

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? **Twice per year. Matrix is set according to the dollar value of said part. Adjustments are made at the beginning of the 2nd quarter & 4th quarter.**
2. Compare the pricing policies in the parts department and see how competitive your Dealership is within your area. **Matrix pricing is used for retail, and wholesale pricing for independent facilities. Price policies are used with % discounts from MSRP for collision & mechanical.**
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 monitor being competitive. We have found that availability is critical and a key component.**
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. Reynolds allows us to set parts pricing up @ cost plus a percentage depending upon the customer (employee, retail, wholesale).**
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? **No to counter people but they are paid off of gross profit. There's reporting in Reynolds that the Parts Manager uses (exception report) and reviews. Service Advisors can't change pricing.**
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. Departmental policy that each employee is aware of.**
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. STAR ordering. (Support to automotive repair) Example: Bulk discount for oil filters of 10%, yet all are priced as if we ordered 10. (discount value credited to favorable purchases).**

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? **Through Toyota's STAR ordering / purchase program.**
9. Do you have an internet presence for your parts department? **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? **Direct mail pieces alongside our service department, tracked by Naked Lime reporting. For the month of August, it resulted in \$15,038.04 in revenue.**
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? **Yes. It's \$3000 and we do utilize all of it. More is not available.**
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? **Yes. Monthly. As necessary.**
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 do not look at pay plans monthly, however we look at expenses monthly which includes compensation. Profit is sufficient vs pay.**
16. Does the parts department actually seek additional revenue or "live off" the sales of the service department only? If not why not? **Yes**
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. Add On Auto (AOA). We have vehicles that have been accessorized and decaled them as Xtreme Off-Road. They can be viewed from our Facebook page.**
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. **No. We currently have**

1778 wholesale customers. We do wholesale analysis annually due to size of wholesale operation.

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 per day? Within what mileage radius? **We do study areas of opportunity. Beaman Toyota is the major player. Currently they're ranked #1 and we're #5. No, we can't unseat them since their population is 684,410 and our is 167,674. We are ranked #1 in our district though. We do deliver 2-3 times per day within a 50-mile radius.**
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 sales assc. Certificates are current. We do a tax audit annually. We also Google and get copies of tax forms.**
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. **Looked @ continuously. Compensation for example is measured as a % of gross profit, and employees are paid off of gross profit.**
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? **It is outsourced to IBS (International Billing Service). Tracy Johnson is Admin Asst. for parts. She runs an A/R schedule bi-weekly. IBS ensures payment is made without exceeding account limits. Parts Manager reviews account schedules.**
23. Is the financial statement for the parts department given to the manager and discussed on a weekly/monthly basis? **Yes**
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? **Pre-pay. Departmental policy & procedure. Parts Manager wrote it.**
25. Do you require 100% pre-payment on these parts? Do you differentiate between Counter Retail/Wholesale and Service RO? **Yes. No.**
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? **Toyota has a recent return policy as of January 2016. We begin @ 60 days. All are subject to a 15% restocking fee.**
27. Who are the parties that are involved in the SOP process start to finish? **Customer, Sales associate, support staff, user.**

28. Are special order forms completed in a legible manner so that the customer information can be read? **It is all digital now. Copy of invoice is given.**
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? **SOP Bin. ASM if it's service customer, parts consultant if it's a parts customer. Parts Manager @ 60 days. Assistant parts manager.**
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 section.**
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? **Administrative Assistant Tracy Johnson. \$200. Nancy Turner (Controller).**
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) **Yes. Assistant Parts Manager. Controller Nancy Turner.**
33. Who established internal parts pricing policies? Are all internal purchases centralized and run through the Parts Department for control purposes? **Dealership management staff. No.**
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 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) **Our Body Shop stocks the difference.**
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. **Yes**
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) **Yes. Yes. Specific employees are assigned specific responsibilities that are listed in signed job descriptions.**
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. Annually. It is a part of the review but not a part of the pay plan.**
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? **Records are kept. We print transcript. Provided by Toyota.**
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. (GMUAM) General Motors University Automobile Management. October 2004. Parts Inventory Management Class.**
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 are currently in a new facility and have all new equipment. It currently requires less but anticipates future growth.**
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 1%. Management makes all changes. Quantity unit packs. The last week of the previous month.**
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)? **September was 100% to 0%. YTD is 95% to 5%.**
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? **Parts Manager. Office. Looked @ monthly or as needed.**
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? **Yes. Immediately.**

48. How often is your Parts Inventory adjusted for errors in part value or part quantity? (Moments in Time) **Daily.**
49. Have the fifty most active parts numbers been checked for parts bin count accuracy? (Moments in Time) **Yes. Minimum of once weekly.**
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.**
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? **Yes. Any Parts Assc.**
53. Who reviews the Lost Sales? When are they reviewed? **Parts Manager and Sales Assc. Every Tuesday morning.**
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. Yes, and it's monitored twice daily.**
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 in 9 months. N/A with Toyota.**
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)? **Yes. No.**
58. Are the procedures for shipping and receiving written or all verbal? Who's responsible for reviewing and updating these policies and procedures? **Written. Warehouse Manager / Parts Manager**
59. Who files damage claims on parts shipments received? **Warehouse 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 Staff received by barcode scan. Yes, it is. File shortage and overage claims through Dealer Daily.**
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? **Done automatically every night, automated.**
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)? **Yes. Through Appreciation – Depreciation reports. Looked @ daily.**
64. What adjustments were required after the last physical inventory to the dollar value, etc., of the inventory? **Dollar value had to be adjusted due to the fact that Body Shop was in error bulling parts twice, therefore, we had to true up balance between the Parts Inventory & the Body Shop 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? **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? **Parts Manager & Controller.**
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.**
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 student's calculations found in their FS Parts Excel template? Are too many parts stocked in the inventory based on this calculation? **1.67 / Yes / No**
71. What is the true turn of the inventory? Does that match the student's calculations found in their FS Parts Excel template? **1.9 / Yes.**
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.**
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? **Main office. GM & Controller.**

74. Is your Parts Department locked up each night? Who has keys? **Yes. General Manager, General Sales Manager, Parts employees.**
75. Do your Counter-people have a cash drawer? Who balances the drawer? **No. Cashier.**
76. Is there a policy in place for overages for the cash drawer/balancing? **Cashier balances drawers and then Accounts receivable clerk does also and prints an over and under report.**
77. Do you have security cameras in the Parts Department? Who has access to the tapes/CD/backup? **No.**
78. What one thing can Hendrick as an organization do to help you do your job better? **Help with any ideas concerning an on-line presence and ability to acquire sales from internet.**