

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 is your dealerships source pricing levels reviewed for competitive maintenance and heavy repair?
 - a. **After reviewing this question, there were no review policies for mystery shopping in the parts department. We did handle pricing concerns on a case by case basis. Most likely should develop a monthly or quarterly mystery shopping review to make sure our price levels are competitive.**
2. Compare the pricing policies in the parts department and see how competitive your Dealership is within your area.
 - a. **All BMW dealers base part pricing on factory list. Our competitive levels are 20% and 25% off of list to compete with surrounding dealers. There are two dealers in our market that offer between 25%-30% off.**
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 haven't utilized any market surveys nor do we have a plan in place to use one. We typically go off what our wholesale accounts state they are receiving and we know what BMW dealerships are selling their parts for, in terms of a % discount.**
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. We have a pretty structured pricing level matrix, with 7 different levels. Wholesale is between 20% to 25%. Retail (Level 1= Factory list + 10%, Level 14 = True Factory List, Level 13 = 10% off Factory List). Internal Pricing is 30% over cost. Employee is 10% over 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?
 - a. Service Advisors cannot change it. However, any part \$500 or lower a counter advisor can discount. Any part higher than \$500, needs to be authorized by the Parts Manager before a discount is granted. This is strictly followed and we have not had any issues with this.
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. In our system, no costs can be adjusted.
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. Yes – Difference goes to “discount” account
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. Difference goes to “Discount” account so it can be tracked.
9. Do you have an internet presence for your parts department?
 - a. We have a mid-level presence on our own BMW store website. This can be totally improved. We are thinking about getting a separate domain name that is independent from the dealership to try and increase wholesale parts.
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. Yearly calendars given to all customers and potential new clients. Pens given to all clients. Calendar cost is \$1,400 and pens \$450. Both are 50% co-op. This is more so to keep current customer base loyal and happy, while picking few new customers up along the year.
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. We have one outside sales rep, who is also a counter person. He is dedicated to stir up new business. The sales he generates pays for the expense of that employee.

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. Determined Annually & is shared with service. We used \$900 last year, which was 100% of the budget.
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, but not often are they updated.
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 Parts Manager has not had a review on pay plan for year and a half. Parts employees go to manager when they feel they are entitled to a raise.
16. Does the parts department actually seek additional revenue or “live off” the sales of the service department only? If not why not?
 - a. Our parts department seeks additional revenue where ever we find the opportunity to do so (wholesale, internal, customer pay, etc)
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. I believe we are leaving potential sales for accessories on the table at the point of vehicle sale. Our sales people do not have any information as to what they can sell as far as accessories for that specific car they just sold. We feel we should come up with a spiral booklet that shows pricing and accessories that the customer can choose from. We do not feel we lose potential sales of accessories at the counter.
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. We do not do this weekly, but more on the basis of current offenders and tracking them. Our biggest wholesale competitors do not charge wholesale return charges, but we do. Typically, we identify a wholesale account who

is consistently returning parts and we speak with them, if it continues, we charge them or do not do business with them.

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. No. Near impossible to unseat the major player. The main wholesaler works for a large dealership group. They offer discounts close to 30%, where we are at most at 20%. They also have a fleet of 15-22 trucks on the road in the dealership group that they can utilize, where we have 4 trucks in two stores. We deliver 2 times per day. The one difference we do have against our competition is that we guarantee we pick up our phone on second ring & each responder can assist with a part order and even technical assist, not just completing a part order.

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 parts department gathers the necessary information and our accounting office verifies all of that information to confirm they are a wholesale business before we complete the 1st order.

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. Dealer Principals on a daily basis are overlooking all departmental expenses and are ever so looking to decrease and control expenses. We empower our managers with accurate information and allow them to keep business moving forward, while staying under guidelines and not getting out of control with expenses. Most non-guidelines expenses need to be approved by the dealer principals.

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. Dealer principals and account department.

23. Is the financial statement for the parts department given to the manager and discussed on a weekly/monthly basis?
 - a. No.

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. For retail, SOP are approved by the manufacturer or customer before being ordered. As far as wholesale, we have no policies for ordering or returning for historically reputable whole accounts. However, new accounts we use our best judgement. It is not written and posted. A binder is being created for the advisors.
25. Do you require 100% pre-payment on these parts? Do you differentiate between Counter Retail/Wholesale and Service RO?
- a. Retail is pre-paid, Service is RO's are pre-paid. Wholesale is not pre-paid, bills are generated as parts arrive. Driver's receive payment upon delivery if the wholesale account does not have an authorized charge account with our dealership.
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. 90 days
27. Who are the parties that are involved in the SOP process start to finish?
- a. Service Advisor, Parts Advisor, Technician
28. Are special order forms completed in a legible manner so that the customer information can be read?
- a. 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?
- a. We have one bin for recent arrivals and a shelving system that is labeled alphabetically. If it is a part for an appointment the service advisor notifies the customer.
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. Yes, they are labeled differently from stock inventory. With a specific source code.
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. Parts Manager controls what the DMS is suggesting for Stock Parts orders and controls the fixed asset purchases that can be made without approval (\$500 or lower) by a parts advisor. Parts Manager sets and monitors dollar levels and total open PO's.

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. Only Dealer Principal, but we leave that up to Parts Manager.
33. Who established internal parts pricing policies? Are all internal purchases centralized and run through the Parts Department for control purposes?
- a. Agreed upon with Dealer Principal and Parts Manager (30% mark up).
Yes.
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. Was actually more than what the financial statement indicated.
35. If the accounting inventory value is higher than the parts computer, look for the parts inventory missing items (uncontrolled inventory). (Monthly Reconciliation Exercise) – It was not higher.
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. ?
37. If LIFO is used, when inventory value is used to calculate days' supply, etc., the actual value should include the LIFO reserve.
- a. N/A
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. We have specific tasks and job descriptions for each employee. We do not have this in a function chart.
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. Reviewed when he takes part in further training that the dealership sends him too. BMW does not offer training for the advisors, only the parts manager and then it trickles down to the advisors.
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. Records kept in TSMI (BMW System)

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. No. 2008 was the last time he went to a formal parts management 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?
- a. No flowchart. Equipment in terms of monitors size would be helpful, due to the new parts catalog.
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. Parts Manager monitors replenishment and adjustment. We utilize the DMS, but primarily use a new system, SRD, that BMW has implemented in terms of parts ordering for stock part ordering. SRD orders can be adjusted, but have been much more accurate than our old system with the DMS suggested orders, which we typically were adjusting a lot.
44. Is the trend of those changes in question #42 a positive or negative trend?
- a. Positive, but could be better.
45. What is the percentage of stock order from the factory versus outside purchase (emergency purchases)?
- a. 100%
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. Weekly basis. Usually reviewed and Discarded.
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. Yes, we look at it on a monthly basis. We will be incorporating the DMS scorecard.
48. How often is your Parts Inventory adjusted for errors in part value or part quantity? (Moments in Time)

- a. Adjustments are made on an as needed basis when doing our weekly inventory checks.
49. Have the fifty most active parts numbers been checked for parts bin count accuracy? (Moments in Time)
- a. We do not base it of 50 most active. We just do perpetual inventory counts regularly.
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. Plus or minus adjustments can only be made by the Parts Manager.
51. Have you given the Lost Sale Quiz to the parts Manager and Counter-people? Others in the dealership?
- a. Yes. You made us do this for homework.
52. Are true lost sales being tracked in your DMS? Who can log a Lost Sale?
- a. Yes, all advisors lost sales are logged.
53. Who reviews the Lost Sales? When are they reviewed?
- a. Parts Manager. Month end.
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. Yes, our emergency orders are relatively low (under 10 per month) so it's a case by case basis that we phase in a specific SOP.
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. SRD is typically decides this. 3 picks in 6 months.
56. What is your Compliance % level for your inventory with your Vendor Managed Inventory, RIMPRO?
- a. No idea?
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)?
- a. Shop supplies (washer fluid, brake clean, glass cleaner) GOG category (Gas oil grease) on RO. These are not in inventory. Anything sold by parts is logged into inventory first.
58. Are the procedures for shipping and receiving written or all verbal? Who's responsible for reviewing and updating these policies and procedures?

- a. Verbal. Parts Manager.
59. Who files damage claims on parts shipments received?
- a. 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?
- a. Parts Manager and Assistant. Yes, handle them immediately if there is a discrepancy.
61. At a minimum, is perpetual inventory verification done in conjunction with a physical inventory on a yearly basis?
- a. No. Last physical inventory check 5-6 years ago.
62. Who applies and loads the monthly price updates?
- a. Parts Manager. Reynolds.
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)?
- a. Price updates tracked by controller through appreciation report and adjusted. Emergency purchases are few.
64. What adjustments were required after the last physical inventory to the dollar value, etc., of the inventory?
- a. Very few.
65. Are all obsolete parts that are on the inventory physically in the store?
- a. 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. No, they are normal bin locations with specific labeling/coding so they can be identified correctly.
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. Service Manager
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. Service Manager only handles this. She is very on top of WIP tickets and meets weekly on it. If WIP gets out of control, Dealer Principal also monitors this on a weekly basis and will speak with Service Manager.
69. Is a daily operating report of sales, gross profit etc., being provided to the parts manager for review by him (DOC)?
- a. Yes
70. What is the months' supply of the inventory? Does this match the students calculations found in their FS Parts Excel template? Are too many parts stocked in the inventory based on this calculation?
- a. Yes it matched.
71. What is the true turn of the inventory? Does that match the students calculations found in their FS Parts Excel template?
- a. 11.73 Parts Manager.
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. Employee Hand Book. All employees get their own.
74. Is your Parts Department locked up each night? Who has keys?
- a. Yes, Parts Manager, Service Manager, GM/Dealer Principal.
75. Do your Counter-people have a cash drawer? Who balances the drawer?
- a. No
76. Is there a policy in place for overages for the cash drawer/balancing?
- a. Service Manager handles, but yes.
77. Do you have security cameras in the Parts Department? Who has access to the tapes/CD/backup?
- a. No
78. What one thing can your organization do to help you do your job better?
- a. Scrap allowance for obsolescence that we have placement for.