

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?
Twice a year, between the parts and service manager.
2. Compare the pricing policies in the parts department and see how competitive your Dealership is within your area.
Service Managers, parts does not shop local dealers
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.
Service Manager, parts doesn't shop other local dealers
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.
Pricing guide?
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?
No, counter people are able to because of the conquest program because you have to constantly change price to compete in the market.
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, we utilize price tapes from PBS.

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.

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?

They are not tracked in the system because we do not have a lot of discount purchases.

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

Yes, Revolution and OE Connect. Revolution parts is used for online catalogue which we use to liquidate aged inventory, and OE Connect which we use to locate parts for the Service department and wholesale.

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?

Yes, we utilize Car People which is a direct mail piece to actively connect with our customer base as well as source unknown customers from our local area.

Cost vs. sale unknown?

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?

Yes, we utilize a 3rd party called Advantage Solutions who is full time road guy that actively connects with all the local customers. Having this individual keeps us compliant with GM and helps keep the cost down from hiring a full time employee.

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?

Yes we do, the dollars are split between service and parts, by end of year 100% of at amount is spent by both departments. Increase OE part purchases which would increase our advertising dollars per GMs requirements.

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

Yes, this is Revolution Parts for us that connects to eBay and in the future Amazon.

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

Check with Lloyd and Harry

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?

Expenses are reviewed weekly and as part employee pay plans reviewed as part of our cost control. To be reviewed with GM.

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 operation and the revolution parts website that operates as an extension of wholesale. We also have a body shop that we sell to.

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, the sales department uses the accessory website to upsell.

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 the customer base monthly and review their sales history and follow up if the have not been consistent.

19. Do you study your wholesale market opportunity within 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, we use Advantage Solutions to provide this feedback as well as break down where we can make gains with pricing and just general information on how our competitors are operating. Quirk and RH Long, we are competitive just based on our history of good service and we routinely take customers from them based on this.

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?)

Our Wholesale Part Manager does this, Faith has info for the Tax ID.

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, Fleet (delivery trucks), Fuel and advertising

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?

Wholesale Parts Manager as well as Accounts Receivables, they use a form that utilizes trade references and they follow up with the listed groups. We also utilize a credit card number

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

Yes, the wholesale parts manager and parts manager receive and review it daily.

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?

- Policy is listed at the bottom of the invoice and Accounts Receivables is drafting a letter reiterating policy. As of 7/1/19, and approved per the Owner.
25. Do you require 100% pre-payment on these parts? Do you differentiate between Counter Retail/Wholesale and Service RO?
We do not, and we do not. Policy Remains the same.
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?
12 months, because you want to resell vs. return. We have a restocking fee, but again we do not have a timeline for returns.
27. Who are the parties that are involved in the SOP process start to finish?
It starts with the Service Advisors, pushes through the Techs who do the diagnostic, service advisor confirm the parts and then part counter people order through PBS. Finishes when the part arrives and is given to the technicians.
28. Are special order forms completed in a legible manner so that the customer information can be read?
No, all are managed through the DMS so its all digital.
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 three special order bins in the parts department. Our service admin notifies the customers for all Service RO, and our parts countermen notify for retail parts through PBS. Counter people follow up with customers for any returns.
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?
Covered in questions 29, three bins located in the back of the parts 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?
Management and counter people administer and control the Purchase order system and anything over \$500 dollars need to be approved by management. Accounting manages and follows up on the PO, management sets the money level.
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 GM and Comptroller both have direct purchasing authority and these individuals also act as oversight for the Parts Manager.
33. Who established internal parts pricing policies? Are all internal purchases centralized and run through the Parts Department for control purposes?
Parts Manager, GM and a 3rd party consultant. Yes all is 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)
Less than because WIP will hold the difference until RO completed.
35. If the accounting inventory value is higher than the parts computer, look for the parts inventory missing items (uncontrolled inventory). (Monthly Reconciliation Exercise)
We have a physical inventory once a year by a 3rd party and our shipper/receiver does a daily perpetual inventory with a scan gun.
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)
Its never less due to the WIP.
37. If LIFO is used, when inventory value is used to calculate days' supply, etc., the actual value should include the LIFO reserve.
We have never used 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)
We do not, but as a result of class we are in the process of digging into role descriptions and clarifying them based on what we learned in class.
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?
GM roles out the training program but we are working on developing our own internal based on what we got from class. We have not reviewed it as its been sourced through GM. No and no it is not.
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, the are kept electronically through global connect. Yes to OE/Manufacturer specific training, not sure regarding DMS or Parts catalogue 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?
No and the last time was parts managers meeting upon getting the position.
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 are set up well but we were missing an additional scan gun for part of our operation which we now have.
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?

- About 5% of the whole, and RIM makes the changes based on the volume of part sold in the 15 month period. It doesn't change we are locked in by RIM.
44. Is the trend of those changes in question #42 a positive or negative trend?
Positive as the new equipment is assisting in maintaining the inventory.
45. What is the percentage of stock order from the factory versus outside purchase (emergency purchases)?
54% is 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?
The are stored in PBS and yes we use the DOC, Lost Sales and CSR productivity. Reviewed daily with parts employees.
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?
Yes but we also follow up weekly with Service to review parts that should be excluded from RIM. We will implement it in august due to changes we are making in July. **Review the scorecard for what we couldn't answer now**
48. How often is your Parts Inventory adjusted for errors in part value or part quantity? (Moments in Time)
At the time of the perpetual inventory which is in fact daily.
49. Have the fifty most active parts numbers been checked for parts bin count accuracy? (Moments in Time)
No, we do by bin and count everything.
50. Are the transactions for each day reviewed by the parts manager to make certain that any adjustments made (plus or minus) are accurate?
We look at changes in the DOC, if found they are back tracked to the source and an adjustment is made.
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?
We are now tracking per the DMS, and all the counter guys can do so.
53. Who reviews the Lost Sales? When are they reviewed?
PM runs report once a week
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, this is done by RIM. Yes by RIM.
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?
All our orders are managed by RIM, but average is 2-3 in 12 months
56. What is your Compliance % level for your inventory with your Vendor Managed Inventory, RIMPRO?

Ours is 82%

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 they are scanned in and then placed on the shelves, and yes we stock shop supplies and hardware.
58. Are the procedures for shipping and receiving written or all verbal? Who's responsible for reviewing and updating these policies and procedures?
Verbal, PM and upper management reviews and updates as needed.
59. Who files damage claims on parts shipments received?
Done by the shipper and receiver
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?
Shipper/receiver and with the scan gun, we do not cross checked but the scan gun confirms the full order. Shipper/receiver reports to manager, the quantity is updated in the DMS and then a claim is submitted.
61. At a minimum, is perpetual inventory verification done in conjunction with a physical inventory on a yearly basis?
We do the perpetual daily and we have consultants onsite once a year to review the inventory.
62. Who applies and loads the monthly price updates?
Parts manager does this once a month through our DMS
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)?
We do and its reported to our comptroller, though there is a daily version of this that we do not track.
64. What adjustments were required after the last physical inventory to the dollar value, etc., of the inventory?
There hasn't been any because we rebooked the inventory 6 month later to identify the difference.
65. Are all obsolete parts that are on the inventory physically in the store?
Yes, they are kept in the regular bins.
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?
We do separate them from an accounting standpoint but physically they stay on the shelves.
67. Who verifies the completion of the repair orders between the first and second month they are reported in the work-in-process status?
Nobody in parts tracks it, it is followed up in service and coordinated with parts
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?

Service and Body RO are handled by those departments. Office team coordinates with managers to finalize any outstanding tickets.

69. Is a daily operating report of sales, gross profit etc., being provided to the parts manager for review by him (DOC)?
Yes it is reviewed daily and if needed executive management and comptroller will meet to review any discrepancies.
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?
2 months, yes around about. Technically yes.
71. What is the true turn of the inventory? Does that match the students calculations found in their FS Parts Excel template?
5.5 and it is close.
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 it is.
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?
We do not have policies and procedures, we communicate everything by word of mouth.
74. Is your Parts Department locked up each night? Who has keys?
Yes and our Manager, counter guys and shipper/receiver have the passcode.
75. Do your Counter-people have a cash drawer? Who balances the drawer?
Yes and the comptroller balances it.
76. Is there a policy in place for overages for the cash drawer/balancing?
No, it's a small draw and our comptroller reconciles it nightly.
77. Do you have security cameras in the Parts Department? Who has access to the tapes/CD/backup?
Yes we do, our security company manages all the back ups which we can access as needed.
78. What one thing can your organization do to help you do your job better?
Management getting a bit more involved, being tied in a bit more consistently to other departments through common procedure and meetings.