

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?
The dealership's source pricing levels are reviewed every month.
2. Compare the pricing policies in the parts department and see how competitive your Dealership is within your area.
The parts manager constantly checks with other dealers around town.
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.
The parts manager has verified the use of market surveys on selected part prices in our area. We do stay competitive with pricing.
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.
The computer system we have is able to follow the pricing guide for various types of customers.
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?
Yes, we do have policies in place and DMS controls to prevent service advisors from changing the pricing structure. However, the parts personnel are able to change the pricing structure. They are supposed to run all changes by the parts manager.
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))
The parts manager said of cost is under 100 it is doubled.
7. Regardless of parts cost (due to various sourcing opportunities (Jobber/Wholesale Distributor), are they all costed at the same factory price to maintain accurate inventory value?
Yes, they are all costed at the same factory price to maintain accurate value.
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?

He doesn't think the discount purchases are tracked in our system. This is something that I will have to ask the controller or the general manager.

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

Yes, there is a tab where customers can request a part. However, I don't think the parts department really utilized the internet. This is an area we could improve on.

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 are in a Spring Accessory Program through General Motors. We just enrolled in that this month. This should help us with our accessory sales. It is not very costly which is great.

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?

No, there isn't an outside salesperson in our parts department. Yes, the sales do pay for the employees. However, the sales can always improve.

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?

The parts manager did not know the answer to that question.

13. With the growing use of mobile smartphones by customers do you have a mobile ready website?

Yes, our website is mobile friendly.

14. Do you periodically check your online internet Parts coupons? How often are they checked? How often are they updated?

He doesn't think there are any Parts coupons online. There are only service coupons. Our parts tab of the website isn't very helpful to the customers. This is an area for improvement.

15. Pay plan reviews should be made at least on a monthly basis. When has a comparison been made between departmental gross profit and the personnel expenses for the department? Is the current sales level providing a sufficient profit for the pay levels established for the parts employees?

Yes, the parts personnel are not costing the department any money. They are all bringing in business and contributing to the gross profit. They could, however, continue to improve the amount they sell.

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

Yes, the parts department does seek other business. However, the parts department does mostly “live off” the service department. This is also an area that we are trying to improve on.

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?

Sometimes the salespeople bring their customers sell accessories. This is an area where we could improve. We definitely are leaving potential sales and gross profit on the table. This is an area that we are looking to make changes to and improve.

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.

Yes, the parts manager does review wholesale customers weekly. Our returns do justify the expense of conducting business. We just don't do wholesaling.

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?

Yes, the parts manager does study the wholesale market opportunity. However, Weir Chevrolet and other Chicago dealers have big market share. It is really hard to compete with them. We do a little bit of wholesale but not a lot. This is an area that we are looking to improve on.

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 parts manager and office manager verify the applications. Yes, our state TAX-ID 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.

Yes, the expenses are discussed every week during the Monday Morning Meetings.

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?

The parts manager and office manager determine credit approval for parts customers. Those two are responsible for the whole process.

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

The parts manager does not see the financial statement. He is given a DOC weekly.

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?
The SOP ordering policies are discussed when someone is hired. It is review daily. All the parts staff knows the policies.
25. Do you require 100% pre-payment on these parts? Do you differentiate between Counter Retail/Wholesale and Service RO?
We are supposed to require a 100% pre-payment policy; however, I found out that is not the case during the parts pre-class work. We are going back to pre-paying for SOP. We do differentiate between counter retail/ wholesale and service RO.
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?
They have 30 days to return these parts. There is a 30% return charge on SOP.
27. Who are the parties that are involved in the SOP process start to finish?
The Parts staff and the service advisors are involved in the SOP process start to finish.
28. Are special order forms completed in a legible manner so that the customer information can be read?
Yes, all forms are filled out in a legible manner.
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?
All the special order parts are located on the same shelf. There isn't a special area just for the service department. The service advisors notify the service customer and the parts counter personnel notifies the retail customer when the parts have arrived. The parts manager follows up with the special order parts.
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?
Special order parts have their own source.
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 administers and controls the Purchase Order system. There isn't a fixed amount that can be made. No one sets or monitors these dollar levels.
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)

Yes, the Sales and Service Managers have direct purchasing authority from outside vendors. However, they are still supposed to check in with the Parts Manager. The General Manager oversees the Parts Manager.

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

The Owner and General Manager established the internal parts pricing policies. Yes, all internal purchases are centralized 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 parts inventory on the parts computer is slightly larger than the financial statement amount.

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

Our inventory is not under control. Therefore, we have some missing parts.

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)

In our parts department, our inventory value is not less.

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

I will check with the controller.

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)

The Parts Manager is responsible for the above tasks, as of right now, and he finds out why and what happened.

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 and General Motors controls the training programs. It hasn't been reviewed in a while. It is not part of anyone's pay plan.

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 the training recently has been through General Motors. Other than that, they haven't been trained specifically for their roles.

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 takes training usually online through General Motors. However, he has been working at the dealership for 40 years, so he hasn't been too much formal training recently.

42. A computer system diagram with specific terminal equipment positions should be made and a flowchart of work routine should be made. Determine if the equipment meets daily needs and if the equipment is in the right locations. Is the volume of business at a level that requires more system hardware, or does it require less?

Yes, Dale, our warranty manager does this. The Parts Manager did not know the rest of the questions.

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?

Not much of the replenishment is manually adjusted. It does not exceed 10%. This can only be changed by the parts manager.

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

It was a positive trend.

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

93% is ordered from the factory.

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?

These management reports are printed weekly. They are utilized in our Monday meetings.

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?

RIM tracks inventory trends. We have already used the DMS scorecard during meetings. It was very helpful to use to show our "grade" in each part of the department.

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

Yearly for inventory, sometimes daily if something pops up.

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

Yes.

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.

51. Have you given the Lost Sale Quiz to the parts Manager and Counter-people? Others in the dealership?
Yes, the parts staff was given the lost sale quiz.
52. Are true lost sales being tracked in your DMS? Who can log a Lost Sale?
Yes, the true lost sales are being tracked on our DMS. However, the number of lost sales seem really low. All parts staff can log a lost sale.
53. Who reviews the Lost Sales? When are they reviewed?
The parts manager reviews the Lost Sales each month. This is another area that needs to be looked at because they do not report very many lost sales per 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 emergency order part numbers are reviewed to see if they need to be phased in. RIM is used to see which parts need to be stocked.
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?
The parts manager mostly orders through RIM. He told me there needs to be 2 sales in 30 days for a part to be placed on stock order.
56. What is your Compliance % level for your inventory with your Vendor Managed Inventory, RIMPRO?
Our compliance is at 93% with RIM.
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 sold by the department are placed in the parts inventory. We do not stock items that aren't in the inventory.
58. Are the procedures for shipping and receiving written or all verbal? Who's responsible for reviewing and updating these policies and procedures?
All of the procedures are verbal. The parts manager is responsible for reviewing and updating these polices. This is something I want to change. I think it is important for all these procederes and policies to be written down.
59. Who files damage claims on parts shipments received?
The parts manager files 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?

The parts driver and the parts manager receive the parts orders. The driver brings the parts to the department and they are put in our system once they arrive. The parts manager makes claims for the discrepancies.

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

Yes, perpetual inventory is done once a year in conjunction with the physical inventory.

62. Who applies and loads the monthly price updates?

Mark, our controller, applies and loads the monthly price updates.

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)?

The parts cost adjustments are tracked by the parts manager. They are updated once a year during the inventory check. The price adjusts every time there is an update.

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

It was increased over what we showed.

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

Yes, that we know of.

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?

Yes, they are separated into a special area for the most part. However, I don't think all the parts are located there because he is in the process of searching for all the parts right now. This is part of my action plan. There needs to be a better process put in place to ensure we know where all our obsolete parts are.

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 verifies the completion of the repair orders.

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, they all follow up on Work in Process. This is a major priority, so they are closed in a timely manner.

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

He gets a DOC weekly, but he should be given one daily. We will start doing that.

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?
The parts manager did not know the month's supply. According to the financial statement, our months' supply is 1.5.
71. What is the true turn of the inventory? Does that match the students calculations found in their FS Parts Excel template?
The true turn of the inventory is about 1.5 times; he did not give me that information. He only looks at the gross turn which is 6.58 times.
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.
The parts department is large enough for the amount of inventory we should carry. However, we have too many parts that we do not need, so when we go through our obsolete parts, we will have more room.
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?
The Dealership's policy and procedures manuals are located in the controller's office. They are handed out when someone is hired.
74. Is your Parts Department locked up each night? Who has keys?
Parker (part's staff) or Rich (night service advisor) lock the Parts Department. Randy (service manager), Bill (general manager), Rich (night service advisor), and all the parts staff have keys.
75. Do your Counter-people have a cash drawer? Who balances the drawer?
No, the counter-people do not have a cash drawer. We have a cashier who handles the cash for the parts and service departments.
76. Is there a policy in place for overages for the cash drawer/balancing?
n/a
77. Do you have security cameras in the Parts Department? Who has access to the tapes/CD/backup?
No, we do not have security cameras in the Parts Department. We have them in the service department and around the outside of the building.
78. What one thing can your organization do to help you do your job better?
The more organized everyone is, the better the procedures and processes are implemented. It would help with the overall flow of the department.