

Parts Manager Questions

Have your parts manager answer the **78** questions found in this zip file. Confer and provide suggestive actions. **(50 points)**

Key: Black – Parts Manager Comment; Red – Steve's Comments

1. How often is your dealerships source pricing levels reviewed for competitive maintenance and heavy repair?

Assume each of our sources are competitive; do it every day with our folks' feedback. Continuously. Outside Parts Sales also provide feedback.

2. Compare the pricing policies in the parts department and see how competitive your Dealership is within your area.

Similar to above; reviewing on continual basis. **Only Policy – no one allowed to change cost except for Parts Manager. Only Assistant and Outside Sales can vary pricing.**

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.

Back to 1 and 2 ... don't send survey out. Customers will tell us if they can get it for less; and are upfront with us.

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.

Wholesale – Cost plus 10% (Mack and Hino)
Retail – Pricing Codes specific to Customers
Service – same for retail; specific to Customers
Employees – At Cost

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?

See #2; only Parts Mgr, Asst Parts Mgr, and Outside Sales ... Service Advisor's cannot change

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))

Costed at Mfr. Price Book; updated regularly (monthly – can vary vendor – to – vendor CDK Control – **only Parts Mgr. can change 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; they are all costed at the same factory price (recent change)

- a. Donaldson / Gunite – “whatever I get billed is what I put the cost” (Function PM)
i. Won’t update when price is updated by OE
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?

3rd Party Accounting has changed process so can no longer track special deals; because is not tracked at a part level. **Parts Manager can no longer see.**

9. Do you have an internet presence for your parts department?

Yes, Parts Select Store

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?

Parts Select – can utilize ... **Very Limited**

11. Is an outside salesperson active in your parts department? Are the sales at a level that “pays” for the employee or could the accounts be maintained on a part-time basis by the manager?

Yes – Outside SP pay for themselves (over \$200K in sales). **Clarify: \$200K per month**

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?

Assume “merchandising” is Co-Op; and we are eligible for Co-Op dollars for advertising based on our level of Sales. **50% based on specific criteria.**

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?

Parts Select Store – Mack does that. **We don't update it**

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?

Yes – using ATD guidance; we are understaffed in the Parts Dept. **A Scorecard has been implemented that allows us to track, and Yes; we are providing a sufficient profit for the pay 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 – 54% of our Parts Sales are Retail Counter. Do not “live off” of Service

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 very little walk-in traffic. Don't feel there's opportunity. **Our Camp Hill store does have a Chrome Display / Parts Showroom**

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.

We really don't have Wholesale Parts Sales. **The category on the financial statement (Parts-Wholesale) is really Hino parts.**

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 really don't have Wholesale Parts Sales

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?)

N/A

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.

Done every month - **incentive programs in place and reviewed monthly**

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?

GM checks credit approval; and review AR list w/Office Mgr. on monthly basis

23. Is the financial statement for the parts department given to the manager and discussed on a weekly/monthly basis?

Yes - Monthly

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 written / posted policy on SOR; “probably should” ... if Customer wants, pays for it.

25. Do you require 100% pre-payment on these parts? Do you differentiate between Counter Retail/Wholesale and Service RO?

No --

26. What time is set to retain these parts and then initiate a return? Is a return charge made on customer pay parts that are returned because the customer did not return for them within a time limit?

We charge customer 20% if they decide they don’t want the part

27. Who are the parties that are involved in the SOP process start to finish?

Customer, Sales/Front Counter (place order) ... then Receiving when parts received

28. Are special order forms completed in a legible manner so that the customer information can be read?

No Special Order Forms exist

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?

Parts for Service are staged; tickets print out at Receiving. Service Advisor's call customer to schedule truck in. **We've had a few instances where parts are sitting and Service unaware. Working to use case management (ASIST) to more effectively track and monitor status.**

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?

Technically put into inventory, but not regular inventory. **Put into WIP**

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?

Office Manager is Administrator. No approval level established. Comes to GM if order is trailerload or significant dollar amount (ie. engine).

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)

Not currently, but transitioning Asst Parts Manager will become Parts Manager in 2019

33. Who established internal parts pricing policies? Are all internal purchases centralized and run through the Parts Department for control purposes?

N/A – No Policy; dealt with on a case-by-case basis. More of when we don't charge customer -- goodwill

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)

Financial vs. DMS – not reconciled monthly. DMS is less than Financial Statement. **Would like to begin Monthly Reconciliation Process and have had initial discussion with Office Manager.**

35. If the accounting inventory value is higher than the parts computer, look for the parts inventory missing items (uncontrolled inventory). (Monthly Reconciliation Exercise)

“Gets printed on invoice where differences are found”

Not currently reconciling on a monthly basis – Opportunity!

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 currently reconciling on a monthly basis – Opportunity!

37. If LIFO is used, when inventory value is used to calculate days’ supply, etc., the actual value should include the LIFO reserve.

Do not use LIFO

38. Is there an employee responsibility to function chart as was discussed in class? Are there specific inventory transactions (Grading, Ordering, Receiving, Posting, Adjustments, Bin Count Inventory, Returns, Cores/Dirty Cores) assigned to each of the employees in the parts department? (Functions vs Employee Exercise)

Yes – “Org Chart” ... Ordering – Various ; Receiving – Lucas; Adjustments – Parts Mgr; Bin Counting – Everyone; Returns/Cores – David / Lucas

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 Managers - Part of the Yearly Review; Required to take Mack / Hino Training (Online); Managers – OE Seminars. No formal training program exists. Area of Opportunity to be intentional in cross-training team.

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?

CDK – Visit Twice/Year for Training. Parts Catalog/OE is ongoing and specific to topic/requirements

No – records are not kept. Opportunity.

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?

Yes – last training 2018 – Hino and Mack Training

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?

Yes – sufficient hardware, and location is adequate

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?

Hino – Weekly; adjust on Tuesday based on last 3 months; Parts Manager reviews and makes changes

EMR Orders are specific and not adjusted

44. Is the trend of those changes in question #42 a positive or negative trend?

N/A

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

First-time Fill approx 73%

“Not a lot” **No Emergency Purchases noted on MGR Reports**

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?

Parts Manager – prints out green bar reports; doesn’t look at same report daily

Able to print/generate report and print to DSDA (Archive)

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?

DMS Summary: MGR Report – Monthly Summary and Annual Benchmark

Started Scorecard Dec 2018; also working to incorporate other key information (First-time Fill Rate and True Inventory Turns)

48. How often is your Parts Inventory adjusted for errors in part value or part quantity?
(Moments in Time)

“Once / week”

49. Have the fifty most active parts numbers been checked for parts bin count accuracy?
(Moments in Time)

Just did Physical Inventory ... associate to begin doing bin checks

Project approved to begin Cycle Counting

50. Are the transactions for each day reviewed by the parts manager to make certain that any adjustments made (plus or minus) are accurate?

“Only do it when need to do it” ... **possibly monthly**

51. Have you given the Lost Sale Quiz to the parts Manager and Counter-people? Others in the dealership?

Yes – differences in Lost Sales definition; only being tracked by Fred

There are potential opportunities – need to begin tracking

52. Are true lost sales being tracked in your DMS? Who can log a Lost Sale?

Yes – but only if someone logs it in CDK. Anyone can log.

53. Who reviews the Lost Sales? When are they reviewed?

N/A (Opportunity)

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, we don’t do that. Added to the system”

55. What demand history does it take to place a part on the inventory stock order or in inventory? Time limit and quantity are generally managed by Vendor Managed Inventory systems?

3 Hits in 9 months ...

56. What is your Compliance % level for your inventory with your Vendor Managed Inventory, RIMPRO?

“Approx. 95%”

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 – everything is received into our Parts Inventory and sold from the inventory

58. Are the procedures for shipping and receiving written or all verbal? Who's responsible for reviewing and updating these policies and procedures?

No – don't really have written procedures for receiving. Mack/Hino has shipping procedures for returns. We do have procedures for special programs (ie. free freight).

59. Who files damage claims on parts shipments received?

Anyone can file damage claims

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 Employee receives the orders and checks packing slip with order sheet; if Lucas finds discrepancies – will likely file discrepancy

61. At a minimum, is perpetual inventory verification done in conjunction with a physical inventory on a yearly basis?

N/A – will implement in 2019

62. Who applies and loads the monthly price updates?

Automatically from OE (Mack and/or Hino)

Other: Example - Fram; Parts Manager will update

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)?

“Adjustments happen when updates occur”

64. What adjustments were required after the last physical inventory to the dollar value, etc., of the inventory?

Mack - \$30K ... **\$ 114,454 GP Appreciation in one month (2018)**
Hino (Camp Hill) - \$ 3,500

65. Are all obsolete parts that are on the inventory physically in the store?

In-Store or at OE Returns

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?

Consolidated and moved to special area and are tracked for sales history / binned specifically for excess

67. Who verifies the completion of the repair orders between the first and second month they are reported in the work-in-process status?

Reviewing on a weekly basis

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?

No

69. Is a daily operating report of sales, gross profit etc., being provided to the parts manager for review by him (DOC)?

Not Daily

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 – Yes; matches calculation. Exceeding guidance by one month (30 days)

71. What is the true turn of the inventory? Does that match the students calculations found in their FS Parts Excel template?

2.23 - Yes; matches calculation

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.

Yes and No – FTFR is 73%; so need to address breadth of inventory and reduce depth

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?

Tod/GM – “actually had a book at one time” ... “General Mgr's Office”

74. Is your Parts Department locked up each night? Who has keys?

Yes – Parts Mgr, some employees, Outside Sales

75. Do your Counter-people have a cash drawer? Who balances the drawer?

Yes – Office Mgr balances on monthly basis.

76. Is there a policy in place for overages for the cash drawer/balancing?

No

77. Do you have security cameras in the Parts Department? Who has access to the tapes/CD/backup?

No

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

- “Need to re-evaluate younger people's pay due to competitive warehouse jobs”
 - **Comp Review / Merit Planning Process set to begin in late January**