

Parts Manager Questions ---- Ruben Arcila

PM Answers in **RED**

GSM Answers in **Black Bold**

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? **Pricing is shopped quarterly. I suggested they price shop more often.**
2. Compare the pricing policies in the parts department and see how competitive your Dealership is within your area. **Done.**
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 same as 2 stores and cheaper than another in our area. Impressed with the aggressive 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. **Yes, there are discount guidelines for wholesale customers. This is set up.**
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? **Parts runs an exception report daily. They are not run for advisors. I was not aware of 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)) **Yes, cost is not to be adjusted without PM approval (very rarely is this needed). Our**

Corporate office locked Accessories Price changes even from the Sales Managers.

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, all factory parts are factory costed.**
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? **Discount purchase are tracked via CDK fast lane (parts/gross profit tab). I am not allowed access to CDK.**
9. Do you have an internet presence for your parts department? **Yes, but limited. This is a big area of improvement for our Parts Department.**
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 only list on Craigslist and Ebay (no cost unless an item is sold on Ebay). I was not aware of that.**
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? **The PM is the outside salesperson. First time I heard that expression.**
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? **Honda does not offer this.**
13. With the growing use of mobile smartphones by customers do you have a mobile ready website? **Yes - We still want to improve it.**
14. Do you periodically check your online internet Parts coupons? How often are they checked? How often are they updated? **Yes, the parts coupons/specials are updated monthly. It can honestly be checked more often.**

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? **This is critiqued monthly and Parts is presently at 24% which is below corporate benchmark of 26%.**

16. Does the parts department actually seek additional revenue or “live off” the sales of the service department only? If not why not? **We have a wholesale presence that produces between \$13k-\$20k a month in gross profit.**

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, there is. Kay Honda is #1 in Accessories sales in our District and I still believe I can do better in this area.**

18. Do you review wholesale customers weekly to see if parts sales dollars per customer and returns justify the expense of conducting business with them? For example, delivery 30 miles out of town to a customer ordering \$300 a month of parts at Cost+20% may not justify the delivery service. **We review wholesale customers quarterly. We only deliver within a 20-mile radius from the dealership.**

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 did an independent repair facility market chart which gave us our present wholesale customer base. We are at maximum capacity with one vehicle so we presently are not pursuing anymore presently.**

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?) **PM verifies the application. All Tax-ID certificates are current as we had an audit last year.**

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. **Done GM reviews this with Department Heads at the beginning of every month.**

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? **GM determines approval. PM maintains the receivable list.**

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

24. What are the special parts ordering policies for SORs? Where is it written and posted? When was it reviewed and what level of management approved it? **All special-order parts are to be prepaid and no returns on open or electrical items. It is documented on the retail invoices. Hasn't been reviewed in at least a year by the PM. Now I know- first time I ever heard the rules.**

25. Do you require 100% pre-payment on these parts? Do you differentiate between Counter Retail/Wholesale and Service RO? **We do require pre-payment on special-orders and we do differentiate the invoices.**

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? **We have a 4-week special-order binning system. No, we do not charge a return fee. I witnessed this process and it does work- it is efficient.**

27. Who are the parties that are involved in the SOP process start to finish? **On retail sales: the parts advisor, shipping receiving clerk and cashier. On service repair: service advisor, parts advisor, shipping receiving clerk, appointment coordinator, technician then cashier.**

28. Are special order forms completed in a legible manner so that the customer information can be read? **Yes Could be neater in my opinion.**

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? SOP's are located in the 4-week binning system. The appointment coordinators or the parts advisor notifies the customer. After the part lands in week-4 the part is set to be returned. The appointment coordinator follows up.

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 located in their own section.

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? Our company sets the controls. \$500.00 maximum without GM approval.

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) The assistant PM may purchase items but requires additional signature. The fixed operations manager oversees the PM.

33. Who established internal parts pricing policies? Are all internal purchases centralized and run through the Parts Department for control purposes? The fixed operations manager established the parts pricing and all purchase are processed through the parts department. These parameters are set from above.

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 (counter pad) total is higher than the accounting total (general ledger).

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

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) Depending on if there was a double posting and or posting error.

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

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 there is. Each employee is responsible for particular daily tasks in the department.

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 PM controls the off-site training for parts employees. Quarterly this is monitored and all employees must be 100% self-studies. Honda informs the GM and Service Manager of all required training.**

40. Are records kept of the training for each person and when did someone last take online DMS refresher training? Parts Catalog training? OE/Manufacturer specific training? **Records are not kept on DMS training only Manufacturer 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? **He has taken 3 financial courses from the manufacturer. The last management training was done two years ago. I highly recommend he attends.**

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? **It meets the requirements of the parts department presently.**

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? **It does not.**

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

45. What is the percentage of stock order from the factory versus outside purchase (emergency purchases)? **Stock order purchases 96.26% Emergency purchases 4.62%.**
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 generated reports print in the PM office and are reviewed daily. The reports are used to review Pre-paid parts, negative on-hand, employee daily sales.**
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?
48. How often is your Parts Inventory adjusted for errors in part value or part quantity? (Moments in Time) **Parts inventory is adjusted daily if not weekly via perpetual bin checks.**
49. Have the fifty most active parts numbers been checked for parts bin count accuracy? (Moments in Time) **Currently NO- I reviewed the moments in time.**
50. Are the transactions for each day reviewed by the parts manager to make certain that any adjustments made (plus or minus) are accurate? **No, they are not. Area of opportunity.**
51. Have you given the Lost Sale Quiz to the parts Manager and Counter-people? Others in the dealership? **The quiz was given to every employee in the Parts Department and I reviewed the Answer Key with them.**
52. Are true lost sales being tracked in your DMS? Who can log a Lost Sale? **True lost sales are being tracked. The parts advisors and the parts manager log them.**
53. Who reviews the Lost Sales? When are they reviewed? **The PM reviews the lost sales daily and when completing the daily stock order.**

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, emergency ordered parts are reviewed and the test source is utilized.**

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? **Phase in is set to 2 sales in 12 months.**

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

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)? **Not all parts are added to the inventory some aftermarket parts are costed and sold off of the invoice they were purchased. Some shop supplies are stocked but not in inventory.**

58. Are the procedures for shipping and receiving written or all verbal? Who's responsible for reviewing and updating these policies and procedures? **The procedures are verbal not written. The PM is responsible for reviewing and updating. I recommend putting everything in writing.**

59. Who files damage claims on parts shipments received? **All parts advisors as well as PM file 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 shipping receiving clerk scans the parts into inventory. At the end of everyday an exceptions report is run to fix discrepancies.**

61. At a minimum, is perpetual inventory verification done in conjunction with a physical inventory on a yearly basis? **Perpetual bin checks are done weekly throughout the year as well as one annual physical inventory.**

62. Who applies and loads the monthly price updates? **PM**

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)? **Cost adjustments are done monthly and tracked by the PM.**
64. What adjustments were required after the last physical inventory to the dollar value, etc., of the inventory? **\$2145.52 was added to the inventory amount.**
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? **Obsolete parts are in a separate 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 fixed operations 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? **Yes, on a weekly basis an email is sent out by the controller regarding open invoice/repair orders.**
69. Is a daily operating report of sales, gross profit etc., being provided to the parts manager for review by him (DOC)? **Yes, these reports are on the daily job-stack.**
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? **There is a 1.7 months supply of inventory. Yes it does.**
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 parts inventory is 11.07 Yes it does.**

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.

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? **These are hung in each break room and located on every PC.**

74. Is your Parts Department locked up each night? Who has keys? **Yes, the parts department is locked the 3 parts advisors have keys as well as the PM. We do have a security camera system and full surveillance.**

75. Do your Counter-people have a cash drawer? Who balances the drawer? **Parts does not have a register the cashier handles all transactions and is responsible for the balance.**

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

77. Do you have security cameras in the Parts Department? Who has access to the tapes/CD/backup? **A camera is in the retail parts area only. All managers have access to recordings.**

78. What one thing can your organization do to help you do your job better? **Update equipment more frequently most computers are outdated and very slow. I believe we should update our Website or Honda should offer better tools to enhance the Websites with the Dealers.**