

## Parts Manager Questions

### 1. How often is your dealership sourcing pricing levels reviewed for competitive maintenance and heavy repair?

My service manager Tracy indicated that he doesn't check competitors' pricing very often, maybe every 6 months or so. He will mystery shop other stores via phone/email, and will also look in local publications for any service/parts specials

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

Please read response below, I am going to put these two answers together

### 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 felt it was appropriate to combine the answers for questions 2 and 3. I pulled a list of some of our highest volume parts by sales and mystery shopped four other Chevy dealers in our zone (view chart below)

#	Part	# Sold	Tom Gibbs	Jon Hall	G. Moore	VG Chevy	Beck	Mkt Ave	% Mkt	Addt Rev.
19330000	Filter	2199	\$ 4.95	\$ 8.60	\$ 7.17	\$ 8.60	\$ 6.34	\$ 7.13	69%	\$ 4,798
12680072	Spark Plug	128	\$ 11.90	\$ 10.00	\$ 9.92	\$ 11.90	\$ 11.90	\$ 11.12	107%	--
19337222	Advantage Blade	133	\$ 11.90	\$ 17.34	\$ 17.34	\$ 17.34	\$ 23.95	\$ 17.57	68%	\$ 755
19338049	Cabin Filter	95	\$ 20.73	\$ 17.72	\$ 17.72	\$ 17.72	\$ 31.95	\$ 21.17	98%	\$ 42
19333112	Battery	120	\$ 5.02	\$ 4.29	\$ 3.57	\$ 4.29	\$ 5.05	\$ 4.44	113%	--
88865243	47PG Battery	82	\$ 129.50	\$138.85	\$133.00	\$ 150.68	\$ 139.95	\$138.40	94%	\$ 729
12679100	Cam Shaft Exh Valve	61	\$ 60.86	\$ 52.92	\$ 50.27	\$ 52.92	\$ 56.60	\$ 54.71	111%	--
23335811	Air Filter	53	\$ 21.46	\$ 42.92	\$ 35.77	\$ 42.92	\$ 29.95	\$ 34.60	62%	\$ 697
84241847	Module	55	\$ 92.25	\$131.78	\$131.78	\$ 131.78	\$ 140.19	\$125.56	73%	\$ 1,832
13503401	Headlamp Bulb	41	\$ 3.03	\$ 2.61	\$ 2.17	\$ 2.61	\$ 3.27	\$ 2.74	111%	--
	SUM		\$ 361.60	\$427.03	\$408.71	\$ 440.76	\$ 449.15	\$417.45	87%	\$ 8,852

After tallying the cost of the entire "basket" of parts I noted that we were priced at about 87% of the market average. The #Sold column represents the quantity of each part number we have sold over the past 12 months. It does appear that we are pretty competitively priced with other Chevy dealerships, although some money might be left on the table with a few of these specific part numbers. I wasn't too concerned with the price of the filter as we do have a lifetime oil change program that is paid for by the sales department. We are selling this part to sales at true cost and it is reflected in our financial statement as an advertising expense. I would say with the exception

of this part type we are priced in a pretty good spot overall – not too aggressive where we are losing gross but enough under market average to attract business.

**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.**

For employees we sell any requested parts at cost plus 10%. This has been our policy for about as long as anyone can remember. For counter and service my manager showed me their markup system where we have true part cost, the General Motors list price, and our level of markup above and beyond. This level of markup is determined on a number of factors including part cost (can't necessarily mark up an expensive part, percentage wise, the same as a cheaper part), and sales volume. For counter sales our reps are trained to start at the higher level of markup and if need be they have the room to negotiate down to GM list. If they don't have success in selling the part the manager can give exceptions to use their markup from GM list to absolute cost.

With wholesale my manager has set up a markup system above cost based on the relationship they have with that particular wholesale account. These are designated at W1, W2, W3, and W4. For instance, our local Chevy competitor (we have good relationship with them), would be a W1 customer and would buy from us at cost + 10%. A local buy-here-pay-here dealer in town who reconditions his own used cars buys from us at W3 with 30% markup above cost.

**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?**

I was told by parts manager that yes, there are locks in place from any individual employee (other than parts manager) from changing pricing structures. In order for service manager or advisor to discount parts they would have to pass by parts manager.

**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 inventory? (done through use of +/- inventory adjustment accounts)**

The DMS automatically prices inputted parts to match factory cost. This can be manually changed.

**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 value**

Yes (not sure how to answer this in any further depth).

**8. How are discounted purchases tracked in the system to show additional profit based on the cost of the part from a particular source other than factor price?**

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

As I'm sure you find with most dealerships we do have a very limited parts department presence on our own dealership website. We have the standard "parts inquiry" page that General Motors requires us to have (can't change it, can't delete it). We also have a personalized portal from our site to the GM accessories website where customers can drill down from their year/make/model to shop for a wide variety of accessories. This is something I'm excited about pushing a little harder as the customer pays for all of the parts (and even labor, if they choose) up front with credit card before the part is shipped to our dealership. There is essentially no carrying cost for the part. We have had a little success with this portion of the site and it is something we are going to start advertising especially towards all of our new Chevy purchasers through email campaigns throughout any given month.

**10. What type of merchandizing programs do you have in effect? What is the relative cost versus sales generated as a result of the programs?**

We do have a decent ad budget for our service department but have historically been relatively passive from a parts standpoint. All of our new Chevy sales customers are made aware of our accessories department (especially Silverado/Colorado customers) and we have been profitable from this standpoint. However, it is not the parts department that is merchandizing their own products but the sales associate in the new car department (they get small spiffs for helping sell accessories).

**11. Is an outside salesperson active in your parts department? Are the sales at a level that “pays” the employee or could the accounts be maintained on a part-time basis by the manager?**

This was partially referenced in question 10. We don't have an outside salesperson in our parts department at the current time - they unfortunately act more like order takers. Through our in-house accessories installer and our new car sales department we are pretty proactive in selling parts/accessories especially to our new truck customers. Our accessories installer gets paid a percentage of gross based on total gross dollars generated any given month (stair-step type pay). Without going into specifics on his net pay I can say that the department has been profitable since we started that specific position about 5 years ago.

**12. Do you have factory merchandizing 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 merchandizing by the factory and the dealership?**

To my parts and service managers' understanding the way we generate factory dollars through the iMR account is through the purchase of quick late parts. We haven't historically earned a tremendous amount from GM, and there are quite a few limitations as to what these dollars can be used for. We have earned \$9287 through early May of this year and have used about \$4700. My service manager said that they have used most of this money to offset the cost of the e-advisor tool they use out in the service drive.

Likewise, there are factory dollars earned through the “Bump” program whereby we can get rebate monies to get new GM body parts more competitively priced to take place of any after market or refurbished parts requested by insurance companies.

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

Yes, all of our pages on the site are optimized for mobile and pull up seamlessly no matter what size device you have (iPad, large iPhone, smaller smartphone screen, etc). This is through our website provider CDK which should be standard issue for all GM dealerships.

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

I personally update these as well as our service offers on a monthly basis. Most of our fixed ops coupons would be service related although we generally have 3-5 accessories offers on the site at any given time (bed liners, tonneau cover discounts, running board specials etc)

**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?**

We review all employees, not just parts personnel, almost on a monthly basis. We run a very lean department with only three parts employees so our personnel expenses are well in line. Likewise, all three have a variable component of their pay tied to department gross profit, so they are paid for performance so as gross fluctuations on a month-to-month basis our personnel expense as percentage of gross doesn't jump out of line.

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

With the exception of the accessories sales I highlighted earlier the majority of my parts sales/gross is tied to the service department, used vehicle reconditioning, and my body shop. To be very frank I don't think they have expanded into other avenues because they are relatively old school employees who do things "because we have always done them like that." This is one of my primary areas of focus after attending class - I'd like to focus on more proactive accessories sales, winning back some wholesale accounts we've lost over the past few years, etc. We can certainly get more aggressive than our current strategy and start earning some more proactive gross dollars.

**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 have an attractive accessories display close to our parts department counter in the showroom, and we also accessorize a few vehicles at any given time and put them in the showroom as another "display" for the types of accessories we sell. Other than these two areas there are not necessarily a program to sell accessories in the sales department - these areas tend to start conversations between

the sales associates and the customers and it has worked pretty well for us in the past. We can be a little more proactive in this department so yes, I would say we are not maximizing our profit potential.

**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.**

As a percentage of total departmental gross our wholesale operation is pretty miniscule. We do analyze our wholesale customers but I wouldn't say there is an abundance of accounts to the point where business relationships would change on a frequent 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?**

We are in a unique scenario as one of the largest Chevrolet dealerships in the nation (#5 by new car sales volume) is about 20 minutes south of us. They have a very large parts warehouse and have eroded most of our wholesale market share over the past 10 years. One of our assistant managers who worked for our dealership for about 15 years went to work for this competitor a few years back and migrated a good number of our wholesale customers his way.

I wouldn't say we can completely unseat this dealership but we can work a little harder to regain some of the local wholesale accounts we have in town. We do have the ability to provide competitive pricing and we do have the ability between my two counter guys and my one driver (works both in service and parts) to make frequent deliveries.

**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 2 years?)**

This would be joint responsibility for our dealership's general manager and parts manager to ensure that we are in compliance. My accounts receivable clerk keeps all of the tax ID forms in her files and she updates these once a year.

**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?**

Our dealer principal is very expense control oriented and makes running a lean operation in all of our departments a top priority. This being said there isn't much expense control that is in the direct hands of our parts manager other than daily stock ordering decisions. Fixed expenditures, personnel pay, employee benefits, etc. are all handled from the top. He understands that sales and gross are the primary variables the parts manager and counter reps have within their realm of control, and therefore has tailored pay plans based on a small fixed salary component with a larger variable component based on gross profit.

**22. Who determines credit approval for parts customers and what screening system is applied? Who follows the receivables list in a timely manner to make certain payment is made by the customer without exceeding account limits?**

Credit worthiness of customers is a joint decision made in part by dealer principal, parts and service managers. Outstanding receivables (we don't have any bad debt expense) is tightly controlled by our receivables clerk in the office and is reviewed weekly by dealer principal, as are our other inventories (bank receivables, warranty receivables, etc).

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

The parts manager does not have a tremendous amount of influence over expense control as our dealer principal is heavily involved with that. Parts manager is, however, very well aware of sales goals and gross profit goals both on an absolute basis and as a percentage of sales basis. They are paid off gross, not net.

**24. What are the special ordering policies for SORs? Where is it written and posted? When was it reviewed and what level of management approved it?**

This has become a top priority of mine after attending class. We currently have a huge obsolescence issue and I am now made aware that the primary culprit behind this problem is a lack of a strict special order parts policy. Up until recently we are not collecting payment up

front on the majority of our special orders, we didn't have a very strong follow up system to make customers aware of their parts arriving, and our parts/service managers had no penalties in place for putting back into inventory uninstalled SOPs. This is probably the biggest takeaway I had from class and something that I know upon implementation will really drive our parts department inventory age/value and profitability in the right direction.

**25. Do you require 100% pre-payment on these parts? Do you differentiate between counter retail/wholesale and service RO?**

Right now we do not require 100% pre-payment. One of my priorities after coming back from class is discussing with our dealer principal the importance of revamping our SOP process. I do think that there should be slightly different policies in place depending on the nature of the business. For counter retail I don't see any reason why payment shouldn't be collected up front 100% of the time - there is no other retailer on the planet that would allow goods to be ordered without payment up front. Customers certainly appreciate this and should not expect any different at a dealership. For service RO I do see that amending the policy a bit would make sense especially for vehicles that are going to be staying in our service department until the job is done.

**26. What time is set to retain these parts and then initiate a return? Is there a return charge made on customer pay parts that are returned because the customer did not return them within a time limit?**

With our high obsolescence problem at the current time our GM has instructed our parts manager to use factory return dollars on the oldest SOPs in stock (some upwards of 3 years old). This being said up until recently our newest uninstalled SOPs were simply being put back into stock rather than being proactively returned to the factory with our earned return dollars.

My goal is to divest of our obsolete inventory so we can proactively use return dollars on uninstalled SOPs before they become an obsolescence issue. Likewise, we do need to implement a consistent re-stocking fee policy to prevent customers who are not 100% committed to purchasing a part from returning unwanted items. Certainly if they have some "skin in the game" we can help reduce the number of non-installed special orders from going back into stock or eating our factory return dollars.

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

After diagnosing the vehicle issue the tech will relay the information to the advisor who will sell the service to the customer. The tech will get with the parts counter rep. to isolate the specific part numbers needed for the job. Either of the two parts counter reps will place the part in the order queue which is submitted every evening by our parts manager. When the part arrives our stock-in associate will receipt in the part and the parts manager will get the part to the tech or call the customer to schedule them back in for service. If the vehicle was not left in the shop the parts manager will notate the day/time the call/email was sent to customer and they will follow up to any unanswered calls a few days thereafter until the customer is scheduled back in for service.

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

Absolutely. Each special order is printed from DMS with customer name and contract information and is filed in an outstanding SOP folder. These are reviewed daily and contacts are made immediately once part is stocked in.

**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 back the parts if no response is made by customer. Is anyone designated to follow up on SOPs, the lack of return?**

The parts department has a designated special order parts shelf that is stocked daily with incoming parts by our stock-in rep (doubles as counter rep). These are organized alphabetically by customer name, and there is also a special shelf on this rack designated for our internal used car tech with all of his special ordered parts needed for recon. Calls are made every morning by the parts manager, or if the vehicle is still in the service department they will dispatch the parts right to the tech who is working on the vehicle. If the vehicle is not left in our service department a phone call/email is sent out to reschedule the customer back in. They will periodically touch base (assuming no answer from customer) until the follow up service is scheduled or until 30 days passes, at which time they will stock the parts back in inventory. One thing I did notice in my time back in parts is that our return dollars are being used on the oldest SOPs first, and we don't have enough to tackle that obsolescence burden as well as return the newly ordered and uninstalled SOPs. Therefore, the newest uninstalled

special orders are simply being stocked back into inventory which is creating a bigger obso. issue for the future. We need to immediately divest of this 18 month old + inventory so we can start proactively using return dollars to send back uninstalled SOPs that we order today.

**30. See if special order parts are carried in a separate section of the parts inventory to maintain control. Or are they inserted into regular inventory?**

Per my parts manager these are inserted right into regular inventory

**31. Who administers and controls the purchase order system? What dollar amount of fixed asset purchases can be made without approval above parts management level? Who sets and monitors these \$\$ levels and total open PO's and open PO \$s?**

Our parts manager controls purchase order system. All fixed asset purchases are required to be approved by our dealer principal for any department.

**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)**

Only parts manager (other than dealer principal) has authority to purchase from outside vendors. Parts manager is overseen by the GM and dealer principal.

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

Our previous parts manager (since deceased) set up in our DMS alongside our GM all of the internal pricing policies. The same markup factor is still utilized in our system by the current parts manager. This has been in place since we signed with Autosoft in mid 2007. Yes, all internal purchases are run through parts manager for control over what decisions are made.

**34. Does the value of the parts inventory on the parts computer exceed, or is it less than the financial statement dollar amount?**

To make our financial statement more accurate with the true value of our parts inventory our dealer principal wrote off all of our obsolescence. These parts are obviously still in our DMS so the difference from the writeoff are still apparent when comparing FS with DMS.

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

This would not apply to my dealership

**36. If the accounting inventory is less than that of the parts inventory value does this indicate an abnormal condition?**

The difference was stated in question 34. There would be no abnormal condition, as a physical parts inventory was just done a few months ago. Everything is accounted for, we just wrote off the obsolescence to make our financial statement more accurate to the true value of our parts inventory (we deemed the obsolete parts to be worthless at this point)

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

We do not use LIFO

**38. Is there an employee responsibility to function chart as was discussed in lass? 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 department?**

We only have a three man operation so a physical chart is not necessarily needed. Everyone does have very specific functions, however, and the team does work pretty well on the whole. My two counter guys each have their own set of bins that they are responsible for and receipt in and shelve any parts belonging to those areas. Likewise, they are responsible for periodic bin counts in those unique areas throughout the month. My parts manager handles more of the bigger picture items like order policy, returns, adjustments, etc. With only three people it's very easy for the manager to make sure the employees are on top of their responsibilities.

**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?**

Other than the required General Motors center of learning training sessions we don't do any formal training in our parts department. I can't say this is necessarily a good thing, but it is the way that things have always been done in this particular department. The GM training is not extensive but completion is required in order to be eligible for certain portions of their pay scale.

**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?**

An ongoing record for GM Center of Learning training is kept for all employees throughout the dealership, no matter the department. We do have sporadic DMS training when new features are provided by Autosoft, but it has been about 10 years (since we first signed on with Autosoft) that we had an extensive training session. As part of my ongoing training and due to my general curiosity with how the parts portion of the DMS works, I have just recently set up a refresher course for myself and my parts employees. Likewise, I have just recently reached out to my GM zone rep to get refresher training on the GM retail inventory management (RIM) program for the team to ensure we fully understand the functionality of the tool and to ensure we are maximizing our success in these areas.

**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?**

My current parts manager grew up my dealership under the wing of my last parts manager who passed away in 2012. He was a 40 year company veteran and essentially taught my new parts manager everything they currently know. Other than this sort of internal training and other small seminars hosted by General Motors my parts manager has never received any formal outside parts management training.

**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?**

I would say right now we are optimally positioned equipment wise. Each of my three parts employees has their own work stations that are fully up to date with their software needs. At this point in time the level of business we are handling would not require any additional human capital nor system hardware requirements.

**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?**

I pulled a report from GM RIM and it appears that my manager is approving most of the replenishment/daily order recommendations. Over the past five months 98.8% of the RIM recommendations were approved. Parts manager will manually look at all stock recommendations based on the model years the given part fits, whether or not it is a body part (our GM doesn't want us to stock a lot of body parts), and based on the demand history we've had.

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

Over past 5 months (from RIM report) there hasn't been much of a trend - they have approved between about 98%-99% of the recommended parts for stocking policy.

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

Per my latest DMS report for the month of April our total stocked in inventory was around \$98,000. 24% of this stock in was regular stock, 69% was special order (an alarming number), and emergency purchases equated to 7%. I think the biggest opportunity here is in special order parts - I need to get rid of my obsolescence problem and give myself room to increase my parts numbers breadth so I can increase my stock and avoid all of these special orders.

**46. Where are the computer generated management reports printed and stored are they used on a daily basis? How are the management reports utilized?**

Right now the reports are not printed and saved but they are downloaded and available for recap at any time through our DMS. To be honest no one other than my parts manager looked at these until I

attended the parts class. I plan on reviewing on a monthly basis to check in on several key metrics that I find important – namely the level of obsolescence, the part numbers that have a risk of becoming obsolescent, and the level of special orders/emergency purchases we are making relative to the total number of parts stocked in every month.

**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 find those answers?**

Up until I attended class the DMS summary wasn't utilized at all. As stated in question 46 I do plan on reviewing this with parts manager and dealer principal at least on monthly basis to watch how our inventory ages. I do feel there are several key points on the scorecard that are worth tracking on a monthly basis as well. Unfortunately Autosoft hasn't been extremely helpful in assisting me with tracking some of the key items on the scorecard. As of early May I have yet to receive answers on how to find most of these items. Per my experience in class with some of my classmates the Autosoft version of the report is going to be somewhat limited in the amount of information it is going to provide off the bat to help fill in the scorecard.

**48. How often is your parts inventory adjusted for errors in part value or part quantity?**

My parts manager runs a report every day to check negative on hand or parts with no bin location and these discrepancies are looked at and fixed that day. Throughout the month my two counter guys will spot check certain bins and once a year we do physical inventory.

**49. Have the fifty most active part numbers been checked for parts bin count accuracy?**

As stated in previous question we did just do physical inventory a few months ago, and every month my two counter guys bin check in their own separate portions of the parts inventory room to ensure count accuracy. They start at the first bin in their zone and run through 1-2 bins per day until they reach the end – if time permits at end of month they'll start from first bin again.

**50. Are the transactions for each day reviewed by the parts manager to make certain that any adjustments made are accurate?**

Yes, they are reviewed by parts manager

**51. Have you give the lost sale quiz to the parts manager and counter people? Any others in the dealership?**

I did pass this along to my parts team while we were in class. Likewise, I did have my father and uncle (dealer principal and GM, respectively) take the quiz out of curiosity to see how their answers would come back!

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

I'm not sure where we'd be if I didn't attend this class - as with a lot of other items we were not religiously doing this in the past. Yes, now all three of my parts reps are tracking all of their lost sales. Because we just started doing this 100% of the time it is going to take some time for GM's RIM program to start reflecting new part order policy recommendations, but I think now we are on the right track to improving the quality of our parts inventory with parts that we should have stocked in the past.

**53. Who reviews lost sales? When are they reviewed?**

Up until we just started inputting lost sales 100% of the time no one has tracked nor reviewed them. This is now something I plan on personally reviewing with my parts manager on a monthly 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?**

My parts manager indicated that they are not reviewing these to see if they qualify for phase in, but will either log a lost sale if the transaction is not finalized or log a sale if the part does end up being purchased by consumer. In either instance RIM will note the demand and will automatically phase in from there once enough demands are hit within a 12 month period.

**55. What demand history does it take to place a part on the inventory stock order or in inventory? Time limit and quantity are generally managed by vendor managed inventory systems.**

The GM RIM program appears to have a variable system that makes recommendations on different parts based on different demand levels. For instance, an "A" ranked part would usually correspond with a later model year that would likely need to be stocked again in the future (i.e. part on a 2018 Equinox, our highest volume model). Even if this part has only had 1 demand in 12 months GM will make the recommendation to have at least 1 in stock because the likelihood of needing that part again are very high. The other levels of parts in RIM would be recommended for stock policy based on higher demand criteria - B parts 2 in 12, C parts 3 in 12, D parts 5 in 12.

From my understanding GM RIM program analyzes demand nationwide, so if demand for C-level parts starts an upward trend (maybe due to a known issue with certain GM years/makes/models) they might become B-level parts and have a higher likelihood of being recommended for stock policy by RIM.

**56. What is your compliance % level for your inventory with your vendor managed inventory?**

Our RIM purchase loyalty - February 2018: 90.39%, March 2018: 80.19%, April 2018: 89.26%, May 2018: 95.37%.

**57. Are all parts sold by the dealership 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)?**

Correct, all parts are first placed into the inventory and then are sold from that DMS inventory.

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

All of our policies for shipping and receiving are verbal. My parts manager alongside my GM review and update these policies as they see fit

**59. Who files damage claims on parts shipments received?**

My stock in clerk with inspect every part that comes in and will report to my parts manager anything that is either missing or damaged. Parts manager will file the claims for any damage

**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?**

This is the primary responsibility of my counter rep Sam. He will take the original stock order sheet and individually cross off each item for the order that he touches. From here he will organize the parts on the shelf by bin location and source number. If there are any discrepancies the stock clerk will notify the parts manager who will do one of several actions:

1. If any discrepancies (damage, quantity short, etc) they inform GM through the Parts Workbench tool
2. Allow 5 days if a shortage to see if part arrives late. If it does not they will file a shortage claim as long as the part has been invoiced to receive a credit.
3. If there is damage they will also file a claim in GM Parts Workbench and will receive credit once it is invoiced

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

Yes. Each of my two counter reps have their own "zone" in the parts stocking room that is their area of responsibility when it comes to perpetual bin counts. At the beginning of each month they will start at one end of their zone and work on a bin or two per day until their entire area is checked by the end of the month. Per my parts manager they just started this practice about 2 years ago and it has made the last two full inventory counts at year-end run much more smoothly.

**62. Who applies and loads the monthly price updates?**

This is a responsibility of my 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 periodically inventory adjustment method utilized (like once a year)?**

My service and parts managers do this as a joint task at least once a month for price updates. Bin count irregularities are amended throughout the year as my two counter clerks do bin counts in their specific areas of the parts stock room throughout the month. As mentioned, they start at one end of their "zone" at the beginning of

the month and slowly work through the inventory throughout the month. Any discrepancies are adjusted that day by parts manager.

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

Per our GM we did not make any dollar value adjustment to inventory after we did physical inventory in December.

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

Yes, although we wrote off the majority of these parts from our financial statement to give us a more accurate assessment of the inventory value. Most of these parts are physically stored on the second level of our parts stock room to avoid too much clutter in the higher volume area.

**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?**

We don't have all of our obsolete parts in a specific area but we have started moving the vast majority in our upstairs warehouse so they are out of the way of most of the parts department traffic. This is currently an ongoing project. Likewise, we didn't historically put them in a different sub source but we did just start doing this at the beginning of the year - parts manager uses "D" for discontinued

**67. Who verifies the completion of the repair orders between the first and second month they are reported in the work in process status?**

We have always had pretty good policies about checking in on our outstanding inventories. Every week our controller prints a list of every open RO for parts, service, and body, and these are all distributed to each department manager as well as the general manager of the dealership. For the most part we don't usually have too many that are open for an excessive amount of time but in the event that happens each item is discussed between GM and department manager to make an action plan for closing in a timely manner. Because we stay on top of this every week the level of work in process has never really gotten out of control.

**68. Do the parts, service, and body shop managers along with the office manager/controller together follow up on all work in process tickets and verify that they are closed in timely manner?**

This is sort of a follow up on the previous question. Yes, all three department heads as well as the controller and general manager look at a schedule of all work in process once a week. Because it is looked at frequently there aren't too many tickets that go unclosed for an extended period of time.

**69. Is a daily operating report of sales, gross profit, etc. being provided to the parts manager for review by him?**

This is not something we have historically done on a daily basis, but it is reviewed at least at the end of the month

**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?**

Utilizing my April DMS report I currently have a 2.1 months supply. However, a good portion of this, as mentioned, are obsolete parts that have been here several years that aren't moving and have been written off from financial statement. If I use the financial statement for my calculation I have a 1.4 months supply of "readily moving" parts. Based on these figures I would say that I have too many obsolete parts in stock, and more generally speaking not enough breadth of inventory available. If I'm able to divest of the obsolescence and increase my overall breadth of demanded parts I can increase my turn and therefore up the inventory without drastically altering my days supply.

**71. What is the true turn of the inventory? Does that match the students calculation found in the FS excel template?**

My annualized year to date stock order purchases equates to \$850,400. When comparing to my inventory of \$315,500 I yield a true turn of 2.7, a good deal below NADA guide of 4-6x. As stated previously one of the primary drivers behind this are the non-moving parts I own that have been in inventory 13+ months. This equates to nearly 30% of my inventory - if I strip these out I'm a little closer to guide at 3.6 turns. Likewise, I have noticed the level of stock orders has increased by nearly \$10,000 per month over the past 5 months. I

plan on sitting down with my parts manager to see where the majority of this increase is being invested – perhaps we are not making sound stocking decisions as well, which has led to our low turn ratio.

**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 exercise.**

Yes, I do have an optimal amount of overall space in my parts stock room. Dollar value doesn't necessarily equate to physical size but if it does about 1/3 of my stock room is devoted to obsolete parts. This being said after divesting of these (a project we are currently working on), I would free up a good deal of space to be able to make room for increased breadth. Right now parts room space isn't our problem.

**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?**

All of this information is now digital and is stored in our on site server. The General Manager is responsible for reviewing this information with all department managers and employees.

**74. Is your parts department locked up each night? Who has keys?**

Yes, parts department is locked every night. In fact it is locked throughout the day so no one can get in the stock room other than parts manager, two counter reps, service manager, dealer principal and general manager. At night entire store is locked up and only dealer principal and general manager are able to access the dealership.

**75. Do your counter people have a cash drawer? Who balances the drawer?**

Our parts department is located adjacent to our accounting office where we have the receptionist/cashier window. Our parts reps do not handle any cash and all balances are reconciled right in the accounting office.

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

Parts doesn't have a cash drawer. Parts counter is adjacent to the cashier window so if it is a cash transaction they are directed to the cashier to receipt in the cash. Parts does have a credit card machine that they use on most counter/wholesale tickets and they keep a daily file of all credit card transactions that they turn into office at the end of the day. My office manager said overages in cash doesn't happen often but in the event that it does she'll keep a log of the amount of overage and will research to see if they can find where to apply it to.

**77. Do you have security cameras in the parts department?  
Who has access to the tapes/CD/backup?**

Yes, we do have cameras pointing out towards the parts retail counter as well as throughout our parts stocking room. Service Manager (who acts as internal IT guy as well), our General Manager and our Dealer Principal all have access to the backup tapes.

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

My parts manager answered that it would be beneficial to provide some outside training to help gain a new perspective. Their career essentially started here so all knowledge gained about the job and the department were obtained internally. I am in agreement and think this is something that is long overdue!