

Parts Manager Conversation

Collaborate with your Parts Manager to answer the following questions. Use this opportunity to share new ideas from the class and to coach your Parts Manager on how they can be implemented. Be sure to respect their expertise. **Provide your answers in a different color font.**

1. What formal parts management training does your parts manager have (for example, the NADA Academy Seminar)?

Our parts has no formal training. However, he has completed American Honda Parts Management Fundamentals (Online).

2. Does your Dealership/Parts department have a Vision statement that all departmental employees know and understand? What is it?

Our dealership vision statement is "Where we treat you like family" This statement is widely understood across the dealership. Additionally, we have had much conversation about culture and the statement that has been discussed as of late is "Do the right thing, because that is who we are"

3. Have you ever tracked your First Time Fill Rate (FTFR) manually (not using the DMS or your OEM)? What is your current Repair Order FTFR?

We have not ever tracked our first time fill rate manually, however, first time fill rate and lost sales are now being tracked, after a conversation was had upon my return from parts week.

Our system says our current first time fill rate is 84%

4. What percentage of your business comes from Inside (RO/Internal/Warranty/Body Shop) vs Outside (Counter Retail & Wholesale)?

45% inside 55% outside

5. What policies, controls, and security are in place on your DMS (via Privileges and/or the Exception or Deviation Reports) to prevent counter people from changing the pricing structure during daily transactions?

Our parts manager has password protected accesses in place, limited to the parts manager and assistant parts manager for these changes.

6. Who can change/override parts pricing? Cashier? Service Director/Manager? Service Advisors?

Parts Manager, Assistant Parts Manager and Service Manager

7. Are you at Retail pricing for Internal? Who established your Internal parts pricing policies? Are they current?

The pricing policies are current. The dealer principal, dealer manager, parts manager and service manager met and came up with strategy. Used car is 110% of list pricing, New car is 100% of list pricing and accessory (conversation occurred and change implemented after class) is now 100% of list price and labor. We switched to a salesperson spiff vs the previous way of fixed ops discounting cost to sales and finance selling it in their process.

8. If you are in a Retail Reimbursement for Warranty state, are you at retail for warranty? If not, when was the last time you petitioned the OE for retail reimbursement?

Yes. We are currently at a 10% above retail reimbursement rate. This rate was petitioned approximately 18 months ago.

9. Do the Parts, Service and Body Shop Managers work with the Office Manager/Controller monthly to follow up on all Work in Process (WIP) documents. Do they verify that all parts invoices and repair orders are closed out in a timely manner? What does this look like?

The office manager has a weekly meeting with the parts and service manager to review and reconcile WHIP. Additionally, prior to month close, the schedules are cleaned and WHIP is addressed again if any issues exist.

Open tickets and RO's are reviewed daily. We are very serious about open Ros and ensure that no RO is open if the car is not physically here, as that gives our store unnecessary liability.

10. Is the financial statement for the Parts department given to the manager and discussed on a weekly/monthly basis? If not, is a daily operating report of sales, gross profit, etc., provided to the Parts Manager for review (DOC)?

Our parts manager has access to the financial statement and parts doc. Each Tuesday myself and the dealer principal have our weekly fixed ops meeting to discuss pace, goal tracking and any issues within fixed ops. Sales/Gross for each category is discussed. Expenses are reviewed at month end.

11. What is your retail pricing strategy for your Parts department? How often do you check to see whether your pricing goals are being achieved?

We use a matrix pricing strategy, as a standard. Parity pricing is reviewed against competition quarterly and manual adjustments are made as needed by the parts manager.

Goals are reviewed monthly by parts manager, dealer manager and dealer principal.

12. How often do you audit your dealership's Parts web page? How often are coupons, hours of business, etc., reviewed and updated?

There is a monthly website audit call with the dealer manager and marketing manager. While we do not always choose to run coupons, specials and incentives, the strategy is discussed prior to the end of a month in preparation for the beginning of the next month.

13. Do you have a Parts online eStore? How do you ensure that parts order forms/queries are responded to in a timely manner? Who gets the email leads/questions?

We do have a parts online store. There is an employee designated each day to be responsible for online orders. This employee is tasked with monitoring the email address for the estore, which also has new orders pushed to it.

In regards to queries, we have a parts/service admin who is semi-retired. Mike spent many years as a master tech, parts assistant manager and service advisor and is equipped to answer questions.

14. What sales training is available to Parts personnel? If training is available, is it mandatory? How often are sales skills assessed, tested, and refreshed?

Acura has their online university, which provided much training to employees. However, only a few modules are mandatory and unfortunately those are the only ones that are closely monitored.

We currently have no formal training program and there is not assessment or refresher for employees,

We do plan to create a program, but currently one doesn't exist

15. Do you have a process to offer accessories to 100% of your New and Used customers? If so, what does it look like? If not, why not?

Accessories are offered in this manner :

- 1 - pitched at the desk with the sales is being negotiated.
- 2 - finance manager sends a "what to expect next" email that included popular and trending accessory recommendations

- 3 - if accessories are not purchased prior, there is a finance manager in person pitch upon delivery (they will be paid the spiff if they sell it)
- 4- BDC associate sends email after the delivery if no accessories were purchased.

16. What would help you sell more accessories?

Circling back to my pervious answer on number 7, we recently changed the process to be 100% of labor and at full list price, by removing them as a finance product and giving salespeople and incentive to sell in the form of a spiff. This has also led to uniform pricing across the store.

17. Do you review your wholesale customers to see if their sales, gross, and returns justify the expense of conducting business with them? How often are they reviewed?

This is reviewed monthly, gross and sales are tracked, but returns are not. I explained the value of this exercise, along with 2/10 n30 to the parts manager and he is interested in expanding. Currently he reviews the sale and gross, but doesn't look at return rate

18. Do you know how much each of your Parts salespeople must sell each day just to breakeven?

Yearly expense = 1,645,684
Statement month = 12
Average monthly expense = 137,140.33
Parts gross retention = .31 (31%)
Parts Sales Needed per month = 442,388.16
Working days in month = 24 (average)
Parts Sales needed per day = 18,432.84
Number of parts consultants = 4
Parts sales per parts consultant needed per day = 4,608.20

19. What procedures do you have in place to ensure inventory accuracy and integrity? How are variances communicated to the accounting office?

Improvements are needed. We do a quarterly perpetual inventory manual count currently.

Issues are communicated when they arise, it's a reactionary process as it currently stands.

Since class, we have begun a formal reconciliation process.

20. Are lost sales being tracked in your DMS? Do you have a common definition that all counter people understand? What is your definition?

Lost sales was never tracked.

Since class, I discussed the importance of this with our parts manager and we arrived at the understanding that it needs to be done.

The definition we agreed on that has been communicated to all staff is a lost sale is any non quick lube and non special part that is molding, trim, an entire engine etc.

21. What is the biggest obstacle to getting your Special Order parts off the SOP shelves and installed/picked up?

Our biggest obstacle is that we previously did not require prepayment for non returnable SOPs. There was fear that the sales and market share would be lost, however, obso is far worse and a new process has been implemented.

22. In your store, what do you feel is the biggest cause of frozen capital and/or obsolescence? What is the current dollar value of your obsolescence?

Our current obsolescence dollar amount is 134,139

In regards to obso, non prepayment of SOP, lack of FTFR tracking and lost sales are the root causes. Ordering is basically done based off of parts manager "gut feeling" currently. This is leading to having too much of the wrong parts for our market

Additionally, Body shop receivables is another cause of frozen capital. We are discussing doing an application for credit and terminating lines of credit for those shops who are habitually behind on payment

23. What is your phase in/phase out strategy? How do you balance this strategy with factory recommended stocking guidelines (RIM, ARO, Parts Eye, etc.)?

We use the standard 3/9 phase in/phase out process.

The balance is pretty constant, however, the pase in/phase out is manually adjusted on an as needed basis for certain fast moving parts to meet new found demand

As an example, quick lube parts are adjusted during our busy holliday/vacation season and we will premtively stock parts for recalls that have been recently issued.

24. On a scale of 1-10 (10 = expert level) what is your level of understanding of the information that is on your DMS's monthly summary?

7/10. Our parts manager has been here for 25 years, where we used ADP – CDK for the first 20. We switched to Automate for 2 years and now back to CDK, so many functions have remained the same, but he is currently relearning the system along with its new functions

25. What is the one thing that your organization can do or provide to help the Parts Manager do their job more effectively?

Formalized training for the parts staff

Having other department managers spend several days shadowing the parts staff to understand how the department operates and all its challenges. This will help build relationships and help them understand why things cannot be done immediately due to the processes in the department

Better communication across all departments, but especially new and used car to parts