

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? **This is done on a semi-annual basis.**
2. Compare the pricing policies in the parts department and see how competitive your Dealership is within your area. **Our pricing policies are competitive with our surrounding market competitors. Pricing policies seem be somewhat standardized in our market. Making it more important to maintain customer service levels and turn around times.**
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 very competitive on our pricing structures throughout our market space. It is often difficult to compete on price with the major wholesale players 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. **We do have various pricing structures within our DMS for each customer type. Our wholesale customers have been graded on a green, yellow, red grading scale based upon sales history, return percentage, and distance from the store. Additionally, we have reviewed and**

- revised our employee pricing structure, especially on those employees utilizing parts for outside work/side jobs.
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? **There are no DMS controls in place in particular. However, the service manager must sign off on any advisor discounts and all discounts are monitored by the parts manager via various DMS reports.**
 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. All parts at input at factory OE cost. Any necessary adjustment to the inventory account (premium/discount) is done via the "687" account.**
 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. All parts are maintained at factory cost levels and updated monthly by the parts manager.**
 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? **The parts manager in conjunction with the corporate department head have created a report within the DMS system to account for this tracking. The parts manager now has the tool to track these potential profits.**
 9. Do you have an internet presence for your parts department? **Yes. There is a specific "Parts Department" and "Parts Specials" section on the company web page.**
 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 have implemented a "homer bucket" for wiper blade sales and completely remodeled the part's showroom/display area. We have included bright neon pricing signs and discount items. The cost was very minimal, mostly just labor. We have seen a few additional dollars being spent and continual traffic through the department as a result.**
 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. These duties are handled and cultivated by the counter staff and the manager. Routine sales calls and visits are made to wholesale customers.**

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? **This is an unknown. The parts manager has it on his agenda to speak with the vendor representative at their next meeting.**
13. With the growing use of mobile smartphones by customers do you have a mobile ready website? **No we do not at the moment. But is something that we will look in to implementing.**
14. Do you periodically check your online internet Parts coupons? How often are they checked? How often are they updated? **Yes. These are checked on a monthly basis and the specials are generally seasonal.**
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? **This is typically done on a monthly basis, when the previous month's financials are made available. This figure is directly tied to the manager's pay plan and is thusly a primary focus of the department's expenses.**
16. Does the parts department actually seek additional revenue or "live off" the sales of the service department only? If not why not? **Our department does rely heavily on the service department. We have minimal wholesale opportunities and competition is heavy. There are many barriers to entry.**
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? **Not currently. There is no accessory program in place between the sales and parts department. And there are definitely dollars to be captured in that space.**
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 and No. The wholesale customers are definitely being graded but more on a monthly basis as opposed to a weekly basis.**
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, we are constantly judging our wholesale position within our market space on a daily basis. The major players in our market are PDC and Hudiburg. The cost of competing with these giants is unreasonable and**

at a detriment to the department. They have vast resources, inventory, and deep discounts. To enter this competition would not be a viable option for the department.

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?) **The parts manager. The manager requires a tax ID on file as well as some form of business card or letterhead. The tax ID’s on file should be current.**
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. **The parts manager is responsible for a number of expenses such as personnel, advertising (to a degree), outside services, and policy. With the latter probably being the most prominent and controllable.**
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 accounting department controls credit approval, specifically Robin in accounts receivable. She takes a credit application and any applicable tax forms and runs the account for approval. She also controls limits and reviews/monitors the receivables for timely payment.**
23. Is the financial statement for the parts department given to the manager and discussed on a weekly/monthly basis? **Yes. It is delivered on a monthly basis and a bi-weekly conference call is dedicated to the subject.**
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? **All special orders must be pre-paid and are non-returnable. They must be input under a customer name/number in the system with a phone number. Customer must be called upon arrival of part. This is not posted but is reviewed constantly with counter people.**
25. Do you require 100% pre-payment on these parts? Do you differentiate between Counter Retail/Wholesale and Service RO?
Yes. All SOP parts should be 100% pre-paid. However, we do differentiate between it is done on case by case basis depending on how the order is being processed. (I.E. warranty SOP for RO in service not pre-paid. Customer pay SOP for RO should be ordered 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? We give a 45 day return policy. If parts are not picked up or put on a vehicle in 45 days they are returned or stocked.
27. Who are the parties that are involved in the SOP process start to finish? The customer/advisor and counter person initiate the order. Once the order is placed it is sent by the counterperson. The order is then received in by the warehouse clerk and placed into the appropriate SOP bin. The responsible counterperson then handles the part until it placed into the hands of the customer or the technician.
 28. Are special order forms completed in a legible manner so that the customer information can be read? We do not utilize special order forms. All information is input electronically.
 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? SOP's for the service department are stored in separate special order location designated within the part's warehouse. These parts are labeled and separated in to bins by the last digit of the repair order. The service advisors notify the customers when the part arrives as well as a call center that continuously markets to the customer until the part is picked up/installed. The counter people are given reports of any SOP's past 30 days and are responsible for their clean up. Additionally, a report is given to the BDC on a daily basis to follow up on any lingering SOP's.
 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? All SOP's are treated as "special". They are completely separate from all other inventoried parts. They are in designated bins sectioned off from the rest of the warehouse.
 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? The DMS purchase order system is maintained by the in-house accounting department. The parts manager has the authority to authorize all purchase orders made by the counter staff. The levels are set by the controller and assistant head of accounting. All open PO's are monitored and controlled by the parts manager.
 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, all counter people have the ability to make outside purchases. The parts manager is overseen by the controller as well as the general manager.

33. Who established internal parts pricing policies? Are all internal purchases centralized and run through the Parts Department for control purposes? **The internal parts pricing policies are ultimately the decision of the general manager. But are discussed amongst the parts manager and sales managers. However, not all purchases are always run through the parts department. There are some outside vendors sales deals with directly.**
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) **Our monthly reconciliation exercise showed our parts inventory exceeded that of the financial statement. Additionally, we just performed or annual physical inventory and came out the same, long on parts inventory. This was a large pickup but can be attributed to a recent buy/sell.**
35. If the accounting inventory value is higher than the parts computer, look for the parts inventory missing items (uncontrolled inventory). (Monthly Reconciliation Exercise)
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, in our case it is a known. We reconcile monthly and often see where we are currently and what may be expected. Additionally, we were aware of many of the overages from the recent buy/sell.**
37. If LIFO is used, when inventory value is used to calculate days' supply, etc., the actual value should include the LIFO reserve. **Yes.**
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, a chart has been made and distributed to the parts employees. Many of the functions are still held by the parts manager. However, the manager has delegated a number of tasks such core handling responsibilities, perpetual bin counts by all staff, ordering, and invoicing.**
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? **The parts manager is in control of training the parts department employees. It was reviewed upon returning from NADA and enacted upon. The parts manager has set and developed training regimens for a number of his employees. This is not tied to any form of payment 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? No, training records are not currently kept. DMS courses are currently required periodically as our DMS is undergoing a major overhaul. These classes are required to access the DMS. No parts catalog training has been offered in sometime other than the monthly updates made available to the counter staff.
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, just financial management in college. The last formal training was done at NADA academy.
 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? The equipment, terminal, and positioning are more than adequate in the parts department. The current volume of business can definitely be handled with confidence continuing with the current equipment in the department.
 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? The DRO is adjusted only around 10% of the time. Any adjustments are made by the parts manager. The majority of these adjustments are attempting to obtain warranty or recall parts for stock.
 44. Is the trend of those changes in question #42 a positive or negative trend? This is a positive trend and should continue to do so.
 45. What is the percentage of stock order from the factory versus outside purchase (emergency purchases)?
 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? The parts manager prints and stores these reports in his office. And are generally utilized daily.
 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? Yes, we currently are tracking lost sales in order to obtain a more appropriate mix of parts.
 48. How often is your Parts Inventory adjusted for errors in part value or part quantity? (Moments in Time) Daily in some cases, depending on bin count irregularities and perpetual inventory counts.

49. Have the fifty most active parts numbers been checked for parts bin count accuracy? (Moments in Time) **Not recently, but this is in action currently. Once completed those parts will be moved into our “fast moving parts bins” located in the front of the department for quick easy access.**
50. Are the transactions for each day reviewed by the parts manager to make certain that any adjustments made (plus or minus) are accurate? **The parts manager is the only person authorized to make adjustments.**
51. Have you given the Lost Sale Quiz to the parts Manager and Counter-people? Others in the dealership? **Yes. All counter people and the manager have taken the quiz.**
52. Are true lost sales being tracked in your DMS? Who can log a Lost Sale? **True lost sales are being tracked as counter people learn what is truly a lost sale. All counter people can log a lost sale.**
53. Who reviews the Lost Sales? When are they reviewed? **The parts manager. On a weekly basis.**
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, the parts manager utilizes the test/non stock feature in order to track emergency purchases to see if they may need to be phased in.**
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 current phase in is set at 3 sales within 9 months. (3/9) The time limit required to hold these parts is set by the vendor inventory management system.**
56. What is your Compliance % level for your inventory with your Vendor Managed Inventory, RIMPRO? **Our vendor compliance level for RIM must be above 85%, we are currently sitting at 93.24%. Also a level of “service lane” parts must be maintained at a level of 80%. We are currently at 81.59 with that metric.**
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, nearly all parts are brought in/receipted into the parts inventory and then sold out of that inventory. We definitely stock a number of “shop supplies” that are not sold out of inventory such as zip ties, batteries, and solvents.**

58. Are the procedures for shipping and receiving written or all verbal? Who's responsible for reviewing and updating these policies and procedures? **All are currently verbal. The manager is responsible for these policies.**
59. Who files damage claims on parts shipments received? **Currently all damage claims are filed by the 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? **The warehouse clerk (Chopper Dave) receives in all orders via scan tool. The stock order is cross checked by the computer. Any discrepancies are brought to the manager for investigation, filing, submission, or correction.**
61. At a minimum, is perpetual inventory verification done in conjunction with a physical inventory on a yearly basis? **Yes, perpetual bin counts are being performed, as well an annual physical inventory was just performed.**
62. Who applies and loads the monthly price updates? **The monthly price updates are loaded by corporate IT. But it is then applied by the parts manager.**
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, these adjustments are tracked by the parts manager and the accounting department via a monthly reconciliation.**
64. What adjustments were required after the last physical inventory to the dollar value, etc., of the inventory? **We had a tremendous pick up of around \$79,000. Most of this can attributed to the recent buy/sell.**
65. Are all obsolete parts that are on the inventory physically in the store? **Yes. A physical inventory was just performed and all parts have been accounted for and are stored on site.**
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. A number of these parts are in the system at no cost under a source 500. Additionally, the remaining parts are being remarked in the DMS as "junk" parts.**
67. Who verifies the completion of the repair orders between the first and second month they are reported in the work-in-process status? **I would have to say someone in the service BDC, but I am not certain.**
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? **Generally yes. The service and parts department work closely to tie up any loose ends.**
69. Is a daily operating report of sales, gross profit etc., being provided to the parts manager for review by him (DOC)? **Yes. A DOC report is generated and e-mailed daily. Additionally, the part's manager pulls his own sales data daily and generates a "Pace Report."**
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? **Our current month's supply of inventory is 2.1. This does deviate from the FS excel template somewhat, where we showed a financial statement months' supply of inventory was 2.3. Yes, at this point we are overstocked with parts, more than likely obsolescence.**
71. What is the true turn of the inventory? Does that match the students calculations found in their FS Parts Excel template? **The current true turn of the inventory is sitting at 1.1. This was off from the in class calculation of 2.5.**
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. I would say there is ample inventory. The problem is reducing the obsolescence and obtaining the correct mix of inventory.**
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?
These manuals are distributed upon the hiring process.
74. Is your Parts Department locked up each night? Who has keys? **Yes. The department is locked nightly. The part's manager has a key, as well as each counterperson.**
75. Do your Counter-people have a cash drawer? Who balances the drawer? **Yes. Our department has a cash drawer that balances \$200.00. The drawer is balanced by the closing counter person each night.**
76. Is there a policy in place for overages for the cash drawer/balancing? **Yes. All overages must be investigated. If no conclusion can be drawn, the overage is placed into an envelope, dated, and placed into a locked drawer until the problem can be resolved.**
77. Do you have security cameras in the Parts Department? Who has access to the tapes/CD/backup? **No. Not currently, but this would probably be advantageous as we have inventory tires on the drive and a large pro-shop display area where things can easily walk off.**

78. What one thing can your organization do to help you do your job better? **The most important thing I could use as a manger is training. Training and time above all else. My eyes were opened to a whole new world at NADA. It motivates and drives employees to be better in all facets of work. We as managers don't know what we don't know and are continually looking for the answers to our problems. We just need the appropriate tools to tackle those problems.**