

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? **Every 6 months**
2. Compare the pricing policies in the parts department and see how competitive your Dealership is within your area. **We are equal to other manufactures in or immediate area. This is due to the fact that we are doing the same as our Nissan store as far as pricing. We make sure both stores are equal to other manufacturers in our area.**
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. **Our closest OEM competitor is 40 miles away. We are actually equal to or a little less than them at this time.**
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. **Matrix not established yet in DMS but we do have current pricing policies in place for wholesale customers, customer pay, and dealership employees.**
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, to both**

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, only the Parts Manager can change or adjust cost.**
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**
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? **We are currently not using anything other than OEM, no discounts.**
9. Do you have an internet presence for your parts department? **We are listed on the website but do not currently offer pricing. Do offer some pricing coupons. Just not at the moment.**
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 factory coop money used for monthly email campaigns and mailers.**
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**
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 have money available and currently spend between \$400 and \$700 a month. Money is accrued based on monthly parts purchases. Additional funds are available in what is called a flex fund when needed.**
13. With the growing use of mobile smartphones by customers do you have a mobile ready website? **Not at this time**
14. Do you periodically check your online internet Parts coupons? How often are they checked? How often are they updated? **We have in the past and they were updated monthly. Going to have more coupons put on site and will be updated quarterly.**
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? **We look at this monthly**

with the goal being to get the department gross to justify current pay plans. Store was bought in September 2018 so still working on ways to increase profit.

16. Does the parts department actually seek additional revenue or “live off” the sales of the service department only? If not why not? **Yes, through wholesale.**
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, but this is an area that needs to be addressed as the whole process in sales and parts is not being used to its potential. No doubt we are leaving sales and profit on the table.**
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 do currently but this will be utilized more once we grow the wholesale business.**
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 currently studying the market in our area. No major competitor within 30 miles. We are able to deliver up to 2-3 times a day within 30 miles.**
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?) **Parts manager verifies customer applications for wholesale. Accounting office keeps up with all information needed to keep account current with their current information.**
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. **Personnel and supplies will be two areas we discussed need to be watched for now. All Managers are payed based on Gross not net.**
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 and Accounting manager determine credit approval. Accounting updates and notifies Parts manager if anyone is past due.**

23. Is the financial statement for the parts department given to the manager and discussed on a weekly/monthly basis? **All departments receive a daily doc which is discussed in a weekly store manager meeting.**
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? **Process is that if it's a current customer no prepayment is required unless it is for a vehicle over 10 years old. Sign in parts dept. states no refunds on special order parts.**
25. Do you require 100% pre-payment on these parts? Do you differentiate between Counter Retail/Wholesale and Service RO? **Prepayment currently not required. We do differentiate where the order originated.**
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? **Time frame is 40 days. No return charge at this time.**
27. Who are the parties that are involved in the SOP process start to finish? **Service advisors and parts counter person.**
28. Are special order forms completed in a legible manner so that the customer information can be read? **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? **In a bin allocated to SPO's. Service advisor notifies customer. Parts manager makes the decision on when to return a part. Manager also is responsible for following up on why a part hasn't been returned.**
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? **SPO's in allocated bin in different part of department.**
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? **Service Manager administers and controls the Purchase Order System. \$500 can be spent without additional approval for fixed assets. Comptroller and GM sets levels and monitors open PO's.**
32. Does anyone other than the parts manager has direct purchasing authority from outside vendors? Who oversees the Parts Manager? (Double signatures, Perusing the Parts Dept. purchase invoices) **Parts counter person with parts managers**

- approval for purchasing. Parts/Service manager is also the one overseeing all purchases.
33. Who established internal parts pricing policies? Are all internal purchases centralized and run through the Parts Department for control purposes?
Management team including owner set up pricing policies. All purchases are centralized 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)
Less
35. If the accounting inventory value is higher than the parts computer, look for the parts inventory missing items (uncontrolled inventory). (Monthly Reconciliation Exercise) N/A
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) It would but not in this case. Value was within \$100.
37. If LIFO is used, when inventory value is used to calculate days' supply, etc., the actual value should include the LIFO reserve. No 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)
There is currently not a chart being used. Something that needs and will be addressed.
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? Parts Manager is responsible for training. In the process of reviewing our current strategy and making changes. Dealership needs to make this a part of the parts dept process and 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? Yes, as required by Subaru. Personnel stays OEM certified.
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? Manager has not taken a Financial management class. Goes to a training class yearly.

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? **Recently went through buy/sale. New DMS and systems were implemented. We are currently evaluating placement and additional needs. Also, in the process of building a new dealership where this will be fully addressed.**
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? **5% is manually adjusted daily. Parts manager makes adjustments based on upcoming promotions.**
44. Is the trend of those changes in question #42 a positive or negative trend? **Positive trend**
45. What is the percentage of stock order from the factory versus outside purchase (emergency purchases)? **0%**
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? **Printed daily through CDK. They reviewed by management and stored in managers office.**
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? **In the process of implementing the score card now. Want to have this as an effective tool by beginning of July at the latest. Working with comptroller and together will work with CDK for additional help.**
48. How often is your Parts Inventory adjusted for errors in part value or part quantity? (Moments in Time) **Quarterly**
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**
51. Have you given the Lost Sale Quiz to the parts Manager and Counter-people? Others in the dealership? **Yes, to the Parts Manager and counter person.**
52. Are true lost sales being tracked in your DMS? Who can log a Lost Sale? **Yes, all parts personnel.**

53. Who reviews the Lost Sales? When are they reviewed? **Parts Manager, monthly**
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)? **Don't currently have any**
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? **Yes, 2 in 6 months or 3 in a year.**
56. What is your Compliance % level for your inventory with your Vendor Managed Inventory, RIMPRO? **93%**
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, and we do keep shop supplies and bulk fluids.**
58. Are the procedures for shipping and receiving written or all verbal? Who's responsible for reviewing and updating these policies and procedures? **More verbal than written. Parts manager is accountable for reviewing and updating.**
59. Who files damage claims on parts shipments received? **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? **Parts counter receives parts order. Original stock order is cross checked. Parts are then verified and updated in DMS. Discrepancies are addressed and corrected immediately when part is received.**
61. At a minimum, is perpetual inventory verification done in conjunction with a physical inventory on a yearly basis? **Yes**
62. Who applies and loads the monthly price updates? **Those are updated monthly by the manufacturer.**
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)? **This is checked weekly for price updates and Bin counts. A full parts inventory in done yearly.**
64. What adjustments were required after the last physical inventory to the dollar value, etc., of the inventory? **This was done at the time of the buy/sale. Inventory came in at \$2000 less than reported at the time.**

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? **This has not been implemented yet.**
67. Who verifies the completion of the repair orders between the first and second month they are reported in the work-in-process status? **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? **Yes, the all work together to close out WIP tickets.**
69. Is a daily operating report of sales, gross profit etc., being provided to the parts manager for review by him (DOC)? **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? **34 days. Template showed 6.4 at 2 months which is less.**
71. What is the true turn of the inventory? Does that match the students calculations found in their FS Parts Excel template? **True turn is currently 3.13 YTD. True turns in template were 2.6 YTD. This accounted for 2 months at the time.**
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? **Denise in HR keeps a copy of the manual and reviews it with all new employees. They also receive a copy of it during orientation.**
74. Is your Parts Department locked up each night? Who has keys? **Yes, Service/Parts manager, counter person, and GM have keys.**
75. Do your Counter-people have a cash drawer? Who balances the drawer? **No, Service cashier handles both service and parts and balances drawer nightly.**
76. Is there a policy in place for overages for the cash drawer/balancing? **Yes, don't close out until the overage is found. This is usually the result of something being posted to the wrong place.**

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

78. What one thing can your organization do to help you do your job better? **Continue to sell more cars which will help to grow service and parts sales.**