

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? **We try and price shop dealers and repair shops in our area every couple of months just to see where we are in comparison. Maybe a good process to shop prices quarterly.**
2. Compare the pricing policies in the parts department and see how competitive your Dealership is within your area. **Repair shops get 20% off list price, if the shop is a good customer might get bumped up to 25% off. Body shops are all at 25% unless they are a great customer and they get the 30% that seems to be the standard discount that most dealers and giving.**
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 don't use market surveys that I am aware of here. Maybe a process we should implement**
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. **Our system is set up with an escalator to list price. The problem with that is that people now are price shopping us and most of the time they already know the list price or have found a lower price online.**
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? **Nothing in the system that I am aware of. I give my guys the ability to give discounts up to 10% anything more has to be ok'ed by me. Usually that would bring the price down to about list price anyways from price6.**

should all discounts have to be ok'd by the parts manager?

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)) **Cost is**

added by the price tape to most parts. The only changes that I have to make are to drop ship parts or tires. Drop ship parts are pretty consistent; the only ones that fluctuate are the tires.

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 parts here are at the factory cost.**

This is a good practice

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? **The only time that I have a discount purchase is when we order in bulk form VW and then all the discounts are applied in the parts invoice that is turned into the office.**

I need to talk to my business manager and ask how and where these additional discounts are applied

9. Do you have an internet presence for your parts department? **Not currently.**

This is a larger opportunity I am looking to tackle moving forward

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 program as of now.**

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 person.**

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? **Co-op funds are shared by the service and parts department. If more is needed we can usually as or FOM to see if more is available.**

13. With the growing use of mobile smartphones by customers do you have a mobile ready website? **Not a specific site for just parts but the dealer site is mobile friendly.**

14. Do you periodically check your online internet Parts coupons? How often are they checked? How often are they updated? **We change them once a month and try to rotate depending on the season.**

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? **They were discussed in our managers meetings every couple of months to see where we stand.**
16. Does the parts department actually seek additional revenue or “live off” the sales of the service department only? If not why not? **We try to use our wholesale and retail to help. Our service department is not quite busy enough to just live off of them.**
 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? **I am currently working to create some accessory kits to help sell more during the actual sale of the car.**
 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, I don't have that many customers that are too far away to worry about this. I have stopped offering the 30% off to new 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? **No, with the size of my department I cannot compete with the bigger dealers. I just hope to get and help the repair shops in our area and get more of that type of business. Wholesale has gotten too competitive and not enough profit.**
 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?) **I set up the wholesale accounts and verify the resale numbers on the state site before doing so. We have binders with all of the resale info.**
 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. **My monthly expense is lucky not too high.**
 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? **Customers fill out a credit application that I send up to Shar and she verifies all the info. If it passes her strict standards then it is approved and she call to discuss how much credit we should start with.**

23. Is the financial statement for the parts department given to the manager and discussed on a weekly/monthly basis? **It is given to me but not really discussed .**
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? **Special order parts that are not warranty must be prepaid. I don't have it written or posted anywhere but everyone knows in our department.**
25. Do you require 100% pre-payment on these parts? Do you differentiate between Counter Retail/Wholesale and Service RO? **All customer pay parts must be prepaid. Only warranty parts are ordered without payment.**
26. What time is set to retain these parts and then initiate a return? Is a return charge made on customer pay parts that are returned because the customer did not return for them within a time limit? **Parts are returned and a home is made in a bin. They will be returned in or about 9 months if it is a part that may expire or be superseded then it will be returned sooner. If the customer has the receipt and the part has not been used and the packaging is still in good condition then I will return it.**
27. Who are the parties that are involved in the SOP process start to finish? **The counter person and myself we. If it's a service customer we will get the writer or Jay involved.**
28. Are special order forms completed in a legible manner so that the customer information can be read? **The forms are printed from system so that they have all of the customer's info.**
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? **Parts are in the special order shelf. We call the customer as soon as they arrive and make notes on the printout if we talked to the customer or left a message. The service writer is responsible for calling their customers, we give them a printout as soon as the parts arrive.**
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? They are part of the regular inventory. **They are part of the regular inventory.**
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? **We only issue Po's for parts and supplies .**
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) **I don't really order from outside vendors the only thing we do is O'reilly for used car parts of Healy for shop supplies.**
33. Who established internal parts pricing policies? Are all internal purchases centralized and run through the Parts Department for control purposes? **Internal prices were set before I got here and I just continued it.**
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 fluctuates depending on the orders that arrive late in the month.**
35. If the accounting inventory value is higher than the parts computer, look for the parts inventory missing items (uncontrolled inventory). (Monthly Reconciliation Exercise)**I would also double check and make sure that everything was posted into the system.**
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)**Might be that an invoice was not posted or that parts have not been invoiced from the factory yet.**
37. If LIFO is used, when inventory value is used to calculate days' supply, etc., the actual value should include the LIFO reserve. **Not sure what LIFO is.**
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 are a small dept we take turns doing bin counts when it's not busy.**
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 training is thru the VW hub. I keep an eye on it just in case they need to attend a class off site.**
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 hub keeps track of the classes.**

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? **I have not attended any classes other than the VW classes that we all go to.**
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? **Our equipment seems fine to me. Everything has been updated.**
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? **I take care of the stock order. The only changes I make is when I see that a part is in high demand and I see that the depot is running low and we might encounter a backorder, then I order up.**
44. Is the trend of those changes in question #42 a positive or negative trend? **Not sure about this question #42 is about the computers.**
45. What is the percentage of stock order from the factory versus outside purchase (emergency purchases)? **90% from factory only sometime we pick parts up from Pasadena.**
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 MGR report I print at the end of the month can't say that I use it 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? **We are a small enough dealer that Gary and I see what we have been selling a lot and then we might order more than what the system is suggesting.**
48. How often is your Parts Inventory adjusted for errors in part value or part quantity? (Moments in Time) **We adjust as we are counting bins not many changes are made until we try to figure out what happened.**
49. Have the fifty most active parts numbers been checked for parts bin count accuracy? (Moments in Time) **We count bins monthly.**

50. Are the transactions for each day reviewed by the parts manager to make certain that any adjustments made (plus or minus) are accurate? **No I have not been checking this.**
51. Have you given the Lost Sale Quiz to the parts Manager and Counter-people? Others in the dealership? **Karl gives us the quiz at least once a year.**
52. Are true lost sales being tracked in your DMS? Who can log a Lost Sale? **We all try and be good about logging in the lost sales and we all can do it after we enter the part into the system.**
53. Who reviews the Lost Sales? When are they reviewed? **I look at it at the end of the month when I print the MGR report.**
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 they are reviewed and if it seems like it's going to be a high demand part it is added to the stock order.**
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**
56. What is your Compliance % level for your inventory with your Vendor Managed Inventory, RIMPRO? **Not sure about this.**
57. Are all parts sold by the department placed in the Parts inventory and then sold from the inventory? Do you stock any items that aren't in your inventory (Shop supplies, get ready, bulk fluids like washer solvent)? **All parts are in inventory and then sold.**
58. Are the procedures for shipping and receiving written or all verbal? Who's responsible for reviewing and updating these policies and procedures? **I take care of most of the shipping and receiving so it's all verbal I guess.**
59. Who files damage claims on parts shipments received? **I file all the claims.**
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? **I do all the receiving; if there is a discrepancy I file a claim with VW.**
61. At a minimum, is perpetual inventory verification done in conjunction with a physical inventory on a yearly basis? **Yes, inventory is at the end of every October.**

Just completed this. We had about 5K in lost inventory

62. Who applies and loads the monthly price updates? **The Master tape does the update.**

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)? **Not sure about this but I believe that Shar handles this.**

64. What adjustments were required after the last physical inventory to the dollar value, etc., of the inventory? **Trying to see about writing parts off that have been caring over.**

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? **They are in regular bins but in a different parts source.**

67. Who verifies the completion of the repair orders between the first and second month they are reported in the work-in-process status? **I assume that Jay does this.**

Jay is our service manager. He is in charge of tracking RO's

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 students calculations found in their FS Parts Excel template? Are too many parts stocked in the inventory based on this calculation? **Normal is about 3 months' supply but with our large order to get the bonus we are currently at about 6 month.**

Also combining some parts on this order for our sister store

71. What is the true turn of the inventory? Does that match the students calculations found in their FS Parts Excel template? **True turns according to the MGR is 5.7**

This number is very close to the excel 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. **I think it's fine but could be a little bigger.**

We are currently talking about building a mezzanine for additional space.

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? **They are on the HR site and reviewed once a year if I remember correctly.**

74. Is your Parts Department locked up each night? Who has keys? **Part of the department is locked up but a lot of people have keys to get in.**

75. Do your Counter-people have a cash drawer? Who balances the drawer? **No cash drawer.**

Only cashier shared by parts and service

76. Is there a policy in place for overages for the cash drawer/balancing? **N/A**

77. Do you have security cameras in the Parts Department? Who has access to the tapes/CD/backup? **There are cameras in the front . Not sure who has access.**

I have access to these cameras, but they are not in the back parts area

78. What one thing can Hendrick as an organization do to help you do your job better?