invest the money.**

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?
1-2%. Lost and increased sales are the only time that its adjusted.
44. Is the trend of those changes in question #42 a positive or negative trend?
Negative
45. What is the percentage of stock order from the factory versus outside purchase (emergency purchases)? 90-95% stock order
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? DMS reports are not being used frequently. Parts manager, does not review with his team.
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? The summary isn't being used as it should be. I would really like to incorporate the DMS scorecard, but processes for other items need to be put in place first before we can fine tune it.
48. How often is your Parts Inventory adjusted for errors in part value or part quantity? (Moments in Time) 2-3 times week
49. Have the fifty most active parts numbers been checked for parts bin count accuracy? (Moments in Time) yes. The parts department does a recycle count about once a week
50. Are the transactions for each day reviewed by the parts manager to make certain that any adjustments made (plus or minus) are accurate? NO
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? No. This has been discussed multiple times since my parts week. The parts manager has not implemented the correct processes to track lost sales.
53. Who reviews the Lost Sales? When are they reviewed? Parts manager should be but lost sales are rarely being tracked at this time.
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)? **Subaru has a parts program called “parts eye” that does well with this. Mazda/vw do not**
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? **2 hits in a 3 month period**
56. What is your Compliance % level for your inventory with your Vendor Managed Inventory, RIMPRO? **Not sure**
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)? **Some parts do not go into inventory before being sold. Washer solvent, refrigerant, bolts and other shop supplies go straight into shop supplies account. This needs to change now**
58. Are the procedures for shipping and receiving written or all verbal? Who's responsible for reviewing and updating these policies and procedures? **All processes in our parts department are verbal. They only get reviewed at this time when new hires are introduced in the department.**
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? **Assistant parts manager checks in the stock order. It is not cross checked at this time. Parts manager files/claims on shortages and damaged parts.**
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? **Our DMS and IT departments have automatic updates setup.**
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)? **Not tracked but done during physical inventory.**
64. What adjustments were required after the last physical inventory to the dollar value, etc., of the inventory? **POSITIVE \$12,000**
65. Are all obsolete parts that are on the inventory physically in the store? **Not all, some are at a warehouse across the street.**

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? **No. lost sales are not tracked so this doesn't help us. Our obsolete parts are a mess at this point. We will hopefully have obsolete parts down to a manageable level with 2-3 months. Money has been set aside to write them off but the parts manager has failed to complete the task.**
67. Who verifies the completion of the repair orders between the first and second month they are reported in the work-in-process status? **Service and parts managers**
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? **Yes, all department heads run an open repair order list daily and monitor.**
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? **The numbers that the parts manager gives me does not match what we discussed in class. A lot of excuses at this point.**
71. What is the true turn of the inventory? Does that match the students calculations found in their FS Parts Excel template?
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. **No. We could definitely use more room. We've got extra warehouses and space but not in parts department area.**
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? **We have a HR resource tool called COMPLI. Every employee has a log in and access to all policies and procedures for each department.**
74. Is your Parts Department locked up each night? Who has keys? **Yes. Managers and parts employees are the only ones with keys**
75. Do your Counter-people have a cash drawer? Who balances the drawer? **We have 1 centralized cash drawer that only 1 person gets into. That person balances daily.**
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? **We do not currently have security cameras in parts**

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

Our organization needs to hold employees accountable for their job description. Me being fixed operations manager needs to be more involved. I inherited a train wreck and concentrating more on getting service up and running first. The parts class and this survey tells me that I need to be significantly more involved in our parts area. We tell our people in parts what to do, but do very little training or follow up. Accountability is going to be key for this department to start to grow.