

IAN WEISER

CLASS 330

12-30-2017

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 do this once a year.**
2. Compare the pricing policies in the parts department and see how competitive your Dealership is within your area. **We do matrix pricing, and haven't done this.**
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 have just made the effort to do so, and have made small adjustments.**
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. **We review these accounts yearly, and grade our customers. Internal-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? **Yes we have report to notify management, however we do not have restrictions on the parts counter. We do have restrictions on ASM**
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, parts are stamped at a dealer net by the service manager, difference is applied to 585e**
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**
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? **Difference is applied to purchase discount account.**
- 9.
10. Do you have an internet presence for your parts department? **No**

11. 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 don't have any right now.**
12. 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 we do not have an outside sales person.**
13. 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 spent \$12,256, to gain more we have to sell more.**
14. With the growing use of mobile smartphones by customers do you have a mobile ready website? **Yes we have a mobile site, however parts are not displayed. Questions can be answered on this site by parts though.**
15. Do you periodically check your online internet Parts coupons? How often are they checked? How often are they updated? **Yes, we check once a month, and changes are made quarterly with Chrysler**
16. 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? **This has not been adjusted, however we review this monthly. Yes we are profitable, and within the guidelines.**
17. Does the parts department actually seek additional revenue or "live off" the sales of the service department only? If not why not? **No, we do over \$150,000 a month in wholesale.**
18. 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 we give away a free gift through our Parts department after each sale, this allows parts to meet each new customer.**
19. 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 review this monthly, but we also consider stops that can be made on the way to make sense of deliveries.**
20. 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 own multiple stores relatively close to one another, and we try not to compete, that's really our largest competition. So to keep from stealing from one another we have set pricing. We do make roughly 30 deliveries a day now. We strive to be the major player

21. 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 manager in parts handles this every year.
22. 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. We pay off of sales, and the manager controls the expenses.
23. 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? Parts manager handles this, he has been here for 38 years, he checks on references, as well as upstanding relationships.
24. Is the financial statement for the parts department given to the manager and discussed on a weekly/monthly basis? No, we only provide a doc
25. 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? Over counter sales are paid in advance, this is not written or posted. We haven't reviewed this for quite some time.
26. Do you require 100% pre-payment on these parts? Do you differentiate between Counter Retail/Wholesale and Service RO? Yes on the counter- no on wholesale- No on service if the customers car is staying....
27. 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? 30 days on the SOP, and on wholesale and retail we charge 15%
28. Who are the parties that are involved in the SOP process start to finish? Service Manager- Parts Manager- ASM
29. Are special order forms completed in a legible manner so that the customer information can be read? Yes- we have carbon copies, one goes to the customer, one goes to the ASM, and one stays with the part.

30. 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 have a dedicated SOP bin next to the parts managers office. The ASM notifies the customer, the parts manager makes the call to send back. The parts manager mainly handles this area....**
31. 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 have a designated area**
32. 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? **All parts personnel..... We do not have a set dollar amount, if we need the part, we take care of the customer. We don't have someone doing the last question.**
33. 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 the parts advisors do, and as far as overseeing, we enforce a 2 signature policy, and the owner of the dealership, as well as the GM look at all purchases made.**
34. Who established internal parts pricing policies? Are all internal purchases centralized and run through the Parts Department for control purposes? **The owner based off of 3 other owned dealerships, and yes.**
35. 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 reconcile within 1%**
36. If the accounting inventory value is higher than the parts computer, look for the parts inventory missing items (uncontrolled inventory). (Monthly Reconciliation Exercise) **We passed**
37. If the accounting inventory value is less than that of the parts inventory value does this indicate an abnormal condition? (If not, why?) (Monthly Reconciliation Exercise) **No we found unbilled invoices, this was our reason.**
38. If LIFO is used, when inventory value is used to calculate days' supply, etc., the actual value should include the LIFO reserve. **This is something I'm looking into, great point.**

39. 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 currently have one, this is being worked on. This is something myself and the owner have a lot of interest in.**
40. 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 Parts manager, this is reviewed quarterly, and we pay a bonus incentive.**
41. 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, and as far as the DMS no, Parts and catalog training isn't available after Star training.**
42. 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? **He has taken the Chrysler Training. Last month was the most recent class on smart service.**
43. 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 working on this concept, this has not been done here before. Thank you for the idea!**
44. 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? **We do not manually adjust this, the parts manager makes the changes. The reason is sales history. This is changed every day by the parts manager.**
45. Is the trend of those changes in question #42 a positive or negative trend? **Knowledge is power, the classes breed positive change.**
46. What is the percentage of stock order from the factory versus outside purchase (emergency purchases)? **95% Factory 5% outside emergency purchases**
47. 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? **Printed daily, and stored on site.**

48. 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, however we are working with our provider 'autosoft' who does not currently provide the information to complete the scorecard.**
49. How often is your Parts Inventory adjusted for errors in part value or part quantity? (Moments in Time) **Once a year..**
50. Have the fifty most active parts numbers been checked for parts bin count accuracy? (Moments in Time) **Not top 50 however top 20 are done daily.**
51. Are the transactions for each day reviewed by the parts manager to make certain that any adjustments made (plus or minus) are accurate? **Parts manager is the only one making the adjustments.**
52. Have you given the Lost Sale Quiz to the parts Manager and Counter-people? Others in the dealership? **Yes, this was eye opening, and adjustments are being made.**
53. Are true lost sales being tracked in your DMS? Who can log a Lost Sale? **Lost sales are logged by any parts personnel. Yes they are being tracked...**
54. Who reviews the Lost Sales? When are they reviewed? **Parts manager as well as ARO, they are reviewed daily.**
55. 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 ARO prompts us for this, and no we do not have a 'test bin'...**
56. 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? **2 sales in 3 months' time, and limit and quantity are managed by ARO.**
57. What is your Compliance % level for your inventory with your Vendor Managed Inventory, RIMPRO? **We need to be at 90%**
58. 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, bulds like washer solvent)? **Yes.... No we stock all pieces/fluids so that they can be tracked.**

59. Are the procedures for shipping and receiving written or all verbal? Who's responsible for reviewing and updating these policies and procedures? **Verbal.. Parts manager.**
60. Who files damage claims on parts shipments received? **Parts manager**
61. 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? **Parts orders are received by manager, as well as counter personnel. They are checked in verified against shipper, and filed. We file claims for any issues.**
62. At a minimum, is perpetual inventory verification done in conjunction with a physical inventory on a yearly basis? **No, however with growth this is something we will be looking into.**
63. Who applies and loads the monthly price updates? **Parts manager**
64. 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)? **We handle this monthly, between accounting and parts manager.**
65. What adjustments were required after the last physical inventory to the dollar value, etc., of the inventory? **We had a positive adjustment.**
66. Are all obsolete parts that are on the inventory physically in the store? **Yes**
67. 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, no, no.... We look at each old age part on an individual level, parts manager makes the call to move that unit.**
68. 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, service manager and GM**
69. Do the Parts, Service and Body Shop Managers along with the Office Manager/Controller together follow up on all Work in Process (WIP) tickets and verify that they are closed out in a timely manner? **Yes we have daily reports and stay on the same page as a team.**
70. Is a daily operating report of sales, gross profit etc., being provided to the parts manager for review by him (DOC)? **Yes**

71. 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? 1 ½ month supply.... No
72. What is the true turn of the inventory? Does that match the students calculations found in their FS Parts Excel template? 2.5, and yes this matched up as it should
73. 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, however based off the first time fill rate we can improve.
74. 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? Employee handbook, each employee has a handbook, policies are reviewed by the managers in the departments.
75. Is your Parts Department locked up each night? Who has keys? Yes, several keys were made, Parts manager- Service manager- Owner- GM-
76. Do your Counter-people have a cash drawer? Who balances the drawer? No, we have a cashier.
77. Is there a policy in place for overages for the cash drawer/balancing? No cash drawer in parts.
78. Do you have security cameras in the Parts Department? Who has access to the tapes/CD/backup? Yes, the owner- Gm- Parts Manager all have access.
79. What one thing can your organization do to help you do your job better? I think exercises like these with the GM are exactly what I need to stay sharp. I would like to continue discussions like this one.

First Time Fill Rate

DEALERSHIP NAME		NADA Motors		First time fill rate			
DATE	# OF RO'S	RO's Filled 1st	RO's Filled Same	RO's Not Filled	Actual 1st Time		
11/25/2017	3	1	2	0	33.33%		
11/25/2017	5	3	0	2	60.00%		
11/25/2017	3	2	1	0	66.67%		
11/25/2017	5	1	1	3	20.00%		
11/25/2017	3	3	0	0	100.00%		
11/25/2017	4	1	1	2	25.00%		
11/25/2017	1	0	1	0	0.00%		
12/6/2017	5	2	2	1	40.00%		
12/6/2017	2	2	0	0	100.00%		
12/6/2017	4	2	1	1	50.00%		
12/6/2017	4	4	0	0	100.00%		
12/6/2017	5	2	1	2	40.00%		
12/6/2017	1	1	0	0	100.00%		
12/6/2017	3	1	2	0	33.33%		
12/6/2017	1	0	1	0	0.00%		
Totals	49	25	13	11	51.02%		

Departmental Action Plan

I had spent a couple weeks in the parts department before deciding to focus on Special Order Parts. I chose this as my primary place of action due to a serious lack of effort both from service and my parts counter people. My goal was and is not only to reduce the amount of SOP in stock, but to create an awareness between Service/Parts.

Week #1- Today I sat down with my service manager as well as parts manager to discuss openly as a team what we could do to reduce the amount of SOP in inventory. This was without a doubt effective, the ideas were flowing from both managers. I found there to be a lack of communication between the 2 of them over the past year. We were able to initiate from this meeting a brand new process.

Step 1- ASM meets with customer, recognizes the need for a SOP

Step 2- ASM meets with parts counter personnel to find out when this part would be available to the customer.

Step 3- We provide the date and appointment time for the installation of this part, at which time the customer pays for the part needed to complete the job.

Step 4- We use a carbon paper with 3 copies to track the part and appointment date set for installation. 1 copy goes to the ASM, 1 copy goes to the counter person in parts, and lastly 1 copy is attached to the part when it arrives.

Step 5- The ASM calls and confirms our desired appointment date 24 hours prior to part delivery. When the part arrives we place the part on a designated shelf for that specific ASM. We decided to have 3 shelves, one for each ASM, this makes for easy audit.

Week #3- We now have some considerable time under our belt with initiating and enforcing this new process. We have been having more and more success with our plan as everyone is getting into a routine. I've made SOP a part of my morning progress report for both the service and parts managers.

Week #4- Parts has been able to take our SOP report from 4 pages to 1! I will say that not only is this new process working for us, but it has also bridged the gap of communication Parts/Service.

We are currently taking this to the next level of clean up, the SOP's remaining are mostly OBSO. Overall we were able to reduce inventory cost, and create service hours sold.