

RANDY BEDAJAR - MERCEDES-BENZ of OKLAHOMA CITY

## Verification Form Regarding the Departmental Action Plan

### Fixed Operations 1 Week Post- Class Homework Assignment

Dear Academy sponsor,

One of the post-class homework assignments given to your manager at the conclusion of week two at the Academy is the Departmental Action Plan form. The student's assignment is to show you the format of the assignment, explaining to you the purpose of crafting a departmental action plan after week 2 of the Academy. This assignment will be completed four separate times, (classes 2-5) after the student has attended the fixed operations 1 parts week, the fixed operations 2 service week, the variable operations 1 class week and the variable operations 2 class week. The progress of the student's departmental action plans will be assessed by each of the Academy instructors in weeks 2 through 5 of the Academy. Please sign this form below which indicates that the student has reviewed the departmental action with you, and have your student bring the form with them, when they return for their fixed operations 2 parts class. We will collect these forms at that time from the students. The student will receive a pass/fail grade, based upon whether they submit this form signed by you. This is being done in order to verify that each student has shared the Departmental Action Plan with their sponsor.

Thank you for your cooperation.

Sponsor's Printed Name Randy Bedajar Sponsor's Signature   
Date 11/27/20

Very truly yours,

## **Fixed Operations 1 Week Post-Class Homework Assignment**

### **Parts Department Action Plan**

Mercedes-Benz of Oklahoma City spends in excess of \$70,000 per year in gifts, restaurant gift cards, chocolates and various other novelties to insure a high level of customer satisfaction. Mercedes-Benz USA shares in the cost of this spend via a program called MB Select where they will offer up to \$1,000 to be spent on a new car customer in the first 6 months of ownership to insure customer satisfaction. To date we have been using these funds to purchase items from other companies or stores rather than utilizing the dollars in our parts department. Moving forward we will establish a dealership policy to use these funds in-house exclusively in our boutique.

This measure will drive additional sales through our parts department, promote our brand through soft goods and lifestyle accessories, and increase profitability. In addition we will turn boutique inventory more rapidly and limit obsolete merchandise.

We can also issue gift certificates when we need to send something to the customer and this provides the potential for breakage income, the likelihood that a portion of the gift certificates issued are never redeemed.

We recognize that this initiative requires additional stocking of merchandise in our boutique and a greater attention to insuring a greater ease of transaction than currently offered.

Although it will be difficult to track additional profitability we suspect we can make an additional \$10,000 or more in parts department profit through this initiative.

## 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 per year.*
2. Compare the pricing policies in the parts department and see how competitive your Dealership is within your area.  
*Hard to say we are the only MB dealer in the metro.  
We seem to be in line with other luxury brands.*
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.  
*On line and aftermarket outlets sell cheaper than we  
can we have a value line of maintenance items but they are  
still higher priced.*
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 allow for bigger discounts for better wholesale customers  
Not so much for the occasional shop.*
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?  
*Parts personal are allowed to override prices for tire warranties,  
extended warranties, or even to match a competitor. Advisors are  
not allowed to override prices .*
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))  
*No.*

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?  
***If a part is bought from an outside source the cost should reflect what was spent to purchase that item(s)***
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?  
***N/A***
9. Do you have an internet presence for your parts department?  
***Dealer webpage, Facebook, and Instagram***
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?  
***We simply merchandise the boutique, we also have close-out sales from the boutique from time-to-time.***
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 outside sales rep currently.***
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 do not get any factory dollars for merchandising.***
13. With the growing use of mobile smartphones by customers do you have a mobile ready website?  
***Our website is Mobile optimized.***
14. Do you periodically check your online internet Parts coupons? How often are they checked? How often are they updated?  
***Reviewed monthly.***
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?  
***We are currently reviewing parts department pay plans and considering a commission component for counter and boutique sales. Otherwise they are not reviewed but annually.***

16. Does the parts department actually seek additional revenue or “live off” the sales of the service department only? If not why not?  
***Not currently seeking additional revenue, but are now considering other SOP sales channels and outside sales opportunities.***
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?  
***Typically limited to A/W mats and cargo trays. We are putting together a “Lifestyle Vehicle” adjacent to the boutique with a bike rack, space case, picnic basket, etc. to give ideas to customers of how they can equip their vehicles.***
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 discuss who has what going to what customer. We take the good with the bad if it is a good customer. Not always hitting a homerun but a single is what we get sometimes. To date there are not formal reviews of wholesale customer value vs cost to do business.***
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?  
***We did have a big wholesaler in our market so matched their price and started keeping the dollars in our market. We delivery daily and have a shipping company for deliveries outside our local area.***
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)?  
***All the counter personal police if a customer is a true wholesale account a lot of times if they come in, they are in a shop uniform. Also, if we deliver it goes to a ISP or a car lot.***
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.  
***Discussed monthly in a management meeting***

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?  
**Comptroller, accounting department.**
23. Is the financial statement for the parts department given to the manager and discussed on a weekly/monthly basis?  
**Discussed in an all manager meeting 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?  
**As of 1/1/2020 email sent from GM explaining policy on customer pay orders. Thank you NADA #360.**
25. Do you require 100% pre-payment on these parts? Do you differentiate between Counter Retail/Wholesale and Service RO?  
**Customer pay parts yes if it's a major assembly, we do cost (ie a motor, or trans)**
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?  
**Per the new policy we will retain any parts that have been paid for up front.**
27. Who are the parties that are involved in the SOP process start to finish?  
**Service advisor, parts, BDC and techs**
28. Are special order forms completed in a legible manner so that the customer information can be read?  
**Order forms are printed from CDK not hand written.**
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?  
**Working on a location only for Special order parts. If a car is gone a notice is given to the BDC to schedule the customer back in for install.**
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?  
**Smaller part being located to separate location bigger items located in stock bins.**
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?

**No dollar amount has never been discussed because it has not been abused.**

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)

**Only the parts manager. GM oversees the parts manager and reviews critical numbers monthly.**

33. Who established internal parts pricing policies? Are all internal purchases centralized and run through the Parts Department for control purposes?

**GM**

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)

**Yes, it exceeds the value on the computer.**

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**

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)

**No, items such as oil will be over. Sell 7 qts only use 6.5 this done several times per day**

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)

**There is currently no Responsibility to Function Chart**

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?

**Training from factory classes online requirement for the dealership**

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?

**Online from training transcript, courses are job specific so parts employees do classes on parts catalog and other items that will help with their growth.**

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.**

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?

**No flow chart, but any items to justify work done is always approved.**

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?

**Does not exceed 10%, changes made if there was a spike in a bulk purchase or a case when we know something was a onetime purchase.**

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)?

**82% stock vs 18%**

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?

**Used monthly for an outside company. No full report printed or stored.**

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?

**Factory stock replenishment, studies trends and history.**

48. How often is your Parts Inventory adjusted for errors in part value or part quantity? (Moments in Time)  
***Inventory is adjusted anytime a problem is found, then searched of why plus or minus either way.***
49. Have the fifty most active parts numbers been checked for parts bin count accuracy? (Moments in Time)  
***No general bin counts done.***
50. Are the transactions for each day reviewed by the parts manager to make certain that any adjustments made (plus or minus) are accurate?  
***This is not done at this time.***
51. Have you given the Lost Sale Quiz to the parts Manager and Counter-people? Others in the dealership?  
***Yes, we have a report showing lost sales per employee***
52. Are true lost sales being tracked in your DMS? Who can log a Lost Sale?  
***Lost sales can be entered by any parts personnel***
53. Who reviews the Lost Sales? When are they reviewed?  
***Reviewed monthly with DCSI***
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)?  
***Factory replenishment looks for trends, we also run another outside stock order to be a bit more aggressive to have a higher fill rate.***
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?  
***Some parts qualify faster than others depending on cost and demand. General rule is 3 in 12***
56. What is your Compliance % level for your inventory with your Vendor Managed Inventory, RIMPRO?  
***96%***
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, all parts are scanned in then sold. No on shop supplies they are not sold from the parts dept.***

58. Are the procedures for shipping and receiving written or all verbal? Who's responsible for reviewing and updating these policies and procedures?  
**Verbal, we all know what company will take what freight.**
59. Who files damage claims on parts shipments received?  
**Parts Manager or 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?  
**Shipping and receiving clerk scans in all orders. Stock orders are checked against invoices for shortages or overages. With any discrepancy's shortage file a claim overage if it is a slow-moving part or a part that was shipped to us by mistake, we return them. if it is an overage and it's an item, we keep we file to be billed.**
61. At a minimum, is perpetual inventory verification done in conjunction with a physical inventory on a yearly basis?  
**Bin counts.**
62. Who applies and loads the monthly price updates?  
**Automatically done as part of nightly and monthly process.**
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)?  
**Periodic Inventory Adjustment**
64. What adjustments were required after the last physical inventory to the dollar value, etc., of the inventory?  
**Accounting adjusted the dollar value up to match the inventory value.**
65. Are all obsolete parts that are on the inventory physically in the store?  
**All parts are in the dealership in the 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?  
**No, not at this time.**
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, we discuss wip and what cars need to go.**

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, we want to get cars back to their owner and our tickets paid and closed***
69. Is a daily operating report of sales, gross profit etc., being provided to the parts manager for review by him (DOC)?  
***Not at the moment.***
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?  
***45-54***
71. What is the true turn of the inventory? Does that match the students calculations found in their FS Parts Excel template?  
***7.4 for the year.***
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.  
***Now yes, we have a second war house for larger slower moving body parts***
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?  
***Employees have a copy and turn in a page acknowledging that they have read and agree with dealership policies.***
74. Is your Parts Department locked up each night? Who has keys?  
***Yes, card key secured, all parts employees but they lock out after hours***
75. Do your Counter-people have a cash drawer? Who balances the drawer?  
***Yes, counter person and reconciles with accounting***
76. Is there a policy in place for overages for the cash drawer/balancing?  
***All overages are given to the accounting dept.***
77. Do you have security cameras in the Parts Department? Who has access to the tapes/CD/backup.  
***Yes, IT manager and if we ask we can get footage.***
78. What one thing can your organization do to help you do your job better?  
***Push for CDK to offer some parts classes.***



CDK Stocking Status INVESTMENT		Inventory Value	% of Inventory	Guide	COLOR SCORING
Normal or Active Stock		\$1,007,214	84.16%	over 70%	GOOD
Automatic Phase Out		\$41,879	3.50%	Less than 30%	WARNING
Dealer Phase Out		\$8,783	0.73%	Less than 1%	DANGER
Manual Order		\$0	0.00%	Less than 3%	GREAT
Non Stock Part \$'s		\$138,942	11.61%	Less than 5%	Seldom used
Non Stock Part #'s*		3		Greater than 70% of PN's	OK....BUT..
Clean Core		\$0	0.00%	# PIECES	OUCH !!!!!
Dirty Core		\$0	0.00%	PART #	
Total Inventory		\$1,196,818	100.00%		ouch!!!

Activity	Value \$	%	Notes & Guides
0-3 Months	625,965	62%	ACTIVE INVENTORY at 75%
4-6 Months	151,491	15%	ACTIVE INVENTORY at 23%
7-12 Months	132,960	13%	75% will likely become Obso 2% is guide
Over 12 Months	56,350	6%	Technical Obsolescence 2% is guide
New parts no sales	40,450	4%	Minimal Amount
Total Inventory	1,007,216	100%	

OBSO POSITION		
.75 TIMES \$		99719.99
PLUS		56,350
PLUS		40,450
EQUALS	20%	196519.8

CRITICAL OBSERVATIONS:(How do you feel about these observations?) Color Coat	Pass or Fail ?
OBSO POSITION (LINES 20-22 FROM ABOVE)	FAIL
NEG-ON-HAND (MINUS-ON-HAND)	PASS
CLEAN CORE	N/A
DIRTY CORE (RDCI) OR DONE MANUALLY	N/A
LOST SALES CALCULATOR VS. ACTUAL	\$ 176,274
AVERAGE STOCK ORDER (Obtain data from your OE)	\$ 9,600
MONTHS SUPPLY (This calculation from your FS Template)	1.59
GROSS (TOTAL) TURNS (from your FS Template)	6.7
TRUE (STOCK) TURNS (from your FS Template)	3.69
FTFR (FIRST TIME FILL RATE)	86%

