

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?
Not very often.
2. Compare the pricing policies in the parts department and see how competitive your Dealership is within your area.
At this time, we do not have any written pricing policies. We sell to all outside garages and body shops at suggested trade price. We do not have very much competition in this area, all though we do have some and our prices are competitive.
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 are the only GM dealership within a 60-mile radius. Our prices are competitive.
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, example: garages and body shops = trade price
Counter and shop customers = retail price
Employee price is set at cost + 15%**

Due to employee turnover and a shift in management, many policies in regard to the parts department are being re-evaluated and reestablished at this current time.

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?
I have been the sole counterperson since I started at Weimer Chevy Buick GMC about 8 months ago. I do not currently have any policies or DMS controls to prevent anyone from changing pricing structure.
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))
All parts are receipted into inventory using factory cost. Cost is only charged if it would be a part obtained from somewhere other than GM, or perhaps a second hand part, which is uncommon.
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?
We have an alternate cost option in our DMS for any parts purchased outside at a discounted price. Jobber/wholesale distributors are used very seldom at this dealership.
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?
Using the alternative cost method via the DMS.
9. Do you have an internet presence for your parts department?
We do not have an internet presence.
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 do not have any merchandising programs in effect at this time.
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 do not have an outside salesperson
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?
We do not have any merchandising dollars.

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?

We periodically check, update, and revise online parts coupons monthly.

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?

Comparisons of department gross/expense are made every month. I have monthly meetings with the GM to review department profitability, efficiency, and to set new sales objectives. Sales levels are in tune with employee pay.

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

We try to generate counter sales. Often times we sell a competitive number to what is done through service. Service is still our number 1 customer, however.

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 process to sell accessories in the sales department as well as the parts department.

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.

Although we do not currently run much wholesale business, we do periodically evaluate our few customers and compare the associated expenses.

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 are not yet ready to explore our wholesale market opportunity. We do not have a body shop, nor have we established a wholesale oriented parts department.

It is something we are putting more consideration towards... In doing so, such wholesale market research will most definitely be made, evaluated, and considered in establishing our wholesale 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?)
The General Manager and Accounting Dept. verify. Tax certificates are current.
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.
Known expenses are billed out on a monthly basis.
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?
General Manager reviews applications, accounting is responsible for managing accounts and tracking receivables.
23. Is the financial statement for the parts department given to the manager and discussed on a weekly/monthly basis?
It is given daily.
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?
We do not currently have written policies for SOR. We allow no return on electrical parts, 35% restocking fee.
25. Do you require 100% pre-payment on these parts? Do you differentiate between Counter Retail/Wholesale and Service RO?
I do not require 100% pre-payment.
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?
35% on SOP, no charge for stock parts
27. Who are the parties that are involved in the SOP process start to finish?
Parts Manager and Service Manager
28. Are special order forms completed in a legible manner so that the customer information can be read?
Yes, printed off of computer

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?
They are located in SOP bins with customer name, Parts Manager, daily notifications, Yes I follow up on all of these
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?
They are inserted into regular inventory, but are listed by SPO or customer name as Bin Location
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?
All purchase orders are handled by the parts manager. Not sure of a limited dollar amount, nobody oversees other than regularly checking total inventory value.
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)
Some salespeople can purchase from outside vendors, no double signatures, no one oversees it.
33. Who established internal parts pricing policies? Are all internal purchases centralized and run through the Parts Department for control purposes?
Yes, the parts manager, all internal purchases are makred up 30% and 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)
The value of our inventory on the DMS inventory analysis far exceeds the value of the inventory value on the financial statement.
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 is not
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)
Possibly. Write-downs on accounting side could account for part of the discrepancy.

37. If LIFO is used, when inventory value is used to calculate days' supply, etc., the actual value should include the LIFO reserve.
We do not used 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)
We do not currently have an employee function chart. I am the only person in the parts department, so I am responsible for every one of those responsibilities. I was trained by Weimer's former Parts manager, and carry out daily duties the way I was taught during that training.
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?
It is not a part of the pay plan. Aside from my initial training from the exiting parts manager at Weimer, I do not believe there are any other forms of training in place.
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?
No records are kept. Since my Parts Department only consists of myself, I have had hands on training in all areas. If I ever have a question, I contact the DMS, OE rep, or the necessary party to seek guidance. I am current with all OE 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. They have not.
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?
I believe our compute equipment is in the correct location and meets our needs. No, it does not require more system hardware. I would say our hardware is adequate for our business volume.
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?

Does not exceed 10%. It is done by the parts manager. Not many adjustments are made, mostly part # changes, and quantity received changes on same part.

44. Is the trend of those changes in question #42 a positive or negative trend?
I do not know.
45. What is the percentage of stock order from the factory versus outside purchase (emergency purchases)?
87% stock order. 13% outside purchase.
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 looked at daily, printed monthly, and stored in the Parts Department. Mainly for tracking sales, inventory, dirty cores, neg. on hand, etc.
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?
No, I need to study the scorecard more to understand it. I think it could be a very useful tool when I have a better understanding of it.
48. How often is your Parts Inventory adjusted for errors in part value or part quantity? (Moments in Time)
Value is adjusted during price tape updates on a monthly basis. Quantities are adjusted manually by the parts manager.
49. Have the fifty most active parts numbers been checked for parts bin count accuracy? (Moments in Time)
No they have not been checked.
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, they are reviewed daily and weekly.
51. Have you given the Lost Sale Quiz to the parts Manager and Counter-people? Others in the dealership?
Yes, the parts manager has taken the quiz.
52. Are true lost sales being tracked in your DMS? Who can log a Lost Sale?
No, lost sales are not being tracked.
53. Who reviews the Lost Sales? When are they reviewed?
Nobody currently tracks lost sales.

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 to both questions.
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?
Two sales within a six month period, or two requests for a particular part in the same amount of time. Set by RIM
56. What is your Compliance % level for your inventory with your Vendor Managed Inventory, RIMPRO?
94%
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 stocked into and sold from inventory. Some parts are billed directly to shop supply ticket upon receiving if they will not be sold to a customer.
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 verbal. Parts Manager is in charge of all shipping and receiving.
59. Who files damage claims on parts shipments received?
Parts Manager files all 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 manager for any discrepancies, Changes or adjustments are made manually.
61. At a minimum, is perpetual inventory verification done in conjunction with a physical inventory on a yearly basis?
No, not currently
62. Who applies and loads the monthly price updates?
Parts Manager applies and uploads monthly price updates using GM price tape via DMS (Autosoft)
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)?
No. Cost adjustments are not a standard procedure at our dealership.

64. What adjustments were required after the last physical inventory to the dollar value, etc., of the inventory?
+ \$61,635 of inventory. Mostly due to the transfer of inventory after a recent buy/sell.
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.
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 Parts Manager checks the parts WIP report daily to ensure RO's are being closed in a timely manner, and also to make sure that the parts used are getting paid for.
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
69. Is a daily operating report of sales, gross profit etc., being provided to the parts manager for review by him (DOC)?
Yes, a DOC is provided by accounting 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?
Waiting until physical inventory is completed and we can run a new DMS Inventory Analysis at the beginning of Februray.
71. What is the true turn of the inventory? Does that match the students calculations found in their FS Parts Excel template?
Yes 4.5
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?
We do not have one.
74. Is your Parts Department locked up each night? Who has keys?
Yes it is locked. Keys belong to Parts Manager, Service Manager, and General Manager.
75. Do your Counter-people have a cash drawer? Who balances the drawer?
Yes, Parts manager has key, accounting balances the drawer.
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 we do not have cameras.
78. What one thing can your organization do to help you do your job better?
Clearing obsolete inventory to have the room to bring new parts in that will actually help to have a better parts department.