

Operation Recovery: The way to start stronger!

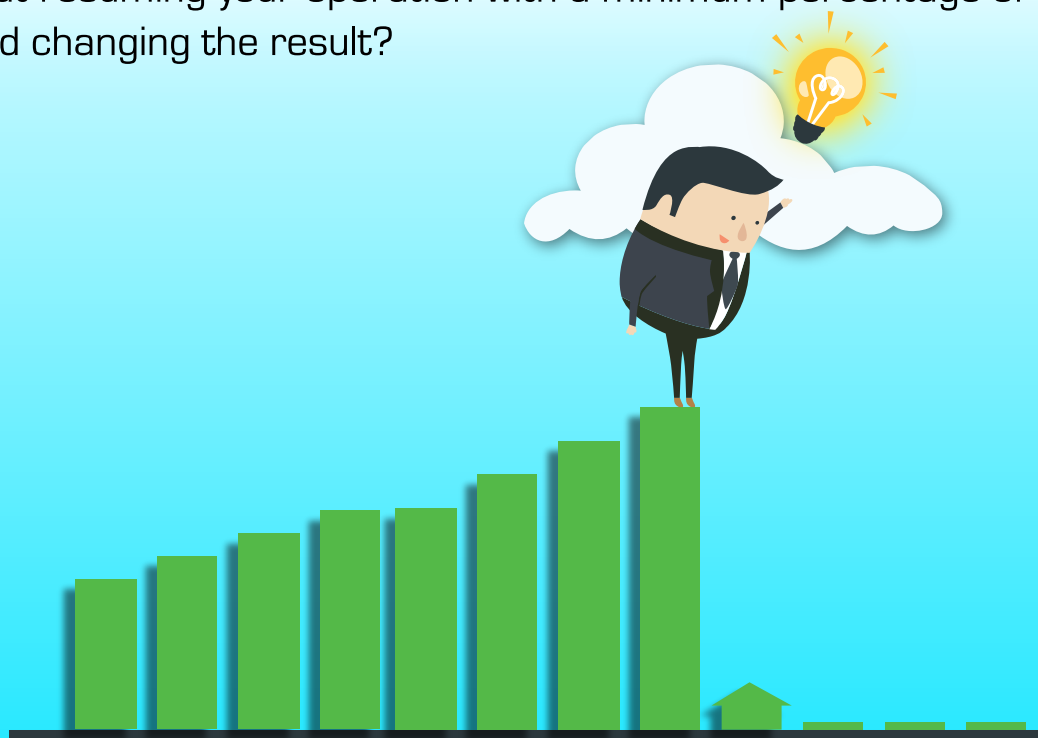
We don't know how much we're going to pay, but there will certainly be an impact from the covid-19 crisis. Instead of discussing possible causes and giving an opinion on behaviors and actions, we need to prepare. After all, operations will resume – that is for sure – and we still do not know exactly what economic conditions we will be but it will be tough, that is for sure.

We invite you, owners, directors and managers of retailers and automakers to reflect on the path of re-opening your dealerships and retail network.

We wrote a series of articles, which we will share with you, knowing that we need to act differently moving forward. There is no alternative: we must resume our business better and stronger so that we are no longer a mere number in the stages of the crisis.

When it comes to an effective, generous and profitable administration of a retailer, it is worth reflecting in detail on the different sectors that compose it, in the productive and in the goals that we want to achieve. Plus, how much is wasted there? Have you ever thought that in almost every company, there is a waste of time, labor and especially investment and money?

How about resuming your operation with a minimum percentage of waste and changing the result?



Article 1: The cost of wasting time

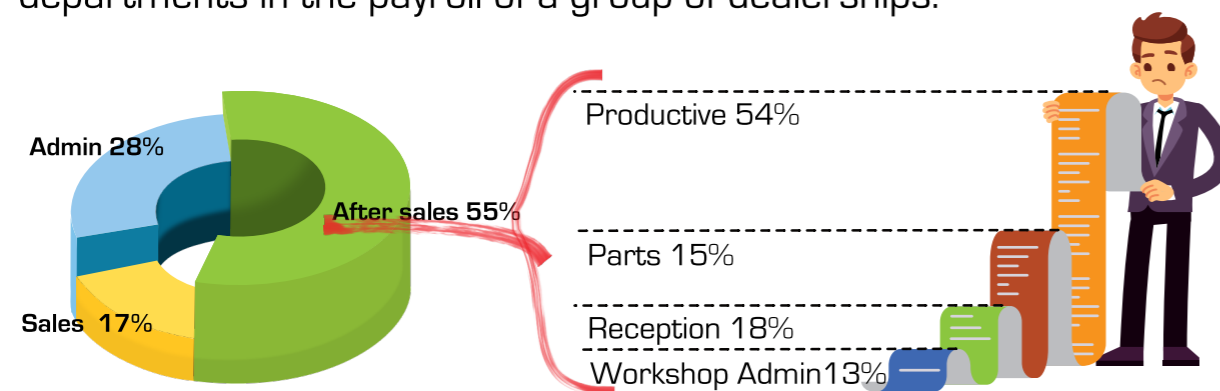
When I started writing this article, it was 27 years, 121 days, 7 hours and 46 minutes since I started working in a car dealership. In that time, I saw the industry and national retail start to use and focus on, digital utility control tools and applications focused on sales. This can still be observed when we visit automotive congresses such as Expo NADA (National Automobile Dealers Association) in the United States. In these exhibitions, much more than half (yes, much more than half!) of the exhibitors are CRM companies (Customer Relationship Management), which promise fantastic results in sales if we use their systems and DMS (Dealer Management Systems), responsible for managing the entire company.

It is obvious that managing the KPI's are basic and taking care of sales is essential. However, there is another theme related to the health of the retailers and that has a very strong impact on the bottom-line results: **the cost of time in the service area and the contribution rate that this sector will be able to make to the company's gross margin.**

Payroll

We often hear owners' comment on the weight of payroll at the dealership. This is the highest cost of operation in the absolute majority of retailers. Also, in most cases, after-sales holds most of the cost on the balance sheet.

See the real data example below on the participation of departments in the payroll of a group of dealerships:



Waste in Workshop Production

In our walks to find, understand and eliminate waste, it is not difficult to realize, even before measuring, how much of the available labor time is wasted in small portions with each task performed. **If the main cost of a service sector is labor, how much do losses in the production capacity of the technician represent?**

According to data that Lean Dealers collected in the field, the average productivity of the workshops is around 50%. Personally, we've seen workshops with 30% productivity. It's hard to believe, but that's the sad reality.

The low productivity can mean that the retailer throws in the trash, on average, half the cost of salary and cost of a productive employee (which would already be very serious!), but unfortunately, it's not just that. For each productive there is added a huge labor liability, costs of facilities, purchase of tools and equipment, high investment in time and money for trainings, among other expenses.

It is difficult to digest this reality, since the image we normally have of the dealership workshop is that of the "rush". All working at full throttle. However, unfortunately, **working does not mean producing**. For the manager, it is important to know the operation and know how the team spends the time for which it is remunerated from. I participated in an activity called "work sample", in which a person accompanies a productive throughout his day. Every five minutes, it is recorded on a sheet what activity the technician is performing at that moment. The unsurprising result of this verification is that **almost half of the notes record other activities other than producing, or if you prefer, waste.**

If we sell only 50% of the available hours, in what does the workshop staff apply their time? During our consultancies, we have identified some activities that often consume the time that should be sold. These include:



- Waiting for work
- Waiting for parts
- Driving / Moving Cars
- Searching for tools
- Searching for car
- Search for manager
- Search for service advisor
- Ask the service advisor for some explanation
- Waiting for customer approval
- Put the car twice in the work lift
- Resume work after a break
- Prepare the budget of simple wear items.

Why isn't all this as obvious as it seems to be?

With time we are getting used to the routines at work and in a retailer, we end up accepting the waste of the operation as "normal" and the queues and waiting as part of the business, besides living with low productivity as if it were necessary.

Looking at your process with Lean lenses, it is possible to identify where they are, why they exist and how to eliminate waste, adapting the structure to demand and maintaining the company and the jobs that guarantee good results even in difficult times.

Some reflections for the re-opening of the business:

- What part of my payroll brings results to the company?
- What is my real productivity (hours sold/hours available)?
- How are technicians "spending" production time (what do they do with it)?
- What is the contribution of the unproductive(s) in the company's result and to the client?

Think Lean, eliminate waste and help your business survive and get ahead in the recovery.

Nei Santa Barbara
Lean Consultant