

TERRENCE PETE #351: 78 QUESTIONS

TERRENCE'S ANSWERS IN BLUE, BRYON OUR PM WILL ANSWER IN BLACK

1. We check our prices against our competitors twice a year.

One year ago my Parts Manager and Corporate put a policy in to review pricing twice a year. Before that it was grandfathered in from Corporate.

2. Our pricing policies are right in line with our competing dealers in our area for both wholesale and retail customers. Our retail prices are slightly less, wholesale is slightly higher.

Verified statement is true when looking at AutoNation, and Christopher Dodge's pricing.

3. We are not the lowest price. We earn our customers business by providing the best possible service that we can.

Verified we are not the lowest but competitive.

4. Wholesale repair shops are priced at List -20% for infrequent customers and List - 25% for the active repair shops. Body shops are List - 30% with a few of our most active at List - 32%. Retail and Service customer pricing is set at List for maintenance items and have an inflated matrix for dealer captive parts. Employee pricing is set at Cost + 10%.

5. Parts advisors and the Express Lane advisors are empowered to make pricing changes when necessary. Service advisors do not. Changes are reviewed by the Parts Manger on the overrides report.

Bryon inspects the CDK dashboard daily and can tell when someone offers a discount.

6. Only the Parts Manager can +/- inventory adjustments. Any pricing changes made by others will be shown on the overrides report.

7. All parts are costed at factory price to maintain an accurate inventory value.

This pricing practice never changes; cost + 10 from other dealers and any deductions are taken from discount account.

8. The cost of the part goes into acct 130 and the discount goes to acct 585E.

Actually learned what the difference in these two accounts are as a result of this exercise.

9. Yes, our dealer website, Mopar E-Store, Repair Link, Collision Link, and CCC.

Learned 2 daily avg transactions come from Mopar e-store

10. The sales generated from Repair Link and Collision Link and the E-store easily cover their cost. We recently signed on with CCC and sales are starting to grow.

2-3 Transactions daily come from Repair link and Collision link both cover the cost.

11. Yes, we have one of our parts advisors go out 1-2 days a week for sales calls.

This person just started going out doing outside sales. We are still monitoring the sales to determine if this should be a full time or par time position.

12. Yes, we use Mopar One Funds. Year-to-date we have used \$10,190 to help pay for advertising programs, accessory brochures, Mopar E-store, collision Link, etc. The amount of funds that we can qualify for is determined by several requirements for FCA; loyalty, Saturday hours, Express Lane, AHQ, and being Wholesale Certified.

These funds are also used for pens, sticky pads and numerous inexpensive items used in the office all containing the Brandon Dodge logo. Another reason we need one outside sales rep is to qualify for FCA's requirement of 20 customers serviced per week, which would increase funds received.

13. Yes, our website is mobile ready.

Yes, our website is mobile ready. I navigated through it well with my phone.

14. Internet Parts coupons are checked and updated monthly.

We switched from quarterly to monthly about a year ago.

15. May salaries are at 27% of the department gross profit. The current sales levels provide sufficient profit.

Our Corporate Parts Director set up pay plans for all stores in the group when we opened. In April of 2018 Bryon reviewed pay plans with corporate and now we review them on a monthly basis to make sure we are profitable.

16. No, The Parts Department seeks additional revenue through increasing wholesale and online sales. They don't solely "live off" the sales of service.

We added an assistant parts counter employee which allowed a current employee to focus more on wholesale and online sale profits.

17. Yes, salesman go over our accessory menu with their customers and are spiffed 5% of the Mopar Accessories that they sell. Also, accessory displays are in four different areas throughout the store and are refreshed quarterly.

This program allows salespeople to receive a 5% spiff on dealer preloaded lifted trucks that will pay \$400-500 to the salesperson upon funding.

18. No, I do not review wholesale customers weekly. Majority of our customers are located within our delivery area. We will not deliver to a customer if there is no profit to be made. We ship UPS outside our delivery area and bill them for freight.

Upon review everything is in line, Bryon now watches this quarterly.

19. Yes, AutoNation is the "major player" in our area. We do our best to win over customers with friendly knowledgeable customer service and hot-shot deliveries within a five-mile radius.

In the last year we have improved our wholesale market opportunity by adding a hot-shot driver to deliver quickly in a five-mile radius.

20. The parts advisors request a Tax-ID before adding new wholesale customers. The business office files and keeps them current.

Verified they are current.

21. Supplies, equipment, uniforms, advertising, and merchandising programs are under the manager's control.

I verified this is accurate.

22. The Office Manager determines credit approval for parts customers. The Office Manager, Service Director, and Parts Director all look over the receivables list to keep our customers paying on time.

We were reviewing this twice a month. I have now put in place that the Parts Director review this once a week with the Office Manager, Service Director, and myself.

23. The financial statement is given to the parts manager every month.

At the close of each month the Parts Director is given the financial statement to review.

24. Special Ordered Parts: Retail orders are prepaid and are placed on the special-order bin in alphabetical order. The part shows as received on the parts advisors special ordered parts list and the advisor calls to let the customer know it is ready to be picked up. Shop orders: If the vehicle is here in service, the part is billed on the RO, placed on the counter for the tech to pick up, and marked as filled in Auto Live so the tech and the service advisor know the part is here and ready to be installed. If the vehicle has left, the part is placed on the special order bin in alphabetical order by last name and the

service advisor is notified by CDK on their special ordered parts list. The advisor calls the customer to set up an appointment to install the part. Parts are held for 30 days. Afterwards the parts are either returned to the manufacturer or placed into stock if it is a common selling item. Special order policy is approved by the parts manager.

I made it mandatory that we post the policy for SOR's on all doors and hallways of the Parts department. There is no way any Parts employee can say they don't know our policy for SOR's.

25. No, 100% pre-payment is not required. Vehicle in-shop orders and stocking parts do not need to be prepaid.

Now we charge 100% pre-payment on front counter SOP's only. In service vehicles and wholesale SOP's are not required for pre-payment.

26. Parts not picked up in 30 days are evaluated for return. All returned special order parts are charged a 15% fee.

I agree with the 15% fee on SOR's.

27. The parts advisor, customer, technician, and service advisor are all involved in the SOP process.

I agree with this process.

28. We do not use paper forms. All SOP's are tracked in CDK.

29. Special order parts are located on the special-order bins in the parts department. Unless the vehicle is still here in service. If the vehicle is still here, then we put the special-order parts on a shelf in front of the back counter where we have designated shelves for technicians. Even though the technician knows the part is here through Auto Live. We also make it known because it's sitting on their shelf to be installed. The service advisor notifies the customer. The Parts Director follows up on SPO's and he also determines when to return them back if no longer needed.

Originally all SOP's sat on the SOP bin in the parts department until it is ready to be installed. I discussed with Bryon my Parts Director that we need to put SOP's on the tech shelf if the car is here. I believe it makes the technician more aware that this part can be installed ASAP. Also auto live lets alerts the technician and service advisor as well.

30. Special order parts are located on the special-order bin, not in the regular inventory.

This is accurate.

31. The Parts Director controls and approves the purchase orders, \$\$ levels, open PO's, and open PO \$'s. There isn't a set dollar amount that needs approval.

Since the Parts Director controls and approves purchase orders. I think there shouldn't be any change.

32. The parts advisors have direct purchasing authority from outside vendors. The Parts Director must still approve payment.

Bryon says his parts advisors must be allowed to do this and I agree.

33. Upper management established internal pricing. Part purchases are ran through the parts department. Sublet purchases are ran through the service department.

Pricing is set up by Owner and Corporate Parts Director.

34. The value of the parts inventory is usually higher than the financial statement.

This is accurate mostly due to the appreciation and sometimes due to "freebies" accidentally sent by the factory.

35. The accounting inventory is not higher than the parts computer.

Learned while this is not the case it could also be the result of theft so long as were doing proper physical inventories.

36. No, appreciation that is not booked can cause the value of the parts inventory to be higher than the accounting inventory value.

This is not an unusual occurrence, just learned that as well.

37. LIFO is not used.

38. No there isn't a chart. Yes, each counter person has inventory transactions assigned to them.

Although we don't have a responsibility chart in place. After speaking with a few parts employees about the process. I agree it's not necessary to have a chart. Everyone knows their responsibility.

39. Part employees complete the quarterly training required by FCA and the safety training required by KPA. It is a requirement for employment, and there is nothing in the pay plan.

Bryon the Parts Director controls the training programs for our parts employees. It's required to review quarterly as well as KPA training for

compliance. We closely monitor phone training through Applied Concepts. Going forward I want to be included in monitoring incoming phone calls.

40. Training is tracked and monitored online. DMS and parts catalog refresher courses are taken each year.

Before no one paid attention to training. Now the Parts Director monitors training for online DMS refreshers, part catalog, and OE specific training every year. This is required for all new hires before they can speak to a customer.

41. No, the parts manager has not taken a financial management class. He does attend all FCA manager meetings.

I think we should send the Parts Director to the ATD Academy.

42. Computer equipment does meet our daily needs and is in the right locations. We have the correct hardware for our business level.

I agree with Bryon's answer. Our equipment meets our daily needs and is in the right locations.

43. Less than 5% of the replenishment order is manually adjusted. The parts manager makes the changes to usually bump up stock for items that have seen an immediate increase in sales.

I agree with this process as well. No changes should be made.

44. A positive trend to avoid being out of stock.

45. Stock orders are 53%. Outside purchases are 16%.

46. The management report is printed and stored both online and a paper copy in the parts department.

Yes, the report is printed and stored online. This report is reviewed monthly.

47. The DMS summary is reviewed each month. The critical measurement report in Dealer Connect is also used to track inventory trends.

Bryon said he is going to start reviewing this twice a month. I will be performing my own DMS scorecard monthly just for my own knowledge and understanding.

I am unable to view the dirty cores on the management report. CDK recommended to me NEVER to turn the dirty core feature on because it will "mess everything up" Verbatim.

48. Parts inventory is adjusted several times a week. Both for pricing errors and/or quantities.

This must be done multiple times a week. Errors can cost the store money if no one monitors this often.

49. Yes, parts employees routinely check bin counts as they pull the parts they sell. Resulting in the fifty most active parts are being checked often.

I verified this myself. This is accurate.

50. Only the parts manager can make inventory adjustments.

Bryon always inspects if and when an extra negative is found.

51. Yes, the lost sale quiz has been given to the parts manager and all parts advisors.

This was done during our parts class week.

52. Parts advisors and the manager all post lost sales. They are tracked by our DMS.

Verified and I agree.

53. The Parts Director reviews lost sales monthly.

After my lost sale quiz with the Parts department. Bryon and I have a meeting scheduled with all Parts employees to train on lost sales.

54. All emergency ordered parts are posted in by the Parts Director. ARO controls phase in, but the Parts Director will adjust if needed.

We don't have a problem with the current process. So, I agree with no change.

55. ARO controls phase in. Each type of part has different phase in criteria. The Parts Director will override ARO if needed.

Each part is unique. But I like that we can override the system if needed.

56. We are 99.5% compliant with ARO.

Verified and I agree.

57. All parts sold by the parts department are placed into parts inventory. Shop supplies are kept in the service tool room.

Verified and I agree.

58. The procedures for shipping and receiving are verbal. The Parts Director is responsible for reviewing and updating the policies and procedures.

The same parts employees have overseen shipping for 10+ years. Bryon agrees he is going to put it in writing and have himself, the employee and GM sign off.

59. The Parts Director files the MRA damage/shortage claims.

Verified and I agree

60. One counter person comes in early to check in the order. The Parts Director reconciles what was received to what should have been delivered. The Parts Director files the shortage claim if needed.

This process has been the same since we opened. No need to change it.

61. Yes, we go through the complete inventory at least once before the physical inventory. We constantly check quantities as we are selling items off of the shelf.

This is accurate.

62. The price updates are done automatically during Month End reports by CDK.

This is accurate. CDK does our price updates.

63. The appreciation is calculated into the books at physical inventory, bin count irregularities are tracked by the Parts Director, and the price difference for emergency purchases is accounted for at the time of purchase.

Bryon keeps a very clean excel spreadsheet for bin count irregularities as well.

64. We had a positive increase at our last physical inventory in November 2018.

Result of Chrysler sending more parts than we paid for. Bryon refers to these as "freebies"

65. All obsolete inventory has been written down to a penny and is kept at the store.

The parts are kept in inventory so they still show in Chrysler Dealer 2 Dealer platform.

66. Obsolete inventory is tracked in a separate penny source.

67. Repair orders are not reported until the month they have been completed and closed.

Our Service Director verifies completion of all repair orders.

68. Yes, all Fixed managers work together. The Service Director keeps track of open repair orders and closes them ASAP.

This process was changed from my Service Director doing this alone to now all Fixed managers are involved.

69. The daily DOC is available at any time in CDK.

Verified and I agree.

70. We currently have 1.76 Months of Supply.

June 2019

71. The Turns of inventory is 6.80.

June 2019

72. Yes, our inventory area is large enough for our current level of business.

73. The policy and procedures manuals are in the Parts Directors office.

Verified and I agree. Also, the GM handles the review with the Parts Director and his employees.

74. Yes, the parts department is locked up each night. The parts Director and advisors have keys.

Verified and I agree.

75. No, the cashier handles the cash drawer.

Verified the cashier is the only one who handles the cash drawer. The drawer is balanced with cashier and our head of accounting.

76. Yes, the cashier handles balancing the cash drawer.

But our Controller does random spot checks.

77. Yes, there is a security camera in the parts department. Only management has access to viewing the video.

I now have access to review security cameras.

78. We have recently added a new parts advisor. This has allowed one of our seasoned advisors to go out on sales calls 1-2 days a week. Our next step is

to increase our wholesale business by adding another full-time delivery driver.

Adding this new parts advisor to the team has allowed a connection with our parts department and our new and used car sales team that we didn't have before. This advisor comes to sales meetings and puts pressure on our sales department to stay focused on selling accessories while they sell new and used cars. Its extra money for the salesman, so the parts advisor always keeps that focus in front of them.