

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 per year

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

Once per year – check warranty, door rates, mark up factor – we're competitive.

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 are competitive – slightly higher than most dealers in our area.

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. A price escalator has just been instituted.

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. All parts people have ability to discount – but are given guidelines. Anymore than 20% requires manager approval. Service dept cannot discount.

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))

We put in what we pay for cost when purchased from another dealer – not true OE cost.

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 – other than purchased from another dealer – mark it up to cost if purchased for less or kept the same if purchased for more than cost.

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?

Through the price codes.

9. Do you have an internet presence for your parts department?

Yes.

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?

Seasonal promotions – dictated by Hyundai. Cost for marketing is covered by Hyundai program – they reimburse for promotional discount. Volume increases because of the promotion.

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. Body Shop Wholesale account handled by Parts Manager.

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?

Yes. YTD \$8000 has been spent for the Spring promo. The more we spend, the larger discount we get.

13. With the growing use of mobile smartphones by customers do you have a mobile ready website?

Yes.

14. Do you periodically check your online internet Parts coupons? How often are they checked? How often are they updated?

Seasonally. We have no “non-manufacturer” coupons or promos.

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?

Pay plan reviews are conducted monthly. Currently the pay level is sufficient for the GP by each employee.

16. Does the parts department actually seek additional revenue or “live off” the sales of the service department only? If not why not?

No. We seek out additional wholesale accounts, dealer to dealer, over the counter business.

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?

Yes. We accessorize every new vehicle on the lot.

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.

Reviewed monthly

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 are the largest Hyundai wholesale dealer in our area of influence. We are able to deliver 2-3 times per day within 100km.

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?)

Accounting & Parts Manager. Tax-ID/Wholesale Certificates are handled by Accounting.

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.

Overtime – currently short staffed in the department, only one counter person. The way we order our stock – the more we put on a stock order the larger the discount (parts expense). Obso parts – moving them out quicker.

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?

Accounting – based on customer loyalty. Parts Manager is flagged when payment is overdue on an account or when credit limit is reached. Accounts Receivable will then call the customer.

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

No.

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?

Parts Manual by Hyundai. Posted in the parts manual on our e-power site. Not printed & displayed. Parts Manger reviewed policy 4 months ago, emailed Hyundai on amendments for obsolete information. Hyundai makes any changes.

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

We do not use pre-payment often. If the customer is a “non-account” often they will pre-pay full amount up front. Anyone with any account is charged.

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?

SOR's are kept 12 months before returning. Customer are charged a restocking fee if the part is returned.

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

All parts employees.

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

Yes.

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?

Behind Service Manager's desk on shelves. All parts employees take care of counter SOP's, service advisors take care of Service RO parts. Parts Manager determines when parts will be returned. No follow up is made.

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?

SOP's are kept in their own section of 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?

Parts Manager controls PO system. Unsure of PO level – never had that come up. General Manager/ CFO set \$\$ levels.

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)

No, only Parts Manager. General Manger oversees the Parts Manger.

33. Who established internal parts pricing policies? Are all internal purchases centralized and run through the Parts Department for control purposes?

Parts Manger sets policies – everything run through Parts Dept.

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)

Exceed.

35. If the accounting inventory value is higher than the parts computer, look for the parts inventory missing items (uncontrolled inventory). (Monthly Reconciliation Exercise)

Some part numbers are not being used by all staff properly. Still have NS parts from previous ownership.

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)

Yes.

37. If LIFO is used, when inventory value is used to calculate days' supply, etc., the actual value should include the LIFO reserve.

LIFO is N/A in Canada.

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)

Yes – each employee has set list of tasks; However, currently short staffed.

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?

There isn't any set training for parts employees currently.

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?

Web seminars are available through Hyundai. Self-controlled, not currently tracked.

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?

No. No Parts Management training has been taken.

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?

Equipment is sufficient for employee/work load level.

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?

No more than 6%. Parts Manager makes changes, usually due to incorrectly received or an incorrect BIN. Last changed by Parts Manager yesterday (03/15/18).

44. Is the trend of those changes in question #42 a positive or negative trend?

Negative – employees should be paying more attention to detail when allocating parts.

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

57% stock order; 43% emergency purchases, which indicates we are not well stocked.

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?

Reports are utilized monthly during month end reconciliation. Reports are electronically stored, not printed.

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?

Everything on scorecard can be found on Inventory Control Report in DMS. Will start to incorporate on next month end, once fully staffed.

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

Weekly adjustment.

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. General Manager.

52. Are true lost sales being tracked in your DMS? Who can log a Lost Sale?

Yes. Any parts employee can log a lost sale.

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

Parts Manager & GM review lost sales monthly.

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 – 3 lost sales within 12 months qualify for phase in. This is tracked through DMS.

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 12. Time limit & quantity set by DMS, authorized by Dealer Principle.

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)?

After-market parts are not put into inventory before being sold. Shop supplies are ordered as needed & charged out accordingly. Shop supplies are not an inventory count item.

58. Are the procedures for shipping and receiving written or all verbal? Who's responsible for reviewing and updating these policies and procedures?

Written in the Parts Manual. Parts Manager reviews policies, they are updated by Hyundai and Parts Manager.

59. Who files damage claims on parts shipments received?

Parts Manager.

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?

Parts Consultants receive the orders, physically received, shelved and input. Parts Manger completes cross-check and handles any discrepancies – if we're short shipped he calls DCS (Hyundai), informs order desk & submits claim.

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

Yes. A pre-inventory is done before physical inventory.

62. Who applies and loads the monthly price updates?

Hyundai.

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)?

Tracked by Parts Manager and adjusted as needed.

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

A major adjustment to tires was needed.

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

No. 95% are in store.

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?

Set aside in their own bin location. Not easily identified by adding a J – may start!

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)?

No.

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?

Parts Manager did not know the answer or how to find it. FS template shows 2.73 months for February.

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

Parts Manger did not know the answer or how to find it. FS template shows gross turns at 3.8 times per year. Unable to calculate true turns.

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?

Online. General Manager handles review of policy with Parts Manager.

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

Yes. All parts employees & General Manager have keys.

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

No – they use the service cash drawer.

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?

Yes. General Manager & Upper Management level employees have access.

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

Better communication. Proper staffing.