

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? **Pricing levels are reviewed twice a year, usually before tire season starts in order to ensure that we are not only competitive in the market place but also ensure that we are obtain the gross profits that we are entitled to.**
2. Compare the pricing policies in the parts department and see how competitive your Dealership is within your area. **Our dealership is extremely competitive with maintenance repair parts (Oil Filter, Cabin/Air Filters, Wipers, Bulbs, Brakes)**
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 have compared our price levels with other Toyota Dealerships in our market area and our prices are very comparable (we are not the lowest, however we are also not the highest).**
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. **Each type of customer is classified at time of set up (Retail, Wholesale, and Employee) – Discount levels for each customer is set up by Parts Manager and/or Assistant Parts Manager only.**

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? **Service Advisors do NOT have any access to discount parts. Parts Gross Profit levels are monitored by the Parts Manager on a Daily basis in order to identify any Gross Erosion.**
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 entered at factory pricing when they arrive. Monthly price tapes are run and any appreciation/depreciation is recorded to the inventory account on the GL by the accounting department.**
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? **All parts are recorded at the cost that they were purchased.**
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? **The manufacturer (Toyota Canada) does not offer volume discounts. Dealer net pricing is set and does not change based on volume purchases.**
9. Do you have an internet presence for your parts department? **Internet presence is limited to our company website and Social Media Marketing. We do not have an online store.**
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? **Merchandising opportunities are limited. We have displays set up at the front parts counter and offer items that are offered through the boutique program from Toyota Canada. Sales are minimal – approximately \$1000 per month.**
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 active outside sales rep. Wholesale business is recruited by the Parts Manager on a part-time basis.**
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 are granted marketing dollars – which are used for marketing to our Service Database. Our marketing manager ensures that every dollar available to us is utilized each quarter. This is a shared effort between parts and service.**
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? *Our website is inspected and revised on a monthly basis. Our marketing manager ensures all current specials are advertised directly on our website.*
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? *Pay plan reviews are conducted on an annual basis. This helps us identify if we are properly staffed.*
16. Does the parts department actually seek additional revenue or “live off” the sales of the service department only? If not why not? *Although Service department is our biggest customer, the parts department has efforts to recruit wholesale business as well as internal business.*
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 program in order to offer accessories to each and every customer that purchases a new/used vehicle from our dealership. The parts department also sends out direct email offers to customers who have purchased a vehicle from our dealership within 90 days with special offers on accessories for their vehicle. This is done on a quarterly basis.*
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. *Wholesale business review is done every month in order to ensure its worth keeping the customers’ business (items looked at are Sales Volume, Discount Levels and Return %)*
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? *Our wholesale market is studied on a quarterly basis. This is a limited opportunity for us as the Toyota Store that they are doing business with cannot be unseated (it’s our sister store which is within a 4km radius).*
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?) *Accounting Department does the checks along with credit checks to ensure they are a registered business.*
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. Our pay plans are not traditional pay plans. We pay on a dealership wide gross profit sharing which keeps all our managers engaged at all times and with each other's business opportunities.

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? Accounting department grants the credit limits and also performs the credit checks. The parts manager is responsible for collecting any overdue/outstanding dollars from the wholesale list.
23. Is the financial statement for the parts department given to the manager and discussed on a weekly/monthly basis? Yes, this is reviewed on a weekly basis as well as monthly.
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? Special parts policies are posted in the S.O.P binder. This is updated once a year and is reviewed and approved by the Manufacturer (Toyota Canada).
25. Do you require 100% pre-payment on these parts? Do you differentiate between Counter Retail/Wholesale and Service RO? Counter Retail special orders are pre-paid 100% before ordering. Service RO special orders are ordered without a pre-payment, as long as it's for a regularly service customers. For new customers or orders over \$500 – there is a deposit collected by the Service Team.
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? Parts are held for 90 days – unless they were prepaid in which case they are held for 1 year.
27. Who are the parties that are involved in the SOP process start to finish? Parts Manager writes them and reviews with Parts Advisors. This is approved or rejected by the Manufacturer during an annual inspection.
28. Are special order forms completed in a legible manner so that the customer information can be read? Special order forms are printed electronically and are very legible.
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? Service Advisors are notified as soon as the part has arrived. This information is also shared with the Service Advisors on a daily basis via the Special

order list. The parts are held for 90 days – unless additional time is requested by the Service Advisor or the Customer, at which point the parts are sent back for credit. We have an allocated shelf system for Special Order parts. The service advisors are responsible for notifying the customers on arrival of their 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? *Separate Shelving System is installed for Special Order Parts which does not blend with the Stock Inventory.*
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? *Parts Manager controls the PO system – for inventory purchased for stock. We measure our stocking levels based on Inventory Turns per year to ensure we are not too lean or overstocked.*
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) *Assistant Parts Manager also has access to ordering parts from outside vendors. 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 General Manager has established the internal price policy.*
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 inventory is reconciled every month and usually matches the amount on the financial statement within +/- 3%*
35. If the accounting inventory value is higher than the parts computer, look for the parts inventory missing items (uncontrolled inventory). (Monthly Reconciliation Exercise) *The entire inventory is reconciled (inventory, parts received not invoiced, parts invoiced not received, outstanding credits, negative on hand, open WIP, Dirty Cores)*
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) *See answer to question 35.*
37. If LIFO is used, when inventory value is used to calculate days' supply, etc., the actual value should include the LIFO reserve. *N/A*
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, specific job functions are assigned to specific parts advisors – Ordering, Receipting, Posting, Bin Counts, and Returns & Core Returns.

39. Who controls the training programs for the parts employees? When it was last reviewed? Is it part of a yearly review with the employee and is it part of the employee's pay plan? Parts coaching is done by the parts manager & assistant parts manager. This is a necessary component of employment and is not part of any 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? OEM manufacturers training logs are kept on Toyota University's training website.
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? Yes. Last year he attended the NADA training provided by Toyota Canada.
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? We have 1 workstation per employee – this is sufficient for our business model.
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? Manual stock adjustments are less than 5%. These changes are made by the Parts Manager during the stock order process and are based on seasonality or special circumstances.
44. Is the trend of those changes in question #42 a positive or negative trend? N/A
45. What is the percentage of stock order from the factory versus outside purchase (emergency purchases)? 85% stock 15% emergency
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? Management reports are used daily as each department manager is held accountable to report on their business segment daily.
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? Not currently using the DMS score card to track inventory trends but we have plans to implement in the next 60 days. All areas on the DMS score card have been identified.

48. How often your Parts Inventory is adjusted for errors in part value or part quantity? (Moments in Time) We conduct a perpetual inventory daily (on random bins) and adjustments are made daily depending on what was counted. This helps keep the inventory as accurate at all times as possible.
49. Have the fifty most active parts numbers been checked for parts bin count accuracy? (Moments in Time) Yes – fast moving parts and Tires are counted 6 times a year. The rest of the inventory is counted 3 times a year.
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, this is done daily.
51. Have you given the Lost Sale Quiz to the parts Manager and Counter-people? Others in the dealership? Yes
52. Are true lost sales being tracked in your DMS? Who can log a Lost Sale? All parts advisors can track lost sales – only true lost sales are being recorded.
53. Who reviews the Lost Sales? When are they reviewed? Parts Manager reviews lost sales daily before submitting 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)? We look at our Phase in/ Phase out report daily before sending the daily stock order. This report is also looked at during the month end process.
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? 3 demands in 6 months.
56. What is your Compliance % level for your inventory with your Vendor Managed Inventory, RIMPRO? N/A
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 get stocked in before they are sold.
58. Are the procedures for shipping and receiving written or all verbal? Who's responsible for reviewing and updating these policies and procedures? Procedures

are written in the S.O.P binder – and updated by Parts manager on a yearly basis. These are then reviewed by the Manufacturer during the annual inspection.

59. Who files damage claims on parts shipments received? Assistant Parts Manager submits all claims (short shipped, damaged)
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 receives the stock order. Parts are checked off against the Toyota Packing Slip and the Pre-Receipt list generated by our DMS. Short Shipments and Discrepancies are submitted right away as per Toyota's guidelines.
61. At a minimum, is perpetual inventory verification done in conjunction with a physical inventory on a yearly basis? Usually yes, however this year we have switched to perpetual inventory only.
62. Who applies and loads the monthly price updates? Parts Manager.
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)? Monthly adjustments are done on any appreciation/depreciation into a reserve account. The amounts are recorded to profit or loss at end of each quarter.
64. What adjustments were required after the last physical inventory to the dollar value, etc., of the inventory? Adjustments were only made to the GL and not to the inventory counted. There was an appreciation.
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? They are placed on a separate shelf, in a separate source and have been set to Auto Phase out.
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
69. Is a daily operating report of sales, gross profit etc., being provided to the parts manager for review by him (DOC)? Parts manager has access to the DOC and is printed every day in order to track Sales and Gross trends for the month.

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? True turns was calculated at 1.1 vs. gross turns at 3.1 per year. Parts excel template and manual calculations were accurate.
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 1.1 and matches FS Parts Excel template.
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? The manual is located in the parts manager's office. This is verified by the manufacturer during an annual inspection.
74. Is your Parts Department locked up each night? Who has keys? Yes it is locked up. Parts & Service Manager have the keys. Also the night advisor and the opening advisor have a key.
75. Do your Counter-people have a cash drawer? Who balances the drawer? We have a shared cash drawer – it is balanced at the end of each business day at closing by the night advisor.
76. Is there a policy in place for overages for the cash drawer/balancing? Usually never any overage – on occasion there are shortages. The policy is to report it to the parts manager at which time he investigates how we ended up short.
77. Do you have security cameras in the Parts Department? Who has access to the tapes/CD/backup? Yes we have cameras. Management team has access to the Cameras along with the IT department.
78. What one thing can your organization do to help you do your job better? Provide additional resources, primarily man power, to allow for growth in the parts department and better moral amongst existing employees.