

Operation Recovery: The way to start over strong!

Article 3: How much is productive time worth?

In the range of service products of a dealership, the main contribution is the team hours, delivered to customers in the form of service labor. But, as I have commented in previous articles, this service is perishable, that is, if the hours not used are "lost" and not to return and recover them. When we discuss productivity, this indicator should bring us the following information:

Of the hours I have available, how many can we sell?



This information, analyzed in conjunction with schedule availability, for example, should help us decide whether the team is able to meet the demand or whether it is necessary to hire new productive staff. However, the result of this equation is a fairly common scenario: we have several days of waiting to get an appointment, scheduled or not, and at the same time, low productivity in the workshop. This is a good indication of problems in process management. There's no blame for that. The real cause is organic and poorly planned growth, based on bad patterns that incorporate problems as part of the business, even before building the dealership building.

Standards such as "for each lift, we need five parking spaces", which we can find in the manuals of automakers, for example, that it is normal to have five vehicles stopped for one in service. In a meeting with an automaker, I heard that the standard of the brand is to have two lifts per workshop technician, that is, **the customer's vehicle will be "hanging" in the box, with no one working on it, while he is without his car!** And that seems so normal to them that it's even in the facility manual. As well as determining the ideal picture of people and functions, ignoring the particularities of each company, region and market, does not seem strange to them. **Challenging these old standards brings innovations to our workshops, like Pedro Simão did, a pioneer in Lean dealerships who revolutionized the way of managing his dealers in the 1990s.**

The causes of waste are common in motorcycle, car, truck or construction and agricultural dealers, we know as we have been working across all industries. They also don't vary much even between customers' social class or sales volume, light or heavy. **There's waste everywhere.**



But what is the impact of this wasted time on your dealership's operations? **How much is the five minutes a technician waits at the parts counter every time he picks up a part?** Or how long does it take to search and bring a vehicle to the lift? Let us do the check!

How much is the minute worth?

Let's analyze these numbers collected from a Brazilian dealership in 2020 by Lean Dealers:

Labor per hour	\$ 355,00
Ratio parts sold vs labor sold	220%
Parts gross profit	34%
Demand (VIN)	40

So for every minute sold, we have:

	Incoming	Gross Marging
Labor	5,92	5,92
Parts	13,02	4,43
Total	18,94	10,35

Thus, we conclude that every unsold minute, your concessionaire reduces the possibility of gross profit by R\$ 10.35.

Where do we spend our time?

Now, we analyze the activities that the mechanic performs to perform a maintenance, repair or diagnostic service. It is common to see a lot of time spent on these actions that do not create value for the customer, who in turn will not pay for them. The following is an example of tasks and the time required, in minutes. Analyzing your process, we certainly find these and other activities that are

performed but not remunerated by the client. Remember: if the customer doesn't pay for some task that someone on your team performs, there's a huge chance it's pure waste:

Time wasted per technician, in minutes



- 5'** Wait for service, pick up service order and clock (stamp)
- 3'** Search tools
- 9'** Find the vehicle and maneuver
- 6'** Order and pick-up parts,



For each service performed, the technicians of this team spend, on average, at least 23 minutes on tasks that are not paid by the client. The result of this analysis should indicate how much each technician does to add to the gross profit as not selling its available hours.

Knowing exactly which sectors are wasting time in their operation, a Lean Dealer consultant will work with your team to eliminate the causes of these losses and solve the problems one by one by attacking them. By improving process flow, you can easily reduce losses by more than 50%. In this same concession, with an optimized process, we easily lower this time to eight minutes, reducing the loss by 15 minutes per vehicle.

Considering the dealer's in flow of cars and the gross profit of every minute sold, this is the potential result of saving time:

Possible gains / gross margin	
Minutes per car	15
\$ per car	155,14
\$ per day	6.205,40
\$ per month	136.518,80
\$ per year	1.638.225,60

The numbers highlight the impact of the productive "minutes" that we lose daily. In a more detailed analysis, much more waste can be found. Knowing this data, productivity rates below 50% no longer sound so unlikely. **See that diagnosing the problem, taking into account value creation, and identifying where waste is born, is quite different from looking at a productivity report at the end of the month.** It also illustrates the difference between "motivating" and solving the cause

of the problems together with the team.

How much is the loss at your dealership?

To find out, you need to go to Gemba, that is, go to the floor, follow some processes from start to finish, noting each task that creates value and also each waste.

For each annotated problem, perform a root cause analysis using lean tools. You will be surprised at the difference between just trying to "motivate" the team and solving the cause of the problems together with the team.

If you need help, don't hesitate to come to us. During this period, we can analyze the data free of charge, according to our availability. Just log in to the site and request a contact. After that, we will ask for some information to do an analysis and set up a remote meeting to discuss potential results. Count on our support!

Think Lean, go to gemba, eliminate waste and help your company survive and get ahead in the resumption.



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