Plugging the Holes in your Parts Inventory System

Use your available automation to manage and track cores

Although an integral part of the lexicon in any parts department, not everyone is familiar with the term "core".   My first involvement with cores was over 35 years ago. Some of our technicians would simply keep the old damaged starter or alternators left over from a repair job and in their spare time they would put it back into working order by cleaning it up and replacing the worn out components. This would allow the service manager to offer this "rebuilt unit" to customers as a lower cost alternative to a new replacement item. I distinctly remember the service manager's very convincing argument for this unique and new at the time activity. It provided thirty to forty percent savings to service customers and it gave the technicians something to do in their "spare time.

Well it was not long before independent parts suppliers and the factories figured out that the market for these "rebuilt" parts was quite substantial. For all involved the thing that became obvious immediately even in those days was that regardless of who did the rebuilding the old, dirty, non-functioning item had value. So the "core charge" was born and along with it the need to manage and track it as a separate parts inventory item.

 Now of course for the most part instead of calling these parts rebuilt cores we call these items "genuine remanufactured parts" and there are plenty of them. Items such as A/C compressors, clutches, starters, steering racks, alternators, starters, transmissions, computers, brake components, water pumps, fuel injections components, engines and sound system components are but a few. The list varies from manufacture to manufacture and depending on the supplier the item is can be referred to as "re manufactured", refurbished or rebuilt.

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Regardless of its source they all have one thing in common; the core value as a separate

item which must be kept secure, tracked and managed.

So basically a core in the parts inventory is one of three things:

1) A "deposit charge" on a new, remanufactured part that is in stock.

2) A "work in process" dirty core that the parts department is waiting for a technician to return.

3) An "in transit" core that has been given credit to a customer for returning to the dealership and is waiting to be returned to the factory or parts supplier.

Each category is managed and tracked differently. For the most part the deposit charge can be automatically setup and tracked as most manufactures itemize the core charges on their invoices and most DMS's allow for tracking the deposit charge as a separate item. My recommendation for item two is to charge out the deposit charge on the RO when the remanufactured part is handed out and to take it off the RO when the dirty core is turned in.

Often it is the monitoring of the "in transit" core that could be improved. These "in transit" cores are setting in the parts department waiting to be returned or have been sent back to the manufacture and the dealership is awaiting credit. It is the dirty core returned waiting for credit that I am concerned about. These cores are actually accounts receivables. I often see dealers taking payment for these cores as a debit to their accounts payable with out verification. While this is simple and easy it does expose you to possible losses.

The question is "what was the value of the cores that were returned for credit and how much was the credit received"?

How important is it? Example: if your DMS reports $50,000 in clean cores and you turn the inventory four or five times a year, that could mean $200,000 to $250,000 worth of cores going back and forth.

Utilizing your DMSs core tracking system offers many benefits such as easily identifying parts that require core specific processing such as a deposit and at any point of process, protect from losses due to ineligible cores, build price escalation into core sales, automatically create vendor returns and print a picking list and create a receivable memo for the accounting department, print on demand reports of dirty core inventory, suggested returned, cores owned, vendor credits, customer cores due for return, sales by employee, etc.

The thing is when you consider the investment in cores, the time required to manage and track the complex process related to handling cores it is the perfect area of your business to automate. The good news is that most of you already own the computer tools. A small

investment in installing some fundamental processes and computer setups is all you need to make sure that there are no holes in your parts inventory system.

For ADP Users

ADP provides a number of reports designed to help manage cores. At the function prompt from you parts account RCCO: Report Customer Cores Owed, RCCR: Report Customer Cores Returned, RCCS: Report Customer Cores Sold, RCDC: Report Core Deduction Codes, RCGP: Report Core Group, RCSE: Report Cores Sold by Employee, RDCI: Report Dirty Core Inventory, RSVR: Report Suggested Vendor Return, RVCD: Report Vendor Credits, RVCH: Report Vendor Core History, RVCO: Report Vendor Cores Owed, RVCS: Report Vendor Credits Short, VNDR: Vendor Report. *Submitted by Jim Skeans of Jim Skeans Consulting Group LLC*

For AutoMate Users

Using Auto/Mate's FO/Mate application, a report can be created that shows all cores (i.e. In-transit cores) returned to the dealer. In order to update the report (on a weekly/monthly/quarterly basis), the user would log in to the application, click on the Import icon, and choose a date range for data to be imported into the report. Click "Import," and the report is instantly updtaed. This report would include all pertinent transaction information, and can be utilized to create a "Core Return" order within the Parts System. To do this, go to Menu Option 12, create a return number, and add the parts to the return, including the quantities returned. When the order is complete, AMPS gives a total cost or amount for the core values. In turn, the Order Number can be utilized as a tracking # to ensure proper credit. When the credit memo is received by the dealership, the parts manager can match the credit memo against the order (using Menu Option 13), perform a receipt of the order, and forward to Accounting for posting of the credit. *Submitted by Jim Skeans of Jim Skeans Consulting Group LLC*

For Dubuque Data Services Users

The 5 easy steps for tracking transit dirty cores are:
1—Run a used (dirty) core list for the vendor you are returning the core to. 3.21.5 select vendor. 2—Do a core return to vendor 3.21.1 select vendor. 3—Edit the core return to vendor, checking quantity on used core report equals what is available to return.4—Post core return to vendor. 3.21.2. 5---A report will print of the cores, quantity returned and price. At the bottom of the report it will show total credit to used core inventory account and offsetting debit to the core in transit account. *Submitted by Greg Douchadis of Dubuque Data Services*

For Reynolds + Reynolds ERA Users

To review the extended value of your used (Dirty) core inventory, run Core Inventory Value (2222). This report provides a listing of the used (Dirty) core parts that were returned to the parts department, are in your inventory and ready to be returned to the manufacturer for credit. The report prints information about the part with the extended used (Dirty) core value. The core quantity is the used (Dirty) core quantity NOT your quantity on hand of new or rebuilt parts in stock available for sale. From the (2000) Parts

System Main Menu select, (2001) Parts Inventory Menu then, (2200) Reports Menu then, (2220) Investment Reports Menu and then (2222) Core Inventory Value.

Use this report for your dollar value of your Used Core Return and give to accounting to match up with the credit memo from the manufacturer for your return or for use in reconciling your physical to GL values. *Submitted by Jim Skeans of Jim Skeans Consulting Group LLC*

For Reynolds + Reynolds POWER System Users

The POWER System can automatically track dirty core parts when the original part is sold. If you don't have this feature set up, contact your client support representative. You can then use standard parts reports, such as printed MIA reports or the On-Line Transaction Log, to view dirty core parts "in transit." For example, you can select a MIA report that contains the part information you wish to see and simply enter the dirty core vendor in the select criteria. To print a MIA report from the Parts Inventory Control application, select Print>MIA Report, remove all vendors and enter only the dirty core vendor in the Vendors field, enter your report number, and press F12. *Submitted by Landis Martin of the Reynolds + Reynolds Company*

***Jim Skeans** is the president of Jim Skeans Consulting Group LLC and has been in the automobile business for more than 35 years. Jim is a former senior consultant for an international automotive consulting group and has served in all of the traditional dealership management and staff positions as well as director position with a large national dealership group.*