

LEA - E-letter – February 2006
No More Lean Excuses

Daniel T Jones

Dear Lean Community Member

I have recently been getting a striking reaction from many senior management audiences. They all agree that products have got vastly better over recent years, but they equally agree that the process of ordering and buying them and getting them serviced has got worse!

They spontaneously tell me that while they love driving their upmarket German premium brand cars, they will not buy another one because of the terrible experiences trying to get them fixed when they go wrong, which they seem to do all too often. Many of them wonder whether they would have the same experience owning a Lexus, built with Toyota's fabled quality levels.

This is in fact a symptom of a deeper problem, from which we can learn a lot. A decade ago as the Japanese car makers began to make serious inroads into world markets, European car makers decided their future lay in coming up with more distinctive designs, adding lots of new technologies, offering a greater range of models and a huge choice of specifications so customers could customise their cars to make them distinctive. Business writers called this mass customisation. For a decade or more it seemed to work. Now the chickens are coming home to roost!

The problem is not with the distinctive designs: when they work they really attract attention, as they do unfortunately when they fail to hit the mark! Adding technology is also not the problem, provided it is thoroughly proven to work flawlessly in the highly demanding environment in which we drive our cars and provided it delivers real value to customers, rather than bewildering complexity. The problem is that we can only really cope with so much choice. As our lives get busier we have less time to deal with all these choices. Beyond a certain point the distinctions between different models and options add little or no value at all.

The real problem is when this complexity begins to negatively impinge on the ownership experience and on the cost base and profits of the producer. It is not difficult to add several thousand pounds of options as you specify your uniquely customised car. However when you come to sell the car, maybe even to the same sales person, you discover that these options make no difference to the trade in price you are offered! This leaves a nasty taste in the mouth and makes you very reluctant to repeat the experience. Next time you will probably choose a brand that offers a package that fits your needs. Although the dealer loves the extra profit on the options, these cars often sit around for much longer waiting for the next owner, tying up capital in the meantime.

However the crunch comes when dealers are expected to fix all the problems on this bewildering array of products and options, fitted with unreliable technologies. There is no way they can diagnose and solve all these problems and order and stock all the required replacement parts. Not surprisingly their ability to complete service and repair jobs right first time on time has fallen from the typical average around 60% to nearer 30%. That means two thirds of customers are frustrated and disappointed! And they tell their friends and relatives.

Extended warranties mean that manufacturers are paying for all this. Almost certainly most of the profits they traditionally make on selling expensive options

and spare parts are now being lost in ballooning warranty costs. Product proliferation is not the way to compete with the new industry leader, Toyota.

The longer term solution is to go back to the lean basics, to embed quality at source into every step in the design and production process and to review the product range and bundle the options. The short term solution is to improve the parts system and dealers' ability to fix today's problems. In *Lean Solutions* we show how the same lean techniques we use in the factory can dramatically improve car dealers' ability to get jobs fixed right first time on time. Toyota is now beginning to roll these techniques across its dealer networks across the world. It is surprising how other manufacturers are blind to improving this most frequent point of contact with their customers. Their future will critically depend on how long they take to follow Toyota's example. Most of them still do not measure the right first time on time experience of their customers.

Yours sincerely
Daniel T Jones
Chairman, Lean Enterprise Academy

PS. We are getting a very enthusiastic reaction to our first LEA workbook *Breaking Through to Flow* by Ian Glenday. Our next workshops on March 29-31 include *Breaking Through to Flow* and *Planning a Lean Transformation* by Ian Glenday, *Mapping Your Processes and Creating Level Pull* by Dave Brunt as well as *Lean Product Development* by Jim Luckman and *Seeing the Whole* by David Taylor. Full details on www.leanuk.org.