

## **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. These three files must be submitted to your class Dropbox site together. 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 is due the Monday before your Service Class starts. 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.**

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## 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? **90 days overall, but tires are done more often as our Dealer Tire rep shops pricing monthly. We get a lot of complaints regarding our oil change pricing, and we are considering posting competitor's pricing around the service drive specifically just the price of synthetic oil. We actually come in cheaper than the local competitors that specialize in servicing BMW's.**
2. Compare the pricing policies in the parts department and see how competitive your Dealership is within your area. **Maintenance items we sell at MSRP. Our competition that sell BMW Genuine Parts do the same. Several shops sell aftermarket maintenance parts which we do not sell that low. Through the service drive, we will price match competitor's prices if possible.**
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. **I call our biggest competitors and ask what prices they are selling for. At times, we will call from cell phones to get price quotes.**
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, we have different prices**

set up for different type customers. We are currently going through and grading out wholesale customers based on the suggestions received during the NADA class.

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? We do not have anything in place preventing a counter person from changing prices. We do a lot of insurance and extended warranty claims through service which require the parts counter guys to change parts prices. If “help” is needed for a customer, it must be brought to parts managers for approval. Service advisors have the option to close ROs to coupon which gives a discount, and the booker is required to verify the coupon is present. At this time, parts has zero control over this and has no way to monitor if discounts given are legit or not. The GM will monitor monthly to look for any big jumps in coupon usage.
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. “cost” can only be changed by the parts manager. The parts manager and controller reconcile daily to ensure that costs are not being adjusted incorrectly.
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? If we buy a part from another dealer, we leave the cost the same and 6760 (volume purchase discount) the difference. If we buy aftermarket, we use the true 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? We do not purchase much from other dealers due to fact we are only one in town. We do not purchase aftermarket parts to resell to wholesale. Very rare will we put an aftermarket part on a BMW or MINI.
9. Do you have an internet presence for your parts department? Ebay and Ecommerce. Combined internet sales in 2017 were \$254,629, with the big majority being eBay. We could be much better and are working to improve.
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 take advantage of the manufacturer’s port installed and dealer installed accessory programs. Cost and sales don’t change much when we do this, we simply sell ore accessories.
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 in Nashville and in Memphis.

The Nashville rep generates sales and keeps our name in front of shops in a town that has another BMW dealer. Our Memphis rep does daily routs as well. I do not feel she is as strong as the Nashville Rep. However, if we chose to drop her, the company will pick up another dealer and it will be pushed in our backyard. Yes, the sales they generate definitely pay for them.

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? So far only \$625 has been recovered of the Co Op money from BMW this year. She may be behind and I will check with her. We typically spend what we are given. We can submit a request for more through our factory rep if our utilization is heavy.
13. With the growing use of mobile smartphones by customers do you have a mobile ready website? Yes. Our new GM is on top of getting our online presence where it should be. We just signed with a digital marketing agency who is helping us re-do our mobile website and we also recently changed all of our content.
14. Do you periodically check your online internet Parts coupons? How often are they checked? How often are they updated? Not near as often as they should be. We are not good at monitoring this. We will begin doing so 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? I attended a class in 2017 that did the comparison. We were under the bar for pay vs profit. However, this has only been done this one time by me. The GM and owner will add this to their pay plan review in 2018.
16. Does the parts department actually seek additional revenue or “live off” the sales of the service department only? If not why not? We pursue wholesale pretty heavy and run about 22% profit with it. We do have an active Ebay website. Currently looking into Amazon. We have a live online Ecommerce store. BMW is working on a partnership with Amazon where less profit would be retained by Amazon.
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 do port installed accessories. Not too many dealer installed accessories. Again, our new GM is looking into this. She has started having a few things installed at the dealer. Accessories on new/used cars will increase. We will use the method that best serves the dealer.

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 began doing this upon our return from NADA. We were not doing this prior. Only a few weeks in so its early. But we have already begun making changes in our wholesale policy. If a ticket is under \$150 we charge a \$10 delivery fee unless the buyer is on our list of heavy purchasers.**
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 only dealer in town. We focus on our backyard and work to keep people out. We are currently working in Nashville to unseat the dealer there. Big job. But we have our foot in the door. We have had several record months in wholesale over the past 12 months.**
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?) **Our wholesale specialist as well as our asst parts manager. We keep paper tax IDs on file for anyone that we do not charge tax to as well as if they are set up in our system, the tax ID in on file there as well.**
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. **We have discussed freight and delivery expenses. We are also reviewing all invoices as they come in to see if we can re-negotiate contracts or discounts.**
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 charge customers are handled by Commercial Billing. They handle getting us paid. They also "approve" charge customers. We are very happy with their services.**
23. Is the financial statement for the parts department given to the manager and discussed on a weekly/monthly basis? **I get a copy. We do go over items and issues, the financial statement in particular is not reviewed.**
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? **Front counter SOPs must be pre paid. Coded parts are pre paid. Service RO SOPs are**

- not pre paid. This policy has not been reviewed in awhile. Any parts person can order a part. We are considering changing to a pre-pay policy as well.
25. Do you require 100% pre-payment on these parts? Do you differentiate between Counter Retail/Wholesale and Service RO? Front counter requires 100% pre payment as well as all CP coded parts. Wholesale and service Sops are not pre paid.
  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? 20 days these go to the BDC to try to get the customer in. They are returned in 30 days. We are very happy with our process as it achieves strong results.
  27. Who are the parties that are involved in the SOP process start to finish? Parts counter/BDC/Parts Manager
  28. Are special order forms completed in a legible manner so that the customer information can be read? Yes, these are done on 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? They are located in the SOP bins. BDC is notified when parts arrive. Parts manager pulls 20 day old SOP and gives new list to BDC explaining that they will be sent back in 10 days. If customer has not scheduled, Parts manager will return parts at 30 days.
  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? They have a special location
  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? Guys can give PO to purchase parts. Controller controls the PO system. There is nothing in effect that requires special permission to purchase an item with a PO.
  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) All counter guys have access to purchase from outside vendors except Aaron. He is still training on the counter. When items arrive we receipt. Ticket gets stamped, coded, and signed by the parts manager. We balance daily receipts with the office.

33. Who established internal parts pricing policies? Are all internal purchases centralized and run through the Parts Department for control purposes? **Any purchase made for resale goes through parts. Other departments can create Pos and purchase items for their departments. Pricing is set up by parts on resale items.**
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) **In February we did a physical inventory. The computer was less than accounting. We are also looking into a monthly reconciliation but DealerTrack needs to help us get to that point; we are working on this.**
35. If the accounting inventory value is higher than the parts computer, look for the parts inventory missing items (uncontrolled inventory). (Monthly Reconciliation Exercise) **Done**
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. **LIFO not used**
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**
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? **Not part of pay plan. Training is done by the person who it is the main job. For example. Ken is the main receipt person. He would train someone of how to receipt an order if we brought someone in to train.**
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? **OEM training is mandatory from BMW and kept on Centernet. We do not have DMS training for everyone. James and I at times do take classes online if DT offers. We have HAZMAT training that Ken is responsible for. We are discussing the parts employees cross training with the service advisors and the shop.**
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? **MCM 2017 training had some of this. Nada training in 2018 had some of this as well.**

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? **Working on this with our IT person.**
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? **Parts manager does the daily orders. (BMW also has SRD which they control) Asst Manager does it when manager is out. Changes are based on if we are ordering "heavy" to reach Aftersales Bonus. I would say that 10% of less is changed on an average day.**
44. Is the trend of those changes in question #42 a positive or negative trend? **We did not understand this question.**
45. What is the percentage of stock order from the factory versus outside purchase (emergency purchases)? **99%. We are the only dealer in town. We will only order from another dealer if a part that we need is on back order. This is not often.**
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? **Since NADA, we will begin reviewing these monthly in manager meetings. We already use these monthly with the office for parts balancing. Monitoring turns, watching OBSO, etc.**
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 started using the DMS summary scorecard in our monthly kick-off manager meetings. We typically get very good assistance from DealerTrack if we need help.**
48. How often is your Parts Inventory adjusted for errors in part value or part quantity? (Moments in Time) **One time a day, at the end of the day.**
49. Have the fifty most active parts numbers been checked for parts bin count accuracy? (Moments in Time) **Yes. Each parts guy counts a bin a day. Adjustments are made at the end of the day**
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. Only the parts manager makes the adjustments**

51. Have you given the Lost Sale Quiz to the parts Manager and Counter-people? Others in the dealership? **Yes – during NADA and reviewed with the team afterwards.**
52. Are true lost sales being tracked in your DMS? Who can log a Lost Sale? **Not 100% we are working on it. At the moment, the parts management team logs lost sales.**
53. Who reviews the Lost Sales? When are they reviewed? **When they get turned in, we review with person to see if it is actually a lost sale. This is done as they turn them in.**
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)? **We monitor phase in every morning. “emergency order” is put in as a normal order so it gets tracked as a sale.**
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? **Our phase in is set up 3 / 9. I review the prior days filled service SOPs. I will phase in parts early if I see they need to be phased in before the 3 months hit.**
56. What is your Compliance % level for your inventory with your Vendor Managed Inventory, RIMPRO? **33% of our inventory is controlled by BMW SRP.**
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, placed into inventory before sold. If I am selling it, it is in my inventory.**
58. Are the procedures for shipping and receiving written or all verbal? Who's responsible for reviewing and updating these policies and procedures? **Verbal – but we would like to change to written**
59. Who files damage claims on parts shipments received? **Parts Manager or Asst 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? **Discrepancies are filed through BMWNA.**
61. At a minimum, is perpetual inventory verification done in conjunction with a physical inventory on a yearly basis? **Perpetuals are done daily. We try to count the inventory all the way through in two to two and a half months.**

62. Who applies and loads the monthly price updates? **It is done automatically by DT**
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)? **These are calculated monthly by the office.**
64. What adjustments were required after the last physical inventory to the dollar value, etc., of the inventory? **\$17,000 below accounting / \$406.00 below the DMS**
65. Are all obsolete parts that are on the inventory physically in the store? **Yes**
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 we do not use a J bin because our obsolescence is so low.**
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 and GM**
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? **Weekly meeting. Parts, service, GM, and owner.**
69. Is a daily operating report of sales, gross profit etc., being provided to the parts manager for review by him (DOC)? **Yes, on DT**
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? **1.3 Months supply. Yes. DMS shows overstock – NADA recommends 1.5 day supply**
71. What is the true turn of the inventory? Does that match the students calculations found in their FS Parts Excel template? **4 – yes, used the NADA to calculate it.**
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 feel that it is large enough. However, we were surprised by the number of ROs that did not meet our FTFR expectation.**
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? **In Compli and reviewed annually.**

74. Is your Parts Department locked up each night? Who has keys? **Yes, locked with alarm. Everyone in parts has alarm code. James, Jon, Ken, from parts have keys. Any master key can get in.**
75. Do your Counter-people have a cash drawer? Who balances the drawer? **On Saturdays and on special occasions. The office balances**
76. Is there a policy in place for overages for the cash drawer/balancing? **Yes**
77. Do you have security cameras in the Parts Department? Who has access to the tapes/CD/backup? **Not that I am aware of but we are implementing cameras dealership wide in 2018.**
78. What one thing can your organization do to help you do your job better? **Per the parts manager ... the owner and GM can do a better job of providing a report of gross profit and expenses so we can get closer to our goal of \$1:\$1. Jon provided this example to Karen to show what reporting was extremely helpful. Also more quickly respond to departmental requests like incentive programs, etc.**