

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 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 Microsoft 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. All of these files will be submitted to your class Dropbox (more instructions on this below).
4. There is a Post Parts Class Threaded Discussion that will open after class ends, You will be required to post the one topic that you came away with from the parts class that you have already activated or plan to act upon with the parts department. Once your peers start posting theirs you will be required to respond to at least three with points of clarification and reinforcement. This has a point value of **300** points.
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.**
Parts manager red, my comments in blue after review.

1. How often is your dealerships source pricing levels reviewed for competitive maintenance and heavy repair? **quarterly**
2. Compare the pricing policies in the parts department and see how competitive your Dealership is within your area. **Competitive in most lines, proprietary being lost to out of state dealers in some cases.**
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 do mystery shop high volume items versus WD's in the market, brakes, drums, filters etc.**
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. **We have pricing levels for different customers, counter retail, counter wholesale and internal.**
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 has no access to pricing. Counter people can change but monitored daily. Only parts manager can approve and override special pricing. Internal is locked.**
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)) **Parts are brought in via the pricing tape via corporate parts.**
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, in certain circumstances the PO is changed to reflect accurate pricing.**

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 can track the PO, but that additional GP is funneled to a clearing account.**
9. Do you have an internet presence for your parts department? **For Online Parts Counter customer. Yes.**
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? **No set merchandising program in place. Case by case basis on customer feedback whether positive or negative.**
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 active salesperson. Working on hiring on now**
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? **\$1500 yearly spent on merchandising aids. i.e. signage, bags, stickers**
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? **No parts coupons with online ordering per corporate parts.**
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 quarterly, current sales pay for established levels but need OSS.**
16. Does the parts department actually seek additional revenue or “live off” the sales of the service department only? If not why not? **Seek additional revenue, must hire OSS to re-establish presence in market to gain additional revenue.**
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? **No set program with salespeople.**
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. **Customer deliveries and routes are closely monitored within a reasonable area. We have done fuel surcharges on certain customers for delivery.**

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? **Midwest Wheel largest competitor, best location of 5 store. MW has 2 deliveries per day, we have one.**
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?) **These were set up when old dealership purchased. Make up for a small amount of customer base. These exempt forms are updated periodically.**
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. **Monthly expenses are currently only by parts manager. Need OSS to increase monthly expense.**
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? **Credit approval is based by regional office and most of this was done when changeover took place. Purchasing limits are approved by regional accounting when the case arises.**
23. Is the financial statement for the parts department given to the manager and discussed on a weekly/monthly basis? **Yes, available to all department managers and gone over thoroughly looking for any abnormalities.**
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? **No specific guideline for special parts ordering. If a part is over \$1000, parts manager is notified and customer is warned no returns are available. We do monitor special priced items daily on our end of day reports.**
25. Do you require 100% pre-payment on these parts? Do you differentiate between Counter Retail/Wholesale and Service RO? **No pre-payment for special order parts. No difference between customers. Opportunity to improve in this area**
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? **3 months return policy for standard return. 20% restock fee for older returnable parts.**
27. Who are the parties that are involved in the SOP process start to finish?
Counterperson and manager
28. Are special order forms completed in a legible manner so that the customer information can be read? **no forms during this process**
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 parts are located on person bin shelves. Counterperson and manager call customers if parts sit on shelf over two weeks. If part is here for one month, part is sent back to warehouse. Need better tracking on this**
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? **Parts are in separate bin location unless homed into location. Regular reports are ran monthly for no-movement parts that are to be sent back to warehouse.**
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? **All counterperson have ability for purchases up to \$5k. Corporate parts is in control of purchasing capabilities. Branch manager approval on higher dollar items**
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 parts counterperson and managers have access to purchase from outside vendors. Corporate parts oversees parts manager for large purchases.**
33. Who established internal parts pricing policies? Are all internal purchases centralized and run through the Parts Department for control purposes? **All internal transactions are controlled by corporate parts. Pricing is set and can only be altered by Regional VP approval.**
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)
Daily cycle count shows a positive variance of inventory.

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, we adjust daily on cycle counts, never an issue with our DMS.**
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) **n/a**
37. If LIFO is used, when inventory value is used to calculate days' supply, etc., the actual value should include the LIFO reserve. **Parts are pulled with oldest date first.**
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) **Parts manager and back counterman**
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? **Corporate parts and HR**
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? **n/a area for improvement**
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. July for last mgmt. training.**
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? **Hardware is consistent with sales volume. Hardware needs refreshed throughout department which is controlled by IT.**
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? **Less than 10%. Inventory is mainly controlled by corporate parts and Paccar.**
44. Is the trend of those changes in question #42 a positive or negative trend? **Positive. A credit card terminal was recently added to assist with customer experience at parts counter.**

45. What is the percentage of stock order from the factory versus outside purchase (emergency purchases)? **80% stock order.....?!**
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? **MGMT reports are not printed unless needed. Viewed via the business system daily, end of day report reviewed and emailed to us 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? **n/a**
48. How often is your Parts Inventory adjusted for errors in part value or part quantity? (Moments in Time) **cycle counts done daily. 97.5% accuracy. Counts adjusted daily if need be. Quantity adjusts made when needed, lowest # in region.**
49. Have the fifty most active parts numbers been checked for parts bin count accuracy? (Moments in Time) **cycle count daily**
50. Are the transactions for each day reviewed by the parts manager to make certain that any adjustments made (plus or minus) are accurate? **Only manager and back counter have ability to QA.**
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? **Not tracking, counter men are being trained to complete**
53. Who reviews the Lost Sales? When are they reviewed? **Not tracking**
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)? **each counter man. Parts must be triggered 3 times to switch to a stocking part.**
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 hits to stock**
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 sold from inventory.**
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 should person need to go back and review. Most learning is done verbally an repetition. Manager and corporate parts depending on the situation.**
59. Who files damage claims on parts shipments received? **Shipping/Receiving and 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? **Shipping/Receiving receives and ships all parts. Discrepancies are reviewed by S/R and Manager.**
61. At a minimum, is perpetual inventory verification done in conjunction with a physical inventory on a yearly basis? **Cycle Count done daily in addition to yearly inventory.**
62. Who applies and loads the monthly price updates? **Corporate parts**
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)? **Tracked by corporate parts**
64. What adjustments were required after the last physical inventory to the dollar value, etc., of the inventory? **Positive \$20k or 2% of inventory**
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? **Obsolete parts are disposed of.**
67. Who verifies the completion of the repair orders between the first and second month they are reported in the work-in-process status? **Parts manager and both back countermen**
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? **No, primarily a responsibility of the service manager and myself at month end**

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? **990,000, inventory turn greater than standard at 5.69 yearly**
71. What is the true turn of the inventory? Does that match the students calculations found in their FS Parts Excel template? **5.69**
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. **Large warehouse to handle inventory appropriately**
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? **Available on interweb**
74. Is your Parts Department locked up each night? Who has keys? **Parts manager only**
75. Do your Counter-people have a cash drawer? Who balances the drawer? **Yes, night-time couterman**
76. Is there a policy in place for overages for the cash drawer/balancing? **All money left in drawer.**
77. Do you have security cameras in the Parts Department? Who has access to the tapes/CD/backup? **n/a, camera system being installed this year**
78. What one thing can your organization do to help you do your job better? **n/a**