



Applying Lean Thinking in Sales & Marketing

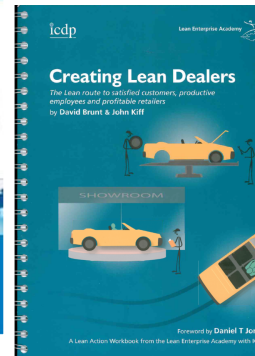
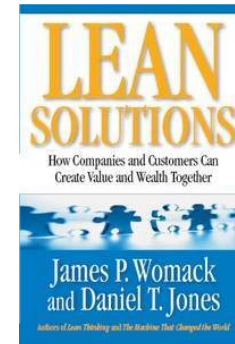
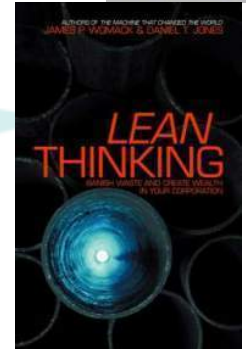
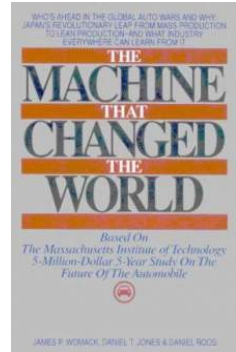
David Brunt, Lean Enterprise Academy, U.K.
&
Terry O'Donoghue, Halfway Toyota

Outline

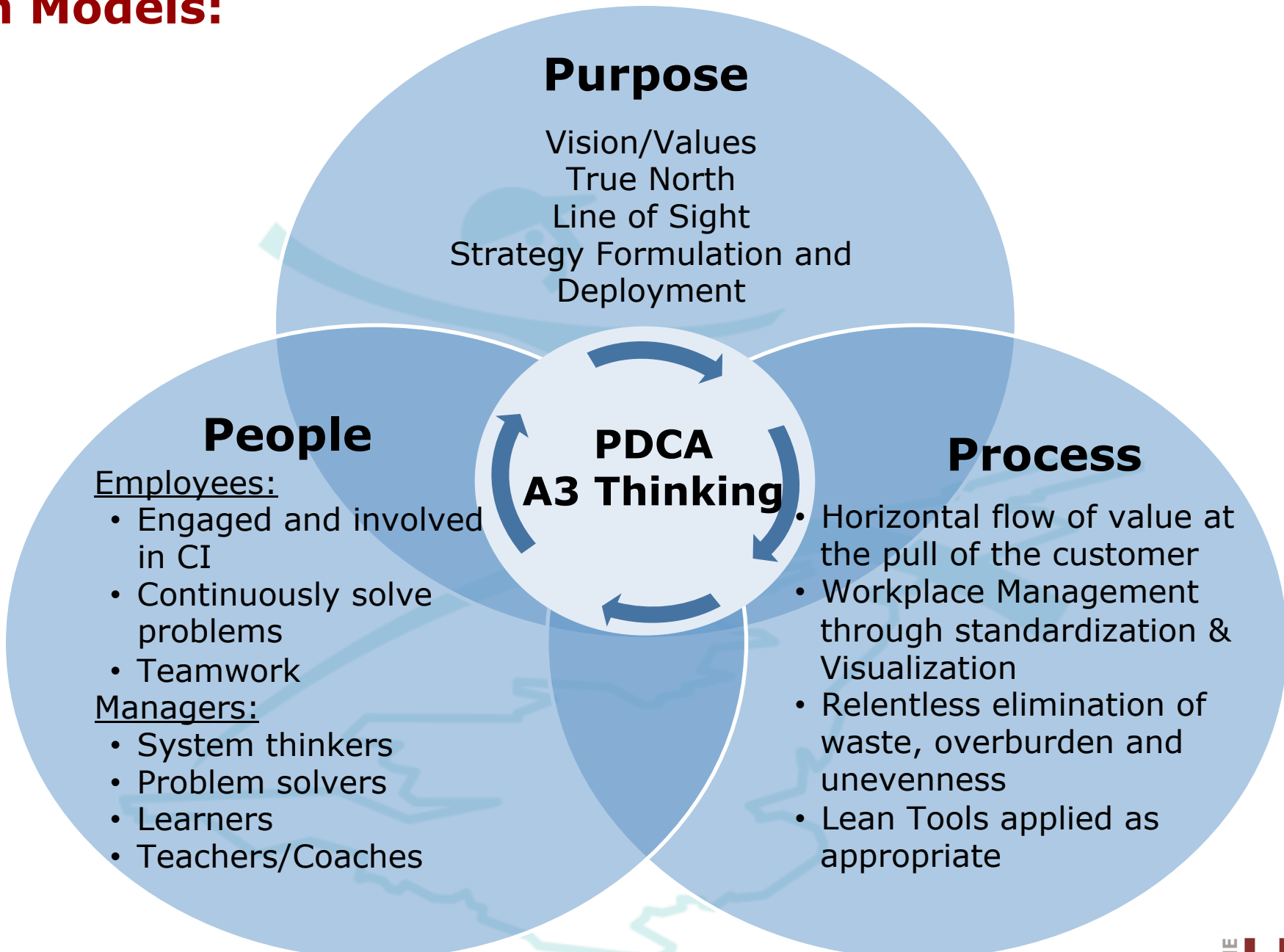
- Introduction
- The models we are explicitly testing
- Lean Thinking Principles in Sales activities
- Exercise: Value in Sales
- What is the Work in Sales?
- Exercise: Activities that create value, activities that are waste
- What is the Value Stream?
- What is the Role of Management in a Lean Environment?
- Proactive customer management – Hunting & Farming
- What have been the benefits? – The Halfway Case
- Summary & Questions

Why Lean in Dealers?

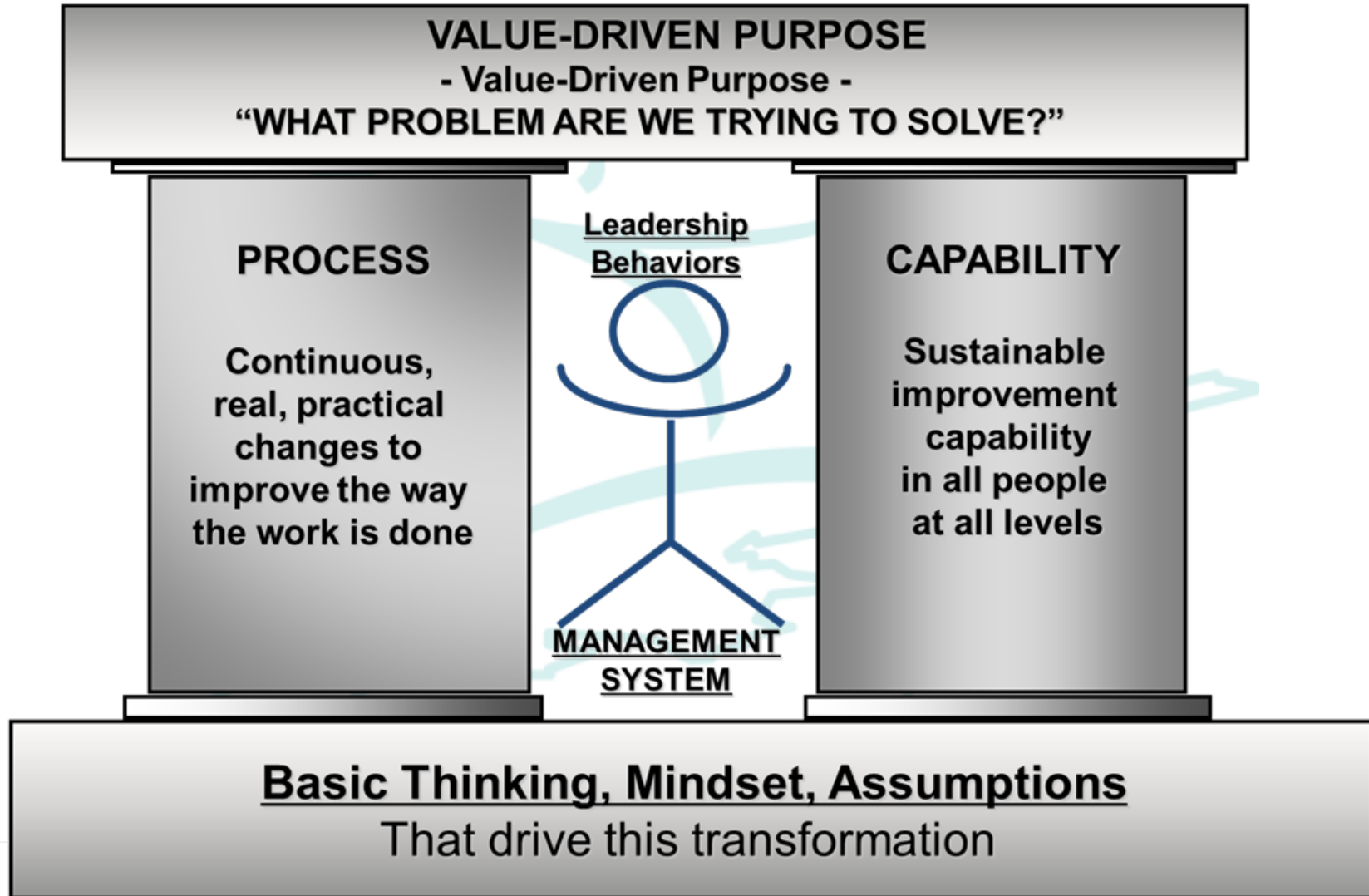
- 1990 – Womack and Jones published “The Machine that Changed the World”
- 1993 – Dan Jones set up International Car Distribution Programme (ICDP)
- 1996 – Lean Thinking
- 1998 – Dan Jones asked if Lean Thinking was applicable to Car Retail
- Been conducting research and helping dealers in this area ever since
- 2005 – Lean Solutions
- 2007 – Creating Lean Dealers



Lean Models:



Lean Transformation Model (John Shook)



Selling, First & Foremost, a Process

- A process is something that transforms one condition (current) into another (target)
 - “A series of actions or steps taken in order to achieve a particular end” (Oxford Dictionary)
- Also, if the outcome is important...
...and the resources used, expensive, then...
...it must surely be worth using ‘the best way’
- A typical (car) sales process:



Where to Start?

1. Value!

- What's Value to the (Potential) Customer?

2. Value Stream

- Processes in buying a car:
 - From perceiving the need to making the purchase (pre-sale)
 - From making the purchase to using it (post-sale or fulfilment)
 - The process to obtain a vehicle and make it ready for re-sale
- What's value in each case here?
- In terms of quality, delivery and cost?

Exercise: Where to Start?

1. Value!

- What's Value to the (Potential) Customer?

2. Value Stream

- Processes in buying a car:
 - From perceiving the need to making the purchase (pre-sale)
 - From making the purchase to using it (post-sale or fulfilment)
 - The process to obtain a vehicle and make it ready for re-sale
- What's value in each case here?
- In terms of quality, delivery and cost?
- 10 minutes to discuss on your tables

Aligning Purposes

- By focusing on value to the customer we can align the purpose of both customer and provider

	Customer Purpose (Value)		Provider Purpose
Pre-sale process	The right information, at the right time, with least inconvenience (and time) with the best personal service, to enable me to make the most appropriate decision on the right product at the right price for me	<p>As a provider, my processes need to deliver this</p>	Getting as many enquirers as possible to buy, in such a way that meets customer purpose and makes them willing to recommend to others
Post-sale process	The right product, in the right condition, at the right time with good service and convenience		Meeting customer purpose with the minimum waste (overproduction, delay, inventory, rework, etc.) in such a way that customers recommend to others
Vehicle preparation	The right product, in the right condition, at the right time with good service and convenience		Meeting customer purpose with the minimum waste (overproduction, delay, inventory, rework, etc.) in such a way that customers recommend to others

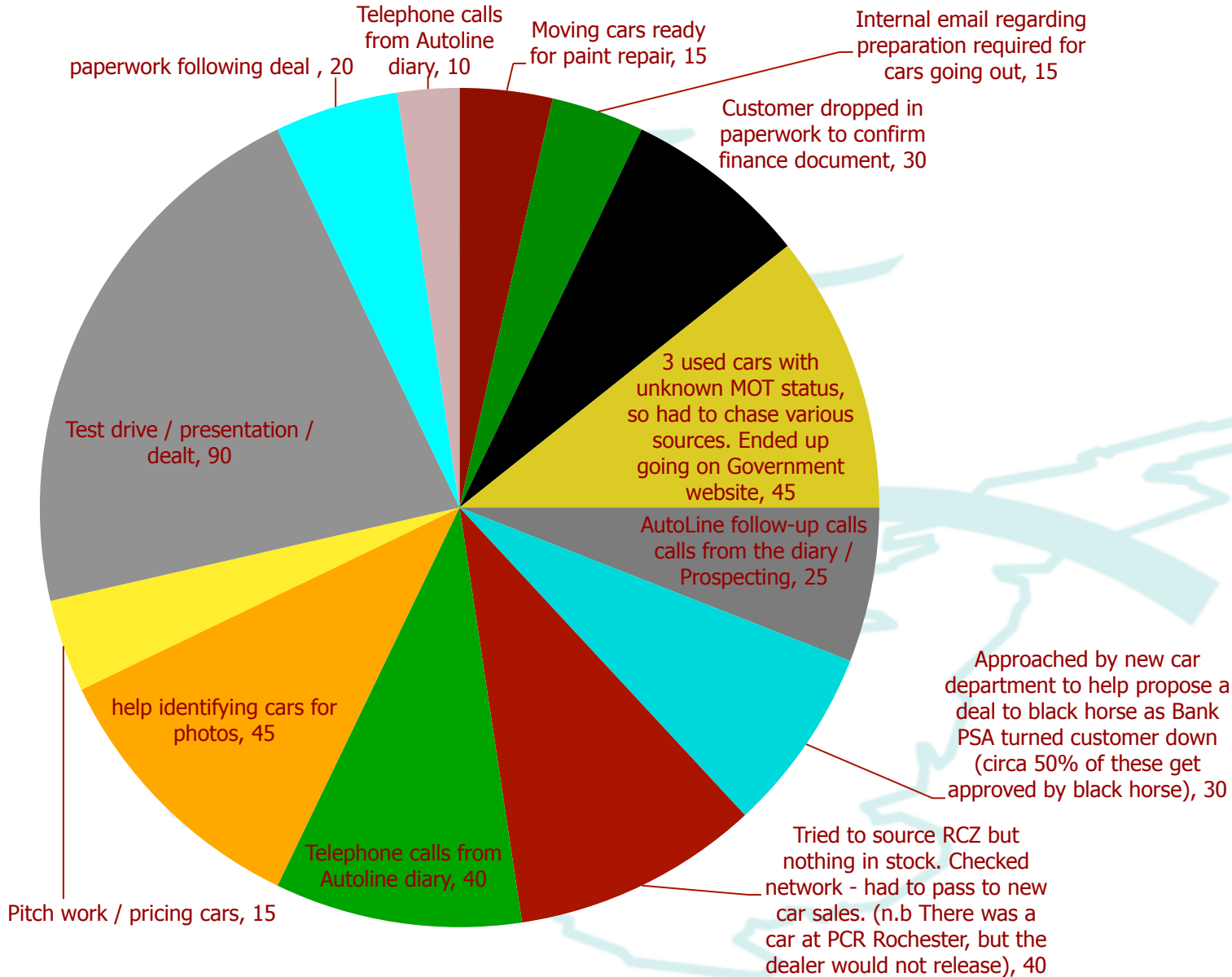
- Right first time on time, every time, in less time!"



Grasping the Current Situation

What is the Work?

Day in the Life of a Sales Person



Activity	Time Taken	VA/NVA/NNVA
Moving cars ready for paint repair	15	
Internal email regarding preparation required for cars going out	15	
Customer dropped in paperwork to confirm finance document	30	
3 used cars with unknown MOT status, so had to chase various sources. Ended up going on Government website	45	
AutoLine follow-up calls calls from the diary / Prospecting	25	
Approached by new car department to help propose a deal to black horse as Bank PSA turned customer down (circa 50% of these get approved by black horse)	30	
Tried to source RCZ but nothing in stock. Checked network - had to pass to new car sales. (NB There was a car at PCR Rochester, but the dealer would not release)	40	
Telephone calls from Autoline diary	40	
Help identifying cars for photos	45	
Pitch work / pricing cars	15	
Test drive / presentation / dealt	90	
Paperwork following deal	20	
Telephone calls from Autoline diary	10	

Three Types of Work Motion (Waste)

Any motion that adds value to the product -
Changes the fit, form or function

- Weld flange onto part
- Bolt part to product

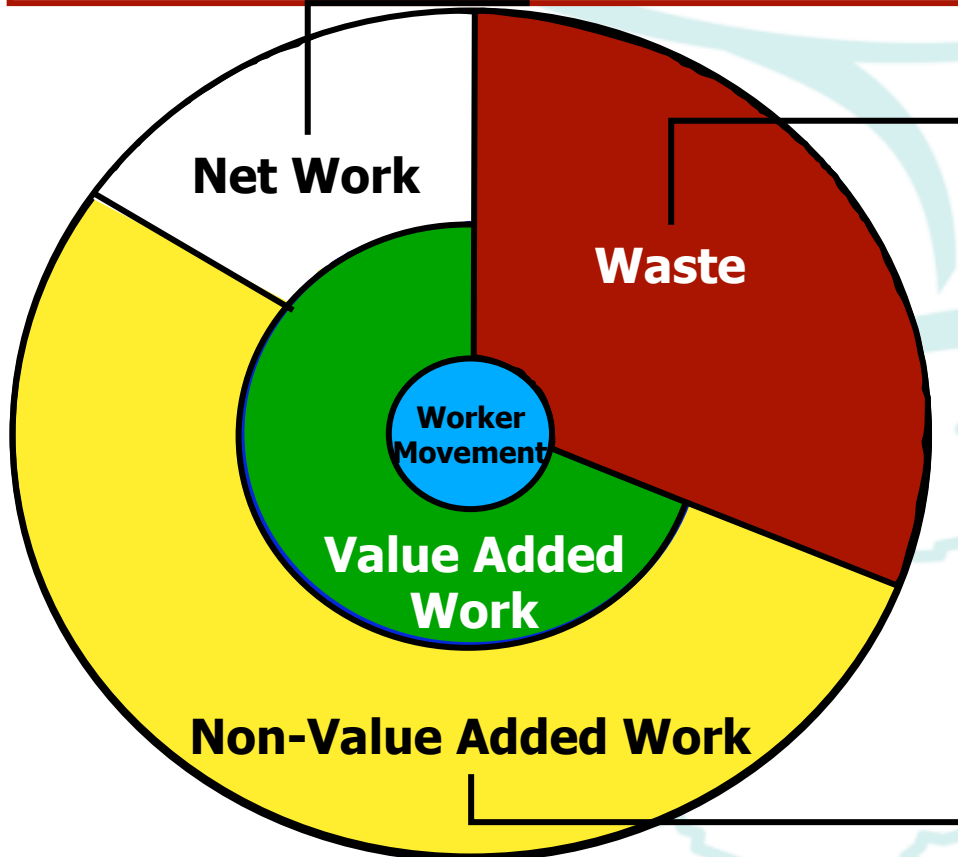
If you stopped doing this
there would be no
adverse effect on the
product or service

Motion that creates no value -
Not needed at all in doing the
work

- Walking to get parts
- Waiting for parts

Motion that supports actual
work (usually before or after
net work - No added value
but must be done

- Walking to another location
to receive parts
- Removing packaging
- Removing parts from a
pallet



Adapted from Taiichi Ohno (1988): Toyota Production System

Practice?

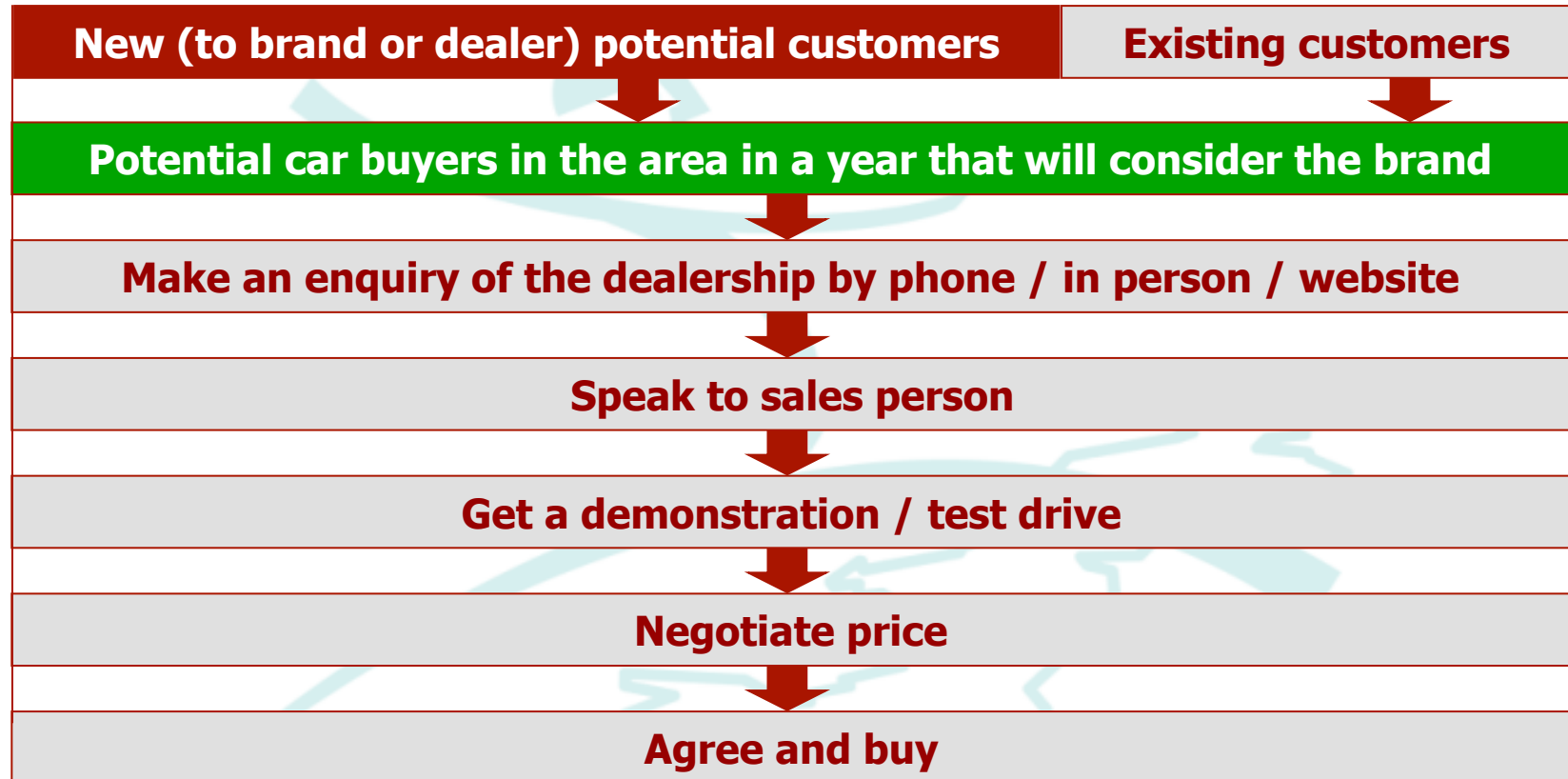
- Whilst we can debate Malcolm Gladwell's 10,000 hours there is no doubt that practice improves performance
- Where is the practice in the sales department?
- What are the routines used?
- How would we know what to practice?



Grasping the Current Situation

What is the Value Stream?

Value Stream Steps



- OK, but what's the performance of the process?"
- And what's the gap, versus the above 'ideal'?

Value Stream Performance

- Few dealers measure their pre-sale process
- Some facts* about customers:
 - 85% have decided to buy a car before visiting a dealer
 - 78% of those that go out and look at a car, buy one
 - 89% of them want to drive the car before they buy it
 - 68% said they got a lousy presentation/demo – if at all
 - 65% said salesperson didn't qualify their wants & needs, or establish some rapport before trying to sell them a car
 - 46% bought on the spot if they got a good presentation/demo!
 - At any given dealer, only 20% of enquirers buy a car!
- Boy, has this industry got problems!!

* **Source: Sewells 2000-2005**

Pre-Sale Process Performance

So, does the performance look **like this...?**



Pre-Sale Process Performance

...or like this?



Pre-Sale Process Performance

...or even this?

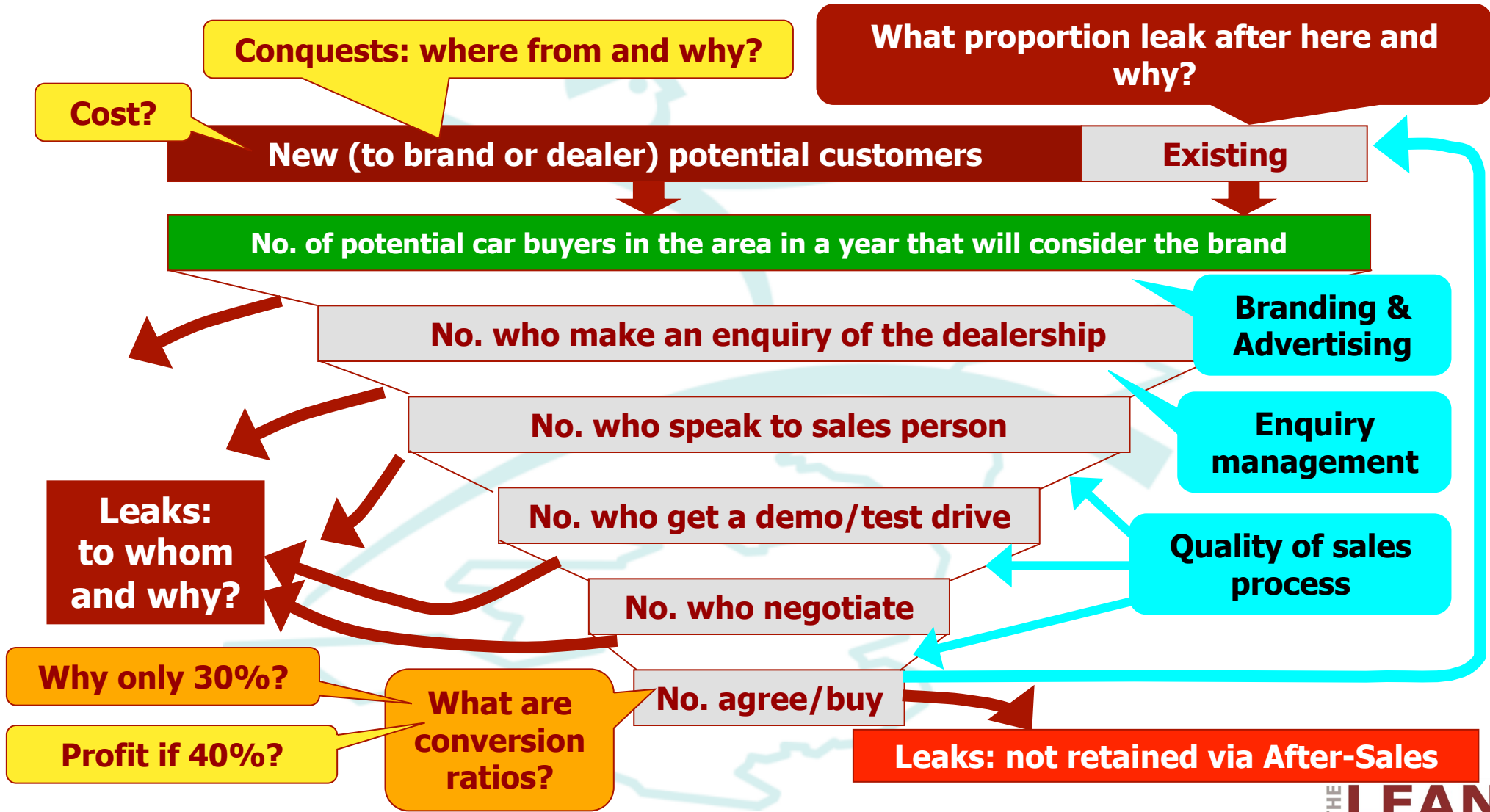


And **WHY?**

Summary

- In all 3 cases,
...not only is the customer purpose not met (value)
...but also, the 'business purpose' could improve
 - By converting (more) enquirers in a professional way
- Need to meet / improve both
- So what's happening?
- Think:
- If it's not Value...
- ...it must be Waste

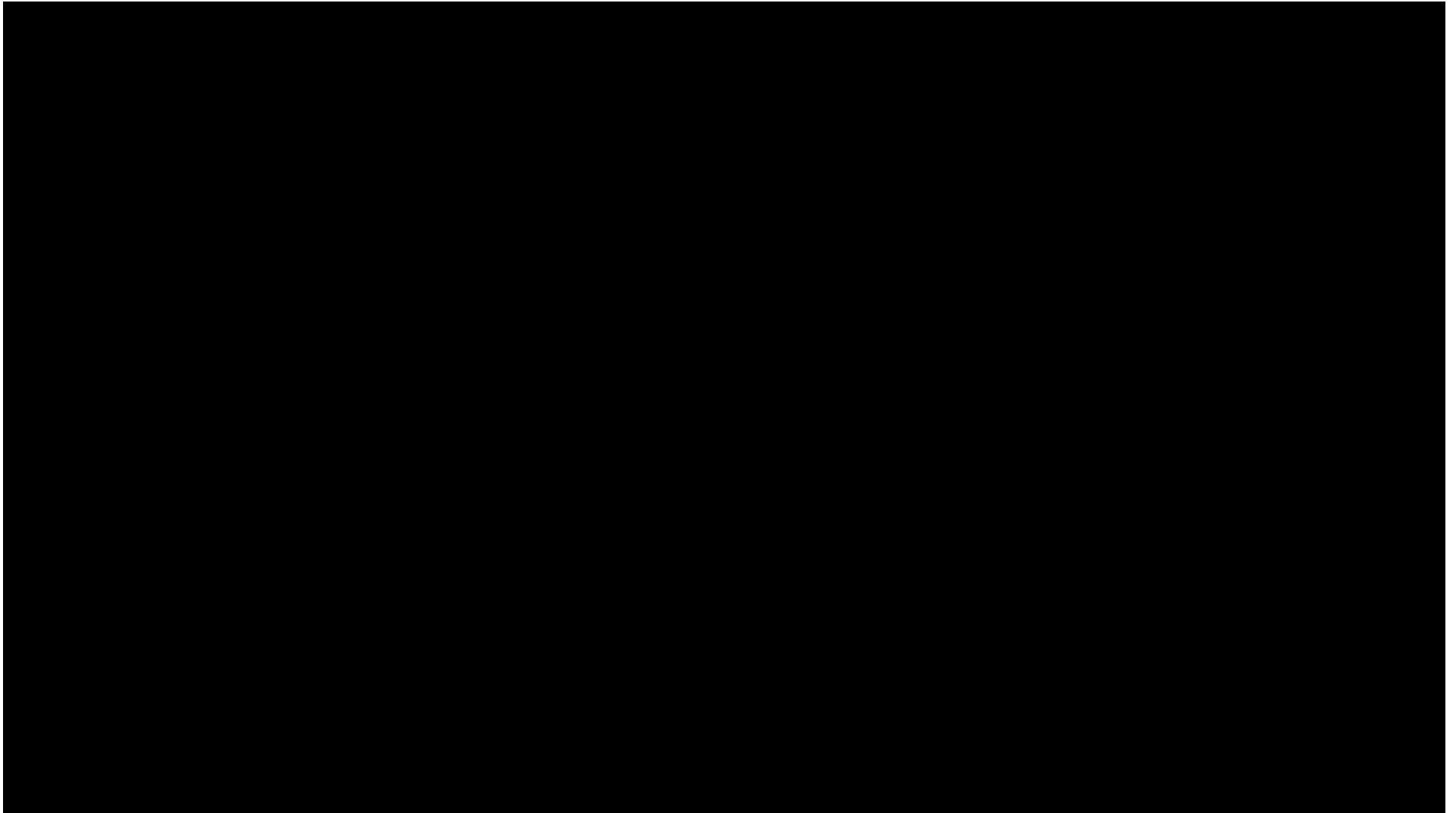
Pre-Sale Process Performance



Summary

- Leaks are waste
 - Probably to the customer,
 - Definitely to the business
 - What's the cost of attracting 100 customers only to sell to 20?
- Leaks are problems, problems mean gaps
- Need to measure, prioritise and break them down
 - For the business as a whole - by salesperson
- To make value flow you need to:
 - Make the work visible.
 - Make the process visible.
 - Make the progress visible.
 - Make the problems visible.
 - Make the measures visible.

Sales Funnel Meetings



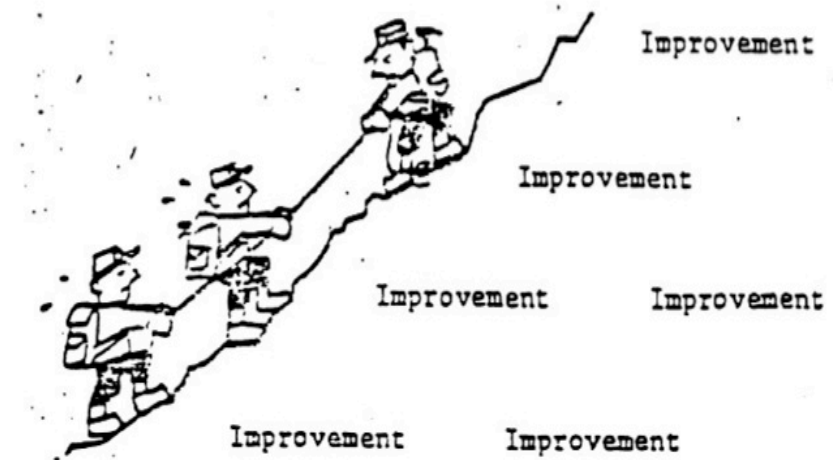


Grasping the Current Situation

What is the Role of Management?

Lean Leaders do Two Things

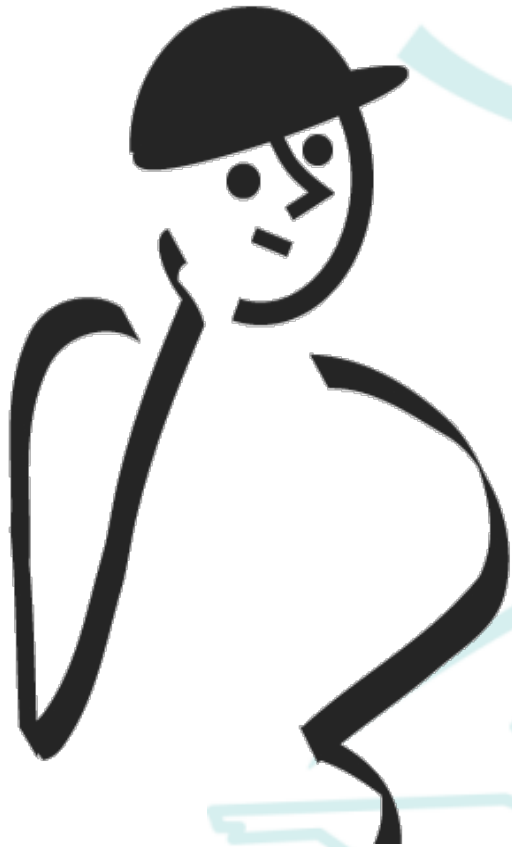
- Get each person to take initiative to solve problems and improve his or her job
- Ensure that each persons' job is aligned to provide value for the customer and prosperity for the company



**Get the work done and Develop Your People
- at the SAME TIME!**

Ref: John Shook – Lean Leadership

What do we know about How People Learn?



- Conceptual understanding through
 - books, lectures, discussion
- Behavioural change through:
 - Experience
 - Mistakes
 - Experimentation and trial & error

How to Teach?

- Target Condition – To build capability so people “can do & improve” (themselves)

Levels of ability

1. Knowledge

Suitable to teaching in a classroom in “Off-JT” manner

2. Understanding

3. Capable

4. Do well

5. Can do and improve

Better taught with actual problems and situations through “OJT” with mentoring from capable superiors. Skill can not be developed in a classroom alone

Training Matrix: ⊕ Training identified

◐ Basic awareness of process

◑ Can carry out task supervised

◒ Can carry out task unsupervised

● Able to train others in task

Teaching & Learning

Levels of ability

1. Knowledge

2. Understanding

3. Capable

4. Do well

5. Can do and improve

Off-JT

Concepts suitable to some degree of "classroom teaching"

OJT

Skills best learned through experience, from actual problems and situations

OJD

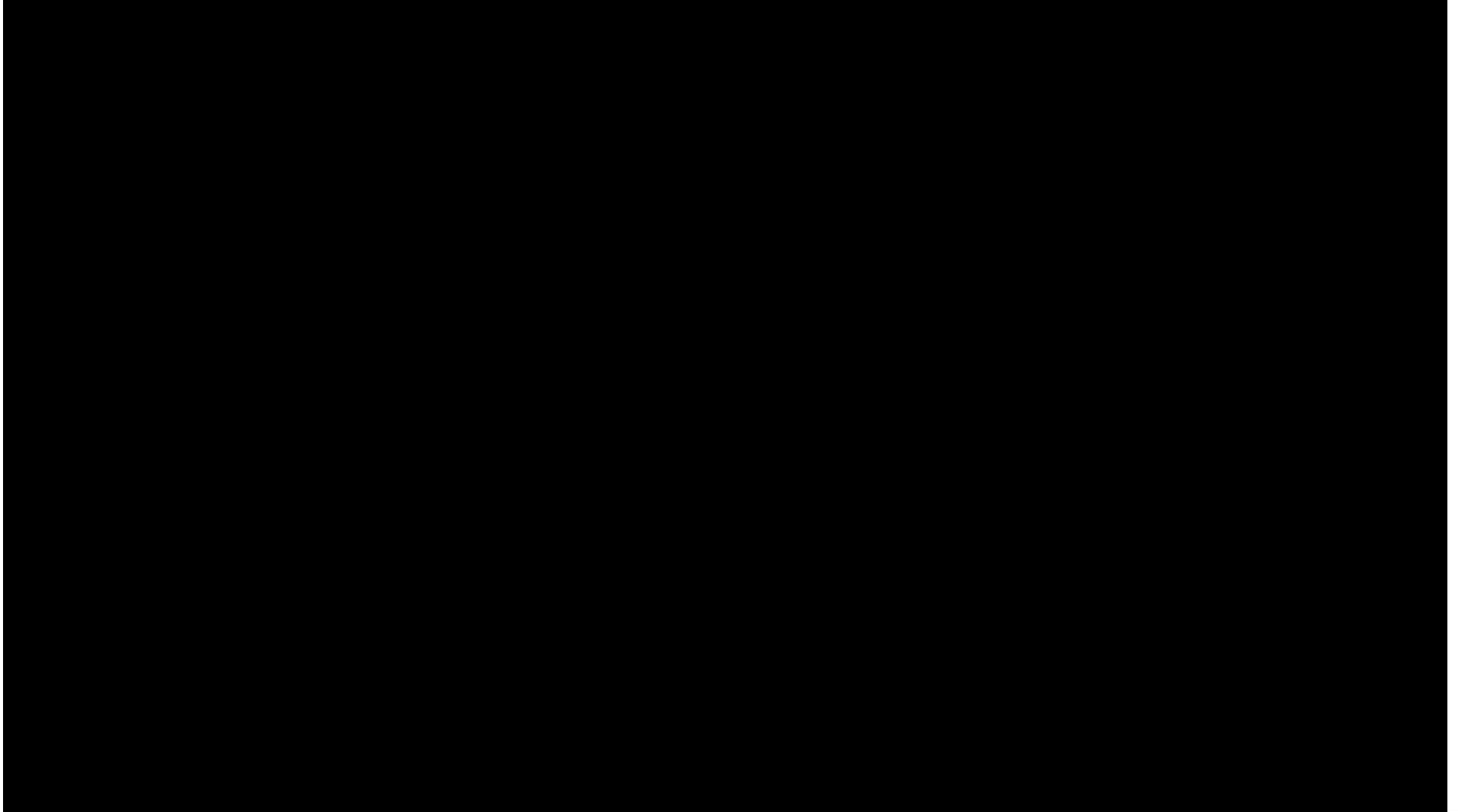
Source: John Shook

What do we know About How People Learn?



- Conceptual understanding through
 - books, lectures, discussion
- Behavioural change through:
 - Experience
 - Mistakes
 - Experimentation and trial & error
- Build structured opportunities for people to learn the way they learn most naturally

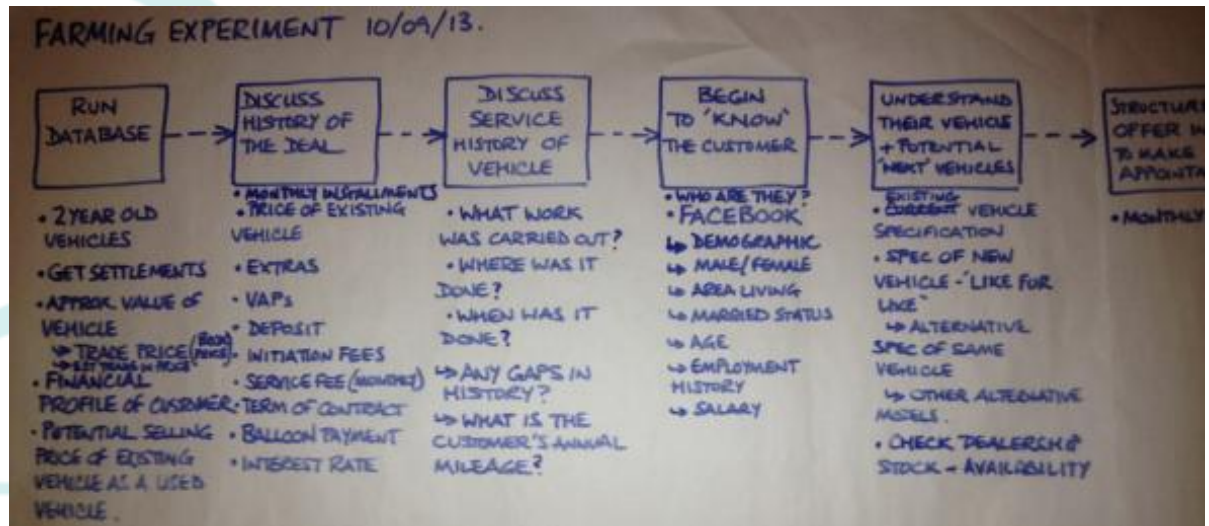
Sales Leadership & Management System



Applying Lean to Sales Hunting & Farming Customers!



- Visual Sales Performance
 - Oobeya & daily review
- Developing a process to farm customers



- Plan for every customer & a plan for every car – new & used



Farming

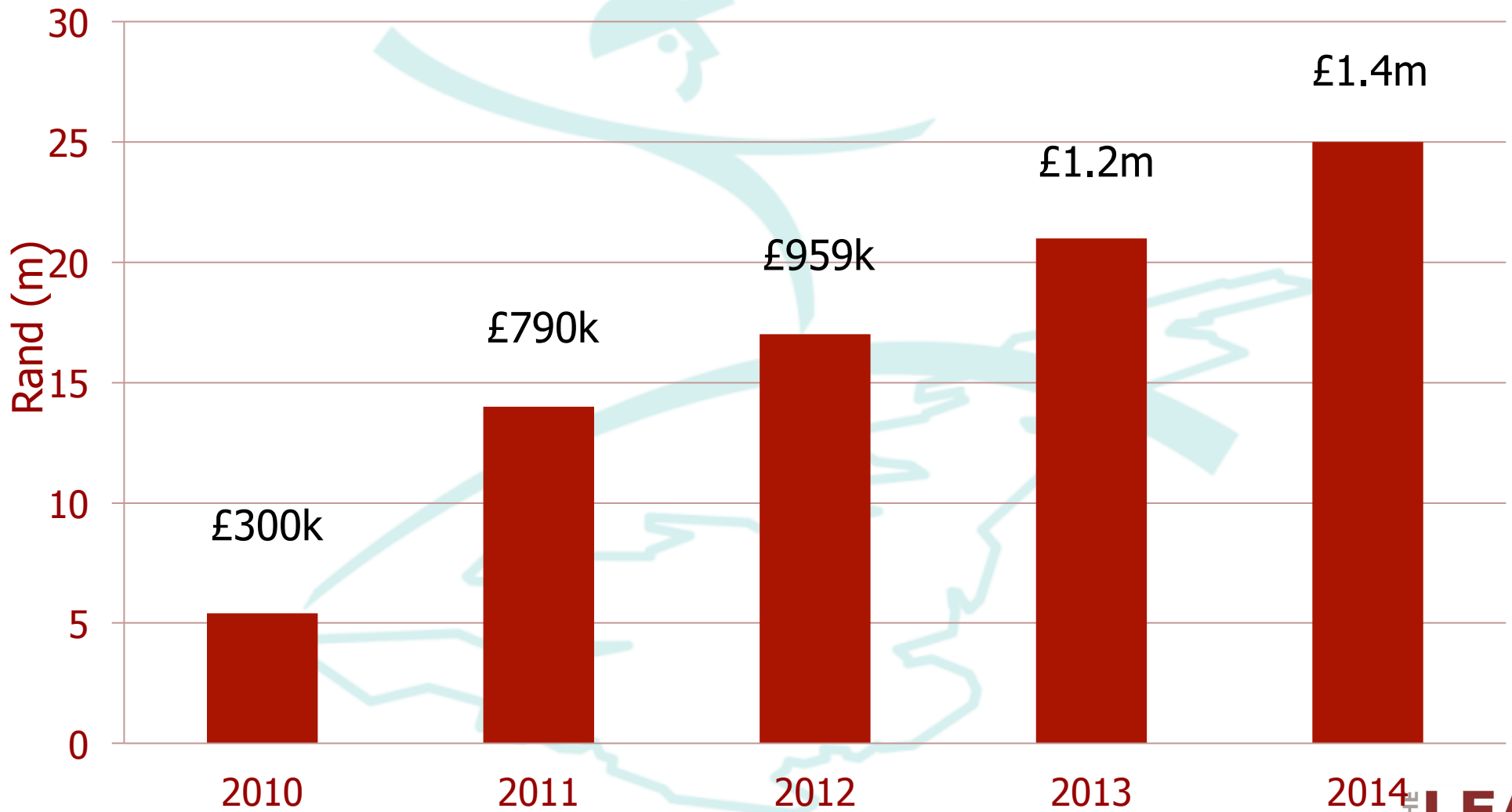
- Involves an intense process of working the database
 - 5 exercises done per day
- Researching the customers existing financial agreement
- Researching the service history of the vehicle
- Getting to know the customer by facebooking him/her
 - Family hobbies and lifestyle
- Putting together a compelling offer to trade in the existing vehicle and replace it with a new vehicle with little or no increase in installments
- Aim to retain 100% of the customers motoring spend
 - -New vehicle, used vehicle, service and parts
- In 6 weeks: Sold 19 new cars, traded in 19 that became used cars. Sold 13 of the 19 used cars
 - 32 deals that we would never have had
- It is way of developing a plan for every customer and every vehicle.

~~Halfway~~

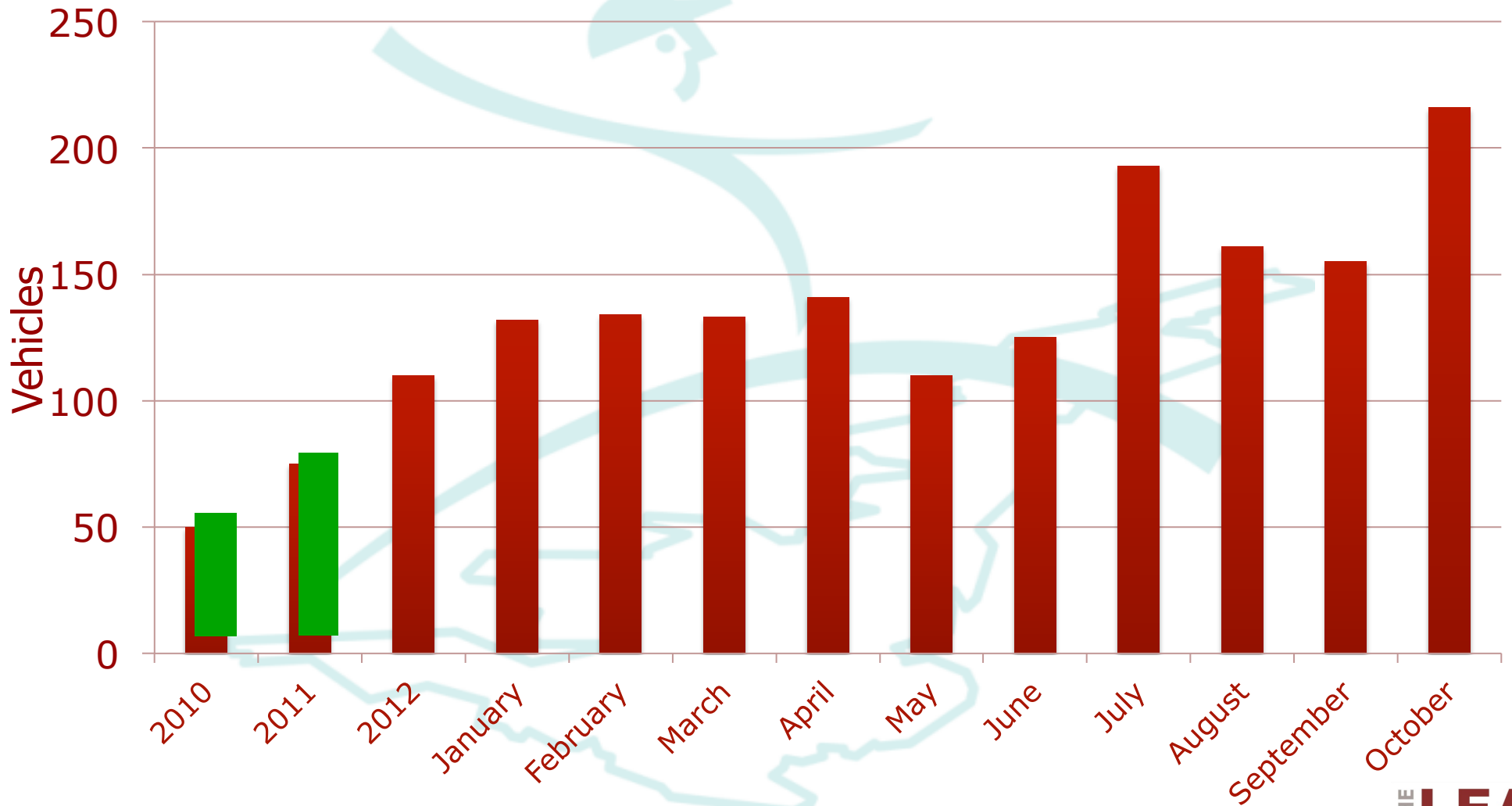
Vehicle Sales



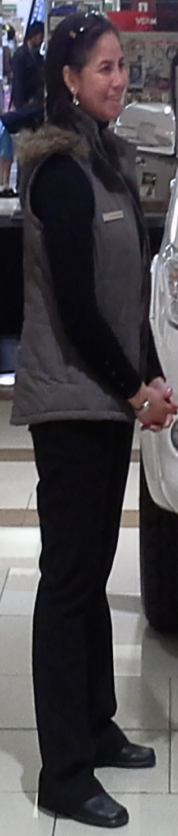
Halfway Toyota Ottery Profit



Sales Performance



Halfway Toyota City
Hypermarket Carers City Road, Chery
Tel: 021 753 9114
www.halfwaytoyota.com



Halfway Toyota City
Hypermarket Carers City Road, Chery
Tel: 021 753 9114
www.halfwaytoyota.com



Halfway

Halfway Toyota Ottery
Hypermarket Centre Ottery Road, Otty
Tel: 021 703 9174
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mobile phones & B

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Sony
Make Believe
lash out!SONY SPERA™ 40
R149
SONY SPERA™ 21
R449
SONY SPERA™ TABLET
R379



Meet the lab rat:



Hypothesis we're testing:

- Selling has a standard process.
- Standard skills needed to qualify, present, handle objections and close.
- With product knowledge.
- And genuine activity.
- And adhering to a standard process, it will result in sales.

HALEY STUART - DAY 10 OF 23 (WEEKLY)

MONTHLY TARGET	MALES	WALK IN	TELEPHONE CALLS	SERVICE CENTER CUSTOMERS	OUTSIDE CALLS	INVENTORY LEADS	FINANCE
315	300	5	10	0	0	0	0
150	50	PRESENTATIONS		65	15		
75	25	APPLICATIONS		33	8		
25	13	APPROVALS		11	+2		
18	4	VEHICLES INVOICED		8	4		
18	3	DELIVERED VEHICLES		8	5		
		RETURN	WALK IN	GAP			
		15	8	15	8		

SALIE PETERSEN - DAY 10 OF 23 (WEEKLY)

MONTHLY TARGET	MALES	WALK IN	TELEPHONE CALLS	SERVICE CENTER CUSTOMERS	OUTSIDE CALLS	INVENTORY LEADS	FINANCE
300	300	0	0	0	0	0	0
100	40	PRESENTATIONS		43	3		60
25	11	APPLICATIONS		11	0		14
16	3	APPROVALS		7	4		13
8	1	VEHICLES INVOICED		3	2		7
8	1	DELIVERED VEHICLES		3	2		7
		RETURN	WALK IN	GAP			
		15	8	15	8		

MELANIE SISSING - DAY 10 OF 23 (WEEKLY)

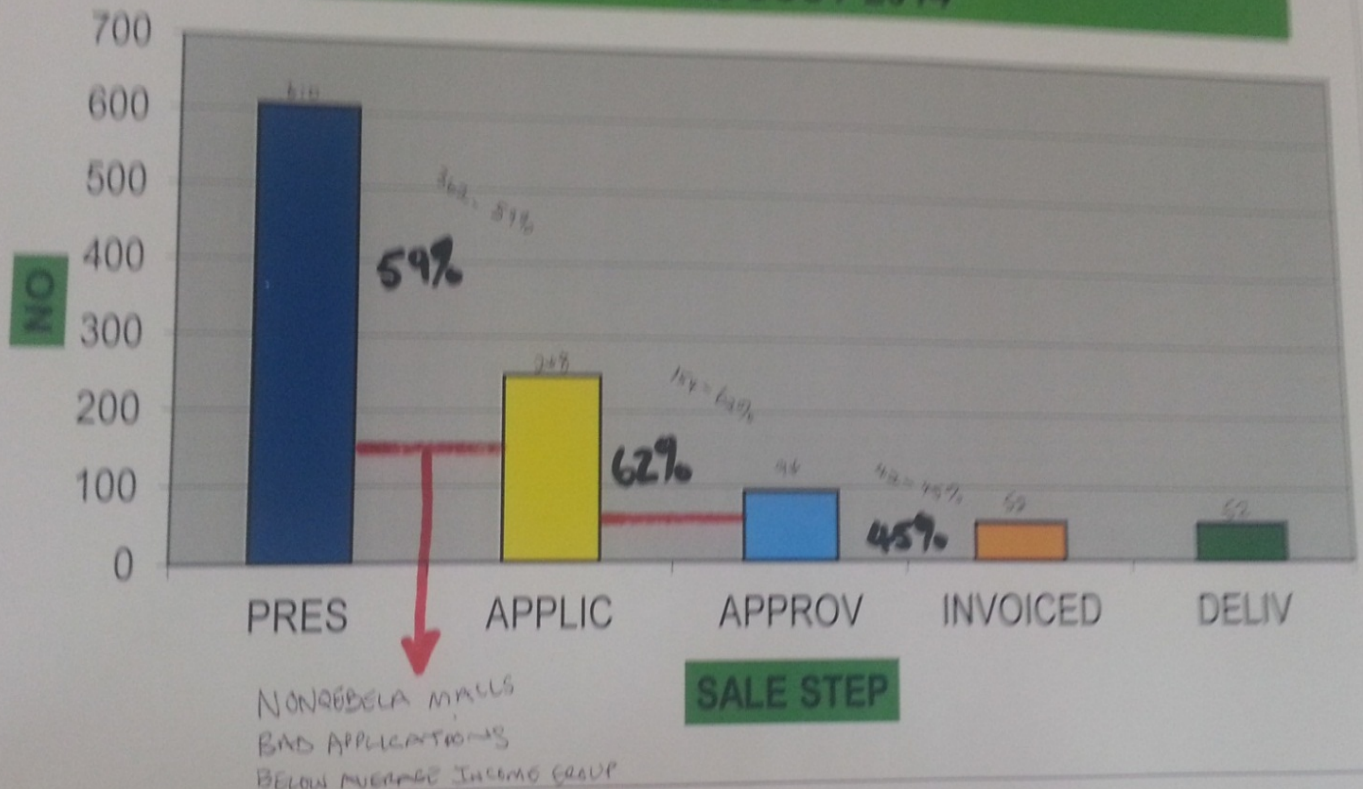
MONTHLY TARGET	MALES	WALK IN	TELEPHONE CALLS	SERVICE CENTER CUSTOMERS	OUTSIDE CALLS	INVENTORY LEADS	FINANCE
300	300	0	0	0	0	0	0
100	36	PRESENTATIONS		43	7		64
25	9	APPLICATIONS		11	2		16
16	3	APPROVALS		7	4		13
6	3	VEHICLES INVOICED		3	0		5
8	3	DELIVERED VEHICLES		3	0		5
		RETURN	WALK IN	GAP			
		15	8	15	8		

ALEX KAMRIS - DAY 10 OF 23 (WEEKLY)

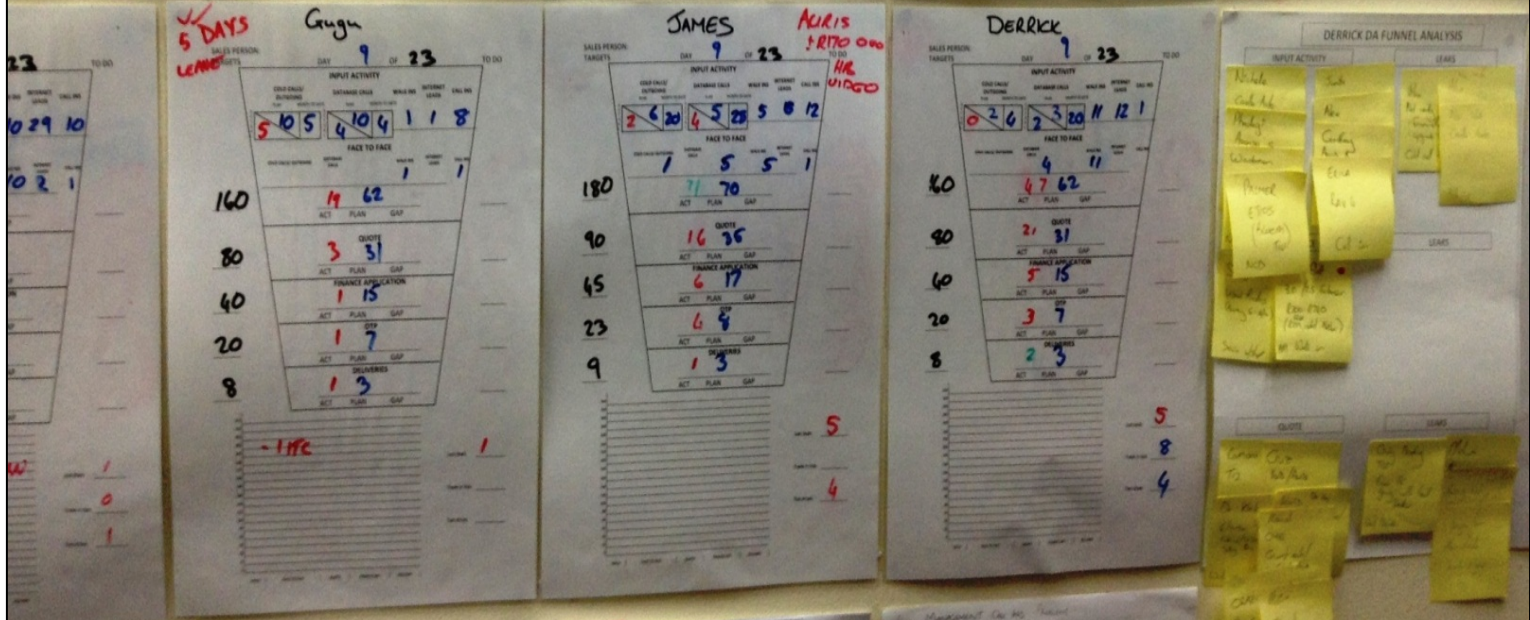
MONTHLY TARGET	MALES	WALK IN	TELEPHONE CALLS	SERVICE CENTER CUSTOMERS	OUTSIDE CALLS	INVENTORY LEADS	FINANCE
700	670	5	20	0	30	0	0
320	70	PRESENTATIONS		139	69		250
160	35	APPLICATIONS		70	35		125
66	14	APPROVALS		29	15		52
22	10	VEHICLES INVOICED		10			12
20	7	DELIVERED VEHICLES		9	2		13
		RETURN	WALK IN	GAP			
		15	8	15	8		

Halfway

HALEY-FUNNEL LEAKAGE ANALYSIS---MARCH TO AUGUST 2014



Halfway



Halfway

DAILY ACTIVITY FUNNEL: **VER 2.**

SALESPERSON: **KELLY ZOGHBY.**

DID NOT BUY:

New leads: Meet & greet, Qualification, Presentation/	[Yellow sticky notes]									
	[Green sticky notes]									
FBI Intro	[Grey sticky notes]									
	[Purple sticky notes]									
QUOTES	[Pink sticky notes]									
	[Light blue sticky notes]									
D.P.	[White sticky notes]									
	[Purple sticky notes]									
Mentorship	[White sticky notes]									
	[Purple sticky notes]									
SALES	[Green sticky notes]									
	[Light blue sticky notes]									

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CONVERSION RATE

29 ÷ 3.9 = 7.43

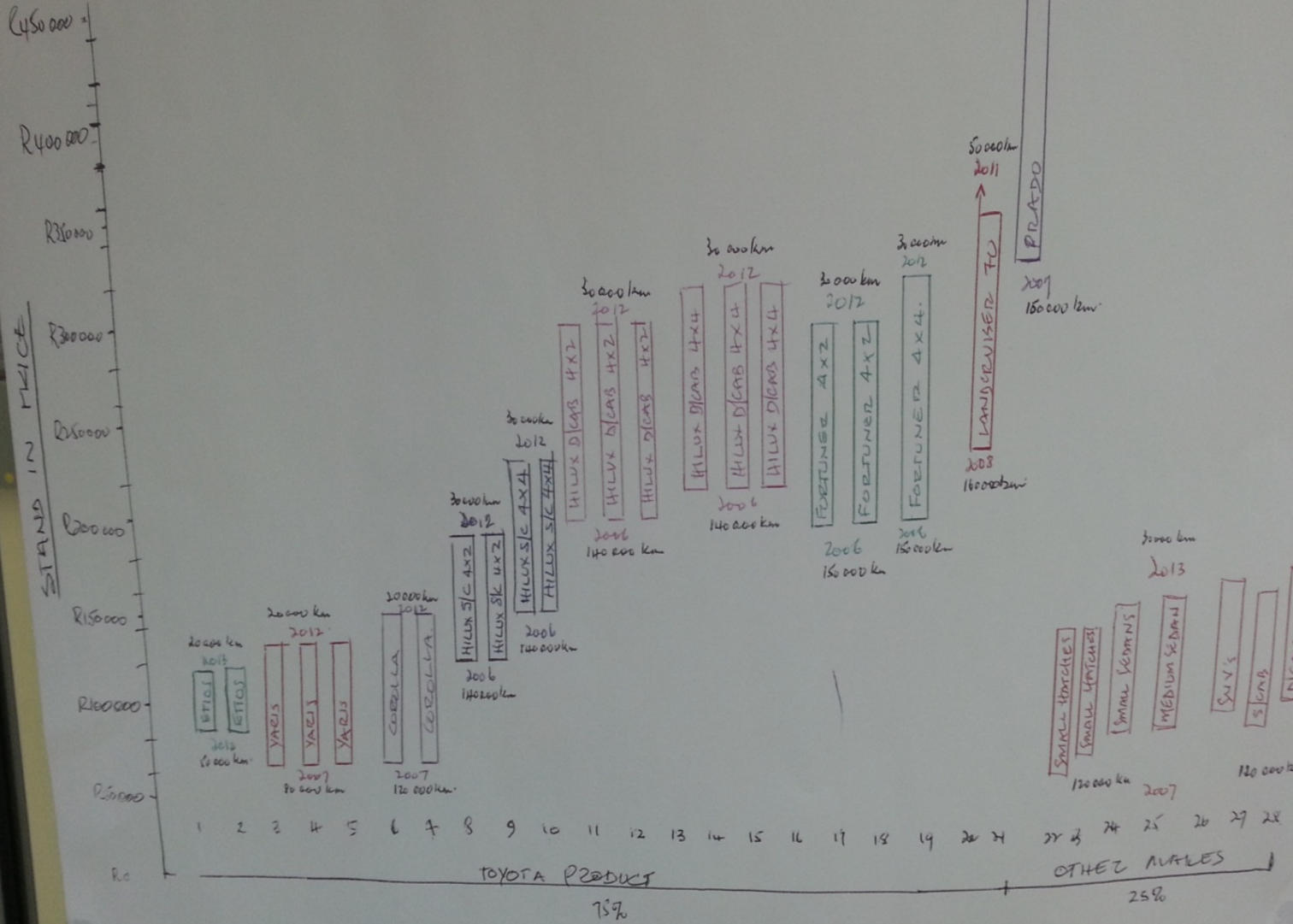
7.43 - 12 = -4.57

GAP: -0.43

Product	[Blue sticky notes]				
	[Pink sticky notes]				
Trade-in	[Pink sticky notes]				
	[Light blue sticky notes]				
Why No	[Pink sticky notes]				
	[Light blue sticky notes]				
Stock	[Light blue sticky notes]				
	[Light blue sticky notes]				
Price	[Light blue sticky notes]				
	[Light blue sticky notes]				
Balance to change	[Light blue sticky notes]				
	[Light blue sticky notes]				
Installment	[Light blue sticky notes]				
	[Light blue sticky notes]				
Price Breakdown	<R5000 OUT	>R5000 OUT	R10000 OUT	R15000 OUT	>R20000 OUT
	<R5000 OUT	>R5000 OUT	R10000 OUT	R15000 OUT	>R20000 OUT
Trade-in Breakdown	<R5000 OUT	>R5000 OUT	R10000 OUT	R15000 OUT	>R20000 OUT
	<R5000 OUT	>R5000 OUT	R10000 OUT	R15000 OUT	>R20000 OUT

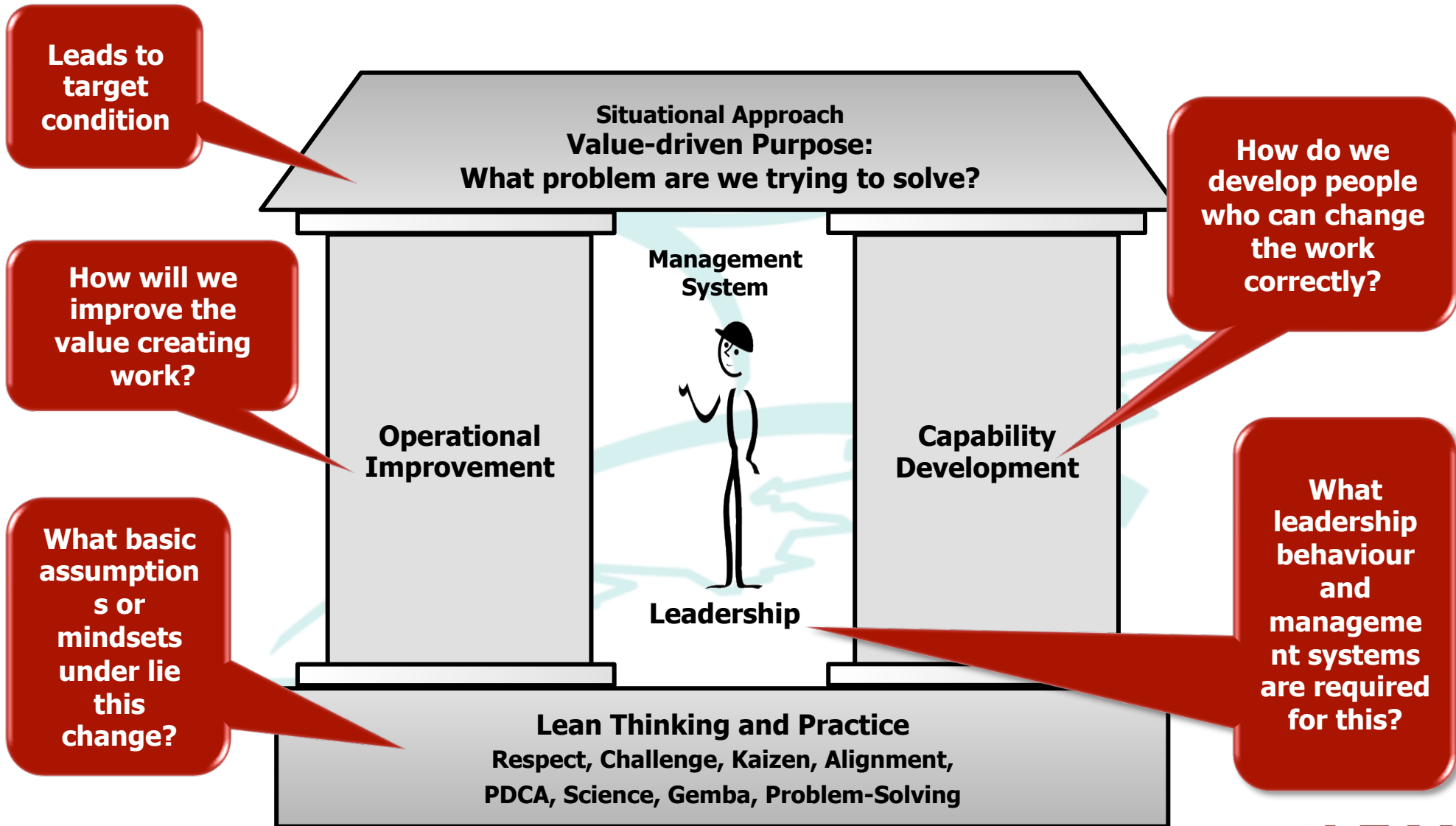
Halfway

THE HALFWAY GEORGE AUTOMARK STOCK PROFILE



Halfway

Lean Transformation Model



The Halfway Purpose

Halfway Team-X Strategy

January 2013 (Version 2)

Our Purpose

Customer Value

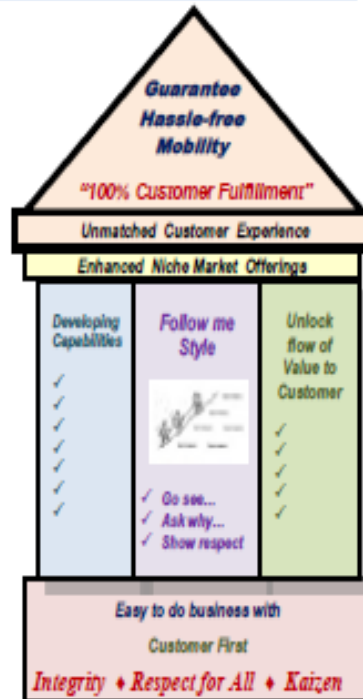
- ✓ Acquiring & Servicing Vehicles
- ✓ Receiving Unmatched Customer Experience
- ✓ 100% Customer fulfilment
- ✓ Right First Time – F.I.R. 100%
On Time – OTIF 100%
Every Time, in less Time
- ✓ Customer convenience & minimum interruption to mobility

Our Goals

- ✓ Net profit (% Turnover) > 5%
- ✓ Absorption (supporting depts) > 100%
- ✓ New Vehicle sales > 8% of TSA dealer sales > 8000 units
- ✓ Used:New ratio 0,75:1 (or 6000 units)
- ✓ Service Retention 80 % of 5 year sales (exc. taxi)
- ✓ Increase share of customers motoring spend

People

- ✓ Develop problem solving capability of managers & Staff
- ✓ Predefine Genchi Gembutsu
 - Asekei
 - GG walk
 - Kaizen reviews
- ✓ Use scientific method to evaluate & analyse GAPs & set experiments (PDCA)
- ✓ Spread Team Leader concept to implement Standard Work
- ✓ Develop capacity – A plan for every person
- ✓ Use questions to encourage focus on "Grasp the Situation", Go to See & PDCA
- ✓ Use A3 to make thinking clear & coach
- ✓ Kaizen (CI) review at regular intervals with each value stream team
- ✓ Develop proficiency in Improvement Kata & Coaching Kata to evolve Halfway Kata
- ✓ Expose staff to Purpose & Process to get alignment & participation in goal setting
- ✓ Develop basic skills proficiency ...Sales: product knowledge, Service : diagnostics, Parts : Interpretation, Used : Valuation, F & I : Getting Finance Approved, Service Advisors: 7 Step Process, Managers : Coaching



Process

- ✓ Stabilise
 - ✓ Make problems visible
 - ✓ Brilliant Basics
 - ✓ Easy to do business with
- Focus on Improving :
- Quality
 - Delivery
 - Controlled compression of Time
- By Service (improve CF to 100% by F.I.R) :
- Schedule predictable work
 - Standard work defined for predictable work
 - Keep high volume predictable work in flow
 - Staggered bookings & hejunks
 - Initiate the service booking
- By Sales (improve CF to 100% by OTIF) :
- Plan for every car (make plan of work visible)
 - Reduce leaks in Sales funnel (standard work in sales process)
 - Plan for every Customer (stage in buying cycle visible)
- Increase Number of Customers
- Focus on defendable underserved niches
 - Reactivate existing database to fill funnel
 - Demonstrate superior skills, knowledge, understanding & visible interest in key niche
 - Expand base by access to Finance

Summary

- What problem are we trying to solve?
- What do we need to improve to get there?
- How do we develop the people?
- What leadership behaviour and management systems are required to do this?
- What thinking style and tools and techniques do we need?





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