

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.**

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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 are your dealerships source pricing levels reviewed for competitive maintenance and heavy repair? **At least yearly, and also whenever Service Dept. adjusts their hourly rate.**
- 2.** Compare the pricing policies in the parts department and see how competitive your Dealership is within your area. **Our pricing is 3% +/- lower than nearby dealers, and about 5% higher than non-dealer (AutoZone, etc.)**
- 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. **Our filters are very competitive (+/- 2% with other sources, but other over the counter accessories (mats, bedliners, etc. are approx. 10% higher than the competition).**
- 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 – specification listing targets customer pricing by category, and is stored by code in system.**
- 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? **Parts counter people can adjust prices, but no one in the service department has the ability.**

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 – through receipts (reports 2062/2063)**
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 discounted through code 558E**
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? **Through 558E code.**
9. Do you have an internet presence for your parts department? **Currently just what is listed on the dealer web page and the national Mopar site.**
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? **Currently only specials listed on our dealer website and display in parts boutique. Cost is close to 0%, with close to unlimited % ROI.**
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? **Currently there is no outside salesperson for the department. Manager is functioning in this capacity.**
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? **Mopar One dollars are available as earned. Manager looking into guidelines for earning more funds currently.**
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- IT manager reviews website weekly and checks with dept. managers.**
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? **Pay plan review is currently in progress, post academy class. Current sales are providing sufficient profit for compensation levels.**

16. Does the parts department actually seek additional revenue or “live off” the sales of the service department only? If not why not? **Yes, department seeks additional revenue through front counter sales and wholesale.**
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 have a hat coupon which is included in every sale, but additional points of sale and items are needed.**
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. **Reviews of pricing/business justification are being conducted quarterly, not weekly.**
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? **Our dealership doesn’t focus on body shop business, and the major wholesale player comes from a town approx. 40 miles away. Our resources are too limited to be competitive in delivering often enough to unseat them.**
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?) **Parts manager adds all tax id#s and verifies eligibility and adds paperwork to master file.**
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. **Currently no bonus plan exists that use expense control as a metric. Slippage from bulk oil fluids is significant expense.**
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 business manager and parts manager approve all new credit lines and follow receivables in weekly meetings.**
23. Is the financial statement for the parts department given to the manager and discussed on a weekly/monthly basis? **It is provided, as well as access to Reverse Risk (comprehensive online statement analytic tool).**
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? **Policy**

- is for all SOP orders to be prepaid, except warranty items. It is written and posted in service counter area.
25. Do you require 100% pre-payment on these parts? Do you differentiate between Counter Retail/Wholesale and Service RO? Yes – 100% on all SOP's unless warranty.
 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? 90-120 days, and a 2% charge is assessed on all late returns.
 27. Who are the parties that are involved in the SOP process start to finish? The front/rear counter people, the service manager, and the service writer and tech working on the vehicle.
 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? The SOP's are in a reserved area in the back of the parts dept. The service advisor notifies the customer when parts arrive, and the parts manager determines when/if the part will be sent back.
 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? The majority are put into the SOP bin; a few warranty SOPs are in 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? The parts manager controls the PO book exclusively, and there is no dollar amount level set which requires higher approval.
 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) Our senior front counter person can perform direct purchases from outside vendors as well as the parts manager. The controller and business manager oversee the parts manager.
 33. Who established internal parts pricing policies? Are all internal purchases centralized and run through the Parts Department for control purposes? The parts manager sets internal pricing, and the only internal purchases which can change

- are used vehicle reconditioning parts if agreed upon by the UCD manager and parts manager.
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) Unfortunately, there has not been a complete inventory performed in 3 years.
35. If the accounting inventory value is higher than the parts computer, look for the parts inventory missing items (uncontrolled inventory). (Monthly Reconciliation Exercise) Complete inventory currently being scheduled.
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 necessarily – proactive parts management can result in an appreciation factor.
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) Because of the small staff size, the parts manager performs all of the functions listed above, so that the counter people can stay engaged and answer 100% of the phone calls quickly and minimize waiting at the counter.
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 monitors and manages the training, which is done through Chrysler site. Current certification is a component of the 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? Our records are stored on Dealer Connect, and our Reynolds system requires quarterly training updates. We do consistent parts catalogue training.
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 Financial Management training, but did attend Management training 5+ 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? **Current system is functioning well, and is added to as more employees are onboarded.**
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? **Approximately 6% of the replenishment order is manually adjusted. The parts manager makes any changes, and ARO gives weekly stock suggestions.**
44. What is the percentage of stock order from the factory versus outside purchase (emergency purchases)? **78% stock orders, and 22% SOP and outside purchases.**
45. 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 printed and stored in parts, but not used daily. Negative on Hand is checked daily, and the counterman report is also checked.**
46. 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 not currently used, but it will be in the future. The obsolescence portion is very important, as well as the % of active stock parts.**
47. How often is your Parts Inventory adjusted for errors in part value or part quantity? (Moments in Time) **Parts manager checks perpetual bin count daily/weekly as time allows.**
48. Have the fifty most active parts numbers been checked for parts bin count accuracy? (Moments in Time) **No**
49. Are the transactions for each day reviewed by the parts manager to make certain that any adjustments made (plus or minus) are accurate? **Yes- the manager makes count and adjustments.**
50. Have you given the Lost Sale Quiz to the parts Manager and Counter-people? Others in the dealership? **Yes, prior to attending NADA class last month.**
51. Are true lost sales being tracked in your DMS? Who can log a Lost Sale? **Yes, they are tracked – rear counter logs lost sales.**
52. Who reviews the Lost Sales? When are they reviewed? **Parts manager tracks lost sales weekly, and is only one to log them.**

53. 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)? **Reviewed weekly on ARO**
54. 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? **It has to have 3 hits within 12 months, but if multiple hits are received in a short time, the number will be adjusted.**
55. What is your Compliance % level for your inventory with your Vendor Managed Inventory, RIMPRO? **We are at 94.2%**
56. 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)? **All parts are in inventory, and shop supplies are charged to the shop.**
57. Are the procedures for shipping and receiving written or all verbal? Who's responsible for reviewing and updating these policies and procedures? **Procedures are verbal; parts manager does all shipping and receiving reviews and updates.**
58. Who files damage claims on parts shipments received? **Parts manager.**
59. 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 manager receives the orders, which are dropped off here before opening. Order is cross checked when receipted.**
60. At a minimum, is perpetual inventory verification done in conjunction with a physical inventory on a yearly basis? **No**
61. Who applies and loads the monthly price updates? **Parts Manager does.**
62. 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)? **No periodic adjustments; only adjusted when inventory is done.**
63. What adjustments were required after the last physical inventory to the dollar value, etc., of the inventory? **We were + \$80,000 in inventory**
64. Are all obsolete parts that are on the inventory physically in the store? **Yes**
65. 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? Yes, in a separate bin location. J designation will be used going forward for ID purposes.
66. Who verifies the completion of the repair orders between the first and second month they are reported in the work-in-process status? The service manager and controller work together to verify.
67. 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? Not frequently – the service manager is in charge of organizing a better system.
68. Is a daily operating report of sales, gross profit etc., being provided to the parts manager for review by him (DOC)? Yes – report 2211.
69. 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? 1.7 months supply currently; slightly high inventory.
70. What is the true turn of the inventory? Does that match the students calculations found in their FS Parts Excel template? 6.0 true turns – calculation was 6.1
71. 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. Current inventory area undersized for level of business – FTFR percentage was 92%
72. 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? Policies are online and in print, with bound copies in each managers office.
73. Is your Parts Department locked up each night? Who has keys? Locked every night, parts manager, controller and I have the only keys.
74. Do your Counter-people have a cash drawer? Who balances the drawer? No department cash drawer – only cashier has money.
75. Is there a policy in place for overages for the cash drawer/balancing? N/A
76. Do you have security cameras in the Parts Department? Who has access to the tapes/CD/backup? Security cameras for outside entrances only. All managers can review playback.

77. What one thing can your organization do to help you do your job better?
Continued education; sending all department managers to training and requiring compliance with best practices.