

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?
 - We review wholesale pricing on a daily basis, and review all pricing at least twice a month. All service advisors know to get with parts manager if there is difficulty selling a job.
2. Compare the pricing policies in the parts department and see how competitive your Dealership is within your area.
 - Most surrounding dealerships are on a similar or competitive pricing matrix. Our outside sales rep also pulls invoices from customers at other stores to catch possible lost business or opportunities. Our pricing is very close to stores within our area, however we try to win customers with quality of service.
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.
 - Too much profit will price you out of market and too little will cause your department to lose other earned gross profits.
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 price codes set up for our various types of customers. Possible areas for profit potential are marking up prices for less active/loyal wholesale customers, buying inventories for heavily discounted prices, and taking advantage of all manufacturers' programs, i.e. selling O.E.M. parts for less markup in order to earn rebate money from factory.
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?
 - Currently, our counter staff is able to change prices for customers depending on the situation. Our service advisors are not able to change parts pricing. Everyday an override report is generated so parts manager can review and check for cost/sale adjustments.
 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))
 - In our override report, any changes to cost are seen and investigated/corrected.
 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. Very rarely is there a reason to adjust/change cost.
 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?
 - Discounts are coded to a separate 'Purchase Discount' account for tracking purposes (67405).
 9. Do you have an internet presence for your parts department?
 - Yes, we have seven websites and also sell on Ebay.
 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 large vehicle accessories display in the showroom, including lifted and accessorized Jeep Wranglers, and a large Parts Department display. We maintain a 40% gross profit margin as a result of the programs.

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 two outside sales employees. Our outside sales volume requires the outside reps, who also produce the gross required to cover their expense.
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?
 - YTD, we have spent \$15,000 of factory money. We have maxed all levels attainable, currently earning 2% of all purchases. This was achieved by sales volume and department certifications.
13. With the growing use of mobile smartphones by customers do you have a mobile ready website?
 - Yes, all seven of our sites are mobile-ready and bi-lingual.
14. Do you periodically check your online internet Parts coupons? How often are they checked? How often are they updated?
 - We check coupons once a month. They are updated every first of the month.
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?
 - Every month the departmental compensation is reviewed. We are currently 5% higher than the target compensation level.
16. Does the parts department actually seek additional revenue or “live off” the sales of the service department only? If not why not?
 - We sell more parts wholesale than retail.
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?
 - Yes, we have a separate advisor that works with accessories sales to customers. We also have a large, in-showroom parts boutique.

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.
- Our margins are tight. We review wholesale customers on a daily basis and try to look at all accounts from a 'big picture' view. If it makes logistical sense, we will try to reach any customer no matter how big or small the order.
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 always look for areas to grow. Our biggest local competitor is Autonation, who is only able to deliver twice per day. We use this to our advantage when trying to take business from them, by delivering three times a day, as well as by providing superior service.
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?)
- Every new wholesale customer has their proper certificates/I.D.s placed on parts manager's desk on a daily basis. They are then verified and turned into accounting.
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 the parts counter pay plans are based on gross with a base salary. They are too high and need to be adjusted.
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?
- Parts Manager approves credit to certain wholesale customers. Our process for credit approval includes a business credit app and calling the customers references. This information is then passed to the C.O.O. for final approval. We have a designated staff member in Accounting that watches the receivables and notifies the parts manager of any accounts unpaid over 60 days.

23. Is the financial statement for the parts department given to the manager and discussed on a weekly/monthly basis?
- The financial statement is given on a monthly 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?
- SORs must be prepaid if it is a customer pay item. The list is reviewed by parts manager once a week.
25. Do you require 100% pre-payment on these parts? Do you differentiate between Counter Retail/Wholesale and Service RO?
- All must be pre-paid up front. Counter retail and Wholesale follow this process, however service RO and warranty is sometimes not pre-paid.
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?
- After 30 days, we reach out to customer one final time and then a return is initiated. A 15% re-stocking fee is applied and is only able to be waived by the manager.
27. Who are the parties that are involved in the SOP process start to finish?
- Service advisor, back parts counter person, and the wholesale team.
28. Are special order forms completed in a legible manner so that the customer information can be read?
- We scan and print labels for all SOP parts.
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 designated shelf and bin for SOPs. The advisor and the parts counter will notify the customer if the part is not being shipped to their home. The parts manager and assistant parts manager determine when to return parts. Every counter person is responsible for their own SOPs, in their Fastlane.

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?
- If the SOPs are not delivered or picked up within 3 days, they are moved to a regular 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 parts staff turn in their POs to Parts Manager for review. Any PO over \$1,000 must be approved by Parts Manager. The Parts Manager also monitors all POs and PO \$.
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)
- All parts staff is able to order from outside vendors. This is due to our large daily PO volume. The parts manager is supervised by the GM, office manager and COO.
33. Who established internal parts pricing policies? Are all internal purchases centralized and run through the Parts Department for control purposes?
- The GM and parts manager set the pricing policies. They are all run through the parts dept.
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 parts pad exceeds the financial statement within a 2% variance.
35. If the accounting inventory value is higher than the parts computer, look for the parts inventory missing items (uncontrolled inventory). (Monthly Reconciliation Exercise)
- Both amounts are reconciled every month between the parts and office managers.
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)

- Yes, it would mean you are missing inventory or have a posting error in accounting.
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 have LIFO in parts.
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)
- Yes, every employee is given a designated task, followed up by the assistant parts manager and parts manager.
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?
- The parts manager does all training for employees. It is reviewed daily and is not part of their pay plans.
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?
- All training is recorded digitally. DMS and OEM training is done on a weekly basis.
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?
- The parts manager attends Group 20 meetings and uses iExam to study financial statement.
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?
- If there is an equipment issue, we bring in a tech company to work on hardware.

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 majority of our orders are controlled by Chrysler. It is at or below 10%. The parts manager and assistant manager make the adjustments, dictated mostly by available bin space. The parts manager makes changes daily, last done by the assistant parts manager.
44. Is the trend of those changes in question #42 a positive or negative trend?
- (#43?) It is a negative 10% trend.
45. What is the percentage of stock order from the factory versus outside purchase (emergency purchases)?
- 95% stock order, 5% emergency purchases.
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?
- The reports are stored in DSDA. They are monitored every day for inventory value, obsolescence, and work in progress.
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 trend report, in Operational Reporting, is used to track inventory trends. We will get with DMS to make sure staff understand how to code manual orders.
48. How often is your Parts Inventory adjusted for errors in part value or part quantity? (Moments in Time)
- Bin counts are done by the night crew every night.
49. Have the fifty most active parts numbers been checked for parts bin count accuracy? (Moments in Time)
- Yes, we check the top 100.
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, parts manager reviews daily.
51. Have you given the Lost Sale Quiz to the parts Manager and Counter-people? Others in the dealership?
- Yes, parts manager and parts counter staff.
52. Are true lost sales being tracked in your DMS? Who can log a Lost Sale?
- Yes, all parts staff knows the process to correctly record lost sales.
53. Who reviews the Lost Sales? When are they reviewed?
- Parts manager reviews lost sales once a month.
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. The Non-stock phase in feature tracks these parts.
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?
- We are currently set at 3 sales in 9 months.
56. What is your Compliance % level for your inventory with your Vendor Managed Inventory, RIMPRO?
- We are currently at 92%.
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. No.
58. Are the procedures for shipping and receiving written or all verbal? Who's responsible for reviewing and updating these policies and procedures?
- We have a written process but are constantly making verbal changes.
59. Who files damage claims on parts shipments received?

- The parts manager, assistant parts manager, wholesale manager and body shop 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?
- The night crew receives and scans in the orders, then they run an exception report and every morning the discrepancies are addressed.
61. At a minimum, is perpetual inventory verification done in conjunction with a physical inventory on a yearly basis?
- Yes, perpetual inventory done once a day.
62. Who applies and loads the monthly price updates?
- CDK does it automatically.
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)?
- Part cost is never adjusted, they are placed in a purchase discount schedule. The office manager reconciles the price tape at physical inventory.
64. What adjustments were required after the last physical inventory to the dollar value, etc., of the inventory?
- We were \$45,000 over.
65. Are all obsolete parts that are on the inventory physically in the store?
- No, some are stored offsite at other warehouses.
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?
- They are separated by source.
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 service manager, parts manager, and general 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?
- The WIP is addressed every week during the department head meeting.
69. Is a daily operating report of sales, gross profit etc., being provided to the parts manager for review by him (DOC)?
- Operational reporting is available to the parts manager.
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 one month supply. This is lower than the student calculation.
71. What is the true turn of the inventory? Does that match the students calculations found in their FS Parts Excel template?
- 9-10 true turns a year. This is higher than student 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.
- No, but body shop warehouse is being added.
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?
- They are in the dept manager's offices. The general manager verifies these processes.
74. Is your Parts Department locked up each night? Who has keys?
- Yes. The managers all have keys.
75. Do your Counter-people have a cash drawer? Who balances the drawer?
- Yes. The closing counter staff balances the drawer.
76. Is there a policy in place for overages for the cash drawer/balancing?
- Any overages are placed on an exception report and turned into accounting with a voided invoice list.

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

- Yes. All dept managers have access.

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

- Better accounting practices and more communication.