

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. Please email all of the assignments to me at cbavis@nada.org and include your name and class #. Remember that this is due the Monday before your service class starts. This allows the instructor to grade it prior to your arrival. Good Luck. Reach out if needed.
4. There is a Post Parts Class Threaded Discussion that will be activated exactly two (2) weeks after your classroom session ends. It will be open for two weeks only. 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?
 - a. We do not currently have a process for doing this on a regular basis.
2. Compare the pricing policies in the parts department and see how competitive your Dealership is within your area.
 - a. We are competitive with the local parts store. We are less expensive than the other local GM stores.
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.
 - a. We monitor this well on a continuing basis. We know which parts stores locally sell less than we do so we know when we will have to discount to be competitive. We also know that we tend to price less expensive than the other local GM store.
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.
 - a. Retail, RO, and internal are priced at list. Wholesale is priced at cost plus 20%. Employee is priced at cost plus 10-20% depending on the price of the part.
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?
 - a. Counter people do have access to discount, service advisors do not.

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))
 - a. No, the cost we input is the price that we paid to purchase the part from the wholesale vendor.
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?
 - a. No, unless the part is for a warranty repair that will need a credit applied for to make up the difference in cost.
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?
 - a. It is tracked in the 688 acct.
9. Do you have an internet presence for your parts department?
 - a. 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?
 - a. We advertise specials and discounts on our website as they are available, typically mirroring the OEM. We participate in the GM Accessory website program that links accessory sales functions to our website. We also just enrolled in the OE Connection eBay program via GM. It allows us to list any part in our inventory on eBay. Our cost is simply shipping, \$99 per month to OE connect, and roughly 13% of the sale to eBay and Pay-pal. OE Connection eBay program is new to us so I don't have any ROI data on it, but from talking to other dealers that are on the program it works.
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?
 - a. No
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?
 - a. Yes. We have spent 100% of the iMR funds that we get for fixed ops. However, we have only spent about 10% of what we have available for parts conquest. The program is designed for conquest of aftermarket parts on body shop quotes. If you handle the program without fudging the rules then it makes it difficult to redeem the transactions as the programs are pretty strict.

13. With the growing use of mobile smartphones by customers do you have a mobile ready website?
 - a. Yes
14. Do you periodically check your online internet Parts coupons? How often are they checked? How often are they updated?
 - a. Yes. We check and update on a regular basis. We like to mirror programs that the OEM is advertising for accessories on the OEM site.
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?
 - a. Our pay is in line. If anything we could probably pay more to our counter people.
16. Does the parts department actually seek additional revenue or “live off” the sales of the service department only? If not why not?
 - a. We live off of the service lane. We have a couple of large w/s dealers in our market. It would be a large undertaking to get into that business. Currently we do not have the parts management or staff to take that on.
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?
 - a. We do have a very good display of accessories in our new vehicle showroom for accessories. The location of our retail parts window is horrible. It is a challenge to sell retail parts and accessories in our store. We do a fair job but are have made it a focus to sell and do more.
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.
 - a. The limited w/s business that we do is continually monitored in terms of profitability, returns, location, and relationship.
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?
 - a. Our two major players are Weirs and Miles. Both have large delivery and inventory operations. Like I said before, at this time we are not in a staff or management position to take on large w/s operation.

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?)
- a. Our dealer group has an application process to verify if an account is truly w/s or not.
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.
- a. Month to month we do not have a great deal of variance in expenses in our parts department. Expense control in our parts department is monitored by the part manager and the general manager. I don’t want to call them fixed but let’s call them consistent.
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?
- a. Like I said in question 20 we have an application process pertaining to w/s and other customer credit accounts. The customer applies just as if they are applying for any other line of credit. We check references, local reputation, time in business, previous experiences within our dealer group, returns, etc. Several of us on the management team discuss the applicant then provide a credit decision and or limit. Our group has a “bulldog” doing receivables in the accounting department and we ALWAYS know when an account falls in the rear by anything over 30 days. If necessary, management gets involved in chasing the money owed.
23. Is the financial statement for the parts department given to the manager and discussed on a weekly/monthly basis?
- a. The parts portion is given to the manager and discussed on a monthly basis.
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?
- a. Our policy for SOP’s is for crap.
25. Do you require 100% pre-payment on these parts? Do you differentiate between Counter Retail/Wholesale and Service RO?
- a. No, we need to implement and enforce a policy on SOP’s at all levels.
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?

- a. We do have a policy on returns. No returns after 90 days. Must have some sort of receipt. We will not accept any open, damaged, or soiled packages. We do not have a restocking fee.
27. Who are the parties that are involved in the SOP process start to finish?
- a. Service Advisors, Counter People, Parts & Service Managers.
28. Are special order forms completed in a legible manner so that the customer information can be read?
- a. Yes, they are all computerized.
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?
- a. SOP's for service have their own location. Service Advisors notify the customer that their parts have arrived. The Parts Manager determines when to send the part back or to put it in stock, and we do not have an issue of the parts not getting returned.
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?
- a. SOP's have their own special little place in the parts department.
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?
- a. The accounting office controls and monitors the purchase order system, including all \$\$ levels and and open PO's. Any PO's that are out of the ordinary or excessive in amount are brought to the attention of the GM.
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)
- a. Yes, the assistant manager does. The parts manger reviews all invoices that come into the department daily. The payables department in the accounting office double checks and oversees the parts manager.
33. Who established internal parts pricing policies? Are all internal purchases centralized and run through the Parts Department for control purposes?
- a. Internal parts pricing policies are set up by general and parts management. Internal purchases are run through the parts department.
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)

- a. The statement value is more but not by much.
35. If the accounting inventory value is higher than the parts computer, look for the parts inventory missing items (uncontrolled inventory). (Monthly Reconciliation Exercise)
- a. The accounting value is slightly more than the parts computer. The difference is only \$2552. I think that this could be attributed to the moment in time that the reports were run.
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)
- a. N/A
37. If LIFO is used, when inventory value is used to calculate days' supply, etc., the actual value should include the LIFO reserve.
- a. Yea, great question. No idea. Don't remember discussing anything remotely close to this topic in class. Bad question, bad question.
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)
- a. Do we have a chart... no. However, we do have complete job descriptions entailing what the employee's job duties and responsibilities are for their respective position and shift.
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?
- a. The parts manager & the general manager controls training programs for parts employees. All employees have an annual review with their direct supervisor, pay plans are addressed as necessary at that time.
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?
- a. Close records are kept on OEM training. However, we are due to have our DMS provider come into the store and do some training with parts to better utilize the tools that it offers.
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?
- a. Our current parts manager went to GM parts college in the mid 90's. In the last 5 years he went to a week long DMS class to learn to better utilize the

system. Our assistant manager attended NADA parts week with me. He will be our parts manager when our current manager retires in the next six months.

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?
 - a. Our current computer system is set up efficiently with user and customer friendly (internal and external) stations.

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?
 - a. Daily order/ replenishment is mostly automated and maintained by RIM. It does not exceed 10%, all adjustments are done by the manager. Potential reasons for adjustments could be things like seasonally sold parts or a recall.

44. Is the trend of those changes in question #42 a positive or negative trend?
 - a. We aren't in a position that we need to make a change there so I'm going to call it positive.

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

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?
 - a. Until I came back from class, I think that a lot of the processes and procedures came from a 30-year parts manager's gut and experience. He will be taking that all with him in six months when he retires, and I have began asking more questions about reports and reporting so that I know more about what is going on in that department. I have been having the counter person reports provided to me so that I can keep an eye on discounting. I have been plugging our numbers from the financial statement into the performa monthly to help monitor opportunities for growth. Monthly I have been asking for the monthly analysis 2213 report so that I can do the inventory reconciliation and monitor any variances. have recently discovered a fill rate on repair order report that is good for looking at EP & SOP's on RO's.

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?
- a. The DMS summary is being used to track inventory trends, we are doing a pretty poor job of tracking lost sales. We will be incorporating the DMS scorecard. It has made analyzing the data from the summary report easier.
48. How often is your Parts Inventory adjusted for errors in part value or part quantity? (Moments in Time)
- a. It is being done at when we do inventory.
49. Have the fifty most active parts numbers been checked for parts bin count accuracy? (Moments in Time)
- a. 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?
- a. Yes. The parts manager cross checks them with invoices.
51. Have you given the Lost Sale Quiz to the parts Manager and Counter-people? Others in the dealership?
- a. Yes! Everyone in parts and service has done the lost sale quiz!
52. Are true lost sales being tracked in your DMS? Who can log a Lost Sale?
- a. Any one in parts can log a lost sale. They are not tracked well in the DMS. We do a shitty job of tracking lost sales, and is a definite opportunity for growth.
53. Who reviews the Lost Sales? When are they reviewed?
- a. The manager is supposed to.... Like I said, it is not something we are good at.
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)?
- a. Also a process we are not very good at....I feel that we rely too heavily of RIM and tend to use RIM as a crutch. I may be wrong but our non-OEM EP are done as an in/out so we are never showing the part in inventory. If we did a better job of tracking this we would be able to make a better decision to phase in a part.
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?
- a. Non-OEM parts are set up to phase in at 3 in 12. RIM manages the OEM phase in/ phase out.

56. What is your Compliance % level for your inventory with your Vendor Managed Inventory, RIMPRO?
- We are at 89% compliance with RIM. We are required to maintain 85% purchase loyalty to qualify for GM's PASE program.
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, all parts are put into inventory then sold. Shop supplies are not put into inventory.
58. Are the procedures for shipping and receiving written or all verbal? Who's responsible for reviewing and updating these policies and procedures?
- Procedures for shipping and receiving are both written and verbal. They are written in job descriptions and verbally communicated during the day to day. The parts manager is responsible for updating policies and procedures.
59. Who files damage claims on parts shipments received?
- The parts manager does.
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?
- The parts manager and the receiving clerk/ delivery driver receive parts. Yes, the stock order is cross-checked. Discrepancies are all corrected by the parts manager.
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?
- The IT department loads price updates.
63. Are parts cost adjustments (monthly price update es, 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)?
- They are tracked by the manger and done monthly.
64. What adjustments were required after the last physical inventory to the dollar value, etc., of the inventory?
- \$2737
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?
- a. Yes, obsolete parts are in a special area. They are tracked for sales history. The bin designation is J bin.
67. Who verifies the completion of the repair orders between the first and second month they are reported in the work-in-process status?
- a. General Manager, Service Manager, are Parts Manager monitor all open RO's. Any WIP with significant age like that is on the radar and monitored closely for completion.
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?
- a. Yes
69. Is a daily operating report of sales, gross profit etc., being provided to the parts manager for review by him (DOC)?
- a. The manager has access to monitor it himself in the DMS.
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?
- a. The months supply of inventory is 1.54. The calculation in the excel template is 1.78. There are not too many parts in stock based on this calculation.
71. What is the true turn of the inventory? Does that match the students calculations found in their FS Parts Excel template?
- a. The true turn is 1.5. Yes it matches the student calculations.
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.
- a. Yes
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?
- a. All managers in the dealership have a hard copy of the policies and procedures manual in their respective offices. All employees have access to the same manual online in the Compli system.

74. Is your Parts Department locked up each night? Who has keys?
- a. Yes. Too many people have keys. You mean everyone in the store should not have access to the parts room? Clearly a problem that we need to remedy as I have been digging more into it.
75. Do your Counter-people have a cash drawer? Who balances the drawer?
- a. No. The cash drawer is at the cashier station.
76. Is there a policy in place for overages for the cash drawer/balancing?
- a. N/A
77. Do you have security cameras in the Parts Department? Who has access to the tapes/CD/backup?
- a. No