

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. All of these files will be submitted to your class Dropbox.
4. There is a Post Parts Class Threaded Discussion that will be activated **September 29th** it will be open for four weeks only and will close on **Sunday October 29th**. 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.**

1. How often is your dealerships source pricing levels reviewed for competitive maintenance and heavy repair? This has not been done in several years. We do, however, keep all maintenance items (oil, air, cabin filters, wipers, and fluids) at book list price at all times.
2. Compare the pricing policies in the parts department and see how competitive your Dealership is within your area. We are very competitive with the nearest dealer to us. Especially in maintenance items and our wholesale discounts.
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. After calling on several items we realize that are maintenance items are very competitive but many other items are not
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 the computer system can adjust pricing for retail, wholesale, internal, customer pay RO, etc... Our current retail and service customer strategy is book list pricing for maintenance parts and a matrix pricing based on list price for all other parts. Our wholesale discounts are based on volume and range from 20% to 28% off of list price. Employee pricing is set at cost + 20%
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? Counterperson are giving freedom to discount as needed and there are reports to check how often and how much they are discounting. The service advisors do not have this ability.
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)) Other than adjusting cost upward when we purchase a Toyota part from another dealer all OE parts are left in the system at OE cost. If we do receive any parts from Toyota at a discounted price it is taken as a purchase discount.
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 all OE parts are left in the system at OE cost. If we do receive any parts from Toyota at a discounted price it is taken as a purchase discount.
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 coded to a purchase discount account T6920.
 9. Do you have an internet presence for your parts department? We currently have an Insignia website for OE accessories, which is mainly used for in house marketing. We also post specials on our main dealership website KendallToyotaofEugene.com. Will also use Toyota Star Elite website with EPC access for our wholesale customers. We also use the Partstrader website for Body shops.
 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 a currently marketing our retail accessory program, Kendall Kustoms, with hats, stickers, pens, etc.. as well as a small internet presence. Currently zero cost. We aslo market to our whoelsale customers through the Star Elite program with Toyota. After purchase discounts for bulk filter ordering this marketing is actually a net gain af about \$5000.00 per year
 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? Art Wigton is a outside sales rep. He works for all parts departments in the Eugene area. The cost to our department is \$700 per month.
 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 have \$3000.00 of parts wholesale merchandising availablr to us each year through the Star Elite program. The bulk of these funds are generally used during the Holiday season. The only qualification is that the amrketing merchandise must be purchased through Toyota’s website.
 13. With the growing use of mobile smartphones by customers do you have a mobile ready website? Not to the best of my knowledge.
 14. Do you periodically check your online internet Parts coupons? How often are they checked? How often are they updated? Yes, and they are checked and updated every two months.
 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 plans are reviewed quarterly by our Admin team. Our department is currently very much in line with counterperson pay vs department sales.
16. Does the parts department actually seek additional revenue or “live off” the sales of the service department only? If not why not? While service is our number one customer we still battle for wholesale and retail dollars. Our big push recently has been in retail accessories.
 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, there is process in the sales department for upselling accessories. It is spear headed by Josh Herr and is part of our Kendall Kustoms marketing effort.
 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. Customers are reviewed monthly by Art Wigton and Parts Managers to make sure we are looking at the customer thru the lens of our entire auto group. All of our out of town delivery expense is shared by all Eugene Kendall dealerships, minimizing the cost for each department which allows us to still service some smaller customers.
 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 currently deliver up to eight times a day in our local Eugene/Springfield area. The major player for collision business is Tonkin. They give deep discounts of 32% to 35% off. Combine that with the fact that we have our own body shop that competes with the other local body shops and it becomes very difficult to hold there business. At 35% off you can often lose money on larger parts.
 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?) Cindy Halladey at admin takes care of this.
 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. Expenses that are under our control include but are not limited to: Policy adjust, delivery vehicle expense, freight, training (To some extent), and wages (to some extent)

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? The parts manager in conjunction with Cindy at the admin office. Cindy tracks the customers constantly and the parts manager receives a report once a week.
23. Is the financial statement for the parts department given to the manager and discussed on a weekly/monthly basis? The parts manager has complete access to the financial statement in real time. It is discussed weekly in manager meetings and quarterly with the fixed ops team at admin.
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? There is currently no written policy in regards to special orders. It is something that is constantly evolving and changing as we use new DMS systems and Toyota changes it's own policies. Writing a "snapshot" policy is certainly something that can be done.
25. Do you require 100% pre-payment on these parts? Do you differentiate between Counter Retail/Wholesale and Service RO? We only require a special order deposits on items that are non returnable. These items are very few and far between. Retail, wholesale, and Service RO parts are all differentiated and separated to make sure they are easy to find and the correct people are notified.
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? A return is initiated after thirty days unless otherwise notified by a customer or service advisor. Once initiated the return process may take up to another thirty days before the return is complete. We do not typically charge any sort of restocking fee. Toyota only charges us a restock fee on special order parts over ninety days old and stock parts over eighteen months old.
27. Who are the parties that are involved in the SOP process start to finish? Counterpersons and Service advisors initiate an order, Parts manager or Lead counterperson places the order, shipping & receiving clerk checks in the order, Parts manager or Lead counterperson receipts the order, counterpersons notify all customers.
28. Are special order forms completed in a legible manner so that the customer information can be read? How old is this questionnaire?:) All special order parts are entered into our DMS for processing.
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? The special order parts for the service department are located in their own set of bins and organized by last name. The service advisor who ordered the parts notify the customer when they arrive. If the part has not been installed within three weeks the parts department notifies the service advisor that the part is due to be returned. This gives the service advisor another chance to contact the customer. If contact is made the service advisor may ask to hold the part longer than normal.
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? The parts a maintained in their on seperate set of 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? Purchase orders are issued through the DMS. There is no fixed limits on dollar amounts. Accessory packages can often be in the \$5000.00 range. The parts manager monitors the open P.O.s and PO dollars.
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 counterpersons have the ability to issue POs to vendors. The Parts Manager is overseen by the Accounts Payable Manager at Admin. Parts Manager and Accounts Payable Manager double check every single vendor invoice.
33. Who established internal parts pricing policies? Are all internal purchases centralized and run through the Parts Department for control purposes? Internal purchases are centralized through the parts department. The pricing policy for used car recon, shop supplies, and sales supplies has been set by the Parts Director at Admin. Other internal pricing is decided between the department managers.
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) We do not generally do a monthly reconciliation exercise. We do it for some items such as Gas Oil Grease and Digi Film, but not for our entire inventory. We do, however, do an annual complete parts inventoy. Our inventory will generally exceed the fifnancial statement during the course of the year due to several factors.
35. If the accounting inventory value is higher than the parts computer, look for the parts inventory missing items (uncontrolled inventory). (Monthly Reconciliation Exercise) Not higher
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 abnormal for us due to line pricing of oil changes and digi shield products.
37. If LIFO is used, when inventory value is used to calculate days' supply, etc., the actual value should include the LIFO reserve. Not familiar with the term LIFO reserve. Perhaps I need the training too!
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 have an actual chart anywhere but it breaks down as follows: Ordering, Adam and Jeff. Receipting, Adam and Jeff. Posting Adjustments, Adam. Bin Count Inventory, all parts people. Returns, James and Adam. Cores/Dirty Cores, AJ and Adam.
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? The only official training program we use is through The University of Toyota. Toyota controls the curriculum. It has been part of pay plans in the past but is not currently.
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? The only DMS training was several years ago when the DMS was installed, no records kept. Parts catalog training is informal and goes from counterperson to counterperson, no records kept. The Toyota manufacturer training is for all counterpersons and complete records are kept online at "The University of Toyota" 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? Have never taken any formal financial management classes. Have taken management training on various topics from "University of Toyota".
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 currently have six counterpersons, one shipping & receiving clerk, and one Parts Manager. All currently have their own computer. If growth rate continues one more computer may be necessary on the back parts counter.
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? Up to 50% of the order may need to be manually adjusted. Welcome to dealer track DMS! We erred on the side of caution. We would rather see too much information than not enough. Can't seem to find the sweet spot with dealer track. The parts manager or the lead counterperson makes the adjustments on every order stock order, daily.
44. Is the trend of those changes in question #42 a positive or negative trend? The trend is currently positive. Staffing levels at this time are good. Will need to monitor this next year and see if the trend continues.
45. What is the percentage of stock order from the factory versus outside purchase (emergency purchases)? 98%-99%. Rarely do we need to purchase from other dealers. Maybe a couple of times a month.
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 computer generated reports are either sent directly to the parts manager's email or the parts manager has to manually retrieve the reports from the DMS. All report information is stored with the DMS. Many reports are used daily but not all.
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? I'm not as diligent about this I should be, but I do check periodically. We will incorporate the DMS scorecard in so we can see true numbers of our performance for the month.
48. How often is your Parts Inventory adjusted for errors in part value or part quantity? (Moments in Time) Our parts value is adjusted once a year at our annual parts inventory. Parts quantities are adjusted in real time as discrepancies are discovered.
49. Have the fifty most active parts numbers been checked for parts bin count accuracy? (Moments in Time) Roughly every couple of months during perpetual inventory bin counts.
50. Are the transactions for each day reviewed by the parts manager to make certain that any adjustments made (plus or minus) are accurate? Yes, several reports are used to verify accuracy. "Spord OH Report" "Neg OH Report" "Open Invoices Report" "Bin 400 "0" OH Report" "Cashier Edit Report"
51. Have you given the Lost Sale Quiz to the parts Manager and Counter-people? Others in the dealership? Just to the personnel in the parts department.

52. Are true lost sales being tracked in your DMS? Who can log a Lost Sale? Would say less than 50% of the time are lost sales being tracked. All counterpersons can log a lost sale.
53. Who reviews the Lost Sales? When are they reviewed? Monthly, by the parts department manager.
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)? Emergency orders do show up in the DMS as a sale. Dealertrack requires manual movement by stocking group. Stocking groups are manually reviewed weekly by the parts manager and parts as moved to appropriate groups at that time.
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? Toyota does not currently have a Vendor Managed Inventory System that we use. Generally a sales history of three sales in twelve months will prompt a part being brought in to inventory.
56. What is your Compliance % level for your inventory with your Vendor Managed Inventory, RIMPRO? We do not use one of these through Toyota.
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)? Aftermarket parts that are sold directly onto used car repair orders are not brought into inventory first. They are "EP" emergency purchase sales. All other items are brought into inventory first. All bulk fluids, supplies, and washer solvent that are in our department are brought into our inventory.
58. Are the procedures for shipping and receiving written or all verbal? Who's responsible for reviewing and updating these policies and procedures? Verbal. The parts manager is responsible for reviewing and updating these policies.
59. Who files damage claims on parts shipments received? Either the parts manager or the lead counterperson.
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? The parts driver and shipping & receiving clerk check in the stock order together. The original order is crosschecked by the parts driver and shipping & receiving clerk when the order is checked in. Discrepancies are reported to the parts manager immediately. The manager then double checks the discrepancy. If it is valid he immediately contacts the Toyota warehouse for assistance.

61. At a minimum, is perpetual inventory verification done in conjunction with a physical inventory on a yearly basis? Yes, we do both. Do not do perpetual inventory as much as we'd like though.
62. Who applies and loads the monthly price updates? This is done automatically by the 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)? Parts appreciation is done monthly. The rest are tracked as they happen. If any do slip through the cracks they are corrected at the time of our annual physical inventory.
64. What adjustments were required after the last physical inventory to the dollar value, etc., of the inventory? We had a positive adjustment of \$7379.94 at our last physical inventory.
65. Are all obsolete parts that are on the inventory physically in the store? They had better be!
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? It depends on the original source of the part. If it was a special order part that is being returned it's bin location is changed to a special return bin, bin 400. If it a stock item that has become obsolete, but is still returnable, it remains in regular inventory until it is returned. If a part is obsolete and non returnable is is placed in stocking group "source" T90.
67. Who verifies the completion of the repair orders between the first and second month they are reported in the work-in-process status? The service manager and office 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! It is definitely a group effort!
69. Is a daily operating report of sales, gross profit etc., being provided to the parts manager for review by him (DOC)? Yes. This can, and is, periodically checked during the day as well.
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? We currently have 20 day supply, or approximately a one month supply.

71. What is the true turn of the inventory? Does that match the students calculations found in their FS Parts Excel template? Our true turn inventory is 5.82. Granted we do have some procedures in place that scew this number downward. For example we keep most recall parts in stock but when customers schedule an appointment we still order the part for them anyway just to make sure we have enough inventory on hand. This shows is the system as a special order and not a stock order part even though we have inventory on hand to fill the order. It does match the template.
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. We still have room to grow and stock mechanical parts as needed. If we stock more collision parts we might run out of room quickly. Thankfully all orders placed with Toyota arrived the next morning if the parts are available out of our direct warehouse.
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? The manual is located online at compli.com. It can be accessed from any computer with an internet connection. All new hires are logged onto and shown around the website by our HR department on their first day of work.
74. Is your Parts Department locked up each night? Who has keys? Yes, the department is locked up every night. Key holders include: The General Manager, Service Manager, Parts Manager, and Parts Counterpersons Jeff Howell, James Holechek, Thomas Laird, and Juan Jimenez. The Janatorial staff also has access.
75. Do your Counter-people have a cash drawer? Who balances the drawer? The only cash drawer we have is in the service department.
76. Is there a policy in place for overages for the cash drawer/balancing? Does not apply.
77. Do you have security cameras in the Parts Department? Who has access to the tapes/CD/backup? There are none that I am aware of:)
78. What one thing can Hendrick as an organization do to help you do your job better?