

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?
Every Year
We will change this to every 6 months
2. Compare the pricing policies in the parts department and see how competitive your Dealership is within your area.
A little bit lower than our nearest competitor
We will stay with this pricing strategy to try to gain more market share.
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 verified this by calling around and are right where we want to be price wise.
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 it does.

We realized that our wholesale gross retention was too low for our liking. This will be hard to overcome with the landscape if we want to keep certain businesses. We will see if there are certain customers that it would be better to not do business with.

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?
Parts counterman can, and service manager can change prices.
We will look at changing if we want the service manager to still have this ability, but the parts manger does keep close tabs on this situation.
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))
Not at this time
We are working on implementing a process now.
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
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 code the invoice, don't know how to track in the DMS
9. Do you have an internet presence for your parts department?
Yes we do. Revolution Parts
We are looking at another vendor that can host our inventory with retail prices and an online parts catalogue to be more convenient for our customers.
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?
Revolution Parts. \$2500 costs/ \$20000 sales
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?
Not currently
Working on find a capable person to possibly take this on if cost analysis checks out.
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?

No we do not have any available. Not sure Toyota offers this anymore.

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?

All the time. Daily.

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?

Will begin a new process on this. Currently above breakeven per employee.

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

We seek it. We do wholesale and internet sales.

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, currently have A/R sheets, will be moving to AIM with Toyota a digital program for the sales department. Need to improve display in the showroom.

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.

Not weekly but occasionally.

We need to improve on this and monitor it on a more regular 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 have, the major player is O’Reilly’s. OEM parts, we control this area. We do 2 deliveries a day.

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 admin department monitors that. Our parts manager makes sure to get all certificates to admin. We are currently 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.
We need to look at minimizing our Parts van expenses, personnel expenses are in line.
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 receivables person handles accounts, we don’t exceed 30 days
We want to look at changing processes to extend a longer credit line to loyal and trustworthy customers.
23. Is the financial statement for the parts department given to the manager and discussed on a weekly/monthly basis?
Yes, on a monthly basis.
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?
Advisor makes the call on what gets ordered, no prepaid process at all. No manager approval needed currently
We need to get a process cemented and have it posted so that it is crystal clear.
25. Do you require 100% pre-payment on these parts? Do you differentiate between Counter Retail/Wholesale and Service RO?
No we do not, no differentiation besides when it arrives.
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?
Up until 90 days with Toyota, always a possibility of a return charge.
27. Who are the parties that are involved in the SOP process start to finish?
Technician, service advisor, and back counter person.
28. Are special order forms completed in a legible manner so that the customer information can be read?

Yes they are.

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?

On the designated shelf organized A-Z. Service advisor notifies the customer for customer RO, back counter person makes the call to return part. Parts manager and assistant follow up on lack of return.

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 section.

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?

Admin upstairs has to grant access. There isn't a dollar amount currently.

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 parts personnel. Our CFO or controller oversees the parts manager.

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

Our parts manager and GM established internal parts pricing policies. Yes, they all run through the parts manager.

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)

Yes it exceeded it.

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

Not higher

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)

Could be something coded wrong, carry over or readjustment from the previous month. Appreciation or depreciation not accounted for.

37. If LIFO is used, when inventory value is used to calculate days' supply, etc., the actual value should include the LIFO reserve.
No LIFO 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)
Everyone is cross trained for the most part.
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?
No training programs officially. No organized training or anything.
We can do better at this and develop a training program to grow solid parts employees.
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 records kept
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?
School of hard knocks and Toyota classes.
Will be looking to invest more in our manager in formal training in the future.
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?
Only complaint is speed of computers. Locations and positions are totally fine. Volume of business matches up with equipment.
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 it is not, maybe 1-2%. Assistant parts manager does most adjustments now, majority are due to the DMS settings recommendations and making judgment call to not order them. Last time would be 2 weeks ago and by the assistant parts manager.

44. Is the trend of those changes in question #42 a positive or negative trend?
Trending in the positive direction.
45. What is the percentage of stock order from the factory versus outside purchase (emergency purchases)?
90% without used cars included, way less with used cars included.
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?
Not used daily, stored in the managers office. Used so the manager can do his monthly reconciliation.
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 it is used to track inventory trends. I will used the scorecard on a monthly basis. Couldn't find, dirty core or average stock orders. Working with Toyota to help us out with find the stock order value.
48. How often is your Parts Inventory adjusted for errors in part value or part quantity? (Moments in Time)
Twice a year
49. Have the fifty most active parts numbers been checked for parts bin count accuracy? (Moments in Time)
No they have not.
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 they are.
51. Have you given the Lost Sale Quiz to the parts Manager and Counter-people? Others in the dealership?
Yes I have.
52. Are true lost sales being tracked in your DMS? Who can log a Lost Sale?
Yes, and any parts person.
53. Who reviews the Lost Sales? When are they reviewed?
Manager doesn't necessarily review them but views the recommendations on the stock order.

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 they are reviewed. Yes, manger uses a source setting to watch the part.
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?
Could be 2 in 6 or 3 in 9 or 5 in 12 depending on the source and yes time limit and quantity are managed.
56. What is your Compliance % level for your inventory with your Vendor Managed Inventory, RIMPRO?
N/A
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, they are all sold through the inventory. No, nothing is stocked in that isn't in 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. Parts manager is responsible.
59. Who files damage claims on parts shipments received?
Assistant manger and 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?
Shipping and Receiving clerk. Yes, we do cross check it. Manually adjust before receipting in or following Toyota's process through Dealer Daily.
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?
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)?
Manger tracks it on a regular basis and it is updated at time of inventory check bi yearly.

64. What adjustments were required after the last physical inventory to the dollar value, etc., of the inventory?
The dollar value had to be adjusted down.
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?
No, they are not and no separate source. No changing of bin to a J either.
We will be looking at apply this change now.
67. Who verifies the completion of the repair orders between the first and second month they are reported in the work-in-process status?
Manager would assume the service manager does.
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, all the above do.
69. Is a daily operating report of sales, gross profit etc., being provided to the parts manager for review by him (DOC)?
Not daily, but monthly it is provided right now.
I would like for us to get better at providing reports on a weekly if not daily basis.
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?
45 Day supply matches up. Not too many parts stocked in according to the calculations.
71. What is the true turn of the inventory? Does that match the students calculations found in their FS Parts Excel template?
N/A factory rep hasn't been able to give me our stock order numbers.
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.
Need more room.

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?

Everything is electronic. The manager just solely handles his review.

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

Yes, it is. Parts department personnel and ownership have the keys.

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

Yes, we have a cash drawer and the closer balances.

76. Is there a policy in place for overages for the cash drawer/balancing?

Yes, we figure out why and report it up.

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

Yes, we have cameras. IT has access to the backups.

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

Possibly getting another parts van and driver.