

GET LEAN

Whilst 'lean manufacturing' is a well-known concept and widely deployed theory, businesses are far less cognisant of the term 'lean retail' – thus its usage is limited to a few pioneering companies.

John Kiff sets out to rectify this disparity



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Let's get one thing clear: 'lean' is not a euphemism for 'lean and mean'; neither is it about traditional cost – or headcount – reduction.

'Lean' is actually the world's best proven business system – from strategy to operations. Since the business community became aware of it 20-25 years ago, 'lean' has been applied in all types and sizes of organisations in every sector: manufacturing, financial services, construction, health services, transport, local government etc.

However, its principles have rarely been applied in motor retailing.

So what is 'lean' and what is the proof that it works?

'Lean' is simply the generic term for the combination of Toyota Production System (TPS) and the Toyota Way management system. Since 1980 Toyota has generated shareholder equity far in excess of its two largest competitors (Fig.1) and, despite its predominantly mainstream brand positioning, Toyota has consistently been the most valuable automotive brand in the world. This tells you that it is doing something significantly different.

And that's why there's a global 'lean' movement and why so many organisations are trying to operate and manage using the principles that Toyota uses. When organisations apply 'lean' properly, they succeed spectacularly. Quality improves, delivery time improves, costs reduce, profits improve, and both customers and employees are happier. But it requires vision and persistence, determination and discipline – and a willingness to adopt different

management thinking and style. Success in business, just as in sport, isn't free from effort!

So maybe that's why, despite this compelling evidence, there are very few motor retail businesses that have attempted a 'lean' transformation, let alone succeeded. The ones that have have outperformed their competitors – spectacularly.

THE LEAN DOCTRINE

To achieve this they've followed a set of 'lean' principles – the first being 'value to the customer'.

Value, from the customer's perspective, is getting what they need or want – their new car or a service or repair – 'right first time on time, every time' (RFTOT-ET) at, or less than, the market price in a way that is convenient and simple. Facilitating this is the foundation of (profitable) loyalty. Most motor retailers believe they do this but most surveys, and their financial results, indicate that they don't.

This is where the different 'lean' way of thinking and managing comes in. It views any activity that doesn't create value from the customer's perspective as a waste that needs to be eliminated. 'Lean' managers develop everyone in their team to think differently about daily challenges that prevent RFTOT-ET or make it difficult for customers, and then to use the same structured problem-solving method that an effective diagnostic technician uses to fix a fault on a car (as described by James Dillon, IMI Magazine November 2017) – the PDCA

(Plan-Do-Check-Act) cycle:

- 1. Plan** – get the facts about the problem by going to where the actual work is done. That's where you'll see the wastes – the walking, waiting, defects, rework, incomplete information, and so on. Find the root causes, then you can design an improvement to try out.
- 2. Do** – try out the idea thoroughly
- 3. Check** – did it work?
- 4. Act** – if so, use the new method until you find a better one; if not, go back to 'plan'

"When organisations apply 'lean' properly, they succeed spectacularly"

It's the methodical, continuous and determined use of PDCA by everyone in the business, at every level, that's at the core of Toyota's success – and of all successful 'lean' transformations. PDCA is supported by a range of tools and techniques including:

- Managing visually (not using spreadsheets) and organising the workplace to see problems in real-time
- Recording 'the best way we know how, today' method for all jobs – which ensures best quality in least time and forms the basis for the next improvement
- Teaching the job method using 'job instruction' so that the supervisor knows that the worker knows how to do the job 'the best way we know how, today'

- Planning to ensure that jobs and tasks can be done RFTOT-ET

The people in 'lean' auto-retailers make improvements and sustain them so that with less stress and effort they can, within a relatively short period of time, typically:

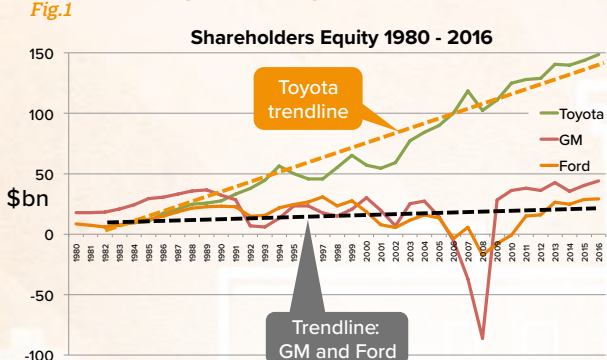
- Carry out any service on a vehicle (properly) within 30 minutes, doubling productivity
- Wash a vehicle properly in 15 minutes – meaning a one hour service visit is possible
- Prepare cars from arrival to display within 24 hours – at lower cost
- Sell 33% more cars with the same number of people
- Reduce administration process time and cost by up to 50%

Engaging everyone in the business in continuously eliminating waste:

- Improves value to the customer and thus increases revenue-generating loyalty
- Reduces effort by staff and thus their (costly) turnover
- Improves productivity – reducing the need for more technicians (as highlighted by Steve Nash in IMI Magazine November 2017)
- Reduces the costs in the business, thus increasing profits

'Lean' provides a proven, structured method to transform a business to make it fit to take on the challenges of the future. It requires vision and determination, but every other sector is doing it so why not this one?

Fig.1 Toyota: vastly more profitable



JAEGER MASTERS!

Jaeger Toyota is a £66mn turnover group in Bergen, Norway. It was already a good performer but began a 'lean' transformation under the guidance of two UK-based 'lean' coaches in 2007.

Despite very difficult trading conditions for Toyota in Norway, by 2014 they had made £8mn more profit and saved a further £4mn by not having to rebuild and extend their two largest workshops as Toyota had asked them to do (Fig.2). A key pillar has been their 'to-appointment' express service offer that's hugely improved their productivity and their customer retention. Staff are much happier and shareholders delighted!

Fig.2 The impact of 'lean' Dealer group £66mn (£83mn) turnover

