

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. Reach out if you have questions.
4. There is a Post Parts Class Threaded Discussion that will be activated exactly two (2) weeks after your classroom session ends. It will be open for two weeks only. 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.

Chris Bavis
Crossin
cbavis@nada.org
da.org
301-401-3301
3-395-1570

Mark Michalski
mmichalski@nada.org
443-801-7768

Brian
[bcrossin@na](mailto:bcrossin@nada.org)
da.org
70370

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 a year I have a scheduled review to price parts.
I think we could be doing this on a regular basis, but I also see how it could be time consuming out of the busy schedule in the parts department.
2. Compare the pricing policies in the parts department and see how competitive your Dealership is within your area.
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.
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.

CDK helps to guide our pricing for all included. I am typically the only one who changes the percentages in CDK.

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?
Yes we have exception reports that we check on a regular basis in managers meetings to see what service advisors and body shop advisors change.

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))
In some cases we have to + a bin or – a bin once we do inventory counts which could skew our results for stock and non stock
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?
We keep all the costs the same as when we buy them from the factory pricing
8. How are discount purchases tracked in the system to show additional profit based on the cost of the part from a particular source other than factory price?
We keep track of each source with a percentage and show the additional profit as a percent change in sold units.
9. Do you have an internet presence for your parts department?
We could do better.
This is where I want to work with our department to change our culture.
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 do very little merchandising and it is acutally set up through our office management team. I do not tke inventory on merchandise.
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?
We have an outside sales rep who definitely pays for himself in our department. He deals mostly wth wholesale but is also like a secondary parts manager for the outside sales.
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?
Our service manager handles the merchandising dollars.
13. With the growing use of mobile smartphones by customers do you have a mobile ready website?
No I would like to have one.
14. Do you periodically check your online internet Parts coupons? How often are they checked? How often are they updated?
Periodically yes. I should be doing this more often and need to keep them up to date weekly

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?
I am currently the only one with a profit in departmental gross.
16. Does the parts department actually seek additional revenue or “live off” the sales of the service department only? If not why not?
We seek whole sale but I feel we could move in a more direct marketing scheme with our department and dealership as a whole
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?
We are leaving sales on the table I think our displays could use an upgrade and be more modern in feel.
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 deliver to a select wholesalers. We have one full time driver and one part time. We should check demographics of each and check the schematics of the business and reach to closer businesses for wholesale.
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 have a couple of major players they also have multiple dealerships compared to us only having one. This seems to be hard because they automatically have business within the group.
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?)
The comptroller.
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.

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?

Our office staff stays on receivables and reaches out.

23. Is the financial statement for the parts department given to the manager and discussed on a weekly/monthly basis?

Yes I only see the parts side of ti

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?

I am the management that approves it. We should have different policies and are trying to change them to be more stringent and kept up with.

25. Do you require 100% pre-payment on these parts? Do you differentiate between Counter Retail/Wholesale and Service RO?

We do not have prepay. We need this immediately.

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?

We usually stock the parts within 30-45 days if the customer is a no show

27. Who are the parties that are involved in the SOP process start to finish?

Customer, service, parts,

28. Are special order forms completed in a legible manner so that the customer information can be read?

Not always we should have a form to fill out.

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?

We notify the customer and I keep a SOP bin in front of my station. Checked through weekly. We send out calls and direct mail.

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?

into separate section/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?

I control the DMS along with the dealer and 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)
The body shop has outside purchasing authority and three others in our parts department. I oversee all the orders made nightly.
33. Who established internal parts pricing policies? Are all internal purchases centralized and run through the Parts Department for control purposes?
Clay and eddie set up internal pricing.
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 a monthly reconciliation
35. If the accounting inventory value is higher than the parts computer, look for the parts inventory missing items (uncontrolled inventory). (Monthly Reconciliation Exercise)
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)
37. If LIFO is used, when inventory value is used to calculate days' supply, etc., the actual value should include the LIFO reserve.
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)
- No we do not have a 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?
I am in charge of making sure all parts employees are up to par with their training. It is a yearly schedule and we take this very seriously.
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?
Yes we have a board with all certs available.

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?
They have taken parts management training in DC two years ago when promoted.
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 probably need more system hardware and a refresher on all of the hardware that we have.
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?
CDK is a big help but also FCA puts us through replenishment changes regularly
44. Is the trend of those changes in question #42 a positive or negative trend?
It really depends on the time of year how hard we are pushed for some of our parts inventory.
45. What is the percentage of stock order from the factory versus outside purchase (emergency purchases)?
We try to have as little outside purchases as possible and we check our closest warehouses before making that emergency purchase. Service will be notified if we need an extra day for the part.
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?
They are not utilized on a daily occurrence
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 will definitely use the dms scorecard to help with what trends we need.
48. How often is your Parts Inventory adjusted for errors in part value or part quantity? (Moments in Time)
When we do the monthly reconciliation
49. Have the fifty most active parts numbers been checked for parts bin count accuracy? (Moments in Time)

50. Are the transactions for each day reviewed by the parts manager to make certain that any adjustments made (plus or minus) are accurate?

They are not checked daily

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? We don't seem to track lost sales.

53. Who reviews the Lost Sales? When are they reviewed?

See above. I guess we should start logging to see where we could get back those sales left on the table.

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)?

Usually emergency parts are not phased in because they are accounted for in a different direction than a non-stock

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?

56. What is your Compliance % level for your inventory with your Vendor Managed Inventory, RIMPRO?

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 we stock all fluids, paper supplies, etc.

58. Are the procedures for shipping and receiving written or all verbal? Who's responsible for reviewing and updating these policies and procedures? Eddie, Joe, and I are usually responsible for updating procedures.

59. Who files damage claims on parts shipments received?

Our check in girl usually files damaged parts once received

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?

Received by Ashley our parts driver/runner.

61. At a minimum, is perpetual inventory verification done in conjunction with a physical inventory on a yearly basis?

We do a yearly physical inventory of everything.

62. Who applies and loads the monthly price updates?

I do

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)?

Physical inventory once a year

64. What adjustments were required after the last physical inventory to the dollar value, etc., of the inventory?

65. Are all obsolete parts that are on the inventory physically in the store?

Some of the obsolete parts are in storage bins out back.

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 I understand we are going to be working on our obsolete because it is taking over our building and storage and need to get it down. I am fully behind this process and cannot wait for it to work.

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

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

69. Is a daily operating report of sales, gross profit etc., being provided to the parts manager for review by him (DOC)?

Not daily, but at the managers meetings 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?

We are fairly close but most of our obso is in that calc. we should be stocking a lot more parts that are hot off the shelves instead of obso

71. What is the true turn of the inventory? Does that match the students calculations found in their FS Parts Excel template?

We are close. The turn is at 6 right now

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 should be stocking the correct part numbers instead of obsolescence

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?

With the office staff.

74. Is your Parts Department locked up each night? Who has keys?

The stocker for the morning, parts manager, owner, gm, owners son. Service manager

75. Do your Counter-people have a cash drawer? Who balances the drawer?

no

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

The office usually handles all tickets and cash

77. Do you have security cameras in the Parts Department? Who has access to the tapes/CD/backup?

No

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

Help clear space and reorganize the area.