

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 quarter.**
2. Compare the pricing policies in the parts department and see how competitive your Dealership is within your area. **In line with surrounding 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. **We compared common repair parts- brake pads, timing belts, water pumps, air & pollen filters, wiper inserts and tires. We weren't always the lowest but were very competitive.**
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, we set up price codes to determine different selling prices. Price codes are then assigned to individual accounts for discounts.**
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, Exception Report.**
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 use inventory adjustment accounts 68800 & 68900**
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? **Discounts go into the 68900 account.**
9. Do you have an internet presence for your parts department? **Yes. We have an online presence, however I feel that it could be, and should be much better. Finding a part on our website is not easy. It has an online parts**

request form which has to be submitted, then the client has to wait for a response back. This is antiquated and to be honest, I'm not sure that anyone even pays attention to it. There are many other Honda parts websites that have newer and faster technology. I recommended the Revolution Parts catalog.

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? **Quarterly mailers and on-line coupons. These usually generate a 11% response rate. Cost is much greater than generated sales.**
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? **No.**
13. With the growing use of mobile smartphones by customers do you have a mobile ready website? **Yes.**
It is still not user friendly and we do not have an app like most online retailers do.
14. Do you periodically check your online internet Parts coupons? How often are they checked? How often are they updated? **Checked monthly, changed 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? **All expenses are checked monthly for our financial reviews. Everything is in currently in line.**
Our departmental gross profit is 38% which is exactly at NADA guide, however payplans are rarely reviewed or changed.
16. Does the parts department actually seek additional revenue or "live off" the sales of the service department only? If not why not? **Yes, we pursue wholesale accounts and retail sales.**
We could increase our revenue further by improving our website and focusing on training for our parts employees to actually sell counter retail.
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? **All salespeople review an accessory sales sheet with each client that shows all accessories available for their vehicle.**

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. **This is done on a monthly basis unless we notice an extreme amount of returns from a client**
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? **Yes. We sell our ability to provide excellent service with multiple deliveries a day covering a 25 mile radius. We have access to 12 drivers daily because we combine deliveries with our sister dealerships.**
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 reviews them first and then our accounting office verifies & approves them.**
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. **All expenses are reviewed monthly for our financial review. Beside payroll expense, semi-fixed expenses are closely monitored. Outside services, advertising, freight, office supplies etc. We do not employ parts drivers, so expenses are sometimes higher than we would like due to the outsourcing wholesale parts delivery.**
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? **Accounts receivable clerk is responsible for both.**
23. Is the financial statement for the parts department given to the manager and discussed on a weekly/monthly basis? **Monthly basis. We have monthly financial statement reviews where the head of each department, GM, CEO, CFO all meet to review the financial statement. Everyone identifies 3 wins and 3 opportunities they faced in that month and also sets goals for the next month.**
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? **100% pre-payment and no returns for retail clients. 100% pre-payment on parts**

over \$250.00 for service clients not leaving their car at dealership, wholesale clients in good standing do not require pre-payment. Copy is in employee handbook. Reviewed January 2019 by parts manager.

25. Do you require 100% pre-payment on these parts? Do you differentiate between Counter Retail/Wholesale and Service RO? **Yes. Wholesale accounts do not require pre-payment if they are in good standing, Service clients need pre-payment for anything over \$250.00 cost if they are not leaving vehicle.**
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, Special orders are non-refundable, any other returns are subject to a 20% handling fee.**
27. Who are the parties that are involved in the SOP process start to finish? **Parts manager, parts specialists and inventory clerk.**
28. Are special order forms completed in a legible manner so that the customer information can be read? **Yes, generated by CDK.**
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? **Special order shelves. Client is notified via email and text message. Assistant parts manger does the follow-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? **Separate location.**
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? **Electronic PO's through CDK. \$500.00 limit before approval. Levels are set by corporate officers.**
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) **All managers can purchase from outside vendors. The general manager and COO 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? **Policies were set by corporate officers. Each department can make their own purchases.**
Our internal parts and service rates are discounted, which I believe should be raised to match warranty and customer pay.

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) **It exceeds the financial statement amount.**
35. If the accounting inventory value is higher than the parts computer, look for the parts inventory missing items (uncontrolled inventory). (Monthly Reconciliation Exercise) **Orders not receipted, parts not being billed out, work in process, theft.**
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) **Not always. It is generally due to accounting not being up to date on posting invoices. Not all invoices arrive before statement is run.**
37. If LIFO is used, when inventory value is used to calculate days' supply, etc., the actual value should include the LIFO reserve. **LIFO is not used.**
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) **No. There is a department organization chart to show who answers to who.**
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, reviewed monthly and is not part of pay plans.**
I do not believe there is much training going on in the parts department. My action plan is phone training to promote more retail counter sales, and the parts manager is on board, so I am hoping for a good outcome.
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, all records are in Honda interactive network and KPA 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, American Honda, 2005.**
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? **Diagram complete. Currently have sufficient hardware for department.**

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? **The stock order is reviewed daily by assistant manager or parts manager. Changes do not exceed 10%. Changes are done to correct stocking levels that are effected by incorrect lost sale postings (10 instead of 1) or abnormalities due to recalls causing extremely high stocking levels.**
44. Is the trend of those changes in question #42 a positive or negative trend? **Positive.**
45. What is the percentage of stock order from the factory versus outside purchase (emergency purchases)? **95% stock order, 5% 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? **Reports are printed & stored in the parts department. MGR report is reviewed monthly, lost sales and exception reports 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? **No, DMS summary is not used.**
48. How often is your Parts Inventory adjusted for errors in part value or part quantity? (Moments in Time) **Whenever discrepancies are found. This could be during perpetual inventories or during daily activities when we notice our count is off.**
49. Have the fifty most active parts numbers been checked for parts bin count accuracy? (Moments in Time) Yes. **It is done monthly.**
50. Are the transactions for each day reviewed by the parts manager to make certain that any adjustments made (plus or minus) are accurate? **Exception report is reviewed each morning.**
51. Have you given the Lost Sale Quiz to the parts Manager and Counter-people? Others in the dealership? **Yes.**
It was very surprising to see the variances. It made it clear that we are not on the same page regarding how to determine a lost sale.
52. Are true lost sales being tracked in your DMS? Who can log a Lost Sale? **Yes. All counter specialists and parts managers log lost sales.**
Based on the inconsistencies with determining what qualifies for a lost sale I do not have much confidence in these calculations.

53. Who reviews the Lost Sales? When are they reviewed? **Parts manager on a weekly basis.**
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.**
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? **2 sales in 6 months. Criteria is set in DMS.**
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 are in parts inventory. Shop supplies and bulk fluids are kept in the shop.**
58. Are the procedures for shipping and receiving written or all verbal? Who's responsible for reviewing and updating these policies and procedures? **Shipping is verbal, receiving is written. Parts manager reviews and updates.**
59. Who files damage claims on parts shipments received? **Parts manager and Assistant 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? **Inventory clerk receives orders with CDK scanner. All orders are reconciled to factory order through CDK. Discrepancies are handled by the parts manger or the assistant manager.**
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? **IT Administrator.**
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)? **Once a year adjustment is done.**
64. What adjustments were required after the last physical inventory to the dollar value, etc., of the inventory? **There were 126 counts adjusted with a dollar value of negative \$2156.00.**

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? **No.**
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, monthly schedule reviews.**
All department heads, GM, CEO, CFO, and accounting office personnel meet monthly to review all outstanding tickets. Anything over 10 days old requires explanation from manager.
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? **Days supply is set at 35 days.**
Slightly different calculation based on different month being used, however my calculation is 1.54 months supply which is exactly in line with the NADA guide of 1.5 months supply, so I rate with a passing grade.
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 7.40**
Slightly different calculation based on different month being used, however above NADA guide of 4-6, so I rate with a passing grade.
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.**
Our first time fill rate is 87% based on the exercise. Although this was a very small sample size, it is close to the NADA guide of 90%, so I would rate this with a passing grade.
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? **All manuals can be accessed on-line. Printed copies are in the HR office and the service managers office.**

74. Is your Parts Department locked up each night? Who has keys? **Yes. Parts managers and counter specialists.**
75. Do your Counter-people have a cash drawer? Who balances the drawer? **No drawer.**
We have a parts and service cashier who is separated from the actual parts and service areas.
76. Is there a policy in place for overages for the cash drawer/balancing? **Yes, this is done by the cashiers and warranty clerk supervises them.**
77. Do you have security cameras in the Parts Department? **Who has access to the tapes/CD/backup? No cameras, only the IT Administrator.**
We definitely need to install cameras in the entire dealership and surrounding areas.
78. What one thing can your organization do to help you do your job better? **N/A**