

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).**

Our Corporate Purchasing and or Corporate Parts Manger verifies prices on a weekly basis. Prices are adjusted accordingly to stay competitive with the competitors.

- 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?

Our Corporate Purchasing and or Corporate Parts Manger verifies prices on a weekly basis. Prices are adjusted accordingly to stay competitive with the competitors and to provide competitive pricing to our internal departments, as well as our outside customers.

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

I cannot speak on the behalf of policies and procedures of other dealers in the area. However, we strive to have the most competitive pricing in our market to accommodate our customers.

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.

We do not always have the lowest price, but we feel that our prices are fair and competitive. We do not always get the profit we would like on certain commodities either in order to be competitive in our market.

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.

We have different pricing guidelines in our business system that are based on the customer, area, and type. I will say that wholesale is probably the area we can tap in and have the largest growth potential.

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?

Most definitely! We have a daily report that provides the parts manager with any price change to a part. This report holds the counterperson accountable for changing any prices. Also, the price change has to be approved by the parts manager and/or the regional or corporate parts manager. Service advisors has no capabilities to change any pricing whatsoever. All price adjustments have to go through the parts department.

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))

Every parts invoice that is received into our inventory is verified by our accounting team to make sure cost matches what was posted.

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?

Each posting has to be the same as the vendors provided on their invoice provided with the exception of Caterpillar stock orders.

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?

They are listed in our financial statement as Other Income.

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

We the “Parts Online Counter” available for customers to look up and order parts via the internet.

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 a different merchandising program available to our customers on a monthly basis. Not only are savings passed along to the customer, but there is an incentive for our sales forces to execute on the merchandising program. The cost is relatively low as well as the profit. However, the volume of sales generally out-weigh both.

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?

We have to OSS at our location. Sales are currently taking care of the salespeople on hand.

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?

Paccar has a “Customer Loyalty Program.” It is a coupon program that is offered to customers on qualifying purchases.

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?

They are checked daily by our accounting team.

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?

Our financials that are provided to us monthly, helps us to determine if our expenses are being covered with new as well as tenured team members.

16. Does the parts department actually seek additional revenue or “live off” the sales of the service department only? If not why not?

Our service shop is where we have the biggest opportunity to grow. About 85% of our parts revenue comes from over the counter and OSS.

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?

There is allotment given to our truck sales team for add-ons; such as floor mats, wheel chrome, etc.

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 do not have any wholesale customers. Therefore, we do not have a set procedure or report that we view regularly.

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?

At the moment, we do not. However, we pride ourselves in being the most competitive in our market.

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?)

Our Corporate Parts Manager and our accounting team.

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.

Freight is an important expense. Taking control and managing the allocation of freight is expense that can easily be controlled.

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 have a third party company that takes care of our credit customers. We do not have in-house credit.

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

Our financial statement for the month is available on a daily 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?

All special orders are required to be paid for upfront for cash customers, unless approved by the parts manager and or corporate parts manager states otherwise. Parts can be returned if the OEM allows a return on the parts ordered with a 20% restocking fee. It is not posted in the lobby, but on the invoice itself.

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

For the most part, yes! It generally depends on the situation and what part or parts are being special ordered. As far as a repair order in service is involved, it depends on the repair and the dollar amount.

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?

Rule of thumb is three days for the parts to be picked up. There is a 20% restock fee for parts that the OEM allows us to return. Generally, the OEM allows us 30 days to make a return.

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

The counterman, parts manager, and cashier. As well as warehouse personnel once the part arrives and is received into inventory.

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

We print a quote ticket as a “paid in advance order” and the customer is provided a copy as a proof of sale.

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?

We have a separate shelf for the service department in the warehouse for special order parts. The back counterman is notified by our warehouse personnel that their parts have arrived with a pick ticket. Another pick ticket is attached to the part/parts itself in the bin. The counterman relays the information to the service writer and the service writer contacts the customer letting them know that their part/parts have arrived. The back counterman is responsible for checking the bin for returns.

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?

We have a bin location in the system “returns” where we put special order part that are to be returned.

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, Inventory Control Manager, Warehouse Manager, and Asst. Parts Manager are the only people capable of issuing a purchase order for the department.

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 Regional and Corporate Parts Manager oversees the Parts Manager. The Asst. Parts Manager, Warehouse Manager, Inventory Control Manager all have the authority to outside purchasing for the branch.

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

The Corporate Parts Manager as well as our Regional Parts Manager are the only individuals capable of setting prices in our business system.

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)

It exceeds it.

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

Not applicable

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. It depends on how long it takes the vendor to produce an invoice in order to be posted to the GL.

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

LIFO is not used

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)

No, but the question has open my eyes to do so.

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?

We have a corporate training program for new employees as well as online training from our OE's. It is reviewed multiple times a year and adjusted as needed. It is not part of the employee's review. In order for a salesman to receive their spiff money they must be 100% complete with their online training.

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?

The progress of training is recorded on a dashboard online.

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, he last attended an ATD class in 2015.

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?

The equipment on-hand is adequate for our location to do business.

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?

Our replenishment our orders are determined by MDI, also known as Managed Dealer Inventory. The suggested order is not modified unless there is a reserve on parts trying to be ordered.

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

Positive trend for sure. Especially, with auto –acceptance of replenishing orders become available in 2019.

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

51% year to date.

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 not stored, but are available to be viewed at any moment in our business system.

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?

N/A

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

Price types are generally updated when we are notified of price increases by our vendors.

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

At the moment, we do not have an automated system in place to check inventory. We manually pick locations in the system to perform daily cycle counts.

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, and he/she can only make the adjustments.

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?

We have the capability to do so. Honestly, we haven't been proactive in tracking lost sales. This is definitely an area we can improve in.

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

The Parts Manager and the Corporate Parts Manager.

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)?

Yes any part number that we sell that meets our phase in policy will be added to a suggested order for the manager to review.

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?

It is dependent on the vendor code, but the general rule of thumb is greater than 3 hits in 4 months.

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

97.5%

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)?

All parts are place into our inventory, then sold.

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

They are written and are updated as needed locally as well as companywide by the management team.

59. Who files damage claims on parts shipments received?

The warehouse manager and the 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?

For the most part, the warehouse holds this responsibility. We print out a purchase order receiving slip to match the purchase order created in or DMS. Then they are both cross-checked with the packing slip and or invoice provided by the vendor. Any discrepancies are filed with the OE.

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

Cycle counts are completed daily and we have 1 physical inventory a year

62. Who applies and loads the monthly price updates?

Our Corporate 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)?

We have a parts admin team that verifies the cost billed by the OE and the cost we show received on that order are correct. Any adjustments are applied to the department at that time.

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

Less than one percent.

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?

No, not at the moment.

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

The back counterman signs off that all cores have been taken off and that all parts and freight has been billed. Then the repair order is reviewed by the Shop Foreman and passed on to the Service Manager for final approval.

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! However, it does get heated at times but we ultimately find a way to make it happen.

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

Yes. There is an internal report sent to all managers only a daily basis.

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?

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

3.4 turns.

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

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?

It is online on the inter-company website. It was just revised in 2018

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

Yes! The GM and Parts Manager.

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

Only at night when there is no cashier on duty.

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

Overages are posted to other income and shortages are posted to expense

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

No, not as of yet!

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