

Parts Manager 78 Questions

The following questions are answered by the Parts Mgr. & written by the Student

1. How often is your dealerships source pricing levels reviewed for competitive maintenance and heavy repair?
Daily based on customers' calling. Normally we use matrix pricing, and also we review the feedback from our customers. We can only use matrix for retail not the wholesale as the latter's price is determined by market (our market is extremely competitive)

2. Compare the pricing policies in the parts department and see how competitive your Dealership is within your area.

Parts	DESC	Suburban Farmington	Victory	LaFontaine	Page Toyota	Range
16100-09442	Pump Assy, Water	\$191.00	\$178.26	\$206.00	\$178.99	medium
90916-A3002	Thermostat	\$33.00	\$24.02	\$30.00	\$26.99	medium
17150-0P240	Manifold Assy, EX	\$600.00	\$610.50	\$595.00	\$577.99	lowest
12204-31120	Valve Sub-assy, V	\$12.00	\$6.99	\$8.99	\$7.99	medium

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.
The medium to low price range parts are priced second lowest in our area, and the high priced item is the most competitive one.

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.

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?
ASM cannot change the prices in the system but can use miscellaneous discount up to 10%. Counterman can discount to the cost. We just advised our new counterman to only discount up to 5%.

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.

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. Even though if we buy from another dealer, we maintain the true factory cost in our system and charge the difference to our income.
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 put parts in our DMS with the true factory cost, and put the difference (credit) into our income.
9. Do you have an internet presence for your parts department?
Yes we do.
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 use google ad words (\$500/month), service side we use Mason for mailing (\$4000/target marketing), and pay for a portion of the bill boards.
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?
Yes.
No. We use outside service and pay them a fee = 2% of the GP.
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?
Not for retail but for wholesale dollars (\$3000/year). As of today Feb 9, 2018, we have spent around \$500 (calendar, coffee cup, pen and scratch pads). There won't be any extra merchandising dollars after the \$3000.
13. With the growing use of mobile smartphones by customers do you have a mobile ready website?
We do.
14. Do you periodically check your online internet Parts coupons? How often are they checked? How often are they updated?
Yes. We update our coupons monthly.
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?
Last week.
We are currently 2-3% higher when compared to NADA average. Our market is too competitive, and it is very hard to get a good gross. To compete with the markets such as Ann Arbor, we have to discount a lot more, and also half of our business is wholesale which has low 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 look for any opportunities to grow. Such as internet, wholesale, corporate accounts and R&D companies.

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?
No. There is very few accessories for Toyota car and we don't sell enough trucks in Detroit market to stock accessories.
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.
Yes, we run report each month.
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?
Yes. Star Elite provides us some marketing tool that shows us the shops and sizes and volume and locations of the location body shops. We have major competitor he has multiple franchises and a big Warehouse. But we can unseat them by service as we provide more flexible service to our customers. He has scheduled more structured delivery services that is not easily changed.
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 Manager.
Yes.
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.
Controllable expenses: Sales expenses, advertising, supplies for the parts dept (tap, package material, boxes), claims, personal training, outside services (vendor does our parts catalog etc) are our controllable expenses.
We do base pay on gross profit or loss instead of net 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?
Parts Manager.
Our accounts receivable dept.
23. Is the financial statement for the parts department given to the manager and discussed on a weekly/monthly basis?
Yes monthly.
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?
SOP policy: "All non-stock special order parts must be prepaid or pre-approved by the department manager. SOP for diagnosis purposes in the service department, that are valued at \$300 or more, will require the service manager's approval. Returns: All return parts must be in the original packaging. And it is important that the parts come back to us in the same condition

when they were issued in. Parts must be returned for inspection prior to any credit being issued. All return parts must be uninstalled and returned in the original, undamaged packaging or you will not receive credit. Soiled packaging will void any credit being issued for parts. Parts that are valued at \$300 or more, will require the parts managers approval prior to any credit being issued.”

It is written on the invoice and posted on the retail counter as well.

It was reviewed quite a long time ago and was approved by parts department manager. After my last parts class, I suggested, and our parts manager agreed to make the following parts non-returnable: Parts cost at \$8.07 or less (\$13.50 retail). This is because Toyota doesn't allow us to return those parts at the first place. Part of our OBSO are from those non-returnables.

Currently our ASM decides on what percentage gross to charge based on the customers' category and our liability.

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

We don't.

Yes, we do.

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?

Four weeks after we initially receive the part, we put it in the return bin to be returned monthly. (we need to set up a policy to have customer repay anything 8 dollars or below and not returnable.)

25% handling fee in general.

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

All countermen and assistant parts manager.

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

Yes, everything is electronic and come from computer.

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?

Special order parts bin at the parts dept.

ASM is supposed to be the one notifying customers.

Our policy is 4 weeks and assistant parts mgr will initiate the return. Assistant parts mgr is the one to follow up on the SOPs.

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?

We keep them in a separate bin (SOP bin)

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?

Parts manager, assist parts mgr, service and body shop countermen.

**No cap on the dollar amount of purchase.
Comptroller/CFO/Office Mgr**

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, service counter men can write a PO with parts manager's authorization.
Owner/general manager**
33. Who established internal parts pricing policies? Are all internal purchases centralized and run through the Parts Department for control purposes?
**Owner/GM
Yes.**
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)
Less
35. If the accounting inventory value is higher than the parts computer, look for the parts inventory missing items (uncontrolled inventory). (Monthly Reconciliation Exercise)
**Based on the Monthly reconciliation exercise, our accounting value is \$22000 + higher than the parts management report. In real life, we've had \$25k parts shrinkage for two consecutive years (2016-2017). It could be caused by accounting error and potential theft. Our comptroller has been working on determine the causes.
We should consider reconciling each quarter instead of once a year to have a much better control.**
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.
We didn't have much LIFO adjustment last year.
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)
**Not really. We should have a clear job desc for each parts employee.
All the above-mentioned duties are done by our assistant parts mgr.**
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?
**TMS (Toyota Motor Sales)
It's reviewed at the year end.
It is not 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?
**Yes. By TMS
A couple of weeks ago.**

Not recently.

Our certified counterman does OE training each time when there is new products launched.

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?

He attended a class like that back in 80s.

Last formal parts management training by Toyota last year.

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?

Yes our equipment positions are made properly based on parts employees' work routine.

Our system hardware is good.

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 10%

Assistant parts mgr. Reasons could be weather changes or price changes caused parts sales change.

Yesterday.

44. Is the trend of those changes in question #43 a positive or negative trend?

Most time is negative as most of time we lower the stock order qty.

45. What is the percentage of stock order from the factory versus outside purchase (emergency purchases)?

1%

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?

It is printed in the assistant parts mgr.'s office and kept in both parts mgr. and assistant mgr.'s offices. It is not used daily. Assistant mgr. uses it for inventory check more often.

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?

No.

Yes, our parts mgr. helps me to find the answers.

48. How often is your Parts Inventory adjusted for errors in part value or part quantity? (Moments in Time)

A couple of times a week.

49. Have the fifty most active parts numbers been checked for parts bin count accuracy? (Moments in Time)

Yes.

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, only parts department people.
52. Are true lost sales being tracked in your DMS? Who can log a Lost Sale?
Yes.
All counterman can do it.
53. Who reviews the Lost Sales? When are they reviewed?
Parts mgr reviews monthly before turning it to NADA. We have trouble to get all counterman to do the lost sales tracks.
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.
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?
The first criteria is to have a sale in 4 consecutive month, or have 4 sales in 6 month, or 8 sales in 12 months.
Yes.
56. What is your Compliance % level for your inventory with your Vendor Managed Inventory, RIMPRO?
NA
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)?
No. NPN parts are not controlled by our inventory. We bought them from outside source and put them on RO around 100K dollars a month mostly body parts for body shop, some for service. We don't. We put them on WIPs as soon as we get them, and attach purchase order with the RO to cost them out.
58. Are the procedures for shipping and receiving written or all verbal? Who's responsible for reviewing and updating these policies and procedures?
It's verbal.
Parts manager.
59. Who files damage claims on parts shipments received?
Assistant parts mgr.
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?

Assistant parts mgr. uses the scan gun to receive the order.

Yes.

We file a claim to the manufacturer

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?
Parts mgr.
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 it is checked on a routine basis.
64. What adjustments were required after the last physical inventory to the dollar value, etc., of the inventory?
\$20,000
65. Are all obsolete parts that are on the inventory physically in the store?
Yes they are.
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?
Yes they are in a special bin and in a special source file in DMS.
Yes.
67. Who verifies the completion of the repair orders between the first and second month they are reported in the work-in-process status?
ASM and service mgr.
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?
Our office manager prints the WIP report by per ASM and gives to Parts/service and body shop mgrs.. and each parts counterman gets a one too.
69. Is a daily operating report of sales, gross profit etc., being provided to the parts manager for review by him (DOC)?
Yes. He has the access to the report in our DMS.
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?
0.7.
No it doesn't match. The student calculation in her FS is 1.2.
71. What is the true turn of the inventory? Does that match the students calculations found in their FS Parts Excel template?

3.

No it doesn't match student's calculation.

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?

Every employee has a one.

All managers have it.

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

Not for right now, but it will be after we finish the remodeling.

Cleaning lady and parts mgr and counterman.

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?

NA

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

No. We should have a one.

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

No.